

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE	)	
PUBLIC SERVICE COMMISSION OF THE	)	
ENVIRONMENTAL SURCHARGE MECHANISM	)	
OF EAST KENTUCKY POWER COOPERATIVE,	)	CASE NO.
INC. FOR THE SIX-MONTH EXPENSE PERIOD	)	2026-00070
ENDING NOVEMBER 30, 2025, AND THE PASS-	)	
THROUGH MECHANISM OF ITS SIXTEEN	)	
MEMBER DISTRIBUTION COOPERATIVES	)	

ORDER

By Order entered on April 23, 2026, the Commission opened an investigation of the Environmental Surcharge for East Kentucky Power Cooperative, Inc. (EKPC) and its 16-member distribution cooperatives (Member Cooperatives).¹ The investigation encompassed the six-month expense period ending November 30, 2025.²

LEGAL STANDARD

KRS 278.183(3) requires, in pertinent part, that:

At six (6) month intervals, the commission shall review past operations of the environmental surcharge of each utility, and after hearing, as ordered, shall, by temporary adjustment in the surcharge, disallow any surcharge amounts found not just

¹ Big Sandy Rural Electric Cooperative Corporation (Big Sandy RECC), Blue Grass Energy Cooperative Corporation (Blue Grass Energy), Clark Energy Cooperative (Clark Energy), Cumberland Valley Electric (Cumberland Valley Electric), Farmers Rural Electric Cooperative Corporation (Farmers RECC), Fleming-Mason Energy (Fleming-Mason Energy), Grayson Rural Electric Cooperative Corporation (Grayson RECC), Inter-County Energy Cooperative (Inter-County Energy), Jackson Energy Cooperative (Jackson Energy), Licking Valley Rural Electric Cooperative Corporation (Licking Valley RECC), Nolin Rural Electric Cooperative Corporation (Nolin RECC), Owen Electric Cooperative (Owen Electric), Salt River Electric (Salt River Electric), Shelby Energy Cooperative (Shelby Energy), South Kentucky Rural Electric Cooperative Corporation (South Kentucky RECC) and Taylor County Rural Electric Cooperative Corporation (Taylor County RECC).

² Opening Order (Ky. PSC Apr. 23, 2026).

and reasonable and reconcile past surcharges with actual costs recoverable pursuant to subsection (1) of this section.

BACKGROUND

On March 17, 2005, the Commission approved EKPC's environmental surcharge application and established a surcharge mechanism.³ The Commission also approved a mechanism to pass through the environmental surcharge to EKPC's Member Cooperatives.⁴ The Commission's last review was completed on January 26, 2026.⁵

The Commission issued a procedural schedule as Appendix A to the Opening Order.⁶ There were no intervention requests in this proceeding. EKPC and the Member Cooperatives responded to two requests for information.⁷ On August 18, 2026, the

³ Case No. 2004-00321, *Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge* (Ky. PSC Mar. 17, 2005).

⁴ Case No. 2004-00372, *Application of Big Sandy RECC, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Cumberland Valley Electric, Farmers RECC, Fleming-Mason Energy, Grayson RECC, Inter-County Energy Cooperative, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen Electric Cooperative, Salt River Electric, Shelby Energy Cooperative, South Kentucky RECC and Taylor County RECC for Authority to Pass Through the Environmental Surcharge of East Kentucky Power Cooperative, Inc.* (Ky. PSC Mar. 17, 2005).

⁵ Case No. 2025-00266, *An Electronic Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Two-Year Expense Period Ending May 31, 2025, and the Pass-Through Mechanism of Its Sixteen Member Distribution Cooperatives* (Ky. PSC Jan. 26, 2026).

⁶ Opening Order (Ky. PSC Apr. 23, 2026), Appendix A.

