



Moving Forward

2017 Annual Report

 **Blue Grass Energy**
A Touchstone Energy Cooperative 

Making life better, the cooperative way

»»» COMMENTS FROM OUR LEADERSHIP



Focus. Determination. Forward thinking. All these words describe your electric cooperative as we head into the future.

As part of the executive leadership of your cooperative, it is our job to move us forward. And looking forward, we see a future that will continue to be powered by our purpose of making life better, the cooperative way, for our members.

It is a future where decisions are focused on our members, just as we've done for the last 81 years. Your needs will continue to direct our efforts in providing safe, reliable, affordable energy services while improving the quality of life for our members and our communities.

We understand, as our industry continues to evolve, our members' needs will, too. As a cooperative, we provide opportunities others do not. We will continue to be local. We will continue our member-focused approach to needs within our communities. We will be your trusted energy source by providing reliable service, information and outreach in our service area.

We also want to engage with you, our members. You do more than pay a bill each month. You are owners of Blue Grass Energy. We want you to be an active participant in keeping us informed on what you value and the energy needs you have. We want to have a relationship with each member that allows those needs to be shared. After all, serving members is the reason we were founded back in 1937.

On the following pages, you will see highlights and examples of the value of your cooperative membership. Moving forward, we will continue to build on those accomplishments for our future. A future where we remain committed to making life better, the cooperative way for our nearly 60,000 members.

We thank each of you—our members—for the opportunity to move Blue Grass Energy forward into the future.




Dennis Moneyhon
Board Chairman


Michael I. Williams
President & CEO

YOUR BOARD OF DIRECTORS



Michael I. Williams
President and CEO



Dennis Moneyhon
District 8
Chairman



Gary Keller
District 4
Vice Chairman



Jane Smith
District 7
Secretary-Treasurer



Paul Tucker
District 1



Richard Cobb IV
District 2



Doug Fritz
District 3



Brad Marshall
District 5



Jody Hughes
District 6

2018 ANNUAL MEETING

Official Notice of the
Annual Meeting of
Blue Grass Energy

Keeneland
Entertainment Center,
Lexington, Kentucky

Thursday, June 7, 2018

Registration: 4:30 - 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

We understand that members expect a reliable supply of energy.

That expectation necessitates investing in technology, maintenance and safety. More than ever, providing safe, reliable, affordable energy services, while improving the quality of life for our members, is essential to energizing our lives and keeping our communities connected. The employees and leaders of your cooperative take that responsibility to heart.

We are committed to delivering energy to you on the hottest days, the coldest nights, and every day in between. Our numbers for average interruption duration have been on a downward trend for the past few years—with the last two years reporting the lowest numbers ever recorded.

Those numbers do not happen by coincidence. They are the result of an ongoing, long-range plan to ensure the integrity of our power grid. Last year, we made enhancements to the system that helps us manage our power grid. This technology allows our operations center to more accurately and quickly dispatch during an outage. Our grid monitoring program will predict the location of the fault, allowing our operations center to directly dispatch a line technician. This has reduced the time for each outage.

