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FUEL & EMISSIONS DEPARTMENT PROCUREMENT MANUAL

ADOPTED FEBRUARY 27, 1981

Revised: October 11, 2023

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Each member of the Fuel and Emissions department acknowledges the agreement and understanding of all procedures documented in this Fuel and Emissions Department Procurement Manual and shall be fully compliant with these procedures.

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Manager, Fuel & Emissions

Concurred by: Wes Kidd Date: 10/18/23
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Sr. Fuel Buyer

Concurred by: David Stump Date: 10/17/23
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Concurred by: Ken Allen Date: 10/17/23
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Concurred by: Gail Varner Date: 10/17/23
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COAL

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PROCEDURE FOR THE PROCUREMENT OF COAL			C-1
Author: Fuel and Emissions Department	Adopted: 02/27/81		Page 1 of 18
Revision: 14	By: Gail Varner	Revised Date: 10/31/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Coal

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of coal for use at East Kentucky Power Cooperative, Inc.'s ("EKPC") coal-fired power stations.

2.0 Terms and Definitions

- 2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management's signature ([Exhibit 39](#)).
- 2.2 Board Risk Oversight Committee ("BROC")—A committee of the EKPC Board of Directors ("Board") with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC's risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.3 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.
- 2.4 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. ([Exhibit 14](#))
- 2.5 Coal—Bituminous fossil fuel used to fire boilers.

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- 2.6 Coal Bidders List—List of current coal companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes ([Exhibit 7](#)).
- 2.7 Coal Proposal Form—Form completed and signed by potential supplier stating source, quality, quantity, and price of coal along with ownership disclosure in response to an RFP ([Exhibit 8](#)).
- 2.8 Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new coal purchase orders issued that states company name, issued date, applicable station, terms and revision(s), tonnage and revision(s), comments, and price of each purchase order.
- 2.9 Coal Sampling Procedures—Document prepared by EKPC’s Central Lab that defines how to sample and analyze coal in a method recognized within the industry.
- 2.10 Coal Specifications and Information—Data sheet specifying each power station’s delivery, pricing, and specifications for coal purchases ([Exhibit 9](#)).
- 2.11 Contract—Document binding seller to sell and ship designated product that states terms and conditions for coal deliveries to EKPC’s power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.12 Contract Tonnage Report—Report identifying the supplier name, term, security of performance expiration, reopener dates, commitments, and tonnage balances on current coal contracts ([Exhibit 49](#)).
- 2.13 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information. Will not exceed 25,000 tons per month unless approved by Senior Vice President of Power Supply.
- 2.14 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.15 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for coal in situations including but not limited to: failure of a fuel supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive fuel by normal means.

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- 2.16 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.17 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.18 Floating Price—Price subject to adjustments based upon predetermined indices or surcharges. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.19 Fuel Evaluation Data Entry Verification Form—Form completed after initial proposal entry into the Fuel Evaluation System and subsequent revisions. This form shows power station, entry date, event number, brief description of evaluation, personnel involved in the initial proposal opening, and provides additional measures to aid in the accuracy of the data input into the Fuel Evaluation System ([Exhibit 16](#)).
- 2.20 Fuel Evaluation System—Model designed by EKPC used to rank each potential coal supplier's total evaluated price using many measurable variables to accurately reflect the coal-related cost of generation in accordance with the various physical and chemical aspects of coal in conjunction with each power station's generating equipment attributes. [Exhibit 10](#) is a list of the variables that are reviewed annually or sooner if needed, and [Exhibit 11](#) is a manual that describes the program in further detail.
- 2.21 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 ([Exhibit 3](#)).
- 2.22 Governmental Imposition—Any change in federal, state, or local laws, regulations, ordinances, taxes, fees, special assessments, or similar levies, or a changed application, enforcement, or interpretation thereof, occurring after a date certain specified in a coal contract, directly relating to the mining, processing, or transportation of coal that results in a change of the seller's direct out-of-pocket costs.
- 2.23 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.24 Long-Term—Duration of more than one year.

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- 2.25 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.26 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).
- 2.27 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.28 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.29 Policy No. 405—EKPC Board of Directors Hedging Policy (1) guides disciplined hedging of forecasted power supply needs; (2) provides a method for identifying EKPC’s risk tolerance and time horizon for hedging; (3) clarifies EKPC’s hedging objectives; and (4) more clearly integrates the energy risk management governance structure, trading authority, risk reporting, and portfolio management functions ([Exhibit 6](#)).
- 2.30 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper and Spurlock.
- 2.31 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for coal deliveries to EKPC’s power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.32 RFP—Request for proposal sent to prospective suppliers on EKPC’s Coal Bidders List ([Exhibit 7](#)).
- 2.33 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (includes electronic and written proposals).
- 2.34 Security of Performance—A document providing at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach.

- 2.35 Short-Term—Duration of one year or less.
- 2.36 Spot Purchase—Spot purchases are non-contract supply agreements that permit EKPC to purchase coal at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making *Economy*, *Emergency*, and *Test* spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. *Economy*, *Emergency*, and *Test* spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. *Economy*, *Emergency*, and *Test* spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.7.2 for additional information regarding the procedures related to spot purchases.)
- 2.37 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.38 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular fuel for its suitability and burning characteristics at EKPC's power stations. Will not exceed 25,000

tons per month unless approved by Senior Vice President of Power Supply.

- 2.39 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.40 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.41 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

- 3.1 Fuel and Emissions Manager
 - 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
 - 3.1.2 Ensures adequate coal deliveries to EKPC's power plants.
 - 3.1.3 Ensures all new contracts have been reviewed by legal, with the credit rating and insurance language reviewed by risk management.
 - 3.1.4 May waive a price adjustment if the circumstances or conditions warrant.
 - 3.1.5 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).
- 3.2 Power Plant Personnel
 - 3.2.1 Maintain the coal system at each of EKPC's relevant power stations to ensure its availability to unload coal deliveries.
 - 3.2.2 Advise the Fuel and Emissions department of any concerns regarding the product or product delivery.

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- 3.2.3 Measure and determine weights of incoming coal at power stations.
 - 3.2.4 Manage Coal Specifications and Information (*Exhibit 9*).
 - 3.2.5 Unload coal meeting required quality specifications.
 - 3.2.6 Collect coal samples daily to be analyzed.
 - 3.2.7 Assist Production Engineering and Accounting with coal stockpile surveys.
- 3.3 Fuel Buyers
- 3.3.1 Determine quantities to purchase based on projected needs, hedge requirements, inventories, and contracted purchases; generate RFPs; make purchase recommendations; and perform due diligence.
 - 3.3.2 Monitor coal qualities.
 - 3.3.3 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.
 - 3.3.4 Manage coal deliveries and inventory levels at each of EKPC's power stations daily.
 - 3.3.5 Review and verify applicable fuel escalation adjustments prepared by Accounting.
- 3.4 Administrative Assistant
- 3.4.1 Assists in managing the RFP process.
 - 3.4.2 Reviews contract(s) and/or purchase order(s).
 - 3.4.3 Enters, revises, and finalizes compliant bids using the Fuel Evaluation System.
 - 3.4.4 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order(s).
 - 3.4.5 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

- 3.5.1 Provides representation at long-term purchase proposal openings.
- 3.5.2 Advises in the development of legal documentation.
- 3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
- 3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) and reconciles undelivered coal tons with EKPC's risk management service provider.
- 3.6.3 Reconciles undelivered coal tons from the Contract Tonnage Report (*Exhibit 49*) with the Trading Authority Transaction Matrix (*Exhibit 50*).
- 3.6.4 Assists in managing price adjustments.
- 3.6.5 Audits Governmental Imposition claims and manages suppliers' financial reviews.
- 3.6.6 Provides forward-looking data of floating components for forecasting and sensitivity analysis as requested.
- 3.6.7 Validates suppliers' methods for determining origin weights and analyses.
- 3.6.8 Identifies the fixed and floating component percentages of the year-to-date spend.

3.7 Central Lab Personnel

- 3.7.1 Assist Power Plant Personnel in sampling of coal as needed.
- 3.7.2 Perform coal analysis daily for Cooper Power Station and weekly for Spurlock Power Station.
- 3.7.3 Receive coal samples from Power Plant Personnel for analysis by independent commercial lab as needed.

- 3.7.4 Provide proper analysis and weights of coal to Accounting so payment is made based upon agreed terms related to coal quality in the contract.

3.8 Accounting

- 3.8.1 Enters and reconciles documentation received from Power Plant Personnel, Fuel and Emissions, and Central Lab into the accounting coal system to generate coal invoices for payment.
- 3.8.2 Reconciles barge and rail invoices received for payment.
- 3.8.3 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Due to changing environmental laws or regulations, Fuel and Emissions representative(s) will maintain dialogue with Environmental Affairs representative(s) to ensure appropriate fuel quality is purchased.

Cooper Power Station has a maximum stockpile capacity of 268,000 tons and a maximum potential daily burn of 3,629 tons. Spurlock Power Station Unit Nos. 1 and 2 have a maximum stockpile capacity of 450,000 tons and a maximum potential daily burn of 9,194 tons. Gilbert Unit No. 3 and Spurlock Unit No. 4 at Spurlock Power Station have a maximum stockpile capacity of 400,000 tons and a maximum potential daily burn of 7,004 tons.

- 4.1 Determine if an RFP is required.
 - 4.1.1 Review projected burns from Power Supply.
 - 4.1.2 Compare projected burns with the current contracts, purchase orders, and stockpile inventories to determine if there is a need to purchase coal in conjunction with Policy No. 405 ([Exhibit 6](#)).
 - 4.1.3 Determine the amount of coal to be purchased and type of purchase to be made (contract or purchase order) to maintain adequate inventories at each applicable coal-fired power station.

- 4.2 Determine if RFP should be written or verbal. (RFPs are not required for economy, emergency, or test spot purchases.)
 - 4.2.1 Create a written RFP (e.g., [Exhibit 15](#)) for contract purchases.
 - 4.2.2 Create a written or verbal RFP for traditional spot purchases. (Verbal RFPs are confirmed by written documentation.) Written proposals will be opened at a later time following the documented procedure. Active proposals on file may also be considered for these purchases. Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating spot market coal and will accept unsolicited proposals at any time for consideration. Only suppliers who have demonstrated their ability to supply the appropriate coal required are contacted on verbal solicitations.
 - 4.2.3 Identify need for an economy, emergency, or test spot purchases in which no RFP is required. (There are no quantity limits on emergency spot purchases. Economy and test spot purchases shall not exceed 25,000 tons per month unless approved by Senior Vice President of Power Supply.)
- 4.3 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.3.1 Fuel Buyers determine term, quality, and quantity for coal of RFP based on projected needs using the Coal Specifications and Information data ([Exhibit 9](#)) as a guideline.
 - 4.3.2 Fuel Buyers may develop and coordinate a test for possible product or handling improvement. Improvement may be in terms of economics, compatibility, flexibility, or dependability.
 - 4.3.3 Fuel Buyers create an RFP (e.g., [Exhibit 15](#)) stating applicable delivery locations, term, quality, quantity, and price options including the security of performance requirement and also include the Coal Specifications and Information data ([Exhibit 9](#)) as well as the Coal Proposal Form ([Exhibit 8](#)).
 - 4.3.4 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 15](#)) before issuing.
 - 4.3.5 Issue RFP (e.g., [Exhibit 15](#)) for sealed proposals for coal to bidders on EKPC's Coal Bidders Lists ([Exhibit 7](#)). (Economy, emergency, and test spot coal proposals may be made verbally and confirmed by written documentation.)

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- 4.3.6 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 15](#)).
- 4.4 Open all sealed proposals on or after due date of RFP.
 - 4.4.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s) prior to formal bid opening.
 - 4.4.2 Administrative Assistant logs proposals reviewed.
 - 4.4.3 Sign log of proposals by those present at opening.
 - 4.4.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.5 Fuel Buyers evaluate valid opened coal proposals.
 - 4.5.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.5.2 Determine weighted average price for each proposal.
 - 4.5.3 Confirm parameters in the Fuel Evaluation System, and Administrative Assistant updates as needed.
 - 4.5.4 Administrative Assistant enters proposals into the Fuel Evaluation System.
 - 4.5.5 Fuel Buyer and Administrative Assistant perform data entry verification using the Fuel Evaluation Data Entry Verification form ([Exhibit 16](#)) with every coal evaluation, which is approved by the Fuel and Emissions Manager.
 - 4.5.6 Determine if the lowest evaluated, delivered priced proposal(s), as ranked by the Fuel Evaluation System, meets EKPC's

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requirements as specified in the corresponding RFP to develop a short list of potential supplier(s).

- 4.5.7 Evaluate supplier(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
- 4.5.8 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
- 4.5.9 Negotiate terms and conditions with selected supplier(s) from short list.
- 4.5.10 Conduct field visit(s), if necessary, to evaluate the facilities, reserves, quality, production capabilities, etc., of the supplier(s) with competitive proposals to evaluate physical risk.
- 4.5.11 Prepare a field evaluation report if a field visit is conducted for contracts.
- 4.5.12 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.5.13 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (*Exhibit 17*) recommending the most economic supplier(s) of coal meeting the corresponding RFP's specifications while balancing risk.

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- 4.5.14 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
- 4.5.15 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.5.16 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.6 Fuel Buyers prepare contract(s) and/or purchase order(s) based on a standard template reviewed by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.6.1 Contract(s) and/or purchase order(s) includes destination, quality, quantity, price, price adjustments, acceptance parameters, insurance terms, payment terms, and other terms and conditions.
 - 4.6.2 Incorporate appropriate price adjustments of coal failing to meet the minimum specifications of the contract and/or purchase order using a price adjustment schedule that ensures the value of coal received is commensurate with the price paid.
 - 4.6.3 Request W-9 (*Exhibit 13*) and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.6.4 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.6.5 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review.
 - 4.6.6 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk management if changes are

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made to the previously approved draft developed from EKPC's approved template.

- 4.7 Fuel Buyers coordinate the execution of coal contract(s) and purchase order(s).
 - 4.7.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only and obtain an identifying number for contracts from Accounting.
 - 4.7.2 Administrative Assistant reviews contract(s) and purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot coal needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031. Cooper Power Station is dependent exclusively on the spot coal market.
 - 4.7.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
 - 4.7.4 Fuel Analyst logs approved contract(s) and purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROCC each month.

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- 4.7.5 Fuel Analyst submits a reconciliation of the undelivered coal tons to internal risk management on a monthly basis for informational purposes and Fuel and Emissions Manager's for approval.
- 4.7.5 Administrative Assistant files executed contract(s) and purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions (*Exhibit 14*). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.8 Fuel and Emissions personnel schedule coal from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply based on power station need.
 - 4.8.1 Provide selected supplier(s) and barge and train carriers, if applicable, a projected delivery schedule each month for Spurlock Power Station.
- 4.9 Power Plant Personnel receive delivery of coal.
 - 4.9.1 Weigh trucks daily using certified scales at Cooper Power Station for inventory measures and payment. Both gross and tare weights are taken and net weights are determined.
 - 4.9.2 Use calibrated belt scales at Spurlock Power Station to verify barge origin weights or certified barge drafts for determination of destination weights for inventory measures and/or payment as specified by applicable contract or purchase order. (Barge Drafting *Exhibit 18*)
 - 4.9.3 Use weights taken and reported by the railroad transporting the coal to the power station. Certified supplier weights approved by the railroad transporting the coal may be used.
 - 4.9.4 Collect adequate samples of coal deliveries for payment, when applicable, and quality control as required for their respective power station.
 - 4.9.5 Collect and forward information to Accounting stating coal receipts, burn, and stockpile balance.
- 4.10 Central Lab Personnel assist Power Plant Personnel in sampling of coal as needed and perform coal analysis daily for Cooper Power Station and weekly for Spurlock Power Station.

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- 4.10.1 Perform sampling and analysis based on the Coal Sampling Procedures. (Copies are available upon request from Central Lab.)
- 4.10.2 Use origin samples and/or analysis by a third-party, commercial lab when appropriate.
- 4.11 Fuel Buyers monitor supplier performance.
 - 4.11.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.11.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
 - 4.11.3 The Fuel and Emissions Manager may approve waiving a price adjustment if the circumstances or conditions warrant.
- 4.12 Fuel Analyst tracks and documents financial reviews.
 - 4.12.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.12.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.13 Verify receipt of deliveries, generate coal invoices, and reconcile freight invoices.
 - 4.13.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)) and reconciles monthly with a tracking report from EKPC's risk management service provider. After reconciliation and Fuel and Emissions Manager's approval, Fuel Analyst submits the reconciliation of undelivered coal tons to internal risk management for informational purposes.
 - 4.13.2 Fuel Analyst reconciles the Trading Authority Transaction Matrix ([Exhibit 50](#)) with the monthly Contract Tonnage Report ([Exhibit 49](#)) for internal purposes only.
 - 4.13.3 Fuel Buyers review and verify floating price adjustments for production and transportation surcharges as needed.

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- 4.13.4 Fuel Analyst requests documentation of independent bias test results and scale certification from each contract supplier.
- 4.13.5 Accounting reconciles documentation entered into the accounting computer system (e.g., receipt, burn, analysis, and contract and/or purchase order terms and conditions) from Power Plant Personnel, Fuel and Emissions, and Central Lab to generate coal invoices.
- 4.13.6 Accounting reconciles barge and rail invoices received for payment.
- 4.13.7 Accounting contacts responsible party to clarify any discrepancies.
- 4.13.8 Accounting receives Accounting supervisor approval on all invoices and sends to accounts payable for payment.

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5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

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PROCEDURE FOR THE PURCHASE AND SALE OF EMISSION ALLOWANCES			E-1
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Revision: 11	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Emission Allowances

1.0 Purpose

This procedure outlines the purchase/sale, delivery, confirmation, deal capture, payment, and reporting of emission allowances for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Acquisition Schedule—Schedule, as required, prepared to designate, by quarter, the amount of allowances needed to be purchased to meet the dollar cost averaging method for hedging allowances ([Exhibit 23](#)).
- 2.2 Acid Rain Program—A program established by Title IV of the 1990 Clean Air Act setting a decreasing cap on SO₂ emissions.
- 2.3 Allocations—Quantity of allowances provided to electric utilities for a given vintage year to be used to offset actual plant emissions occurring in that year or a later year.
- 2.4 Amortization Schedule—Schedule prepared to show allocations, projected purchases, emissions, and estimated inventory of SO₂, Seasonal NO_x, and Annual NO_x ([Exhibit 22](#)).
- 2.5 Annual NO_x—NO_x controlled by an individual program within CAIR and/or CSAPR including its own separate allocations from seasonal NO_x for an entire calendar year.
- 2.6 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).

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- 2.7 Bid—The term used, within the trading system when utilizing a broker, to designate the amount a buyer would pay for one allowance (see also Offer).
- 2.8 Cagle Keystone—A poultry processing plant outside Albany, Kentucky, relying on oil-fired generators as back-up electrical supply should their main source of electricity be disrupted. EKPC owns the two units as well as purchases off-road ultra-low sulfur No. 2 fuel oil for the 6,000-gallon storage tank.
- 2.9 Clean Air Markets Division (“CAMD”) Business System—An interactive web-based business application that enables sources to perform various tasks online, including, but not limited to, transfer allowances, view account balances, and track allowances.
- 2.10 Clean Air Interstate Rule (“CAIR”)—A cap-and-trade program promulgated by the EPA in 2005, covering 28 states in the eastern United States and District of Columbia. It was designed to reduce sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions in order to help states meet their National Ambient Air Quality Standards (NAAQS) for ozone and particulate matter (PM_{2.5}) and to require further emissions reductions already achieved through the Acid Rain Program and NO_x State Implementation Plan call program. The rule was set to commence in 2009 for SO₂, seasonal NO_x, and annual NO_x emissions.
- 2.11 Clean Air Transport Rule (“CATR”)—EPA rule finalized on July 6, 2011, to replace CAIR and require further reductions in SO₂ and NO_x. The rule was revised and is currently called CSAPR.
- 2.12 Combustion Turbine (“CT”)—An electric generating unit utilizing natural gas or No. 2 fuel oil.
- 2.13 Confirmation—Form sent by broker or seller to document agreed upon product, price, vintage year, quantity, and term (*Exhibit 19*).
- 2.14 Consent Decree for New Source Performance Standards (“CD”)—A final, binding judicial decree or judgment between EKPC and the EPA memorializing a voluntary agreement between the parties to a suit in return for withdrawal of a criminal charge or an end to a civil litigation. It establishes various thresholds EKPC cannot exceed, including, but not limited to, maximum tons of emissions by year for SO₂ and NO_x. The consent decree for EKPC will end, but several parameters of the decree will continue on through the modification of EKPC plant permits.
- 2.15 Cross-State Air Pollution Rule (“CSAPR”)—EPA rule finalized on July 6, 2011, to replace CAIR and require further reductions in SO₂ and NO_x.

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This rule was previously known as CATR as of October 15, 2012. The rule was originally slated for 2012 implementation with Phase II occurring in 2014. The rule actually began in 2015.

- 2.16 Emissions—Constituents of the flue gas occurring as a result of the combustion of a fuel, and for the intent of this document, refers to SO₂, Seasonal NO_x, and Annual NO_x.
- 2.17 Environmental Protection Agency (“EPA”)—An agency of the United States federal government created for the purpose of protecting human health and the environment by writing and enforcing regulations based on laws passed by Congress.
- 2.18 National Ambient Air Quality Standards (“NAAQS”)—The maximum permissible levels of common pollutants in the ambient (outdoor) air set by EPA.
- 2.19 Natural Gas—A naturally occurring hydrocarbon gas mixture consisting primarily of methane, with other hydrocarbons, carbon dioxide, nitrogen, and hydrogen sulfide. Natural gas is used in the production of electricity in the CT units at Bluegrass Generating Station and J. K. Smith Power Station.
- 2.20 No. 2 Fuel Oil—Dyed ultra-low sulfur diesel fuel containing a maximum 15 ppm sulfur used for off-road purposes such as unit startups and flame stabilization in the coal-fired generation fleet, a backup fuel in the CT fleet at Bluegrass Generating Station and J. K. Smith Unit Nos. 1 through 7, and fuel for Cagle Keystone.
- 2.21 NO_x State Implementation Plan (SIP) Call Program—This program established by the EPA required 22 states and the District of Columbia to provide NO_x emission reductions to mitigate ozone transport in the eastern United States. This was established for the warm summer months, referred to as the ozone season, when ground-level ozone concentrations are highest.
- 2.22 Nitrogen Oxides (“NO_x”)—Refers to nitric oxide and nitrogen controlled through various programs and termed as Seasonal (Ozone) NO_x and Annual NO_x in the CAIR and/or CSAPR program.
- 2.23 Offer—The term used within the trading system when utilizing a broker to designate the amount a seller would sell one allowance (see also Bid).
- 2.24 Ozone (Seasonal) NO_x—Interchangeable terms for NO_x controlled by an individual program within CAIR and/or CSAPR including its own separate

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allocations from Annual NO_x for a time period beginning May 1 of each calendar year through September 30 of the same calendar year.

- 2.25 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.26 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.27 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.28 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith. Cooper and Spurlock Power Stations are coal-fired power plants; Bluegrass is a power plant compiled of three CT units fueled by natural gas (primary) and No. 2 fuel oil (secondary); and J. K. Smith is a power plant compiled of seven CT units fueled by natural gas (primary) and No. 2 fuel oil (secondary). J.K. Smith also has two additional CT units that are natural gas only.
- 2.29 Seasonal (Ozone) NO_x—Interchangeable terms for NO_x controlled by an individual program within CAIR and/or CSAPR including its own separate allocations from Annual NO_x for a time period beginning May 1 of each calendar year through September 30 of the same calendar year.
- 2.30 Sulfur Dioxide (“SO₂”)—A toxic gas created in the combustion process of fuels that contain sulfur and is controlled through various programs such as CAIR and/or CSAPR.
- 2.31 Transaction Schedule—Schedule showing all pertinent information of individual allowance purchases/sales ([Exhibit 20](#)).
- 2.32 Vintage Year—The date of the allowance certificate and the first allowable year in which the allowance can be used to apply towards emissions.
- 2.33 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.

3.1.2 Communicates with Environmental Affairs, Power Production, Power Supply, and Legal to ensure adequate emission allowances are held in an amount equal to or greater than the quantity of actual emissions from EKPC's power station(s).

3.2 Legal Counsel

3.2.1 Advises in the development of legal documentation.

3.2.2 Reviews and approves documents as to legal form.

3.2.3 Consults with external counsel for further expertise as needed.

3.3 Power Plant Personnel

3.3.1 Notify Fuel and Emissions and Power Supply Planning of unplanned generating unit outages that could affect the quantity of emissions.

3.4 Fuel Buyers

3.4.1 Monitor EKPC's inventory of emission allowances and make recommendations regarding future allowance purchases or sales.

3.4.2 Negotiate contract terms of emission allowance contracts.

3.4.3 Complete schedule of emission allowance position (receipts, usage, and inventory) for Environmental Affairs and Legal planning purposes.

3.5 Administrative Assistant

3.5.1 Assists in managing the emissions contract process.

3.5.2 Reviews contract(s) and/or purchase order(s).

- 3.5.3 Completes emissions allowance Transaction Schedule (*Exhibit 20*).
- 3.5.4 Verifies that a W-9 (*Exhibit 13*) is received from the counterparty of each emission allowance contract.
- 3.5.5 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.6 Power Supply Planning
 - 3.6.1 Determines short- and long-term projected emissions.
- 3.7 Environmental Affairs
 - 3.7.1 Communicates testing schedules to Power Supply Planning and Fuel & Emissions.
 - 3.7.2 Performs yearly process of transferring appropriate allowances to EPA unit accounts prior to EPA retiring allowances.
- 3.8 Accounting
 - 3.8.1 Calculates payment and sends to treasury for disbursement.
 - 3.8.2 Maintains schedule of allowances and cost for use in the environmental surcharge.

4.0 Procedure

As of January 1, 2015, EKPC is operating under Acid Rain Rules for SO₂ emissions and CSAPR Rules for SO₂, Ozone NO_x, and annual NO_x emissions. EKPC is allocated varying quantities of SO₂, Ozone NO_x, and Annual NO_x emission allowances on a yearly basis.

- 4.1 Determine power plant emissions.
 - 4.1.1 Power Plant Personnel communicate daily to Power Supply Planning the availability of each unit.
 - 4.1.2 Environmental Affairs communicates testing schedules to Power Supply Planning.

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- 4.1.3 Fuel Buyer distributes SO₂, Seasonal NO_x, and Annual NO_x replacement cost on a monthly basis ([Exhibit 21](#)).
- 4.1.4 Power Supply Planning calculates projected emissions using various factors including, but not limited to, weather, price, unit availability, and applicable EPA rule allocations.
- 4.2 Determine quantity and timing of purchases/sales.
 - 4.2.1 Fuel Buyer completes amortization schedule ([Exhibit 22](#)) and calculates quantity of purchases required over the following three-year period. Input is received from Power Supply Planning and Environmental Affairs including, but not limited to, projected emissions, variability anticipated, allocations, and any regulation changes.
 - 4.2.2 Fuel Buyer completes acquisition schedule ([Exhibit 23](#)) using yearly projected purchase amounts from amortization schedule ([Exhibit 22](#)).
- 4.3 Purchase/Sale of emission allowances.
 - 4.3.1 Fuel Buyer determines price estimate based on industry data or index and confirms with Fuel Manager.
 - 4.3.2 Fuel Buyer contacts emissions broker or utility and conveys projected quantity. Determine price and quantity of bid for broker to attempt to fill based on current offers. This process may include multiple bids and offers.
 - 4.3.3 Fuel Buyer exercises agreement to price, quantity, and emission product based on Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)).
- 4.4 Confirm deal and negotiate contract.
 - 4.4.1 Broker or counterparty sends confirmation ([Exhibit 19](#)).
 - 4.4.2 Fuel Buyer verifies confirmation ([Exhibit 19](#)) information.
 - 4.4.3 Fuel Buyer sends draft contract to counterparty or receives/reviews draft from counterparty.
 - 4.4.4 Fuel Buyer negotiates contract with counterparty utilizing Legal and input from appropriate EKPC personnel as required.

- 4.5 Execute emission allowance contract.
 - 4.5.1 Fuel Buyer coordinates the execution of the emission allowance contract.
 - 4.5.2 Administrative Assistant circulates contract for review and signature prior to distribution utilizing the Approval and Review form if senior management's signature is required.
 - 4.5.3 Fuel Buyer and/or Administrative Assistant secure a W-9 (*Exhibit 13*) from supplier for EKPC emission allowance purchases and forward to Accounting if not already on file.
 - 4.5.4 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
 - 4.5.5 Administrative Assistant adds contract information to emission allowance Transaction Schedule (*Exhibit 20*) and submits to Accounting.
 - 4.5.6 Administrative Assistant files executed contract in Fuel and Emissions' department files with back-up documentation.
- 4.6 Confirm transfer of emission allowances.
 - 4.6.1 Fuel Buyer verifies with Environmental Affairs for EPA confirmation of counterparty transfer into or out of EKPC account including, but not limited to, counterparty, product, vintage year, quantity, and EKPC account.
 - 4.6.2 Fuel Buyer investigates erroneous information, when applicable, with counterparty, EPA, and/or Environmental Affairs.

- 4.7 Ensure unit accounts have sufficient quantities of allowances.
 - 4.7.1 Environmental Affairs uses the CAMD Business System to transfer and track allowances so unit accounts have the appropriate quantity of allowances prior to EPA retiring the allowances.
 - 4.7.2 Fuel Buyer confirms quantities and accounts initiated by Environmental Affairs.
 - 4.7.3 Environmental Affairs, in concert with Legal, determines if any further actions are required regarding the CD.
 - 4.7.4 EPA retires Seasonal NO_x allowances from EKPC unit accounts, on a date certain, approximately March 1, to equal the total of emissions by EKPC power stations during May 1 through September 30 of the current calendar year.
 - 4.7.5 EPA retires SO₂ and Annual NO_x allowances from EKPC unit accounts, on a date certain, approximately March 1, to equal the total of emissions by EKPC power stations during the prior calendar year.
- 4.8 Approve invoice for EKPC emission allowance purchases.
 - 4.8.1 Fuel Buyer receives counterparty and/or broker invoice and verifies quantity, price, and extended amount due.
 - 4.8.2 Fuel Buyer investigates discrepancies on counterparty and/or broker invoice, if applicable.
 - 4.8.3 Fuel Manager approves counterparty and broker invoice for payment.
 - 4.8.4 Administrative Assistant sends invoice and a copy of the EPA delivery confirmation to Accounting for payment.
 - 4.8.5 Accounting receives Accounting supervisor approval on invoice(s) and sends to accounts payable for payment.
 - 4.8.6 Accounting completes tracking worksheet including allowances and total cost for use in the environmental surcharge calculation.

4.9 Confirm delivery of payment for EKPC emission allowance sales.

4.9.1 Fuel Buyer verifies with Accounting the correct payment is received.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

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LIME/LIMESTONE

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PROCEDURE FOR THE PROCUREMENT OF LIME, LIME KILN DUST, AND LIMESTONE			L-1
Author: Fuel and Emissions Department		Adopted: 02/27/81	Page 1 of 15
Revision: 14	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Lime, Lime Kiln Dust, and Limestone

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of lime, lime kiln dust (or comparable product), and limestone to be used in Cooper Power Station Unit Nos. 1 and 2 and Spurlock Power Station Unit Nos. 1 and 2 (“scrubbers”), SCRs, circulating fluidized bed (“CFB”) units, and Spurlock Power Station’s waste water treatment and water mass balance processes for East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.2 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.3 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.
- 2.4 CFB—Circulating fluidized bed boilers in Gilbert Unit No. 3 at Spurlock Power Station and Spurlock Power Station Unit No. 4.

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- 2.5 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.6 Coal—Bituminous fossil fuel used to fire boilers.
- 2.7 Contract—Document binding seller to sell and ship designated product that states terms and conditions for lime, lime kiln dust (or comparable product), and limestone deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.8 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with purchased current market information.
- 2.9 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.10 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for lime, lime kiln dust (or comparable product), or limestone in situations including but not limited to: failure of a lime, lime kiln dust (or comparable product), or limestone supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive lime, lime kiln dust (or comparable product), or limestone by normal means.
- 2.11 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.12 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.13 Floating Price—Price subject to adjustments based upon predetermined indices or surcharges. All applicable taxes, freight, fees, and profit margins are typically included.

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- 2.14 Fuel Negotiating Committee—Committee requiring Board of Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 ([Exhibit 3](#)).
- 2.15 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.16 Lime—Calcium oxide (CaO) used to absorb SO_x emissions generated from the burning of coal at Cooper Power Station. Includes hydrated lime used to absorb SO₃ emissions generated from the burning of coal and use in the waste water treatment and water mass balance processes at Spurlock Power Station.
- 2.17 Lime and/or Limestone Bidders List—List of current lime and/or limestone companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes ([Exhibit 24](#)).
- 2.18 Lime Kiln Dust—Used to extend the life of the SCR catalysts in the scrubbed units of Spurlock Power Station Unit Nos. 1 and 2. A comparable product may also be utilized in place of lime kiln dust.
- 2.19 Limestone—Calcium carbonate (CaCO₃) used to absorb sulfur from the coal at Spurlock Power Station.
- 2.20 Ownership Disclosure—Form to be completed by all lime, lime kiln dust (or comparable product), and limestone suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family ([Exhibit 35](#)).
- 2.21 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.
- 2.22 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.23 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).

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- 2.24 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.25 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.26 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper and Spurlock. Cooper utilizes lime in a dry scrubber. Spurlock utilizes hydrated lime to absorb SO₃ emissions generated from the burning of coal and use in the waste water treatment and water mass balance processes. Spurlock utilizes limestone in wet scrubbers and the CFB units as well as lime kiln dust (or comparable product) in the SCRs.
- 2.27 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for lime, lime kiln dust (or comparable product), and limestone deliveries to EKPC's power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.28 RFP—Request for proposal sent to prospective suppliers on EKPC's Lime and/or Limestone Bidders List (*Exhibit 24*) to bid for lime and/or limestone.
- 2.29 SCR—Selective catalytic reduction, which utilizes a catalyst to reduce NO_x emissions from power plant's exhaust gas.
- 2.30 Scrubber—Flue gas desulfurization equipment used for the reduction of SO_x emissions in the scrubbed units at Cooper and Spurlock Power Stations.
- 2.31 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (includes electronic and written proposals).
- 2.32 Security of Performance—A document providing at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach.

- 2.33 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase lime, lime kiln dust (or comparable product), or limestone at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making *Economy*, *Emergency*, and *Test* spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. *Economy*, *Emergency*, and *Test* spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. *Economy*, *Emergency*, and *Test* spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)
- 2.34 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.35 Test Spot Purchase—Spot purchase made without competitive bidding to test a particular product for its suitability and burning characteristics at EKPC's power stations.
- 2.36 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).

- 2.37 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.38 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
- 3.1.2 Ensures adequate lime, lime kiln dust (or comparable product), and limestone deliveries to EKPC's power plants.
- 3.1.3 Ensures all new contracts have been reviewed by legal, with the credit rating and insurance language reviewed by risk management.
- 3.1.4 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).

3.2 Power Plant Personnel

- 3.2.1 Maintain the lime, lime kiln dust (or comparable product), and limestone system at each of EKPC's relevant power stations to ensure its availability to unload lime, lime kiln dust (or comparable product), and limestone deliveries.
- 3.2.2 Monitor the lime, lime kiln dust (or comparable product), and limestone inventory levels at each of EKPC's relevant power stations daily.
- 3.2.3 Advise the Fuel and Emissions department of any concerns regarding the product or product delivery.
- 3.2.4 Collect lime, lime kiln dust (or comparable product), and limestone samples to be analyzed as needed.

- 3.2.5 Weigh trucks randomly to verify origin weights.
 - 3.2.6 Manage lime, lime kiln dust (or comparable product), and limestone specifications.
 - 3.2.7 Assist Production Engineering and Accounting with limestone stockpile surveys.
- 3.3 Fuel Buyers
- 3.3.1 Determine quantities to purchase based on historic and projected needs; generate RFPs; make purchase recommendations; and perform due diligence.
 - 3.3.2 Monitor lime, lime kiln dust (or comparable product), and limestone qualities.
 - 3.3.3 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.
 - 3.3.4 Manage lime, lime kiln dust (or comparable product), and limestone deliveries and/or inventory levels at each of EKPC's power stations daily.
- 3.4 Administrative Assistant
- 3.4.1 Assists in managing the RFP process.
 - 3.4.2 Reviews contract(s) and/or purchase order(s).
 - 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)) and files with appropriate contract(s) and/or purchase order(s).
 - 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.5 Legal Counsel
- 3.5.1 Provides representation at long-term purchase proposal openings.
 - 3.5.2 Advises in the development of legal documentation.
 - 3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
- 3.6.2 Manages the Trading Authority Transaction Matrix and suppliers' (*Exhibit 50*) financial reviews.
- 3.6.3 Assists in managing price adjustments.
- 3.6.4 Identifies the fixed and floating component percentages of the year-to-date spend.

3.7 Central Lab Personnel

- 3.7.1 Assist Cooper Power Station plant personnel in sampling and analysis of lime as needed.
- 3.7.2 Receive limestone samples from Spurlock Power Station plant personnel for analysis by independent commercial lab.

3.8 Accounting

- 3.8.1 Reconciles all documentation from Power Plant Personnel and Fuel Buyers against invoices.
- 3.8.2 Logs receipt information into accounting computer system.
- 3.8.3 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Cooper Power Station has an above-ground silo that holds approximately 1,067 tons of lime. This silo is maintained at near capacity level.

Spurlock Power Station has a scrubber limestone shed that holds approximately 4,000 tons and a CFB limestone shed that holds approximately 4,000 tons. These sheds are maintained at near capacity levels. A contingency stockpile of approximately 15,000 tons of limestone is also maintained for the scrubbers and approximately 20,000 tons for the CFBs. Spurlock Power Station also has a silo that holds approximately 250 tons of lime kiln dust (or comparable product). It is

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maintained at near capacity level. Spurlock Power Station has an environmental control hydrated lime silo that holds approximately 70 tons, a waste water treatment hydrated lime silo that holds approximately 125 tons, and a water mass balance hydrated lime silo that holds approximately 50 tons. They are maintained near capacity level.

- 4.1 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term, quality, and quantity for lime, lime kiln dust (or comparable product), and limestone of RFP based on historic and projected needs.
 - 4.1.2 Develop and coordinate test for possible product or handling improvement. Improvement may be in terms of economics, compatibility, flexibility, or dependability.
 - 4.1.3 Fuel Buyers create a written or verbal RFP (e.g., [Exhibit 25](#)) stating applicable delivery locations, term, quality, quantity, and price options including the security of performance requirement.
 - 4.1.4 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 25](#)) before issuing.
 - 4.1.5 Issue RFP (e.g., [Exhibit 25](#)) for sealed proposals for lime and limestone to bidders on EKPC's Lime and/or Limestone Bidders Lists ([Exhibit 24](#)). (No RFP is currently required for lime kiln dust (or comparable product) due to sole source. In addition, economy, test, and emergency lime and limestone proposals may be made verbally and confirmed by written documentation. Written proposals will be opened at a later time following the documented procedure. Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations.)
 - 4.1.6 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 25](#)).
- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and

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Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.

- 4.2.2 Administrative Assistant logs proposals reviewed.
- 4.2.3 Sign log of proposals by those present at opening.
- 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened lime, lime kiln dust (or comparable product), and limestone proposals.
 - 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost for fixed and/or floating pricing.
 - 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
 - 4.3.4 Evaluate supplier(s) performance capabilities.
 - 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
 - 4.3.6 Conduct field visit(s), if necessary, to evaluate the facilities, reserves, quality, production capabilities, etc., of the supplier(s) with competitive proposals to evaluate physical risk.
 - 4.3.7 Prepare a field evaluation report if field visit is conducted for contracts.

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- 4.3.8 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.3.9 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (*Exhibit 26*) recommending the most economic supplier(s) of lime, lime kiln dust (or comparable product), and limestone meeting the corresponding RFP's specifications while balancing risk.
- 4.3.10 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
- 4.3.11 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.3.12 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).

- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) based on a standard template reviewed by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.4.1 Contract(s) and/or purchase order(s) includes destination, quality, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure ([Exhibit 35](#)), W-9 ([Exhibit 13](#)), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 ([Exhibit 13](#)) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager and legal counsel if changes are made to the previously approved draft.
- 4.5 Fuel Buyers coordinate the execution of lime, lime kiln dust (or comparable product), and limestone contract(s) and purchase order(s).
 - 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.5.2 Administrative Assistant reviews contract(s) and purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot purchase needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.

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- 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
- 4.5.4 Fuel Analyst logs approved contract(s) and purchase order(s) on the Trading Authority Transaction Matrix (*Exhibit 50*) for submittal to BROC each month..
- 4.5.5 Administrative Assistant files executed contract(s) and purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions (*Exhibit 14*). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Power Plant personnel schedule lime, lime kiln dust (or comparable product), and limestone from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply.
 - 4.6.1 Fuel Buyers provide selected lime, lime kiln dust (or comparable product), and limestone supplier(s) a projected delivery schedule for up to one year.
 - 4.6.2 Fuel Buyers manage the commercial terms and conditions of the current contract(s) and/or purchase order(s).
- 4.7 Power Plant Personnel receive delivery of lime, lime kiln dust (or comparable product), and limestone.
 - 4.7.1 Collect bill of lading and forward to Accounting.
 - 4.7.2 Perform adequate sampling on lime, lime kiln dust (or comparable product), and limestone deliveries or inventories for quality control as required for their respective power station.

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- 4.7.3 Weigh trucks randomly when deliveries occur using truck scales to determine any net material discrepancies compared to the origin bill of lading. (Subtract tare weight from gross weight to determine net weight.)
- 4.7.4 Monitor unloading of trucks.
- 4.8 Central Lab Personnel assist Power Plant Personnel as needed with lime and limestone sampling and analysis.
- 4.9 Fuel Buyers monitor supplier performance.
 - 4.9.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.9.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
- 4.10 Fuel Analyst tracks and documents financial reviews.
 - 4.10.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.10.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.11 Verify receipt and invoice approval.
 - 4.11.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 4.11.2 Fuel Buyers review and verify floating price adjustments for production and transportation surcharges as needed.
 - 4.11.3 Accounting reconciles all documentation (e.g., bill of lading, surcharge and delivery spreadsheets) from Power Plant Personnel and Fuel Buyers against invoices.
 - 4.11.4 Accounting logs receipt information into accounting computer system.
 - 4.11.5 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.

4.11.6 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

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NATURAL GAS

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PROCEDURE FOR THE PROCUREMENT OF NATURAL GAS			NG-1
Author: Fuel and Emissions Department	Adopted: 02/01/05		Page 1 of 13
Revision: 10	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Natural Gas

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, and payment of natural gas and natural gas transportation for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.2 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.3 Cagle Keystone—A poultry processing plant outside Albany, Kentucky, relying on oil-fired generators as back-up electrical supply should their main source of electricity be disrupted. EKPC owns the two units as well as purchases off-road ultra-low sulfur No. 2 fuel oil for the 6,000-gallon storage tank.
- 2.4 Combustion Turbine (“CT”)—An electric generating unit utilizing natural gas or No. 2 fuel oil.
- 2.5 Confirmation—Form executed by Buyer and Seller to document agreed upon price, quantity, and term ([Exhibit 27](#)).

- 2.6 Daily Natural Gas Update Report—Report containing, but not limited to, the current OBA, projected OBA, current average price paid, and any pipeline constraints or OFOs (*Exhibit 28*).
- 2.7 Daily Price Report—Report containing projected pricing for day-ahead purchases and intra-day purchases (*Exhibit 29*).
- 2.8 Day-Ahead Purchase—Purchase made prior to 9:00 a.m. c.s.t the calendar day before the gas day and/or the calendar day before the weekend and/or holidays.
- 2.9 Dekatherm (“Dth”)—Unit of energy equal to 10 therms or one million British thermal units. (See also 2.13.)
- 2.10 Estimated Burn Profile—Hourly schedule showing CT projected usage of natural gas required by the transportation pipeline (*Exhibit 30*).
- 2.11 External Natural Gas Manager—Company outside EKPC utilized to perform natural gas purchasing functions such as, but not limited to, supplier contact, OBA management, and assisting in NAESB natural gas contract negotiation.
- 2.12 Federal Energy Regulatory Commission (“FERC”)—An independent agency that regulates the interstate transmission of electricity, natural gas, and oil.
- 2.13 Forward Purchase—Purchase made for physical natural gas. Supply confirmations typically have a defined term of one year or less, but can be a supply agreement with a term of three years or less with transaction limits/controls detailed in Board Policy No. 404. Long-term agreements can have an unlimited term if approved by the Board of Directors. These natural gas transactions shall be evaluated on an as-needed basis and purchased with the consent of the CEO and BROCC. May be inclusive of transportation. (See 2.22 NAESB Natural Gas Contract).
- 2.14 Form 552—Annual form required by FERC that summarizes natural gas purchases and sales for the day ahead.
- 2.15 Gas Day—The gas day runs from 9:00 a.m. c.s.t up to the following 9:00 a.m. c.s.t., or as modified by the natural gas industry.
- 2.16 Intra-Day Purchase—Purchase made within the current gas day.

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- 2.17 Mcf (Thousand Cubic Feet)—A measurement of volume in the oil and natural gas industry. In general 1 Mcf = 1 MMBtu = 1 Dth. On average, 1 Mcf contains 1.027 MMBtu although this will vary based on the quality of the natural gas.
- 2.18 Measurement & Regulation (“M & R”) Station—A station comprised of piping, valves, and regulators used in controlling the flow and measuring the quantity from the pipeline.
- 2.19 Million Btu (“MMBtu”)—One million British thermal units is the unit of measure for the price paid for natural gas purchases.
- 2.20 Natural Gas—A naturally occurring hydrocarbon gas mixture consisting primarily of methane, with other hydrocarbons, carbon dioxide, nitrogen, and hydrogen sulfide. Natural gas is used in the production of electricity in its CT generator units at Bluegrass Generating Station and J. K. Smith Power Station.
- 2.21 No. 2 Fuel Oil—Dyed ultra-low sulfur diesel fuel containing a maximum 15 ppm sulfur used for off-road purposes such as unit startups and flame stabilization in the coal-fired generation fleet, a backup fuel in the CT fleet at Bluegrass Generating Station and J. K. Smith Unit Nos. 1 through 7 and fuel for Cagle Keystone.
- 2.22 North American Energy Standards Board (“NAESB”)—Serves as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities.
- 2.23 NAESB Natural Gas Contract—Standard contract for the purchase and sale of natural gas. These contracts act as a master agreement and only put forth the terms and conditions agreed to by Buyer and Seller. Price, term, and quantity are agreed to on separate confirmations ([Exhibit 27](#)).
- 2.24 Operational Balancing Agreement (“OBA”)—Agreement setting forth the terms and conditions for scheduling nominations, deliveries, and balancing at the interconnection of the natural gas pipeline.
- 2.25 Operational Flow Order (“OFO”)—Order which is issued by a pipeline to protect the operational integrity of the system. The orders may either restrict service or require actions by shippers to correct the problem and include increasing severity of penalties for failure to comply.
- 2.26 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding

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procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).

