


The Cooperative Difference: Powering Innovation



2003
Annual Report
to Members

**UNITED
POWER**

Your Touchstone Energy® Partner 

Fast Facts for 2003

4,300

United Power employees provided over 4,300 hours of volunteer support in the communities we serve. They built homes, addressed envelopes, organized events and raised money for groups as diverse as our unique workforce. They helped coach softball and soccer teams, helped put roofs over the heads of homeless families and helped to feed hundreds of families.

They provide this support because they are more than employees, they are members of the communities we serve.

%

Performance equals raises at United Power. A portion of employees' annual raises are tied directly to the company's performance on two key service measurements: the frequency of power interruptions, and how long it takes our employees to get the lights back on in the event of a power interruption.

Every employee's pay is tied to these standards because everyone from the meter readers and linemen to the customer service representatives has an effect on these factors. Every year since the standard was initiated, United Power employees have exceeded the goal by double-digits!

50

Keeping everyone safe is one of our key goals. United Power provided more than 50 safety programs for the public in local schools and at community events. It's important to continually remind all our customers - young and old - to respect electricity.

We also had 45 safety classes for our workers. United Power workers continue to be among the safest in the industry, achieving the best ratings in the industry for their safe work habits. Besides saving lives, their vigilance keeps the cost of workers' compensation insurance low, and that keeps your rates lower.

\$7,700

Employees began their own charitable effort a couple of years ago with the goal of providing generous food baskets to needy families. Funds are earned through an employee auction and a grant from the Round-Up Foundation. Employees donate items for the auction, and bid on items to earn the funds.

Workers assembled baskets after work, and delivered baskets to homes on the weekend. More than 60 families received the baskets which included all they needed for a holiday meal, plus enough additional food to stock their pantries for the remainder of the year.

If you find it in your heart to care for somebody else, you will have succeeded.

-Maya Angelou

The Power to Innovate

The Power to Innovate...

It sounds simple. We provide power, and the companies we serve create products and provide services, but innovation requires so much more. As a management team we are challenged by our customers to provide them with the latest technology and superior customer service. It is our responsibility to inspire our work teams to reach beyond the often narrow scope of their job descriptions to meet the growing and changing needs of our customers.

We provide the power to create buildings, to operate machines, and to light businesses. We also provide the power to lead our cities and towns into the future. We provide volunteers in the communities we serve, fund special projects, and provide expertise to help our customers reach their goals. We do this because we understand we are more than just a power company.

We provide leadership to our employees and to our customers. We help them find ways to enrich the communities they call home. We provide support by allowing employees to volunteer hundreds of hours in their communities, and by providing sponsorships to youth and community activities. We also lead by example, by being the community leaders we want each of our employees to become. As a leadership team we donate hundreds of hours working on boards, leading committees and organizing activities. We are committed to these activities because we believe these are the things that differentiate United Power from other companies.

Innovation is at the heart of American success, and mired in the fabric that makes United Power strong. We believe United Power is an example of all that is good in our country. We believe in all the families and businesses that we power. We believe our commitment and involvement is the fabric of hope for our future.



*United Power's Executive Management Team - left to right:
Troy Whitmore, Director of External Affairs;
Robert Broderick (seated), CEO and General Manager;
Ruth Rasmussen, COO and Assistant General Manager.*

Each musician must learn to play, on the one hand, as if he were a soloist and, on the other, with the constant awareness of being an indispensable part of a team.

-Pablo Casals

Powering Business

Cooperatives around the country are challenged to provide the economical rates, reliable service and responsive customer care businesses expect, but they are providing this in unexpected communities. American businesses have changed. Company owners want locations that provide attractive towns to call home, and access to the best amenities. United Power's service territory is a perfect illustration of what businesses are seeking.

For instance, near United Power's main office in Brighton, heavy equipment is constantly moving dirt for the next roadway and strip of homes. Parks and pools are becoming the centerpieces of cozy neighborhoods featuring front porches and roomy sidewalks. It almost feels like a 50s television show, but the whole town is less than a half hour from major sports parks, internationally recognized museums and performing arts venues. Businesses located near town can access railways, major highways, and enjoy easy access to the world's newest international airport. Of course, there is always the attraction of quality jobs in a variety of industries.

