INVESTING IN OUR FUTURE

2024 KYMEA
ANNUAL REPORT

KYMEA
KENTUCKY MUNICIPAL ENERGY AGENCY

24

> BOTH SECURITY AND ECONOMIC FACTORS UNDERSCORE THE URGENT NEED FOR INVESTMENT IN DISPATCHABLE, FLEXIBLE, AND RELIABLE GENERATION

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A MESSAGE FROM OUR CEO AND BOARD CHAIR

> “
> *RICE TECHNOLOGY IS GAINING TRACTION AS A KEY POWER GENERATION RESOURCE*

The annual report theme for this year is “Investing in our Future.” For fiscal year 2024, KYMEA kept demand and energy rates steady with 2023, offering the lowest wholesale rates in Kentucky, a streak that began when the Agency commenced operations in May 2019. KYMEA’s unrestricted cash hit $22.1 million, covering 100 days of cash on hand. The Board aims to keep at least 60 days’ cash for working capital, placing the remaining $8.9 million in a rate stabilization fund to buffer against rising power and fuel costs. This fund is a key investment to maintain stable rates in the future.

ACHIEVEMENTS

Operations: In May and June of 2024, KYMEA welcomed Berea and Benham as new all-requirements members, increasing the load by 11%. The Agency also secured a power agreement with Hallador Energy for 35 MW to commence on June 1, 2024. KYMEA will soon start receiving power from the 86 MW Ashwood Solar Project, which is under construction. This affordable solar energy will complement the Agency’s 32 MW SEPA hydropower and other resources. Together, Ashwood and SEPA will provide 15% of KYMEA’s energy needs over the next three years, as shown in the associated pie chart. KYMEA expects rates to remain low and stable during this period, barring any unforeseen events.

Solid Financial Foundation: KYMEA is financially robust, holding an A credit rating from Fitch Ratings. It has a $45 million line of credit for project development, collateral, and working capital. The Agency’s financial health metrics and key performance indicators help the Board and management continually monitor its financial well-being.

On May 18, 2023, KYMEA gained a positive ruling from FERC regarding the LG&E/KU depancaked transmission costs. Since FERC’s order is not final and can still be appealed, the Board sensibly established a liability reserve fund to protect against possible negative results from upcoming litigation. By the end of fiscal year 2024, this liability reserve fund held $15.4 million. In 2024, KYMEA exceeded all financial health metrics targets, ending the fiscal year with $8.1 million in net income and maintaining 100 days of cash on hand, (DCOH) surpassing the target by 32 DCOH. The Agency implemented deferred inflows accounting for the depancaking liability reserve and rate stabilization funds, postponing revenue recognition until the associated future activities occur to ensure precise net income reporting.

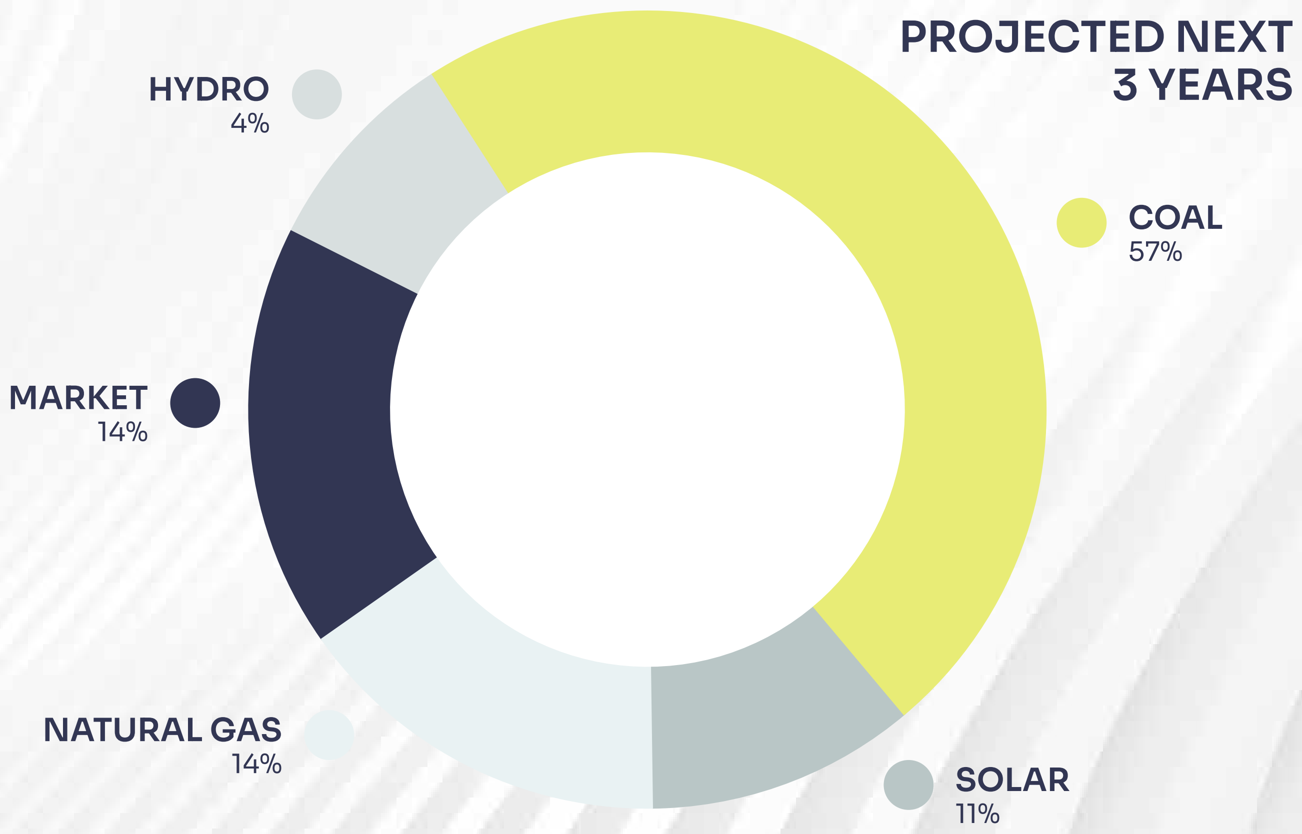
INVESTING IN OUR FUTURE

The U.S. power sector is encountering growing difficulties with grid reliability. Renewable energy sources are on the rise and becoming a major part of various power producers’ portfolios.

The concern intensifies with the swift phase-out of controllable fossil and nuclear generation and decreasing reserve margins. Both security and economic factors underscore the urgent need for investment in dispatchable, flexible, and reliable generation.

Reciprocating Internal Combustion Engines: One option that aligns with KYMEA’s portfolio is reciprocating internal combustion engines (RICE). RICE technology is becoming an important power generation resource due to its flexibility, efficiency, and reliability, which are necessary for the future power grid. In areas where renewable energy is replacing decommissioned centralized units, there is a growing need for small, quick-responding natural gas generation.

According to KYMEA’s integrated resource plan, which favored RICE generation, the Board decided to purchase four Wärtsilä 18V50SG engines with a combined capacity of 75 MW, aiming to start operations in the summer of 2027.



RICE TECHNOLOGY ATTRIBUTES INCLUDE:

- **Improved efficiency:**
  RICE units burn less natural gas to generate the same amount of energy as a conventional natural gas-fired generator. In fact, they are 40 percent more efficient.

- **Lower emissions:**
  RICE generators produce low nitrogen oxide emissions and, due to their high efficiency, the carbon output is much lower than many other fossil-fuel resources.

- **Water savings:**
  RICE generators use very little water.

- **Backup for Renewable Generation (Ashwood Solar I):**
  Power output from renewable resources can vary significantly over a short period of time. A fast responding highly efficient resource that is also capable of starting/stopping frequently is required for this load following application.

Unlike traditional power plants, RICE units efficiently and cost-effectively adjust their power output frequently. This helps balance the variable energy from solar sources, which are increasingly vital to KYMEA's energy mix. With significant investment in the Ashwood Solar I project, whose output fluctuates with solar irradiance and time of day, RICE units can rapidly adjust their output to maintain a precise balance between energy production and demand.

5 YEARS
PROVIDING WHOLESALE POWER

100 DAYS
OF CASH ON HAND

$8M RATE
STABILIZATION FUND

DOUG BURESH
President & CEO

JOSH CALLIHAN
Chairman & Director

NEXT STEPS

As we celebrate our operational, financial, and investment achievements, we owe our success to the commitment of the founding member communities who took the courageous step to establish the Agency and believe in their vision and resolve. Now marking KYMEA's fifth year in operation, we are proud of our track record in delivering reliable and competitively priced power. Looking ahead, we have confidence that our team will steer KYMEA in the right direction. KYMEA is leading Kentucky's energy transition, and we take pride in being a part of this progress.