- 2.27 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.28 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.29 Policy No. 405—EKPC Board of Directors Hedging Policy (1) guides disciplined hedging of forecasted power supply needs; (2) provides a method for identifying EKPC’s risk tolerance and time horizon for hedging; (3) clarifies EKPC’s hedging objectives; and (4) more clearly integrates the energy risk management governance structure, trading authority, risk reporting, and portfolio management functions ([Exhibit 6](#)).
- 2.30 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith. Cooper and Spurlock Power Stations are coal-fired power plants; Bluegrass is a power plant compiled of three CT generator units fueled by natural gas (primary) and No. 2 fuel oil (secondary); and J. K. Smith is a power plant compiled of seven CT generator units fueled by natural gas (primary) and No. 2 fuel oil (secondary). J. K. Smith also has two additional CT units that are natural gas only.
- 2.31 Spot Purchase—Purchase for physical natural gas. Supply confirmations typically have a defined term of seven days or less. Agreements may be inclusive of transportation.
- 2.32 Tennessee Gas Pipeline (“TGP”)—Interstate natural gas transmission pipeline to which the J. K. Smith Power Station site is inter-connected.
- 2.33 Texas Eastern Transmission Company (“TETCO”)—Interstate natural gas transmission pipeline to which the J. K. Smith Power Station site is inter-connected by an EKPC owned six-mile lateral.
- 2.34 Texas Gas Transmission (“TGT”)—Interstate natural gas transmission pipeline to which the Bluegrass Generating Station site is inter-connected.

- 2.35 Thousand Cubic Feet (“Mcf”)—A measurement of volume in the oil and natural gas industry. In general 1 Mcf = 1 MMBtu = 1 Dth. On average, 1 Mcf contains 1.027 MMBtu although this will vary based on the quality of the natural gas.
- 2.36 Trade Data Gas Form—Form completed after purchase to record flow date, MMBtu purchased, price/MMBtu, total dollars, buy or sell, counterparty, pipeline, execution date, type of purchase, and trader name ([Exhibit 31](#)).
- 2.37 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.38 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

- 3.1 Fuel and Emissions Manager
 - 3.1.1 Manages and directs Fuel Buyers, administrative assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
 - 3.1.2 Ensures adequate natural gas deliveries and associated transportation to EKPC’s power station(s).
 - 3.1.3 Evaluates hedging opportunities in accordance with Policy No. 405 ([Exhibit 6](#)).
- 3.2 Legal Counsel
 - 3.2.1 Advises in the development of legal documentation.
 - 3.2.2 Reviews and approves documents as to legal form.
- 3.3 Power Plant Personnel
 - 3.3.1 Maintain the natural gas system and M & R station at the Bluegrass Generation Station and J. K. Smith Power Station to ensure their availability to utilize natural gas.

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- 3.3.2 Advise Fuel and Emissions and Power Supply Planning of generating unit, M & R station, and/or pipeline outages that could affect the quantity and/or deliverability of natural gas.
 - 3.3.3 Track, review, and make adjustments in unit starts and/or run hours to achieve environmental compliance on each unit's maximum starts and/or run hours.
 - 3.3.4 Develop, coordinate, and execute periodic testing of pipelines to ensure any pipeline can be used, operationally, for natural gas deliveries.
- 3.4 Fuel Buyers
- 3.4.1 Act as liaison between EKPC's external natural gas manager and EKPC's other department personnel.
 - 3.4.2 Manages the NAESB natural gas contract process.
 - 3.4.2 Monitor EKPC's pipeline transportation OBA's and make recommendations regarding future natural gas purchases.
 - 3.4.3 Ensure all affected EKPC personnel are aware when any pipeline initiated OFO is issued and make recommendations regarding a plan of action.
 - 3.4.4 Complete and review schedule indicating number of starts and amount of run hours, both current and projected, and alert appropriate personnel.
 - 3.5.4 Assist Accounting in collecting information used in completing the annual FERC Form 552.
- 3.5 Administrative Assistant
- 3.5.1 Assists in managing the NAESB natural gas contract process.
 - 3.5.2 Completes natural gas pricing worksheet tracking performance of external natural gas manager.
 - 3.5.3 Completes monthly natural gas purchase summary for approval in accordance with Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)).

- 3.5.4 Posts fully-executed NAESB natural gas contract(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.6 Fuel Analyst
 - 3.6.1 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) for physical natural gas hedges.
- 3.7 Power Supply Planning
 - 3.7.1 Determines short- and long-term projected natural gas usage and prepares Estimated Burn Profile (*Exhibit 30*).
 - 3.7.2 Contacts external natural gas manager to revise and/or qualify projected natural gas usage.
 - 3.7.3 Reviews CT generator unit starts and run hours in order to vary starts and run hours.
 - 3.7.4 Contacts external natural gas manager for indicative pricing regarding a potential physical natural gas hedge, and recommends a detailed physical natural gas hedge to the Fuel and Emissions Manager.
- 3.8 Environmental Affairs
 - 3.8.1 Communicates testing schedules to appropriate personnel.
 - 3.8.2 Reviews CT generator unit starts and run hours and alerts appropriate personnel.
- 3.9 Accounting
 - 3.9.1 Verifies volume and price per MMBtu from natural gas confirmations (*Exhibit 27*) with supplier invoice for accuracy.
 - 3.9.2 Contacts responsible party and/or Fuel Buyer to clarify any discrepancies in the invoices.
 - 3.9.3 Calculates payment and sends to treasury for disbursement.
 - 3.9.4 Prepares and files Form 552 annually with FERC.

4.0 Procedure

J. K. Smith Power Station has two interstate natural gas pipelines that service the site. TGP, owned by Kinder Morgan, is inter-connected to the site approximately ½ mile from the CTs. The TETCO pipeline, owned by Enbridge, Inc., is interconnected to the site with an approximate 6-mile lateral owned by EKPC. Bluegrass Generating Station has one interstate natural gas pipeline that services the site. TGT, owned by Boardwalk Partners, is interconnected at the site. EKPC's OBA with TGP includes a cash settlement at the end of every month and under normal conditions can handle between +/- 40,000 and 60,000 Dths. EKPC's OBA with TETCO contains an acceptable daily variance of not more than 7,500 Dths and an accumulated balance of not more than 15,000 Dths. The TETCO OBA is not financially settled but is volumetrically settled the following month. No OBA agreement is available at TGT; therefore, delivered natural gas is typically not advantageous.

J. K. Smith Power Station CT Unit Nos. 1 through 7 may only be started 200 times each within a calendar year and Unit Nos. 9 and 10 only 365 times each. Unit Nos. 1 through 4 may only be run 2,500 hours based on a rolling 12-month time period. Unit Nos. 5 through 7 have no run-hour limitation. Unit Nos. 9 and 10 may only be operated 4,000 hours on a rolling 12-month time period. Bluegrass Generating Station cannot exceed 95 tons of NO_x, 245 tons of CO, and cannot exceed 4,757 operating (run) hours for any 12 consecutive calendar months.

4.1 Determine natural gas usage.

- 4.1.1 Power Plant Personnel communicate daily to Power Supply Planning the availability of each unit.
- 4.1.2 Environmental Affairs communicates testing schedules to Power Supply Planning.
- 4.1.3 External natural gas manager provides daily estimate of day-ahead and intra-day pricing via Daily Price Report ([Exhibit 29](#)).
- 4.1.4 Power Supply Planning calculates projected natural gas usage using various factors including, but not limited to, weather, price, PJM unit clearings, and unit availability. This can include Day-Ahead, Intra-Day, Spot, or Forward Purchases.
- 4.1.5 Power Supply Planning personnel completes Estimated Burn Profile ([Exhibit 30](#)) for use in determining appropriate purchases. This form is also required by the transportation pipeline.

- 4.2 Execute NAESB natural gas contracts with potential suppliers and transportation pipelines.
 - 4.2.1 External natural gas manager and/or Fuel Buyer proposes new natural gas supplier based on, but not limited to, the number of current natural gas suppliers, supplier pipeline transportation, and other supplier history.
 - 4.2.2 External natural gas manager initiates NAESB natural gas contract negotiation.
 - 4.2.3 Fuel Buyer, Legal, and external natural gas manager negotiate an acceptable NAESB natural gas contract with supplier and/or applicable various agreements/contracts with transportation pipeline.
 - 4.2.4 EKPC's risk management service provider checks the supplier's credit and assigns a credit limit based on EKPC's Director of Risk's approval.
 - 4.2.5 Administrative Assistant obtains appropriate signature.
 - 4.2.6 Fuel Buyer and/or Administrative Assistant secure a W-9 (*Exhibit 13*) from supplier and forward to Accounting if not already on file.
 - 4.2.7 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed NAESB natural gas contract(s) and/or transportation agreement(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*). The Administrative Assistant promptly removes them from the shared directory.
 - 4.2.8 Fuel Analyst logs approved physical natural gas hedges on the Trading Authority Transaction Matrix (*Exhibit 50*) for submittal to BROCC each month.
 - 4.2.9 Administrative Assistant files executed contract(s) in Fuel and Emissions' department files. Original contract(s) is stored at an offsite storage facility for disaster mitigation.

- 4.3 Purchase natural gas volumes required.
- 4.3.1 External natural gas manager determines quantity to be purchased, under normal pipeline operating conditions, based on Estimated Burn Profile (*Exhibit 30*). Determination is made whether to make less expensive day-ahead purchases or to make intra-day purchases that aid in OBA management but are typically more expensive.
 - 4.3.2 Fuel Buyer and Power Supply Planning, under adverse operating conditions on the pipeline, consult and advise external natural gas manager regarding purchase quantities.
 - 4.3.3 External natural gas manager contacts several suppliers who have an existing NAESB natural gas contract with EKPC and requests quotes for the designated term and quantity.
 - 4.3.4 External natural gas manager purchases natural gas based on, but not limited to, price, quantity, past performance, urgency of purchase, term of purchase, pipeline use, and transportation cost. Quantities are purchased in MMBtu, not Mcf, in order to pay for the heat content received.
 - 4.3.5 Purchase is made within authority levels in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) and existing credit limits.
 - 4.3.6 External natural gas manager or natural gas supplier makes nomination on TGP's, TETCO's, or TGT's web-based system to confirm source, destination, and quantity of natural gas purchased.
 - 4.3.7 Natural gas deliveries begin on the date specified and under the terms of the confirmation (*Exhibit 27*) and NAESB natural gas contract.
 - 4.3.8 Fuel and Emissions Manager, Fuel Buyer, Power Supply Planning, and Finance, to the extent possible, may hedge the future price on a portion of its natural gas purchases based on, but not limited to, future power prices, volume certainty, future natural gas prices, and future power prices to achieve the most desirable risk management scenario for EKPC and its members.

- 4.3.9 A physical natural gas hedge position is established through Spot Purchases or Forward Purchases in accordance with Policies No. 404, No. AO31, and No. 405; the Fuel Cost Policy; the NAESB; and these approved Procedures. Power Supply Planning will make a detailed recommendation for a physical natural gas hedge. For these Spot and Forward Purchases, the Fuel Buyer will draft an approval memo to management recommending a physical hedge with the purpose of mitigating price volatility in the market while maintaining operational flexibility. If approved, the Fuel and Emissions Manager will communicate by e-mail with the external natural gas manager giving them authority, on behalf of EKPC, to purchase and schedule the physical natural gas hedge.
- 4.4 Prepare and review transaction documentation.
 - 4.4.1 External natural gas manager enters transaction into Trade Data Gas Form (*Exhibit 31*).
 - 4.4.2 Confirmation (*Exhibit 27*) is sent from supplier to Fuel Buyer and external natural gas manager.
 - 4.4.3 Fuel Buyer verifies date, quantities, and prices on Trade Data Gas Form (*Exhibit 31*) with individual confirmations (*Exhibit 27*) received from suppliers.
 - 4.4.4 Fuel Buyer investigates any discrepancies with external natural gas manager and/or natural gas supplier.
- 4.5 Manage OBA.
 - 4.5.1 External natural gas manager provides Daily Natural Gas Update Report (*Exhibit 28*).
 - 4.5.2 Fuel Buyer and external natural gas manager monitor OBA in order to minimize associated costs and ensure pipeline satisfaction.
 - 4.5.3 Fuel Buyer confirms OBA level and investigates errors or inappropriate projected levels.
 - 4.5.4 Fuel Buyer verifies month-end OBA through pipeline on-line system and/or external natural gas manager.

- 4.6 Manage OFO.
 - 4.6.1 Designated personnel receive OFO notices from the pipeline directly (*Exhibit 32*).
 - 4.6.2 Fuel Buyer acknowledges OFO to personnel, explains situation, and if it applies to EKPC.
 - 4.6.3 External natural gas manager notes OFO information on the Daily Natural Gas Update Report (*Exhibit 28*) and informs EKPC personnel when applicable OFO occurs.
 - 4.6.4 Fuel Buyer, Power Supply Planning, and external natural gas manager discuss projected usage before sending out Estimated Burn Profile (*Exhibit 30*). These discussions shall include, but not necessarily be limited to, if intra-day purchases are an option; likelihood of projected usage materializing; OBA utilization; and if there are time constraints.
- 4.7 Ensure environmental compliance.
 - 4.7.1 Fuel Buyer completes starts and run-hours schedule (*Exhibit 33*) indicating number of starts and amount of run hours, both current and projected.
 - 4.7.2 Fuel Buyer, Power Supply Planning, Environmental Affairs, and J. K. Smith Power Station review the starts and run-hours schedule (*Exhibit 33*) and contact the other departments if they recognize any current or future issues that may affect environmental compliance.
 - 4.7.3 Power Supply Planning, Bluegrass Generating Station, and J. K. Smith Power Station manage starts or run hours as necessary to achieve compliance.
- 4.8 Verify receipt and invoice approval.
 - 4.8.1 Fuel Buyer prepares invoice estimate and submits to Accounting along with confirmations (*Exhibit 27*), Trade Data Gas Form (*Exhibit 30*), and OBA calculation backup.
 - 4.8.2 Accounting verifies confirmations (*Exhibit 27*) and invoice estimate with respective supplier and transportation invoices.
 - 4.8.3 Accounting and/or Fuel Buyer resolve discrepancies with external natural gas manager, respective supplier, and/or pipeline.

- 4.8.4 Accounting logs receipt information into accounting computer system.
- 4.8.5 Accounting receives Accounting supervisor approval on invoice(s) and sends to accounts payable for payment.
- 4.8.6 Fuel Analyst enters purchases and deliveries for a duration longer than one month for each physical natural gas hedge on the Trading Authority Transaction Matrix (*Exhibit 50*).
- 4.8.7 Administrative Assistant enters purchases into natural gas pricing worksheet to track natural gas purchase performance.
- 4.8.8 Administrative Assistant completes natural gas purchase summary for approval in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.8.9 Accounting completes annual FERC Form 552 with assistance from Fuel Buyer and external natural gas manager.

5.0 Effective Date

- 5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
 Mark Horn
 Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
 David Crews
 Sr. Vice President, Power Supply

Date: 10/12/2023

- Amended: 11/30/12
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- Amended: 12/16/14
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PROCEDURE FOR THE PROCUREMENT OF FUEL OIL			O-1
Author: Fuel and Emissions Department	Adopted: 02/27/81		Page 1 of 15
Revision: 15	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: No. 2 fuel oil

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of No. 2 fuel oil for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations. To ensure that standard petrodiesel is utilized instead of biodiesel, biodiesel shall not be added to or blended with said No. 2 fuel oil.

2.0 Terms and Definitions

- 2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.2 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.3 Branded Price—Price for No. 2 fuel oil product that is brand specific, by the seller that is identified by tracers in the fuel oil. Price is typically regarded as more reliable in times of crisis such as hurricanes.
- 2.4 Cagle Keystone—A poultry processing plant outside Albany, Kentucky, relying on oil-fired generators as back-up electrical supply should their main source of electricity be disrupted. EKPC owns the two units as well as purchases off-road ultra-low sulfur No. 2 fuel oil for the 6,000-gallon storage tank.

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- 2.5 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.
- 2.6 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.7 Combustion Turbine ("CT")—An electric generating unit utilizing natural gas or No. 2 fuel oil.
- 2.8 Fuel Oil Bidders List—List of current oil supply companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes (*Exhibit 34*).
- 2.9 Contract— Document binding seller to sell and ship designated product that states terms and conditions for oil deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order. (In terms of hedge quantities, a New York Mercantile Exchange (NYMEX) contract represents 1,000 barrels or 42,000 gallons of No. 2 fuel oil.)
- 2.10 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information.
- 2.11 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.12 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for No. 2 fuel oil in situations including but not limited to: failure of a fuel supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive fuel by normal means.
- 2.13 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.

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- 2.14 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, freight, fees, and profit margins are included except for a demurrage charge if applicable.
- 2.15 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 ([Exhibit 3](#)).
- 2.16 No. 2 Fuel Oil—Dyed ultra-low sulfur diesel fuel containing a maximum 15 ppm sulfur used for off-road purposes such as unit startups and flame stabilization in the coal-fired generation fleet, a backup fuel in the CT fleet (Bluegrass Generating Station and J. K. Smith Unit Nos. 1 through 7), and fuel for Cagle Keystone.
- 2.17 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.18 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.
- 2.19 Ownership Disclosure—Form to be completed by all oil suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family ([Exhibit 35](#)).
- 2.20 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.21 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).
- 2.22 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).

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- 2.23 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.24 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith. Cooper and Spurlock are coal-fired power plants; Bluegrass is a power plant compiled of three CT generating units fueled by natural gas (primary) and No. 2 fuel oil (secondary); and J. K. Smith is a power plant compiled of seven CT generator units fueled by natural gas (primary) and No. 2 fuel oil (secondary). J.K. Smith also has two units that are natural gas only.
- 2.25 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for oil deliveries to EKPC’s power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.26 Rack-Plus Price—Either a branded or unbranded No. 2 fuel oil price that is priced based on the specific rack location price plus a fixed adder that includes all applicable taxes, freight, fees, and profit margins. The adder is fixed throughout the term of the purchase, whereas the actual fuel price is the only variable except for a demurrage charge if applicable.
- 2.27 Requisition—Form completed by Power Plant Personnel following up a verbal request for No. 2 fuel oil deliveries applying to the then current contract(s) and/or purchase order(s) (*Exhibit 38*).
- 2.28 RFP—Request for proposal sent to prospective suppliers on EKPC’s Fuel Oil Bidders List (*Exhibit 34*) to bid for No. 2 fuel oil.
- 2.29 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (includes electronic and written proposals).
- 2.30 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase No. 2 fuel oil at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require

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competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making Economy, Emergency, and Test spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. Economy, Emergency, and Test spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. Economy, Emergency, and Test spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.31 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.32 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular fuel for its suitability and burning characteristics at EKPC's power stations.
- 2.33 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.34 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.35 Unbranded Price—Price for No. 2 fuel oil product that is not brand specific.
- 2.36 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued. ([Exhibit 13](#))

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies
- 3.1.2 Ensures adequate No. 2 fuel oil deliveries to EKPC's power stations.
- 3.1.3 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).

3.2 Power Plant Personnel

- 3.2.1 Maintain the fuel oil system at each of EKPC's power stations to ensure its availability to unload No. 2 fuel oil truck deliveries.
- 3.2.2 Advise the Fuel and Emissions department as a need arises for No. 2 fuel oil.
- 3.2.3 Collect and analyze No. 2 fuel oil sample during unloading as required, and stay with the truck during unloading to monitor in case of spills.
- 3.2.4 Log arrival and departure times of No. 2 fuel oil truck deliveries. Also, log any unusual occurrences while the truck is on site.

3.3 Fuel Buyers

- 3.3.1 Monitor Bluegrass Generating Station's, J. K. Smith Power Station's, and Cagle Keystone's No. 2 fuel oil inventory.
- 3.3.2 Issue and evaluate RFPs for No. 2 fuel oil for all power stations and Cagle Keystone.
- 3.3.3 Generate and execute appropriate contract(s) and/or purchase order(s).
- 3.3.4 Contact appropriate supplier(s) for delivery of No. 2 fuel oil as requested by Power Plant Personnel.

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- 3.3.5 Evaluate and give direction of purchase from fixed or rack-plus agreement(s).
- 3.3.6 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.
- 3.4 Administrative Assistant
 - 3.4.1 Assists in managing the RFP process.
 - 3.4.2 Reviews contract(s) and/or purchase order(s).
 - 3.4.3 Contacts appropriate supplier(s) for delivery of No. 2 fuel oil as requested.
 - 3.4.4 Receives and reviews pricing and invoices and contacts appropriate supplier(s) to clarify any discrepancies.
 - 3.4.5 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order (s).
 - 3.4.6 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.5 Legal Counsel
 - 3.5.1 Provides representation at long-term purchase proposal openings.
 - 3.5.2 Advises in the development of legal documentation.
 - 3.5.3 Reviews and approves documents as to legal form.
- 3.6 Fuel Analyst
 - 3.6.1 Manages receipt of electronic proposals through password projected e-mail account.
 - 3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) and suppliers' financial reviews.
 - 3.6.3 Verifies rack pricing and validates total invoice price.

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3.6.4 Compiles and forwards completed spreadsheet of purchases to Accounting.

3.7 Central Lab Personnel

3.7.1 Sample No. 2 fuel oil tank at Spurlock Power Station semi-annually to ensure emissions compliance for Spurlock Power Station Unit No. 4.

3.7.2 Analyze No. 2 fuel oil drawn from the storage tank(s) at Bluegrass Generating Station and J. K. Smith Power Station for sulfur, Btu, specific gravity, and temperature to ensure emissions compliance whenever any of the CTs are operating on No. 2 fuel oil.

3.7.3 Sample and analyze the No. 2 fuel oil tank(s) at Bluegrass Generating Station and J. K. Smith Power Station semi-annually for quality stability.

3.7.4 Sample and analyze deliveries of No. 2 fuel oil as needed.

3.7.5 Monitor compliance of bulk storage tanks.

3.8 Accounting

3.8.1 Verifies spreadsheet volume and dollars from Fuel Analyst against manual log sheet generated from verbal communication followed by bill of lading documentation from Power Plant Personnel and invoices.

3.8.2 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.

3.8.3 Logs receipt information into accounting computer system.

3.8.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Replenish levels for No. 2 fuel oil are approximately 15,000—20,000 gallons at Cooper Power Station and 200,000—250,000 gallons at Spurlock Power Station. Cooper Power Station has a 30,000-gallon capacity underground tank. It is maintained at near capacity. Spurlock Power Station has one, usable 350,000 gallon capacity above-ground tank. All inventory levels are based in part on the plant's ability to deplete the No. 2 fuel oil in large amounts from start-ups and multiple trips of units and may be adjusted accordingly.

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J. K. Smith Power Station has a 4.5 million gallon above-ground tank. Bluegrass Generating Station has two, 636,872 gallon above-ground tanks. Replenishing No. 2 fuel oil inventory at Bluegrass Generating Station and J. K. Smith Power Station is based on market, delivery, and power station conditions. The No. 2 fuel oil level at J. K. Smith Power Station varies based on market conditions, oil turnover, etc., but is typically held at a minimum of 50 percent capacity (approximately 2,250,000 gallons) or as directed by the COO as backup to natural gas. The No. 2 fuel oil level at Bluegrass Generating Station is typically held at near capacity (approximately 1,100,000 gallons) or as directed by the COO as backup to natural gas.

Cagle Keystone has a 6,000 gallon above-ground tank. It is maintained at near capacity.

- 4.1 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term and quantity for No. 2 fuel oil of RFP based on historic and projected needs.
 - 4.1.2 Fuel Buyers create a written or verbal RFP (e.g., [Exhibit 36](#)) stating applicable delivery locations, term, quantity, and price options of fixed and/or rack plus.
 - 4.1.3 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 36](#)) before issuing.
 - 4.1.4 Issue RFP (e.g., [Exhibit 36](#)) for sealed proposals for No. 2 fuel oil to bidders on EKPC's Fuel Oil Bidders List ([Exhibit 34](#)). Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations. (Economy, emergency, and test spot No. 2 fuel oil proposals may be made verbally and confirmed by written documentation.)
 - 4.1.5 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 36](#)).

- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s) prior to formal bid opening.
 - 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened No. 2 fuel oil proposals.
 - 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost for rack plus and/or fixed pricing.
 - 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
 - 4.3.4 Evaluate supplier(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy ([Exhibit 1](#)).
 - 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
 - 4.3.6 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any

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binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.

- 4.3.7 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (*Exhibit 37*) recommending the most economic supplier(s) of No. 2 fuel oil meeting the corresponding RFP's specifications while balancing risk.
 - 4.3.8 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
 - 4.3.9 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
 - 4.3.10 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) for No. 2 fuel oil based on a standard template approved by legal counsel, with credit rating and insurance requirements submitted to risk management.

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- 4.4.1 Contract(s) and purchase order(s) includes destination, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review if requested.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk managements if changes are made to the standard No. 2 fuel oil purchase order template.
- 4.5 Fuel Buyers execute No. 2 fuel oil contract(s) and/or purchase order(s).
- 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.5.2 Administrative Assistant reviews contract(s) and/or purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form (*Exhibit 39*) if senior management's signature is required. Written and verbal RFPs for traditional spot No. 2 fuel oil needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
 - 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404

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- ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
- 4.5.4 Fuel Analyst logs approved contract(s) and/or purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROCC each month.
 - 4.5.5 Administrative Assistant files executed contract(s) and/or purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Fuel and Emissions personnel order No. 2 fuel oil from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply based on Power Plant Personnel request(s).
- 4.6.1 Receive request from Power Plant Personnel for a defined amount of No. 2 fuel oil, which is followed by a written requisition as needed ([Exhibit 38](#)) for Bluegrass Generating Station, J. K. Smith, Cooper, and Spurlock Power Stations.
 - 4.6.2 Contact applicable supplier(s) for requested delivery amount of No. 2 fuel oil.
- 4.7 Power Plant Personnel receive delivery of No. 2 fuel oil.
- 4.7.1 Log arrival and departure time of No. 2 fuel oil delivery.
 - 4.7.2 Perform adequate sampling on No. 2 fuel oil deliveries to ensure quality control as required for their respective power station.
 - 4.7.3 Monitor unloading of trucks to ensure no spills occur of the No. 2 fuel oil.
- 4.8 Central Lab Personnel analyze inventory samples on No. 2 fuel oil when collected at power station.

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- 4.9 Fuel Buyers monitor supplier performance.
 - 4.9.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard (*Exhibit 12*).
 - 4.9.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
- 4.10 Fuel Analyst tracks and documents financial reviews.
 - 4.10.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.10.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.11 Verify receipt and invoice approval.
 - 4.11.1 Administrative Assistant receives and verifies applicable pricing and invoices.
 - 4.11.2 Administrative Assistant contacts appropriate supplier(s) to clarify any discrepancies with the invoice(s).
 - 4.11.3 Administrative Assistant forwards pricing and invoices to Fuel Analyst for logging and also to Accounting.
 - 4.11.4 Fuel Analyst logs invoices on spreadsheet and verifies pricing.
 - 4.11.5 Fuel Analyst forwards completed spreadsheet to Accounting.
 - 4.11.6 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix (*Exhibit 50*).
 - 4.11.7 Accounting verifies spreadsheet volume and dollars from Fuel Analyst against manual log sheet generated from verbal communication and/or bill of lading documentation from Power Plant Personnel and invoices.
 - 4.11.8 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.
 - 4.11.9 Accounting logs receipt information into accounting computer system.

4.11.10 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

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ANCILLARY COMMODITIES

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PROCEDURE FOR THE PROCUREMENT OF ANCILLARY COMMODITIES			AC-1
Author: Fuel and Emissions Department		Adopted: 10/21/15	Page 1 of 13
Revision: 8	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Ancillary Commodities

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of ancillary commodities for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Anhydrous Ammonia—A colorless, non-flammable liquefied gas used at Spurlock Power Station to activate the catalyst in the SCRs.
- 2.2 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.3 Aqueous Ammonia—A colorless, highly soluble gas used at Cooper and J. K. Smith Power Stations to aid in NO_x removal.
- 2.4 Bidders List—List of current supply companies to submit requests for proposals stating their addresses, representative contacts, and phone numbers for bidding purposes (e.g., [Exhibit 40](#)).
- 2.5 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.6 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the

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policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

- 2.7 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.8 Coal—Bituminous fossil fuel used to fire boilers.
- 2.9 Contract— Document binding seller to sell and ship designated product that states terms and conditions for ancillary commodity deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.10 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information.
- 2.11 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.12 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for ancillary commodities in situations including but not limited to: failure of a supplier to perform; increased usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive ancillary commodities by normal means.
- 2.13 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.14 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.15 FuelSolv—A highly concentrated oil-based liquid additive that contains a trademark blend of metallic-based deposit inhibitors by General Electric Company. Its primary use is to reduce slagging in the radiant section of coal and solid fuel-fired boilers.

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- 2.16 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.17 MerControl—Product 7895 is a liquid-based method for increasing mercury oxidation rates to facilitate mercury capture across existing electrostatic precipitators, and Product 8034 is a polymeric additive that specifically binds with mercury to reduce mercury re-emissions across flue gas desulfurization systems.
- 2.18 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.
- 2.19 Ownership Disclosure—Form to be completed by all ancillary commodity suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family ([Exhibit 35](#)).
- 2.20 Policy No. A031—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.21 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).
- 2.22 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.23 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.24 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith.
- 2.25 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for ancillary commodity deliveries

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to EKPC's power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.

- 2.26 RFP—Request for proposal sent to prospective suppliers on EKPC's Bidders List (e.g., *Exhibit 40*) to bid for ancillary commodities.
- 2.27 SCR—Selective catalytic reduction, which utilizes a catalyst to reduce NO_x emissions from power plant's exhaust gas.
- 2.28 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (includes electronic and written proposals).
- 2.29 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase ancillary commodities at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making Economy, Emergency, and Test spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. Economy, Emergency, and Test spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. Economy, Emergency, and Test spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in

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accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.30 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.31 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular ancillary commodity for its suitability and burning characteristics at EKPC's power stations.
- 2.32 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.33 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.34 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued. ([Exhibit 13](#))

3.0 Responsibilities

- 3.1 Fuel and Emissions Manager
 - 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
 - 3.1.2 Ensures adequate ancillary commodity deliveries to EKPC's power stations.
 - 3.1.3 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).
- 3.2 Power Plant Personnel
 - 3.2.1 Maintain systems at each of EKPC's power stations to ensure its availability to utilize ancillary commodities.

- 3.2.2 Advise the Fuel and Emissions department as a need arises for ancillary commodities.
- 3.2.3 Monitor the unloading of ancillary commodities meeting required quality specifications.
- 3.2.4 Log any unusual occurrences during delivery.

3.3 Fuel Buyers

- 3.3.1 Issue and evaluate RFPs for ancillary commodities for all power stations.
- 3.3.2 Generate and execute appropriate contract(s) and/or purchase order(s).
- 3.3.3 Contact appropriate supplier(s) for ancillary commodity deliveries as requested by Power Plant Personnel if needed.
- 3.3.4 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.

3.4 Administrative Assistant

- 3.4.1 Assists in managing the RFP process.
- 3.4.2 Reviews contract(s) and/or purchase order(s).
- 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)) and files with appropriate contract(s) and/or purchase order(s).
- 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

- 3.5.1 Provides representation at long-term purchase proposal openings.
- 3.5.2 Advises in the development of legal documentation.
- 3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
- 3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) and suppliers' financial reviews if applicable.

3.7 Accounting

- 3.7.1 Reconciles documentation received from Power Plant Personnel and Fuel and Emissions to verify invoices for payment.
- 3.7.2 Contacts responsible party to clarify any discrepancies in the invoices.
- 3.8.3 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Anhydrous Ammonia is utilized to activate the catalyst in the SCRs at Spurlock Power Station. Aqueous ammonia is utilized to aid in NO_x removal at both Cooper and J. K. Smith Power Stations.

FuelSolv works by combating the buildup of slag and aiding the soot blowers to remove slag formed at both Cooper and Spurlock Power Stations.

MerControl Product 7895 is utilized, if needed, on the coal belt as a fuel additive that oxidizes mercury in the coal during combustion in the boiler, enabling a portion of the mercury to be removed at Spurlock Power Station. MerControl Product 8034 is utilized in the scrubbers to prevent the remittance of the mercury into the flu gas at Spurlock Power Station.

Specialty and commodity chemicals are utilized in Spurlock Power Station's waste water treatment and water mass balance processes.

- 4.1 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term and quantity for ancillary commodities of RFP based on historic and projected needs.
 - 4.1.2 Fuel Buyers create an RFP (e.g., *Exhibit 41*) stating applicable delivery locations, term, quantity, and price.

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- 4.1.3 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 41](#)) before issuing.
- 4.1.4 Fuel Buyers issue RFP (e.g., [Exhibit 41](#)) for sealed proposals for ancillary commodities to bidders on EKPC's Bidders List (e.g., [Exhibit 40](#)). Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations. (Economy, emergency, and test spot ancillary commodity proposals may be made verbally and confirmed by written documentation.)
- 4.1.5 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 41](#)).
- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on traditional spot proposal openings for purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.
 - 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened ancillary commodity proposals.
 - 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost.

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- 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
- 4.3.4 Evaluate supplier(s) performance capabilities.
- 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
- 4.3.6 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.3.7 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (e.g., [Exhibit 42](#)) recommending the most economic supplier(s) of ancillary commodities meeting the corresponding RFP's specifications while balancing risk.
- 4.3.8 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)) for the new term type.

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- 4.3.9 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.3.10 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) for ancillary commodities based on a standard template approved by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.4.1 Contract(s) and purchase order(s) includes destination, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review if requested.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk managements if changes are made to the standard ancillary commodity purchase order template.
- 4.5 Fuel Buyers execute ancillary commodity contract(s) and/or purchase order(s).
 - 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.

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- 4.5.2 Administrative Assistant reviews contract(s) and/or purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot ancillary commodity needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
- 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
- 4.5.4 Fuel Analyst logs applicable approved contract(s) and/or purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROC each month.
- 4.5.5 Administrative Assistant files executed contract(s) and/or purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Power Plant Personnel order ancillary commodities from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply.
 - 4.6.1 Fuel Buyers manage the commercial terms and conditions of the current contract(s) and/or purchase order(s).

- 4.7 Power Plant Personnel receive delivery of ancillary commodities.
 - 4.7.1 Perform sampling as needed on ancillary commodity deliveries to ensure quality control as required for their respective power station.
 - 4.7.2 Monitor unloading of deliveries.
- 4.8 Fuel Buyers monitor supplier performance.
 - 4.8.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.8.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
 - 4.8.3 Inform Central Lab of all Toxic Release Inventory commodities including purchases and inventories.
- 4.9 Fuel Analyst tracks and documents financial reviews.
 - 4.9.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.9.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.10 Verify receipt of deliveries and reconcile ancillary commodity invoices.
 - 4.10.1 Fuel Analyst enters applicable deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 4.10.2 Accounting reconciles documentation entered into the accounting computer system (e.g., receipt and contract and/or purchase order terms and conditions) from Power Plant Personnel and Fuel and Emissions to reconcile ancillary commodity invoices.
 - 4.10.3 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.
 - 4.10.4 Accounting logs receipt information into accounting computer system.

4.10.5 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

**TDF &
ALTERNATIVE
FUELS**

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PROCEDURE FOR THE PROCUREMENT OF TIRE-DERIVED FUEL AND ALTERNATIVE FUELS			TDF-1
Author: Fuel and Emissions Department		Adopted: 10/21/15	Page 1 of 13
Revision: 8	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Tire-Derived Fuel; Alternative Fuels

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of tire-derived fuel (“TDF”) and alternative fuels for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Alternative Fuels—Fuel burned at EKPC’s power stations other than coal (i.e., switchgrass and biomass).
- 2.2 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.3 Bidders List—List of current TDF and alternative fuel supply companies to submit requests for proposals stating their addresses, representative contacts, and phone numbers for bidding purposes (e.g., [Exhibit 43](#)).
- 2.4 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.5 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

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- 2.6 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.7 Contract— Document binding seller to sell and ship designated product that states terms and conditions for TDF and alternative fuel deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.8 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information.
- 2.9 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.10 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for TDF in situations including but not limited to: failure of a fuel supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive fuel by normal means.
- 2.11 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.12 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.13 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.14 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.

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- 2.15 Ownership Disclosure—Form to be completed by all TDF and alternative fuel suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family ([Exhibit 35](#)).
- 2.16 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.17 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).
- 2.18 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.19 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.20 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper and Spurlock.
- 2.21 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for TDF and alternative fuel deliveries to EKPC's power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.22 RFP—Request for proposal sent to prospective suppliers on EKPC's Bidders List (e.g., [Exhibit 43](#)).
- 2.23 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (includes electronic and written proposals).
- 2.24 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase TDF at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases

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including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited to, the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making *Economy*, *Emergency*, and *Test* spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. *Economy*, *Emergency*, and *Test* spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. *Economy*, *Emergency*, and *Test* spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.25 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.26 TDF—Tire-derived fuel, bead wire free, shredded tires that are permitted to be utilized in Gilbert Unit No. 3 and Spurlock Power Station Unit No. 4.
- 2.27 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular fuel for its suitability and burning characteristics at EKPC's power stations.
- 2.28 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).

- 2.29 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.30 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued. ([Exhibit 13](#))

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
- 3.1.2 Ensures adequate TDF and alternative fuel deliveries to EKPC's power stations.
- 3.1.3 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).

3.2 Power Plant Personnel

- 3.2.1 Maintain the systems at each of EKPC's power stations to ensure its availability to utilize TDF and alternative fuels.
- 3.2.2 Advise the Fuel and Emissions department as a need arises for TDF and alternative fuels.
- 3.2.3 Monitor the unloading of TDF and alternative fuels meeting required quality specifications.
- 3.2.4 Collect TDF and alternative fuel samples as needed to be analyzed.
- 3.2.5 Log any unusual occurrences.

3.3 Fuel Buyers

- 3.3.1 Determine quantities to purchase based on projected needs, inventories, and contracted purchases.

- 3.3.2 Issue and evaluate RFPs for TDF and alternative fuels.
 - 3.3.3 Generate and execute appropriate contract(s) and/or purchase order(s).
 - 3.3.4 Contact appropriate supplier(s) for delivery of TDF and alternative fuels as requested by Power Plant Personnel if needed.
 - 3.3.5 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.
- 3.4 Administrative Assistant
- 3.4.1 Assists in managing the RFP process.
 - 3.4.2 Reviews contract(s) and/or purchase order(s).
 - 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)) and files with appropriate contract(s) and/or purchase order(s).
 - 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.5 Legal Counsel
- 3.5.1 Provides representation at long-term purchase proposal openings.
 - 3.5.2 Advises in the development of legal documentation.
 - 3.5.3 Reviews and approves documents as to legal form.
- 3.6 Fuel Analyst
- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
 - 3.6.2 Manages the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 3.6.3 Manages suppliers' financial reviews.
- 3.7 Central Lab Personnel
- 3.7.1 Coordinate lab analysis of TDF and alternative fuels as needed.

3.8 Accounting

- 3.8.1 Reconciles documentation received from Power Plant Personnel and Fuel and Emissions utilizing a spreadsheet to verify TDF and alternative fuel invoices for payment.
- 3.8.2 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.3 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Spurlock Power Station is currently permitted to burn up to 10 percent TDF by weight in Gilbert Unit No. 3 and Spurlock Unit No. 4. One ton of TDF replaces approximately 1.31 tons of coal due to the higher Btu content. Spurlock Power Station's TDF inventory capacity is approximately 1,500 tons.

Currently, TDF requires special handling using the backup limestone system. Increased quantities of TDF may require the evaluation of an independent handling system.

Cooper Power Station is currently permitted to burn 3 percent biomass by weight.

- 4.1 Issue written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term and quantity for TDF and alternative fuels of RFP based on historic and projected needs.
 - 4.1.2 Fuel Buyers create an RFP (e.g., [Exhibit 44](#)) stating applicable delivery locations, term, quantity, and price.
 - 4.1.3 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 44](#)) before issuing.
 - 4.1.4 Fuel Buyers issue RFP (e.g., [Exhibit 44](#)) for sealed proposals for TDF and alternative fuels to bidders on EKPC's Bidders List (e.g., [Exhibit 43](#)). Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations. (Economy,

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- emergency, and test spot TDF proposals may be made verbally and confirmed by written documentation.)
- 4.1.5 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., *Exhibit 44*).
- 4.2 Open all sealed proposals on or after due date of RFP.
- 4.2.1 Two Fuel and Emissions personnel must be present on traditional spot proposal openings for purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.
 - 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened TDF and alternative fuel proposals.
- 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost.
 - 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
 - 4.3.4 Evaluate supplier(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
 - 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a

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global perspective of the evaluation process and is particularly important for new projects.

- 4.3.6 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.3.7 Draft approval memorandum—including economy, emergency, and test spot purchases—to management ([Exhibit 45](#)) recommending the most economic supplier(s) of TDF and alternative fuels meeting the corresponding RFP's specifications while balancing risk.
- 4.3.8 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)) for the new term type.
- 4.3.9 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.

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- 4.3.10 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) for TDF and alternative fuels based on a standard template approved by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.4.1 Contract(s) and purchase order(s) includes destination, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review if requested.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk managements if changes are made to the standard TDF and alternative fuel purchase order templates.
- 4.5 Fuel Buyers execute TDF and alternative fuel contract(s) and/or purchase order(s).
 - 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.5.2 Administrative Assistant reviews contract(s) and/or purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form (*Exhibit 39*) if senior management's signature is required. Written and verbal RFPs for traditional spot TDF needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject

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to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.

- 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
- 4.5.4 Fuel Analyst logs approved contract(s) and/or purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROCC each month.
- 4.5.5 Administrative Assistant files executed contract(s) and/or purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Fuel and Emissions personnel order TDF and alternative fuels from the then current contract(s) and/or purchase order(s) to replenish depleted TDF and alternative fuel supplies based on Power Plant Personnel request(s).
 - 4.6.1 Contact applicable supplier(s) for requested delivery amount of TDF and alternative fuels.
- 4.7 Power Plant Personnel receive delivery of TDF and alternative fuels.
 - 4.7.1 Perform adequate sampling as needed on TDF and alternative fuel deliveries to ensure quality control as required.
 - 4.7.2 Monitor unloading of trucks.
- 4.8 Central Lab Personnel coordinate lab analysis of TDF and alternative fuels as needed.

- 4.9 Fuel Buyers monitor supplier performance.
 - 4.9.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard (*Exhibit 12*).
 - 4.9.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
 - 4.9.3 Inform Central Lab of all Toxic Release Inventory commodities including purchases and inventories.
- 4.10 Fuel Analyst tracks and documents financial reviews.
 - 4.10.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.10.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.11 Verify receipt of deliveries and reconcile TDF and alternative fuel invoices.
 - 4.11.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix (*Exhibit 50*).
 - 4.11.2 Accounting reconciles documentation entered into the accounting computer system (e.g., receipt, burn, analysis, and contract and/or purchase order terms and conditions) from Power Plant Personnel and Fuel and Emissions to reconcile TDF and alternative fuel invoices.
 - 4.11.3 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.
 - 4.11.4 Accounting logs receipt information into accounting computer system.
 - 4.11.5 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

- Amended: 09/21/16
- Amended: 09/28/17
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- Amended: 09/04/19
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- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

TRANSPORTATION

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PROCEDURE FOR THE PROCUREMENT OF TRANSPORTATION			T-1
Author: Fuel and Emissions Department	Adopted: 10/21/15		Page 1 of 15
Revision: 8	By: Gail Varner	Revised Date: 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Transportation

1.0 Purpose

This procedure outlines the procurement, confirmation, and payment of transportation of commodities for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations. Natural gas transportation is described under the Procedure for the Procurement of Natural Gas.

2.0 Terms and Definitions

- 2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.2 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.3 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a transportation company related to the requirements specified by EKPC contracts/purchase orders.
- 2.4 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions’ Administrative Assistant. ([Exhibit 14](#))
- 2.5 Coal—Bituminous fossil fuel used to fire boilers.

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- 2.6 Contract—Document binding transportation company to ship designated product stating terms and conditions to transport commodities to EKPC's power stations sent to a transportation company for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.7 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.8 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for transportation in situations including but not limited to: failure of a transportation company to perform; labor or transportation strikes; severe weather conditions; or inability of power stations to receive commodities by normal means.
- 2.9 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on transportation agreements with an initial term greater than one year.
- 2.10 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, fees, and profit margins are typically included.
- 2.11 Floating Price—Price subject to adjustments based upon predetermined indices or surcharges. All applicable taxes, fees, and profit margins are typically included.
- 2.12 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 ([Exhibit 3](#)).
- 2.13 Governmental Imposition—Any change in federal, state, or local laws, regulations, ordinances, taxes, fees, special assessments, or similar levies, or a changed application, enforcement, or interpretation thereof, occurring after a date certain specified in a transportation contract, directly relating to the transportation of commodities that results in a change of the transportation company's direct out-of-pocket costs.
- 2.14 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.15 Long-Term—Duration of more than one year.

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- 2.16 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.17 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).
- 2.18 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.19 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.20 Policy No. 405—EKPC Board of Directors Hedging Policy (1) guides disciplined hedging of forecasted power supply needs; (2) provides a method for identifying EKPC’s risk tolerance and time horizon for hedging; (3) clarifies EKPC’s hedging objectives; and (4) more clearly integrates the energy risk management governance structure, trading authority, risk reporting, and portfolio management functions ([Exhibit 6](#)).
- 2.21 Power Stations— Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith.
- 2.22 Purchase Order—Document binding transportation company to ship designated product stating terms and conditions to transport commodities to EKPC’s power stations sent to a transportation company for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.23 RFP—Request for proposal sent to prospective transportation companies on EKPC’s Transportation Bidders List ([Exhibit 46](#)).
- 2.24 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (includes electronic and written proposals).
- 2.25 Security of Performance—A document providing at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach.

- 2.26 Short-Term—Duration of one year or less.
- 2.27 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase transportation at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are three types of spot purchases including (1) *Traditional*, (2) *Emergency*, and (3) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Emergency* and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making Economy, Emergency, and Test spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. Economy, Emergency, and Test spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. Economy, Emergency, and Test spot purchases may, involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.7.2 for additional information regarding the procedures related to spot purchases.) Competitive bidding is also not required a single-source transportation company.
- 2.28 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The transportation companies can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.29 TDF—Tire derived fuel, bead wire free, shredded tires that are permitted to be utilized in Gilbert Unit No. 3 and Spurlock Power Station Unit No. 4.

- 2.30 Test Spot Purchase—Spot purchase made without competitive bidding to test a transportation company for its suitability at EKPC's power stations.
- 2.31 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.32 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.33 Transportation Bidders List—List of current transportation companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes ([Exhibit 46](#)).
- 2.34 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all transportation companies stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

- 3.1 Fuel and Emissions Manager
 - 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
 - 3.1.2 Ensures adequate transportation to EKPC's power plants.
 - 3.1.3 Ensures all new contracts have been reviewed by legal, with the credit rating and insurance language reviewed by risk management.
 - 3.1.4 May waive a price adjustment if the circumstances or conditions warrant.
 - 3.1.5 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).

3.2 Power Plant Personnel

- 3.2.1 Maintain the systems at each of EKPC's relevant power stations to ensure its availability to unload and store deliveries.
- 3.2.2 Advise the Fuel and Emissions department of any concerns regarding transportation.
- 3.2.3 Implement tracking mechanism when necessary.

3.3 Fuel Buyers

- 3.3.1 Determine quantities to purchase based on projected needs, inventories, and contracted purchases; generate RFPs; make purchase recommendations; and perform due diligence.
- 3.3.2 Monitor transportation availability and performance.
- 3.3.3 Manage appropriate contract and/or purchase order(s) throughout the term of the order.
- 3.3.4 Manage deliveries at each of EKPC's power stations.
- 3.3.5 Review and verify applicable fuel escalation adjustments prepared by Accounting.

