

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST	)	
KENTUCKY POWER COOPERATIVE, INC. FOR	)	
APPROVAL OF THE AUTHORITY TO ISSUE UP	)	
TO \$1,000,000,000 OF SECURED OR	)	
UNSECURED PRIVATE PLACEMENT OR	)	CASE NO.
BANK/FINANCIAL INSTITUTION DEBT	)	2025-00321
OBLIGATIONS FOR THE EXECUTION OF	)	
CERTAIN PRECEDENT AGREEMENTS AND FOR	)	
THE USE OF INTEREST RATE MANAGEMENT	)	
INSTRUMENTS	)	

ORDER

On October 7, 2025, East Kentucky Power Cooperative, Inc. (EKPC) filed an application, pursuant to KRS 278.300 and 807 KAR 5:001, Sections 4, 7, 12, 14, and 18, requesting authorization to issue up to \$1 billion of secured or unsecured private placement or bank/financial institution debt, or some combination thereof; the execution of Precedent Agreements for the interconnection of gas for new generation facilities; and for the use of interest rate management instruments. EKPC responded to one request for information.<sup>1</sup> No parties requested intervention in this proceeding.

This matter stands submitted for decision.

LEGAL STANDARD

KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to

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<sup>1</sup> EKPC’s Response to Commission Staff’s First Request for Information (Staff’s First Request) (filed Dec. 1, 2025).

the securities or evidences of indebtedness of any other person.” KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

KRS 278.300(8) establishes that KRS 278.300 does not apply if the proposed issuance of securities or indebtedness is payable at periods of not more than two years from the issuance date and any renewals of such notes do not exceed six years from the initial issuance date.

### BACKGROUND

EKPC is an electric utility and generation and transmission cooperative that provides electric generation capacity and electricity to its 16-member distribution cooperatives which, in turn, distribute and sell electricity at retail to approximately 570,000 customers in 89 counties in Kentucky.<sup>2</sup> EKPC owns and operates approximately 2,963 megawatts (MW) of net summer generating capacity and 3,265 MW of net winter generating capacity, comprised of coal-fired units, natural gas-fired units, landfill gas-to-energy facilities, solar farms, and purchased hydropower.<sup>3</sup> EKPC owns 2,994 circuit miles of high voltage transmission lines in various voltages, as well as the substations

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<sup>2</sup> Application at unnumbered page 1.

<sup>3</sup> Application at 2.

necessary to support this transmission line infrastructure.<sup>4</sup> EKPC currently has 77 free-flowing interconnections with its neighboring utilities, and its system is operated by PJM Interconnection, LLC (PJM), of which it has been a member since 2013.<sup>5</sup>

### PROPOSED EVIDENCE OF INDEBTEDNESS

Issuance of up to \$1 billion of secured or unsecured private placement or bank/financial institution debt or some combination thereof:

EKPC requested approval for the issuance of the proposed financing over the next few years to ensure liquidity.<sup>6</sup> EKPC stated that the proceeds of the proposed financing would be used to reduce borrowing under its Unsecured Revolving Credit Agreement (Credit Facility), to fund ongoing capital expenditures associated with the construction of projects approved in Case Nos. 2024-00310<sup>7</sup> and 2024-00370<sup>8</sup> (Projects), and for general corporate purposes.<sup>9</sup>

EKPC stated that, if the proposed financing were secured, it would be issued under an Indenture of Mortgage Security Agreement and Financing Statement (Indenture) between EKPC and U.S. Bank National Association as trustee,<sup>10</sup> which the Commission

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<sup>4</sup> Application at 2.

<sup>5</sup> Application at 2.

<sup>6</sup> Application at 3.

<sup>7</sup> Case No. 2024-00310, *Electronic Application of East Kentucky Power Cooperative, Inc. for 1) A Certificate of Public Convenience and Necessity to Construct a New Generation Resource; 2) A Site Compatibility Certificate; and 3) Other General Relief* (Ky. PSC May 20, 2025), Order.

