

RESILIENT
RELIABLE
RESPONSIVE

ANNUAL 2019 REPORT



RELIABLE

■ Cover photo, South Kentucky RECC Call Center Representative Ashley Hall with her children Kinslee and Brycen. Photo: Joy Bullock
Additional photos: Tim Webb

■ Opposite page, left, reliability is very important to South Kentucky RECC. Our employees work hard to make sure our members have service. Photo: Joy Bullock

■ Opposite page, right, Dispatch and Technical Services Manager Dallas Hopkins, right, reviews upgrades to South Kentucky RECC's outage management system with dispatchers David Trimble, seated, T. J. Guffey, left, and Luke Stevenson. Photo: Joy Bullock

In today's world of political, economic and global uncertainty, South Kentucky RECC remains a constant—for its members and its communities. Since 1938, South Kentucky RECC has been a part of your communities, not only providing electricity, but providing support in many different facets of life. The co-op remains as committed as it was when a group of farmers in Wayne County sought to provide power to the people of south-central Kentucky.

South Kentucky RECC and its members have dealt with some major, life-changing events in recent months, but what was true more than 80 years ago is still true today. Like those farmers in Wayne County, when South Kentucky RECC and its members band together with a common goal, we can accomplish great things.

No matter what is going on in the world, we want our members to know that our mission remains the same. Since 1999, that mission has said, "South Kentucky RECC was formed for people, not profit." We know it's our people that makes us one of the strongest electric cooperatives in the state of Kentucky. And it is for our people that South Kentucky RECC strives to provide the best and most reliable service and affordable electricity.

As we present the 2019 annual report to the membership of South Kentucky RECC, we want to assure you that we have been here for you for more than 80 years, and we will continue to be here for you far into the future. We will remain a reliable partner for you in our communities and as your electric provider—you can count on us.

In electricity terms, the concept of reliability is pretty straightforward. Your electricity is on almost all the time, and it's been getting better every year. For South Kentucky RECC members, the total time without power (an outage) is about two hours per year—

that means your electricity is on 99.927% of the time.

At South Kentucky RECC, reliability is no accident. It takes special attention, and we dedicate ourselves to maintaining reliable electric service by using a variety of measures:

► To spot and solve outages faster, SKRECC has invested in numerous technologies and monitoring systems. The SCADA (Supervisory Control and Data Acquisition) system uses several computer monitors in a control room; the system monitors and allows control of substation equipment from our office. Our GIS mapping system shows South Kentucky RECC's service area, including weather maps and detailed schematics of each power line, substation and home or business served. SKRECC also has a state-of-the-art outage management system (OMS), which is interconnected with the co-op's mapping system and provides information on the location of every pole and meter, using GPS technology. The job of the OMS is to help predict exactly where the problem or outage originates, what has occurred and the extent of the outage. This saves valuable time during outage situations.

► A portion of your SKRECC bill goes toward regular maintenance and includes inspection, maintenance and replacement of the power grid infrastructure, such as poles, wires and transformers. By staying ahead of the aging infrastructure, we can prevent some power outages.

► South Kentucky RECC right-of-way crews, as well as our contract crews, are reliability champions. Trees are one of the major causes of power outages in areas with overhead utility lines. When trees contact live wires they may become conductors of electricity and cause power outages or create dangerous situations for anyone coming in contact with them. That's why it is so important for our crews to

maintain right-of-way near overhead lines. South Kentucky RECC maintains 6,932 miles of lines and rights-of-way.

Being reliable doesn't just mean working to keep the lights on. At South Kentucky RECC, being reliable also means working every day to earn your trust, so you have confidence that all the people who work and serve your co-op are dependable and responsible stewards of this tremendous community asset.

Most recently, South Kentucky RECC, with the permission of the Kentucky Public Service Commission, was able to provide aid to members during the coronavirus (COVID-19) outbreak by suspending disconnections and waiving late payment fees. This has been a time of concern for many of our members displaced from their employment. We were pleased to be able to alleviate some of their immediate worries. Today, as always, we continue to offer assistance to members with their accounts so they won't face a

greater hardship in the future.

