



POWERED BY PURPOSE

2025

ANNUAL REPORT

# Principles Powered By Purpose

Sunflower Electric Power Corporation is grounded in integrity, accountability, and a commitment to delivering world-class service to our members. As a member-owned wholesale electric generation and transmission utility, our governance is rooted in the **seven cooperative principles**, which guide decisions, shape our culture, and inspire employees and members to contribute to our success. By adhering to these principles, Sunflower operates with transparency, responsibility, and a focus on supporting employees and serving members.



## Voluntary and Open Membership

We believe in the power of voluntary and open membership, welcoming new members into our cooperative family, and extending benefits of cooperative ownership to all eligible entities.



## Democratic Member Control

Central to our identity is democratic member control, which distinguishes cooperatives from other business models. Through our democratically elected board of directors, representing each member distribution utility, we ensure accountability, transparency, and strong leadership.



## Member Economic Participation

At Sunflower, our members actively participate in economic decisions and democratically manage Sunflower's capital. Excess revenues are used to strengthen the organization, build reserves, and proportionately benefit our members.



## Autonomy and Independence

As a self-regulating cooperative, we operate autonomously and independently, free from external oversight. Our democratically elected board of directors provides local oversight, allowing us the flexibility to adjust rates and policies as needed to serve our members effectively.



## Education, Training, and Information

We prioritize education, training, and information-sharing. Through partnerships with industry organizations and ongoing communication efforts, we ensure our employees and members are informed and engaged in cooperative governance and decision-making.



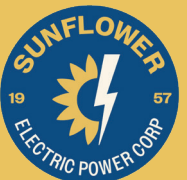
## Cooperation Among Cooperatives

Collaboration is fundamental to our cooperative ethos. We support each other during outages and work closely with national and state cooperatives to advocate for policies and regulations that support our members and promote the cooperative philosophy.



## Concern for Community

Sunflower remains committed to our communities, actively supporting local initiatives, educational programs, and charitable organizations to help enhance the quality of life for all throughout our service territory.



## Culture Statement

At our core, we are all servant leaders, focusing on the growth and well-being of one another and the communities to which we belong. We commit to consistently treating one another exceptionally well and providing world-class service to each other, our members, and those they serve by adhering to our shared **TRAITS**: Technical competency, Respect, Accountability, Integrity, Trustworthiness, Safety

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**Built for change. Driven by purpose.** As the energy landscape evolves, so do the opportunities and challenges before us. What remains constant is our commitment to supplying reliable wholesale power that empowers our members to serve consumers in central and western Kansas. Through innovation, adaptability, and investment in our people, Sunflower continues to serve our members with intention and purpose.

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# Board of Directors



**Kenny Wehkamp**  
Chairman  
Victory



**Josh Young**  
Vice Chairman  
Wheatland



**Sandra Benoit**  
Director  
Prairie Land



**Mike Brewer**  
Director  
Pioneer/S. Pioneer



**Lindsay Campbell**  
Director  
Pioneer/S. Pioneer



**Kirk Girard**  
Director  
Prairie Land



**Dick Jennison**  
Director  
Lane-Scott



**Shane Laws**  
Director  
Victory



**Richard McLeon**  
Director  
Lane-Scott



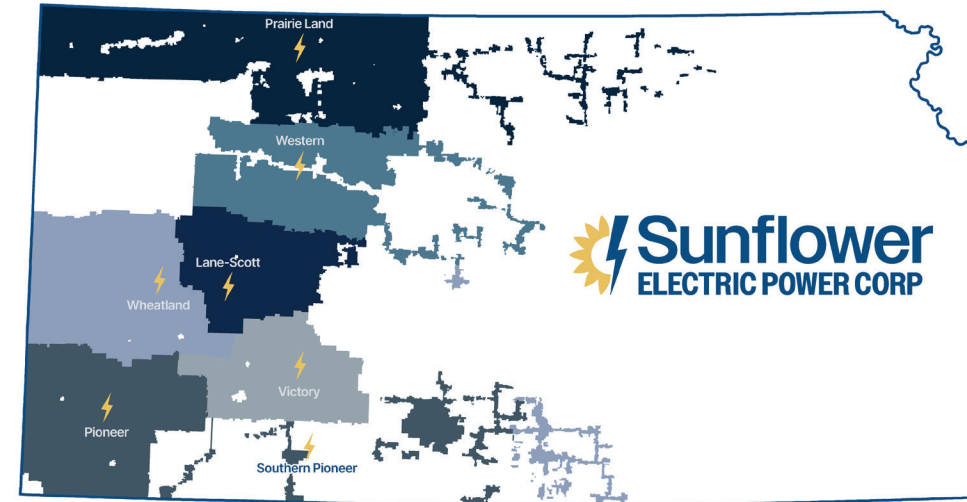
**Bruce Mueller**  
Director  
Wheatland



**Nolan Numrich**  
Director  
Western



**Nick Zerr**  
Director  
Western



**Steve Epperson**  
President and Chief  
Executive Officer



**Kenny Wehkamp**  
Board Chairman

# Executive Report

At Sunflower, 2025 was a year defined by progress, adaptability, and a shared commitment to what matters most. In an industry that continues to evolve at a rapid pace, our employees, leadership team, and board of directors remained focused on delivering reliable, affordable power while preparing for the future. That focus, steady and intentional, reflects how we operate every day, grounded in purpose and driven by service to our members.

Across the organization, our teams responded to ongoing changes in the energy landscape with flexibility and forward thinking. New technologies, shifting market dynamics, and increasing demand continue to reshape how we plan and operate our system. Through it all, Sunflower employees demonstrated the expertise and resilience needed to adapt; ensuring our generation and transmission assets remain reliable while positioning us for long-term success.

### Leadership and Governance for the Future

Strong governance and leadership remain essential to navigating this changing environment. In 2025, we welcomed new perspectives to the Sunflower Board of Directors with the addition of Josh Young, representing Wheatland, and Nick Zerr, representing Western. Both bring valuable experience, deep community ties, and a commitment to cooperative principles that will help guide Sunflower forward.

We also recognize a significant leadership transition with the retirement of longtime director and Board Chairman Wes Campbell. Over his ten years of service on the Sunflower board, including his tenure as chairman, Wes provided thoughtful leadership and a steadfast commitment to our members and communities. His contributions helped shape Sunflower's direction and strengthen the cooperative for the future. We extend our sincere appreciation for his dedication and service.

Following this transition, Kenny Wehkamp, representing Victory, was elected chairman of the board. With decades of cooperative leadership experience and strong roots in rural Kansas, Kenny brings a deep understanding of the role reliable, affordable electricity plays in supporting our region. His leadership will help ensure continuity as we build on a strong foundation and continue to adapt to the evolving needs of our members.

As we look ahead, the challenges and opportunities facing our industry are abundant. The path forward will require thoughtful planning, disciplined investment, and a continued willingness to adapt. At Sunflower, we are confident in our people, our strategy, and our purpose. Together, we will continue to move forward by delivering value to our members and powering our local communities.



### Purpose

To make lives better  
in rural Kansas



### Mission

To build a stronger, brighter future  
by providing member-driven,  
world-class service



### Vision

Empowering Employees,  
Powering Members

# Financial Strength, Strategic Growth

Sunflower continued building a strong financial foundation to support long-term growth and reliable service. A key milestone was completing a \$175 million private placement in July, providing flexible, long-term financing for capital expansion. This followed the implementation of a \$75 million bilateral line of credit and the development of a comprehensive long-range financial plan, resulting in an A+ Fitch credit rating. These achievements reflect disciplined planning, strong financial management, and a commitment to keeping member rates competitive.

33%

## Equity to Assets

Strong equity signifies a healthy financial position, enabling easier access to capital for growth and expansion.

\$21.3  
million

## Net Margins

Robust margins are essential as they ensure sustainable financial health, enabling us to fulfill our social and economic objectives and support our members.

\$12  
million

## Member Patronage

Returning cash to members reinforces our commitment to shared prosperity and equitable distribution of earnings.

### Audit, Compliance, and Risk Integration

Sunflower also maintained its record of financial integrity. The annual audit and transmission formula-based rate filing were completed without formal challenges, underscoring robust internal controls and transparency. Risk management was fully integrated into the company's enterprise service management (ESM) platform, linking strategy and risk in a single platform to enhance decision-making and maintain a consistent view of organizational priorities.

### Optimizing Operations and Rates

A comprehensive cost-of-service and rate design study led to updates in the coincident peak demand charge, effective January 1, 2026, ensuring rates reflect system needs and member value. On the legislative front, staff partnered with our members, Kansas Electric Cooperatives, and other stakeholders to help revise the state's parallel generation statute and then implemented updated retail parallel generation tariffs.

### Innovation in Project Management

To improve efficiency, Sunflower transitioned to a new project management system, streamlining more than 60 active projects from 69 steps to just 13. The platform enhances workflows for large load interconnections, member updates, and cross-departmental work management.

Together, these initiatives demonstrate how Sunflower's financial team drives value, strengthens resilience, and enables strategic growth. By combining prudent planning, disciplined investment, and operational innovation, we are building strong financial foundations, empowering our members, and advancing our mission with purpose in every decision.



Kevin Marquez, unit operator trainee, gears up for work at Holcomb Station.

# Generation Built to Deliver, Designed to Adapt

At Sunflower, power generation is more than delivering electricity; it's a commitment to reliability, innovation, and service to our members. In 2025, that commitment was evident across our generation fleet as we strengthened existing assets, advanced new resources, and adapted to an evolving energy landscape.

