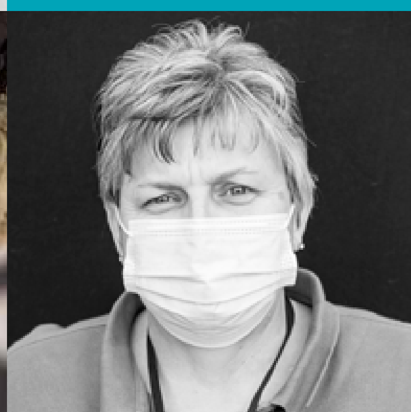


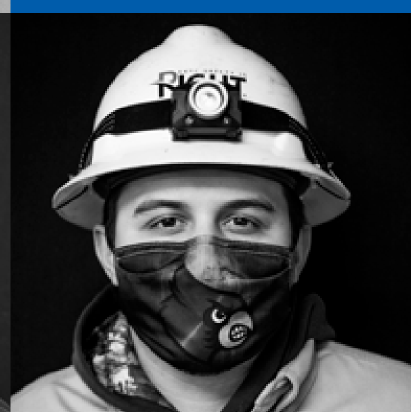


EAST KENTUCKY
POWER COOPERATIVE
2020 ANNUAL REPORT



PREPARATION AND EXECUTION

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2020: Highlights

Financial (Dollars in Thousands)

	2020	2019	Increase/(Decrease) %
Operating Revenue	**$787,672**	$860,123	(8.4)
Operating Expenses	**$670,821**	$726,702	(7.7)
Net Margin	**$28,692**	$44,204	(35.1)
Members' Equities	**$744,291**	$715,372	4.0
Equity Ratio (%)	**21.2**	18.9	12.2

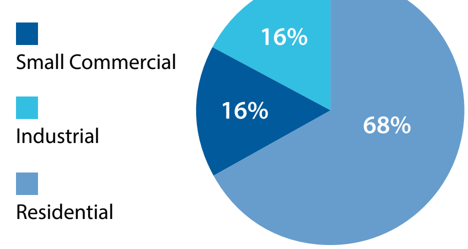
Operational

	2020	2019	Increase/(Decrease) %
Sales to Member Cooperatives (MWh) *	**12,694,934**	12,971,681	(2.1)
Member Revenue Per kWh Sold (mills/kWh) *	**59.30**	63.63	(6.8)
Cost of Owned Generation (mills/kWh)	**59.14**	70.82	(16.5)
System Peak Demand (MW)			
Winter Season **	**2,702**	3,073	(12.1)
Summer Season	**2,312**	2,366	(2.3)
Net Generation (MWh)	**8,167,447**	6,853,879	19.2

* *Includes steam sales*
** *Represents seasonal winter peaks achieved on 12/26/20 and 1/31/19*

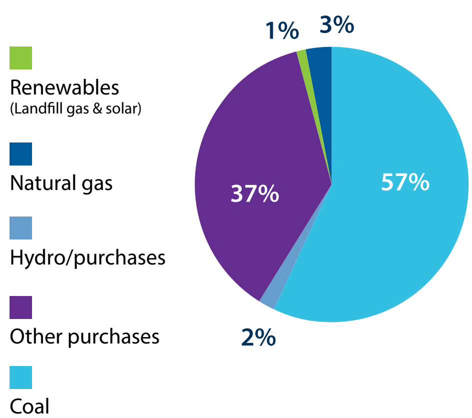
Customer Classes

by member sales revenue



Sources of Electricity

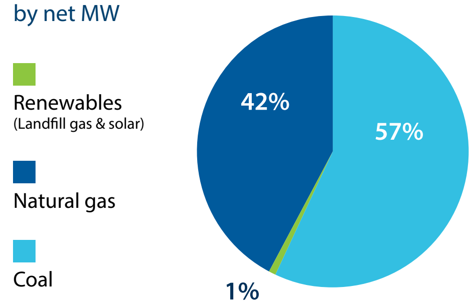
by MWh



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, affordable 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 member co-ops distribute energy to 1.1 million Kentuckians across 87 counties. We're leaders in environmental stewardship. And we're committed to providing power to improve the lives of people in Kentucky.

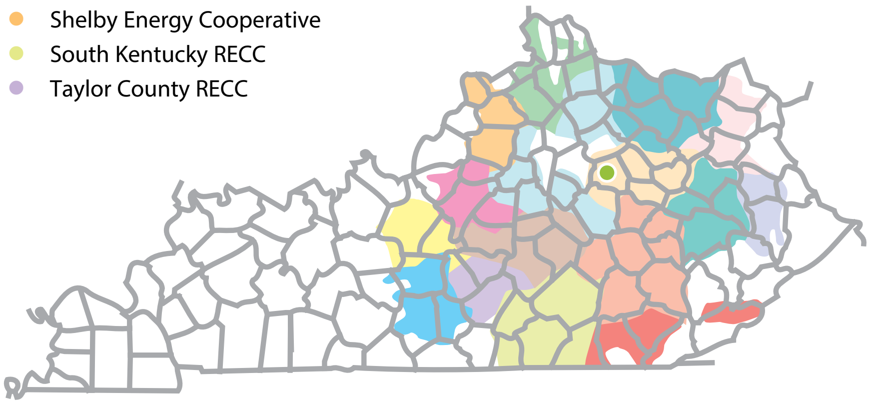
2020 at a glance

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)
13,387	12,695	692	787.7	28.7	3.5	59.3

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
Laurel Ridge	3.0 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	**16.1 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	554,219	1.1	2,702	2,867	719

PREPARATION AND EXECUTION

A message from the CEO and the Chairman

As people who have worked in agriculture know, there will periodically be droughts, hailstorms, floods and other disasters. These crises usually hit unexpectedly, like the coronavirus that spread across Kentucky and the entire world in 2020.

We can't control when such disasters strike, but we can be prepared. That is what East Kentucky Power Cooperative (EKPC) did year after year leading up to the pandemic. This progressive strengthening allowed us to pivot quickly to deal with the fallout from the coronavirus.

One of the biggest construction projects in EKPC history stayed on schedule and under budget despite the tremendous added complexities of getting work done. Ambitious planned maintenance projects were also completed, and upgrades to the transmission system continued.

Because we entered the crisis from a position of strength, EKPC continued lowering its power costs and helped owner-members weather the storm. Economic development projects stayed on track, and we approved a detailed sustainability plan to ensure stability for many years ahead.

It was one of our most challenging years ever but we persevered and continued to strive toward our goals. We did it through preparation and execution, and, in large part, because of a great team of EKPC employees and a journey to a culture of safety that began a decade ago.

SAFETY AND TEAMWORK OVERCOME CHALLENGES

EKPC began communicating with employees about the dangers of COVID-19 as early as January 2020. These communications preceded the public crisis and continued throughout the year.

In the middle of a once-in-a-century pandemic, nearly 900 workers stayed safe at Spurlock Station while completing planned outages and other needed work to comply with EPA's Coal Combustion Residuals and Effluent Limitation Guidelines (CCR/ELG). The $262.4 million project stayed on schedule to convert Spurlock Units #1 and #2 to dry handling of coal ash. This project includes the closure of the Spurlock ash pond to diminish future risk.

EKPC finished a major project at Bluegrass Station that added diesel as a secondary fuel source. This project will enable Bluegrass Station to reliably operate if natural gas becomes unavailable, which will also help ensure the plant meets the performance requirements of the PJM capacity market.

Every facet of the organization from the Board of Directors to the employees and contractors working at all locations practiced strict protocols to minimize the impact of COVID-19. EKPC canceled out-of-state travel and in-person meetings. We mandated that employees wear masks and have temperatures taken daily before entering co-op facilities. Field crews and shifts segregated and focused on work requiring one person, while office staff began working from home.

SUSTAINABILITY PLAN UNVEILED

The Board approved a Sustainability Plan developed through the hard work of five employee-led teams. The plan includes targets to increase EKPC's use of renewable energy to 15 percent of resources and to reduce carbon emissions 35 percent by 2035. Meeting these goals will help us ensure that EKPC remains a vital resource to our owner-members.

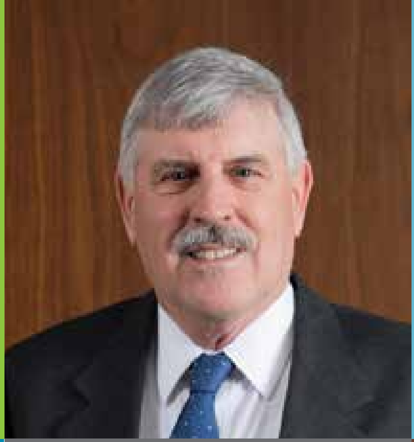
The five teams gained a deep understanding of renewables and other industry changes. They established guiding principles to better serve owner-members, improve the environment, increase fuel diversity, attract and retain the best employees, ensure reliable service and maintain financial strength. The objectives of the Sustainability Plan are outlined on page 19 of this report.

EXECUTING FINANCING STRATEGIES

EKPC began the year with excellent equity and liquidity, which gave us flexibility in managing COVID-19. As the year progressed, EKPC executed strategies that helped maintain margin, enabled the Board to approve the payment of capital credits, lowered interest expense and reduced power costs to members.

EKPC completed an additional $320.1 million prepayment of its highest interest rate Federal Financing Bank (FFB) debt without penalty. Through years of planning, the weighted average interest rate on all debt has declined from 5.3 percent in 2007 to 3.5 percent in 2020.

For the year ending Dec. 31, EKPC posted a net margin of $28.7 million on revenues of $787.7 million.



Joe Spalding
Chairman of the Board

Anthony Campbell
President and CEO

The Board granted EKPC approval to pay $6.0 million in capital credits to owner-members in July. This was only the second time capital credits had been paid in EKPC's history.

EKPC's access to low-cost power through PJM Interconnection and excellent cost controls contributed to EKPC's total cost to owner-members declining to $59.30 per megawatt-hour in 2020. This was well below our cost of $68.41 in 2012 (the year prior to joining PJM). Although the owner-members serve about one-fourth of the people per mile compared to neighboring utilities, our co-op rates and reliability remain competitive.

STRONG ECONOMIC DEVELOPMENT

Job creation in the Commonwealth continued even in a year that saw the pandemic shut down large sectors of the world's economy. The high-tech tools that Kentucky's Touchstone Energy Cooperatives already had in place enabled us to work closely with site selectors, businesses and government leaders to announce 32 economic development projects representing $735 million in investments and the creation of over 3,200 new jobs.

Notable projects included construction of the Marion County-based Diageo distillery that received global recognition for being carbon neutral and powered completely by renewable energy. AppHarvest constructed one of America's largest greenhouses in Rowan County and announced two more projects in Madison County. We also supported the expansion of Nucor Gallatin Steel in Northern Kentucky and played key roles in many other industrial projects.

Our owner-member co-ops landed projects because we had high-definition drone footage of industrial sites, and data and mapping apps. Even though they could not travel, site selectors in the United States and overseas could look at co-op sites for new factories from the comfort of their homes and offices. We succeeded because we were prepared.

These are just a few of the many reasons EKPC successfully dealt with the unexpected challenges of the most unusual year we've ever lived through. Though times got tough, we finished strong. We are confident our success will continue, as long as our nation embraces a thoughtful and deliberate transition to renewables and sound energy policy. We will succeed because EKPC is standing on a rock-solid foundation of strength, endurance and sustainability.

