



FINANCIAL STATEMENTS

East Kentucky Power Cooperative, Inc.
Years Ended December 31, 2024 and 2023
With Report of Independent Auditors



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East Kentucky Power Cooperative, Inc.

Financial Statements

Years Ended December 31, 2024 and 2023

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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. (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenue and expenses and comprehensive loss, changes in members' equities, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, 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.



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 28, 2025, on our consideration of East Kentucky Power Cooperatives, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Kentucky Power Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Kentucky Power Cooperative, Inc.'s internal control over financial reporting and compliance.

Ernst + Young LLP

March 28, 2025

East Kentucky Power Cooperative, Inc.

Balance Sheets (Dollars in Thousands)

	December 31	
	2024	2023
Assets		
Electric plant:		
In-service	\$ 4,935,839	\$ 4,794,506
Construction-in-progress	111,183	91,402
	5,047,022	4,885,908
Less accumulated depreciation	1,947,150	1,856,761
Electric plant – net	3,099,872	3,029,147
Investment securities:		
Available-for-sale	15,006	16,596
Held-to-maturity	6,998	7,054
Current assets:		
Cash and cash equivalents	225,075	296,825
Accounts receivable	113,771	110,898
Fuel	81,193	136,241
Materials and supplies	158,042	137,485
Regulatory assets	3,423	14,404
Other current assets	34,593	23,183
Total current assets	616,097	719,036
Regulatory assets	80,641	94,340
Deferred charges	55,488	10,456
Other noncurrent assets	9,045	8,287
Total assets	\$ 3,883,147	\$ 3,884,916
Members' equities and liabilities		
Members' equities:		
Memberships	\$ 2	\$ 2
Patronage and donated capital	767,627	761,008
Accumulated other comprehensive margin	15,231	23,010
Total members' equities	782,860	784,020
Long-term debt	2,774,691	2,749,655
Current liabilities:		
Current portion of long-term debt	114,842	101,905
Accounts payable	88,406	109,662
Accrued expenses	32,534	56,931
Regulatory liabilities	–	1,428
Total current liabilities	235,782	269,926
Accrued postretirement benefit cost	51,422	44,506
Asset retirement obligations and other liabilities	38,392	36,809
Total members' equities and liabilities	\$ 3,883,147	\$ 3,884,916

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Revenue and Expenses and Comprehensive Loss

(Dollars in Thousands)

	Year Ended December 31	
	2024	2023
Operating revenue	\$ 1,144,064	\$ 1,110,571
Operating expenses:		
Production:		
Fuel	335,047	344,469
Other	196,914	213,174
Purchased power	200,114	164,814
Transmission and distribution	73,269	74,244
Regional market operations	7,208	6,058
Depreciation and amortization	160,847	142,447
General and administrative	61,217	56,415
Total operating expenses	1,034,616	1,001,621
Operating margin before fixed charges and other expenses	109,448	108,950
Fixed charges and other:		
Interest expense on long-term debt	109,561	107,002
Amortization of debt expense	770	971
Accretion and other	1,317	1,207
Total fixed charges and other expenses	111,648	109,180
Operating loss	(2,200)	(230)
Nonoperating margin:		
Interest income	8,043	9,035
Patronage capital allocations from other cooperatives	564	913
Other	212	8,138
Total nonoperating margin	8,819	18,086
Net margin	6,619	17,856
Other comprehensive loss:		
Unrealized gain on available-for-sale securities	13	184
Postretirement benefit obligation loss	(7,792)	(20,966)
	(7,779)	(20,782)
Comprehensive loss	\$ (1,160)	\$ (2,926)

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, 2022	\$ 2	\$ 740,117	\$ 3,035	\$ 43,792	\$ 786,946
Net margin	–	17,856	–	–	17,856
Unrealized gain on available for sale securities	–	–	–	184	184
Postretirement benefit obligation loss	–	–	–	(20,966)	(20,966)
Balance – December 31, 2023	2	757,973	3,035	23,010	784,020
Net margin	–	6,619	–	–	6,619
Unrealized gain on available for sale securities	–	–	–	13	13
Postretirement benefit obligation loss	–	–	–	(7,792)	(7,792)
Balance – December 31, 2024	\$ 2	\$ 764,592	\$ 3,035	\$ 15,231	\$ 782,860

