

KRPC

KANDIYOHI POWER
— COOPERATIVE —

2025 Year in Review



Patrick Krueger, CFO



Independent Auditor's Reports

Summary

- We audited the Consolidated Financial Statements
- The financial statements are presented fairly
 - **Unmodified Opinion**
- Managements Responsibilities
- Auditor Responsibilities
 - Our procedures were conducted in accordance with Generally Accepted Auditing Standards (GAAS)

Balance Sheet

for the Year Ended December 31, 2025

WHAT WE OWN

ELECTRIC PLANT	
Electric Distribution Plant	\$ 69,980,503
General and Intangible Plant	13,488,659
TOTAL UTILITY PLANT IN SERVICE	\$ 83,469,162
Less: Accumulated Depreciation	(29,171,368)
NET UTILITY PLANT IN SERVICE	\$ 54,297,794
Construction Work in Progress	920,670
TOTAL ELECTRIC PLANT	\$ 55,218,464
INVESTMENTS	
Patronage Capital	\$ 11,420,103
Other	2,235,339
Investments in Subsidiaries	1,167,012
TOTAL INVESTMENTS	\$ 14,822,454
CURRENT & ACCRUED ASSETS	
Cash & Temporary Investments	\$ 431,984
Accounts Receivable, Net of Reserve	3,714,526
Materials & Supplies	3,588,764
Prepayments & Other Accrued Assets	384,699
TOTAL CURRENT & ACCRUED ASSETS	\$ 8,119,973
DEFERRED CHARGES	\$ 469,232

To date, KPC has retired **\$24,521,037** in capital credits to our members.

\$10,137,876

Investment in Our Power Provider, Great River Energy.

Add it all up...

WHAT WE OWE

EQUITIES & MARGINS	
Patronage Capital Assigned to Members	\$ 33,671,149
Other Equities	5,185,041
TOTAL EQUITIES & MARGINS	\$ 38,856,190
LONG-TERM LIABILITIES	
Long-Term Debt Obligation to NRUCFC	\$ 31,895,957
Long-Term Debt - Great River Energy	315,000
TOTAL LONG-TERM LIABILITIES	\$ 32,210,957
CURRENT & ACCRUED LIABILITIES	
Accounts Payable	\$ 3,958,448
Current Portion of Long-Term Debt	1,652,093
Income Taxes Due from Sale of Old HQ	412,273
Consumers' Deposits	71,614
Other Current & Accrued Liabilities	1,201,478
TOTAL CURRENT & ACCRUED LIABILITIES	\$ 7,295,906
DEFERRED CREDITS	\$ 267,070

Assets = **\$78,630,123** = Equities & Liabilities

Statement of Margins

for the Year Ended December 31, 2025

OPERATING REVENUES	
Sales of Electric Energy	\$ 23,920,923
Miscellaneous Electric Revenue	172,835
Consumer Late Fee Charges	36,149
TOTAL OPERATING REVENUES	\$ 24,129,907

OPERATING EXPENSES	
Cost of Power	\$ 14,738,376
Depreciation and Amortization	2,589,453
Operations and Maintenance	2,449,553
Administrative and General	2,132,951
Interest	1,322,230
Consumer Accounts	497,499
Customer Service	423,695
Property Taxes	210,528
Directors' Compensation & Ancillary Costs	107,757
Other	12,080
TOTAL OPERATING EXPENSES	\$ 24,484,122

\$1,301,212

Allocated to Members
*Cash not yet realized

\$14,738,376

Payments to Our
Power Providers,
*GRE and WAPA.

NON-OPERATING ACTIVITY

NON-OPERATING MARGINS	
Capital Credits - Great River Energy	\$ 1,301,212
Gain on Sale of Old HQ, net of Income Tax	1,063,339
Employee Retention Tax Credits	467,566
Equity Investment and Other Income	298,509
Capital Credits - Other	96,305
Interest Income	65,679
Capital Credits - NRUCFC	56,265
TOTAL NON-OPERATING MARGINS	\$ 3,348,875



The two highlighted items are outside KPC's normal operations, and similar financial windfalls are not expected. If these two amounts and GRE's capital credits (non-cash) were backed out, total margins would be **less than \$163K**.

Operating Loss = \$354,215

For every member \$1.00 collected, the cost to serve was roughly \$1.02.

← Add it all up... →

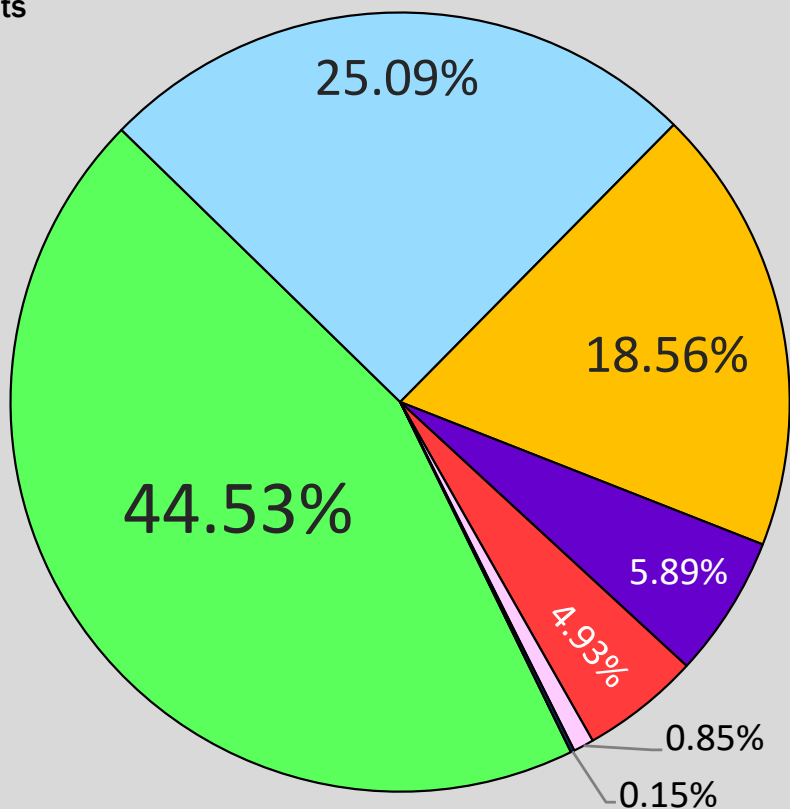
Non-Operating Gain = \$3,348,875

Total 2025 Net Margins = \$2,994,660

Where the dollars came from...