INVESTING IN OUR FUTURE

BOARD OF DIRECTORS

JOSH CALLIHAN
Chairman & Director
Barbourville Utility Commission
General Manager

KEVIN HOWARD
Secretary & Director
City of Berea Municipal Utilities Director

GARY ZHENG
Treasurer & Director
Frankfort Plant Board
General Manager

RON HERD
Immediate Past Chairman & Director
City Utilities of Corbin
General Manager

BRAD PORTER
Director
City of Madisonville, Electric Department
Electric Superintendent

LUKE PRICE
Director
City of Falmouth Utilities
Mayor

CHRISTINA LEWIS
Director
Benham Power Board
Clerk

TIM LYONS
Director
Owensboro Municipal Utilities
General Manager

JAMIE MILLER
Director
City of Paris Combined Utilities
City Manager

BUTCH HACKNEY
Director
City of Providence Utilities
Mayor

PHILIP KING
Director
City of Providence Utilities
Mayor

BOARD GOVERNANCE

Kentucky Municipal Energy Agency's Board of Directors sets the policies that govern the Agency's operations. The eleven-member Board of Directors meets monthly. Each member utility appoints a Director and an Alternate Director to serve as their representative on the Board. Directors volunteer their time to represent their local utility and to give their community a voice in its power supply decisions. The Board also provides direction and guidance to staff for the management, administration and regulation of KYMEA's business affairs. The Board of Directors must approve all decisions to purchase, construct, or acquire power supply needed to serve its member communities. KYMEA Directors have faithfully served the public power needs of Kentucky for many years, and the Agency relies on their experience to continue bringing the most reliable energy solutions to the Commonwealth.

STAFF

DOUG BURESH
President & CEO

HEATHER OVERBY
VP of Finance & Accounting/CFO

ROB LEESMAN
VP of Market Analytics

MICHELLE HIXON
Director
Administrative Services & Communications

MOLLY ROESLER
Accountant & Financial Analyst

BARBOURVILLE
Barbourville, Kentucky
Population: 3,222
barbourville.com

BARDWELL
Bardwell, Kentucky
Population: 714

BENHAM
Benham, Kentucky
Population: 512

BEREA
Berea, Kentucky
Population: 15,539
bereaky.gov

CORBIN
Corbin, Kentucky
Population: 7,856
corbinutilities.com

FALMOUTH
Falmouth, Kentucky
Population: 2,216
cityoffalmouth.com

FRANKFORT
Frankfort, Kentucky
Population: 28,602
fpb.cc

MADISONVILLE
Madisonville, Kentucky
Population: 19,524
madisonvillegov.com

OWENSBORO
Owensboro, Kentucky
Population: 60,183
omu.org

PARIS
Paris, Kentucky
Population: 10,171
paris.ky.gov

PROVIDENCE
Providence, Kentucky
Population: 2,892
providenceky.com

ABOUT KYMEA

KYMEA exists to serve its members. Members may choose to enter into contracts with KYMEA for power supply or other services. Members also have the flexibility to establish projects for the benefit of one or more members, such as the All Requirements Project (AR Project), which has been created to acquire power supply resources to serve the needs of ten participating All Requirements members. The business model objective of KYMEA is to provide cost-effective resources and services for the benefit of its members to enable them to achieve objectives they have set for themselves more efficiently and at lower costs than they could achieve individually.

17%
LOWER RATES THAN FIVE OTHER KY SUPPLIERS

$34.9M
SAVED FOR OUR MEMBERS SINCE 2019

75,000
CUSTOMER METERS

10
ALL REQUIREMENT COMMUNITIES

NEWEST ALL REQUIREMENT COMMUNITIES

BEREA

On February 22, 2024, KYMEA's All Requirements (AR) Project Committee and Board of Directors voted to approve the City of Berea Municipal Utilities' (Berea) request to become KYMEA's ninth AR member. Berea joins the existing AR Members: The Cities of Bardwell, Falmouth, Madisonville, Paris, and Providence, the Frankfort Plant Board, the Barbourville Utility Commission, and the Corbin City Utilities Commission. The addition of Berea is a testament to KYMEA's commitment to low rates and operational excellence — especially when faced with the pandemic and market challenges during the Agency's infancy.

Berea serves over 4,000 residential customers and over 600 commercial and industrial customers. Berea began electric services in 1917, when at the time, Berea College purchased a city franchise to furnish street lighting and begin power distribution to retail customers. In 2005 Berea Municipal Utilities was formed to combine electric, water, and wastewater services into a single department under the City of Berea.

"The City of Berea is excited about joining KYMEA as an all-requirements member, said Kevin Howard, City of Berea Municipal Utilities General Manager. "When we began our RFP process, our goal was to select a provider that could provide a reliable power supply at a low cost to our customers. We were also looking for a strong renewable portfolio with the ability to provide overall rate stability—all huge hurdles in today's power supply markets.

KYMEA checked the box on all these requirements. We feel we have made a decision that will serve our rate payers well both now and into the future.

As a transmission only customer of KYMEA since 2019, we have seen firsthand the dedication the all-requirements group and KYMEA staff have shown to their member communities. The sound business decisions, power supply strategies, and planning for the future shown by the collective group enabled us to make the decision KYMEA was the partner that would best meet our needs and allow us to continue providing reliable, low cost power to our local community."

KYMEA began supplying all of Berea Municipal Utilities' wholesale power needs on May 1, 2024.

BENHAM

On March 28, 2024, KYMEA's All Requirements (AR) Project Committee and Board of Directors voted to approve the Electric Plant Board of the City of Benham's (Benham) request to become KYMEA's tenth AR member. Benham joins the existing AR Members: The Cities of Bardwell, Berea, Falmouth, Madisonville, Paris, and Providence, the Frankfort Plant Board, the Barbourville Utility Commission, and the Corbin City Utilities Commission. Municipal electric utilities join together to create economies of scale not otherwise afforded, and to provide low-cost and reliable wholesale power for their customers.

Located in the heart of Appalachia in Harlan County, Benham, with a population of less than 500, serves 269 residential and commercial customers. As a former International Harvester coal town, Benham is now known for its cultural attractions related to its coal mining heritage. The Kentucky Coal Museum displays the history of the region's coal mining operations, and Portal 31 Underground Mine in nearby Lynch, provides guided tours of the former working coal mine.

KYMEA began supplying all of Benham's wholesale power needs on June 1, 2024.

KYMEA'S VISION AND MISSION

Keeping the lights on is the number one priority for electric utilities, and the challenge is greater than ever with threats ranging from weather to cyber attacks. We ensure that public power is within reach and effectively provided for the benefit of our members.

OUR VISION

We shall positively impact our communities as a trusted leader of power supply and energy related services.

OUR MISSION

Through collaboration and operational excellence, we provide reliable, affordable, and sustainable energy services to the communities we serve.

OUR VALUES

RESPECT

Encouraging constructive dialogue that promotes a culture of inclusiveness, and recognizes our differences while valuing the perspective, talents, and experiences of others.

FISCAL RESPONSIBILITIES

An obligation to be accountable to the fiscal policies of the Agency with budgetary discipline and affordable rates while practicing long-term planning and prudent use of debt.

INTEGRITY

To conduct business in an honest, transparent, just, compliant, and environmentally responsible manner by holding ourselves to high ethical and accountability standards.

MEMBER FOCUSED

We are committed to listening and responding positively to our members and their customers.

OPERATIONAL EXCELLENCE

We seek to achieve and maintain the highest level of excellence by performing in a productive and proficient manner, and adhering to best practices while providing a quality workforce.

THE VALUE OF PUBLIC POWER

COMMUNITY OWNED

Communities are responsible for public power utilities - the electricity that keeps on giving and serving the Commonwealth. When a community owns public power sources, this in effect opens doors to new local jobs, supplying a meaningful charge to the local economy. The diligent utility staff works hard to light up sports games you love and illuminate grocery store aisles.

NON-PROFIT

Any surplus revenues pool within the community — all of which support the population of that community. These surpluses are invested to improve systems, distributed among local government leaders to reinforce the community; or even impact the customer on a more direct level to lower your next electricity bill. No revenues ever wind up lining the pockets of outside shareholders. This public power utility is yours as much as your neighbor's.

LOCALLY OPERATED

Municipalities runs public power utilities, regulating and governing each through the city council and your board of local representatives. As a resident, your thoughts shape and fuel your community. If your community-owned utility sources public power, your voice counts in decisions made about utilities.

LOW COST

Public power utilities have unique advantages when compared to privately-owned utilities, among which includes tax-exempt financing and overall healthier credit ratings. You can come to rely on operational efficiency in a community-owned utility. Additionally, many gain access to more affordable federal hydropower, giving your community the opportunity to enjoy clean energy at a bargain price.

RESPONSIVE

Public power utilities are designed with a key focus in mind: making sure customers receive exceptional service and powerhouse beneficial value. A utility delivering electricity that citizens use daily is built to meet community-wide needs. That's why with public power comes responsible environmental stewardship, where power is examined through the lens of sustainability, trustworthy reliability, as well as robust economic development.

