



YOUR NEIGHBOR, YOUR ENERGY

2018 Annual Report



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Of all of the rules, guidelines and standards South Kentucky RECC follows to serve our members with safe, reliable and affordable electricity, our guiding principle isn't found in some manual or three-ring binder.

Instead, the core of our purpose can be found in one simple rule. The Golden Rule.

"Love your neighbor as yourself," we are often reminded. And the follow-up question is just as important: "Who is my neighbor?"

That's a question South Kentucky RECC is eager to answer, because we are your fellow neighbors.

South Kentucky RECC is your neighbor in every sense of the word.

We're not only your neighbor because you live in one of the counties we serve, we are also neighbors because we share a common purpose and interest, to improve the quality of life in this place we call home.

To put it another way, South Kentucky RECC is "neighborly." We care about each other.

And, SKRECC is in a great position to serve our own home area from southeast Casey County to Clinton County and McCreary County, and much in between, because we are a cooperative. Cooperatives—by their very nature—are uniquely suited to understand their own local community. South Kentucky RECC was built

by, belongs to and is led by people in this community.

What does that mean for you? That means that instead of decisions being made with the concerns of out-of-town shareholders in mind, SKRECC considers what those decisions and strategies mean for our local communities.

We work with our energy provider, East Kentucky Power Cooperative, to keep rates low, attract business, create jobs and advocate for our local communities. We are not only working for ourselves, but so our children and grandchildren see this area as an attractive place to live and raise their families.



■ Left, Korean War veteran Gene Dunnington is welcomed home from Honor Flight by SKRECC employee Joy Bullock. Photo: Tim Webb

■ Above, South Kentucky RECC works hard upgrading the system to provide reliable electric service to for its members. Photo: Tim Webb

■ Below, in 2018, South Kentucky RECC participated in Beautify the Bluegrass by assisting in the PRIDE cleanup. Photo: Donnie Glover

When you have questions about energy in your home, business or house of worship, South Kentucky RECC is your trusted energy adviser.

Your neighbor. Your energy.

And, that co-op spirit extends to a larger cooperative network in Kentucky and across America that works together on innovations and efficiency. Like good neighbors, when disaster strikes, we are ready to help our fellow co-ops, just as they are ready to lend us a hand.

THE HELPING NATURE OF COOPERATIVES

Within this past year, South Kentucky RECC has helped restore power to co-ops in Kentucky, as well as in other states.

South Kentucky RECC sent several crews to Georgia to help after Hurricane Michael, to South Carolina after the devastation of Hurricane Florence and to Virginia earlier in the year to help with restoration following Winter Storm Riley. SKRECC also helped Kentucky co-ops when an ice storm knocked out power in November. You can always depend on the co-op cavalry coming to the rescue.

Our top priority, though, is service to you. Before committing resources to mutual aid requests, we ensure we have ample crews available for all local needs, including routine maintenance and emergencies.

By helping our neighbors, we are helping ourselves. It's long hours in challenging conditions, but our lineworkers are wired to help people. South Kentucky RECC is better prepared to respond to local power outages because of the assistance we provide our neighboring co-ops.

Our commitment to community also includes safety demonstrations for school and community groups, scholarships for college-bound students and SKRECC staff volunteering as active and involved community members.



WE ARE PART OF THE COMMUNITIES WE SERVE

In partnership with *Kentucky Living* magazine and the Kentucky governor's office, South Kentucky RECC is proud to support the Beautify the Bluegrass initiative. Each spring, SKRECC employees assist with the Personal Responsibility In a Desirable Environment, or PRIDE, cleanup. Employees pick up trash on the roadsides around the co-op's headquarters.

Truly belonging to a community also means understanding the duty we have to each other. For South Kentucky RECC to be able to safely and effectively serve you with on-demand energy, we need to maintain the electric grid. As a member of Kentucky Electric Cooperatives, we advocate for policies in Frankfort and Washington, D.C., that support our ability to provide the service you expect.

