COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST	)	
KENTUCKY POWER COOPERATIVE, INC. FOR	)	
APPROVAL OF THE AUTORITY TO ISSUE UP	)	**CASE NO.**
TO $450,000,000 OF SECURED OR	)	**2025-00044**
UNSECURED PRIVATE PLACEMENT OR	)	
BANK/FINANCIAL INSTITUTION DEBT	)	
OBLIGATIONS	)	

RESPONSES TO COMMISSION STAFF'S FIRST INFORMATION REQUEST

TO EAST KENTUCKY POWER COOPERATIVE, INC.

DATED MARCH 18, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF THE AUTHORITY TO ISSUE UP TO $450,000,000 OF SECURED OR UNSECURED PRIVATE PLACEMENT OR BANK/FINANCIAL INSTITUTION DEBT OBLIGATIONS	**)**	**CASE NO. 2025-00044**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Thomas J. Stachnik, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to Commission Staff's First Request for Information in the above-referenced case dated March 18, 2025, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Thomas J. Stachnik

Subscribed and sworn before me on this 25th day of March, 2025.

Gwyn M. Willoughby
Notary Public

GWYN M. WILLOUGHBY
Notary Public
Commonwealth of Kentucky
Commission Number KYNP38003
My Commission Expires Nov 30, 2025

EAST KENTUCKY POWER COOPERATIVE, INC.
CASE NO. 2025-00044
FIRST REQUEST FOR INFORMATION RESPONSE

STAFF'S REQUEST DATED MARCH 18, 2025
REQUEST 1
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 1. Refer to the Application, pages 3 and 4. Explain how the $450,000,000 financing amount was determined, including any specific project or expenditure examples besides the $350,000,000 listed on page 4.

Response 1. Please see the Application, page 5, paragraph 9, which states that the proceeds will be used to reduce borrowings under EKPC's Credit Facility to fund ongoing capital expenditures associated with the construction of utility plant, and for general corporate purposes. The amount of $450,000,000 was chosen as an amount that could immediately be used for reducing borrowings under the Credit Facility, freeing up capacity for upcoming expenditures needed for the already approved projects in Case No. 2024-00129, *Electronic Application of East Kentucky Power Cooperative, Inc. for Certificates of Public Convenience and Necessity and Site Compatibility Certificates for the Construction of a 96 MW (Nominal) Solar Facility in Marion County, Kentucky and a 40 MW (Nominal) Solar Facility in Fayette County, Kentucky and Approval of Certain Assumptions of Evidences of Indebtedness Related to the Solar Facilities and other Relief.*

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STAFF'S REQUEST DATED MARCH 18, 2025
REQUEST 2
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 2. Explain if EKPC has evaluated alternative financing structures, and if so, provide the results of those evaluations.

Response 2. EKPC routinely evaluates financing structures in an effort to ensure necessary liquidity and capital financing. Alternative financing structures evaluated include: United States Department of Agriculture ("USDA") Rural Utility Service ("RUS") debt, unsecured bank / financial institution debt, bilateral secured term loans and private placement debt. A summary of each is provided below:

RUS debt serves as EKPC's core financing program for capital expenditures. RUS offers low fixed rates (Treasuries or Treasuries + 1/8th of 1%) with terms that extend to the end of EKPC's wholesale power contracts. RUS constitutes the majority of EKPC's fixed rate, long-term debt.

EKPC also has credit-worthy banking partners that can be used to execute unsecured term loan debt. Unsecured term loan debt (whether bilateral or syndicated) allows EKPC to take advantage of low(ering) short term rates and access to funds ahead of capital outlays. Initially, this type of debt would be executed with some combination of the banks / financial institutions that comprise the extending lenders within EKPC's Credit Facility.

Secured bilateral debt would be with one bank / financial institution and secured under the existing Trust Indenture. The loan could be used as either bridge financing, with a shorter term (five to seven years) or executed with a longer tenor consistent with the expiration of EKPC's wholesale power contract. The market rates would vary upon the financial institution, but would be expected to be similar to other regulated utilities with similar investment-grade credit ratings.

Finally, EKPC could issue debt in the private placement market. This type of debt would involve multiple investors / bondholders and be secured under the existing Trust Indenture. EKPC has two existing private placements (issued in 2014 and 2019) and could work with existing financial institutions for marketing and issuance. This type of financing allows EKPC to engage with a broader range of investors. The rates would vary upon the market conditions at the time of issuance, but would be expected to be similar to other BBB+ rate regulated utilities with fossil generation.

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REQUEST 3
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 3. Refer to Application, page 8. EKPC stated that as of February 15, 2025, it had drawn \$450,000,000 of the available \$600,000,000 that was approved in Case No. 2021-00473. Provide the total available amount of approved financing as of the date of this response. Additionally, indicate the timing EKPC expects to draw additional funding of the available \$600,000,000.