> *“WE ARE TRULY BUILDING A DIVERSE PORTFOLIO TO PROVIDE MORE AFFORDABLE POWER FOR OUR CUSTOMERS*

KYMEA'S POWER MIX

The KYMEA business model is to provide cost-effective resources for the benefit of its member communities to enable them to achieve objectives they have set for themselves more efficiently and at lower costs than they could achieve individually. The Agency balances competitive wholesale power rates with strong fiscal responsibility and operational excellence.

KYMEA's existing power supply portfolio includes contracts under which KYMEA purchases power from multiple resources over various periods of time. The diversity of KYMEA's existing portfolio of contracts in terms of counterparty, type, location, and contract term is an intentional risk mitigation strategy of KYMEA's power supply planning efforts. This ensures that a wide range of resource options and plans are considered. KYMEA regularly reassesses and adjusts its portfolio in response to market changes and the evolving needs of its member cities and customers. KYMEA management will continue to monitor and provide recommendations to the Board for its consideration.

In support of its continual planning and IRP process, KYMEA, with the support of experts and stakeholders, identified two shortfalls in its future portfolio. The first shortfall identified was 35MW for the period of June 2024 through May 2027.

The first shortfall was the result of Benham and Berea joining the AR Project in 2024 and the commercial operation delay of the Ashwood Solar I project. The second shortfall identified was 60MW for the period of June 2027 through May 2029. The second shortfall is the result of the DEI PPA expiring on May 31, 2027.

Based on these needs and the lack of qualifying responses to KYMEA's RFP process in September of 2022, KYMEA issued requests for proposals (RFPs) for both reciprocating internal combustion engines (RICE) and for power supply capacity and energy in August of 2023. The goal of the RFPs was to fill the void in the All-Requirements portfolio in both the near term and long term by providing a range of resource options that can benefit the members.

After vetting the results of the 2023 RFP responses by staff and its consulting team, and receiving Board approval, the decision was made to both develop a 75MW RICE facility equipped by Wärtsilä to address the void when the DEI contract expires in June of 2027 and to also procure 35MW of capacity and energy from the Hallador Power Company LLC to address the addition of the Berea and Benham loads beginning in June of 2024 and 100MW beginning in June 2027 to provide a hedge in the event that the RICE facility start time is delayed.

This plan represents the next step in KYMEA's success story, which has been marked by the ability to adapt to an ever-changing industry and regulatory landscape and will provide KYMEA the necessary data to tackle the challenges that the power sector will face in the future. KYMEA will continue to explore additional supply options as existing contracts expire and as load requirements change.

DIESEL POWER

CITY OF PARIS POWER PLANT
CAPACITY: Plant 10 MW

SLICE OF SYSTEM

DUKE ENERGY INDIANA
CAPACITY: 60 MW

COAL POWER

BIG RIVERS ELECTRIC CORPORATION
CAPACITY: 100 MW

COAL POWER

HALLADOR POWER COMPANY
CAPACITY: 35-100 MW

NATURAL GAS

PADUCAH POWER SYSTEM
CAPACITY: 60 MW

HYDROPOWER

SOUTHEASTERN POWER ADMINISTRATION
CAPACITY: 32 MW

ASHWOOD SOLAR I

The Ashwood Solar I project, poised to become the largest solar initiative in Kentucky, has made remarkable progress throughout 2024. This ambitious project, located in Lyon County, is a significant step towards providing renewable energy options to KYMEA residents and businesses, reducing greenhouse gas emissions, and supporting economic development.

The journey began with a groundbreaking ceremony on July 26, 2023, marking the official commencement of construction. Key figures such as Doug Buresh, KYMEA's President and CEO, Andrew Flanagan, RWE Clean Energy, LLC's CEO, Josh Callihan, KYMEA Chairman and Barbourville Utility Commission General Manager and KYMEA directors and city Mayors graced the event. The project has since been a focal point of KYMEA's efforts to enhance the Agency's renewable energy landscape.

The Ashwood Solar I project was constructed and will be operated by RWE Clean Energy, a subsidiary of RWE AG, under an agreement that calls for KYMEA to purchase 100% of the energy produced by the project over a 20-year term.

In April 2024, most of the civil work had been completed. The Major Power Transformer (MPT) was delivered and installed, and thousands of piles, which would soon hold racking, had been installed. KYMEA staff made numerous visits to Fredonia to monitor the construction progress. In total, over 226,000 solar panels were installed during the summer, covering an area of over 250 acres with a generating capability of 86 megawatts of zero-emissions energy. This energy output is enough to power more than 15,000 KYMEA member households with green energy. By the end of August 2024, PV panel installation had neared completion, and the team had begun preparing for test power.

The operational aspects of the Ashwood Solar I project, such as transmission service provisioning, communications, and scheduling, have been meticulously planned and discussed in numerous meetings with partners to ensure smooth operations prior to COD.

KYMEA is excited that the Ashwood Solar I project is progressing well. Construction is nearing completion, and operational planning is in place. This project marks a significant step towards renewable energy for Kentucky and the KYMEA communities. The anticipation for its completion and operational start in early 2025 is long overdue.

The Ashwood Solar I project is a testament to KYMEA's commitment to sustainability and innovation in the public power sector. As we eagerly anticipate its completion, we remain dedicated to advancing responsible and affordable renewable energy solutions for a greener and more sustainable future.

INVESTING IN OUR FUTURE

A YEAR IN REVIEW OF THE KYMEA ENERGY CENTER I PROJECT

The past year has been a significant milestone for KYMEA as we embarked on the development of the KYMEA Energy Center I, a natural gas electric generating facility. This project represents a crucial step towards a more sustainable and reliable energy future for the Agency.

The journey towards the development of the KYMEA Energy Center I began with a vision to diversify the energy portfolio and embrace technological advancements that would enable seamless integration with renewable energy sources. The project aimed to address the evolving energy needs of the Agency while ensuring reliability and cost-effectiveness.

In August 2023, KYMEA issued requests for proposals (RFPs) for reciprocating internal combustion engines (RICE) and energy and capacity to fill the void in the All Requirements portfolio starting in 2027. The aim of the RFPs was to provide a range of resource options that could benefit the members. KYMEA's proactive approach to reassessing and adjusting its portfolio in response to market changes and the evolving needs of its member cities and their retail customers laid the groundwork for the development of the KYMEA Energy Center I.

One of the pivotal moments in the project's timeline was the visit to the DG Hunter Power Plant in Alexandria, Louisiana, in February 2024. This visit, attended by KYMEA's directors, city mayors, and member utility administration, provided valuable insights into the transformation of an existing gas power plant using Wärtsilä RICE units. The success story of the DG Hunter Power Plant served as an inspiration and a testament to the potential of reciprocating internal combustion engines in utility-scale power generation applications.

Following thorough research and analysis, the KYMEA Energy Center I project officially took shape with the announcement of the development of a natural gas electric generating facility, named the KYMEA Energy Center I facility. The facility, to be located in Madisonville, Kentucky, will be designed for 75 net megawatts (MW) of capacity and will feature four Wärtsilä 18V50SG RICE generators, each with a nominal capacity of 18.8 MW. The design of the plant, capable of both continuous and peaking service, emphasizes flexibility and responsiveness to KYMEA's energy needs.

The technology selected by the KYMEA Energy Center I is critical to ensuring seamless integration with KYMEA's renewable energy portfolio. The fast start-up feature of the facility's RICE units will allow for rapid response to fluctuations in renewable energy availability, thereby maintaining a consistent and reliable energy supply.

The adaptability of the facility is a cornerstone in the transition to a more sustainable energy mix, aligning with KYMEA's commitment to providing environmentally intelligent and reliable energy solutions.

The potential impact of the KYMEA Energy Center I project extends beyond its technological aspects. The construction phase of the project is expected to create approximately 100 local jobs, with an additional 15 permanent positions available upon completion. The expected involvement of local subcontractors and suppliers in the project aims to support the local economy and foster economic development in the region. Madisonville Mayor Kevin Cotton expressed, "The City of Madisonville is thrilled with the announcement of the KYMEA Energy Center I RICE Power Plant Project. This project is a major step forward in diversifying the city's industrial base and boosting its economic development. The RICE Power Plant will create new jobs and drive further investment in our community, reinforcing Madisonville's position as a vital hub for energy production and industrial growth. This project is expected to enhance Madisonville's infrastructure and provide reliable, cost-effective power, benefiting both residents and businesses. Because of this increased industrial activity, we can expect a stronger local economy, fostering growth and prosperity for the entire region."

$15M
LOCAL INVESTMENT

100+
CONSTRUCTION JOBS CREATED

15
FULL-TIME JOBS CREATED

The project's engagement with the community was evident through a public meeting held in Madisonville in July 2024. The overwhelming positive feedback received from residents and local stakeholders reflected the shared excitement for the benefits the KYMEA Energy Center I would bring. The project's proposed in-service date of Summer 2027 and its expected 30+ year lifespan indicated its long-term contribution to Kentucky's energy landscape, signifying a sustained commitment to serving the Agency's energy needs.

