Solving the Future

EAST KENTUCKY POWER COOPERATIVE 2022 ANNUAL REPORT

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative

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2022: Highlights

Financial (Dollars in Thousands)

	2022	2021	Increase/(Decrease) %
Operating Revenue	**$1,263,337**	$952,623	32.6
Operating Expenses	**$1,141,100**	$854,540	33.5
Net Margin	**$35,880**	$10,542	240.4
Members' Equities	**$786,946**	$767,458	2.5
Equity Ratio (%)	**21.0**	21.6	(2.8)

Operational

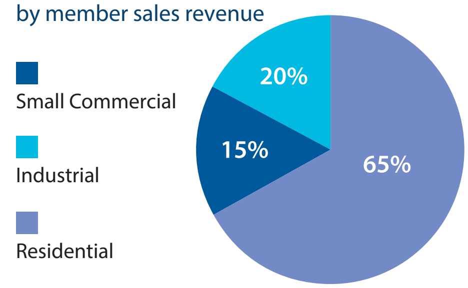
	2022	2021	Increase/(Decrease) %
Sales to Member Cooperatives (MWh) *	**13,721,766**	13,047,638	5.2
Member Revenue Per kWh Sold (mills/kWh) *	**84.32**	68.02	24.0
Cost of Owned Generation (mills/kWh)	**71.92**	58.44	23.1
System Peak Demand (MW)			
Winter Season **	**3,747**	2,862	30.9
Summer Season	**2,465**	2,450	0.6
Net Generation (MWh)	**10,189,060**	10,014,834	1.7

* *Includes steam sales*

** *Represents seasonal winter peaks achieved during each respective calendar year (12/23/22 and 2/20/21)*

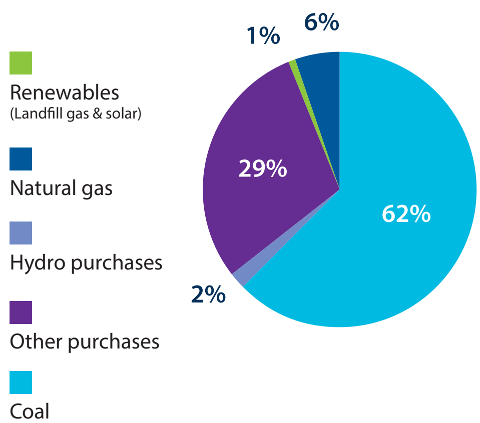
Customer Classes

by member sales revenue



Sources of Electricity

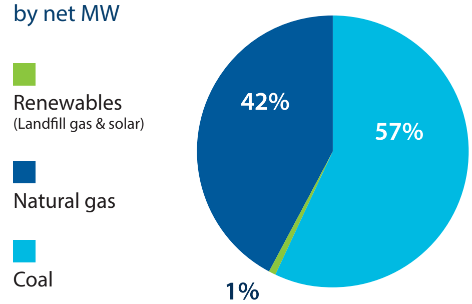
by MWh



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 owner-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.

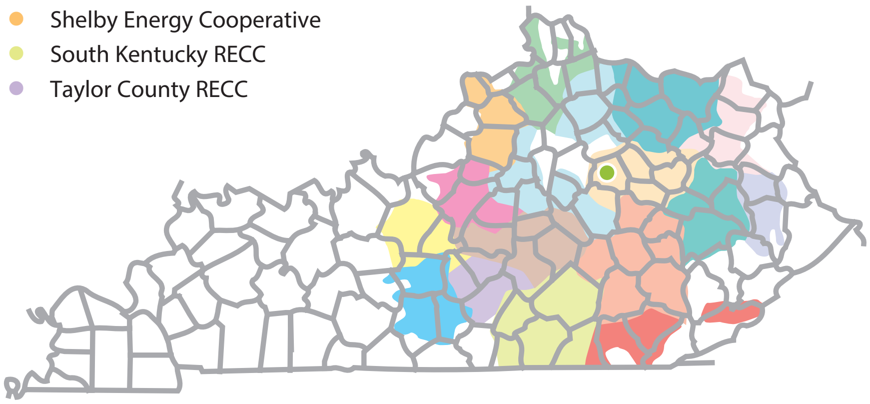
2022 at a glance

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)
14,725	13,722	1,003	1,263.3	35.9	3.8	84.3

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	565,711	1.1	3,747	2,884	691

Solving the Future
A message from the CEO and the Chairman

East Kentucky Power Cooperative (EKPC), through strategic planning and a continual focus on reliability and affordability, had a strong year in 2022. EKPC's Board of Directors voted to retire and pay the highest amount of capital credits in the company's history, sending $20.1 million back to the owner-member cooperatives for their use. The capital credit payment more than tripled the previous disbursement of nearly $6 million in 2020, while keeping EKPC's equity level above 20 percent.

DECEMBER STORM ELLIOTT HIGHLIGHTS FUEL DIVERSITY, RELIABILITY, NEED FOR ADDITIONAL GENERATION

EKPC was on track for a strong financial performance in 2022 when Winter Storm Elliott struck. From Dec. 23 to mid-day on Dec. 27, 2022, Kentucky was in a literal deep freeze. Most locations in the Commonwealth saw sustained sub-freezing temperatures for 108 consecutive hours. And for most of the 23rd and 24th, the temperatures never climbed above single digits. Nearly three days were below 20 degrees, and for much of that time, winds made the feel-like temperature hover around or below zero. While some of our neighbors in areas served by other utilities had to endure rolling forced outages due to failures in the delivery of natural gas from all major pipelines, EKPC was able to ask our members to conserve energy without any forced outages.

Because of our diversity of resources, including on-site backup fuel sources at Smith and Bluegrass Stations, a sizeable coal fleet that operated in even the harshest conditions, our membership in PJM, and a focused and determined staff across the system working hard to ensure delivery of power, EKPC was able to handle record demand in extremely difficult conditions.

STRATEGIC PLANNING FOCUSES ON THE FUTURE

Storm Elliott reinforced the need for a diverse, reliable energy portfolio, and highlighted EKPC's thoughtful approach to its current mix of generation assets. But it also showed that new generation is needed soon. For the first time, EKPC saw load demand that surpassed generation capacity. EKPC spent much of its 2022 strategic planning session focused on new generation assets for the 21st century. EKPC's integrated resource plan shows more generation assets coming online by 2030. The EKPC Board of Directors and executive staff have been reviewing addition of new assets to the mix.

Transportation electrification, economic development demand, and an over-reliance on intermittent fuel resources across the grid and the PJM interconnection all point toward the need for more generation assets. De-carbonization of the country as a policy, coupled with current assets nearing the end of their operational lives means EKPC must move with diligence. EKPC has investigated multiple options to ensure that our owner-member cooperatives derive the full value of any investment we make, and to ensure reliable and affordable power delivery for decades to come.

All power supply options are currently being evaluated including renewables, combined cycle gas turbines, simple cycle gas turbines and reciprocating engines, and further into the future, small nuclear reactors. As EKPC considers all options for the next additions to its fleet, we will make certain they are competitive and reliable for our owner-members.

In the meantime, EKPC has increased spending significantly on its maintenance program to ensure that our current assets perform as expected, and are consistently reliable over time. Our 2021 rate increase was necessary in part to maintain and operate our fleet to ensure reliability for our owner-members and their end-use members.

A RENEWED FOCUS ON SAFETY

For the first quarter of 2022, the coronavirus pandemic was still a part of our daily lives. Employees were able to remove their masks in March, and in-person safety meetings returned. EKPC focused on returning our safety program back to its roots, because many of our employees are new since our safety initiative began in earnest in 2011. Employees own their safety and the safety of their fellow

employees. Several safety initiatives were implemented in 2022, including the 360 cone, a visual reminder to identify all potential hazards around your vehicle before moving. Safety continues to be priority one at EKPC.

SPURLOCK STATION CCR/ELG PROJECT

The ongoing project at Spurlock Station to ensure the plant remains in compliance with the U.S. Environmental Protection Agency's Coal Combustion Residuals and Effluent Limitation Guidelines (CCR/ELG) rules completed another important step. The $262.4 million project includes the clean closure of our 67-acre ash pond, relocating all ash from the ash pond to a lined, permitted landfill away from the Ohio River, and construction of a water mass balance pond. This summer, Spurlock Station was able to clean close and repurpose a 14-acre section of its ash pond. Work continues on the remaining 53 acres of the pond, which is scheduled for completion in 2025.

TRANSMISSION CONSTRUCTION CONTINUES

To secure reliablability of service to all of our owner-member co-ops and to ensure readiness for economic development projects, EKPC is in the process of rebuilding or adding more than 200 miles of transmission lines along with numerous substations across the Commonwealth. With aging infrastructure and growing demand, EKPC is making sure it can continue reliably serving its 16 owner-members.

EXECUTING FINANCIAL STRATEGIES

EKPC continued to maintain a strong equity and liquidity position in 2022, giving EKPC the flexibility to ensure reliable energy to our owner members. For the year ending December 31, 2022, EKPC posted a net margin of $35.9 on revenues of $1.3 billion.

STRONG ECONOMIC DEVELOPMENT

In 2022, EKPC and its owner-members facilitated new projects with nearly $2.9 billion in projected investments and the creation of 2,044 jobs.

One of the biggest announcements of the year was Shelby Energy welcoming Wieland North America to Kentucky as the international copper producer broke ground for a $250 million copper and copper-alloy recycling facility in Shelbyville, Ky. Wieland is constructing the new recycling facility on a 79-acre site near Interstate 64. With 75 full-time employees, the operation will recycle metal for use in manufacturing semi-finished copper and copper-alloy products for customers throughout North America.

In October, a unique economic development event called Co-opaPaLooza brought site selectors, state officials, cooperative officials and local government officials together to celebrate economic development.

Co-opaPaLooza featured a German theme as a nod to German companies like Wieland that are looking at the Commonwealth for future expansion of their businesses.

SUSTAINABILITY

EKPC continues to evolve with a strong focus on electric vehicles, diversification of fuel sources, the green tariff program and meeting the needs of companies that have demand for carbon-neutral fuel sources.

Cooperative Solar Farm One provides 60 acres of solar panels for members that want to offset their electric bills with a no-hassle solar option. Our owner-member cooperatives continue to license solar panels to their members for an affordable one-time fee. And the co-ops can provide renewable energy credit options including solar, wind, biomass and hydro with our envirowatts program. Members have the choice of how their renewable energy dollars are spent.

Our green tariff received regulatory approval, and provides our owner-members the flexibility to meet renewable or carbon-neutral goals for a commercial or industrial member. We have leveraged our access to renewable markets to provide creative, cost-effective renewable energy solutions as their trusted power supplier. EKPC continues to explore options for bringing additional renewables into its overall portfolio, despite some challenges in bringing renewable assets into the PJM footprint.

SUMMARY

We wish to thank our Board of Directors for providing their strategic vision in guiding us to a successful year in 2022. The Board's commitment to reliability and affordability through our robust maintenance and safety programs, our commitment to fuel diversity and backup fuel across the system, and our continued relationship with PJM allowed us to have great success while serving our owner-member co-ops. We also wish to thank EKPC's employees for their continued commitment to excellence in service to our owner-member cooperatives and their members. All the careful planning and foresighted vision would not lead to the level of service our members deserve and recieve if not for the dedication and hard work of our staff.

EKPC understands our industry is in the most significant transition since the inception of electricity. We are committed to being focused on the future to manage this transition by keeping reliability high, rates affordable, and ensuring we are in a financial position to allow us to capitalize on future opportunities.

