# MAKING LIFE BETTER
## THE COOPERATIVE WAY

2015 ANNUAL REPORT

UNITED POWER

Your Touchstone Energy® Cooperative


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## ANNUAL REPORT TO THE MEMBERS



## 2015 FINANCIAL REPORT

# TECHNOLOGY GIVES US A LOT OF TOOLS TO DO OUR JOB BETTER.

BUT WHAT HAS NOT CHANGED IS WHAT IS AT THE **HEART OF OUR COOPERATIVE.**

EVERY EMPLOYEE OF UNITED POWER UNDERSTANDS THAT THEIR FIRST DUTY IS TO **SERVE OUR MEMBERS.**

FROM THE PEOPLE WHO ANSWER THE PHONE TO OUR LINE CREWS IN THE FIELD – EVERY ONE OF US RECOGNIZES THAT **WE WORK FOR YOU.**

# MAKING LIFE BETTER
## THE COOPERATIVE WAY

**Ronald D. Asche**
*Chief Executive Officer*

In the last few years United Power has been making significant enhancements to your service behind the scenes, and this annual report features several of those technologies. Technology is helping us to streamline how we serve our members. Not only is reliability of our electric system improving, technologic improvements are improving our ability to restore power during an outage. We can more quickly pinpoint problems, reduce the amount of time a line crew spends identifying or locating a problem, and most beneficial of all, we utilize our crews more efficiently by being able to achieve key service goals without added truck rolls.

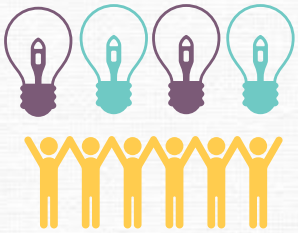
We're also busy putting powerful new tools into our members' hands, and those tools are giving them the power to manage their power consumption. Never before in our history have we had a better ability to partner with our members. We have tools to help members learn how they use power, and we have the educational materials and staff to help them understand what they can do to reduce that consumption. Moving forward, members will begin to see more enhancements that will help them reduce costs and make choices about their energy consumption that make sense for their lives.

Behind the scenes we're using many of these tools to make our work teams more efficient. We have streamlined our processes and that means we can accomplish a lot more in a typical workday. Line crews that don't have to roll to the scene of an outage are free to continue their planned construction projects, while remote monitoring allows us to quickly restore power. If we still do need a crew on the site of an outage, we can get them closer to the problem in the first try, reducing the time it takes to get your lights back on.

There are costs to deploying many of these new tools, but we have moved forward in a deliberate fashion, studying how the technology can help us be more efficient at our jobs. Efficiencies in our daily activities translate into an ability to keep our costs in-line and our rates stable. Our last general rate increase was 1.25 percent in 2013. Like many of our members, our daily cost of doing business continues to climb. Costs related to employees, the costs of equipment, even what we pay in property taxes are increasing, so how can we better manage what we do to keep the impact to our members at a minimum? The deployment of new technologies has helped us slow our need for new employees by making our current staff more efficient, and by putting powerful tools in their hands that make them work more quickly and effectively. Those are savings that benefit our members.

Adding new technology, putting powerful tools into our members' hands, providing the education and guidance you need to make the most of your power – these are decisions we make with you in mind. While we have lots of new tools to serve you better, we understand that the real power lies in our connections to you, our members. What drives us, at the heart of our decisions, is providing better and more economical service to you today and in the future.

# SOMETHING NEW TO HELP US SERVE YOU BETTER



United Power exists to safely and efficiently provide reliable electric power and outstanding service to our members. By upgrading our equipment and installing advanced meters, we are improving reliability, keeping costs under control and serving you better.

## SAVING TIME SAVES MONEY

In 2012, United Power launched an Advanced Metering Infrastructure (AMI) pilot program to test the latest metering technology. This technology allows us to read the meters remotely. The information is securely transmitted back to United Power electronically.

The successful pilot program demonstrated that the technology would help us meet our objectives of improving reliability, increasing efficiency and keeping costs down. By the end of 2015, we completed a full deployment of new meters– upgrading nearly every meter that the cooperative serves.

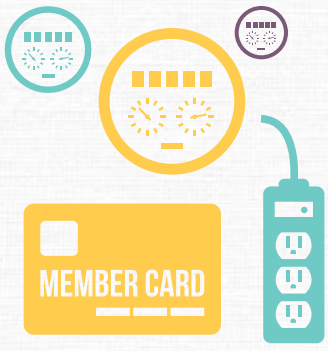
The advanced meters help the cooperative operate more efficiently inside the organization, but they also provide numerous benefits directly to our members. Utilizing the new meters, United Power can locate – and respond to – outages faster and more safely. Service can be connected or transferred more quickly and remote meter reading saves time and money – helping to minimize cost increases to our members.