In conclusion, the past year's efforts on the KYMEA Energy Center I project have been a testament to KYMEA's dedication to investing in a sustainable and reliable energy future for the region. The project's journey, from its inception to the community engagement, highlights the collaborative spirit and the forward-thinking approach adopted by KYMEA and the Board of Directors. As we look ahead, the KYMEA Energy Center I stands as a symbol of progress and a promise of a brighter, more reliable and sustainable future for the KYMEA communities.

RICE FACT SHEET

FOUR WÄRTSILÄ 18V50SG ENGINES

The Wärtsilä 18V50SG is a four-stroke, spark-ignited natural gas engine generating set. High efficiency in a small footprint combined with great reliability and flexibility makes this solution ideal for flexible baseload and balancing applications. It offers unique fast-starting capability, which enables rapid response to fluctuations inherent to renewable generation. Wärtsilä 18V50SG also supports you towards decarbonization with its low greenhouse gas emissions and capability of hydrogen blending.

- Low greenhouse gas emissions
- Fast-starting capability which enables rapid response to fluctuations typical of renewable generation
- Minimal water consumption
- Runs on natural gas, biogas, and synthetic methanol and is capable of hydrogen blending

2
MINUTES TO FULL LOAD

99.1%
AVAILABILITY

4,000
MW INSTALLED CAPACITY

WÄRTSILÄ

MEMBER RICE PLANT VISIT

Through KYMEA's IRP2023 process, RICE generation was identified as a viable resource for the next power supply portfolio. In February 2024, KYMEA's directors, city mayors, and member utility administration visited the D.G. Hunter Power Plant in Alexandria, Louisiana. This plant had been transformed from an existing gas facility after installing seven Wärtsilä RICE units to serve 24,000 electric customers. The trip provided valuable insights into the operational benefits of RICE technology and its potential for enhancing reliability within KYMEA's system. The KYMEA Energy Center I is expected to break ground in spring of 2025.

MEMBER EVENTS

KY CHAMBER MEETINGS

The KY Chamber events are more ways the Agency brings its members together. We provide several opportunities throughout the year to participate in chamber events as a group. Attending Kentucky Chamber meetings can provide KYMEA members with a wide range of benefits, including networking opportunities, access to information and resources, a voice in policy advocacy, and a platform for community engagement and collaboration. It's a valuable way to stay connected with the broader business community in Kentucky and contribute to the Agency's mission and goals.

CYBERSECURITY TRAINING

KYMEA hosts several training initiatives for its members to take advantage of annually. Each March, KYMEA provides its Annual Cybersecurity Awareness Training in partnership with LightChange Technologies. This year's annual training was held on March 13th at KYMEA's headquarters in Louisville, Kentucky. KYMEA directors, utility and city employees were in attendance. The training was designed to help fulfill the annual cybersecurity training required by many insurance companies and to bring threat awareness to KYMEA members and their staff.

GOLF SCRAMBLE

The Kentucky Municipal Energy Agency (KYMEA) hosted its annual Golf Scramble on May 29th, 2024, at the picturesque Polo Fields in Louisville, Kentucky. This event brought together members and partners for a day of friendly competition, networking, and community building. After the round of golf, participants gathered for a dinner and awards. These types of events, like the Golf Scramble, are important in fostering strong relationships within the energy community and promoting collaboration with fellow members.

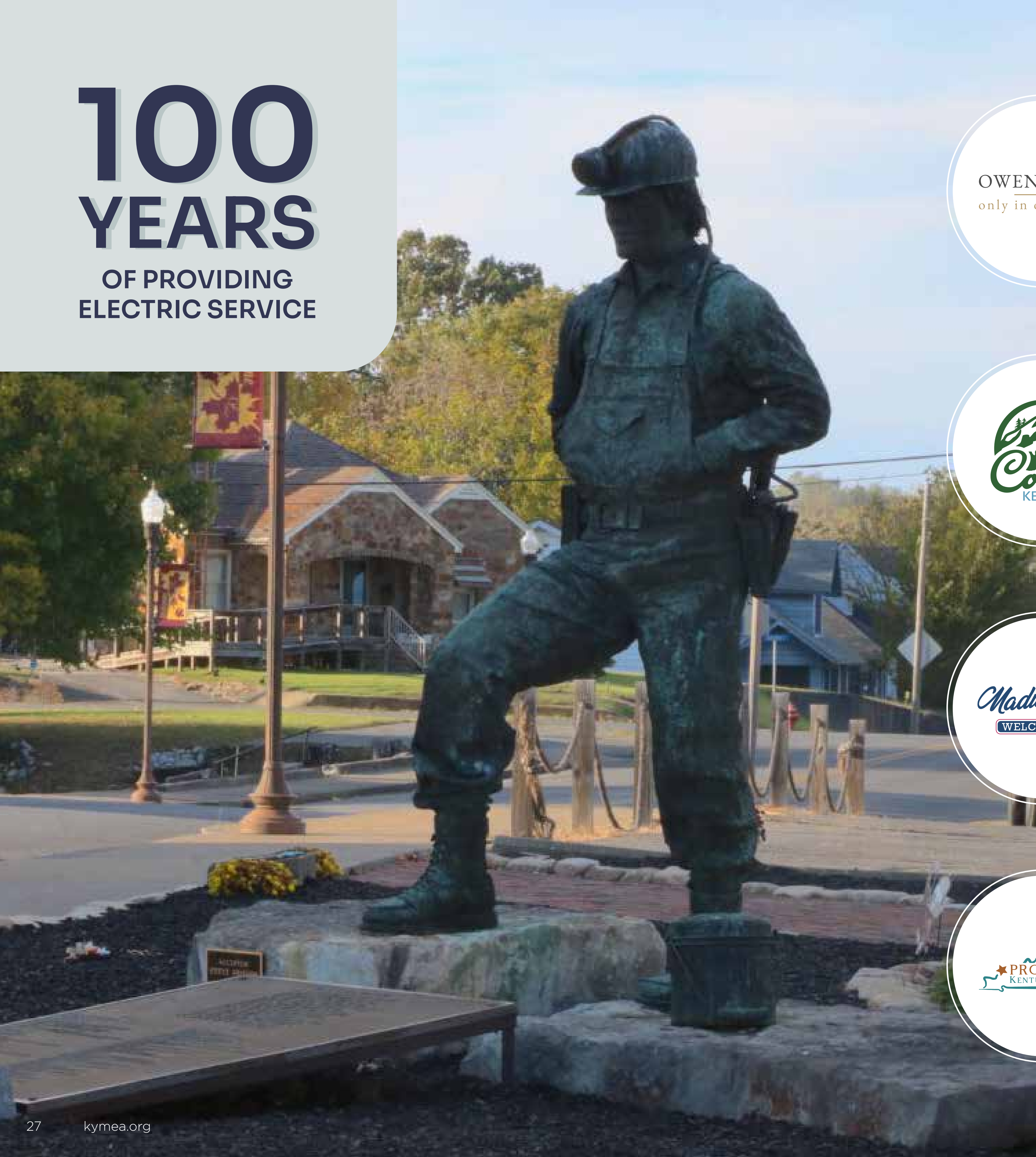
ANNUAL MEMBERS CONFERENCE

On May 30th, KYMEA members, power supply partners, and other stakeholders convened in Louisville for KYMEA's Annual Members Conference. The Annual Members Conference, a recurring event, featured educational sessions led by industry experts. Sessions offer attendees the chance to accrue continuing education credits and to establish connections with other professionals in the power and municipal utility industry. The KYMEA Annual Members Conference, "Investing In Our Future," provided a full day of educational sessions with subject matter experts speaking on topics concerning market activities, price volatility and hedging practices, solar generation, and bond financing. Doug Buresh, the President and CEO of the Kentucky Municipal Energy Agency (KYMEA) expressed his pleasure in hosting the conference. The conference focused on KYMEA positioning itself for continued success in the energy industry.

Throughout the conference, attendees had the opportunity to engage with subject matter experts, participate in interactive sessions, and network with industry professionals. The sessions covered a wide range of topics, providing valuable insights into the energy industry's current landscape and future prospects. Overall, the KYMEA Annual Members Conference, "Investing In Our Future," proved to be a successful event, offering top-notch educational sessions and networking opportunities. Attendees left the conference equipped with knowledge and strategies to navigate the ever-changing energy industry and contribute to the continued success of KYMEA and its member communities.

100 YEARS

OF PROVIDING ELECTRIC SERVICE



OWENSBORO
124 YEARS

Owensboro Municipal Utilities (OMU) has provided electric service for over 124 years, beginning in 1900. As Kentucky's largest municipal electric utility, OMU has evolved from a small power provider to a modern utility, serving Owensboro and surrounding areas with reliable electricity, water, and telecommunications services for over 26,000 residential, commercial, and industrial customers.