3.4 Administrative Assistant

- 3.4.1 Assists in managing the RFP process.
- 3.4.2 Reviews contract(s) and/or purchase order(s).
- 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order(s).
- 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

- 3.5.1 Provides representation at long-term purchase proposal openings.
- 3.5.2 Advises in the development of legal documentation.

3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

3.6.1 Manages receipt of electronic proposals through password protected e-mail account.

3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*).

3.6.3 Assists in managing price adjustments.

3.6.4 Audits Governmental Imposition claims and manages transportation companies' financial reviews.

3.6.5 Provides forward-looking data of floating components for forecasting and sensitivity analysis as requested.

3.7 Accounting

3.7.1 Enters and reconciles documentation received from Power Plant Personnel and Fuel and Emissions into the appropriate accounting system.

3.7.2 Reconciles transportation invoices received for payment.

3.7.3 Contacts responsible party to clarify any discrepancies in the invoices.

3.7.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Due to changing environmental laws or regulations, Fuel and Emissions representative(s) will maintain dialogue with Environmental Affairs representative(s) to ensure the appropriate transportation method is utilized.

Cooper Power Station receives coal by truck and Norfolk Southern rail. Ammonia and lime are both delivered by truck. Spurlock Power Station receives coal by barge and CSX rail. In certain circumstances and for a short duration, Spurlock Power Station can receive coal by truck. Limestone and lime kiln dust (or a comparable product) deliveries are made by truck but may be delivered by barge or rail in the future. Spurlock Power Station receives ammonia deliveries by truck. Deliveries of TDF can be made by barge, rail, or truck. Ammonia is

delivered to Smith Power Station by truck. No. 2 fuel oil, as well as most other commodities, are all delivered by truck to EKPC's power stations.

- 4.1 Determine if an RFP is required.
 - 4.1.1 Review projected usage from Power Supply and Power Stations.
 - 4.1.2 Compare projected usage with the current contracts and purchase orders to determine if there is a need to purchase transportation in conjunction with Policy No. 405 (*Exhibit 6*).
 - 4.1.3 Determine the amount of transportation to be purchased and type of purchase to be made (contract or purchase order) to maintain adequate inventories at each applicable power station.
- 4.2 Determine if RFP should be written or verbal. (RFPs are not required for emergency and test spot purchases or a single-source transportation company.)
 - 4.2.1 Create a written RFP (e.g., *Exhibit 47*) for contract purchases.
 - 4.2.2 Create a written or verbal RFP for traditional spot purchases. (Verbal RFPs are confirmed by written documentation.) Written proposals will be opened at a later time following the documented procedure. Active proposals on file may also be considered for these purchases. Transportation companies are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating transportation methods and will accept unsolicited proposals at any time for consideration. Only transportation companies who have demonstrated their ability to supply the appropriate transportation required are contacted on verbal solicitations.
 - 4.2.3 Identify need for emergency or test spot purchases in which no RFP is required.
- 4.3 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.3.1 Fuel Buyers determine term and quantity for transportation of RFP based on projected needs.
 - 4.3.2 Fuel Buyers may develop and coordinate test for transportation or handling improvement. Improvement may be in terms of economics, compatibility, flexibility, or dependability.

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- 4.3.3 Fuel Buyers create an RFP (e.g., [Exhibit 47](#)) stating applicable delivery locations, term, quantity, and price options including the security of performance requirement.
- 4.3.4 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 47](#)) before issuing.
- 4.3.5 Fuel Buyers issue RFP (e.g., [Exhibit 47](#)) for sealed proposals for transportation to bidders on EKPC's Transportation Bidders List ([Exhibit 46](#)). (Emergency and test spot purchase proposals may be made verbally and confirmed by written documentation.)
- 4.3.6 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 47](#)).
- 4.4 Open all sealed proposals on or after due date of RFP.
 - 4.4.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.
 - 4.4.2 Administrative Assistant logs proposals reviewed.
 - 4.4.3 Sign log of proposals by those present at opening.
 - 4.4.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.5 Fuel Buyers evaluate valid opened transportation proposals.
 - 4.5.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.5.2 Determine weighted average price for each proposal.
 - 4.5.3 Confirm parameters in the approved evaluation criteria.

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- 4.5.4 Determine if the lowest evaluated, delivered priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP to develop a short list of potential transportation company(s).
- 4.5.5 Evaluate transportation company(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
- 4.5.6 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
- 4.5.7 Negotiate terms and conditions with selected transportation company(s) from short list.
- 4.5.8 Conduct field visit(s), if necessary, to evaluate the facilities, capabilities, etc., of the transportation company(s) with competitive proposals to evaluate physical risk.
- 4.5.9 Prepare a field evaluation report if a field visit is conducted.
- 4.5.10 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential transportation companies for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the transportation company's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.

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- 4.5.11 Draft approval memorandum—including emergency and test spot purchases—to management (*Exhibit 48*) recommending the most economic supplier(s) of transportation meeting the corresponding RFP's specifications while balancing risk.
- 4.5.12 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or transportation companies' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
- 4.5.13 Negotiation of contract language and terms can take approximately three to four months of negotiation with a transportation company. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple transportation agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.5.14 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.6 Fuel Buyers prepare contract(s) and/or purchase order(s) based on a standard template reviewed by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.6.1 Contract(s) and/or purchase order(s) includes destination, quantity, price, price adjustments, acceptance parameters, insurance terms, payment terms, and other terms and conditions.
 - 4.6.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected transportation company(s) if not already on file.
 - 4.6.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.6.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to transportation company(s) for review.

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- 4.6.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk management if changes are made to the previously approved draft developed from EKPC's approved template.
- 4.7 Fuel Buyers coordinate the execution of transportation contract(s) and purchase order(s).
 - 4.7.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.7.2 Administrative Assistant reviews contract(s) and purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot transportation needs go through the competitive bidding process. Emergency and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
 - 4.7.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system as accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
 - 4.7.4 Fuel Analyst logs approved contract(s) and purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROCC each month.

- 4.7.5 Administrative Assistant files executed contract(s) and purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions (*Exhibit 14*). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.8 Fuel and Emissions personnel schedule transportation from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply based on power station need.
 - 4.8.1 Provide selected transportation company(s) and barge and train carriers, if applicable, a projected delivery schedule each month for EKPC's power stations.
- 4.9 Power Plant Personnel receive deliveries.
 - 4.9.1 Weigh trucks daily using certified scales at Cooper Power Station for inventory measures and payment. Both gross and tare weights are taken and net weights are determined.
 - 4.9.2 Use calibrated belt scales at Spurlock Power Station to verify barge origin weights or certified barge drafts for determination of destination weights for inventory measures and/or payment as specified by applicable contract or purchase order. (Barge Drafting *Exhibit 18*)
 - 4.9.3 Use weights taken and reported by the railroad transporting commodities to the power station. Certified transportation company weights approved by the railroad transporting the commodities may be used.
 - 4.9.4 Collect and forward transportation information to Accounting.
- 4.10 Fuel Buyers monitor transportation company performance.
 - 4.10.1 Determine if the transportation company has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard (*Exhibit 12*).
 - 4.10.2 Consult with the Fuel and Emissions Manager if the specifications are not met.

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- 4.11 Fuel Analyst tracks and documents financial reviews.
 - 4.11.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.11.2 Performs interim transportation company financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.12 Verify receipt of deliveries and reconcile freight invoices.
 - 4.12.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 4.12.2 Fuel Buyers review and verify floating price adjustments for production and transportation surcharges as needed.
 - 4.12.3 Accounting reconciles documentation entered into the appropriate accounting system (e.g., receipt, and contract and/or purchase order terms and conditions) from Power Plant Personnel and Fuel and Emissions.
 - 4.12.4 Accounting calculates and verifies applicable contract price escalation.
 - 4.12.5 Accounting reconciles transportation invoices received for payment.
 - 4.12.6 Accounting contacts responsible party to clarify any discrepancies.
 - 4.12.7 Accounting receives Accounting supervisor approval on all invoices and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: Mark Horn
Mark Horn
Manager, Fuel & Emissions

Date: 10/11/2023

Approved by: David Crews
David Crews
Sr. Vice President, Power Supply

Date: 10/12/2023

- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

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FUEL & EMISSIONS DEPARTMENT PROCUREMENT MANUAL

ADOPTED FEBRUARY 27, 1981

Revised: ~~November 30, 2022~~ October 11, 2023

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PROCEDURE FOR THE PROCUREMENT OF COAL			C-1
Author: Fuel and Emissions Department		Adopted: 02/27/81	Page 1 of 18
Revision: <u>134</u>	By: Gail Varner	Revised Date: <u>11/2/22</u> <u>10/11/23</u>	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Coal

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of coal for use at East Kentucky Power Cooperative, Inc.'s ("EKPC") coal-fired power stations.

2.0 Terms and Definitions

2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management's signature (*Exhibit 39*).

2.2 Board Risk Oversight Committee ("BROC")—A committee of the EKPC Board of Directors ("Board") with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC's risk tolerances, and recommending risk management-related policies and actions to the Board.

2.23 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

2.34 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)

2.45 Coal—Bituminous fossil fuel used to fire boilers.

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- 2.56 Coal Bidders List—List of current coal companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes (*Exhibit 7*).
- 2.67 Coal Proposal Form—Form completed and signed by potential supplier stating source, quality, quantity, and price of coal along with ownership disclosure in response to an RFP (*Exhibit 8*).
- 2.78 Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new coal purchase orders issued that states company name, issued date, applicable station, terms and revision(s), tonnage and revision(s), comments, and price of each purchase order.
- 2.89 Coal Sampling Procedures—Document prepared by EKPC’s Central Lab that defines how to sample and analyze coal in a method recognized within the industry.
- 2.910 Coal Specifications and Information—Data sheet specifying each power station’s delivery, pricing, and specifications for coal purchases (*Exhibit 9*).
- 2.101 Contract—Document binding seller to sell and ship designated product that states terms and conditions for coal deliveries to EKPC’s power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.142 Contract Tonnage Report—Report identifying the supplier name, term, security of performance expiration, reopener dates, commitments, and tonnage balances on current coal contracts (*Exhibit 49*).
- 2.123 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information. Will not exceed 25,000 tons per month unless approved by Senior Vice President of Power Supply.
- 2.134 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.145 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for coal in situations including but not limited to: failure of a fuel supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive fuel by normal means.

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- 2.156 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.167 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.178 Floating Price—Price subject to adjustments based upon predetermined indices or surcharges. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.189 Fuel Evaluation Data Entry Verification Form—Form completed after initial proposal entry into the Fuel Evaluation System and subsequent revisions. This form shows power station, entry date, event number, brief description of evaluation, personnel involved in the initial proposal opening, and provides additional measures to aid in the accuracy of the data input into the Fuel Evaluation System (*Exhibit 16*).
- 2.1920 Fuel Evaluation System—Model designed by EKPC used to rank each potential coal supplier's total evaluated price using many measurable variables to accurately reflect the coal-related cost of generation in accordance with the various physical and chemical aspects of coal in conjunction with each power station's generating equipment attributes. *Exhibit 10* is a list of the variables that are reviewed annually or sooner if needed, and *Exhibit 11* is a manual that describes the program in further detail.
- 2.201 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.242 Governmental Imposition—Any change in federal, state, or local laws, regulations, ordinances, taxes, fees, special assessments, or similar levies, or a changed application, enforcement, or interpretation thereof, occurring after a date certain specified in a coal contract, directly relating to the mining, processing, or transportation of coal that results in a change of the seller's direct out-of-pocket costs.
- 2.223 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.234 Long-Term—Duration of more than one year.

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- 2.245 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation (*Exhibit 2*).
- 2.256 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters (*Exhibit 3*).
- 2.267 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.278 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.289 Policy No. 405—EKPC Board of Directors Hedging Policy (1) guides disciplined hedging of forecasted power supply needs; (2) provides a method for identifying EKPC’s risk tolerance and time horizon for hedging; (3) clarifies EKPC’s hedging objectives; and (4) more clearly integrates the energy risk management governance structure, trading authority, risk reporting, and portfolio management functions (*Exhibit 6*).
- 2.2930 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper and Spurlock.
- 2.301 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for coal deliveries to EKPC’s power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.312 RFP—Request for proposal sent to prospective suppliers on EKPC’s Coal Bidders List (*Exhibit 7*).
- 2.323 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (~~can~~ includes electronic and written proposals).
- 2.334 Security of Performance—A document providing at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach.

- 2.345 Short-Term—Duration of one year or less.
- 2.356 Spot Purchase—Spot purchases are non-contract supply agreements that permit EKPC to purchase coal at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making *Economy*, *Emergency*, and *Test* spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. *Economy*, *Emergency*, and *Test* spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. *Economy*, *Emergency*, and *Test* spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.7.2 for additional information regarding the procedures related to spot purchases.)
- 2.367 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional (*Exhibit 12*).
- 2.378 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular fuel for its suitability and burning characteristics at EKPC's power stations. Will not exceed 25,000

tons per month unless approved by Senior Vice President of Power Supply.

2.389 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).

2.3940 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.

2.401 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.

3.1.2 Ensures adequate coal deliveries to EKPC's power plants.

3.1.3 Ensures all new contracts have been reviewed by legal, with the credit rating and insurance language reviewed by risk management.

3.1.4 May waive a price adjustment if the circumstances or conditions warrant.

3.1.5 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).

3.2 Power Plant Personnel

3.2.1 Maintain the coal system at each of EKPC's relevant power stations to ensure its availability to unload coal deliveries.

3.2.2 Advise the Fuel and Emissions department of any concerns regarding the product or product delivery.

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- 3.2.3 Measure and determine weights of incoming coal at power stations.
 - 3.2.4 Manage Coal Specifications and Information (*Exhibit 9*).
 - 3.2.5 Unload coal meeting required quality specifications.
 - 3.2.6 Collect coal samples daily to be analyzed.
 - 3.2.7 Assist Production Engineering and Accounting with coal stockpile surveys.
- 3.3 Fuel Buyers
- 3.3.1 Determine quantities to purchase based on projected needs, hedge requirements, inventories, and contracted purchases; generate RFPs; make purchase recommendations; and perform due diligence.
 - 3.3.2 Monitor coal qualities.
 - 3.3.3 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.
 - 3.3.4 Manage coal deliveries and inventory levels at each of EKPC's power stations daily.
 - 3.3.5 Review and verify applicable fuel escalation adjustments prepared by Accounting.
- 3.4 Administrative Assistant
- 3.4.1 Assists in managing the RFP process.
 - 3.4.2 Reviews contract(s) and/or purchase order(s).
 - 3.4.3 Enters, revises, and finalizes compliant bids using the Fuel Evaluation System.
 - 3.4.4 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order(s).
 - 3.4.5 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

- 3.5.1 Provides representation at long-term purchase proposal openings.
- 3.5.2 Advises in the development of legal documentation.
- 3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
- 3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) and reconciles undelivered coal tons with EKPC's risk management service provider.
- 3.6.3 Reconciles undelivered coal tons from the Contract Tonnage Report (*Exhibit 49*) with the Trading Authority Transaction Matrix (*Exhibit 50*).
- 3.6.~~34~~ Assists in managing price adjustments.
- 3.6.~~45~~ Audits Governmental Imposition claims and manages suppliers' financial reviews.
- 3.6.~~56~~ Provides forward-looking data of floating components for forecasting and sensitivity analysis as requested.
- 3.6.~~67~~ Validates suppliers' methods for determining origin weights and analyses.
- 3.6.~~78~~ Identifies the fixed and floating component percentages of the year-to-date spend.

3.7 Central Lab Personnel

- 3.7.1 Assist Power Plant Personnel in sampling of coal as needed.
- 3.7.2 Perform coal analysis daily for Cooper Power Station and weekly for Spurlock Power Station.
- 3.7.3 Receive coal samples from Power Plant Personnel for analysis by independent commercial lab as needed.

- 3.7.4 Provide proper analysis and weights of coal to Accounting so payment is made based upon agreed terms related to coal quality in the contract.

3.8 Accounting

- 3.8.1 Enters and reconciles documentation received from Power Plant Personnel, Fuel and Emissions, and Central Lab into the accounting coal system to generate coal invoices for payment.
- 3.8.2 Reconciles barge and rail invoices received for payment.
- 3.8.3 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Due to changing environmental laws or regulations, Fuel and Emissions representative(s) will maintain dialogue with Environmental Affairs representative(s) to ensure appropriate fuel quality is purchased.

Cooper Power Station has a maximum stockpile capacity of 268,000 tons and a maximum potential daily burn of 3,629 tons. Spurlock Power Station Unit Nos. 1 and 2 have a maximum stockpile capacity of 450,000 tons and a maximum potential daily burn of 9,194 tons. Gilbert Unit No. 3 and Spurlock Unit No. 4 at Spurlock Power Station have a maximum stockpile capacity of 400,000 tons and a maximum potential daily burn of 7,004 tons.

- 4.1 Determine if an RFP is required.
 - 4.1.1 Review projected burns from Power Supply.
 - 4.1.2 Compare projected burns with the current contracts, purchase orders, and stockpile inventories to determine if there is a need to purchase coal in conjunction with Policy No. 405 ([Exhibit 6](#)).
 - 4.1.3 Determine the amount of coal to be purchased and type of purchase to be made (contract or purchase order) to maintain adequate inventories at each applicable coal-fired power station.

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- 4.2 Determine if RFP should be written or verbal. (RFPs are not required for economy, emergency, or test spot purchases.)
 - 4.2.1 Create a written RFP (e.g., [Exhibit 15](#)) for contract purchases.
 - 4.2.2 Create a written or verbal RFP for traditional spot purchases. (Verbal RFPs are confirmed by written documentation.) Written proposals will be opened at a later time following the documented procedure. Active proposals on file may also be considered for these purchases. Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating spot market coal and will accept unsolicited proposals at any time for consideration. Only suppliers who have demonstrated their ability to supply the appropriate coal required are contacted on verbal solicitations.
 - 4.2.3 Identify need for an economy, emergency, or test spot purchases in which no RFP is required. (There are no quantity limits on emergency spot purchases. Economy and test spot purchases shall not exceed 25,000 tons per month unless approved by Senior Vice President of Power Supply.)
- 4.3 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.3.1 Fuel Buyers determine term, quality, and quantity for coal of RFP based on projected needs using the Coal Specifications and Information data ([Exhibit 9](#)) as a guideline.
 - 4.3.2 Fuel Buyers may develop and coordinate a test for possible product or handling improvement. Improvement may be in terms of economics, compatibility, flexibility, or dependability.
 - 4.3.3 Fuel Buyers create an RFP (e.g., [Exhibit 15](#)) stating applicable delivery locations, term, quality, quantity, and price options including the security of performance requirement and also include the Coal Specifications and Information data ([Exhibit 9](#)) as well as the Coal Proposal Form ([Exhibit 8](#)).
 - 4.3.4 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 15](#)) before issuing.
 - 4.3.5 Issue RFP (e.g., [Exhibit 15](#)) for sealed proposals for coal to bidders on EKPC's Coal Bidders Lists ([Exhibit 7](#)). (Economy, emergency, and test spot coal proposals may be made verbally and confirmed by written documentation.)

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- 4.3.6 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 15](#)).
- 4.4 Open all sealed proposals on or after due date of RFP.
 - 4.4.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s) prior to formal bid opening.
 - 4.4.2 Administrative Assistant logs proposals reviewed.
 - 4.4.3 Sign log of proposals by those present at opening.
 - 4.4.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.5 Fuel Buyers evaluate valid opened coal proposals.
 - 4.5.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.5.2 Determine weighted average price for each proposal.
 - 4.5.3 Confirm parameters in the Fuel Evaluation System, and Administrative Assistant updates as needed.
 - 4.5.4 Administrative Assistant enters proposals into the Fuel Evaluation System.
 - 4.5.5 Fuel Buyer and Administrative Assistant perform data entry verification using the Fuel Evaluation Data Entry Verification form ([Exhibit 16](#)) with every coal evaluation, which is approved by the Fuel and Emissions Manager.
 - 4.5.6 Determine if the lowest evaluated, delivered priced proposal(s), as ranked by the Fuel Evaluation System, meets EKPC's

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requirements as specified in the corresponding RFP to develop a short list of potential supplier(s).

- 4.5.7 Evaluate supplier(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
- 4.5.8 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
- 4.5.9 Negotiate terms and conditions with selected supplier(s) from short list.
- 4.5.10 Conduct field visit(s), if necessary, to evaluate the facilities, reserves, quality, production capabilities, etc., of the supplier(s) with competitive proposals to evaluate physical risk.
- 4.5.11 Prepare a field evaluation report if a field visit is conducted for contracts.
- 4.5.12 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.5.13 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (*Exhibit 17*) recommending the most economic supplier(s) of coal meeting the corresponding RFP's specifications while balancing risk.

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- 4.5.14 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
 - 4.5.15 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
 - 4.5.16 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.6 Fuel Buyers prepare contract(s) and/or purchase order(s) based on a standard template reviewed by legal counsel, with credit rating and insurance requirements submitted to risk management.
- 4.6.1 Contract(s) and/or purchase order(s) includes destination, quality, quantity, price, price adjustments, acceptance parameters, insurance terms, payment terms, and other terms and conditions.
 - 4.6.2 Incorporate appropriate price adjustments of coal failing to meet the minimum specifications of the contract and/or purchase order using a price adjustment schedule that ensures the value of coal received is commensurate with the price paid.
 - 4.6.3 Request W-9 (*Exhibit 13*) and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.6.4 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.6.5 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review.
 - 4.6.6 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk management if changes are

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made to the previously approved draft developed from EKPC's approved template.

- 4.7 Fuel Buyers coordinate the execution of coal contract(s) and purchase order(s).
 - 4.7.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only and obtain an identifying number for contracts from Accounting.
 - 4.7.2 Administrative Assistant reviews contract(s) and purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot coal needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031. Cooper Power Station is dependent exclusively on the spot coal market.
 - 4.7.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
 - 4.7.4 Fuel Analyst logs approved contract(s) and purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROCC each month.

-
- 4.7.5 ~~Fuel Analyst~~ submits a ~~summary reconciliation of the undelivered coal tons~~ to internal risk management on a ~~regular monthly~~ basis for informational purposes ~~and after reconciliation~~ ~~and~~ Fuel and Emissions Manager's ~~for~~ approval.
- 4.7.5 Administrative Assistant files executed contract(s) and purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions (*Exhibit 14*). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.8 Fuel and Emissions personnel schedule coal from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply based on power station need.
- 4.8.1 Provide selected supplier(s) and barge and train carriers, if applicable, a projected delivery schedule each month for Spurlock Power Station.
- 4.9 Power Plant Personnel receive delivery of coal.
- 4.9.1 Weigh trucks daily using certified scales at Cooper Power Station for inventory measures and payment. Both gross and tare weights are taken and net weights are determined.
- 4.9.2 Use calibrated belt scales at Spurlock Power Station to verify barge origin weights or certified barge drafts for determination of destination weights for inventory measures and/or payment as specified by applicable contract or purchase order. (Barge Drafting *Exhibit 18*)
- 4.9.3 Use weights taken and reported by the railroad transporting the coal to the power station. Certified supplier weights approved by the railroad transporting the coal may be used.
- 4.9.4 Collect adequate samples of coal deliveries for payment, when applicable, and quality control as required for their respective power station.
- 4.9.5 Collect and forward information to Accounting stating coal receipts, burn, and stockpile balance.
- 4.10 Central Lab Personnel assist Power Plant Personnel in sampling of coal as needed and perform coal analysis daily for Cooper Power Station and weekly for Spurlock Power Station.

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- 4.10.1 Perform sampling and analysis based on the Coal Sampling Procedures. (Copies are available upon request from Central Lab.)
- 4.10.2 Use origin samples and/or analysis by a third-party, commercial lab when appropriate.
- 4.11 Fuel Buyers monitor supplier performance.
 - 4.11.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.11.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
 - 4.11.3 The Fuel and Emissions Manager may approve waiving a price adjustment if the circumstances or conditions warrant.
- 4.12 Fuel Analyst tracks and documents financial reviews.
 - 4.12.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.12.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.13 Verify receipt of deliveries, generate coal invoices, and reconcile freight invoices.
 - 4.13.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)) and reconciles ~~regularly monthly~~ with a tracking report from EKPC's risk management service provider. After reconciliation and Fuel and Emissions Manager's approval, Fuel Analyst submits ~~a summary the reconciliation of undelivered coal tons~~ to internal risk management for informational purposes.
 - 4.13.2 Fuel Analyst reconciles the Trading Authority Transaction Matrix ([Exhibit 50](#)) with the monthly Contract Tonnage Report ([Exhibit 49](#)) for internal purposes only.
 - 4.13.3 Fuel Buyers review and verify floating price adjustments for production and transportation surcharges as needed.

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- 4.13.4 Fuel Analyst requests documentation of independent bias test results and scale certification from each contract supplier.
- 4.13.5 Accounting reconciles documentation entered into the accounting computer system (e.g., receipt, burn, analysis, and contract and/or purchase order terms and conditions) from Power Plant Personnel, Fuel and Emissions, and Central Lab to generate coal invoices.
- 4.13.6 Accounting reconciles barge and rail invoices received for payment.
- 4.13.7 Accounting contacts responsible party to clarify any discrepancies.
- 4.13.8 Accounting receives Accounting supervisor approval on all invoices and sends to accounts payable for payment.

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5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 02/19/01
- Amended: 07/12/04
- Amended: 11/30/12
- Amended: 12/18/13
- Amended: 12/16/14
- Amended: 10/21/15
- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

PROCEDURE FOR THE PROCUREMENT PURCHASE AND SALE OF EMISSION ALLOWANCES			E-1
Author: Fuel and Emissions Department		Adopted: 07/12/04	Page 1 of 10
Revision: 10 <u>11</u>	By: Gail Varner	Revised Date: 11/2/22 <u>10/11/23</u>	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Emission Allowances

1.0 Purpose

This procedure outlines the ~~procurement purchase/sale~~, delivery, confirmation, ~~deal capture, and~~ payment, ~~and reporting~~ of emission allowances for use at East Kentucky Power Cooperative, Inc.'s ("EKPC") power stations.

2.0 Terms and Definitions

- 2.1 Acquisition Schedule—Schedule, as required, prepared to designate, by quarter, the amount of allowances needed to be purchased to meet the dollar cost averaging method for hedging allowances (*Exhibit 23*).
- 2.2 Acid Rain Program—A program established by Title IV of the 1990 Clean Air Act setting a decreasing cap on SO₂ emissions.
- 2.3 Allocations—Quantity of allowances provided to electric utilities for a given vintage year to be used to offset actual plant emissions occurring in that year or a later year.
- 2.4 Amortization Schedule—Schedule prepared to show allocations, projected purchases, emissions, and estimated inventory of SO₂, Seasonal NO_x, and Annual NO_x (*Exhibit 22*).
- 2.5 Annual NO_x—NO_x controlled by an individual program within CAIR and/or CSAPR including its own separate allocations from seasonal NO_x for an entire calendar year.
- 2.6 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management's signature (*Exhibit 39*).

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- 2.7 Bid—The term used, within the trading system when utilizing a broker, to designate the amount a buyer would pay for one allowance (see also Offer).
- 2.8 Cagle Keystone—A poultry processing plant outside Albany, Kentucky, relying on oil-fired generators as back-up electrical supply should their main source of electricity be disrupted. EKPC owns the two units as well as purchases off-road ultra-low sulfur No. 2 fuel oil for the 6,000-gallon storage tank.
- 2.9 Clean Air Markets Division (“CAMD”) Business System—An interactive web-based business application that enables sources to perform various tasks online, including, but not limited to, transfer allowances, view account balances, and track allowances.
- 2.10 Clean Air Interstate Rule (“CAIR”)—A cap-and-trade program promulgated by the EPA in 2005, covering 28 states in the eastern United States and District of Columbia. It was designed to reduce sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions in order to help states meet their National Ambient Air Quality Standards (NAAQS) for ozone and particulate matter (PM_{2.5}) and to require further emissions reductions already achieved through the Acid Rain Program and NO_x State Implementation Plan call program. The rule was set to commence in 2009 for SO₂, seasonal NO_x, and annual NO_x emissions.
- 2.11 Clean Air Transport Rule (“CATR”)—EPA rule finalized on July 6, 2011, to replace CAIR and require further reductions in SO₂ and NO_x. The rule was revised and is currently called CSAPR.
- 2.12 Combustion Turbine (“CT”)—An electric generating unit utilizing natural gas or No. 2 fuel oil.
- 2.13 Confirmation—Form sent by broker or seller to document agreed upon product, price, vintage year, quantity, and term (*Exhibit 19*).
- 2.14 Consent Decree for New Source Performance Standards (“CD”)—A final, binding judicial decree or judgment between EKPC and the EPA memorializing a voluntary agreement between the parties to a suit in return for withdrawal of a criminal charge or an end to a civil litigation. It establishes various thresholds EKPC cannot exceed, including, but not limited to, maximum tons of emissions by year for SO₂ and NO_x. The consent decree for EKPC will end, but several parameters of the decree will continue on through the modification of EKPC plant permits.
- 2.15 Cross-State Air Pollution Rule (“CSAPR”)—EPA rule finalized on July 6, 2011, to replace CAIR and require further reductions in SO₂ and NO_x.

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This rule was previously known as CATR as of October 15, 2012. The rule was originally slated for 2012 implementation with Phase II occurring in 2014. The rule actually began in 2015.

- 2.16 Emissions—Constituents of the flue gas occurring as a result of the combustion of a fuel, and for the intent of this document, refers to SO₂, Seasonal NO_x, and Annual NO_x.
- 2.17 Environmental Protection Agency (“EPA”)—An agency of the United States federal government created for the purpose of protecting human health and the environment by writing and enforcing regulations based on laws passed by Congress.
- 2.18 National Ambient Air Quality Standards (“NAAQS”)—The maximum permissible levels of common pollutants in the ambient (outdoor) air set by EPA.
- 2.19 Natural Gas—A naturally occurring hydrocarbon gas mixture consisting primarily of methane, with other hydrocarbons, carbon dioxide, nitrogen, and hydrogen sulfide. Natural gas is used in the production of electricity in the CT units at Bluegrass Generating Station and J. K. Smith Power Station.
- 2.20 No. 2 Fuel Oil—Dyed ultra-low sulfur diesel fuel containing a maximum 15 ppm sulfur used for off-road purposes such as unit startups and flame stabilization in the coal-fired generation fleet, a backup fuel in the CT fleet at Bluegrass Generating Station and J. K. Smith Unit Nos. 1 through 7, and fuel for Cagle Keystone.
- 2.21 NO_x State Implementation Plan (SIP) Call Program—This program established by the EPA required 22 states and the District of Columbia to provide NO_x emission reductions to mitigate ozone transport in the eastern United States. This was established for the warm summer months, referred to as the ozone season, when ground-level ozone concentrations are highest.
- 2.22 Nitrogen Oxides (“NO_x”)—Refers to nitric oxide and nitrogen controlled through various programs and termed as Seasonal (Ozone) NO_x and Annual NO_x in the CAIR and/or CSAPR program.
- 2.23 Offer—The term used within the trading system when utilizing a broker to designate the amount a seller would sell one allowance (see also Bid).
- 2.24 Ozone (Seasonal) NO_x—Interchangeable terms for NO_x controlled by an individual program within CAIR and/or CSAPR including its own separate

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allocations from Annual NO_x for a time period beginning May 1 of each calendar year through September 30 of the same calendar year.

- 2.25 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation (*Exhibit 2*).
- 2.26 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.27 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.28 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith. Cooper and Spurlock Power Stations are coal-fired power plants; Bluegrass is a power plant compiled of three CT units fueled by natural gas (primary) and No. 2 fuel oil (secondary); and J. K. Smith is a power plant compiled of seven CT units fueled by natural gas (primary) and No. 2 fuel oil (secondary). J.K. Smith also has two additional CT units that are natural gas only.
- 2.29 Seasonal (Ozone) NO_x—Interchangeable terms for NO_x controlled by an individual program within CAIR and/or CSAPR including its own separate allocations from Annual NO_x for a time period beginning May 1 of each calendar year through September 30 of the same calendar year.
- 2.30 Sulfur Dioxide (“SO₂”)—A toxic gas created in the combustion process of fuels that contain sulfur and is controlled through various programs such as CAIR and/or CSAPR.
- 2.31 Transaction Schedule—Schedule showing all pertinent information of individual allowance purchases/sales (*Exhibit 20*).
- 2.32 Vintage Year—The date of the allowance certificate and the first allowable year in which the allowance can be used to apply towards emissions.
- 2.33 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued (*Exhibit 13*).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.

3.1.2 Communicates with Environmental Affairs, Power Production, Power Supply, and Legal to Ensures adequate emission allowances are held in an amount equal to or greater than the quantity of actual emissions from EKPC's power station(s).

3.2 Legal Counsel

3.2.1 Advises in the development of legal documentation.

3.2.2 Reviews and approves documents as to legal form.

3.2.3 Consults with external counsel for further expertise as needed.

3.3 Power Plant Personnel

3.3.1 Notify Fuel and Emissions and Power Supply Planning of unplanned generating unit outages that could affect the quantity of emissions.

3.4 Fuel Buyers

3.4.1 Monitor EKPC's inventory of emission allowances and make recommendations regarding future allowance purchases or sales.

3.4.2 Negotiate contract terms of emission allowance contracts.

3.4.3 Complete schedule of emission allowance position (receipts, usage, and inventory) for Environmental Affairs and Legal planning purposes.

3.5 Administrative Assistant

3.5.1 Assists in managing the emissions contract process.

3.5.2 Reviews contract(s) and/or purchase order(s).

- 3.5.3 Completes emissions allowance Transaction Schedule (*Exhibit 20*).
- 3.5.4 Verifies that a W-9 (*Exhibit 13*) is received from the counterparty of each emission allowance contract.
- 3.5.5 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.6 Power Supply Planning
 - 3.6.1 Determines short- and long-term projected emissions.
- 3.7 Environmental Affairs
 - 3.7.1 Communicates testing schedules to Power Supply Planning and Fuel & Emissions.
 - 3.7.2 Performs yearly process of transferring appropriate allowances to EPA unit accounts prior to EPA retiring allowances.
- 3.8 Accounting
 - 3.8.1 Calculates payment and sends to treasury for disbursement.
 - 3.8.2 Maintains schedule of allowances and cost for use in the environmental surcharge.

4.0 Procedure

As of January 1, 2015, EKPC is operating under Acid Rain Rules for SO₂ emissions and CSAPR Rules for SO₂, Ozone NO_x, and annual NO_x emissions. EKPC is allocated varying quantities of SO₂, Ozone NO_x, and Annual NO_x emission allowances on a yearly basis.

- 4.1 Determine power plant emissions.
 - 4.1.1 Power Plant Personnel communicate daily to Power Supply Planning the availability of each unit.
 - 4.1.2 Environmental Affairs communicates testing schedules to Power Supply Planning.

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- 4.1.3 Fuel Buyer ~~provides~~ distributes monthly SO₂, Seasonal NO_x, and Annual NO_x replacement cost on a monthly basis (*Exhibit 21*).
- 4.1.4 Power Supply Planning calculates projected emissions using various factors including, but not limited to, weather, price, unit availability, and applicable EPA rule allocations.
- 4.2 Determine quantity and timing of ~~hedged~~ purchases/sales.
 - 4.2.1 Fuel Buyer completes amortization schedule (*Exhibit 22*) and calculates quantity of purchases required over the following three-year period. Input is received from Power Supply Planning and Environmental Affairs including, but not limited to, projected emissions, variability anticipated, allocations, and any regulation changes.
 - 4.2.2 Fuel Buyer completes acquisition schedule (*Exhibit 23*) using yearly projected purchase amounts from amortization schedule (*Exhibit 22*).
- 4.3 Purchase/Sale of emission allowances.
 - 4.3.1 Fuel Buyer determines price estimate based on industry data or index and confirms with Fuel Manager.
 - 4.3.2 Fuel Buyer contacts emissions broker or utility and conveys projected quantity. Determine price and quantity of bid for broker to attempt to fill based on current offers. This process may include multiple bids and offers.
 - 4.3.3 Fuel Buyer exercises agreement to price, quantity, and emission product based on Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*). ~~If purchase is not within the Fuel Buyer's authority, he will need to obtain a pre-approved authority limit from the Fuel Manager or Senior Vice President of Power Supply.~~
- 4.4 Confirm deal and negotiate contract.
 - 4.4.1 Broker or counterparty sends confirmation (*Exhibit 19*).
 - 4.4.2 Fuel Buyer verifies confirmation (*Exhibit 19*) information.
 - 4.4.3 Fuel Buyer sends draft contract to counterparty or receives/reviews draft from counterparty.

4.4.4 Fuel Buyer negotiates contract with counterparty utilizing Legal and input from appropriate EKPC personnel as required.

~~4.4.5 Administrative Assistant adds contract information to emission allowance Transaction Schedule (Exhibit 20) and submits to Accounting.~~

4.5 Execute emission allowance contract.

4.5.1 Fuel Buyer coordinates the execution of the emission allowance contract.

4.5.2 Administrative Assistant circulates contract for review and signature prior to distribution utilizing the Approval and Review form if senior management's signature is required.

4.5.3 Fuel Buyer and/or Administrative Assistant secure a W-9 ([Exhibit 13](#)) from supplier for EKPC emission allowance purchases and forward to Accounting if not already on file.

4.5.4 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.

~~4.5.5 Administrative Assistant adds contract information to emission allowance Transaction Schedule (Exhibit 20) and submits to Accounting.~~

4.5.56 Administrative Assistant files executed contract in Fuel and Emissions' department files with back-up documentation.

4.6 Confirm delivery transfer of emission allowances.

4.6.1 Fuel Buyer verifies with Environmental Affairs for EPA confirmation of counterparty transfer into or out of EKPC account

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including, but not limited to, counterparty, product, vintage year, quantity, and EKPC account.

4.6.2 Fuel Buyer investigates erroneous information, when applicable, with counterparty, EPA, and/or Environmental Affairs.

4.7 Ensure unit accounts have sufficient quantities of allowances.

4.7.1 Environmental Affairs uses the CAMD Business System to transfer and track allowances so unit accounts have the appropriate quantity of allowances prior to EPA retiring the allowances.

4.7.2 Fuel Buyer confirms quantities and accounts initiated by Environmental Affairs.

4.7.3 Environmental Affairs, in concert with Legal, determines if any further actions are required regarding the CD.

4.7.4 EPA retires Seasonal NO_x allowances from EKPC unit accounts, on a date certain, approximately March 1, to equal the total of emissions by EKPC power stations during May 1 through September 30 of the current calendar year.

4.7.5 EPA retires SO₂ and Annual NO_x allowances from EKPC unit accounts, on a date certain, approximately March 1, to equal the total of emissions by EKPC power stations during the prior calendar year.

4.8 Approve invoice for EKPC emission allowance purchases.

4.8.1 Fuel Buyer receives counterparty and/or broker invoice and verifies quantity, price, and extended amount due.

4.8.2 Fuel Buyer investigates discrepancies on counterparty and/or broker invoice, if applicable.

4.8.3 Fuel Manager approves counterparty and broker invoice for payment.

4.8.4 Administrative Assistant sends invoice and a copy of the EPA delivery confirmation to Accounting for payment.

4.8.5 Accounting receives Accounting supervisor approval on invoice(s) and sends to accounts payable for payment.

4.8.6 Accounting completes tracking worksheet including allowances and total cost for use in the environmental surcharge calculation.

4.9 Confirm delivery of payment for EKPC emission allowance sales.

4.9.1 Fuel Buyer verifies with Accounting the correct payment is received.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 11/30/12
- Amended: 12/18/13
- Amended: 12/16/14
- Amended: 10/21/15
- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/02/22
- Amended: 10/11/23

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PROCEDURE FOR THE PROCUREMENT OF LIME, LIME KILN DUST, AND LIMESTONE			L-1
Author: Fuel and Emissions Department		Adopted: 02/27/81	Page 1 of 15
Revision: 13 <u>4</u>	By: Gail Varner	Revised Date: 11/2/22 <u>10/11/23</u>	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Lime, Lime Kiln Dust, and Limestone

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of lime, lime kiln dust (or comparable product), and limestone to be used in Cooper Power Station Unit Nos. 1 and 2 and Spurlock Power Station Unit Nos. 1 and 2 (“scrubbers”), SCRs, circulating fluidized bed (“CFB”) units, and Spurlock Power Station’s waste water treatment and water mass balance processes for East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature (*Exhibit 39*).

~~2.2~~ Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.

~~2.23~~ Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

~~2.34~~ CFB—Circulating fluidized bed boilers in Gilbert Unit No. 3 at Spurlock Power Station and Spurlock Power Station Unit No. 4.

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- 2.45 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.56 Coal—Bituminous fossil fuel used to fire boilers.
- 2.67 Contract—Document binding seller to sell and ship designated product that states terms and conditions for lime, lime kiln dust (or comparable product), and limestone deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.78 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with purchased current market information.
- 2.89 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.910 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for lime, lime kiln dust (or comparable product), or limestone in situations including but not limited to: failure of a lime, lime kiln dust (or comparable product), or limestone supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive lime, lime kiln dust (or comparable product), or limestone by normal means.
- 2.101 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.142 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.123 Floating Price—Price subject to adjustments based upon predetermined indices or surcharges. All applicable taxes, freight, fees, and profit margins are typically included.
- 2.134 Fuel Negotiating Committee—Committee requiring Board of Director participation. The Director will be appointed annually according to

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guidelines set in Section E, Management Committees from Policy No. 106 ([Exhibit 3](#)).

- 2.145 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.156 Lime—Calcium oxide (CaO) used to absorb SO_x emissions generated from the burning of coal at Cooper Power Station. Includes hydrated lime used to absorb SO₃ emissions generated from the burning of coal and use in the waste water treatment and water mass balance processes at Spurlock Power Station.
- 2.167 Lime and/or Limestone Bidders List—List of current lime and/or limestone companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes ([Exhibit 24](#)).
- 2.178 Lime Kiln Dust—Used to extend the life of the SCR catalysts in the scrubbed units of Spurlock Power Station Unit Nos. 1 and 2. A comparable product may also be utilized in place of lime kiln dust.
- 2.189 Limestone—Calcium carbonate (CaCO₃) used to absorb sulfur from the coal at Spurlock Power Station.
- 2.1920 Ownership Disclosure—Form to be completed by all lime, lime kiln dust ([or comparable product](#)), and limestone suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family ([Exhibit 35](#)).
- 2.201 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.
- 2.242 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.223 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).

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- 2.234 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.245 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.256 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper and Spurlock. Cooper utilizes lime in a dry scrubber. Spurlock utilizes hydrated lime to absorb SO₃ emissions generated from the burning of coal and use in the waste water treatment and water mass balance processes. Spurlock utilizes limestone in wet scrubbers and the CFB units as well as lime kiln dust (or comparable product) in the SCRs.
- 2.267 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for lime, lime kiln dust (or comparable product), and limestone deliveries to EKPC's power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.278 RFP—Request for proposal sent to prospective suppliers on EKPC's Lime and/or Limestone Bidders List (*Exhibit 24*) to bid for lime and/or limestone.
- 2.289 SCR—Selective catalytic reduction, which utilizes a catalyst to reduce NO_x emissions from power plant's exhaust gas.
- 2.2930 Scrubber—Flue gas desulfurization equipment used for the reduction of SO_x emissions in the scrubbed units at Cooper and Spurlock Power Stations.
- 2.301 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (~~can include~~s electronic and written proposals).
- 2.312 Security of Performance—A document providing at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach.
- 2.323 Spot Purchase—Spot purchases are non-contract supply agreements that permit EKPC to purchase lime, lime kiln dust (or comparable product), or limestone at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently

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to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making *Economy*, *Emergency*, and *Test* spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. *Economy*, *Emergency*, and *Test* spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. *Economy*, *Emergency*, and *Test* spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.334 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional (*Exhibit 12*).
- 2.345 Test Spot Purchase—Spot purchase made without competitive bidding to test a particular product for its suitability and burning characteristics at EKPC's power stations.
- 2.356 Trading Authority Transaction Matrix—Delegation of procurement approval authority (*Exhibit 50*).
- 2.367 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.

2.378 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued (*Exhibit 13*).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.

3.1.2 Ensures adequate lime, lime kiln dust (or comparable product), and limestone deliveries to EKPC's power plants.

3.1.3 Ensures all new contracts have been reviewed by legal, with the credit rating and insurance language reviewed by risk management.

3.1.4 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 (*Exhibit 2*).

3.2 Power Plant Personnel

3.2.1 Maintain the lime, lime kiln dust (or comparable product), and limestone system at each of EKPC's relevant power stations to ensure its availability to unload lime, lime kiln dust (or comparable product), and limestone deliveries.

3.2.2 Monitor the lime, lime kiln dust (or comparable product), and limestone inventory levels at each of EKPC's relevant power stations daily.

3.2.3 Advise the Fuel and Emissions department of any concerns regarding the product or product delivery.

3.2.4 Collect lime, lime kiln dust (or comparable product), and limestone samples to be analyzed as needed.

3.2.5 Weigh trucks randomly to verify origin weights.

3.2.6 Manage lime, lime kiln dust (or comparable product), and limestone specifications.

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3.2.7 Assist Production Engineering and Accounting with limestone stockpile surveys.

3.3 Fuel Buyers

3.3.1 Determine quantities to purchase based on historic and projected needs; generate RFPs; make purchase recommendations; and perform due diligence.

3.3.2 Monitor lime, lime kiln dust (or comparable product), and limestone qualities.

3.3.3 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.

3.3.4 Manage lime, lime kiln dust (or comparable product), and limestone deliveries and/or inventory levels at each of EKPC's power stations daily.

3.4 Administrative Assistant

3.4.1 Assists in managing the RFP process.

3.4.2 Reviews contract(s) and/or purchase order(s).

3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order(s).

3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

3.5.1 Provides representation at long-term purchase proposal openings.

3.5.2 Advises in the development of legal documentation.

3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
- 3.6.2 Manages the Trading Authority Transaction Matrix and suppliers' (*Exhibit 50*) financial reviews.
- 3.6.3 Assists in managing price adjustments.
- 3.6.4 Identifies the fixed and floating component percentages of the year-to-date spend.

3.7 Central Lab Personnel

- 3.7.1 Assist Cooper Power Station plant personnel in sampling and analysis of lime as needed.
- 3.7.2 Receive limestone samples from Spurlock Power Station plant personnel for analysis by independent commercial lab.

3.8 Accounting

- 3.8.1 Reconciles all documentation from Power Plant Personnel and Fuel Buyers against invoices.
- 3.8.2 Logs receipt information into accounting computer system.
- 3.8.3 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Cooper Power Station has an above-ground silo that holds approximately 1,067 tons of lime. This silo is maintained at near capacity level.

Spurlock Power Station has a scrubber limestone shed that holds approximately 4,000 tons and a CFB limestone shed that holds approximately 4,000 tons. These sheds are maintained at near capacity levels. A contingency stockpile of approximately 15,000 tons of limestone is also maintained for the scrubbers and approximately 20,000 tons for the CFBs. Spurlock Power Station also has a silo that holds approximately 250 tons of lime kiln dust (or comparable product). It is maintained at near capacity level. Spurlock Power Station has an environmental

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control hydrated lime silo that holds approximately 70 tons, a waste water treatment hydrated lime silo that holds approximately 125 tons, and a water mass balance hydrated lime silo that holds approximately 50 tons. They are maintained near capacity level.