Alan Ahrman
Chairman of the Board

Alan Ahrman

Anthony Campbell
President and CEO

Anthony S Campbell

2022 Year in Review

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

In 2022 EKPC's strategic planning team was focused on ensuring EKPC's reliability and improving the company's ability to deliver power to its owner-members.

During its 2022 strategic planning retreat, EKPC's board and management focused intently on EKPC's power generation. There is significant growth projected in power demand from our 16 owner-members over the next 10 years. The management team laid out detailed options for diversification, including investigating the addition of combined cycle or reciprocating engines, as well as adding more renewables to our fleet of power production facilities.

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

“We must work safely every time, all the time.”

Safety is the right thing to do

Safety Week 2022 brought speakers from across the industry and the company to speak to employees about safety incidents that had affected them and their families.

No testimony was more powerful than that of Steve Mitchell, Substation Technician at Burnside Service Center, who described his experience of being seriously injured when a piece of equipment fell on him. He recounted his treatment and recovery, and the impact it had on him and his family. We also heard from motivational speaker Ricky Rollins, who was nearly killed by an accident that caused severe head trauma by an accident at work. Rollins' message was simple: every action we take, every choice we make, could have consequences that we, and the people we love, might not want to have to live with.

EKPC honored its 2022 Safety All-Stars. Pictured, from left, are CEO Tony Campbell; David Phipps; Sean Cummings; 2021 All-Star Claudia Wittkoff; Bobby Webb; and Frank Kramer.

4,216 safety observations performed in 2022

100% of employees *participated in* SAFETY WEEK

52,000 safety observations since 2010

“I want to mix making power and making a positive impact.”

Drone program makes work safer, more efficient

What cemented Isaac Blanford's belief in using drones to make the work he and line crews do at East Kentucky Power Cooperative safer was an electric transmission line that kept experiencing momentary outages.

"We couldn't find the problem, and we had looked multiple times," Blanford said. A power line that wasn't working reliably had been a multi-day mystery. Ground crews searched for an issue with the line, and a helicopter searched from above. Dozens of hours of searching had turned up nothing.

Then Blanford sent out one of EKPC's drones. "It only took us 20 minutes to find the problem," he said. A flashed insulator was the culprit, and as it turned out, the helicopter couldn't get the right angle to see it and neither could the ground crew. Without the drone that could get close and provide a new angle, the problem may not have been found.

"I am always amazed at how quickly we can find the problems using the drone," Blanford said.

Blanford's supervisor Steve Anderson said the drone program has been a game changer in some instances. "During both routine and outage conditions, the drone technology allows EKPC personnel the ability to perform more efficient, detailed and focused inspections than the more traditional inspection methods."

In 2018, Blanford helped start EKPC's drone program with a single drone. He crafted the drone policy for EKPC and began to train fellow employees in drone certification. He helped them get their remote pilot certificate required by the Federal Aviation Administration (FAA).

EKPC's Isaac Blanford with one of EKPC's drones, which are used to safely and efficiently find problems in power lines or aid in right-of-way research.

"Utilizing interesting, cutting-edge technology like the drones in our maintenance program could be a big part of things that might attract future employees to EKPC," Anderson added.

Drones helped identify another issue that would have been virtually impossible otherwise. EKPC crews found a bullet lodged in a conductor, which is just another example of the drone being able to do something even a helicopter can't. "We could see the bullet hole really plainly. We took the drone right up to it and it was right there," Blanford said.

OVER **200** inspections

7 drones | 9 pilots

300 HOURS of fly time

EKPC goes above and beyond in nature preserve

When an aging power line in a unique eastern Kentucky old-growth forest had to be rebuilt to maintain reliable electric service to nearby communities, electric cooperatives worked closely with state officials to complete the work while minimizing environmental impacts.

Blanton Forest State Nature Preserve is one of Kentucky's last remaining old-growth forests. Recognizing its unique circumstances, East Kentucky Power Cooperative (EKPC) used helicopters to deliver equipment, and crews did much of the work with hand tools, minimizing impacts on wildlife in the preserve.

"If an ice storm or tornado damaged the transmission line—especially if poles were knocked down—it is likely EKPC would have had no choice but to quickly construct a road through the nature preserve to quickly make repairs and restore power," says Denver York, EKPC's senior vice president of power delivery and system operations. "The newly rebuilt line is much stronger and capable of withstanding much harsher weather."

Starting in the 1990s, the Kentucky State Nature Preserves Commission purchased land in the area, including tracts where more than a mile of the power line is located, to establish the Blanton Forest Nature Preserve. Today, the preserve contains Kentucky's largest known old-growth forest.

In recent years, representatives from EKPC and officials from the Kentucky Energy and Environment Cabinet, Office of Kentucky Nature Preserves, Kentucky Natural Lands Trust and Camp Blanton worked together to develop a plan for EKPC to rebuild the critical transmission line, ensuring reliable electric service while also protecting one of Kentucky's few remaining old-growth forests.

Normally, a project like this would require cutting trees to build a rough road for heavy equipment to access the line route and replace poles and wires. For this project, EKPC used a helicopter to airlift workers and equipment from a nearby airport to the nature preserve's mountainous locations. Over four weeks this past fall, crews used lighter equipment and did some of the work by hand to minimize damage. Poles were delivered and lowered into place by helicopter.

Ten aging wooden-pole structures were replaced with much sturdier steel structures. Several of the wooden poles had been set directly into rock. Rather than bringing in heavy equipment to drill new holes, EKPC used a hydraulic jack to lift out the old ones, and then set new steel poles in the same holes.

"This innovative solution to bring much needed power through an environmentally sensitive area is a tribute to all involved who worked together to make this possible."

Energy and Environment Cabinet Secretary Rebecca Goodman

"Maintenance means reliability for our members."

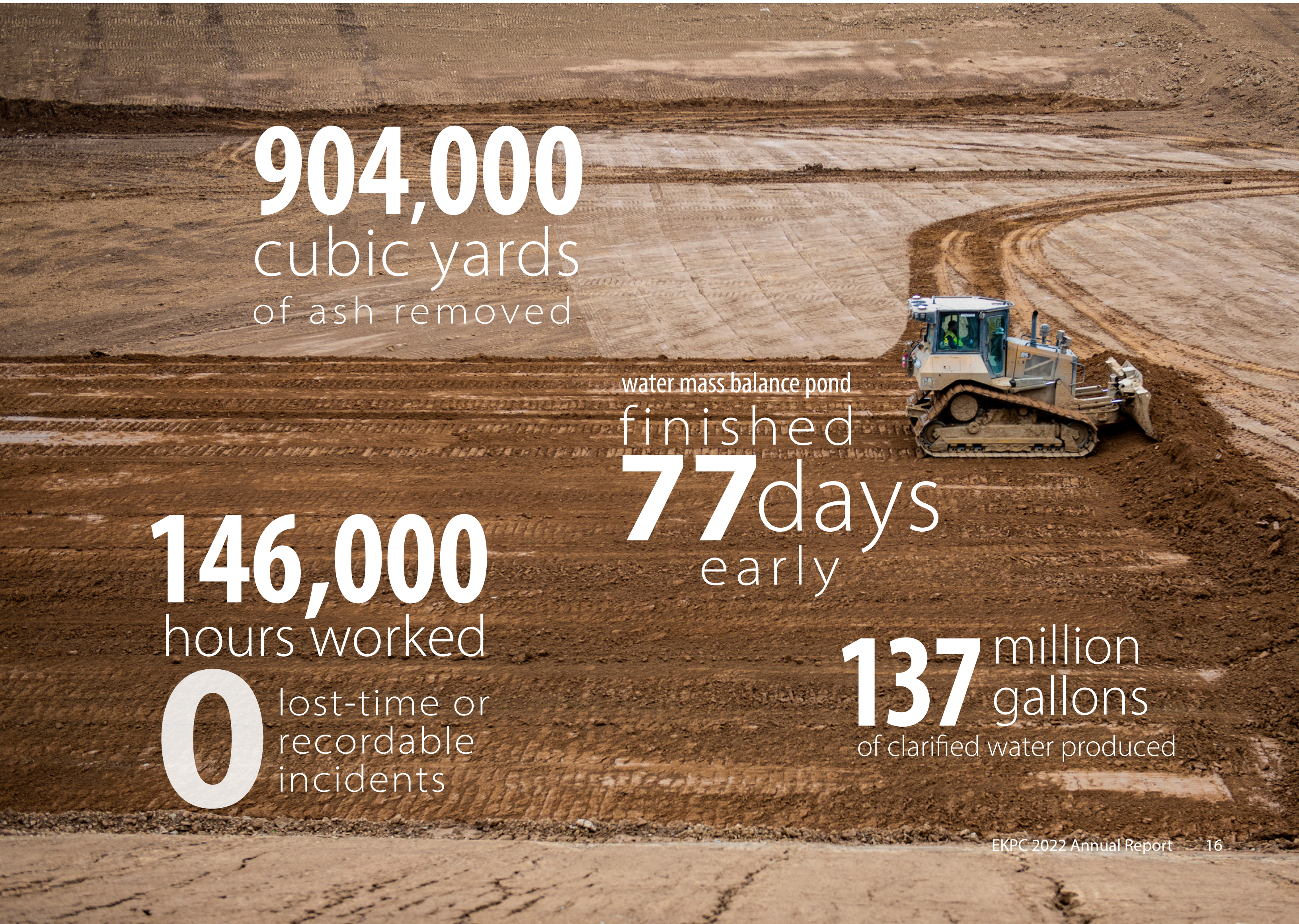
Spurlock new water treatment system revolutionizes dry ash treatment

EKPC's power plants had a very productive year in 2022, building off a very successful 2021. At Spurlock Station, the Environmental Protection Agency's Coal Combustion Residuals and Effluent Limitation Guidelines (CCR/ELG) project hit a new milestone, with the clean closure of 14 acres of the ash pond, and re-purposing it to improve Spurlock's ability to meet EPA guidelines.

The ash pond closure component of the $262.4 million project is in its second year. Project scope in 2022 included the dewatering of coal ash, excavation, loading, and hauling away from the Ohio River, and safely placing in Spurlock Landfill. Closure by removal of the 67-acre ash pond began in 2021. Approximately 2.3 million cubic yards of material will be removed and placed in Spurlock Station's ash landfill.

As part of the CCR/ELG project, a 14-acre section of the pond was replaced with a water mass balance pond that allows Spurlock Station to manage storm water and water from the plant's process flows, and meet EPA guidelines.

The new water mass balance pond and chemical treatment system allows for plant process waters to be treated for pH adjustments and solids removal. The system is an evolution in how coal-fired power plants deal with ash, and it champions sustainability in a reliable, affordable energy source.



"Making power means we help our communities grow."

Cooper 2 overhauls turbine

A structural and thermal steam path audit of the Cooper Unit 2 steam turbine was conducted during the recent major overhaul, and it was determined $8.8 million would need to be spent to ensure the turbine would function at peak capacity.

The overhaul was necessary to ensure Cooper 2 would be able to run as efficiently as possible for the life of the power plant.

EKPC contracts 170 MW of hydroelectric power from SEPA. Pictured: Wolf Creek Dam

"Working means I'm powering my local community."

Smith Station invests in reliability upgrades

The turbine in Smith Station Unit 9 was completely replaced in fall 2022, at a cost of $18 million. Unit 9 had a high pressure compressor stall event that occurred in October, 2021 causing a forced outage until August, 2022.

Unit 3 was placed in a planned outage in Feb., 2022 to correct a bearing issue. Ultimately the entire turbine had to be disassembled to replace the bearing which caused the outage to extend into March of 2022.