ENERGY SALES BY RATE CLASS

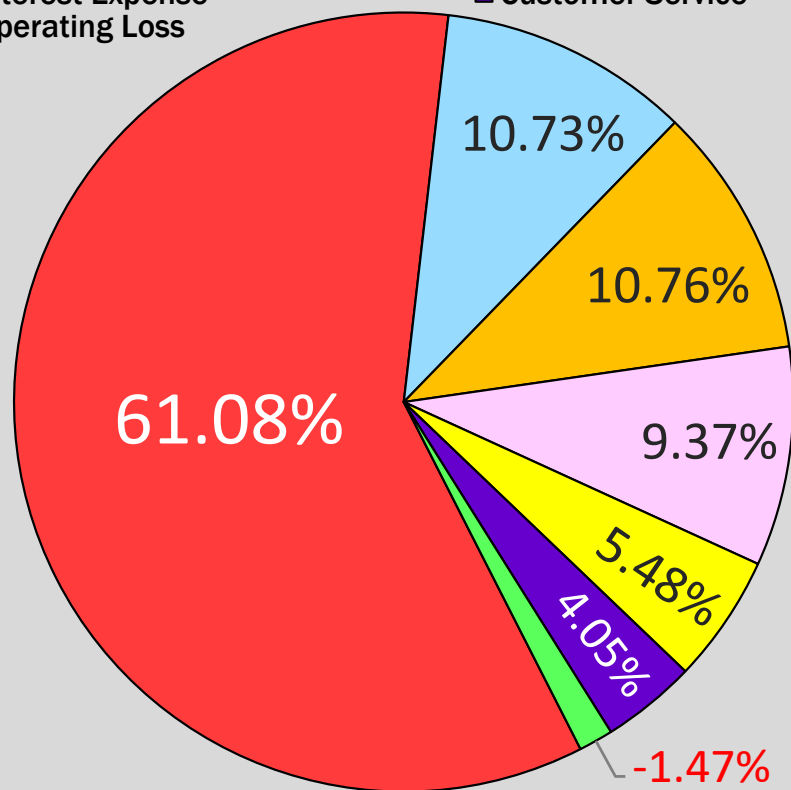
- Residential
- Small Commercial
- Farm
- Seasonal
- Large Commercial
- Irrigation
- Lights



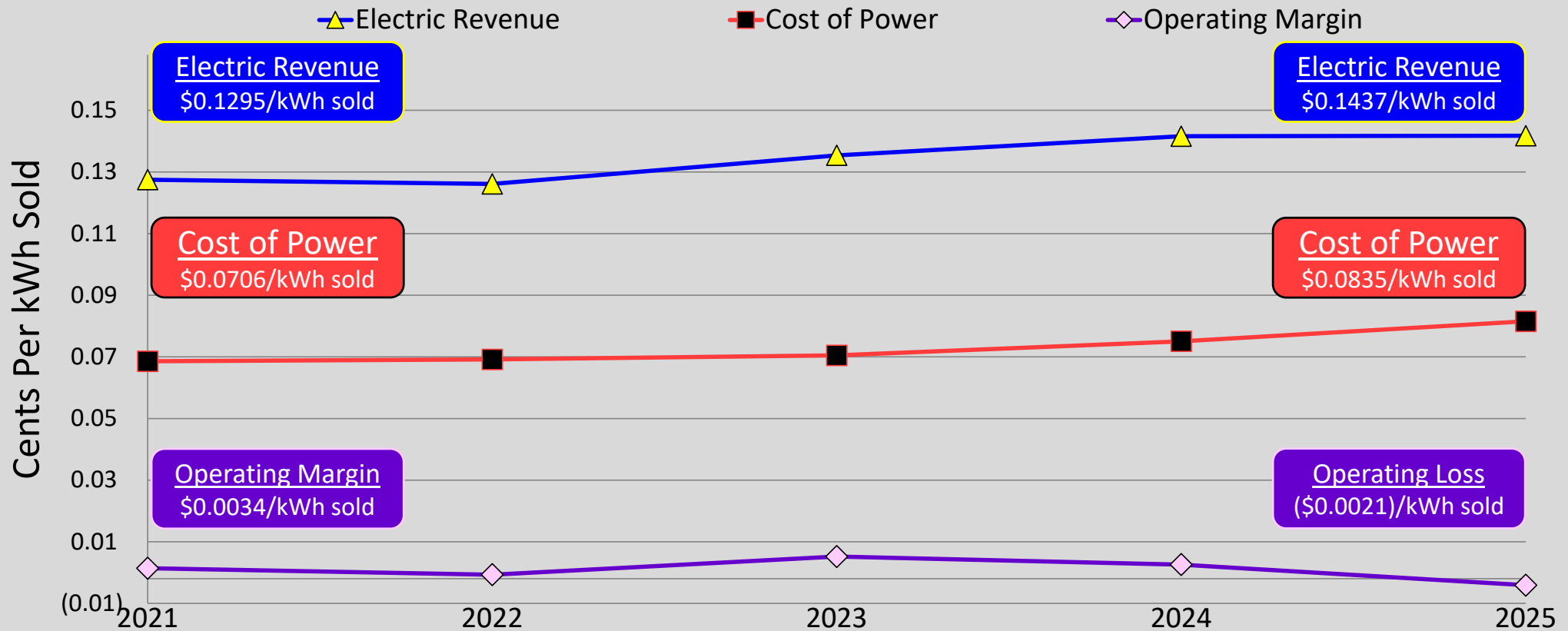
COST OF ELECTRIC SERVICE

Where the dollars went...

- Power Cost
- Operations & Maintenance
- Interest Expense
- Operating Loss
- Depreciation
- Administrative & General
- Customer Service



OPERATING MARGIN PER KWH SOLD



A Few More Notable Items.....

