COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR AN ORDER APPROVING THE ESTABLISHMENT OF A REGULATORY ASSET FOR THE EXPENSES ASSOCIATED WITH THE REGIONAL TRANSMISSION EXPANSION PROCESS AND EXPENSES ASSOCIATED WITH COAL COMBUSTION RESIDUALS	)	**CASE NO. 2025-00193**

VERIFIED APPLICATION

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by counsel, pursuant to KRS 278.030(1), KRS 278.040(2), KRS 278.220, 807 KAR 5:001, Section 14, and other applicable law, and does hereby request the Kentucky Public Service Commission ("Commission") to approve the establishment of two regulatory assets: 1) for the expenses associated with EKPC's Regional Transmission Expansion Process ("RTEP") and 2) for the accretion and depreciation expenses associated with EKPC's Coal Combustion Residuals legacy surface impoundment ("Legacy CCR") asset retirement obligations ("ARO"). In support of its Application, EKPC respectfully states as follows:

I. Applicant Information and General Filing Requirements

1. EKPC is a not-for-profit, rural electric cooperative corporation established under KRS Chapter 279 with its headquarters in Winchester, Kentucky. Pursuant to various agreements, EKPC provides electric generation capacity and electric energy to its sixteen (16) owner-member Cooperatives ("owner-members"), which in turn serve over 570,000 Kentucky homes, farms and commercial and industrial establishments in eighty-nine (89) Kentucky counties. EKPC's Board

of Directors has stated its strategic objective is to maintain a generation fleet that prudently diversifies its fuel sources while maximizing its capital investments and minimizing stranded assets. EKPC is a "utility" as that term is defined in KRS 278.010(3)(a) and a "generation and transmission cooperative" as that term is defined in KRS 278.010(9).

2. In total, EKPC owns and operates approximately 2,963 MW of net summer generating capacity and 3,265 MW of net winter generating capacity. EKPC owns and operates coal-fired generation at the John S. Cooper Station in Pulaski County, Kentucky (341 MW) and the Hugh L. Spurlock Station (1,346 MW) in Mason County, Kentucky. EKPC also owns and operates natural gas-fired generation at the J. K. Smith Station in Clark County, Kentucky (753 MW (summer)/989 MW (winter)) and the Bluegrass Generating Station in Oldham County, Kentucky (501 MW (summer)/567 MW (winter)), landfill gas-to-energy facilities in Boone County, Greenup County, Hardin County, Pendleton County and Barren County (13.1 MW total), Cooperative Solar Farm One (8.5 MW) in Clark County, Kentucky and Cooperative Solar Farm Four – Star Hill Farm (0.5 MW) in Marion County, Kentucky. Finally, EKPC purchases hydropower from the Southeastern Power Administration at Laurel Dam in Laurel County, Kentucky (70 MW), and the Cumberland River system of dams in Kentucky and Tennessee (100 MW). EKPC also has 200 MWs of interruptible load and approximately 28 MWs in peak reduction mechanisms. EKPC's record peak demand of 3,754 MW occurred on January 17, 2024.

3. EKPC owns 2,994 circuit miles of high voltage transmission lines in various voltages, mainly 69kV and greater. EKPC also owns the substations necessary to support this transmission line infrastructure. Currently, EKPC has seventy-seven (77) free-flowing interconnections with its neighboring utilities. EKPC's transmission system is operated by PJM Interconnection, LLC ("PJM"), of which EKPC has been a fully integrated member since June 1,

2013. PJM is a regional electric grid and market operator with operational control of over 180,000 MW of regional electric generation through all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. It operates the largest capacity and energy market in North America.

4. Pursuant to 807 KAR 5:001, Section 14(1), EKPC's business address is 4775 Lexington Road, Winchester, Kentucky 40391 and its mailing address is Post Office Box 707, Winchester, Kentucky 40392-0707. EKPC's email address is: psc@ekpc.coop. EKPC's telephone number is 859-744-4812 and its fax number is 859-744-6008. EKPC requests that the following individuals be included on the service list:

Gregory H. Cecil, EKPC Director of Regulatory and Compliance

Greg.cecil@ekpc.coop

Counsel for EKPC, L. Allyson Honaker, Heather S. Temple, and Meredith L. Cave:

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5. Pursuant to 807 KAR 5:001, Section 14(2), EKPC is a Kentucky corporation, in good standing, and incorporated on July 9, 1941. The certificate of good standing is attached as Exhibit 1.