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31	
	2024	2023
Operating activities		
Net margin	\$ 6,619	\$ 17,856
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	160,847	142,447
Amortization of debt issuance costs	1,176	1,176
Changes in operating assets and liabilities:		
Accounts receivable	(1,786)	38,550
Fuel	55,048	(43,974)
Materials and supplies	(20,557)	(32,598)
Regulatory assets/liabilities	10,348	15,796
Accounts payable	(21,316)	(33,652)
Accrued expenses	(24,397)	6,529
Accrued postretirement benefit cost	(876)	(4,187)
Other	(15,239)	(21,177)
Net cash provided by operating activities	<u>149,867</u>	<u>86,766</u>
Investing activities		
Additions to electric plant	(215,222)	(185,261)
Change in deferred charges - survey and investigation	(45,144)	-
Maturities of debt service reserve securities	-	3,341
Purchases of debt service reserve securities	-	(2,224)
Maturities of available-for-sale securities	17,250	18,730
Purchases of available-for-securities	(15,647)	(17,063)
Maturities of held-to-maturity securities	56	127
Other	(35)	1,124
Net cash used in investing activities	<u>(258,742)</u>	<u>(181,226)</u>
Financing activities		
Proceeds from long-term debt	335,643	457,662
Principal payments on long-term debt	(297,941)	(295,704)
Debt issuance costs	(500)	(253)
Payment of obligation under long-term lease	(77)	(89)
Net cash provided by financing activities	<u>37,125</u>	<u>161,616</u>
Net change in cash and cash equivalents	(71,750)	67,156
Cash and cash equivalents – beginning of year	296,825	229,669
Cash and cash equivalents – end of year	<u>\$ 225,075</u>	<u>\$ 296,825</u>
Supplemental disclosure of cash flows		
Cash paid for interest	<u>\$ 127,476</u>	<u>\$ 107,682</u>
Noncash investing transactions:		
Additions to electric plant included in accounts payable	<u>\$ 29,613</u>	<u>\$ 29,553</u>
Unrealized gain (loss) on available-for-sale securities	<u>\$ 13</u>	<u>\$ 184</u>

See notes to financial statements.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements

Years Ended December 31, 2024 and 2023

1. Summary of Significant Accounting Policies

Nature of Operations

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

The Cooperative owns and operates two coal-fired generation plants, twelve combustion turbines, five landfill gas plants, and two solar farms. 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 one solar farm's panels are licensed to customers of our members. The second solar farm is designated to serve a member system's customer through a 25-year renewable energy program purchase agreement.

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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
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 \$160.8 million and \$142.4 million for 2024 and 2023, respectively. Depreciation and amortization expense includes amortization expense of \$10.6 million in 2024 and \$10.9 million in 2023 related to plant abandonments granted regulatory asset treatment, offset by regulatory credits of \$1.0 million in 2024 and \$18.3 million in 2023 related to the annual establishment of the generation maintenance tracker regulatory asset (Note 4).

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Cooperative received PSC approval to charge depreciation associated with asset retirement obligations to regulatory assets. These regulatory assets are then charged to depreciation expense as recovery occurs. Depreciation charged to regulatory assets was \$2.1 million and \$3.3 million in 2024 and 2023, 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, 2024 or 2023.

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, 2024 and 2023, consisted primarily of money market mutual funds and investments in commercial paper.

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 loss on the statements of revenue and expenses and comprehensive loss.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

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

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

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

The inputs used to measure cash equivalents are Level 1 measurements, as the money market funds are exchange traded funds in an active market. The inputs used to measure the available-for-sale investments are Level 1 measurements, as the securities are based on quoted market prices for identical investments or securities. Included in the available-for-sale securities on the following table are securities held in connection with the directors' and certain employees' elective deferred compensation programs and the supplemental executive retirement plan covering certain executives of \$4.4 million and \$3.9 million at December 31, 2024 and 2023, respectively. These assets are included in other noncurrent assets on the balance sheets.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Estimated fair values of the Cooperative's financial instruments as of December 31, 2024 and 2023, were as follows (dollars in thousands):

