

GUIDING PRINCIPLES

Owned by you, working for you



LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
2015 ANNUAL REPORT

Cover: (left to right) Licking Valley RECC staff Chad Hall, Material Purchasing Agent, Greg Chaney, Meter Department Supervisor, Oneida Haney, Supervisor, Malone Office, Kerry K. Howard, General Manager/CEO, Marcella Finch, Data Entry Clerk, Jarrod Howard, Plant Accountant, and (in front) Denise Reed, Office Clerk/Secretary, adhere to the 7 Cooperative Principles making for a better electric cooperative for Licking Valley RECC members.

Right: Licking Valley RECC's John May, right, Manager of Administrative Services, helps keep member J.C. Brook's energy affordable by showing how energy-efficient appliances can save money. Photos: Tim Webb



THE GUIDING PRINCIPLES

Licking Valley RECC is proud to be unique.

We are unique in that we are a cooperative business, owned by you, working for you, and guided by The Seven Cooperative Principles, which 171 years after they were first written, are still relevant today.

This annual report highlights the achievements your cooperative has made by adhering to these principles.

For instance, we rely on the principle of **Cooperation Among Cooperatives** as we work with our partner co-ops to deal with new EPA regulations.

Kentucky enjoys inexpensive and reliable electricity thanks to its coal-fired power plants, which supply about 90 percent of our electricity. As the EPA's Clean Power Plan places steep

limits on carbon emissions from those plants, Licking Valley RECC is working with our national association and a network of 900 co-ops across the country to craft innovative solutions and a united response.

While the regulations may ultimately impact how we generate your energy, our mission of safe, reliable, and affordable electric service does not change.

KEEPING ENERGY AFFORDABLE

The principles of **Open and Voluntary Membership** and **Democratic Member Control** ensure you have a say in how Licking Valley RECC does business.

Elected by you, our board of directors sets policy and hires a co-op president/CEO, who in turn hires professionals to carry out our mission.

Licking Valley RECC exerts its



Autonomy and Independence in crafting strategy and hiring decisions.

We employ experts in the fields of engineering and operations, information technology, communications, member services, and community and economic development. Some of the best, brightest, most creative, and dedicated people have chosen careers that serve their communities working at Licking Valley RECC.

HOW REGULATIONS IMPACT YOUR ELECTRIC RATES

Current and yet-to-be implemented regulations affect the cost to generate electricity. To comply, our co-op power supplier has invested hundreds of millions of dollars in environmental control equipment.

Because the new EPA regulations will

force us to use less coal to generate electricity, we expect to see energy prices gradually increase for Kentuckians over the next several years.

We take our **Members' Economic Participation** very seriously as we watch out for your interests. Unlike investor-owned utilities, Licking Valley RECC does not create profits for investors and shareholders. Any excess dollars or margins are reinvested in the co-op for system upgrades.

We provide energy audits, rebates, and energy-efficiency tools to encourage you to actually use less electricity, which keeps costs lower for all members.

STAYING SAFE AND STAYING INFORMED

Since delivery of electricity is a complex process, Licking Valley RECC places a high value on providing **Education, Training, and Information.**

Working with the Kentucky Association of Electric Cooperatives' Safety & Loss Prevention team, we are proud of our safety record. Our linemen, operations, and office teams continually train and keep up to date on current technology.

We have also expanded our informational services to members over the past year. We have an "All Call" feature that will notify our members of outages or other important messages that Licking Valley RECC needs to relay. Our members can be notified by phone, e-mail, and/or text message. For members

Perhaps the most important cooperative principle we follow at Licking Valley RECC is Concern for Community. We give back to our community in various ways like attending this year's Morgan County Farm & Home Night where we gave out literature on current programs that our cooperative offers, Co-op Connections Cards, and LED light bulbs. Below, employees (left to right) Chelsea Steele, Cashier/Receptionist, Chris Murphy, General Superintendent, and Peyton "Bubba" Loudermilk, laborer. Photo: Licking Valley RECC



with smartphones, we have a mobile app called “Smart Hub.” Members can access their billing account and monitor usage and/or pay their bill while on the go! Our members can use the “IVR” automated phone payment system for online bill payment.