The EKPC Board of Directors also voted to purchase a spare supercore turbine engine to have on hand for any unscheduled outages to either of Units 9 or 10 at Smith Station. The spare supercore turbine would be on hand and available for installation to mitigate the length of time for any forced outage to those units. The purchase means that forced outages can be resolved more quickly, and that supply chain challenges won't delay those units coming back online as quickly as possible.

Smith Station adds new tank for demineralized water

Smith Station added a new 2.1 million-gallon tank for demineralized water, which is used in the operation of the combustion turbines at the plant.

Demineralized water is a critical consumable for Smith Station. It is used in the plant's combustion turbines to reduce nitrogen oxide emissions and to increase the units' power.

Construction on the new tank began in September 2022 and is scheduled for completion by May 2023. The $5.6 million project includes piping and valves, as well as control equipment and instrumentation.

"We're investing in technology that improves service across the system."

Sustainability teams continues work toward reducing carbon footprint

In 2022, EKPC's Sustainability teams implemented a number of projects. The grid sustainability team certified three new drone pilots and converted 90 wooden poles to steel poles. Drones are much cheaper and more fuel efficient than flying helicopters when looking for transmission issues, and steel poles are more durable and safer than wooden poles.

The energy and environment team focused on improving recycling efforts at headquarters and across the system, and partnered with local community groups in environmental stewardship projects.

The owner-member team promoted electric vehicles along with distribution cooperatives, created an EV charging pilot program and researched new smart technologies for the home.

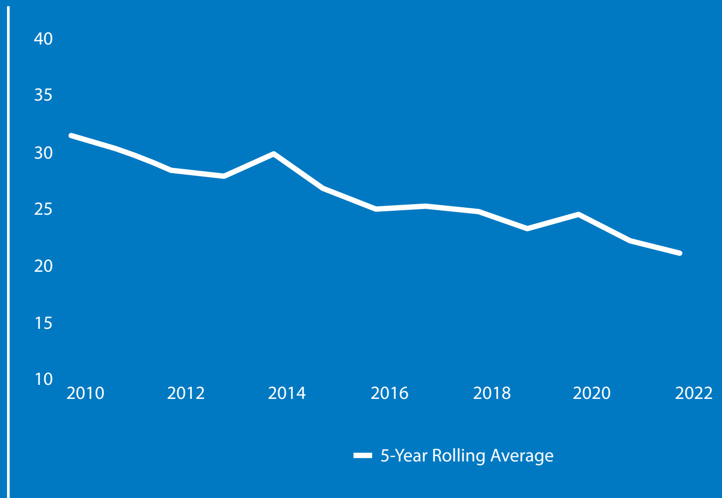
The financial health sustainability team researched and analyzed opportunities related to the Inflation Reduction Act, which could provide cooperatives with direct payments in the renewable energy sector, and participated in the Electric Power Research Institute (EPRI) benchmarking.

EKPC maintains reliability focus

EKPC had another good year for reliability in 2022, with its system average interruption duration index (SAIDI) coming in at just under 21 minutes.

Despite a number of outages that were storm-related, EKPC's reliability rating for 2022 was outstanding, and its SAIDI was less than half of the five-year average.

2ND best reliability rating in the last decade



SAIDI **five-year average** has steadily decreased

"Being a good environmental steward is an important part of what we do."

EKPC continues strong environmental support

EKPC continued its strong commitment to the environment in 2022, and met the challenges presented by an ever-evolving focus on our environmental impact. EKPC continues to lower its emissions. With a key focus in its strategic plan, EKPC is poised to provide clean, reliable, affordable energy to its owner-member cooperatives.

In 2022, EKPC reduced its CO_2 from 2010 levels by 4.82 percent, and lowered its NO_x by 76 percent from 2005 levels, and SO_2 by 94 percent from 2005 levels.

With that focus in mind, EKPC is helping the environment by implementing a variety of environmental best practices.

Monarch butterflies are part of EKPC's sustainability efforts.

In partnership with the KY EXCEL program, EKPC completed several environmentally-friendly projects in 2022.

- Monarch Butterfly Nursery and Milkweed Habitat management projects at headquarters
- Bluegrass and Cooper Stations – constructed and installed pollinator condos adjacent to recently established pollinator habitats
- Spurlock Station – Running Buffalo Clover habitat maintenance project
- Smith Station – Installed four kestrel nest boxes
- Assisted KY Department of Fish and Wildlife and US Fish and Wildlife Service with annual bat monitoring research

As part of the KY EXCEL program, EKPC manages a pollinator habitat at its headquarters.

A pollinator condo recently was installed at Smith Station to enhance pollinator habitats nearby.

32,300 solar panels | available for members to license

28 GigaWatts produced

November 2017 through March 2023

9,554TONS CO2 avoided

$806,840 invested by members

Energy Secretary Granholm visits Solar Farm One

After visiting East Kentucky Power Cooperative in Winchester on March 2, U.S. Energy Secretary Jennifer Granholm told her social media followers the co-op's Cooperative Solar Farm One was "amazing." The former Michigan governor joined Kentucky Lt. Gov. Jacqueline Coleman and Kentucky Energy and Environment Cabinet leaders in a visit with co-op leaders. The 60-acre solar farm serves the 16 cooperatives under EKPC's umbrella, giving our owner-members an easy way to benefit from sun power without the hassle, maintenance or expense of owning private solar panels. During her visit, CEO Tony Campbell provided the Secretary with six letters he'd written to President Joe Biden regarding making a responsible transition from affordable and reliable fuel sources to intermittent renewables, and what impact the current energy policy has on rate payers and generation and transmission planning.

> **"Solar is just one piece of the clean energy pie that we should be taking advantage of as a nation."**
>
> ***U.S. Energy Secretary Jennifer Granholm***

Co-opaPaLooza brings economic development conference to state Capitol

In October, Co-opaPaLooza brought dozens of economic development professionals, CEOs, state and local officials to Frankfort to hear about how co-ops drive economic development in our state. Kentucky Cabinet for Economic Development Secretary Jeff Noel and a case study on the new industry Wieland in the Shelby Energy territory highlighted the program's presentations. Economic development experts and site selectors from around the world came to celebrate Cö-opToberfest with representatives from 87 counties across Kentucky and beyond. "The idea is to have a fun day and to bring people together with the Cabinet for Economic Development and site selectors from around the world to discuss economic development across our rural communities," said Brad Thomas, economic development manager. Thomas said co-ops continue to bring growth to the state and jobs to rural communities, and events like Co-opaPaLooza bring together people and ideas to help those communities better compete for jobs and investment as companies make decisions about where to expand and locate facilities.

> "Economic development is not just about a scorecard of jobs. It's about what are you doing to change lives."

Kentucky Cabinet for Economic Development Secretary Jeff Noel

Kentucky's Touchstone Energy® Cooperatives

Economic Development brings jobs, investment into the commonwealth

Kentucky's Touchstone Energy Cooperatives realized their highest annual total investments from economic development projects announced to date.

Kentucky's Touchstone Energy Cooperatives were named in the top 20 U.S. utilities in economic development by Site Selection magazine.

In 2022, the 17 electric cooperatives facilitated business recruitments and expansions that resulted in 2,044 jobs announcements and $2.9 billion in projected investment in the communities they serve.

$2.89B
CAPITAL INVESTMENT

2,044
NEW JOBS

32
PROJECTS

20
NEW ATTRACTIONS

12
EXPANSIONS

Site Selection Magazine's *2022 TOP UTILITIES*

German American Chambers of Commerce
2022 EXCELLENCE IN ECONOMIC DEVELOPMENT

Site Selectors Guild
2021 PROJECTS WITH A PURPOSE AWARD


VIETNAM
SPANISH WAR 1898
PHILIPPINE INSURRECTION
DOMINICAN REPUBLIC
COUNTY KENTUCKY
ED STATES
SEMPER FIDELIS

Honor Flight returns

Kentucky's Touchstone Energy Cooperatives sponsored its first Honor Flight since 2019, flying 66 veterans to see their memorials in Washington, D.C.

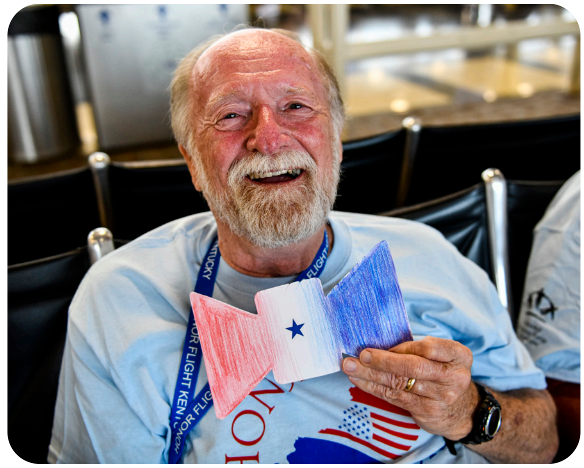
This was the 10th Honor Flight Kentucky to be sponsored by Kentucky's Touchstone Energy Cooperatives. The day included viewing the changing of the guard ceremony at the Tomb of the Unknown Soldier in Arlington National Cemetery. Honor Flight representatives participated in a wreath-laying service at the tomb.

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

Kentucky's Touchstone Energy Cooperatives

10 FLIGHTS

471 **VETS**



A veteran aboard the 2022 Honor Flight receives mail at "mail call" before the flight back home.

Marilyn Esposito (left) and Lisa Puckett (right) are inducted in the Military Women's Memorial in Washington, D.C.

Hundreds of family and friends welcomed home the 66 veterans from the 2022 Honor Flight.

Co-ops support local communities

Kentucky's Touchstone Energy Cooperatives continued several programs to strengthen local communities.

The co-ops supported Ronald McDonald House Charities (RMHC) which provides families from the counties served a place to stay if children are in hospitals in Louisville and Lexington. In recognition of co-op volunteers and fund-raising efforts, RMHC awarded the co-ops a Legacy of Love Award.

Co-ops were also strong supporters of the Kentucky Community and Technical Colleges. Through the end of 2022, 1,800 students have graduated from KCTCS programs lasting from five to 16 weeks.

EKPC and other Kentucky's Touchstone Energy Cooperatives once again were the major sponsor for Kentucky's Special Olympics Summer Games. This was our 10th year as sponsor.

More than 900 athletes and hundreds of coaches and family members participated in competitions during the games at Eastern Kentucky University in Richmond.

The Summer Games included competitions in track and field, swimming, soccer, bocce and rhythmic gymnastics. Cooperatives provided more than 65 volunteers to help events go smoothly

Ronald McDonald House: Helping to keep families together.

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

As a Kentucky's Touchstone Energy Cooperative, EKPC continued its support of Kentucky's Special Olympics in 2022.

Who Powers You winners

EKPC and Kentucky's Touchstone Energy Cooperatives sponsored the second annual Who Powers You contest in 2022. The contest was created to reward and support co-op members who are making a difference in the communities served by Kentucky's Touchstone Energy Cooperatives.

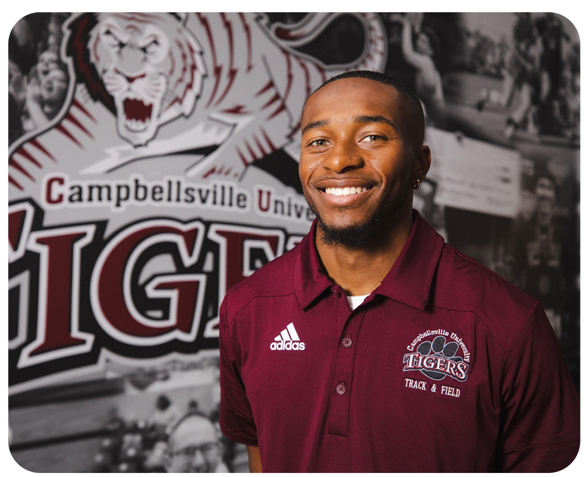
David Lilly, an Owen Electric member, was named first place winner and received $1,000 for his extensive volunteerism to help those that are less fortunate in his community.

