EKPC is taking action to protect affordability

By Don Mosier

At East Kentucky Power Cooperative (EKPC), affordability is our goal. We strive every day to maintain electric rates all cooperative members can pay without extreme hardship.

Costs are rising. Over the last few years, the price of poles and wire jumped nearly 50 percent. From transformers to bucket trucks, everything costs way more, similar to what you have seen at the grocery store and the gas pump. EKPC's costs make up nearly three-quarters of the bills sent from our 16 owner-member cooperatives, so we work hard to control those costs.

Electric cooperatives have always faced higher costs because our mission is to serve rural America. Electric cooperatives serve some of the most remote areas of Kentucky, and cooperatives must build and maintain power lines through some of the roughest terrain imaginable. In many areas we serve, there are just a few meters per mile of power lines, meaning the cost of building and maintaining that infrastructure is spread over fewer customers. Compared to utilities that primarily serve towns and cities, our cooperatives receive less contribution from large businesses and industries that use electricity efficiently and contribute more toward fixed costs and help stabilize rates.

Here is the good news. EKPC and our owner-member cooperatives are member-owned, not-for-profit organizations. We answer to the people we serve, and they want reliable, low-cost electricity rather than profits and dividends.

So, given these challenges and our goal, you might wonder why EKPC is embarking on an expansion plan to add more than $2 billion in new power plants and other infrastructure in the next few years. The clear answer: the alternatives are much more expensive.

Electricity consumption is growing. EKPC's announced projects will meet the growing needs of our members, <u>not</u> including <u>any</u> data centers. We must maintain sufficient power plant resources to meet the needs of our members. If not, then EKPC will be forced to buy electricity from the market. As electricity demand grows throughout the eastern U.S., some states outside of Kentucky are regretting policy decisions that forced the decommissioning of many gigawatts of reliable, low-cost power plants. One result of those short-sighted policy decisions is limited power supply driving steeply rising market prices. Clearly, this is not a good time to be exposed to electricity markets, and that's likely to continue for the foreseeable future.

Here are just a few examples of how EKPC is working to keep your costs down:

Buy low, sell high. EKPC participates in a 13-state power grid known as PJM. We joined PJM in 2013 because it was financially advantageous to do so. PJM membership helps keep costs low and provides opportunities for extra revenues. When prices are low, EKPC can buy power cheaper than it would cost to generate at our own power plants. When prices are high and EKPC has available plant capacity, we can sell excess energy. In both instances, our members benefit because, in our not-for-profit, member-owned cooperative, they are the shareholders. Indeed, membership in PJM has saved our owner-members hundreds of millions of dollars, while also helping keep the lights on through many extreme weather events, like Winter Storm Fern this past January and the July heat wave we all just endured.

Recent media coverage has focused on high prices in PJM, especially for power plant capacity. Those high prices are largely the result of short-sighted policies in other states outside of Kentucky, which have driven the shutdown of reliable, dispatchable power plants. Meanwhile, Kentucky's policy-makers have supported keeping power plants online and available. As energy and capacity markets rise, EKPC and cooperative members have benefitted. Kentucky has done things right, protecting electric consumers like you.

As a result, EKPC's exposure to high PJM prices is limited, while we maintain access to sell energy and capacity to produce revenue to help our members.

Relieve seasonal price spikes. During the past few winters, the eastern U.S. has experienced periods of extreme cold weather. Following those arctic chills, electric customers open their bills to find high charges for the fuel adjustment. These are driven largely by daily natural gas markets, which see radical price spikes during extreme cold weather when power plants, as well as homes, are consuming large amounts of gas. Without protections, power plant owners can easily rack up tens of millions in fuel costs in a matter of hours.

EKPC has a plan to take control of price volatility by transforming our power plant fleet, increasing flexibility, and creating opportunity to buy natural gas far in advance so we can hedge against those temporary price spikes.

This multifaceted plan includes adding a large new baseload generating unit in Somerset, along with a new power plant in Casey County; converting coal units so they can be fueled by both coal and natural gas; and extending natural gas pipelines to EKPC's power plants to enable those conversions, create flexibility and increase our purchasing volume to better control prices.

Plan carefully, act decisively. EKPC's expansion plan is the result of closely watching growth forecasts; evolving markets; shifting laws and regulations; emerging technologies; the transformation of supply chains; and a host other factors.

Change is constant, so timing is critical.

EKPC committed to its ongoing capital plan just before most power plant owners nationwide reached similar conclusions and began similar efforts. Because we beat them to the punch, EKPC is adding needed capacity at a steep discount compared to today's prices.

For example, the two combustion turbines that will power the new unit at Cooper Station are now selling for more than twice the price EKPC locked in. That's a savings of more than $100 million.

Be efficient and fair. And protect members. All of these ongoing capital projects are needed to serve growing power usage among Kentucky's cooperative members. They are not being built to serve data centers.

Data centers will come to Kentucky. When they locate in territories served by EKPC's 16 owner-member cooperatives, they will pay their fair share. They will not shift costs and risks to other cooperative members. That is the basic premise behind EKPC's new Data Center Power (DCP) tariff, which was approved last fall by the Kentucky Public Service Commission

Everyone is treated fairly under EKPC's DCP tariff. Data centers get access to the reliable, low-cost electricity Kentucky is known for. Cooperative members are shielded from bearing costs of serving data centers, while enjoying the benefits of stabilized rates that result from cooperatives serving loads that steadily consume large amounts of electricity and contribute to co-ops' bottom lines. Local communities that choose to do so gain the opportunity to host data centers and benefit from jobs, investment and increased tax revenue.

Help members use less and pay less. Homes and businesses can better control electricity costs by managing usage with basic energy efficiency, like ensuring tight windows and doors, adequate insulation and efficient lighting. And, of course, turning off lights and appliances when you don't really need them.

Our cooperatives offer energy audits to examine how homes and businesses use electricity, and tips for improving efficiency. We also offer programs to provide rebates and other incentives for improving energy efficiency.

As energy costs rise, please be assured your not-for-profit, member-owned cooperatives are working hard to control our costs, and providing tools for you to manage your costs.

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Don Mosier is president & CEO of East Kentucky Power Cooperative (EKPC), which supplies electricity for 16 electric cooperatives serving 1.2 million Kentucky residents across 89 counties.