



**MAKING LIFE
BETTER
THE COOPERATIVE WAY**

**2014 ANNUAL
REPORT**

 **UNITED
POWER**

Your Touchstone Energy® Cooperative 

MEMBER CARD



TABLE OF CONTENTS

ANNUAL REPORT TO THE MEMBERS

- Letter from the CEO 3
- Making Life Better the Cooperative Way 4
- Supporting Your Sense of Community 6
- Supporting Business Development 8
- Investing in Youth and Education 10
- 2014 Board of Directors 12

2014 FINANCIAL REPORT

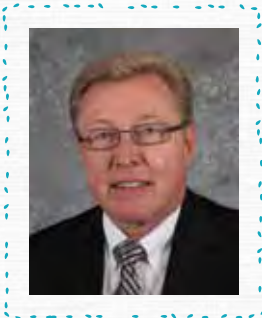
- Comparative Balance Sheet 14
- Statement of Operations & Patronage Capital 15
- Sources of Revenue 16
- Statement of Expenses 16
- Financials At a Glance 16



**COOPERATIVES ARE A REMINDER TO
THE INTERNATIONAL COMMUNITY
THAT IT IS POSSIBLE TO PURSUE BOTH
ECONOMIC VIABILITY AND
SOCIAL RESPONSIBILITY.**

- United Nations Secretary-General Ban Ki-moon,
speaking on the International Year of Cooperatives 2012

MAKING LIFE BETTER THE COOPERATIVE WAY



Ronald D. Asche
Chief Executive Officer

It is an exciting time to be in the electric industry. Technology enhancements, improved choices in household appliances, and a new focus on a variety of generation sources, all herald a time of change and growth in our industry. However, there are many things that are not changing within your electric cooperative. Your cooperative remains committed to you, our member. This means we continue to concentrate on our core business - safely providing reliable, affordable electric service. It also means we continue to be an active advocate for you in the community.

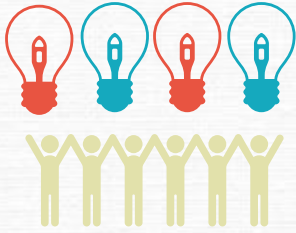
This annual report highlights many of the ways we reach out into the communities we serve, and explains why our involvement and advocacy is important. As a key provider of electric service in this area, we are committed to being part of the conversation when it comes to growing the type of community you want to call home. We are at the table when new businesses are considering locating to any of our communities. We actively work with our towns and cities when they are adding new facilities, when they decide to add lights to the local ball field, and when they need unique energy solutions in existing buildings. We advocate for our members, helping to make sure their voice is heard within the organizations that have a hand in growing our communities.

Our membership is diverse, and we are charged with considering the needs of all our members. When you see United Power's logo on event brochures, the banner strung up on a stage, or United Power employees participating in local groups, understand that this investment is part of the cooperative way of doing business. We don't see ourselves as just a business, but rather as a partner to our communities. We are committed to the people we serve, and committed to helping each community create the future they envision. Our presence, our support and our commitment to the communities we serve is a unique feature of the cooperative way of doing business.

Everyday United Power employees and directors are challenged to find ways to make this cooperative experience stronger. We continue to branch out in our communities to provide support, we continue to innovate and utilize technology to improve your experience as an electric consumer, and we continue to advocate for the things you, as a member, value.



MAKING LIFE BETTER THE COOPERATIVE WAY



We exist to work cooperatively with our members to provide them with power, but there are so many more ways we serve our members.



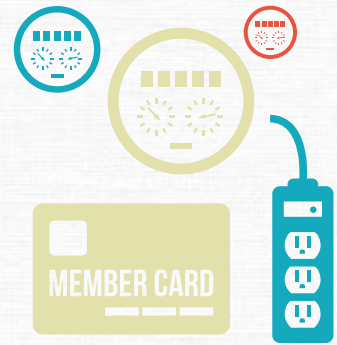
“COOPERATIVE” IS OUR BEDROCK

The very name, “cooperative”, speaks to the nature of our operation. We exist to work cooperatively with our members to provide them with power, but there are so many more ways we serve our members. United Power is committed to helping our members grow the communities they want to call home, and to help foster an environment that is fertile for business, that values education, and that builds a real sense of community.



WE DO BUSINESS DIFFERENTLY

It is the way we do business that differentiates us from other business operations. Employees of United Power learn early in their tenure that something is different about the way this business operates, and it permeates the entire organization and reaches out into the membership.



We are a partner, a member of your team, and we know that together we are a stronger and more powerful force in creating the world and environment you want to call home.