Pamela Lewis, a Grayson RECC member, was named second place winner and received $750 for her work at Fostering Possibilities, a non-profit that provides essential items and clothing for children who are being placed in foster care.

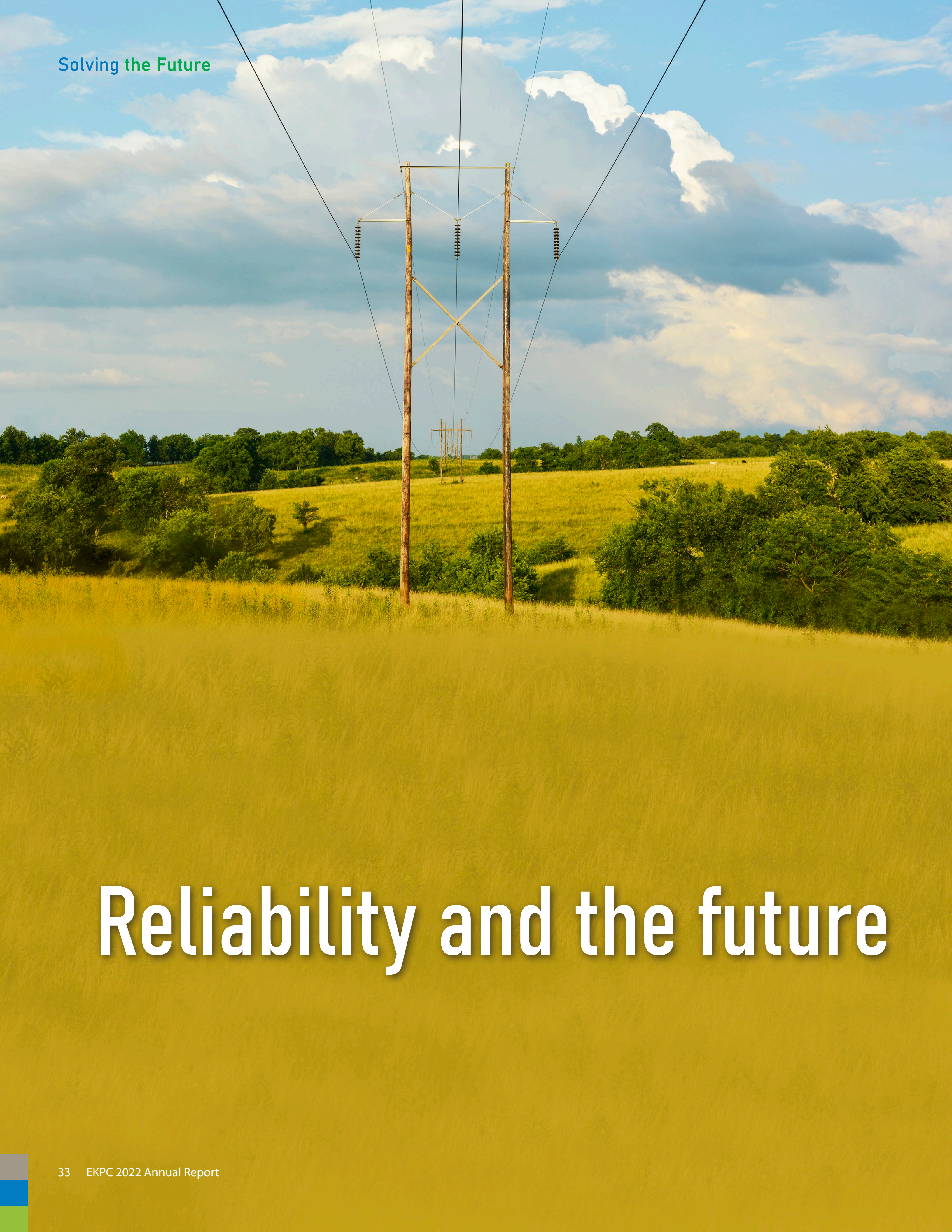
Anthony Thompson, a Taylor County RECC member, was named third place winner. Thompson won $250 for his work with disadvantaged youth in the Campbellsville community.

David Lilly

Pamela Lewis



Anthony Thompson



Reliability and the future

In consecutive years, weather events across the U.S. South, Southeast and mid-Atlantic regions have provided stark reminders that reliability of America's electric grid is critical to the day-to-day lives of millions. Interruptions in electrical service can be deadly during extreme temperatures, as evidenced by 2021 events in Texas when nearly 250 people died when natural gas supplies were frozen. During 2022's Winter Storm Elliott, which struck Kentucky and much of the eastern U.S. during the Christmas holiday, we got a glimpse of the perilous risk. As temperatures plunged below zero and wind chills drove extreme cold, natural gas deliveries again failed, pushing some electric providers into forced rolling outages.

Pipeline delivery of natural gas was the main culprit for power suppliers that were forced to leave their customers in the dark. Both of EKPC's gas suppliers curtailed our gas supply, forcing the cooperative to use backup fuel. The dual-fuel systems at both of our natural gas-fired power plants were critical in allowing us to produce enough power to meet record demand.

Providing affordable, reliable electricity has always been a complex business, but regulatory and political pressures are creating a precarious situation. In the past decade, the U.S. has decommissioned numerous dependable coal and nuclear plants without replacing them, while moving toward intermittent fuel sources in the name of de-carbonization. America is becoming heavily dependent on natural gas for dependable, around-the-clock power, but development of pipeline infrastructure is not keeping pace. Global demand for U.S. natural gas adds price pressures, affecting the prices of other power plant fuels, like coal, and ultimately driving up the cost of electricity for homes and businesses. Those inflated costs flow through the fuel adjustment clause, driving up the bottom line of electric bills.

The war in Ukraine and Russia's weaponization of oil and gas has put our friends in Europe in the difficult position of trying to replace what they cannot buy from Russia. We must promote production of coal, oil and gas in the United States in order to ease demand on energy producers in the U.S., maintain sufficient exports to ease European demand, and keep prices reasonable at home.

Large-and small-scale energy producers continue to be impacted by worldwide pressures, political unrest, war, continued supply chain issues and geopolitical issues across the globe and here at home. For EKPC, these global challenges affect the 1.1 million people we serve, and we must always remember the ratepayer in decisions we make.

America continues to face a growing threat to the reliability of the electric grid should we fail to develop and implement a thoughtful, deliberate plan to ensure electric-service reliability through the transition to a less carbon-intense economy. The timeline, unfortunately, is being pushed for political instead of practical motives.

EKPC's strategic and sustainability plans are focused on ensuring that the right mix of generation resources remains available as America transitions to a low-carbon economy. But political and regulatory pressures are taking a toll on our owner-members and our ability to meet regulatory standards.

EKPC has been a voice of reason, advocating on behalf of our owner-members to the policy-makers who can exert their influence to ensure a transition to a de-carbonized nation at a reasonable pace that protects reliability and affordability for our owner-members. We have sent a series of letters to the President of the United States, advocating for reasoned and measured movement toward de-carbonization. We will continue to advocate for our owner-members at the highest level.

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

Alan Ahrman
Owen Electric
Board Chair

Greg Corbin
Taylor County RECC
Board Treasurer

Rick Thomas
Nolin RECC

Landis Cornett
Jackson Energy

Chief Executive Officers
Non-voting members

Jerry Carter
Inter-County Energy

Tim Sharp
Salt River Electric

Tony Campbell
East Kentucky Power

External Committee Members
Non-voting members

Mike Steffes
ACES

Britt Roarx
Texas Roadhouse

Strategic Issues Committee

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

Board Members

Voting members

Boris Haynes
South Kentucky RECC
Committee Chair

Randy Sexton
Farmers RECC
Board Secretary

Bill Shearer
Clark Energy

Ted Holbrook
Licking Valley RECC

Danny Wallen
Big Sandy RECC

Elbert Hampton
Cumberland Valley Electric

Chief Executive Officers

Non-voting members

Carol Wright
Jackson Energy

Greg Lee
Nolin RECC

Mike Williams
Blue Grass Energy

Bruce Aaron Davis
Big Sandy RECC

Mike Cobb
Owen Electric

Ken Simmons
South Kentucky RECC

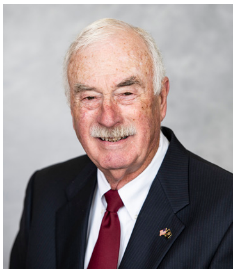
Governance Committee

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 Vice-Chair

Joe Spalding
Inter-County Energy

Darrell Tingle
Salt River Electric

Harold Dupuy
Grayson RECC

Chief Executive Officers

Non-voting members

Chris Brewer
Clark Energy

Kerry Howard
Licking Valley RECC

Jeff Williams
Taylor County RECC

Brandon Hunt
Fleming-Mason Energy

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

Bill Shearer
Clark Energy
Committee Chair

Boris Haynes
South Kentucky RECC

Wayne Stratton
Shelby Energy

Greg Corbin
Taylor County RECC
Board Treasurer

Jody Hughes
Blue Grass Energy
Board Vice-Chair

Chief Executive Officers
Non-voting members

Bradley Cherry
Grayson RECC

Jack Bragg
Shelby Energy

Toby Moss
Farmers RECC

Executive Staff

Tony Campbell,
President and CEO

Ann Bridges,
*Executive Vice President and CFO ***

Don Mosier,
Executive Vice President and COO

David Samford,
General Counsel

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

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

Barry Linderman,
Director, HR and Support Services

Rodney Hitch,
Director, Economic Development

** Retired in May of 2022*
*** Retired in December of 2022*

2022: Financial Highlights

2022 Performance

EKPC had strong financial results in 2022 despite the impacts of Winter Storm Elliott. Net margin was $35.9 million for the year ended December 31, 2022, an increase of $25.3 million in comparison to 2021. Operating revenues were nearly $1.3 billion for the year ended December 31, 2022, an increase of $310.7 million from the prior year. This change was primarily attributed to an increase in member sales of $269.4 million, which was the result of higher fuel and purchased power costs recovered through the fuel adjustment clause, the effects of an overall base rate increase of approximately 4.4% that became effective October 1, 2021, and cold weather in December. Off-system sales increased approximately $47.8 million from the prior year due to favorable weather and market prices. Capacity revenue declined $8.3 million primarily due to PJM non-performance assessments of $19.5 million, partially offset by expected insurance proceeds of $13.7 million, accrued at year-end as a result of Winter Storm Elliott, along with lower capacity auction prices in the new delivery year.

Production operating expenses for the year ended December 31, 2022 were $873.0 million, a $275.8 million increase 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. Megawatt-hours generated by EKPC's fleet increased 1.7% in 2022. This increase in generation, coupled with higher coal and natural gas prices in 2022, resulted in fuel expense increasing by $127.0 million. Other production operation expenses also increased by $4.0 million as a result of increased costs of chemical reagents used at our coal-fired facilities. Purchased power expense increased $144.8 million, or 87.9%, in 2022 while megawatt hours purchased increased 8.7% over 2021. Production maintenance expense was $99.8 million for the year ended December 31, 2022, a $4.5 million decrease from 2021.