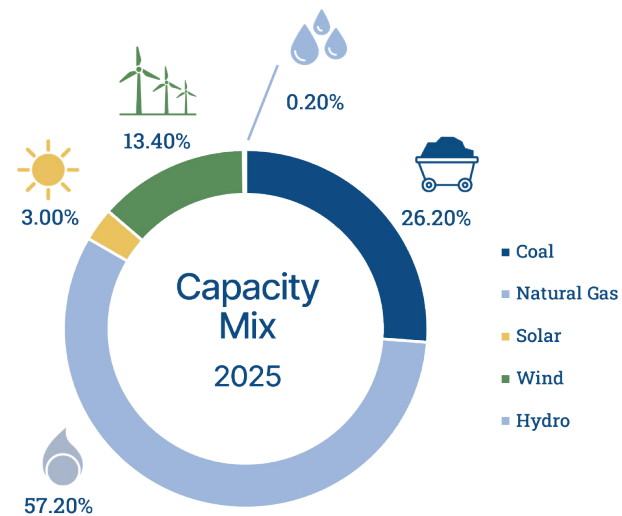
## Expanding Renewable Energy

In 2025, Sunflower achieved a major milestone with the completion of construction at the Russell Solar project. The 20-megawatt facility represents our continued investment in renewable energy and marks an important step forward as a Sunflower-owned and operated solar resource. With initial operations supported by an experienced partner, the project is designed for a seamless transition to full in-house operation, enhancing our long-term capabilities while delivering clean, reliable energy to our members.

Construction also progressed on Boot Hill Solar, a unique project leveraging surplus interconnection service to accelerate development timelines. By utilizing existing transmission interconnection infrastructure at our Fort Dodge Generation Station's site, this innovative approach reduces costs and expedites delivery. The project is expected to reach commercial operation in early 2026, further diversifying our generation portfolio and strengthening our renewable energy strategy.

## Investing in the Future of Dispatchable Generation

As part of our commitment to reliability, Sunflower is preparing to replace the aging Clifton 1 generating unit with new



combustion turbine technology. Clifton's current accredited capacity is approximately 70 MW; the planned installation of three advanced turbines will increase total capacity to approximately 96 MW, delivering meaningful incremental growth while improving efficiency and operational flexibility. This investment ensures we can continue to meet peak demand and respond to system needs with dependable, dispatchable resources for years to come.

## Enhancing Grid Reliability Through Innovation

In regions with significant wind generation, maintaining voltage and system stability is increasingly important. In 2025, Sunflower completed a synchronous condenser project at our Fort Dodge facility, providing critical reactive power and voltage support to southwest Kansas. This flexible resource can operate in synchronous condenser mode or switch to power generation when needed, offering a valuable tool to maintain grid reliability in a rapidly changing energy environment.

## Responding to Changing Market Demands

The evolving dynamics of the Southwest Power Pool (SPP) Integrated Marketplace continue to shape how and when our generation resources operate. In recent years, we experienced a notable increase in reliability unit commitment (RUC) events, as SPP calls on our units more frequently to ensure reliability during periods of high demand or constrained supply. These trends, particularly following extreme weather events and evolving accreditation requirements, underscore the ongoing importance of maintaining a resilient and responsive generation fleet.

## Maintaining Strong, Reliable Assets

Planned maintenance remains a cornerstone of our generation strategy. In 2025, we completed a major turbine inspection and repair outage at Great Bend Unit 3, addressing critical components to ensure continued performance and reliability. Additional scheduled outages across our fleet allowed us to proactively maintain equipment, minimize the risk of forced outages, and extend the life of key assets.

From advancing renewable energy to reinforcing system reliability, Sunflower's generation efforts in 2025 reflect a balanced, forward-looking approach. We continue to invest in our assets and adapt to a changing grid. It's how we supply reliable power and lasting value—powered by purpose.

# Generation and Transmission Assets

Sunflower's assets have changed over time to meet the needs of our members. Asset decisions are based on what is in the best interest of our members and those they serve.



Total Megawatts (MW):  
1,295.3 MW

Transmission Line:  
2,479.51 miles



## Garden City S2

Nameplate: 98 MW  
Fuel: Natural Gas  
Type: Intermediate, Steam Turbine (ST)  
Placed into service: 1973



## Garden City S4

Nameplate: 71 MW  
Fuel: Natural Gas  
Type: Peaking, Combustion Turbine (CT)  
Placed into service: 1976



## Garden City S5

Nameplate: 71 MW  
Fuel: Natural Gas  
Type: Peaking, Combustion Turbine (CT)  
Placed into service: 1979



## Cimarron River 1

Nameplate: 50 MW  
Fuel: Natural Gas  
Type: Intermediate, Steam Turbine (ST)  
Placed into service: 1963



## Holcomb 1

Nameplate: 349 MW  
Fuel: PRB Coal  
Type: Baseload, Steam Turbine (ST)  
Placed into service: 1983



## Smoky Hills Wind Farm

PPA: 74 MW  
Fuel: Wind  
Type: Intermittent  
Placed into service: 2008



## WAPA Hydro

PPA: 2.3 MW  
Fuel: Water  
Effective date: 1989



## Rubart Station

Nameplate: 120 MW  
Fuel: Natural Gas  
Type: Peaking, Internal Combustion Engines  
Placed into service: 2014



## Fort Dodge 4

Nameplate: 149 MW  
Fuel: Natural Gas  
Type: Intermediate, Steam Turbine (ST)  
Placed into service: 1969



## Clifton 1

Nameplate: 85 MW  
Fuel: Natural Gas  
Type: Peaking, Combustion Turbine (CT)  
Placed into service: 1974



## Great Bend 3

Nameplate: 82 MW  
Fuel: Natural Gas  
Type: Intermediate, Steam Turbine (ST)  
Placed into service: 1963



## Shooting Star Wind Project

PPA: 104 MW  
Fuel: Wind  
Type: Intermittent  
Placed into service: 2012



## Johnson Corner Solar Project

PPA: 20 MW  
Fuel: Solar  
Type: Intermittent  
Placed into service: 2020



## Russell Solar

Nameplate: 20 MW  
Fuel: Solar  
Type: Intermittent  
Placed into service: 2025

# Strengthening Transmission, Delivering Long-Term Value

In 2025, Sunflower's transmission team remained focused on delivering reliable service while navigating a rapidly evolving energy landscape. As demand grows and system complexity increases, our approach centers on thoughtful planning, strong execution, and a commitment to our members, ensuring every decision creates long-term value.

A key achievement this year was the continued success of our internal restructuring, which prioritized in-house engineering, procurement, and construction. By improving team culture, openness, transparency, and collaboration, Sunflower transmission operations reduced reliance on outside consultants and focused on member-driven and essential system projects, which delivered approximately \$20 million in cost savings over 2024 and 2025 combined. This disciplined approach lowers costs, strengthens internal expertise, and enhances our ability to respond quickly to system needs.

Delivering safe, reliable transmission power remains our highest responsibility. We operate and maintain our system with an uncompromising focus on safety while advancing a disciplined, long-range approach to asset management and system modernization. In 2025, we prioritized substation upgrades and life-extension maintenance, including focused work on transformers, breakers, relays, and meter stations, along with targeted capital replacements using modern equipment. These efforts, combined with proactive inspection programs and developing a long-range plan for key assets, strengthen reliability, improve lifecycle management, and position our system to meet future demands.

Sunflower also achieved a major regulatory milestone with the approval of the C1 cost allocation change at the Federal Energy Regulatory Commission (FERC). After years of driving innovative cost allocation enhancements and influencing SPP leadership and stakeholders, our advocacy efforts resulted in a reduction in member costs for certain transmission

projects—from about 67% to 7%—better aligning costs with true cost causation. This represents a long-term win and reflects Sunflower's leadership in pursuing fair, equitable cost allocation across the Southwest Power Pool (SPP) region.

## Planning for Growth and Reliability

SPP's 2025 Integrated Transmission Planning (ITP) process highlighted the scale of investment needed across the region, identifying approximately \$9 billion in future transmission projects driven largely by increasing demand and the growth of large energy users. While no new projects were assigned within Sunflower's footprint this cycle, we anticipate future opportunities as load development continues.

One critical project already identified in the 2024 ITP is the Holcomb-to-Sidney 345 kV transmission line, designed to strengthen north-to-south transfer capability and improve reliability during extreme weather. This project addresses lessons from past events and enhances the grid's ability to move power where and when it is needed most.

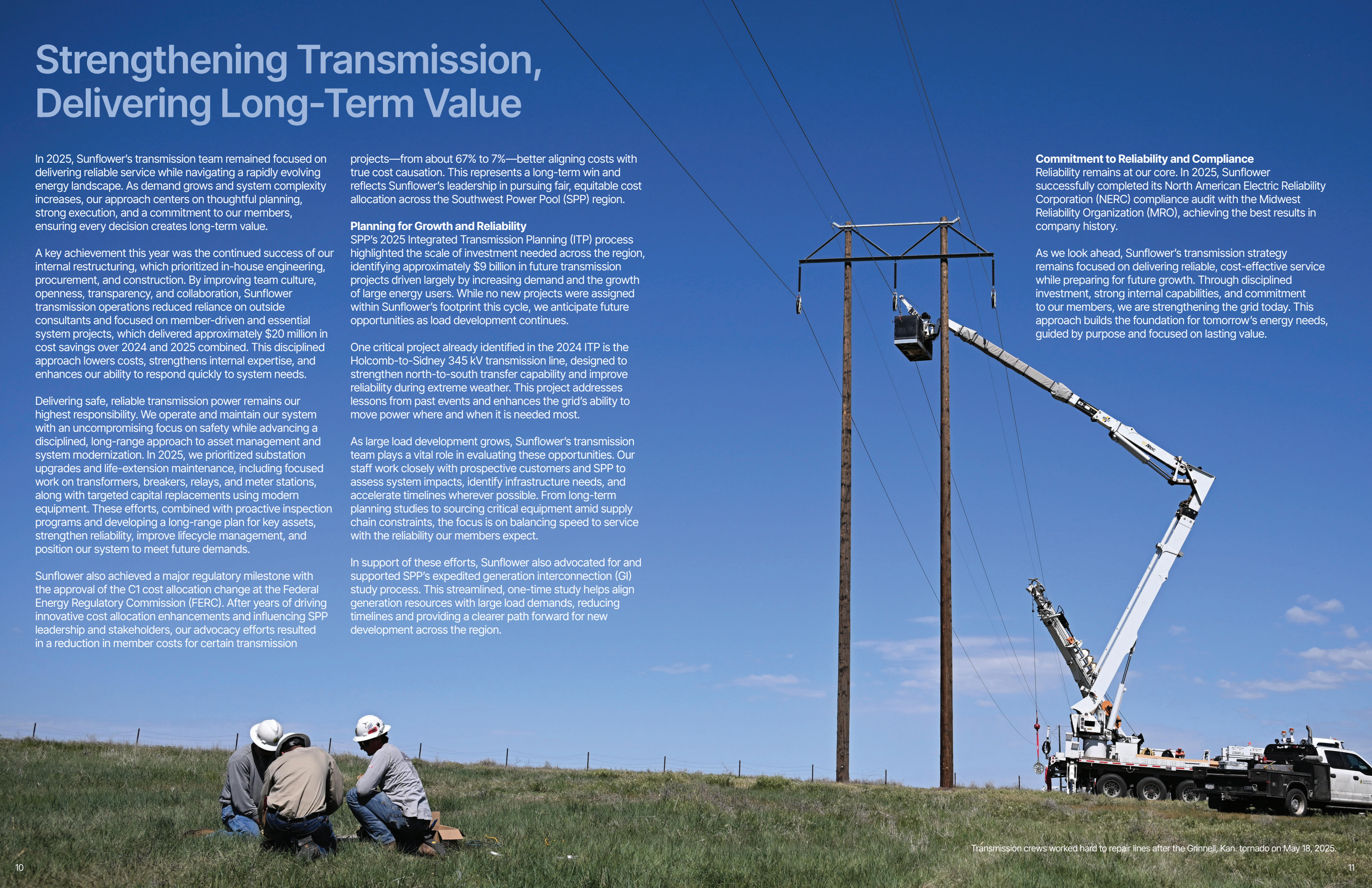
As large load development grows, Sunflower's transmission team plays a vital role in evaluating these opportunities. Our staff work closely with prospective customers and SPP to assess system impacts, identify infrastructure needs, and accelerate timelines wherever possible. From long-term planning studies to sourcing critical equipment amid supply chain constraints, the focus is on balancing speed to service with the reliability our members expect.