Power
Quality

Growing Expectations

This pattern of "growing up" is at the heart of United Power's growth in the past decade, and will determine the future of our cooperative. Unlike hundreds of smaller cooperatives across the country, United Power is being challenged to operate in a lean, efficient manner while providing top-notch service. The growing use of electronics and computers is requiring a new, tougher standard for electric quality. We have to anticipate growth -- first in the residential sector and later in the business and retail areas. We must build lines and substations to

accommodate tomorrow's needs, and invest in relationships which will insure the reliable and economical power our customers need. We must take an active role in the legislation that affects our industry, giving our customers a voice at the capital in Denver and in Washington, D.C.

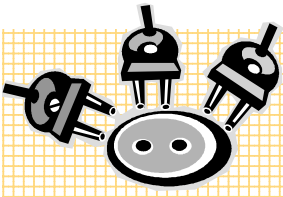
Legislation

Service



Good leaders make people feel that they're at the very heart of things, not at the periphery. Everyone feels that he or she makes a difference to the success of the organization. When that happens people feel centered and that gives their work meaning."

-Warren Bennis



Colorado Railcar

Just outside of downtown Ft. Lupton is a unique manufacturing plant, whose product makes scenic trips into the far reaches of Alaska a reality. Colorado Railcar, started in 1996, has grown into one of the world's premier builders of custom rail cars. Employing over 100 employees, the Ft. Lupton site constructs the world's largest passenger railcars designed for sightseeing – including domed glass roofs, huge padded seats, and full service galleys. Each unit is custom built for specific clients, including many of the major cruise lines who want to offer a land component to their cruises into the wilds of Alaska.



Each car is designed for comfort, from the wheelchair lifts to the oversized upholstered seating, Colorado Railcar's engineers have worked hard to meet the needs of their touring customers. Elegant details abound, including custom fixtures and lighted artwork, stone and Corian® countertops and edgings, and polished railings. Etched glass panels decorate doors that open out onto large outside open platforms, where riders can breath in the fresh air while taking in the sights. If you're lucky enough to take one of the Alaska cruises with one of the major lines, when you travel on land you'll enjoy the comfort and elegance of a car built by the technicians and artisans of Colorado Railcar.

Another product the company is proudly promoting is the DMU, a self-propelled commuter railcar. The DMU is now being tested in Florida, and the company is currently promoting the unique unit to municipalities throughout the country as an economical solution for growing transportation corridor problems.

"The DMU – which stands for Diesel Multiple Unit – is our updated version of a unit that was popular in the 50s," stated James Gaudette, Vice-President of Manufacturing. "Instead of using a locomotive to pull passenger cars, this unit is self-contained and can pull additional passenger cars to expand its uses."

The demonstration project in Florida is just the start for a possible bright future for the DMU. Many cities, Denver included, are seeking additional ways to move commuters on existing rail lines. The DMU is creating a buzz in the industry as an economical and effective alternative to traditional rail commuter options.

To learn more about the luxury passenger railcars or the DMU, visit Colorado Railcar's website at www.coloradorailcar.com. The site also provides links to many of the customer sites featuring their products, including Princess Cruises, Rocky Mountain Railtours Company, Royal Caribbean Tours, Holland America Cruises and Alaska Railroad.

Investing in Technology

The largest single cost a cooperative has - about two-thirds of every dollar you spend on your electric bill are used pay for the cost of wholesale power. It is the most significant cost to the cooperative, and one that is difficult to control. The largest investment United Power needs to make each year on behalf of our members is in "Utility Plant", which is our investment in facilities - essentially the lines, poles and substations we need to bring power to homes and businesses throughout our territory. This is a more controllable cost, and planning is the real key to building an infrastructure to carry electricity while keeping rates reasonable.

So, how do the operations and engineering teams at United Power plan for an unknown future? It takes an assortment of expertise, and a great deal of time to plan an electrical system for our growing territory. A long term plan is initially assembled, but it is constantly being tweaked - growth centers may move and costs are often volatile. The team uses a myriad of tools available to them including software that tracks growth in the area. They are kept in the loop when cities and towns issue building permits, and when developers purchase large tracts of land. United Power employees serve on Chambers and Economic Development boards so we'll be knowledgeable about the coming growth. If we fail to listen to the pattern of growth in our territory we could leave customers without reliable power sources, and with rates that spike unexpectedly. Our involvement at every level of the process assures that we make the right decisions, and plan for a more certain future.