Depreciation and amortization expense was $147.7 million for the year ended December 31, 2022, a $6.6 million increase over the prior year. This change was largely due to a $15.8 million increase in depreciation expense as a result of new depreciation rates approved by the PSC, effective October 1, 2021, along with several large projects placed in service at the end of 2021 and in 2022, partially offset by a regulatory credit of $9.2 million to record the generation maintenance tracker regulatory asset at year-end. The generation maintenance tracker was established as a provision in EKPC's 2021 rate case whereby effective for the year ending December 31, 2022 and thereafter, EKPC will record a regulatory asset or liability for seventy-five percent of all actual generation maintenance expenses over/under a historical level of generation maintenance expense. The recovery of the regulatory asset or refund of the regulatory liability will be addressed in EKPC's next base rate case.

Fixed charges and other expenses were $92.6 million for the year ended December 31, 2022, a $2.9 million increase from 2021. This change was primarily attributed to higher interest rates and a larger debt balance outstanding on the credit facility.

Nonoperating margin was $6.2 million for the year ended December 31, 2022, an increase of $4.1 million in comparison to 2021. This change was attributed to higher interest earnings.

Construction Activities

The multi-year construction project at Spurlock Station, estimated at $262.4 million, to comply with the final rules on Coal Combustion Residuals (CCR) and Effluent Limitation Guidelines (ELG) was completed with the exception of the closure of an unlined surface impoundment to settle the corresponding asset retirement obligation, which will be ongoing through 2025. The overall construction project is primarily recoverable through the Cooperative's environmental surcharge mechanism. With the completion of this multi-year project, construction efforts were focused on transmission infrastructure, which made up 62.8% of capital expenditures in 2022.

Financial Targets

EKPC's equity-to-assets ratio was 21.6% and 21.0% at December 31, 2021 and 2022, respectively. Because this ratio remained stable and exceeded our loan covenant requirements, EKPC's Board of Directors authorized the retirement of patronage capital in 2022 in the amount of $20.1 million. This retirement represented all unpaid margin allocations assigned to members from 1976 through 1983.

EKPC's debt service coverage ratio (DSC) improved from 1.38 in 2021 to 1.54 in 2022. EKPC's Times Interest Earned Ratio (TIER) improved from 1.12 to 1.4, which is the maximum TIER allowed pursuant to EKPC's earnings mechanism established as part of its most recent rate case in 2021. In years when TIER is in excess of 1.4, the excess margin must be refunded to the owner-members in the form of a bill credit in the subsequent year. EKPC recorded a regulatory liability refundable to owner-members in the amount of $1.4 million at December 31, 2022 in order to limit the TIER to 1.4.

All of EKPC's financial ratios were in compliance with the provisions outlined in its indenture and other debt agreements at December 31, 2022.

Financing Activities

The Cooperative executed a $500 million unsecured amended and restated credit agreement with CFC as the lead arranger. This new revolving facility, with an initial maturity date of July 29, 2027, replaced the existing unsecured credit facility, which consisted of a $500 million revolving commitment and a $100 million term loan.

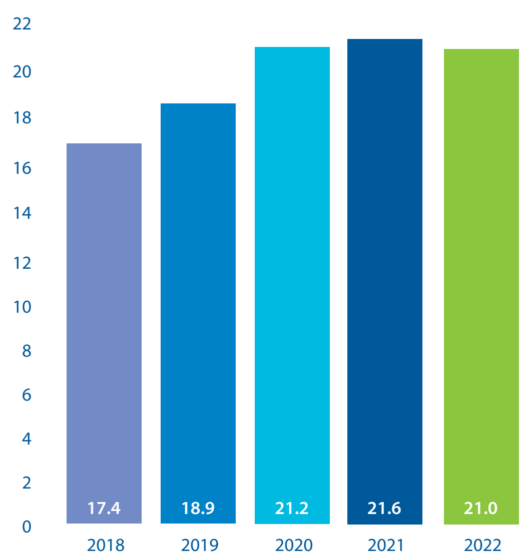
Five-Year Statistical Summary

	2022	2021	2020	2019	2018
Net Margin - in thousands	**$35,880**	$10,542	$28,692	$44,204	$ 40,669
TIER	**1.40**	1.12	1.28	1.39	1.35
DSC	**1.54**	1.38	1.35	1.39	1.34
Fuel Expense - in thousands	**$363,948**	$236,947	$172,254	$162,719	$209,488
Capital Expenditures - in thousands					
Generation	**$41,172**	$65,235	$170,589	$184,479	$58,899
Transmission & Distribution	**$86,444**	$50,183	$53,049	$45,303	$32,593
General	**$9,978**	$6,465	$10,469	$8,238	$9,549
Investment in Facilities - in thousands					
Original Cost	**$4,761,207**	$4,643,669	$4,627,406	$4,429,359	$4,291,350
Long-Term Debt - in thousands	**$2,592,627**	$2,436,831	$2,468,038	$2,711,300	$2,826,261
Total Assets - in thousands	**$3,752,443**	$3,550,115	$3,509,372	$3,776,381	$3,810,802
Number of Employees - full-time	**691**	694	719	689	685
Cost of Coal Purchased					
$/ton	**$67.07**	$42.63	$41.36	$45.03	$44.86
$/MBtu	**$2.91**	$1.83	$1.77	$1.94	$1.91
Amount of Coal Purchased - tons	**4,624,443**	3,733,218	3,115,315	3,231,731	3,795,924
Generation - MWh	**10,189,060**	10,014,834	8,167,447	6,853,879	9,100,511
System Peak Demand - MW					
Winter Season *	**3,747**	2,862	2,702	3,073	3,437
Summer Season	**2,465**	2,450	2,312	2,366	2,380
Sales to Other Utilities - MWh	**1,003,475**	960,076	691,972	592,253	711,447
Member Load Growth - %					
Energy	**5.17**	2.78	(2.13)	(3.21)	6.90
Demand	**11.47**	4.46	(8.87)	2.26	5.70
Load Factor - %	**42**	52	54	48	45
Miles of Line	**2,884**	2,879	2,867	2,865	2,864
Installed Capacity - kVA	**11,365,143**	11,205,344	11,218,345	11,147,545	11,022,945
Distribution Substations	**381**	379	378	376	373