A LONG HISTORY OF PUTTING OUR MEMBERS FIRST

Cooperatives have a long history of investing in the members they serve, and United Power is no exception. While remaining committed to our core business of providing electric service, we see a bigger, more influential role for our cooperative. We are a partner, a member of your team, and we know that together we are a stronger and more powerful force in creating the world and environment you want to call home. Many of our business practices are specifically designed to show how we support our communities and to help them realize the vision they have for their future.

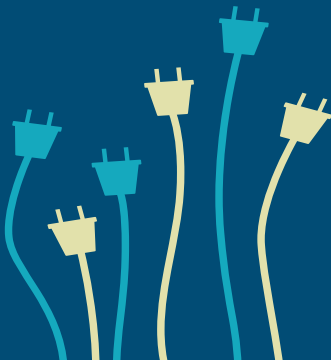
SUPPORTING YOUR SENSE OF COMMUNITY

We serve many different communities, from the quickly growing towns and cities on our plains to the tightly knit families in our mountain communities. United Power recognizes that each of these areas has different and unique needs, and that each has a different "personality".



YOUR CO-OP SUPPORTS YOUR COMMUNITY'S VISION

As the cooperative serving these varied groups it's vital that we support your vision for your community. To accomplish this United Power has taken an active role by supporting the activities each community values. We support the agricultural community by purchasing 4-H livestock at local fairs, and sponsoring other youth events that encourage careers in farming and ranching. We sponsor community fairs – events that bring out families to enjoy the amenities of their towns or cities – to build a visible sense of community. You'll even see United Power banners on display at local historical celebrations, as residents learn about the roots of the community they call home.





EXPANDING CULTURAL ENRICHMENT

United Power also partners to provide cultural opportunities in our communities. Bringing opportunities to enjoy the arts in our own communities is one of the best ways to enrich our citizens. Music, dance and performing arts are becoming staples at annual events throughout our territory. Nearly every community now features outdoor concerts or performances. We've even added a few new performing arts and event venues. Is there a better way to expose our children to the various opportunities in the arts and enrich their view of the world?



INVESTING IN RECREATION

Cultural values can also be seen in the types of recreation a community values. Bike rides, organized 5k and 10k races, even family hikes have been the focus of communities in our territory, and United Power has been a partner in each of these ventures. United Power's investment and support help to make your community more vibrant and help you to define what you value in a community.



Bringing opportunities to enjoy the arts in our own communities is one of the best ways to enrich our citizens.

SUPPORTING BUSINESS DEVELOPMENT

Two different types of organizations are at the root of most business development in communities: economic development groups and chambers of commerce.



YOUR CO-OP IS AT THE TABLE

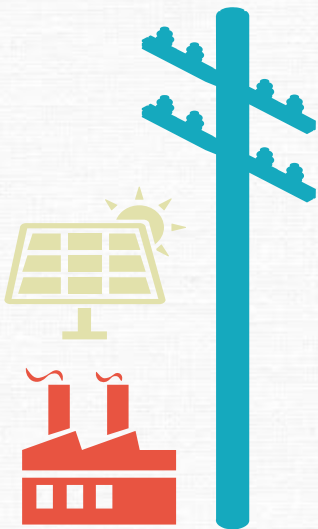
Two different types of organizations are at the root of most business development in communities: economic development groups and chambers of commerce. Dedicated to providing a voice to businesses, these entities are essential to attracting and retaining businesses into our territory. Accomplishing this goal is a process of education and courtship.



RELIABLE POWER RELATES TO ECONOMIC DEVELOPMENT

Businesses need to know that the local community can provide the talent to fill their workforce, and that they would be seen as a valued member of the community. More and more businesses are looking for towns and cities that provide a good “fit” for their workers and product.

Economic development groups are a key way to communicate about what the communities have to offer, and to start a conversation with interested businesses. United Power is part of that mix – businesses want to know that we can supply reliable, economical power – and we know it’s important that we be “at the table” when our municipal partners are looking to attract new jobs and new opportunities to their communities.

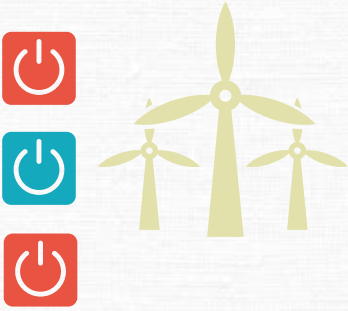


LISTENING TO THE VOICE OF BUSINESS IN THE COMMUNITY

Helping businesses to maintain a voice in the community is also important, and chambers are a great way to keep our finger on the pulse of the businesses in our territory. Devoted to education, chambers provide opportunities for business owners to learn more about the cities and towns they serve, to network, and to foster conversation between business and community members.



