

SK South Kentucky
RECC
A Touchstone Energy Cooperative 

2017
ANNUAL REPORT



If you were asked, “Where do you belong?” how would you answer?

Perhaps you would think of how you belong to your family, a faith community or a local civic organization. Do you belong to a bowling league, a quilting club or an exercise group? Maybe you feel a sense of belonging with fellow fans of a sports team. Some folks measure belonging by social media interactions.

The idea of “belonging” to a group that sends you an electric bill might seem unusual. But, at South Kentucky RECC, our member-owners are the reason we exist. For 79 years and counting, our mission has been to improve the quality of life in all our communities.

We hope you review this report’s financial numbers; but unlike corporations whose strengths are measured by merely the bottom line, South Kentucky RECC knows that our members are our greatest asset.

WE ARE MEMBER STRONG

As we mark 79 years of South Kentucky RECC, we look to members like Thomas L. Godbey, of Casey County, who is 101 years old, and Whitney Cash, of Pulaski County, who is 28 years old, pictured on the cover of this report. They are testament to the power of membership across generations. Whitney is one of the co-op’s newest members having just become a member in 2017 with the purchase of her first home. Thomas

Godbey, on the other hand, became a South Kentucky RECC member in February 1949 – just eleven years after the co-op was formed.

“I remember not having electricity,” Mr. Godbey says. “When it came, it sure made things easier.”

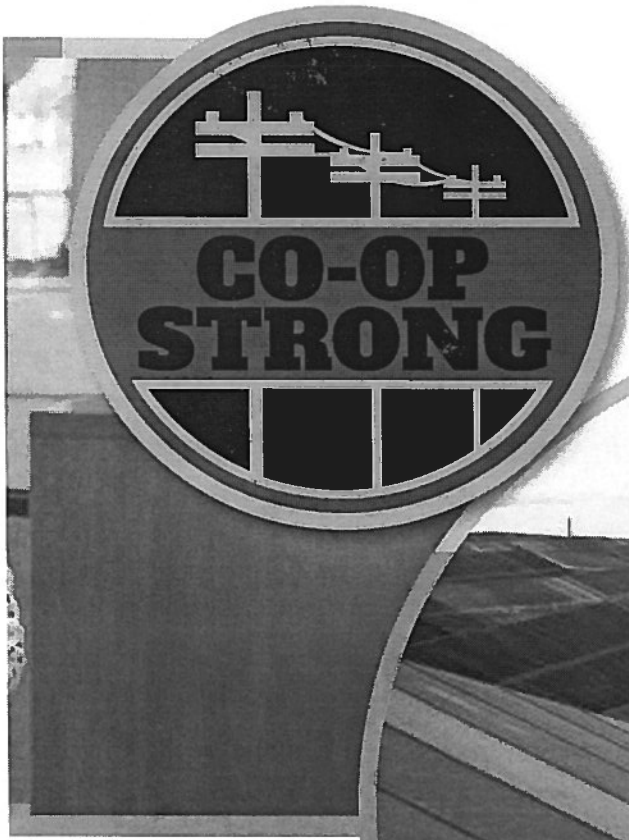
Mr. Godbey recounted the story when he and his wife, Clytha, first married and lived on the “old Elliott place.” Laughing, he says, “We didn’t have electricity. All we had were copperheads and rattlesnakes!”

In 1949, the Godbeyes moved to their farm in southeastern Casey County where they became South Kentucky RECC members; they raised six children, two boys and four girls; they farmed; and Mr. Godbey owned a trucking business in which he hauled for Casey Stone.

Mr. Godbey and Ms. Cash are two of the more than 67,000 members of South Kentucky RECC, part of a strong network of 1.5 million Kentuckians and 42 million Americans who belong to electric cooperatives. Co-ops work together to protect your interests, provide you at-cost energy and advocate for our communities.

“I have been part of South Kentucky RECC as long as I can remember,” says Ms. Cash. “My mother started working at the co-op when I was just 3 years old. I always knew I wanted to be a member there, so it was a no-brainer when I started looking around to buy my first home. I only looked at homes available on co-op lines.

“South Kentucky RECC has always been such an



Cover: South Kentucky members Thomas L. Godbey of Casey County and Whitney Cash of Pulaski County.

Left: South Kentucky RECC Cashier Trish Marr is just one of several front-line employees who assists co-op members and helps keep SKRECC Co-op Strong.