YOUR COMMUNITY IS OUR COMMUNITY

Your cooperative employees are your neighbors. Because of our **Concern for Community**, we support and participate in many area causes and events. Licking Valley RECC is part

of your community, and we will continue to participate in events and activities that help us all. You’ll see co-op employees volunteering for local community groups, conducting school safety programs, and sponsoring local events.

Each day, Licking Valley RECC remembers who owns our co-op—you do. Thank you for your trust as we remain guided by **The Seven Cooperative Principles** in each of our decisions to protect and improve the quality of life for our community.

7 COOPERATIVE PRINCIPLES

Cooperatives operate according to the same core principles and values. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England, in 1844.

VOLUNTARY AND OPEN MEMBERSHIP

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

MEMBERS’ ECONOMIC PARTICIPATION

Members contribute equally to, and democratically control, the capital of the

cooperative benefiting members in proportion to the business they conduct with the cooperative rather than on the capital invested.

AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by members and maintain the cooperative’s autonomy.

EDUCATION, TRAINING, AND INFORMATION

Cooperatives provide education and training for members, elected representatives, managers, and employees so they can

contribute effectively to the development of their co-op.

COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

CONCERN FOR COMMUNITY

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.



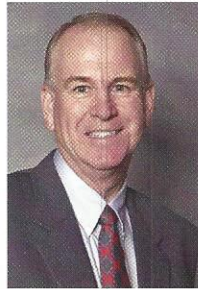
*Darrell Cundiff
President*



*Michael Adams
Vice President*



*Ted A. Holbrook
Secretary-Treasurer*



Tommy Hill



Dolores D. Jones



J. Frank Porter



C. K. Stacy



Philip Williams



*Gregory D. Allen
Attorney*



*Kerry K. Howard
General Manager/CEO*

OFFICIAL BUSINESS MEETING AGENDA ANNUAL MEETING OF MEMBERS

LICKING VALLEY RECC

Where: Malone Office Complex, Malone, KY

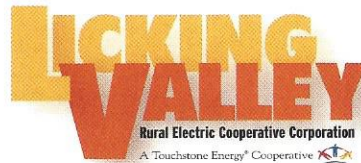
When: Friday, May 13, 2016

Registration Time: 5:00 p.m.—6:45 p.m.

Business Meeting Time: 6:45 p.m.

The annual membership meeting of this co-op organizes to take action on the following matters:

1. Report on the number of members present in person in order to determine the existence of a quorum
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be
3. Consideration of unapproved minutes of previous meetings of the members and the taking of necessary action thereon
4. Presentation and consideration of reports of officers
5. Report of results of Directors Election in an election year
6. Other business
7. New business
8. Adjournment



ACTIVE MEMBERS

(as of December 31, 2015)

Breathitt County	1,674
Elliott County	10
Lee County	163
Magoffin County	2,938
Menifee County	241
Morgan County	4,146
Wolfe County	3,056
Rowan County	1
Total	12,229

Accounts Billed

2015..... 17,316

Average Kilowatt-hour Use

(Residential per month)