You Have a Voice

What does that mean to member-owners in a cooperative? A portion of the rates you pay as a United Power customer are earmarked for patronage capital - money we use to build necessary infrastructure, that represents your investment in the cooperative. Each year the board looks carefully at the amount our members have invested in United Power, and determines if a portion can be returned as Capital Credits. When we're rapidly growing, little is returned, and when the cooperative is more stable the investment is returned based on your power usage during the retirement period.

Sound financial decisions translate into a smart investment for our member-owners. It's an investment you have an active hand in controlling through your participation at the cooperative. Through a board seat, as a member of the Consumer Resource Committee, or by working with your district representatives you can help set the direction for this cooperative. If you ever want more information about getting involved, check out your monthly newsletter, or call United Power's main office and we'll help you take an active hand in your cooperative.



The significance of man is not what he attains, but rather what he longs to attain.

-Khalil Gibran

Zamar Screenprinting

The exotic locales of St. Martin, St. Croix and St. Thomas have a unique tie to the United Power service territory. If you travel to one of these elegant resort towns you will most certainly want to come home with a special reminder of your trip -- perhaps a t-shirt with your favorite local haunt on the front -- t-shirts that were produced by Zamar Screenprinting in Brighton, Colorado.



Tammy Smith Photography, Inc.

Zamar Screenprinting was started in 1993, by Suzanne and Harold Mitchell, and designer Jamie McGregor. The company screenprints and embroiders designs on clothing, and provides a variety of promotional products for companies such as personalized pens and other giftware. Exactly how the business became an off-shore legend is due in part to Hurricane Hugo, and in the investment of time and effort by the Mitchell's. In 1994 Zamar was printing a variety of tourist-

type clothing for resorts in the islands for a small company located in St. Martin. When the hurricane struck it decimated the business, and the owner offered the ruined remains of the company to the Mitchell's for a little consideration over the following two years. Suzanne packed her bags three times a year and began to rebuild the customer base from the hand full of customers still solvent after the storm.

"We went from no clients at all, to rebuilding about a quarter of the original customer base in that first year or two," stated Suzanne Mitchell, owner. "When we finally established a bit more of a customer base, we were contacted by a sales rep in St. Thomas who was willing to take the product line and sell it on an ongoing basis."

Wanting to maintain a firm hold on a quality product, the company targeted upscale hotels, bars and dive shops on the islands. The line of simple t-shirts grew to include a line of women's fashion tank tops and skirts under the label *Sunset Dreams*, and a line featuring "mock beer" designs, called *Brew-ha-ha*. A tourist season running from Thanksgiving to March, coupled with a U.S. naval base on St. Thomas, allowed Zamar to grow their sales enough to insure the company's future. Currently the company prints, ships and sells over 60,000 pieces of clothing at their various island venues. Mitchell is currently working on a deal to have their products placed in locations in the Florida keys, and then plans to move on to other beach resorts in California and Hawaii.

"Occasionally I'll see someone in town with one of our shirts, and I'll know they bought it on a trip to one of the islands," stated Mitchell. "It's fun to see how far our shirts travel and to know they're seen around the world."

The Power of Cooperatives

A single map can illustrate the power of electric cooperatives. Most of the country, geographically, is served by electric cooperatives. Investor-owned utilities operate in densely populated cities and towns, where supplying power is inherently profitable. Rural electric cooperatives often identify themselves by the average miles of line between meters. Long stretches of poles and lines bring power to the smallest towns and enclaves of our country, but not all of these locales are the tiny encampments you might expect. Unique new industries are springing up across the country. Outstanding delivery capabilities coupled with the reach of the Internet have turned hundreds of small communities into the homes of unique and unusual products. These companies represent the best of what this country has to offer in innovation and ingenuity.

Fields of blueberries are packaged by the pound in Minnesota. A special blend of chili powder is mixed in Chugwater, Wyoming. Fresh salmon is smoked and packed in gift sets in Alaska. All of these products are finding markets throughout the world, and each of these companies is powered by an electric cooperative. Not every entrepreneur wants to locate their business in the middle of a big city. Maybe they want to develop their business in a smaller community with good schools, down-home values and crime-free streets. Just because they make these choices doesn't mean they have to settle for substandard electric service. Rural electric cooperatives are their business partners in success.