	Fair Value at Reporting Date Using			
	Fair Value December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 165,000	\$ 165,000	\$ —	\$ —
Available-for-sale securities	19,391	19,391	—	—

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

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The estimated fair values of the Cooperative’s financial instruments carried at cost at December 31, 2024 and 2023, were as follows (dollars in thousands):

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Held-to-maturity investments	\$ 6,998	\$ 6,616	\$ 7,054	\$ 7,432
Long-term debt	2,889,533	2,708,040	2,851,560	2,748,114

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 \$1,091.0 million and \$1,052.0 million for 2024 and 2023, respectively. Accounts receivable at December 31, 2024 and 2023, were primarily from billings to member cooperatives. Based upon historical experience, the short-term nature of these receivables, and current economic conditions, credit losses are not expected.

At December 31, 2024 and 2023, individual accounts receivable balances that exceeded 10% of total accounts receivable are as follows (dollars in thousands):

	2024	2023
Owen Electric Cooperative	\$ 17,709	\$ 16,135
Blue Grass Energy Cooperative	12,223	N/A
South Kentucky RECC	11,555	N/A

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

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.

Deferred Charges

Deferred charges are classified as non-current assets on the balance sheet and include survey and investigation charges, issuance costs associated with an unsecured credit facility arrangement, and other miscellaneous deferred credits not provided for elsewhere.

Survey and investigation charges represent the costs incurred in determining the feasibility of contemplated generation and transmission projects. If construction results, the charges will be reclassified to electric plant, construction work in-progress. If the work is abandoned, the associated costs will be charged to the appropriate operating expense account, or an application will be filed with the PSC for regulatory asset treatment and recovery in a future base rate case. As of December 31, 2024, the construction of these projects is deemed probable.

Issuance costs and other fees associated with the unsecured credit facility are amortized to expense over the term of the agreement.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The balances at December 31, 2024 and 2023, were as follows (dollars in thousands):

	<u>2024</u>	<u>2023</u>
Survey and Investigation Charges	\$ 53,591	\$ 8,447
Unsecured Credit Facility Issuance Costs and Fees	1,492	1,298
Miscellaneous	405	711
	<u>\$ 55,488</u>	<u>\$ 10,456</u>

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.

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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Cooperative's AROs represent the requirements related to asbestos abatement and reclamation and capping of ash disposal sites at its coal-fired plants. ARO liabilities incurred in 2024 represent currently known, and reasonably estimated costs to comply with the Legacy Coal Combustion Residuals (CCR) Rule published on May 8, 2024, which included two additional classes of CCR units; legacy CCR surface impoundments (LSIs), and CCR management units (CCRMUs). The ARO obligations recognized included groundwater monitoring and closure certification costs at an LSI site and for expected costs related to facility evaluations at various sites where CCRMUs areas of interest were identified. Estimated cash flow revisions in 2024 and 2023 are primarily related to changes in the cost estimates and expected timing of settlement activities for certain ash disposal sites to comply with the closure and post-closure requirements of the 2015 Coal Combustion Residuals (CCR) Rule. Settlement activities in 2024 and 2023 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):

	<u>2024</u>	<u>2023</u>
Balance – beginning of year	\$ 32,416	\$ 40,368
Liabilities incurred	2,362	958
Liabilities settled	(5,239)	(5,795)
Estimated cash flow revisions	2,111	(4,722)
Accretion	1,613	1,607
Balance – end of year	<u>\$ 33,263</u>	<u>\$ 32,416</u>

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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Accretion charged to regulatory assets was \$1.6 million in 2024 and 2023. Accretion expense recognized in 2024 and 2023 was \$1.3 million and \$1.6 million, respectively, which represented the recovery of settlement costs associated with ash disposal sites and in 2023 also included the recovery of asbestos abatement at Dale Station.