- ~ July 27-28 Storm → Disaster Declaration by Gov. Walz on 10/03/2025
 - 688 Members without Power on 07/27, 335 on 07/28
 - Total Documented Damages = \$98,390.74
 - Total Damages Recovered from MN HSEM = \$73,793.06 (75%)
- ~ Grant Activity: Federal & State
 - New ERA & MN SCF → Actively working with GRE, ENGIE, and USDA to bring local projects online and yield significant energy savings to KPC members over the next several decades
 - MN Electric Grid Resilience Grant → \$177,194 Awarded
Installation of 1.3 miles of underground lines (Big Kandi Lake)
- ~ Donations = \$29.6K | CoBank Match = \$15K | Total Impact = \$44.6K
 - Unclaimed Capital Credits = \$22.5K | Membership Cost < \$4,600
 - KPC's Local Impact Nearly 10X... *give a dollar, spend a dime!*

This concludes the 2025 Financial Review.

- If you would like additional information related to today's presentation, a full copy of the 2025 financial statements and an article explaining the details of the 2025 patronage allocation can be found in the April edition of *The Kilowatt*.



Thank you for being a Kandiyohi Power Cooperative member-owner.

Reliability Overview

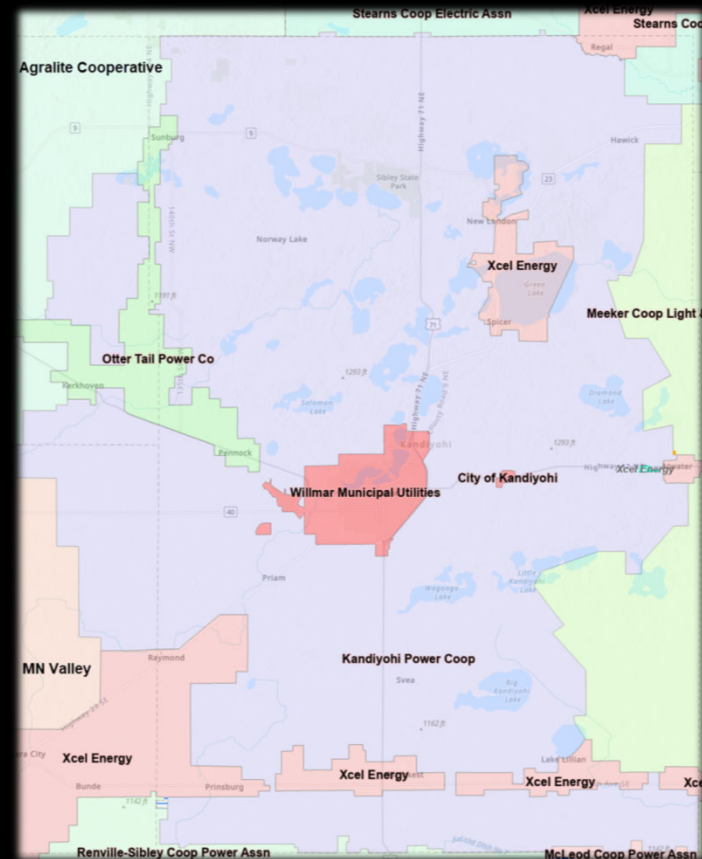


James Pachan, Engineering & Operations Manager

Kandiyohi Power System

SYSTEM STATISTICS

- 9,114 connected services (EOY 2025)
- 1,000 square miles
- 1,641 miles of line
 - 547 overhead
 - 1,094 underground



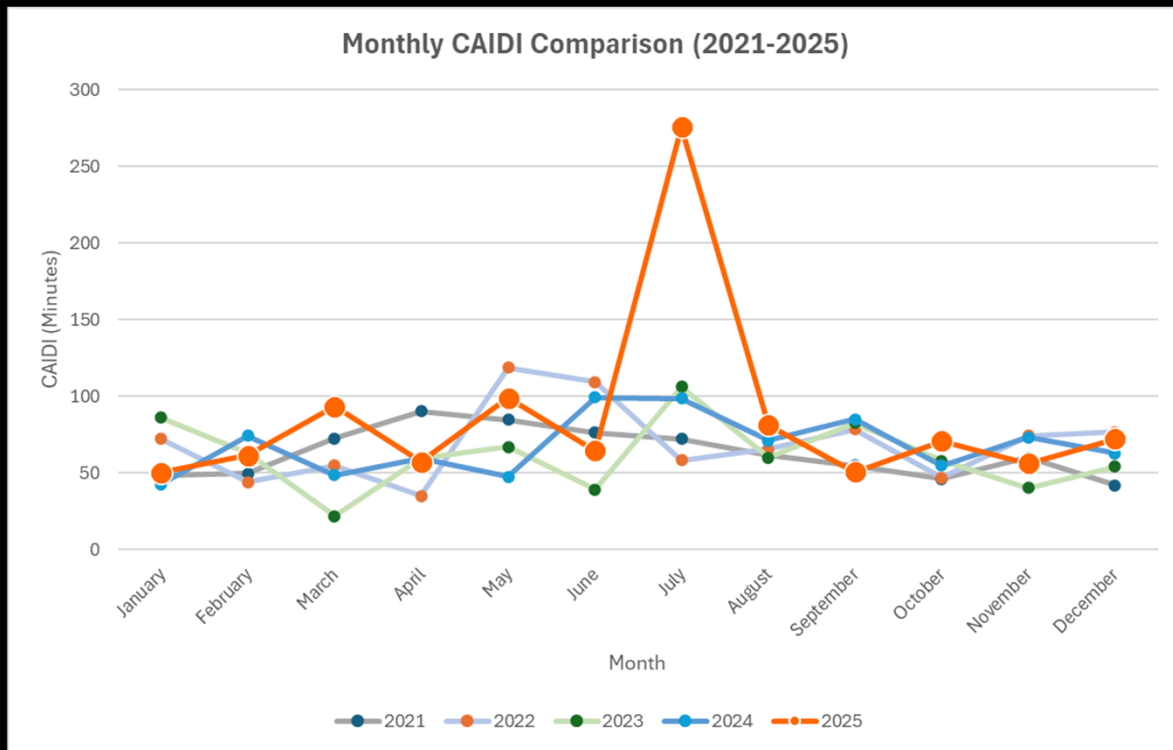
Outages and Reliability



REPORTING OUTAGES

- Metering system – Tantalus
 - Last Gasp
- Phone Call(s)
- SmartHub – Report Outage