6. Pursuant to 807 KAR 5:001, Section 14(1), the grounds for EKPC's request for the establishment of regulatory assets for RTEP and Legacy CCR ARO-related expenses are set forth herein.

II. Background on RTEP

7. PJM promulgates a RTEP which is a 24-month planning process that identifies reliability issues over a 15-year horizon and is guided by planning criteria established by PJM, the North American Electric Reliability Corporation, Reliability First Corporation, and each member Transmission-Owning utilities ("TO").

8. The RTEP process generally results in two categories of projects; baseline and supplemental. Baseline projects are transmission expansions or enhancements that are needed to comply with PJM's system reliability, operational performance, or market efficiency criteria, as well as projects that are needed to meet each TO's' local transmission planning criteria.

9. Projects that are identified and incorporated into the PJM RTEP are cost-allocated to PJM load zones as follows:

- Baseline Reliability (double circuit 345 kV and higher) -- 50% allocated to zones based on load-ratio share from the preceding year and 50% allocated to zones based on Solution-Based Distribution Factors ("SBDFAX"), which are calculated annually.
- Baseline Reliability (single circuit 345 kV and lower) -- 100% allocated to zones based on SBDFAX.
- Baseline Market Efficiency (double-circuit 345 kV and higher) -- 50% allocated to zones based on load-ratio share and 50% allocated to zones based on decreasing load payments.
- Baseline Market Efficiency (single circuit 345 kV and lower – 100% allocated to zones based on decreasing load payments.
- Supplemental Projects – 100% allocated to the zone where each project is located.

PJM assigns these costs to the relevant load zone and collects them through a Transmission Enhancement Charge ("TEC").

10. EKPC's TECs for RTEP projects for 2024 were approximately $10.4 million. EKPC's TECs have been, at most, $14.2 million annually since integrating into PJM in 2013. EKPC's 2025 TECs through May 2025 are $12.3 million and are projected to total approximately $29.5 million for the year. In Case No. 2021-00103, the Commission approved recovery of $9,343,801 in RTEP expenses in base rates.[1] Therefore, EKPC is seeking a regulatory asset of approximately $20.1 million for RTEP expenses, which is the amount over what is allowed to be recovered in base rates, for 2025. Exhibit 2 to this Application includes a complete breakdown of the RTEP expenses. The projected $18.1 million increase for 2025 is due to a large increase in EKPC's assigned costs for the RTEP project rebuilding the Mt. Storm-Valley 500 kV line (b2759) in the Dominion Energy zone. EKPC's SBDFAX for this RTEP project increased from 6.65% in 2024 to 52.21% in 2025, resulting in a change in the annual cost allocation for the project from $2,547,121 in 2024 to $21,656,610 in 2025.

11. Additionally, considering the load growth and generation deactivation trends along with evolution in federal transmission planning policy, EKPC has reason to believe additional significant increases to the PJM assigned TECs to EKPC will occur in the future.

III. Background on CCR

12. Coal Combustion Residuals ("CCR"), also known as coal ash, or coal combustion by-products, are the result of combustion of coal. The Environmental Protection Agency ("EPA")

[1] See *Electronic Application Of East Kentucky Power Cooperative, Inc. For A General Adjustment Of Rates, Approval Of Depreciation Study, Amortization Of Certain Regulatory Assets, And Other General Relief* (filed Apr. 1, 2021), Direct Testimony of Isaac S. Scott, Exhibit ISS-1, page 42 of 47. See also *Electronic Application Of East Kentucky Power Cooperative, Inc. For A General Adjustment Of Rates, Approval Of Depreciation Study, Amortization Of Certain Regulatory Assets, And Other General Relief* (Ky. PSC Sept. 30, 2021), Order.

later included fly ash, bottom ash, boiler slag, and flue gas desulfurization materials generated from burning coal for the purpose of generating electricity by an electric utility into the definition of CCR.

13. The EPA promulgated The Disposal of Coal Combustion Residuals from Electric Utilities Rule in December 2014, 40 CFR part 257, Subpart D ("CCR Rule") which establishes standards for the disposal of CCR as non-hazardous waste and by-products.