⁷ EKPC's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 15, 2026); Nolin RECC's Response to Staff's First Request (filed May 15, 2026); Salt River Electric's Response to Staff's First Request (filed May 15, 2026); Licking Valley RECC's Response to Staff's First Request (filed May 15, 2026); Fleming-Mason Energy's Response to Staff's First Request (filed May 15, 2026); Inter-County Energy's Response to Staff's First Request (filed May 15, 2026); Owen Electric's Response to Staff's First Request (filed May 15, 2026). Grayson RECC's Response to Staff's First Request (filed May 15, 2026); Shelby Energy's Response to Staff's First Request (filed May 15, 2026); Cumberland Valley Electric's Response to Staff's First Request (filed May 15, 2026); Clark Energy's Response to Staff's First Request (filed May 15, 2026); Big Sandy's Response to Staff's First Request (filed May 15, 2026); Jackson Energy's Response to Staff's First Request (filed May 15, 2026); Blue Grass Energy's Response to Staff's First Request (filed May 15, 2026); Big Sandy RECC's Response to Staff's First Request (filed May 15, 2026); Farmers RECC's Response to Staff's First Request (filed May 15, 2026); Taylor RECC's Response to Staff's First Request (filed May 15, 2026); South Kentucky RECC's Response to Staff's First Request (filed May 15, 2026); EKPC's Response to Commission Staff's Second Request for Information

parties requested that the decision be made based on the record.⁸ This matter stands submitted for a decision.

SURCHARGE ADJUSTMENT

The Commission, finding no hearing necessary, finds as follows. The Commission reviewed EKPC's activity during the review period set forth in this Order, including an under-recovery⁹ that occurred in November 2025. EKPC applied its November 2025 under-recovery to the December 2025 expense month, which was billed in January 2026.¹⁰ The Commission finds EKPC's application of its November 2025 under-recovery to the December 2025 expense month to be reasonable.

RATE OF RETURN

For the expense months ending November 2025, the rate of return (ROR) was 6.474 percent, which was approved by the Commission in Case No. 2025-00013.¹¹ EKPC's rate of return on environmental compliance rate base is determined by multiplying the weighted average debt cost for the debt issuances directly related to projects in the

(Staff's Second Request) (filed May 6, 2025); Big Sandy RECC's Supplemental Response to Staff's First Request (filed June 10, 2026); Fleming-Mason Energy's Response to Staff's Second Request (filed June 18, 2026); Licking Valley RECC's Response to Staff's Second Request (filed June 24, 2026).

⁸ EKPC and Its 16 Member-Owner Cooperative's Motion for a Decision to Submit the Matter on the Record (filed Aug. 18, 2026).

⁹ EKPC incurred an under-recovery of \$1,950,206 in November 2025. EKPC's Response to Staff's First Request, Item 1, Attachment 1 at 19.

¹⁰ Direct Testimony of Christian Everly (Everly Direct Testimony) (filed May 15, 2026) at 11; EKPC's Response to Staff's First Request, Item 1.

¹¹ Case No. 2025-00013, *An Electronic Examination By the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Sixth-Month Expense Periods Ending May 31, 2022, November 30, 2022, November 30, 2023, May 31, 2024, and November 30, 2024, the Two-Year Expense Period Ending May 31, 2023, and the Pass-Through Mechanism of its Sixteen Member Distribution Cooperatives* (Ky. PSC July 28, 2025).

approved compliance plan times a stated TIER.¹² The use of a 1.50 TIER was first authorized in Case No. 2025-00013.¹³ EKPC is proposing a weighted average cost of debt of 4.323 percent based on the debt cost of each debt issuance directly related to the projects in the environmental compliance plan as of November 30, 2025 and debt cost for the Credit Facility for all environmental compliance plan construction work in progress as of November 30, 2025.¹⁴ EKPC is proposing a ROR of 6.50 percent in this proceeding.¹⁵

Having considered the record, the Commission finds that EKPC's requested 6.50 percent ROR is reasonable and should be approved. A TIER of 1.50 is reasonable in the determination of the ROR. EKPC filed sufficient evidence to support its average debt costs and provided sufficient evidence that its environmental compliance investments are financed with long-term debt.

PASS-THROUGH MECHANISM REPORT

Under the pass-through mechanism, the environmental surcharge factors computed for retail customers were billed by EKPC's Member Cooperatives at approximately the same time as EKPC billed the Member Cooperatives at wholesale.

¹² Everly Direct Testimony at 8.

¹³ Case No. 2025-00013, *An Electronic Examination By the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Sixth-Month Expense Periods Ending May 31, 2022, November 30, 2022, November 30, 2023, May 31, 2024, and November 30, 2024, the Two-Year Expense Period Ending May 31, 2023, and the Pass-Through Mechanism of Its Sixteen Member Distribution Cooperatives* (Ky. PSC July 28, 2025).

¹⁴ EKPC's Response to Staff's First Request, Item 5a-d.

