

2022 ANNUAL REPORT



SUPPORT | ADVOCATE | EDUCATE

KENTUCKY ELECTRIC
COOPERATIVES



COOPERATIVE	MANAGER	BOARD REPRESENTATIVE
Big Rivers Electric	Bob Berry	Wayne Elliott
Big Sandy RECC	Bruce Aaron Davis	Greg Davis
Blue Grass Energy	Michael Williams	Paul Tucker
Clark Energy	Chris Brewer	Steven Hale
Cumberland Valley Electric	Ted Hampton	Vernon Shelley
East Kentucky Power	Tony Campbell	Jody Hughes
Farmers RECC	Bill Prather	Randy London
Fleming-Mason Energy	Brandon Hunt	John Roe
Grayson RECC	Bradley Cherry	Jimmy Whitt
Gibson EMC	Dan Rodamaker	Bruce Kimbell
Inter-County Energy	Jerry Carter	Jason Todd
Jackson Energy	Carol Wright	Phil Thompson
Jackson Purchase Energy	Greg Grissom	Lee Bearden
Kenergy Corp.	Jeff Hohn	Richard Basham
Licking Valley RECC	Kerry Howard	Tommy Hill
Meade County RECC	Marty Littrel	Darla Sipes
Nolin RECC	Greg Lee	Linda Grimes
Owen Electric	Michael Cobb	Rick Messingschlager
Pennyrile Electric	Alan Gates	Jimmy Futrell
Salt River Electric	Tim Sharp	Linda West
Shelby Energy	Jack Bragg Jr.	Pat Hargadon
South Kentucky RECC	Ken Simmons	Rick Halloran
Taylor County RECC	Jeff Williams	Christopher Tucker
Tri-County EMC	Paul Thompson	Mike Miller
Warren RECC	Dewayne McDonald	Dennis Ingram
West Kentucky RECC	David Smart	Benny Adair

SUPPORT

ADVOCATE | EDUCATE

When an old farmer was asked to be on a citizens' committee working to improve the town, he asked, "Do you want me to be involved or committed?"

A puzzled man responded, "What's the difference?"

The farmer answered, "It's like a bacon and eggs breakfast. The chicken is involved, but the pig is committed."

I am blessed to have spent my career in an industry where commitment to a mission is inherent in all we do. Every electric cooperative understands the commitment to provide reliable service at a competitive price.

At Kentucky Electric Cooperatives, we are committed both to our owners and to local co-op members, driven by three words: **SUPPORT, ADVOCATE AND EDUCATE.**

Our goal is to **SUPPORT** each local cooperative, your community relationships and your mission to improve the lives of the families you serve.

United Utility Supply, the distribution part of our business, works hard to keep necessary materials and equipment available for your co-op amid supply chain delays and rising inflation. During major storms and emergencies, our team of dedicated warehouse and delivery professionals are committed to getting you the equipment you need.

As we enter 2023, UUS's evolving business model and purchasing plan should begin to ease concerns over lead times and supply chain constraints.

To **ADVOCATE** means to support and promote the interests of a group. In Frankfort, Washington, D.C., and across the commonwealth, we amplify cooperative priorities, such as championing broadband legislation, leading the response to pole attachment regulations, partnering with the state to develop an electric vehicle plan, and continuing to advocate for an improved regulatory environment. We are committed to protecting the affordability of energy in Kentucky.

We must continue to **EDUCATE** the public and policymakers about how energy is produced and used. With , as the communications hub, our all-of-the-above strategy incorporates social media and video to relate how a complex energy infrastructure improves the quality of life for co-op members and provides the backbone for industry.

SUPPORT, ADVOCATE, AND EDUCATE. As the world constantly changes, co-ops adapt to meet new challenges while relying on a firm foundation, our commitment to the family at the end of the line.



Chris

Chris Perry
President/CEO
Kentucky Electric Cooperatives

KENTUCKY ELECTRIC
COOPERATIVES



OUR BOARD

The insight and guidance of an engaged board of directors provides crucial support to both the staff of the statewide association and the shared purpose of member cooperatives.