Revenue Recognition

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

Non-member revenues are primarily comprised of PJM Interconnection, LLC (PJM) electric and capacity revenues, and other revenues. In the PJM market, electricity sales are separately identifiable from participation in the capacity market as the two can be transacted independently of one another. Therefore, PJM electric sales are considered a separate contract with a single performance obligation and revenue is recognized based upon the megawatt-hours delivered in each hour at the market price. Capacity revenues represent compensation received from PJM for making generation capacity available to satisfy system integrity and reliability requirements. Capacity is a stand-ready obligation to deliver energy when called upon and is considered a single performance obligation. Revenue is recognized over time based upon megawatts and the prices set by the PJM competitive auction for the delivery year. In 2023, capacity revenue included PJM net performance bonuses of \$22.3 million related to Winter Storm Elliott.

Other revenues primarily consist of transmission, wheeling, and leasing activities. Transmission and wheeling are related to contractual agreements with PJM and other electric utilities for transmitting electricity over EKPC's transmission lines. Each of these services are provided over time with progress measured using the output method. Lease revenue is related to power sales arrangements that are required to be accounted for as leases since the arrangements convey the right to the output of a specific plant facility for a stated period of time. Lease revenues comprised \$0.6 million of other revenues for 2024 and 2023.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The following represents operating revenues by revenue stream for the years ended December 31, 2024 and 2023 (dollars in thousands):

	Year Ended December 31	
	2024	2023
Member electric sales	\$ 1,091,417	\$ 1,051,960
Non-member sales:		
Electric	39,910	19,027
Capacity	1,765	30,023
Other	10,972	9,561
Total operating revenues	<u>\$ 1,144,064</u>	<u>\$ 1,110,571</u>

Rate Matters

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

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

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

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

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.

All margin allocations assigned to members through 1983 have been retired. There were no retirements of patronage capital in 2024 or 2023.

Comprehensive Loss

Comprehensive loss includes both net margin and other comprehensive loss. Other comprehensive loss represents the change in unrealized gains and losses on available-for-sale securities, as well as the change in the funded status of the accumulated postretirement benefit obligation.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

The Cooperative presents each item of other comprehensive loss on a net basis in the statements of revenue and expenses and comprehensive loss. Reclassification adjustments are disclosed in Note 7. For any item required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period, the affected line item(s) on the statements of revenue and expenses and comprehensive loss are provided.

Income Taxes

The Cooperative is exempt under Section 501(c)(12) of the Internal Revenue Code from federal income tax for any year in which at least 85% of its gross income is derived from members but is responsible for income taxes on certain unrelated business income. ASC Topic 740, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in the financial statements. This interpretation requires financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position.

Additionally, ASC Topic 740 provides guidance on measurement, recognition, classification, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Cooperative has determined that more than 85% of its gross income is derived from members and it meets the exemption status under Section 501(c)(12) for each period presented.

Regional Transmission Organization

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

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

2. Electric Plant in Service

Electric plant in service at December 31, 2024 and 2023, consisted of the following (dollars in thousands):

	2024	2023
Production plant	\$ 3,481,219	\$ 3,400,275
Transmission plant	1,045,835	1,013,308
General plant	142,469	133,741
Completed construction, not classified, and other	266,316	247,182
Electric plant in service	\$ 4,935,839	\$ 4,794,506

Acquisition adjustments of \$4 million were included in electric plant in service at December 31, 2024 and 2023. 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, 2024 and 2023, were as follows (dollars in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024				
U.S. Treasury bill/note	\$ 14,954	\$ 52	\$ –	\$ 15,006
	\$ 14,954	\$ 52	\$ –	\$ 15,006
2023				
U.S. Treasury bill/note	\$ 16,557	\$ 39	\$ –	\$ 16,596
	\$ 16,557	\$ 39	\$ –	\$ 16,596

Proceeds from maturities of securities were \$17.3 million and \$18.7 million in 2024 and 2023, respectively.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

3. Investment Securities (continued)

Amortized cost and estimated fair value of held-to-maturity investment securities with National Rural Utilities Cooperative Finance Corporation (CFC) at December 31, 2024 and 2023, are as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024				
5% capital term certificates	\$ 6,998	\$ –	\$ (382)	\$ 6,616
	<u>\$ 6,998</u>	<u>\$ –</u>	<u>\$ (382)</u>	<u>\$ 6,616</u>
2023				
5% capital term certificates	\$ 6,998	\$ 378	\$ –	\$ 7,376
0% subordinated term certificate	56	–	–	56
	<u>\$ 7,054</u>	<u>\$ 378</u>	<u>\$ –</u>	<u>\$ 7,432</u>