CORBIN
109 YEARS

The City Utilities Commission of Corbin has provided electric service since 1915, ensuring reliable power to the community since its founding. Established in the early 20th century, it has grown alongside Corbin, modernizing infrastructure and expanding services to meet the city's evolving energy needs efficiently and sustainably.

MADISONVILLE
102 YEARS

The Madisonville Electric Department (MED) has proudly provided electric service for over 102 years. Established around 1922, the department has grown from a small utility to a vital part of the community, ensuring reliable, affordable power. Committed to public service, MED, in partnership with KYMEA, continues to meet Madisonville's evolving energy needs.

PROVIDENCE
100 YEARS

Since 1924, the City of Providence Utilities has provided electric service to the region's rich coal mining community. Originally established to power local coal mines, but as mining thrived, the utility grew, modernizing its infrastructure to continue providing reliable, affordable power while supporting the area's economic development driven by coal production.

MEMBER AWARDS

The American Public Power Association (APPA) presents the Safety Award of Excellence annually to utilities that have demonstrated outstanding commitment to safe operating practices in the previous year. In 2023, 145 utilities were honored for their dedication to safety. More than 160 utilities participated in the awards, and they were evaluated based on their worker-hours and their incident-free records, safety programs, and safety culture. The incidence rate, which considers work-related reportable injuries or illnesses and the total worker-hours in 2023, was used to calculate a utility's safety performance according to the Occupational Safety and Health Administration (OSHA) standards. Scott McKenzie, Chair of APPA's Engineering and Operations Conference safety track, emphasized the importance of safety in the industry, stating, "In our industry, safety has to be top of mind all day every day. These honored utilities have demonstrated a commitment to safety that runs through every aspect of their organizations." He then praised the honored utilities for their commitment. The Safety Awards, which have been a tradition for over 65 years, are a recognition of the utilities' dedication to maintaining a culture of safety. For a complete list of winners, you can visit www.PublicPower.org. The Madisonville Electric Department should be commended for its commitment to safety as recipients of the 2023 Safety Award.

SERVICE RECOGNITION

Congratulations to Chris Melton for over 31 years of service to the Madisonville Electric Department. Chris celebrated his retirement on January 31st. Chris has played a vital role in developing the Madisonville electric department through technology, infrastructure, equipment, and personnel. We wish him all the best for the future! Chris has served as the Electric Department Superintendent for almost ten years. Chris has advanced through several positions over these many years. He has shown incredible dedication to the electric department and the citizens of Madisonville. Chris has experience with every aspect of the electric utility and has been an excellent advocate for the City of Madisonville. Chris was instrumental in paving the way for Kentucky municipals to enjoy having control over their power supply through the formation of KYMEA in 2015. Chris served on the KYMEA Board as a Board Member and as its Vice-Chairman, the All Requirements Project Group Chairman, and the Budget Committee Chairman. He has been a tremendous source of expertise for the KYMEA Board for many years and he will be greatly missed. Chris is looking forward to spending more time with his family, especially his grandkids to include some traveling and time outdoors.

CITY OF BEREA COMMUNITY SPOTLIGHT

Nestled in the heart of Kentucky and rolling foothills of the Appalachian Mountains, Berea stands as a beacon of unity and progress, reflecting the spirit and ambition of its pioneering institution, Berea College. As a certified Kentucky Trail Town, you will find a variety of outdoor activities along with a quaint small town feel while visiting the numerous local artist shops, historical lodging, and unique dining opportunities. This vibrant town, with roots deeply intertwined with the College, has evolved to embrace a future powered by sustainable energy, largely thanks to the groundwork laid by its early educational leaders.

> *BEREA STANDS AS A BEACON OF UNITY AND PROGRESS*

A CATALYST FOR EQUALITY AND EDUCATION

Established in 1855 by abolitionist John G. Fee, Berea College emerged as a trailblazer in the annals of American education. Fee's vision was groundbreaking—a college committed to providing equal educational opportunities regardless of one's race, gender, or financial background. At a time when segregation was the norm, Berea College stood out as the first interracial and coeducational institution in the South, welcoming students from diverse backgrounds, especially those from underserved Appalachian communities.

The College's commitment to equality and education was not confined to its classrooms. With a mission to uplift students from impoverished backgrounds, Berea College offered a unique work-study model, ensuring students could graduate without debt while gaining valuable real-world experience. This approach not only empowered individuals, but also reinforced the College's identity as a catalyst for social change.

THE BIRTH OF BEREA'S UTILITIES: A COLLEGE-LED ENDEAVOR

As Berea College grew, so too did the town's need for modern infrastructure. In the late 1800s and early 1900s, its role as an educational institution began to encompass the responsibilities of a community leader and provider of essential services. Recognizing the vital need for modern infrastructure, Berea College spearheaded the development of the town's first electric and water systems. These utilities were crucial for both the College and the burgeoning town, demonstrating Berea College's pivotal role in local development during this formative period. By leading these efforts, the college not only lit up its campus, but also powered local industries, laying the foundation for future growth.

In 1903, Berea College embarked on its energy journey with the establishment of the first steam-driven heat and power plant. This rudimentary setup, reliant on water hauled from a College well, operated sparingly due to limited resources. Yet, it was a pivotal step that lit up the College crafts industries and set the stage for future feats.

Through the early 20th century, Berea College's role evolved from campus-centric to a comprehensive community utility provider. By purchasing a city franchise to supply water in 1912 and another for street lighting in 1917, Berea College began to retail electricity, extending its service to over 500 city residents .

By the 1950s, the City of Berea had grown beyond its origins as a small college town into a thriving community. Recognizing the increasing complexity and demand for utilities, the College made a strategic decision in 2005 to sell its utility systems to the City of Berea. This transition marked the formation of Berea Municipal Utilities (BMU), allowing for enhanced public management and investment in utility services.

A BEACON OF SUSTAINABILITY

In recent decades, BMU's adoption of renewable energy crystalized its role as a leader in sustainability. The inception of the Berea Solar Farm in 2011 marked a new era, initially featuring 120 solar panels. By 2014, the farm expanded with additional phases, contributing a cumulative 246 panels.

This remarkable evolution from a single steam plant to an advanced solar farm highlights Berea College's transformational journey. It underscores a steadfast commitment to not only illuminating the campus but also fostering an empowered and sustainable future.

In 2016, The City of Berea asked to join KYMEA as its eleventh member. With KYMEA providing transmission, a strategic partnership was developed over the years. An exciting next step came in February of 2024, with the decision to enter into the All Requirements Project with KYMEA. Berea and KYMEA, along with the other communities, are partnered to provide reliable power at low rates and deliver a strong renewable portfolio that can serve the community for many years to come. KYMEA began supplying all of BMU's wholesale power needs in May 2024.

Reflecting on this rich history, it's clear that the continuing partnership between Berea College and the City of Berea has been one of mutual empowerment. As one of Kentucky's fastest growing cities, the leadership of Berea is focused on the continual growth of the local diverse economy while embracing the popularity of their tourism, outdoor adventure, and unique arts and crafts opportunities. KYMEA is excited to continue this legacy as Berea moves forward. Their legacy of innovation and commitment to social equity remains a guiding light, eager to harness new opportunities in sustainable energy for the benefit of all its residents and thriving manufacturing and industrial customers.

2024 FINANCIALS

In 2024, KYMEA achieved yet another year of exceptional financial results. The Agency's adherence to high standards, excellence and business fundamentals resulted in an increasingly strong entity.

As in prior years, KYMEA continues to place strong emphasis on its Days Cash on Hand, Leverage, Fixed Coverage, and Debt Service Coverage ratios. In order to support the Agency's strategic directives, management reports these statistics on a monthly basis to the Board of Directors.

KYMEA has begun preliminary activities relating to construction of its Reciprocal Internal Combustion Engine (RICE) technology electric generation plant but has not issued long-term debt associated with the project at this time. Power purchase agreement expenses, which currently provide KYMEA All Requirements Project energy, are recovered from the AR Project Members each month, with liquidity provided by staggered payment dates. KYMEA's financial position is further supported by a $45 million line of credit and cash reserves which provide much needed cash liquidity in the event of unforeseen weather, transmission grid, or power market events.

KYMEA management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentations of financial statements that are free from material misstatements, whether due to fraud or error.

KYMEA'S independent auditor's responsibility is to express an opinion on the financial statements based on its audit. The recent audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require the auditor to plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

KYMEA's Board of Directors, who are not employees of KYMEA, periodically meet with the independent auditors and management to discuss the audit scope, audit results, and any recommendations to improve the Agency's internal control structure. The Board of Directors directly engages with the independent auditors.

FINANCIAL HIGHLIGHTS

Fiscal year 2024 continued KYMEA's production of extremely positive financial results for its members. Operating revenues, which are derived from sales to members, exceeded operating expenses, most of which are related to purchasing power and provided a substantial net income for the Agency. KYMEA was able to maintain its position as providing the lowest priced wholesale power in Kentucky by focusing on what we do best: forecasting, planning, and analyzing. This approach allows the Agency to deliver unequaled service to our members by constantly seizing opportunities while mitigating risks and simultaneously vigorously advocating for our members and setting rates appropriately.