Reliability Metrics

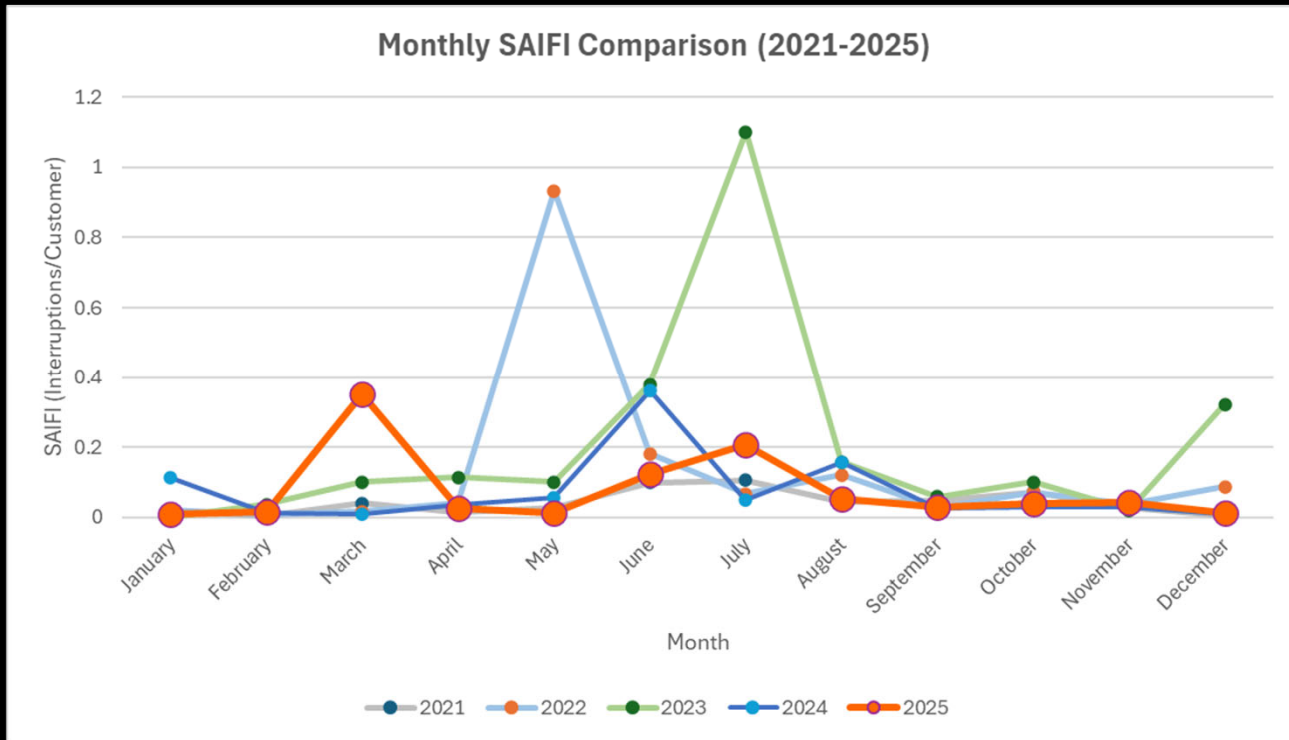


MEASURING RELIABILITY

Outage Management System (OMS) – Managing and Reporting

- ASAI – Average System Availability Index
- CAIDI – Customer Average Interruption Duration Index
- SAIFI – System Average Interruption Frequency Index

Reliability Metrics



MEASURING RELIABILITY

Outage Management System (OMS) – Managing and Reporting

- ASAI – Average System Availability Index
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- SAIFI – System Average Interruption Frequency Index

Outage Details

MARCH 2025

GREAT RIVER ENERGY

Time Off	Time On	Duration	Customer Minutes		Cause Desc	Map Location
3/30/2025 3:37	3/30/2025 5:13	1:35	130,401	43.6%	Power Supply - GRE	Prairie Woods
3/30/2025 3:37	3/30/2025 5:13	1:36	124,480	41.6%	Power Supply - GRE	Sunburg
3/30/2025 6:38	3/30/2025 8:28	1:50	25,608	8.6%	Power Supply - GRE	Blomkest
3/30/2025 13:13	3/30/2025 14:01	0:48	11,151	3.7%	Power Supply - GRE	Blomkest
3/15/2025 10:25	3/15/2025 12:58	2:32	2,291	0.8%	Cause Unknown, Investigate	5-AA2

March

March was a month of above-average temperatures and multiple storm systems. A blizzard affected southern Minnesota on March 5. On March 14, western Minnesota faced whiteout blizzard conditions with wind gusts ranging from 45 to 60 mph. On March 19, a low-pressure system brought more blizzard conditions to southern Minnesota with wind gusts of 40 to 50 mph. A heavy snow event on March 22-23 affected northern Minnesota, bringing two bands of snow to the region. Finally, March 29-30 brought a wintry mix of freezing rain, sleet, heavy rain and snow to central and southern Minnesota. Momentary outages were 84% higher than average, sustained outages were 75% higher and outage hours were 52% higher. Wind and galloping accounted for 87% of the momentary outages, 73% of the sustained outages and 71% of the total outage time for the month (particularly on March 30).

Outages to Improvements





Top Impostor Utility Scams

- **Disconnection Deception** Scammers call threatening disconnection of your utility service, demanding immediate payment by prepaid cards purchased at a local retail store and insisting you call them back with the card information to make payment.
- **Power Restoration Rip Off** Scammers call offering to restore power quickly or in a preferential order for immediate payment or an upfront “reconnection fee,” typically in the aftermath of severe storms causing widespread power outages.
- **Overpayment Trick** Scammers call claiming you have overpaid your utility bill, and you need to provide personal bank account information or a credit card number to facilitate a refund.
- **Smishing Scam** Smishing, short for SMS phishing, is a relatively new scam that attempts to trick mobile phone users into giving scammers personal information, which can be used for identity theft, via a text or SMS message.
- **Bill Payment or Credit Con** Scammers may provide you with a phony account routing number for you to use to pay your utility bills, receive a credit, or obtain federal assistance. In exchange for personal information that can be used for identity theft, you may get a payment account number.

