

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**ELECTRONIC INVESTIGATION
INTO THE AFFORDABILITY OF
ELECTRIC AND NATURAL GAS
UTILITY SERVICE AND
RELATED MATTERS**

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CASE NO. 2026-00185

**INITIAL COMMENTS OF EAST KENTUCKY POWER COOPERATIVE, INC. AND
ITS SIXTEEN OWNER-MEMBERS**

East Kentucky Power Cooperative, Inc. (“EKPC”), by and through undersigned counsel, hereby respectfully submits these Initial Comments in response to the Commission’s Order entered August 26, 2026, in the above-captioned proceeding.

EKPC and its Owner-Members appreciate the Commission’s proactive efforts to be mindful of affordability issues relating to public utility rates, particularly as another winter heating season nears. As the Commission aptly pointed out in its order, affordability is a complex issue that cannot be evaluated solely from the perspective of member bills. Rates must remain fair, just and reasonable, and jurisdictional utilities must remain capable of making the investments necessary to provide safe, adequate, efficient, and reasonable service.¹ The affordability of utility service for an individual is affected by numerous factors outside of the utilities’ control, including member income, electricity usage, natural gas price and usage, housing characteristics (e.g. energy efficiency, weatherization, and home size and type), portions of rate design and cost allocation, inflationary impacts on operating and capital costs, system needs, available assistance programs,

¹ August 28, 2026 Order, page 3.

payment programs and practices, weather, physical and cyber threats, global conflicts and supply chain impacts on the costs associated with maintaining safe and reliable service.

To that end, EKPC and its Owner-Members are offering several comments and concepts that are intended to advance the Commission's consideration of the affordability discussion. When discussing the term as it applies to public utilities, there is no conclusive way to define affordability across the state of Kentucky. Controlling public utility costs is just one factor in measuring the overall financial burden of energy on Kentucky households. As with any complex financial modeling, all significant factors must be considered. For example, overall economic growth; unemployment rates; inflationary pressures as a whole; and tax policy at the federal, state and local levels are each immediate contributors to the financial obligations of Kentucky households and businesses. In addition, other important, longer-term considerations and policies also help shape and inform the affordability equation, including: educational attainment, transportation investments, housing standards and geopolitical developments that impact energy markets. Obviously, none of these factors are within the scope of the jurisdiction or expertise of the Commission or the public utilities that it regulates. Thus, while EKPC and its Owner-Members are committed to helping assure that the rates end-use members ultimately pay for electricity are as low as reasonably possible without jeopardizing long-term reliability, EKPC and its Owner-Members also recognize that the ability to control such an outcome is somewhat limited by multiple categories of broader policies and market conditions. Nevertheless, EKPC and its Owner-Members are appreciative of the Commission's efforts and offer the following to advance the Commission's stated purpose.

I. COMMENTS FROM EKPC’S SIXTEEN OWNER-MEMBERS

EKPC and its Owner-Member distribution cooperatives are member-owned, not-for-profit organizations. This is important to understand because cooperatives are distinct from investor-owned utilities (“IOU”). Unlike IOUs, cooperatives, like EKPC and its Owner-Members, do not have shareholders and are instead governed by the members they serve. These members desire reliable, low-cost electricity. Each dollar spent is ultimately borne by the members and any economic success of a cooperative is ultimately passed back to its members in the form of either capital credits, lower rates, or allowing the Owner-Member to delay seeking a rate increase.

Electric cooperatives tend to face higher costs because their mission is to serve rural America. Electric cooperatives service some of the most remote areas of Kentucky and cooperatives must build and maintain power lines through some of the roughest terrain imaginable. Because of the rural nature of the service territories, the number of meters per mile can be very low. This means the cost to serve members in these areas is necessarily higher. Additionally, the rural nature of the service territories does not lend itself to large businesses and industries. This means the Owner-Members are not receiving this type of steady revenue that contributes more toward fixed costs and help stabilize rates.

The primary concern echoed by Owner-Members at the Commission for several years now is the fixed charge should match the fixed cost to serve members. Without the ability to fully recover the fixed costs to serve a member through the fixed charge, the cooperatives are forced to recover some portion of fixed costs through the energy charge. This results in higher kilowatt hour rates that unfairly impact bills during peak usage, and it can result in volatile over- and under-collection of revenue due to the impacts of weather. Not aligning the fixed charge with each member’s true cost to serve harms the cooperatives, harms the members, and fails to address

affordability in a manner that results in fair, just and reasonable rates. Allowing the true costs to serve to be recovered through the member charge could ultimately reduce electric bills, especially for those members with poorly insulated and leaky housing stock, which are often occupied by our low-income members.