Below: Members can lease solar panels from Cooperative Solar, without the hassle, maintenance and expense of owning their own panels. Cooperative Solar Farm One is a 60-acre solar array serving Kentucky's Touchstone Energy Cooperatives. Photos: Tim Webb



important part of our community. They are more than just the electric company. They truly care about everyone they serve, and they work hard to provide good service and to help their members. And they are like family to me.”

Our board of directors is elected by you and is accountable to you. Every member pays the same rate and each member has one vote.

WHEN YOU THINK MEMBER STRONG, THINK OF WHERE YOU BELONG

“I’ve attended and been a member of Mt. Olive Christian Church my whole life,” says Mr. Godbey. “Over these many years, I’ve seen a lot of changes in our world around us, but my church has remained constant and steady.” Mr. Godbey’s pastor confirms that he is the church’s oldest living member, having joined the church in 1929.

Ms. Cash agrees with Mr. Godbey that the church is important.

“I belong to Science Hill Christian Church, and I am part of the local law enforcement community, as I serve as a probation/parole officer. I am also a member at a

NOTICE OF HEARING

Pursuant to 807 KAR 5:001, Section 9(2)(b), notice is hereby given of a public hearing to be held on Tuesday, May 15, 2018, at 10 a.m. Eastern Daylight Time, and continue on Wednesday, May 16, 2018, at 9 a.m. Eastern Daylight Time, at the offices of the Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky 40602. The purpose of the hearing will be to take evidence on the Application of South Kentucky Rural Electric Cooperative Corporation for Approval of Master Power Purchase and Sale Agreement and Transactions Thereunder, Case No. 2018-00050. This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov.

South Kentucky RECC
200 Electric Avenue
Somerset, Kentucky 42501
1-800-264-5112

local gym, where I try to work out four times a week.

“Another important group, and probably my favorite, that I am active in is with my nephew’s baseball team and the tee-ball team that my other nephew and niece play for. I have three nephews and two nieces, and they mean the absolute world to me. I would do just about anything for them. To me, it’s all about family.”

And, both are members of South Kentucky RECC.

WE ARE CO-OP STRONG

Members empower South Kentucky RECC to make necessary and strategic investments in infrastructure and people so that we can continue to fulfill the promises made when we were founded 79 years ago. (South Kentucky RECC will mark its 80th anniversary in October this year. Keep watching the magazine for information about special member appreciation days in October.) That means investing in innovation, maintenance and safety. More than ever before, safe, reliable and affordable electricity is essential to energizing our lives and keeping our communities connected. The employees of South Kentucky RECC take

that responsibility to heart.

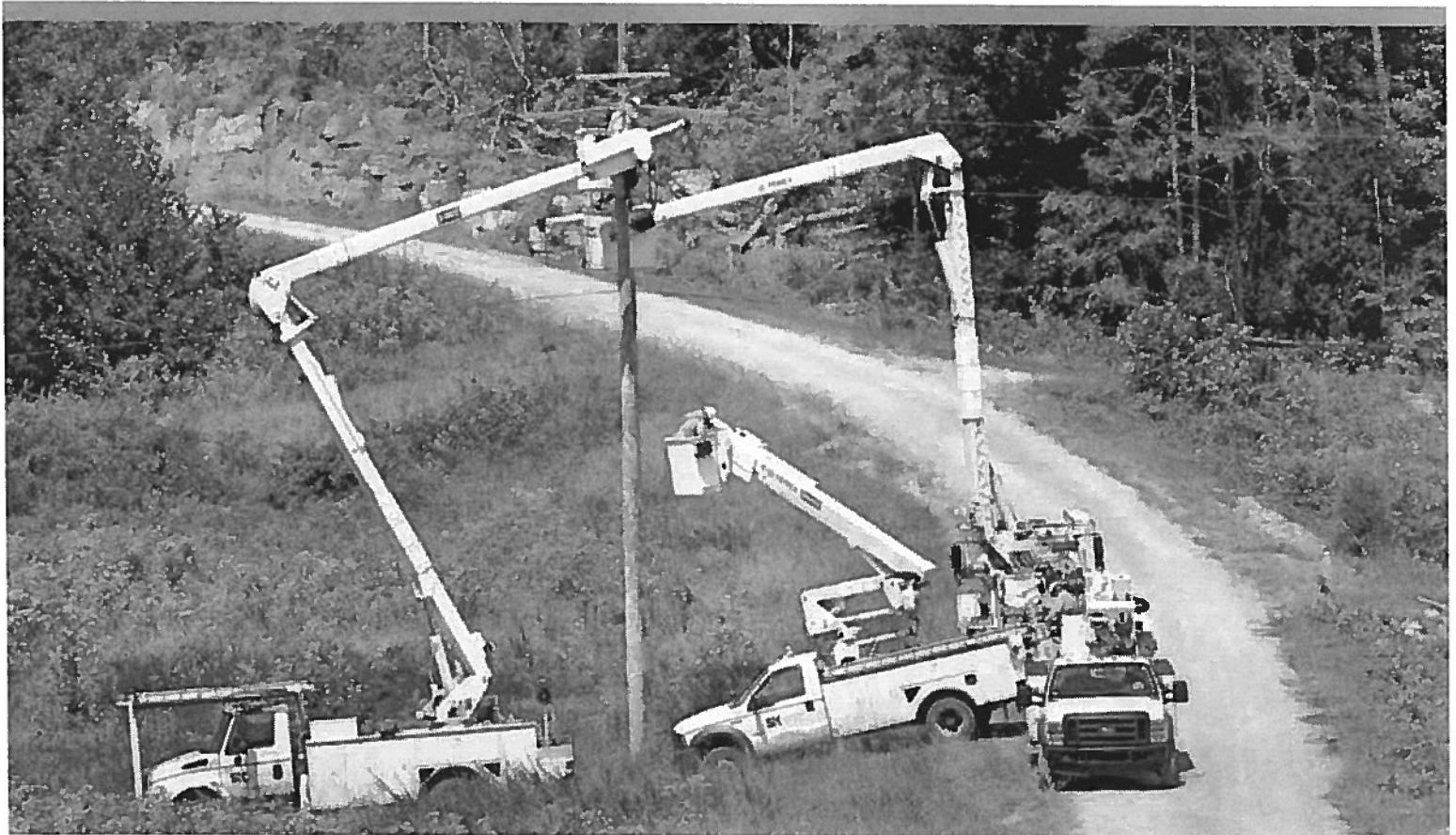
The value of South Kentucky RECC can be found in our commitment to deliver energy to you on the hottest days, the coldest nights, and every day in between.