General Tips to Avoid Impostor Utility Scams



- **Protect Personal Information** Never provide or confirm personal information or financial.
- **Take Your Time** Do not be rushed.
- **Utilities Mail Disconnection Notices** Customers with delinquent accounts receive advance disconnection notification included with their regular monthly bill—never a single notification shortly before disconnection.
- **Report the Scam to Your Utility** Know that your questions may scare the scammer off.
- **Pay Your Utility Only** Know your utility bill payment options—online, by phone, automatic bank draft, mail, or in person.

Protect your SmartHub Account – Enable 2FA!



Enabling two-factor authentication (2FA) on your SmartHub account is one of the simplest and most effective ways you can protect yourself and KPC. Here's why it matters:

- Protects against Account Takeover
- Safeguards Personal and Financial Information
- Prevents Fraud and Unauthorized Payments
- Reduces the Risk of Scams
- Low Effort, High Benefit
- Aligns with Modern Security Best Practices

To learn more about SmartHub 2FA, go to www.kpc coop.com/smarthub

Telling the Kandiyohi Power Story



Ryan Nelson, CEO

Why This Story Matters Now

Longtime members often know the co-op story

Many younger members know us only as their electric provider

Some do not realize they are member-owners



Built in 1935 for a Reason



You're Not Just a Customer

Being a member
signifies ownership

With ownership
comes the ability to
share your voice

Ownership also
entails taking part
in the benefits



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What Makes KPC a Cooperative