Consisting of one manager and one director from each of our 26 member systems, the Kentucky Electric Cooperatives Board represents the concerns and priorities of all co-ops, and by extension all Kentucky co-op consumer-members.

Building upon a new committee structure implemented over the last two years, the statewide board continued to refine policies, applying the strategic plan developed in 2021:

- Best in class safety program
- More favorable regulatory environment

- Maintain financial health
- Provide resources to assist cooperatives in maintaining role as trusted energy advisor
- Facilitate education and training
- Understand and embrace emerging technologies

Just as member cooperatives have adapted to and applied lessons from the COVID-19 pandemic, the board continues to utilize virtual meeting technology to accommodate board members unable to attend in person. While most members attend full board meetings in person, the availability of a hybrid option has increased engagement, improved committee discussions and fostered progress on board matters.



ADVOCATE

Thanks to the support of engaged electric co-op consumer-members and lawmakers, the General Assembly overwhelmingly approved House Bill 315, a big win for the expansion of highspeed broadband in Kentucky.

The legislation streamlines the regulatory process for cooperatives wishing to deploy highspeed broadband, appropriating more funding to expand broadband in rural Kentucky, specifically targeted for citizens who are unserved.

HB 315 also improves the future broadband funding process, taking critical steps to unlock as much federal funding as possible for Kentucky to access through the Federal Infrastructure Act.

Kentucky Electric Cooperatives partnered with the NRECA's Voices for Cooperative Power to not only encourage legislators to support the bill, but also thank them once it became law.

The grassroots strength of Kentucky's electric cooperatives also helped prevent a significant tax increase for co-op members. Nearly three years after the statewide association launched RuralPowerKy.com to preempt a sales tax on residential electric bills, co-ops spoke up again as lawmakers contemplated adding such a sales tax as part of a broader tax reform plan. As a result, the only sales tax added to co-op bills applies to second homes, sparing 99% of ratepayers from the additional tax.

SUPPORT

September 2022 marks the 75th anniversary of the Kentucky Rural Electric Cooperative Corporation Board voting to employ a full-time statewide association staff and open a state office.

Member co-ops concluded they were stronger together and could more efficiently serve their members if they pooled their resources for certain tasks.

When the office first opened in January 1948, the founding executive of the association, the visionary J.K. Smith, identified more than 40 items for statewide support services. Many of them continue to this day, such as safety and job training, legislative advocacy, legal advice and counsel, strategic communications including a statewide publication, and acquiring electric material for resale to co-ops.

The legacy of that small staff and the original board is a statewide association committed to supporting member co-ops, adapting to the challenges and opportunities of each succeeding generation.

While independent research affirms the value of *Kentucky Living* as an effective method to reach co-op members, the association's "all of the above" communications strategy continues to utilize

websites, social media and video production to relay Kentucky co-op priorities and deploy crisis communications accurately and effectively.

That spirit of innovation and adaptability is also harnessed in the statewide association's support of member co-ops to deal with new and evolving challenges, such as managing the COVID-19 pandemic.

The association embraces its role as a source of answers when co-ops face developing questions, such as a wide variety of human resource issues including employment law, the effect of CBD oil and marijuana on drug testing, vaccine mandates, employee surveys, insurance trends and financial matters.

Across departments, Kentucky Electric Cooperatives staff work to answer those questions themselves, find subject matter experts to address co-ops in statewide virtual meetings, or host roundtable discussions where member co-ops can learn from each other.

Just as co-ops partner on mutual aid support after natural disasters, Kentucky Electric Cooperatives also coordinates efforts for ongoing concerns, such as pole attachment regulations, broadband development, electric vehicle charging, new utility products and assistance with infrastructure funding.





EDUCATE

Since opening in 2018, the Kentucky Electric Cooperatives headquarters on Lyndon Farm Court in Louisville has hosted more than 100 meetings and conferences, serving as a resource hub for member co-ops. After suspending most in-person meetings during the height of the COVID-19 pandemic, the association resumed a full schedule in 2021 utilizing the training center boardroom.

As federal, state and industry expectations continue to evolve, we update member co-ops via conference calls, role-specific meetings and a newsletter which aggregates press reports, co-op developments and important dates.