Throughout this most recent situation we continued providing reliable electric service. This became more important than ever with people confined to their homes and children out of school for extended periods.

South Kentucky RECC is proud of its workforce—it's reliable in its unique skills and constant training to safely operate our electrical system. In July, 2019, SKRECC employees celebrated achieving one year without a lost-time accident. That's 331,000 hours worked safely by the co-op's employees.

South Kentucky RECC was built by, belongs to and is led by its members, the people we serve, in the communities we serve—over 68,000 members in 11 Kentucky and two Tennessee counties.

South Kentucky RECC is led by an elected board of seven community leaders that provides guidance and oversight to ensure that the needs of the co-op membership are represented in all decisions. Board members have a fiduciary duty that

requires them to attend monthly board meetings and participate in regular education and training on industry trends and developments.

As a local cooperative, our loyalty to our hometown operation means that we make decisions with local concerns and our members in mind, not out-of-town shareholders.

The reliability of South Kentucky RECC is also the result of strategic and trusted partnerships.

South Kentucky RECC is an owner of East Kentucky Power Cooperative (EKPC), a not-for-profit member-owned cooperative that provides electricity to 16 Kentucky electric co-ops. EKPC generates energy at power plants fueled by coal, natural gas, solar and land-fill methane, and delivers the power over 2,800 miles of high-voltage transmission lines. This partnership helps

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■ The era of electric vehicles is our future and electric co-ops are leading the way with our ChargeChangeKY cars to educate members. Read the latest on electric vehicles and find useful fact sheets at KentuckyLiving.com when you search "electric vehicles." Photo: Tim Webb

■ South Kentucky RECC and Kentucky's Touchstone Energy Cooperatives are proud partners of Honor Flight, which flies World War II, Korean War and Vietnam War veterans to Washington, D.C., for a one-day all-expense-paid visit to their memorials. Each year, co-op employees and their families are on hand at Lexington's Blue Grass Airport to greet these heroes at the end of their trip. Photo: Linda Perry

SKRECC keep rates low, attract business, create jobs and advocate for our local communities.

SKRECC offers solar power from Cooperative Solar, a 60-acre solar farm located near EKPC in Clark County. It makes solar easy, affordable and renewable for our members.

And, with the era of electric vehicles becoming a reality, South Kentucky RECC and other co-ops are leading the way by educating members on their benefits.

South Kentucky RECC pools resources with the other 25 electric cooperatives in Kentucky by being a member of Kentucky Electric Cooperatives. Membership in this statewide association helps us effectively communicate with you in *Kentucky Living* magazine, speak up for co-op interests in Frankfort and Washington, D.C., and coordinate critical safety training and mutual aid response during major outages and disasters.

Being a reliable member of the community also means understanding the duty we have to each other. South Kentucky RECC is proud to provide scholarships to high school seniors, sponsor youth on the annual Electric Cooperative Youth Tour to Washington, D.C., and support local activities and other programs. SKRECC employees and board members are active and reliable members of the community,

volunteering and committed to improving the quality of life here.

Through the People Fund, for which South Kentucky RECC members elect to have their bills rounded up to the nearest dollar, grants totaling \$18,500 were provided to local community-based organizations within our service territory in 2019.

South Kentucky RECC employees helped provide nearly \$9,000 in donations of money and supplies for the Ronald McDonald House Charities in Lexington and Louisville. Donations came from SKRECC employees and members along with other Kentucky Touchstone Energy Cooperatives to provide lodging and resources to families while a child is in a nearby hospital.

In addition, South Kentucky RECC and its employees supported a number of causes closer to home, like the March of Dimes and American Cancer Society, for example. For those two causes alone, employees raised nearly \$8,000.

Being reliable means people can count on you to do what you say you will do. It means being trustworthy and dependable. In this unpredictable world, we want you to know that South Kentucky RECC constantly strives to be reliable for you. Thank you for your trust and support as we work to deliver safe, affordable and reliable electricity.