A GROWING THREAT TO RELIABILITY

In the midst of a record heatwave in August 2020, thousands of California residents and businesses lost power as the state's transmission system operator was forced to intermittently black out areas across the state.

The grid operator did so in order to prevent more serious and widespread blackouts as they worked to keep generation and load in balance, and prevent serious damage to the grid.

If there is not adequate generation to meet electric demand, the grid operator must make a terrible decision: turn off power to portions of the grid so that the system remains stable.

Because of their heavy dependence on solar power and imports from areas also experiencing extreme high electric demand, that is what California's system operator was forced to do.

Renewables account for 43 percent of the California grid's generating capacity, and solar makes up 85 percent of those renewables. As solar power ramped down in evenings during the August heatwave, the grid operator attempted to import needed power from outside California, as they normally do, to meet demand. But because of the heat, other states had little power to spare, and the blackouts began.

Just a few months later, the California crisis was followed by a weather and energy calamity in Texas. An arctic blast knocked offline nearly half of the power plants across the Lone Star state, leaving millions without power. Due to both operational and fuel supply challenges, the lack of sufficient electric generation resulted in dozens of people dying and millions of people experiencing intense pain and suffering for several days.

These blackouts revealed the challenges and potential suffering we will face in a world without dependable, controllable, conventional generation resources. It should be an important wakeup call for America to address the growing and dangerous threat to reliable electric service. We caution those who are driving our country too quickly to a carbon-free environment to make sure technologies are available to protect reliability in order to prevent unnecessary hardship and possibly even death.

EKPC recognizes the threat to reliability and will continue to work toward a smart, reliable energy future. We agree that a transition to low- and no-carbon energy needs to happen. However, the pace of transition must be managed to ensure reliability and contain costs. EKPC has committed to a dramatic transformation of its generation resources, pledging to reduce carbon emissions 70 percent by 2050, while keeping energy delivery reliable and costs economical for people at the end of the lines.

America also needs a thoughtful transition to clean power with a diverse mix of generation to support reliable service. During extreme weather events, relying solely on renewables and currently available battery storage technology will not provide the 24/7 reliability needed. A successful transition to the grid of the future requires flexible, controllable generation resources as well as resources with secure fuel supplies.

Unfortunately, America is continuing to close conventional power plants rapidly without a sufficient alternative to provide the operational flexibility and fuel security needed to ensure reliability, increasing the risk of more blackouts like those in California and Texas.

The North American Electric Reliability Corp. (NERC) highlighted the danger in transitioning to variable energy resources, primarily solar and wind, and the retirement of conventional generation in its December 2020 Long Term Reliability Assessment. Even NERC's assessment could underestimate the risk, according to America's Power President and CEO Michelle Bloodworth, "because there could be an additional 30,000 MW or more of coal retirements beyond those that NERC assumed in its analysis."

To keep the lights on, America needs a smart transition to its energy future. In extreme weather, that could be the difference between life and death.

To protect against the spread of COVID-19, an employee gets his temperature taken at the drive-through station at headquarters.

2020: Year in Review

Safety

Employees keep one another safe

Before the coronavirus arrived, EKPC held another very successful Safety Week featuring keynote speaker Brad Livingston. He talked about the dangers of shortcuts, complacency, bad attitudes and the pain and suffering that an incident causes families.

During COVID-19, employees took many steps to protect co-workers, families, communities and themselves. Terry Lang, an operator at Spurlock Station, used her sewing skills and spare time to make hundreds of face masks for co-workers, nurses and others. When supplies of hand sanitizer ran low, Lab Supervisor Tim Yates started making it for co-workers, which helped EKPC to get much needed supply at a difficult time.

Finance employees shifted from in-person training to online classes to teach a new budgeting system. They assisted owner-members in obtaining federal Paycheck Protection Program funds, while EKPC offered flexibility on wholesale power payments.

Mike Willoughby, Manager of Safety, Security and Facilities, addresses employees during EKPC Safety Week.

In the spring, employees quickly changed the ways they work to protect co-workers, families, communities and themselves from COVID-19.

Supply Chain made sure that critical parts from manufacturers continued to ship to keep key construction projects on track. Member Services produced printing, graphics and numerous COVID-19 communications to assist owner-members.

Information Technology assisted office employees as they rapidly shifted to work from home. The Headquarters Facilities team helped to secure needed masks, disinfectants and hand soap. They also installed hospital-grade filters and ultra-violet filters in HVAC systems. The Safety Department turned the vehicle wash bay into a drive-through temperature-taking station.

In short, in uniquely challenging circumstances, employees continued serving owner-members, took care of each other, kept the lights on and costs down during one of the most challenging times in the nation's history.


EKPC SAFETY IS
R.I.G.H.T.
REASON I GO HOME TONIGHT
TROY LOVELL
J.K. SMITH STATION
5 Years Zero LTA
EKPC SAFETY IS R.I.G.H.T.

A contractor puts the final touches on a weld at Spurlock Station, which completed one of its most challenging and successful years in 2020.

Operations

Spurlock Station completes complex projects
EKPC's power plants finished one of their most challenging years in 2020. But through teamwork and a focus on safety, the plants also made it one of their best years ever.

An already challenging list of projects and planned work became much more difficult after COVID-19 hit in March. But the Spurlock team, Engineering & Construction team, contractors and support groups all rose to the occasion.

A new cooling tower was built for Spurlock Unit #1 in the spring, for example. Workers also added a fast degas hydrogen system, installed new ash-handling systems for Units #1 and #2 and performed many more difficult projects.

It was a 24/7 battle against the pandemic, but employees patiently followed multiple COVID-19 protocols — wearing masks, taking temperatures, eating separately and conducting online meetings — while focusing on the tasks at hand. Not only did the teams accomplish everything that was planned for the CCR/ELG and many maintenance projects at Spurlock, they did it safely, on budget and on time.

The Spurlock team completed all projects that had been planned for the year.

Bluegrass Station added backup fuel, while Cooper Station overhauled the Unit #1 boiler.

With 32 weeks of planned outages at Spurlock in 2020, employees and contractors focused daily on safety and completing many complex tasks.

Bluegrass Station adds diesel fuel as a secondary fuel source

Bluegrass Station added two 580,000-gallon tanks to hold diesel fuel and a 275,000-gallon tank to hold demineralized water, along with pipes, diesel fuel heaters and pumps to deliver the fuel and water to the plant's three turbines.

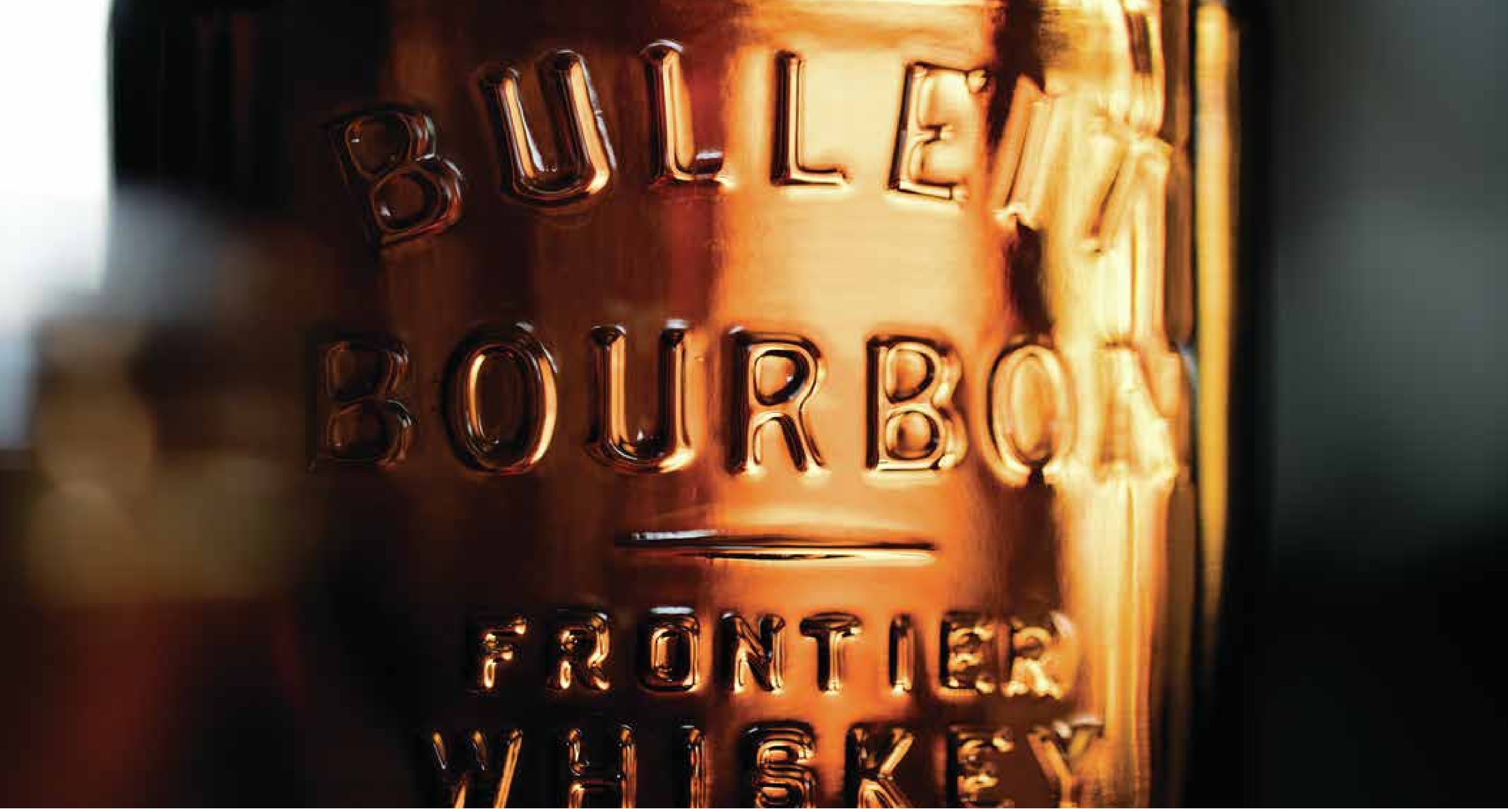
The new facilities will provide enough backup fuel to keep the units running for 24 hours at full capacity in the event the plant's normal fuel supply is interrupted. Bluegrass Station is fueled by natural gas from a nearby gas transmission line.

Cooper and Smith plants overcome challenges

A team of Cooper Station employees worked long hours during the fall to overhaul the Unit #1 boiler in a project that finished significantly under budget. Because of reduced operating hours, Cooper was able to lower costs by using EKPC staff. The result: The entire project was completed for under $350,000, which was $1.25 million below the original estimate.

Cooper employees also transformed the way plant lubrication is performed in an innovative project that extends equipment life, lowers costs, reduces oil consumption, benefits the environment and supports sustainability.

Due to COVID-19, most work for the fall outages at Smith Station in Clark County were also performed by employees. Safety was maintained by segregating departments and allowing no contact with other crews.