In addition to task-specific training in areas ranging from CPR to video

editing, statewide staff coordinate various co-op professional conferences, including the HR Association, Accounting Association, KSAPA, Member Services Association, IT Association, KMMA and the Engineering & Operations Association in conjunction with the Safety Conference.

In response to a request for a higher level of compliance-based training, Kentucky Electric Cooperatives partnered with the Northwest Lineman College to provide a 4-year lineman apprenticeship training program, accredited by state and federal labor departments.

Our education role also extends to public and policymaker awareness of co-op values and priorities, producing support material to educate key constituencies.



SAFETY

With the strategic goal to develop a “best in class” safety program, the statewide board, management, staff and partners such as Federated Rural Insurance Exchange collaborate to cultivate and support a safety culture at every member cooperative.

This investment has resulted in the expansion of the Safety & Loss Prevention staff, a robust training schedule and the utilization of data and safety metrics. Safety is on the agenda at every board meeting, and the effort is supported by the Safety Subcommittee,

Board Safety Committee and buy-in from co-op managers.

Surveys conducted at the Basic Skills and Accident Investigation workshops help the safety team assess strengths and weaknesses to better serve member co-ops. Staff also visit safety leaders at other statewide associations to learn and adopt best practices.

The safety team mobilize workshops to regional locations. In 2021, storm coordination expanded as the team provided logistical, environmental, and field service support to co-ops affected by the tornado outbreak.



KENTUCKY LIVING

As the flagship publication of Kentucky's electric cooperatives, *Kentucky Living* is published to improve the quality of life for a community of people who take pride in thinking of themselves as Kentuckians and knowledgeable electric co-op members.

The magazine's monthly circulation of more than 475,000 homes and businesses is the most of any publication in the state, connecting readers, co-ops and advertisers.

Kentucky Living is an efficient and attractive support of member co-ops to effectively engage with consumer-members. Most readers receive a magazine customized with information from and about their local electric co-op.

All content of the print magazine is also published on KentuckyLiving.com.

In the past year, *Kentucky Living* has again been recognized with more than a dozen national awards for design, photography, illustration, writing, advertising and columns. After a conscientious analysis of co-op priorities, member tastes and best practices, the statewide association Communications team launched a redesigned *Kentucky Living* in March 2021 which garnered First Place in the Cooperative Communicators Association Award for Improved Publication.

In addition, *Kentucky Living* was also recognized with several 2022 Spotlight on Excellence Awards by NRECA and the Council of Rural Electric Communicators.



OUTREACH

As an association of member-owned cooperatives, Kentucky Electric Cooperatives supports the engagement of co-ops with their consumer-members, spearheading several initiatives keyed to cooperative values.

2022 marks the 50th anniversary of the first Kentucky Rural Electric Youth Tour. Since 1972, co-ops have sponsored more than 1,600 Kentucky high school students in the youth tour program, introducing them to elected leaders in Frankfort and Washington, D.C.

Kentucky Electric Cooperatives also leads civic engagement with Co-ops Vote, a non-partisan effort to boost voter turnout in the areas served by rural electric cooperatives. Partnering

with Kentucky's Secretary of State, since the launch of this program in 2016, voter turnout is up in rural Kentucky, reversing a downward trend.

The statewide association partners with the Kentucky Governor's Office on Beautify the Bluegrass, an initiative to commend homegrown efforts to improve public spaces and take pride in our local communities.

Perhaps the most visible cooperative outreach is *Kentucky Living's* Best in Kentucky Awards. With the help of state leaders and personalities, *Kentucky Living* announces who readers voted as their favorites in 25 categories. The awards demonstrate the commitment of Kentucky's electric cooperatives to support the local communities they serve.



UNITED UTILITY SUPPLY

Cooperative values are always our guiding force, which has served us and our United Utility Supply member-owners well during the supply chain challenges of recent years.

We continue to work diligently with manufacturers during these unprecedented times to continue to support United Utility Supply members with their utility product needs. An essential element of this support is clear communication. Members are updated on lead-times and pricing issues so they can plan accordingly to

meet their daily needs, future needs, and emergency needs.

Planning and working as partners with our members will continue to be key to all of our success moving forward.