<sup>8</sup> Case No. 2024-00370, *Electronic Application of East Kentucky Power Cooperative, Inc. for 1) Certificates of Public Convenience and Necessity to Construct a New Generation Resources; 2) For A Site Compatibility Certificate Relating to the Same; 3) Approval of Demand Side Management Tariffs; and 4) Other General Relief* (Ky. PSC July 30, 2025), Order.

<sup>9</sup> Application at 6.

<sup>10</sup> Application at 9.

approved in Case No. 2012-00249.<sup>11</sup> The amount of indebtedness authorized to be secured is up to and including \$5 billion, which may be amended as needed.<sup>12</sup> EKPC stated that, as of November 30, 2025, \$2.47 billion of secured debt was outstanding.<sup>13</sup> EKPC also stated that the private placement debt would be sold by auction, through underwriters or agents, or by direct placement with commercial banks or institutional investors.<sup>14</sup>

EKPC anticipates that the interest rate on the proposed financing will be fixed, and that any fixed rate of interest would not exceed by more than 3 percent the yield to maturity of United States Treasury Bonds of comparable maturity at the time of issuance, including the effect of any fees and expenses associated with the offering.<sup>15</sup> EKPC stated that maturities for \$500 million of the proposed financing would be limited to a tenor of seven years or less, as EKPC intends to replace a majority of the proposed financing with permanent debt or grants from the Rural Utilities Service (RUS).<sup>16</sup> However; due to the usage on the Credit Facility historically being over \$250 million, upcoming projects including transmission upgrades that EKPC will pay for that are not on EKPC's system, and flexibility to lock in long-term financing when rates are favorable, EKPC requested that up to \$500 million of the proposed financing could have maturities up to 30 years.<sup>17</sup>

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<sup>11</sup> Case No. 2012-00249, *Application of East Kentucky Power Cooperative, Inc. for Approval to Obtain a Trust Indenture* (Ky. PSC Aug. 9, 2012), Order.

<sup>12</sup> Application at 7.

<sup>13</sup> Application at 7.

<sup>14</sup> Application at 9.

<sup>15</sup> Application at 9.

<sup>16</sup> Application at 9.

<sup>17</sup> Application at 9.

### The Use of Interest-Rate Management Instruments

EKPC also requested authority for the use of interest rate management instruments to allow for the implementation of effective hedging strategies to control its interest cost on existing and future debt.<sup>18</sup> EKPC explained that the interest rate management agreements would utilize products commonly used in capital markets such as interest rate swaps, caps, collars, floors, options, or hedging products such as forwards or futures, or similar products.<sup>19</sup> EKPC expects to enter into these agreements with counterparties that are highly rated financial institutions, and stated that the transactions would be for a fixed period, a stated principal amount, may be for underlying fixed or variable rate obligations of EKPC, and would not be used for any speculative purpose.<sup>20</sup> EKPC explained that potential uses of these transactions would minimize the impact of fluctuations in benchmark interest rates prior to the issuance of new debt, and to manage the amount of debt that is exposed to floating rates, and that net fees and expenses in connection with any interest rate management agreement would be in addition to the above parameters and would not exceed 5 percent of the amount of the underlying obligation involved.<sup>21</sup>

### Precedent Agreements

EKPC also requested approval to execute Precedent Agreements, pursuant to KRS 278.300, as these agreements create long-term financial obligations.<sup>22</sup> EKPC stated

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<sup>18</sup> Application at 10.

<sup>19</sup> Application at 10.

<sup>20</sup> Application at 10.

<sup>21</sup> Application at 10.