Member-Owned



Members are also owners

Not-for-Profit



Built to serve, not
outside shareholders

Democratically Governed



Members elect the board

Built to Serve



Service and community
come first

Local Governance, Local Accountability

Nine-member
board

Three
districts

Members
elect one
director from
each district
each year

Directors
serve three-
year terms



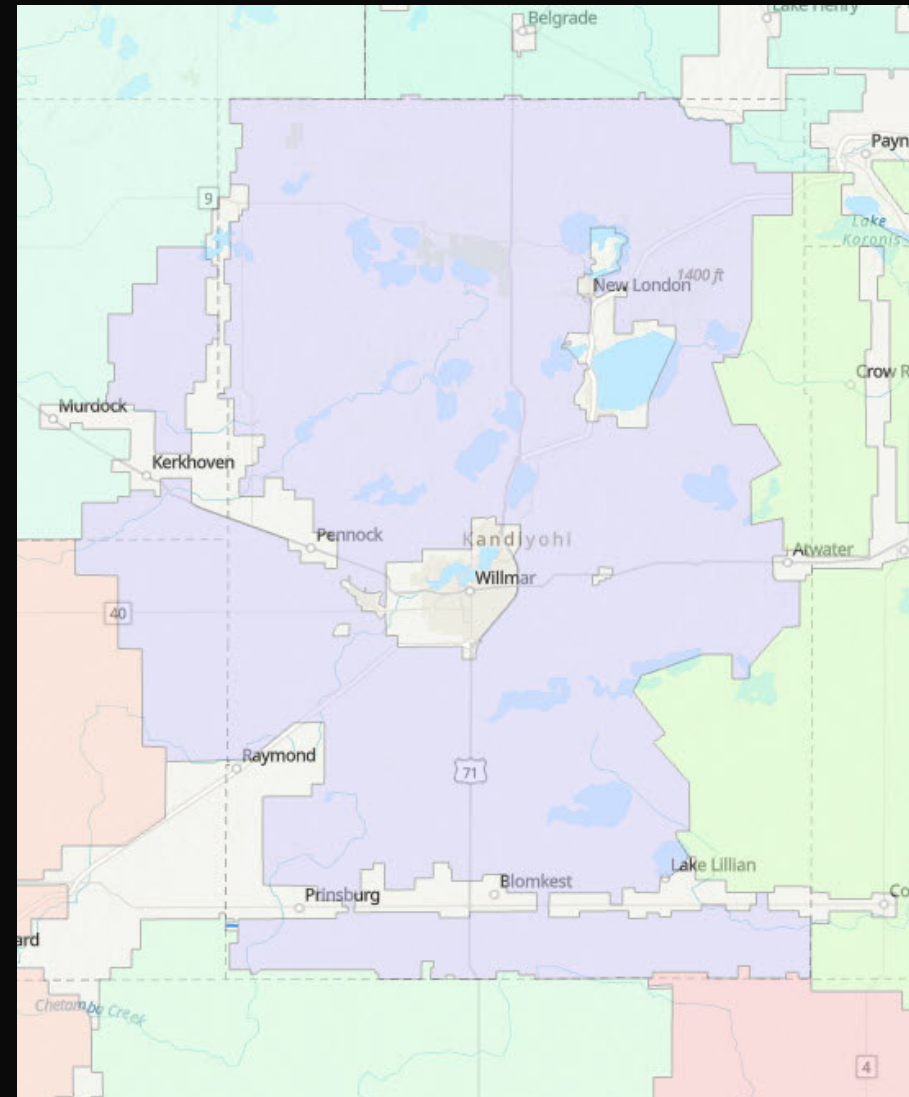
Why Our Service Territory Matters

Stable territories allow for long-term planning

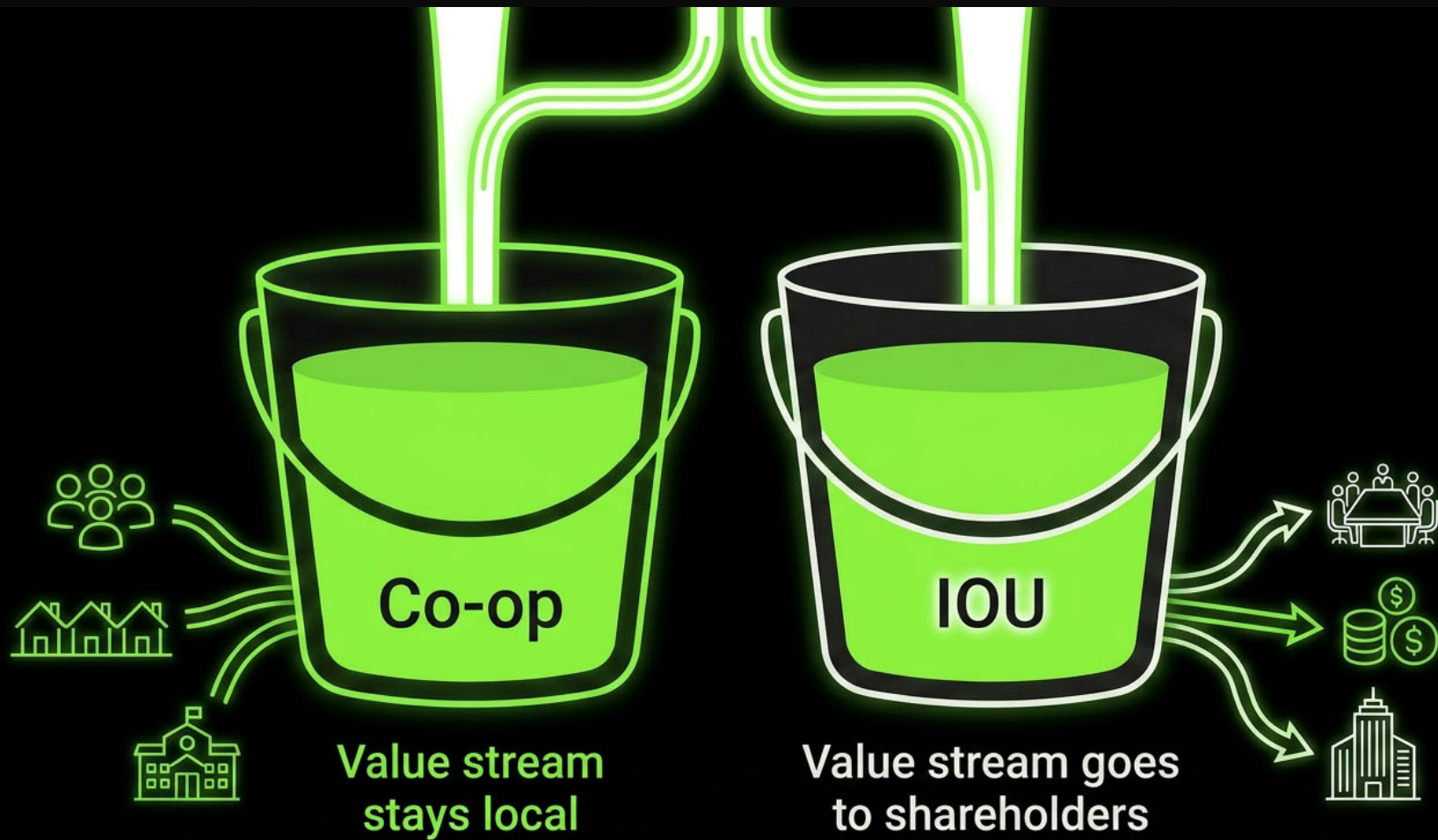
Representation tied to geography

Local governance means local accountability

When responsibility has a defined home, service has a defined standard

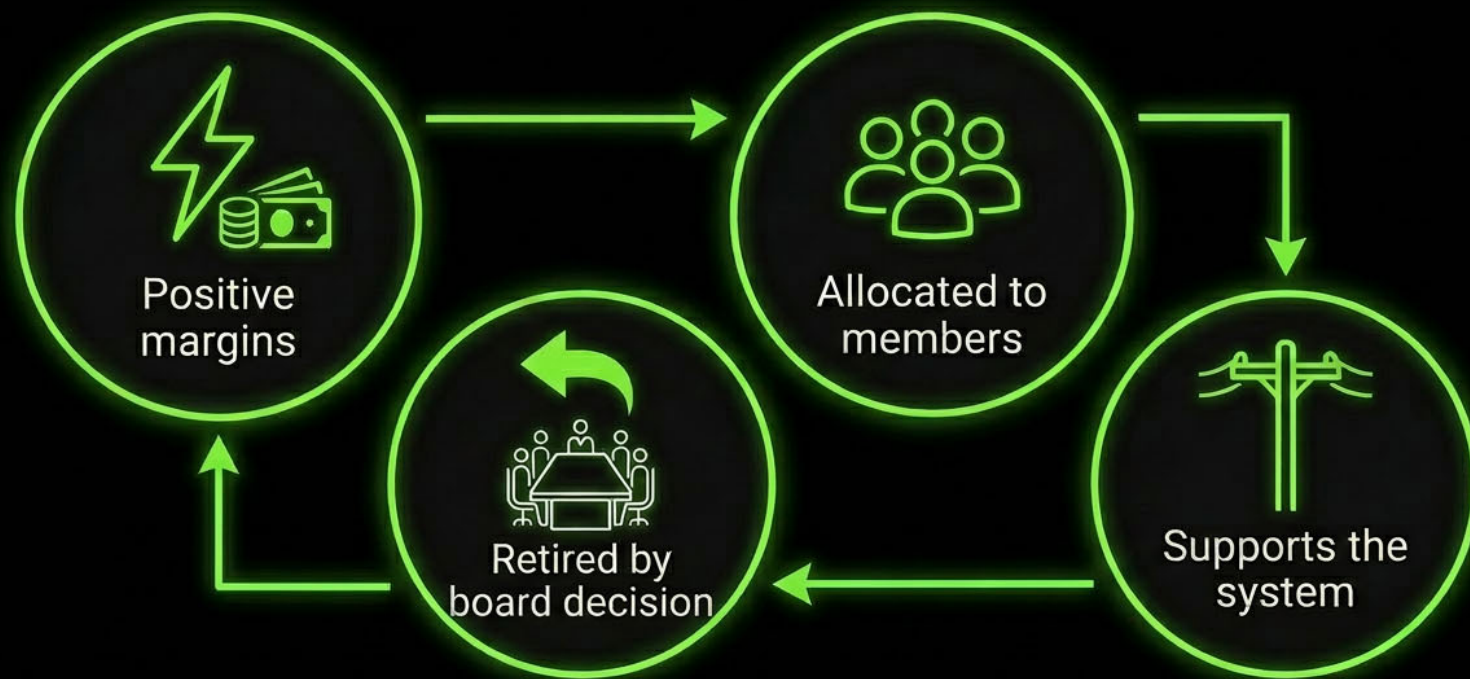