Members are paying increased attention to how our energy is generated. While some prioritize the reliability and affordability of coal and natural gas, others want access to renewable energy sources, such as solar power.

With Cooperative Solar, members of South Kentucky RECC have unprecedented options for affordable solar power. Now is an ideal time to sign up. You can lease solar panels from Cooperative Solar Farm One, a 60-acre solar array built for 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 thanks you for your trust, support and membership. Our members provide stability and a sense of local ownership. You are more than customers, you are member-owners.

Together, we are Member Strong.



South Kentucky RECC works hard to provide reliable electric service to help SKRECC remain Co-op Strong. Photo: Tim Webb



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

ANNUAL MEETING OF MEMBERS SOUTH KENTUCKY RECC

Where: South Kentucky RECC Headquarters, Somerset • **When:** Thursday, June 7

Registration Time: 4 p.m. • **Quick Pass:** Noon-3 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 2017 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



2017 SOUTH KENTUCKY RECC

MEMBERS BY COUNTY

ADAIR.....	645
CASEY.....	1,769
CLINTON.....	6,666
CUMBERLAND.....	21
LAUREL.....	10
LINCOLN.....	1,244
MCCREARY.....	6,189
PULASKI.....	28,190
ROCKCASTLE.....	76
RUSSELL.....	10,155
WAYNE.....	12,665
PICKETT, TN.....	166
SCOTT, TN.....	24

ACCOUNTS BILLED

2007.....	62,514
2017.....	67,820

AVERAGE KWH USAGE (residential per month)

2007.....	1,116
2017.....	990

MILES OF LINE

2007.....	6,600
2017.....	6,866

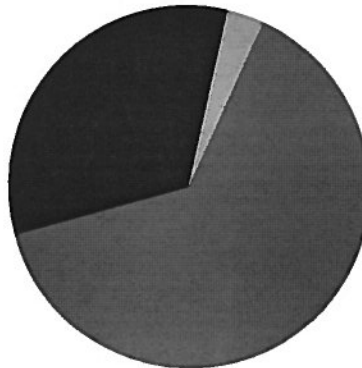
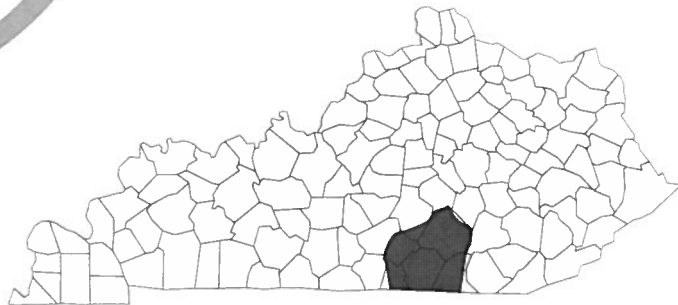
MEMBERS PER MILE