14. EKPC produces coal-fired electrical generation and has several regulated CCR units at its generating facilities, including four permitted CCR landfills and the CCR surface impoundment at Spurlock Station, which is in the process of closure by removal.

15. In 2015, the EPA issued a final rule governing CCR ("2015 CCR Rule"), which created regulations for managing CCRs, which included fly ash, bottom ash, and sulfur dioxide scrubber waste material. The 2015 CCR Rule imposed extensive new requirements for certain CCR impoundments and landfills, including public notifications, location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements.

16. On May 8, 2024, the EPA published its Legacy CCR Rule, which expanded the scope of the 2015 CCR Rule to include two additional classes of CCR units: Legacy CCR Surface Impoundments ("LSIs"), and CCR Management Units ("CCRMUs"). Legacy SIs include inactive surface impoundments that contained both CCR and liquids on or after October 19, 2015 that are located at a retired generating facility that were exempt from the 2015 CCR Rule. CCRMUs includes previously unregulated areas at CCR facilities where CCR was beneficially reused in an unencapsulated manner, disposed, placed, or managed on land outside of CCR units regulated by the 2015 CCR rule. The Legacy CCR rule also establishes groundwater monitoring, corrective

action, closure, and post closure care requirements for all identified CCRMUs regardless of how or when that CCR was placed. The rule also requires applicability assessments, site security measures, inspections and monitoring, creation of a dedicated website, completion of hazard assessments, and reporting.

17. EKPC is evaluating any potential changes, timelines and requirements for the Legacy CCR Rule. However, EKPC must continue to prepare to comply with the Legacy CCR Rule unless, or until, new rules are promulgated. Accordingly, EKPC recorded AROs at December 31, 2024 which represented EKPC's best estimate of groundwater monitoring and closure certification costs at an LSI site and for expected costs related to facility evaluations at various sites where CCRMUs areas of interest were identified.

18. Pursuant to the requirements of the RUS USoA, EKPC records depreciation expense for the ARO-related assets and accretion expense for the ARO-related liabilities on a monthly basis. For the year ended December 31, 2025, the ARO-related depreciation expense and the accretion expense is expected to be $610,502 and $150,732, respectively, for a total of $761,234.

19. While the Legacy CCR AROs will be settled and resolved at a future date, under the RUS USoA, EKPC is required to currently recognize depreciation and accretion expenses. EKPC believes the ARO settlement costs will be recoverable through the Environmental Surcharge mechanism when the costs to complete the projects are incurred. However, this delayed recovery creates a mismatch of revenues and expenses in financial statements because expenses are recognized as the ARO balances are accreted and depreciated but the revenue will not be recognized until the actual project costs are recovered through the Environmental Surcharge.

20. EKPC is requesting that Legacy CCR ARO-related depreciation and accretion expenses for 2025 and all subsequent years be recorded as a regulatory asset. This treatment will defer recognition of these ARO expenses until recovery occurs, resulting in an appropriate matching of revenues and expenses in each accounting period. This treatment is also consistent with the Commission's Order in Case No. 2014-00432 and Case No. 2018-00027 for all other EKPC AROs.

III. Request to Establish Regulatory Assets

21. A regulatory asset is created when a utility is authorized to capitalize an expenditure that under traditional accounting rules would be recorded as a current expense. The reclassification of an expense to a capital item allows the utility the opportunity to request recovery in future rates of the amount capitalized. The authority to establish regulatory assets arises out of the Commission's plenary authority to regulate utilities under KRS 278.220 and to "establish a system of accounts to be kept by utilities subject to its jurisdiction… and may prescribe the manner in which such accounts shall be kept."[2]

22. EKPC must obtain Commission approval for accounting adjustments before establishing any expense as a new regulatory asset. Specifically, the Commission stated in Case No. 2001-00092, "[t]herefore, the Commission finds that in the future, ULH&P shall formally apply for Commission approval before accruing a cost as a deferred asset, regardless of the rate-making treatment that the Commission has afforded a similar cost in previous rate case proceedings."[3]

[2] KRS 278.220.

[3] *In the Matter of Adjustment of Gas Rates of The Union Light, Heat and Power Company,* Final Order, Case No. 2001-00092 (Ky. P.S.C., Jan. 31, 2002).