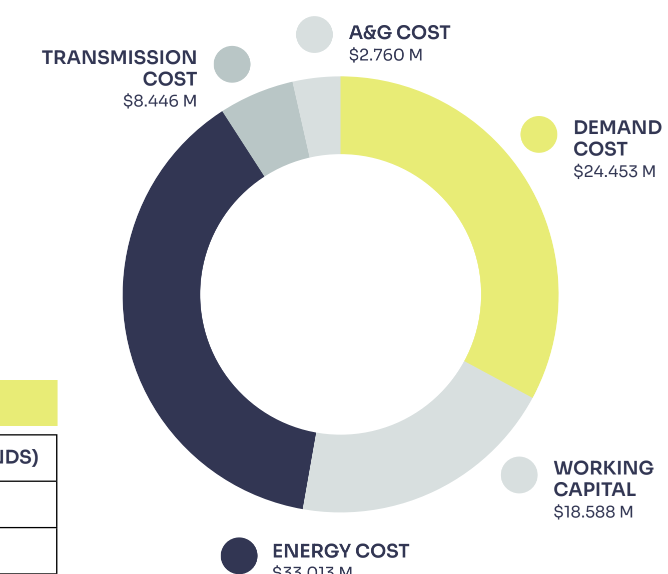
One particular highlight of the year is the affirmation of an A credit rating from Fitch Ratings. For the first time, this rating is based on the entire KYMEA All Requirements Project membership. In years past, as is common among agencies in the start-up phase, KYMEA's rating focused on its largest All Requirements Project member. We believe that Fitch's inclusion of all ten All Requirements Project members in the rating denotes an important and significant step in the Agency's growth and continued financial success.

At KYMEA, we believe we are well positioned to continue our momentum, and we are extremely proud of the opportunity to provide low cost, reliable energy to our members while maintaining a financially healthy Agency.

TOTAL COST ($ IN THOUSANDS)		1,238,841 MWh	
LABELS	COST	PERCENT	¢ PER kWh
DEMAND COST	24,453	28%	1.974
ENERGY COST	33,013	37.8%	2.665
TRANS COST	8,446	9.7%	0.682
WORKING CAPITAL	18,588	21.3%	1.500
A&G COST	2,760	3.2%	0.223
	87,260	100%	7.044

	2023	2024
FINANCIAL RESULTS	($ IN THOUSANDS)	($ IN THOUSANDS)
OPERATING REVENUE	107,331	85,518
OPERATING EXPENSES	102,763	81,103
NON-OPERATING EXPENSES	5,236	3,702
NET INCOME	9,803	8,117

AR PROJECT COST BREAKDOWN



Kentucky Municipal Energy Agency

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Directors
Kentucky Municipal Energy Agency
Louisville, Kentucky

Opinion

We have audited the financial statements of Kentucky Municipal Energy Agency, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Municipal Energy Agency, as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentucky Municipal Energy Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Municipal Energy Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kentucky Municipal Energy Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Municipal Energy Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Forvis Mazars, LLP

Lincoln, Nebraska
September 5, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Kentucky Municipal Energy Agency's ("KYMEA" or the "Agency") financial performance provides an overview of the Agency's activities for the fiscal years ended June 30, 2024 and 2023. It should be read in conjunction with the basic financial statements and the accompanying notes.

Background

KYMEA is a joint agency organized under the Interlocal Cooperation Act of the Commonwealth of Kentucky. KYMEA was created to allow its Members to collaborate effectively to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to provide assistance to the Members related to their electric power and energy utility systems. The Agency's Members currently consist of the following Kentucky municipalities: Barbourville, Bardwell, Benham, Berea, Corbin, Falmouth, Frankfort, Madisonville, Owensboro, Paris, and Providence (the "Members"). As of June 30, 2024, ten of the eleven participants have entered into All Requirements Power Sales Contracts ("Contracts"). Under the Contracts, these ten members purchase all power and energy needed to meet their respective retail requirements, and the Contracts also obligate these members to provide revenue sufficient to allow the Agency to meet its obligations, including those related to power purchases, administration and prospective debt issuance.

KYMEA was created in 2015 and began supplying power to Members beginning on May 1, 2019. The Agency also incurred costs for administration, which were billed to the Members.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about KYMEA's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of KYMEA based on currently known facts, decisions or conditions.

Balance Sheet – provides a summary of the assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position of KYMEA, as of the Agency's fiscal year end.

Statement of Revenues, Expenses and Changes in Net Position – presents the operating results of KYMEA into various categories of operating revenues and expenses, and nonoperating revenues and expenses.

Statement of Cash Flows – reports the cash provided by and used for operating activities, as well as other cash sources and uses.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial information summarizes the Agency's financial position, operating results and cash flows for the years ended June 30, 2024, 2023, and 2022.

Condensed Balance Sheets

	2024	2023	2022
ASSETS			
Current assets	$ 50,407,681	$ 31,671,663	$ 30,518,180
Other noncurrent assets	8,379,051	4,789,823	3,490,394
Capital, lease, and subscription assets	3,728,958	3,244,182	2,717,308
Total assets	$ 62,515,690	$ 39,705,668	$ 36,725,882
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	$ 10,323,740	$ 9,667,626	$ 16,825,820
Noncurrent liabilities	1,807,494	1,976,836	1,642,456
Total liabilities	12,131,234	11,644,462	18,468,276
Deferred inflows of resources	14,204,381	-	-
Net position			
Net investment in capital assets	1,805,322	1,280,194	1,136,344
Unrestricted	34,374,753	26,781,012	17,121,262
Total net position	36,180,075	28,061,206	18,257,606
Total liabilities, deferred inflows of resources and net position	$ 62,515,690	$ 39,705,668	$ 36,725,882

Current assets increased $18.8 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. This increase resulted from an increase in unrestricted cash from normal operations during the year due to the increase in the deferred inflows of resources from both the rate stabilization fund and depancaking fund. Noncurrent assets increased by $4.1 million in the same period primarily due to an increase in collateral deposits held by regional transmission organizations.

Current liabilities increased $0.6 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. This increase was related to the timing of purchased power expenses to serve the electricity needs of KYMEA's members. Noncurrent liabilities decreased $0.2 million during the same period due to the amortization of the lease and subscription based information technology arrangements liabilities.

Current assets increased $1.2 million from the fiscal year ending June 30, 2022, to the fiscal year ending June 30, 2023. This increase resulted from a decrease in unrestricted cash from normal operations during the year offset by an increase in accounts receivable related to timing of the Louisville Gas and Electric Company and Kentucky Utilities Company (LG&E-KU) depancaked transmission rate ruling. Noncurrent assets increased by $1.3 million in the same period due to an increase in collateral deposits held by regional transmission organizations. Capital, lease, and subscription assets increased $0.5 million due to implementation of GASB 96, *Subscription-Based Information Technology Arrangements*. This pronouncement requires recognition of assets and liabilities for certain subscription-based information technology arrangements.

Current liabilities decreased $7.2 million from the fiscal year ending June 30, 2022, to the fiscal year ending June 30, 2023. This decrease was related to the timing of purchased power expenses to serve the electricity needs of KYMEA's members. Noncurrent liabilities increased $0.3 million during the same period due to implementation of GASB Statement 96 referenced in the above paragraph.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2024	2023	2022
Operating revenues	$ 85,517,795	$ 107,329,886	$ 109,408,434
Operating expenses	81,171,510	102,780,696	105,379,944
Operating income	4,346,285	4,549,190	4,028,490
Net nonoperating revenues (expenses)	3,772,584	5,254,410	(92,590)
Change in net position	8,118,869	9,803,600	3,935,900
Net position - Beginning of Year	28,061,206	18,257,606	14,321,706
Net position - End of Year	$ 36,180,075	$ 28,061,206	$ 18,257,606

Operating revenues decreased $21.8 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. This decrease is a result of KYMEA's decreased long position where it is able to sell electricity through its power purchase agreements in excess of its load. KYMEA sells this electricity in the Midcontinent Independent System Operator open market (off-system sales). Both KYMEA's long position and the sales price per MWh decreased during the fiscal year ending June 30, 2024.

Operating expenses decreased $21.6 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. During 2023, the Agency received favorable ruling related to the depancaked transmission expenses related to changes in the Louisville Gas and Electric Company and Kentucky Utilities Company (LG&E-KU) depancaking. This settlement lead to the offsetting of these rates against the cost of purchase power during the entire 2024 fiscal year. In addition, the decrease in KYMEA's long position discussed above resulted in a corresponding decrease in purchased power expenses. Both the depancaking settlement and the decreased long position contributed to KYMEA's significant reduction in operating expenses.

Operating revenues decreased $2.1 million from the fiscal year ending June 30, 2022, to the fiscal year ending June 30, 2023. This decrease is a result of KYMEA's decreased long position where it is able to sell electricity through its power purchase agreements in excess of its load. KYMEA sells this electricity in the Midcontinent Independent System Operator open market (off-system sales). Both KYMEA's long position and the sales price per MWh decreased during the fiscal year ending June 30, 2023.