Same Electricity, Different Business Model

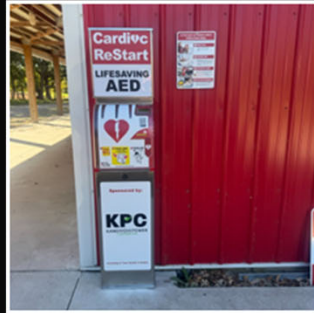


The Benefits of Being a Member-Owner

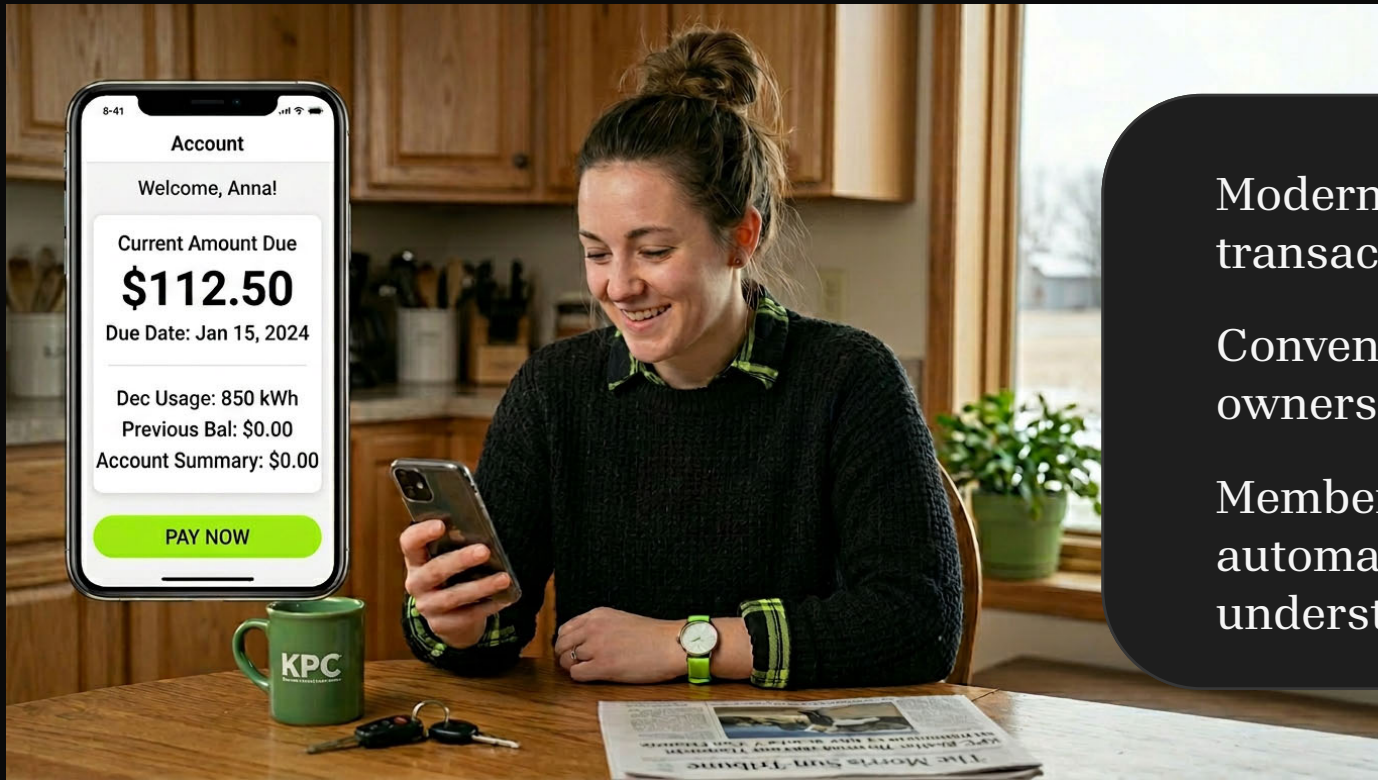
The Capital Credits Cycle



Service Beyond the Meter



Why Younger Members May Miss the Story



Modern utility service feels transactional

Convenience can hide ownership

Membership does not automatically create understanding

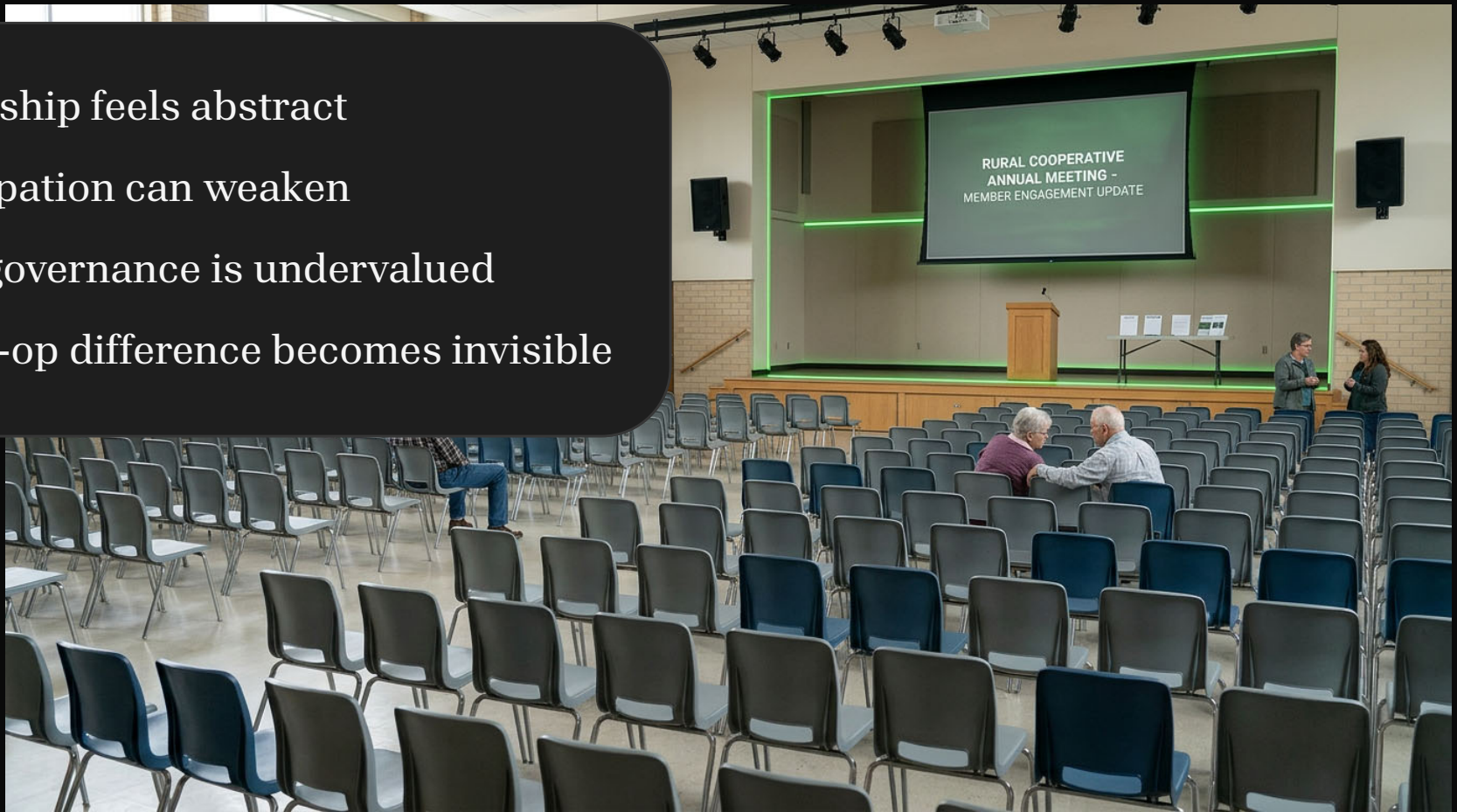
What We Lose If the Story Fades

Ownership feels abstract

Participation can weaken

Local governance is undervalued

The co-op difference becomes invisible



What Helping Tell the Story Looks Like

Welcome new neighbors as member-owners

Encourage annual meeting participation