In support of these efforts, Sunflower also advocated for and supported SPP's expedited generation interconnection (GI) study process. This streamlined, one-time study helps align generation resources with large load demands, reducing timelines and providing a clearer path forward for new development across the region.

## Commitment to Reliability and Compliance

Reliability remains at our core. In 2025, Sunflower successfully completed its North American Electric Reliability Corporation (NERC) compliance audit with the Midwest Reliability Organization (MRO), achieving the best results in company history.

As we look ahead, Sunflower's transmission strategy remains focused on delivering reliable, cost-effective service while preparing for future growth. Through disciplined investment, strong internal capabilities, and commitment to our members, we are strengthening the grid today. This approach builds the foundation for tomorrow's energy needs, guided by purpose and focused on lasting value.



Transmission crews worked hard to repair lines after the Grinnell, Kan. tornado on May 18, 2025.

# People First. Purpose Always.

A strong, resilient organization starts with the people behind it. Across Sunflower, employees bring expertise, commitment, and sense of purpose that power our ability to serve members and communities every day. In 2025, that focus remained clear as we continued investing in our workforce and strengthening our culture.

## Developing Talent and Supporting Growth

Sunflower welcomed 32 new employees and celebrated 44 internal promotions across the organization. These promotions reflect the strength of our internal talent and our commitment to developing from within. Continued investment in employee education, training, and leadership development created opportunities for growth while ensuring our workforce remains ready to meet evolving demands.

A key priority in 2025 was ensuring our workforce is sized and structured to effectively serve our members, both today and into the future. With board approval, Sunflower increased its regular budgeted headcount to 452 positions. This adjustment allowed us to respond to emerging operational needs while continuing to invest in our people and support long-term reliability.

Community is more than something we serve. It is something we actively support. Through Sunflower's Community Service Leave program, 123 employees volunteered a total of 1,372.6 paid hours to organizations and causes across rural Kansas. From coaching youth teams to supporting local nonprofits and schools, these efforts reflect the cooperative principle of concern for community and demonstrate the meaningful impact our employees make beyond the workplace.



32  
new  
employees

44  
internal  
promotions

1,372  
hours  
volunteered



## Safety and Reliability

Safety remains a core value and a shared responsibility. While we maintained a low incident rate in 2025, we continue to focus on improvement. Efforts are underway to strengthen employee engagement, enhance safety training, and reinforce the role of supervisors in maintaining a safe work environment. These actions support a culture where safety is embedded in every task and every decision.

Investing in people is essential to delivering on our mission. By supporting growth, encouraging service, and maintaining a strong culture of safety and reliability, we continue moving forward with intention, grounded in purpose and committed to those we serve.



1. Sunflower and member cooperative staff group photo at Sunflower's 2025 Safety Summit in Dodge City, Kan.
2. Diane Stiles, Kayla Hickel, and Annie Erbert review data.
3. LeRoy Villaneuva relocates a spool in the Garden City warehouse.
4. Connor Phelan, Jacob Keener, and Thomas McElroy used community service leave to volunteer at the Special Olympics in Hays, Kan.
5. Thomas Ortiz presented fire safety tips at a local elementary school.
6. Caity Frazer and Myron Stenzel audit a service territory map.

## Independent Auditor's Report

Board of Directors  
Sunflower Electric Power Corporation and Subsidiaries  
Hays, Kansas

### **Opinion**

We have audited the combined financial statements of Sunflower Electric Power Corporation and Subsidiaries (Sunflower), which comprise the combined balance sheets as of December 31, 2025 and 2024 and the related combined statements of operations – comprehensive income, member and patron capital, and cash flows for the years then ended and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Sunflower as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Sunflower and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunflower's ability to continue as a going concern within one year after the date that these combined financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sunflower's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunflower's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Forvis Mazars, LLP**

**Oklahoma City, Oklahoma  
March 24, 2026**

**Sunflower Electric Power Corporation and Subsidiaries**  
**Combined Balance Sheets**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Utility Plant</b>		
Net utility plant	\$ 774,019,373	\$ 722,772,145
Land held for future use	3,193,843	3,193,843
Construction work in progress	68,998,351	39,923,287
<b>Total Utility Plant</b>	<u>846,211,567</u>	<u>765,889,275</u>
<b>Investments and Other Assets</b>		
Capital term certificates of the National Rural Utilities Finance Corporation	6,344,364	6,694,144
Investments in other associated organizations	10,739,823	10,597,735
<b>Total Investments and Other Assets</b>	<u>17,084,187</u>	<u>17,291,879</u>
<b>Current Assets</b>		
Cash and cash equivalents	38,537,315	21,336,989
<b>Accounts Receivable</b>		
Member	23,038,435	18,651,324
Other	13,885,914	7,703,049
<b>Total Accounts Receivable</b>	<u>36,924,349</u>	<u>26,354,373</u>
<b>Inventories</b>		
Fuel	5,951,905	9,262,817
Materials and supplies	27,923,423	25,682,297
<b>Total Inventories</b>	<u>33,875,328</u>	<u>34,945,114</u>
Prepayments and other current assets	4,644,505	4,198,722
Regulatory assets, current	15,328,733	12,653,492
<b>Total Current Assets</b>	<u>129,310,230</u>	<u>99,488,690</u>
<b>Other Long-Term Assets</b>		
Restricted cash – escrowed funds	406,370	390,557
Regulatory assets	30,188,628	26,098,087
Deferred charges	21,420,221	58,086,639
<b>Total Long-Term Assets</b>	<u>52,015,219</u>	<u>84,575,283</u>
<b>Total Assets</b>	<u>\$ 1,044,621,203</u>	<u>\$ 967,245,127</u>

**Sunflower Electric Power Corporation and Subsidiaries**  
**Combined Balance Sheets**  
**December 31, 2025 and 2024**

(Continued)

	<u>2025</u>	<u>2024</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Member and Patron Capital</b>		
Memberships	\$ 890	\$ 890
Donated capital	8,604,989	8,604,989
Accumulated surplus	323,471,742	314,195,005
Accumulated other comprehensive income	13,499,063	9,142,486
<b>Total Member and Patron Capital</b>	<u>345,576,684</u>	<u>331,943,370</u>
<b>Long-Term Debt</b>		
Long-term obligations, less current maturities	568,109,797	424,625,347
Less unamortized debt issuance costs	(2,625,836)	(1,655,361)
<b>Total Long-Term Debt</b>	<u>565,483,961</u>	<u>422,969,986</u>
<b>Total Capitalization</b>	<u>911,060,645</u>	<u>754,913,356</u>
<b>Current Liabilities</b>		
Line of credit	-	100,000,000
Current maturities of long-term debt	31,515,550	25,272,054
Current portion of finance lease liability	956,583	883,080
Current portion of operating lease liability	328,162	256,523
Accounts payable	18,211,807	13,770,414
Accrued taxes other than income taxes	5,301,595	5,443,640
Accrued interest payable	1,106,235	1,353,348
Other accrued expenses	7,531,582	6,836,431
Regulatory liabilities, current	6,191,054	4,800,131
<b>Total Current Liabilities</b>	<u>71,142,568</u>	<u>158,615,621</u>
<b>Other Long-Term Liabilities</b>		
Deferred credits	24,110,598	13,089,856
Regulatory liabilities	7,913,837	6,893,960
Finance lease liability, less current portion	7,748,077	8,704,662
Operating lease liability, less current portion	2,497,409	909,157
Other long-term liabilities	20,148,069	24,118,515
<b>Total Other Long-Term Liabilities</b>	<u>62,417,990</u>	<u>53,716,150</u>
<b>Total Capitalization and Liabilities</b>	<u>\$ 1,044,621,203</u>	<u>\$ 967,245,127</u>

