

Electric Co-operatives Forge Ahead

Here are the key risks and opportunities for 2018:



Cybersecurity and Big Data

Co-operatives need to be proactive in cybersecurity by implementing effective controls to prevent and detect cyber-crime.



Power Supply Costs

Although a proposal exists to repeal the EPA Clean Power Plan, management needs to continue to investigate alternative sources of energy, such as wind, solar, biomass, etc., to further diversify power sources as well as work with communities to deploy energy storage and efficiency technologies.



Safety, Including Overtime Management

Safety is a major concern for co-operatives as their employees routinely work in dangerous conditions (i.e. downed power line in a thunderstorm) that, if not taken seriously, can expose the co-operative.



Community and Environmental Responsibility

Electric co-operatives have to balance providing affordable electricity to the communities they serve while protecting those same communities from environmental deterioration.



Succession Planning

As co-operative executives continue to grow older and retire in larger numbers than in the past, there must be a greater emphasis on succession planning and staff development.



Adoption of the New Revenue Standard

Co-operatives will need to adopt ASU 2014-09 (*Revenue from Contracts with Customers*) in 2019 or 2020, depending on fiscal year end.



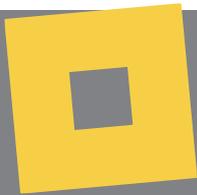
Adoption of the New Lease Standard

Co-operatives will need to adopt ASU 2016-02 (*Leases*) in 2020 or 2021, depending on fiscal year end.

Read the full article: deandorton.com/electric-cooperatives-forge-ahead

Sources: electric.coop, ey.com, thenews.coop, myelectriccooperative.com, business.vanderbilt.edu





Electric Co-operative Key Performance Indicators



Note: Group consists of various Kentucky-based electric co-operatives.

Measurement	Trend	2016	2015	2014	2013
Debt to equity	Positive	1.18	1.29	1.40	1.49
Equity to total assets	Positive	43%	41%	38%	37%
Current ratio	Stable	1.00	0.99	1.05	0.97
AP turnover	Stable	15.48	17.72	16.58	15.59
AR turnover	Stable	13.10	16.13	14.60	16.19
Operating margin %*	Decline	4.2%	6.0%	6.2%	5.6%
Cost of purchase %*	Stable	70%	70%	71%	72%
Capital expenditures %*	Stable	9.7%	8.3%	7.3%	7.6%

* Percent of revenue

Overall, the results are positive and show the stability that exists in the electric co-operative industry in Kentucky. Operating margin slipped in 2016 due to a decline in revenue, attributed to weather patterns and increased energy efficiency programs.

Source: Group of Kentucky-based electric co-operatives