¹⁵ Everly Direct Testimony at 11. Applying a TIER of 1.50 multiplied by a weighted average cost of debt of 4.323% equals 6.50%.

The Member Cooperatives' under- and over-recoveries are calculated and applied separately from EKPC's total under-recovery during this review period.

EKPC provided the Member Cooperatives over- or under-recovery amounts for the review period and proposed that they be refunded or collected by amortizing the amount over a period of six months beginning in the first month after the Commission's Order in this proceeding.¹⁶

Member Cooperative	Total (Over)/Under Recovery		Months to Amortize	Monthly Amortization	
	(Over)	Under		(Over)	Under
Big Sandy RECC	(\$162,179)		6	(\$27,030)	
Blue Grass Energy		\$113,715	6		\$18,953
Clark Energy	(\$352,668)		6	(\$58,778)	
Cumberland Valley Electric		\$411,451	6		\$68,575
Farmers RECC		\$80,774	6		\$13,462
Fleming-Mason Energy	(\$546,704)		6	(\$91,117)	
Grayson RECC		\$74,113	6		\$12,352
Inter-County Energy	(\$546,795)		6	(\$91,133)	
Jackson Energy	(\$311,516)		6	(\$51,919)	
Licking Valley RECC	(\$333,361)		6	(\$55,560)	
Nolin RECC	(\$46,194)		6	(\$7,699)	
Owen Electric		\$488,080	6		\$81,347
Salt River Electric		\$173,006	6		\$28,834
Shelby Energy	(\$70,081)		6	(\$11,680)	
South Kentucky RECC	(\$351,358)		6	(\$58,560)	
Taylor RECC	(\$506,999)		6	(\$84,500)	
Cumulative Totals	(\$3,227,855)	\$1,341,139		(\$537,976)	\$223,523

The Commission finds the Member Cooperatives' proposals to amortize their respective accumulated over- or under-recovery amounts in each of the first six expense

¹⁶ EKPC's Response to Staff's First Request, Item 2.

months following the final Order in this proceeding reasonable as is customary in environmental surcharge six-month reviews.

IT IS THEREFORE ORDERED that:

1. The amounts billed by EKPC through its environmental surcharge for the six-month review of EKPC's environmental surcharge for the expense month ending November 30, 2025, are approved.
2. EKPC shall use a ROR of 6.50 percent in all monthly environmental surcharge filings subsequent to the date of this Order.
3. EKPC's Member Cooperatives shall include the applicable monthly retail pass-through adjustments, shown in the Appendix to this Order, in the determination of each Member Cooperative's respective pass-through mechanism amortized monthly in each of the first six expense months following the date of this Order, as discussed herein.
4. This case is closed and removed from the Commission's Docket.

Entered on this 17th day of September, 2026.

PUBLIC SERVICE COMMISSION



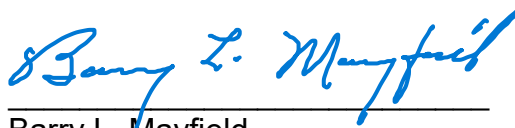
Angie Hatton
Chair



Mary Pat Regan
Vice Chair

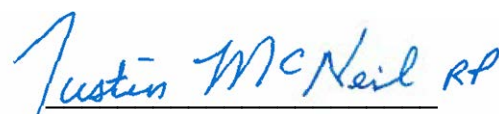


Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00070 DATED SEP 17 2026

Member Cooperatives' Adjustments to Monthly Pass-Through Mechanism

The EKPC Member Cooperatives shall include the following monthly adjustments in the determination of the applicable pass-through factors for the first six months after the date of this Order.

	<u>Total Amount of Over-Recovery</u>	<u>Monthly Amount To Be Returned</u>	<u>Monthly Bill Impact</u>
Big Sandy RECC	\$162,179	\$27,030	\$1.86
Clark Energy Cooperative	\$352,668	\$58,778	\$1.55
Fleming-Mason Energy Cooperative	\$546,704	\$91,117	\$2.63
Inter-County Energy Cooperative Corp.	\$546,795	\$91,133	\$2.87
Jackson Energy Cooperative	\$311,516	\$51,919	\$0.85
Licking Valley RECC	\$333,361	\$55,560	\$2.56
Nolin RECC	\$46,194	\$7,699	\$0.15
Shelby Energy Cooperative	\$70,081	\$11,680	\$0.58
South Kentucky RECC	\$351,358	\$58,560	\$0.67
Taylor County RECC	\$506,999	\$84,500	\$2.13