- 4.1 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term, quality, and quantity for lime, lime kiln dust (or comparable product), and limestone of RFP based on historic and projected needs.
 - 4.1.2 Develop and coordinate test for possible product or handling improvement. Improvement may be in terms of economics, compatibility, flexibility, or dependability.
 - 4.1.3 Fuel Buyers create a written or verbal RFP (e.g., *Exhibit 25*) stating applicable delivery locations, term, quality, quantity, and price options including the security of performance requirement.
 - 4.1.4 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., *Exhibit 25*) before issuing.
 - 4.1.5 Issue RFP (e.g., *Exhibit 25*) for sealed proposals for lime and limestone to bidders on EKPC's Lime and/or Limestone Bidders Lists (*Exhibit 24*). (No RFP is currently required for lime kiln dust (or comparable product) due to sole source. In addition, economy, test, and emergency lime and limestone proposals may be made verbally and confirmed by written documentation. Written proposals will be opened at a later time following the documented procedure. Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations.)
 - 4.1.6 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., *Exhibit 25*).
- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on

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proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.

- 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened lime, lime kiln dust (or comparable product), and limestone proposals.
- 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost for fixed and/or floating pricing.
 - 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
 - 4.3.4 Evaluate supplier(s) performance capabilities.
 - 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
 - 4.3.6 Conduct field visit(s), if necessary, to evaluate the facilities, reserves, quality, production capabilities, etc., of the supplier(s) with competitive proposals to evaluate physical risk.
 - 4.3.7 Prepare a field evaluation report if field visit is conducted for contracts.
 - 4.3.8 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for

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the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.

- 4.3.9 Draft approval memorandum—including economy, emergency, and test spot purchases—to management ([Exhibit 26](#)) recommending the most economic supplier(s) of lime, lime kiln dust ([or comparable product](#)), and limestone meeting the corresponding RFP's specifications while balancing risk.
 - 4.3.10 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)) for the new term type.
 - 4.3.11 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
 - 4.3.12 Management approves memorandum in accordance with Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) based on a standard template reviewed by legal counsel, with credit rating and insurance requirements submitted to risk management.

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- 4.4.1 Contract(s) and/or purchase order(s) includes destination, quality, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager and legal counsel if changes are made to the previously approved draft.
- 4.5 Fuel Buyers coordinate the execution of lime, lime kiln dust (or comparable product), and limestone contract(s) and purchase order(s).
- 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.5.2 Administrative Assistant reviews contract(s) and purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form (*Exhibit 39*) if senior management's signature is required. Written and verbal RFPs for traditional spot purchase needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
 - 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business

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days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.

- 4.5.4 Fuel Analyst logs approved contract(s) and purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROC each month. ~~and submits a summary to internal risk management on a regular basis for informational purposes and Fuel and Emissions Manager's approval.~~
- 4.5.5 Administrative Assistant files executed contract(s) and purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Power Plant personnel schedule lime, lime kiln dust (or comparable product), and limestone from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply.
 - 4.6.1 Fuel Buyers provide selected lime, lime kiln dust (or comparable product), and limestone supplier(s) a projected delivery schedule for up to one year.
 - 4.6.2 Fuel Buyers manage the commercial terms and conditions of the current contract(s) and/or purchase order(s).
- 4.7 Power Plant Personnel receive delivery of lime, lime kiln dust (or comparable product), and limestone.
 - 4.7.1 Collect bill of lading and forward to Accounting.
 - 4.7.2 Perform adequate sampling on lime, lime kiln dust (or comparable product), and limestone deliveries or inventories for quality control as required for their respective power station.
 - 4.7.3 Weigh trucks randomly when deliveries occur using truck scales to determine any net material discrepancies compared to the origin bill of lading. (Subtract tare weight from gross weight to determine net weight.)

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- 4.7.4 Monitor unloading of trucks.
- 4.8 Central Lab Personnel assist Power Plant Personnel as needed with lime and limestone sampling and analysis.
- 4.9 Fuel Buyers monitor supplier performance.
 - 4.9.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.9.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
- 4.10 Fuel Analyst tracks and documents financial reviews.
 - 4.10.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.10.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.11 Verify receipt and invoice approval.
 - 4.11.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)). ~~After Fuel and Emissions Manager's approval, Fuel Analyst submits a summary to internal risk management for informational purposes.~~
 - 4.11.2 Fuel Buyers review and verify floating price adjustments for production and transportation surcharges as needed.
 - 4.11.3 Accounting reconciles all documentation (e.g., bill of lading, surcharge and delivery spreadsheets) from Power Plant Personnel and Fuel Buyers against invoices.
 - 4.11.4 Accounting logs receipt information into accounting computer system.
 - 4.11.5 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.

4.11.6 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 02/19/01
- Amended: 07/12/04
- Amended: 11/30/12
- Amended: 12/18/13
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- Amended: 10/21/15
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- Amended: 09/28/17
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- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

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PROCEDURE FOR THE PROCUREMENT OF NATURAL GAS			NG-1
Author: Fuel and Emissions Department		Adopted: 02/01/05	Page 1 of 13
Revision: <u>910</u>	By: Gail Varner	Revised Date: <u>11/30/22</u> <u>10/11/23</u>	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Natural Gas

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, and payment of natural gas and natural gas transportation for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature (*Exhibit 39*).

2.2 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.

2.23 Cagle Keystone—A poultry processing plant outside Albany, Kentucky, relying on oil-fired generators as back-up electrical supply should their main source of electricity be disrupted. EKPC owns the two units as well as purchases off-road ultra-low sulfur No. 2 fuel oil for the 6,000-gallon storage tank.

2.34 Combustion Turbine (“CT”)—An electric generating unit utilizing natural gas or No. 2 fuel oil.

2.45 Confirmation—Form executed by Buyer and Seller to document agreed upon price, quantity, and term (*Exhibit 27*).

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- 2.56 Daily Natural Gas Update Report—Report containing, but not limited to, the current OBA, projected OBA, current average price paid, and any pipeline constraints or OFOs (*Exhibit 28*).
- 2.67 Daily Price Report—Report containing projected pricing for day-ahead purchases and intra-day purchases (*Exhibit 29*).
- 2.78 Day-Ahead Purchase—Purchase made prior to 9:00 a.m. c.s.t the calendar day before the gas day and/or the calendar day before the weekend and/or holidays.
- 2.89 Dekatherm (“Dth”)—Unit of energy equal to 10 therms or one million British thermal units. (See also 2.13.)
- 2.910 Estimated Burn Profile—Hourly schedule showing CT projected usage of natural gas required by the transportation pipeline (*Exhibit 30*).
- 2.101 External Natural Gas Manager—Company outside EKPC utilized to perform natural gas purchasing functions such as, but not limited to, supplier contact, OBA management, and assisting in NAESB natural gas contract negotiation.
- 2.142 Federal Energy Regulatory Commission (“FERC”)—An independent agency that regulates the interstate transmission of electricity, natural gas, and oil.
- 2.123 Forward Purchase—Purchase made for physical natural gas. Supply confirmations typically have a defined term of one year or less, but can be a supply agreement with a term of three years or less with transaction limits/controls detailed in Board Policy No. 404. Long-term agreements can have an unlimited term if approved by the Board of Directors. These natural gas transactions shall be evaluated on an as-needed basis and purchased with the consent of the CEO and BROCC. May be inclusive of transportation. (See 2.22 NAESB Natural Gas Contract).
- 2.134 Form 552—Annual form required by FERC that summarizes natural gas purchases and sales for the day ahead.
- 2.145 Gas Day—The gas day runs from 9:00 a.m. c.s.t up to the following 9:00 a.m. c.s.t., or as modified by the natural gas industry.
- 2.156 Intra-Day Purchase—Purchase made within the current gas day.
- 2.167 Mcf (Thousand Cubic Feet)—A measurement of volume in the oil and natural gas industry. In general 1 Mcf = 1 MMBtu = 1 Dth. On average, 1

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Mcf contains 1.027 MMBtu although this will vary based on the quality of the natural gas.

- 2.178 Measurement & Regulation (“M & R”) Station—A station comprised of piping, valves, and regulators used in controlling the flow and measuring the quantity from the pipeline.
- 2.189 Million Btu (“MMBtu”)—One million British thermal units is the unit of measure for the price paid for natural gas purchases.
- 2.1920 Natural Gas—A naturally occurring hydrocarbon gas mixture consisting primarily of methane, with other hydrocarbons, carbon dioxide, nitrogen, and hydrogen sulfide. Natural gas is used in the production of electricity in its CT generator units at Bluegrass Generating Station and J. K. Smith Power Station.
- 2.201 No. 2 Fuel Oil—Dyed ultra-low sulfur diesel fuel containing a maximum 15 ppm sulfur used for off-road purposes such as unit startups and flame stabilization in the coal-fired generation fleet, a backup fuel in the CT fleet at Bluegrass Generating Station and J. K. Smith Unit Nos. 1 through 7 and fuel for Cagle Keystone.
- 2.242 North American Energy Standards Board (“NAESB”)—Serves as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities.
- 2.223 NAESB Natural Gas Contract—Standard contract for the purchase and sale of natural gas. These contracts act as a master agreement and only put forth the terms and conditions agreed to by Buyer and Seller. Price, term, and quantity are agreed to on separate confirmations ([Exhibit 27](#)).
- 2.234 Operational Balancing Agreement (“OBA”)—Agreement setting forth the terms and conditions for scheduling nominations, deliveries, and balancing at the interconnection of the natural gas pipeline.
- 2.245 Operational Flow Order (“OFO”)—Order which is issued by a pipeline to protect the operational integrity of the system. The orders may either restrict service or require actions by shippers to correct the problem and include increasing severity of penalties for failure to comply.
- 2.256 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).

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- 2.267 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.278 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.289 Policy No. 405—EKPC Board of Directors Hedging Policy (1) guides disciplined hedging of forecasted power supply needs; (2) provides a method for identifying EKPC’s risk tolerance and time horizon for hedging; (3) clarifies EKPC’s hedging objectives; and (4) more clearly integrates the energy risk management governance structure, trading authority, risk reporting, and portfolio management functions (*Exhibit 6*).
- 2.2930 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith. Cooper and Spurlock Power Stations are coal-fired power plants; Bluegrass is a power plant compiled of three CT generator units fueled by natural gas (primary) and No. 2 fuel oil (secondary); and J. K. Smith is a power plant compiled of seven CT generator units fueled by natural gas (primary) and No. 2 fuel oil (secondary). J. K. Smith also has two additional CT units that are natural gas only.
- 2.301 Spot Purchase—Purchase for physical natural gas. Supply confirmations typically have a defined term of seven days or less. Agreements may be inclusive of transportation.
- 2.342 Tennessee Gas Pipeline (“TGP”)—Interstate natural gas transmission pipeline to which the J. K. Smith Power Station site is inter-connected.
- 2.323 Texas Eastern Transmission Company (“TETCO”)—Interstate natural gas transmission pipeline to which the J. K. Smith Power Station site is inter-connected by an EKPC owned six-mile lateral.
- 2.334 Texas Gas Transmission (“TGT”)—Interstate natural gas transmission pipeline to which the Bluegrass Generating Station site is inter-connected.
- 2.345 Thousand Cubic Feet (“Mcf”)—A measurement of volume in the oil and natural gas industry. In general 1 Mcf = 1 MMBtu = 1 Dth. On average, 1 Mcf contains 1.027 MMBtu although this will vary based on the quality of the natural gas.

- 2.356 Trade Data Gas Form—Form completed after purchase to record flow date, MMBtu purchased, price/MMBtu, total dollars, buy or sell, counterparty, pipeline, execution date, type of purchase, and trader name (*Exhibit 31*).
- 2.367 Trading Authority Transaction Matrix—Delegation of procurement approval authority (*Exhibit 50*).
- 2.378 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued (*Exhibit 13*).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, administrative assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
- 3.1.2 Ensures adequate natural gas deliveries and associated transportation to EKPC's power station(s).
- 3.1.3 Evaluates hedging opportunities in accordance with Policy No. 405 (*Exhibit 6*).

3.2 Legal Counsel

- 3.2.1 Advises in the development of legal documentation.
- 3.2.2 Reviews and approves documents as to legal form.

3.3 Power Plant Personnel

- 3.3.1 Maintain the natural gas system and M & R station at the Bluegrass Generation Station and J. K. Smith Power Station to ensure their availability to utilize natural gas.
- 3.3.2 Advise Fuel and Emissions and Power Supply Planning of generating unit, M & R station, and/or pipeline outages that could affect the quantity and/or deliverability of natural gas.

- 3.3.3 Track, review, and make adjustments in unit starts and/or run hours to achieve environmental compliance on each unit's maximum starts and/or run hours.
- 3.3.4 Develop, coordinate, and execute periodic testing of pipelines to ensure any pipeline can be used, operationally, for natural gas deliveries.

3.4 Fuel Buyers

- 3.4.1 Act as liaison between EKPC's external natural gas manager and EKPC's other department personnel.

3.4.2 Manages the NAESB natural gas contract process.

- 3.4.2 Monitor EKPC's pipeline transportation OBA's and make recommendations regarding future natural gas purchases.
- 3.4.3 Ensure all affected EKPC personnel are aware when any pipeline initiated OFO is issued and make recommendations regarding a plan of action.
- 3.4.4 Complete and review schedule indicating number of starts and amount of run hours, both current and projected, and alert appropriate personnel.
- 3.5.4 Assist Accounting in collecting information used in completing the annual FERC Form 552.

3.5 Administrative Assistant

- 3.5.1 Assists in managing the NAESB natural gas contract process.
- 3.5.2 Completes natural gas pricing worksheet tracking performance of external natural gas manager.
- 3.5.3 Completes monthly natural gas purchase summary for approval in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 3.5.4 Posts fully-executed NAESB natural gas contract(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.6 Fuel Analyst

3.6.1 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) for physical natural gas hedges.

3.7 Power Supply Planning

3.7.1 Determines short- and long-term projected natural gas usage and prepares Estimated Burn Profile (*Exhibit 30*).

3.7.2 Contacts external natural gas manager to revise and/or qualify projected natural gas usage.

3.7.3 Reviews CT generator unit starts and run hours in order to vary starts and run hours.

3.7.4 Contacts external natural gas manager for indicative pricing regarding a potential physical natural gas hedge, and recommends a detailed physical natural gas hedge to the Fuel and Emissions Manager.

3.8 Environmental Affairs

3.8.1 Communicates testing schedules to appropriate personnel.

3.8.2 Reviews CT generator unit starts and run hours and alerts appropriate personnel.

3.9 Accounting

3.9.1 Verifies volume and price per MMBtu from natural gas confirmations (*Exhibit 27*) with supplier invoice for accuracy.

3.9.2 Contacts responsible party and/or Fuel Buyer to clarify any discrepancies in the invoices.

3.9.3 Calculates payment and sends to treasury for disbursement.

3.9.4 Prepares and files Form 552 annually with FERC.

4.0 Procedure

J. K. Smith Power Station has two interstate natural gas pipelines that service the site. TGP, owned by Kinder Morgan, is inter-connected to the site approximately ½ mile from the CTs. The TETCO pipeline, owned by Enbridge, Inc., is

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interconnected to the site with an approximate 6-mile lateral owned by EKPC. Bluegrass Generating Station has one interstate natural gas pipeline that services the site. TGT, owned by Boardwalk Partners, is interconnected at the site. EKPC's OBA with TGP includes a cash settlement at the end of every month and under normal conditions can handle between +/- 40,000 and 60,000 Dths. EKPC's OBA with TETCO contains an acceptable daily variance of not more than 7,500 Dths and an accumulated balance of not more than 15,000 Dths. The TETCO OBA is not financially settled but is volumetrically settled the following month. No OBA agreement is available at TGT; therefore, delivered natural gas is typically not advantageous.

J. K. Smith Power Station CT Unit Nos. 1 through 7 may only be started 200 times each within a calendar year and Unit Nos. 9 and 10 only 365 times each. Unit Nos. 1 through 4 may only be run 2,500 hours based on a rolling 12-month time period. Unit Nos. 5 through 7 have no run-hour limitation. Unit Nos. 9 and 10 may only be operated 4,000 hours on a rolling 12-month time period. Bluegrass Generating Station cannot exceed 95 tons of NO_x, 245 tons of CO, and cannot exceed 4,757 operating (run) hours for any 12 consecutive calendar months.

- 4.1 Determine natural gas usage.
 - 4.1.1 Power Plant Personnel communicate daily to Power Supply Planning the availability of each unit.
 - 4.1.2 Environmental Affairs communicates testing schedules to Power Supply Planning.
 - 4.1.3 External natural gas manager provides daily estimate of day-ahead and intra-day pricing via Daily Price Report ([Exhibit 29](#)).
 - 4.1.4 Power Supply Planning calculates projected natural gas usage using various factors including, but not limited to, weather, price, PJM unit clearings, and unit availability. This can include Day-Ahead, Intra-Day, Spot, or Forward Purchases.
 - 4.1.5 Power Supply Planning personnel completes Estimated Burn Profile ([Exhibit 30](#)) for use in determining appropriate purchases. This form is also required by the transportation pipeline.
- 4.2 Execute NAESB natural gas contracts with potential suppliers and transportation pipelines.
 - 4.2.1 External natural gas manager and/or Fuel Buyer proposes new natural gas supplier based on, but not limited to, the number of

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- current natural gas suppliers, supplier pipeline transportation, and other supplier history.
- 4.2.2 External natural gas manager initiates NAESB natural gas contract negotiation.
 - 4.2.3 Fuel Buyer, Legal, and external natural gas manager negotiate an acceptable NAESB natural gas contract with supplier and/or applicable various agreements/contracts with transportation pipeline.
 - 4.2.4 EKPC's risk management service provider checks the supplier's credit and assigns a credit limit based on EKPC's Director of Risk's approval.
 - 4.2.5 Administrative Assistant obtains appropriate signature.
 - 4.2.6 Fuel Buyer and/or Administrative Assistant secure a W-9 ([Exhibit 13](#)) from supplier and forward to Accounting if not already on file.
 - 4.2.7 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed NAESB natural gas contract(s) and/or transportation agreement(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). The Administrative Assistant promptly removes them from the shared directory.
 - 4.2.8 Fuel Analyst logs approved physical natural gas hedgesecontract(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROC each month.
 - 4.2.9 Administrative Assistant files executed contract(s) in Fuel and Emissions' department files. Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.3 Purchase natural gas volumes required.
 - 4.3.1 External natural gas manager determines quantity to be purchased, under normal pipeline operating conditions, based on Estimated Burn Profile ([Exhibit 30](#)). Determination is made whether to make less expensive day-ahead purchases or to make

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intra-day purchases that aid in OBA management but are typically more expensive.

- 4.3.2 Fuel Buyer and Power Supply Planning, under adverse operating conditions on the pipeline, consult and advise external natural gas manager regarding purchase quantities.
- 4.3.3 External natural gas manager contacts several suppliers who have an existing NAESB natural gas contract with EKPC and requests quotes for the designated term and quantity.
- 4.3.4 External natural gas manager purchases natural gas based on, but not limited to, price, quantity, past performance, urgency of purchase, term of purchase, pipeline use, and transportation cost. Quantities are purchased in MMBtu, not Mcf, in order to pay for the heat content received.
- 4.3.5 Purchase is made within authority levels in accordance with Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)) and existing credit limits.
- 4.3.6 External natural gas manager or natural gas supplier makes nomination on TGP's, TETCO's, or TGT's web-based system to confirm source, destination, and quantity of natural gas purchased.
- 4.3.7 Natural gas deliveries begin on the date specified and under the terms of the confirmation ([Exhibit 27](#)) and NAESB natural gas contract.
- 4.3.8 Fuel and Emissions Manager, Fuel Buyer, Power Supply Planning, and Finance, to the extent possible, may hedge the future price on a portion of its natural gas purchases based on, but not limited to, future power prices, volume certainty, future natural gas prices, and future power prices to achieve the most desirable risk management scenario for EKPC and its members.
- 4.3.9 A physical natural gas hedge position is established through Spot Purchases or Forward Purchases in accordance with Policies No. 404, No. AO31, and No. 405; the Fuel Cost Policy; the NAESB; and these approved Procedures. Power Supply Planning will make a detailed recommendation for a physical natural gas hedge. For these Spot and Forward Purchases, the Fuel Buyer will draft an approval memo to management recommending a physical hedge with the purpose of mitigating price volatility in the market while maintaining operational

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flexibility. If approved, the Fuel and Emissions Manager will communicate by e-mail with the external natural gas manager giving them authority, on behalf of EKPC, to purchase and schedule the physical natural gas hedge.

- 4.4 Prepare and review transaction documentation.
 - 4.4.1 External natural gas manager enters transaction into Trade Data Gas Form (*Exhibit 31*).
 - 4.4.2 Confirmation (*Exhibit 27*) is sent from supplier to Fuel Buyer and external natural gas manager.
 - 4.4.3 Fuel Buyer verifies date, quantities, and prices on Trade Data Gas Form (*Exhibit 31*) with individual confirmations (*Exhibit 27*) received from suppliers.
 - 4.4.4 Fuel Buyer investigates any discrepancies with external natural gas manager and/or natural gas supplier.
- 4.5 Manage OBA.
 - 4.5.1 External natural gas manager provides Daily Natural Gas Update Report (*Exhibit 28*).
 - 4.5.2 Fuel Buyer and external natural gas manager monitor OBA in order to minimize associated costs and ensure pipeline satisfaction.
 - 4.5.3 Fuel Buyer confirms OBA level and investigates errors or inappropriate projected levels.
 - 4.5.4 Fuel Buyer verifies month-end OBA through pipeline on-line system and/or external natural gas manager.
- 4.6 Manage OFO.
 - 4.6.1 Designated personnel receive OFO notices from the pipeline directly (*Exhibit 32*).
 - 4.6.2 Fuel Buyer acknowledges OFO to personnel, explains situation, and if it applies to EKPC.
 - 4.6.3 External natural gas manager notes OFO information on the Daily Natural Gas Update Report (*Exhibit 28*) and informs EKPC personnel when applicable OFO occurs.

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- 4.6.4 Fuel Buyer, Power Supply Planning, and external natural gas manager discuss projected usage before sending out Estimated Burn Profile ([Exhibit 30](#)). These discussions shall include, but not necessarily be limited to, if intra-day purchases are an option; likelihood of projected usage materializing; OBA utilization; and if there are time constraints.
- 4.7 Ensure environmental compliance.
 - 4.7.1 Fuel Buyer completes starts and run-hours schedule ([Exhibit 33](#)) indicating number of starts and amount of run hours, both current and projected.
 - 4.7.2 Fuel Buyer, Power Supply Planning, Environmental Affairs, and J. K. Smith Power Station review the starts and run-hours schedule ([Exhibit 33](#)) and contact the other departments if they recognize any current or future issues that may affect environmental compliance.
 - 4.7.3 Power Supply Planning, Bluegrass Generating Station, and J. K. Smith Power Station manage starts or run hours as necessary to achieve compliance.
- 4.8 Verify receipt and invoice approval.
 - 4.8.1 Fuel Buyer prepares invoice estimate and submits to Accounting along with confirmations ([Exhibit 27](#)), Trade Data Gas Form ([Exhibit 30](#)), and OBA calculation backup.
 - 4.8.2 Accounting verifies confirmations ([Exhibit 27](#)) and invoice estimate with respective supplier and transportation invoices.
 - 4.8.3 Accounting and/or Fuel Buyer resolve discrepancies with external natural gas manager, respective supplier, and/or pipeline.
 - 4.8.4 Accounting logs receipt information into accounting computer system.
 - 4.8.5 Accounting receives Accounting supervisor approval on invoice(s) and sends to accounts payable for payment.
 - 4.8.6 Fuel Analyst enters purchases and deliveries for a duration longer than one month for each ~~NAESB natural gas contract physical~~ natural gas hedge on the Trading Authority Transaction Matrix ([Exhibit 50](#)).

- 4.8.7 Administrative Assistant enters purchases into natural gas pricing worksheet to track natural gas purchase performance.
- 4.8.8 Administrative Assistant completes natural gas purchase summary for approval in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.8.9 Accounting completes annual FERC Form 552 with assistance from Fuel Buyer and external natural gas manager.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 2024, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 11/30/12
- Amended: 12/18/13
- Amended: 12/16/14
- Amended: 10/21/15
- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/30/22
- Amended: 10/11/23

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PROCEDURE FOR THE PROCUREMENT OF FUEL OIL			O-1
Author: Fuel and Emissions Department		Adopted: 02/27/81	Page 1 of 15
Revision: 145	By: Gail Varner	Revised Date: 11/2/22 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: No. 2 fuel oil

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of No. 2 fuel oil for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations. To ensure that standard petrodiesel is utilized instead of biodiesel, biodiesel shall not be added to or blended with said No. 2 fuel oil.

2.0 Terms and Definitions

2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature (*Exhibit 39*).

2.2 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.

2.23 Branded Price—Price for No. 2 fuel oil product that is brand specific, by the seller that is identified by tracers in the fuel oil. Price is typically regarded as more reliable in times of crisis such as hurricanes.

2.34 Cagle Keystone—A poultry processing plant outside Albany, Kentucky, relying on oil-fired generators as back-up electrical supply should their main source of electricity be disrupted. EKPC owns the two units as well as purchases off-road ultra-low sulfur No. 2 fuel oil for the 6,000-gallon storage tank.

2.45 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the

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policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

- 2.56 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.67 Combustion Turbine ("CT")—An electric generating unit utilizing natural gas or No. 2 fuel oil.
- 2.78 Fuel Oil Bidders List—List of current oil supply companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes (*Exhibit 34*).
- 2.89 Contract— Document binding seller to sell and ship designated product that states terms and conditions for oil deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order. (In terms of hedge quantities, a New York Mercantile Exchange (NYMEX) contract represents 1,000 barrels or 42,000 gallons of No. 2 fuel oil.)
- 2.910 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information.
- 2.101 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.142 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for No. 2 fuel oil in situations including but not limited to: failure of a fuel supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive fuel by normal means.
- 2.123 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.134 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, freight, fees, and profit margins are included except for a demurrage charge if applicable.

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- 2.145 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.156 No. 2 Fuel Oil—Dyed ultra-low sulfur diesel fuel containing a maximum 15 ppm sulfur used for off-road purposes such as unit startups and flame stabilization in the coal-fired generation fleet, a backup fuel in the CT fleet (Bluegrass Generating Station and J. K. Smith Unit Nos. 1 through 7), and fuel for Cagle Keystone.
- 2.167 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.178 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.
- 2.189 Ownership Disclosure—Form to be completed by all oil suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family (*Exhibit 35*).
- 2.1920 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation (*Exhibit 2*).
- 2.201 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters (*Exhibit 3*).
- 2.242 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.223 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).

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- 2.234 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith. Cooper and Spurlock are coal-fired power plants; Bluegrass is a power plant compiled of three CT generating units fueled by natural gas (primary) and No. 2 fuel oil (secondary); and J. K. Smith is a power plant compiled of seven CT generator units fueled by natural gas (primary) and No. 2 fuel oil (secondary). J. K. Smith also has two units that are natural gas only.
- 2.245 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for oil deliveries to EKPC’s power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.256 Rack-Plus Price—Either a branded or unbranded No. 2 fuel oil price that is priced based on the specific rack location price plus a fixed adder that includes all applicable taxes, freight, fees, and profit margins. The adder is fixed throughout the term of the purchase, whereas the actual fuel price is the only variable except for a demurrage charge if applicable.
- 2.267 Requisition—Form completed by Power Plant Personnel following up a verbal request for No. 2 fuel oil deliveries applying to the then current contract(s) and/or purchase order(s) (*Exhibit 38*).
- 2.278 RFP—Request for proposal sent to prospective suppliers on EKPC’s Fuel Oil Bidders List (*Exhibit 34*) to bid for No. 2 fuel oil.
- 2.289 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (~~can~~ includes electronic and written proposals).
- 2.2930 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase No. 2 fuel oil at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time

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being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making Economy, Emergency, and Test spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. Economy, Emergency, and Test spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. Economy, Emergency, and Test spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.301 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.342 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular fuel for its suitability and burning characteristics at EKPC's power stations.
- 2.323 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.334 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.345 Unbranded Price—Price for No. 2 fuel oil product that is not brand specific.
- 2.356 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued. ([Exhibit 13](#))

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies
- 3.1.2 Ensures adequate No. 2 fuel oil deliveries to EKPC's power stations.
- 3.1.3 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 (*Exhibit 2*).

3.2 Power Plant Personnel

- 3.2.1 Maintain the fuel oil system at each of EKPC's power stations to ensure its availability to unload No. 2 fuel oil truck deliveries.
- 3.2.2 Advise the Fuel and Emissions department as a need arises for No. 2 fuel oil.
- 3.2.3 Collect and analyze No. 2 fuel oil sample during unloading as required, and stay with the truck during unloading to monitor in case of spills.
- 3.2.4 Log arrival and departure times of No. 2 fuel oil truck deliveries. Also, log any unusual occurrences while the truck is on site.

3.3 Fuel Buyers

- 3.3.1 Monitor Bluegrass Generating Station's, J. K. Smith Power Station's, and Cagle Keystone's No. 2 fuel oil inventory.
- 3.3.2 Issue and evaluate RFPs for No. 2 fuel oil for all power stations and Cagle Keystone.
- 3.3.3 Generate and execute appropriate contract(s) and/or purchase order(s).
- 3.3.4 Contact appropriate supplier(s) for delivery of No. 2 fuel oil as requested by Power Plant Personnel.
- 3.3.5 Evaluate and give direction of purchase from fixed or rack-plus agreement(s).

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3.3.6 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.

3.4 Administrative Assistant

3.4.1 Assists in managing the RFP process.

3.4.2 Reviews contract(s) and/or purchase order(s).

3.4.3 Contacts appropriate supplier(s) for delivery of No. 2 fuel oil as requested.

3.4.4 Receives and reviews pricing and invoices and contacts appropriate supplier(s) to clarify any discrepancies.

3.4.5 Verifies all documentation is received according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)) and files with appropriate contract(s) and/or purchase order (s).

3.4.6 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

3.5.1 Provides representation at long-term purchase proposal openings.

3.5.2 Advises in the development of legal documentation.

3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

3.6.1 Manages receipt of electronic proposals through password protected e-mail account.

3.6.2 Manages the Trading Authority Transaction Matrix ([Exhibit 50](#)) and suppliers' financial reviews.

3.6.3 Verifies rack pricing and validates total invoice price.

3.6.4 Compiles and forwards completed spreadsheet of purchases to Accounting.

3.7 Central Lab Personnel

- 3.7.1 Sample No. 2 fuel oil tank at Spurlock Power Station semi-annually to ensure emissions compliance for Spurlock Power Station Unit No. 4.
- 3.7.2 Analyze No. 2 fuel oil drawn from the storage tank(s) at Bluegrass Generating Station and J. K. Smith Power Station for sulfur, Btu, specific gravity, and temperature to ensure emissions compliance whenever any of the CTs are operating on No. 2 fuel oil.
- 3.7.3 Sample and analyze the No. 2 fuel oil tank(s) at Bluegrass Generating Station and J. K. Smith Power Station semi-annually for quality stability.
- 3.7.4 Sample and analyze deliveries of No. 2 fuel oil as needed.
- 3.7.5 Monitor compliance of bulk storage tanks.

3.8 Accounting

- 3.8.1 Verifies spreadsheet volume and dollars from Fuel Analyst against manual log sheet generated from verbal communication followed by bill of lading documentation from Power Plant Personnel and invoices.
- 3.8.2 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.3 Logs receipt information into accounting computer system.
- 3.8.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Replenish levels for No. 2 fuel oil are approximately 15,000—20,000 gallons at Cooper Power Station and 200,000—250,000 gallons at Spurlock Power Station. Cooper Power Station has a 30,000-gallon capacity underground tank. It is maintained at near capacity. Spurlock Power Station has one, usable 350,000 gallon capacity above-ground tank. All inventory levels are based in part on the plant's ability to deplete the No. 2 fuel oil in large amounts from start-ups and multiple trips of units and may be adjusted accordingly.

J. K. Smith Power Station has a 4.5 million gallon above-ground tank. Bluegrass Generating Station has two, 636,872 gallon above-ground tanks. Replenishing

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No. 2 fuel oil inventory at Bluegrass Generating Station and J. K. Smith Power Station is based on market, delivery, and power station conditions. The No. 2 fuel oil level at J. K. Smith Power Station varies based on market conditions, oil turnover, etc., but is typically held at a minimum of 50 percent capacity (approximately 2,250,000 gallons) or as directed by the COO as backup to natural gas. The No. 2 fuel oil level at Bluegrass Generating Station is typically held at near capacity (approximately 1,100,000 gallons) or as directed by the COO as backup to natural gas.

Cagle Keystone has a 6,000 gallon above-ground tank. It is maintained at near capacity.

- 4.1 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term and quantity for No. 2 fuel oil of RFP based on historic and projected needs.
 - 4.1.2 Fuel Buyers create a written or verbal RFP (e.g., [Exhibit 36](#)) stating applicable delivery locations, term, quantity, and price options of fixed and/or rack plus.
 - 4.1.3 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 36](#)) before issuing.
 - 4.1.4 Issue RFP (e.g., [Exhibit 36](#)) for sealed proposals for No. 2 fuel oil to bidders on EKPC's Fuel Oil Bidders List ([Exhibit 34](#)). Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations. (Economy, emergency, and test spot No. 2 fuel oil proposals may be made verbally and confirmed by written documentation.)
 - 4.1.5 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 36](#)).
- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both

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written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s) prior to formal bid opening.

- 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened No. 2 fuel oil proposals.
- 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost for rack plus and/or fixed pricing.
 - 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
 - 4.3.4 Evaluate supplier(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
 - 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
 - 4.3.6 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited

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- financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.3.7 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (*Exhibit 37*) recommending the most economic supplier(s) of No. 2 fuel oil meeting the corresponding RFP's specifications while balancing risk.
- 4.3.8 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
- 4.3.9 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.3.10 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) for No. 2 fuel oil based on a standard template approved by legal counsel, with credit rating and insurance requirements submitted to risk management.
- 4.4.1 Contract(s) and purchase order(s) includes destination, quantity, price, acceptance parameters, and terms and conditions.
- 4.4.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected supplier(s) if not already on file.

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- 4.4.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review if requested.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk managements if changes are made to the standard No. 2 fuel oil purchase order template.
- 4.5 Fuel Buyers execute No. 2 fuel oil contract(s) and/or purchase order(s).
- 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.5.2 Administrative Assistant reviews contract(s) and/or purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form (*Exhibit 39*) if senior management's signature is required. Written and verbal RFPs for traditional spot No. 2 fuel oil needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
 - 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.

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- 4.5.4 Fuel Analyst logs approved contract(s) and/or purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROOC each month.
- 4.5.5 Administrative Assistant files executed contract(s) and/or purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Fuel and Emissions personnel order No. 2 fuel oil from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply based on Power Plant Personnel request(s).
 - 4.6.1 Receive request from Power Plant Personnel for a defined amount of No. 2 fuel oil, which is followed by a written requisition as needed ([Exhibit 38](#)) for Bluegrass Generating Station, J. K. Smith, Cooper, and Spurlock Power Stations.
 - 4.6.2 Contact applicable supplier(s) for requested delivery amount of No. 2 fuel oil.
- 4.7 Power Plant Personnel receive delivery of No. 2 fuel oil.
 - 4.7.1 Log arrival and departure time of No. 2 fuel oil delivery.
 - 4.7.2 Perform adequate sampling on No. 2 fuel oil deliveries to ensure quality control as required for their respective power station.
 - 4.7.3 Monitor unloading of trucks to ensure no spills occur of the No. 2 fuel oil.
- 4.8 Central Lab Personnel analyze inventory samples on No. 2 fuel oil when collected at power station.
- 4.9 Fuel Buyers monitor supplier performance.
 - 4.9.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.9.2 Consult with the Fuel and Emissions Manager if the specifications are not met.

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- 4.10 Fuel Analyst tracks and documents financial reviews.
 - 4.10.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.10.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.11 Verify receipt and invoice approval.
 - 4.11.1 Administrative Assistant receives and verifies applicable pricing and invoices.
 - 4.11.2 Administrative Assistant contacts appropriate supplier(s) to clarify any discrepancies with the invoice(s).
 - 4.11.3 Administrative Assistant forwards pricing and invoices to Fuel Analyst for logging and also to Accounting.
 - 4.11.4 Fuel Analyst logs invoices on spreadsheet and verifies pricing.
 - 4.11.5 Fuel Analyst forwards completed spreadsheet to Accounting.
 - 4.11.6 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 4.11.7 Accounting verifies spreadsheet volume and dollars from Fuel Analyst against manual log sheet generated from verbal communication and/or bill of lading documentation from Power Plant Personnel and invoices.
 - 4.11.8 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.
 - 4.11.9 Accounting logs receipt information into accounting computer system.
 - 4.11.10 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 02/19/01
- Amended: 07/12/04
- Amended: 02/01/05
- Amended: 11/30/12
- Amended: 12/18/13
- Amended: 12/16/14
- Amended: 10/21/15
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- Amended: 09/28/17
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- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

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PROCEDURE FOR THE PROCUREMENT OF ANCILLARY COMMODITIES			AC-1
Author: Fuel and Emissions Department	Adopted: 10/21/15		Page 1 of 13
Revision: <u>78</u>	By: Gail Varner	Revised Date: <u>11/2/2208/11/23</u>	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Ancillary Commodities

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of ancillary commodities for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Anhydrous Ammonia—A colorless, non-flammable liquefied gas used at Spurlock Power Station to activate the catalyst in the SCRs.
- 2.2 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.3 Aqueous Ammonia—A colorless, highly soluble gas used at Cooper and J. K. Smith Power Stations to aid in NO_x removal.
- 2.4 Bidders List—List of current supply companies to submit requests for proposals stating their addresses, representative contacts, and phone numbers for bidding purposes (e.g., [Exhibit 40](#)).
- 2.5 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.56 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the

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policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

- 2.67 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.78 Coal—Bituminous fossil fuel used to fire boilers.
- 2.89 Contract— Document binding seller to sell and ship designated product that states terms and conditions for ancillary commodity deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.910 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information.
- 2.101 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.142 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for ancillary commodities in situations including but not limited to: failure of a supplier to perform; increased usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive ancillary commodities by normal means.
- 2.123 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.134 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.145 FuelSolv—A highly concentrated oil-based liquid additive that contains a trademark blend of metallic-based deposit inhibitors by General Electric Company. Its primary use is to reduce slagging in the radiant section of coal and solid fuel-fired boilers.

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- 2.156 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.167 MerControl—Product 7895 is a liquid-based method for increasing mercury oxidation rates to facilitate mercury capture across existing electrostatic precipitators, and Product 8034 is a polymeric additive that specifically binds with mercury to reduce mercury re-emissions across flue gas desulfurization systems.
- 2.178 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.
- 2.189 Ownership Disclosure—Form to be completed by all ancillary commodity suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family ([Exhibit 35](#)).
- 2.1920 Policy No. A031—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation ([Exhibit 2](#)).
- 2.201 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters ([Exhibit 3](#)).
- 2.212 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC ([Exhibit 4](#)).
- 2.223 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels ([Exhibit 5](#)).
- 2.234 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith.
- 2.245 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for ancillary commodity deliveries

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to EKPC's power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.

- 2.256 RFP—Request for proposal sent to prospective suppliers on EKPC's Bidders List (e.g., [Exhibit 40](#)) to bid for ancillary commodities.
- 2.267 SCR—Selective catalytic reduction, which utilizes a catalyst to reduce NO_x emissions from power plant's exhaust gas.
- 2.278 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (~~can~~ includes electronic and written proposals).
- 2.289 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase ancillary commodities at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making Economy, Emergency, and Test spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. Economy, Emergency, and Test spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. Economy, Emergency, and Test spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in

accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.2930 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional ([Exhibit 12](#)).
- 2.31 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier’s performance or a particular ancillary commodity for its suitability and burning characteristics at EKPC’s power stations.
- 2.32 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.33 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.34 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued. ([Exhibit 13](#))

3.0 Responsibilities

- 3.1 Fuel and Emissions Manager
 - 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
 - 3.1.2 Ensures adequate ancillary commodity deliveries to EKPC’s power stations.
 - 3.1.3 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).
- 3.2 Power Plant Personnel
 - 3.2.1 Maintain systems at each of EKPC’s power stations to ensure its availability to utilize ancillary commodities.

- 3.2.2 Advise the Fuel and Emissions department as a need arises for ancillary commodities.
- 3.2.3 Monitor the unloading of ancillary commodities meeting required quality specifications.
- 3.2.4 Log any unusual occurrences during delivery.

3.3 Fuel Buyers

- 3.3.1 Issue and evaluate RFPs for ancillary commodities for all power stations.
- 3.3.2 Generate and execute appropriate contract(s) and/or purchase order(s).
- 3.3.3 Contact appropriate supplier(s) for ancillary commodity deliveries as requested by Power Plant Personnel if needed.
- 3.3.4 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.

3.4 Administrative Assistant

- 3.4.1 Assists in managing the RFP process.
- 3.4.2 Reviews contract(s) and/or purchase order(s).
- 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order(s).
- 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

- 3.5.1 Provides representation at long-term purchase proposal openings.
- 3.5.2 Advises in the development of legal documentation.
- 3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
- 3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*) and suppliers' financial reviews if applicable.

3.7 Accounting

- 3.7.1 Reconciles documentation received from Power Plant Personnel and Fuel and Emissions to verify invoices for payment.
- 3.7.2 Contacts responsible party to clarify any discrepancies in the invoices.
- 3.8.3 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Anhydrous Ammonia is utilized to activate the catalyst in the SCRs at Spurlock Power Station. Aqueous ammonia is utilized to aid in NO_x removal at both Cooper and J. K. Smith Power Stations.

FuelSolv works by combating the buildup of slag and aiding the soot blowers to remove slag formed at both Cooper and Spurlock Power Stations.

MerControl Product 7895 is utilized, if needed, on the coal belt as a fuel additive that oxidizes mercury in the coal during combustion in the boiler, enabling a portion of the mercury to be removed at Spurlock Power Station. MerControl Product 8034 is utilized in the scrubbers to prevent the remittance of the mercury into the flu gas at Spurlock Power Station.

Specialty and commodity chemicals are utilized in Spurlock Power Station's waste water treatment and water mass balance processes.

- 4.1 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term and quantity for ancillary commodities of RFP based on historic and projected needs.
 - 4.1.2 Fuel Buyers create an RFP (e.g., *Exhibit 41*) stating applicable delivery locations, term, quantity, and price.

- 4.1.3 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 41](#)) before issuing.
- 4.1.4 Fuel Buyers issue RFP (e.g., [Exhibit 41](#)) for sealed proposals for ancillary commodities to bidders on EKPC's Bidders List (e.g., [Exhibit 40](#)). Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations. (Economy, emergency, and test spot ancillary commodity proposals may be made verbally and confirmed by written documentation.)
- 4.1.5 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 41](#)).
- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on traditional spot proposal openings for purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.
 - 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened ancillary commodity proposals.
 - 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost.

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- 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
- 4.3.4 Evaluate supplier(s) performance capabilities.
- 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
- 4.3.6 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.3.7 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (e.g., [Exhibit 42](#)) recommending the most economic supplier(s) of ancillary commodities meeting the corresponding RFP's specifications while balancing risk.
- 4.3.8 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)) for the new term type.

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- 4.3.9 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.3.10 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) for ancillary commodities based on a standard template approved by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.4.1 Contract(s) and purchase order(s) includes destination, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review if requested.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk managements if changes are made to the standard ancillary commodity purchase order template.
- 4.5 Fuel Buyers execute ancillary commodity contract(s) and/or purchase order(s).
 - 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.

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- 4.5.2 Administrative Assistant reviews contract(s) and/or purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot ancillary commodity needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
- 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
- 4.5.4 Fuel Analyst logs applicable approved contract(s) and/or purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROC each month.
- 4.5.5 Administrative Assistant files executed contract(s) and/or purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Power Plant Personnel order ancillary commodities from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply.
- 4.6.1 Fuel Buyers manage the commercial terms and conditions of the current contract(s) and/or purchase order(s).

- 4.7 Power Plant Personnel receive delivery of ancillary commodities.
 - 4.7.1 Perform sampling as needed on ancillary commodity deliveries to ensure quality control as required for their respective power station.
 - 4.7.2 Monitor unloading of deliveries.
- 4.8 Fuel Buyers monitor supplier performance.
 - 4.8.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard ([Exhibit 12](#)).
 - 4.8.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
 - 4.8.3 Inform Central Lab of all Toxic Release Inventory commodities including purchases and inventories.
- 4.9 Fuel Analyst tracks and documents financial reviews.
 - 4.9.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.9.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.10 Verify receipt of deliveries and reconcile ancillary commodity invoices.
 - 4.10.1 Fuel Analyst enters applicable deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 4.10.2 Accounting reconciles documentation entered into the accounting computer system (e.g., receipt and contract and/or purchase order terms and conditions) from Power Plant Personnel and Fuel and Emissions to reconcile ancillary commodity invoices.
 - 4.10.3 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.
 - 4.10.4 Accounting logs receipt information into accounting computer system.

4.10.5 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

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PROCEDURE FOR THE PROCUREMENT OF TIRE-DERIVED FUEL AND ALTERNATIVE FUELS			TDF-1
Author: Fuel and Emissions Department	Adopted: 10/21/15		Page 1 of 13
Revision: <u>78</u>	By: Gail Varner	Revised Date: <u>11/2/22</u> <u>10/11/23</u>	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Tire-Derived Fuel; Alternative Fuels

1.0 Purpose

This procedure outlines the procurement, delivery, confirmation, testing, and payment of tire-derived fuel (“TDF”) and alternative fuels for use at East Kentucky Power Cooperative, Inc.’s (“EKPC”) power stations.

2.0 Terms and Definitions

- 2.1 Alternative Fuels—Fuel burned at EKPC’s power stations other than coal (i.e., switchgrass and biomass).
- 2.2 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management’s signature ([Exhibit 39](#)).
- 2.3 Bidders List—List of current TDF and alternative fuel supply companies to submit requests for proposals stating their addresses, representative contacts, and phone numbers for bidding purposes (e.g., [Exhibit 43](#)).
- 2.4 Board Risk Oversight Committee (“BROC”)—A committee of the EKPC Board of Directors (“Board”) with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC’s risk tolerances, and recommending risk management-related policies and actions to the Board.
- 2.45 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a supplier related to the requirements specified by EKPC contracts/purchase orders.

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- 2.56 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)
- 2.67 Contract— Document binding seller to sell and ship designated product that states terms and conditions for TDF and alternative fuel deliveries to EKPC's power stations sent to a supplier for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.78 Economy Spot Purchase—Spot purchase made without competitive bidding in situations where the price is favorable in comparison with recent bids and unsolicited offers received and in comparison with published current market information.
- 2.89 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.910 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for TDF in situations including but not limited to: failure of a fuel supplier to perform; increased fuel usage due to an increase in power sales; labor or transportation strikes; severe weather conditions; or inability of power stations to receive fuel by normal means.
- 2.101 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on supplier agreements with an initial term greater than one year.
- 2.142 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.123 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.134 Non-Coal Purchase Order Log Book—Log book containing sequential purchase order numbers for new purchase orders on ammonia, oil, TDF, and other commodities issued that states company name, issued date, applicable station, terms, quantity, price, and comments of each purchase order.