Response 3. As of March 28, 2025, the amount of revolving borrowings under the Credit Facility remains at \$450 million. Given the \$600 million facility, this leaves approximately \$150 million available to advance. The credit facility will fluctuate month to month depending on various uses and timing of cash, but is expected on average to remain at about this level through June. Capital expenditures on new generation would be expected to be drawn down from the remaining \$150 million of this facility by the end of 2025 without additional borrowings or depletion of cash reserves. However, the financing requested in this application will be used to relieve the credit facility in order to be able to use it for the capital expenditures expected over the next year.

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REQUEST 4
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 4. Refer to EKPC's response to deficiency, page 2. EKPC stated that private placement debt would be secured under the indenture. Confirm that this indenture is the Trust Indenture described in the Application. If this cannot be confirmed, provide an explanation for the indenture referred to in EKPC's Response to Deficiency.

Response 4. Yes, all EKPC secured debt is secured under the Trust Indenture.

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REQUEST 5

RESPONSIBLE PARTY: Thomas J. Stachnik

Request 5. Explain how the new financing will affect EKPC's credit rating and overall financial stability.

Response 5. Rating agencies view ample liquidity favorably. Robust liquidity strengthens EKPC's financial stability, ensuring that funds are available for working capital needs, capital expenditures, and any unforeseen circumstances.

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REQUEST 6
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 6. Provide the advantages and disadvantages of issuing unsecured floating rate bank debt.

Response 6. The advantages of unsecured floating rate debt are: (1) it is low cost; (2) can be arranged with existing banking partners; (3) does not need to go through the process of being secured under the Trust Indenture; and, (4) it is generally pre-payable with no penalties. The disadvantage is: (1) there is a limit to the amount that financial institutions will lend on an unsecured basis; and, (2) the rate is variable (though that can be managed with hedging instruments if desirable).

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REQUEST 7

RESPONSIBLE PARTY: Thomas J. Stachnik

Request 7. Provide the advantages and disadvantages of issuing private placement debt, secured under the indenture.

Response 7. The advantages of private placement debt are: (1) it opens up a broader universe of investors, expanding EKPC's borrowing capacity after reaching capacity with existing banking partners; (2) it can be issued at a fixed rate; and, (3) it can be structured with flexible tenors and amortization schedules.

The disadvantages of private placement debt are: (1) it can be more expensive; (2) there is an administrative burden of marketing and securing under the indenture; and, (3) it is generally not prepayable without a penalty.

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STAFF'S REQUEST DATED MARCH 18, 2025
REQUEST 8
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 8. Provide the estimated timeline for the Rural Utilities Services (RUS) loan approval and disbursement.

Response 8. Two outstanding loan applications are under review by RUS for ongoing planned generation ($110 million) and transmission ($330 million) capital expenditures that are already complete or are expected to be complete in the next several years. Upon approval and execution of RUS loan and Trust Indenture documents EKPC expects to be able to draw funds for projects included in those loans which are already complete. The remainder of these loans will be drawn after funds are expended and / or projects are completed.

Applications for financing under the New Empowering Rural America ("New ERA") program, and for future expenditures that will be funded with the core RUS program (e.g. gas generation projects), will be filed after the environmental review process is complete. As with standard RUS processes, there will be a delay between expending funds on these projects and ultimately receiving the funding from RUS.

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REQUEST 9
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 9. Explain how EKPC plans to transition from the financing proposed in the application to the RUS loans or other long-term funding sources.

Response 9. As EKPC receives proceeds from the RUS loans, or other funding sources, EKPC will evaluate its cash position and use available excess funds to pay down any balances on the Credit Facility, freeing this capacity to be used for capital expenditures or other corporate purposes. Additional funds from RUS can then be used to pay down interim financings or other prepayable or maturing debt.

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REQUEST 10
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 10. Explain what financing options EKPC will consider if the RUS loan is denied.

Response 10. In the unlikely event that RUS loans are denied, EKPC would have to rely on private funding sources such as the private placement market or bilateral loans with financial institutions.

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REQUEST 11
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 11. Provide a detailed breakdown of capital expenditures that will be funded with the financing proposed in the application including anticipated projects and cost estimates.

Response 11. The financing proposed in this application will be used primarily to pay down outstanding balances on the existing credit facility in order to provide needed liquidity to support the approved new generation projects in Case No. 2024-00129, ongoing capital expenditures for transmission and generation, working capital, and general corporate needs.

The approved new generation capital projects in Case No. 2024-00129 amount to $335 million. This expenditures for these projects are expected to be incurred by the end of 2026 necessitating EKPC's application in this matter. Please also see the response to Request No. 12 below.

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REQUEST 12
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 12. Explain if any of the financing will be or is anticipated to be used for projects that do not yet have Commission-approved Certificates of Public Convenience and Necessity (CPCNs).