**Sunflower Electric Power Corporation and Subsidiaries**  
**Combined Statements of Operations – Comprehensive Income**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Member sales	\$ 287,288,835	\$ 256,480,061
Nonmember power sales	10,595,769	18,123,305
Other operating revenue	36,528,622	35,486,763
<b>Total Operating Revenues</b>	<u>334,413,226</u>	<u>310,090,129</u>
<b>Operating Expenses</b>		
Operations		
Production and other power supply	140,909,051	129,769,321
Transmission	25,959,100	25,237,866
Maintenance		
Production	39,047,623	39,443,321
Transmission	6,238,727	6,298,249
Administrative and general	35,914,352	34,184,201
Depreciation and amortization	41,499,832	40,363,740
<b>Total Operating Expenses</b>	<u>289,568,685</u>	<u>275,296,698</u>
<b>Electric Operating Margin</b>	<u>44,844,541</u>	<u>34,793,431</u>
<b>Interest and Other Deductions</b>		
Interest expense, less amounts capitalized during construction of \$1,749,431 and \$1,210,339 in 2025 and 2024, respectively	26,603,799	23,401,392
Other deductions	498,027	666,371
<b>Total Interest and Other Deductions</b>	<u>27,101,826</u>	<u>24,067,763</u>
<b>Operating Margin</b>	<u>17,742,715</u>	<u>10,725,668</u>
<b>Other Income</b>		
Interest income	1,902,853	2,370,937
Other income	1,631,169	1,723,768
<b>Total Other Income</b>	<u>3,534,022</u>	<u>4,094,705</u>
<b>Net Margin</b>	<u>21,276,737</u>	<u>14,820,373</u>
<b>Other Comprehensive Income</b>		
Net gain arising during the year on pension and OPEB obligations	4,356,577	2,515,700
<b>Comprehensive Income</b>	<u>\$ 25,633,314</u>	<u>\$ 17,336,073</u>

**Sunflower Electric Power Corporation and Subsidiaries**  
**Combined Statements of Member and Patron Capital**  
**Years Ended December 31, 2025 and 2024**

	<u>Memberships</u>	<u>Donated Capital</u>	<u>Accumulated Surplus</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
<b>Balance, January 1, 2024</b>	\$ 890	\$ 8,604,989	\$ 311,374,632	\$ 6,626,786	\$ 326,607,297
Net margin	-	-	14,820,373	-	14,820,373
Patronage capital retirement	-	-	(12,000,000)	-	(12,000,000)
Other comprehensive income					
Net gain arising during the year on pension and OPEB obligations	-	-	-	2,515,700	2,515,700
<b>Balance, December 31, 2024</b>	890	8,604,989	314,195,005	9,142,486	331,943,370
Net margin	-	-	21,276,737	-	21,276,737
Patronage capital retirement	-	-	(12,000,000)	-	(12,000,000)
Other comprehensive income					
Net gain arising during the year on pension and OPEB obligations	-	-	-	4,356,577	4,356,577
<b>Balance, December 31, 2025</b>	<u>\$ 890</u>	<u>\$ 8,604,989</u>	<u>\$ 323,471,742</u>	<u>\$ 13,499,063</u>	<u>\$ 345,576,684</u>
<b>Operating Activities</b>			<u>2025</u>	<u>2024</u>	
Net margin			\$ 21,276,737	\$ 14,820,373	
Adjustments to reconcile net margin to net cash provided by operating activities					
Depreciation and amortization			40,434,143	38,579,688	
Amortization of finance ROU assets			1,065,689	1,065,688	
Amortization of unrecovered plant and property losses			-	718,364	
Amortization of deferred charges			5,481,015	3,194,838	
Amortization of regulatory assets			12,653,492	9,450,002	
Amortization of debt issuance costs			118,808	100,654	
Patronage capital credits allocated			(648,129)	(550,953)	
Asset retirement obligation accretion			174,106	165,029	
Changes in					
Accounts receivable			(1,236,046)	(2,781,396)	
Inventories			(1,985,262)	(7,070,570)	
Prepayments and other current assets			(445,783)	1,569,507	
Regulatory assets			(19,399,059)	(16,679,455)	
Deferred charges			(15,575,376)	(41,280,370)	
Accounts payable			4,137,527	(3,657,676)	
Accrued liabilities			11,326,735	(7,930,859)	
Regulatory liabilities			2,410,800	(3,502,550)	
Other long-term liabilities			212,025	1,290,888	
<b>Net Cash Provided by (Used in) Operating Activities</b>			<u>60,001,422</u>	<u>(12,498,798)</u>	
<b>Investing Activities</b>					
Utility plant expenditures			(80,625,942)	(54,509,595)	
Proceeds from sale of short-term investments			349,780	331,592	
Proceeds from Federal Emergency Management Administration			1,101,237	230,042	
Investments in associated organizations			506,041	363,040	
Proceeds from sale of property			128,020	143,100	
<b>Net Cash Used in Investing Activities</b>			<u>(78,540,864)</u>	<u>(53,441,821)</u>	

**Sunflower Electric Power Corporation and Subsidiaries**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Financing Activities</b>		
Retirement of capital credits	(12,000,000)	(12,000,000)
Principal payments on finance lease liabilities	(883,082)	(815,384)
Proceeds from line of credit	115,000,000	165,000,000
Principal payments on line of credit	(215,000,000)	(150,000,000)
Proceeds from issuance of long-term debt	175,000,000	75,000,000
Principal payments on long-term debt	(25,272,054)	(22,069,905)
Payments for debt issuance costs	(1,089,283)	-
<b>Net Cash Provided by Financing Activities</b>	<u>35,755,581</u>	<u>55,114,711</u>
<b>Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	\$ 17,216,139	\$ (10,825,908)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<u>21,727,546</u>	<u>32,553,454</u>
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<u>\$ 38,943,685</u>	<u>\$ 21,727,546</u>

**Supplemental information:**

Sunflower paid \$26,850,912 and \$23,461,317 in cash for interest during 2025 and 2024, respectively. Sunflower had capital expenditures within accounts payable of \$1,254,361 and \$1,251,136 at December 31, 2025 and 2024, respectively. Sunflower had development costs within accounts payable of \$478,626 and \$554,931 at December 31, 2025 and 2024, respectively. Sunflower capitalized \$3,145,406 and \$2,895,878 of materials and supplies inventory to total utility plant, net during 2025 and 2024, respectively. During 2024, Sunflower obtained new operating lease right-of-use assets of \$1,138,130 and terminated right-of-use assets of \$501,137.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Sunflower Electric Power Corporation and Subsidiaries (Sunflower or the Company) is an electric generation and transmission corporation. Sunflower is responsible for the electric power requirements of its six distribution cooperative members and one corporation (collectively, Members) operating within western and central Kansas counties: Lane-Scott Electric Cooperative, Inc. (Lane-Scott); Pioneer Electric Cooperative, Inc. (Pioneer); Prairie Land Electric Cooperative, Inc. (Prairie Land); The Victory Electric Cooperative Association, Inc. (Victory); Western Cooperative Electric Association, Inc. (Western); Wheatland Electric Cooperative, Inc. (Wheatland); and Southern Pioneer Electric Company (Southern Pioneer). Power supply rates to Sunflower's Members are subject to approval by the board of directors. Transmission rates are subject to review and approval by state and federal regulatory agencies. In accordance with this regulation, Sunflower has applied the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*.

Sunflower's primary resource for supplying the electric power needs of its Members is Holcomb Station. Holcomb Station is a coal-fired generating facility with a net rating of 359 megawatts. Sunflower's accredited generation with the Southwest Power Pool (SPP) totals 1,095 megawatts and includes all generation assets available. Sunflower purchases its coal through Western Fuels Association, Inc. (Western Fuels), a nonprofit cooperative that provides coal to consumer-owned utilities. During 2025 and 2024, Sunflower purchased \$30.7 million and \$24.5 million, respectively, for coal and coal transportation. Because Western Fuels is a consumer-owned entity, representatives from Sunflower's board of directors and management are also members of Western Fuels' board of directors.

**Sunflower Electric Power Corporation and Subsidiaries**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

(Continued)

**The Financial Reporting Entity**

On November 26, 2002, Sunflower Electric Holdings, Inc. (SEHI) completed negotiations to restructure its debt and signed the Agreement and Consent to Sunflower Restructuring, dated as of September 30, 2002, by and among Sunflower, SEP Corporation, Holcomb Common Facilities, LLC (HCF), the U.S. Government, National Rural Utilities Cooperative Finance Cooperation (NRUCFC), CoBank, and other creditors (Consent Agreement). The Consent Agreement and other subsequent transactions transferred all assets and liabilities, except for the long-term debt, from SEHI to SEP Corporation in exchange for certain debt issued by Sunflower that has all been paid or expired (see Note 4). Sunflower legally changed its name to Sunflower Electric Power Corporation in March 2003. Sunflower is operated on a cooperative basis and is registered with the state of Kansas with a life of 100 years. The ownership of Sunflower is in the same proportion as that of SEHI.

Sunflower has nine wholly owned subsidiaries: SEPC, LLC; Sunflower Rail Company, LLC (Sunflower Rail); Holcomb 2, LLC (H2); Holcomb 3, LLC (H3); Holcomb 4, LLC (H4); Holcomb Common Facilities (HCF); Konza Transmission Company, LLC (Konza); SEPC – Solar Farm 1, LLC; and SEPC – Solar Farm 2, LLC. Sunflower Rail, H2, H3, and H4 were created for future activities and currently do not hold any assets or liabilities. SEPC, LLC was formed to purchase and lease communication towers. HCF holds the common facilities located at Holcomb Station; these facilities would be common to multiple generation units developed on the Holcomb Station site. Konza was formed to bid and build transmission projects designated as competitive upgrades by the SPP. SEPC – Solar Farm 1, LLC, and SEPC – Solar Farm 2, LLC were created to pursue solar farm development.

The accompanying combined financial statements include the transactions of Sunflower and its nine wholly owned subsidiaries combined with SEHI, collectively titled, and referred to herein, as Sunflower Electric Power Corporation and Subsidiaries, or Sunflower. Intercompany balances and transactions have been eliminated in combination.

**Basis of Presentation**

The accompanying combined financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

**Use of Estimates**

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of operating revenue, expenses, and other items during the reporting period. Items subject to such estimates and assumptions include the useful lives of utility plant, recoverability of deferred tax assets, asset retirement obligations, and key inputs to actuarial calculations of postretirement obligations. Actual results could differ significantly from those estimates.

