

The Difference is Beautiful in CO-OP COUNTRY

2021 Annual Report

OFFICIAL NOTICE OF THE ANNUAL MEETING OF BLUE GRASS ENERGY

Thursday, June 2, 2022

Registration:
7:30 a.m.—3:30 p.m.
at each local office

Business Meeting:
3:30 p.m.
*via Livestream
(bgenergy.com)*

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 publication or mailing thereof, or the waiver or

waivers of notice of the meeting, as the case may be.

3. Presentation of reports of officers, directors and committees.
4. Report on election of directors.
5. Other information.
6. Adjournment.



The dictionary definition of difference is, “Not the same as another; unlike in nature, form, or quality.” As a cooperative, we are different. We are not like investor-owned or municipal utilities. The cooperative difference is in how we serve our members, how we operate and how we help build our communities. And, as your energy provider, we are proud of our cooperative differences and the amazing benefits they bring to you.

One of those benefits is our commitment to service. Our goal is to provide our members with the outstanding service they deserve. These differences, paired with our purpose, helped us find ways to navigate through the pandemic and come out of it serving our members and communities even better in 2021.

Another difference in the way we operate is our business model—where you are the owners. The best part of being a member of Blue Grass Energy is that it is your Blue Grass Energy. Capital credits illustrate that perfectly. You buy your power at cost. Any excess revenues are returned to you through what is called capital credits. In 2021, we returned \$2.2 million back to our members. That is a total of over \$10 million in the last five years. That is actual dollars returned to our communities, not a distant stockholder.

While these are just a few of the examples from 2021 of how the cooperative difference worked for you, more information follows on the pages of this report. As you will find, there are many cooperative differences—and they all benefit you.

Unlike large investor-owned utilities, we are based right here in central Kentucky. For over 85 years, we have answered the call to make life better by providing safe, reliable and affordable energy.

We are here to serve you. Thank you for that privilege.



Dennis Moneyhon
Dennis Moneyhon
Board Chair



Michael I. Williams
Michael I. Williams
President & CEO

BOARD OF DIRECTORS



Dennis Moneyhon
Chair
Foster
District 8



Richard Cobb IV
Richmond
District 2



Gary Keller
Vice Chair
Harrodsburg
District 4



Doug Fritz
Paint Lick
District 3



Jane Smith
Secretary-Treasurer
Waddy
District 7



Lu Young
Nicholasville
District 5



Paul Tucker
Sadieville
District 1



Jody Hughes
Lawrenceburg
District 6

2021: A YEAR IN REVIEW

THE LOCAL DIFFERENCE

Because Blue Grass Energy is a not-for-profit cooperative, any realized revenues are returned to our members—not to stockholders in another state or even another country. That money stays local. So not only are you buying your power at our cost, but the very nature of our business model and returned profits supports our local economies too. As mentioned earlier, margins returned last year equaled \$2.2 million. That is real money back in our members' pockets.

We also worked with local governments and economic development authorities to strengthen our communities.

STATEMENT OF OPERATIONS

For the Year Ending December 31, 2021

Operating Revenue	\$131,224,040
Operating Expense:	
Wholesale Power Cost.....	\$94,478,456
Operating the Electrical System	18,325,631
Depreciation	10,994,539
Interest on Loans	3,006,793
Taxes & Other Deductions	30,002
Total Cost of Electric Service	\$126,835,421
Patronage Capital & Operating Margins	\$4,388,619
Non-Operating Margins	321,227
Capital Credits assigned from	
Other Cooperatives.....	1,389,928
Patronage Capital & Margins	\$6,099,774

BALANCE SHEET

As of December 31, 2021

ASSETS

Total Utility Plant	\$302,392,224
Less Accumulated Depreciation	(118,761,562)
Net Utility Plant Book Value.....	\$183,630,662
Other Property & Investments.....	\$85,183,097
Cash & Temporary Investments	10,581,622
Accounts Receivable.....	10,333,347
Inventory	2,080,231
Expenses Paid in Advance	633,202
Deferred Debits & Other Assets	8,566,588
Total Assets	\$301,008,749

LIABILITIES & EQUITY

Membership & Other Equities	\$159,238,594
Long-Term Debt	115,528,115
Notes and Accounts Payable.....	14,732,422
Other Current & Accrued Liabilities.....	11,037,871
Deferred Credits & Miscellaneous	471,747
Total Liabilities & Equity	\$301,008,749

We saw industrial members expand and new companies arrive. Additional jobs were announced, which brought new members to Blue Grass Energy as people moved to our area. This resulted in a growth of our membership.

