Building Opportunity

EAST KENTUCKY
POWER COOPERATIVE
2023 ANNUAL REPORT

EAST KENTUCKY
POWER COOPERATIVE
A Touchstone Energy Cooperative

2023

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2023: Highlights

Financial (Dollars in Thousands)

	2023	2022	Increase/(Decrease) %
Operating Revenue	**$1,110,571**	$1,263,337	(12.1)
Operating Expenses	**$1,001,621**	$1,141,100	(12.2)
Net Margin	**$17,856**	$35,880	(50.2)
Members' Equities	**$784,020**	$786,946	(0.4)
Equity Ratio (%)	**20.2**	21.0	(3.8)

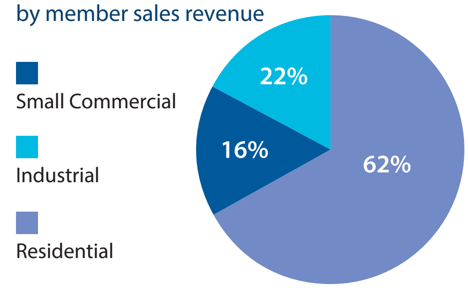
Operational

	2023	2022	Increase/(Decrease) %
Sales to Member Cooperatives (MWh) *	**13,461,548**	13,721,766	(1.9)
Member Revenue Per kWh Sold (mills/kWh) *	**78.15**	84.32	(7.3)
Cost of Owned Generation (mills/kWh)	**84.86**	71.92	18.0
System Peak Demand (MW)			
Winter Season **	**2,707**	3,747	(27.8)
Summer Season	**2,498**	2,465	1.3
Net Generation (MWh)	**8,733,672**	10,189,060	(14.3)

* *Includes steam sales*
** *Represents seasonal winter peaks achieved during each respective calendar year (03/20/23 and 12/23/22)*

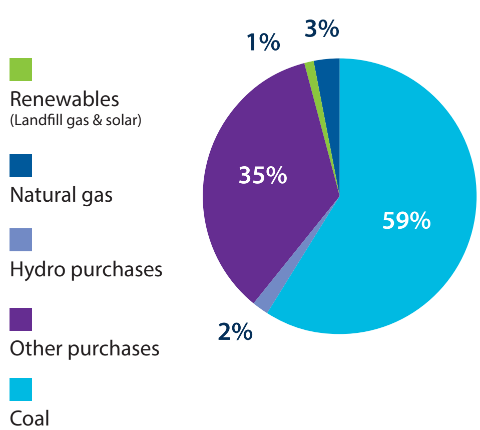
Member Classes

by member sales revenue



Sources of Electricity

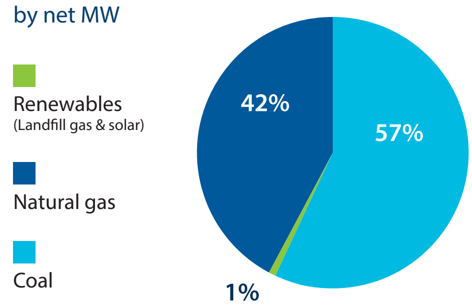
by MWh



Note: Pie chart figures are rounded.

Power Plant Capacity *

by net MW



* Includes 1 net MW designated to serve a long-term PPA agreement and 8.5 net MW of solar available for licensing.

Located in the heart of the Bluegrass state, East Kentucky Power Cooperative is a not-for-profit generation and transmission (G&T) electric utility with headquarters in Winchester, Ky. Our cooperative has a vital mission: to safely generate and deliver reliable, competitive and sustainable energy to our 16 owner-member cooperatives serving more than one million Kentuckians.

Together, with our 16 owner-members, we're known as Kentucky's Touchstone Energy Cooperatives. The owner-member co-ops distribute energy to 1.1 million Kentuckians across 89 counties. We're leaders in environmental stewardship. And we're committed to providing power to improve the lives of people in Kentucky.

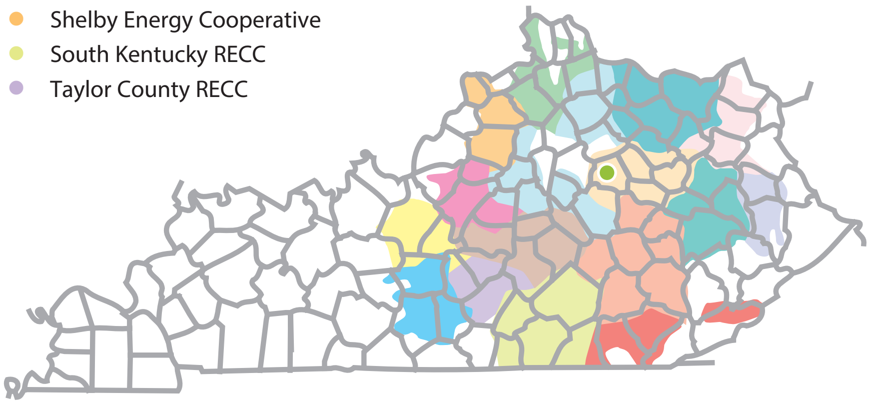
2023 at a glance

Total Energy Sales (GWh)	Energy Sales to Owner-Members (GWh)	Energy Sales to Non-members (GWh)	Total Operating Revenue ($ millions)	Net Margin ($ millions)	Assets ($ billions)	Average Wholesale Rate to Members ($/MWh)
13,946	13,462	485	1,110.6	17.9	3.9	78.2

EKPC's 16 owner-member cooperatives include:

- Big Sandy RECC
- Blue Grass Energy Cooperative
- Clark Energy Cooperative
- Cumberland Valley Electric
- Farmers RECC
- Fleming-Mason Energy Cooperative
- Grayson RECC
- Inter-County Energy
- Jackson Energy Cooperative
- Licking Valley RECC
- Nolin RECC
- Owen Electric Cooperative
- Salt River Electric Cooperative
- Shelby Energy Cooperative
- South Kentucky RECC
- Taylor County RECC

- EKPC headquarters



East Kentucky Power Generation

Coal	Generation
Spurlock	1,346 net MW
Cooper	341 net MW
Total Coal	**1,687 net MW**

Natural Gas	Generation
Smith Combustion Turbine Units	Summer 753 net MW Winter 989 net MW
Bluegrass Combustion Turbine Units	Summer 501 net MW Winter 567 net MW
Total Natural Gas Summer	**1,254 net MW**
Total Natural Gas Winter	**1,556 net MW**

Landfill	Generation
Bavarian	4.6 net MW
Green Valley	2.3 net MW
Hardin	2.3 net MW
Pendleton	3.0 net MW
Glasgow*	0.9 net MW
Total Landfill	**13.1 net MW**

Solar	Generation
Cooperative Solar Farm One	8.5 net MW

Hydro	Generation
Southeastern Power Adm. (SEPA)	170 MW

* Effective December 2015, a third party began receiving the output of Glasgow in a 10-year power purchase agreement.

Number of Member Systems	Number of Member Meters	Member Populations Served (millions)	System Peak Demand (MW)	Miles of Transmission Lines	Employees
16	570,553	1.1	2,707	2,892	735

Building Opportunity
A message from the CEO and the Chairman

MANAGING CHANGE

The world is rapidly changing, and East Kentucky Power Cooperative (EKPC) is not immune to those changes. In the midst of change, we remain focused on providing competitively priced, sustainable, safe and reliable power to the 1.1 million Kentuckians served by our 16 owner-member electric cooperatives.

Maintaining reliable service and competitive rates now and into the future requires meticulous strategic planning, risk mitigation, forecasting and financial planning in cooperation with our communities and owner-member cooperatives. With that mindset, 2023 was a year where planning turned to actions for servicing the needs of our owner-members. In a state with a bright future that is growing economically, we must build on the opportunities ahead of us.

STRATEGIC PLANNING FOCUSES ON NEW GENERATION

At our annual strategic planning meeting, EKPC's Board and leadership team focused intently on mitigating risks, reducing emissions and preparing for future growth. During discussions, ownership of diverse generation assets emerged as a key hedge against fuel and market volatility in this rapidly changing energy landscape.

We heard from industry experts, leaders and key energy sector stakeholders about the future of the utility industry and how Kentucky is poised to see significant growth. It is clear we must hone our focus on maintaining our current fleet and transmission assets while continuing to invest in Kentucky's future. We must plan for threats to reliability and industry disruptions and build generation resources to meet our system's needs while being prepared to take advantage of opportunities when they arise.

By strategically investing in transmission upgrades, asset maintenance, and planning for the development and construction of new generation assets, 2023 will be remembered as the launch of the latest capacity expansion for EKPC.

BOARD DECISIONS PROVE PRUDENT IN 2023

Prudent decisions by our Board and the Board Risk Oversight Committee regarding rates and insurance provided some much-needed cushioning for soft revenue that resulted from mild weather in 2023. EKPC's rate adjustment in 2021 provided the necessary revenue to meet financial needs. Outage insurance proceeds provided a lift to margins and performance capacity insurance helped bolster cash reserves.

Over the last few years, the electric utility industry has experienced difficult lessons about reliability, fuel diversity, fuel scarcity, supply chain and other challenges. To that end, the Board approved key additions to EKPC's fleet, including additional backup fuel storage at Bluegrass Station, purchasing a backup turbine for Smith Units 9 and 10, and a significant overhaul of Spurlock Station Unit 1.

Those decisions have proven to be very prudent in 2023, and will continue to provide EKPC a strong hedge against an ever-evolving utility industry.

NEW CFO CLIFF SCOTT INTRODUCED

Cliff Scott was selected as Chief Financial Officer and Executive Vice President in April after the retirement of Ann Bridges in January. Scott is responsible for finance, treasury and risk management, regulatory and compliance services, accounting, information technology, economic development and member services.

Scott has a long history of utility industry experience, most recently serving as Director of Commercial Renewable Energy Assets at NiSource, which provides natural gas and electric utility services in a six-state region.

SPURLOCK STATION CCR/ELG PROJECT IN FINAL PHASE

The cooperative is in the final phase of the $262.4 million ongoing project at Spurlock Station to help ensure the plant remains in compliance with the U.S. Environmental Protection Agency's Coal Combustion Residuals and Effluent Limitation Guidelines (CCR/ELG) rules. The last phase involves the clean closure of the 67-acre ash pond,




relocating de-watered ash from the ash pond to a lined, permitted landfill away from the Ohio River. The project is scheduled for completion in 2025.

SPURLOCK UNIT 1 OVERHAULED

One of the cooperative's major energy producers, Unit 1, was due for its regular 10-year major maintenance in 2023. The outage took 92,000 work-hours to complete at a total cost of approximately $32 million. The overhaul included the turbine and generator, along with the normal detailed annual inspection and repair of all critical power generating systems. Unit 1 was disassembled, refurbished and put back into service in late December.

TRANSMISSION CONSTRUCTION CONTINUES

EKPC has focused on upgrading its power delivery and grid system with plans to build more than 260 miles of transmission lines along with numerous substations across the commonwealth. EKPC is preparing for new generation needs, updating infrastructure and providing capacity for load growth on the system.

Seventy-six miles of line were constructed or rebuilt in 2023.

Much of the new infrastructure being constructed consists of steel poles, which last longer, require less maintenance and require fewer structures to cover the same amount of territory.

EXECUTING FINANCIAL STRATEGIES

In 2023, EKPC continued to maintain equity to assets and liquidity metrics needed to give it the flexibility to ensure reliable energy to our owner-members and to be in a position to capitalize on future opportunities. For the year ending Dec. 31, 2023, EKPC posted a net margin of $17.9 million on revenues of $1.1 billion.

STRONG ECONOMIC DEVELOPMENT

For years, EKPC has focused on working with our owner-member cooperatives as well as local, state and federal officials to improve lives in the communities served by co-ops. The cooperative employs a team of economic development experts who have spent their careers bringing investments to rural parts of the commonwealth that are often overlooked.

Those efforts have brought thousands of jobs and billions in economic investment to Kentucky. In the last 10 years, more than 18,000 jobs have been created with more than $12 billion in investments in our owner-members' communities. EKPC and its owner-member electric cooperatives are investing in a skilled workforce pipeline, shaping the next generation of employees, and delivering real-world solutions to meet current and future demands. Our cooperative communities create a hub for the eastern half of the United States, with access to a 34-state distribution area with excellent transportation assets, making it the ideal location for businesses in the supply chain.

We offer financial incentives to help new and expanding companies access programs designed to encourage industrial growth. Our Economic Development Rider (EDR) provides reduced electric rates over time for qualifying projects and our owner-members' Rural Economic Development Loan and Grant Program (REDLG) offers low interest loans and grants for businesses creating or retaining jobs in our service territory. Additionally, the Kentucky Cabinet for Economic Development offers state incentives.

Our cooperative is not just a power provider, but an integral part of improving the lives of our members through economic development.

SUSTAINABILITY

In a first for EKPC, the Kentucky Energy and Environment Cabinet awarded the cooperative its gold-level membership in the Kentucky Excellence in Environmental Leadership program, or KY EXCEL. The award comes on the heels of years of environmental stewardship. EKPC has planted more than 100 acres of native grasses, wildflowers, and other plants to promote pollinators, which are critical to a healthy environment.

EKPC has also added honeybee hives and habitat, nesting boxes for eastern bluebirds and eight Monarch butterfly waystations which contain milkweed critical to the Monarch's success.

One of the co-op's longest-running projects is nurturing peregrine falcons at Spurlock Station. The Maysville plant has hosted nesting falcons for 16 years. Nearly 40 peregrine chicks have fledged since 2007, with four more born in the spring.

SUMMARY

We thank our Board of Directors for providing their strategic vision in guiding EKPC to a successful year in 2023. The Board's commitment to strategic planning, risk mitigation, maintaining the fleet, fuel diversity, concern for reliability and backup fuel, and our continued relationship with PJM have allowed us to effectively serve our owner-member cooperatives.

EKPC's employees continued their commitment to excellence. Our employees continue to go above and beyond in their work to always keep the power flowing, to keep our assets in peak condition, to ensure our transmission system is maintained, and to give our owner-members the best service possible at competitive rates. The vision of our Board would not come to fruition without the dedication and hard work of our staff.

