



POWERING THE FUTURE

2016 Annual Report

 **Blue Grass Energy**

A Touchstone Energy Cooperative 

Making life better, the cooperative way

COMMENTS FROM OUR LEADERSHIP



This year marks our 80th anniversary of making life better, the cooperative way, for our members. In celebrating, we are reminded of a quote by Albert Einstein, “The future is an unknown, but a somewhat predictable unknown. To look to the future, we must first look back upon the past. That is where the seeds of the future were planted.”

Without a doubt, many seeds of our future have been planted over the last 80 years. Those who have come before this generation of employees paved the way, and provided an example of serving our members.

At your cooperative, we continually look forward and envision what the future of electricity will look like in 10, 20, or 50 years from now. No one knows for certain but as Einstein suggested, we know it will evolve from where we are today. Regardless of where the future takes us, we will continue making life better, the cooperative way—just as we have for the last 80 years.

Technology, along with our employees, will power the future of Blue Grass Energy. We

keep your cooperative on the leading edge, and utilize technology to ensure power is there when you need it and to help you have the right information to make an informed decision about your energy needs. We know electricity provides a better quality of life. We will continue to provide reliable service and to be a trusted resource for your energy needs.

On the following pages, you will see highlights of your cooperative’s performance in 2016. As you read them, remember, each decision we make is made with you, our owner, in mind. Our goal is to exceed your expectations with outstanding service by putting your needs first.

We are excited about where we will be in the next 80 years. While there will be challenges, we are looking forward to the unprecedented opportunities for making life better, the cooperative way. It is a true privilege to serve you.

Dennis Moneyhon
Board Chairman

Michael I. Williams
President & CEO

YOUR 2017 BOARD OF DIRECTORS



Dennis Moneyhon
District 8
Chairman



Gary Keller
District 4
Vice Chairman



Jane Smith
District 7
Secretary-Treasurer



Paul Tucker
District 1



Danny G. Britt
District 2



Doug Fritz
District 3



Brad Marshall
District 5



Jody Hughes
District 6



Michael I. Williams
President and CEO

2017 ANNUAL MEETING

Official Notice of the
Annual Meeting of
Blue Grass Energy

Keeneland
Entertainment Center,
Lexington, Kentucky

Thursday, June 1, 2017

Registration: 4:30 p.m.-6:30 p.m.

Business Meeting: 6:30 p.m.

The annual membership of Blue Grass Energy organizes to take action on the following matters:

1. Quorum call.
2. Reading of the notice of the meeting and proof of the due publications or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Considerations of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and actions upon, reports of officers, directors, and committees.
5. Other business.
6. Adjournment.

agenda

RELIABILITY

Keeping the lights on. That's what we do. It sounds simple but it is actually a very complex task. We have over 5,000 miles of power lines and nearly 95,000 utility poles in 23 counties to maintain. Our operations team is working for you 24 hours a day, 365 days per year. Reliability and safety go hand-in-hand. Each employee is trained to work as swiftly and safely as possible.

In the age of distracted drivers, cyber threats, and other factors beyond our control, keeping a reliable system takes continual monitoring, maintenance, and effort. To help in this constant vigil, we began a distribution automation program. This will allow us to monitor system voltage and strategic devices more closely throughout our system.

This technology will help decrease outage times and constantly monitor the activity on the power grid. If there is an interruption in service, it will tell us

where the power is actually out and quickly provide accurate information.

Keeping vegetation out of 5,000 miles of power line can be a challenge. In 2016, we tended to nearly 1,400 miles of rights-of-way. Properly pruned and maintained trees result in fewer downed lines during storms. This saves members money and helps keep rates as low as possible. Looking ahead, we plan to continue our rigorous right-of-way program in 2017.

As a result of our conscientious approach to vegetation management, we were awarded The Arbor Day Foundation's prestigious Tree Line USA Utility endorsement for 2016. This is awarded to utilities who are committed to proper tree pruning, planting, and care within their service area.

No matter what your energy needs are in the future, know you have someone working for you around the clock to ensure the power is there when you need it.





SERVICE

Providing superior service to our members is a priority for Blue Grass Energy employees. We know our members are busier than ever and you let us know you needed a convenient way to do business with us. We listened.

From a 24/7 Operations Center to four local offices, mobile apps to web portals, we've made it simple to contact us. At the touch of a button, members can make payments or let us know their power is out.

Of course, members can still call and talk to us. In 2016, we had nearly 200,000 member calls to our office. We are still local so you can visit us at

any of our four locations. We had over 128,000 office visits from our members last year.

We also offer a variety of tools to help members manage their energy. This includes *BillingInsights*, a program that helps track electricity usage in the home, and helps you learn exactly where your energy and dollars are going.

Members also took advantage of our energy rebates: 3,361 members saved 3,280,915 kilowatt-hours last year.