As you can see, we are still local, still making life better, the cooperative way, just as we have since 1937.

THE SERVICE DIFFERENCE

As your trusted energy partner, our goal is to ensure that every interaction is helpful and meets your needs.

That's why we regularly communicate with you on the ways we are here to make your life better.

Our employees are knowledgeable and happy to assist with account and billing inquiries. On the other hand, if you prefer to do things on your own, the functionality of our app and website allow you to do just that. As we exit the health crisis, we see usage numbers for these two options grow exponentially.

We also enhanced the opportunities for members to share their feedback with us. We actively seek input from members on how we are doing and what opportunities there are

for us to improve. For several years, we have emailed a short survey to members engaging with us during the month. Now, we have added a permanent version of that survey on our website allowing members the opportunity to give us feedback anytime.

And we are listening. We understand listening improves our understanding of your needs. It also strengthens our relationship with each other. And as the owners of the co-op, we want to have the best relationship possible.

Another upgrade in our service to you is the member portal

continued

2021: A YEAR IN REVIEW (continued)

at bgenergy.com. We redesigned the members-only area for ease of use. Now you can not only pay your bill, but also manage your account by using some of the same features our member service representatives use. And, the best part, it is available to you 24/7 and through the smartphone app.

THE RELIABLE DIFFERENCE

Chances are you don't think about how we build, repair and maintain our power lines. You just enjoy the peace of mind that comes from having power when you need it. And a lot goes into making that happen. Whether it is proactively upgrading a circuit, repairing a broken line in the middle of a storm, or investigating new technologies to better serve you, we work 24/7, 365 days a year to bring you that peace of mind.

Speaking of technology, 2021 saw us upgrade several areas of our monitoring system for our power grid. We are now able to see more information from our system performance than ever before. This allows for enhanced engineering decisions to be made and greatly improves troubleshooting and responsiveness to reliability issues. Additionally, we upgraded technology in our vehicles to better improve the communication with, and the overall safety of, our employees.

For the eighth year, we were awarded the Arbor Day Foundation's Tree Line USA's Utility distinction in honor of our commitment to

proper tree pruning, planting and care throughout our service area. Proper right-of-way maintenance has a direct impact on the reliability of electric service. Properly pruned and maintained trees result in fewer downed lines during storms and allows for a safer environment for our members and employees.

While we saw our share of service interruptions due to distracted drivers and weather events last year, our proactive planning and preparations allowed us to deliver our energy 99.9% of the time. This number accurately reflects our commitment to ensuring your power is not only delivered safely and affordably, but reliably as well.

THE COMMUNITY DIFFERENCE

Across the country, local electric co-ops work to make life better by investing time, money and expertise to better local communities and strengthen relationships with members. That includes taking a leadership role in community projects, helping to educate students and involving them in leadership opportunities, as well as generously donating time, energy and resources to charities and schools,

Our corporate charity is a perfect example of this co-op approach. Last year, our employees worked together to support the Parkinson's Foundation. From in-house auctions, personal giving and member donations through our 12 Days of Giving, \$12,603 was raised. That money will

stay right here to help Kentuckians suffering from this debilitating disease.

We are making a difference outside of our service area, too. When devastating tornadoes hit western Kentucky last December, and we saw the unimaginable destruction left behind, our employees wanted to help with more than just power restoration. They, along with their families, gathered enough new household items to fill a cargo trailer. These items, along with financial donations, were personally delivered to West Kentucky RECC to help tornado victims recover from this disaster.

But our giving didn't stop there. Our Pennies for Purpose (PFP) program donated \$5,000 in 2021. This program is only successful because of our members. PFP is funded by members rounding up their bill each month to the next dollar. Those pennies have a huge impact. PFP generously supported Kentucky River Foothills, Peaceful Paws Animal Rescue, Central Kentucky Riding for Hope, First Generation Women Achievers, Early Bird Foundation, Survivor Squad and Hope for Recovery.

Our young members benefited from the cooperative difference as well. We awarded ten \$1,500 scholarships to graduating high school seniors. We understand the need to invest in our future leaders to ensure our local communities continue to thrive. Assisting them with their higher educations is a perfect opportunity for that investment.