## SAVING TRIPS SAVES MONEY

By having technology that allows us to do routine tasks like meter connects and disconnects, and daily meter reads or demand reads remotely, we're saving truck rolls. Fewer truck rolls means more cost and time efficiencies that benefit both United Power and our members. That's the beauty of AMI technology.


## PUTTING SAFETY FIRST BENEFITS EVERYONE

Due to the terrain in our mountain territory especially, AMI technology has been a game changer in terms of safety. We're able to assess an issue before leaving the office, which can make all the difference when faced with hazardous weather conditions. Accessing some of our members' meters in the mountain territory can be particularly difficult. AMI technology allows us the ability to communicate with the meter from the office and instead of packing on gear and trekking a mile in the snow to reach a meter, we can connect and disconnect with a touch of a button from the office. From a safety standpoint, that has been a major benefit to everyone working at United Power, and to all of the members served by the cooperative.



# SOMETHING NEW TO HELP OUR MEMBERS SAVE MONEY

Our goal as a cooperative is to always put our members first. Using advanced metering technology is just one way United Power continues to look to ways to serve our members better and provide as many opportunities and benefits to our members as possible.


## MORE OPPORTUNITIES FOR MEMBERS TO SAVE MONEY

**Advanced Metering Infrastructure (AMI) technology is opening doors for United Powers members in a variety of ways. Not only does AMI provide operational efficiencies that equate to cost savings to our members, but also opportunities for members to save energy in their homes and businesses – just another way to keep utility bills down.**

**Members with a high bill concern can work one-on-one with United Power energy experts to find out why a bill may be fluctuating. Our experts rely on the data generated by the meter – which breaks down energy use to 15 minute intervals– to narrow down possible causes of a high bill.**

**Combined with meter data and information about habits and behaviors from the member, United Power energy experts are able to offer reliable answers to energy use questions, instead of just educated guesses. Members are shown usage data at exact times, helping them to determine current power consumption patterns.**

**United Power Community Affairs Representatives are also using AMI technology as a tool to provide energy efficiency options to our commercial members. By examining usage patterns from the meter data, our Community Affairs Representatives can compare what a commercial member's energy use and bill would be before and after an energy efficiency upgrade like an LED lighting retrofit. LED bulbs use a fraction of the energy compared to some of the outdated fluorescent technology that exists in so many commercial facilities.**

## HARNESSING TECHNOLOGY TO HELP MEMBERS FULFIL THEIR MISSION

In summer 2015, the Colorado Therapeutic Riding Center was retrofitted with a complete high efficiency LED lighting system. Before the bulbs were installed, Community Affairs Representative Bill Meier provided energy consumption data provided by the meter to evaluate how the center's utility bill would change with the new LED lights. Prior to the installation, the organization was able to evaluate the payback of the investment with raw data, rather than speculation.

CTRC will see a 35 percent reduction in energy usage annually now that the facility is equipped with high efficient LED bulbs. That significant savings means they have more money to spend on their important mission of serving children and adults with disabilities with equine assisted therapeutic services.

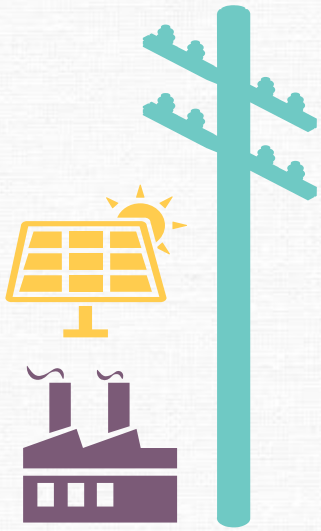

We are taking data that was once invisible to us and making it visible. We are able to use this data to help our members understand their usage – that is powerful information that can truly benefit our members.

# DEPLOYING DISTRIBUTION AUTOMATION

*Much of the technology used by an electric utility is not visible to our members, but serving our members better is always the impetus for every new technology we deploy.*


## FASTER POWER RESTORATION

Another way United Power is using technology to benefit our members is through Distribution Automation (DA). This technology utilizes intelligent devices to help us locate a fault more quickly and to direct line crews to a more precise location to enable faster restoration times. In other words, "get the lights on faster."



## GIVING THE DISTRIBUTION SYSTEM A WAY TO TALK TO US

DA utilizes sensors, relays and processors over a communications network on our distribution system to improve reliability. Similar to the way advanced meters communicate information about each service location to our office, distribution automation provides data back to our system operators about the status of the equipment on the distribution system. This helps operators make more informed decisions about where to send our crews and how to switch to restore the most members in the shortest amount of time.