	<u>Total Amount of Under-Recovery</u>	<u>Monthly Amount To Be Collected</u>	<u>Monthly Bill Impact</u>
Blue Grass Energy Cooperative	\$113,715	\$18,953	\$0.21
Cumberland Valley Electric	\$411,451	\$68,575	\$2.40
Farmers RECC	\$80,774	\$13,462	\$0.47
Grayson RECC	\$74,113	\$12,352	\$0.73
Owen Electric Cooperative	\$488,080	\$81,347	\$1.02
Salt River Energy Cooperative Corp.	\$173,006	\$28,834	\$0.32

Service List for Case 2026-00070

* L. Allyson Honaker
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 1203
Lexington, KY 40509

* April Renner
Jackson Energy Cooperative Corporation
115 Jackson Energy Lane
McKee, KY 40447

* Brandon Hunt
System Engineer
Fleming-Mason Energy Cooperative, Inc.
1449 Elizaville Road
P. O. Box 328
Flemingsburg, KY 41041

* Clayton O Oswald
Taylor, Keller & Oswald, PLLC
1306 West Fifth Street, Suite 100
Post Office Box 3440
London, KY 40743-3440

* Hon. Derrick Willis
Attorney at Law
Willis Law Office
117 S. Hord Street
Grayson, KY 41143

* Attorney Earl Rogers III
Campbell Rogers & Hill, PLLC
Campbell & Rogers
154 Flemingsburg Road
Morehead, KY 40351

* Farmers R.E.C.C.
Farmers R.E.C.C.
504 South Broadway
P. O. Box 1298
Glasgow, KY 42141-1298

* Heather Temple
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 1203
Lexington, KY 40509

* Denotes served by Email

* Fleming-Mason Energy Cooperative, In
Fleming-Mason Energy Cooperative, Inc.
1449 Elizaville Road
P. O. Box 328
Flemingsburg, KY 41041

* Nolin R.E.C.C.
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY 42701-6767

* South Kentucky R.E.C.C.
South Kentucky R.E.C.C.
200 Electric Avenue
Somerset, KY 42501

* Lauren Fritz
Fleming-Mason Energy Cooperative, Inc.
1449 Elizaville Road
P. O. Box 328
Flemingsburg, KY 41041

* Meredith L. Cave
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 1203
Lexington, KY 40509

* Mike Mason
Manager, Operations
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, KY 40065

* Big Sandy R.E.C.C.
Big Sandy R.E.C.C.
504 11th Street
Paintsville, KY 41240

* Clark Energy Cooperative, Inc.
Clark Energy Cooperative, Inc.
2640 Ironworks Road
P. O. Box 748
Winchester, KY 40392-0748

* Cumberland Valley Electric, Inc.
Cumberland Valley Electric, Inc.
Highway 25E
P. O. Box 440
Gray, KY 40734

* East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

* Inter-County Energy Cooperative Corp
Inter-County Energy Cooperative Corporation
1009 Hustonville Road
P. O. Box 87
Danville, KY 40423-0087

* Jackson Energy Cooperative Corporati
Jackson Energy Cooperative Corporation
115 Jackson Energy Lane
McKee, KY 40447

* Licking Valley R.E.C.C.
Licking Valley R.E.C.C.
P. O. Box 605
271 Main Street
West Liberty, KY 41472

* Owen Electric Cooperative, Inc.
Owen Electric Cooperative, Inc.
8205 Highway 127 North
P. O. Box 400
Owenton, KY 40359

* Shelby Energy Cooperative, Inc.
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, KY 40065

* Salt River Electric Cooperative Corp
Salt River Electric Cooperative Corp.
111 West Brashear Avenue
P. O. Box 609
Bardstown, KY 40004

* Blue Grass Energy Cooperative Corp.
Blue Grass Energy Cooperative Corp.
1201 Lexington Road
P. O. Box 990
Nicholasville, KY 40340-0990

* Grayson R.E.C.C.
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

* Taylor County R.E.C.C.
Taylor County R.E.C.C.
625 West Main Street
P. O. Box 100
Campbellsville, KY 42719

* Ryan Henderson
Jackson Energy Cooperative Corporation
115 Jackson Energy Lane
McKee, KY 40447