<sup>22</sup> Application at 5.

that it has now executed Precedent Agreements that would result in the interconnection with a pipeline operator mainline and the construction of natural gas pipeline lateral for EKPC's Spurlock Power Station, and natural gas pipeline lateral for EKPC's Cooper Power Station, along with the respective metering and regulation station, and that a Precedent Agreement has also been executed for Liberty Station.<sup>23</sup> EKPC explained that these Precedent Agreements are the same agreements discussed in Case Nos. 2024-00310<sup>24</sup> and 2024-00370,<sup>25</sup> and were executed for the Projects approved in each of those cases.<sup>26</sup> The Precedent Agreements are between EKPC and Columbia Gulf Transmission, LLC (CGT) and are for the provisions of transportation of natural gas.<sup>27</sup> EKPC explained that the Precedent Agreements set forth the condition for interconnection and cooperation with the obligations dependent on regulatory and operation milestones.<sup>28</sup> EKPC also explained that the parties agreed to the rate(s) and rate structure in each precedent agreement to reserve capacity on the extension, and that the rate to reserve capacity on the mainline is simply CGT's Tariff at the time of service.<sup>29</sup>

### DISCUSSION AND FINDINGS

Having considered the evidence of the record and being otherwise sufficiently advised, the Commission finds that EKPC's request to incur indebtedness of up to \$1

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<sup>23</sup> Application at 5.

<sup>24</sup> Case No. 2024-00310, May 20, 2025 Order.

<sup>25</sup> Case No. 2024-00370, July 30, 2025 Order.

<sup>26</sup> Application at 10.

<sup>27</sup> Application at 10.

<sup>28</sup> Application at 11.

<sup>29</sup> Application at 11.

billion of secured or unsecured private placement, bank/financial institution debt, or some combination thereof, including EKPC's request for the use of interest rate management instruments, is approved in accordance with KRS 278.300 as discussed below.

The Commission finds that the proposed financings are for lawful objects within the corporate purposes of EKPC's utility operations, which is to provide safe and reliable service to its service territory, as the proposed financing will allow EKPC to assist in the financing of the construction of Projects that are needed for such purposes. The Commission also finds that the proposed financing is for lawful objects within the utility's purpose as the proceeds of the proposed financing will primarily be used to reduce borrowings under EKPC's existing Credit Facility to provide liquidity to support approved capital projects. EKPC is currently using its Credit Facility, which the Commission approved in Case No. 2021-00473,<sup>30</sup> to provide temporary funding for construction projects, working capital needs, and for general corporate purposes.<sup>31</sup> EKPC provided that, as of September 30, 2025, \$225 million of the available \$600 million was drawn on its Credit Facility and bears a variable interest rate of 5.16 percent.<sup>32</sup> EKPC explained that, under the terms of the Credit Facility, it may maintain up to \$900 million of unsecured debt and since the Credit Facility and recently issued \$300 million Unsecured Term Loan,

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<sup>30</sup> Case No. 2021-00473, *Electronic Application of East Kentucky Power Cooperative, Inc. for Approval of the Amendment and Extension or Refinancing of an Unsecured Revolving Credit Agreement in an Amount Up To \$800,000,000 or Which Up To \$100,000,000 May Be in the Form of an Unsecured Renewable Term Loan and Up To \$400,000,000 of Which Will Be in the Form of a Future Increase Option* (Ky. PSC Feb. 8, 2022), Order.

<sup>31</sup> Application at 4–5.

<sup>32</sup> Application at 6.

authorized by Case No. 2025-00044,<sup>33</sup> total \$900 million, additional unsecured debt would require a waiver from the existing lenders of this limit to seek further unsecured debt.<sup>34</sup>

In Case Nos. 2024-00310 and 2024-00370, the Commission approved various Projects for which EKPC expects capital expenditures of approximately \$2.1 billion.<sup>35</sup> EKPC expects the Projects to eventually be funded through RUS, which EKPC stated recently indicated a willingness to provide progress payments after completing contract milestones.<sup>36</sup> EKPC also stated that, due to the timing of cash flows expected from RUS funding, it does not believe it will need the full \$2.1 billion of authority for interim financing of these Projects.<sup>37</sup> EKPC noted, however, that such RUS financing historically occurs after construction is complete.<sup>38</sup> Furthermore, EKPC provided that, while the proposed financing would not be used directly or be adequate to fund all of the Projects, it would reduce borrowings under its Credit Facility and provide additional liquidity to fund ongoing general needs and approved capital projects.<sup>39</sup> The Commission finds that the use of interest rate management instruments is for the lawful objects within EKPC's purpose as