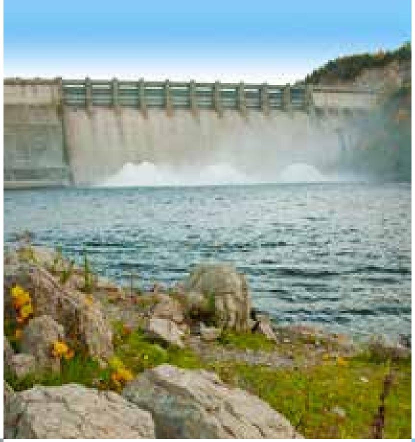
One of 2020's most notable projects was the construction of the Diageo distillery in Marion County. It is the world's first carbon neutral distillery.

Diageo received global recognition for being powered completely by renewable energy.

Diageo constructs plant powered by renewables

EKPC and Inter-County Energy joined Diageo, one of the world's largest producers of spirits and beers, for a late June announcement about its plans to construct a $130 million distillery in Lebanon. The plant will be supplied with 100 percent renewable energy when it is completed and operational in 2021. It features electrode boilers to eliminate direct greenhouse gas emissions.

Diageo plans to license solar panels from Cooperative Solar Farm One. EKPC will also use the co-op's renewable energy tariff to enter into power purchase agreements for additional renewable energy to supply the distillery.



Low natural gas prices and purchases of power from the marketplace continued to diversify EKPC's fuel mix.

To meet end-use members' growing expectations for renewable energy, EKPC obtained approval of a Green Energy Tariff from the Kentucky Public Service Commission.

Renewable energy tariff helps companies meet goals

In March, the Kentucky Public Service Commission (PSC) approved an application by EKPC and owner-members to provide a renewable energy tariff for businesses and industries. Green tariffs help large companies meet sustainability goals and enable EKPC and owner-members to negotiate agreements providing a minimum of 1 megawatt of renewable energy to qualified participants.

Fuel supply continues to diversify and emissions drop

Pressured by low natural gas prices, EKPC's fuel mix continued to diversify with coal declining as a fuel source. The use of coal in EKPC's generating fleet has declined from 82 percent of generation in 2010 to 57 percent in 2020.

This resulted in a continued decline in plant emissions — including sulfur dioxide, nitrogen oxide and carbon dioxide. CO2 fell by 38 percent from 2010 levels.

Engineer Isaac Blanford pilots EKPC's drone to quickly find damaged equipment in remote areas.

Power Delivery boosts grid resilience

EKPC invested more than $53 million in 2020 to upgrade or build new transmission lines, distribution substations and supporting infrastructure. The teams focused on areas where the aging infrastructure most needed upgrades.

EKPC installed a new digital land mobile radio system that replaced an aging analog version. It provides better quality communication and will help to ensure system reliability if public systems experience an outage.

A pilot program using drones for line and equipment inspections is allowing employees in Power Delivery to work better with less impact on the environment. The drones can quickly find worn-out, corroded and damaged equipment, broken insulators and guy wires.

POWERING THE GOOD
EKPC Unveils Sustainability Plan

At the end of the year, EKPC unveiled a Sustainability Plan that includes targets for increasing its use of renewable energy and reducing emissions of carbon dioxide in coming decades.

The plan establishes a framework to:

1. Develop strategies to increase fuel diversity, decrease carbon emissions and promote environmental stewardship;
2. Ensure EKPC is working closely with its 16 owner-member electric cooperatives to meet their changing needs;
3. Attract and retain employees with the knowledge and skills to meet Kentucky's energy needs;
4. Increase the security, reliability and resiliency of EKPC's electric transmission system;
5. Promote financial sustainability principles that enhance long-term viability.

The plan establishes goals of reducing carbon dioxide emissions 70 percent by 2050 based on 2010 emissions levels, and obtaining 15 percent of energy from new renewables by 2035.

This Sustainability Plan is EKPC's first. In 2018, EKPC's Board of Directors added "sustainability" to the cooperative's mission statement. Five teams of employees developed plans to address various aspects of sustainability.


EKPC SAFETY IS
R.I.G.H.T.
REASON I GO HOME TONIGHT
YOLANDA PERRY
EAST KENTUCKY
POWER COOPERATIVE
A Touchstone Energy Cooperative

Nathan Pickrell, an Environmental Instrument Technician, inspects the Continuous Emissions Monitoring System at Spurlock Station.

Spurlock Station Lab Technician Travis Earlywine is part of a team that protects Kentucky's environment.

Operations achieves record environmental performance

Through the hard work of staff at all locations, EKPC achieved strong performance in legal and environmental compliance, meeting all provisions of the Clean Air Act, Clean Water Act and Resource Conservation Recovery Act.

EKPC and Clark Energy employees delivered utility poles to the U.S. Forest Service for a trail bridge.

An employee assists in putting up bluebird houses and pollinator condos at Spurlock Station.

Programs promote environmental stewardship

EKPC demonstrated its ongoing commitment to the environment by participating in KY Excel, a program promoting stewardship from the Kentucky Energy and Environment Cabinet. EKPC completed these Excel projects:

- Partnered with Clark Energy to donate utility poles to the U.S. Forest Service for rebuilding a trail bridge in the Red River Gorge.
- Partnered with the U.S. Forest Service to provide native pollinator habitat seed mix to be planted in areas along and adjacent to EKPC rights-of-way.


EKPC SAFETY IS
JEFF SCOTT
EAST KENTUCKY POWER COOPERATIVE

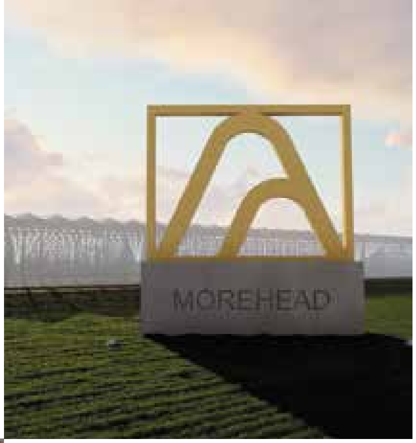
Nationally acclaimed economic development experts who spoke at Co-opAPalooza included Jim Rasberry (left), Lorie Vincent, Josh Nowell and Didi Caldwell.

Jobs and community support

Economic development increases

Even in a year that severely impacted the world economy, Kentucky's Touchstone Energy Cooperatives had one of their best years in economic development.

The first-of-its-kind Co-opAPaLooza Rural Economic Development summit was held in Frankfort prior to the COVID-19 lockdown. Over 250 participants heard from world-renowned speakers and learned how to coordinate and improve local efforts to attract new investments by businesses and expand current companies.



AppHarvest, served by Fleming-Mason Energy, broke ground on one of the world's largest high-tech greenhouses, a 2.76-million-square-foot facility in Rowan County.

Diageo, served by Inter-County Energy, in June announced the world's first carbon-neutral distillery in Lebanon, Ky.

The Economic Development team was able to overcome pandemic-related challenges to announce 17 new facilities and 15 business expansions during the year. The projects are worth almost $735 million, and will create 3,200 jobs.

A few of the major projects included:

- AppHarvest's 2.7 million-square-foot greenhouse in Morehead. Served by Fleming-Mason Energy, the operation will grow tomatoes for distribution throughout the U.S.
- Hitachi Astemo in Berea. Served by Blue Grass Energy, the plant builds batteries for Honda's electric vehicles.
- Chapin International, a manufacturer of metal compressed air sprayers. Served by Jackson Energy, Chapin announced plans to create 100 new jobs for a new production facility in Mount Vernon.
- Nucor Steel Gallatin, served by Owen Electric in Northern Kentucky, continued a major ongoing expansion.

Nucor Steel Gallatin continued a major expansion of its plant in Northern Kentucky.

RMHC houses in Louisville and Lexington provide a place for families to call home while staying close to a hospitalized child.

Kentucky's Touchstone Energy Cooperatives and the Kentucky Community & Technical College System (KCTCS) have trained more than 1,800 students to be line technicians.

Co-ops support local communities

Kentucky's Touchstone Energy Cooperatives continued several programs to strengthen local communities despite many co-op sponsorship activities being canceled because of COVID-19.

The co-ops raised $2,400 for 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. In recognition of co-op volunteer and fund-raising efforts, RMHC awarded the co-ops a Legacy of Love Award.

Co-ops also were strong supporters of the Kentucky Community and Technical Colleges. One of the many programs that continued in 2020 was the line technician training program, which the co-ops were instrumental in launching. Through the end of 2020, 1,800 students have graduated from KCTCS programs lasting from five to 16 weeks.

EKPC named one of America's top 100 cooperatives

The National Cooperative Bank (NCB) recognized EKPC as one of America's top co-ops. EKPC ranked No. 67 on the annual Co-op 100 list, along with 23 other electric cooperatives. The annual ranking by revenue earned highlighted the tremendous economic contributions that EKPC and electric co-ops make to the economy.

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

Wayne Stratton

Shelby Energy

Committee Chair

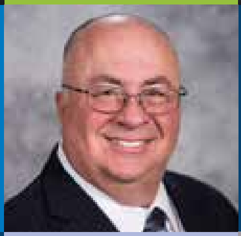
Joe Spalding

Inter-County Energy

Board Chairman

Randy Sexton

Farmers RECC



Landis Cornett

Jackson Energy

Board Treasurer

Elbert Hampton

Cumberland Valley Electric

Chief Executive Officers

Non-voting members

Greg Lee

Nolin RECC

Tony Campbell

East Kentucky Power

Tim Sharp

Salt River Electric

External Committee Members

Non-voting members

Mike Steffes

ACES

Patrick Sterling

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

Bill Shearer
Clark Energy
Committee Chair

Boris Haynes
South Kentucky RECC

Greg Corbin
Taylor County RECC

Alan Ahrman
Owen Electric
Board Vice Chairman

Ted Holbrook
Licking Valley RECC

Eddie Martin
Grayson RECC

Chief Executive Officers

Non-voting members

Jerry Carter
Inter-County Energy

Mike Williams
Blue Grass Energy

Joni Hazelrigg
Fleming-Mason Energy

Chris Brewer
Clark Energy

Carol Wright
Jackson Energy

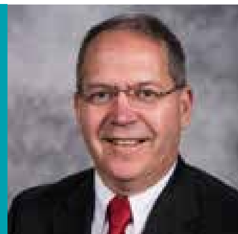
Kerry Howard
Licking Valley RECC

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

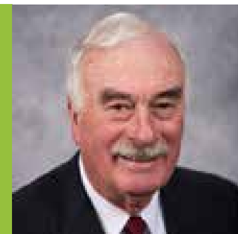
Voting members



Tim Eldridge

Fleming-Mason Energy

Committee Chair



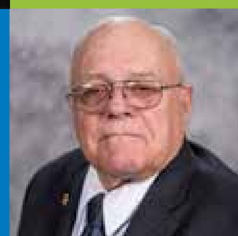
Jody Hughes

Blue Grass Energy

Board Secretary

Rick Thomas

Nolin RECC



Jimmy Longmire

Salt River Electric

Danny Wallen

Big Sandy RECC

Chief Executive Officers

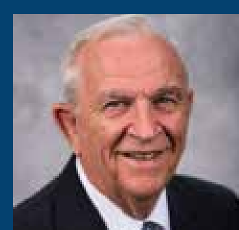
Non-voting members

Ken Simmons

South Kentucky RECC

Bradley Cherry

Grayson RECC



Ted Hampton

Cumberland Valley Electric

Barry Myers

Taylor County RECC

Bruce Aaron Davis

Big Sandy RECC

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.