**Fair Value Measurements**

The Company has adopted standards for fair value measurements of financial assets and liabilities that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

### Utility Plant

Utility plant is stated at cost, and expenditures for replacement of property units are recorded as utility plant. The cost of units retired in the normal course of business, including cost of removal, net of any salvage value, is charged to accumulated depreciation. The cost of maintenance and repairs, including renewals of minor items, is charged to operating expenses as incurred except for as disclosed in *Deferred Charges* below.

The costs of homogeneous units of property, plant, and equipment are aggregated to form groups of assets that are depreciated on a straight-line basis over the estimated remaining useful life established for each specific asset group. Estimates and assumptions used in establishing the depreciation rates associated with each group are based on management's best estimate of useful lives considering input from external studies performed by specialists. Generally, changes in depreciation rates are affected through changes in the remaining depreciable lives of the applicable group assets and are recorded prospectively as a change in accounting estimate.

The average annual depreciation rates were as follows:

	<u>2025</u>	<u>2024</u>
Steam production plant	2.36%	2.36%
Other production plant	2.58%	2.58%
Solar production plant	5.00%	0.00%
Transmission plant	2.25%	2.25%
Distribution plant	2.91%	2.91%
General plant	5.27%	5.27%

### Capitalization of Interest

Interest costs are capitalized as part of the cost of various capital assets under construction. Sunflower's average rate for borrowed funds was 5.5% and 6.4% for December 31, 2025 and 2024, respectively. Interest charged to construction for each of the years ended December 31, 2025 and 2024 totaled \$1.7 million and \$1.2 million, respectively.

### Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, Sunflower first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. For the years ended December 31, 2025 and 2024, no impairments were incurred.

### Investments

Investments consist of equity investments in associated organizations and capital term certificates. Sunflower's ownership percentage in these associated organizations is less than 20%. The equity investments do not have readily determinable fair values and are accounted for at cost, less impairment, plus or minus changes resulting from observable price changes in transactions for the identical or a similar investment of the same issuer. Equity securities without readily determinable fair values are written down to their fair value if a qualitative assessment indicates that the investment is impaired, and the fair value of the investment is less than its carrying amount. The investments were evaluated for indicators of impairment. No impairment or observable price changes were recorded during 2025 and 2024.

The following is a summary of amounts recorded as investments in associated organizations as of December 31:

	<u>2025</u>	<u>2024</u>
Alliance Cooperative Energy Services Power Marketing, LLC	\$ 1,370,535	\$ 1,370,535
CoBank E-Stock	414,736	364,237
National Rural Utilities Cooperative Finance Corporation	4,597,887	4,460,940
DTE Rail Company	389,340	402,341
Federated Rural Electric Insurance Exchange	1,443,589	1,449,580
Patronage capital-associated organizations	2,517,555	2,543,921
Other	6,181	6,181
	<u>\$ 10,739,823</u>	<u>\$ 10,597,735</u>

Investments in capital term certificates of the NRUCFC were \$6.3 million and \$6.7 million at December 31, 2025 and 2024, respectively. The capital term certificates are classified as held to maturity (HTM) and held at amortized cost. There were no credit losses recognized for the years ended December 31, 2025 and 2024.

As of December 31, 2025 and 2024, escrowed funds totaled \$0.4 million and \$0.4 million, respectively, and consisted of underground injection well funds held in trust.

### Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash deposits in banks and short-term investments with original maturities of three months or less.

Restricted cash and cash equivalents include funds held in trust, funds designated specifically for solar farm development, and collateral deposits.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the accompanying combined balance sheets that sum to the total of the same such amounts shown in the accompanying combined statements of cash flows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 38,537,315	\$ 21,336,989
Restricted cash – escrowed funds	406,370	390,557
	<u>\$ 38,943,685</u>	<u>\$ 21,727,546</u>

At December 31, 2025, Sunflower's cash accounts exceeded federally insured limits by \$38.7 million. This \$38.7 million in excess of federally insured limits was secured by federal government-backed securities through repo accounts with respective financial institutions.

### Inventories

Fuel inventory is recorded and recognized at cost. Materials and supplies inventory are recorded at cost and recognized on an average-cost basis.

**Leases**

Sunflower determines if an arrangement is a lease or contains a lease at inception by determining if there is an identifiable asset, whether the customer (lessees) has the right to obtain substantially all the economic benefits from the use of the asset, and whether the customer has the right to direct the use of the identified asset. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the accompanying combined balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Sunflower determines lease classification as operating or finance at the lease commencement date. Finance and operating leases are included in property and equipment in the accompanying combined balance sheets. See Note 2 for the breakout between finance and operating ROU assets within property and equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Sunflower uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, Sunflower uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to a market rate corresponding to the lease commencement date.

The lease term may include options to extend or to terminate the lease that Sunflower is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Sunflower has elected not to record leases with an initial term of 12 months or less on the combined balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

**Derivative Instruments**

The Company's coal purchase contracts generally meet the definition of a derivative; however, the Company's coal contracts are designated as normal purchases and, as such, are recorded in the combined financial statements at cost. In 2025 and 2024, all coal purchases qualified as normal purchases.

**Deferred Charges**

Deferred charges consist of the following as of December 31:

	2025		2024	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Major maintenance costs	\$ 31,852,421	\$ 14,184,755	\$ 23,166,361	\$ 8,703,739
Solar farm development	-	-	41,666,979	-
Other development	3,752,555	-	1,957,038	-
	<u>\$ 35,604,976</u>	<u>\$ 14,184,755</u>	<u>\$ 66,790,378</u>	<u>\$ 8,703,739</u>

Deferred major maintenance costs are repair and maintenance charges incurred in connection with periodic, planned, major maintenance activities that benefit future periods greater than 12 months. These operations require shutdown of the entire facility to perform planned, major repair, and maintenance activities on the generating unit. The frequency of such repair and maintenance activities is predictable and scheduled. To recognize the repair and maintenance activities in the period benefited, Sunflower capitalizes the actual cost of the major maintenance and amortizes those costs over the designated future benefit period.

**Member and Patron Equity**

All net margins are required to first offset any losses incurred during the current or any prior fiscal year. Remaining net margins, if any, are allocated to Members based on each member's relative percentage revenue contribution to fixed costs and margins.

Accumulated surplus was allocated as follows at December 31:

	2025	2024
Lane-Scott	\$ 12,815,526	\$ 12,511,729
Pioneer	82,864,349	82,892,084
Prairie Land	48,381,239	46,359,608
Southern Pioneer	37,303,542	34,851,125
Victory	37,752,481	34,331,566
Western	26,364,054	25,507,579
Wheatland	77,990,551	77,741,314
	<u>\$ 323,471,742</u>	<u>\$ 314,195,005</u>

Patronage capital distributions are limited by certain provisions of the Indenture. In general, distributions cannot reduce members' equity to total capitalization below 20% and distributions are limited if equity to total capitalization is less than 30%. During 2025 and 2024, Sunflower distributed \$12.0 million and \$12.0 million, respectively.

**Income Taxes**

Sunflower is a taxable corporation subject to corporate federal and state income taxes. As a taxable electric cooperative, Sunflower is allowed a tax exclusion for margins allocated as patronage capital. Income taxes generally apply to Sunflower to the extent that income or losses are allocated to nonpatron activity. Sunflower accounts for income taxes attributable to nonpatron activity under the liability method of accounting for income taxes. Accordingly, changes in deferred tax assets or liabilities result in the establishment of a regulatory asset or liability. A regulatory asset or liability associated with the deferred income taxes generally represents the future increase or decrease in income taxes payable that will be received or settled through future rate revenue. Under the liability method, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the combined financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income from nonpatron sales in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**Deferred Credits**

Deferred credits consist of unearned revenue from contracts with customers.

	2025	2024
Project agreements	\$ 24,110,598	\$ 13,089,856

**Regulatory Assets and Liabilities**

Sunflower has recorded assets and liabilities to reflect the impact of rate regulation. See Note 3 for further discussion.

**Other Long-Term Liabilities**

Other long-term liabilities consist of accrued postretirement benefit obligations, measured at each fiscal year-end, and asset retirement obligations for the estimated costs for legally required removal of certain assets. In 2025 and 2024, asset retirement obligation accretion was \$174,106 and \$165,029, respectively, and changes in estimates were \$0 for both years.

	<u>2025</u>	<u>2024</u>
Executive pension benefits	\$ 2,651,183	\$ 2,883,848
Postretirement benefits	7,046,552	10,958,439
Asset retirement obligation	<u>10,450,334</u>	<u>10,276,228</u>
	<u>\$ 20,148,069</u>	<u>\$ 24,118,515</u>

**Postretirement Plan**

Sunflower allows eligible retirees to purchase medical insurance from the plan in which Sunflower participates. The premium payments are calculated on an average of both active and retiree participants. Sunflower will incur additional costs as the premium payments of active participants paid by Sunflower will increase due to the retirees' participation in the plan. Additionally, Sunflower allows eligible retirees to purchase \$20,000 of term life insurance available over the lifetime of the retiree, through the Company's term life insurance plan. These premiums are paid by the retired employee at the group term rates, not the full age-adjusted premium costs for the coverage. For retirees to be eligible for these benefits, the participant must pay the premium cost associated with the coverage.

The Company records annual amounts relating to its postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, turnover rates, and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The Company recognizes the unfunded status of the postretirement plan as a liability in other liabilities on the accompanying combined balance sheets, and changes in that unfunded status in the year in which the changes occur through other comprehensive income to the extent those changes are not included in the net periodic cost.

**Pension Plans**

All Sunflower employees are covered by a defined benefit pension plan that is funded through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security (RS) Plan. The RS Plan is a defined-benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145, and the Plan number is 333.

A unique characteristic of a multiemployer plan compared to a single-employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

During 2017, Sunflower adopted the Executive Benefit Restoration Plan (EBR Plan), which provides eligible participants with additional pension benefits. Eligible participants are a select group of management or highly compensated employees whose compensation or pension benefits are limited by Internal Revenue Code Sections 415 and 401(a)(17) and would receive reduced pension benefits that would otherwise be received under the RS Plan. These obligations represent a liability to Sunflower. Sunflower retains the right, subject to existing agreements, to change or eliminate these benefits.