OUR POWER PROVIDER

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

With Cooperative Solar, members of SKRECC have unprecedented options for affordable solar power. Cooperative Solar allows co-op members to license

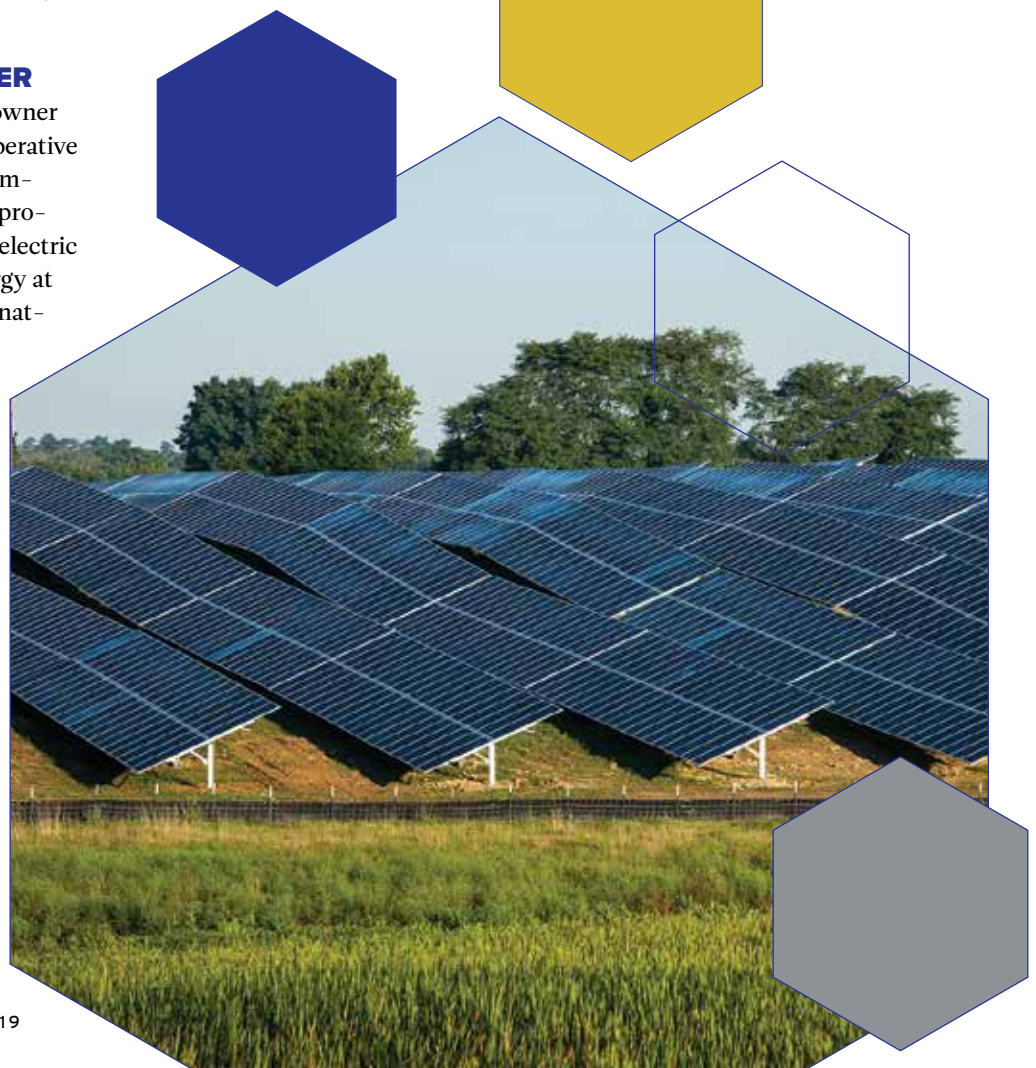
■ **Cooperative Solar Farm One, a not-for-profit 60-acre solar farm located in Clark County, serves South Kentucky RECC members. Photo: Tim Webb**

solar panels at Cooperative Solar Farm One, a 60-acre solar array owned by Kentucky's Touchstone Energy Cooperatives. You can harness the energy of the sun without the hassle, maintenance and expense of owning private solar panels.

South Kentucky RECC is also educating members about the cost-saving benefits available with the use of electric vehicles.

We're proud to be your energy company, and we're even prouder to be YOUR neighbor.