EKPC leaders understand our industry is in the most significant transition since the inception of electricity. We are committed to being proactive during this transition, keeping reliability high, rates competitive, and our financial position strong to capitalize on future opportunities.

Alan Ahrman
Chairman of the Board

Alan Ahrman

Anthony Campbell
President and CEO

Anthony Campbell

Strategic planning focuses on the future of power generation, growing demand

Coming off the lessons learned from Storm Elliott at the end of 2022, EKPC's leadership honed its focus on what reliability and sustainability for its 1.1 million end-use members would look like.

During EKPC's strategic retreat, EKPC staff and the Board met to discuss challenges and opportunities for the future, while getting the latest information to help inform EKPC's leadership on planning for the cooperative's future. The leaders heard from industry experts on significant changes in load, generation, fuel volatility, and long-term generation needs.

Significant growth projected in power demand from EKPC's 16 owner-members over the next 10 years coupled with volatility in fuels and regulations produced an urgency to explore what kinds of new generation assets EKPC could reasonably place in service by 2030.

EKPC's executive team is focused on maintaining the right mix of power sources to ensure reliability and competitiveness for our owner-members, without losing sight of being a good steward of the environment and pursuing sustainability as one of our core values.


FUTURE
PRESENT
PAST
VISION

Scott chooses the cooperative model

Cliff Scott was selected as Chief Financial Officer and Executive Vice President in April, 2023 after a nationwide search for the cooperative's finance leader. Scott is responsible for finance, treasury and risk management, regulatory and compliance services, accounting, information technology, economic development, and member services.

"It was important for me to take the next step in my career to an institution that was in the not-for-profit sector where the focus was on cooperation and the greater good instead of being in a profit-driven business," Scott said. "The cooperative model always puts the focus on our owner-members and their end-use members instead of on shareholders. That aligns more with my values and I'm excited to be at EKPC."

Scott spent the first several months of his tenure meeting with owner-member cooperatives, banks, rating agencies and NRECA to establish strong relationships. Much of 2023 was spent focusing on the billions in available public utility funding from federal programs focused on diversifying energy sources in the United States.

Before coming to EKPC, Scott spent many years at NiSource, most recently as Director of Commercial Renewable Energy Assets. Immediately prior to that, Scott served as Vice President of Risk, Finance and Performance Optimization in Indiana, where NiSource has approximately 800,000 electric and gas customers. After attending Cedarville University, where he earned a bachelor's degree in Finance and Accounting, Scott earned his MBA in Finance from The Ohio State University.

Campbell testifies before FERC

For years, EKPC CEO Tony Campbell has been sounding the alarm about government policies moving too far, too fast in shutting down proven sources of electricity that meet the nation's energy needs. In November, he testified at a technical conference of the Federal Energy Regulatory Commission, known as FERC, reporting that the latest U.S. EPA rule to cut greenhouse gas emissions at power plants will severely hinder reliability of America's electric grid. EPA's plan would effectively lead to the closure of many baseload power plants.

"These policies will leave the electricity grid with a significant deficit of dispatchable generation, as replacement generation will not be available," Campbell said.

He called on the EPA to withdraw the proposed rule and for federal agencies to assess the impact of future proposals on the reliability of the power grid. Campbell testified this proposed regulation is "unlawful, unworkable, beyond salvage and disastrous for grid reliability."

Rural Electric Cooperative Caucus formed

In 2023, Kentucky lawmakers formed the Kentucky Rural Electric Cooperative Caucus, advocating for the interests of local co-op members across the commonwealth. The bipartisan caucus, the largest caucus in the legislature, boasts 28 senators and 66 House members.

The formation of the caucus comes at a critical time for electric co-ops that face new rules and regulations monthly from Washington, D.C.

"Co-ops rely on informed and dedicated public servants to help them fight for affordable, reliable and safe power," says Jena McNeill, Director of Legislative and Government Affairs.

Construction and expansion harden EKPC's transmission grid

In 2023, EKPC's Engineering and Construction business unit continued to work diligently for our members on the cooperative's transmission system to maintain reliability and to perform necessary upgrades in support of economic development.

The 2023 capital spend totaled $113 million.

EKPC completed a total of 26 projects which included 76 miles of transmission line in combination with 20 substation projects.

Included in these projects was the completion of the Floyd to Woodstock transmission line, a new 69-kV line which spans approximately seven miles and provides additional reliability in the southern Kentucky region, where voltage maintenance during peak demand situations is critical.

Also completed was the Central Hardin substation to serve a new 15-megawatt load that will serve Nolin RECC's territory, where substantial growth is anticipated.

Safety was outstanding during a very heavy period of construction.

With a Total Recordable Incident Rate (TRIR) of 0.37 and a Days Away, Restricted, or Transferred (DART) rate of 0.0, safety and efficiency of the Engineering and Construction workforce was excellent.

Contractors worked more than 1 million hours without a serious injury.

Fuel prices moderate

Triggered by global market volatility, production issues, and geopolitical unrest, including Russia's invasion of Ukraine and supply chain issues dating back to the COVID-19 pandemic, coal and natural gas prices pushed EKPC's fuel costs significantly higher in 2022 and 2023 before moderating in mid-2023.

Additionally, widespread and severe weather events such as Winter Storm Uri in 2021 and Winter Storm Elliott in 2022 along with strong export markets put upward pressure on fuel and fuel-related commodity pricing in the United States.

Natural gas prices, which had been stable around $2 per MMBtu for a number of years, spiked to as much as five times that rate in 2022 as exports of liquefied natural gas were at maximum levels to help ease the gas shortage in Europe due to the instability of the region surrounding Ukraine, and a destabilized Russian economy.

By the middle of 2023, natural gas prices began to decline as political tensions eased and natural gas in domestic storage increased. The coal market, which had been nearly illiquid in 2022, also saw prices moderate in 2023, due to a variety of drivers such as downward pressure from the natural gas market and higher coal inventories at utilities.

Gas fleet winterized after lessons learned from Winter Storm Elliott

EKPC spent 2023 hardening its gas-fueled assets after challenges with gas and fuel backups during Winter Storm Elliott in late 2022.

At Smith Station, EKPC employees updated controls to enhance reliability. Smith employees worked to make needed changes to the controls system to prepare for the next winter season. This spurred a plant-wide investigation into other opportunities for controls' upgrades.

The Smith team also evaluated heat tracing as well as insulation throughout the plant. All old and damaged insulation was replaced and heat tracing was installed where needed. Smith teams also installed windbreaks and shelters over equipment to help prevent freezing.

Bluegrass Station's winterization project was similar to Smith's and included turbine enclosure heaters, expansions of the turbine enclosures, heat tracing, wind screens, and adding a building around the demineralized water system.


MAX

Safety program gets new leader, focuses on rebuilding culture

Following the retirement of EKPC's longtime safety manager Mike Willoughby, Robert Thornton, a veteran of cooperative safety programs was selected in early 2023 to lead EKPC's safety efforts. Thornton was tasked with taking EKPC's safety program to new levels in a post-pandemic environment.

Safety Week 2023 brought speakers from different walks of life to relate safety incidents that had affected them and their families. Licking Valley RECC employee Scott Spencer spoke of his severe injuries received while working on a wooden power pole that snapped while he was climbing it for repairs during an ice storm. Scott talked about his long recovery and how the accident changed his view on safety and safety culture.

A renewed and reinvigorated safety program in 2023 saw 108 members of EKPC's leadership team complete an extensive two-day training focused on the cooperative's safety culture.

Those leaders will take the training back to their business units, passing it on to employees to fortify the cooperative's safety culture. More than 60 percent of EKPC's workforce has changed since EKPC launched the current safety program in 2011. We are dedicated to ensuring all employees, new and seasoned, understand and are committed to safety.

Safety Manager Robert Thornton was hired in 2023 to lead EKPC's safety efforts.

Scott Spencer, Licking Valley RECC, tells EKPC employees about his life-changing injury when a pole he was climbing broke and fell.

EKPC leaders participated in an extensive two-day training to bring safe work back into focus.

Cybersecurity becomes crucial to safety, reliability of cooperative

In the constant fight to protect the integrity of EKPC's digital networks from cyberattacks, the cooperative's Information Technology (IT) team is enlisting the people on the front lines.

"We want to make sure every employee knows their responsibilities in keeping EKPC's system secure," said Greg Justice, Director of Information Technology. Recently, EKPC's IT, Legal and Human Resources teams worked together to update the cooperative's cyber-security policies.

EKPC's employees were required to complete annual cybersecurity training, which covers a range of cyber-security topics, including ways to identify cyber-phishing attempts, where scammers try to trick employees into divulging information about EKPC or even passwords to access the network.

EKPC worked with consultants, who helped to assess cybersecurity by attempting to gain access to the co-op's networks. Phishing emails were sent to employees to measure the rate at which they click on a link within the email. That "fail" rate has dropped dramatically over the past year as employees have become more educated about phishing methods.

In addition to employee training, EKPC has deployed other initiatives to protect cybersecurity, including multi-factor authentication to access the network, stronger remote access security and beefed-up monitoring services.

Spurlock simulators make heavy equipment training safer

Two heavy equipment simulators installed at Spurlock Station allow new and seasoned employees to train on dozers and front-end loaders.

"We were really looking for a way to have something permanent here, so when we bring new people in, they can go through the training modules and train on the machines without getting on the real iron first," said Greg Culp, Material Handling Manager at Spurlock Station." "Even our seasoned and experienced employees can benefit as we run them through (the training) too, and we'll do that at intervals as refresher training and continuous learning."

Spurlock Plant manager Joe VonDerHaar said the simulators are simply the next step in training. Using technology to enhance safety, he said, was an obvious step.

"When Greg brought up the idea of simulators as the next evolution of operator training above our classroom training, I was all in. Working the coal pile is a dangerous task and luckily we have some very skilled operators. Giving them the best tools we can come up with to stay on top of their game is a requirement of leadership in my mind," he said.

An EKPC employee uses a virtual reality training simulator to hone their skills on working the coal pile.

Culp said owning the simulators is an important investment because it gives new employees an opportunity to get excellent training without having to learn from costly or potentially dangerous mistakes on real machines.


LOW
MEDIUM
HIGH
SUCCESS

Emergency rescuers go to great heights for training

In August EKPC emergency responders did an extensive, day-long training for situations that could involve hazardous atmospheres, great heights, constricted confined spaces, and some unknown potential situations that could arise.

A joint team of rescue experts and EKPC personnel trained for an extreme height rescue of a co-worker or emergency responder who fell ill or became incapacitated working in one of the six stacks at Spurlock Station. The team training involved a dozen seasoned rescuers who were tasked with bringing out an incapacitated person from several hundred feet inside the stack.

"It's a situation that we feel we need to train for so that we have some experience getting a victim out of an extremely high place without the use of the elevator," said Rick Slone, Lead Safety and Occupational Health Specialist at Spurlock Station.

"It's a demanding situation because we know in this scenario one of our own is incapacitated. We know having to climb the ladder will take a lot of time to get to the injured/ill person, so we need to get them to the ground to get medical attention as soon as possible. It's incredibly important that we make a rescue in the safest manner possible so that everyone gets down," Slone said.

Safety personnel simulate a high altitude rescue in Spurlock Station's stacks. The training also covered confined spaces and hazardous atmospheres.

Spurlock overhauls Unit 1

EKPC's power plants had a very productive year in 2023, building off a very successful 2022.

Spurlock Station, the flagship power producer for EKPC, had a major overhaul performed on Unit 1. Between September and December, Unit 1 was completely disassembled and its 10-year major maintenance overhaul was completed. The outage was extensive, requiring 92,000 working hours to complete.

The overhaul included the turbine and generator along with the normal detailed annual inspection and repair of all critical power generating systems. Unit 1 was disassembled, refurbished, and put back into service in late December.

As part of its continued sustainability efforts, Spurlock Station's Environmental Protection Agency's Coal Combustion Residuals and Effluent Limitation Guidelines (CCR/ELG) project continued in 2023, pushing ever closer to its 2025 completion date. Work continued in 2023 on the remaining 53 acres of the ash landfill pond with the dewatering of coal ash, excavation, loading, and hauling away from the Ohio River, and safely placing the ash in the Spurlock landfill.

The ash pond closure component of the $262.4 million project is in its third year. Approximately 2.3 million cubic yards of material will be removed and placed in Spurlock Station's ash landfill.

Smith 10 Unit back online after long outage

The JK Smith Power Station is back to full power after a long outage. Smith unit 10 was restarted with a repaired turbine in late 2023, after being offline for more than a year. Serious damage to the turbine and long lead times resulted in an extended outage for the unit.

Because of the long repair time for Unit 10, EKPC's Board approved purchase of a backup supercore engine for Smith Units 9 and 10 to shorten repair times and increase the cooperative's reliability. With the new super-core engine, Smith Station will be able to change out an engine in five days and return to power production.

"The backup supercore eliminates long down times and the cost of replacement power due to long lead times for parts," said John Warren, JK Smith Plant Manager. "It also means that we no longer have to wait in line for shop availability."

EKPC employees at Smith Station worked on Smith Unit 10 to put the unit back in service.

East Kentucky Power Board of Directors tours Spurlock Station

EKPC's Board visited its flagship energy producer Spurlock Station in late October. The Board toured the main production facility, the fuel storage area and saw many of the processes used to make power each year. Plant Manager Joe VonDerHaar presented Board members with a history of the plant, and how each of the four coal-burning units came online. The Board also saw the progress of the CCR/ELG project.

"I think it's awesome," said EKPC Board of Directors member Landis Cornett. "Coming from a Navy background, as an electrician, we had two 750 kilowatt steam generators that I was responsible for. I can't imagine these. I think it's impressive. We want to keep it going and run it as efficiently as possible, and do a good job."

Spurlock Station has been in continuous power production operation since 1977.

EKPC Board of Directors members Danny Wallen, left, and Landis Cornett, right, being led by Nick Pitakis, center, of Spurlock Station.