As we move forward, we will continue to be your trusted source for energy information and quality service.

VALUE

When we were founded in 1937, our first members established Blue Grass Energy because they were looking for a better way of life. They wanted amenities like their counterparts in the cities had. They wanted things like electric lights, washing machines, refrigeration, and electric cook stoves.

Today, those amenities trend toward cell phones, home security systems, and other time-savers in our homes—most of them unfathomable 80 years ago. But these are items we depend on for our quality of life.

As our members' need for reliable energy grows, we continue to focus on controlling our expenses to offer you the lowest possible cost. We only ask you to pay what it costs to produce and deliver the electricity to you.

We can do this because we are not driven by

profit margins or stockholders. We are driven by our powerful purpose of making life better, the cooperative way. Every dollar you spend with Blue Grass Energy goes to ensuring your cooperative can meet your energy needs while keeping power costs as low as possible. That is part of the value of being an owner of a not-for-profit cooperative.

Over the last several years, we have streamlined processes, harnessed technology, and embraced opportunities to do things differently. The financial integrity of your cooperative is solid. This has allowed us to keep a stable rate base and become competitive with both local and national utilities.

As we move toward the future, rest assured your cooperative membership will remain valuable.





COMMUNITY

Our history provides many examples of life being made better by the electrification of rural Kentucky. That will continue into our future because our commitment to service sets us apart from other organizations.

Our community support is shown in many ways. We often invest within our communities by serving on chambers, coaching our young members in various sports, and volunteering in our schools. We continued to focus on safety not just for employees but members as well. We offered safety training to our members—from our youngest members to our first responders.

We also understand the importance of investing in our cooperative leaders of tomorrow. Last year, we encouraged higher education by providing ten \$1,000 scholarships to graduating high school seniors. We enhanced the leadership skills for seven of our young members who were high school juniors by sending them on the Washington Youth Tour.

Once again, we partnered with Honor Flight Kentucky to sponsor two veterans on a one-day trip to Washington, D.C., to see the memorial erected in their honor.

Members also continued to take advantage of our Co-op Connections Card program. Last year, this card saved Blue Grass Energy members nearly \$19,000 in prescription savings alone.

2016 was an exciting year for economic development at Blue Grass Energy. Partnering with East Kentucky Power Cooperative, local elected officials, and economic development authorities, we were able to assist business and industry in choosing to locate within our service area. This will bring jobs, both now and in the future, to Kentucky.

Another milestone was achieved through our corporate giving. The recipients for our charitable giving for 2016 were local food pantries. Through employee-led efforts and the support of our members, we were able to donate over \$20,000 to feed the food-insecure people within our service area. That's enough to buy 161,285 meals through local pantries.

As we head into the future, we will continue to look for new ways to invest in our communities and the members who live there.

BLUE GRASS ENERGY'S **ANNUAL MEETING**

Thursday, June 1, 2017
Keeneland Entertainment Center

Registration: 4:30-6:30 p.m.
Business meeting: 6:30 p.m.

GRAND PRIZE
\$1,000
VISA Gift Card

- **Free Food**
- **B-I-N-G-O** (\$1,000 in prizes)
- **Bucket with Bulbs**
- **Scholarship Awards**
- **Kids Activities**
- **Energy Saving Info**
- **Caricaturists**
- **Balloon Artist**
- **Rolling Video Games**

SILENT AUCTION benefiting 

Statement of Operations

For the Year Ending December 31, 2016	
Operating Revenue	\$126,268,161
Operating Expense:	
Wholesale Power Cost.....	92,099,188
Operating the Electrical System.....	16,462,116
Depreciation	8,786,074
Interest on Loans	4,363,474
Taxes & other Deductions	11,457
Total Cost of Electric Service	\$121,722,309
Patronage Capital & Operating Margins .	\$4,545,852
Non-Operating Margins	1,121,156
Capital Credits assigned from other Cooperatives	6,289,132
Patronage Capital and Margins	\$11,956,140

Balance Sheet

As of December 31, 2016	
ASSETS	
Total Utility Plant	\$246,975,021
Less Accumulated Depreciation	86,943,931
Net Utility Plant Book Value.....	\$160,031,090
Other Property & Investments.....	68,910,033
Cash & Temporary Investments	9,646,985
Accounts Receivable.....	11,855,236
Inventory	2,540,751
Expenses Paid in Advance	165,314
Deferred Debits and Other Assets.....	3,297,132
Total Assets	\$256,446,541
LIABILITIES & EQUITY	
Membership and Other Equities.....	\$118,561,488
Long-Term Debt	112,436,580
Notes and Accounts Payable.....	13,377,928
Other Current & Accrued Liabilities.....	11,596,423
Deferred Credits & Miscellaneous.....	474,122
Total Liabilities & Equity.....	\$256,446,541

This institution is an equal opportunity provider and employer.