■ **South Kentucky RECC supports our youth by sending students on an annual trip to Frankfort and Washington, D.C., as shown below. in 2018, to learn about the political process. Photo: Tim Webb**





■ South Kentucky RECC board members, from front left, District 4 Director Billy Gene Hurd; Vice Chairperson and District 1 Director Cathy Epperson; and Chairperson and District 2 Director Greg Redmon. From back left, District 3 Director Rick Halloran; District 6 Director Boris Haynes; SKRECC CEO Dennis Holt; Secretary/Treasurer and District 5 Director Greg Beard; District 7 Director Brent Tackett; and board attorney Mark David Goss. Photo: Tommy Wilson

AGENDA

ANNUAL MEETING OF MEMBERS OF SOUTH KENTUCKY RECC

South Kentucky RECC Headquarters, Somerset

Thursday, June 13

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 2018 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

SOUTH KENTUCKY RECC

2018 Financial Information

MEMBERS BY COUNTY

As of December 31, 2018

Adair	643
Casey	1,774
Clinton	6,604
Cumberland	23
Laurel	11
Lincoln	1,245
McCreary	6,113
Pulaski	28,236
Rockcastle	75
Russell	10,218
Wayne	12,642
Pickett, TN	166
Scott, TN	21
TOTAL	67,771

ACCOUNTS BILLED

2008	66,249
2018	67,771

AVERAGE KWH USAGE

(residential per month)

2008	1,123
2018	1,130

MILES OF LINE

2008	6,685
2018	6,900

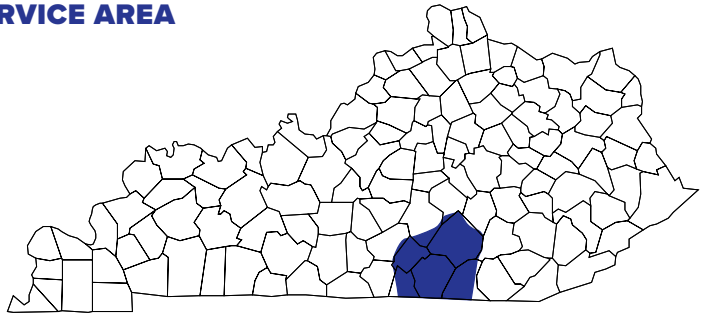
MEMBERS PER MILE

2008	9.91
2018	9.82

FOR INFORMATION AND INQUIRIES

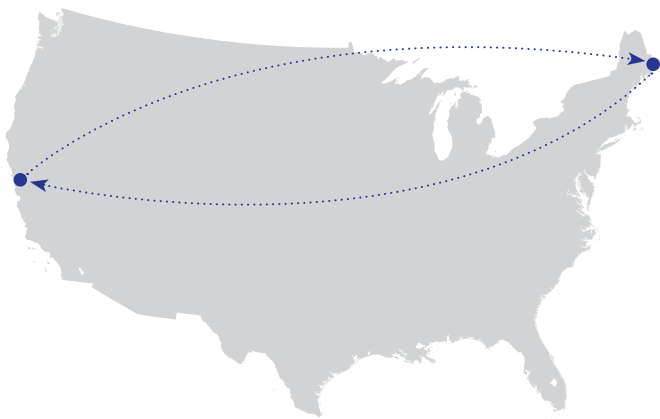
200 Electric Avenue
Somerset, KY 42502
(800) 264-5112
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SERVICE AREA

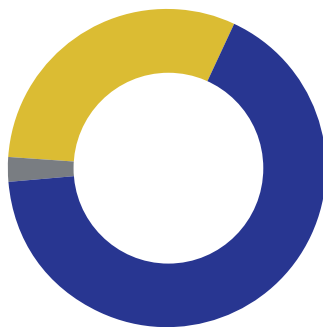


MAINTAINING LINE TO KEEP MEMBERS CONNECTED

South Kentucky RECC maintains **6,900** 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.**