Weather proved challenging for reliability

EKPC had a challenging year for reliability in 2023, with its system average interruption duration index (SAIDI) coming in at 30 minutes. The metric shows EKPC's system did not deliver power for 30 minutes for the entire year of 2023. EKPC's Customer Average Interruption Duration Index (CAIDI) came in at 77.4 minutes in 2023. The average time for interruptions for end-use members in 2023 was one hour and 17 minutes. Both those numbers were worse than their target levels.

A significant weather system in March battered the transmission system and featured severe thunderstorms, tornadoes, flooding, strong gradient winds of 50-70 miles per hour, and the lowest barometric pressure on record in Paducah and Evansville.

A steady barrage of severe weather and an incredibly high number of windy days during the first several months of 2023 made keeping the system in top shape a difficult challenge. An extremely active pattern set up from late June through early August with multiple rounds of severe thunderstorms and flash flooding. Twelve wind advisories were issued from January to April.

Severe storms in March and a high number of windy days created a very active weather pattern in 2023.

Sustainability teams continue work toward reducing carbon footprint

EKPC's Sustainability Team members met in August 2023 at Frankfort to continue planning for the future. Attendees heard from guest speakers, including Castle & Key's Distillery Manager, who discussed how their business implements sustainability into everyday functions. Dupree Catering provided lunch and discussed how they've been long-time sustainable leaders in the food industry.

Fifty team members and EKPC employees key to sustainability efforts also heard updates from each of the team leaders, including: Chris Adams (Energy and Environment), Hilda Kipelio (Financial Health), Sha Phillips (Owner-Members), Tom Castle (Electric Grid) and Teri Lacy (Employees).

COO and Executive Vice President Don Mosier and Director of Business and Technical Services Scott Drake spoke to the attendees about how EKPC's sustainability efforts began and where it's headed.

EKPC named KY EXCEL GOLD member for first time

With its continued demonstration of commitment to the environment in 2023, EKPC was recognized by the Kentucky Dept. for Environmental Protection (KDEP) with its highest recognition for environmental stewardship.

EKPC has been named a KY EXCEL Gold Member, earning the achievement from the KDEP for the first time. The Gold level was awarded to EKPC in January for "public commitment toward completing voluntary activities that will result in the betterment of Kentucky's environment and its communities," the proclamation reads.

EKPC has participated in the KY EXCEL program for 13 years, including 12 years as a partner member and one year as a bronze member. "Being a Gold Member has great perks, but the best part about this program is giving back to our communities and the environment in ways that go above and beyond the basic environmental standards we must follow," said Chris Carpenter, EKPC Environmental Scientist. "The projects show what commitment to community really means."

As part of the cooperative difference, EKPC has been committed to improving the communities we serve through projects that enhance those areas. Since 2010, EKPC has completed multiple projects including creation of pollinator habitats and Monarch waystations, planting native grasses, and implementing recycling programs.

Economic Development team launches new website

The Economic Development team unveiled its new economic development website www.dataispower.org at its Economic Development team meeting on May 31 in Frankfort. It also unveiled a new GIS WebTech GURU tool in order to help rural communities.

"We believe these new tools will empower our local communities to seek out opportunities to grow and flourish through economic development activities that bring good jobs and a more robust tax base to their citizens," said Rodney Hitch, EKPC Economic Development Director. "Powering communities with affordable, reliable power means better lives for the people of the commonwealth."

Presenters for the event included a who's who of Kentucky's economic development leaders. Haley McCoy, President and CEO of the Kentucky Association of Economic Development and keynote speaker Kristina Slattery, the Commissioner for the Dept. of Business Development in the Kentucky Economic Development Cabinet, updated attendees on important events in their offices.

EKPC's economic development team of Rodney Hitch, Brad Thomas and Brittany Cox updated the crowd on statistics and projects for 2023. A networking lunch with several Economic Development Cabinet officials gave attendees a chance to talk about their ideas for growth with the state's top officials.

"Every time we have an opportunity to put like-minded people together in order to bring opportunities to the 89 counties we serve, we always come away with ideas that will benefit our state and its people," said Brad Thomas, EKPC Economic Development Manager.

"Powering communities with affordable, reliable power means better lives for the people of the commonwealth"

EKPC Economic Development Director
Rodney Hitch

Touchstone Energy turns 25, helps co-ops support local communities

Kentucky's Touchstone Energy Cooperatives continued several programs to strengthen local communities. This year marks the 25th anniversary of Touchstone Energy. For a quarter of a century, co-ops across the nation have come together as a collective brand. Touchstone Energy has evolved from a simple unifying brand to a host of programs and services that help co-ops provide superior satisfaction, stronger member engagement, and sustained trust.

In Kentucky, the cooperatives support Honor Flight, Special Olympics and Ronald McDonald Houses under the unifying brand, allowing for economies of scale for sponsorship dollars.

The branding has also provided an improved way to support economic growth and member satisfaction.

The co-ops supported Ronald McDonald House Charities (RMHC) which provides families from the counties served a place to stay if children are in hospitals in Louisville and Lexington.

EKPC and other Kentucky's Touchstone Energy Cooperatives once again were the major sponsor for Kentucky's Special Olympics Summer Games. This was our 11th year as sponsor.

More than 1,000 athletes and hundreds of coaches and family members participated in competitions during the games at Eastern Kentucky University in Richmond.

The Summer Games included competitions in track and field, swimming, soccer, bocce and rhythmic gymnastics. Cooperatives provided more than 90 volunteers to help events go smoothly.

Kentucky's Touchstone Energy Cooperatives support Kentucky's Ronald McDonald Houses in Lexington and Louisville with landscaping in the spring and outdoor decorations for the holidays.

Who Powers You highlights co-op members who go above and beyond

The third annual Who Powers You Contest was sponsored by Kentucky's Touchstone Energy Cooperatives. The contest was created to reward and support co-op members who are making a difference in the communities served by Kentucky's Touchstone Energy Cooperatives.

Marlene Browning-Wainscott, an Owen Electric member, was named first place winner and received $1,000 for her volunteer work in telling the stories of veterans in her community. Browning-Wainscott has spent more than a decade interviewing and writing the stories of surviving World War II, Korea and Vietnam era veterans in Owen County.

She's interviewed dozens of veterans whose stories would otherwise go untold, but for her steadfast interest in memorializing their individual pieces of history. "It's become a mission," she said. "The World War II veterans have so many amazing stories, and they were my focus in the beginning."

As the Greatest Generation passed into history, Browning-Wainscott moved on to Korea and Vietnam era veterans. She said the Vietnam era vets were toughest to reach because of the harsh treatment they received upon returning home. "Some initially would say no, then they'd see some of the other stories I'd written, and call me back and say they were ready to talk," she said.

Boyd Rowe, South Kentucky RECC member, was named second place winner and received $750 for his fight for cancer screenings in the commonwealth. Rowe, diagnosed with stage four lung cancer and forced into retirement from his teaching career, lobbied legislators to pass a bill that requires all insurance companies to pay for biomarker testing for all patients in Kentucky. His work with the American Cancer Society will improve the lives of all Kentuckians who may be able to catch cancer early or prevent it all together.

Phillip Trent, a Farmers RECC member, was named third place winner. Trent won $250 for his efforts in feeding the hungry in Hart County. Trent began the Abundance of the Hart Food Bank in 2000, and has been running it ever since, helping thousands of hungry Hart Countians facing food insecurity.

Marlene Browning-Wainscott won first place in the Who Powers You contest for her long-running veteran interview series.

Boyd Rowe won second place in the Who Powers You contest for his cancer screening advocacy, even as he battles the disease.

Phillip Trent won third place in the Who Powers You contest for two-plus decades of running a food bank.

Honor Flight continues commitment to honoring veterans

Kentucky's Touchstone Energy Cooperatives sponsored its 11th Honor Flight in September, flying 66 veterans to see their memorials in Washington, D.C.

The day included viewing the changing of the guard ceremony at the Tomb of the Unknown Soldier in Arlington National Cemetery. Honor Flight representatives participated in a wreath-laying service at the tomb.

Ninety-six year old World War II veteran Fred Hall said the sight of the currently enlisted soldiers who visited the Iwo Jima Memorial at the same time as Kentucky's heroes was the highlight of his day. "The young marines. That was the most important thing I've seen so far. They were great," Hall said.

The flight carried one World War II, eight Korean War veterans and two women veterans. The other veterans served our country during the Vietnam War. Two Purple Heart recipients were amongst the veterans on this trip. Dorothy Jean Rice, a U.S. Navy veteran and her guardian Virgella Robinson were both inducted into the Military Women's Memorial.

It's a privilege to be able to fly these veterans to their memorials, and it's an opportunity to serve them in some small way to repay their service to our nation and our community.

Veterans participate in the wreath-laying ceremony at the Tomb of the Unknown Soldier at Arlington Cemetery.

Dorothy Jean Rice and Virgella Robinson are inducted in the Military Women's Memorial.

The Pledge of Allegiance is recited at the airport before the veterans board the Honor Flight to Washington, D.C.


PHILIP R MATTRACION
JOSEPH P WILLIAMS
RICHARD TOEPRITZ
MICHAEL F FLYNN
THOMAS J LESTON
ROBERT A O'NEIL

Protect reliability, competitive cost of U.S. energy during transition

EKPC recognizes the growing importance of providing electricity in a manner that balances reliability, competitive cost and sustainability. It is becoming increasingly clear that the reliability of America's power grid is seriously threatened as reliable, always-available resources, especially coal plants, are driven to retirement by federal government policies.

In November, EKPC's CEO Tony Campbell addressed a Federal Energy Regulatory Commission (FERC) conference on behalf of the National Rural Electric Cooperative Association (NRECA). Campbell told the commissioners that greenhouse gas rules proposed by U.S. EPA in 2023 will lead to "disorderly retirement and elimination of baseload generation at alarming rates that will leave the electricity grid with a significant deficit of dispatchable generation as replacement generation will not be available."

"The proposed rule exceeds EPA's authority under the Clean Air Act, hinges on widespread adoption of technologies that have not been adequately demonstrated to work at commercial scale while achieving EPA's requirements, and contains unrealistic and unachievable time frames," said Campbell.

EPA's proposed greenhouse gas rule is just one of about a dozen rules that are driving power plants to retirement, prompting NRECA to comment that "a series of EPA regulations are being issued in rapid succession with the outcome of making it too costly and difficult to operate always-available, fossil fuel-fired power plants, threatening the stability of America's electric grid."

Through 2023, grid operators analyzed the impacts of Winter Storm Elliott, which saw temperatures plummet rapidly with extremely cold wind chills over several days during the 2022 Christmas holiday. While EKPC and its owner-member cooperatives weathered the storm without resorting to controlled outages to manage load, other areas of Kentucky and the U.S. saw rolling blackouts during the extreme cold. The storm re-emphasized the vital importance of maintaining a diverse portfolio of generating resources, especially power plants that can respond quickly under a wide range of circumstances.

These concerns were underscored when the North American Electric Reliability Corporation (NERC) released its Long-Term Reliability Assessment in December. NERC forecasted sharp growth in energy and peak demand in coming years, much of it driven by federal government policies incentivizing electric vehicles and pushing heating from fossil fuels to electricity. "Electricity peak demand and net energy growth rates in North America are increasing more rapidly than at any point in the past three decades," NERC reported. "… Some of the sharpest peak demand forecast increases and growth rates can be seen in winter seasons as electrification in heating systems and transportation influence forecasts." NERC's analysis found nearly three-quarters of the continental U.S. is at risk of electricity supply shortfalls in the next five years, including a swath of MISO and SERC that are at high risk.

NERC is a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Board Risk Oversight Committee

Assists the Board in fulfilling its risk oversight responsibilities by reviewing enterprise-wide risks, reviewing risk tolerances and recommending risk-management policies to the Board.

Board Members
Voting members

Landis Cornett
Jackson Energy
Committee Chair

Alan Ahrman
Owen Electric
Board Chair

Wayne Stratton
Shelby Energy

Greg Corbin
Taylor County RECC
Board Treasurer

Elbert Hampton
Cumberland
Valley Electric

Chief Executive Officers
Non-voting members

Jerry Carter
Inter-County Energy

Ken Simmons
South Kentucky RECC

Tony Campbell
East Kentucky Power

External Committee Members
Non-voting members

Mike Steffes
ACES

Britt Roarx
Texas Roadhouse

Strategic Issues Committee

Serves as a catalyst of business strategies and monitors the development and implementation of those strategies, while working with management to develop Board focus on issues that will further strategic planning and execution of those plans.

Board Members

Voting members

Boris Haynes
South Kentucky RECC
Committee Chair

Randy Sexton
Farmers RECC
Board Secretary

Danny Wallen
Big Sandy RECC

Rick Thomas
Nolin RECC

Steve Hale
Clark Energy

Harold Dupuy
Grayson RECC

Chief Executive Officers

Non-voting members

Carol Wright
Jackson Energy

Greg Lee
Nolin RECC

Mike Williams
Blue Grass Energy

Brandon Hunt
Fleming-Mason Energy

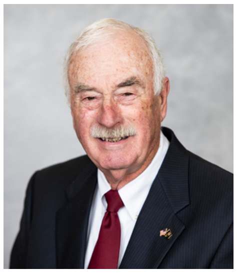
Chris Brewer
Clark Energy

Governance Committee

Assists the Board in fulfilling its governance oversight by: ensuring that the Board meets its fiduciary duties, upholds governance guiding principles and is fully engaged; maintaining the integrity of Board governance; developing, updating and recommending corporate governance principles and policies; and monitoring compliance with those principles and policies.

Board Members
Voting members

Tim Eldridge
Fleming-Mason Energy
Committee Chair



Jody Hughes
Blue Grass Energy
Board Vice-Chair

Joe Spalding
Inter-County Energy

George Maddox
Salt River Electric

Kevin Howard
Licking Valley RECC

Chief Executive Officers
Non-voting members

Kerry Howard
Licking Valley RECC

Toby Moss
Farmers RECC

Ted Hampton
Cumberland Valley Electric

Bruce Aaron Davis
Big Sandy RECC

Tim Sharp
Salt River Electric

Audit Committee

Assists the Board in performing oversight of: the quality and integrity of financial statements; compliance with legal and regulatory requirements related to finances; the independent auditor's qualifications and independence; the performance of EKPC's internal audit function and the oversight of the independent auditors; fraud detection and related procedures; and conflict-of-interest policies.