23. The Commission exercises its discretion to approve regulatory assets where a utility has incurred: (1) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.[4]

24. EKPC asserts its request to establish the regulatory asset for the expenses associated with the RTEP which are the result of a statutory or administrative directive, as the RTEP expenses result from the RTEP formula which is a Federal Energy Regulatory Commission ("FERC") approved rate set forth in a PJM tariff. Pursuant to KRS 278.220 which provides the system of accounts "for electric companies shall conform as nearly as practicable to the system adopted or approved by the Federal Energy Regulatory Commission."

25. EKPC asserts its request to establish the regulatory asset for the accretion and depreciation expenses associated with Legacy CCR AROs is permissible because it is an expense resulting from a statutory or administrative directive because the CCR expenses result from EPA Rules.

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[4] *See In the Matter of the Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages*, Final Order, Case No. 2008-00436 (Ky. P.S.C., Dec. 23, 2008); *In the Matter of the Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset,* Final Order, Case No. 2008-00456 (Ky. P.S.C., Dec. 22, 2008); *In the Matter of the Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset,* Final Order, Case No. 2008-00457 (Ky. P.S.C., Dec. 22, 2008); *In the matter of the Joint Application of Duke Energy Kentucky, Inc., Kentucky Power Company, Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to Certain Payments Made to the Carbon Management Research Group and the Kentucky Consortium for Carbon Storage,* Final Order, Case No. 2008-00308 (Ky. P.S.C., Oct. 30, 2008); *In the Matter of the Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving Proposed Deferred Debits and Declaring the Amortization of the Deferred Debits to be Included in Earnings Sharing Mechanism Calculations,* Final Order, Case No. 2001-00169 (Ky. P.S.C., Dec. 3, 2001).

26. EKPC has not established the requested regulatory assets on its books. At this time, EKPC is requesting regulatory asset treatment for accounting purposes only.[5] EKPC will request recovery of all associated RTEP expenses in a future rate case and will request recovery for all associated Legacy CCR ARO settlement project costs through the Environmental Surcharge.

27. EKPC is requesting the Commission authorize the establishment of regulatory assets for the expenses associated with the RTEP through December 31, 2025 and Legacy CCR AROs through all subsequent years. Consequently, EKPC requests that the Commission approve this request no later than September 30, 2025. However, if the Commission is unable to act on this application by September 30, 2025, EKPC would request the Commission to direct EKPC to record a credit to expense and debit the regulatory asset account for $20,927,140, ($20,165,905 from RTEP and $761,234 from depreciation and accretion) in the 2025 financial statements to bring the regulatory asset account balance up to the amount requested for 2025 and to also record all accretion and depreciation in 2025 and subsequent years as regulatory assets. The accounting entries reflecting the establishment of the regulatory assets in 2025 and entries for years subsequent to 2025 are shown in Exhibit 2 of this application.

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests the Commission to authorize the establishment of a regulatory asset for the expenses associated with the RTEP and Legacy CCR.

This the 27th day of June 2025.

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[5] *See Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of Regulatory Assets for the Depreciation and Accretion Expenses Associated with Asset Retirement Obligations,* Case No. 2014-00432, July 21, 2015 Order (Ky PSC July 21, 2015) and *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Depreciation and Accretion Expenses Associated with the Smith Station Landfill Asset Retirement Obligations,* Case No. 2018-00027, March 8, 2018 Order (Ky. PSC March 8, 2018 Order) that approved regulatory asset accounting treatment only for other expenses.

VERIFICATION

This will certify that I, Cliff Scott, on behalf of said corporation, after having first been duly sworn, did examine the contents of this Application and that, to the best of my knowledge and belief as formed after reasonable diligence and inquiry, said statements are true and correct as of this 27th day of June, 2025.

East Kentucky Power Cooperative, Inc.

BY: Cliff Scott

ITS: CFO

COMMONWEALTH OF KENTUCKY

COUNTY OF CLARK

The foregoing Verification was signed, acknowledged and sworn to before me the 27th day of June, 2025 by Terri Combs, on behalf of the corporation.

Terri K. Combs

NOTARY PUBLIC

MY COMMISSION EXPIRES: 12/28/2028

NOTARY ID. NO. KYNP17358

Respectfully submitted,

Heather S. Temple

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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Commission on June 27, 2025, and that there are no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to prior Commission Orders, no paper copies of this filing will be made.

Heather S. Temple

Counsel for East Kentucky Power Cooperative, Inc.