

FOCUSED ON THE FUTURE

2018 Annual Report



TIM WEBB



Blue Grass Energy

A Touchstone Energy Cooperative 

Making life better, the cooperative way®

LETTER FROM OUR LEADERSHIP

At Blue Grass Energy, we are focused on the future. What that really means is we are focused on you as we set goals for making life better, the cooperative way. Looking ahead, we understand the importance of evaluating where we have been, what we have done well and where we can grow to meet these goals.

Over the next few pages, you will see the progress we made in 2018. Much of our work focused on ensuring your power is safe, reliable and affordable. This was alongside focusing on providing members with the outstanding service they deserve.

We know reliability is a vital part of the outstanding service equation. That is why we continued to complete projects that will improve the quality of your power and contain costs.

These types of projects contribute to holding our competitive rates stable. This was evident in our financial markers holding steady, and when we again shared excess revenue back to our members through capital credits. This is definitely one of the values of being a member of Blue Grass Energy.

One other highlight of note was achieving a milestone of working 1,000 days without a lost-time accident. A second achievement was when our lineman's rodeo team won the 2018 Kentucky Lineman's Rodeo—an event where linemen compete in industry events and are judged on both safe work practices and time. These two accomplishments are indicators of our culture of safety as we work for you each day.

As we move forward, know we will continue to be focused on you. After all, we are led by members like you, who listen to the voices in the communities where we live and work. One thing you can count on—knowing your electric cooperative belongs to you, and we are working at making life better, the cooperative way today and in the future.

It's our privilege to serve you.



TIM WEBB


Dennis Moneyhon
Board Chairman


Michael I. Williams
President & CEO

YOUR BOARD OF DIRECTORS



DISTRICT 8
Dennis Moneyhon
Chairman

Foster



DISTRICT 4
Gary Keller
Vice Chairman

Harrodsburg



DISTRICT 7
Jane Smith
Secretary-Treasurer

Waddy



DISTRICT 1
Paul Tucker

Sadieville



DISTRICT 2
Richard Cobb, IV

Richmond



DISTRICT 3
Doug Fritz

Paint Lick



DISTRICT 5
Brad Marshall

Cynthiana



DISTRICT 6
Jody Hughes

Lawrenceburg



DISTRICT 9
Lu Young

Nicholasville

agenda

2019 ANNUAL MEETING

Official Notice of the Annual Meeting of Blue Grass Energy

Keeneland Entertainment Center
Lexington, Kentucky

Thursday, June 6, 2019

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.

RELIABILITY

We have been supplying energy to Kentuckians for many years and experience has taught us a few things. One is to be innovative.

Investing in new industry technology helps ensure we keep the power flowing through our nearly 5,000 miles of power lines.

The technology and devices we have today allow us to monitor our lines and pinpoint power outages, hopefully causing interruptions in your service to be few and far between.

While 2018 had its share of unavoidable weather-related outages, our expert staff of engineering and operations employees were able to minimize the length of outage time using improved restoration techniques.

Keeping our system strong requires regular maintenance and upgrades. That is why we remained proactive in keeping our rights-of-way clear and performing grid maintenance across our 23-county service area with pole and system inspections.

Not only did our employees work at

keeping the lights on, they did it while being safe. The men and women, who are the power behind our purpose, reached a significant milestone by working 1,000 days without incurring a lost-time accident. This amazing achievement occurred because of the long-time dedication to growing our safety culture and is indicative of the quality of our work.

As we look to the future, rest assured we will keep our focus on powering your life with 24/7, around-the-clock electric service.



SERVICE

A lot has changed at Blue Grass Energy in the 80+ years we have been serving our members. The early pioneers of our cooperative would be amazed at the tools and technology we use today. Our service territory has grown, cities have expanded onto our lines and the expectations of our members have increased.

While eight decades can bring an untold amount of changes, the amazing thing is what hasn't

changed—and that is our purpose of making life better, the cooperative way. It's our sole function as your electric cooperative.

Our purpose is why we still have local offices—which only makes sense because we were built by and belong to the communities we serve.

Purpose is why we offer our members a variety of options to pay their bill. We want to make it as convenient as possible for you to do business with us. Last year, we saw members' payment

activity grow exponentially using our smartphone app. Approximately 12 percent of payments were made using mobile devices.