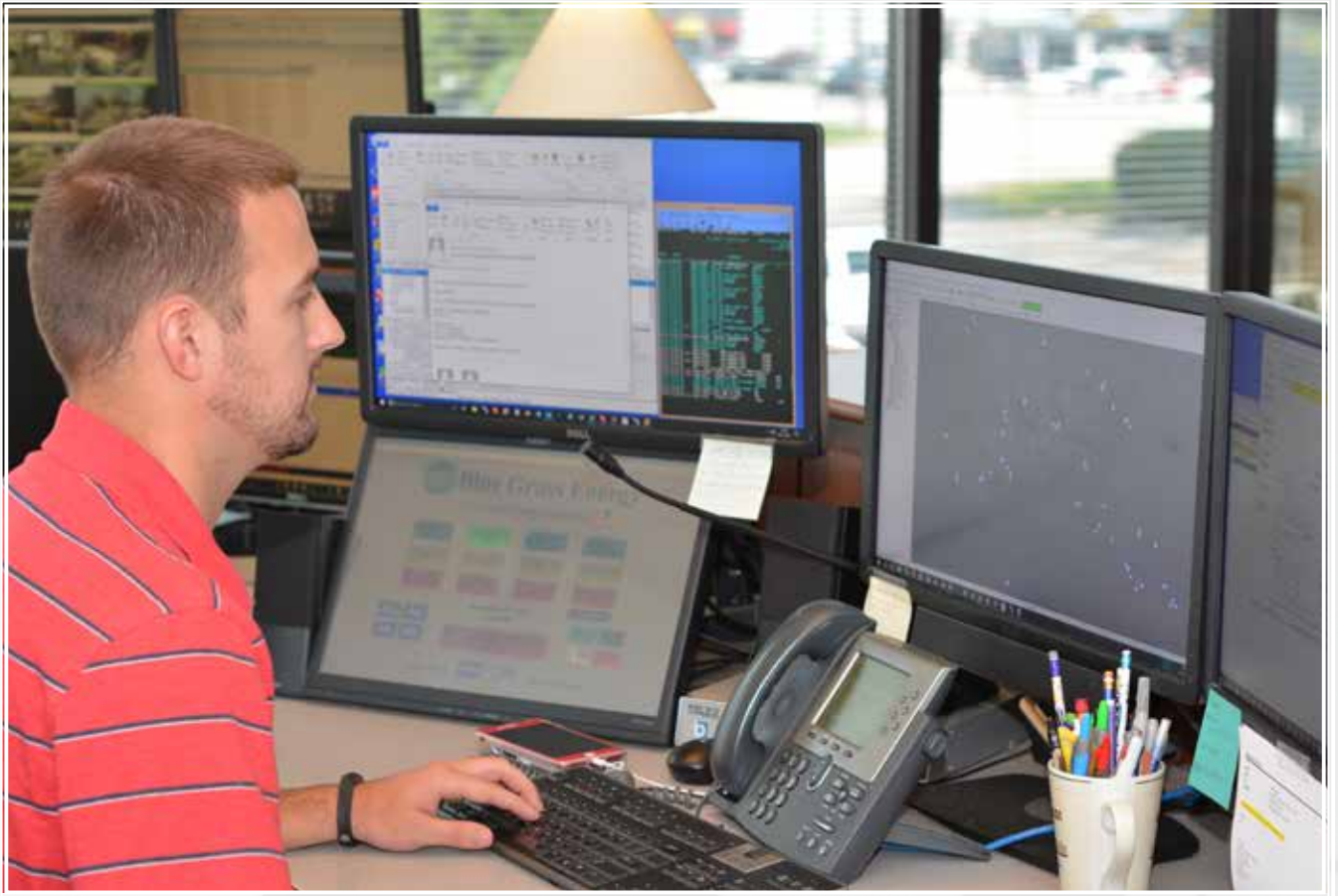
One improvement to our power grid consisted of removing and replacing aging equipment, such as poles and conductors. Another effort included keeping our rights-of-way clear.

Moving forward, our entire team of employees and directors will continue to update our long-range plan to ensure you have the power you need—when you need it.



First-Class Line Technician Russ Drury works to install a new pole.

service



Member Services Dispatcher Kyle Jeffries monitors the electrical system while communicating with our crews.

Providing our members with superior member service is a daily goal at Blue Grass Energy. We routinely look for ways to better serve our members by offering engaging ways to do business with us.

That is why we still have local offices. It is important for us to be involved in the communities we serve and to be easily accessible.

Last year, we saw our outage texting program grow. More

and more, members are taking advantage of this option, which allows members to simply send us a text instead of calling to report a loss of power.

Our prepay program continued to gain popularity. This billing option allows members to pay as they use energy, often times saving them money.

Members also took advantage of our energy-efficiency and auditing programs. Our trusted

energy advising team helped members throughout our service area save money and be more comfortable in their homes and businesses.

Our members noticed our many efforts in 2017. As a result, we tied our all-time-high member satisfaction rating.

As we move forward, we are pleased to be your trusted source for energy information and to provide you with outstanding member service.



value

When we think about value, we think about something that has worth. The employees and directors at Blue Grass Energy strive to ensure you are receiving the most value possible from your cooperative membership.

One of those membership values is receiving your allocated share of capital credits. As a cooperative, we sell our power at cost. Capital credits reflect any margins left over at the end of the year after all expenses are paid. Instead of returning that money to a distant stockholder, we return that money to our members. Last year, nearly \$2 million, representing margins from 1982 and 1983, were returned to members and nearly \$2 million was issued again this year. Checks were mailed in mid-April representing margins from 1984 and half of 1985.