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- 2.145 Ownership Disclosure—Form to be completed by all TDF and alternative fuel suppliers designating company type (proprietorship, partnership, corporation); owners; authorized sales representative(s); and any affiliation with EKPC's Board of Directors, employees or EKPC, or their immediate family (*Exhibit 35*).
- 2.156 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC's CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation (*Exhibit 2*).
- 2.167 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters (*Exhibit 3*).
- 2.178 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.189 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.1920 Power Stations—Electric power generating plants owned and operated by EKPC: Cooper and Spurlock.
- 2.201 Purchase Order—Document binding seller to sell and ship designated product that states terms and conditions for TDF and alternative fuel deliveries to EKPC's power stations sent to a supplier for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.242 RFP—Request for proposal sent to prospective suppliers on EKPC's Bidders List (e.g., *Exhibit 43*).
- 2.223 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (~~can~~ includes electronic and written proposals).
- 2.234 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase TDF at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are four types of spot purchases

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including (1) *Traditional*, (2) *Economy*, (3) *Emergency*, and (4) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Economy*, *Emergency*, and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited to, the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making *Economy*, *Emergency*, and *Test* spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. *Economy*, *Emergency*, and *Test* spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. *Economy*, *Emergency*, and *Test* spot purchases may involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.5.2 for additional information regarding the procedures related to spot purchases.)

- 2.245 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The suppliers can receive a ranking of problem, concern, acceptable, or exceptional (*Exhibit 12*).
- 2.256 TDF—Tire-derived fuel, bead wire free, shredded tires that are permitted to be utilized in Gilbert Unit No. 3 and Spurlock Power Station Unit No. 4.
- 2.267 Test Spot Purchase—Spot purchase made without competitive bidding to test a supplier's performance or a particular fuel for its suitability and burning characteristics at EKPC's power stations.
- 2.278 Trading Authority Transaction Matrix—Delegation of procurement approval authority (*Exhibit 50*).
- 2.289 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of

typically one year or less. This is the most common type of spot purchase.

2.2930 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all suppliers stating business name, address, and federal tax identification number before payment is issued. (*Exhibit 13*)

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
- 3.1.2 Ensures adequate TDF and alternative fuel deliveries to EKPC's power stations.
- 3.1.3 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 (*Exhibit 2*).

3.2 Power Plant Personnel

- 3.2.1 Maintain the systems at each of EKPC's power stations to ensure its availability to utilize TDF and alternative fuels.
- 3.2.2 Advise the Fuel and Emissions department as a need arises for TDF and alternative fuels.
- 3.2.3 Monitor the unloading of TDF and alternative fuels meeting required quality specifications.
- 3.2.4 Collect TDF and alternative fuel samples as needed to be analyzed.
- 3.2.5 Log any unusual occurrences.

3.3 Fuel Buyers

- 3.3.1 Determine quantities to purchase based on projected needs, inventories, and contracted purchases.
- 3.3.2 Issue and evaluate RFPs for TDF and alternative fuels.

- 3.3.3 Generate and execute appropriate contract(s) and/or purchase order(s).
 - 3.3.4 Contact appropriate supplier(s) for delivery of TDF and alternative fuels as requested by Power Plant Personnel if needed.
 - 3.3.5 Manage appropriate contract(s) and/or purchase order(s) throughout the term of the order.
- 3.4 Administrative Assistant
- 3.4.1 Assists in managing the RFP process.
 - 3.4.2 Reviews contract(s) and/or purchase order(s).
 - 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions ([Exhibit 14](#)) and files with appropriate contract(s) and/or purchase order(s).
 - 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.
- 3.5 Legal Counsel
- 3.5.1 Provides representation at long-term purchase proposal openings.
 - 3.5.2 Advises in the development of legal documentation.
 - 3.5.3 Reviews and approves documents as to legal form.
- 3.6 Fuel Analyst
- 3.6.1 Manages receipt of electronic proposals through password protected e-mail account.
 - 3.6.2 Manages the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 3.6.3 Manages suppliers' financial reviews.
- 3.7 Central Lab Personnel
- 3.7.1 Coordinate lab analysis of TDF and alternative fuels as needed.

3.8 Accounting

- 3.8.1 Reconciles documentation received from Power Plant Personnel and Fuel and Emissions utilizing a spreadsheet to verify TDF and alternative fuel invoices for payment.
- 3.8.2 Contacts responsible party to clarify any discrepancies in the invoices, receiving records, and/or lab analysis.
- 3.8.3 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Spurlock Power Station is currently permitted to burn up to 10 percent TDF by weight in Gilbert Unit No. 3 and Spurlock Unit No. 4. One ton of TDF replaces approximately 1.31 tons of coal due to the higher Btu content. Spurlock Power Station's TDF inventory capacity is approximately 1,500 tons.

~~To date, TDF is only utilized in Gilbert Unit No. 3.~~ Currently, TDF requires special handling using the backup limestone system. Increased quantities of TDF may require the evaluation of an independent handling system.

Cooper Power Station is currently permitted to burn 3 percent biomass by weight.

- 4.1 Issue written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.1.1 Fuel Buyers determine term and quantity for TDF and alternative fuels of RFP based on historic and projected needs.
 - 4.1.2 Fuel Buyers create an RFP (e.g., [Exhibit 44](#)) stating applicable delivery locations, term, quantity, and price.
 - 4.1.3 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 44](#)) before issuing.
 - 4.1.4 Fuel Buyers issue RFP (e.g., [Exhibit 44](#)) for sealed proposals for TDF and alternative fuels to bidders on EKPC's Bidders List (e.g., [Exhibit 43](#)). Suppliers are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating the market. Only suppliers who have demonstrated their ability to supply the appropriate commodity required are contacted on verbal solicitations. (Economy,

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emergency, and test spot TDF proposals may be made verbally and confirmed by written documentation.)

- 4.1.5 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., *Exhibit 44*).
- 4.2 Open all sealed proposals on or after due date of RFP.
 - 4.2.1 Two Fuel and Emissions personnel must be present on traditional spot proposal openings for purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.
 - 4.2.2 Administrative Assistant logs proposals reviewed.
 - 4.2.3 Sign log of proposals by those present at opening.
 - 4.2.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.3 Fuel Buyers evaluate valid opened TDF and alternative fuel proposals.
 - 4.3.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.3.2 Rank opened proposals in order of lowest to highest evaluated cost.
 - 4.3.3 Determine if lowest priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP.
 - 4.3.4 Evaluate supplier(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
 - 4.3.5 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a

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global perspective of the evaluation process and is particularly important for new projects.

- 4.3.6 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential suppliers for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the supplier's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.3.7 Draft approval memorandum—including economy, emergency, and test spot purchases—to management (*Exhibit 45*) recommending the most economic supplier(s) of TDF and alternative fuels meeting the corresponding RFP's specifications while balancing risk.
- 4.3.8 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or suppliers' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
- 4.3.9 Negotiation of contract language and terms can take approximately three to four months of negotiation with a supplier. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple supply agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.

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- 4.3.10 Management approves memorandum in accordance with Policies No. 404 ([Exhibit 5](#)) and No. AO31 ([Exhibit 2](#)).
- 4.4 Fuel Buyers prepare contract(s) and/or purchase order(s) for TDF and alternative fuels based on a standard template approved by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.4.1 Contract(s) and purchase order(s) includes destination, quantity, price, acceptance parameters, and terms and conditions.
 - 4.4.2 Request Ownership Disclosure ([Exhibit 35](#)), W-9 ([Exhibit 13](#)), and Certificate of Insurance forms from selected supplier(s) if not already on file.
 - 4.4.3 Administrative Assistant forwards the W-9 ([Exhibit 13](#)) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.4.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to supplier(s) for review if requested.
 - 4.4.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk managements if changes are made to the standard TDF and alternative fuel purchase order templates.
- 4.5 Fuel Buyers execute TDF and alternative fuel contract(s) and/or purchase order(s).
 - 4.5.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.5.2 Administrative Assistant reviews contract(s) and/or purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot TDF needs go through the competitive bidding process. Economy, emergency, and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject

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to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.

- 4.5.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system in accordance with Policies No. 404 (*Exhibit 5*) and No. A031 (*Exhibit 2*). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
- 4.5.4 Fuel Analyst logs approved contract(s) and/or purchase order(s) on the Trading Authority Transaction Matrix (*Exhibit 50*) for submittal to BROCC each month.
- 4.5.5 Administrative Assistant files executed contract(s) and/or purchase order(s) in Fuel and Emissions' department files with documentation according to the Checklist for Fuel Department Transactions (*Exhibit 14*). Original contract(s) is stored at an offsite storage facility for disaster mitigation.
- 4.6 Fuel and Emissions personnel order TDF and alternative fuels from the then current contract(s) and/or purchase order(s) to replenish depleted TDF and alternative fuel supplies based on Power Plant Personnel request(s).
 - 4.6.1 Contact applicable supplier(s) for requested delivery amount of TDF and alternative fuels.
- 4.7 Power Plant Personnel receive delivery of TDF and alternative fuels.
 - 4.7.1 Perform adequate sampling as needed on TDF and alternative fuel deliveries to ensure quality control as required.
 - 4.7.2 Monitor unloading of trucks.
- 4.8 Central Lab Personnel coordinate lab analysis of TDF and alternative fuels as needed.

- 4.9 Fuel Buyers monitor supplier performance.
 - 4.9.1 Determine if the supplier has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard (*Exhibit 12*).
 - 4.9.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
 - 4.9.3 Inform Central Lab of all Toxic Release Inventory commodities including purchases and inventories.
- 4.10 Fuel Analyst tracks and documents financial reviews.
 - 4.10.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.
 - 4.10.2 Performs interim supplier financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.11 Verify receipt of deliveries and reconcile TDF and alternative fuel invoices.
 - 4.11.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix (*Exhibit 50*).
 - 4.11.2 Accounting reconciles documentation entered into the accounting computer system (e.g., receipt, burn, analysis, and contract and/or purchase order terms and conditions) from Power Plant Personnel and Fuel and Emissions to reconcile TDF and alternative fuel invoices.
 - 4.11.3 Accounting contacts responsible party to clarify any discrepancies in volume and pricing.
 - 4.11.4 Accounting logs receipt information into accounting computer system.
 - 4.11.5 Accounting receives Accounting supervisor approval on invoice and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

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PROCEDURE FOR THE PROCUREMENT OF TRANSPORTATION			T-1
Author: Fuel and Emissions Department	Adopted: 10/21/15	Page 1 of 15	
Revision: 78	By: Gail Varner	Revised Date: 11/2/22 10/11/23	Reviewed: Mark Horn

Applies to: Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal

Keywords: Transportation

1.0 Purpose

This procedure outlines the procurement, confirmation, and payment of transportation of commodities for use at East Kentucky Power Cooperative, Inc.'s ("EKPC") power stations. Natural gas transportation is described under the Procedure for the Procurement of Natural Gas.

2.0 Terms and Definitions

2.1 Approval and Review Form—Form circulated to various EKPC personnel indicating they have reviewed the document prior to senior management's signature (*Exhibit 39*).

~~2.2 Board Risk Oversight Committee ("BROC")—A committee of the EKPC Board of Directors ("Board") with its primary function to assist the Board in fulfilling its risk oversight responsibilities by reviewing the enterprise-wide risks of EKPC, reviewing EKPC's risk tolerances, and recommending risk management-related policies and actions to the Board.~~

2.23 Certificate of Insurance—Standard Association for Cooperative Operations Research and Development (ACORD) form that identifies the policies afforded by a transportation company related to the requirements specified by EKPC contracts/purchase orders.

2.34 Checklist for Fuel Department Transactions—List of documentation required and filed with each contract and purchase order completed and signed by Fuel and Emissions' Administrative Assistant. (*Exhibit 14*)

2.45 Coal—Bituminous fossil fuel used to fire boilers.

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- 2.56 Contract—Document binding transportation company to ship designated product stating terms and conditions to transport commodities to EKPC's power stations sent to a transportation company for signatures after approval and before deliveries begin, which is typically a longer term than a purchase order.
- 2.67 Electronic Proposals—Proposals received through password protected e-mail accounts, managed by Fuel Analyst, and not viewed prior to proposal opening.
- 2.78 Emergency Spot Purchase—Spot purchase made without competitive bidding when there is an immediate need for transportation in situations including but not limited to: failure of a transportation company to perform; labor or transportation strikes; severe weather conditions; or inability of power stations to receive commodities by normal means.
- 2.89 Financial Review—Typically includes the examination of an entity's balance sheet, income, and cash flow statements to determine the entity's financial health. Conducted on transportation agreements with an initial term greater than one year.
- 2.910 Fixed Price—A price that does not change over the contracted period for a commodity with specified quality attributes. All applicable taxes, fees, and profit margins are typically included.
- 2.101 Floating Price—Price subject to adjustments based upon predetermined indices or surcharges. All applicable taxes, fees, and profit margins are typically included.
- 2.142 Fuel Negotiating Committee—Committee requiring a Board Director participation. The Director will be appointed annually according to guidelines set in Section E, Management Committees from Policy No. 106 (*Exhibit 3*).
- 2.123 Governmental Imposition—Any change in federal, state, or local laws, regulations, ordinances, taxes, fees, special assessments, or similar levies, or a changed application, enforcement, or interpretation thereof, occurring after a date certain specified in a transportation contract, directly relating to the transportation of commodities that results in a change of the transportation company's direct out-of-pocket costs.
- 2.134 IRMC—Internal Risk Management Committee has the authority to approve and oversee the processes used to identify, evaluate, and manage enterprise risk.
- 2.145 Long-Term—Duration of more than one year.

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- 2.156 Policy No. AO31—EKPC administrative policy for the Delegation of Authority from EKPC’s CEO to management and staff regarding procurement authority for energy, energy-related commodities, and transportation (*Exhibit 2*).
- 2.167 Policy No. 106—EKPC Board of Directors policy for the Establishment of Board Committees and Respective Charters (*Exhibit 3*).
- 2.178 Policy No. 116—EKPC Board of Directors Conflict of Interest Policy to ensure all business affairs of EKPC are conducted in an ethical and businesslike manner in order to avoid all conflicts of interest or the appearance of any conflicts of interest in the conduct of the business affairs of EKPC (*Exhibit 4*).
- 2.189 Policy No. 404—EKPC Board of Directors Transaction Authority Limits for Energy and Energy Related Commodities and Transportation Policy providing authority matrices to delegate procurement approval levels for commodities and fuels (*Exhibit 5*).
- 2.1920 Policy No. 405—EKPC Board of Directors Hedging Policy (1) guides disciplined hedging of forecasted power supply needs; (2) provides a method for identifying EKPC’s risk tolerance and time horizon for hedging; (3) clarifies EKPC’s hedging objectives; and (4) more clearly integrates the energy risk management governance structure, trading authority, risk reporting, and portfolio management functions (*Exhibit 6*).
- 2.201 Power Stations— Electric power generating plants owned and operated by EKPC: Cooper, Spurlock, Bluegrass, and J. K. Smith.
- 2.242 Purchase Order—Document binding transportation company to ship designated product stating terms and conditions to transport commodities to EKPC’s power stations sent to a transportation company for an acceptance signature after approval and before deliveries begin, which is typically a shorter term than a contract.
- 2.223 RFP—Request for proposal sent to prospective transportation companies on EKPC’s Transportation Bidders List (*Exhibit 46*).
- 2.234 Sealed Proposals—Proposals received through a written RFP process not viewed prior to proposal opening (~~can~~ includes electronic and written proposals).
- 2.245 Security of Performance—A document providing at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach.

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- 2.256 Short-Term—Duration of one year or less.
- 2.267 Spot Purchase— Spot purchases are non-contract supply agreements that permit EKPC to purchase transportation at a specific rate for a defined term, typically one year or less. Spot purchases allow EKPC the flexibility to respond quickly and efficiently to inventory needs while remaining in compliance with EKPC policy. There are three types of spot purchases including (1) *Traditional*, (2) *Emergency*, and (3) *Test* spot purchases. *Traditional* spot purchases are subject to the competitive bidding process, are initiated with either a written or verbal RFP, and are typically made for a term of one year or less. This is the most common type of spot purchase and is typically based on the long-term future burns projection. *Emergency* and *Test* spot purchases do not require competitive bidding, are typically a shorter-term than traditional spot, and may need to be executed timely within hours. Any spot purchase not subject to the competitive bidding process must have an identifiable trigger such as, but not limited, to the following: time being of the essence, low physical inventory, near-illiquid market conditions, hedge optimization, change in legislation, governmental imposition, Force Majeure Event, breach of contract, or the need for transportation flexibility. The option of making Economy, Emergency, and Test spot purchases must be approved in writing by the Senior Vice President, Power Supply or Executive Vice President/Chief Operating Officer prior to negotiating proposals. Economy, Emergency, and Test spot purchases will be subject to the standard approval process and levels as detailed in Policy No. 404 or Policy No. AO31 prior to execution of the short-term purchase order. Economy, Emergency, and Test spot purchases may, involve specific need-based circumstances, and may include a provision by which there are no minimum requirements for either party. The no-minimum quantity purchase option allows management to optimize plant efficiency by facilitating the more precise matching and timing of deliveries with actual burn-based needs and may be applied at the discretion of the Fuel and Emissions Manager and approved in accordance with Policy. (See Section 4.7.2 for additional information regarding the procedures related to spot purchases.) Competitive bidding is also not required a single-source transportation company.
- 2.278 Supplier Scorecard—Spreadsheet that tracks measurable parameters of quality, quantity, services, and miscellaneous items on a monthly basis. The transportation companies can receive a ranking of problem, concern, acceptable, or exceptional (*Exhibit 12*).
- 2.289 TDF—Tire derived fuel, bead wire free, shredded tires that are permitted to be utilized in Gilbert Unit No. 3 and Spurlock Power Station Unit No. 4.

- 2.2930 Test Spot Purchase—Spot purchase made without competitive bidding to test a transportation company for its suitability at EKPC's power stations.
- 2.301 Trading Authority Transaction Matrix—Delegation of procurement approval authority ([Exhibit 50](#)).
- 2.312 Traditional Spot Purchase—Spot purchase made with the competitive bidding process, initiated with a written or verbal RFP, for a term of typically one year or less. This is the most common type of spot purchase.
- 2.323 Transportation Bidders List—List of current transportation companies to submit requests for proposals stating their addresses, representative contacts, phone numbers, and applicable stations for bidding purposes ([Exhibit 46](#)).
- 2.334 W-9—Form required by the Internal Revenue Service for tax purposes to be completed by all transportation companies stating business name, address, and federal tax identification number before payment is issued ([Exhibit 13](#)).

3.0 Responsibilities

3.1 Fuel and Emissions Manager

- 3.1.1 Manages and directs Fuel Buyers, Administrative Assistant, and Fuel Analyst in the Fuel and Emissions department and assures compliance with applicable policies, procedures, and strategies.
- 3.1.2 Ensures adequate transportation to EKPC's power plants.
- 3.1.3 Ensures all new contracts have been reviewed by legal, with the credit rating and insurance language reviewed by risk management.
- 3.1.4 May waive a price adjustment if the circumstances or conditions warrant.
- 3.1.5 Signs approval memos for purchase order changes, and executes short-term purchase orders in accordance with Policy No. A031 ([Exhibit 2](#)).

3.2 Power Plant Personnel

- 3.2.1 Maintain the systems at each of EKPC's relevant power stations to ensure its availability to unload and store deliveries.
- 3.2.2 Advise the Fuel and Emissions department of any concerns regarding transportation.
- 3.2.3 Implement tracking mechanism when necessary.

3.3 Fuel Buyers

- 3.3.1 Determine quantities to purchase based on projected needs, inventories, and contracted purchases; generate RFPs; make purchase recommendations; and perform due diligence.
- 3.3.2 Monitor transportation availability and performance.
- 3.3.3 Manage appropriate contract and/or purchase order(s) throughout the term of the order.
- 3.3.4 Manage deliveries at each of EKPC's power stations.
- 3.3.5 Review and verify applicable fuel escalation adjustments prepared by Accounting.

3.4 Administrative Assistant

- 3.4.1 Assists in managing the RFP process.
- 3.4.2 Reviews contract(s) and/or purchase order(s).
- 3.4.3 Verifies all documentation is received according to the Checklist for Fuel Department Transactions (*Exhibit 14*) and files with appropriate contract(s) and/or purchase order(s).
- 3.4.4 Posts fully-executed contract(s) and purchase order(s) to a shared location, and notifies EKPC's internal risk management and external risk management service provider.

3.5 Legal Counsel

- 3.5.1 Provides representation at long-term purchase proposal openings.
- 3.5.2 Advises in the development of legal documentation.

3.5.3 Reviews and approves documents as to legal form.

3.6 Fuel Analyst

3.6.1 Manages receipt of electronic proposals through password protected e-mail account.

3.6.2 Manages the Trading Authority Transaction Matrix (*Exhibit 50*).

3.6.3 Assists in managing price adjustments.

3.6.4 Audits Governmental Imposition claims and manages transportation companies' financial reviews.

3.6.5 Provides forward-looking data of floating components for forecasting and sensitivity analysis as requested.

3.7 Accounting

3.7.1 Enters and reconciles documentation received from Power Plant Personnel and Fuel and Emissions into the appropriate accounting system.

3.7.2 Reconciles transportation invoices received for payment.

3.7.3 Contacts responsible party to clarify any discrepancies in the invoices.

3.7.4 Calculates payment and sends to treasury for disbursement.

4.0 Procedure

Due to changing environmental laws or regulations, Fuel and Emissions representative(s) will maintain dialogue with Environmental Affairs representative(s) to ensure the appropriate transportation method is utilized.

Cooper Power Station receives coal by truck and Norfolk Southern rail. Ammonia and lime are both delivered by truck. Spurlock Power Station receives coal by barge and CSX rail. In certain circumstances and for a short duration, Spurlock Power Station can receive coal by truck. Limestone and lime kiln dust (or a comparable product) deliveries are made by truck but may be delivered by barge or rail in the future. Spurlock Power Station receives ammonia deliveries by truck. Deliveries of TDF can be made by barge, rail, or truck. Ammonia is

delivered to Smith Power Station by truck. No. 2 fuel oil, as well as most other commodities, are all delivered by truck to EKPC's power stations.

- 4.1 Determine if an RFP is required.
 - 4.1.1 Review projected usage from Power Supply and Power Stations.
 - 4.1.2 Compare projected usage with the current contracts and purchase orders to determine if there is a need to purchase transportation in conjunction with Policy No. 405 (*Exhibit 6*).
 - 4.1.3 Determine the amount of transportation to be purchased and type of purchase to be made (contract or purchase order) to maintain adequate inventories at each applicable power station.
- 4.2 Determine if RFP should be written or verbal. (RFPs are not required for emergency and test spot purchases or a single-source transportation company.)
 - 4.2.1 Create a written RFP (e.g., *Exhibit 47*) for contract purchases.
 - 4.2.2 Create a written or verbal RFP for traditional spot purchases. (Verbal RFPs are confirmed by written documentation.) Written proposals will be opened at a later time following the documented procedure. Active proposals on file may also be considered for these purchases. Transportation companies are notified through e-mails, letters, trade publications, and personal conversations that EKPC is continuously evaluating transportation methods and will accept unsolicited proposals at any time for consideration. Only transportation companies who have demonstrated their ability to supply the appropriate transportation required are contacted on verbal solicitations.
 - 4.2.3 Identify need for emergency or test spot purchases in which no RFP is required.
- 4.3 Issue a written or verbal RFP to obtain approved contract(s) and/or purchase order(s). The steps for issuing an RFP are as follows:
 - 4.3.1 Fuel Buyers determine term and quantity for transportation of RFP based on projected needs.
 - 4.3.2 Fuel Buyers may develop and coordinate test for transportation or handling improvement. Improvement may be in terms of economics, compatibility, flexibility, or dependability.

- 4.3.3 Fuel Buyers create an RFP (e.g., [Exhibit 47](#)) stating applicable delivery locations, term, quantity, and price options including the security of performance requirement.
- 4.3.4 Fuel and Emissions Manager and Administrative Assistant review RFP (e.g., [Exhibit 47](#)) before issuing.
- 4.3.5 Fuel Buyers issue RFP (e.g., [Exhibit 47](#)) for sealed proposals for transportation to bidders on EKPC's Transportation Bidders List ([Exhibit 46](#)). (Emergency and test spot purchase proposals may be made verbally and confirmed by written documentation.)
- 4.3.6 Fuel Manager notifies Executive Staff in writing of issued written RFP (e.g., [Exhibit 47](#)).
- 4.4 Open all sealed proposals on or after due date of RFP.
 - 4.4.1 Two Fuel and Emissions personnel must be present on proposal openings for traditional spot purchase orders. A member of the Fuel Negotiating Committee, legal counsel, and two Fuel and Emissions personnel, or their designee(s), must be present on proposal openings for contracts. Receipt of proposals, both written and electronic, will be directly received and controlled by the Administrative Assistant and Fuel Analyst (respectively), or their designee(s), prior to formal bid opening.
 - 4.4.2 Administrative Assistant logs proposals reviewed.
 - 4.4.3 Sign log of proposals by those present at opening.
 - 4.4.4 Determine if price negotiations are warranted and obtain approval to negotiate from the Fuel Negotiating Committee for contracts.
- 4.5 Fuel Buyers evaluate valid opened transportation proposals.
 - 4.5.1 Handle proposals received after the deadline on a case-by-case basis to determine their eligibility for evaluation. If legitimate information can be obtained to determine the proposal was sent to be received before the deadline, a proposal received after the deadline may be considered; otherwise, proposals received after the deadline will not be considered.
 - 4.5.2 Determine weighted average price for each proposal.
 - 4.5.3 Confirm parameters in the approved evaluation criteria.

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- 4.5.4 Determine if the lowest evaluated, delivered priced proposal(s) meets EKPC's requirements as specified in the corresponding RFP to develop a short list of potential transportation company(s).
- 4.5.5 Evaluate transportation company(s) performance capabilities as outlined in the Fuel, Emission, Limestone, and Lime Strategy (*Exhibit 1*).
- 4.5.6 Initiate concerted internal review process with Fuel and Emissions, Environmental Affairs, Power Production, Finance, Power Supply, and Legal departments as well as the IRMC to evaluate proposals as needed. This internal control step fosters a global perspective of the evaluation process and is particularly important for new projects.
- 4.5.7 Negotiate terms and conditions with selected transportation company(s) from short list.
- 4.5.8 Conduct field visit(s), if necessary, to evaluate the facilities, capabilities, etc., of the transportation company(s) with competitive proposals to evaluate physical risk.
- 4.5.9 Prepare a field evaluation report if a field visit is conducted.
- 4.5.10 Ensure necessary due diligence is performed in evaluating the credit worthiness and financial stability of all potential transportation companies for the Fuel and Emissions department before entering into any binding contracts. The financial evaluation for publically traded companies may be outsourced to a risk management service provider, which would have extensive experience and access to financial information for making a recommendation as to what extent EKPC should enter contractual commitments with reasonable financial risks. For privately held companies, this may also be performed internally by requesting the transportation company's audited financial statement, ratios, and key performance indicators to be used in EKPC's risk management provider's template for credit scoring. Publically traded and privately held financial evaluations would then be provided to the Finance department for their review and/or recommendation. Annual reviews, which include market price reopeners, will be shared with the Finance department for informational purposes.
- 4.5.11 Draft approval memorandum—including emergency and test spot purchases—to management (*Exhibit 48*) recommending the most

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economic supplier(s) of transportation meeting the corresponding RFP's specifications while balancing risk.

- 4.5.12 Upon issue, RFPs include a defined term, typically a shorter term for purchase orders and longer term for contracts. If management determines a different term type is more advantageous, based on identification of a change in EKPC's needs or transportation companies' responses to the RFP, justification of the term change will be noted in the approval memorandum and approval obtained in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*) for the new term type.
- 4.5.13 Negotiation of contract language and terms can take approximately three to four months of negotiation with a transportation company. If negotiations exceed six months, management will be updated in writing, and the circumstances regarding the lag time will be documented accordingly in the approval memorandum. In addition, multiple transportation agreements may be executed from one RFP response to fulfill projected needs, which will also be documented accordingly in the approval memorandum.
- 4.5.14 Management approves memorandum in accordance with Policies No. 404 (*Exhibit 5*) and No. AO31 (*Exhibit 2*).
- 4.6 Fuel Buyers prepare contract(s) and/or purchase order(s) based on a standard template reviewed by legal counsel, with credit rating and insurance requirements submitted to risk management.
 - 4.6.1 Contract(s) and/or purchase order(s) includes destination, quantity, price, price adjustments, acceptance parameters, insurance terms, payment terms, and other terms and conditions.
 - 4.6.2 Request Ownership Disclosure (*Exhibit 35*), W-9 (*Exhibit 13*), and Certificate of Insurance forms from selected transportation company(s) if not already on file.
 - 4.6.3 Administrative Assistant forwards the W-9 (*Exhibit 13*) to Accounting, and Fuel Buyers forward the Certificate of Insurance to risk management for approval if not already on file.
 - 4.6.4 Fuel Buyers send draft contract(s) and/or purchase order(s) to transportation company(s) for review.
 - 4.6.5 Request additional approval from the Fuel and Emissions Manager, legal counsel, and risk management if changes are

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made to the previously approved draft developed from EKPC's approved template.

- 4.7 Fuel Buyers coordinate the execution of transportation contract(s) and purchase order(s).
 - 4.7.1 Fuel Buyers obtain a sequential purchase order number from the fuel and emission's Non-Coal Purchase Order Log Book after appropriate review and/or approval is given by the Fuel and Emissions Manager, legal counsel, and risk management for purchase orders only. Contract numbers are developed as needed.
 - 4.7.2 Administrative Assistant reviews contract(s) and purchase order(s) and circulates for signatures prior to distribution utilizing the Approval and Review form ([Exhibit 39](#)) if senior management's signature is required. Written and verbal RFPs for traditional spot transportation needs go through the competitive bidding process. Emergency and test spot purchases are less common and are the only exceptions to the competitive bidding process. Purchase order(s) executed without minimum purchase requirements are typically short-term spot purchases and subject to the same documentation, controls, and approval requirements set forth in this procedure and in accordance with Policies No. 404 and No. A031.
 - 4.7.3 Administrative Assistant, at the direction of the Fuel Buyers, distributes the executed contract(s) and/or purchase order(s) internally. These documents are posted to a shared directory with EKPC's risk management service provider within five business days after trade execution is received for capture in a risk management system as accordance with Policies No. 404 ([Exhibit 5](#)) and No. A031 ([Exhibit 2](#)). These documents are automatically set up by the Administrative Assistant to delete within seven days. If the documents are not retrieved from the shared directory, which functions as a portal to individuals at multiple geographic locations within seven days, the documents can be provided directly to the appropriate individual upon request from the risk management service provider.
 - 4.7.4 Fuel Analyst logs approved contract(s) and purchase order(s) on the Trading Authority Transaction Matrix ([Exhibit 50](#)) for submittal to BROC each month.
 - 4.7.5 Administrative Assistant files executed contract(s) and purchase order(s) in Fuel and Emissions' department files with

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documentation according to the Checklist for Fuel Department Transactions (*Exhibit 14*). Original contract(s) is stored at an offsite storage facility for disaster mitigation.

- 4.8 Fuel and Emissions personnel schedule transportation from the then current contract(s) and/or purchase order(s) to replenish depleted power station supply based on power station need.
 - 4.8.1 Provide selected transportation company(s) and barge and train carriers, if applicable, a projected delivery schedule each month for EKPC's power stations.
- 4.9 Power Plant Personnel receive deliveries.
 - 4.9.1 Weigh trucks daily using certified scales at Cooper Power Station for inventory measures and payment. Both gross and tare weights are taken and net weights are determined.
 - 4.9.2 Use calibrated belt scales at Spurlock Power Station to verify barge origin weights or certified barge drafts for determination of destination weights for inventory measures and/or payment as specified by applicable contract or purchase order. (Barge Drafting *Exhibit 18*)
 - 4.9.3 Use weights taken and reported by the railroad transporting commodities to the power station. Certified transportation company weights approved by the railroad transporting the commodities may be used.
 - 4.9.4 Collect and forward transportation information to Accounting.
- 4.10 Fuel Buyers monitor transportation company performance.
 - 4.10.1 Determine if the transportation company has met the specifications as outlined on the applicable contract(s) and/or purchase order(s). Performance is trended using the Supplier Scorecard (*Exhibit 12*).
 - 4.10.2 Consult with the Fuel and Emissions Manager if the specifications are not met.
- 4.11 Fuel Analyst tracks and documents financial reviews.
 - 4.11.1 Documents due dates and execution of interim financial reviews, tracking them on a monthly/quarterly basis as needed.

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- 4.11.2 Performs interim transportation company financial reviews for contracts at least annually or more if deemed necessary under the oversight of the Fuel and Emissions Manager who ensures timely execution.
- 4.12 Verify receipt of deliveries and reconcile freight invoices.
 - 4.12.1 Fuel Analyst enters deliveries for each contract and purchase order on the Trading Authority Transaction Matrix ([Exhibit 50](#)).
 - 4.12.2 Fuel Buyers review and verify floating price adjustments for production and transportation surcharges as needed.
 - 4.12.3 Accounting reconciles documentation entered into the appropriate accounting system (e.g., receipt, and contract and/or purchase order terms and conditions) from Power Plant Personnel and Fuel and Emissions.
 - 4.12.4 Accounting calculates and verifies applicable contract price escalation.
 - 4.12.5 Accounting reconciles transportation invoices received for payment.
 - 4.12.6 Accounting contacts responsible party to clarify any discrepancies.
 - 4.12.7 Accounting receives Accounting supervisor approval on all invoices and sends to accounts payable for payment.

5.0 Effective Date

5.1 All departments at EKPC shall be fully compliant with this procedure by January 31, 202~~3~~4, and this procedure will be reviewed annually.

Concurred by: _____
Mark Horn
Manager, Fuel & Emissions

Date: _____

Approved by: _____
David Crews
Sr.Vice President, Power Supply

Date: _____

- Amended: 09/21/16
- Amended: 09/28/17
- Amended: 10/18/18
- Amended: 09/04/19
- Amended: 10/01/20
- Amended: 11/23/21
- Amended: 11/02/22
- Amended: 10/11/23

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**EAST KENTUCKY POWER COOPERATIVE
FUEL & EMISSIONS DEPARTMENT STRATEGY**

Author: Fuel and Emissions Department		Adopted: 02/27/81	Page 1 of 9
Revision: 12	By: Gail Varner	Revised Date: 08/29/23	Reviewed: Mark Horn

Concurred by: *Don Mosier* **Date:** 08/30/2023
Don Mosier
Chief Operating Officer & Executive VP

Approved by: *David Crews* **Date:** 11/01/2023
David Crews
Sr. Vice President, Power Supply

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EAST KENTUCKY POWER COOPERATIVE FUEL & EMISSIONS DEPARTMENT STRATEGY

Objective

To ensure East Kentucky Power Cooperative, Inc. ("EKPC") has an adequate supply of fuel, emissions, limestone, lime, ancillary commodities, and transportation of proper quality, purchased at stable and competitive prices, and in accordance with the requirements of lending and regulatory agencies; to ensure ethical, fair, and sound business practices are followed; and to avoid any conflict of interest or appearance of any such conflict of interest.

In order to assure, to the greatest extent possible, EKPC's fuel procurement practices are beyond reproach, Directors and employees of EKPC, Managers and Directors of member systems, or the immediate families of such persons shall not be directly involved in the sale of fuel, mining property, transporting fuel, or mining equipment to EKPC consistent with Board Policy No. 116, Conflict of Interest.

NOTE: Procurement practices used by the Fuel and Emissions department are conducted in concert with the strategies, policies, and practices of other departments within EKPC. Such parties include but are not limited to: Environmental Affairs, Power Production, Finance, Power Supply, and Legal. Additionally, procurement practices used by the Fuel and Emissions department that support the objective of this strategy as it pertains to the power stations are outlined separately in detail in the following procedure documents: (1) Procedure for the Procurement of Coal—No. C-1; (2) Procedure for the Procurement of Fuel Oil—No. O-1; (3) Procedure for the Procurement of Lime, Lime Kiln Dust, & Limestone—No. L-1; (4) Procedure for the Procurement of Natural Gas—No. NG-1; (5) Procedure for the Procurement of Emissions—No. E-1; (6) Procedure for the Procurement of Ancillary Commodities—No. AC-1; (7) Procedure for the Procurement of Tire-Derived Fuel and Alternative Fuels—No. TDF-1; and (8) Procedure for the Procurement of Transportation—No. T-1.

I. Coal Strategy Summary

- EKPC will provide a stable, competitively priced coal supply with a strategy that has larger quantities under contract or long-term purchase order in the near term with decreasing quantities under contract or long-term purchase order over time.
- Rolling forward, the amounts of coal under contract or long-term purchase order will provide EKPC with near term competitive and stable rates, but still allow an opportunity to stay active in the market place by purchasing spot coal via short-term purchase orders and conducting RFP solicitations for new or renewed contracts.
- EKPC's coal supply strategy includes a conceptual hedge target percentage range of coal under contract and long-term purchase order for the EKPC System that may be met on an annual basis (% of projected burn). The target rolls forward with each calendar year.
- Coal supply strategies for each power plant will be utilized, taking into consideration the differences in their operations and acknowledging environmental constraints.

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- EKPC has physical coal supply agreements in place with reliable suppliers providing coal for extended periods of time, thus committing tonnage under contract and/or purchase order in a systematic approach to provide stable and competitive prices.
- EKPC will utilize binding contracts executed with coal suppliers that meet due diligence requirements.
- Annually, a coal hedging strategy for the EKPC fleet shall be reviewed with the Internal Risk Management Committee (“IRMC”).
- The Board Risk Oversight Committee (“BROC”) shall have the authority to oversee and review proposals for the purchase of any real or personal property or services necessary to the procurement, preparation, processing, storage, or transportation of coal as well as the adequacy of the coal inventory.

A. Coal Contract Term Mix

Coal contract terms will vary based on market conditions and will have staggered expiration and reopener dates to levelize coal contract pricing. Some of the factors that impact contract mix are: coal availability, foreseeable mining or transportation problems, unit outages, and market conditions. When liquidity in coal markets develop to an acceptable level, the forward price curve may serve as an indicator for determining appropriate contract mix.

Coal transactions shall be awarded by evaluated competitive bids (except for economy, emergency, and test purchases as defined in the Procedures for the Procurement of Coal). The proper term mix works to assure continuity of supply, at reasonable costs, under fluctuating conditions.

B. Coal Supplier Diversification

Coal contracts and spot coal purchases should be divided between two or more suppliers at any power station. This practice may be waived when tonnage requirements are small or the cost of diversification is not economical. Evaluation factors EKPC considers include but are not limited to: (1) price, (2) quality, (3) quantity available, (4) method and cost of delivery, (5) whether the bid is from a producer or broker, (6) past and anticipated performance, (7) source and location of fuel, (8) production and delivery capability, (9) security of supply, (10) reserves and permits, (11) mining costs, (12) any special terms and conditions, (13) financial/credit worthiness, and (14) overall stability as part of the diversification plan.

C. Coal Inventory Levels

In most cases, EKPC maintains a system-wide inventory level of 25-50 days’ burn (based upon a maximum burn). If the stockpile exceeds the maximum level, the appropriate course of action could be determined by the market conditions, schedule flexibility, and/or contract negotiations. For coal shortage alert levels, reference EKPC’s Coal Shortage Procedure. Adjustments may be made in the levels due to forced or extended outages that affect unit usage or available stockpile area. (Plant specific inventories are listed in Table 1.)

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Coal inventory levels will vary based on market conditions and risk tolerance. Some of the factors that impact inventory levels are: coal price and availability, foreseeable labor or transportation problems, weather conditions, unit outages, natural gas pricing, and power market prices. When liquidity in coal markets develop to an acceptable level, the forward price curve may serve as an indicator of inventory level adjustments.

D. Coal Contract Attributes

Coal procurement contracts, excluding purchase orders, providing for a delivery period of one year or more, shall contain, but are not limited to, the following:

(1) Security of Performance

Designed to provide at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach. Such provisions shall provide for performance bonds, irrevocable letters of credit, escrow accounts, parental guarantees, or similar security measures in amounts to be related to the tonnage amount of the contract. The CEO may waive such security requirements, or allow modified provisions, where special circumstances provide sufficient assurances for performance by the fuel supplier.

(2) Proof of Insurance

Designed to provide at least a minimum level of insurance by the fuel supplier. Seller shall provide and maintain, and shall require any and all subcontractors to provide and maintain, with an insurance company authorized to do business in the Commonwealth of Kentucky and otherwise acceptable to buyer proof of such insurance coverage. Risk management may waive such insurance requirements, or allow modified provisions, where special circumstances provide sufficient insurance coverage of the fuel supplier.

(3) Breach of Contract

Designed to provide at least a minimum level of rights and remedies for the non-defaulting party. Such rights and remedies shall be in addition to any other right or remedy the non-defaulting party may have at law.

(4) Changes in Legislation/Governmental Imposition

Designed to provide a basis that buyer and seller have fully contemplated, understood, and agreed that in the event any federal, state, or local law, regulation, or standard is enacted, promulgated, or otherwise made effective that such change can affect a party's ability to sell or buy coal.

(5) Force Majeure

Designed to provide a basis that buyer and seller specifically understand and agree obligations of both parties under said contract are subject to events of force majeure. Such provisions shall excuse from performance of one's obligation to the extent made necessary by and during the continuance of

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such valid force majeure, subject to prompt written notice of such event. Typically, tons will be made up at the discretion of the non-declaring party. The Fuel and Emissions Manager, after consultation with Legal and Senior Vice President of Power Supply, may waive such language during contract negotiations and opt for language that tons will be made up if mutually agreeable.

(6) Reopener Period(s)

Designed to provide a mechanism for the parties to consider extending the term of the contract. If applicable, such provisions shall provide for the parties to jointly consider the effect of economic conditions and market prices in the coal industry to ascertain whether the coal price would be adjusted if the term is extended. If the parties are unable to mutually agree during the reopener period, then either party may terminate the contract effective on a predefined date in the contract. Contracts with a fixed-term price will also be evaluated when offered.

E. Coal Strategy—Plant Specific

(1) Cooper Power Station

Projected coal needs will be purchased by purchase orders. The hedge will be the physical inventory, and any additional coal requirements will be purchased on the spot market. EKPC's fuel procurement strategy is described in Table 1.

- All coal is currently delivered by truck, priced FOB plant. Plant is also served by Norfolk Southern Railroad, and rail shipments are evaluated for economics.
- Cooper has a coal blending operation that provides flexibility in coal supply to meet its operational and emission requirements.
- Maximum sulfur in the coal for Cooper is 3.3 lbs. SO₂/MMBtu. Coal specification is based on environmental compliance, not operational capability.

(2) Spurlock Power Station

For the current year, approximately 60% to 100% of projected coal needs will be purchased by contracts and long-term purchase orders. The remaining coal requirements will be purchased on the spot market. EKPC will target to have the following year's coal needs, as described in Table 1, committed in the fourth quarter of the current year.

- The majority of coal is delivered by barge. Plant is also served by CSX Railroad.
- Maximum sulfur in the coal for Spurlock Unit Nos. 1 and 2 scrubbed units is 7.2 lbs. SO₂/MMBtu.
- Maximum sulfur in the coal for Gilbert Unit No. 3 and Spurlock Unit No. 4 circulating fluidized bed units is 10 lbs. SO₂/MMBtu.

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- Current coal source, access to barge delivery, and delivery flexibility allow Spurlock a larger competitive coal supply source region than Cooper Power Station.
- Gilbert Unit No. 3 and Spurlock Unit No. 4 can burn a wider range of coal qualities and fuel types than traditional pulverized coal units.

II. Natural Gas**A. Natural Gas Purchases**

Natural gas purchases for the combustion turbines will be purchased on the spot market as long as peak use of the units dictates variable dispatch generation levels. The use of an agent/marketer is currently in use to consolidate purchases, nominate/schedule deliveries, and maintain balancing on the pipelines. EKPC utilizes spot and forward physical natural gas hedges. EKPC does not currently have firm gas transportation or storage. Firm transportation, storage, and other options will be evaluated on an ongoing basis to determine their cost effectiveness for EKPC. (Reference Table 1.)

B. Natural Gas Supplier Diversification

Natural gas purchases may be divided between two or more suppliers at J. K. Smith Power Station (multiple pipelines available) and Bluegrass Generating Station (one pipeline available) by the agent/marketer. This practice may be waived when requirements are small or the cost of diversification is not economical. Evaluation factors EKPC considers include but are not limited to: (1) price, (2) quality, (3) quantity available, (4) method and cost of delivery, (5) whether the bid is from a producer or marketer, (6) past and anticipated performance, (7) source and location of fuel, (8) production and delivery capability, (9) security of supply, (10) any special terms and conditions, (11) financial/credit worthiness, and (12) overall stability as part of the diversification plan.

C. Natural Gas Hedging

A layered-in hedging program over a period of time for a percentage of the historic usage along with projected dispatch may be used in stabilizing the cost and reducing the impact of natural gas price volatility. EKPC does not typically hedge natural gas for more than one year. (See Section II. A. Natural Gas Purchases for short-term spot and forward physical natural gas hedges.)

III. Fuel Oil**A. Fuel Oil Purchases**

Fuel oil No. 2 purchases for coal-fired plants' startup and flame stability, combustion turbine backup fuel, and fuel for Cagle Keystone will be purchased by the competitive bid process. Any exceptions shall be reported to the BROOC. (Reference Table 1.)

B. Fuel Oil Supplier Diversification

Fuel oil purchases may be divided between two or more suppliers at any power station. This practice may be waived when requirements are small or the cost of diversification

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is not economical. Evaluation factors EKPC considers include but are not limited to: (1) price, (2) quality, (3) quantity available, (4) method and cost of delivery, (5) whether the bid is from a refiner or distributor, (6) past and anticipated performance, (7) source and location of fuel, (8) production and delivery capability, (9) security of supply, (10) any special terms and conditions, (11) financial/credit worthiness, and (12) overall stability as part of the diversification plan.

C. Fuel Oil Inventory

Fuel oil No. 2 inventory levels used for coal-fired plants will typically be maintained at or near its maximum level.

Fuel oil No. 2 inventory level used for the back-up fuel of the combustion turbines will typically be maintained at a minimum of 50 percent capacity for J. K. Smith Power Station (approximately 2,250,000 gallons) and at near capacity for Bluegrass Generating Station (approximately 1,100,000 gallons) or as directed by the COO.

Fuel oil No. 2 inventory level used for fuel at Cagle Keystone will typically be maintained at near capacity of its 6,000 gallon above-ground tank.

D. Fuel Oil Hedging

EKPC hedges approximately 35% of its coal-fired plants' projected annual fuel oil system needs. The hedge is a fixed quantity and price where all applicable taxes, freight, fees, and profit margins are included (excluding demurrage). The hedge aids in obtaining a reliable supply of fuel oil at a stable price.

IV. Alternative/Renewable Fuels

EKPC will evaluate alternative and/or renewable fuels, such as tire-derived fuels, biomass, petcoke, etc., to determine their economic benefit as a source of fuel to EKPC power plants. Once the economic benefit is determined, an appropriate strategy will be developed. Coal is purchased on an evaluated basis in regard to economics and environmental compliance. Alternative and/or renewable fuels may be purchased based on straight environmental compliance should EKPC ever be subject to a Renewable Portfolio Standard (RPS) or other standards.