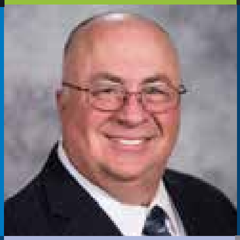
Board Members

Voting members

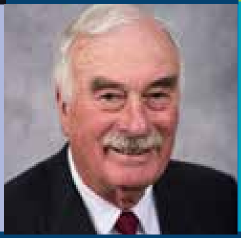
Ted Holbrook
Licking Valley RECC
Committee Chair

Bill Shearer
Clark Energy

Wayne Stratton
Shelby Energy



Landis Cornett
Jackson Energy
Board Treasurer



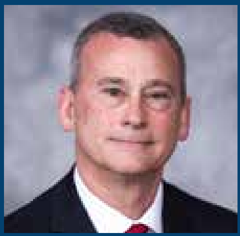
Jody Hughes
Blue Grass Energy
Board Secretary

Chief Executive Officers

Non-voting members

Bill Prather
Farmers RECC

Jack Bragg
Shelby Energy



Mike Cobb
Owen Electric

Executive Staff

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

***Mike McNalley**,*
*Executive Vice President and CFO**

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

***David Smart**,*
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

***Ann Bridges**,*
Vice President of Strategic Planning and External Affairs

***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

** Mike McNalley retired in January 2021.*
Ann Bridges succeeded him as Executive Vice President and CFO.

Mission Statement

EKPC exists to serve its member-owned cooperatives by safely delivering reliable, affordable and sustainable energy and related services.

Values

These are the shared beliefs and culture that underlie everything we do at EKPC:

Safety

Service

Honesty and Integrity

Respect

Teamwork

Environmental Stewardship

2020: Financial Highlights

2020 Performance

EKPC's net margin was $28.7 million for the year ended December 31, 2020, a decrease of $15.5 million in comparison to 2019. Operating revenues were $787.7 million for the year ended December 31, 2020, a decrease of $72.5 million from the prior year. This change was primarily attributed to decreased member sales of $72.6 million due to moderate weather and impacts of the COVID-19 pandemic on load as compared to 2019. Off-system sales declined approximately $1.2 million from the prior year while power sales arrangements classified as leases decreased $3.4 million due to the expiration of a tolling agreement on April 30, 2019. Improved auction prices resulted in PJM capacity market revenue increasing $4.5 million from the prior year.

Production operating expenses for the year ended December 31, 2020 were $441.4 million, a $63.2 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 economic resources available within the PJM market. Lower market prices and demand in comparison to the prior year resulted in purchased power costs decreasing by $67.4 million in 2020. Production maintenance expense was $76.3 million for the year ended December 31, 2020, a $11.2 million decline from 2019. Fuel expense increased $9.5 million in 2020 due to increased coal-fired fleet generation in comparison to 2019.

Fixed charges and other expenses were $102.1 million for the year ended December 31, 2020, a $10 million decrease from 2019. This change was primarily attributed to lower interest expense due to the early payoff, without prepayment penalty, of higher interest rate RUS loans from the Cooperative's investment in the Cushion of Credit program.

Nonoperating margin was $14 million for the year ended December 31, 2020, a decrease of $8.9 million in comparison to 2019. This change was primarily the result of the Cooperative having less funds earning interest in the Cushion of Credit program in 2020. The Cushion of Credit balance at December 31, 2020 was $0.7 million as compared to $349.6 million in 2019.

EKPC's total power cost to owner-members in 2020 was $59.30 mills per kilowatt-hour (mills/kWh). This cost was lower than the $63.63 mills/kWh achieved in 2019.

Construction Activities

Construction in progress at December 31, 2020 was $192.8 million. Approximately $130 million of this balance was related to the ongoing project at Spurlock Station to comply with the final rules on Coal Combustion Residuals (CCR) and Effluent Limitation Guidelines (ELG). Additional systems related to the CCR/ELG project totaling $81.3 million were completed and placed in-service at year-end. The overall project, which also includes the closure of the Spurlock ash pond and settlement of the corresponding asset retirement obligation, is estimated at $262.4 million and will be substantially recovered through the Cooperative's environmental surcharge mechanism. Bluegrass Station's project to add a backup diesel fuel system was also placed in-service at year-end. Costs incurred on the project were approximately $53.9 million.

Financing Activities

In March 2020, The Cooperative executed RUS loan documents associated with two loan applications totaling $500 million. At December 31, 2020, $462.5 million remained available for advance.

On September 9, 2020, the Cooperative utilized provisions of the 2018 Farm Bill which allowed prepayment of RUS debt from the Cushion of Credit without penalty to pay off higher interest bearing loans totaling $320.1 million.

Financial Targets

EKPC improved its equity-to-assets ratio to 21.2% at December 31, 2020. The Cooperative's bylaws permit the Board of Directors to retire capital credits when, after any proposed retirement, the total capital of the Cooperative equals or exceeds 20% of total assets. The Board of Directors authorized EKPC to retire capital credits of $6.0 million in 2020, representing margins allocated to owner-members from 1968 to 1975.

All of EKPC's other financial ratios were in compliance with the provisions outlined in its indenture and other debt agreements at December 31, 2020.

Regulatory Matters

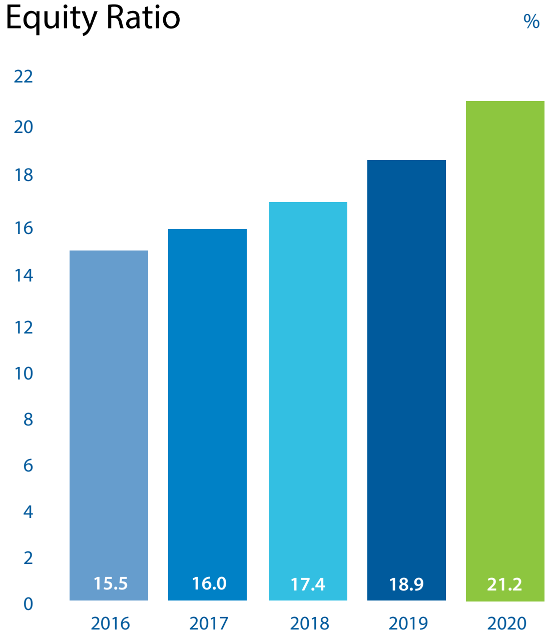
On April 1, 2021, EKPC filed an application with the Kentucky Public Service Commission for a general adjustment of rates with a proposed implementation date of October 1, 2021. EKPC is requesting a $43 million increase in annual revenues—a 5.2% rate increase.

Five-Year Statistical Summary

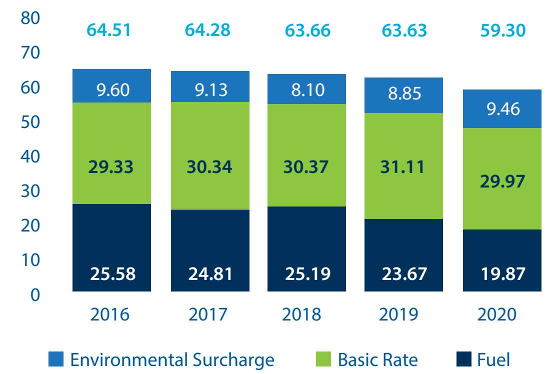
	2020	2019	2018	2017	2016
Net Margin - in thousands	**$28,692**	$44,204	$ 40,669	$22,142	$53,708
TIER	**1.28**	1.39	1.35	1.19	1.48
DSC	**1.35**	1.39	1.34	1.26	1.33
Fuel Expense - in thousands	**$172,254**	$162,719	$209,488	$179,335	$247,040
Capital Expenditures - in thousands					
Generation	**$170,589**	$184,479	$58,899	$65,634	$35,703
Transmission & Distribution	**$53,049**	$45,303	$32,593	$22,139	$29,963
General	**$10,469**	$8,238	$9,549	$10,170	$5,712
Investment in Facilities - in thousands					
Original Cost	**$4,627,406**	$4,429,359	$4,291,350	$4,236,618	$4,147,295
Long-Term Debt - in thousands	**$2,468,038**	$2,711,300	$2,826,261	$2,882,216	$2,794,578
Total Assets - in thousands	**$3,509,372**	$3,776,381	$3,810,802	$3,825,095	$3,718,233
Number of Employees - full-time	**719**	689	685	688	696
Cost of Coal Purchased					
$/ton	**$41.36**	$45.03	$44.86	$45.90	$51.56
$/MBtu	**$1.77**	$1.94	$1.91	$1.99	$2.24
Amount of Coal Purchased - tons	**3,115,315**	3,231,731	3,795,924	3,492,169	3,821,064
Generation - MWh	**8,167,447**	6,853,879	9,100,511	7,564,321	9,758,569
System Peak Demand - MW					
Winter Season *	**2,702**	3,073	3,437	2,871	2,890
Summer Season	**2,312**	2,366	2,380	2,311	2,293
Sales to Other Utilities - MWh	**691,972**	592,253	711,447	548,528	717,130
Member Load Growth - %					
Energy	**(2.13)**	(3.21)	6.90	(2.57)	3.02
Demand	**(8.87)**	2.26	5.70	1.32	(4.81)
Load Factor - %	**54**	48	45	50	51
Miles of Line	**2,867**	2,865	2,864	2,852	2,847
Installed Capacity - kVA	**11,218,345**	11,147,545	11,022,945	11,017,745	10,861,447
Distribution Substations	**378**	376	373	373	369