The amortized cost and fair value of securities at December 31, 2024, 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	\$ 14,954	\$ 15,006
	<u>\$ 14,954</u>	<u>\$ 15,006</u>
Held-to-maturity:		
Due after ten years	\$ 6,998	\$ 6,616
	<u>\$ 6,998</u>	<u>\$ 6,616</u>

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

4. Regulatory Assets and Liabilities

Regulatory assets (liabilities) were comprised of the following as of December 31, 2024 and 2023 (dollars in thousands):

	<u>2024</u>	<u>2023</u>
Plant abandonment – Smith Unit 1	\$ 21,287	\$ 31,931
ARO-related depreciation and accretion expenses	28,146	31,103
Major maintenance projects – Spurlock Station	2,716	3,622
Rate case expenses	–	186
Generation maintenance tracker	28,492	27,498
Environmental cost recovery	2,320	52
Fuel adjustment clause	1,103	14,352
	<u>\$ 84,064</u>	<u>\$ 108,744</u>
Earnings mechanism	\$ –	\$ (1,428)
	<u>\$ –</u>	<u>\$ (1,428)</u>

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.

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. 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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

4. Regulatory Assets and Liabilities (continued)

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

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

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

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

Earnings mechanism – As discussed in Note 1, Rate Matters, this amount represents 2022 excess earnings to be refunded to members through a bill credit due to TIER exceeding 1.4, plus interest. In 2023, the PSC authorized the Cooperative to delay refunding the 2022 excess earnings to members for one year due to the administrative burden associated with the members passing the credit back to their members, and to accrue interest on the balance until refunded. The 2022 excess earnings plus interest were refunded to the members in August 2024.

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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

Long-term debt outstanding at December 31, 2024 and 2023, consisted of the following (dollars in thousands):

	2024	2023
First mortgage notes:		
1.14%–5.18%, payable quarterly to Federal Financing Bank (FFB) in varying amounts through 2050, weighted average 3.63%	\$ 2,068,301	\$ 2,141,556
First Mortgage Bonds, Series 2014A, fixed rate of 4.61%, payable semi-annual, matures February 6, 2044	154,000	159,000
First Mortgage Bonds, Series 2019, fixed rate of 4.45%, payable semi-annual, matures April 19, 2049	125,000	130,000
First Mortgage Promissory Note, fixed rate of 4.30%, payable semi-annual, matures April 30, 2049	83,333	86,667
Tax-exempt bonds:		
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%	15,634	16,018
Promissory notes:		
Variable rate notes payable to CFC, 5.37% at December 31, 2024	450,000	325,000
5.40%–5.50% fixed rate notes payable to National Cooperative Services Corporation, weighted average 5.43%	—	325
Total debt	2,896,268	2,858,566
Less debt issuance costs	(6,735)	(7,006)
Total debt adjusted for debt issuance costs	2,889,533	2,851,560
Less current maturities	(114,842)	(101,905)
Total long-term debt	\$ 2,774,691	\$ 2,749,655

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, 2024. The amounts outstanding under these notes are \$2.1 billion at December 31, 2024.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

In September 2019, the Cooperative submitted to RUS a loan application in the amount of \$153 million for various transmission projects. The loan documents were subsequently executed in March 2020 with a maturity date of December 31, 2050; \$1.4 million was advanced in 2024. As of December 31, 2024, no loan funds remained available for advance.

In September 2019, the Cooperative submitted to RUS a loan application in the amount of \$347 million for various generation projects. The loan documents were subsequently executed in March 2020 with a maturity date of December 31, 2050; \$34.2 million was advanced in 2024. As of December 31, 2024, no loan funds remained available for advance.

The Cooperative had two loan applications for various transmission and generation projects in the amounts of \$331 million and \$110 million, respectively, pending at RUS at December 31, 2024.

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 \$154.0 million at December 31, 2024.

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 \$125.0 million at December 31, 2024.