2007.....	9.47
2017.....	9.88

FOR INFORMATION AND INQUIRIES

P.O. Box 910
Somerset, KY 42502
1-800-264-5112
www.skrecc.com

SERVICE AREA



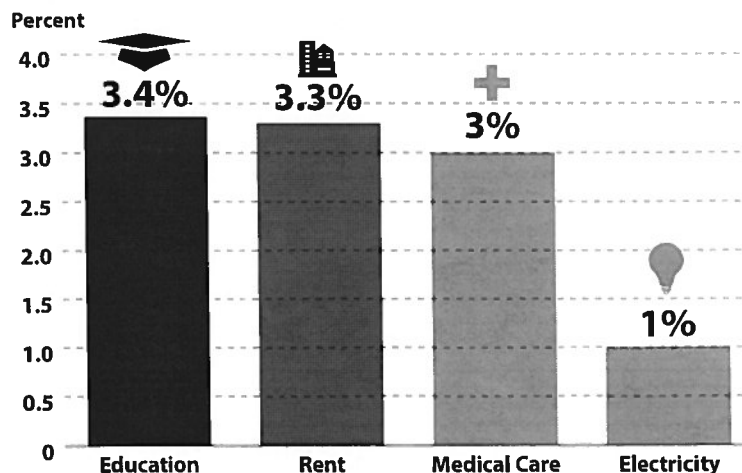
REVENUE SOURCES

- 64.14% RESIDENTIAL
- 32.61% COMMERCIAL
- 3.25% OTHER

ELECTRICITY REMAINS A GOOD VALUE

The cost of powering your home rises at a slower pace than many of your typical expenses. Compare the average price increase of these expenses each year over the last five years, and the value of electricity shines.

Average Annual Price Increase 2011-2016



Sources: U.S. Bureau of Labor Statistics Consumer Price Index



STATEMENT OF OPERATIONS

For the Year Ending December 31, 2017

Operating Revenue..... \$122,624,416

COST OF ELECTRIC SERVICE

Cost of Electricity Purchased
From East Kentucky Power \$87,589,528
Cost of Operating the
Distribution System..... \$19,729,735
Depreciation Expense..... \$8,264,254
Interest Expense on Loans \$5,205,227
Public Service Commission
Assessment..... \$161,191
Other Expenses \$60,593

Total Cost of Electric Service \$121,010,528

Gross Margins from
Electric Service \$1,613,888
Non Operating Income \$7,763,903
Net Margins (Deficit) \$9,377,791

BALANCE SHEET

As of December 31, 2017

ASSETS

Total Poles, Wires and
Other Equipment \$258,985,166
Less Accumulated
Depreciation \$68,930,571
Net Value of Poles, Wires
and Other Equipment..... \$190,054,595
Investments in Associated
Organizations \$75,275,539
Cash and Equivalents..... \$3,050,561
Accounts and Notes
Receivable..... \$9,494,040
Material in Inventory \$1,444,241
Prepaid Expenses \$522,828
Other Assets \$13,205,205
Total Assets \$293,047,009

LIABILITIES AND MEMBERS' EQUITY

Consumer Deposits \$1,671,331
Members and Other Equities \$130,455,896
Long-Term Notes Payable..... \$128,857,278
Notes and Accounts Payable
Owed to Vendors..... \$20,207,584
Other Liabilities \$11,854,920
Total Liabilities and
Members' Equity \$293,047,009

HOW EACH DOLLAR IS USED



72 cents
PURCHASED POWER

28 cents
Other expenses
INTEREST, MAINTENANCE, OPERATIONS, ETC.

OFFICIAL NOTICE

PARMALEE



ANNUAL MEETING 2018

Thursday, June 7

Registration - 4 p.m. EDT

SKRECC HEADQUARTERS

Business Meeting - 7 p.m. EDT

- Free bucket and LED lightbulbs for all registering members
 - Prizes for all ages
- Information about South Ky. RECC and our many services
- Inflatables and fun for the kids

QUICK
PASS

Noon - 3 p.m.

Drive-thru to register, get your bucket and LEDs, but miss the crowd!

Call (606) 451-4141 for more information.

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All offices of SKRECC will be CLOSED Annual Meeting day!