Board Members
Voting members

Wayne Stratton
Shelby Energy
Committee Chair

Randy Sexton
Farmers RECC
Board Secretary

Landis Cornett
Jackson Energy

Greg Corbin
Taylor County RECC
Board Treasurer

Jody Hughes
Blue Grass Energy
Board Vice-Chair

Chief Executive Officers
Non-voting members

Bradley Cherry
Grayson RECC

Jack Bragg
Shelby Energy

Jeff Williams
Taylor County RECC

Mike Cobb
Owen Electric

Executive Staff

***Tony Campbell**,*
President and CEO

Cliff Scott,
Executive Vice President and CFO

***Don Mosier**,*
Executive Vice President and COO

David Samford,
General Counsel

David Crews,
Senior Vice President of Power Supply

Craig Johnson,
Senior Vice President of Power Production

Denver York,
Senior Vice President of Power Delivery and System Operations

Denise Foster Cronin,
Vice President of Federal and RTO Regulatory Affairs

Jerry Purvis,
Vice President of Environmental Affairs

Thomas Stachnik,
Vice President of Finance and Treasurer

Mary Jane Warner,
*Vice President of Engineering and Construction **

Brad Young,
*Vice President of Engineering and Construction ***

Barry Lindeman,
Director, HR and Support Services

Rodney Hitch,
Director, Economic Development

** Retired March 2023*
** * Promoted March 2023*

2023: Financial Highlights

2023 Performance

EKPC's net margin was $17.9 million for the year ended December 31, 2023, a decrease of $18.0 million in comparison to 2022. Operating revenues were just over $1.1 billion for the year ended December 31, 2023, a decrease of $152.7 million from the prior year. This change was primarily attributed to decreases in member and off-system sales of $105.0 million and $71.9 million, respectively, partially offset by an increase in PJM capacity related revenue of $21.9 million. Member megawatt-hour (MWh) sales declined 1.9% in comparison to the prior year due to unfavorable weather. Member sales were also impacted by lower recoveries through the fuel adjustment clause due to significantly lower fuel and purchased power costs in comparison to the prior year. The decrease in off-system sales in comparison to 2022 was due to lower market prices and energy demand. The increase in capacity related revenue was primarily due to net PJM capacity performance bonuses of $22.3 million, after application of the FERC order approving a settlement agreement that resolved complaints filed related to non-performance charges assessed by PJM for 2022's Winter Storm Elliott.

Production operating expenses for the year ended December 31, 2023 were $722.5 million, a $150.5 million decline from the prior year. These expenses, which are comprised of fuel, operation and maintenance expenses, and purchased power, are grouped together for comparative purposes given that decisions to generate energy or purchase energy on the open market are based on reliability constraints and the most economical resources available within the PJM market. Lower market prices resulted in purchased power expense decreasing $144.6 million, or 46.7%, while MWhs purchased increased 16.9% over 2022. Because EKPC took advantage of favorable market prices, MWhs generated by EKPC's fleet decreased 14.3% in 2023. This decline in generation, coupled with lower natural gas prices in 2023, resulted in fuel expense decreasing by $19.5 million, or 5.4%. Other production operation and maintenance expenses increased by $13.5 million in 2023, which was primarily attributed to maintenance projects at Spurlock Station.

Transmission and distribution expense was $74.2 million for the year ended December 31, 2023, a $10.3 million increase from the prior year. This change was attributed to increases in PJM transmission charges, operating expenses, and overhead line maintenance expenses.

Depreciation and amortization expense was $142.4 million for the year ended December 31, 2023, a $5.2 million decline from the prior year. This decline is the result of a $9.0 million increase in the regulatory credit recorded in 2023 for the annual generation maintenance tracker regulatory asset in comparison to the prior year, partially offset by a $3.8 million increase in depreciation expense due to large projects placed in service in late 2022. The generation maintenance tracker was established as a provision in EKPC's 2021 rate case, effective for the year ending December 31, 2022 and thereafter. Accordingly, each year EKPC records a regulatory asset or liability for seventy-five percent of all actual generation maintenance expenses over/under a historical level of generation maintenance expense. The recovery of the regulatory asset or refund of the regulatory liability will be addressed in EKPC's next base rate case. The cumulative total of the generation maintenance tracker regulatory asset balance at December 31, 2023 was $27.5 million.

Fixed charges and other expenses were $109.2 million for the year ended December 31, 2023, a $16.6 million increase from 2022. This change was primarily attributed to higher interest rates and a larger average debt balance outstanding in 2023.

Nonoperating margin was $18.1 million for the year ended December 31, 2023, an increase of $11.9 million in comparison to 2022. This change was primarily attributed to higher interest earnings of $6.3 million and outage insurance proceeds of $4.7 million.

Construction Activities

With the construction phase completed on the multi-year project at Spurlock Station to comply with the final rules on Coal Combustion Residuals (CCR) and Effluent Limitation Guidelines (ELG) in 2022, EKPC's construction activities focused on transmission projects in 2023. Transmission projects made up approximately 69% of capital expenditures in 2023.

Financial Targets

EKPC's equity-to-assets ratio remained stable, coming in at 20.2% and 21.0% at December 31, 2023 and 2022, respectively. EKPC's Board of Directors did not authorize the retirement of patronage capital in 2023. In 2022, the Board of Directors authorized the retirement of capital credits in the amount of $20.1 million, which represented all unpaid margin allocations assigned to members from 1976 through 1983.

EKPC's total cost billed to owner-members in 2023 was $79.03 mills per kilowatt-hour (mills/kWh). This cost was considerably lower than the $82.82 mills/kWh achieved in 2022.

EKPC's days liquidity on hand improved from 146 days in 2022 to 251 days in 2023.

All of EKPC's financial ratios were in compliance with the provisions outlined in its indenture and other debt agreements at December 31, 2023.

Ratings Agencies

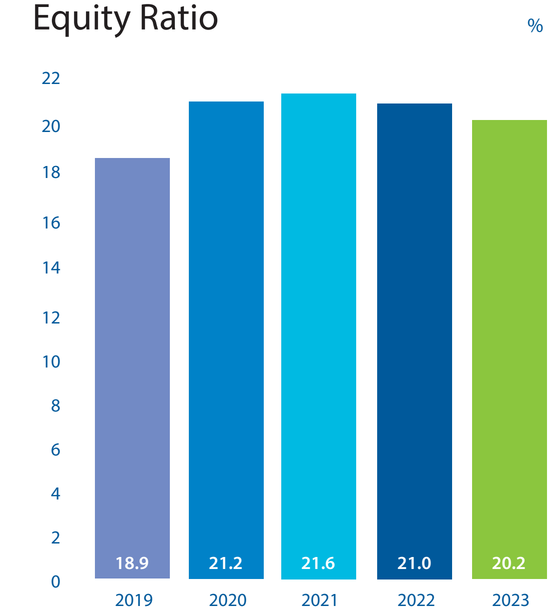
In May 2023, Fitch Ratings affirmed EKPC's "BBB+" issuer default rating with a stable outlook. In July 2023, Standard & Poor's (S&P) Global Ratings affirmed its "A" issuer credit rating with a stable outlook.

Five-Year Statistical Summary

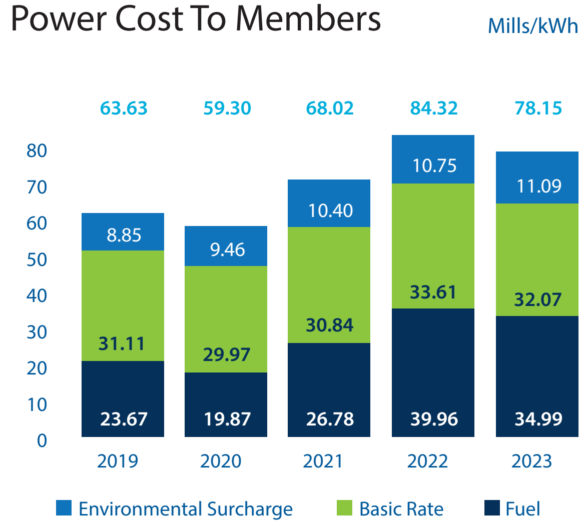
	2023	**2022**	2021	2020	2019
Net Margin - in thousands	**$17,856**	$35,880	$10,542	$28,692	$44,204
TIER	**1.17**	1.40	1.12	1.28	1.39
DSC	**1.31**	1.54	1.38	1.35	1.39
Fuel Expense - in thousands	**$344,469**	$363,948	$236,947	$172,254	$162,719
Capital Expenditures - in thousands					
Generation	**$42,180**	$41,172	$65,235	$170,589	$184,479
Transmission & Distribution	**$112,715**	$86,444	$50,183	$53,049	$45,303
General	**$8,503**	$9,978	$6,465	$10,469	$8,238
Investment in Facilities - in thousands					
Original Cost	**$4,885,908**	$4,761,207	$4,643,669	$4,627,406	$4,429,359
Long-Term Debt - in thousands	**$2,749,655**	$2,592,627	$2,436,831	$2,468,038	$2,711,300
Total Assets - in thousands	**$3,884,916**	$3,752,443	$3,550,115	$3,509,372	$3,776,381
Number of Employees - full-time	**735**	691	694	719	689
Cost of Coal Purchased					
$/ton	**$83.25**	$67.07	$42.63	$41.36	$45.03
$/MBtu	**$3.56**	$2.91	$1.83	$1.77	$1.94
Amount of Coal Purchased - tons	**4,153,129**	4,624,443	3,733,218	3,115,315	3,231,731
Generation - MWh	**8,733,672**	10,189,060	10,014,834	8,167,447	6,853,879
System Peak Demand - MW					
Winter Season *	**2,707**	3,747	2,862	2,702	3,073
Summer Season	**2,498**	2,465	2,450	2,312	2,366
Sales to Other Utilities - MWh	**484,870**	1,003,475	960,076	691,972	592,253
Member Load Growth - %					
Energy	**(1.90)**	5.17	2.78	(2.13)	(3.21)
Demand	**(4.22)**	11.47	4.46	(8.87)	2.26
Load Factor - %	**57**	42	52	54	48
Miles of Line	**2,892**	2,884	2,879	2,867	2,865
Installed Capacity - kVA	**11,242,842**	11,365,143	11,205,344	11,218,345	11,147,545
Distribution Substations	**379**	381	379	378	376

* *Data reported represents seasonal peak achieved during respective calendar year*