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

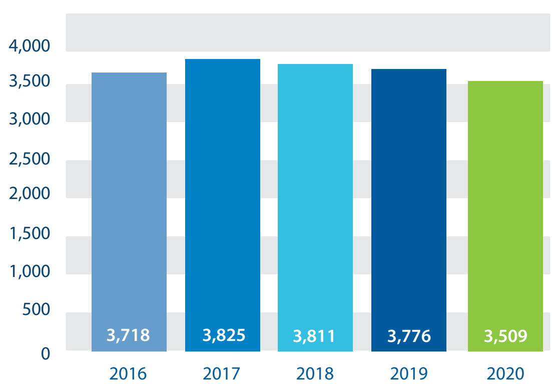
Equity Ratio



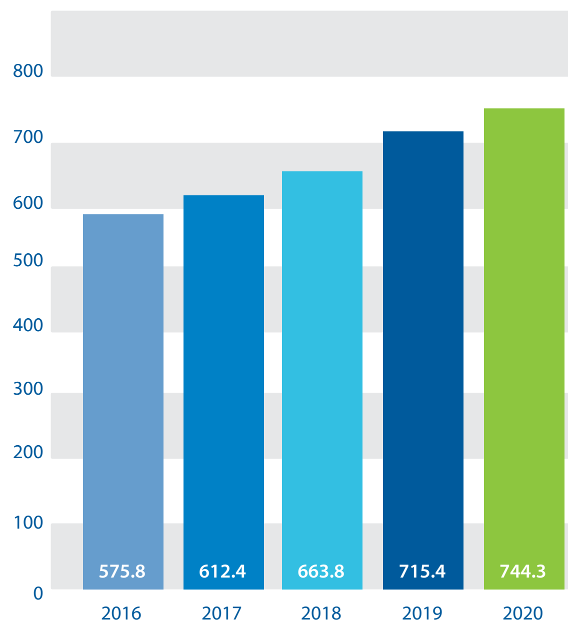
Power Cost to Members



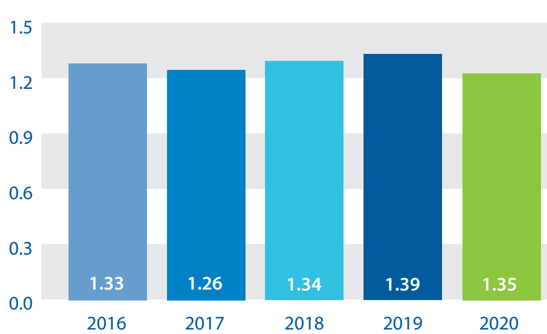
Total Assets



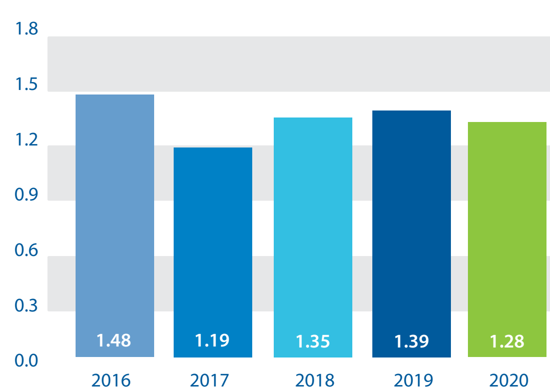
Members' Equities



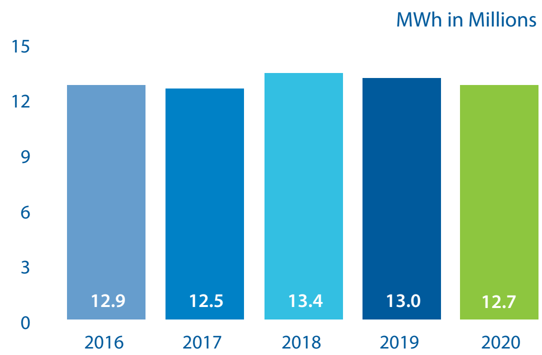
DSC



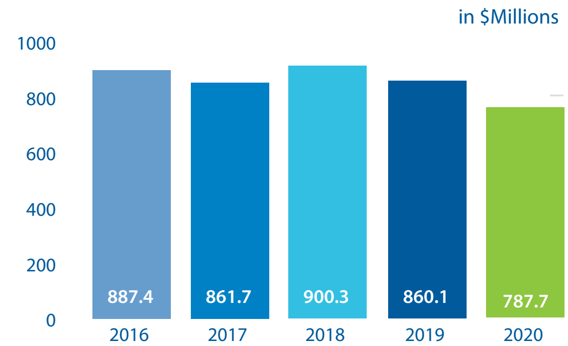
TIER



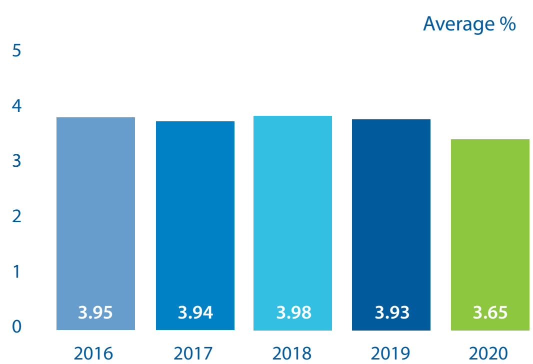
Energy Sales to Members



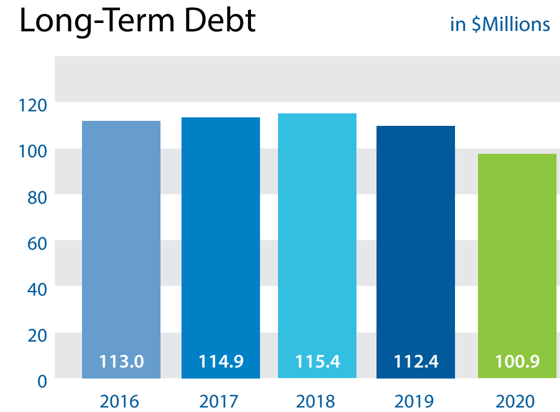
Operating Revenue



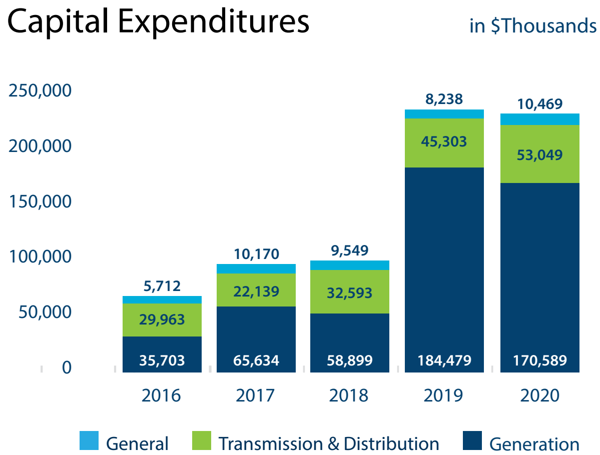
Average Interest Rate on Long-Term Debt Year-End



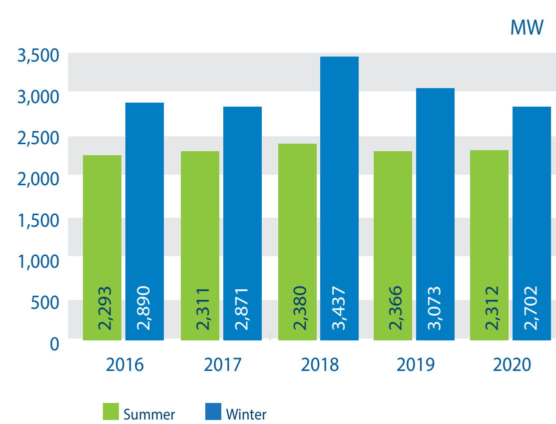
Interest Expense on Long-Term Debt



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 S Campbell

Anthony Campbell
President and CEO

Ann Bridges

Ann Bridges
Executive Vice President and CFO

Building a better
working world

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 Financial Statements

We have audited the accompanying financial statements of East Kentucky Power Cooperative, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of revenue and expenses and comprehensive margin, changes in members' equities, and cash flows for the years then ended, and the related notes and schedules to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Kentucky Power Cooperative, Inc. at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2021 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 29, 2021

East Kentucky Power Cooperative, Inc.

Balance Sheets
(Dollars in Thousands)

	December 31 2020	December 31 2019
Assets		
Electric plant:		
In-service	**$ 4,434,568**	$ 4,181,966
Construction-in-progress	**192,838**	247,393
	4,627,406	4,429,359
Less accumulated depreciation	**1,641,065**	1,558,960
Electric plant – net	**2,986,341**	2,870,399
Long-term accounts receivable	**227**	1,535
Restricted investments	**1,103**	190,409
Investment securities:		
Available-for-sale	**38,866**	38,311
Held-to-maturity	**7,374**	8,125
Current assets:		
Cash and cash equivalents	**126,011**	132,525
Restricted investment	**705**	160,288
Accounts receivable	**88,516**	85,260
Fuel	**47,191**	67,432
Materials and supplies	**77,695**	63,733
Regulatory assets	**1,424**	–
Other current assets	**7,926**	13,464
Total current assets	**349,468**	522,702
Regulatory assets	**113,946**	134,897
Deferred charges	**2,832**	2,628
Other noncurrent assets	**9,215**	7,375
Total assets	**$ 3,509,372**	$ 3,776,381
Members' equities and liabilities		
Members' equities:		
Memberships	**$ 2**	$ 2
Patronage and donated capital	**716,836**	694,098
Accumulated other comprehensive margin	**27,453**	21,272
Total members' equities	**744,291**	715,372
Long-term debt	**2,468,038**	2,711,300
Current liabilities:		
Current portion of long-term debt	**85,337**	93,599
Accounts payable	**83,915**	116,121
Accrued expenses	**22,285**	20,177
Regulatory liabilities	**2,389**	3,774
Total current liabilities	**193,926**	233,671
Accrued postretirement benefit cost	**49,086**	55,375
Asset retirement obligations and other liabilities	**54,031**	60,663
Total members' equities and liabilities	**$ 3,509,372**	$ 3,776,381

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Revenue and Expenses and Comprehensive Margin

(Dollars in Thousands)

	Year Ended December 31	
	2020	2019
Operating revenue	**$ 787,672**	$ 860,123
Operating expenses:		
Production:		
Fuel	**172,254**	162,719
Other	**159,905**	165,198
Purchased power	**109,232**	176,633
Transmission and distribution	**53,190**	46,837
Regional market operations	**4,672**	4,747
Depreciation and amortization	**126,287**	121,656
General and administrative	**45,281**	48,912
Total operating expenses	**670,821**	726,702
Operating margin before fixed charges and other expenses	**116,851**	133,421
Fixed charges and other:		
Interest expense on long-term debt	**100,922**	112,362
Amortization of debt expense	**683**	675
Accretion and other	**538**	(918)
Total fixed charges and other expenses	**102,143**	112,119
Operating margin	**14,708**	21,302
Nonoperating margin:		
Interest income	**12,735**	25,454
Patronage capital allocations from other cooperatives	**692**	635
Other	**557**	(3,187)
Total nonoperating margin	**13,984**	22,902
Net margin	**28,692**	44,204
Other comprehensive margin:		
Unrealized gain (loss) on available-for-sale securities	**(64)**	106
Postretirement benefit obligation gain	**6,245**	9,086
	6,181	9,192
Comprehensive margin	**$ 34,873**	$ 53,396

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, 2018	$ 2	$ 648,673	$ 3,035	$ 12,080	$ 663,790
Net margin	–	44,204	–	–	44,204
Retirement of patronage capital	–	(1,814)	–	–	(1,814)
Unrealized gain on available for sale securities	–	–	–	106	106
Postretirement benefit obligation gain	–	–	–	9,086	9,086
Balance – December 31, 2019	2	691,063	3,035	21,272	715,372
Net margin	**–**	**28,692**	**–**	**–**	**28,692**
Retirement of patronage capital	**–**	**(5,954)**	**–**	**–**	**(5,954)**
Unrealized loss on available for sale securities	**–**	**–**	**–**	**(64)**	**(64)**
Postretirement benefit obligation gain	**–**	**–**	**–**	**6,245**	**6,245**
Balance – December 31, 2020	**$ 2**	**$ 713,801**	**$ 3,035**	**$ 27,453**	**$ 744,291**