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<sup>33</sup> EKPC's Response to Staff's First Request, Item 3; Case No. 2025-00044, *Electronic Application of East Kentucky Power Cooperative, Inc. for Approval of the Authority to Issue Up To \$450,000,000 of Secured or Unsecured Private Placement or Bank/Financial Institution Debt Obligations* (Ky. PSC Apr. 29, 2025), Order.

<sup>34</sup> Application at 8–9.

<sup>35</sup> Application at 3–4.

<sup>36</sup> Application at 4.

<sup>37</sup> Application at 4.

<sup>38</sup> Application at 4.

<sup>39</sup> Application at 8.



the use of these products may assist in minimizing the financial impact of fluctuating market conditions.

Additionally, the Commission finds that EKPC's request for approval of the execution of Precedent Agreements is approved in accordance with KRS 278.300. The Commission finds that the long-term financial obligations created by the Precedent Agreement are for the lawful objects within EKPC's purpose as the Precedent Agreements assists in the financing of the construction of the Projects that will allow EKPC to provide safe and reliable service. EKPC stated that, upon the operation date of each of the Projects, additional agreements would be entered into that would take place of the Precedent Agreements, but would contain the same terms and conditions that are set forth in the Precedent Agreements and that, therefore, approval of the Precedent Agreements constitutes approval of the terms and conditions that would apply to the Projects once they become operational.<sup>40</sup> EKPC confirmed that it does not intend to seek Commission approval for the permanent agreements that would take place of the Precedent Agreements upon the operation date of each of the Projects, as it would be a duplication of time and resources.<sup>41</sup> The Commission finds that, should the permanent agreements that are intended to replace the Precedent Agreements contain any variances in the terms provided in this proceeding, EKPC shall request Commission approval for the permanent agreements that contain the variances prior to their execution.

The Commission finds that the proposed financings, including the use of interest rate management instruments and execution of Precedent Agreements, are necessary

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<sup>40</sup> Application at 11.

<sup>41</sup> EKPC's Response to Staff's First Request, Item 16.

and appropriate for, and consistent with the proper performance of EKPC's service to the public and will not impair its ability to perform that service. The Commission finds that EKPC's application requesting authority to issue indebtedness should be approved.

IT IS THEREFORE ORDERED that:

1. EKPC is authorized to incur indebtedness of up to \$1 billion of secured or unsecured private placement or bank/financial institution debt or some combination thereof.

2. The proceeds from the transaction authorized in this Order shall be used to reduce existing borrowings under EKPC's Credit Facility, thereby creating liquidity to fund previously approved projects, other ongoing capital expenditures for generation and transmission infrastructure, and general corporate purposes consistent with EKPC's representations.

3. EKPC shall, within 30 days of the date of issuance of the debt authorized herein, file with the Commission a written statement setting forth the date or dates of issuance of the debt authorized, the date of maturity, the price paid, the proceeds of such issuance, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. EKPC shall also file documentation showing the quotes that EKPC relied upon to determine the lowest interest rate.

4. EKPC is authorized for the use of interest rate management instruments.

5. EKPC shall agree only to terms and prices consistent with the parameters set forth in EKPC's application.

6. EKPC is authorized to execute the Precedent Agreements as defined in this proceeding.

7. Should the permanent agreements intended to replace the Precedent Agreements contain any variances in the terms laid out in this proceeding, EKPC shall request Commission approval prior to the execution of such permanent agreements.

8. Any documents filed in the future pursuant to ordering paragraph 3 of this Order shall reference this case number and shall be retained in EKPC's post-case correspondence file.

9. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon EKPC's showing of good cause for such extension.


10. Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

11. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



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