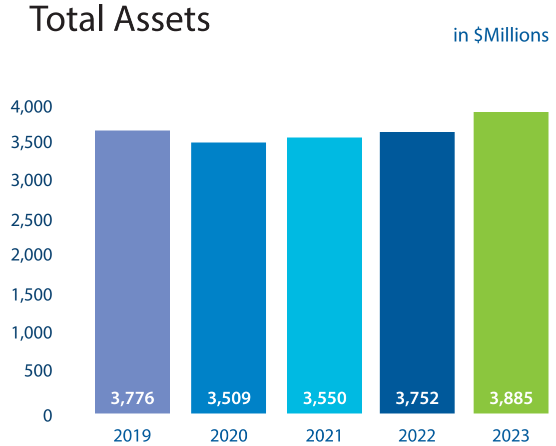
Equity Ratio



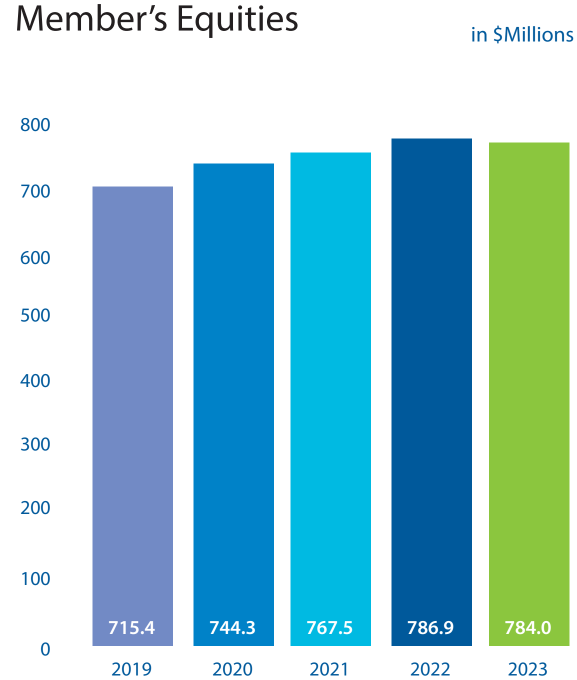
Power Cost To Members



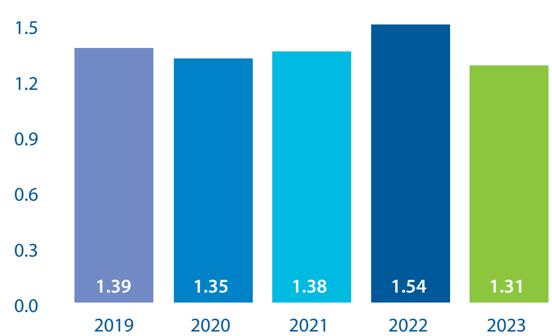
Total Assets



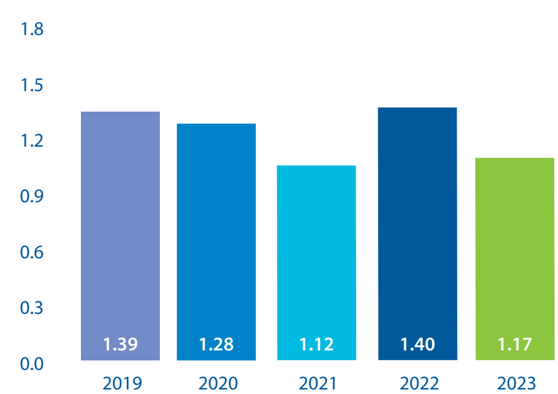
Member's Equities



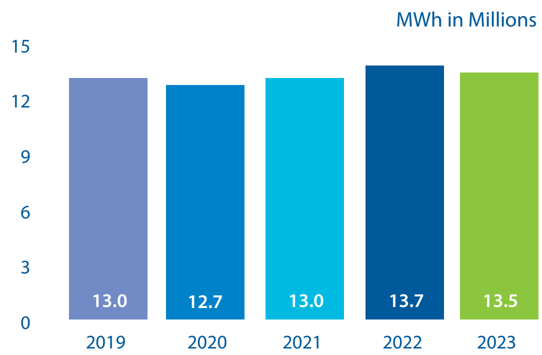
DSC



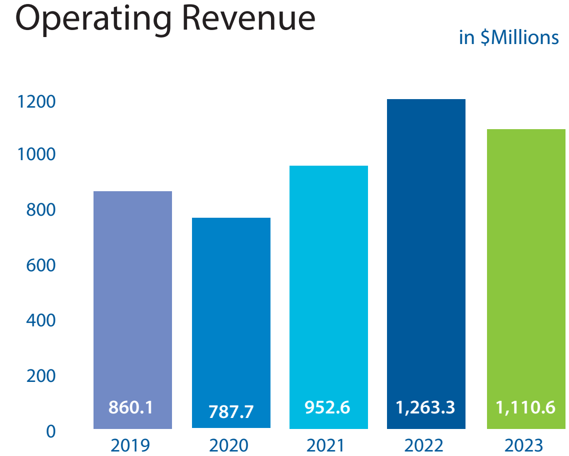
TIER



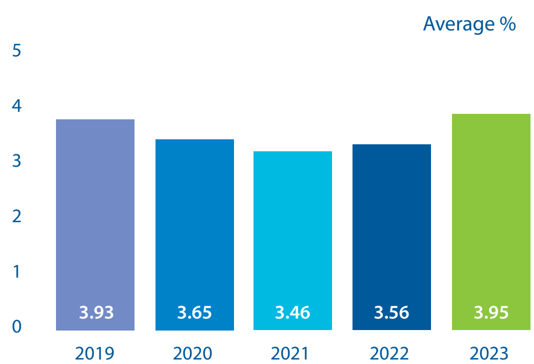
Energy Sales to Members



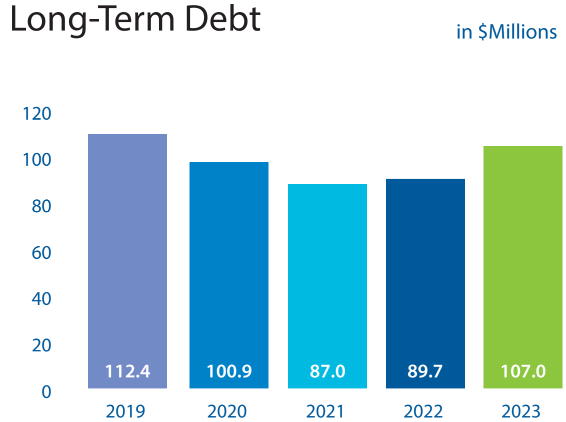
Operating Revenue



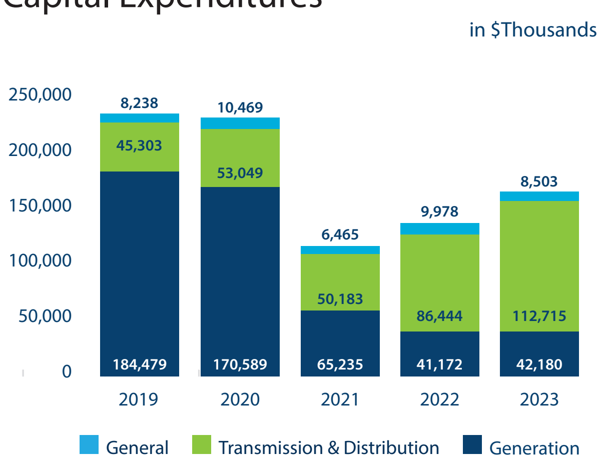
Average interest Rate on Long-Term Debt Year-End



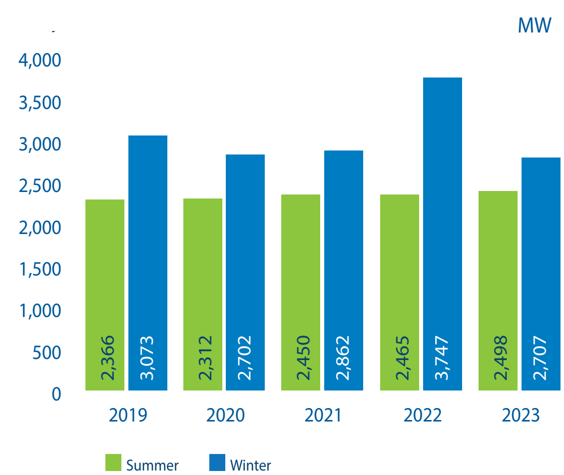
Interest Expense on Long-Term Debt



Capital Expenditures



System Coincident Peak



Report of Management

The accompanying financial statements of East Kentucky Power Cooperative, Inc. were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on management's best judgments and estimates. The other financial information included in this annual report is consistent with the financial statements.

The cooperative maintains a system of internal controls, including accounting controls and internal auditing. The system of controls provides for appropriate division of responsibility and the application of policies and procedures that are consistent with high standards of accounting and administration. The cooperative believes that its system of internal controls provides reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are reliable for use in preparing financial statements.

The financial statements have been audited by the cooperative's independent certified public accountants, Ernst & Young LLP, whose opinion appears on the next page.

The Board of Directors, through its Audit Committee consisting solely of directors and member system CEOs, meets with Ernst & Young LLP, representatives of management and the internal auditor to review their activities and to discuss accounting, auditing and financial matters and the carrying out of responsibilities and duties of each group.
Ernst & Young LLP has full and free access to meet with the Audit Committee to discuss their audit results and opinions, without management representatives present, to allow for complete independence.

Anthony D Campbell

Anthony Campbell
President and CEO

Clifton E Scott

Cliff Scott
Executive Vice President and CFO

Ernst & Young LLP
Suite 1200
400 West Market Street
Louisville, KY 40202

Tel: +1 502 585 1400
ey.com

Report of Independent Auditors

The Board of Directors
East Kentucky Power Cooperative, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Kentucky Power Cooperative, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of revenue and expenses and comprehensive margin (loss), changes in members' equities, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, 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) and in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free of material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 the Company'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 28, 2024, on our consideration of East Kentucky Power Cooperatives, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Kentucky Power Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Kentucky Power Cooperative, Inc.'s internal control over financial reporting and compliance.

Ernst & Young LLP

March 28, 2024

East Kentucky Power Cooperative, Inc.

Balance Sheets
(Dollars in Thousands)

	December 31	
	2023	**2022**
Assets		
Electric plant:		
In-service	**$ 4,794,506**	$ 4,680,009
Construction-in-progress	**91,402**	81,198
	4,885,908	4,761,207
Less accumulated depreciation	**1,856,761**	1,762,598
Electric plant – net	**3,029,147**	2,998,609
Restricted investments	**–**	1,117
Investment securities:		
Available-for-sale	**16,596**	18,079
Held-to-maturity	**7,054**	7,181
Current assets:		
Cash and cash equivalents	**296,825**	229,669
Accounts receivable	**110,898**	149,448
Fuel	**136,241**	92,267
Materials and supplies	**137,485**	104,887
Regulatory assets	**14,404**	33,546
Other current assets	**23,183**	13,397
Total current assets	**719,036**	623,214
Regulatory assets	**94,340**	91,306
Deferred charges	**10,456**	4,497
Other noncurrent assets	**8,287**	8,440
Total assets	**$ 3,884,916**	$ 3,752,443
Members' equities and liabilities		
Members' equities:		
Memberships	**$ 2**	$ 2
Patronage and donated capital	**761,008**	743,152
Accumulated other comprehensive margin	**23,010**	43,792
Total members' equities	**784,020**	786,946
Long-term debt	**2,749,655**	2,592,627
Current liabilities:		
Current portion of long-term debt	**101,905**	96,654
Accounts payable	**109,662**	147,690
Accrued expenses	**56,931**	50,393
Regulatory liabilities	**1,428**	5,898
Total current liabilities	**269,926**	300,635
Accrued postretirement benefit cost	**44,506**	27,727
Asset retirement obligations and other liabilities	**36,809**	44,508
Total members' equities and liabilities	**$ 3,884,916**	$ 3,752,443

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Revenue and Expenses and Comprehensive Margin (Loss)

(Dollars in Thousands)

	Year Ended December 31	
	2023	**2022**
Operating revenue	**$ 1,110,571**	$ 1,263,337
Operating expenses:		
Production:		
Fuel	**344,469**	363,948
Other	**213,174**	199,637
Purchased power	**164,814**	309,443
Transmission and distribution	**74,244**	63,948
Regional market operations	**6,058**	5,631
Depreciation and amortization	**142,447**	147,689
General and administrative	**56,415**	50,804
Total operating expenses	**1,001,621**	1,141,100
Operating margin before fixed charges and other expenses	**108,950**	122,237
Fixed charges and other:		
Interest expense on long-term debt	**107,002**	89,701
Amortization of debt expense	**971**	990
Accretion and other	**1,207**	1,874
Total fixed charges and other expenses	**109,180**	92,565
Operating margin (loss)	**(230)**	29,672
Nonoperating margin:		
Interest income	**9,035**	2,690
Patronage capital allocations from other cooperatives	**913**	582
Other	**8,138**	2,936
Total nonoperating margin	**18,086**	6,208
Net margin	**17,856**	35,880
Other comprehensive margin (loss):		
Unrealized gain (loss) on available-for-sale securities	**184**	(133)
Postretirement benefit obligation gain (loss)	**(20,966)**	3,847
	(20,782)	3,714
Comprehensive margin (loss)	**$ (2,926)**	$ 39,594

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Changes in Members' Equities

(Dollars in Thousands)

	Memberships	Patronage Capital	Donated Capital	Accumulated Other Comprehensive Margin	Total Members' Equities
Balance – December 31, 2021	$ 2	$ 724,343	$ 3,035	$ 40,078	$ 767,458
Net margin	–	35,880	–	–	35,880
Retirement of patronage capital	–	(20,106)	–	–	(20,106)
Unrealized loss on available for sale securities	–	–	–	(133)	(133)
Postretirement benefit obligation gain	–	–	–	3,847	3,847
Balance – December 31, 2022	2	740,117	3,035	43,792	786,946
Net margin	**–**	**17,856**	**–**	**–**	**17,856**
Unrealized gain on available for sale securities	**–**	**–**	**–**	**184**	**184**
Postretirement benefit obligation loss	**–**	–	–	**(20,966)**	**(20,966)**
Balance – December 31, 2023	**$ 2**	**$ 757,973**	**$ 3,035**	**$ 23,010**	**$ 784,020**

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31	
	2023	**2022**
Operating activities		
Net margin	**$ 17,856**	$ 35,880
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	**142,447**	147,689
Amortization of debt issuance costs	**1,176**	1,218
Changes in operating assets and liabilities:		
Accounts receivable	**38,550**	(37,666)
Fuel	**(43,974)**	(50,700)
Materials and supplies	**(32,598)**	(21,604)
Regulatory assets/liabilities	**15,796**	(31,626)
Accounts payable	**(33,652)**	32,250
Accrued expenses	**6,529**	(388)
Accrued postretirement benefit cost	**(4,187)**	(4,013)
Other	**(21,177)**	(13,742)
Net cash provided by operating activities	**86,766**	57,298
Investing activities		
Additions to electric plant	**(185,261)**	(136,122)
Maturities of debt service reserve securities	**3,341**	5,516
Purchases of debt service reserve securities	**(2,224)**	(5,530)
Maturities of available-for-sale securities	**18,730**	19,138
Purchases of available-for-securities	**(17,063)**	(18,452)
Maturities of held-to-maturity securities	**127**	106
Other	**1,124**	77
Net cash used in investing activities	**(181,226)**	(135,267)
Financing activities		
Proceeds from long-term debt	**457,662**	310,905
Principal payments on long-term debt	**(295,704)**	(151,609)
Retirement of patronage capital	**–**	(20,106)
Debt issuance costs	**(253)**	(1,123)
Payment of obligation under long-term lease	**(89)**	(48)
Net cash provided by financing activities	**161,616**	138,019
Net change in cash and cash equivalents	**67,156**	60,050
Cash and cash equivalents – beginning of year	**229,669**	169,619
Cash and cash equivalents – end of year	**$ 296,825**	$ 229,669
Supplemental disclosure of cash flows		
Cash paid for interest	**$ 107,682**	$ 88,551
Noncash investing transactions:		
Additions to electric plant included in accounts payable	**$ 29,553**	$ 33,929
Unrealized gain (loss) on available-for-sale securities	**$ 184**	$ (133)

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of Operations

East Kentucky Power Cooperative (the Cooperative or EKPC) is a not-for-profit electric generation and transmission cooperative incorporated in 1941 that provides wholesale electric service to 16 distribution members with territories that include parts of 89 counties in Kentucky. The majority of customers served by members are residential. Each of the members has entered into a wholesale power agreement with the Cooperative, which remains in effect until 2051. The rates charged to members are regulated by the Kentucky Public Service Commission (PSC or Commission).

The Cooperative owns and operates two coal-fired generation plants, twelve combustion turbines, five landfill gas plants, and a solar farm. In addition, the Cooperative has rights to 170 megawatts of hydroelectric power from the Southeastern Power Administration. The capacity and energy from one landfill gas plant is designated to serve a member system through a ten-year purchase power agreement. A portion of the solar farm panels are licensed to customers of our members.

Basis of Accounting

The financial statements are prepared in accordance with policies prescribed or permitted by the Commission and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform with accounting principles generally accepted in the United States of America (GAAP) in all material respects. As a rate-regulated entity, the Cooperative's financial statements reflect actions of regulators that result in the recording of revenues and expenses in different time periods than enterprises that are not rate-regulated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations.*

Use of Estimates

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Electric Plant in Service

Electric plant is stated at original cost, which is the cost of the plant when first dedicated to public service by the initial owner, plus the cost of all subsequent additions. The cost of assets constructed by the Cooperative includes material, labor, contractor and overhead costs.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation.