2015..... 968

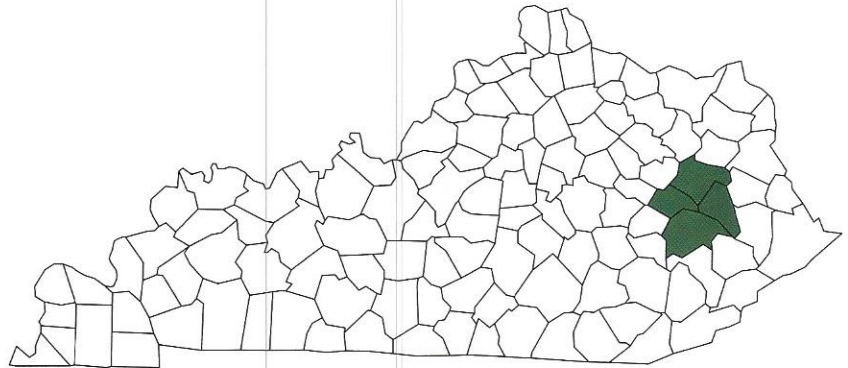
Miles of Line

2015..... 2,062

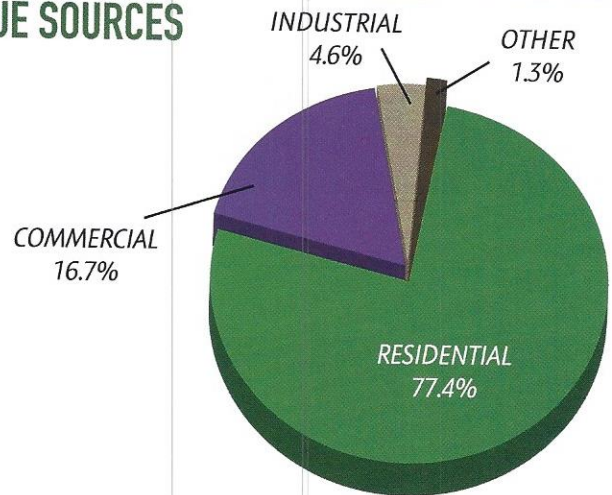
Consumers Per Mile

2015..... 8.40

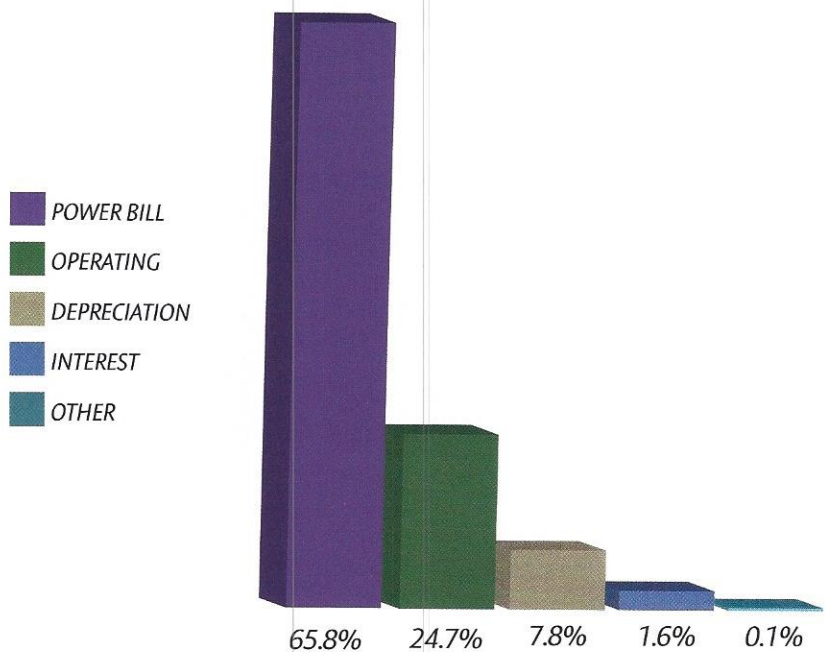
SERVICE AREA



REVENUE SOURCES



MAJOR COSTS



STATEMENT OF OPERATIONS

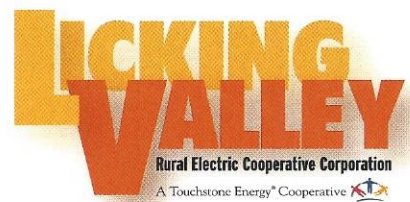
For the Year Ending December 31, 2015

Operating Revenue.....	\$26,919,157
Operating Expense	
Purchased Power	\$18,554,532
Operating System	\$6,949,940
Depreciation.....	\$2,200,361
Taxes.....	\$41,115
Interest on Loans.....	\$425,685
Other Deductions	\$22,967
Total Cost of Electric Service.....	\$28,194,600
Operating Margins.....	\$(1,275,443)
Non-Operating Margins.....	\$29,879
G&T Capital Credits	\$ 1,266,962
Other Capital Credits	\$61,164
Patronage Capital and Margins.....	\$82,562