Allowing Owner-Members to recover more of their fixed costs through the member charge will also assist with affordability concerns because it will allow the cooperatives to stabilize their revenue. Stabilization of revenue will decrease some of the uncertainty and unpredictability that a distribution cooperative faces when revenues are not as anticipated because of mild weather and unexpected expenses, such as storm damage. Distribution cooperatives are faced with tough decisions to identify sources of funds needed to pay for unexpected expenses, as well as for everyday expenses, in order to provide safe and reliable service to end-use members because cooperatives operate on low margins based on their approved Times Interest Earned Ratios (“TIER”s). Over the last few years, the Owner-Members have tried to focus instead on Operating Times Interest Earned Ratio (“OTIER”) when establishing rates. OTIER is included in many of the Owner-Members’ debt covenants and is the metric many struggle to meet. Failing to meet OTIER two out of three years places the Owner-Members in jeopardy of default.

Ultimately, a higher fixed charge will be beneficial to residential ratepayers because it is more aligned with the actual cost of service. This results in a more appropriate price signal to residential members, which better promotes economic and efficient usage of electricity and reduces subsidies between members and could allow for a lower per-kWh rate. This rate design also allows the members to be better plan/budget for their electric bills, as bills during peak-usage months could be lower due to the lower kWh rate.

Because the cost of wholesale power makes up a large proportion of their cost structure, the Owner-Member distribution cooperatives are left with limited options for managing affordability. EKPC's sixteen Owner-Members could be operating off as little as 15% of the revenues collected. As a result, they often look to economic growth to stabilize rates, although these opportunities can be limited in rural areas. Meanwhile, the Owner-Members face the same cost increases as the consumers they serve and experience continued and sustained increases in the cost of utility inputs to provide safe and reliable power.

II. COMMENTS FROM EAST KENTUCKY POWER COOPERATIVE, INC.

EKPC has worked diligently pursuing initiatives that will shape the future of EKPC for decades to come. EKPC believes the initiatives are assisting with keeping rates affordable. EKPC amended its wholesale contracts with its Owner-Members to allow EKPC to borrow money from the Rural Utilities Service ("RUS") at lower rates and depreciate assets over a longer period of time.

EKPC is investing in new generation to protect against the volatile energy markets. The addition of new generation allows EKPC to maintain the capacity needed to serve its Owner-Members and aligns with the Commission's long-standing precedent of having "steel in the ground." EKPC took the "all of the above" approach to diversify its generation portfolio and took advantage of the dollars that became available from the Inflation Reduction Act and the New Empowering Rural America ("New ERA") funding. These investments are critically important as EKPC operates within the PJM Interconnection LLC, ("PJM") system. When EKPC first joined PJM, there was an abundance of generation supply. However, two factors have all but eliminated this abundance. First, closures of coal-fired generators due to federal environmental policies significantly reduced the amount of dispatchable generation in PJM. Second, states with

deregulated electric markets adopted short-sighted policies that encouraged utilities to lean on the PJM system and failed to incentivize needed investments in new dispatchable capacity. Because of these two factors, PJM's ability to fully meet the demands within its system is concerning.

EKPC developed and received Commission approval for a new data center tariff ("Rate DCP") that placed EKPC at the forefront of addressing data center concerns. Rate DCP identifies and allocates the risks of serving such large loads in such a way that existing Owner-Members' retail members will never be negatively impacted financially by the addition of large data centers to EKPC's system.² This provides a robust tool for managing integration of data centers and helping to stabilize rates with economic growth, while protecting other members from bearing the cost.

As utilities see more and more of their costs dictated by federal energy and environmental policies originating in Washington, D.C. and as PJM's own policies and tariffs have a greater impact over the capacity market and transmission cost allocation, EKPC's advocacy is becoming a more important element of achieving long-term cost savings. For instance, the greenhouse gas rule adopted by the EPA in 2024 carried with it a compliance price tag of \$10.7 billion just to operate the Spurlock Station coal units past 2040. Of course, this would be impossible for a utility the size of EKPC to accomplish without imposing massive and unsustainable rate increases on Owner-Members and the communities they serve. The greenhouse gas rule was just one of nearly a dozen rules the EPA alone proposed in the last eighteen (18) months of the Biden Administration. EKPC was vocal in advocating for federal and PJM policies that are reasonable and cost-effective because preventing a very expensive rule or policy with no material benefit to members from going

² See *Electronic Tariff Filing of East Kentucky Power Cooperative, Inc. to Establish a New Tariff For Data Center Power*, Case No. 2025-00140, Order (October 30, 2026).

into effect is one of the most effective strategies for keeping overall electricity costs as low as possible.