You can still call us, too. It will probably be someone you know who answers the phone—because our employees are your neighbors and friends.

While it is tough to guess what changes will be made in the future, know that our purpose will remain the same. We will be here to serve you—making life better, the cooperative way.



VALUE

Most would agree, the definition of “value” is the perception of getting what we pay for.

Our management and employees work daily to make sure your Blue Grass Energy membership remains valuable.

A unique benefit of your membership is you receive your power at our cost. There are no “markups” that generate revenues to pay distant shareholders. In fact, because we are a cooperative, we assign any surplus revenues to

each member based on the amount of electricity they purchased. This is called capital credits. These credits are eventually returned in the form of checks, issued back to our members. In just the last two years, we have returned nearly \$4 million to the people in our communities, boosting local economies.

We know our members’ need for reliable power continues to grow, and we are always investigating new ways to help control our expenses so we can offer you the lowest possible

rates. 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 cooperative.

Our financial integrity is solid. Our rate base has remained steady and is competitive with other utilities. As we look to the future, rest assured your cooperative membership will remain an asset.



COMMUNITY

At the heart of our commitment to service are the employees of Blue Grass Energy. This was evident by our record-setting charitable giving totals last year.

Our 2018 charity was the American Cancer Society. Employee-led efforts, along with the support of our members, raised a record \$21,236.54. This money funded two rooms at Hope Lodge for one year—providing a home-away-from-home for our members battling cancer and their caregivers. It also helped fund the Road to Recovery, Reach to Recovery, and free wig programs, and helped provide cancer research funding

at the University of Kentucky.

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

We increased the number of discounts available to members through our Co-op Connections Card. Members saved thousands of dollars in prescriptions and travel discounts alone.

We also continued our support of future leaders in our communities. One example is the Washington Youth Tour, a life-changing leadership opportunity for our young members.

Eight students joined hundreds of others across the nation, learning firsthand how government works, met with elected representatives and immersed themselves in the history of our nation while studying the cooperative business model.

Another example is our scholarship support for students continuing their education. We awarded \$10,000 to graduating high school seniors to help further their education.

As we look to the future, we will continue investing in opportunities to grow our communities and make life better for our members who live there.



Join us for Blue Grass Energy's

ANNUAL MEETING

- **Free food**
- **B-I-N-G-O** (\$1,000 in prizes)
- **Bucket with bulbs**
- **Scholarship drawing**
- **Kids activities**
- **Electric vehicle Info**
- **Caricaturists**
- **Balloon artist**
- **Rolling video games**

Thursday, June 6, 2019
Keeneland Entertainment Center

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

SILENT AUCTION
benefiting



GRAND PRIZE

\$1,000 VISA Gift Card

Statement of Operations

For the Year Ending
December 31, 2018

Operating Revenue	\$133,544,353
Operating Expense:	
Wholesale Power Cost.....	\$94,998,004
Operating the Electrical System	18,247,990
Depreciation	9,654,430
Interest on Loans	3,478,920
Taxes & other Deductions	113,441
Total Cost of Electric Service	\$126,492,785
Patronage Capital & Operating Margins ...	\$7,051,568
Non-Operating Margins	852,159
Capital Credits assigned from other Cooperatives	4,741,821
Patronage Capital and Margins	\$12,645,548

Balance Sheet

As of December 31, 2018

ASSETS

Total Utility Plant	\$264,616,467
Less Accumulated Depreciation	98,750,019
Net Utility Plant Book Value.....	\$165,866,448
Other Property & Investments.....	76,122,712
Cash & Temporary Investments	4,317,067
Accounts Receivable.....	5,891,938
Inventory	1,500,207
Expenses Paid in Advance	236,328
Deferred Debits and Other Assets.....	10,075,637
Total Assets	\$264,010,337

LIABILITIES & EQUITY

Membership and Other Equities.....	\$136,752,777
Long-Term Debt	102,839,607
Notes and Accounts Payable.....	12,117,231
Other Current & Accrued Liabilities.....	11,843,708
Deferred Credits & Miscellaneous.....	457,014
Total Liabilities & Equity.....	\$264,010,337

This institution is an equal opportunity provider and employer.