BALANCE SHEET

For the Year Ending December 31, 2015

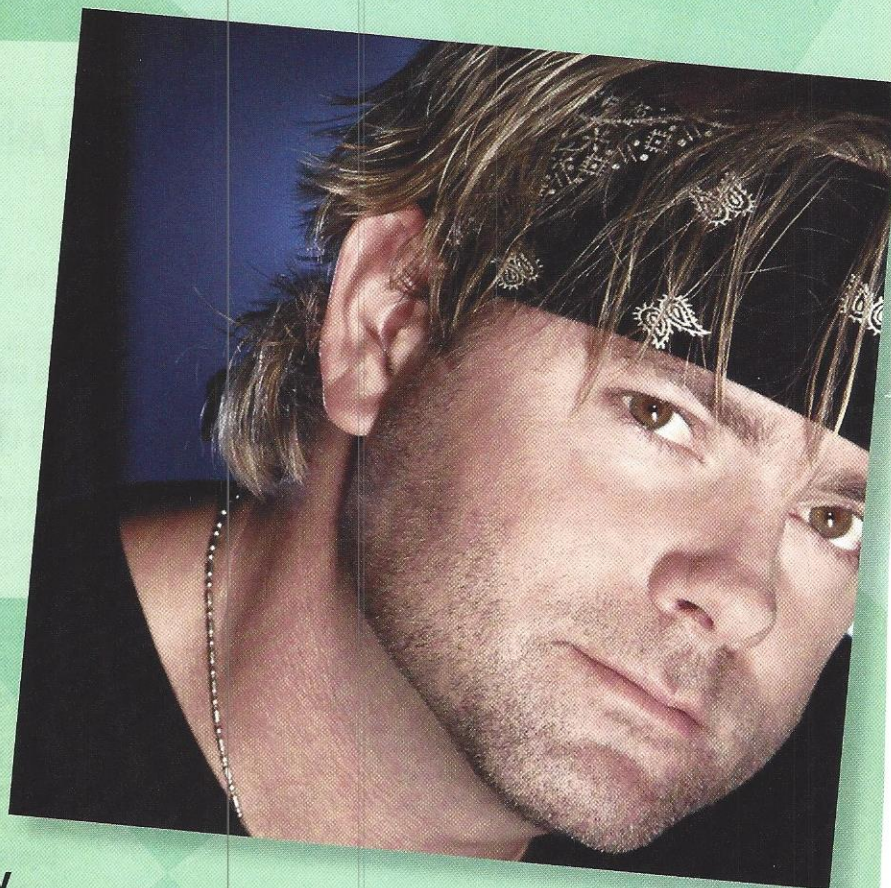
ASSETS	
Total Utility Plant	\$68,791,495
Less Depreciation	\$25,391,437
Net Utility Plant.....	\$43,400,058
Investment in Assoc.	
Organization.....	\$15,392,401
Cash.....	\$263,561
Accounts Receivable	\$5,068,753
Inventory.....	\$579,389
Expenses Paid in Advance	\$127,352
Total Assets	\$64,831,514
LIABILITIES	
Consumer Deposits	\$1,289,788
Membership and Other	
Equities	\$31,357,210
Long-Term Debt	\$25,587,898
Notes and Accounts Payable	\$2,523,634
Other Current Liabilities	\$979,375
Noncurrent Liabilities.....	\$ 3,093,609
Total Liabilities.....	\$64,831,514



2016 ANNUAL MEETING

Friday, May 13

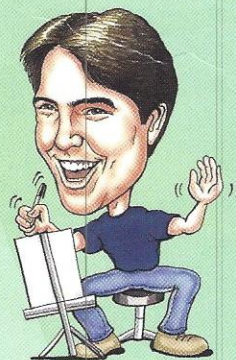
Featuring
Andy Griggs



Malone Office Complex—Malone, KY
Registration: 5:00–6:45 p.m.
Business Meeting: 6:45 p.m.

- Classic Car Cruise-in
- Appalachian Troubadours
- Safety Demonstration
- Health Screenings
- Free Food

FREE Energy-saving light bulbs
for members who attend!



Caricaturist:
Denny Whalen

**LICKING
VALLEY**
Rural Electric Cooperative Corporation
A Touchstone Energy® Cooperative 