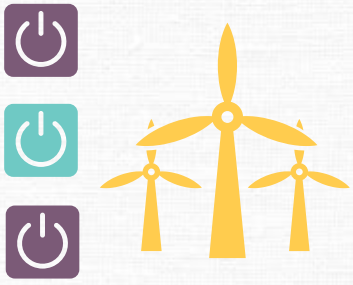
Through distribution automation, United Power is using less labor resources, a cost savings to our members. And instead of members experiencing extended outage times, DA often allows United Power to restore power in minutes.

## SYSTEM INFORMATION PREVENTS FUTURE ISSUES

Since the deployment of Distribution Automation, United Power employees are also receiving new data from the field on our system. The data helps us pinpoint and address power quality and voltage issues before members even notice a problem. The data will also be used in planning purposes for future service upgrades and system construction.

## EXPANDING THE TECHNOLOGY TO BENEFIT MORE MEMBERS

Currently DA impacts 30 percent of our feeder lines throughout our territory, but that number is expected to increase in the future. This new technology, along with other innovative programs, is helping us leverage our strengths and be more efficient, while improving the level of service our members expect.



# TECHNOLOGY THAT SERVES YOU ON THE GO

## GOING MOBILE TO IMPROVE SERVICE

Information moves faster and faster these days, and our members expect us to keep up while delivering on our promise of exceptional service. United Power is using a few different mobile technologies to speed up the exchange of information and be where our members are when they need us.

## SMART TRUCKS FOR SERVICE ORDERS

United Power processes hundreds of various service requests from our members each month. Service orders are generated for each request as a way to track the work required and ensure our members' needs are met. For years, service orders were printed on paper and distributed to our field crews as they left the shop each morning—until the implementation of Mobile Workforce technology.

Mobile Workforce changed the way we process our member requests. Service requests for transfers, new service, meter exchanges, power quality and safety inspections now go directly to a lineman or trouble shooter's computer to take the place of paper service orders. By using a computer program, we can send service orders to the field as soon as they come in, and because we no longer have to wait for the paper service order to return to the shop with the crews, our member services representatives can relay the status of the order back to the member as soon as it is completed. The program also helps employees manage workloads and keep track of the status on various jobs.

Mobile Workforce is another way United Power is using new technology to serve our members better and create better operational efficiencies that, in the end, mean cost savings to our members.

## ONLINE ACCOUNT ACCESS AND BILL PAYMENT TO SERVE YOU BETTER

United Power is dedicated to providing convenient payment options for our members. One option we offer is SmartHub, a free online billing and payment portal allowing members to manage their electric account 24 hours a day, seven days a week through an online portal. SmartHub is also available as a mobile app. Members with smartphones or tablet devices can download the app from iTunes or the Android Marketplace.

Through SmartHub, members can make a payment, select paperless billing, store payment options and view all of their past bills. What many members may not realize is that SmartHub is more than just an online payment option. Members can also view their electric usage history, report an outage, notify member services of account issues and communicate directly with United Power—anytime, anywhere.

## CONNECTING WITH MEMBERS ONLINE

United Power has always been dedicated to providing real people to pick up the phone and assist our members. But what remains a powerful tool for some members, is not the preferred way to communicate for others.

For many of our members, visiting our website or our Facebook page is the optimal means of communication. We view our Facebook page, which earned over 4,000 likes in 2015, as an important tool to connect with our members, educate them on upcoming events and energy efficiency tips and notify them of outages. We also encourage engagement from our members on Facebook – we want to hear about how we're doing and how we can better serve our members.

Find United Power online at www.unitedpower.com, or Facebook.com/UnitedPower.