Another added value in 2017 was the dedication of Cooperative Solar Farm One. We listened to our members' call for solar power options and, along with 15 other Touchstone Energy Cooperatives, built one of the largest solar farms in Kentucky. Members can now license any of the nearly 33,000 panels in the 60-acre solar farm located in Winchester.

We also continued our economic development efforts, working to bring industries and jobs to our service area. To better gain attention for communities located in Kentucky, we developed ground-breaking tools to showcase Kentucky's resources to industries looking to expand or relocate.

Kentucky's Touchstone Energy Cooperatives have earned international acclaim for their success in using technology to bring jobs and investments to Kentucky. In particular, the award from the International Economic Development Council (IEDC) singled out PowerMap featuring StateBook and PowerVision. This project

combines GPS mapping with StateBook's economic development database, drone-captured video, and data to make Kentucky's sites highly visible and accessible around the globe.

We know helping local governments and economic development authorities attract new jobs directly impacts our members, helping to increase their quality of life.

Moving forward, we will continue to improve our efficiencies with technology and employee training to ensure that you get the most out of every penny you invest in your cooperative.



Energy Advisor Jeff Moberly helps members like Shelby Tyler learn how to manage their energy use.

community



First-Class Line Technicians Thomas Walton, Luke Makowski and Adam Mink raise the American Flag during our annual Touchstone Energy Honor Flight at the entrance of Bluegrass Airport.

A community is more than just people living in the same area. It's a network of individuals with common goals to make where they live better. And that is what we are about, making life better—so it makes sense that we are committed to the same goals as our members.

In 2017, we continued to invest in our youngest members. We sent nine future leaders to our nation's capital through our Washington Youth Tour program. These same students also attended the Frankfort Youth Tour where they learned about our state government. Ten high school seniors were also awarded scholarships for continuing their education.

We also work with the American Private Enterprise System (APES). The program's objective is to provide high school juniors with an understanding of cooperatives.

Our corporate charity for the year was Make-A-Wish®. Through employee-led efforts such as candy bar sales, chili cook-offs, silent auctions and penny wars, we raised an amazing \$18,490.33—directly benefiting children with life-threatening illnesses.

We also partnered with sister cooperatives in sponsoring our 8th annual Honor Flight. We flew two more veterans to Washington, D.C., to visit the memorials commemorating the wars in which they fought for our country.

We continued our community commitment through serving on chambers, school committees, Cooperative Extension boards and local Farm Bureaus. Our employees also coached local sports teams, taught school children about electrical safety and volunteered with their churches and local civic organizations.

We understand the vital role our cooperative plays in the lives of our members and our communities. Moving forward, we plan to continue our dedicated involvement within the communities where we live and serve. Making your life better, the cooperative way, will continue to be the core of what we do at Blue Grass Energy.



BLUE GRASS ENERGY'S



ANNUAL MEETING

Thursday, June 7, 2018
Keeneland Entertainment Center

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

- 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

GRAND PRIZE
\$1,000
VISA Gift Card

SILENT AUCTION
benefiting



Statement of Operations

For the Year Ending
December 31, 2017

Operating Revenue	\$121,532,531
Operating Expense:	
Wholesale Power Cost.....	88,796,456
Operating the Electrical System.....	16,697,896
Depreciation	9,155,943
Interest on Loans.....	3,326,348
Taxes & other Deductions	13,537
Total Cost of Electric Service	\$117,990,180
Patronage Capital & Operating Margins...	\$3,542,351
Non-Operating Margins	1,000,713
Capital Credits assigned from other Cooperatives	2,708,722
Patronage Capital and Margins	\$7,251,786

Balance Sheet

As of December 31, 2017

ASSETS

Total Utility Plant	\$257,634,597
Less Accumulated Depreciation	92,843,825
Net Utility Plant Book Value.....	\$164,790,772
Other Property & Investments.....	71,489,720
Cash & Temporary Investments	2,870,004
Accounts Receivable.....	12,276,491
Inventory	1,898,129
Expenses Paid in Advance	151,919
Deferred Debits and Other Assets.....	3,004,093
Total Assets	\$256,481,128

LIABILITIES & EQUITY

Membership and Other Equities.....	\$125,291,593
Long-Term Debt	105,101,488
Notes and Accounts Payable.....	14,742,190
Other Current & Accrued Liabilities.....	10,941,128
Deferred Credits & Miscellaneous.....	404,729
Total Liabilities & Equity.....	\$256,481,128

This institution is an equal opportunity provider and employer.