Depreciation and Amortization

Depreciation for the generating plants and transmission facilities is provided on the basis of estimated useful lives at straight-line composite rates. Effective October 1, 2021, new depreciation rates were implemented based upon a depreciation study approved by the PSC and RUS. The approved composite depreciation rates for generation, transmission, and distribution include a component for non-asset retirement obligation (non-ARO) removal costs, which is credited to accumulated depreciation. Actual removal costs incurred are charged to accumulated depreciation, as prescribed by RUS. Any excess of accrued non-ARO removal costs over actual removal costs incurred will be reclassified from accumulated depreciation and reflected as a regulatory liability on the balance sheets. The depreciation rates in effect as of December 31, 2023 and 2022 are as follows:

	2023	2022
Generation plant	**1.81%–11.67%**	1.81%–11.67%
Transmission and distribution plant	**1.12%–6.31%**	1.12%–6.31%
General plant	**0.99%–6.67%**	0.99%–6.67%

Depreciation and amortization expense was $142.4 million and $147.7 million for 2023 and 2022, respectively. Depreciation and amortization expense includes amortization expense of $10.9 million in 2023 and $11.1 million in 2022 related to plant abandonments granted regulatory asset treatment, offset by regulatory credits of $18.3 million in 2023 and $9.2 million in 2022 related to the annual establishment of the generation maintenance tracker regulatory asset (Note 4).

1. Summary of Significant Accounting Policies (continued)

The Cooperative received PSC approval to charge depreciation associated with asset retirement obligations to regulatory assets. These regulatory assets are then charged to depreciation expense as recovery occurs. Depreciation charged to regulatory assets was $3.3 million in 2023 and 2022.

Asset Impairment

Long-lived assets held and used by the Cooperative are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Specifically, the evaluation for impairment involves comparison of an asset's carrying value to the estimated undiscounted cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded as a charge to operations based on the difference between the asset's carrying amount and its fair value. No impairment was recognized for long-lived assets during the years ended December 31, 2023 or 2022.

Restricted Investments

Restricted investments represent funds restricted by contractual stipulations or other legal requirements and are shown as noncurrent on the balance sheets. Restricted investment activity is classified as investing activities on the statements of cash flows.

Restricted investments consisted of debt service reserve funds required to be on deposit with a trustee throughout the term of the Series 1993B Solid Waste Disposal Revenue Bonds. The debt service reserve funds were refunded to the Cooperative in 2023 when the 1993B bonds were paid in full upon maturity. At December 31, 2022 the balance was $1.1 million (Note 5).

Cash and Cash Equivalents

The Cooperative considers temporary investments having an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2023 and 2022, consisted primarily of money market mutual funds and investments in commercial paper.

1. Summary of Significant Accounting Policies (continued)

Investment Securities

Investment securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available-for-sale when they might be sold before maturity. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported in other comprehensive margin on the statements of revenue and expenses and comprehensive margin (loss).

Fair Value of Financial Instruments

The carrying amount of cash, receivables and certain other current liabilities approximates fair value due to the short maturity of the instruments.

The Cooperative uses fair value to measure certain financial instruments. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Observable inputs or unobservable inputs, defined by ASC Topic 820, *Fair Value Measurements and Disclosures*, may be used in the calculation of fair value. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measure and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

1. Summary of Significant Accounting Policies (continued)

The inputs used to measure cash equivalents are Level 1 measurements, as the money market funds are exchange traded funds in an active market. The inputs used to measure the available-for-sale and debt service reserve investments are Level 1 measurements, as the securities are based on quoted market prices for identical investments or securities. Included in the available-for-sale securities on the following table are securities held in connection with the directors' and certain employees' elective deferred compensation programs and the supplemental executive retirement plan covering certain executives of $3.9 million and $3.3 million at December 31, 2023 and 2022, respectively. These assets are included in other noncurrent assets on the balance sheets.

Estimated fair values of the Cooperative's financial instruments as of December 31, 2023 and 2022, were as follows (dollars in thousands):

	Fair Value at Reporting Date Using			
	Fair Value December 31, 2023	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents	**$ 215,000**	**$ 215,000**	**$ –**	**$ –**
Available-for-sale securities	**20,501**	**20,501**	**–**	**–**

	Fair Value at Reporting Date Using			
	Fair Value December 31, 2022	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents	$ 140,000	$ 140,000	$ –	$ –
Available-for-sale securities	21,425	21,425	–	–
Debt service reserve	1,117	1,117	–	–

1. Summary of Significant Accounting Policies (continued)

The estimated fair values of the Cooperative's financial instruments carried at cost at December 31, 2023 and 2022, were as follows (dollars in thousands):

	2023		2022	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Held-to-maturity investments	**$ 7,054**	**$ 7,432**	$ 7,181	$ 7,168
Long-term debt	**2,851,560**	**2,748,114**	2,689,281	2,556,154

The inputs used to measure held-to-maturity investment securities are considered Level 2 and are based on third-party yield rates of similarly maturing instruments determined by recent market activity. The fair value of long-term debt, including current maturities and prepayment costs, is calculated using published interest rates for debt with similar terms and remaining maturities and is a Level 2 fair value measurement.

Concentration of Credit Risk

Credit risk represents the risk of loss that would occur if suppliers or customers did not meet their contractual obligations to EKPC. Concentration of credit risk occurs when significant suppliers or customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

The Cooperative's sales are primarily to its member cooperatives and totaled approximately $1,052.0 million and $1,157.0 million for 2023 and 2022, respectively. Accounts receivable at December 31, 2023 and 2022, were primarily from billings to member cooperatives.

At December 31, 2023 and 2022, individual accounts receivable balances that exceeded 10% of total accounts receivable are as follows (dollars in thousands):

	2023	2022
Owen Electric Cooperative	**$ 16,135**	$ 19,578

1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories of fuel and materials and supplies are valued at the lower of average cost or net realizable value. Upon removal from inventory for use, the average cost method is used. Physical adjustments of fuel inventories are charged to expense over the subsequent six months and recovered or refunded, as required, through the fuel adjustment clause.

Regulatory Assets and Liabilities

ASC Topic 980 applies to regulated entities for which rates are designed to recover the costs of providing service. In accordance with this topic, certain items that would normally be reflected in the statements of revenue and expenses are deferred on the balance sheets. Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the rate-making process. Regulatory assets are charged to earnings as collection of the cost in rates is recognized or when future recovery is no longer probable. Conversely, regulatory liabilities represent future reductions in revenues associated with amounts that are to be credited to customers through the rate-making process.

Debt Issuance Costs

Debt issuance costs are presented as a direct deduction from long-term debt with the exception of those issuance costs associated with line-of-credit arrangements which are classified as a deferred charge asset on the balance sheet.

Debt issuance costs are amortized to interest expense over the life of the respective debt using the effective interest rate method or the straight-line method when results approximate the effective interest rate method.

Asset Retirement Obligations

ASC Topic 410, *Asset Retirement Obligations*, requires legal obligations associated with the retirement of long-lived assets to be recognized at fair value when incurred and capitalized as part of the related long-lived asset, including asset retirement obligations where an obligation exists even though the method or timing of settlement may be conditional. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. When the asset is retired, the entity settles the obligation for its recorded amount or incurs a gain or loss.

1. Summary of Significant Accounting Policies (continued)

Fair value of each respective asset retirement obligation (ARO), when incurred, is determined by discounting expected future cash outflows associated with required retirement activities using a credit adjusted risk-free rate. Cash outflows for retirement activities are based upon market information, historical information and management's estimates and would be considered Level 3 under the fair value hierarchy.

The Cooperative's AROs represent the requirements related to asbestos abatement and reclamation and capping of ash disposal sites at its coal-fired plants. Estimated cash flow revisions in 2023 are primarily related to the change in the expected timing of an ash disposal site's settlement activities to comply with the closure and post-closure requirements of the Coal Combustion Residuals (CCR) Rule. Settlement activities in 2023 and 2022 are associated with the closure of an ash disposal site.

The Cooperative continues to evaluate the useful lives of its plants and the costs of remediation required by law.

The following table represents the details of asset retirement obligation activity as reported on the accompanying balance sheets (dollars in thousands):

	2023	**2022**
Balance – beginning of year	**$ 40,368**	$ 45,902
Liabilities incurred	**958**	–
Liabilities settled	**(5,795)**	(7,070)
Estimated cash flow revisions	**(4,722)**	–
Accretion	**1,607**	1,536
Balance – end of year	**$ 32,416**	$ 40,368

As discussed in Note 4, the PSC granted regulatory asset treatment of accretion and depreciation associated with AROs on EKPC's books by type and location beginning in January 2014. These regulatory assets will be charged to accretion expense and depreciation expense as recovery of settlement costs occurs.

1. Summary of Significant Accounting Policies (continued)

Accretion charged to regulatory assets in 2023 and 2022 was $1.6 million and $1.5 million, respectively. Accretion expense recognized in 2023 and 2022 was $1.6 million and $1.9 million, respectively, which represented the recovery of settlement costs associated with ash disposal sites and asbestos abatement at Dale Station.

Revenue Recognition

Operating revenues are primarily derived from sales of electricity to members. These sales, which comprise approximately 95% of EKPC's operating revenues, are pursuant to identical long-term wholesale power contracts maintained with RUS and each of the Cooperative's 16 members that extend through December 31, 2050. The wholesale power contract obligates each member to pay EKPC for demand and energy furnished in accordance with rates established by the PSC. Energy and demand have the same pattern of transfer to members as one cannot be provided without the other. Therefore, these components of electric power sales to members are considered one performance obligation. Electricity revenues are recognized over time as energy is delivered based upon month-end meter readings and rates set forth in EKPC's tariffs, as approved by the PSC.

Non-member revenues are primarily comprised of PJM Interconnection, LLC (PJM) electric and capacity revenues, and other revenues. In the PJM market, electricity sales are separately identifiable from participation in the capacity market as the two can be transacted independently of one another. Therefore, PJM electric sales are considered a separate contract with a single performance obligation and revenue is recognized based upon the megawatt-hours delivered in each hour at the market price. Capacity revenues represent compensation received from PJM for making generation capacity available to satisfy system integrity and reliability requirements. Capacity is a stand-ready obligation to deliver energy when called upon and is considered a single performance obligation. Revenue is recognized over time based upon megawatts and the prices set by the PJM competitive auction for the delivery year.

Other revenues primarily consist of transmission, wheeling, and leasing activities. Transmission and wheeling are related to contractual agreements with PJM and other electric utilities for transmitting electricity over EKPC's transmission lines. Each of these services are provided over time with progress measured using the output method. Lease revenue is related to a power sales arrangement that is required to be accounted for as a lease since the arrangement conveys the right to the output of a specific plant facility for a stated period of time (Note 9).

1. Summary of Significant Accounting Policies (continued)

The following represents operating revenues by revenue stream for the years ended December 31, 2023 and 2022 (dollars in thousands):

	Year Ended December 31 2023	2022
Member electric sales	**$ 1,051,960**	$ 1,156,966
Non-member sales:		
Electric	**19,027**	90,887
Capacity	**30,023**	8,122
Other	**9,561**	7,362
Total operating revenues	**$ 1,110,571**	$ 1,263,337

Rate Matters

The base rates charged by the Cooperative to its members are regulated by the PSC. Any change in base rates requires that EKPC file an application with the PSC and interested parties may seek intervention in the proceeding if they satisfy certain regulatory requirements. EKPC's last base rate increase was authorized by the PSC for service rendered on and after October 1, 2021.

The PSC's final rate order contained a provision for the establishment of an earnings mechanism whereby in any given year that EKPC achieves a times interest earned ratio (TIER) in excess of 1.4, the excess margin will be recorded as a regulatory liability at year-end and returned to members through a bill credit in the subsequent year.

The PSC's rate order also authorized the establishment of a generation maintenance tracker, effective for the year ending December 31, 2022 and thereafter, whereby EKPC will record a regulatory asset or regulatory liability for 75% of all actual generation maintenance expenses over/under a historical level of generation maintenance expense. The recovery of the regulatory asset or refund of the regulatory liability will then be addressed in EKPC's next base rate case.

1. Summary of Significant Accounting Policies (continued)

The PSC has adopted a uniform fuel adjustment clause for all electric utilities within its jurisdiction. Under this clause, fuel cost above or below a stated amount per kWh is charged or credited to the member cooperatives for all energy sales during the month following actual fuel costs being incurred and is included in member electric sales. The regulatory asset or liability represents the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

The PSC has an environmental cost recovery mechanism that allows utilities to recover certain costs incurred in complying with the Federal Clean Air Act as amended and those federal, state, and local environmental requirements which apply to coal combustion wastes and byproducts from facilities utilized for the production of energy from coal. This environmental surcharge is billed on a percentage of revenue basis, one month following the actual costs incurred and is included in member electric sales. The regulatory asset or liability represents the amount that has been under- or over-recovered due to timing or adjustments to the mechanism.

Members' Equities

Memberships represent contributions to the Cooperative made by members. Should the Cooperative cease business, these amounts, if available, will be returned to the members.

Patronage capital represents net margin allocated to the Cooperative's members on a contribution-to-gross margin basis pursuant to the provisions of its bylaws. The Cooperative's bylaws permit the Board of Directors to retire capital contributed by or allocated to members when, after any proposed retirement, the total capital of the Cooperative equals or exceeds 20% of total assets, as defined by RUS. In addition, provisions of certain financing documents prohibit the retirement of capital until stipulated requirements related to aggregate margins and equities are met.

The Cooperative's Board of Directors authorized the retirement of patronage capital in 2022 in the amount of $20.1 million, which represented all unpaid margin allocations assigned to members from 1976 through 1983. There was no retirement of patronage capital in 2023.