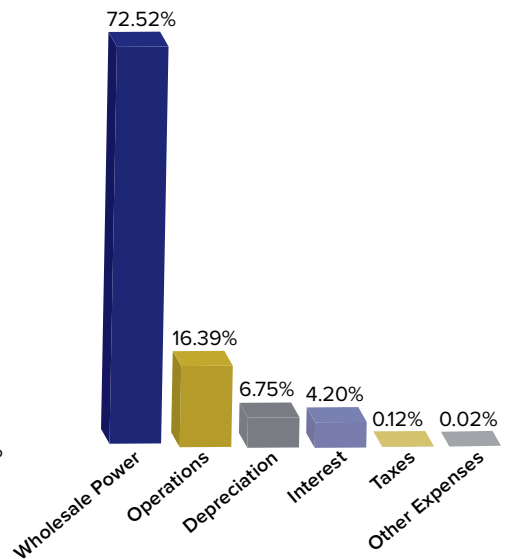


REVENUE SOURCES



- Residential Members 66.80%
- Commercial Members 30.78%
- Others 2.42%

MAJOR COSTS



2018 STATEMENT OF EARNINGS

Operating Revenue \$131,378,166

COST OF ELECTRIC SERVICE

Cost of Electricity Purchased
from East Kentucky Power\$93,174,723

Cost of Operating
the Distribution System\$21,056,027

Depreciation Expense\$8,668,427

Interest Expense on Loans \$5,392,019

Public Service Commission Assessment \$157,275

Other Expenses\$41,259

Total Cost of Electric Service \$128,489,730

Gross Margins from Electric Service\$2,888,436

Non-Operating Income\$4,290,472

Net Margins (Deficit)\$7,178,908

BALANCE SHEET

As of December 31, 2018

ASSETS

Total Poles, Wires,
and Other Equipment \$267,830,383

Less Accumulated Depreciation \$74,653,551

Net Value of Poles, Wires,
and Other Equipment \$193,176,832

Investments in
Associated Organizations \$79,501,945

Cash and Equivalents \$13,888,552

Accounts and Notes Receivables \$9,315,852

Material in Inventory \$1,529,649

Prepaid Expenses \$422,428

Other Assets \$12,068,842

Total Assets\$309,924,100

LIABILITIES AND MEMBERS' EQUITY

Consumer Deposits \$1,682,020

Members' and Other Equities\$137,746,784

Long-Term Notes Payable\$140,245,551

Notes and Accounts Payable
Owed to Vendors\$19,128,845

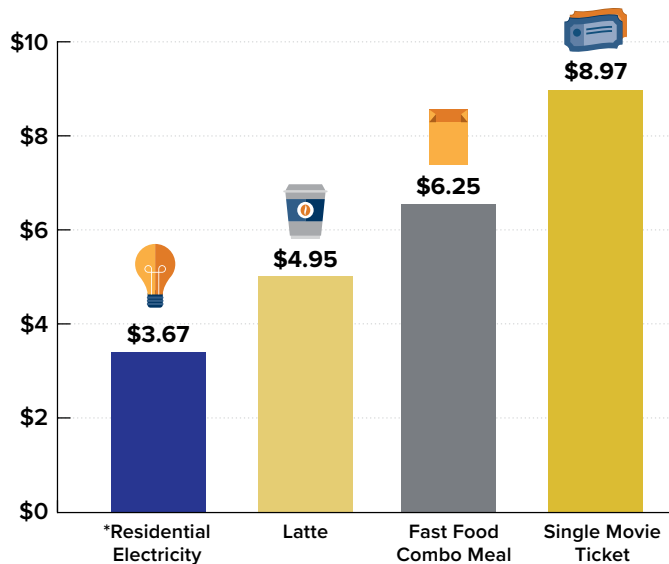
Other Liabilities\$11,120,900

Total Liabilities and Members' Equity\$309,924,100

ELECTRICITY REMAINS A GOOD VALUE

In today's world, costs are rising for nearly all consumer goods. For an average residential member of South Kentucky RECC, however, electricity cost per day remains a good value. At only **\$3.67 per day on average**, electricity costs are lower than the costs of many items that our members purchase every day.

** National averages. Residential electricity rate is for 2017, from the U.S. Energy Information Administration.*



Annual Meeting 2019

Thursday, June 13 • Somerset Headquarters

Registration begins at 4 p.m.; Gospel group The Happy Travelers at 6 p.m.; Business meeting at 7 p.m.

At the Somerset meeting, only, in addition to regular door prizes, you can register to win a 2005 four-wheel-drive Chevrolet Silverado, extended cab pickup truck.



You must be present at the June 13 meeting to register for and win the truck.



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 10
Clinton County office, Tuesday, June 11
Russell County office, Tuesday, June 11
McCreary County office, Wednesday, June 12

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



All SKRECC offices will be CLOSED on June 13 for annual meeting.