RECOGNIZING THE UNIQUE ROLE OF EACH CHAMBER



Every chamber sees their role differently; some are dedicated to building the local business atmosphere, while others see a greater role in developing business friendly legislation. The common thread is a dedication to building businesses that are integral to the community, and United Power is a valued partner in that process.

INVESTING IN YOUTH AND EDUCATION

REACHING MEMBERS OF ALL AGES

United Power is devoted to our youngest members, and we know that providing a strong education is vital to our communities. The cooperative supports schools in a number of ways. We've helped make field trips a reality, brought science and engineering projects into schools, and helped to support groups that develop the next generation's leaders.

Something as simple as gifts for the high school after-prom celebration keeps precious students safe, while support for sports and the arts helps give every student a place to excel. We provide safety demonstrations in the local elementary schools, and talk about industry employment opportunities at high school job fairs.



TEACHING THE COOPERATIVE BASICS

Beyond support of existing school programs, United Power provides our own educational opportunities. Students have the opportunity to attend electric cooperative leadership camps or join a tour of thousands of students from around the country in Washington, D.C. They have the chance to learn about the operation of a cooperative, and see how these operations affect the entire country. They learn about what is different about a cooperative, and why this business model is essential for so much of the country. We even provide direct support to students who have the drive and potential to excel through scholarships.



United Power is devoted to our youngest members, and we know that providing a strong education is vital to our communities.



FOSTERING OUR FUTURE LEADERS

These investments are good for the community and the cooperative. The youth of today could be tomorrow's city trustees, business leaders or cooperative board members. While United Power operates and acts locally, we are part of a larger picture. We are one among hundreds of cooperatives in the country. We are one voice in the growing conversation about generation sources and energy efficiency. In the future we will need leaders who understand not only the global impact of our industry, but have a comprehension of the importance of community. An understanding of the cooperative and the education to achieve their goals will enrich every community these children touch in the future.



2014 BOARD OF DIRECTORS



Douglas Pryce
President



Brian McCormick
Vice-President



Beth Martin
Secretary/Treasurer



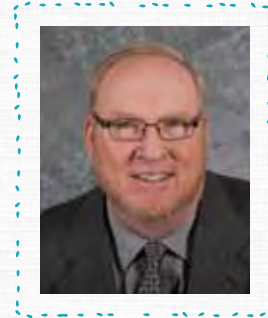
James Vigesaa
Asst. Sec./Treasurer



Bill Berens



Ginny Buczek



Tim Erickson



Bob Grant



Ursula J. Morgan



Richard Newman



Dave Rose





**MAKING LIFE
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**2014
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**UNITED
POWER**

Your Touchstone Energy® Cooperative 

COMPARATIVE BALANCE SHEET

	2014	2013
ASSETS		
Utility Plant		
Electric Plant	\$308,717,968	\$281,559,766
less: Depreciation	79,310,984	74,252,999
Depreciated Value	229,406,984	207,306,767
Investments and Other Property	110,018,558	104,359,464
Current Assets		
Cash & Cash Equivalents	884,162	3,335,000
Receivables	12,801,903	10,825,624
Materials	6,531,386	4,629,669
Prepayments and Other Current Assets	13,181,005	9,271,306
Total	33,398,456	28,061,599
Total Assets	\$372,823,998	\$339,727,830
LIABILITIES & CAPITAL		
Capital Equities		
Patronage Capital	\$156,586,395	\$143,780,219
Other Capital	(5,924,152)	(6,517,513)
Total	150,662,243	137,262,706
Long-Term Debt	159,377,924	156,353,012
Obligations Under Capital Leases	1,415,088	2,012,670
Current Liabilities		
Current Maturities of Long-Term Debt	7,271,520	7,185,049
Current Maturities Capital Leases	597,582	579,133
Notes Payable	27,700,000	12,800,000
Accounts Payable	13,838,926	11,536,580
Accrued Expenses	3,571,012	3,546,714
Accrued Taxes	4,371,017	4,896,224
Member Deposits	1,175,531	1,150,026
Total	58,525,588	41,693,726
Deferred Credits	2,843,155	2,405,716
Total Liabilities & Capital	\$372,823,998	\$339,727,830