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

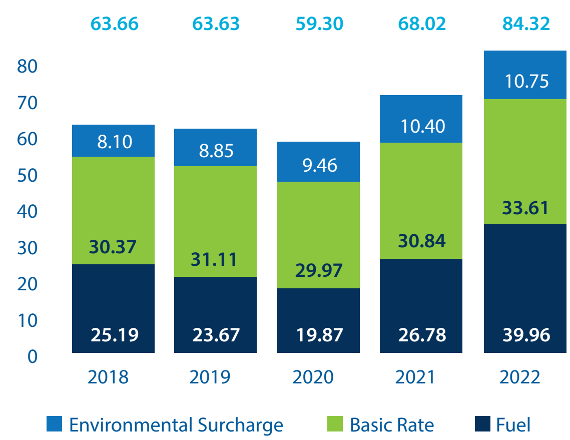
Equity Ratio

%



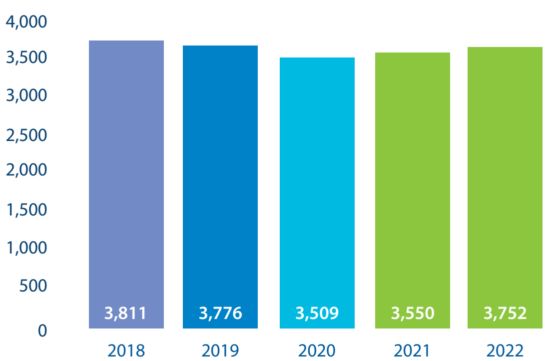
Power Cost to Members

Mills/kWh



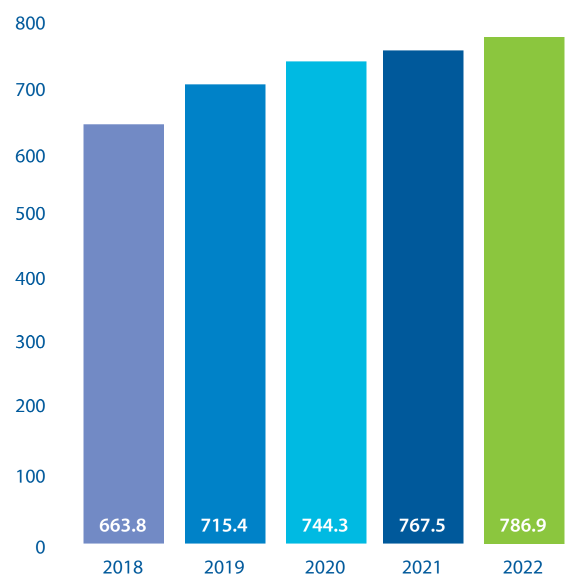
Total Assets

in $Millions

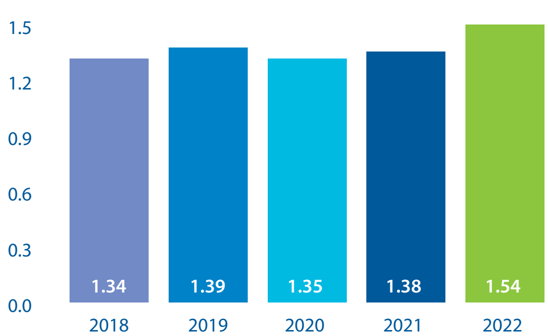


Members' Equities

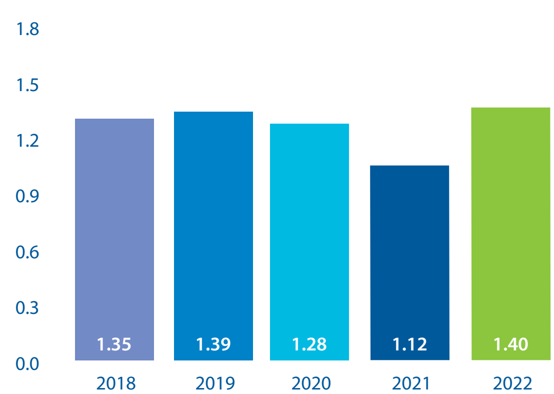
in $Millions



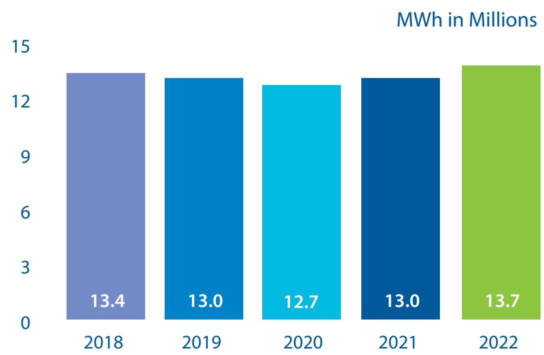
DSC



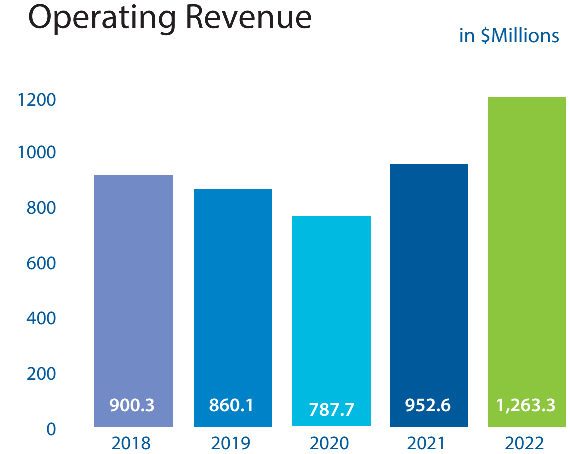
TIER



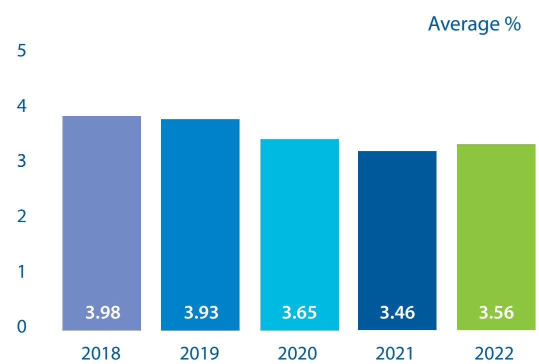
Energy Sales to Members



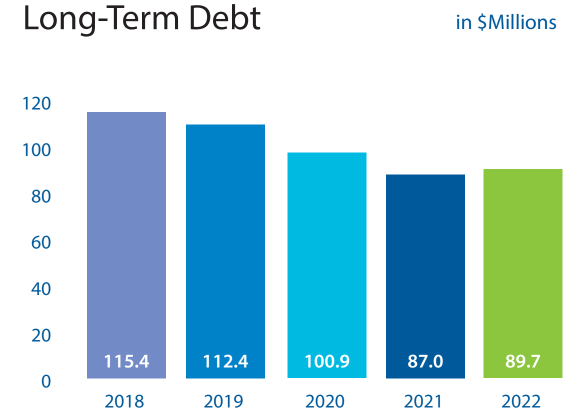
Operating Revenue



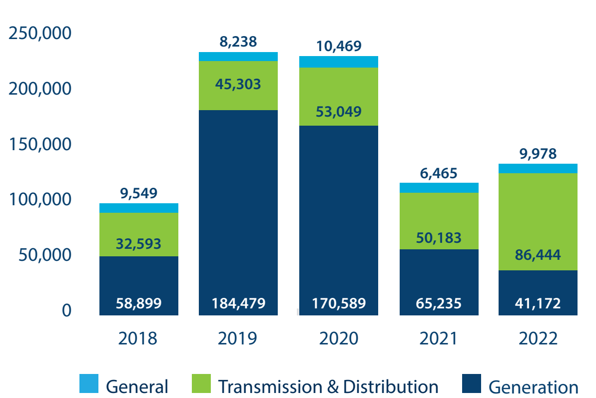
Average Interest Rate on Long-Term Debt Year-End



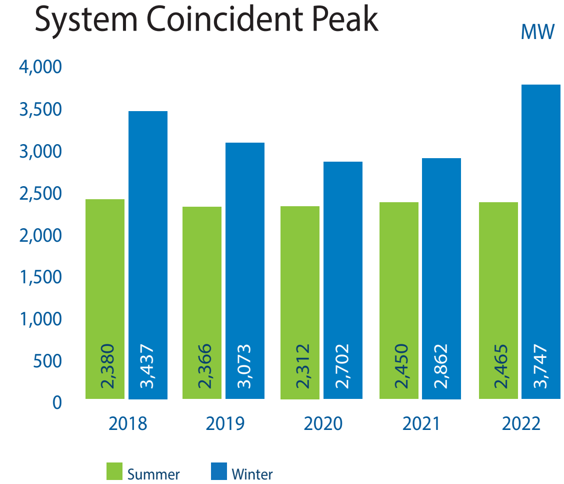
Interest Expense on Long-Term Debt



Capital Expenditures



System Coincident Peak



Report of Management

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

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

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

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

Anthony D. Campbell

Anthony Campbell
President and CEO

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of East Kentucky Power Cooperative, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2023, 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 31, 2023

East Kentucky Power Cooperative, Inc.

Balance Sheets

(Dollars in Thousands)

	December 31 2022	December 31 2021
Assets		
Electric plant:		
In-service	**$ 4,680,009**	$ 4,551,309
Construction-in-progress	**81,198**	92,360
	4,761,207	4,643,669
Less accumulated depreciation	**1,762,598**	1,655,664
Electric plant – net	**2,998,609**	2,988,005
Restricted investments	**1,117**	1,103
Investment securities:		
Available-for-sale	**18,079**	18,898
Held-to-maturity	**7,181**	7,287
Current assets:		
Cash and cash equivalents	**229,669**	169,619
Accounts receivable	**149,448**	111,782
Fuel	**92,267**	41,567
Materials and supplies	**104,887**	83,283
Regulatory assets	**33,546**	11,206
Other current assets	**13,397**	7,899
Total current assets	**623,214**	425,356
Regulatory assets	**91,306**	99,085
Deferred charges	**4,497**	1,790
Other noncurrent assets	**8,440**	8,591
Total assets	**$ 3,752,443**	$ 3,550,115
Members' equities and liabilities		
Members' equities:		
Memberships	**$ 2**	$ 2
Patronage and donated capital	**743,152**	727,378
Accumulated other comprehensive margin	**43,792**	40,078
Total members' equities	**786,946**	767,458
Long-term debt	**2,592,627**	2,436,831
Current liabilities:		
Current portion of long-term debt	**96,654**	92,763
Accounts payable	**147,690**	109,276
Accrued expenses	**50,393**	50,366
Regulatory liabilities	**5,898**	7,717
Total current liabilities	**300,635**	260,122
Accrued postretirement benefit cost	**27,727**	35,587
Asset retirement obligations and other liabilities	**44,508**	50,117
Total members' equities and liabilities	**$ 3,752,443**	$ 3,550,115

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	
	2022	**2021**
Operating revenue	**$ 1,263,337**	$ 952,623
Operating expenses:		
Production:		
Fuel	**363,948**	236,947
Other	**199,637**	195,578
Purchased power	**309,443**	164,675
Transmission and distribution	**63,948**	61,232
Regional market operations	**5,631**	5,533
Depreciation and amortization	**147,689**	141,123
General and administrative	**50,804**	49,452
Total operating expenses	**1,141,100**	854,540
Operating margin before fixed charges and other expenses	**122,237**	98,083
Fixed charges and other:		
Interest expense on long-term debt	**89,701**	86,985
Amortization of debt expense	**990**	1,090
Accretion and other	**1,874**	1,603
Total fixed charges and other expenses	**92,565**	89,678
Operating margin	**29,672**	8,405
Nonoperating margin:		
Interest income	**2,690**	554
Patronage capital allocations from other cooperatives	**582**	625
Other	**2,936**	958
Total nonoperating margin	**6,208**	2,137
Net margin	**35,880**	10,542
Other comprehensive margin:		
Unrealized loss on available-for-sale securities	**(133)**	(13)
Postretirement benefit obligation gain	**3,847**	12,638
	3,714	12,625
Comprehensive margin	**$ 39,594**	$ 23,167

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, 2020	$ 2	$ 713,801	$ 3,035	$ 27,453	$ 744,291
Net margin	–	10,542	–	–	10,542
Unrealized loss on available for sale securities	–	–	–	(13)	(13)
Postretirement benefit obligation gain	–	–	–	12,638	12,638
Balance – December 31, 2021	2	724,343	3,035	40,078	767,458
Net margin	**–**	**35,880**	**–**	**–**	**35,880**
Retirement of patronage capital	**–**	**(20,106)**	**–**	**–**	**(20,106)**
Unrealized loss on available for sale securities	**–**	**–**	**–**	**(133)**	**(133)**
Postretirement benefit obligation gain	**–**	–	–	**3,847**	**3,847**
Balance – December 31, 2022	**$ 2**	**$ 740,117**	**$ 3,035**	**$ 43,792**	**$ 786,946**

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31	
	2022	**2021**
Operating activities		
Net margin	**$ 35,880**	$ 10,542
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	**147,689**	141,123
Amortization of debt issuance costs	**1,218**	1,245
Changes in operating assets and liabilities:		
Accounts receivable	**(37,666)**	(23,266)
Fuel	**(50,700)**	5,624
Materials and supplies	**(21,604)**	(5,588)
Regulatory assets/liabilities	**(31,626)**	(3,547)
Accounts payable	**32,250**	36,449
Accrued expenses	**(388)**	28,081
Accrued postretirement benefit cost	**(4,013)**	(862)
Other	**(13,742)**	(5,836)
Net cash provided by operating activities	**57,298**	183,965
Investing activities		
Additions to electric plant	**(136,122)**	(138,190)
Maturities of debt service reserve securities	**5,516**	4,411
Purchases of debt service reserve securities	**(5,530)**	(4,411)
Maturities of available-for-sale securities	**19,138**	80,160
Purchases of available-for-securities	**(18,452)**	(60,204)
Maturities of held-to-maturity securities	**106**	86
Additional deposits with RUS restricted investment	**–**	(21)
Maturities of RUS restricted investment	**–**	726
Other	**77**	1,275
Net cash used in investing activities	**(135,267)**	(116,168)
Financing activities		
Proceeds from long-term debt	**310,905**	239,603
Principal payments on long-term debt	**(151,609)**	(263,753)
Retirement of patronage capital	**(20,106)**	–
Debt issuance costs	**(1,123)**	–
Payment of obligation under long-term lease	**(48)**	(39)
Net cash provided by (used in) financing activities	**138,019**	(24,189)
Net change in cash and cash equivalents	**60,050**	43,608
Cash and cash equivalents – beginning of year	**169,619**	126,011
Cash and cash equivalents – end of year	**$ 229,669**	$ 169,619
Supplemental disclosure of cash flows		
Cash paid for interest	**$ 88,551**	$ 70,126
Noncash investing transactions:		
Additions to electric plant included in accounts payable	**$ 33,929**	$ 27,765
Unrealized loss on available-for-sale securities	**$ (133)**	$ (13)

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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. The capacity and energy from one landfill gas plant is designated to serve a member system through a ten-year purchase power agreement. A portion of the solar farm panels are licensed to customers of our members.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Electric Plant in Service

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

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

Depreciation and Amortization

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

	2022	**2021**
Generation plant	**1.81%–11.67%**	1.81%–11.67%
Transmission and distribution plant	**1.12%–6.31%**	1.12%–6.31%
General plant	**0.99%–6.67%**	0.99%–6.67%

Depreciation and amortization expense was $147.7 million and $141.1 million for 2022 and 2021, respectively. Depreciation and amortization expense includes amortization expense of $11.1 million in 2022 and $10.8 million in 2021 related to plant abandonments granted regulatory asset treatment (Note 4).

1. Summary of Significant Accounting Policies (continued)

The Cooperative received PSC approval to charge depreciation associated with asset retirement obligations to regulatory assets. These regulatory assets are charged to depreciation expense as recovery occurs. Depreciation charged to regulatory assets was $3.3 million and $3.0 million in 2022 and 2021, respectively.

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, 2022 or 2021.

Restricted Investments

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

Restricted investments at December 31, 2022 and 2021 were $1.1 million and consisted of debt service reserve funds required to be on deposit with a trustee throughout the term of the Series 1993B Solid Waste Disposal Revenue Bonds (Note 5).

Cash and Cash Equivalents

The Cooperative considers temporary investments having an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2022 and 2021, consisted primarily of money market mutual funds and investments in commercial paper.

1. Summary of Significant Accounting Policies (continued)

Investment Securities

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

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.

Fair Value of Financial Instruments

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

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

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measure and unobservable.

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

1. Summary of Significant Accounting Policies (continued)

The inputs used to measure cash equivalents are Level 1 measurements, as the money market funds are exchange traded funds in an active market. The inputs used to measure the available-for-sale and debt service reserve investments are Level 1 measurements, as the securities are based on quoted market prices for identical investments or securities. Included in the available-for-sale securities on the following table are securities held in connection with the directors' and certain employees' elective deferred compensation programs and the supplemental executive retirement plan covering certain executives of $3.3 million and $3.6 million at December 31, 2022 and 2021, respectively. These assets are included in other noncurrent assets on the balance sheets.