■ Seated, from left, South Kentucky RECC CEO Ken Simmons; District 1 Director and Board Vice-Chairperson Cathy Epperson; District 2 Director and Board Chairperson Greg Redmon; standing, from left, District 4 Director Billy Gene Hurd; District 6 Director Boris Haynes; District 7 Director Brent Tackett; District 3 Director Rick Halloran; and District 5 Director and Board Secretary/Treasurer Greg Beard. Not pictured: Board Attorney Mark David Goss. Photo: Tommy Wilson

ANNUAL MEETING OF MEMBERS OF SOUTH KENTUCKY RECC

South Kentucky RECC Headquarters, Somerset

Thursday, June 11 *Date pending, see page 28H for more information.

Registration time: 4–7 p.m.

Quick Pass Registration (not eligible for prizes): 11 a.m.–2 p.m.

Meeting Time: 7 p.m.

The annual membership meeting of South Kentucky RECC organizes to take action on the following matters:

1. Call of meeting to order
2. Determination of quorum
3. Reading of the notice of the meeting and proof of mailing
4. Consideration and approval of the minutes of the 2019 annual meeting
5. Presentation and consideration of reports of officers, directors and committees
6. Unfinished business
7. New business as proposed in section 3.08 of the bylaws
8. President and CEO's report
9. Adjournment



AGENDA

2019

SOUTH KENTUCKY

ACTIVE ACCOUNTS

As of December 31, 2019

Adair	653
Casey	1,784
Clinton	6,563
Cumberland	23
Laurel	12
Lincoln	1,256
McCreary	6,129
Pulaski	28,461
Rockcastle	75
Russell	10,327
Wayne	12,736
Pickett, TN	163
Scott, TN	21
TOTAL	68,203

ACCOUNTS BILLED

2009	66,489
2019	68,203

AVERAGE KWH USAGE

(residential per month)

2009	1,087
2019	1,063

MILES OF LINE

2009	6,715
2019	6,932

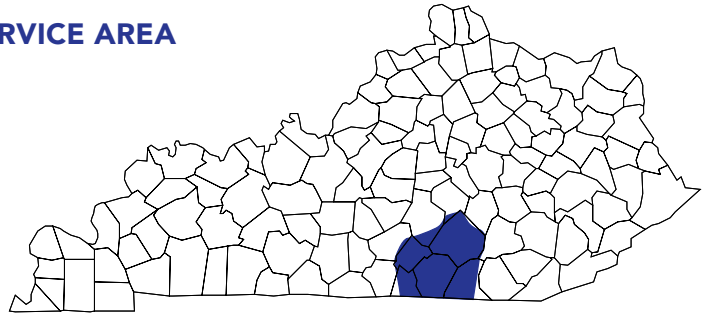
MEMBERS PER MILE

2009	9.88
2019	9.84

FOR INFORMATION AND INQUIRIES

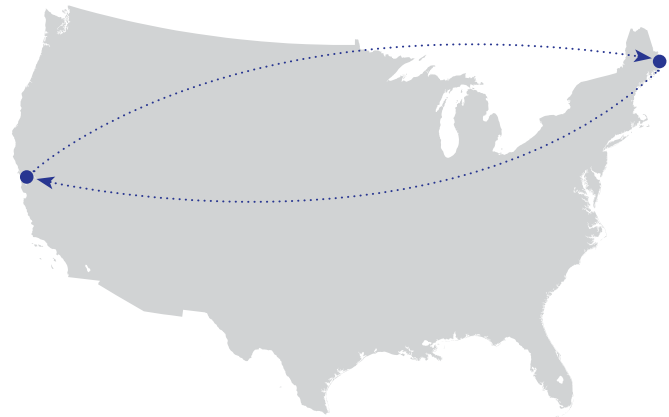
200 Electric Avenue
Somerset, KY 42502
(800) 264-5112
www.skrecc.com

SERVICE AREA



MAINTAINING LINE TO KEEP MEMBERS CONNECTED

South Kentucky RECC maintains **6,932** miles of line in more than 11 counties in the cooperative territory. **That is roughly enough line to stretch from San Francisco, California, to West Quoddy Head, Maine, and back.**

