

## President's Report

Legislation, regulation, and appropriation. As I reflect on 2023 at your Cooperative, I want to touch on how these themes have and will continue to impact the Cooperative's ability to provide safe, affordable and reliable electricity to our communities.

### Legislation

In May of 1933, President Roosevelt signed the TVA Act, legislation that created a new federal corporation tasked with controlling flooding, providing electricity and taking care of the environment in the Tennessee Valley. In 1936, President Roosevelt continued to make a difference when he signed legislation known as the Rural Electrification Act that provided the availability of federal loans to electric cooperatives for the installation of electric distribution systems in rural America. As a result of these actions, a group of visionaries and community leaders were able to form West Kentucky RECC in 1938 to meet the electricity needs in our area.

Over the next few decades, America went through the industrial revolution and air pollution became more and more apparent. The Clean Air Act of 1970 was introduced and passed by Congress to address pollution control requirements. The Clean Air Act was amended in 1977 and again in 1990.

The Clean Air Act of 1990 imposed many requirements on the electric generation industry to reduce the amount of air and water toxins that are emitted from coal-fired generation plants. Many of the required improvements were very expensive to implement, leading to increases in the cost of electricity.

Let me explain how Clean Air Act legislation has impacted the electric generation industry.

### Regulation

The Clean Air Act defines the Environmental Protection Agency's (EPA's) responsibilities for protecting and improving the nation's air quality and the stratospheric ozone layer. Although many parts of the clean air legislation were quite detailed, other parts set out only the general outlines of the law's regulatory programs and left many key terms undefined. The EPA has and continues to develop administrative regulations to carry out what it believes were Congress's instructions. Over the years, the EPA has placed more stringent requirements on electric generation plants as technologies evolved that could further reduce emissions. Recently released EPA regulations, aimed at forcing a move to more renewable and clean generation sources, were established to reduce greenhouse gas emissions (primarily carbon dioxide), to enact more stringent mercury and air toxic standards, and to increase steam effluent limitations. These new regulations will force the closure of many fossil-fuel fired generation plants. The cost of complying with the regulations, the inability to comply with these regulations and the plant closures that will result from these unachievable regulatory requirements will lead to less reliable, higher cost electricity for you as a member.

The move toward more renewable and clean generation sources leads to how appropriations are affecting the electric industry.

### Appropriations

Over the last few years, you may have heard all the acronyms that are associated with federal appropriation of funding. Two of these programs, the IJJA, or Infrastructure Investment and Jobs Act, and the IRA, or Inflation Reduction Act, incorporate funding that is aimed at driving investments in renewable and clean generation sources.

In addition to providing much needed funding for transportation, clean water upgrades and internet service to all Americans, the IJJA also created incentives and funding for electric vehicle market growth, electric vehicle chargers and construction of renewable and clean generation sources.

The IRA enhanced or created more than 20 tax incentives for clean generation sources and the manufacturing of the materials needed to build these sources.

These appropriations are aimed at trying to move the needle forward on the transition to cleaner generation sources. However, this shift will come with potential consequences. These include higher costs, less reliability and possibly periods without electric power in our homes and businesses.

As we are being forced by regulation and incentivized by appropriations to transition to cleaner generation sources, we must keep reliability and affordability of electricity as the primary goals. If we don't stand up against the rapid push for change, we may see significant impacts on our quality of life, the health of our families and the economic viability of our communities.

### IN REVIEW

2023 was another solid financial year for your cooperative, with margins of \$847,078 (see Treasurer's Report).

With solid leadership from your board and management team, West Kentucky Rural Electric continues to manage rising costs and supply chain shortages while keeping rates as low as possible. We also continue to advocate for reliable and affordable electricity for our members.

Improvements in 2023 included energizing the new Kenlake substation in eastern Calloway County, relocating our Murray office to provide easier access and implementing new technologies that make our day-to-day operations more efficient.

Here at West Kentucky RECC, we consider it an honor to call Western Kentucky home and to serve you and with you. Thank you for your business.

—**David Smart, President & CEO**