UUS benefits from our respected role and cooperative reputation in the material supply industry. Though industry analysts do not expect supplies to catch up to the backlog of orders until mid-2023 at the earliest, we forecast UUS will have nearly double our current supply by next year, thanks to our trusted and valued relationships.



FINANCIALS

As United Utility Supply Cooperative sales continue to increase, further strategic investments facilitate our support of member co-ops so they have access to what they need when they need it.

Highlights include:

- 24.3% increase in product sales, an additional \$26.5 million year over year.
- 6.0% increase in inventory to support the increased sales.
- As supply chain challenges began to create market pressure, a \$1.4 million investment in support efforts.
- During 2021, the outstanding line of credit was paid off reducing total debt by \$4.4 million year over year.

As a cooperatively-owned distributor, UUS annually returns capital credits patronage to its members. For this year, UUS is pleased to report:

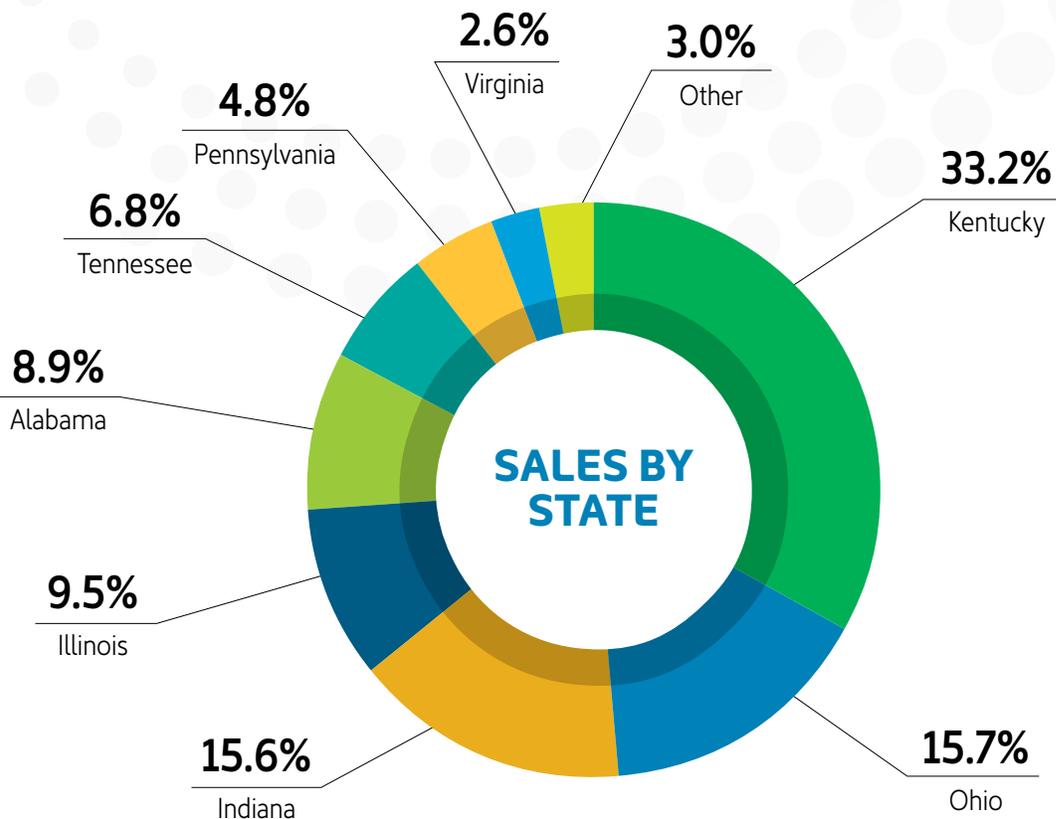
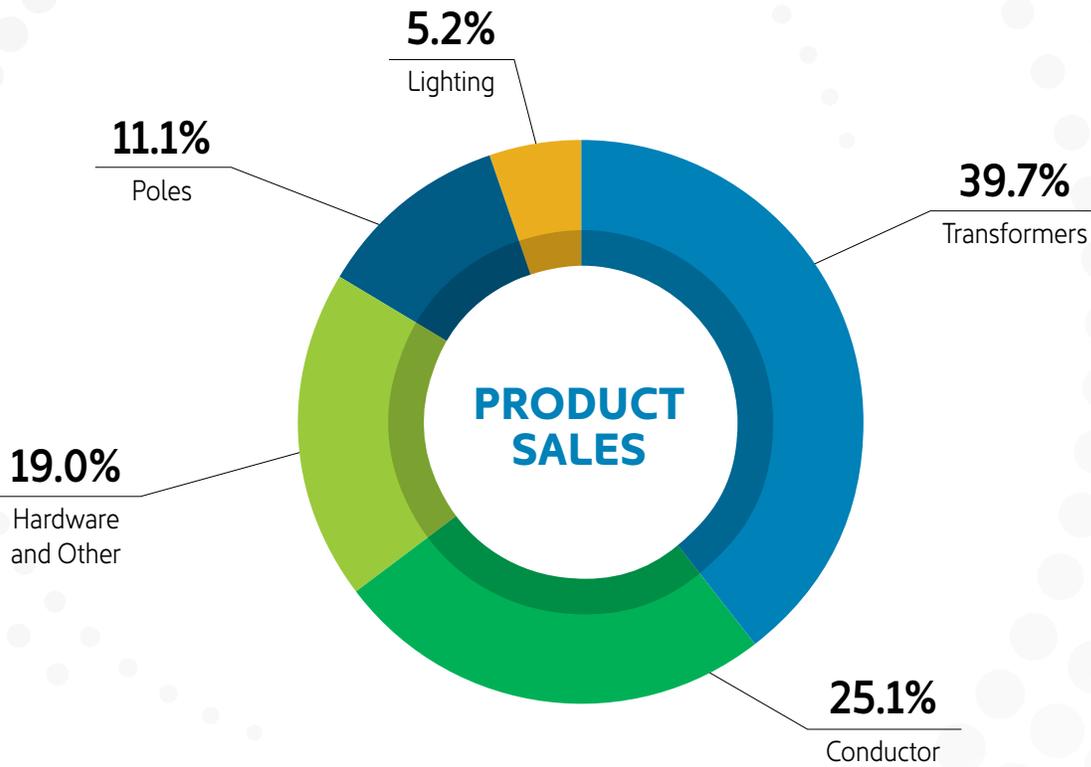
- \$3.1 million in capital credits
- \$826,000 returned in the form of rebate sales
- \$20 million in inventory to support members' daily and emergency utility product needs