Operating expenses decreased $2.6 million from the fiscal year ending June 30, 2022, to the fiscal year ending June 30, 2023. During 2023, the Agency received favorable ruling related to the depancaked transmission expenses related to changes in the Louisville Gas and Electric Company and Kentucky Utilities Company (LG&E-KU) depancaking settlement totaling approximately $10.2 million. $5.3 million of this settlement decreased current year operating expenses while the remaining $4.9 million was related to depancaked charges in prior periods reported as nonoperating revenue in 2023.

Financing

In February 2022, the Agency executed a revolving line of credit agreement for advances up to $45,000,000. Advances under this agreement bear interest at the Bloomberg Short-term Yield Index, and interest is payable semi-annually. There were no amounts outstanding under the line of credit as of June 30, 2022, 2023, or 2024.

General Trends and Significant Events

KYMEA will continue to search for additional power and energy resources for its Members, which may include purchased power agreements, investments in power projects and other sources. KYMEA's goal is to establish a portfolio with renewable, coal and natural gas resources to provide more flexibility in response to market changes and future regulations.

Contact Information

This financial report is designed to provide a general overview of KYMEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Heather Overby, Chief Financial Officer, 1700 Eastpoint Parkway, Louisville, KY 40223, (502) 640-1304.

Kentucky Municipal Energy Agency
Balance Sheets
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 37,437,998	$ 14,176,034
Accounts receivable	12,965,571	17,493,072
Prepaid expenses and other assets	4,112	2,557
Total current assets	50,407,681	31,671,663
Noncurrent Assets		
Collateral deposit	8,379,051	4,789,823
Lease assets, net of accumulated amortization	1,282,626	1,421,279
Subscription assets, net of accumulated amortization	361,367	485,704
Capital assets, net of accumulated depreciation	2,084,965	1,337,199
Total noncurrent assets	12,108,009	8,034,005
Total assets	$ 62,515,690	$ 39,705,668
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 10,059,469	$ 9,424,234
Accrued liabilities	33,455	34,096
Accrued interest payable	9,531	9,375
Current portion of lease liabilities	116,457	98,213
Current portion of subscription liabilities	104,828	101,708
Total current liabilities	10,323,740	9,667,626
Noncurrent Liabilities		
Compensated absences	260,752	212,769
Lease liabilities, net	1,256,659	1,373,116
Subscription liabilities, net	290,083	390,951
Total noncurrent liabilities	1,807,494	1,976,836
Deferred Inflows of Resources		
Deferred inflows from rate stabilization	14,204,381	-
Net Position		
Net investment in capital assets	1,805,322	1,280,194
Unrestricted	34,374,753	26,781,012
Total net position	36,180,075	28,061,206
Total liabilities, deferred inflows of resources and net position	$ 62,515,690	$ 39,705,668

Kentucky Municipal Energy Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Billings	$ 85,517,795	$ 107,329,886
Total operating revenues	85,517,795	107,329,886
Operating Expenses		
Production and purchased power	68,525,119	90,222,643
Transmission	10,365,521	9,873,220
Depreciation and amortization	500,037	461,703
Other operating expenses	1,780,833	2,223,130
Total operating expenses	81,171,510	102,780,696
Operating Income	4,346,285	4,549,190
Nonoperating Revenues (Expenses)		
Interest expense	(137,073)	(122,016)
Interest income	1,386,684	450,777
Contributions from new members	2,522,973	-
Regulatory settlement	-	4,925,649
Total nonoperating revenues	3,772,584	5,254,410
Change in Net Position	8,118,869	9,803,600
Net Position, Beginning of Year	28,061,206	18,257,606
Net Position, End of Year	$ 36,180,075	$ 28,061,206

	2024	2023
Cash Flows From Operating Activities		
Receipts from members	$ 82,350,843	$ 108,925,449
Payments to service providers and others	(59,410,216)	(113,654,089)
Payments to employees	(1,239,686)	(1,163,494)
Collateral deposit remittances	(3,589,228)	(1,299,429)
Net cash provided by (used in) operating activities	18,111,713	(7,191,563)
Cash Flows From Noncapital Financing Activities		
Regulatory settlement proceeds	4,925,649	-
Net cash provided by noncapital financing activities	4,925,649	-
Cash Flows From Capital and Related Financing Activities		
Interest payments	(136,917)	(122,172)
Principal paid on lease liability	(98,213)	(109,635)
Principal paid on subscription liability	(102,220)	(98,467)
Purchase of capital assets	(824,732)	(397,451)
Net cash used in capital and related financing activities	(1,162,082)	(727,725)
Cash Flows From Investing Activities		
Interest income	1,386,684	450,777
Net cash provided by investing activities	1,386,684	450,777
Increase (Decrease) in Cash	23,261,964	(7,468,511)
Cash and Cash Equivalents, Beginning of Year	14,176,034	21,644,545
Cash and Cash Equivalents, End of Year	$ 37,437,998	$ 14,176,034
Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities		
Operating income	$ 4,346,285	$ 4,549,190
Depreciation and amortization	500,037	461,703
Changes in operating assets and liabilities		
Accounts receivable	2,124,825	(3,696,214)
Prepaid expenses and other assets	(1,555)	(131)
Collateral deposit	(3,589,228)	(1,299,429)
Accounts payable	479,626	(7,222,493)
Accrued liabilities	47,342	15,811
Deferred inflows of resources	14,204,381	-
Net cash provided by (used in) operating activities	$ 18,111,713	$ (7,191,563)
Supplemental Noncash Activities		
Subscription obligations incurred for subscription assets	$ 4,472	$ 591,126
Accounts payable incurred for capital assets	155,609	-

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kentucky Municipal Energy Agency ("KYMEA" or the "Agency") is a joint agency organized under the Interlocal Cooperation Act of the Commonwealth of Kentucky. KYMEA was formed in 2015 to allow its Members to collaborate effectively to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to provide assistance to the Members related to their electric power and energy utility systems. The Agency's Members currently consist of the following Kentucky municipalities: Barbourville, Bardwell, Benham, Berea, Corbin, Falmouth, Frankfort, Madisonville, Owensboro, Paris, and Providence (the "Members").

As of June 30, 2024, ten of the eleven participants have entered into All Requirements Power Sales Contracts ("Contracts"). Under the Contracts, these ten members purchase all power and energy needed to meet their respective retail requirements, and the Contracts also obligate these members to provide revenue sufficient to allow the Agency to meet its obligations, including those related to power purchases, administration and prospective debt issuance.

KYMEA's Board of Directors (the "Board") is comprised of representatives from each of the Members. The Board directs and makes all significant decisions relating to the operations of the Agency.

Reporting Entity

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency. Based upon the above criteria, KYMEA has determined that it has no reportable component units.

Basis of Presentation

KYMEA's activities are accounted for on the economic resources measurement focus and use the accrual basis of accounting. KYMEA's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). KYMEA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported balance sheet amounts and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of insured cash sweep funds.

Accounts Receivable

Accounts receivable are stated at the amount billed to the Members. Accounts receivable are due immediately upon issuance of the invoice, which is ordinarily 20 days after the end of the prior month. Management does not believe an allowance for doubtful accounts is necessary at June 30, 2024 and 2023.

Collateral Deposit

KYMEA is a transmission dependent utility of both the Midcontinent Independent System Operator (MISO) and PJM Interconnection LLC (PJM), regional transmission organizations whose purpose is to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve electric system reliability.

The collateral deposit represents funds remitted to these organizations as a form of financial assurance to secure the Agency's performance under the terms and conditions of the respective MISO or PJM Tariffs related to the purchase of transmission service, market services, ancillary services, and related products or services.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. The following estimated useful lives are being used by the Agency:

Building improvements	15 years
Equipment	5 - 10 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the lease asset into service. Lease assts are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

KYMEA evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Kentucky Municipal Energy Agency
Notes to Financial Statements
June 30, 2024 and 2023

Compensated Absences

Agency policies permit employees to accumulate vacation, personal time and sick leave benefits that may be realized as paid time off or as a cash payment upon retirement. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absences are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

The following is a summary of compensated absence transactions of the Agency for the years ended June 30, 2024 and 2023:

	Beginning Balance	Additions	Deductions	Ending Balance
2024	$ 212,769	$ 130,834	$ (82,851)	$ 260,752
2023	$ 182,432	$ 124,062	$ (93,725)	$ 212,769

Regulated Operations

Rates for the Agency's regulated operations are established and approved by the Board of Directors. The Agency applies the provisions of GASB Codifications Section Re10, *Regulated Operations*, which provide for reductions in earnings to cover future expenditures (deferred inflows from rate stabilization). Deferred inflows from rate stabilization are comprised of the Board approved amounts collected for rate stabilization.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets- This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Agency has no net position that meets the restricted definition at June 30, 2024 and 2023.