The Company records annual amounts relating to the EBR Plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, and compensation rate increases. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The net periodic costs are recognized as employees render the services necessary to earn the EBR benefits. The Company believes that the assumptions utilized in recording its obligations under its plan are reasonable based on its experience and market conditions.

The Company recognizes the unfunded status of the EBR Plan as a liability in other liabilities on the accompanying combined balance sheets and changes in that unfunded status in the year in which the changes occur through other comprehensive income to the extent those changes are not included in the net periodic cost.

**Accounts Receivable**

Accounts receivable are stated at the amount of consideration from members and customers, of which Sunflower has an unconditional right to receive. Sunflower provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. No allowance was recorded at December 31, 2025 or 2024.

**Revenue and Fuel Expense Recognition**

Sunflower recognizes revenue when obligations under the terms of a contract with a customer are satisfied and control of its goods or services is transferred to its customers. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or services.

Sunflower's revenues are derived primarily from power sales. Contractual arrangements for member and nonmember power sales consist of a single performance obligation, as the promise to transfer electricity is not separately identifiable from other promises in the contracts, including transportation, and, therefore, is not distinct. Progress toward completion of the performance obligation is measured using the output method based on meter readings. The Company bills customers monthly in the month following the delivery of the electric power. Accounts receivable from members and nonmembers include revenue under contracts with customers of \$26.0 million and \$22.0 million as of December 31, 2025 and 2024, respectively.

Transmission service revenue results from others' use of the utility's transmission system to transmit electricity in connection with the Company's participation in SPP. SPP is subject to Federal Energy Regulatory Commission (FERC) regulation. The Company records revenue based upon the regulatory-approved tariff and the volume delivered or transmitted, which corresponds to the amount that it has a right to invoice.

**Sunflower Electric Power Corporation and Subsidiaries**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

The following table presents Sunflower's revenue from contracts with customers and other revenue for the years ended December 31:

	Member Sales	Nonmember Power Sales	Other Operating Revenue	Total
<b>2025</b>				
Revenue from contracts with customers under Topic 606				
Power sales	\$ 224,091,948	\$ 10,595,769	\$ -	\$ 234,687,717
Transmission service revenue	63,196,888	-	33,282,162	96,479,050
Other electric sales	-	-	3,246,459	3,246,459
Total operating revenues	<u>\$ 287,288,836</u>	<u>\$ 10,595,769</u>	<u>\$ 36,528,621</u>	<u>\$ 334,413,226</u>
<b>2024</b>				
Revenue from contracts with customers under Topic 606				
Power sales	\$ 196,375,703	\$ 18,123,305	\$ -	\$ 214,499,008
Transmission service revenue	60,104,358	-	31,841,761	91,946,119
Other electric sales	-	-	3,383,919	3,383,919
Other	-	-	261,083	261,083
Total operating revenues	<u>\$ 256,480,061</u>	<u>\$ 18,123,305</u>	<u>\$ 35,486,763</u>	<u>\$ 310,090,129</u>

Other operating revenue primarily represents amounts billed to and collected by SPP for transmission services based upon a tariff designed to recover the Company's transmission service costs.

**Note 2. Utility Plant**

Utility plant balances by major class of assets are as follows at December 31:

	2025	2024
Steam production plant	\$ 677,516,512	\$ 641,095,154
Solar production plant	33,024,939	-
Other production plant	175,214,792	174,190,094
Transmission plant	627,284,417	613,580,957
Distribution plant	854,097	850,271
General plant	127,437,831	129,857,632
Acquisition cost	9,426,875	9,426,875
ROU assets – operating leases	3,975,584	2,046,223
ROU assets – finance leases	7,959,085	9,024,774
	<u>1,662,694,132</u>	<u>1,580,071,980</u>
Less accumulated depreciation and amortization	(893,407,772)	(858,769,290)
Completed construction not classified	<u>4,733,013</u>	<u>1,469,455</u>
	774,019,373	722,772,145
Land held for future use	3,193,843	3,193,843
Construction work in progress	<u>68,998,351</u>	<u>39,923,287</u>
Total utility plant, net	<u>\$ 846,211,567</u>	<u>\$ 765,889,275</u>

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The acquisition cost relates to the cost paid to acquire utility plant in 2007. The cost is being depreciated over a 30-year life and recovered in electric rates.

In 2025, Sunflower completed and placed into commercial operation a 20 MW solar generation facility near Russell, Kansas. Sunflower is eligible to receive a refundable federal solar investment tax credit (ITC) equal to 30% of qualified expenditures for construction of the facility. Sunflower has accounted for the transaction by analogy to International Accounting Standard 20 (IAS 20). Under IAS 20, recognition occurs when all conditions are fulfilled or there is reasonable assurance as defined by IAS 20 or probable as compared to U.S. GAAP that they will be fulfilled. Sunflower has reasonable assurance that it has satisfied the requirements necessary to receive a \$9.5 million ITC and has reduced the cost basis of its solar generation assets by \$9.5 million and recorded a receivable in Other Accounts Receivable on the combined balance sheet at December 31, 2025.

The ITC is credited to profit or loss on a straight-line basis as an offset to depreciation expense over the expected useful life of the facility.

**Note 3. Regulatory Assets and Liabilities**

Under the provisions of ASC Topic 980, Sunflower defers certain costs and revenue for recovery through rates in future periods. The accompanying combined financial statements, therefore, include the effects of rate regulation.

The following table details the regulatory assets and liabilities as of December 31:

	2025	2024
Regulatory assets		
Asset retirement obligations	\$ 9,580,103	\$ 9,385,782
Transmission formula rate recovery	35,937,258	29,365,797
Less current portion	(15,328,733)	(12,653,492)
Long-term regulatory assets	<u>\$ 30,188,628</u>	<u>\$ 26,098,087</u>
Regulatory liabilities		
Unearned revenue	\$ 14,104,891	\$ 11,694,091
Less current portion	(6,191,054)	(4,800,131)
Long-term regulatory liabilities	<u>\$ 7,913,837</u>	<u>\$ 6,893,960</u>

**Regulatory Assets**

Asset retirement obligations represent the estimated recoverable costs for legally required removal obligations. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows and is recorded in other long-term liabilities on the accompanying combined balance sheets. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life.

In 2025, Sunflower recorded additional transmission formula regulatory assets of \$19.3 million. Amounts for SPP transmission-related revenue and expenses are based on true-ups in estimated versus actual costs. In June 2026, Sunflower will file the formula rate with adjustments for 2025 actual costs with FERC. Final determination of the true-up will be determined by FERC.

In 2024, Sunflower recorded additional transmission formula regulatory assets of \$15.6 million. Amounts for SPP transmission-related revenue and expenses are based on true-ups in estimated versus actual costs. In June 2025, Sunflower filed the formula rate for 2024 actual costs, and the final determination of the true-up and regulatory asset was adjusted to \$15.5 million.

Total transmission formula regulatory assets will be reduced by \$15.3 million in 2026 and \$19.0 million in 2027.

**Regulatory Liabilities**

Sunflower adopted a formula rate for recovery of transmission costs. The tariff used to bill customers in 2025 for transmission services was calculated using estimated costs in the formula rate. This tariff provision, approved by FERC, requires the estimated costs of providing transmission service to be adjusted to the actual costs annually. In 2025, Sunflower identified amounts collected on an estimated basis from SPP were \$7.4 million more than actual costs. Revenue in 2025 was decreased and a regulatory liability of \$7.4 million was recorded for the over-collection. In June 2026, Sunflower will file the formula rate with adjustments for actual costs with FERC. Final determination of the amount to be refunded will be determined by FERC.

In 2024, a regulatory liability of \$6.5 million was recorded. These amounts for SPP transmission-related revenue and expenses are based on true-ups in estimated versus actual costs. In June 2025, Sunflower filed the formula rate for 2024 actual costs and the regulatory liability decreased to \$6.3 million.

Total transmission formula regulatory liabilities of \$14.1 million will be reduced by \$6.2 million and \$7.3 million in 2026 and 2027, respectively.

In 2020, the Sunflower board of directors approved a regulatory liability for funds previously received (Deferred Credits) net of funds paid (Deferred Charges) for participation in the development of the Holcomb Station. The regulatory liability was amortized and was included in other operating revenue on the accompanying combined statements of operations – comprehensive income over a period of 40 months through January 2024.

As allowed in Sunflower's Margin Stability Rider to its tariff rates, the Sunflower board of directors approved a regulatory liability for certain 2023 projected margins expected to exceed budgeted margins. The customers received their refunds in 2024.

**Note 4. Long-Term Debt**

**Outstanding Notes Payable**

The outstanding note balances are as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Secured "A-2" Notes, interest at 5.376%, due in quarterly principal and interest installments through 2033	\$ 26,464,050	\$ 29,046,046
Unsecured "B" Notes, bearing no stated interest rate, due in quarterly installments through 2027, effective interest rate of 5.30%	1,002,968	1,628,925
NRUCFC Loan Capital Term Certificate (LCTC) Notes, interest at 5.376%, due in quarterly principal and interest installments through 2033	3,781,712	4,150,679
NRUCFC Loan, interest at 3.60%, due in quarterly principal and interest installments through 2046	59,500,000	62,333,333
NRUCFC Loan, interest at 5.53%, due in quarterly principal and interest installments through 2044	70,312,500	74,062,500
National Cooperative Services Corporation (NCSC) Advance, bearing interest of 2.60% through January 1, 2037, principal and interest due quarterly through January 2037	16,933,895	18,213,694
NCSC Advance bearing interest of 2.4% through January 1, 2037, principal and interest due quarterly through January 2037	16,918,321	18,213,274
NCSC Advance, bearing interest of 4.75% through January 1, 2037, principal and interest due quarterly through January 2037	18,032,787	19,219,232
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	16,056,904	16,953,496