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 \$83.3 million at December 31, 2024.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

On February 25, 2025, the Cooperative filed an application with the PSC requesting authorization to issue up to \$450 million of secured or unsecured private placement or bank/financial institution debt. The proceeds of the proposed financing are expected to be used to reduce borrowings under the Credit Facility, to fund ongoing capital expenditures associated with the construction of utility plant, and for general corporate purposes.

Tax-Exempt Bonds

In September 2016, EKPC was authorized by the IRS to issue \$19.8 million in New Clean Renewable Energy Bonds to finance a community solar facility. In February 2017, EKPC issued an \$18 million note to CFC. The amount outstanding as of December 31, 2024, is \$15.6 million.

Promissory Notes

On July 29, 2022 the Cooperative executed a \$500 million unsecured Amended and Restated Credit Agreement with CFC as the lead arranger, to be used for general corporate purposes, including capital construction projects. Effective July 29, 2024, the Cooperative amended its existing \$500 million unsecured syndicated credit facility to increase the commitments by \$100 million to \$600 million and exercised its second option to extend the maturity date of \$520 million of the credit facility an additional 364-days, to July 26, 2029. The remaining \$80 million will expire on the original maturity date of July 29, 2027. As of December 31, 2024, the Cooperative had outstanding borrowings of \$450.0 million and outstanding letters of credit of \$10.1 million for deposits with PJM Interconnection and for the Commonwealth of Kentucky for worker's compensation and self-insured automotive policy requirements. As of December 31, 2024, the availability under the credit facility was \$139.9 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. The loan was paid in full on November 30, 2024.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

5. Long-Term Debt (continued)

Estimated Annual Maturities of Long-Term Debt

Estimated annual maturities of long-term debt adjusted for debt issuance costs for the five years subsequent to December 31, 2024, are as follows (dollars in thousands):

Years ending December 31:	
2025	\$ 114,842
2026	112,812
2027	109,868
2028	111,764
2029	110,228
Thereafter	<u>2,330,019</u>
	<u>\$ 2,889,533</u>

The Indenture and certain other debt agreements require, among other provisions, the Cooperative to maintain certain financial ratios or follow cure provisions if ratios are not met in a given year. The Cooperative was in compliance with these requirements at December 31, 2024 and 2023.

As of December 31, 2024, the Cooperative has pledged securities of \$0.2 million to the United States Department of Labor related to Workers' Compensation.

In April 2024, 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 \$29.2 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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

6. Retirement Benefits (continued)

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

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, 2024 and 2023, based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

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

The Cooperative’s contributions to the RS Plan in 2024 and 2023 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 \$7.1 million and \$7.0 million in 2024 and 2023, 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. Prior to July 1, 2024, for employees hired on or after January 1, 2007, the Cooperative automatically contributed 6.0% of base wages and matched the employee contribution up to 4.0%. Effective on July 1, 2024, the Cooperative increased the automatic contribution to 6.5% of base wages, and increased the maximum match of

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

6. Retirement Benefits (continued)

employee contributions to 4.5%. The Cooperative contributed approximately \$6.5 million and \$5.6 million to the plan for the years ended December 31, 2024 and 2023, respectively. Employees vest immediately in their contributions and the contributions of the Cooperative.

Supplemental Executive Retirement Plan

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

Supplemental Death Benefit Plan

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

Postretirement Medical Benefits

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

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 loss. All other components of net periodic benefit cost are included in other non-operating margin.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

6. Retirement Benefits (continued)

The following tables set forth the accumulated postretirement benefit obligation, the change in plan assets, and the components of accrued postretirement benefit cost and net periodic benefit cost as of December 31, 2024 and 2023 (dollars in thousands):