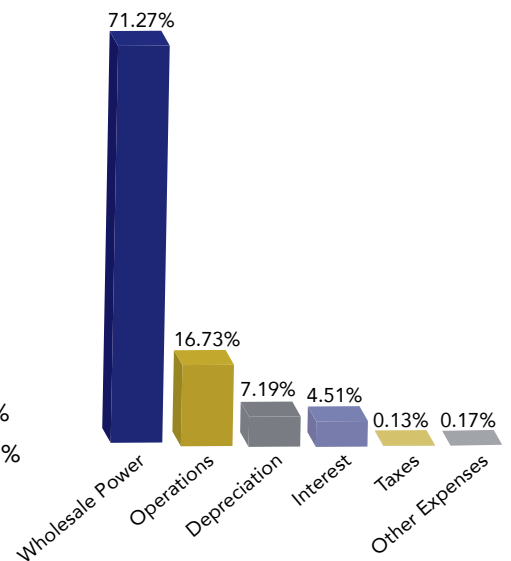


REVENUE SOURCES



- Residential Members 66.39%
- Commercial Members 31.15%
- Others 2.46%

MAJOR COSTS



KY RECC YEAR IN REVIEW

STATEMENT OF EARNINGS

As of December 31, 2019

Operating Revenue\$125,276,737

OPERATING EXPENSE

Cost of Electric Service

Cost of Electricity Purchased from
East Kentucky Power\$89,222,317

Cost of Operating the
Distribution System\$20,941,291

Depreciation Expense\$8,994,854

Interest Expense on Loans\$5,642,708

Public Service Commission Assessment.....\$165,474

Other Expenses\$215,749

Total Cost of Electric Service\$125,182,393

Gross Margins from Electric Service\$94,344

Non-operating Income\$6,642,789

Net Margins (Deficit)\$6,737,133

BALANCE SHEET

As of December 31, 2019

ASSETS

Total Poles, Wires,
and Other Equipment\$276,904,533

Less Accumulated Depreciation\$80,107,512

Net Value of Poles, Wires,
and Other Equipment\$196,797,021

Investments in Associated
Organizations\$84,460,575

Cash and Equivalents\$4,352,436

Accounts and Notes Receivables\$8,771,711

Material in Inventory\$1,418,855

Prepaid Expenses\$469,439

Other Assets\$10,985,435

Total Assets\$307,255,472

LIABILITIES AND MEMBERS' EQUITY

Consumer Deposits\$1,682,896

Members and Other Equities\$144,438,079

Long-Term Notes Payable\$131,448,700

Notes and Accounts Payable

Owed to Vendors\$18,551,628

Other Liabilities\$11,134,169

Total Liabilities and Members' Equity\$307,255,472

Through the generosity of co-op members participating in South Kentucky RECC's People Fund round-up program, grants totaling **\$18,500** were provided to local community-based organizations within our service territory. If you would like to participate in the People Fund, contact your local office or (800) 264-5112. Your change can change lives.



PEOPLE FUND

Official Notice

2020

SOUTH KENTUCKY RECC ANNUAL MEETING

THURSDAY, JUNE 11 • SOMERSET HEADQUARTERS

Registration begins at 4 p.m.; Gospel group Crossroads Quartet at 6 p.m.; Business meeting at 7 p.m.

DUE TO COVID-19 CONCERNS AND THE UNCERTAINTIES WHICH SURROUND THE SITUATION, PLEASE KEEP CHECKING SOUTH KENTUCKY RECC'S WEBSITE, WWW.SKRECC.COM, THE JUNE ISSUE OF *KENTUCKY LIVING* AND OUR SOCIAL MEDIA (SKRECC ON FACEBOOK AND TWITTER; SOKYRECC ON INSTAGRAM) FOR UPDATES REGARDING ANNUAL MEETING.



**DRIVE THRU REGISTRATION AT
SOMERSET ONLY 11 A.M.–2 P.M.**

In addition to the regular meeting, you can attend at a district office near you...

Wayne County office, Monday, June 8

Clinton County office, Tuesday, June 9

Russell County office, Tuesday, June 9

McCreary County office, Wednesday, June 10

All office registration times are 10 a.m.–2 p.m.

- Free bucket and LED bulbs for registering members
- Door prize registration at each office
- Information about SKRECC services
- Free hot dog, chips and water

