

# Electric Cooperatives in Kentucky

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# History

- Created beginning in the 1930s
- Purpose was rural electrification and economic development
- Initially served areas which were deemed unprofitable by investor-owned utilities

# Key characteristics

- Customer-owned
- Customers elect governing boards, which select management
- May receive low-interest financing through federal Rural Utility Service (RUS)
- Relatively low customer density
- In most cases, residential customers make up larger proportion of total load than with investor-owned utilities

# Distribution cooperatives

- Retail providers of electricity to customer-member/owners
- Member/owners elect boards, which select management
- Systems begin at point of exit at high-voltage transmission substation
- Responsible for distribution system and all retail functions – metering, billing, collections, customer service, etc.
- Purchase power from generation/transmission cooperatives

# Generation/transmission (G&T) cooperatives

- Owned by distribution cooperatives to which they provide power on wholesale basis
- Governed on same model as distribution cooperatives – each member cooperative is represented on governing board
- Own and operate power plants and high-voltage transmission systems
- May purchase or sell power from/to third parties
- Principal customers are member cooperatives
- May sell power directly to large industrial customers

# Rate structures

- Distribution cooperative base rates are based on costs of operating distribution systems (including capital costs and debt service)
- Wholesale rates are based on costs of operating generation and transmission cooperative (including capital costs and debt service)
- Wholesale costs are passed through to retail customers by the distribution cooperatives – added to base rates



# Kentucky's electric cooperatives

## Big Rivers Electric Cooperative (G&T)

- Western Kentucky
- 112,000 customers in three distribution cooperatives
- Large portion of load is aluminum smelters
- Recently regained control of generation facilities, which had been leased to private company following bankruptcy in 1990s

# Kentucky's electric cooperatives

## East Kentucky Power Cooperative

- Serves about 500,000 customers in 87 counties – 16 member cooperatives
- Load is primarily residential/small commercial
- One major industrial customer in service territory
- Territory interwoven with investor-owned utilities



# Kentucky's electric cooperatives

## Issues

- Lack of diversified load base
- Rate differential with adjacent investor-owned utilities
- RUS lending moratorium
- Governance