	2024	2023
Change in benefit obligation:		
Accumulated postretirement benefit obligation – beginning of year	\$ 47,244	\$ 29,974
Service cost	890	590
Interest cost	2,372	1,564
Participants’ contributions	1,597	1,574
Benefits paid	(3,802)	(4,142)
Actuarial loss (gain)	5,771	17,684
Accumulated postretirement benefit obligation – end of year	54,072	47,244
Change in plan assets:		
Fair value of plan assets – beginning of year	–	–
Employer contributions	2,205	2,568
Participant contributions	1,597	1,574
Benefits paid	(3,802)	(4,142)
Fair value of plan assets – end of year	–	–
Funded status – end of year	\$ (54,072)	\$ (47,244)
Amounts recognized in balance sheet consists of:		
Current liabilities	\$ 2,650	\$ 2,738
Noncurrent liabilities	51,422	44,506
Total amount recognized in balance sheet	\$ 54,072	\$ 47,244
Amounts included in accumulated other comprehensive margin:		
Prior service credit	\$ 16,566	\$ 18,587
Unrecognized actuarial gain	(1,387)	4,384
Total amount in accumulated other comprehensive margin	\$ 15,179	\$ 22,971

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

6. Retirement Benefits (continued)

	2024	2023
Net periodic benefit cost:		
Service cost	\$ 890	\$ 590
Interest cost	2,372	1,564
Amortization of prior service credit	(2,021)	(2,021)
Amortization of net actuarial gain	–	(1,261)
Net periodic benefit cost	\$ 1,241	\$ (1,128)
Amounts included in other comprehensive margin:		
Net gain (loss) arising during the year	\$ (5,771)	\$ (17,684)
Amortization of prior service credit	(2,021)	(2,021)
Amortization of net actuarial gain	–	(1,261)
Net gain (loss) recognized in other comprehensive margin	\$ (7,792)	\$ (20,966)

The change in benefit obligation included a net actuarial loss of \$5.8 million. This net actuarial loss was comprised of \$6.7 million from changes in demographic assumptions based on recent experience study, \$3.1 million from healthcare trend and other updates, partially offset by \$4.0 million from an increase in the discount rate.

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

The discount rate used to determine the accumulated postretirement benefit obligation was 5.73% and 5.17% for 2024 and 2023, respectively.

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

Years ending December 31:	
2025	\$ 2,650
2026	2,824
2027	2,944
2028	3,133
2029	3,292
2030–2034	19,516

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

6. Retirement Benefits (continued)

For measurement purposes, a 6.25% annual rate of increase in the per capita cost of covered health care benefits was used for the year ended December 31, 2024. 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, 2022	\$ 43,937	\$ (145)	\$ 43,792
Other comprehensive gain (loss) before reclassifications	(17,684)	184	(17,500)
Amounts reclassified from accumulated other comprehensive margin	(3,282)	–	(3,282)
Net current period other comprehensive gain (loss)	(20,966)	184	(20,782)
Balance – December 31, 2023	22,971	39	23,010
Other comprehensive gain (loss) before reclassifications	(5,771)	13	(5,758)
Amounts reclassified from accumulated other comprehensive margin	(2,021)	–	(2,021)
Net current period other comprehensive gain (loss)	(7,792)	13	(7,779)
Balance – December 31, 2024	<u>\$ 15,179</u>	<u>\$ 52</u>	<u>\$ 15,231</u>

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.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

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 2024 and 2023 were \$57.1 million and \$7.7 million, respectively. The agreements have varying terms, with one agreement continuing until either party gives a three year notice of termination. Total minimum payment obligations related to the contracts are as follows (dollars in thousands):

Years ending December 31:	
2025	\$ 54,622
2026	4,846
2027	4,963

The Cooperative has commitments to purchase coal for its generating plants under long-term contracts that extend through 2027. Coal payments under contracts for 2024 and 2023 were \$186.2 million and \$169.7 million, respectively. Total minimum purchase obligations for the next three years are as follows (dollars in thousands):

Years ending December 31:	
2025	\$ 130,163
2026	59,370
2027	26,007

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 2027 and 2026, respectively. 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*.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

8. Commitments and Contingencies (continued)

New ERA Program

In January 2025, RUS notified EKPC that its application for a funding award through the Empowering Rural America (New ERA) program, a \$9.7 billion program of the Inflation Reduction Act (IRA) of 2022, had been obligated with a total budget authority of \$679 million. EKPC's application requested a combination of grants and low-interest loans to fund the construction or procurement of 757 megawatts of renewable energy along with improving the regional transmission grid to support renewable projects and increase energy efficiency, with the intent of reducing greenhouse gas emissions, while still providing cost-competitive, reliable and sustainable energy. RUS and EKPC have executed a commitment letter that contains various stipulations that must be met in order for funds to be disbursed under the program.