1. Summary of Significant Accounting Policies (continued)

Comprehensive Margin (Loss)

Comprehensive margin (loss) includes both net margin and other comprehensive margin (loss). Other comprehensive margin (loss) represents the change in unrealized gains and losses on available-for-sale securities, as well as the change in the funded status of the accumulated postretirement benefit obligation. The Cooperative presents each item of other comprehensive margin (loss) on a net basis in the statements of revenue and expenses and comprehensive margin (loss). Reclassification adjustments are disclosed in Note 7. For any item required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period, the affected line item(s) on the statements of revenue and expenses and comprehensive margin (loss) are provided.

Income Taxes

The Cooperative is exempt under Section 501(c)(12) of the Internal Revenue Code from federal income tax for any year in which at least 85% of its gross income is derived from members but is responsible for income taxes on certain unrelated business income. ASC Topic 740, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in the financial statements. This interpretation requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. Additionally, ASC Topic 740 provides guidance on measurement, recognition, classification, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Cooperative has determined that more than 85% of its gross income is derived from members and it meets the exemption status under Section 501(c)(12) for each period presented.

Regional Transmission Organization

The Cooperative is a transmission-owning member of PJM and functional control of certain transmission facilities is maintained by PJM. Open access to the EKPC transmission system is managed by PJM pursuant to the FERC approved PJM Open Access Transmission Tariff and the Cooperative is an active participant in PJM’s Regional Transmission Planning process, which develops a single approved transmission plan for the entire PJM footprint. Energy related purchases and sales transactions within PJM are recorded on an hourly basis with all transactions within each market netted to a single purchase or sale for each hour.

1. Summary of Significant Accounting Policies (continued)

Power Sales Arrangement

The Cooperative is the lessor under a power sales arrangement that is required to be accounted for as an operating lease due to the terms of the agreement. The details of the agreement are discussed in Note 9. The revenue from this arrangement is included in operating revenues on the statements of revenue and expenses and comprehensive margin (loss).

New Accounting Guidance

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, a new standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Cooperative adopted this standard, effective January 1, 2023. The financial assets primarily subject to this standard are receivables, the majority of which are due from the Cooperative's members. Based upon historical experience, the short-term nature of these receivables, and current economic conditions, credit losses are not expected. Adoption of this standard was not material to the Cooperative's financial statements.

2. Electric Plant in Service

Electric plant in service at December 31, 2023 and 2022, consisted of the following (dollars in thousands):

	2023	2022
Production plant	**$ 3,400,275**	$ 3,191,277
Transmission plant	**1,013,308**	970,558
General plant	**133,741**	120,168
Completed construction, not classified, and other	**247,182**	398,006
Electric plant in service	**$ 4,794,506**	$ 4,680,009

Acquisition adjustments of $4 million were included in electric plant in service at December 31, 2023 and 2022. Acquisition adjustments represent the difference between the net book value of the original owner and the fair value of the assets at the date of acquisition.

3. Investment Securities

Cost and estimated fair value of available-for-sale investment securities at December 31, 2023 and 2022, were as follows (dollars in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
U.S. Treasury bill/note	**$ 16,557**	**$ 39**	**$ –**	**$ 16,596**
	$ 16,557	**$ 39**	**$ –**	**$ 16,596**
2022				
U.S. Treasury bill/note	$ 18,224	$ –	$ (145)	$ 18,079
	$ 18,224	$ –	$ (145)	$ 18,079

Proceeds from maturities of securities were $18.7 million and $19.1 million in 2023 and 2022, respectively.

Amortized cost and estimated fair value of held-to-maturity investment securities with National Rural Utilities Cooperative Finance Corporation (CFC) at December 31, 2023 and 2022, are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
5% capital term certificates	**$ 6,998**	**$ 378**	**$ –**	**$ 7,376**
0% subordinated term certificate	**56**	**–**	**–**	**56**
	$ 7,054	**$ 378**	**$ –**	**$ 7,432**
2022				
5% capital term certificates	$ 6,998	$ –	$ (10)	$ 6,988
6.59% subordinated term certificate	70	1	–	71
0% subordinated term certificate	113	–	(4)	109
	$ 7,181	$ 1	$ (14)	$ 7,168

3. Investment Securities (continued)

The amortized cost and fair value of securities at December 31, 2023, by contractual maturity, are shown below (dollars in thousands). Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$ 16,557	$ 16,596
	$ 16,557	$ 16,596
Held-to-maturity:		
Due in one year or less	$ 56	$ 56
Due after ten years	6,998	7,376
	$ 7,054	$ 7,432

4. Regulatory Assets and Liabilities

Regulatory assets (liabilities) were comprised of the following as of December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Plant abandonment – Smith Unit 1	**$ 31,931**	$ 42,575
Plant abandonment – Dale Station	**–**	281
ARO-related depreciation and accretion expenses	**31,103**	34,255
Major maintenance projects – Spurlock Station	**3,622**	4,528
Rate case expenses	**186**	433
Generation maintenance tracker	**27,498**	9,234
Environmental cost recovery	**52**	–
Fuel adjustment clause	**14,352**	33,546
	$ 108,744	$ 124,852
Environmental cost recovery	**$ –**	$ (4,505)
Earnings mechanism	**(1,428)**	(1,393)
	$ (1,428)	$ (5,898)

4. Regulatory Assets and Liabilities (continued)

Detailed information regarding regulatory assets and liabilities is provided below.

Smith Unit 1 – Represents the remaining regulatory asset balance authorized by the PSC in connection with the cancelled construction of the Smith Unit 1 coal-fired plant in 2010. The PSC approved recovery of the remaining amortization in base rates. The regulatory asset will be fully amortized on December 31, 2026.

Dale Station – Represents the remaining unrecovered balance of environmental surcharge capital projects associated with the abandonment of Dale Station at December 31, 2015. The PSC approved recovery and a two-year amortization period, which ended on September 30, 2023.

ARO-related depreciation and accretion expenses – The PSC authorized regulatory asset treatment of depreciation and accretion expenses related to EKPC's asbestos abatement and ash disposal AROs. The PSC authorized recovery of the costs incurred to settle the majority of EKPC's ash disposal AROs through the environmental surcharge mechanism. The PSC also authorized the recovery and amortization of a regulatory asset related to the settlement of the Dale Station asbestos ARO over a period of two years, which ended on September 30, 2023. While the Cooperative has not yet requested recovery of two ARO-related regulatory assets, management believes it is probable that the PSC will allow the Cooperative to recover the full amount through rates or other mechanisms.

Major maintenance projects – In 2019, the RUS authorized the Cooperative to establish a regulatory asset for the costs related to major maintenance and the replacement of minor components of property at Spurlock Station and to amortize the balance over eight years. The PSC subsequently authorized amortization and recovery over the months remaining in the eight-year period, which ends on December 31, 2027.

Rate case expenses – The PSC authorized EKPC to establish a regulatory asset for expenses incurred as part of the 2021 rate case proceeding. The PSC also authorized recovery and a three-year amortization period, which ends on September 30, 2024.

Generation maintenance tracker – As discussed in Note 1, Rate Matters, this amount represents 75% of the annual generation maintenance expense, beginning in 2022, that exceeded the historical annual expense level established as part of the 2021 base rate case. The amount will be considered for recovery during EKPC's next base rate case.

4. Regulatory Assets and Liabilities (continued)

Fuel adjustment clause and environmental surcharge – Represents recovery mechanisms adopted by the PSC (Note 1, Rate Matters). Any under (over) recovery is classified as a current regulatory asset or regulatory liability on the balance sheet.

Earnings mechanism – As discussed in Note 1, Rate Matters, this amount represents 2022 excess earnings to be refunded to members through a bill credit due to TIER exceeding 1.4, plus interest. In 2023, the PSC authorized the Cooperative to delay refunding the 2022 excess earnings to members for one year due to the administrative burden associated with the members passing the credit back to their members, and to accrue interest on the balance until refunded. This regulatory liability is classified as current on the balance sheet.

5. Long-Term Debt

The Cooperative executed an Indenture of Mortgage, Security Agreement and Financing Statement, dated as of October 11, 2012 (Indenture) between the Cooperative, as Grantor, to U.S. Bank National Association, as Trustee. The Indenture provides first mortgage note holders and tax-exempt bond holders with a pro-rated interest in substantially all owned assets.

Long-term debt outstanding at December 31, 2023 and 2022, consisted of the following (dollars in thousands):

	2023	2022
First mortgage notes:		
1.14%–5.18%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2050, weighted average 3.62%	**$ 2,141,556**	$ 1,938,773
First Mortgage Bonds, Series 2014A, fixed rate of 4.61%, payable semi-annual, matures February 6, 2044	**159,000**	164,000
First Mortgage Bonds, Series 2019, fixed rate of 4.45%, payable semi-annual, matures April 19, 2049	**130,000**	135,000
First Mortgage Promissory Note, fixed rate of 4.30%, payable semi-annual, matures April 30, 2049	**86,667**	90,000
Tax-exempt bonds:		
Solid Waste Disposal Revenue Bonds, Series 1993B, variable rate bonds, due August 15, 2023, 2.88% at December 31, 2022	**–**	700
Clean Renewable Energy Bonds, fixed rate of 0.40% payable quarterly to CFC to December 1, 2023	**–**	444
New Clean Renewable Energy Bonds, fixed rate of 4.5% payable annually to CFC to January 31, 2047, reimbursed by IRS annually of up to 2.97% for a net rate of 1.53%	**16,018**	16,386

5. Long-Term Debt (continued)

	2023	2022
Promissory notes:		
Variable rate notes payable to CFC 6.35% at December 31, 2023	**$ 325,000**	$ 350,000
5.40%–5.50% fixed rate notes payable to National Cooperative Services Corporation, weighted average 5.43%	**325**	1,306
Total debt	**2,858,566**	2,696,609
Less debt issuance costs	**(7,006)**	(7,328)
Total debt adjusted for debt issuance costs	**2,851,560**	2,689,281
Less current maturities	**(101,905)**	(96,654)
Total long-term debt	**$ 2,749,655**	$ 2,592,627

FFB and RUS First Mortgage Notes

The Cooperative received loan funds in varying amounts through its first mortgage notes payable to the Federal Financing Bank and RUS. All such loans are subject to certain conditions outlined by RUS. Listed below are descriptions of those loan applications for which additional funds were advanced to the Cooperative during the year and the status of any remaining funds approved and available for advance at December 31, 2023. The amounts outstanding under these notes are $2.1 billion at December 31, 2023.

In September 2019, the Cooperative submitted to RUS a loan application in the amount of $153 million for various transmission projects. The loan documents were subsequently executed in March 2020 with a maturity date of December 31, 2050; $65.5 million was advanced in 2023. As of December 31, 2023, $1.4 million of the loan remained available for advance.

In September 2019, the Cooperative submitted to RUS a loan application in the amount of $347 million for various generation projects. The loan documents were subsequently executed in March 2020 with a maturity date of December 31, 2050; $217.2 million was advanced in 2023. As of December 31, 2023, $34.2 million of the loan remained available for advance.

Other First Mortgage Notes and Bonds

On December 11, 2013, the Cooperative entered into a bond purchase agreement for $200 million 4.61% First Mortgage Bonds, Series 2014A due February 2044. The transaction closed and funded on February 6, 2014. The debt is secured on equal footing with the Cooperative's other secured debt under the Indenture. The amount outstanding under these notes is $159.0 million at December 31, 2023.

5. Long-Term Debt (continued)

On April 18, 2019, the Cooperative entered into a bond purchase agreement for $150 million 4.45% First Mortgage Bonds, Series 2019 due to mature on April 19, 2049. The transaction closed and was funded on April 18, 2019. The debt is secured on equal footing with the Cooperative's other secured debt under the Indenture. The amount outstanding under these bonds is $130.0 million at December 31, 2023.

On April 19, 2019, the Cooperative signed a promissory note to CFC for $100 million at a fixed rate of 4.30% with a maturity date of April 30, 2049. The debt is secured and on equal footing with other secured debt. The balance on the loan was $86.7 million at December 31, 2023.

Tax-Exempt Bonds

The Series 1993B Solid Waste Disposal Revenue Bonds matured on August 15, 2023 and were paid in full. The $1.1 million debt service reserve required to be on deposit with the designated trustee throughout the term of the bonds was refunded to the Cooperative after the bonds were paid.

In January 2008, EKPC was approved to receive up to $8.6 million to finance certain qualified renewable energy projects with Clean Renewable Energy Bonds. The loan was fully advanced in July 2009. These bonds matured on December 1, 2023 and were paid in full.

In September 2016, EKPC was authorized by the IRS to issue $19.8 million in New Clean Renewable Energy Bonds to finance a planned community solar facility. In February 2017, EKPC issued an $18 million note to CFC. The amount outstanding as of December 31, 2023, is $16.0 million.

Promissory Notes

On July 29, 2022 the Cooperative executed a $500 million unsecured Amended and Restated Credit Agreement with CFC as the lead arranger, to be used for general corporate purposes, including capital construction projects. Effective July 29, 2023, the Cooperative exercised an option under the agreement to extend the maturity date of $420 million to July 27, 2028, with the remaining $80 million set to expire on the original maturity date of July 29, 2027. As of December 31, 2023, the Cooperative had outstanding borrowings of $325.0 million and $6.1 million of letters of credit with the Commonwealth of Kentucky for worker's compensation and self-insured automotive policy requirements issued under the agreement. As of December 31, 2023, the availability under the credit facility was $168.9 million.

5. Long-Term Debt (continued)

In December 2010, the Cooperative entered into an unsecured loan agreement with the National Cooperative Services Corporation for $23.8 million to refinance indebtedness to RUS. As of December 31, 2023, the amount outstanding under these notes is $0.3 million.

Estimated Annual Maturities of Long-Term Debt

Estimated annual maturities of long-term debt adjusted for debt issuance costs for the five years subsequent to December 31, 2023, are as follows (dollars in thousands):

Years ending December 31:	
2024	$ 101,905
2025	114,090
2026	112,026
2027	109,060
2028	110,904
Thereafter	2,303,575
	$ 2,851,560

The Indenture and certain other debt agreements contain provisions which, among other restrictions, require the Cooperative to maintain certain financial ratios. The Cooperative was in compliance with these financial ratios at December 31, 2023 and 2022.