Setting the Standard

United Power, Your Touchstone Energy® Cooperative, joins a growing number of cooperatives that have chosen to differentiate themselves through the Touchstone Energy® branding program. We agree to meet certain performance standards and to share a specified message about our products with the public. Through advertising, community sponsorships and performance guidelines Touchstone Energy® cooperatives are working to define our product as one of the nation's best. The program has been actively promoted for more than five years, and the results are extraordinary.

To track our success on a national level we have used the American Customer Satisfaction Index (ACSI), which measures consumer satisfaction and connects it to economic performance. It's managed by the University of Michigan Business School and endorsed by the most important quality control society in the country. The measurements cover seven economic sectors, 35 industries and 190 major companies and government agencies. In a recent report of the ACSI, Touchstone Energy® Cooperatives led the electric utility industry in customer satisfaction. Touchstone Energy's® Co-ops' score is higher than the 29 largest investor-owned utilities in the country, and is considerably above the median rating for utilities in general.¹

"The very essence of leadership is that you have to have a vision."


-Theodore Hesburgh



**At our electric cooperative
we know the owners.**

Because we are the owners

UNITED POWER

Your Touchstone Energy® Partner 

Pavestone

The entry to the Pavestone Plant in Henderson is a testimony to the unique products created in this plant on the border of United Power's territory. A beautiful concrete paver driveway welcomes visitors to a small office surrounded by a meticulously landscaped show area featuring their many concrete products. Pavestone is one of the world's largest producers of decorative concrete pavers and blocks for landscaping, paving, erosion control and retaining walls.

The Henderson facility is one of family of what will soon be 19 regional manufacturing facilities, for a company headquartered in Texas. The privately held company was started in 1980, and has quickly grown into one of the most recognizable products in the country. About 70 employees work at the facility, which churns out pallets of concrete pavers, seven days a week on four different shifts. Pallets contain about 3,000 pounds of concrete pavers, and the facility ships out about 30,000 pallets of pavers every month.

The plant itself is highly automated, with most processes handled by machinery. Each load begins with a mix of over 400 pounds of mix of rock and aggregate. Pavestone's defining sales point is the high concentration dye used in their paver process. The high color

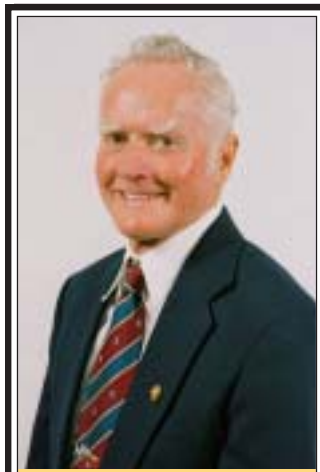
dry dyes are infused throughout the pavers so customers experience little fading or discoloration. The heart of the operation is a machine called the MASA which was imported from Munich, Germany that uses molds to automatically form the concrete paver into the various shapes the company produces. Formed concrete paver are loaded onto heavy metal plates, and loaded onto huge racks that hold 18 trays, and loaded into a steaming oven which sets the concrete paver. The racks, which look like giant baking racks, tower several stories above the work floor. Once the pavers are done with the steaming process a conveyor belt moves the completed pavers to another machine which stacks the pavers in pallets and wraps them with plastic for shipping. The site also includes a new machine - a tumbler - to produce the worn looking concrete pavers which have become increasingly popular with their customers.



Recently the company worked with Colorado State University to test a unique product they patented, the Conlock® block. Used for erosion control, the interlocking block is used in areas that experience heavy erosion, and have quickly become an engineering favorite. The Conlock® erosion control block joins their growing line of professional products for engineers and public works.

Many local landscapers and designers have already learned to love the Pavestone difference. Do-it-yourselfers can also enjoy these quality products by purchasing them at dozens of retail outlets in the front range, including your local Home Depot, which is one of the companies prime retail vendors. To learn more about Pavestone, visit their website at www.pavestone.com.

2003 Board of Directors



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District 1



Douglas Pryce
District 2



James Boyd, Jr.
District 3



Dale Erickson
District 4



Richard McLean
District 5



Secretary-Treasurer
Donald Cummins
District 6



David Dunnell
District 7



Asst. Sec./Treasurer
Lois Lesser
District 8



Ray Kilgore
District 9



Vice-President
Susan Petrocco
District 10



Jim Jaeger
District 11

Leaders are the ones who keep faith with the past, keep step with the present and keep the promise to posterity."