	<u>2025</u>	<u>2024</u>
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	704,989	744,355
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	2,262,164	2,388,480
NCSC Advance, bearing interest of 7.22% through April 1, 2030, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through January 2037	318,890	336,698
NCSC Advance, bearing interest of 5.00% through January 1, 2027, at which time either a fixed or variable rate will be selected, principal and interest due quarterly through October 2031	6,035,042	6,270,551
NCSC Advance, bearing interest of 3.99%, principal and interest due quarterly through October 2044	\$ 31,932,773	\$ 33,613,445
NCSC Advance, bearing interest of 3.62%, principal and interest due quarterly through April 2047	54,201,681	56,722,689
Private Placement 2013A Notes, bearing interest of 3.93% through December 31, 2042, with principal due annually each December and interest due semiannually June and December	82,166,671	87,000,004
Private Placement 2013B Notes, bearing interest of 4.13% through June 30, 2043, with principal due annually each June and interest due semiannually June and December	18,000,000	19,000,000
Private Placement 2025 Notes, bearing interest of 5.75% through June 30, 2055, with principal due annually each June and interest due semiannually June and December	175,000,000	-
	<u>599,625,347</u>	<u>449,897,401</u>
Less current maturities of long-term obligations	<u>(31,515,550)</u>	<u>(25,272,054)</u>
Long-term obligations, less current maturities	<u>\$ 568,109,797</u>	<u>\$ 424,625,347</u>
Unamortized debt issuance costs		
NCSC Advances for debt maturing through 2037	\$ 310,475	\$ 338,585
NCSC Advances for debt maturing through 2044	104,401	109,895
Private Placement debt maturing through 2043	1,139,832	1,206,881
Private Placement debt maturing through 2055	1,071,128	-
	<u>\$ 2,625,836</u>	<u>\$ 1,655,361</u>

Required as part of NRUCFC loan policy, LCTC Notes were issued equal to 14.29% of the Secured "A-2" Notes. The proceeds from these notes were used solely to purchase NRUCFC capital term certificates. The equity term certificates are reflected as capital term certificates of the NRUCFC on Sunflower's combined balance sheets. NRUCFC repays the capital term certificates to Sunflower as Sunflower's outstanding Secured "A-2" Notes and LCTC Notes are repaid. Quarterly payments on the LCTC Notes, like the original borrowing, are equivalent to 14.29% of the quarterly payments made on the Secured "A-2" Notes. Substantially all of Sunflower's assets are pledged as collateral for long-term debt.

Financial covenants require Sunflower must achieve a Margins for Interest (MFI) of at least 1.10 times interest charges for the prior fiscal year or for a period of 12 consecutive months during the prior 18-month period. Sunflower must also maintain an annual equity of no less than \$215 million. As of December 31, 2025 and 2024, management believes Sunflower was in compliance with these financial covenants.

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Scheduled and anticipated maturities of the long-term debt are as follows on December 31, 2025:

2026	\$ 31,515,550
2027	31,595,075
2028	31,669,060
2029	32,108,395
2030	32,571,195
Thereafter	<u>440,166,072</u>
	<u>\$ 599,625,347</u>

As part of a tax benefit transfer transaction entered into in the early 1980s, Sunflower was required to maintain a letter of credit for the benefit of the tax lessor in the unlikely event that Sunflower's actions might give rise to the potential loss of benefits sold. Sunflower obtained a letter of credit agreement with CoBank to satisfy this requirement. This letter of credit expired on October 8, 2025.

Sunflower currently maintains a \$150 million unsecured facility administered by NRUCFC for purposes of managing seasonal fluctuations in cash flow and to issue various letters of credit necessary in the normal operations of the Company. Draws on the line of credit were charged at an interest rate based upon the respective Secured Overnight Funding Rate (SOFR) plus 95 basis points. The interest rate on draws was 5.54% and 5.57% as of December 31, 2025 and 2024, respectively. No cash borrowings were outstanding on the unsecured facility as of December 31, 2025. Cash borrowings outstanding on the unsecured facility totaled \$100 million as of December 31, 2024. The line of credit expires on March 21, 2028.

As of December 31, 2025, Sunflower had outstanding letters of credit to SPP for \$6.0 million and Kansas Gas Service for \$0.5 million, leaving \$143.5 million available under the facility. These securities were issued in the ordinary course of business. Sunflower is current with all purchases and, accordingly, no draw was or has been made on those letters of credit.

On June 20, 2024, Sunflower entered into an additional \$35 million line of credit with NRUCFC. Draws on the line of credit would be charged at an interest rate based upon the respective published daily rate by NRUCFC at the time of the draw. Sunflower had no draws on the additional line of credit. The line of credit expired on April 21, 2025.

On April 21, 2025, Sunflower entered into an additional \$75 million line of credit with NRUCFC. Draws on the line of credit would be charged at an interest rate based upon the respective SOFR plus 95 basis points. Sunflower had not yet drawn on the additional line of credit as of December 31, 2025. The line of credit expires on April 21, 2030.

**Note 5. Income Taxes**

Sunflower is a taxable cooperative. For the years ended December 31, 2025 and 2024, Sunflower reported net operating losses for taxable activity. Income taxes generally apply to Sunflower to the extent that income or losses are allocated to nonpatron activity. During 2025 and 2024, Sunflower incurred no current or deferred income tax expense.

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below at December 31:

	<u>2025</u>	<u>2024</u>
Deferred tax assets		
Property and equipment, principally due to safe harbor leasing transactions	\$ -	\$ 697,336
Debt, principally due to differences in effective interest rates	67,064	109,081
Accrued vacation and other	2,776,064	2,918,179
Net operating loss carryforwards	<u>78,926,917</u>	<u>69,846,501</u>
	81,770,045	73,571,097
Less valuation allowance	<u>(71,775,793)</u>	<u>(63,818,439)</u>
Deferred tax assets, less allowance	<u>9,994,252</u>	<u>9,752,658</u>
	<u>2025</u>	<u>2024</u>
Deferred tax liabilities		
Property and equipment, principally due to differences in depreciation	5,528,895	5,703,547
Notes payable to unsecured Sunflower creditors	67,513	110,223
Other	<u>4,397,844</u>	<u>3,938,888</u>
Total gross deferred tax liabilities	<u>9,994,252</u>	<u>9,752,658</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2025, Sunflower has \$115 million of federal net operating loss carryforwards for regular tax purposes that, if not utilized, begin to expire from 2026 through 2038 and operating loss carryforwards generated after 2018 of \$164 million that do not expire. Management believes that it is more likely than not that the net deferred tax assets will not be utilized in excess of its deferred tax liabilities; accordingly, it has provided a valuation allowance to reduce the net deferred tax assets to zero.

There are no unrecognized tax benefits to be accrued or disclosed and, thus, no interest and penalties to accrue thereon.

**Note 6. Leases**

Sunflower is obligated under various leases for transmission plant that are accounted for as finance leases. At December 31, 2025 and 2024, the net amount of plant and equipment under finance leases was \$8.0 million and \$9.0 million, respectively.

Payments incurred for finance leases amounted to \$1.6 million and \$1.6 million for the years ended December 31, 2025 and 2024, respectively. Interest costs associated with finance leases amounted to \$0.8 million and \$0.8 million for the years ended December 31, 2025 and 2024, respectively. Amortization of leased assets in association with finance leases amounted to \$1.1 million and \$1.1 million for the years ended December 31, 2025 and 2024, respectively.

Sunflower has operating leases for the use of various buildings.

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Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease, including any period of free rent. Total expense associated with operating leases was \$0.3 million and \$0.2 million for the years ended December 31, 2025 and 2024, respectively.

Future minimum lease payments under noncancelable operating leases and finance leases are as follows as of December 31, 2025:

	<u>Finance</u>	<u>Operating</u>
2026	\$ 1,632,839	\$ 328,162
2027	1,632,839	256,335
2028	1,632,839	235,095
2029	1,632,839	232,040
2030	934,678	229,043
Thereafter	4,945,167	1,544,896
	<u>12,411,201</u>	<u>2,825,571</u>
Less amount representing interest	<u>3,706,541</u>	<u>-</u>
Present value of minimum lease payments	8,704,660	-
Less current portion	<u>956,583</u>	<u>328,162</u>
Long-term obligations under finance and operating leases	<u>\$ 7,748,077</u>	<u>\$ 2,497,409</u>
	<u>2025</u>	<u>2024</u>
Operating leases		
Weighted-average remaining lease term (years)	5.01	6.01
Weighted-average discount rate	5%	5%

**Note 7. Pension Plans**

**Defined Benefit Pension Plan**

Sunflower's contributions to the NRECA RS Plan in 2025 and 2024 represented less than 5% of the total contributions made to the plan by all participating employers. Sunflower made contributions to the plan for the years ended December 31, 2025 and 2024 of \$17.9 million and \$17.2 million, respectively. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

For the RS Plan, a "zone status" determination is not required and, therefore, not determined under the *Pension Protection Act of 2006* (PPA). In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was more than 80% funded at January 1, 2025 and 2024, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

**Executive Pension Benefit Restoration**

During 2017, Sunflower adopted the EBR Plan, which provides eligible participants with additional pension benefits. Eligible participants are a select group of management or highly compensated employees whose compensation or

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pension benefits are limited by Internal Revenue Code Sections 415 and 401(a)(17) and would receive reduced pension benefits that would otherwise be received under the RS Plan. The benefit payable for an eligible participant under the EBR Plan is the amount of the pension limitation. Sunflower will incur additional pension costs of eligible participants qualifying in the plan. This obligation represents a liability to Sunflower. Sunflower retains the right, subject to existing agreements, to change or eliminate these benefits.

The Company recognizes the obligation as a liability on its combined balance sheets within other long-term liabilities, as there are no plan assets. Actuarial gains and losses are generally amortized subject to the corridor method, over the average remaining service life of the Company's eligible participants. The Company measures its benefit obligations as of December 31 of each year. Plan amendment changes include adoption of the plan and eligible participant additions.