In addition to advocating on federal environmental regulations, EKPC also advocates at PJM for policies that will assist with affordability. While Kentucky's policy makers have supported keeping coal fired power plants online and available, short-sighted policies in other states have driven the shutdown of reliable, dispatchable power plants. EKPC is an active member in the PJM stakeholder process and in several Federal Energy Regulatory Commission ("FERC") dockets as an advocate for policies that encourage stability, predictability, and the correct long-term investment signals for the capacity market. Increasingly, this is becoming a battle between states, as these states (i.e. Maryland, New Jersey, Delaware, Pennsylvania, Michigan, and Illinois) that have adopted unreasonable energy policies, causing their utilities to unreasonably lean on the capacity market and electric system as a whole have become more vocal in opposing market fundamentals. EKPC is carefully watching how PJM and FERC implement tariffs relating to regional transmission planning and cost allocation.

Over the past decade, economic development efforts from EKPC and its sixteen Owner-Members assisted with the recruitment, expansion, and retention of many successful business and industry announcements. Together, these economic development successes add hundreds of projects of various scale, representing over \$13.8 billion in new investment across the Commonwealth, committed to create over 20,000 new jobs and substantially increase the electric load demand. These investments in the communities EKPC's Owner-Members serve will significantly improve the quality of life of end-use members.

EKPC and its Owner-Members have also seen multiple years of above-average inflation and rising interest rates. Both of these impacts the affordability of rates. However, these are not

factors that only impact utility rates. They impact every facet of life. EKPC has seen the costs of needed materials and supplies significantly increase over the last several years. For example, from 2020 to 2026, the cost of guy wire has increased approximately 153%, primary wire has increased approximately 138%, secondary wire has increased approximately 134%, wood crossarms have increased approximately 110% and transformers have increased approximately 103%. These are not costs that the EKPC nor its Owner-Members have any control over and are items that are necessary to continue to provide safe and reliable electric service to EKPC's Owner-Members and their end use members.

EKPC is always looking for ways to achieve value for its Owner-Members and save them money – whether it is through targeted investments that promote reliability and safety, avoiding unnecessary costs, being more strategic in its procurement of goods and services, offering benefits to attract a skilled workforce, being proactive on future generation needs, or leveraging programs available to it through the federal government. Prior to implementing any cost containment initiatives, EKPC will continue to evaluate the associated risks involved and discuss with its Board of Directors.

CONCLUSION

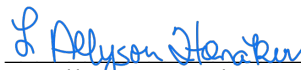
EKPC and its Owner-Members maintain that affordability of electric rates is a complex issue informed by multiple controlling factors beyond a utility's control. EKPC and its Owner-Members appreciate the Commission's proactive efforts to be mindful of affordability issues relating to public utility rates. As discussed above, affordability cannot be evaluated solely from the perspective of member bills. The affordability of utility service may be affected by numerous factors, including economic growth, member income, unemployment rates, electricity usage, natural gas price and usage, housing characteristics (e.g. energy efficiency, weatherization, and

home size and type), inflationary pressures, portions of rate design and cost allocation, tax policy at the state and local levels, inflationary impacts on operating and capital costs, system needs, available assistance programs, payment programs and practices, weather, physical and cyber threats, global conflicts and the supply chain impacts on the costs associated with maintaining safe and reliable service

EKPC and its Owner-Members are committed to helping assure that the rates end-use members ultimately pay for electricity are as low as reasonably possible without jeopardizing long-term reliability. However, EKPC and its Owner-Members also recognize that the ability to control such an outcome is somewhat limited by multiple categories of broader policies and market conditions. Nevertheless, rates must remain fair, just, and reasonable, and jurisdictional utilities must remain capable of making the investments necessary to provide safe, adequate, efficient, and reasonable service. EKPC and its Owner-Members are appreciative of the Commission's efforts and look forward to participating in this investigation.

This the 30th day of September 2026.

Respectfully submitted,



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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Commission on September 30, 2026, 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.



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and its Sixteen Owner-Members*