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31	
	2020	**2019**
Operating activities		
Net margin	**$ 28,692**	$ 44,204
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	**126,287**	121,656
Amortization of debt issuance costs	**1,248**	1,272
Changes in operating assets and liabilities:		
Accounts receivable	**(3,256)**	2,898
Fuel	**20,241**	(18,679)
Materials and supplies	**(7,891)**	1,136
Regulatory assets/liabilities	**(2,985)**	(1,105)
Accounts payable	**(23,902)**	12,507
Accrued expenses	**2,108**	5,537
Accrued postretirement benefit cost	**(44)**	1,573
Other	**5,426**	(8,055)
Net cash provided by operating activities	**145,924**	162,944
Investing activities		
Additions to electric plant	**(244,427)**	(202,608)
Maturities of debt service reserve securities	**4,400**	4,349
Purchases of debt service reserve securities	**(4,400)**	(4,366)
Maturities of available-for-sale securities	**58,256**	39,953
Purchases of available-for-securities	**(58,874)**	(38,072)
Maturities of held-to-maturity securities	**751**	86
Additional deposits with RUS restricted investment	**(11,339)**	(21,311)
Maturities of RUS restricted investment	**360,228**	177,372
Other	**864**	831
Net cash provided by (used in) investing activities	**105,459**	(43,766)
Financing activities		
Proceeds from long-term debt	**271,592**	391,883
Principal payments on long-term debt	**(523,485)**	(504,945)
Retirement of patronage capital	**(5,954)**	(1,814)
Debt issuance costs	**–**	(1,412)
Payment of obligation under long-term lease	**(50)**	–
Net cash used in financing activities	**(257,897)**	(116,288)
Net change in cash, cash equivalents, and restricted cash	**(6,514)**	2,890
Cash, cash equivalents, and restricted cash – beginning of year	**132,525**	129,635
Cash and cash equivalents – end of year	**$ 126,011**	$ 132,525
Supplemental disclosure of cash flow		
Cash paid for interest	**$ 101,426**	$ 108,319
Noncash investing transactions:		
Additions to electric plant included in accounts payable	**$ 38,853**	$ 47,157
Unrealized gain (loss) on available-for-sale securities	**$ (64)**	$ 106

See notes to financial statements.

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 87 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, six landfill gas plants, and a solar farm. In addition, the Cooperative has rights to 170 megawatts of hydroelectric power from the Southeastern Power Administration. One simple cycle natural gas unit was designated to serve a capacity purchase and tolling agreement through April 30, 2019. 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. Rates applied to electric plant in service for both 2020 and 2019 are:

Transmission and distribution plant	0.71%–3.42%
General plant	2.0%–20.00%

The production plant assets are depreciated on a straight-line basis from the date of acquisition to the end of life of the respective plant, which ranged from 2030 to 2051 in 2020 and 2019.

Depreciation and amortization expense was $126.3 million and $121.7 million for 2020 and 2019, respectively. Depreciation and amortization expense includes amortization expense of $12.0 million in 2020 and $12.2 million in 2019 related to plant abandonments granted regulatory asset treatment (Note 5).

The Cooperative received PSC approval to charge depreciation associated with asset retirement obligations to regulatory assets. These regulatory assets are charged to depreciation expense as recovery occurs. Depreciation charged to regulatory assets was $5.2 million and $5.8 million in 2020 and 2019, respectively.

1. Summary of Significant Accounting Policies (continued)

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, 2020 or 2019.

Restricted Investments

Restricted investments represent funds restricted by contractual stipulations or other legal requirements. Funds designated for the repayment of debt within one year are shown as current assets on the balance sheets. All other restricted investments are shown as noncurrent on the balance sheets. Restricted investment activity is classified as investing activities on the statements of cash flows.

The Cooperative participates in the cushion of credit program administered by the RUS, which prior to the passage of the Agriculture Improvement Act of 2018 ("the Farm Bill") on December 20, 2018, enabled RUS borrowers to make voluntary irrevocable deposits into a special account that earned 5% interest per year. The balance (deposits and earned interest) could only be used to repay scheduled principal and interest payments on loans made or guaranteed by the RUS. The Farm Bill made modifications to the program which prohibited new deposits to the cushion of credit and enabled balance holders to also use existing cushion of credit funds to prepay RUS/FFB debt without a prepayment penalty through September 30, 2020. The Cooperative utilized this provision to pay off higher interest loans totaling $320.1 million on September 9, 2020, and $177.3 million on July 2, 2019. Beginning October 1, 2020, cushion of credit account balances began earning 4% interest per year through September 30, 2021.

1. Summary of Significant Accounting Policies (continued)

Restricted investments at December 31, 2020 and 2019, consisted of the following (dollars in thousands):

	2020	2019
Debt service reserve (Note 6)	**$ 1,103**	$ 1,103
Noncurrent restricted investment – RUS cushion of credit	**–**	189,306
Restricted investments – noncurrent	**1,103**	190,409
Current restricted investment – RUS cushion of credit	**705**	160,288
Total restricted investments	**$ 1,808**	$ 350,697

Cash, Cash Equivalents, and Restricted Cash

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, 2020 and 2019, consisted primarily of money market mutual funds and investments in commercial paper.

Restricted cash represented funds pledged as collateral with a third party in conjunction with a capacity purchase and tolling agreement that ended on April 30, 2019. The remaining collateral was refunded to the Cooperative in May 2019. Accordingly, the Cooperative had no restricted cash balances at December 31, 2020 and 2019.

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.

Interest income includes amortization of purchase premium or discount. Gains and losses on sales are based on the amortized cost of the security sold. Investment securities are written down to fair value when a decline in fair value is other-than-temporary.

1. Summary of Significant Accounting Policies (continued)

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.

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 $4.5 million and $3.4 million at December 31, 2020 and 2019, respectively. These assets are included in other noncurrent assets on the balance sheets.

1. Summary of Significant Accounting Policies (continued)

Estimated fair values of the Cooperative's financial instruments as of December 31, 2020 and 2019, were as follows (dollars in thousands):

		Fair Value at Reporting Date Using		
	Fair Value December 31, 2020	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents	**$ 100,000**	**$ 100,000**	**$ –**	**$ –**
Available-for-sale securities	**43,357**	**43,357**	**–**	**–**
Debt service reserve	**1,103**	**1,103**	**–**	**–**

		Fair Value at Reporting Date Using		
	Fair Value December 31, 2019	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents	$ 111,000	$ 111,000	$ –	$ –
Available-for-sale securities	41,758	41,758	–	–
Debt service reserve	1,103	1,103	–	–

1. Summary of Significant Accounting Policies (continued)

The estimated fair values of the Cooperative's financial instruments carried at cost at December 31, 2020 and 2019, were as follows (dollars in thousands):

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Held-to-maturity investments	**$ 7,374**	**$ 12,751**	$ 8,125	$ 11,954
Long-term debt	**2,553,375**	**2,999,806**	2,804,899	3,139,309

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 $752.8 million and $825.4 million for 2020 and 2019, respectively. Accounts receivable at December 31, 2020 and 2019, were primarily from billings to member cooperatives.

At December 31, 2020 and 2019, individual accounts receivable balances that exceeded 10% of total accounts receivable are as follows (dollars in thousands):

	2020	2019
Owen Electric Cooperative	**$ 12,308**	$ 11,791
South Kentucky RECC	**9,706**	9,050
Blue Grass Energy Cooperative	**9,211**	9,145

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.

1. Summary of Significant Accounting Policies (continued)

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.

Fair value of each respective 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 asset retirement obligations (ARO) 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 2020 and 2019 are primarily related to changes in the estimated cost to settle an ash disposal site to comply with the closure and post-closure requirements of the Coal Combustion Residuals (CCR) Rule. Settlement activities in 2020 are associated with the closure of an ash disposal site while settlement activities in 2019 related to the abatement of asbestos at Dale Station and capping of ash disposal sites.

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):

	2020	2019
Balance – beginning of year	**$ 56,319**	$ 60,280
Liabilities settled	**(170)**	(7,293)
Estimated cash flow revisions	**(8,950)**	1,722
Accretion	**1,652**	1,610
Balance – end of year	**$ 48,851**	$ 56,319

1. Summary of Significant Accounting Policies (continued)

As discussed in Note 5, 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.

Accretion charged to regulatory assets in 2020 and 2019 was $1.7 million and $1.6 million, respectively. Accretion expense recognized in 2020 and 2019 was $0.5 million and $0.4 million, respectively, which represented the recovery of settlement costs associated with the Dale Station reclamation project and landfill capping activities at Cooper Station and Spurlock Station.

Revenue Recognition

Operating revenues are primarily derived from sales of electricity to members. These sales, which comprise approximately 96 percent 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.

1. Summary of Significant Accounting Policies (continued)

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 power sales arrangements that are required to be accounted for as leases since the arrangement conveys the right to the output of specific plant facilities for a stated period of time. See Note 10.

The following represents operating revenues by revenue stream for the years ended December 31, 2020 and 2019 (dollars in thousands):

	Year Ended December 31 2020	2019
Member electric sales	**$ 752,792**	$ 825,410
Non-member sales:		
Electric	**18,340**	19,580
Capacity	**10,865**	6,330
Other	**5,675**	8,803
Total operating revenues	**$ 787,672**	$ 860,123

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 case was authorized by the PSC on January 14, 2011.

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.

1. Summary of Significant Accounting Policies (continued)

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 2020 and 2019 in the amounts of $6.0 million and $1.8 million, respectively, which represented all unpaid margin allocations assigned to members through 1975.

1. Summary of Significant Accounting Policies (continued)

Comprehensive Margin

Comprehensive margin includes both net margin and other comprehensive margin. Other comprehensive margin 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 on a net basis in the Statements of Revenue and Expenses and Comprehensive Margin. Reclassification adjustments are disclosed in Note 8. 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 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 the Section 501(c)(12).

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 Arrangements

The Cooperative is the lessor under power sales arrangements that are required to be accounted for as operating leases due to the terms of the agreements. The details of those agreements are discussed in Note 10. The revenues from these arrangements are included in operating revenues on the Statements of Revenue and Expenses and Comprehensive Margin.

New Accounting Guidance

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, or ASU 2016-02. The core principle of this revised accounting guidance requires that lessees recognize all leases (other than leases with a term of twelve months or less) on the balance sheet as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016-02 also makes targeted changes to other aspects of the current guidance, including the lease classification criteria and the lessor accounting model. The amendments in ASU 2016-02 will be effective for the Cooperative beginning in 2022. The Company is currently assessing the impact of adopting this 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 standard is effective for the Company on January 1, 2023, and early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its financial statements.

2. Electric Plant in Service

Electric plant in service at December 31, 2020 and 2019, consisted of the following (dollars in thousands):

	2020	2019
Production plant	**$ 3,124,742**	$ 3,082,196
Transmission plant	**879,338**	847,023
General plant	**137,589**	137,387
Completed construction, not classified, and other	**292,899**	115,360
Electric plant in service	**$ 4,434,568**	$ 4,181,966

Acquisition adjustments of $4 million were included in electric plant in service at December 31, 2020 and 2019. 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. Long-Term Accounts Receivable

Long-term accounts receivable includes interest-bearing notes to certain member systems for the buyout of EKPC's joint ownership of their propane companies. The member systems make monthly principal and interest (prime rate minus one-half of one percent, adjusted annually) payments. The notes are payable in full in 2025. Additionally, in 2018, EKPC entered into an agreement with an industrial customer that utilizes steam from Spurlock Station in its manufacturing processes to make certain repairs to the steam system. The amount is being reimbursed to the Cooperative over 41 months at an interest rate of 4.5%.