The following table sets forth the plan's benefit obligations recognized in the accompanying combined balance sheets and related benefit cost at December 31:

	<b>Executive Pension Benefits</b>	
	<u>2025</u>	<u>2024</u>
Change in accumulated benefit obligation		
Accumulated benefit obligation, beginning of year	\$ 2,883,848	\$ 2,135,171
Service cost	304,031	245,655
Interest cost	161,889	133,062
Settlements	(882,185)	-
Actuarial loss	183,600	369,960
Accumulated benefit obligation, end of year	<u>\$ 2,651,183</u>	<u>\$ 2,883,848</u>
Funded status		
Accumulated benefit obligation	<u>\$ (2,651,183)</u>	<u>\$ (2,883,848)</u>
Net liability recognized	<u>\$ (2,651,183)</u>	<u>\$ (2,883,848)</u>
Net periodic benefit cost		
Service cost	\$ 304,031	\$ 245,655
Interest cost	161,889	133,062
Gain recognition	(149,053)	-
Amortization of prior service cost	41,082	126,471
Amortization of gain	(55,289)	(42,756)
Total net periodic benefit cost	<u>\$ 302,660</u>	<u>\$ 462,432</u>
Amounts recognized in the combined balance sheets consist of		
Other long-term liabilities	\$ 2,651,183	\$ 2,883,848
Accumulated other comprehensive income	\$ 48,323	\$ 395,183

An actuarial loss of \$0.2 million was incurred during 2025, decreasing the accumulated other comprehensive income. An actuarial loss of \$0.4 million was incurred during 2024, decreasing the accumulated other comprehensive income. The net overall actuarial loss was largely the result of a decrease in the discount rate that increased the net present value of the benefit obligation.

The prior service cost (credit) for the postretirement plan that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year is \$0.04 million. No net actuarial (income) loss from the postretirement plan will be amortized from accumulated other comprehensive income into net periodic benefit cost.

	<u>2025</u>	<u>2024</u>
Discount rate – obligation	5.70%	5.07%
Discount rate – cost	5.73%	5.70%

For measurement purposes, annual rates of increase in salary costs of 4% and 4% were assumed for 2025 and 2024, respectively. A 4% rate was assumed for all years thereafter.

Benefits of \$0.9 million were paid in 2025. No benefits were paid in 2024.

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic cost consist of:

	<u>2025</u>	<u>2024</u>
Unrecognized net actuarial loss	\$ (316,268)	\$ (704,210)
Unrecognized prior service cost	267,945	309,027
Total	<u>\$ (48,323)</u>	<u>\$ (395,183)</u>

The components on net periodic benefit cost other than the service cost component were \$0.0 million and \$0.2 million for the years ended December 31, 2025 and 2024, respectively, and are included in the line item Administrative and general in the consolidated statements of operations – comprehensive income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	<u>2025</u>	<u>2024</u>
Amounts arising during the period		
Net gain	\$ (238,889)	\$ (412,716)
Unrecognized prior service cost	41,082	126,471
Settlement	(149,053)	-
Total	<u>\$ (346,860)</u>	<u>\$ (286,245)</u>

The benefits expected to be paid from the postretirement benefit plan are as follows:

2026	\$ 152,518
2027	-
2028	-
2029	-
2030	251,803
Five years ending 2035	5,718,608
	<u>\$ 6,122,929</u>

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2025 and include estimated future employee service.

## Note 8. Postretirement Benefit Obligation

Sunflower allows eligible retirees to purchase medical insurance from the employee welfare benefits plan in which Sunflower participates. For retirees to participate in coverage, the retiree must pay group plan premiums. Sunflower pays a portion of current employees' premiums and is reimbursed by retirees for the plan premiums. The plan premiums are calculated considering experience of active and retiree participants. Since retiree costs are expected to be higher than the group, Sunflower will incur additional costs for the premium payments of active participants due to the retirees' participation in the plan. This obligation represents a liability to Sunflower. Sunflower retains the right, subject to existing agreements, to change or eliminate these benefits.

Sunflower also has an obligation to provide various health insurance benefits to former retirees of Mid-Kansas Electric Company, Inc. Retirees may elect health insurance benefits upon payment of the required premiums. There are two classes of retirees covered in this health insurance program. The first class is composed of individuals and spouses who receive health insurance benefits that have a varying period and direct subsidy based on a former plan in which they participated. The period can range from five years to a lifetime, and the direct subsidies can range from 5% to 100%. Subsidies not at 100% reached zero in 2018. The second class of retirees under this program receives their benefit based upon a prior class action lawsuit against a predecessor company. Sunflower now pays 100% of the actual health and life insurance costs for the second class of retirees.

The Company recognizes the obligation as a liability on its combined balance sheets within other long-term liabilities as there are no plan assets. Actuarial gains and losses are generally amortized subject to the corridor method over the average remaining service life of the Company's active employees.

The Company measures its benefit obligations as of December 31 of each year. The benefit obligation is the actuarial present value of all benefits rendered prior to the valuation date based on the projected cost method. The following table sets forth the plan's benefit obligations recognized in the accompanying combined balance sheets and related benefit cost at December 31:

	<u>Postretirement Benefits</u>	
	<u>2025</u>	<u>2024</u>
Change in accumulated benefit obligation		
Accumulated benefit obligation, beginning of year	\$ 11,343,134	\$ 13,397,830
Service cost	519,261	681,593
Interest cost	647,395	668,516
Actuarial gain	(3,796,691)	(3,100,620)
Plan Amendment	(1,410,205)	-
Net benefits paid	49,495	(304,185)
Accumulated benefit obligation, end of year	<u>\$ 7,352,389</u>	<u>\$ 11,343,134</u>
Funded status		
Accumulated benefit obligation	<u>\$ (7,352,389)</u>	<u>\$ (11,343,134)</u>
Net liability recognized	<u>\$ (7,352,389)</u>	<u>\$ (11,343,134)</u>
Net periodic benefit cost		
Service cost	\$ 519,261	\$ 681,593
Interest cost	647,395	668,516
Recognized net actuarial gain	(503,459)	(298,675)
Total net periodic benefit cost	<u>\$ 663,197</u>	<u>\$ 1,051,434</u>
Amounts recognized in the combined balance sheets consist of		
Accrued liabilities – other	\$ 305,837	\$ 384,695
Other long-term liabilities	\$ 7,046,552	\$ 10,958,439
Accumulated other comprehensive income	\$ 13,450,740	\$ 8,747,303

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A plan amendment of \$1.4 million occurred during 2025, and an actuarial gain of \$3.8 million and \$3.1 million occurred during 2025 and 2024, respectively, increasing the accumulated other comprehensive income. The plan amendment changed medical insurance coverage during retirement. Employees who had not attained age 55 by January 1, 2026 would receive medical insurance coverage during retirement until reaching age 65 instead of receiving for life. The net overall increase to the actuarial gain from 2024 and the plan amendment in 2025 decreased the net present value of the benefit obligation.

The net actuarial loss and prior service cost for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$0.8 million and \$0.2 million, respectively.

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic cost consist of:

	<u>2025</u>	<u>2024</u>
Unrecognized net actuarial gain	\$ (12,040,535)	\$ (8,747,303)
Net prior service credit from plan amendment	(1,410,205)	-
	<u>\$ (13,450,740)</u>	<u>\$ (8,747,303)</u>

The components of net periodic benefit cost other than the service cost component were \$0.1 million and \$0.4 million for the years ended December 31, 2025 and 2024, respectively, and are included in the line item Administrative and general in the consolidated statements of operations – comprehensive income.

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	<u>2025</u>	<u>2024</u>
Amounts arising during the period		
Net gain	\$ (3,796,691)	\$ (3,100,620)
Plan amendment	(1,410,205)	-
Amounts reclassified as components of net periodic benefit cost of the period		
Net gain	503,459	298,675
Total	<u>\$ (4,703,437)</u>	<u>\$ (2,801,945)</u>

Weighted-average assumptions used to determine benefit obligations and cost were as follows for 2025 and 2024:

	<u>Postretirement Benefits</u>	
	<u>2025</u>	<u>2024</u>
Discount rate – obligation	5.63%	5.55%
Discount rate – cost	5.55%	4.83%
Healthcare cost trend rate – pre-Medicare	6.50%–4.50%	6.00%–4.50%
Healthcare cost trend rate – post-Medicare	6.50%–4.50%	6.00%–4.50%

For measurement purposes at December 31, 2025, a 6.5% annual rate of increase in the retiree per capita cost of covered healthcare benefits was assumed for 2026. The rate was assumed to decrease gradually to 4.50% for 2035 and remain at that level thereafter. If the annual rate increased (decreased) by one percentage point, the effect on the accumulated postretirement benefit obligation would be \$1.0 million and \$(0.8 million), respectively.

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The following table summarizes benefits paid during 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Gross benefits paid	\$ 504,299	\$ 1,166,255
Retiree contributions	(553,794)	(862,070)
Net benefits paid	<u>\$ (49,495)</u>	<u>\$ 304,185</u>

The benefits expected to be paid, net of retiree contributions, from the postretirement benefit plan are as follows:

2026	\$ 314,000
2027	271,000
2028	287,000
2029	248,000
2030	271,000
Five years ending 2035	1,676,000
	<u>\$ 3,067,000</u>

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2025 and include estimated future employee service.

**Note 9. Commitments and Contingencies**

Sunflower has entered into various multiyear contracts with third parties to acquire and transport coal for Holcomb Station. Under these contracts, the Company estimates it will pay \$9.7 million in 2026, \$8.1 million in 2027, and \$3.9 million in 2028.

Sunflower has commitments to provide power to its member cooperatives through 2062. Likewise, the member cooperatives are committed to purchase all their power requirements from Sunflower through the same period. Sunflower is also party to a number of other electricity contracts that expire in various future years.

Sunflower has a commitment to purchase the outputs from three wind farms and two solar farms. Sunflower does not have fixed-cost obligations and pays only for the energy produced at contracted prices. Sunflower purchased wind power at a cost of \$16.8 million and \$18.7 million in 2025 and 2024, respectively. Sunflower purchased solar power at a cost of \$1.9 million and \$1.5 million in 2025 and 2024, respectively.

Sunflower is a defendant in other litigation matters and a party to various claims arising from its normal activities. In management's opinion, based on advice from legal counsel, these actions will not result in a material adverse effect on the combined financial position, results of operations, or liquidity of Sunflower.

**Note 10. Subsequent Events**

Subsequent events have been evaluated through March 24, 2026, which is the date the combined financial statements were available to be issued. The Company has determined that there are no items to disclose.

**Sunflower Electric Power Corporation**

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