-Harold J. Seymore

Hope is a state of mind, not of the world.
Hope, in this deep and powerful sense, is
not the same as joy that things are going
well, or willingness to invest in enterprises
that are obviously heading for success, but
rather an ability to work for something
because it is good.

- Vaclav Havel



Your Touchstone Energy® Partner 

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303.659.0551

800.468.8809

www.unitedpower.com

Statement of Revenue & Patronage

Operating Revenue		
	2003	2002
Operating Revenue	\$69,446,427	\$58,824,851
Operating Expenses		
Cost of purchased power	43,316,953	37,193,257
Operating expenses - transmission	318,691	273,062
Operating expenses - distribution	3,614,393	2,993,286
Maintenance of distribution plant	2,291,807	1,977,414
Accounting and collection expenses	2,504,818	2,032,610
Other customer expenses	1,297,719	1,018,293
Administrative & General Expense	4,701,494	4,516,058
Directors fees and expense	247,425	211,967
Depreciation	3,172,754	2,986,505
Total Operating Expenses	61,466,054	53,202,452
Electric Operating Margin	7,980,373	5,622,399
Less: Interest on long-term debt	5,097,522	5,778,343
Operating Margin Before Capital Credits	2,882,851	(155,944)
G&T and Other Capital Credits	4,500,830	4,191,563
Operating Margin	7,383,681	4,035,619
Interest revenue	84,404	118,890
Other revenue	99,872	16,585
Extraordinary Items	(2,803,578)	- 0 -
Net Margins	<u>\$4,764,379</u>	<u>\$4,171,094</u>
Net Margin		
	2003	2002
Patronage Capital and Other Expenses	\$4,764,379	\$4,171,094
Beginning of Year	31,261,200	29,130,764
Subtotal	36,025,579	33,301,858
Subsidiary Operations	-0-	(2,024,097)
Retirement of Capital Credits	(180,365)	(16,561)
Patronage Capital & Other Equities End of Year	<u>\$35,845,214</u>	<u>\$31,261,200</u>



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Comparative Balance Sheet

Assets	2003	2002
Utility Plant		
Electric Plant	\$154,146,320	\$146,302,372
Depreciation	(34,895,504)	(31,911,841)
Net Electric Plant	119,250,816	114,390,531
Investments & Other Property	31,777,157	27,745,978
Current Assets		
Cash & Cash Equivalents	1,975,183	2,018,214
Receivables	9,983,773	8,979,755
Materials	4,426,333	5,330,980
Prepayments	281,436	204,346
Total	16,666,725	16,533,295
Deferred Debits	-0-	759,302
Total Assets	\$167,694,698	\$159,429,106
Liabilities & Capital	2003	2002
Capital Equities		
Patronage Capital	\$35,845,214	\$31,261,200
Other Capital	4,425,756	4,342,007
Total	40,270,970	35,603,207
Long-Term Liabilities	103,857,606	98,205,153
Current Liabilities		
Current Maturities of LTD	3,048,400	3,281,714
Notes Payable	8,550,000	-0-
Accounts Payable	6,994,464	17,170,973
Accrued Expenses	1,966,430	1,925,887
Accrued Taxes	1,462,795	1,414,933
Customer Deposits	126,568	95,351
Total	22,148,657	23,888,858
Deferred Credit	1,417,465	1,731,888
Total Liabilities & Capital	\$167,694,698	\$159,429,106