As of December 31, 2023, the Cooperative has pledged securities of $0.2 million to the United States Department of Labor related to Workers' Compensation.

In April 2023, the Cooperative filed a corporate guarantee and financial test with the Commonwealth of Kentucky in lieu of pledging securities for landfill closure and post-closure care costs estimated at approximately $26.1 million. The corporate guarantee is renewed annually.

6. Retirement Benefits

Pension Plan

Pension benefits for employees hired prior to January 1, 2007 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Plan (RS Plan). The 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.

For the RS Plan, a "zone status" determination is not required and therefore, not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2023 and 2022, 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.

EKPC also participates in a Deferred Compensation Pension Restoration Plan, which is intended to provide a supplemental benefit to highly compensated employees who would experience a reduction in their pension benefit from the RS Plan due to Internal Revenue Code limitations. The President and CEO is the only named participant. The plan was closed to new participants, effective January 1, 2015.

The Cooperative's contributions to the RS Plan in 2023 and 2022 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made annual contributions to the RS Plan and Deferred Compensation Pension Restoration Plan of $7.0 million and $7.4 million in 2023 and 2022, respectively.

6. Retirement Benefits (continued)

Retirement Savings Plan

The Cooperative offers a Retirement Savings Plan for all employees who are eligible to participate in the Cooperative's benefit programs. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. For employees hired prior to January 1, 2007, the Cooperative makes matching contributions to the account of each participant up to 2.0% of the participant's compensation. For employees hired on or after January 1, 2007, the Cooperative will automatically contribute 6.0% of base wages and match the employee contribution up to 4.0%. The Cooperative contributed approximately $5.6 million and $5.0 million to the plan for the years ended December 31, 2023 and 2022, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative.

Supplemental Executive Retirement Plan

The Cooperative provides a 457(f) Supplemental Executive Retirement Plan to the executives of the organization. The plan is considered a defined contribution plan whereby annual contributions are made based upon a percentage of base salary. Participants become 100% vested and the account balance paid out upon attaining age 62 or if separation occurs due to involuntary termination without cause, disability, or death. Separation for any other reason before age 62 will result in participants forfeiting their benefits.

Supplemental Death Benefit Plan

The Cooperative provides a Supplemental Death Benefit Plan to all employees eligible to participate in the pension plan. The supplemental death benefit is payable to a deceased employee's beneficiary if the lump sum value of a 100% survivor benefit under the pension plan exceeds the pension plan benefits plus the Cooperative's group life insurance proceeds. Management believes that any liability related to this plan will not have a material effect on the financial statements.

Postretirement Medical Benefits

The Cooperative sponsors a defined benefit plan that provides medical and life insurance coverage to retirees and their dependents. Participating retirees and dependents contribute 50% of the projected cost of coverage. For purposes of the liability estimates, the substantive plan is assumed to be the same as the written plan. The plan is not funded.

6. Retirement Benefits (continued)

In accordance with ASU 2017-07, *Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, the Cooperative includes the service cost component of net periodic benefit cost in operating expenses in the statements of revenue and expenses and comprehensive margin (loss). All other components of net periodic benefit cost are included in other non-operating margin.

The following tables set forth the accumulated postretirement benefit obligation, the change in plan assets, and the components of accrued postretirement benefit cost and net periodic benefit cost as of December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Change in benefit obligation:		
Accumulated postretirement benefit obligation – beginning of year	**$ 29,974**	$ 37,435
Service cost	**590**	834
Interest cost	**1,564**	1,052
Participants’ contributions	**1,574**	1,478
Benefits paid	**(4,142)**	(4,085)
Actuarial loss (gain)	**17,684**	(6,740)
Accumulated postretirement benefit obligation – end of year	**47,244**	29,974
Change in plan assets:		
Fair value of plan assets – beginning of year	**–**	–
Employer contributions	**2,568**	2,607
Participant contributions	**1,574**	1,478
Benefits paid	**(4,142)**	(4,085)
Fair value of plan assets – end of year	**–**	–
Funded status – end of year	**$ (47,244)**	$ (29,974)
Amounts recognized in balance sheet consists of:		
Current liabilities	**$ 2,738**	$ 2,247
Noncurrent liabilities	**44,506**	27,727
Total amount recognized in balance sheet	**$ 47,244**	$ 29,974
Amounts included in accumulated other comprehensive margin:		
Prior service credit	**$ 18,587**	$ 20,608
Unrecognized actuarial gain	**4,384**	23,329
Total amount in accumulated other comprehensive margin	**$ 22,971**	$ 43,937

6. Retirement Benefits (continued)

	2023	2022
Net periodic benefit cost:		
Service cost	**$ 590**	$ 834
Interest cost	**1,564**	1,052
Amortization of prior service credit	**(2,021)**	(2,021)
Amortization of net actuarial gain	**(1,261)**	(872)
Net periodic benefit cost	**$ (1,128)**	$ (1,007)
Amounts included in other comprehensive margin:		
Net gain (loss) arising during the year	**$ (17,684)**	$ 6,740
Amortization of prior service credit	**(2,021)**	(2,021)
Amortization of net actuarial gain	**(1,261)**	(872)
Net gain (loss) recognized in other comprehensive margin	**$ (20,966)**	$ 3,847

The change in benefit obligation included a net actuarial loss of $17.7 million. This net actuarial loss was comprised of $8.2 million from higher per capita claims, $8.1 million from healthcare trend and other updates, and $1.4 million from a decrease in the discount rate.

Actuarial gains and losses are not recognized in net margin, but are instead recorded in accumulated other comprehensive margin. If the total unrecognized actuarial gain or loss is in excess of 10% of the projected benefit obligation, the excess amount is amortized into other non-operating margin over the average years of remaining future service to expected retirement age.

The discount rate used to determine the accumulated postretirement benefit obligation was 5.17% and 5.42% for 2023 and 2022, respectively.

The expected benefit payments from the plan, which reflect anticipated future service, are (dollars in thousands):

Years ending December 31:	
2024	$ 2,738
2025	2,713
2026	2,640
2027	2,638
2028	2,717
2029–2031	14,899

6. Retirement Benefits (continued)

For measurement purposes, a 6.8% annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2023. The rate is assumed to decline to 4.0% after 25 years.

7. Changes in Accumulated Other Comprehensive Margin by Component

The following table represents the details of accumulated other comprehensive margin activity by component (dollars in thousands):

	Postretirement Benefit Obligation	Unrealized Gain (Loss) on Investments Available for Sale	Accumulated Other Comprehensive Margin
Balance – December 31, 2021	$ 40,090	$ (12)	$ 40,078
Other comprehensive gain (loss) before reclassifications	6,740	(133)	6,607
Amounts reclassified from accumulated other comprehensive margin	(2,893)	–	(2,893)
Net current period other comprehensive gain (loss)	3,847	(133)	3,714
Balance – December 31, 2022	43,937	(145)	43,792
Other comprehensive gain (loss) before reclassifications	**(17,684)**	**184**	**(17,500)**
Amounts reclassified from accumulated other comprehensive margin	**(3,282)**	**–**	**(3,282)**
Net current period other comprehensive gain (loss)	**(20,966)**	**184**	**(20,782)**
Balance – December 31, 2023	**$ 22,971**	**$ 39**	**$ 23,010**

The postretirement benefit obligation reclassification noted above represents the amortization of prior service credits and actuarial gains that are included in the computation of net periodic postretirement benefit cost. See Note 6 – Retirement Benefits for additional details.

8. Commitments and Contingencies

Contract Commitments

The Cooperative periodically enters into long-term agreements for the purchase of power. Payments made under long-term power contracts in 2023 and 2022 were $7.7 million and $7.3 million, respectively. The agreements have varying terms, with one agreement continuing until either party gives a three year notice of termination. Total minimum payment obligations related to the contracts are as follows (dollars in thousands):

Years ending December 31:	
2024	$ 54,490
2025	24,772
2026	3,814

The Cooperative has commitments to purchase coal for its generating plants under long-term contracts that extend through 2026. Coal payments under contracts for 2023 and 2022 were $169.7 million and $110.6 million, respectively. Total minimum purchase obligations for the next three years are as follows (dollars in thousands):

Years ending December 31:	
2024	$ 178,224
2025	79,464
2026	16,803

The minimum cost of the coal purchases, based on the latest contractual prices, is subject to escalation clauses that are generally based on government-published indices and market price.

The Cooperative also has commitments to purchase limestone and lime for its coal-fired generating plants under all requirements contracts that extend through 2024. These contracts set forth pricing and quantity maximums for each product but do not require minimum purchases. Given that annual quantities purchased will vary according to the generation produced at each plant, minimum purchase obligations for the next year cannot be determined.

The supply agreements are not accounted for as derivatives based upon the Normal Purchases Normal Sales exception as permitted by ASC 815, *Derivatives and Hedging*.

8. Commitments and Contingencies (continued)

Environmental

As an electric utility, the Cooperative is subject to federal, state, and local laws and regulations to protect both human health and the environment while also regulating the emission, discharge, or release of pollutants into the environment. We believe we are materially in compliance with all current requirements. However, the operation of our generation fleet could be affected by new requirements and future changes in environmental laws and regulations. Capital expenditures and increased operating costs required to comply with new and future regulations cannot be determined at this time, but could be significant.

Winter Storm Elliott

PJM declared Performance Assessment Interval (PAI) events on December 23 and December 24, 2022 as a result of the high demand for electricity and loss of generation caused by the extremely cold temperatures experienced during Winter Storm Elliott. Generation owners with committed capacity resources were subject to significant non-performance assessments for generating units that did not meet PJM's performance standards during the events. Conversely, generating units that exceeded performance expectations were eligible to receive bonus payments based upon the amount of non-performance assessments actually collected by PJM. EKPC had units that experienced unplanned outages due to natural gas constraints and mechanical issues while other EKPC units performed in excess of their required capacity obligations during the events.

Based upon PJM's preliminary generating unit performance data and other internal information, EKPC recorded a $19.5 million liability as of December 31, 2022 for capacity non-performance assessments, which was included in operating revenue on the statement of revenue and expenses and comprehensive margin (loss). EKPC also recorded an insurance receivable of $13.7 million at December 31, 2022 for certain unit non-performance assessments covered by insurance, which was also included in operating revenue on the statement of revenue and expenses and comprehensive margin (loss). EKPC did not record a receivable for estimated capacity bonus performance payments at December 31, 2022 as those amounts were not reasonably estimable at that time.

On December 19, 2023, FERC issued an order approving a settlement agreement that resolved 15 complaints related to non-performance charges assessed by PJM for Winter Storm Elliott. The settlement agreement included a 31.7 percent reduction in the total non-performance assessments, which also ultimately reduced expected performance bonuses for generators that exceeded capacity requirements during the events.

8. Commitments and Contingencies (continued)

This settlement resulted in EKPC recording a $6.1 million receivable from PJM at December 31, 2023 to reflect the reduction in previously charged non-performance assessments, and a $5.7 million estimated refund payable to the insurance carrier for the reduction in covered non-performance assessments. After application of the settlement provisions, a net performance bonus of $22.3 million was recognized in 2023, which is included in operating revenue on the statement of revenue and expenses and comprehensive margin (loss).

9. Power Sales Arrangement

In December 2015, the Cooperative became the lessor under a power sales arrangement that was required to be accounted for as an operating lease due to the specific terms of the agreement. The arrangement is an agreement to sell the capacity and energy from the Glasgow landfill gas plant to a member system for a period of ten years. The revenue associated with this arrangement for 2023 and 2022 was $0.6 million and $0.5 million, respectively, and is included in operating revenue on the statements of revenue and expenses and comprehensive margin (loss) for the years ended December 31, 2023 and 2022.

The minimum future revenues under the arrangement is as follows (dollars in thousands):

Years ending December 31:	
2024	$ 452
2025	452

10. Government Assistance

Government assistance transactions occurring during 2023 and 2022 that meet the requirements of ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, are outlined below.

The Cooperative received Clean Coal Incentive (CCI) Tax Credits of approximately $1.0 million and $0.7 million in 2023 and 2022, respectively, for qualifying coal purchased for use at Spurlock Units 3 and 4, which are clean coal certified facilities. Since EKPC is not subject to income tax, the credits were applied to public service corporation property taxes due annually to the Commonwealth of Kentucky. The CCI is included in other non-operating margin in the statement of revenue and expenses and comprehensive margin (loss).

10. Government Assistance (continued)

In 2022, the Cooperative received approval of a cash award from U.S. Department of Homeland Security, passed through Kentucky Emergency Management, for eligible costs incurred during FEMA Disaster 4630 to restore damaged power lines. This award provided for a cost share of 90% Federal, 4.8% State, and 5.2%, applicant. The Federal and State portion, approximately $0.3 million, was applied against construction and retirement costs incurred for the disaster.

11. Related Party Transactions

The Cooperative is a member of CFC, which provides a portion of the Cooperative's financing, including a $100 million fixed rate loan executed in 2019. CFC is also a joint lead arranger and a 36% participant in the Cooperative's $500 million unsecured credit facility. Held-to-maturity investments included CFC capital term certificates of $7.1 million and $7.2 million at December 31, 2023 and 2022, respectively. CFC Patronage capital assigned to EKPC was $2.5 million and $2.1 million at December 31, 2023 and 2022, respectively.

The Cooperative is also a member of CoBank. The balance of CoBank's patronage capital assigned to EKPC was $0.8 million and $0.7 million at December 31, 2023 and 2022, respectively. CoBank was also a 15% participant in the Cooperative's previous unsecured credit facility that ended on July 29, 2022.

EKPC is a member of ACES LLC (ACES), which provides various energy marketing, settlement and risk management related services to its members and clients. EKPC's Chairman of the Board and EKPC's CEO serve on the ACES Board of Directors. EKPC accounts for its investment in ACES on the cost basis of accounting. At December 31, 2023 and 2022, the balance of EKPC's investment in ACES was approximately $0.6 million. Payments to ACES were $2.5 million in 2023 and $2.4 million in 2022.

12. Subsequent Events

Management has evaluated subsequent events through March 28, 2024, which is the date these financial statements were available to be issued.

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