4. Investment Securities

Cost and estimated fair value of available-for-sale investment securities at December 31, 2020 and 2019, were as follows (dollars in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2020				
U.S. Treasury bill/note	**$ 38,465**	**$ 1**	**$ –**	**$ 38,466**
Zero coupon securities	**400**	**–**	**–**	**400**
	$ 38,865	**$ 1**	**$ –**	**$ 38,866**

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2019				
U.S. Treasury bill/note	$ 20,551	$ 29	$ –	$ 20,580
Zero coupon securities	17,695	36	–	17,731
	$ 38,246	$ 65	$ –	$ 38,311

Proceeds from maturities of securities were $58.3 million and $40.0 million in 2020 and 2019, respectively.

4. Investment Securities (continued)

Amortized cost and estimated fair value of held-to-maturity investment securities at December 31, 2020 and 2019, are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2020				
National Rural Utilities Cooperative Finance Corporation:				
5% capital term certificates	**$ 6,998**	**$ 5,353**	**$ –**	**$ 12,351**
6.59% subordinated term certificate	**135**	**26**	**–**	**161**
0% subordinated term certificate	**241**	**–**	**(2)**	**239**
	$ 7,374	**$ 5,379**	**$ (2)**	**$ 12,751**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2019				
National Rural Utilities Cooperative Finance Corporation:				
3%–5% capital term certificates	$ 7,656	$ 3,806	$ –	$ 11,462
6.59% subordinated term certificate	165	32	–	197
0% subordinated term certificate	304	–	(9)	295
	$ 8,125	$ 3,838	$ (9)	$ 11,954

4. Investment Securities (continued)

The amortized cost and fair value of securities at December 31, 2020, 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	$ 38,865	$ 38,866
	$ 38,865	$ 38,866
Held-to-maturity:		
Due after one year through five years	$ 376	$ 400
Due after ten years	6,998	12,351
	$ 7,374	$ 12,751

5. Regulatory Assets and Liabilities

The PSC authorized the establishment of a regulatory asset at December 31, 2010, for the costs incurred on the cancelled construction of the Smith Unit 1 coal-fired plant. Effective January 1, 2017, the PSC approved a Stipulation and Recommendation Agreement between EKPC and intervenors which enabled EKPC to begin amortizing the regulatory asset balance, net of estimated mitigation and salvage efforts, over a period of ten years. PJM capacity market revenues through delivery year 2019 will be used to offset the expense until EKPC's next base rate case. The amortization associated with the remaining balance of the regulatory asset will be included for recovery in EKPC's next general base rate case. In 2019, EKPC began focused mitigation and salvage efforts which resulted in the utilization of compatible components from Smith Unit 1 valued at $20.6 million at Spurlock Station and selling parts for salvage totaling $2.0 million. In 2020, additional parts from Smith Unit 1 valued at approximately $12.0 million, were designated for future use at Spurlock Station. The balance of the regulatory asset at December 31, 2020, was $64.8 million.

5. Regulatory Assets and Liabilities (continued)

The PSC has authorized EKPC to recognize depreciation and accretion expenses related to its asbestos abatement and ash disposal AROs as regulatory assets. The associated regulatory assets are expensed as recovery occurs. In separate proceedings, the PSC authorized recovery of the costs incurred to settle the majority of EKPC's ash disposal AROs through the environmental surcharge mechanism. While the Cooperative has not yet requested recovery of the other 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.

The PSC authorized the Cooperative to establish two regulatory assets for the abandonment of Dale Station at December 31, 2015, representing its net book value of $3.2 million. One regulatory asset was established in the amount of $2.4 million with a forty-two month amortization, which ended on June 30, 2019. A separate regulatory asset of $0.8 million, which represents the balance of capital projects remaining to be recovered in the environmental surcharge at December 31, 2015, will be considered for recovery during EKPC's next rate case.

The RUS authorized the Cooperative to establish a $7.2 million regulatory asset at December 31, 2019, for the costs related to major maintenance and the replacement of minor components of property incurred at Spurlock Station in 2019 and to amortize the balance over eight years. Management believes it is probable that the PSC will authorize recovery of the remaining balance in the Cooperative's next rate case.

Regulatory assets (liabilities) were comprised of the following as of December 31, 2020 and 2019 (dollars in thousands):

	2020	2019
Plant abandonment – Smith Unit 1	**$ 64,797**	$ 88,847
Plant abandonment – Dale Station	**750**	750
ARO-related depreciation and accretion expenses	**42,061**	38,056
Major maintenance projects – Spurlock Station	**6,338**	7,244
Fuel adjustment clause	**1,424**	–
	$ 115,370	$ 134,897
Environmental cost recovery	**$ (2,389)**	$ (1,033)
Fuel adjustment clause	**–**	(2,741)
	$ (2,389)	$ (3,774)

6. 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, 2020 and 2019, consisted of the following (dollars in thousands):

	2020	2019
First mortgage notes:		
1.14%–4.80%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2050, weighted average 3.55%	**$ 1,876,049**	$ 2,171,907
First Mortgage Bonds, Series 2014A, fixed rate of 4.61%, payable semi-annual, matures February 6, 2044	**174,000**	179,000
First Mortgage Bonds, Series 2019, fixed rate of 4.45%, payable semi-annual, matures April 19, 2049	**145,000**	150,000
First Mortgage Promissory Note, fixed rate of 4.30%, payable semi-annual, matures April 30, 2049	**96,667**	100,000
Tax-exempt bonds:		
Solid Waste Disposal Revenue Bonds, Series 1993B, variable rate bonds, due August 15, 2023 0.50% and 1.40% at December 31, 2020 and 2019, respectively	**2,100**	2,700
Clean Renewable Energy Bonds, fixed rate of 0.40% payable quarterly to CFC to December 1, 2023	**1,333**	1,777
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 2.94% for a net rate of 1.56%	**17,074**	17,397
Promissory notes:		
Variable rate notes payable to CFC, 1.10% at December 31, 2020	**245,000**	185,000
5.15%–5.50% fixed rate notes payable to National Cooperative Services Corporation, weighted average 5.27%	**4,239**	5,575
Total debt	**2,561,462**	2,813,356
Less debt issuance costs	**(8,087)**	(8,457)
Total debt adjusted for debt issuance costs	**2,553,375**	2,804,899
Less current maturities	**(85,337)**	(93,599)
Total long-term debt	**$ 2,468,038**	$ 2,711,300

6. Long-Term Debt (continued)

First Mortgage Notes and Bonds

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, 2020. The amounts outstanding under these notes are $1.9 billion at December 31, 2020.

In May 2015, the Cooperative submitted to RUS a loan application in the amount of $90.6 million for various transmission projects. The loan documents were subsequently executed in January 2017 with a maturity date of December 31, 2049; $13.2 million was advanced in 2020. As of December 31, 2020, no funds of this loan remained available for advance.

In June 2015, the Cooperative submitted to RUS a loan application in the amount of $238.9 million for various generation projects. The loan was revised to $221.8 million and approved by RUS in September 2015. The loan documents were subsequently executed in January 2017 with a maturity date of December 31, 2049; $45.9 million was advanced in 2020. As of December 31, 2020, $46.3 million of the loan remained available for advance.

In September 2019, the Cooperative submitted to RUS a loan application in the amount of $153.0 million for various transmission projects. The loan documents were subsequently executed in March 2020 with a maturity date of December 31, 2050; $33.9 million was advanced in 2020. As of December 31, 2020, $119.1 million of the loan remained available for advance.

In September 2019, the Cooperative submitted to RUS a loan application in the amount of $347.0 million for various generation projects. The loan documents were subsequently executed in March 2020 with a maturity date of December 31, 2050; $3.7 million was advanced in 2020. As of December 31, 2020, $343.4 million of the loan remained available for advance.

On June 8, 2018, the Cooperative accepted a conditional offer from RUS to participate in their Federal Financing Bank (FFB) Pilot Refinancing Program. On December 21, 2018, the Cooperative entered into an agreement with RUS to refinance $62.4 million of existing higher interest advances, plus a $6.3 million make whole premium, at favorable current interest rates and extended the maturity date to January 3, 2051.

6. Long-Term Debt (continued)

On December 20, 2018, the Cooperative gave notice to RUS to pay off approximately $178 million in higher interest loans on or after January 2, 2019, from the Cushion of Credit, pursuant to the provisions of the 2018 Farm Bill. On July 2, 2019, these higher interest loans totaling $177.3 million were paid off using funds from the Cushion of Credit.

On July 14, 2020, the Cooperative gave notice to RUS to pay off approximately $320 million in higher interest loans on September 9, 2020, from the Cushion of Credit, pursuant to the provisions of the 2018 Farm Bill. On September 9, 2020, these higher interest loans totaling $320.1 million were paid off using funds from the Cushion of Credit.

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 $174.0 million at December 31, 2020.

On April 18, 2019, the Cooperative entered into a bond purchase agreement for $150 million at 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 $145.0 million at December 31, 2020.

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 $96.7 million at December 31, 2020.

Tax-Exempt Bonds

The interest rate on the Series 1993B Solid Waste Disposal Revenue Bonds is subject to change semiannually. The interest rate adjustment period on the variable rate bonds may be converted to a weekly, semiannual, annual or three-year basis, or to a fixed-rate basis, at the option of the Cooperative. A CFC guarantee secures payment of the outstanding Series 1993B bonds and has an expiration date of August 15, 2023. The balance outstanding under these bonds is $2.1 million at December 31, 2020. The 1993B solid waste disposal revenue bonds require that debt service

6. Long-Term Debt (continued)

reserve funds be on deposit with a trustee throughout the term of the bonds in the amount of $1.1 million. In addition, mandatory sinking fund payments are required ranging from $0.6 million in 2020 to $0.7 million in 2023. Debt service reserve and construction funds are held by a trustee and are invested primarily in U.S. Government securities and CFC promissory notes. These funds are included in restricted investments on the accompanying Balance Sheets and have a fair value of approximately $1.1 million at December 31, 2020 and 2019.

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. The amount outstanding at December 31, 2020, is $1.3 million.

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, 2020, is $17.1 million.

Promissory Notes

On July 5, 2019, the Cooperative exercised its option to extend its existing $600 million unsecured credit facility with CFC as the lead arranger, for an additional year. The facility consists of a $500 million revolving tranche and a $100 million term loan tranche. This facility matures on July 4, 2023, and is to be utilized for general corporate purposes including capital construction projects. As of December 31, 2020, the Cooperative had outstanding borrowings of $245 million (including the $100 million unsecured term loan). As of December 31, 2020, the availability under the credit facility was $355 million.

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, 2020, the amount outstanding under these notes is $4.2 million.

6. Long-Term Debt (continued)

Estimated annual maturities of long-term debt adjusted for debt issuance costs for the five years subsequent to December 31, 2020, are as follows (dollars in thousands):

Years ending December 31:	
2021	$ 85,337
2022	89,343
2023	91,757
2024	91,592
2025	103,474
Thereafter	2,091,872
	$ 2,553,375

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, 2020 and 2019.

As of December 31, 2020, the Cooperative has $3.3 million outstanding in a letter of credit with the Commonwealth of Kentucky for Workers' Compensation.

As of December 31, 2020, the Cooperative has pledged securities of $19.5 million with the Commonwealth of Kentucky for landfill closure and post-closure care as required by permits and $0.2 million to the United States Department of Labor related to Workers' Compensation.