Estimated fair values of the Cooperative's financial instruments as of December 31, 2022 and 2021, were as follows (dollars in thousands):

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

	Fair Value December 31, 2021	Fair Value at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 90,000	$ 90,000	$ –	$ –
Available-for-sale securities	22,545	22,545	–	–
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, 2022 and 2021, were as follows (dollars in thousands):

	2022		2021	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Held-to-maturity investments	**$ 7,181**	**$ 7,168**	$ 7,287	$ 12,545
Long-term debt	**2,689,281**	**2,556,154**	2,529,594	2,755,624

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

Concentration of Credit Risk

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

The Cooperative's sales are primarily to its member cooperatives and totaled approximately $1,157.0 million and $887.5 million for 2022 and 2021, respectively. Accounts receivable at December 31, 2022 and 2021, were primarily from billings to member cooperatives.

At December 31, 2022 and 2021, individual accounts receivable balances that exceeded 10% of total accounts receivable are as follows (dollars in thousands):

	2022	2021
Owen Electric Cooperative	**$ 19,578**	$ 11,766

1. Summary of Significant Accounting Policies (continued)

Inventories

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

Regulatory Assets and Liabilities

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

Debt Issuance Costs

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

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

Asset Retirement Obligations

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

1. Summary of Significant Accounting Policies (continued)

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

The Cooperative's AROs represent the requirements related to asbestos abatement and reclamation and capping of ash disposal sites at its coal-fired plants. Estimated cash flow revisions in 2021 primarily related to changes in the estimated cost to settle ash disposal sites to comply with the closure and post-closure requirements of the Coal Combustion Residuals (CCR) Rule. Settlement activities in 2022 and 2021 are associated with the closure of an ash disposal site.

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

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

	2022	2021
Balance – beginning of year	**$ 45,902**	$ 48,851
Liabilities settled	**(7,070)**	(6,098)
Estimated cash flow revisions	–	1,731
Accretion	**1,536**	1,418
Balance – end of year	**$ 40,368**	$ 45,902

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

Accretion charged to regulatory assets in 2022 and 2021 was $1.5 million and $1.4 million, respectively. Accretion expense recognized in 2022 and 2021 was $1.9 million and $1.6 million, respectively, which represented the recovery of settlement costs associated with ash disposal sites and asbestos abatement at Dale Station.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Operating revenues are primarily derived from sales of electricity to members. These sales, which comprise approximately 92% of EKPC's operating revenues, are pursuant to identical long-term wholesale power contracts maintained with RUS and each of the Cooperative's 16 members that extend through December 31, 2050. The wholesale power contract obligates each member to pay EKPC for demand and energy furnished in accordance with rates established by the PSC. Energy and demand have the same pattern of transfer to members as one cannot be provided without the other. Therefore, these components of electric power sales to members are considered one performance obligation. Electricity revenues are recognized over time as energy is delivered based upon month-end meter readings and rates set forth in EKPC's tariffs, as approved by the PSC.

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

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

1. Summary of Significant Accounting Policies (continued)

The following represents operating revenues by revenue stream for the years ended December 31, 2022 and 2021 (dollars in thousands):

	Year Ended December 31	
	2022	**2021**
Member electric sales	**$ 1,156,966**	$ 887,525
Non-member sales:		
Electric	**90,887**	43,074
Capacity	**8,122**	16,468
Other	**7,362**	5,556
Total operating revenues	**$ 1,263,337**	$ 952,623

Rate Matters

The base rates charged by the Cooperative to its members are regulated by the PSC. Any change in base rates requires that EKPC file an application with the PSC and interested parties may seek intervention in the proceeding if they satisfy certain regulatory requirements. EKPC's last base rate increase was authorized by the PSC for service rendered on and after October 1, 2021, and resulted in a 4.4% increase in EKPC's wholesale base rates, or approximately $36.4 million in annual revenue.

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

Members' Equities

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

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

The Cooperative's Board of Directors authorized the retirement of patronage capital in 2022 in the amount of $20.1 million, which represented all unpaid margin allocations assigned to members from 1976 through 1983.

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 7. For any item required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period, the affected line item(s) on the statements of revenue and expenses and comprehensive margin are provided.

Income Taxes

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

Regional Transmission Organization

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

1. Summary of Significant Accounting Policies (continued)

Power Sales Arrangement

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

New Accounting Guidance

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. 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, but does not substantially change the accounting for finance leases (previously capital leases) or the lessor accounting model. The Cooperative adopted the new lease accounting guidance effective January 1, 2022, utilizing the modified retrospective approach. The Cooperative also elected the package of practical expedients under the transition guidance which enabled the Cooperative to avoid reassessing under the new standard prior conclusions for lease identification and lease classification on expired or existing contracts and land easements. The Cooperative also elected to utilize a risk-free discount rate for certain classifications of operating leases when an implicit rate is not readily determinable. Adoption of the standard was not material to the Cooperative's financial statements. The Cooperative recognized right-of-use assets as part of electric plant in-service and offsetting operating lease liabilities, included in current and accrued liabilities, of approximately $1.0 million at adoption.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance,* to increase the transparency of government assistance received by entities. Specifically, ASU 2021-10 requires disclosure of the types of assistance received, significant terms and conditions related to the assistance, the accounting for the assistance, and the effect of the assistance on the entity's financial statements. The standard was prospectively adopted, effective January 1, 2022. There was no impact on EKPC's financial statements. See Note 10 for required disclosures.

1. Summary of Significant Accounting Policies (continued)

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 Cooperative on January 1, 2023, and early adoption is permitted. The Cooperative does not believe implementation of this standard will have a material impact on its financial statements.

2. Electric Plant in Service

Electric plant in service at December 31, 2022 and 2021, consisted of the following (dollars in thousands):

	2022	2021
Production plant	**$ 3,191,277**	$ 3,185,421
Transmission plant	**970,558**	929,969
General plant	**120,168**	115,067
Completed construction, not classified, and other	**398,006**	320,852
Electric plant in service	**$ 4,680,009**	$ 4,551,309

Acquisition adjustments of $4 million were included in electric plant in service at December 31, 2022 and 2021. Acquisition adjustments represent the difference between the net book value of the original owner and the fair value of the assets at the date of acquisition.

3. Investment Securities

Cost and estimated fair value of available-for-sale investment securities at December 31, 2022 and 2021, were as follows (dollars in thousands):

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

3. Investment Securities (continued)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2021				
U.S. Treasury bill/note	$ 18,910	$ –	$ (12)	$ 18,898
	$ 18,910	$ –	$ (12)	$ 18,898

Proceeds from maturities of securities were $19.1 million and $80.2 million in 2022 and 2021, respectively.

Amortized cost and estimated fair value of held-to-maturity investment securities at December 31, 2022 and 2021, are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
National Rural Utilities Cooperative Finance Corporation:				
5% capital term certificates	**$ 6,998**	**$ –**	**$ (10)**	**$ 6,988**
6.59% subordinated term certificate	**70**	**1**	**–**	**71**
0% subordinated term certificate	**113**	**–**	**(4)**	**109**
	$ 7,181	**$ 1**	**$ (14)**	**$ 7,168**
2021				
National Rural Utilities Cooperative Finance Corporation:				
5% capital term certificates	$ 6,998	$ 5,250	$ –	$ 12,248
6.59% subordinated term certificate	105	10	–	115
0% subordinated term certificate	184	–	(2)	182
	$ 7,287	$ 5,260	$ (2)	$ 12,545

3. Investment Securities (continued)

The amortized cost and fair value of securities at December 31, 2022, 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	$ 18,224	$ 18,079
	$ 18,224	$ 18,079
Held-to-maturity:		
Due in one year or less	$ 183	$ 180
Due after ten years	6,998	6,988
	$ 7,181	$ 7,168

4. Regulatory Assets and Liabilities

Regulatory assets (liabilities) were comprised of the following as of December 31, 2022 and 2021 (dollars in thousands):

	2022	2021
Plant abandonment – Smith Unit 1	**$ 42,575**	$ 53,544
Plant abandonment – Dale Station	**281**	656
ARO-related depreciation and accretion expenses	**34,255**	38,771
Major maintenance projects – Spurlock Station	**4,528**	5,433
Rate case expenses	**433**	681
Generation maintenance tracker	**9,234**	–
Fuel adjustment clause	**33,546**	11,206
	$ 124,852	$ 110,291
Environmental cost recovery	**$ (4,505)**	$ (7,717)
Earnings mechanism	**(1,393)**	–
	$ (5,898)	$ (7,717)

4. Regulatory Assets and Liabilities (continued)

Detailed information regarding regulatory assets and liabilities is provided below.

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

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

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

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

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

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

4. Regulatory Assets and Liabilities (continued)

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

Earnings mechanism – As discussed in Note 1, Rate Matters, this amount represents 2022 excess earnings to be refunded to Owner-Members through a bill credit due to TIER exceeding 1.4. This regulatory liability is classified as current on the balance sheet.

5. Long-Term Debt

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

Long-term debt outstanding at December 31, 2022 and 2021, consisted of the following (dollars in thousands):

	2022	2021
First mortgage notes:		
1.14%–4.80%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2050, weighted average 3.43%	**$ 1,938,773**	$ 1,953,259
First Mortgage Bonds, Series 2014A, fixed rate of 4.61%, payable semi-annual, matures February 6, 2044	**164,000**	169,000
First Mortgage Bonds, Series 2019, fixed rate of 4.45%, payable semi-annual, matures April 19, 2049	**135,000**	140,000
First Mortgage Promissory Note, fixed rate of 4.30%, payable semi-annual, matures April 30, 2049	**90,000**	93,333
Tax-exempt bonds:		
Solid Waste Disposal Revenue Bonds, Series 1993B, variable rate bonds, due August 15, 2023 2.88% and 0.30% at December 31, 2022 and 2021, respectively	**700**	1,400
Clean Renewable Energy Bonds, fixed rate of 0.40% payable quarterly to CFC to December 1, 2023	**444**	888
New Clean Renewable Energy Bonds, fixed rate of 4.5% payable annually to CFC to January 31, 2047, reimbursed by IRS annually of up to 2.97% for a net rate of 1.53%	**16,386**	16,738

5. Long-Term Debt (continued)

		2022		2021
Promissory notes:				
Variable rate notes payable to CFC, 5.37% at December 31, 2022	**$**	**350,000**	$	160,000
5.40%–5.50% fixed rate notes payable to National Cooperative Services Corporation, weighted average 5.43%		**1,306**		2,695
Total debt		**2,696,609**		2,537,313
Less debt issuance costs		**(7,328)**		(7,719)
Total debt adjusted for debt issuance costs		**2,689,281**		2,529,594
Less current maturities		**(96,654)**		(92,763)
Total long-term debt	**$**	**2,592,627**	$	2,436,831

FFB and RUS First Mortgage Notes

The Cooperative received loan funds in varying amounts through its first mortgage notes payable to the Federal Financing Bank and RUS. All such loans are subject to certain conditions outlined by RUS. Listed below are descriptions of those loan applications for which additional funds were advanced to the Cooperative during the year and the status of any remaining funds approved and available for advance at December 31, 2022. The amounts outstanding under these notes are $1.9 billion at December 31, 2022.

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; $14.9 million was advanced in 2022. As of December 31, 2022, no loan funds 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; $27.1 million was advanced in 2022. As of December 31, 2022, $66.9 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; $18.9 million was advanced in 2022. As of December 31, 2022, $251.4 million of the loan remained available for advance.