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Financials At A Glance

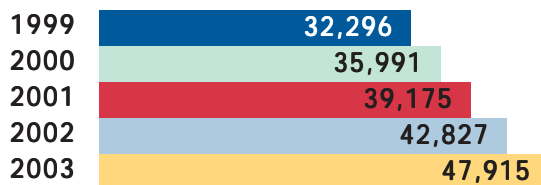
Total Utility Plant Per Customer



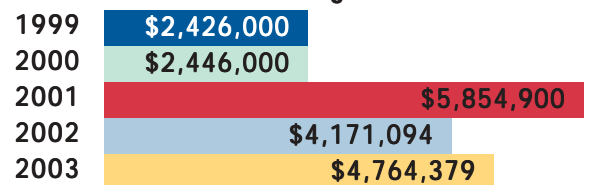
Operating Expenses Per Customer



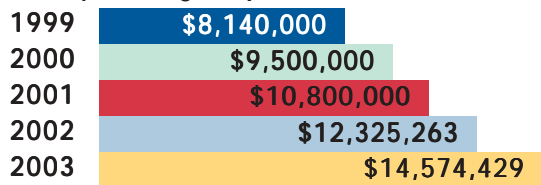
Number of Customers



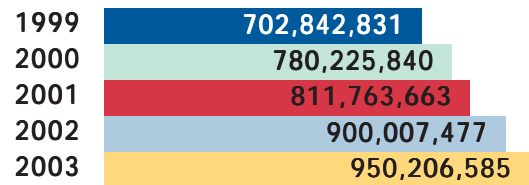
Net Margins



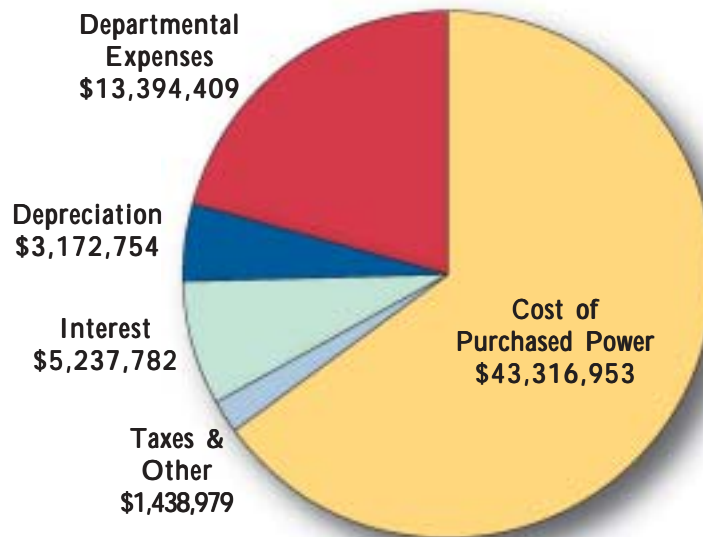
Operating Expenses Less Cost of



Total Kilowatt hours Purchased



Statement of Expenses



	1999	2000	2001	2002	2003
kWh Purchased ¹	702,842,831	780,225,840	811,763,663	900,007,477	950,206,585
kWh Sales ²	652,960,189	719,243,481	753,225,419	841,341,640	885,927,618
Percent Losses ³	6.86	7.58	6.99	6.32	6.51
Cost of Purchased Power/kWh Purchased ⁴	3.65	3.72	3.73	4.13	4.56
Number of Meters	33,296	35,991	39,175	42,827	47,915
Cost of Service/kWh Sold ⁵	6.50	6.54	6.60	6.99	7.51
Electric Revenue/kWh Sold ⁶	6.40	6.37	6.53	6.93	7.76
Modified Debt Service Coverage ⁷	1.51	1.44	1.01	1.05	1.62
Total Utility Plant ⁸	114,828,358	124,632,878	129,013,007	146,302,372	154,146,320
Net Plant	86,130,036	94,287,214	99,270,897	114,390,531	119,250,816
Total Long Term Debt	70,672,016	81,366,273	90,452,264	100,867,124	106,455,879
Percent LT Debt to Total Utility Plant	61.55	65.28	70.11	68.94	69.06
Property Taxes	665,524	649,992	564,841	1,024,822	1,180,020

Footnotes to Statistical Report

1. kWh Purchased - Total kWh (kilowatt hours) purchased by United Power from its supplier Tri-State Generation & Transmission.
2. kWh Sales - Total kWh sold to United Power customers.
3. Percent Losses - Percentage of kWh purchased that is not sold to customers or used by United Power in relationship to kWh purchased.
4. Cost of Purchased Power/kWh Purchased - Cost of purchased power in cents per kWh purchased.
5. Cost of Service/kWh Sold - Cost of service in cents per kWh sold.
6. Electric Revenue/kWh Sold - Electric revenue in cents per kWh sold.
7. Modified Debt Service Coverage - Relationship of United Power's margins to the cost of interest and principal on debt (minimum mortgage requirement is 1.35).
8. Total Utility Plant - Total investment in facilities.
9. Net Plant - Total investment minus depreciation.

Statement of Income

