

MESSAGE FROM THE PRESIDENT

Members' economic participation

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As we continue our look at the seven cooperative principles, we land on one that is often misunderstood, especially for cooperatives in our region: Members' economic participation. This third cooperative principle refers to the fact that members contribute equitably to, and democratically control, the capital of their cooperative. Outside of the Tennessee Valley, many cooperatives periodically issue "capital credits" to their members representing a return of member-provided capital. Inside the Tennessee Valley, however, we do things a little differently.

Back in the early 1930s, the Tennessee Valley Authority Act created TVA and allowed electricity to be brought to rural areas like Kentucky—areas that were otherwise forgotten by large for-profit electric companies. As TVA signed contracts with power distributors, including cooperatives like Warren RECC, they asked distributors to reinvest excess revenue back into their electric system in lieu of returning capital credits. The reinvestment was intended to help local power companies keep rates as low as possible for their members.

Because our contract with TVA doesn't provide for the payment of capital credits, we carefully invest our members' equity on system improvement: upgrading and improving substations, lines, poles, transformers and other equipment, improving right-of-way work and other projects that improve system reliability and bringing power to our members at the lowest possible cost. Over the past 10 years, Warren RECC has been fortunate to keep local rates steady for our members while keeping reliability high. In 2020, the power was on 99.97% of the time across Warren RECC's system.

Though we cannot share capital credits back to our membership, we never take your reinvested capital for granted. We are thankful for the ability to constantly improve our service to you in the form of exceptional reliability and affordable rates. Though it may look a little different in the Tennessee Valley, members' economic participation is a vital part of the cooperative model. It illustrates the importance of each member's contribution and the cooperative "can do" spirit that makes our model so unique. We are thankful for your continued support, and we are proud to power you.



By President/CEO

Dewayne McDonald