5. Long-Term Debt (continued)

Other First Mortgage Notes and Bonds

On December 11, 2013, the Cooperative entered into a bond purchase agreement for $200 million 4.61% First Mortgage Bonds, Series 2014A due February 2044. The transaction closed and funded on February 6, 2014. The debt is secured on equal footing with the Cooperative's other secured debt under the Indenture. The amount outstanding under these notes is $164.0 million at December 31, 2022.

On April 18, 2019, the Cooperative entered into a bond purchase agreement for $150 million 4.45% First Mortgage Bonds, Series 2019 due to mature on April 19, 2049. The transaction closed and was funded on April 18, 2019. The debt is secured on equal footing with the Cooperative's other secured debt under the Indenture. The amount outstanding under these bonds is $135.0 million at December 31, 2022.

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 $90.0 million at December 31, 2022.

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 $0.7 million at December 31, 2022. The 1993B solid waste disposal revenue bonds require that debt service 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 of $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, 2022 and 2021.

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, 2022, is $0.4 million.

5. Long-Term Debt (continued)

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, 2022, is $16.4 million.

Promissory Notes

On July 29, 2022, the Cooperative executed a $500 million unsecured Amended and Restated Credit Agreement with CFC as the lead arranger, to be used for general corporate purposes including capital construction projects. This new revolving facility, with an initial maturity date of July 29, 2027, replaced the previous unsecured credit facility, which consisted of a $500 million revolving commitment and a $100 million term loan. As of December 31, 2022, the Cooperative had outstanding borrowings of $350 million. As of December 31, 2022, the approximate availability under the credit facility was $150 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, 2022, the amount outstanding under these notes is $1.3 million.

Estimated annual maturities of long-term debt adjusted for debt issuance costs for the five years subsequent to December 31, 2022, are as follows (dollars in thousands):

Years ending December 31:	
2023	$ 96,654
2024	96,588
2025	108,560
2026	106,229
2027	103,083
Thereafter	2,178,167
	$ 2,689,281

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, 2022 and 2021.

5. Long-Term Debt (continued)

As of December 31, 2022, the Cooperative has $6.1 million outstanding in a letter of credit with the Commonwealth of Kentucky for Workers' Compensation and Self-Insured Automotive Policy Requirements.

As of December 31, 2022, the Cooperative has pledged securities of $0.2 million to the United States Department of Labor related to Workers' Compensation.

In April 2022, the Cooperative filed a corporate guarantee and financial test with the Commonwealth of Kentucky in lieu of pledging securities for landfill closure and post-closure care costs estimated at approximately $21.6 million. The corporate guarantee is renewed annually.

6. Retirement Benefits

Pension Plan

Pension benefits for employees hired prior to January 1, 2007, are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Plan (RS Plan). The plan is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

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

For the RS Plan, a "zone status" determination is not required and therefore, not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2022 and 2021, 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.

6. Retirement Benefits (continued)

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

The Cooperative's contributions to the RS Plan in 2022 and 2021 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made annual contributions to the RS Plan and Deferred Compensation Pension Restoration Plan of $7.4 million and $7.8 million in 2022 and 2021, respectively.

Retirement Savings Plan

The Cooperative offers a Retirement Savings Plan for all employees who are eligible to participate in the Cooperative's benefit programs. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. For employees hired prior to January 1, 2007, the Cooperative makes matching contributions to the account of each participant up to 2.0% of the participant's compensation. For employees hired on or after January 1, 2007, the Cooperative will automatically contribute 6.0% of base wages and match the employee contribution up to 4.0%. The Cooperative contributed approximately $5.0 million and $4.7 million to the plan for the years ended December 31, 2022 and 2021, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative.

Supplemental Executive Retirement Plan

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

6. Retirement Benefits (continued)

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 ASU 2017-07, *Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, the Cooperative includes the service cost component of net periodic benefit cost in operating expenses in the statements of revenue and expenses and comprehensive margin. 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, 2022 and 2021 (dollars in thousands):

6. Retirement Benefits (continued)

	2022	2021
Change in benefit obligation:		
Accumulated postretirement benefit obligation – beginning of year	**$ 37,435**	$ 51,151
Service cost	**834**	1,279
Interest cost	**1,052**	1,283
Participants' contributions	**1,478**	1,275
Benefits paid	**(4,085)**	(2,894)
Actuarial gain	**(6,740)**	(14,659)
Accumulated postretirement benefit obligation – end of year	**29,974**	37,435
Change in plan assets:		
Fair value of plan assets – beginning of year	**–**	–
Employer contributions	**2,607**	1,619
Participant contributions	**1,478**	1,275
Benefits paid	**(4,085)**	(2,894)
Fair value of plan assets – end of year	**–**	–
Funded status – end of year	**$ (29,974)**	$ (37,435)
Amounts recognized in balance sheet consists of:		
Current liabilities	**$ 2,247**	$ 1,848
Noncurrent liabilities	**27,727**	35,587
Total amount recognized in balance sheet	**$ 29,974**	$ 37,435
Amounts included in accumulated other comprehensive margin:		
Prior service credit	**$ 20,608**	$ 22,629
Unrecognized actuarial gain	**23,329**	17,461
Total amount in accumulated other comprehensive margin	**$ 43,937**	$ 40,090
Net periodic benefit cost:		
Service cost	**$ 834**	$ 1,279
Interest cost	**1,052**	1,283
Amortization of prior service credit	**(2,021)**	(2,021)
Amortization of net actuarial gain	**(872)**	–
Net periodic benefit cost	**$ (1,007)**	$ 541
Amounts included in other comprehensive margin:		
Net gain arising during the year	**6,740**	14,659
Amortization of prior service credit	**(2,021)**	(2,021)
Amortization of net actuarial gain	**(872)**	–
Net gain recognized in other comprehensive margin	**$ 3,847**	$ 12,638

6. Retirement Benefits (continued)

The change in benefit obligation included a net actuarial gain of $6.7 million. This net actuarial gain was comprised of a $10.6 million gain resulting from an increase in the discount rate, partially offset by losses of $2.6 million due to census related data assumptions, $0.8 million from higher per capita claims, and $0.5 million from healthcare trend and other updates.

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

The discount rate used to determine the accumulated postretirement benefit obligation was 5.42% and 2.88% for 2022 and 2021, respectively.

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

Years ending December 31:	
2023	$ 2,247
2024	2,246
2025	2,121
2026	1,935
2027	1,900
2028–2031	9,881

For measurement purposes, a 6.3% annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2022. The rate is assumed to decline to 4.0% after 25 years.

7. Changes in Accumulated Other Comprehensive Margin by Component

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

	Postretirement Benefit Obligation	Unrealized Gain (Loss) on Investments Available for Sale	Accumulated Other Comprehensive Margin
Balance – December 31, 2020	$ 27,452	$ 1	$ 27,453
Other comprehensive gain (loss) before reclassifications	14,659	(13)	14,646
Amounts reclassified from accumulated other comprehensive margin	(2,021)	–	(2,021)
Net current period other comprehensive gain (loss)	12,638	(13)	12,625
Balance – December 31, 2021	40,090	(12)	40,078
Other comprehensive gain (loss) before reclassifications	**6,740**	**(133)**	**6,607**
Amounts reclassified from accumulated other comprehensive margin	**(2,893)**	–	**(2,893)**
Net current period other comprehensive gain (loss)	**3,847**	**(133)**	**3,714**
Balance – December 31, 2022	**$ 43,937**	**$ (145)**	**$ 43,792**

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

8. Commitments and Contingencies

Contract Commitments

The Cooperative periodically enters into long-term agreements for the purchase of power. Payments made under long-term power contracts in 2022 and 2021 were $7.3 million and $6.5 million, respectively. One long-term agreement remained in effect at December 31, 2022, 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:		
2023	$	4,450
2024		3,910
2025		3,747

The Cooperative has commitments to purchase coal for its generating plants under long-term contracts that extend through 2025. Coal payments under contracts for 2022 and 2021 were $110.6 million and $77.1 million, respectively. Total minimum purchase obligations for the next three years are as follows (dollars in thousands):

Years ending December 31:		
2023	$	299,445
2024		165,311
2025		10,989

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

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

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

8. Commitments and Contingencies (continued)

Environmental

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

Winter Storm Elliott

PJM declared Performance Assessment Interval (PAI) events on December 23 and December 24, 2022 as a result of the high demand for electricity and loss of generation caused by the extremely cold temperatures experienced during Winter Storm Elliott. Generation owners with committed capacity resources are subject to significant non-performance assessments if their generating units do not meet PJM's performance standards during such events. Conversely, generating units that exceed performance expectations are eligible to receive bonus payments based upon the amount of non-performance assessments actually collected by PJM. EKPC had units that experienced unplanned outages during these events due to natural gas constraints and mechanical issues. Other EKPC units performed in excess of their required capacity obligations during the events. PJM released preliminary generating unit performance data in February 2023 and plans to finalize data and invoice non-performance assessments and bonus payments in early April 2023. Based upon PJM's preliminary generating unit performance data and other internal information, EKPC recorded a $19.5 million liability as of December 31, 2022 for capacity non-performance assessments, which was included in operating revenue on the statement of revenue and expenses and comprehensive margin. EKPC did not record a receivable for estimated capacity bonus performance payments at December 31, 2022 as those amounts were not reasonably estimable.

EKPC maintains insurance coverage for certain unit non-performance assessments that occur during PAI events. Based upon the provisions of the policy and preliminary data provided by PJM, EKPC recorded an insurance receivable of $13.7 million, which was included in operating revenue on the statement of revenue and expenses and comprehensive margin at December 31, 2022.

9. Power Sales Arrangement

In December 2015, the Cooperative became the lessor under a power sales arrangement that was required to be accounted for as an operating lease due to the specific terms of the agreement. The arrangement is an agreement to sell the capacity and energy from the Glasgow landfill gas plant to a member system for a period of ten years. The revenue associated with this arrangement for 2022 and 2021 was $0.5 million and $0.6 million, respectively, and is included in operating revenue on the statements of revenue and expenses and comprehensive margin for the years ended December 31, 2022 and 2021.

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

Years ending December 31:		
2023	$	452
2024		452
2025		452

10. Government Assistance

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

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

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

11. Related Party Transactions

The Cooperative is a member of CFC, which provides a portion of the Cooperative's financing, including a $100 million fixed rate loan executed in 2019. CFC is also a joint lead arranger and a 36% participant in the Cooperative's $500 million unsecured credit facility. Held-to-maturity investments included CFC capital term certificates of $7.2 million and $7.3 million at December 31, 2022 and 2021, respectively. CFC Patronage capital assigned to EKPC was $2.1 million and $1.9 million at December 31, 2022 and 2021, respectively.

The Cooperative is also a member of CoBank. The balance of CoBank's patronage capital assigned to EKPC was $0.7 million at December 31, 2022 and 2021. CoBank was also a 15% participant in the Cooperative's previous unsecured credit facility that ended on July 29, 2022.

EKPC is a member of ACES LLC (ACES), which provides various energy marketing, settlement and risk management related services to its members and clients. EKPC's Chairman of the Board and EKPC's CEO serve as ACES Board Members. EKPC accounts for its investment in ACES on the cost basis of accounting. At December 31, 2022 and 2021, the balance of EKPC's investment in ACES was approximately $0.6 million. Payments to ACES were $2.4 million in 2022 and $2.3 million in 2021.

12. Subsequent Events

Management has evaluated subsequent events through March 31, 2023, which is the date these financial statements were available to be issued.

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