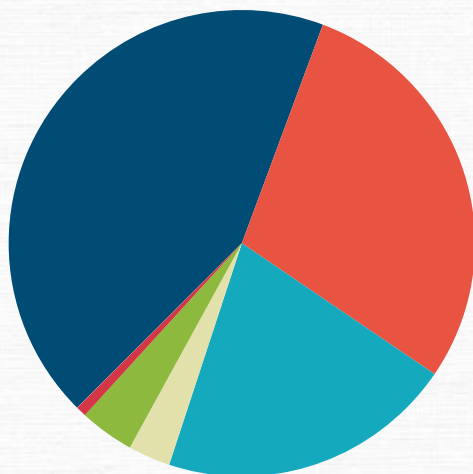
STATEMENT OF OPERATIONS & PATRONAGE CAPITAL

	2014	2013
OPERATING REVENUE		
Operating Revenue	\$179,891,711	\$158,650,036
OPERATING EXPENSES		
Cost of purchased power	125,629,483	107,061,408
Operating expenses - distribution	4,812,214	4,211,153
Maintenance of distribution plant	5,557,215	5,065,142
Consumer accounting and collection expenses	5,273,630	4,540,385
Other customer expenses	2,603,679	2,091,631
Administrative & general expense	7,550,355	7,192,489
Directors fees and expense	291,444	280,468
Depreciation	7,864,079	7,449,292
Property taxes	3,793,771	4,254,534
Interest on long-term debt	6,517,237	7,864,467
Other interest expense	396,630	204,869
Other expenses	376,506	314,570
Total Operating Expenses	170,666,243	150,530,408
Operating Margins (Loss) Before Capital Credits	9,225,468	8,119,628
G&T and Other Capital Credits	8,537,086	8,203,697
Operating Margins	17,762,554	16,323,325
Interest revenue	209,748	234,145
Other revenue (expense)	(128,288)	(89,815)
Non-operating margin	81,460	144,330
Net Margins	\$17,844,014	\$16,467,655
PATRONAGE CAPITAL AND OTHER EQUITY		
Net Margins	\$17,844,014	\$16,467,655
Beginning of Year	137,262,706	124,111,674
Subtotal	155,106,720	140,579,329
Retirement of Capital Credits and Other Contributions (Net)	(4,444,477)	(3,316,623)
Patronage Capital & Other Equities End of Year	\$150,662,243	\$137,262,706



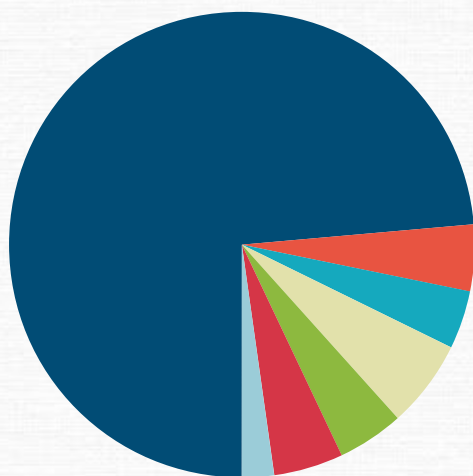
SOURCES OF REVENUE

(OPERATING & NON-OPERATING)



Residential	\$81,331,678	43.1%
Small Commercial	\$54,370,093	28.8%
Large Commercial	\$38,765,550	20.6%
Other Operating Revenues	\$5,505,850	2.9%
Tri-State Allocations (non-cash)	\$7,185,738	3.8%
Other Allocations & Income (non-cash)	\$1,351,348	0.7%

STATEMENT OF EXPENSES



Cost of Power	\$125,629,483	73.6%
Depreciation (non-cash)	\$7,864,079	4.6%
Interest	\$6,913,868	4.1%
Operations & Maintenance	\$10,369,429	6.1%
Consumer Accounts & Info	\$7,877,309	4.6%
Admin, Gen'l & Other	\$8,218,305	4.8%
Taxes	\$3,793,771	2.2%

NUMBER OF METERS



2010	67,453
2011	68,708
2012	70,101
2013	71,985
2014	74,146

MILES OF LINE



2010	5,670
2011	5,683
2012	5,704
2013	5,740
2014	5,771

OPERATING REVENUE (THOUSANDS)



2010	\$134,784
2011	\$141,865
2012	\$151,279
2013	\$158,650
2014	\$179,892

TOTAL ASSETS (THOUSANDS)



2010	\$300,204
2011	\$311,186
2012	\$321,987
2013	\$339,728
2014	\$372,824

ENERGY SALES - KWH (THOUSANDS)



2010	1,287,253
2011	1,318,971
2012	1,371,103
2013	1,410,521
2014	1,645,719

TOTAL PLANT (THOUSANDS)



2010	\$248,183
2011	\$258,244
2012	\$266,222
2013	\$281,560
2014	\$308,718