V. Lime, Lime Kiln Dust, and Limestone

Lime and limestone purchases for Cooper and Spurlock Power Stations will be purchased using the competitive bid process. These purchases will be from negotiated contracts or the spot market, whichever is deemed advantageous to EKPC. Lime is currently used to make Hydrated lime in the flue gas desulfurization unit ("FGD") at Cooper Power Station. Hydrated lime is currently used to absorb SO₃ emissions generated from the burning of coal at Spurlock Power Station and also for the Effluent Liquid Guidelines ("ELG") systems. Limestone is currently used in the FGDs for Spurlock Unit Nos. 1 and 2 and CFBs for Gilbert Unit No. 3 and Spurlock Unit No. 4.

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Lime kiln dust, or a comparable product, purchases will be made from negotiated contracts or the spot market, whichever is deemed advantageous to EKPC. Currently, the lime kiln dust, or a comparable product, at Spurlock Power Station is a sole source commodity. Lime kiln dust, or a comparable product, is used to extend the “life” of the selective catalyst reduction (“SCR”) catalyst in the SCRs at Spurlock Unit Nos. 1 and 2.

VI. Ancillary Commodities

Anhydrous Ammonia is utilized to activate the catalyst in the SCRs at Spurlock Power Station for NO_x removal. Aqueous ammonia is utilized to aid in NO_x removal at both Cooper and J. K. Smith Power Stations.

FuelSolv works by combating the buildup of slag and aiding the soot blowers to remove slag formed at both Cooper and/or Spurlock Power Stations.

MerControl Product 7895 is utilized, if needed, on the coal belt as a fuel additive that oxidizes mercury in the coal during combustion in the boiler, enabling a portion of the mercury to be removed at Spurlock Power Station. MerControl Product 8034 is utilized in the scrubbers to prevent the remittance of the mercury into the flue gas at Spurlock Power Station.

The ELG systems at Spurlock Power Station require Water Mass Balance chemicals and Waste Water Treatment chemicals that are procured by the Fuel and Emissions department.

VII. Transportation

EKPC will evaluate multiple modes of transportation such as barge, rail, truck, pipeline, etc., to give maximum flexibility to fuel supplies. This should be evaluated as much as practical at each power station. EKPC will prudently review the cost effectiveness of each mode of transportation where applicable. The infrastructure of EKPC’s transportation system will be maintained as deemed appropriate.

VIII. Emissions

A. Emissions Allowance Purchases and Sales

Purchases should be made to meet the regulatory environmental requirements. (Strategy is subject to change in order to participate in any state or federal rulemaking regarding future regulatory actions.) The emission allowances should be purchased over time with multiple purchase points in order to reduce volatility in emission credit costs. Emission allowances should be purchased by the second quarter of the exposure year. The purchases should be made quarterly with a hedge percent target that increases ratably over the hedging period. Lack of market liquidity in outer years and potential for future regulatory rule changes could affect the strategy. Any potential emissions allowance transaction will involve a global evaluation that involves Fuel an Emissions, Power Supply, Environmental Affairs, Legal, and Risk. Spot transactions could be made through a broker or as a direct sale.

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B. Emissions Hedging

EKPC's projected emissions requirement is less any EPA allocated allowances. EKPC uses dollar cost averaging methodology in its hedging process that will average EKPC's emission cost over a period of time, minimize the volatility of emission allowances, and allow a mechanism to be used to adjust for variances in emission use if required.

VIX. Coal, Natural Gas, and Limestone Reserves

EKPC views reserves as a possible hedge strategy to its physical supply and evaluates procurement of reserves when deemed appropriate.

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TABLE 1*

	Calendar Year 1**	Calendar Year 2	Calendar Year 3	Calendar Year 4
Reporting Frequency	Monthly	Monthly	Monthly	Monthly
Plant	% of expected Fuel Burn	% of expected Fuel Burn	% of expected Fuel Burn	% of expected Fuel Burn
Spurlock Contracts	>60	40-80	10-65	0-45
Spurlock Inventory	25 to 45 days of Max Burn	Any excess from prior year	Any excess from prior year	
Cooper Contracts	Spot Purchases	Spot Purchases	Spot Purchases	Spot Purchases
Cooper Inventory	25-60 days of max burn	Any excess from prior year	Any excess from prior year	
Smith Natural Gas Contracts	Spot or Forward Purchases	Spot or Forward Purchases	Spot or Forward Purchases	Spot or Forward Purchases
Smith Inventory	Oil Inventory	-	-	-
Bluegrass Natural Gas Contracts	Spot or Forward Purchases	Spot or Forward Purchases	Spot or Forward Purchases	Spot or Forward Purchases
Bluegrass Inventory	Oil Inventory			
LFG	Projected Generation	Projected Generation	Projected Generation	Projected Generation

* Adapted from Policy No. 405

** Current delivery year

Note: Contracts can include spot or forward purchases.

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**EAST KENTUCKY POWER COOPERATIVE
FUEL & EMISSIONS DEPARTMENT STRATEGY**

Author: Fuel and Emissions Department	Adopted: 02/27/81	Page 1 of 9	
Revision: 1+ <u>2</u>	By: Gail Varner	Revised Date: 09/10/22 08/29/23	Reviewed: Mark Horn

Concurred by: _____
Don Mosier
Chief Operating Officer & Executive VP

Date: _____

Approved by: _____
David Crews
Sr. Vice President, Power Supply

Date: _____

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EAST KENTUCKY POWER COOPERATIVE FUEL & EMISSIONS DEPARTMENT STRATEGY

Objective

To ensure East Kentucky Power Cooperative, Inc. ("EKPC") has an adequate supply of fuel, emissions, limestone, lime, ancillary commodities, and transportation of proper quality, purchased at stable and competitive prices, and in accordance with the requirements of lending and regulatory agencies; to ensure ethical, fair, and sound business practices are followed; and to avoid any conflict of interest or appearance of any such conflict of interest.

In order to assure, to the greatest extent possible, EKPC's fuel procurement practices are beyond reproach, Directors and employees of EKPC, Managers and Directors of member systems, or the immediate families of such persons shall not be directly involved in the sale of fuel, mining property, transporting fuel, or mining equipment to EKPC consistent with Board Policy No. 116, Conflict of Interest.

NOTE: Procurement practices used by the Fuel and Emissions department are conducted in concert with the strategies, policies, and practices of other departments within EKPC. Such parties include but are not limited to: Environmental Affairs, Power Production, Finance, Power Supply, and Legal. Additionally, procurement practices used by the Fuel and Emissions department that support the objective of this strategy as it pertains to the power stations are outlined separately in detail in the following procedure documents: (1) Procedure for the Procurement of Coal—No. C-1; (2) Procedure for the Procurement of Fuel Oil—No. O-1; (3) Procedure for the Procurement of Lime, Lime Kiln Dust, & Limestone—No. L-1; (4) Procedure for the Procurement of Natural Gas—No. NG-1; (5) Procedure for the Procurement of Emissions—No. E-1; (6) Procedure for the Procurement of Ancillary Commodities—No. AC-1; (7) Procedure for the Procurement of Tire-Derived Fuel and Alternative Fuels—No. TDF-1; and (8) Procedure for the Procurement of Transportation—No. T-1.

I. Coal Strategy Summary

- EKPC will provide a stable, competitively priced coal supply with a strategy that has larger quantities under contract or long-term purchase order in the near term with decreasing quantities under contract or long-term purchase order over time.
- Rolling forward, the amounts of coal under contract or long-term purchase order will provide EKPC with near term competitive and stable rates, but still allow an opportunity to stay active in the market place by purchasing spot coal via short-term purchase orders and conducting RFP solicitations for new or renewed contracts.
- EKPC's coal supply strategy includes a conceptual hedge target percentage range of coal under contract and long-term purchase order for the EKPC System that may be met on an annual basis (% of projected burn). The target rolls forward with each calendar year.
- Coal supply strategies for each power plant will be utilized, taking into consideration the differences in their operations and acknowledging environmental constraints.

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- EKPC has physical coal supply agreements in place with reliable suppliers providing coal for extended periods of time, thus committing tonnage under contract and/or purchase order in a systematic approach to provide stable and competitive prices.
- EKPC will utilize binding contracts executed with coal suppliers that meet due diligence requirements.
- Annually, a coal hedging strategy for the EKPC fleet shall be reviewed with the Internal Risk Management Committee (“IRMC”).
- The Board Risk Oversight Committee (“BROC”) shall have the authority to oversee and review proposals for the purchase of any real or personal property or services necessary to the procurement, preparation, processing, storage, or transportation of coal as well as the adequacy of the coal inventory.

A. Coal Contract Term Mix

Coal contract terms will vary based on market conditions and will have staggered expiration and reopener dates to levelize coal contract pricing. Some of the factors that impact contract mix are: coal availability, foreseeable mining or transportation problems, unit outages, and market conditions. When liquidity in coal markets develop to an acceptable level, the forward price curve may serve as an indicator for determining appropriate contract mix.

Coal transactions shall be awarded by evaluated competitive bids (except for economy, emergency, and test purchases as defined in the Procedures for the Procurement of Coal). The proper term mix works to assure continuity of supply, at reasonable costs, under fluctuating conditions.

B. Coal Supplier Diversification

Coal contracts and spot coal purchases should be divided between two or more suppliers at any power station. This practice may be waived when tonnage requirements are small or the cost of diversification is not economical. Evaluation factors EKPC considers include but are not limited to: (1) price, (2) quality, (3) quantity available, (4) method and cost of delivery, (5) whether the bid is from a producer or broker, (6) past and anticipated performance, (7) source and location of fuel, (8) production and delivery capability, (9) security of supply, (10) reserves and permits, (11) mining costs, (12) any special terms and conditions, (13) financial/credit worthiness, and (14) overall stability as part of the diversification plan.

C. Coal Inventory Levels

In most cases, EKPC maintains a system-wide inventory level of 25-50 days’ burn (based upon a maximum burn). If the stockpile exceeds the maximum level, the appropriate course of action could be determined by the market conditions, schedule flexibility, and/or contract negotiations. For coal shortage alert levels, reference EKPC’s Coal Shortage Procedure. Adjustments may be made in the levels due to forced or extended outages that affect unit usage or available stockpile area. (Plant specific inventories are listed in Table 1.)

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Coal inventory levels will vary based on market conditions and risk tolerance. Some of the factors that impact inventory levels are: coal price and availability, foreseeable labor or transportation problems, weather conditions, unit outages, natural gas pricing, and power market prices. When liquidity in coal markets develop to an acceptable level, the forward price curve may serve as an indicator of inventory level adjustments.

D. Coal Contract Attributes

Coal procurement contracts, excluding purchase orders, providing for a delivery period of one year or more, shall contain, but are not limited to, the following:

(1) Security of Performance

Designed to provide at least a minimum level of assurance of performance by a contract supplier, in addition to normal remedies for contract breach. Such provisions shall provide for performance bonds, irrevocable letters of credit, escrow accounts, parental guarantees, or similar security measures in amounts to be related to the tonnage amount of the contract. The CEO may waive such security requirements, or allow modified provisions, where special circumstances provide sufficient assurances for performance by the fuel supplier.

(2) Proof of Insurance

Designed to provide at least a minimum level of insurance by the fuel supplier. Seller shall provide and maintain, and shall require any and all subcontractors to provide and maintain, with an insurance company authorized to do business in the Commonwealth of Kentucky and otherwise acceptable to buyer proof of such insurance coverage. Risk management may waive such insurance requirements, or allow modified provisions, where special circumstances provide sufficient insurance coverage of the fuel supplier.

(3) Breach of Contract

Designed to provide at least a minimum level of rights and remedies for the non-defaulting party. Such rights and remedies shall be in addition to any other right or remedy the non-defaulting party may have at law.

(4) Changes in Legislation/Governmental Imposition

Designed to provide a basis that buyer and seller have fully contemplated, understood, and agreed that in the event any federal, state, or local law, regulation, or standard is enacted, promulgated, or otherwise made effective that such change can affect a party's ability to sell or buy coal.

(5) Force Majeure

Designed to provide a basis that buyer and seller specifically understand and agree obligations of both parties under said contract are subject to events of force majeure. Such provisions shall excuse from performance of one's obligation to the extent made necessary by and during the continuance of

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such valid force majeure, subject to prompt written notice of such event. Typically, tons will be made up at the discretion of the non-declaring party. The Fuel and Emissions Manager, after consultation with Legal and Senior Vice President of Power Supply, may waive such language during contract negotiations and opt for language that tons will be made up if mutually agreeable.

(6) Reopener Period(s)

Designed to provide a mechanism for the parties to consider extending the term of the contract. If applicable, such provisions shall provide for the parties to jointly consider the effect of economic conditions and market prices in the coal industry to ascertain whether the coal price would be adjusted if the term is extended. If the parties are unable to mutually agree during the reopener period, then either party may terminate the contract effective on a predefined date in the contract. Contracts with a fixed-term price will also be evaluated when offered.

E. Coal Strategy—Plant Specific

(1) Cooper Power Station

Projected coal needs will be purchased by purchase orders. The hedge will be the physical inventory, and any additional coal requirements will be purchased on the spot market. EKPC’s fuel procurement strategy is described in Table 1.

- All coal is currently delivered by truck, priced FOB plant. Plant is also served by Norfolk Southern Railroad, and rail shipments are evaluated for economics.
- Cooper has a coal blending operation that provides flexibility in coal supply to meet its operational and emission requirements.
- Maximum sulfur in the coal for Cooper ~~Unit No. 1~~ is 3.3 lbs. SO₂/MMBtu. ~~coal and Cooper Unit No. 2 is 6 lbs. SO₂/MMBtu.~~ Coal specification is based on environmental compliance, not operational capability.
~~—Limits are subject to change.~~

(2) Spurlock Power Station

For the current year, approximately 60% to 100% of projected coal needs will be purchased by contracts and long-term purchase orders. The remaining coal requirements will be purchased on the spot market. EKPC will target to have the following year’s coal needs, as described in Table 1, committed in the fourth quarter of the current year.

- The majority of coal is delivered by barge. Plant is also served by CSX Railroad.
- Maximum sulfur in the coal for Spurlock Unit Nos. 1 and 2 scrubbed units is 7.2 lbs. SO₂/MMBtu. ~~coal.~~
- Maximum sulfur in the coal for Gilbert Unit No. 3 and Spurlock Unit No. 4 circulating fluidized bed units is 10 lbs. SO₂/MMBtu. ~~coal.~~

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- Current coal source, access to barge delivery, and delivery flexibility allow Spurlock a larger competitive coal supply source region than Cooper Power Station.
- Gilbert Unit No. 3 and Spurlock Unit No. 4 can burn a wider range of coal qualities and fuel types than traditional pulverized coal units.

II. Natural Gas

A. Natural Gas Purchases

Natural gas purchases for the combustion turbines will be purchased on the spot market as long as peak use of the units dictates variable dispatch generation levels. The use of an agent/marketer is currently in use to consolidate purchases, nominate/schedule deliveries, and maintain balancing on the pipelines. EKPC utilizes spot ~~coal~~ and forward physical natural gas hedges. EKPC does not currently have firm gas transportation or storage. Firm transportation, storage, and other options will be evaluated on an ongoing basis to determine their cost effectiveness for EKPC. (Reference Table 1.)

B. Natural Gas Supplier Diversification

Natural gas purchases may be divided between two or more suppliers at J. K. Smith Power Station (multiple pipelines available) and Bluegrass Generating Station (one pipeline available) by the agent/marketer. This practice may be waived when requirements are small or the cost of diversification is not economical. Evaluation factors EKPC considers include but are not limited to: (1) price, (2) quality, (3) quantity available, (4) method and cost of delivery, (5) whether the bid is from a producer or marketer, (6) past and anticipated performance, (7) source and location of fuel, (8) production and delivery capability, (9) security of supply, (10) any special terms and conditions, (11) financial/credit worthiness, and (12) overall stability as part of the diversification plan.

C. Natural Gas Hedging

A layered-in hedging program over a period of time for a percentage of the historic usage along with projected dispatch may be used in stabilizing the cost and reducing the impact of natural gas price volatility. EKPC ~~is not currently~~ does not typically hedge natural gas for the long term but continues to evaluate the feasibility for physical short term purchases more than one year. (See Section II. A. Natural Gas Purchases for short-term spot and forward physical natural gas hedges.)

III. Fuel Oil

A. Fuel Oil Purchases

Fuel oil No. 2 purchases for coal-fired plants' startup and flame stability, combustion turbine backup fuel, and fuel for Cagle Keystone will be purchased by the competitive bid process. Any exceptions shall be reported to the BROOC. (Reference Table 1.)

B. Fuel Oil Supplier Diversification

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Fuel oil purchases may be divided between two or more suppliers at any power station. This practice may be waived when requirements are small or the cost of diversification is not economical. Evaluation factors EKPC considers include but are not limited to: (1) price, (2) quality, (3) quantity available, (4) method and cost of delivery, (5) whether the bid is from a refiner or distributor, (6) past and anticipated performance, (7) source and location of fuel, (8) production and delivery capability, (9) security of supply, (10) any special terms and conditions, (11) financial/credit worthiness, and (12) overall stability as part of the diversification plan.

C. Fuel Oil Inventory

Fuel oil No. 2 inventory levels used for coal-fired plants will typically be maintained at or near its maximum level.

Fuel oil No. 2 inventory level used for the back-up fuel of the combustion turbines will typically be maintained at a minimum of 50 percent capacity for J. K. Smith Power Station (approximately 2,250,000 gallons) and at near capacity for Bluegrass Generating Station (approximately 1,100,000 gallons) or as directed by the COO.

Fuel oil No. 2 inventory level used for fuel at Cagle Keystone will typically be maintained at near capacity of its 6,000 gallon above-ground tank.

D. Fuel Oil Hedging

EKPC hedges approximately 35% of its coal-fired plants' projected annual fuel oil system needs. The hedge is a fixed quantity and price where all applicable taxes, freight, fees, and profit margins are included (excluding demurrage). The hedge aids in obtaining a reliable supply of fuel oil at a stable price.

IV. Alternative/Renewable Fuels

EKPC will evaluate alternative and/or renewable fuels, such as tire-derived fuels, biomass, petcoke, etc., to determine their economic benefit as a source of fuel to EKPC power plants. Once the economic benefit is determined, an appropriate strategy will be developed. Coal is purchased on an evaluated basis in regard to economics and environmental compliance. Alternative and/or renewable fuels may be purchased based on straight environmental compliance should EKPC ever be subject to a Renewable Portfolio Standard (RPS) or other standards.

V. Lime, Lime Kiln Dust, and Limestone

Lime and limestone purchases for Cooper and Spurlock Power Stations will be purchased using the competitive bid process. These purchases will be from negotiated contracts or the spot market, whichever is deemed advantageous to EKPC. Lime is currently used to make Hydrated lime in the flue gas desulfurization unit ("FGD") at Cooper Power Station. Hydrated lime is currently used to absorb SO₃ emissions generated from the burning of coal at Spurlock Power Station and also for the Effluent Liquid Guidelines ("ELG")

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systems. Limestone is currently used in the FGDs for Spurlock Unit Nos. 1 and 2 and CFBs for Gilbert Unit No. 3 and Spurlock Unit No. 4.

Lime kiln dust, or a comparable product, purchases will be made from negotiated contracts or the spot market, whichever is deemed advantageous to EKPC. Currently, the lime kiln dust, or a comparable product, at Spurlock Power Station is a sole source commodity. Lime kiln dust, or a comparable product, is used to extend the “life” of the selective catalyst reduction (“SCR”) catalyst in the SCRs at Spurlock Unit Nos. 1 and 2.

VI. Ancillary Commodities

Anhydrous Ammonia is utilized to activate the catalyst in the SCRs at Spurlock Power Station for NO_x removal. Aqueous ammonia is utilized to aid in NO_x removal at both Cooper and J. K. Smith Power Stations.

FuelSolv works by combating the buildup of slag and aiding the soot blowers to remove slag formed at both Cooper and/or Spurlock Power Stations.

MerControl Product 7895 is utilized, if needed, on the coal belt as a fuel additive that oxidizes mercury in the coal during combustion in the boiler, enabling a portion of the mercury to be removed at Spurlock Power Station. MerControl Product 8034 is utilized in the scrubbers to prevent the remittance of the mercury into the flue gas at Spurlock Power Station.

The ELG ~~project systems~~ at Spurlock Power Station ~~will~~ require Water Mass Balance chemicals and Waste Water Treatment chemicals that ~~will be~~ are procured by the Fuel and Emissions department.

VII. Transportation

EKPC will evaluate multiple modes of transportation such as barge, rail, truck, pipeline, etc., to give maximum flexibility to fuel supplies. This should be evaluated as much as practical at each power station. EKPC will prudently review the cost effectiveness of each mode of transportation where applicable. The infrastructure of EKPC’s transportation system will be maintained as deemed appropriate.

VIII. Emissions**A. Emissions Allowance Purchases and Sales**

Purchases should be made to meet the regulatory environmental requirements. (Strategy is subject to change in order to participate in any state or federal rulemaking regarding future regulatory actions.) The emission allowances should be purchased over time with multiple purchase points in order to reduce volatility in emission credit costs. Emission allowances should be purchased by the second quarter of the exposure year. The purchases should be made quarterly with a hedge percent target that increases ratably over the hedging period. Lack of market liquidity in outer years and

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potential for future regulatory rule changes could affect the strategy. Any potential emissions allowance transaction will involve a global evaluation that involves Fuel an Emissions, Power Supply, Environmental Affairs, Legal, and Risk. Spot transactions could be made through a broker or as a direct sale.

B. Emissions Hedging

EKPC's projected emissions requirement is less any EPA allocated allowances. EKPC uses dollar cost averaging methodology in its hedging process that will average EKPC's emission cost over a period of time, minimize the volatility of emission allowances, and allow a mechanism to be used to adjust for variances in emission use if required.

VIX. Coal, Natural Gas, and Limestone Reserves

EKPC views reserves as a possible hedge strategy to its physical supply and evaluates procurement of reserves when deemed appropriate.

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TABLE 1*

	Calendar Year 1**	Calendar Year 2	Calendar Year 3	Calendar Year 4
Reporting Frequency	Monthly	Monthly	Monthly	Monthly
Plant	% of expected Fuel Burn	% of expected Fuel Burn	% of expected Fuel Burn	% of expected Fuel Burn
Spurlock Contracts	>60	40-80	10-65	0-45
Spurlock Inventory	25 to 45 days of Max Burn	Any excess from prior year	Any excess from prior year	
Cooper Contracts	Spot Purchases	Spot Purchases	Spot Purchases	Spot Purchases
Cooper Inventory	25-60 days of max burn	Any excess from prior year	Any excess from prior year	
Smith Natural Gas Contracts	<u>Spot or Forward Purchases</u>	<u>Spot or Forward Purchases</u>	<u>Spot or Forward Purchases</u>	<u>Spot or Forward Purchases</u>
Smith Inventory	Oil Inventory	-	-	-
Bluegrass Natural Gas Contracts	<u>Spot or Forward Purchases</u>	<u>Spot or Forward Purchases</u>	<u>Spot or Forward Purchases</u>	<u>Spot or Forward Purchases</u>
Bluegrass Inventory	Oil Inventory			
<u>LFG</u>	<u>Projected Generation</u>	<u>Projected Generation</u>	<u>Projected Generation</u>	<u>Projected Generation</u>

* Adapted from Policy No. 405

** Current delivery year

Note: Contracts can include spot or forward purchases ~~orders~~.

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COAL SPECIFICATIONS & INFORMATION

EAST KENTUCKY POWER COOPERATIVE, INC.

Cooper Power Station - Burnside, Kentucky

Delivery - By Truck or Norfolk Southern Railroad

Pricing - If by Truck: Per Million BTU, F.O.B. Cooper Station
If by Rail: Per Million BTU, F.O.B. Railcar

Specifications

Minimum BTU -----	11,500	Size -----	2" x 0"
Maximum Ash -----	12%		(Maximum 1/4" and under--40%)
Maximum Moisture-----	8%	Minimum Hardgrove	
		Grindability-----	45

Maximum Sulfur Allowed for Unit Nos. 1 and 2 is Computed by the Formula:

$$\frac{3.3 \times \text{Btu/lb.}}{20,000}$$

Ash Softening Temperature (Reducing Atmosphere)

Initial Deformation -----	2200°F Minimum
Softening (H=W)-----	2300°F Minimum
Softening (H=W/2) -----	2420°F Minimum
Fluid -----	2550°F Minimum

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Spurlock Power Station - Charleston Bottoms, Kentucky

Delivery - By: Barge, CSX Railroad, or TTI Railroad

Pricing - If by Rail: Per Million BTU, F.O.B. Railcar
If by Barge: Per Million BTU, F.O.B. Barge

Spurlock Unit Nos. 1 and 2 Specifications

Minimum BTU -----	11,000	Size -----	2" x 0"
Spurlock 1 Maximum Ash-	15%	(Maximum 1/4" and under--	40%)
Spurlock 2 Maximum Ash-	16%	Minimum Hardgrove	
Maximum Moisture-----	15%	Grindability-----	45

Maximum Sulfur for Unit Nos. 1 and 2 is Computed by the Formula:

$$\frac{7.2 \times \text{Btu/lb.}}{20,000}$$

Ash Softening Temperature (Reducing Atmosphere)*

Initial Deformation -----	2050°F Minimum
Softening (H=W)-----	2150°F Minimum
Softening (H=W/2) -----	2300°F Minimum
Fluid -----	2450°F Minimum

*New specifications to be determined after operation with new coals.

Gilbert Unit 3 and Spurlock Unit 4 Specifications

Minimum BTU -----	9,000	Size -----	2" x 0"
Maximum Ash -----	30%	(Maximum 1/4" and under--	40%)
Maximum Moisture-----	10%		

Maximum Sulfur Percentage Allowed is Computed by the Formula:

$$\frac{10 \times \text{Btu/lb.}}{20,000}$$

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- Amended: 11/29/12
- Amended: 09/21/16
- Amended: 08/18/23

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COAL SPECIFICATIONS & INFORMATION

EAST KENTUCKY POWER COOPERATIVE, INC.

Cooper Power Station - Burnside, Kentucky

Delivery - By Truck or Norfolk Southern Railroad

Pricing - If by Truck: Per Million BTU, F.O.B. Cooper Station
If by Rail: Per Million BTU, F.O.B. Railcar

Specifications

Minimum BTU -----	11,500	Size -----	2" x 0"
Maximum Ash -----	12%		(Maximum 1/4" and under--40%)
Maximum Moisture-----	8%	Minimum Hardgrove	
		Grindability-----	45

~~Maximum Sulfur Allowed for Unit No. 1 is Computed by the Formula:~~

$$\frac{3.3 \times \text{Btu/lb.}}{20,000}$$

Maximum Sulfur Allowed for Unit Nos. 1 and 2 is Computed by the Formula:

$$\frac{6.03.3 \times \text{Btu/lb.}}{20,000}$$

Ash Softening Temperature (Reducing Atmosphere)

Initial Deformation -----	2200°F Minimum
Softening (H=W)-----	2300°F Minimum
Softening (H=W/2) -----	2420°F Minimum
Fluid -----	2550°F Minimum

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Spurlock Power Station - Charleston Bottoms, Kentucky

Delivery - By: Barge, CSX Railroad, or TTI Railroad

Pricing - If by Rail: Per Million BTU, F.O.B. Railcar
If by Barge: Per Million BTU, F.O.B. Barge

Spurlock Unit Nos. 1 and 2 Specifications

Minimum BTU -----	11,000	Size -----	2" x 0"
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*New specifications to be determined after operation with new coals.

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Minimum BTU -----	9,000	Size -----	2" x 0"
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EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 404

JANUARY 4, 2011

TRANSACTION AUTHORITY LIMITS FOR ENERGY AND ENERGY RELATED
COMMODITIES AND TRANSPORTATION

I. PURPOSE

The purpose of the Transaction Authority Limit Policy for Energy and Energy Related Commodities and Transportation, henceforth referred to as “The Policy” is to identify energy and energy related commodities, products and locations that EKPC must transact to supply energy to its members, and to determine the delegation of authority from the East Kentucky Power Cooperative (“EKPC”) Board of Directors (“Board”) to the Chief Executive Officer (“CEO”). Energy and energy related commodities and products controlled by The Policy can be of a financial or physical nature. Only energy and energy related commodities, products and locations that are explicitly identified in The Policy are subject to the controls and measures of The Policy.

II. OBJECTIVE

The objective of The Policy is to define:

- The Board’s and CEO’s, or designee’s, transaction authority for various commodities, products and locations;
- The commodities, products and locations that can be transacted;
- The authorized lead-time and term for each transaction;
- The authorized maximum price and volume for commodities, products and locations that are transacted;
- Counterparty contract and credit requirements;
- EKPC’s policy regarding speculating of energy and energy related commodities and transportation;
- Energy and energy related commodities procurement standards and reporting requirements; and
- Transactions for energy and energy related commodities, products and transmission requiring Board approval

III. POLICY CONTENT

Procedural Requirements

The following defines procedural requirements that apply to all commodities, products and locations transacted under The Policy. The product, commodity and other electric and electric related commodities transaction terminologies shall be defined in the “Electric Cooperative Glossary of Terms” document.

1. Transaction Consummation Authority

Transaction consummation authority is outlined by commodity and product in the authority matrices found in Section IV, Transaction Limits. All column limits in these matrices are applied independently of one another for each authority level, in that no individual column limit may be exceeded without authorization, regardless of whether a transaction does not exceed another column limit for that same authority level.

The transaction limits apply to both purchases and sales. Daily and Aggregate limits are applied to gross amounts transacted in total for the day, and not to buys and sells netted together.

The Policy identifies Board delegated transaction limits for the CEO and explicitly gives the CEO the authority to delegate transaction limits for energy and energy related commodities, products and locations to EKPC's staff and EKPC's agent. The CEO has the authority to modify transaction delegation limits at his/her sole discretion as long as the delegated authority does not exceed his/her own authority per The Policy.

2. Contract Requirements

Transactions with trading counterparties shall only be permitted if EKPC has:

- (a) An active, enforceable, and executed agreement enabling such transaction activity with that counterparty.
- (b) A stand alone, or bilateral, contract may be used as a valid agreement in lieu of an Edison Electric Institute (EEI) , master power purchase and sale agreement, North American Energy Standards Board (NAESB) master agreement or the International Swaps and Derivatives Association (ISDA) master agreement, when necessary, if approved by the CEO. A stand-alone contract or a bilateral contract is a document exchanged between parties to a transaction that not only confirms all of the terms of the transaction, but also all of the contract terms normally included in an underlying enabling agreement, such as payment terms, default provisions, breach provisions, etc.

3. Credit Requirements

The maximum unsecured credit exposure to any counterparty shall be subject to EKPC Board Policy 204.

4. Credit Sleeving

EKPC shall not engage in any sleeving transactions for credit purposes. (Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of power.)

5. Contract Sleeving

EKPC shall not engage in contract sleeving transactions.

6. Trading on Premises

All power and gas transactions must be executed via a recorded communication method such as a recorded voice communication line, instant messaging or an online broker account that is maintained and controlled by personnel who are independent of the trading function. Off-premises bilateral trading and scheduling are prohibited with the following exceptions:

- (a) Natural gas traders may execute same-day and day-ahead natural gas transactions during normal business hours off premises as long as the execution is done over a recorded phone line or via ICE Chat.
- (b) Natural gas trade execution after normal business hours or over weekends may occur off-premises as long as the execution is done over recorded phone line, via a recorded cell phone application or via ICE Chat.
- (c) The CEO or designee may approve off-premises trade execution in other limited instances as long as the execution is done over an approved recorded medium. Examples include, phone line, via an online broker account or via ICE Chat.

All other commodities/products subject to The Policy that are executed orally should be immediately confirmed via email or other traceable form of electronic communication. Any electronic confirmation should be appropriately retained for proper audit trail.

7. Deal Capture

Any product, commodity, or location transaction covered by The Policy and executed by an EKPC employee or its agent must be promptly recorded in a deal capture system maintained by EKPC management or its agent and shall follow the reporting schedule below:

- (a) For transactions subject to Dodd-Frank, reporting requirements shall comply with the time frame specified in the regulation.
- (b) For transaction not subject to Dodd-Frank, the following schedule shall apply:
 - Power and gas transactions shall be reported by the close of the business day.
 - The balance of the products and commodities covered by This Policy shall be reported as soon as possible but no more than five business days from execution.

8. Speculation

Speculative transactions are not permitted.

9. Procurement Standard and Reporting Requirement

- (a) To ensure EKPC procures energy and energy related commodities at competitive prices, in accordance with the requirements of lending and regulatory agencies, to ensure that ethical, fair, and sound business practices are followed, and to avoid any conflict of interest or appearance of any such conflict of interest, an administrative procurement procedure shall be implemented by EKPC management for all commodities and products listed in The Policy.

- (b) The energy and energy related commodities procurement process shall be overseen by EKPC management (e.g., Fuel Negotiating Committee for coal) and all exceptions to the procurement process shall be reported to the Board Risk Oversight Committee (“BROC”). The BROC shall be provided with a quarterly summary report of all transactions executed under The Policy. The report shall specify the volume of products executed (both sales and purchases), the number of transactions, the average price, the highest price, and the total aggregate dollars expended (notional value) for each commodity, product and location at the time the transaction is executed.

10. Transactions Requiring Board Approval

The Board must approve transactions in any new commodities, products or locations, the trading authority for which is not delegated by The Policy. In order to obtain Board approval, the BROC shall review the benefits and risks of trading the particular commodity, product, instrument, or location and make a recommendation to the Governance Committee as to whether The Policy should be amended to include the said new commodity, product or location. The Governance Committee shall then make appropriate recommendations to the Board, in accordance with company policies, as to whether The Policy should be so amended.

- (a) In the event that EKPC Management determines that prudent business judgment dictates that there is a need to trade in a new product, commodity or location before it is feasible to acquire Board approval to amend The Policy to include such new product, commodity or location, then EKPC Management is authorized to trade in the said product, commodity or location provided that the notional value of the transaction in the new commodity, product, instrument, or location is less than \$5 million, the term of the transaction is less than one year, the lead time for the transaction is less than one month AND the aggregate delegated limits (for existing commodity, product, instrument or location) to the CEO are not exceeded. If these criteria are met, the CEO may authorize said transaction, with the approval of the Chairman of the Board and Chairman of BROC.
- (b) If any particular transaction is undertaken pursuant to the procedure set forth in a. above, this shall be reported to the BROC and the Board at the next scheduled meeting thereof and Management shall consider amending The Policy to include said new commodity, product, instrument, or location.

IV. TRANSACTION LIMITS

A. Electric Power and Transmission Transaction Authority

The following outlines transaction limits and definitions for bilateral power and power transmission transactions.

Title	Product	Per Transaction Limits					Per Day Limits		Aggregate Limits	
		Term	Delivery Lead Time	MW Size	\$/MWh	\$/KW Month	Total MWh	Total \$	Total MWh	Total \$
Board of Directors	Physical Electric Power and Transmission	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Transmission	> 1 Year ≤ 5 Years	≤ 2 Years	500	NA	\$3.50	NA	\$10 Million	NA	\$10 Million
		>1 Month ≤ 1 Year		500	NA	\$5.00				
		≤ 1 Month		500	NA	Unlimited				
CEO	Physical Electric Power	> 1 Year ≤ 3 Years	≤ 2 Years	100	\$75	NA	2,628,000	\$150 Million	5,256,000	\$300 Million
		≤ 1 Year		Unlimited	Unlimited	NA				

1. Approved Products:

- Products that are approved to be traded under physical electric power include forwards and options including physical heat rate call options for hourly, daily, balance of the day, next day, balance of the week, weekly, balance of the month, monthly and annual frequency.
- Products that are financially settled, such as futures, swaps, financial heat rate call options and basis trades can be traded subject to the above limits, provided such cost of transactions can be recovered through the fuel adjustment clause, base rates or other recovery mechanisms. The purpose of such transactions shall be to provide a hedging mechanism for EKPC generation or native load obligation.

2. Power Authority Matrix Explanations

- Transaction Limits represent the MW volume per hour and dollars/MWh (or KW month) for each transaction executed.
- Per Day Limits represent the total MWh volume and dollars for all transactions executed in a day.
- Aggregate Limits represent the total MWh volume and dollars for all forward transactions.
- Delivery lead time represents the time period between trade consummation and start of flow.

3. Delivery Locations

Transacting at delivery locations outside the eastern interconnect is not permitted. Transacting at delivery locations that are or may become normal to the daily course of business for EKPC, to the extent transmission is available, is authorized. Current unrestricted delivery locations are as follows:

- MISO
- PJM
- SPP
- SERC
- RFC

4. Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between EKPC and the appropriate counterparty. Energy purchased as firm liquidated damages (LD) may be resold as such.

5. Transmission Firmness and Volume

Transmission purchases, executed in conjunction with an energy transaction, need to be of equal firmness and volume to the energy component that such transmission purchase is associated. Purchasing small percentages of additional transmission to cover transmission losses is permitted. In addition, transmission may be reserved, but not utilized if an energy schedule is not confirmed prior to scheduling deadlines outside of the scheduler's control. When this occurs this is not considered a violation of The Policy. Transmission not utilized for serving native load or for optimizing expected excess generation can be resold in the market.

6. Firm Transmission Reservations

A transmission reservation to support reliability purchases or a transmission purchase to insure transmission availability to support excess energy sales is acceptable under The Policy and is not considered a speculative position, provided such products are related to hedging, a load obligation or selling projected excess energy.

B. Regional Transmission Organization (“RTO”) Transaction Authority Limits

The following outlines transaction limits and definitions for EKPC Board authorized RTO markets.

		RTO Per Transaction Limits (up to)			
Title	Product	Delivery Lead Time	Term	MW Size	\$/MWh/ \$/MW Day
EKPC Board of Directors	All RTO Products	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Generation Awards	As Required by RTO	<u>Day-Ahead and Real Time</u>	550	RTO Price Cap
	Demand Bids			Day Ahead projected peak load +/- 10%**	
	Ancillary Service Awards			550	
	Virtual Transaction at Imports/Exports nodes			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	≤ 4 Years	≤ 4 Years	550	RTO Price (\$150/MW day for bilateral)
	Financial Transmission Rights/Auction Revenue Rights	>1 Year ≤3 Years	≤1 year	550	\$15 per MWh
≤1 Year		Historical summer peak load + 10%			

** The CEO or designee may authorize day ahead demand bids to be increased up to 15% of the day ahead forecasted load. Furthermore, the Market Operations Center may increase the day ahead demand bid up to 15% of the day ahead forecast when PJM issues a Cold Weather alert, or a Hot Weather Alert. Such exceptions shall be reported to the BROC at the next scheduled meeting.

RTO Authority Matrix Explanations:

- Generation Award Limits are per generating unit.
- Demand Award Limits are per each load nodal point.
- Day-Ahead (DA) market transactions occurs the day before the operating day. The real-time (RT) market is a spot market for energy
- Virtual Transaction Limits at imports/exports nodes are per imports/ exports location and are each monitored separately.
- Imports (into RTO) and Exports (out of RTO) are transacted on a day-ahead (DA) or real-time (RT) basis at a pricing node for physical power.
- Interchange transactions at Imports /Exports nodes are power transactions (purchases or sales) that are tagged and executed in the real-time market.
- Limits for Ancillary Service Awards apply to the Regulation, Synchronous (Spinning) Reserve, Scheduling (Operating) Reserve, and black start Markets only.
- Capacity limits apply to capacity transactions executed via the PJM or executed bilaterally for Unforced Capacity and Financial Capacity.

- Only Financial Transmission Rights (“FTR”) that are bought and sold via the auctions are monitored per the limits above. Additionally, the decision to convert Auction Revenue Rights (“ARR”), allocated by an RTO, to FTR or to retain it as ARR should be based on economics.
- Delivery lead time represents the time period between trade execution and start of flow.

C. Natural Gas and Transportation Transaction Authority Limits

The following outlines transaction limits and definitions for physical natural gas and natural gas transportation transactions, “delivered gas”.

		Per Transaction Limits				Per Day Limits		Aggregate Limits	
Title	Product	Term	Delivery Lead Time	Physical Volume per Day	\$/MMBtu	Total Physical Volume	Total \$	Total Physical Volume	Total \$
Board of Directors	Physical Natural Gas/ Firm Gas Transportation and No-Notice Service/Service Agreements	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Firm Gas Transportation and No-Notice Service	≤ 3 Years	≤ 2 Years	40,000	\$1	40,000/day	\$10 Million	40,000/day	\$20 Million
CEO	Physical Natural Gas/Service Agreements	> 1 Year ≤ 3 Years	≤ 2 Years	200,000	\$10	500,000	\$20 Million	32 Million	\$130 Million
		≤ 1 Year	< 1 Year	Unlimited	Unlimited	500,000	\$15 Million*		

1. Natural Gas Authority Matrix Explanations

- Service Agreements, including but not limited to Interruptible Transportation (IT), Transportation Aggregation Pooling Service (TAPS), Hourly Overrun Transportation (HOT), and Park and Loan (PAL) are agreements executed with natural gas pipeline companies to flow natural gas non-ratably and to manage imbalances on the gas pipeline. The cost for these Service Agreements fall under the limits established for Physical Natural Gas.
- Physical natural gas price: Henry Hub + basis to EKPC gas powered plant + delivery + Losses
- Transaction Limits represent the daily MMBtu volume and dollars/MMBtu for each transaction executed.
- Per Day Limits represent the total MMBtu volume and dollars for all transactions to be consumed in a gas day. Gas day, which does not align

with a power day, is defined as a period of 24 consecutive hours, beginning at 10 a.m. central time.

*The CEO or designee may authorize the Per Day Limits for total dollars in the current delivery year to be exceeded in an emergency, for example, keeping the lights on (“KLO”), or to fulfill EKPC’s dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.

- Aggregate Limits represent the total MMBtu volume and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include physical natural gas, as well as transportation, imbalance and storage.

2. Natural Gas Firmness

All natural gas purchases for a day or less, including gas purchased to cover weekends and holidays shall be made on a firm or interruptible basis provided it is economically viable to do so. In the event interruptible gas is purchased at the receipt location, a firm or interruptible transportation agreement must be in place with the pipeline to deliver the gas to an EKPC power plant or the interruptible gas must be purchased for delivery to an EKPC power plant. Physical Natural Gas purchased beyond next day, excluding weekend and holiday gas shall be firm gas unless pipe line constraints restrict delivery on firm basis. Sales commitments must never be more firm than the supply source unless pre-approved by the EKPC President and CEO.

Firm Gas Transportation limits do not apply to short-term purchases of natural gas transportation which may be purchased, at times, to enhance the ability to receive the natural gas over interruptible transportation. Purchases of firm natural gas transportation increases the reliability of interruptible gas delivery and shall fall under the limits established for Physical Natural Gas.

3. Delivery Locations

Physical natural gas transactions may only be consummated for delivery at EKPC facilities or at delivery locations in which an approved transportation agreement is in place to transport the natural gas to EKPC facilities.

D. Fuel Oil Transaction Authority

The following outlines transaction limits and definitions for physical fuel oil transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Gallons	\$/Gallon	Total Volume Gallons	Total \$
Board of Directors	Physical Fuel Oil	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Physical Fuel Oil	> 1 Year ≤ 3 Years	≤ 2 Years	2,000,000	\$7	10,000,000	\$28 Million
		≤ 1 Year		Unlimited	Unlimited		

Fuel Oil Trading Authority Matrix Explanations:

- Transaction Limits represent the total gallons and dollars/gallon for each transaction consummated.
- Aggregate Limits represent the sum total gallon volume and dollars for all forward transactions.
- Authorized products include Physical Fuel Oil.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- The CEO or designee may authorize the Aggregate Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC’s dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROC at the next scheduled meeting.

E. Coal and Alternative Fuels Trading Authority

The following outlines transaction limits and definitions for coal and alternative fuels transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Physical Coal, and Alternative Fuels	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Physical Coal, and Alternative Fuels	> 1 Year ≤ 3 Years	≤ 2 Years	1,000,000	Index + Transportation	12,000,000	\$700 Million
		≤ 1 Year		Unlimited	Unlimited		

Coal and Alternative Fuels Transactions Authority Matrix Explanations:

- Index is daily coal price publically available at Coaldesk, LLC.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Authorized products include physical spot and forward transactions, and options on physical forwards.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Alternative Fuels include petroleum coke, biomass, and tire-derived fuels.

F. Coal and Alternative Fuels Transportation Trading Authority

The following outlines transaction limits and definitions for coal transportation transactions.

		Per Transaction Limits				Aggregate Limits	
Title	Product	Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Barge, Rail or Truck Transportation	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Barge, Rail or Truck Transportation	> 1 Year ≤ 3 Years	≤ 2 Years	3,000,000	\$30	9 million	\$45 Million
		≤ 1 Year		Unlimited	Unlimited		

Coal and Alternative Fuels Transportation Trading Authority Matrix Explanations:

- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Authorized products include barge, rail and truck transportation transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.

G. Emission Allowances Transaction Authority

The following outlines transaction limits and definitions for emissions transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Federal SO ₂ and NO _x Emission Allowances	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Federal SO ₂ Emission Allowances	≤ 3 Years	≤ 2 Years	10,000	\$500	30,000	\$15 Million
	Federal NO _x Emission Allowances			2,000	Index	4,000	\$60 Million

Emission Allowances Authority Matrix Explanations:

- Index is price publically available in CSAPR NO_x Ozone Season Group 3 Trading Program.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include Federal SO₂ and NO_x Emission Allowances under Clean Air Interstate Rules (CAIR) or other successor regulations.

H Lime & Limestone Transaction Authority

The following outlines transaction limits and definitions for Lime & Limestone transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Lime & Limestone	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Lime	≤ 3 Years	≤ 2 Years	160,000	\$250	2,000,000	\$75 Million
	Limestone			3,000,000	\$20	4,000,000	

Lime & Limestone Authority Matrix Explanations:

- Per transaction limits represent the total tons and \$/ton for each transaction executed.
- Aggregate limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include spot and forward transactions for lime and limestone.
- The CEO or designee may authorize the Per Transaction Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.

I. Anhydrous and Aqueous Ammonia Transactions Authority

The following outlines transaction limits and definitions, for Anhydrous and Aqueous Ammonia transactions.

		Per Transaction Limits				Aggregate Limits	
Title	Product	Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Anhydrous and Aqueous Ammonia	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Anhydrous	≤ 3 Years	≤ 2 Years	14,000	Tampa/ Ferticon Index+ \$250/dry ton	15,000	\$ 35 Million
	Aqueous			18,000	Tampa/ Ferticon Index + \$852/wet ton	20,000	

Anhydrous and Aqueous Ammonia Transactions Authority Matrix Explanations:

- Per transaction limits represent the total tons and \$/ton for each transaction.
- Aggregate limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include spot and forward transactions for Anhydrous and 19.5% solution Aqueous Ammonia.

J. Renewable Environmental Credits (REC)

The following outlines transaction limits and definitions for REC transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	REC	\$/REC	Total Volume RECs	Total \$
Board of Directors	National Voluntary RECs – Excess Inventory, Pass-through RECs Forward and Spot Transactions	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	National Voluntary RECs – Excess Inventory and Spot Transactions	NA	NA	Unlimited	Unlimited	Unlimited	Unlimited
	National Voluntary RECs – Forward	≤ 2 Years	≤ 1 Year	100,000	\$3	200,000	\$500,000
	Pass-through RECs Spot Transaction	<u>NA</u>	<u>NA</u>	Unlimited	Unlimited	Unlimited	Unlimited
	Pass-through RECs Forward	<u>< 1 Year</u>	<u>< 1 Year</u>	Unlimited	Unlimited	Unlimited	\$2,500,000

RECs Authority Matrix Explanations:

- REC means a certificate, credit, green tag or other transferable commodity created by an applicable program indicating the direct generation of a particular quantity of energy from a renewable energy source by a renewable energy facility.
- Per transaction limits represent the total RECs and \$/REC for each transaction executed.
- National voluntary RECs inventory represents renewable energy credit that are earned/generated and are available for use or sale.
- Aggregate limits represent the sum total RECs and dollars for all REC transactions.
- Lead time represents the time period from the date a REC trade is executed until generation of the RECs.
- Authorized products include spot and forward transactions for RECs.
- Pass-through RECs represent RECs purchased under schedule H Wholesale Renewable Energy Program. This energy program is a rider to rate B, C, E, G.