7. 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.

7. Retirement Benefits (continued)

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.

The Cooperative's contributions to the RS Plan in 2020 and 2019 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made annual contributions to the plan of $8.1 million and $7.9 million in 2020 and 2019, respectively.

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 percent funded on January 1, 2020 and 2019, 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.

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 $4.4 million and $4.0 million to the plan for the years ended December 31, 2020 and 2019, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative.

7. Retirement Benefits (continued)

Supplemental Executive Retirement Plan

The Cooperative provides a 457(f) Supplemental Executive Retirement Plan to certain 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.

In accordance with Accounting Standards Update (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, expenses, and comprehensive margin. All other components of net periodic benefit cost are included in other non-operating margin (expense).

The following page sets 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, 2020 and 2019 (dollars in thousands):

7. Retirement Benefits (continued)

		2020		2019
Change in benefit obligation:				
Accumulated postretirement benefit obligation – beginning of year	**$**	**57,553**	$	66,053
Service cost		**1,131**		1,163
Interest cost		**1,948**		2,869
Participants' contributions		**1,411**		1,542
Plan amendment – prior service credit		**–**		(17,509)
Benefits paid		**(2,626)**		(4,237)
Actuarial loss (gain)		**(8,266)**		7,672
Accumulated postretirement benefit obligation – end of year	**$**	**51,151**	$	57,553
Change in plan assets:				
Fair value of plan assets – beginning of year	**$**	**–**	$	–
Employer contributions		**1,215**		2,695
Participant contributions		**1,411**		1,542
Benefits paid		**(2,626)**		(4,237)
Fair value of plan assets – end of year		**–**		–
Funded status – end of year	**$**	**(51,151)**	$	(57,553)
Amounts recognized in balance sheet consists of:				
Current liabilities	**$**	**2,065**	$	2,178
Noncurrent liabilities		**49,086**		55,375
Total amount recognized in balance sheet	**$**	**51,151**	$	57,553
Amounts included in accumulated other comprehensive margin:				
Prior service credit	**$**	**24,650**	$	26,671
Unrecognized actuarial gain (loss)		**2,802**		(5,464)
Total amount in accumulated other comprehensive margin	**$**	**27,452**	$	21,207
Net periodic benefit cost:				
Service cost	**$**	**1,131**	$	1,163
Interest cost		**1,948**		2,869
Amortization of net actuarial (gain) loss		**(2,021)**		(751)
Net periodic benefit cost	**$**	**1,058**	$	3,281
Amounts included in other comprehensive margin:				
Prior service credit arising during the year	**$**	**–**	$	17,509
Net gain (loss) arising during the year		**8,266**		(7,672)
Amortization of net actuarial (gain) loss		**(2,021)**		(751)
Net gain recognized in other comprehensive margin	**$**	**6,245**	$	9,086
Amounts expected to be realized in next fiscal year:				
Amortization of prior service credit	**$**	**2,021**	$	2,020
Amortization of net gain		**–**		407
	$	**2,021**	$	2,427

7. Retirement Benefits (continued)

Effective January 1, 2020, the plan changed post-65 participant coverage to an insured Medicare Advantage product. This change resulted in a prior service credit of $17.5 million, which began amortizing in 2020 over 13.79 years.

The change in benefit obligation included a net actuarial gain of $8.3 million which was comprised of gains of $16.7 million primarily related to a reduction in the per capita cost assumption at age 65, and losses of $6.4 million and $2.0 million, due to changes in the discount rate and other census related data assumptions, respectively.

The discount rate used to determine the accumulated postretirement benefit obligation was 2.56% and 3.45% for 2020 and 2019, respectively.

The Cooperative expects to contribute approximately $2.1 million to the plan in 2021. The expected benefit payments from the plan, which reflect anticipated future service, are (dollars in thousands):

Years ending December 31:		
2021	$	2,065
2022		2,119
2023		2,158
2024		2,168
2025		2,064
2026–2030		10,486

For measurement purposes, a 5.8% annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2020. The rate is assumed to decline to 4.5% after 18 years.

8. 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, 2018	$ 12,121	$ (41)	$ 12,080
Other comprehensive gain before reclassifications	9,837	106	9,943
Amounts reclassified from accumulated other comprehensive margin	(751)	–	(751)
Net current period other comprehensive gain	9,086	106	9,192
Balance – December 31, 2019	21,207	65	21,272
Other comprehensive gain (loss) before reclassifications	**8,266**	**(64)**	**8,202**
Amounts reclassified from accumulated other comprehensive margin	**(2,021)**	**–**	**(2,021)**
Net current period other comprehensive gain (loss)	**6,245**	**(64)**	**6,181**
Balance – December 31, 2020	**$ 27,452**	**$ 1**	**$ 27,453**

The postretirement benefit obligation reclassification noted above represents the amortization of actuarial (gain) loss that is included in the computation of net periodic postretirement benefit cost. See Note 7 – Retirement Benefits for additional details.

9. Commitments and Contingencies

The Cooperative periodically enters into long-term agreements for the purchase of power. Payments made under long-term power contracts in 2020 and 2019 were $6.8 million and $6.5 million, respectively. One long-term agreement remained in effect at December 31, 2020, and will continue until either party gives a three year notice of termination. Total minimum payment obligations related to this contract are as follows (dollars in thousands):

Years ending December 31:		
2021	$	3,867
2022		3,772
2023		3,725

The Cooperative is committed to purchase coal for its generating plants under long-term contracts that extend through 2023. Coal payments under contracts for 2020 and 2019 were $85.9 million and $96.2 million, respectively. Total minimum purchase obligations for the next three years are as follows (dollars in thousands):

Years ending December 31:		
2021	$	86,251
2022		30,643
2023		5,760

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 is also committed to purchase limestone and lime for its coal-fired generating plants under all requirements contracts that extend through 2021. 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*.

9. Commitments and Contingencies (continued)

There are pending civil claims in litigation against the Cooperative. Under the Cooperative's general liability insurance program, it is responsible for a deductible amount up to $1 million for each occurrence. Neither the probable outcome nor ultimate liability resulting from any claims and litigation can be readily determined at this time. Management believes that any liability for such matters will, in any case, not have a material effect on the financial statements.

10. Power Sales Arrangements

In December 2015, the Cooperative became the lessor under two power sales arrangements that were required to be accounted for as operating leases due to the specific terms of the agreements. One arrangement, was a capacity purchase and tolling agreement that entitled a third party to 165 MW of firm generation and capacity from Bluegrass Generation Station Unit 3 through April 30, 2019. The third party was responsible for the delivery of natural gas and also for securing electric transmission service in their balancing area. The other 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 these arrangements for 2020 and 2019 was $0.6 million and $4.0 million, respectively, and is included in operating revenue on the Statements of Revenue and Expenses and Comprehensive Margin for the years ended December 31, 2020 and 2019.

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

Years ending December 31:		
2021	$	460
2022		452
2023		452
2024		452
2025		452

11. Environmental Matters

On August 28, 2020, the U.S. Environmental Protection Agency (EPA) issued revisions to the coal combustion residuals (CCR) Rule that required all unlined surface impoundments to cease receipt of CCR and non-CCR waste and initiate closure by April 11, 2021, unless an alternate deadline is requested pursuant to the rule due to a facility's inability to secure capacity for CCR storage by April 11, 2021. EKPC filed a request for extension until November 30, 2022 for the Spurlock Station surface impoundment to meet the prescribed compliance requirements given the construction and closure projects, as further described below, are not expected to be completed by April 11, 2021. This application is pending EPA review and determination.

On October 13, 2020, EPA issued the Final Steam Electric Reconsideration Rule with an effective date of December 14, 2020. The final rule establishes effluent limits for flue-gas desulfurization (FGD) wastewater and for Bottom Ash (BA) transport water applicable to existing steam electric power generators based upon Best Available Technology Economically Achievable (BAT). The final rule did not revise any requirements for other waste streams covered by the 2015 Effluent Limitations Guidelines (ELG) rule. The compliance deadline is dependent upon National Pollutant Discharge Elimination System (NPDES) permit renewal dates, but no later than 2025. The Company's Spurlock Station will be in compliance with the newly revised standards prior to the deadlines articulated in the final rule.

A construction project estimated at $262.4 million is currently underway at Spurlock Station to comply with the CCR and ELG final rules. The project, which also includes the closure of the Spurlock ash pond and settlement of the corresponding asset retirement obligation, will be substantially recovered through the Cooperative's environmental surcharge mechanism. The EPA's review and subsequent changes to the CCR and ELG rules are not expected to affect the timing or scope of the project.

On September 6, 2019, the EPA's Affordable Clean Energy rule (ACE) became effective. The intent of ACE is to provide existing coal-fired electric utility generating units, (EGUs), with achievable and realistic standards for reducing greenhouse gas (GHG) emissions. This action was finalized in conjunction with three related, but separate and distinct rulemakings: 1) the repeal of the Clean Power Plan (CPP), 2) the replacement of the Clean Power Plan by the ACE that will set new standards of performance based upon the Best Emission System of Reductions (BSER) and 3) revisions to the Clean Air Act (CAA) Section 111(d) implementation regulations that shift greater discretion to the states for the implementation of ACE. New emission guidelines within

11. Environmental Matters (continued)

ACE were expected to influence the state's development of standards of performance to reduce carbon dioxide (CO_2) emissions from existing coal-fired EGUs – consistent with EPA's role as defined under the CAA. The Final ACE Rule was challenged in the D.C. Circuit and on January 19, 2021 the D.C Circuit vacated the ACE rule.

On March 15, 2021, the EPA Administrator signed a final rule revising the Cross-State Air Pollution Rule (CSAPR) update to meet a court deadline requiring EPA to reexamine the CSAPR ozone season emissions trading program based upon the 2008 Ozone National Ambient Air Quality Standards (NAAQS). The final rule made various changes to the NOx ozone season allocations in twelve states and added the potential optimization of selective non-catalytic reduction emission control technology by increasing the cost threshold for such controls from $1,600 to $1,800. The final rule takes effect 60 days after publication in the Federal Register.

While EKPC is in compliance with the environmental regulations described above, it will continue to monitor the impact of these rules and future rules on its generation fleet.

12. 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 an 18.3% participant in the Cooperative's $600 million unsecured credit facility. Held-to-maturity investments included CFC capital term certificates of $7.4 million and $8.1 million at December 31, 2020 and 2019, respectively. CFC Patronage capital assigned to EKPC was $1.7 million and $1.5 million at December 31, 2020 and 2019, respectively.

The Cooperative is also a member of CoBank, which is a 15% participant in the Cooperative's $600 million unsecured credit facility. The balance of CoBank patronage capital assigned to EKPC was $0.6 million and $0.5 million at December 31, 2020 and 2019, respectively.

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 as ACES Board Members. EKPC accounts for its investment in ACES on the cost basis of accounting. At December 31, 2020 and 2019, the balance of EKPC's investment in ACES was approximately $0.6 million. Payments to ACES were $2.3 million in 2020 and in 2019.

13. Subsequent Events

On February 26, 2021, the Cooperative gave notice to the PSC of its intent to file a wholesale rate application on or after April 1, 2021.

Management has evaluated subsequent events through March 29, 2021, which is the date these financial statements were available to be issued.

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