2021 KENTUCKY ELECTRIC COOPERATIVES FINANCIAL INFORMATION

For the period ending December 31 (selected data from audited financial statement)
(Dollars in thousands)

	2021	2020	Inc / (Dec) %
INCOME STATEMENT			
Manufacturing and Distribution Sales	\$135,200	\$108,726	24.3%
Magazine and Printing Revenue	\$3,841	\$3,796	1.2%
Total Operating Revenue	\$139,041	\$112,522	23.6%
Dues and Service Income	\$2,030	\$1,935	4.9%
Total Revenue and Other Income	\$146,172	\$114,456	27.7%
Total Cost and Operating Expense	\$134,748	\$112,350	19.9%
Comprehensive Income/Loss	\$11,424	\$6,345	80.0%
BALANCE SHEET			
Cash and Equivalents	\$1,055	\$1,351	(21.9%)
Accounts Receivable	\$14,386	\$9,597	49.9%
Inventories	\$24,547	\$23,150	6.0%
Investments in and Advances to other Co-ops	\$11,467	\$8,159	40.5%
Property, Plant and Equipment, Net	\$8,441	\$8,483	(0.5%)
Total Assets	\$60,217	\$51,265	17.5%
Line of Credit and Current Portion of Debt	\$351	\$4,229	(91.7%)
Long-Term Debt	\$541	\$1,019	(46.9%)
Liability for Product Warranty	\$604	\$911	(33.7%)
Post Retirement Benefits Obligation	\$870	\$753	15.5%
Members' Equity	\$44,183	\$33,599	31.5%
Total Liabilities and Equity	\$60,217	\$51,265	17.5%

2021 UNITED UTILITY SUPPLY



KENTUCKY ELECTRIC COOPERATIVES

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