- Pass-through RECs Forward shall mean:
 - (a) If the customer's highest credit rating is less than BBB Standard and Poor's ("S&P") or Fitch, Baa2 from Moody's, collateral shall be equal to quantity purchased X (cost of purchase – market price).
 - (b) If the customer's highest credit rating is between A from S&P or Fitch or A2 from Moody's and BBB from S&P or Fitch or Baa2 from Moody's collateral shall be equal to 50% of quantity purchased X (cost of purchase – market price).
 - (c) No collateral shall be required if the customer's highest credit rating is better than A from S&P or Fitch or A2 from Moody's.
- Mark to Market calculation of the contract shall be performed each quarter for both parties to determine collateral requirements.

V. OTHER PROVISIONS

1. Clear Authority

Any situation, where authority is in question from a "clearly authorized" standpoint, should be reviewed and authorized by written signature prior to execution by the next authority level up.

2. Violations and Sanctions

Violations of this Trading Authority Policy must not occur. In the event of non-compliance by an EKPC employee or its agent, the EKPC Internal Risk Management Committee Chairperson shall be notified of such incidents. EKPC employees will be sanctioned according to EKPC's Sanctions Policy.

Deals not captured in a timely manner resulting in no financial impact to EKPC shall be considered administrative errors. Such errors shall be reported to the Internal Risk Management Committee and the BROCC annually in February of each year for the prior year.

3. Policy Effective

This Trading Authority Policy is in effect upon the Board's approval and shall remain in effect until a replacement policy has been approved by the Board superseding this Trading Authority Policy.

VI. RESPONSIBILITY

It shall be the responsibility of the Board of Directors, through the duly appointed Board Risk Oversight Committee, the CEO and the Internal Risk Management Committee, to assure compliance with The Policy. All violations of The Policy shall be reported to BROCC and the Board.

APPROVED BY THE BOARD OF DIRECTORS



BOARD CHAIRMAN

EFFECTIVE DATE: 01-04-11

LAST DATE REVIEWED: 06-12-23

REVISED DATE(S): 06-12-23
07-12-22
07-13-21
08-03-20
06-05-17
05-13-16
06-01-15
05-13-14
02-12-13
06-11-12

REDACTED

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 404

JANUARY 4, 2011

TRANSACTION AUTHORITY LIMITS FOR ENERGY AND ENERGY RELATED
COMMODITIES AND TRANSPORTATION

I. PURPOSE

The purpose of the Transaction Authority Limit Policy for Energy and Energy Related Commodities and Transportation, henceforth referred to as “The Policy” is to identify energy and energy related commodities, products and locations that EKPC must transact to supply energy to its members, and to determine the delegation of authority from the East Kentucky Power Cooperative (“EKPC”) Board of Directors (“Board”) to the Chief Executive Officer (“CEO”). Energy and energy related commodities and products controlled by The Policy can be of a financial or physical nature. Only energy and energy related commodities, products and locations that are explicitly identified in The Policy are subject to the controls and measures of The Policy.

II. OBJECTIVE

The objective of The Policy is to define:

- The Board’s and CEO’s, or designee’s, transaction authority for various commodities, products and locations;
- The commodities, products and locations that can be transacted;
- The authorized lead-time and term for each transaction;
- The authorized maximum price and volume for commodities, products and locations that are transacted;
- Counterparty contract and credit requirements;
- EKPC’s policy regarding speculating of energy and energy related commodities and transportation;
- Energy and energy related commodities procurement standards and reporting requirements; and
- Transactions for energy and energy related commodities, products and transmission requiring Board approval

III. POLICY CONTENT

Procedural Requirements

The following defines procedural requirements that apply to all commodities, products and locations transacted under The Policy. The product, commodity and other electric and electric related commodities transaction terminologies shall be defined in the “Electric Cooperative Glossary of Terms” document.

1. Transaction Consummation Authority

Transaction consummation authority is outlined by commodity and product in the authority matrices found in Section IV, Transaction Limits. All column limits in these matrices are applied independently of one another for each authority level, in that no individual column limit may be exceeded without authorization, regardless of whether a transaction does not exceed another column limit for that same authority level.

The transaction limits apply to both purchases and sales. Daily and Aggregate limits are applied to gross amounts transacted in total for the day, and not to buys and sells netted together.

The Policy identifies Board delegated transaction limits for the CEO and explicitly gives the CEO the authority to delegate transaction limits for energy and energy related commodities, products and locations to EKPC's staff and EKPC's agent. The CEO has the authority to modify transaction delegation limits at his/her sole discretion as long as the delegated authority does not exceed his/her own authority per The Policy.

2. Contract Requirements

Transactions with trading counterparties shall only be permitted if EKPC has:

- (a) An active, enforceable, and executed agreement enabling such transaction activity with that counterparty.
- (b) A stand alone, or bilateral, contract may be used as a valid agreement in lieu of an Edison Electric Institute (EEI) , master power purchase and sale agreement, North American Energy Standards Board (NAESB) master agreement or the International Swaps and Derivatives Association (ISDA) master agreement, when necessary, if approved by the CEO. A stand-alone contract or a bilateral contract is a document exchanged between parties to a transaction that not only confirms all of the terms of the transaction, but also all of the contract terms normally included in an underlying enabling agreement, such as payment terms, default provisions, breach provisions, etc.

3. Credit Requirements

The maximum unsecured credit exposure to any counterparty shall be subject to EKPC Board Policy 204.

4. Credit Sleeving

EKPC shall not engage in any sleeving transactions for credit purposes. (Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of power.)

5. Contract Sleeving

EKPC shall not engage in contract sleeving transactions.

6. Trading on Premises

All power and gas transactions must be executed via a recorded communication method such as a recorded voice communication line, instant messaging or an online broker account that is maintained and controlled by personnel who are independent of the trading function. Off-premises bilateral trading and scheduling are prohibited with the following exceptions:

- (a) Natural gas traders may execute same-day and day-ahead natural gas transactions during normal business hours off premises as long as the execution is done over a recorded phone line or via ICE Chat.
- (b) Natural gas trade execution after normal business hours or over weekends may occur off-premises as long as the execution is done over recorded phone line, via a recorded cell phone application or via ICE Chat.
- (c) The CEO or designee may approve off-premises trade execution in other limited instances as long as the execution is done over an approved recorded medium. Examples include, phone line, via an online broker account or via ICE Chat.

All other commodities/products subject to The Policy that are executed orally should be immediately confirmed via email or other traceable form of electronic communication. Any electronic confirmation should be appropriately retained for proper audit trail.

7. Deal Capture

Any product, commodity, or location transaction covered by The Policy and executed by an EKPC employee or its agent must be promptly recorded in a deal capture system maintained by EKPC management or its agent and shall follow the reporting schedule below:

- (a) For transactions subject to Dodd-Frank, reporting requirements shall comply with the time frame specified in the regulation.
- (b) For transaction not subject to Dodd-Frank, the following schedule shall apply:
 - Power and gas transactions shall be reported by the close of the business day.
 - The balance of the products and commodities covered by This Policy shall be reported as soon as possible but no more than five business days from execution.

8. Speculation

Speculative transactions are not permitted.

9. Procurement Standard and Reporting Requirement

- (a) To ensure EKPC procures energy and energy related commodities at competitive prices, in accordance with the requirements of lending and regulatory agencies, to ensure that ethical, fair, and sound business practices are followed, and to avoid any conflict of interest or appearance of any such conflict of interest, an administrative procurement procedure shall be implemented by EKPC management for all commodities and products listed in The Policy.

- (b) The energy and energy related commodities procurement process shall be overseen by EKPC management (e.g., Fuel Negotiating Committee for coal) and all exceptions to the procurement process shall be reported to the Board Risk Oversight Committee (“BROC”). The BROC shall be provided with a quarterly summary report of all transactions executed under The Policy. The report shall specify the volume of products executed (both sales and purchases), the number of transactions, the average price, the highest price, and the total aggregate dollars expended (notional value) for each commodity, product and location at the time the transaction is executed.

10. Transactions Requiring Board Approval

The Board must approve transactions in any new commodities, products or locations, the trading authority for which is not delegated by The Policy. In order to obtain Board approval, the BROC shall review the benefits and risks of trading the particular commodity, product, instrument, or location and make a recommendation to the Governance Committee as to whether The Policy should be amended to include the said new commodity, product or location. The Governance Committee shall then make appropriate recommendations to the Board, in accordance with company policies, as to whether The Policy should be so amended.

- (a) In the event that EKPC Management determines that prudent business judgment dictates that there is a need to trade in a new product, commodity or location before it is feasible to acquire Board approval to amend The Policy to include such new product, commodity or location, then EKPC Management is authorized to trade in the said product, commodity or location provided that the notional value of the transaction in the new commodity, product, instrument, or location is less than \$5 million, the term of the transaction is less than one year, the lead time for the transaction is less than one month AND the aggregate delegated limits (for existing commodity, product, instrument or location) to the CEO are not exceeded. If these criteria are met, the CEO may authorize said transaction, with the approval of the Chairman of the Board and Chairman of BROC.
- (b) If any particular transaction is undertaken pursuant to the procedure set forth in a. above, this shall be reported to the BROC and the Board at the next scheduled meeting thereof and Management shall consider amending The Policy to include said new commodity, product, instrument, or location.

IV. TRANSACTION LIMITS

A. Electric Power and Transmission Transaction Authority

The following outlines transaction limits and definitions for bilateral power and power transmission transactions.

Title	Product	Per Transaction Limits					Per Day Limits		Aggregate Limits	
		Term	Delivery Lead Time	MW Size	\$/MWh	\$/KW Month	Total MWh	Total \$	Total MWh	Total \$
Board of Directors	Physical Electric Power and Transmission	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Transmission	> 1 Year ≤ 5 Years	≤ 2 Years	500	NA	\$3.50	NA	\$10 Million	NA	\$10 Million
		>1 Month ≤ 1 Year		500	NA	\$5.00				
		≤ 1 Month		500	NA	Unlimited				
CEO	Physical Electric Power	> 1 Year ≤ 3 Years	≤ 2 Years	100	\$75	NA	2,628,000	\$150 Million	5,256,000	\$300 Million
		≤ 1 Year		Unlimited	Unlimited	NA				

1. Approved Products:

- Products that are approved to be traded under physical electric power include forwards and options including physical heat rate call options for hourly, daily, balance of the day, next day, balance of the week, weekly, balance of the month, monthly and annual frequency.
- Products that are financially settled, such as futures, swaps, financial heat rate call options and basis trades can be traded subject to the above limits, provided such cost of transactions can be recovered through the fuel adjustment clause, base rates or other recovery mechanisms. The purpose of such transactions shall be to provide a hedging mechanism for EKPC generation or native load obligation.

2. Power Authority Matrix Explanations

- Transaction Limits represent the MW volume per hour and dollars/MWh (or KW month) for each transaction executed.
- Per Day Limits represent the total MWh volume and dollars for all transactions executed in a day.
- Aggregate Limits represent the total MWh volume and dollars for all forward transactions.
- Delivery lead time represents the time period between trade consummation and start of flow.

3. Delivery Locations

Transacting at delivery locations outside the eastern interconnect is not permitted. Transacting at delivery locations that are or may become normal to the daily course of business for EKPC, to the extent transmission is available, is authorized. Current unrestricted delivery locations are as follows:

- MISO
- PJM
- SPP
- SERC
- RFC

4. Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between EKPC and the appropriate counterparty. Energy purchased as firm liquidated damages (LD) may be resold as such.

5. Transmission Firmness and Volume

Transmission purchases, executed in conjunction with an energy transaction, need to be of equal firmness and volume to the energy component that such transmission purchase is associated. Purchasing small percentages of additional transmission to cover transmission losses is permitted. In addition, transmission may be reserved, but not utilized if an energy schedule is not confirmed prior to scheduling deadlines outside of the scheduler's control. When this occurs this is not considered a violation of The Policy. Transmission not utilized for serving native load or for optimizing expected excess generation can be resold in the market.

6. Firm Transmission Reservations

A transmission reservation to support reliability purchases or a transmission purchase to insure transmission availability to support excess energy sales is acceptable under The Policy and is not considered a speculative position, provided such products are related to hedging, a load obligation or selling projected excess energy.

B. Regional Transmission Organization (“RTO”) Transaction Authority Limits

The following outlines transaction limits and definitions for EKPC Board authorized RTO markets.

		RTO Per Transaction Limits (up to)			
Title	Product	Delivery Lead Time	Term	MW Size	\$/MWh/ \$/MW Day
EKPC Board of Directors	All RTO Products	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Generation Awards	As Required by RTO	<u>Day-Ahead and Real Time</u>	550	RTO Price Cap
	Demand Bids			Day Ahead projected peak load + +/-10%**	
	Ancillary Service Awards			550	
	Virtual Transaction at Imports/Exports nodes			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	≤ 4 Years	≤ 4 Years	550	RTO Price (\$150/MW day for bilateral)
	Financial Transmission Rights/Auction Revenue Rights	>1 Year ≤3 Years	≤1 year	550	\$15 per MWh
≤1 Year		Historical summer peak load + 10%			

** The CEO or designee may authorize day ahead demand bids to be increased up to 15% of the day ahead projected peak forecasted load load. + 15%. Furthermore, the Market Operations Center may increase the day ahead demand bid up to 15% of the day ahead forecast in severe winter conditions when PJM issues a Cold Weather alert, when the temperature is 0 degrees or lower Fahrenheit (adjusted for wind chill) or a Hot Weather Alert 97 degrees or higher Fahrenheit up to 15% of the day ahead forecasted load. Such exceptions shall be reported to the BROC at the next scheduled meeting.

RTO Authority Matrix Explanations:

- Generation Award Limits are per generating unit.
- Demand Award Limits are per each load nodal point.
- Day-Ahead (DA) market transactions occurs the day before the operating day. The real-time (RT) market is a spot market for energy
- Virtual Transaction Limits at imports/exports nodes are per imports/ exports location and are each monitored separately.
- Imports (into RTO) and Exports (out of RTO) are transacted on a day-ahead (DA) or real-time (RT) basis at a pricing node for physical power.
- Interchange transactions at Imports /Exports nodes are power transactions (purchases or sales) that are tagged and executed in the real-time market.

- Limits for Ancillary Service Awards apply to the Regulation, Synchronous (Spinning) Reserve, Scheduling (Operating) Reserve, and black start Markets only.
- Capacity limits apply to capacity transactions executed via the PJM or executed bilaterally for Unforced Capacity and Financial Capacity.
- Only Financial Transmission Rights (“FTR”) that are bought and sold via the auctions are monitored per the limits above. Additionally, the decision to convert Auction Revenue Rights (“ARR”), allocated by an RTO, to FTR or to retain it as ARR should be based on economics.
- Delivery lead time represents the time period between trade execution and start of flow.

C. Natural Gas and Transportation Transaction Authority Limits

The following outlines transaction limits and definitions for physical natural gas and natural gas transportation transactions, “delivered gas”.

		Per Transaction Limits				Per Day Limits		Aggregate Limits	
Title	Product	Term	Delivery Lead Time	Physical Volume per Day	\$/ MMBtu	Total Physical Volume	Total \$	Total Physical Volume	Total \$
Board of Directors	Physical Natural Gas/ Firm Gas Transportation and No-Notice Service/Service Agreements	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Firm Gas Transportation and No-Notice Service	≤ 3 Years	≤ 2 Years	40,000	\$1	40,000/day	\$10 Million	40,000/day	\$20 Million
CEO	Physical Natural Gas/Service Agreements	> 1 Year ≤ 3 Years	≤ 2 Years	200,000	\$10	500,000	\$20 Million	32 Million	\$130 Million
		≤ 1 Year	< 1 Year	Unlimited	Unlimited	500,000	\$15 Million*		

1. Natural Gas Authority Matrix Explanations

- Service Agreements, including but not limited to Interruptible Transportation (IT), Transportation Aggregation Pooling Service (TAPS), Hourly Overrun Transportation (HOT), and Park and Loan (PAL) are agreements executed with natural gas pipeline companies to flow natural gas non-ratably and to manage imbalances on the gas pipeline. The cost for these Service Agreements fall under the limits established for Physical Natural Gas.
- Physical natural gas price: Henry Hub + basis to EKPC gas powered plant + delivery + Losses

- Transaction Limits represent the daily MMBtu volume and dollars/MMBtu for each transaction executed.
- Per Day Limits represent the total MMBtu volume and dollars for all transactions to be consumed in a gas day. Gas day, which does not align with a power day, is defined as a period of 24 consecutive hours, beginning at 10 a.m. central time.
*The CEO or designee may authorize the Per Day Limits for total dollars in the current delivery year to be exceeded in an emergency, for example, keeping the lights on (“KLO”), or to fulfill EKPC’s dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.
- Aggregate Limits represent the total MMBtu volume and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include physical natural gas, as well as transportation, imbalance and storage.

2. Natural Gas Firmness

All natural gas purchases for a day or less, including gas purchased to cover weekends and holidays shall be made on a firm or interruptible basis provided it is economically viable to do so. In the event interruptible gas is purchased at the receipt location, a firm or interruptible transportation agreement must be in place with the pipeline to deliver the gas to an EKPC power plant or the interruptible gas must be purchased for delivery to an EKPC power plant. Physical Natural Gas purchased beyond next day, excluding weekend and holiday gas shall be firm gas unless pipe line constraints restrict delivery on firm basis. Sales commitments must never be more firm than the supply source unless pre-approved by the EKPC President and CEO.

Firm Gas Transportation limits do not apply to short-term purchases of natural gas transportation which may be purchased, at times, to enhance the ability to receive the natural gas over interruptible transportation. Purchases of firm natural gas transportation increases the reliability of interruptible gas delivery and shall fall under the limits established for Physical Natural Gas.

3. Delivery Locations

Physical natural gas transactions may only be consummated for delivery at EKPC facilities or at delivery locations in which an approved transportation agreement is in place to transport the natural gas to EKPC facilities.

D. Fuel Oil Transaction Authority

The following outlines transaction limits and definitions for physical fuel oil transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Gallons	\$/Gallon	Total Volume Gallons	Total \$
Board of Directors	Physical Fuel Oil	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Physical Fuel Oil	> 1 Year ≤ 3 Years	≤ 2 Years	2,000,000	\$7	10,000,000	\$28 Million
		≤ 1 Year		Unlimited	Unlimited		

Fuel Oil Trading Authority Matrix Explanations:

- Transaction Limits represent the total gallons and dollars/gallon for each transaction consummated.
- Aggregate Limits represent the sum total gallon volume and dollars for all forward transactions.
- Authorized products include Physical Fuel Oil.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- The CEO or designee may authorize the Aggregate Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.

E. Coal and Alternative Fuels Trading Authority

The following outlines transaction limits and definitions for coal and alternative fuels transactions.

		Per Transaction Limits				Aggregate Limits	
Title	Product	Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Physical Coal, and Alternative Fuels	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Physical Coal, and Alternative Fuels	> 1 Year ≤ 3 Years	≤ 2 Years	1,000,000	Index + Transportation	12,000,000	\$700 Million
		≤ 1 Year		Unlimited	Unlimited		

Coal and Alternative Fuels Transactions Authority Matrix Explanations:

- Index is daily coal price publically available at Coaldesk, LLC.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Authorized products include physical spot and forward transactions, and options on physical forwards.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Alternative Fuels include petroleum coke, biomass, and tire-derived fuels.

F. Coal and Alternative Fuels Transportation Trading Authority

The following outlines transaction limits and definitions for coal transportation transactions.

		Per Transaction Limits				Aggregate Limits	
Title	Product	Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Barge, Rail or Truck Transportation	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Barge, Rail or Truck Transportation	> 1 Year ≤ 3 Years	≤ 2 Years	3,000,000	\$30	9 million	\$45 Million
		≤ 1 Year		Unlimited	Unlimited		

Coal and Alternative Fuels Transportation Trading Authority Matrix Explanations:

- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Authorized products include barge, rail and truck transportation transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.

G. Emission Allowances Transaction Authority

The following outlines transaction limits and definitions for emissions transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Federal SO ₂ and NO _x Emission Allowances	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Federal SO ₂ Emission Allowances	≤ 3 Years	≤ 2 Years	10,000	\$500	30,000	\$15 Million
	Federal NO _x Emission Allowances			2,000	Index	4,000	\$60 Million

Emission Allowances Authority Matrix Explanations:

- Index is price publically available in CSAPR NO_x Ozone Season Group 3 Trading Program.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include Federal SO₂ and NO_x Emission Allowances under Clean Air Interstate Rules (CAIR) or other successor regulations.

H Lime & Limestone Transaction Authority

The following outlines transaction limits and definitions for Lime & Limestone transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Lime & Limestone	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Lime	≤ 3 Years	≤ 2 Years	160,000	\$250	2,000,000	\$75 Million
	Limestone			3,000,000	\$20	4,000,000	

Lime & Limestone Authority Matrix Explanations:

- Per transaction limits represent the total tons and \$/ton for each transaction executed.
- Aggregate limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include spot and forward transactions for lime and limestone.
- The CEO or designee may authorize the Per Transaction Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.

I. Anhydrous and Aqueous Ammonia Transactions Authority

The following outlines transaction limits and definitions, for Anhydrous and Aqueous Ammonia transactions.

		Per Transaction Limits				Aggregate Limits	
Title	Product	Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Anhydrous and Aqueous Ammonia	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	Anhydrous	≤ 3 Years	≤ 2 Years	14,000	Tampa/ Ferticon Index+ \$250/dry ton	15,000	\$ 35 Million
	Aqueous			18,000	Tampa/ Ferticon Index + \$852/wet ton	20,000	

Anhydrous and Aqueous Ammonia Transactions Authority Matrix Explanations:

- Per transaction limits represent the total tons and \$/ton for each transaction.
- Aggregate limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is consummated to the start of the trade.
- Authorized products include spot and forward transactions for Anhydrous and 19.5% solution Aqueous Ammonia.

J. Renewable Environmental Credits (REC)

The following outlines transaction limits and definitions for REC transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	REC	\$/REC	Total Volume RECs	Total \$
Board of Directors	National Voluntary RECs – Excess Inventory, Pass-through RECs Forward and Spot Transactions	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
CEO	National Voluntary RECs – Excess Inventory and Spot Transactions	NA	NA	Unlimited	Unlimited	Unlimited	Unlimited
	National Voluntary RECs – Forward	≤ 2 Years	≤ 1 Year	100,000	\$3	200,000	\$500,000
	Pass-through RECs Spot Transaction	<u>NA</u>	<u>NA</u>	Unlimited	Unlimited	Unlimited	Unlimited
	Pass-through RECs Forward	<u>< 1 Year</u>	<u>< 1 Year</u>	Unlimited	Unlimited	Unlimited	\$2,500,000

RECs Authority Matrix Explanations:

- REC means a certificate, credit, green tag or other transferable commodity created by an applicable program indicating the direct generation of a particular quantity of energy from a renewable energy source by a renewable energy facility.
- Per transaction limits represent the total RECs and \$/REC for each transaction executed.
- National voluntary RECs inventory represents renewable energy credit that are earned/generated and are available for use or sale.
- Aggregate limits represent the sum total RECs and dollars for all REC transactions.
- Lead time represents the time period from the date a REC trade is executed until generation of the RECs.
- Authorized products include spot and forward transactions for RECs.
- Pass-through RECs represent RECs purchased under schedule H Wholesale Renewable Energy Program. This energy program is a rider to rate B, C, E, G.

- Pass-through RECs Forward shall mean:
 - (a) If the customer's highest credit rating is less than BBB Standard and Poor's ("S&P") or Fitch, Baa2 from Moody's, collateral shall be equal to quantity purchased X (cost of purchase – market price).
 - (b) If the customer's highest credit rating is between A from S&P or Fitch or A2 from Moody's and BBB from S&P or Fitch or Baa2 from Moody's collateral shall be equal to 50% of quantity purchased X (cost of purchase – market price).
 - (c) No collateral shall be required if the customer's highest credit rating is better than A from S&P or Fitch or A2 from Moody's.
- Mark to Market calculation of the contract shall be performed each quarter for both parties to determine collateral requirements.

V. OTHER PROVISIONS

1. Clear Authority

Any situation, where authority is in question from a "clearly authorized" standpoint, should be reviewed and authorized by written signature prior to execution by the next authority level up.

2. Violations and Sanctions

Violations of this Trading Authority Policy must not occur. In the event of non-compliance by an EKPC employee or its agent, the EKPC Internal Risk Management Committee Chairperson shall be notified of such incidents. EKPC employees will be sanctioned according to EKPC's Sanctions Policy.

Deals not captured in a timely manner resulting in no financial impact to EKPC shall be considered administrative errors. Such errors shall be reported to the Internal Risk Management Committee and the BROCC annually in February of each year for the prior year.

3. Policy Effective

This Trading Authority Policy is in effect upon the Board's approval and shall remain in effect until a replacement policy has been approved by the Board superseding this Trading Authority Policy.

VI. RESPONSIBILITY

It shall be the responsibility of the Board of Directors, through the duly appointed Board Risk Oversight Committee, the CEO and the Internal Risk Management Committee, to assure compliance with The Policy. All violations of The Policy shall be reported to BROCC and the Board.

APPROVED BY THE BOARD OF DIRECTORS



BOARD CHAIRMAN

EFFECTIVE DATE: 01-04-11

LAST DATE REVIEWED: 07-12-22

REVISED DATE(S): _____

07-12-22

07-13-21

08-03-20

06-05-17

05-13-14

06-01-15

05-13-14

02-12-13

06-11-12

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EAST KENTUCKY POWER COOPERATIVE

Administrative Policies and Procedures

No. A031

SUBJECT: Delegation of Authority

POLICY: This document addresses the delegation of authority from CEO to management and staff of EKPC. Part I of the document address the transaction authority delegation for energy and energy related commodities and transportation and Part II addresses general delegation of authority. Delegation of Authority from CEO to EKPC Management and Staff.

Part I: Delegation of Authority

**Transaction Authority Delegation
For Energy and Energy Related Commodities and Transportation**

I. PURPOSE

The purpose of the Transaction Authority Delegation for Energy and Energy Related Commodities and Transportation (“Delegation”) is to define the authority granted by the East Kentucky Power Cooperative (“EKPC”) Chief Executive Officer (“CEO”) to EKPC staff and ACES Power Marketing (“ACES”) to execute energy related transactions. Furthermore, it sets forth clarity and empowerment among those with transaction authority and is designed to encourage communication among individuals with transaction authority and the CEO.

II. OBJECTIVE

The objective of the Delegation is to define:

- EKPC staff and ACES transaction authority for various commodities, products and locations;
- The commodities, products and locations that can be transacted;
- The authorized lead-time and term for each transaction;
- The authorized maximum price and volume for commodities, products and locations that are transacted;
- Counterparty contract and credit requirements;
- EKPC’s policy regarding speculating of energy and energy related commodities and transportation;
- Energy and energy related commodities procurement standards and reporting requirement;
- Transactions for energy and energy related commodities, products and transmission requiring Board approval.

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III. POLICY CONTENT

A. Procedural Requirements

The following defines procedural requirements that apply to all commodities, products and locations transacted under this Delegation. The product, commodity and other electric and electric related commodities transaction terminologies shall be defined in the “Electric Cooperative Glossary of Terms” document.

1. Transaction Consummation Authority

Transaction consummation authority is outlined by commodity and product in the authority matrices found in Section IV, Transaction Limits. All column limits in these matrices are applied independently of one another for each authority level, in that no individual column limit may be exceeded without authorization, regardless of whether a transaction does not exceed another column limit for that same authority level.

The transaction limits apply to both purchases and sales. Daily and Aggregate limits are applied to gross amounts transacted in total for the day, and not to buys and sells netted together.

The Delegation identifies CEO delegated transaction limits for EKPC’s staff and ACES and explicitly gives EKPC’s staff and ACES the authority to further delegate transaction limits for energy and energy related commodities, products and locations to others as long as the delegated authority does not exceed the authority per the Delegation.

2. Contract Requirements

Transactions with counterparties shall only be permitted if EKPC has:

- a. An active, enforceable and executed agreement enabling such transaction activity with that counterparty.
- b. A stand alone, or bilateral, contract may be used as a valid agreement in lieu of an Edison Electric Institute (“EEI”) , master power purchase and sale agreement, North American Energy Standards Board (NAESB) master agreement or the International Swaps and Derivatives Association (ISDA) master agreement, when necessary, if approved by the CEO. A stand-alone contract or a bilateral contract is a document exchanged between parties to a transaction that not only confirms all of the terms of the transaction, but also all of the contract terms normally included in an underlying enabling agreement, such as payment terms, default provisions, breach provisions, etc.

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3. Credit Sleeving

EKPC shall not engage in any sleeving transactions for credit purposes. (Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of power.)

4. Contract Sleeving

EKPC shall not engage in contract sleeving transactions.

5. Trading on Premises

All power and gas transactions must be executed via a recorded communication method such as a recorded voice communication line, instant messaging or an online broker account that is maintained and controlled by personnel who are independent of the trading function. Off-premises bilateral trading and scheduling are prohibited with the following exceptions:

- a. Natural gas traders may execute same-day and day-ahead natural gas transactions during normal business hours off premises as long as the execution is done over a recorded phone line or via ICE Chat.
- b. Natural gas trade execution after normal business hours or over weekends may occur off-premises as long as the execution is done over recorded phone line, via a recorded cell phone application or via ICE Chat.
- c. The CEO or designee may approve off-premises trade execution in other limited instances as long as the execution is done over an approved recorded medium. Examples include, phone line, via an online broker account or via ICE Chat.

All other commodities/products subject to this Delegation that are executed orally should be immediately confirmed via email or other traceable form of electronic communication. Any electronic confirmation should be appropriately retained for proper audit trail.

6. Deal Capture

Any transaction covered by this Delegation and executed by an EKPC employee or its agent must be promptly recorded in a deal capture system maintained by EKPC management or its agent and shall follow the reporting schedule below:

- a. For transactions subject to Dodd-Frank, transaction recording in a deal capture system must immediately follow execution in order to comply with the reporting time frame specified in the regulation.

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- b. For transaction not subject to Dodd-Frank, the following schedule shall apply:
 - Power and gas transactions shall be reported by the close of the business day.
 - The balance of the products and commodities covered by this Delegation shall be reported as soon as possible but no more than five business days from execution.

7. Speculation

Speculative transactions are not permitted.

8. Procurement Standard and Reporting Requirement

- a. To ensure EKPC procures energy and energy related commodities at competitive prices, in accordance with the requirements of lending and regulatory agencies, to ensure that ethical, fair, and sound business practices are followed, and to avoid any conflict of interest or appearance of any such conflict of interest, an administrative procurement procedure shall be implemented by EKPC management for all commodities and products listed in this Delegation.
- b. The energy and energy related commodities procurement process shall be overseen by EKPC management (e.g., Fuel Negotiating Committee for coal) and all exceptions to the procurement process shall be reported to the Board Risk Oversight Committee ("BROC"). The BROC shall be provided with a quarterly summary report of all transactions executed under this Delegation. The report shall specify the volume of products executed (both sales and purchases), the number of transactions, the average price, the highest price, and the total aggregate dollars expended (notional value) for each commodity, product and location at the time the transaction is executed.

9. Transactions Requiring Board Approval

The Board must approve transactions in any new commodities, products or locations, the trading authority for which is not delegated by The Transaction Authority Limit Policy for Energy and Energy related Commodities and Transportation.

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IV. TRANSACTION LIMITS

A. Electric Power and Transmission Trading Authority

The following outlines transaction limits and definitions for bilateral power and power transmission transactions.

Title	Product	Per Transaction Limits					Per Day Limits		Aggregate Limits	
		Term	Delivery Lead Time	MW Size	\$/MWh	\$/KW Mo.	Total MWh's	Total \$	Total MWh's	Total \$
CEO	Physical Electric Power	> 1 Year ≤ 3 Years	≤ 2 Years	100	\$75	N/A	2,628,000	\$150 Million	5,256,000	\$300 Million
		≤ 1 Year		Unlimited	Unlimited	N/A				
	Transmission	> 1 Year ≤ 5 Years	≤ 2 Years	500	N/A	\$3.50	N/A	\$10 Million	N/A	\$10 Million
		>1 Month ≤ 1 Year		500	N/A	\$5.00				
≤ 1 Month	500	N/A		Unlimited						
COO / CFO/ SVP of Power Supply	Physical Electric Power	≤1 Week	≤ 2 weeks	550	\$250	N/A	92,400	\$23.1 Million	92,400	\$23.1 Million
	Transmission	≤ 1 Month	≤ 3 months	500	N/A	\$5.00	N/A	\$1.6 Million	N/A	\$1.6 Million
Director Power Supply Planning, Power Supply Planner, Manager of Market Op Center, Market Op Supervisor, System Operator	Transmission	≤ 1 week	≤ 2 weeks	500	N/A	\$4.00	N/A	\$80 K	N/A	\$0.5 Million
ACES	Physical Electric Power	As Directed by EKPC								
	Transmission	As Directed								

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1. Power Authority Matrix Explanations

- Transaction Limits represent the MW volume per hour and dollars/MWH (or KW month) for each transaction executed.
- Per Day Limits represent the total MWH volume and dollars for all transactions executed in a trading day.
- Aggregate Limits represent the total MWH volume and dollars for all forward transactions.
- Delivery lead time represents the time period between trade execution and start of flow.
- “KLO” means “Keep the Lights On” by taking actions necessary to maintain power flow to all requirements and firm obligation customers without economic consideration.
- Authorized products include physical electric power and transmission. Products that are approved to be traded under physical electric power include forwards and options including physical heat rate call options for hourly, daily, balance of the day, next day, balance of the week, weekly, balance of the month, monthly and annual frequency
- Financial products may not be executed without approval of the CEO.
- Specific authority for PJM products is addressed in the PJM Matrix below.
- Term, volume and dollar limits shall increase up to three times to accommodate trading on a Friday for a Saturday, Sunday and Monday. Similarly term, volume and dollar limits shall be increased by the period of the holiday and weekend to accommodate trading for a holiday weekend.

2. Delivery Locations

Trading at delivery locations outside the eastern interconnect is not permitted. Trading is permitted only in PJM market.

3. Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between EKPC and the appropriate counterparty. Energy purchased as Firm Liquidated Damages may be resold as such.

4. Transmission Firmness and Volume

Transmission purchases, executed in conjunction with an energy transaction, need to be of equal firmness and volume to the energy component that such transmission purchase is associated. Purchasing small percentages of additional transmission to cover transmission losses is permitted. In addition, transmission may be reserved, but not utilized if an energy schedule is not confirmed prior to scheduling deadlines outside of

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the scheduler’s control. When this occurs this is not considered a violation of this policy. Transmission not utilized for serving native load of for optimizing expected excess generation can be resold in the market.

5. Firm Transmission Reservations

A transmission reservation to support reliability purchases or a transmission purchase to insure transmission availability to support excess energy sales is acceptable under this Delegation and is not considered a speculative position, provided such products are related to hedging, a load obligation or selling projected excess energy.

B. PJM Transaction Authority Limits

The following outlines transaction limits and definitions for **PJM products**.

		PJM Per Transaction Limits			
Title	Product	Delivery Lead Time	Term	MW Size	\$/MWh
CEO	Generation Awards	As Required by RTO	Day-Ahead and Real Time	550	RTO Price Cap
	Demand Awards			Day Ahead Projected peak load +/- 10%*	
	Ancillary Service Awards			550	
	Virtual Transactions at Imports/Exports nodes			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	≤ 4 Years	≤ 4 Years	550	RTO Price (\$150/MW-Day for bilateral)
	Financial Transmission Rights/Auction Revenue Rights	>1 Year ≤ 3 Years	≤ 1 Year	550	\$15
	≤ 1 Year	≤ 1 Year	Historical summer peak load + 10%		
COO, CFO, SVP Power Supply	Generation Awards**			550	

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	Demand Awards	As Required by RTO	Day-Ahead and Real Time	Day Ahead Projected peak load +/- 10%*	RTO Price Cap
	Ancillary Service Awards			550	
	Virtual Transactions at Imports/Exports nodes@@			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	≤ 3Years	≤ 1 Year	550	RTO Price (\$150/MW-Day for bilateral)
	Financial Transmission Rights/Auction Revenue Rights@@	≤ 6 Months	≤ 1 Year	Historical summer peak load + 10%	\$15
Director Power Supply Planning, Power Supply Planner, Manager of Market Op Center, Market Op Supervisor, System Operator	Generation Awards**	As Required by RTO	Day-Ahead and Real Time	550	RTO Price Cap
	Demand Awards			Day Ahead Projected peak load +/- 10%*	
	Ancillary Service Awards			550	
	Virtual Transactions at Imports/Exports nodes@@			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	None	None	None	None
	Financial Transmission Rights/Auction Revenue Rights@@	None	None	None	None
ACES	All Commodities	As Directed by EKPC			

*** Demand bids in the day-ahead market shall be at least 90% of projected day-ahead load (each hour) and shall not exceed 110% of projected day-ahead load (each hour). The CEO or his designee may authorize demand bids to be increased up to the day ahead projected peak load + 15%. Furthermore, the Market Operations Center may increase the day ahead demand bid up to 15% of the day ahead forecast when PJM issues a Cold Weather alert, or a Hot Weather Alert. Such exceptions shall be reported to the BROC at the next scheduled meeting.**

**** Cost-based generation offers and awards shall comply with the approved Fuel Cost Policy submitted by EKPC to PJM and the PJM Independent Market Monitor.**

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@@ Size of FTR/financial/physical positions at a node/bus shall not be leveraged with virtual position at the node/bus. Transacting in counter flow FTR positions require approval of COO/CFO and immediate notification to risk management.

PJM Authority Matrix Explanations:

- Generation Award Limits are per generating unit.
- Demand Award Limits are per each load nodal point.
- Day-Ahead (DA) market transactions occur the day before the operating day. The real-time (RT) market is a spot market for energy.
- Virtual Transaction Limits at imports/exports nodes are per imports/exports location and are each monitored separately.
- Imports (into PJM) and Exports (out of PJM) are transacted on a day-ahead (DA) or real-time (RT) basis at a pricing node for physical power.
- Interchange transactions at Imports/Exports nodes are power transactions (purchases or sales) that are tagged and executed in the real-time market.
- Limits for Ancillary Service Awards apply to the Regulation, Synchronous (Spinning) Reserve, Scheduling (Operating) Reserve, and Black Start Market only.
- Capacity limits in the PJM Matrix apply to capacity transactions executed via the PJM market or executed bilaterally for Unforced Capacity and Financial Capacity. The delivery lead time for capacity markets refers to three planning years. Planning year refers to June – May.
- Only Financial Transmission Rights (“FTR”) that are bought and sold via the auctions are monitored per the limits above. Additionally, the decision to convert Auction Revenue Rights (ARR), allocated by PJM, to FTR or to retain it as ARR should be based on economics.
- Delivery lead time represents the time period between trade execution and start of flow.

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C. Natural Gas and Transportation Transaction Authority Limits

The following outlines transaction limits and definitions for physical natural gas and natural gas transportation transactions (delivered gas).

Title	Product	Per Transaction Limits				Per Day Limits		Aggregate Limits	
		Term	Delivery Lead Time	Physical Volume per Day	\$/MMBtu	Total Physical Volume	Total \$	Total Physical Volume	Total \$
CEO	Physical Natural Gas	> 1 Year ≤ 3 Years	≤ 2 Years	200,000	\$10	500,000	\$20 Million	32 Million	\$130 Million
		≤ 1 Year	≤ 1 Year	Unlimited	Unlimited	500,000	\$15 Million		
	Firm Gas Transportation and No-Notice Service	≤ 3 Years	≤ 2 Years	40,000	\$1	40,000 / day	\$10 Million	40,000 / day	\$20 Million
COO/CFO	Physical Natural Gas/Service Agreements	> 1 Year ≤ 3 Years	≤ 2 Years	200,000	\$8	500,000	\$15 Million	24 Million	\$65 Million
		≤ 1 Year	≤ 1 Years	Unlimited	Unlimited	500,000	\$10 Million		
	Firm Gas Transportation and No-Notice Service	≤ 3 Years	≤ 2 Years	40,000	\$1	40,000 / day	\$7 Million	40,000 / day	\$14 Million
SVP Power Supply	Physical Natural Gas	> 6 Months ≤ 1 Year	≤ 1 Year	500,000	\$10	500,000	\$10 Million	20 Million	\$45 Million
		≤ 6 Months		Unlimited	Unlimited				
	Firm Gas Transportation and No-Notice Service	≤ 1 Year	≤ 6 Months	40,000	\$1	40,000 / day	\$5 Million	40,000 / day	\$10 Million
Manager, Fuels & Emissions	Physical Natural Gas	> 3 Month ≤ 6 Months	≤ 6 Months	500,000	\$10	500,000	\$7 Million	16 Million	\$26 Million
		≤ 3 Month		Unlimited	Unlimited				
	Firm Gas Transportation and No-Notice Service	≤ 6 Months		40,000	\$1	40,000 / day	\$2 Million	40,000 / day	\$5 Million

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Fuel Buyer, Balance & Interchange Operations Supervisor, Power Supply Planner, System Operator	Physical Natural Gas	≤ 1 Week	≤ 1 Week	500,000	\$10	500,000	\$5 Million	6 Million	\$8 Million
	Firm Gas Transportation and No-Notice Service	None							
ACES	Physical Natural Gas	≤ 1 Day	≤ Next Business Day	400,000	\$10	400,000	\$2 Million	400,000	\$2 Million
	Firm Gas Transportation and No-Notice Service	None							

1. Natural Gas Authority Matrix Explanations

- Service Agreements, including but not limited to Interruptible Transportation (IT), Transportation Aggregation Pooling Service (TAPS), Hourly Overrun Transportation (HOT), and Park and Loan (PAL) are agreements executed with natural gas pipeline companies to flow natural gas non-ratably and to manage imbalances on the gas pipeline. The cost for these Service Agreements fall under the limits established for Physical Natural Gas.
- Physical natural gas price: Henry Hub + basis to EKPC gas powered plant + delivery + Losses
- Transaction Limits represent the daily MMBtu volume and dollars/MMBtu for each transaction executed.
- Per Day Limits represent the total MMBtu volume and dollars for all transactions to be consumed in a gas day. Gas day, which does not align with a power day, is defined as a period of 24 consecutive hours, beginning at 9 a.m. central time.
 - * The CEO or designee may authorize the Per Day Limits for total dollars in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC’s dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.
- Aggregate Limits represent the total MMBtu volume and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

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- Natural Gas Products include physical gas as well as transportation, imbalance and storage. Authorized products include natural gas transactions for power generation.
- All transactions executed by ACES shall be limited to and in direct relation to the operation of gas powered assets of EKPC and designed to reduce market and delivery risk.
- ACES term, volume and dollar limits shall increase up to three times to accommodate trading on a Friday for a Saturday, Sunday and Monday. Similarly ACES term, volume and dollar limits shall be increased by the period of the holiday and weekend to accommodate trading for a holiday weekend.
- ACES is authorized to purchase natural gas as well as sell excess natural gas for balancing purposes.

2. Natural Gas Firmness

All natural gas purchases for a day or less, including gas purchased to cover weekends and holidays shall be made on a firm or interruptible basis provided it is economically viable to do so. In the event interruptible gas is purchased at the receipt location, a firm or interruptible transportation agreement must be in place with the pipeline to deliver the gas to an EKPC power plant or the interruptible gas must be purchased for delivery to an EKPC power plant. Physical Natural Gas purchased beyond next day, excluding weekend and holiday gas shall be firm gas unless pipeline constraints restrict delivery on firm basis. Sales commitments must never be more firm than the supply source unless pre-approved by the EKPC CEO.

Firm Gas Transportation limits do not apply to short-term purchases of natural gas transportation which may be purchased, at times, to enhance the ability to receive the natural gas over interruptible transportation. Purchases of firm natural gas transportation increases the reliability of interruptible gas delivery and shall fall under the limits established for Physical Natural Gas.

3. Delivery Locations

Physical natural gas transactions may only be executed for delivery at EKPC facilities or at delivery locations in which an approved transportation agreement is in place to transport the natural gas to EKPC facilities.

REDACTED

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D. Fuel Oil Transaction Authority Limits

The following outlines transaction limits for physical fuel oil transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Gallons	\$/Gallon	Total Volume Gallons	Total \$
CEO	Physical Fuel Oil	> 1 Year ≤ 3 Years	≤ 2 Years	2,000,000	\$7	105,000,000	\$28 Million
		≤ 1 Year		Unlimited	Unlimited		
COO/CFO	Physical Fuel Oil	≤ 2 Years	≤ 1 Year	1,500,000	\$7	7,500,000	\$21 Million
SVP Power Supply	Physical Fuel Oil	≤ 1 Year	≤ 6 Months	1,000,000	\$7	5,000,000	\$14 Million
Manager, Fuels & Emissions	Physical Fuel Oil	≤ 6 Months	≤ 3 Months	500,000	\$7	1,250,000	\$3.5 Million
ACES Power Marketing	Physical Fuel Oil	None					

Fuel Oil Transaction Authority Matrix Explanations:

- Transaction Limits represent the total gallons and dollars/gallon for each transaction executed.
- Aggregate Limits represent the sum total gallon volume and dollars for all forward transactions.
- Authorized products include physical fuel oil.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- The CEO or designee may authorize the Aggregate Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.

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E. Coal and Alternative Fuels Transaction Authority Limits

The following outlines transaction limits and definitions for coal and alternative fuel transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO**	Physical Coal and Alternative Fuels	> 1 Year ≤ 3 Years	≤ 2 Years	1,000,000	Index + Transportation	12,000,000	\$700 Million
		≤ 1 Year		No Max	No Max		
COO/CFO**	Physical Coal and Alternative Fuels	≤ 2 Years	≤ 1 Year	750,000	Index + Transportation	9,000,000	\$525 Million
SVP Power Supply**	Physical Coal and Alternative Fuels	≤ 1 Year	≤ 6 Months	500,000	Index + Transportation	6,000,000	\$350 Million
Manager, Fuels & Emissions	Physical Coal and Alternative Fuels	≤ 6 Months	≤ 3 Months	250,000	Index + Transportation	3,000,000	\$175 Million
ACES	Physical Coal and Alternative Fuels	None					

****Coal contracts executed originally under this delegation may be modified from time to time by the Manager Fuels & Emissions for \$/ton, coal quality, location so long as the term of the alteration is under 6 month and the price of delivered cost of the coal (fuel + transportation) to EKPC does not increase.**

Coal and Alternative Fuels Transaction Authority Matrix Explanations:

- Index is daily coal price publically available at Coaldesk, LLC.
- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.

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- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Authorized products include physical spot and forward transactions, and options on physical forwards.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Alternative Fuels include petroleum coke, biomass, and tire-derived fuels.