Talk about local governance with family or friends

Explain capital credits

Share the value of local service



A Story Worth Protecting



Help Us Tell It



OPERATION ROUND UP

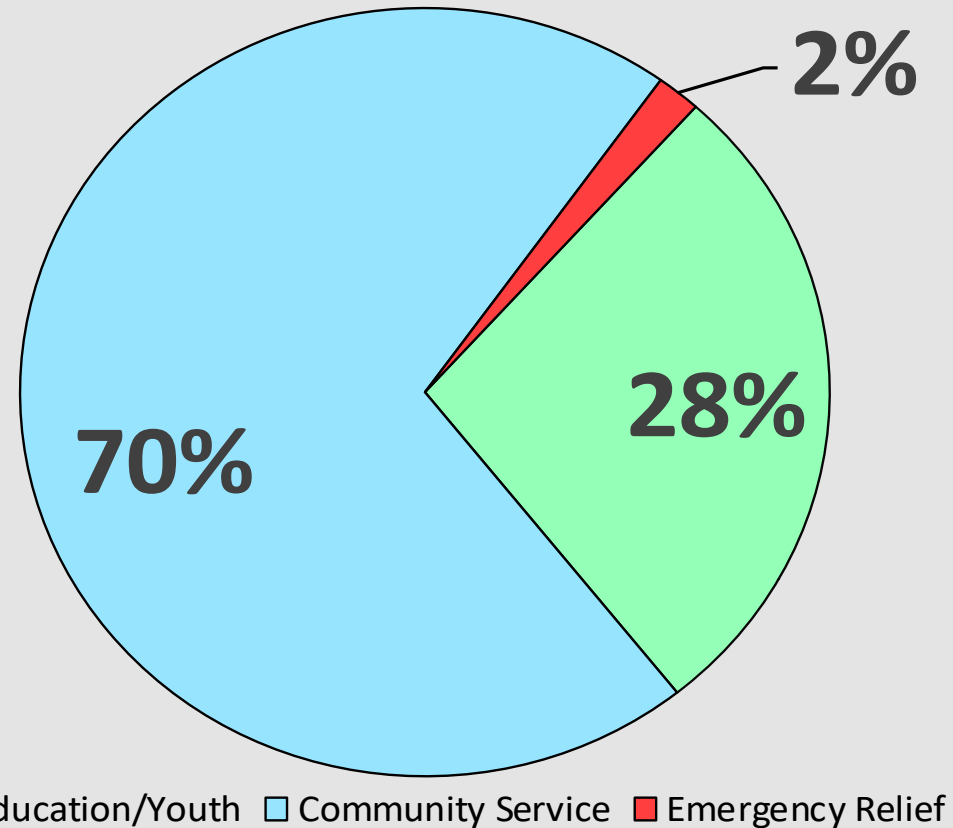


Operation RoundUp

For the Year Ended December 31, 2025

Cash Balance at 01/01/2025		\$ 21,157.29
Contributions Received		61,421.37
Interest Earned		16.77
Donations Made:		
Education/Youth	15,650.00	
Community Service	40,000.00	
Emergency Relief	<u>1,000.00</u>	
Total Donations		(56,650.00)
Miscellaneous Expense		<u>(425.54)</u>
Cash Balance at 12/31/2025		<u>\$ 25,519.89</u>

Over \$56,000 in donations to 54 local organizations!





THANK

KPC KANDIYOHI POWER
COOPERATIVE