Regulatory Matters

On December 26, 2024, the PSC granted the Cooperative's request for Certificates of Public Convenience and Necessity (CPCN) to construct two solar projects totaling 136 megawatts (MW) to be located in Fayette and Marion counties. The Fayette County facility will have the capacity to generate 40 MW of electricity on 388 acres, while the Marion County facility will have the capacity to generate 96 MW of electricity on 635 acres. The total cost of developing the two solar farms is estimated at \$335.4 million with construction expected to be completed by December 31, 2025. Direct Pay Investment Tax Credits (ITC) and a combination of New ERA grant and loan funds are expected to help cover the cost of construction. Construction work in-progress on the two projects was \$23.7 million at December 31, 2024.

On September 20, 2024, the Cooperative filed an application with the PSC requesting a CPCN to construct a new 214 MW electric generation station featuring twelve reciprocating internal combustion engines (RICE) fueled by natural gas to be located on a 100-acre greenfield site in Casey County near Liberty, Kentucky. The total cost to develop the RICE facility is estimated at \$500.0 million, and is expected to be completed in December 2028.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

8. Commitments and Contingencies (continued)

On November 25, 2024, the Cooperative filed an application with the PSC requesting three separate CPCNs to construct new generation resources. The projects include construction of a 745 MW Integrated Combined Cycle Gas Turbine (CCGT) facility at Cooper Station, a coal to natural gas co-firing conversion of Cooper Station Unit 2, and a coal to natural gas co-firing conversion for all four units at Spurlock Station. New pipelines will supply natural gas to the facilities. The total estimated costs for all three projects are \$1,577.8 million. The Cooper CCGT is approximately \$1,317.0 million, with an expected completion date of December 31, 2030. The Cooper and Spurlock co-fire projects combined total cost is \$260.8 million, with construction expected to be completed by December 31, 2029.

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 fully determined at this time, but could be significant.

9. Government Assistance

Government assistance transactions occurring during 2024 and 2023 that meet the requirements of ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, are outlined below.

The Cooperative received Clean Coal Incentive (CCI) Tax Credits of approximately \$0.2 million and \$1.0 million in 2024 and 2023, respectively, for qualifying coal purchased for use at Spurlock Units 3 and 4, which are clean coal certified facilities. Since EKPC is not subject to income tax, the credits were applied to public service corporation property taxes due annually to the Commonwealth of Kentucky. The CCI is included in other non-operating margin in the statement of revenue and expenses and comprehensive loss.

In 2024, the Cooperative placed a 500 KW solar facility in-service, which met the eligibility requirements to receive a 50%, or approximately \$1.1 million, Direct Pay ITC under the IRA of 2022. At December 31, 2024, the ITC is included in accounts receivable and as a reduction in project cost (electric plant) on the balance sheet.

East Kentucky Power Cooperative, Inc.

Notes to Financial Statements (continued)

10. 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 30% participant in the Cooperative's \$600 million unsecured credit facility. Held-to-maturity investments included CFC capital term certificates of \$7.0 million and \$7.1 million at December 31, 2024 and 2023, respectively. CFC Patronage capital assigned to EKPC was \$2.7 million and \$2.5 million at December 31, 2024 and 2023, respectively.

The Cooperative is also a member of CoBank. At December 31, 2024 and 2023, the balance of CoBank's patronage capital assigned to EKPC was \$0.8 million.

EKPC is a member of ACES LLC (ACES), which provides various energy marketing, settlement and risk management related services to its members and clients. EKPC's Chairman of the Board and EKPC's CEO serve on the ACES Board of Directors. EKPC accounts for its investment in ACES on the cost basis of accounting. At December 31, 2024 and 2023, the balance of EKPC's investment in ACES was approximately \$0.6 million. Payments to ACES were \$2.9 million in 2024 and \$2.5 million in 2023.

11. Subsequent Events

Management has evaluated subsequent events through March 28, 2025, which is the date these financial statements were available to be issued.

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