Unrestricted - This component of net position consists of the net amount of assets and liabilities that do not meet the definition of "restricted" or "net investment in capital assets."

Classification of Revenues and Expenses

Operating revenues and expenses are defined as revenues and expenses directly related to, or incurred in support of, the future procurement and distribution of power and energy to KYMEA's Members. Operating revenues currently include billings to Members to cover Agency administration costs and off-system energy sales. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Taxes

KYMEA, as a unit of local government of the Commonwealth of Kentucky, is exempt from federal and state income taxes.

Note 2. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The Agency does not have a policy regarding custodial credit risk.

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. Additionally, the Agency's deposits at June 30, 2024 are invested through the Insured Cash Sweep ® (ICS) service, whereby funds are placed with other ICS Network members by the Agency's primary financial institution in increments less than $250,000.

Note 3. Capital, Lease, and Subscription Assets

Capital, lease, and subscription asset activity for the years ended June 30, 2024 and 2023 was as follows:

	July 1, 2023	Increase	Decrease	Transfers	June 30, 2024
Work in progress	$ 324,450	$ 941,887	$ -	$ (106,513)	$ 1,159,824
Equipment	1,560,162	38,454	-	106,513	1,705,129
Building improvements	260,238	-	-	-	260,238
Lease asset - building	1,698,510	-	-	-	1,698,510
Subscription asset - software	591,126	4,472	-	-	595,598
Less:					
Accumulated depreciation	(807,651)	(232,575)	-	-	(1,040,226)
Accumulated lease amortization	(277,231)	(138,653)	-	-	(415,884)
Accumulated subscription amortization	(105,422)	(128,809)	-	-	(234,231)
Totals	$ 3,244,182	$ 484,776	$ -	$ -	$ 3,728,958

	July 1, 2022	Increase	Decrease	Transfers	June 30, 2023
Work in progress	$ 182,507	$ 432,669	$ (18,118)	$ (272,608)	$ 324,450
Equipment	1,347,868	-	(60,314)	272,608	1,560,162
Building improvements	260,238	-	-	-	260,238
Lease asset - building	1,698,510	-	-	-	1,698,510
Subscription asset - software	591,126	-	-	-	591,126
Less:					
Accumulated depreciation	(633,161)	(217,704)	43,214	-	(807,651)
Accumulated lease amortization	(138,654)	(138,577)	-	-	(277,231)
Accumulated subscription amortization	-	(105,422)	-	-	(105,422)
Totals	$ 3,308,434	$ (29,034)	$ (35,218)	$ -	$ 3,244,182

Note 4. Line of Credit

In March 2019, the Agency executed a revolving line of credit agreement, expiring March 1, 2020 for advances up to $30,000,000. This agreement was later extended to February 1, 2025 with the maximum advance amount increasing to $45,000,000. Advances under this agreement bear interest at the Bloomberg Short-Term Bank Yield Index, and interest is payable semi-annually. There were no amounts outstanding under this line of credit as of June 30, 2024 and 2023. This agreement is collateralized by substantially all assets of the Agency and secured by a pledge of the revenues from the Agency's Contracts with the Members.

Note 5. Long-Term Obligations

The follow is a schedule of long-term obligation transactions for the Agency for the years ended June 30, 2024 and 2023:

	July 1, 2023	Increase	Decrease	June 30, 2024	Due Within One Year
Lease liability	$ 1,471,329	$ -	$ (98,213)	$ 1,373,116	$ 116,457
Subscription liability	492,659	4,472	(102,220)	394,911	104,828
Totals	$ 1,963,988	$ 4,472	$ (200,433)	$ 1,768,027	$ 221,285

	July 1, 2022	Increase	Decrease	June 30, 2023	Due Within One Year
Lease liability	$ 1,580,964	$ -	$ (109,635)	$ 1,471,329	$ 98,213
Subscription liability	591,126	-	(98,467)	492,659	101,708
Totals	$ 2,172,090	$ -	$ (208,102)	$ 1,963,988	$ 199,921

Note 6. Lease Liabilities

The Agency leases office space, the terms of which expire in September 2028 with one additional 60-month renewal option. The total amount of the lease asset was $1,698,510 with associated accumulated amortization of $415,884 and $277,231 as of June 30, 2024 and 2023, respectively. The lease asset is being amortized on a straight-line basis over the remaining lease term. There were no payments recorded in the current period that were not included in the measurement of the lease liability, no commitments prior to the commencement of the lease contracts, and no lease impairments as of June 30, 2024 and 2023. Lease payments made during 2024 and 2023 totaled $169,293 ($98,213 principal and $71,080 interest at 4.98%) and $164,426 ($109,635 principal and $54,791 interest at 4.98%), respectively.

The following table summarizes the future lease principal and interest payments as of June 30, 2024.

Year Ending June,	Total to Be Paid	Principal	Interest
2025	$ 182,275	$ 116,457	$ 65,818
2026	186,061	126,337	59,724
2027	186,062	132,775	53,287
2028	186,061	139,540	46,521
2029	186,062	146,650	39,412
2030-2034	790,759	711,357	79,402
	$ 1,717,280	$ 1,373,116	$ 344,164

Note 7. Subscription Liabilities

The Agency has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. The total amount of subscription assets were $595,598 and $591,126 with associated accumulated amortization of $234,231 and $105,422 as of June 30, 2024 and 2023, respectively. The subscription assets are being amortized over the remaining terms of the agreements. There were no payments recorded in the current period that were not included in the measurement of the subscription liability, no commitments prior to the commencement of the contracts, and no impairments as of June 30, 2024 and 2023. Subscription payments made during 2024 and 2023 totaled $110,868 ($102,220 principal and $8,648 interest at 1.94%) and $108,971 ($98,467 principal and $10,505 interest at 1.94%), respectively.

The following is a schedule by year of payments under the SBITAs as of June 30, 2024:

Year Ending June,	Total to Be Paid	Principal	Interest
2025	$ 111,467	$ 104,828	$ 6,639
2026	111,466	106,879	4,587
2027	111,466	108,971	2,495
2028	74,704	74,233	471
	$ 409,103	$ 394,911	$ 14,192

Note 8. Retirement Plans

The Agency offers all employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457 (“457 Plan”). The 457 Plan permits employees to defer a portion of their salary until termination, retirement or death.

The Agency also sponsors a defined contribution retirement savings plan, created in accordance with Internal Revenue Code Section 401(a). All full-time employees are eligible to participate in this plan. The Agency contributes 10% of base wages to eligible employees. Eligible employees are those that contribute a minimum of 3% to the 457 Plan. Employer contributions of $98,507 and $92,842 were made for the fiscal years ended June 30, 2024 and 2023, respectively.

Assets and liabilities of the retirement plans are not included in the Agency’s financial statements as all assets are held and managed by a third-party administrator and the retirement plans are not considered to be component units of the Agency under the applicable accounting guidance.

Note 9. Commitments

Purchased Power Agreements

KYMEA expects to supply nearly all of its power requirements through a portfolio of purchased power agreements. The Agency currently has four purchased power agreements in effect, with varying terms, to supply its power requirements beginning May 1, 2019. The first agreement is a 10-year arrangement with Big Rivers Electric Corporation (BREC) for 100 megawatts (MW) of firm base load capacity from BREC’s portfolio of owned resources. The second agreement is a five-year contract with Duke Energy Indiana, LLC for an initial nomination of 30 MW, with a one-time increase to 60 MW, of capacity from Duke Energy Indiana’s system. The third agreement provides for an initial nomination of 90 MW of peaking capacity from Paducah Power System. The final agreement provides for an initial nomination of 35 MW for the period from June 1, 2024 through May 31, 2027, with a one-time increase to 100 MW beginning June 1, 2027 through May 31, 2029 from Hallador Power Company, LLC.

KYMEA has also entered into an agreement to purchase 100% of the capacity from Ashwood Solar I, LLC upon Commercial Operation, for a period of 20 years. RWE has advised the Agency it will be unable to meet the commercial operation date of December 1, 2022, the Agency anticipates the commercial operation date to be delayed to January 2025.

Note 10. Risk Management

KYMEA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to agents and others; and natural disasters. The Agency carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the four preceding years.

Note 11. Subsequent Event

Subsequent to year end, the Agency entered into a number of contracts of a material nature. All are related to the planned construction of a 75 MW reciprocating internal combustion engine (RICE) electricity generation plant located in Hopkins County, KY. The generation plant is anticipated to become operational in June, 2027. The Agency entered into one contract for the purchase of RICE engines, one contract for the purchase of the land, and one contract for the engineering, procurement, and construction of the project. The total amount contracted was approximately $67 million. The Agency made a $7.5 million draw on its line of credit to fund the first payment of the engine purchase.

In a related transaction, the Agency issued a $5 million letter of credit supporting a transmission interconnection study for the RICE project.

Nine of the Agency’s members contracted with the Agency as participants in the RICE project.

KYMEA

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