F. Coal and Alternative Fuels Transportation Transaction Authority Limits

The following outlines transaction limits and definitions for coal and alternative fuels transportation transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Barge, Rail, or Truck Transportation	> 1 Year ≤ 3 Years	≤ 2 Years	3,000,000	\$30	9 million	\$45 Million
		≤ 1 Year		Unlimited	Unlimited		
COO/CFO	Barge, Rail, or Truck Transportation	≤ 2 Years	≤ 1 Year	2,250,000	\$30	6.75 Million	\$34 Million
SVP Power Supply	Barge, Rail, or Truck Transportation	≤ 1 Year	≤ 6 Months	1,500,000	\$30	4.5 Million	\$22 Million
Manager, Fuels & Emissions	Barge, Rail, or Truck Transportation	≤ 6 Months	≤ 3 Months	750,000	\$30	2.25 Million	\$11 Million
ACES	Barge, Rail or Truck Transportation	None					

Coal and Alternative Fuels Transportation Transaction Authority Matrix Explanations:

- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.

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- Authorized products include barge, rail and truck transportation transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

G. Emission Allowances Transaction Authority Limits

The following outlines transaction limits and definitions for emissions transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Federal SO ₂ Emission Allowances	≤ 3 Years	≤ 2 Years	10,000	\$500	30,000	\$15 Million
	Federal NO _x Emission Allowances			2,000	Index	4,000	\$60 Million
COO/CFO	Federal SO ₂ Emission Allowances	≤ 2 Years	≤ 1 Year	7,500	\$375	22,500	\$11 Million
	Federal NO _x Emission Allowances			1,500	Index	3,000	\$45 Million
SVP Power Supply	Federal SO ₂ Emission Allowances	≤ 1 Year	≤ 6 Months	5,000	\$250	15,000	\$8 Million
	Federal NO _x Emission Allowances			1,000	Index	2,000	\$30 Million
Manager, Fuels & Emissions	Federal SO ₂ Emission Allowances	≤ 6 Months	≤ 3 Months	2,500	\$125	7,500	\$4 Million
	Federal NO _x Emission Allowances			500	Index	1,000	\$15 Million
ACES	Federal SO ₂ and NO _x Emission Allowances	None					

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Emission Allowances Transaction Authority Matrix Explanations:

- Index is price publically available in CSAPR NO_x Ozone Season Group 3 Trading Program.
- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Authorized products include Federal SO₂ and NO_x Emission Allowances under Clean Air Interstate Rules (CAIR), or other successor regulations.

H. Lime and Limestone Transaction Authority Limits

The following outlines transaction limits and definitions for Lime & Limestone transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Lime	≤ 3 Years	≤ 2 Years	160,000	\$250	2,000,000	\$75 Million
	Limestone			3,000,000	\$20	4,000,000	
COO/CFO	Lime	≤ 2 Years	≤ 1 Year	120,000	\$250	1,585,000	\$56 Million
	Limestone			2,250,000	\$20	3,000,000	
SVP Power Supply	Lime	≤ 1 Year	≤ 6 Months	80,000	\$250	1,050,000	\$37 Million
	Limestone			1,500,000	\$20	2,000,000	
Manager, Fuels & Emissions	Lime	≤ 6 Months	≤ 3 Months	40,000	\$250	528,000	\$18 Million
	Limestone			750,000	\$20	1,000,000	
ACES	Lime & Limestone	None					

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Lime & Limestone Transaction Authority Matrix Explanations:

- Per Transaction Limits represent the total tons and \$/ton for each transaction executed.
- Aggregate Limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Authorized products include spot and forward transactions for lime and limestone.
- The CEO or designee may authorize the Per Transaction Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROOC at the next scheduled meeting.

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I. Anhydrous and Aqueous Ammonia Transaction Authority Limits

The following outlines transaction limits and definitions for Anhydrous and Aqueous Ammonia transactions.

		Per Transaction Limits				Aggregate Limits	
Title	Product	Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Anhydrous	≤ 3 Years	≤ 2 Years	14,000	Tampa/ Ferticon Index+ \$250/dry ton	15,000	\$35 Million
	Aqueous			18,000	Tampa/ Ferticon Index + \$852/wet ton	20,000	
COO/CFO	Anhydrous	≤ 2 Years	≤ 1 Year	3,375	Tampa/ Ferticon Index+ \$250/dry ton	9,000	\$22 Million
	Aqueous			4,500	Tampa/ Ferticon Index + \$852/wet ton	12,000	
SVP Power Supply	Anhydrous	≤ 6 Months	≤ 3 Months	1,125	Tampa/ Ferticon Index+ \$250/dry ton	3,000	\$10 Million
	Aqueous			1,500	Tampa/ Ferticon Index + \$852/wet ton	4,000	
Manager, Fuels & Emissions	Anhydrous	≤ 1 Month	≤ 1 Month	150	Tampa/ Ferticon Index+ \$250/dry ton	150	\$250,000
	Aqueous			150	Tampa/ Ferticon Index + \$852/wet ton	150	

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ACES	Anhydrous	None
	Aqueous	

Anhydrous and Aqueous Ammonia Transaction Authority Matrix Explanations:

- Per transaction limits represent the total tons and \$/ton for each transaction.
- Aggregate limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Authorized products include spot and forward transactions for Anhydrous and 19.5% solution Aqueous Ammonia.

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J. Renewable Environmental Credits (REC) Transaction Authority Limits

The following outlines transaction limits and definitions for REC transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	MWh	\$/MWh	Total Volume MWh	Total \$
CEO	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	Unlimited	Unlimited	Unlimited	Unlimited
	National Voluntary RECs—Forward	≤ 2 Years	≤ 1 Year	100,000	\$3	200,000	\$500,000
	Pass-through RECs Spot Transaction	NA	<u>NA</u>	<u>Unlimited</u>	Unlimited	Unlimited	Unlimited
	Pass-through RECs Forward	< 1 Year	<u>< 1 Year</u>	<u>Unlimited</u>	Unlimited	Unlimited	\$2,500,000
COO/CFO	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	193,000	Unlimited	193,000	Unlimited
	National Voluntary RECs—Forward	≤ 1 Year	≤ 6 Months	75,000	\$3	150,000	\$375,000
	Pass-through RECs Spot Transaction	NA	NA	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>
	Pass-through RECs Forward	< 1 Year	< 1 Year	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	\$1,875,000
SVP Power Supply	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	154,400	Unlimited	154,400	Unlimited

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	National Voluntary RECs—Forward	≤ 6 Months	≤ 3 Months	50,000	\$3	100,000	\$250,000
	Pass-through RECs Spot Transaction	NA	NA	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>
	Pass-through RECs Forward	< 1 Year	< 1 Year	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	\$1,250,000
Director of Power Supply Planning	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	123,520	Unlimited	123,520	Unlimited
	National Voluntary RECs—Forward	≤ 3 Months	≤ 1 Month	25,000	\$3	50,000	\$125,000
	Pass-through RECs Spot Transaction	NA	NA	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>
	Pass-through RECs Forward	< 1 Year	< 1 Year	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	\$625,000
ACES	National Voluntary RECs—Forward	None					

REC Transaction Authority Matrix Explanations:

- REC means a certificate, credit, green tag or other transferable commodity created by an applicable program indicating the direct generation of a particular quantity of energy from a renewable energy source by a renewable energy facility.
- Per transaction limits represent the total MWh and \$/MWh for each transaction executed.
- National voluntary RECs inventory represents renewable energy credit that are earned/generated and are available for use or sale.
- Aggregate limits represent the sum total RECs and dollars for all forward transactions.
- Lead time represents the time period from the date a REC trade is executed to the start of the trade.
- Authorized products include spot and forward transactions for RECs.
- Spot shall mean five days from the date of the transaction.

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- Pass-through RECs represent RECs purchased under schedule H Wholesale Renewable Energy Program. This energy program is a rider to rate B, C, E, G.
 - Pass-through RECs Forward shall mean:
 - (a) If the customer's highest credit rating is less than BBB Standard and Poor's ("S&P") or Fitch, Baa2 from Moody's, collateral shall be equal to quantity purchased X (cost of purchase – market price).
 - (b) If the customer's highest credit rating is between A from S&P or Fitch or A2 from Moody's and BBB from S&P or Fitch or Baa2 from Moody's collateral shall be equal to 50% of quantity purchased X (cost of purchase – market price).
 - (c) No collateral shall be required if the customer's highest credit rating is better than A from S&P or Fitch or A2 from Moody's.
 - Mark to Market calculation of the contract shall be performed each quarter for both parties to determine collateral requirements.

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**East Kentucky Power Cooperative
Delegation of Authority: Part II**

**I. Purchase Order, Contract, and Lease Value Chart of Approvals and Supply Chain
Authorization for Purchase Order, Contract and Lease Value Commitment**

- Reference Supply Chain Policy A029. All changes to A029 shall be brought to the IRMC for review and approval.

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Acknowledgements

1. **Clear Authority**

Any situation where authority is in question from a “clearly authorized” standpoint, should be reviewed and authorized by written signature prior to execution by the next authority level up.

2. **Review and Reporting Requirements**

A. Reporting:

All transactions meeting the following criteria shall be **brought to the upcoming IRMC meeting** for information:

- (i) Power and transmission transactions **with a term greater than three months.**
- (ii) Coal, gas, lime, limestone, ammonia, REC’s and transportation transaction with a term **greater than 6 months** shall be reported to the IRMC.

The report shall provide the rationale for the transaction and describe numerically the potential risk and opportunities to EKPC portfolio.

B. EKPC employee executing transaction under their delegation limit **shall report** to their supervisor **all executed transaction by close of business of the day the transaction is executed.** EKPC risk management shall also be notified of such transactions.

C. All transactions except for daily/weekend/holiday gas purchase, hourly/day-ahead bi-lateral and RTO transactions shall contain a cover page with: executive summary, justification, and personnel that was responsible for the review of the document. If the transaction was executed on a standard pre-approved contract, no additional review is required.

D. In the case where ACES is executing transactions at the direction of EKPC personnel, EKPC shall have a written process in place to outline the procedure for collecting and submitting data input into the PJM system.

E. Credit Review:

- (i) All Transactions that fall under Supply Chain Administrative Policy AO 29, shall follow the credit review process mentioned in the “Supplier Qualification Process”
- (ii) For coal transactions executed with a term less than one year, the credit and document review shall follow the “Fuel & Emissions Department Procurement Manual.”
- (iii) All other transactions subject to this administrative policy shall follow the following credit review process:

- a) Prior to executing any transaction, a credit review shall be performed by ACES credit group and/or EKPC Risk Management.
- b) If a transaction is executed under an existing ISDA/NASBE/EEI, credit limit must be verified with ACES credit group and/or EKPC Risk Management group prior to execution.
- c) All transactions requiring a new ISDA/NASBE/EEI agreement shall be reviewed by EKPC risk management prior to execution of the contract.
- (iv) All transactions shall comply with Board Policy 204.

3. Violations and Sanctions

Violations of this Delegation must not occur. Should it be deemed that non-compliance incidents did occur by an EKPC employee or its agent, the EKPC IRMC Chairperson shall be notified of such incidents, EKPC employees will be sanctioned according to EKPC’s Trading Sanctions Policy.

Deals not captured in a timely manner resulting in no financial impact to EKPC shall be considered administrative errors. Such errors shall be reported to the Internal Risk Management Committee and the BROCC annually in February of each year for the prior year.


4. Policy Effective

This Delegation is in effect upon the CEO’s approval and shall remain in effect until a replacement delegation has been approved superseding this Delegation.

V. RESPONSIBILITY:

It shall be the responsibility of the CEO and the Internal Risk Management Committee to assure compliance with this policy.

RELATED POLICIES: Board Policy 404
Administrative Policy A029

APPROVED BY: 
President and Chief Executive Officer

DATE ADOPTED: April 23, 2013

REVISION DATES: September 27, 2013
March 1, 2016
April 27, 2016
September 23, 2016

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May 4, 2017

July 5, 2017

October 8, 2020

September 9, 2021

December 2, 2021

August 4, 2022

July 6, 2023

August 10, 2023

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EAST KENTUCKY POWER COOPERATIVE

Administrative Policies and Procedures

No. A031

SUBJECT: Delegation of Authority

POLICY: This document addresses the delegation of authority from CEO to management and staff of EKPC. Part I of the document address the transaction authority delegation for energy and energy related commodities and transportation and Part II addresses general delegation of authority. Delegation of Authority from CEO to EKPC Management and Staff.

Part I: Delegation of Authority

**Transaction Authority Delegation
For Energy and Energy Related Commodities and Transportation**

I. PURPOSE

The purpose of the Transaction Authority Delegation for Energy and Energy Related Commodities and Transportation (“Delegation”) is to define the authority granted by the East Kentucky Power Cooperative (“EKPC”) Chief Executive Officer (“CEO”) to EKPC staff and ACES Power Marketing (“ACES”) to execute energy related transactions. Furthermore, it sets forth clarity and empowerment among those with transaction authority and is designed to encourage communication among individuals with transaction authority and the CEO.

II. OBJECTIVE

The objective of the Delegation is to define:

- EKPC staff and ACES transaction authority for various commodities, products and locations;
- The commodities, products and locations that can be transacted;
- The authorized lead-time and term for each transaction;
- The authorized maximum price and volume for commodities, products and locations that are transacted;
- Counterparty contract and credit requirements;
- EKPC’s policy regarding speculating of energy and energy related commodities and transportation;
- Energy and energy related commodities procurement standards and reporting requirement;
- Transactions for energy and energy related commodities, products and transmission requiring Board approval.

III. POLICY CONTENT

A. Procedural Requirements

The following defines procedural requirements that apply to all commodities, products and locations transacted under this Delegation. The product, commodity and other electric and electric related commodities transaction terminologies shall be defined in the “Electric Cooperative Glossary of Terms” document.

1. Transaction Consummation Authority

Transaction consummation authority is outlined by commodity and product in the authority matrices found in Section IV, Transaction Limits. All column limits in these matrices are applied independently of one another for each authority level, in that no individual column limit may be exceeded without authorization, regardless of whether a transaction does not exceed another column limit for that same authority level.

The transaction limits apply to both purchases and sales. Daily and Aggregate limits are applied to gross amounts transacted in total for the day, and not to buys and sells netted together.

The Delegation identifies CEO delegated transaction limits for EKPC’s staff and ACES and explicitly gives EKPC’s staff and ACES the authority to further delegate transaction limits for energy and energy related commodities, products and locations to others as long as the delegated authority does not exceed the authority per the Delegation.

2. Contract Requirements

Transactions with counterparties shall only be permitted if EKPC has:

- a. An active, enforceable and executed agreement enabling such transaction activity with that counterparty.
- b. A stand alone, or bilateral, contract may be used as a valid agreement in lieu of an Edison Electric Institute (“EEI”), master power purchase and sale agreement, North American Energy Standards Board (NAESB) master agreement or the International Swaps and Derivatives Association (ISDA) master agreement, when necessary, if approved by the CEO. A stand-alone contract or a bilateral contract is a document exchanged between parties to a transaction that not only confirms all of the terms of the transaction, but also all of the contract terms normally included in an underlying enabling agreement, such as payment terms, default provisions, breach provisions, etc.

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3. Credit Sleeving

EKPC shall not engage in any sleeving transactions for credit purposes. (Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of power.)

4. Contract Sleeving

EKPC shall not engage in contract sleeving transactions.

5. Trading on Premises

All power and gas transactions must be executed via a recorded communication method such as a recorded voice communication line, instant messaging or an online broker account that is maintained and controlled by personnel who are independent of the trading function. Off-premises bilateral trading and scheduling are prohibited with the following exceptions:

- a. Natural gas traders may execute same-day and day-ahead natural gas transactions during normal business hours off premises as long as the execution is done over a recorded phone line or via ICE Chat.
- b. Natural gas trade execution after normal business hours or over weekends may occur off-premises as long as the execution is done over recorded phone line, via a recorded cell phone application or via ICE Chat.
- c. The CEO or designee may approve off-premises trade execution in other limited instances as long as the execution is done over an approved recorded medium. Examples include, phone line, via an online broker account or via ICE Chat.

All other commodities/products subject to this Delegation that are executed orally should be immediately confirmed via email or other traceable form of electronic communication. Any electronic confirmation should be appropriately retained for proper audit trail.

6. Deal Capture

Any transaction covered by this Delegation and executed by an EKPC employee or its agent must be promptly recorded in a deal capture system maintained by EKPC management or its agent and shall follow the reporting schedule below:

- a. For transactions subject to Dodd-Frank, transaction recording in a deal capture system must immediately follow execution in order to comply with the reporting time frame specified in the regulation.

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- b. For transaction not subject to Dodd-Frank, the following schedule shall apply:
 - Power and gas transactions shall be reported by the close of the business day.
 - The balance of the products and commodities covered by this Delegation shall be reported as soon as possible but no more than five business days from execution.
7. Speculation

Speculative transactions are not permitted.
8. Procurement Standard and Reporting Requirement
 - a. To ensure EKPC procures energy and energy related commodities at competitive prices, in accordance with the requirements of lending and regulatory agencies, to ensure that ethical, fair, and sound business practices are followed, and to avoid any conflict of interest or appearance of any such conflict of interest, an administrative procurement procedure shall be implemented by EKPC management for all commodities and products listed in this Delegation.
 - b. The energy and energy related commodities procurement process shall be overseen by EKPC management (e.g., Fuel Negotiating Committee for coal) and all exceptions to the procurement process shall be reported to the Board Risk Oversight Committee ("BROC"). The BROC shall be provided with a quarterly summary report of all transactions executed under this Delegation. The report shall specify the volume of products executed (both sales and purchases), the number of transactions, the average price, the highest price, and the total aggregate dollars expended (notional value) for each commodity, product and location at the time the transaction is executed.
9. Transactions Requiring Board Approval

The Board must approve transactions in any new commodities, products or locations, the trading authority for which is not delegated by The Transaction Authority Limit Policy for Energy and Energy related Commodities and Transportation.

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IV. TRANSACTION LIMITS

A. Electric Power and Transmission Trading Authority

The following outlines transaction limits and definitions for bilateral power and power transmission transactions.

Title	Product	Per Transaction Limits					Per Day Limits		Aggregate Limits	
		Term	Delivery Lead Time	MW Size	\$/MWh	\$/KW Mo.	Total MWh's	Total \$	Total MWh's	Total \$
CEO	Physical Electric Power	> 1 Year ≤ 3 Years	≤ 2 Years	100	\$75	N/A	2,628,000	\$150 Million	5,256,000	\$300 Million
		≤ 1 Year		Unlimited	Unlimited	N/A				
	Transmission	> 1 Year ≤ 5 Years	≤ 2 Years	500	N/A	\$3.50	N/A	\$10 Million	N/A	\$10 Million
		>1 Month ≤ 1 Year		500	N/A	\$5.00				
		≤ 1 Month		500	N/A	Unlimited				
	COO / CFO/ SVP of Power Supply	Physical Electric Power	≤ 1 Week	≤ 2 weeks	550	\$250	N/A	92,400	\$23.1 Million	92,400
Transmission		≤ 1 Month	≤ 3 months	500	N/A	\$5.00	N/A	\$1.6 Million	N/A	\$1.6 Million
Director Power Supply Planning, Power Supply Planner, Manager of Market Op Center, Market Op Supervisor, System Operator	Transmission	≤ 1 week	≤ 2 weeks	500	N/A	\$4.00	N/A	\$80 K	N/A	\$0.5 Million
ACES	Physical Electric Power	As Directed by EKPC								
	Transmission	As Directed								

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1. Power Authority Matrix Explanations

- Transaction Limits represent the MW volume per hour and dollars/MWH (or KW month) for each transaction executed.
- Per Day Limits represent the total MWH volume and dollars for all transactions executed in a trading day.
- Aggregate Limits represent the total MWH volume and dollars for all forward transactions.
- Delivery lead time represents the time period between trade execution and start of flow.
- “KLO” means “Keep the Lights On” by taking actions necessary to maintain power flow to all requirements and firm obligation customers without economic consideration.
- Authorized products include physical electric power and transmission. Products that are approved to be traded under physical electric power include forwards and options including physical heat rate call options for hourly, daily, balance of the day, next day, balance of the week, weekly, balance of the month, monthly and annual frequency
- Financial products may not be executed without approval of the CEO.
- Specific authority for PJM products is addressed in the PJM Matrix below.
- Term, volume and dollar limits shall increase up to three times to accommodate trading on a Friday for a Saturday, Sunday and Monday. Similarly term, volume and dollar limits shall be increased by the period of the holiday and weekend to accommodate trading for a holiday weekend.

2. Delivery Locations

Trading at delivery locations outside the eastern interconnect is not permitted. Trading is permitted only in PJM market.

3. Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between EKPC and the appropriate counterparty. Energy purchased as Firm Liquidated Damages may be resold as such.

4. Transmission Firmness and Volume

Transmission purchases, executed in conjunction with an energy transaction, need to be of equal firmness and volume to the energy component that such transmission purchase is associated. Purchasing small percentages of additional transmission to cover transmission losses is permitted. In addition, transmission may be reserved, but not utilized if an energy schedule is not confirmed prior to scheduling deadlines outside of

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the scheduler’s control. When this occurs this is not considered a violation of this policy. Transmission not utilized for serving native load of for optimizing expected excess generation can be resold in the market.

5. Firm Transmission Reservations

A transmission reservation to support reliability purchases or a transmission purchase to insure transmission availability to support excess energy sales is acceptable under this Delegation and is not considered a speculative position, provided such products are related to hedging, a load obligation or selling projected excess energy.

B. PJM Transaction Authority Limits

The following outlines transaction limits and definitions for **PJM products**.

		PJM Per Transaction Limits			
Title	Product	Delivery Lead Time	Term	MW Size	\$/MWh
CEO	Generation Awards	As Required by RTO	Day-Ahead and Real Time	550	RTO Price Cap
	Demand Awards			Day Ahead Projected peak load $\pm 10\%$ *	
	Ancillary Service Awards			550	
	Virtual Transactions at Imports/Exports nodes			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	≤ 4 Years	≤ 4 Years	550	RTO Price (\$150/MW-Day for bilateral)
	Financial Transmission Rights/Auction Revenue Rights	>1 Year ≤ 3 Years	≤ 1 Year	550	\$15
≤ 1 Year		≤ 1 Year	Historical summer peak load + 10%		
COO, CFO, SVP Power Supply	Generation Awards**			550	

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	Demand Awards+	As Required by RTO	Day-Ahead and Real Time	Day Ahead Projected peak load +/- 10%*	RTO Price Cap
	Ancillary Service Awards			550	
	Virtual Transactions at Imports/Exports nodes@@			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	≤ 3Years	≤ 1 Year	550	RTO Price (\$150/MW-Day for bilateral)
	Financial Transmission Rights/Auction Revenue Rights@@	≤ 6 Months	≤ 1 Year	Historical summer peak load + 10%	\$15
Director Power Supply Planning, Power Supply Planner, Manager of Market Op Center, Market Op Supervisor, System Operator	Generation Awards**	As Required by RTO	Day-Ahead and Real Time	550	RTO Price Cap
	Demand Awards+			Day Ahead Projected peak load +/- 10%*	
	Ancillary Service Awards			550	
	Virtual Transactions at Imports/Exports nodes@@			550	
	Interchange transactions at Imports/Exports nodes			550	
	Capacity	None	None	None	None
	Financial Transmission Rights/Auction Revenue Rights@@	None	None	None	None
ACES	All Commodities	As Directed by EKPC			

* Demand bids in the day-ahead market shall be at least 90% of projected day-ahead load (each hour) and shall not exceed 110% of projected day-ahead load (each hour). The CEO or his designee may authorize demand bids to be increased up to the day ahead projected peak load + 15%. Furthermore, the Market Operations Center may increase the day ahead demand bid up to 15% of the day ahead forecast when PJM issues a Cold Weather alert, or a Hot Weather Alert. Such exceptions shall be reported to the BROCC at the next scheduled meeting.

** Cost-based generation offers and awards shall comply with the approved Fuel Cost Policy submitted by EKPC to PJM and the PJM Independent Market Monitor.

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@ @ Size of FTR/financial/physical positions at a node/bus shall not be leveraged with virtual position at the node/bus. Transacting in counter flow FTR positions require approval of COO/CFO and immediate notification to risk management. ~~+Demand bids in the day-ahead market shall be at least 90% of projected day-ahead load (each hour) and shall not exceed 110% of projected day-ahead load (each hour).~~

PJM Authority Matrix Explanations:

- Generation Award Limits are per generating unit.
- Demand Award Limits are per each load nodal point.
- Day-Ahead (DA) market transactions occur the day before the operating day. The real-time (RT) market is a spot market for energy.
- Virtual Transaction Limits at imports/exports nodes are per imports/exports location and are each monitored separately.
- Imports (into PJM) and Exports (out of PJM) are transacted on a day-ahead (DA) or real-time (RT) basis at a pricing node for physical power.
- Interchange transactions at Imports/Exports nodes are power transactions (purchases or sales) that are tagged and executed in the real-time market.
- Limits for Ancillary Service Awards apply to the Regulation, Synchronous (Spinning) Reserve, Scheduling (Operating) Reserve, and Black Start Market only.
- Capacity limits in the PJM Matrix apply to capacity transactions executed via the PJM market or executed bilaterally for Unforced Capacity and Financial Capacity. The delivery lead time for capacity markets refers to three planning years. Planning year refers to June – May.
- Only Financial Transmission Rights (“FTR”) that are bought and sold via the auctions are monitored per the limits above. Additionally, the decision to convert Auction Revenue Rights (ARR), allocated by PJM, to FTR or to retain it as ARR should be based on economics.
- Delivery lead time represents the time period between trade execution and start of flow.

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C. Natural Gas and Transportation Transaction Authority Limits

The following outlines transaction limits and definitions for physical natural gas and natural gas transportation transactions (delivered gas).

Title	Product	Per Transaction Limits				Per Day Limits		Aggregate Limits	
		Term	Delivery Lead Time	Physical Volume per Day	\$/MMBtu	Total Physical Volume	Total \$	Total Physical Volume	Total \$
CEO	Physical Natural Gas	> 1 Year ≤ 3 Years	≤ 2 Years	200,000	\$10	500,000	\$20 Million	32 Million	\$130 Million
		≤ 1 Year	≤ 1 Year	Unlimited	Unlimited	500,000	\$15 Million		
	Firm Gas Transportation and No-Notice Service	≤ 3 Years	≤ 2 Years	40,000	\$1	40,000 / day	\$10 Million	40,000 / day	\$20 Million
COO/CFO	Physical Natural Gas/Service Agreements	> 1 Year ≤ 3 Years	≤ 2 Years	200,000	\$8	500,000	\$15 Million	24 Million	\$65 Million
		≤ 1 Year	≤ 1 Year	Unlimited	Unlimited	500,000	\$10 Million		
	Firm Gas Transportation and No-Notice Service	≤ 3 Years	≤ 2 Years	40,000	\$1	40,000 / day	\$7 Million	40,000 / day	\$14 Million
SVP Power Supply	Physical Natural Gas	> 6 Months ≤ 1 Year	≤ 1 Year	500,000	\$10	500,000	\$10 Million	20 Million	\$45 Million
		≤ 6 Months		Unlimited	Unlimited				
	Firm Gas Transportation and No-Notice Service	≤ 1 Year	≤ 6 Months	40,000	\$1	40,000 / day	\$5 Million	40,000 / day	\$10 Million
Manager, Fuels & Emissions	Physical Natural Gas	> 3 Month ≤ 6 Months	≤ 6 Months	500,000	\$10	500,000	\$7 Million	16 Million	\$26 Million
		≤ 3 Month		Unlimited	Unlimited				
	Firm Gas Transportation and No-Notice Service	≤ 6 Months		40,000	\$1	40,000 / day	\$2 Million	40,000 / day	\$5 Million

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Fuel Buyer, Balance & Interchange Operations Supervisor, Power Supply Planner, System Operator	Physical Natural Gas	≤ 1 Week	≤ 1 Week	500,000	\$10	500,000	\$5 Million	6 Million	\$8 Million
	Firm Gas Transportation and No-Notice Service	None							
ACES	Physical Natural Gas	≤ 1 Day	≤ Next Business Day	400,000	\$10	400,000	\$2 Million	400,000	\$2 Million
	Firm Gas Transportation and No-Notice Service	None							

1. Natural Gas Authority Matrix Explanations

- Service Agreements, including but not limited to Interruptible Transportation (IT), Transportation Aggregation Pooling Service (TAPS), Hourly Overrun Transportation (HOT), and Park and Loan (PAL) are agreements executed with natural gas pipeline companies to flow natural gas non-ratably and to manage imbalances on the gas pipeline. The cost for these Service Agreements fall under the limits established for Physical Natural Gas.
- Physical natural gas price: Henry Hub + basis to EKPC gas powered plant + delivery + Losses
- Transaction Limits represent the daily MMBtu volume and dollars/MMBtu for each transaction executed.
- Per Day Limits represent the total MMBtu volume and dollars for all transactions to be consumed in a gas day. Gas day, which does not align with a power day, is defined as a period of 24 consecutive hours, beginning at 9 a.m. central time.
 - * The CEO or designee may authorize the Per Day Limits for total dollars in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC’s dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.
- Aggregate Limits represent the total MMBtu volume and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

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- Natural Gas Products include physical gas as well as transportation, imbalance and storage. Authorized products include natural gas transactions for power generation.
- All transactions executed by ACES shall be limited to and in direct relation to the operation of gas powered assets of EKPC and designed to reduce market and delivery risk.
- ACES term, volume and dollar limits shall increase up to three times to accommodate trading on a Friday for a Saturday, Sunday and Monday. Similarly ACES term, volume and dollar limits shall be increased by the period of the holiday and weekend to accommodate trading for a holiday weekend.
- ACES is authorized to purchase natural gas as well as sell excess natural gas for balancing purposes.

2. Natural Gas Firmness

All natural gas purchases for a day or less, including gas purchased to cover weekends and holidays shall be made on a firm or interruptible basis provided it is economically viable to do so. In the event interruptible gas is purchased at the receipt location, a firm or interruptible transportation agreement must be in place with the pipeline to deliver the gas to an EKPC power plant or the interruptible gas must be purchased for delivery to an EKPC power plant. Physical Natural Gas purchased beyond next day, excluding weekend and holiday gas shall be firm gas unless pipeline constraints restrict delivery on firm basis. Sales commitments must never be more firm than the supply source unless pre-approved by the EKPC CEO.

Firm Gas Transportation limits do not apply to short-term purchases of natural gas transportation which may be purchased, at times, to enhance the ability to receive the natural gas over interruptible transportation. Purchases of firm natural gas transportation increases the reliability of interruptible gas delivery and shall fall under the limits established for Physical Natural Gas.

3. Delivery Locations

Physical natural gas transactions may only be executed for delivery at EKPC facilities or at delivery locations in which an approved transportation agreement is in place to transport the natural gas to EKPC facilities.

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D. Fuel Oil Transaction Authority Limits

The following outlines transaction limits for physical fuel oil transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Gallons	\$/Gallon	Total Volume Gallons	Total \$
CEO	Physical Fuel Oil	> 1 Year ≤ 3 Years	≤ 2 Years	2,000,000	\$7	105,000,000	\$28 Million
		≤ 1 Year		Unlimited	Unlimited		
COO/CFO	Physical Fuel Oil	≤ 2 Years	≤ 1 Year	1,500,000	\$7	7,500,000	\$21 Million
SVP Power Supply	Physical Fuel Oil	≤ 1 Year	≤ 6 Months	1,000,000	\$7	5,000,000	\$14 Million
Manager, Fuels & Emissions	Physical Fuel Oil	≤ 6 Months	≤ 3 Months	500,000	\$7	1,250,000	\$3.5 Million
ACES Power Marketing	Physical Fuel Oil	None					

Fuel Oil Transaction Authority Matrix Explanations:

- Transaction Limits represent the total gallons and dollars/gallon for each transaction executed.
- Aggregate Limits represent the sum total gallon volume and dollars for all forward transactions.
- Authorized products include physical fuel oil.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- The CEO or designee may authorize the Aggregate Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROCC at the next scheduled meeting.

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E. Coal and Alternative Fuels Transaction Authority Limits

The following outlines transaction limits and definitions for coal and alternative fuel transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO**	Physical Coal and Alternative Fuels	> 1 Year ≤ 3 Years	≤ 2 Years	1,000,000	Index + Transportation	12,000,000	\$700 Million
		≤ 1 Year		No Max	No Max		
COO/CFO**	Physical Coal and Alternative Fuels	≤ 2 Years	≤ 1 Year	750,000	Index + Transportation	9,000,000	\$525 Million
SVP Power Supply**	Physical Coal and Alternative Fuels	≤ 1 Year	≤ 6 Months	500,000	Index + Transportation	6,000,000	\$350 Million
Manager, Fuels & Emissions	Physical Coal and Alternative Fuels	≤ 6 Months	≤ 3 Months	250,000	Index + Transportation	3,000,000	\$175 Million
ACES	Physical Coal and Alternative Fuels	None					

****Coal contracts executed originally under this delegation may be modified from time to time by the Manager Fuels & Emissions for \$/ton, coal quality, location so long as the term of the alteration is under 6 month and the price of delivered cost of the coal (fuel + transportation) to EKPC does not increase.**

Coal and Alternative Fuels Transaction Authority Matrix Explanations:

- Index is daily coal price publically available at Coaldesk, LLC.
- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.

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- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Authorized products include physical spot and forward transactions, and options on physical forwards.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Alternative Fuels include petroleum coke, biomass, and tire-derived fuels.

F. Coal and Alternative Fuels Transportation Transaction Authority Limits

The following outlines transaction limits and definitions for coal and alternative fuels transportation transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Barge, Rail, or Truck Transportation	> 1 Year ≤ 3 Years	≤ 2 Years	3,000,000	\$30	9 million	\$45 Million
		≤ 1 Year		Unlimited	Unlimited		
COO/CFO	Barge, Rail, or Truck Transportation	≤ 2 Years	≤ 1 Year	2,250,000	\$30	6.75 Million	\$34 Million
SVP Power Supply	Barge, Rail, or Truck Transportation	≤ 1 Year	≤ 6 Months	1,500,000	\$30	4.5 Million	\$22 Million
Manager, Fuels & Emissions	Barge, Rail, or Truck Transportation	≤ 6 Months	≤ 3 Months	750,000	\$30	2.25 Million	\$11 Million
ACES	Barge, Rail or Truck Transportation	None					

Coal and Alternative Fuels Transportation Transaction Authority Matrix Explanations:

- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.

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- Authorized products include barge, rail and truck transportation transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

G. Emission Allowances Transaction Authority Limits

The following outlines transaction limits and definitions for emissions transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Federal SO ₂ Emission Allowances	≤ 3 Years	≤ 2 Years	10,000	\$500	30,000	\$15 Million
	Federal NOx Emission Allowances			2,000	Index	4,000	\$60 Million
COO/CFO	Federal SO ₂ Emission Allowances	≤ 2 Years	≤ 1 Year	7,500	\$375	22,500	\$11 Million
	Federal NOx Emission Allowances			1,500	Index	3,000	\$45 Million
SVP Power Supply	Federal SO ₂ Emission Allowances	≤ 1 Year	≤ 6 Months	5,000	\$250	15,000	\$8 Million
	Federal NOx Emission Allowances			1,000	Index	2,000	\$30 Million
Manager, Fuels & Emissions	Federal SO ₂ Emission Allowances	≤ 6 Months	≤ 3 Months	2,500	\$125	7,500	\$4 Million
	Federal NOx Emission Allowances			500	Index	1,000	\$15 Million
ACES	Federal SO ₂ and NOx Emission Allowances	None					

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Emission Allowances Transaction Authority Matrix Explanations:

- Index is price publically available in CSAPR NO_x Ozone Season Group 3 Trading Program.
- Per Transaction Limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate Limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Authorized products include Federal SO₂ and NO_x Emission Allowances under Clean Air Interstate Rules (CAIR), or other successor regulations.

H. Lime and Limestone Transaction Authority Limits

The following outlines transaction limits and definitions for Lime & Limestone transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Lime	≤ 3 Years	≤ 2 Years	160,000	\$250	2,000,000	\$75 Million
	Limestone			3,000,000	\$20	4,000,000	
COO/CFO	Lime	≤ 2 Years	≤ 1 Year	120,000	\$250	1,585,000	\$56 Million
	Limestone			2,250,000	\$20	3,000,000	
SVP Power Supply	Lime	≤ 1 Year	≤ 6 Months	80,000	\$250	1,050,000	\$37 Million
	Limestone			1,500,000	\$20	2,000,000	
Manager, Fuels & Emissions	Lime	≤ 6 Months	≤ 3 Months	40,000	\$250	528,000	\$18 Million
	Limestone			750,000	\$20	1,000,000	
ACES	Lime & Limestone	None					

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Lime & Limestone Transaction Authority Matrix Explanations:

- Per Transaction Limits represent the total tons and \$/ton for each transaction executed.
- Aggregate Limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Authorized products include spot and forward transactions for lime and limestone.
- The CEO or designee may authorize the Per Transaction Limits in the current delivery year to be exceeded in an emergency, for example, KLO, or to fulfill EKPC's dispatch obligation into the PJM Energy Markets. Such exception shall be reported to the BROC at the next scheduled meeting.

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I. Anhydrous and Aqueous Ammonia Transaction Authority Limits

The following outlines transaction limits and definitions for Anhydrous and Aqueous Ammonia transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
CEO	Anhydrous	≤ 3 Years	≤ 2 Years	14,000	Tampa/ Ferticon Index+ \$250/dry ton	15,000	\$35 Million
	Aqueous			18,000	Tampa/ Ferticon Index + \$852/wet ton		
COO/CFO	Anhydrous	≤ 2 Years	≤ 1 Year	3,375	Tampa/ Ferticon Index+ \$250/dry ton	9,000	\$22 Million
	Aqueous			4,500	Tampa/ Ferticon Index + \$852/wet ton		
SVP Power Supply	Anhydrous	≤ 6 Months	≤ 3 Months	1,125	Tampa/ Ferticon Index+ \$250/dry ton	3,000	\$10 Million
	Aqueous			1,500	Tampa/ Ferticon Index + \$852/wet ton		
Manager, Fuels & Emissions	Anhydrous	≤ 1 Month	≤ 1 Month	150	Tampa/ Ferticon Index+ \$250/dry ton	150	\$250,000
	Aqueous			150	Tampa/ Ferticon Index + \$852/wet ton		

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ACES	Anhydrous	None
	Aqueous	

Anhydrous and Aqueous Ammonia Transaction Authority Matrix Explanations:

- Per transaction limits represent the total tons and \$/ton for each transaction.
- Aggregate limits represent the sum total tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- Authorized products include spot and forward transactions for Anhydrous and 19.5% solution Aqueous Ammonia.

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J. Renewable Environmental Credits (REC) Transaction Authority Limits

The following outlines transaction limits and definitions for REC transactions.

Title	Product	Per Transaction Limits				Aggregate Limits	
		Term	Lead Time	MWh	\$/MWh	Total Volume MWh	Total \$
CEO	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	Unlimited	Unlimited	Unlimited	Unlimited
	National Voluntary RECs—Forward	≤ 2 Years	≤ 1 Year	100,000	\$3	200,000	\$500,000
	Pass-through RECs Spot Transaction	NA	<u>NA</u>	<u>Unlimited</u>	Unlimited	Unlimited	Unlimited
	Pass-through RECs Forward	< 1 Year	≤ 1 Year	<u>Unlimited</u>	Unlimited	Unlimited	\$2,500,000
COO/CFO	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	193,000	Unlimited	193,000	Unlimited
	National Voluntary RECs—Forward	≤ 1 Year	≤ 6 Months	75,000	\$3	150,000	\$375,000
	Pass-through RECs Spot Transaction	NA	NA	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>
	Pass-through RECs Forward	< 1 Year	< 1 Year	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	\$1,875,000
SVP Power Supply	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	154,400	Unlimited	154,400	Unlimited

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	National Voluntary RECs—Forward	≤ 6 Months	≤ 3 Months	50,000	\$3	100,000	\$250,000
	Pass-through RECs Spot Transaction	NA	NA	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>
	Pass-through RECs Forward	< 1 Year	< 1 Year	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	\$1,250,000
Director of Power Supply Planning	National Voluntary RECs--Excess Inventory and Spot Transactions	<u>NA</u>	<u>NA</u>	123,520	Unlimited	123,520	Unlimited
	National Voluntary RECs—Forward	≤ 3 Months	≤ 1 Month	25,000	\$3	50,000	\$125,000
	Pass-through RECs Spot Transaction	NA	NA	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>
	Pass-through RECs Forward	< 1 Year	< 1 Year	<u>Unlimited</u>	<u>Unlimited</u>	<u>Unlimited</u>	\$625,000
ACES	National Voluntary RECs—Forward	None					

REC Transaction Authority Matrix Explanations:

- REC means a certificate, credit, green tag or other transferable commodity created by an applicable program indicating the direct generation of a particular quantity of energy from a renewable energy source by a renewable energy facility.
- Per transaction limits represent the total MWh and \$/MWh for each transaction executed.
- National voluntary RECs inventory represents renewable energy credit that are earned/generated and are available for use or sale.
- Aggregate limits represent the sum total RECs and dollars for all forward transactions.
- Lead time represents the time period from the date a REC trade is executed to the start of the trade.
- Authorized products include spot and forward transactions for RECs.
- Spot shall mean five days from the date of the transaction.

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- Pass-through RECs represent RECs purchased under schedule H Wholesale Renewable Energy Program. This energy program is a rider to rate B, C, E, G.
 - Pass-through RECs Forward shall mean:
 - (a) If the customer's highest credit rating is less than BBB Standard and Poor's ("S&P") or Fitch, Baa2 from Moody's, collateral shall be equal to quantity purchased X (cost of purchase – market price).
 - (b) If the customer's highest credit rating is between A from S&P or Fitch or A2 from Moody's and BBB from S&P or Fitch or Baa2 from Moody's collateral shall be equal to 50% of quantity purchased X (cost of purchase – market price).
 - (c) No collateral shall be required if the customer's highest credit rating is better than A from S&P or Fitch or A2 from Moody's.
 - Mark to Market calculation of the contract shall be performed each quarter for both parties to determine collateral requirements.

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**East Kentucky Power Cooperative
Delegation of Authority: Part II**

I. Purchase Order, Contract, and Lease Value Chart of Approvals and Supply Chain Authorization for Purchase Order, Contract and Lease Value Commitment

I. Reference Supply Chain Policy A029. All changes to A029 shall be brought to the IRMC for review and approval.

Chart of Approvals

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Authorization Level	Up to \$20,000	Up to \$35,000	Up to \$50,000	Up to \$100,000	Up to \$500,000	Up to \$1,000,000	Up to \$2,500,000	Up to \$5,000,000	\$5,000,000 and greater
Management	X	X	X	X	X	X	X	X	X
Presidents		X	X	X	X	X	X	X	X
Plant Manager			X	X	X	X	X	X	X
Department/Generation Managers				X	X	X	X	X	X
Presidents	-	-	-	-	X	X	X	X	X
Presidents					X	X	X	X	X
CEO							X	X	X
and CEO	-	-	-	-	-	-	-	X	X
Authorization	-	-	-	-	-	-	-	-	X

The last "X" in each category (column) represents a final approval

*An approval form found on EKPC Document Central must be executed by a Department Mgr., Station Mgr., Director, or higher level

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H. ~~Supply Chain Authorization for Purchase Order, Contract and Lease Value Commitment~~

Chart of Approvals once proper approvals have been obtained per Board policy 201 and Administrative policy A029

Authorization Level	Up to \$50,000	Up to \$100,000	Up to \$150,000	Up to \$1,000,000	≥ \$10,000,000
Sourcing Agent	X	X	X	X	
Category Manager/ Lead Category Manager		X	X	X	
Sourcing Manager			X	X	
Director of Supply Chain				X	
Chief Financial Officer	-				

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III. — Non-budgeted Purchase Order, Contract, and Lease Value Chart of Approvals

Chart of Approvals

Authorization Level	Up to \$1,000	Up to \$4,000	Up to \$10,000	Up to \$20,000	Up to \$100,000	Up to \$500,000	Up to \$1,000,000	Up to \$2,000,000	\$2,000,000 and greater
Per-Management Approval*	X	X	X	X	X	X	X		
Manager / Superintendents		X	X	X	X	X	X		
Assistant Plant Manager			X	X	X	X	X		
Director // Department / Assigned Generation Project Managers				X	X	X	X		
Vice Presidents	-	-		-	X	X	X		
Sr. Vice Presidents						X	X		
COO / CFO							X		
President and CEO	-	-		-	-	-	-		
Board Authorization	-	-		-	-	-	-		

The last "X" in each category (column) represents a final approval

*An approval form found on EKPC Document Central must be executed by a Department Mgr, Station Mgr, Director, or higher level

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Acknowledgements

1. Clear Authority

Any situation where authority is in question from a “clearly authorized” standpoint, should be reviewed and authorized by written signature prior to execution by the next authority level up.

2. Review and Reporting Requirements

A. Reporting:

All transactions meeting the following criteria shall be **brought to the upcoming IRMC meeting** for information:

- (i) Power and transmission transactions **with a term greater than three months.**
- (ii) Coal, gas, lime, limestone, ammonia, REC’s and transportation transaction with a term **greater than 6 months** shall be reported to the IRMC.

The report shall provide the rationale for the transaction and describe numerically the potential risk and opportunities to EKPC portfolio.

B. EKPC employee executing transaction under their delegation limit **shall report** to their supervisor **all executed transaction by close of business of the day the transaction is executed.** EKPC risk management shall also be notified of such transactions.

C. All transactions except for daily/weekend/holiday gas purchase, hourly/day-ahead bi-lateral and RTO transactions shall contain a cover page with: executive summary, justification, and personnel that was responsible for the review of the document. If the transaction was executed on a standard pre-approved contract, no additional review is required.

D. In the case where ACES is executing transactions at the direction of EKPC personnel, EKPC shall have a written process in place to outline the procedure for collecting and submitting data input into the PJM system.

E. Credit Review:

- (i) All Transactions that fall under Supply Chain Administrative Policy AO 29, shall follow the credit review process mentioned in the “Supplier Qualification Process”
- (ii) For coal transactions executed with a term less than one year, the credit and document review shall follow the “Fuel & Emissions Department Procurement Manual.”
- (iii) All other transactions subject to this administrative policy shall follow the following credit review process:

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- a) Prior to executing any transaction, a credit review shall be performed by ACES credit group and/or EKPC Risk Management.
- b) If a transaction is executed under an existing ISDA/NASBE/EEI, credit limit must be verified with ACES credit group and/or EKPC Risk Management group prior to execution.
- c) All transactions requiring a new ISDA/NASBE/EEI agreement shall be reviewed by EKPC risk management prior to execution of the contract.
- (iv) All transactions shall comply with Board Policy 204.

3. Violations and Sanctions

Violations of this Delegation must not occur. Should it be deemed that non-compliance incidents did occur by an EKPC employee or its agent, the EKPC IRMC Chairperson shall be notified of such incidents, EKPC employees will be sanctioned according to EKPC's Trading Sanctions Policy.

Deals not captured in a timely manner resulting in no financial impact to EKPC shall be considered administrative errors. Such errors shall be reported to the Internal Risk Management Committee and the BROC annually in February of each year for the prior year.

4. Policy Effective

This Delegation is in effect upon the CEO's approval and shall remain in effect until a replacement delegation has been approved superseding this Delegation.

V. RESPONSIBILITY:

It shall be the responsibility of the CEO and the Internal Risk Management Committee to assure compliance with this policy.

RELATED POLICIES: Board Policy 404
Administrative Policy A029

APPROVED BY: _____
President and Chief Executive Officer

DATE ADOPTED: April 23, 2013

REVISION DATES: September 27, 2013
March 1, 2016
April 27, 2016
September 23, 2016

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- May 4, 2017
- July 5, 2017
- October 8, 2020
- September 9, 2021
- December 2, 2021
- August 4, 2022
- July 6, 2023
- August 10, 2023