Response 12. The financing in this Application does not consider the full magnitude of projects that do not yet have Commission approved Certificates of Public Convenience and Necessity (CPCNs). However, EKPC is expecting some expenditures related to these projects shortly after they are approved. The liquidity provided by reducing the Credit Facility balance with the financing included in this application will adequately allow for EKPC to fund these expenditures.

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REQUEST 13

RESPONSIBLE PARTY: **Thomas J. Stachnik**

Request 13. Provide a detailed breakdown of how the $450 million will be allocated (e.g., how much will be allocated to the solar project, general liquidity, etc.).

Response 13. Please see the Response to Item 1. At this time EKPC would expect to use the proceeds of up to $450 million requested in this proceeding to provide general liquidity by paying down the existing credit facility.

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REQUEST 14

RESPONSIBLE PARTY: Thomas J. Stachnik

Request 14. Provide the expected repayment sources for the proposed financing.

Response 14. The repayment sources for the proposed financing include: operating cash flow, core RUS borrowings, New ERA grants and loans administered by RUS, and direct pay tax credits which EKPC would receive upon commercial operation of solar projects.

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REQUEST 15

RESPONSIBLE PARTY: Thomas J. Stachnik

Request 15. Explain if EKPC will seek rate adjustments or other cost recovery mechanisms related to the proposed financing.

Response 15. EKPC will not directly seek rate adjustments or cost recovery mechanisms related to the proposed financing. The overall interest expense will factor into any future rate case proceedings. EKPC does anticipate seeking a general adjustment of rates later this year, however, that case will likely focus primarily on increased costs associated with inflationary pressures and other factors unrelated to EKPC's upcoming capital investments.

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REQUEST 16
RESPONSIBLE PARTY: **Thomas J. Stachnik**

Request 16. Explain how EKPC will determine the mix of secured and unsecured debt under the proposed financing. List what assets would be used as collateral for the secured debt issuance.

Response 16. Initially, EKPC expects to use unsecured debt to the degree the banks and financial institutions are willing to provide it on reasonable terms. Collateral for any secured debt is governed by the Trust Indenture and consists of substantially all assets with certain exceptions and exclusions as enumerated therein.

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REQUEST 17
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 17. Explain how EKPC will anticipate if bondholder or lender conditions may affect the proposed financing.

Response 17. Individual lender conditions can change given market conditions leading to either paying higher rates, agreeing to stricter covenants, or the need to rely on one type of investor over the others. EKPC is currently unaware of any conditions that would affect the proposed financing that are not ordinary and customary.

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REQUEST 18
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 18. Explain if EKPC has considered hedging strategies to mitigate interest rate risk. If hedging is planned, explain how EKPC will update the Commission on its impacts and associated costs.

Response 18. EKPC has considered hedging strategies to mitigate interest rate risk. The current interest rate environment for this financing continues to remain favorable. Unsecured bank financing would be floating rate debt based on Secured Overnight Financing Rate ("SOFR"), which is highly tied to the Federal Reserve Funds rate. Most economists are expecting this rate to be flat to lower over the next few years.

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REQUEST 19
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 19. Explain if EKPC anticipates additional regulatory approvals for projects or related financing beyond Commission authorization. If so, provide what approvals will be required.

Response 19. No. There are no additional regulatory approvals needed for the financing requested in this application.

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REQUEST 20
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 20. Explain if EKPC will seek any waivers or amendments to its existing credit agreements or indentures as part of the proposed financing.

Response 20. The existing Credit Facility imposes a $900 million limit on EKPC's unsecured debt. EKPC may request existing lenders to waive this limit if they are amenable to loaning unsecured debt beyond that limit. At this point, EKPC does not anticipate seeking any other waivers or amendments to its credit agreements or indenture that would arise from the proposed financing.

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STAFF'S REQUEST DATED MARCH 18, 2025
REQUEST 21
RESPONSIBLE PARTY: Thomas J. Stachnik

Request 21. Provide the potential implications if the Commission does not approve the financing as requested.

Response 21. EKPC would be limited to financings of less than 2 years. The cost of this would be similar to longer tenor commitments but with more refinancing risk. EKPC's liquidity would also be negatively impacted.

EAST KENTUCKY POWER COOPERATIVE, INC.

CASE NO. 2025-00044

FIRST REQUEST FOR INFORMATION RESPONSE

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REQUEST 22

RESPONSIBLE PARTY: Thomas J. Stachnik

Request 22. Provide a status of the tax credits received from Case No. 2024-00129. Explain if EKPC has received any of the credits, and if so, provide the total of tax credits based on EKPC's capital outlay of $350 million.

Response 22. EKPC has not received any direct pay tax credits for the projects. EKPC will file for these credits for the tax year in which the projects achieve commercial operation.