# 2015 BOARD OF DIRECTORS

**Brian McCormick**
*President*

**James Vigesaa**
*Vice President*

**Beth Martin**
*Secretary/Treasurer*

**Bob Grant**
*Asst. Secretary/Treasurer*

**Bill Berens**
*Passed Sept. 7, 2015*

**Ginny Buczek**

**Tim Erickson**

**Ursula J. Morgan**

**Richard Newman**

**Susan Petrocco**
*Appointed Sept. 18, 2015*

**Douglas Pryce**

**Dave Rose**

# MAKING LIFE BETTER
## THE COOPERATIVE WAY

# 2015 FINANCIAL REPORT

UNITED POWER

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# COMPARATIVE BALANCE SHEET

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| Utility Plant | | |
| Electric Plant | $309,352,201 | $308,717,968 |
| less: Depreciation | 81,989,633 | 79,310,984 |
| Depreciated Value | 227,362,568 | 229,406,984 |
| Investments and Other Property | 116,769,794 | 110,018,558 |
| Current Assets | | |
| Cash & Cash Equivalents | 5,639,394 | 884,162 |
| Receivables | 10,467,491 | 12,801,903 |
| Materials | 6,918,570 | 6,531,386 |
| Prepayments and Other Current Assets | 15,934,705 | 13,181,005 |
| Total | 38,960,160 | 33,398,456 |
| **Total Assets** | **$383,092,522** | **$372,823,998** |
| **LIABILITIES & CAPITAL** | | |
| Capital Equities | | |
| Patronage Capital | $171,166,548 | $156,586,395 |
| Other Capital | (5,338,540) | (5,924,152) |
| Total | 165,828,008 | 150,662,243 |
| Long-Term Debt | 163,469,342 | 159,377,924 |
| Obligations Under Capital Leases | 2,528,987 | 1,415,088 |
| Current Liabilities | | |
| Current Maturities of Long-Term Debt | 7,855,551 | 7,271,520 |
| Current Maturities Capital Leases | 1,104,942 | 597,582 |
| Notes Payable | 14,000,000 | 27,700,000 |
| Accounts Payable | 15,486,666 | 13,838,926 |
| Accrued Expenses | 3,159,403 | 3,571,012 |
| Accrued Taxes | 5,600,762 | 4,371,017 |
| Member Deposits | 1,109,026 | 1,175,531 |
| Total | 48,316,350 | 58,525,588 |
| Deferred Credits | 2,949,835 | 2,843,155 |
| **Total Liabilities & Capital** | **$383,092,522** | **$372,823,998** |

# STATEMENT OF OPERATIONS & PATRONAGE CAPITAL

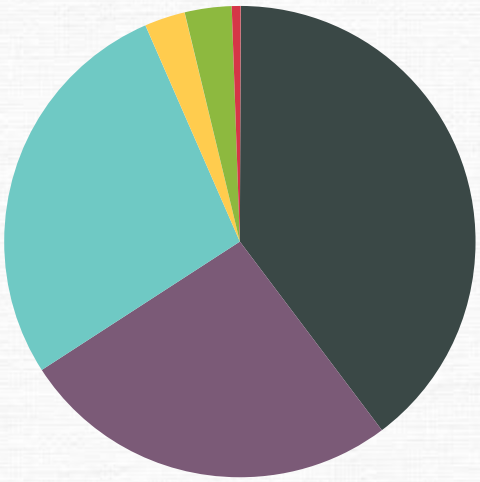
| | 2015 | 2014 |
|---|---|---|
| **OPERATING REVENUE** | | |
| Operating Revenue | $208,569,014 | $179,891,711 |
| **OPERATING EXPENSES** | | |
| Cost of purchased power | 148,682,258 | 125,629,483 |
| Operating expenses - distribution | 4,929,332 | 4,812,214 |
| Maintenance of distribution plant | 5,894,894 | 5,557,215 |
| Consumer accounting and collection expenses | 5,130,279 | 5,273,630 |
| Other customer expenses | 3,047,070 | 2,603,679 |
| Administrative & general expense | 8,732,622 | 7,550,355 |
| Directors fees and expense | 340,835 | 291,444 |
| Depreciation | 8,289,621 | 7,864,079 |
| Property taxes | 4,830,962 | 3,793,771 |
| Interest on long-term debt | 6,625,192 | 6,517,237 |
| Other interest expense | 358,490 | 396,630 |
| Other expenses | 340,219 | 376,506 |
| Total Operating Expenses | 197,201,774 | 170,666,243 |
| Operating Margins (Loss) Before Capital Credits | 11,367,240 | 9,225,468 |
| G&T and Other Capital Credits | 8,282,369 | 8,537,086 |
| Operating Margins | 19,649,609 | 17,762,554 |
| Interest revenue | 175,909 | 209,748 |
| Other revenue (expense) | (120,727) | (128,288) |
| Non-Operating Margins | 55,182 | 81,460 |
| **Net Margins** | **$19,704,791** | **$17,844,014** |

## PATRONAGE CAPITAL AND OTHER EQUITY

| | | |
|---|---|---|
| Net Margins | $19,704,791 | $17,844,014 |
| Beginning of Year | 150,662,243 | 137,262,706 |
| Subtotal | 170,367,034 | 155,106,720 |
| Retirement of Capital Credits and Other Contributions (Net) | (5,125,583) | (4,444,477) |
| **Patronage Capital & Other Equities End of Year** | **$165,828,008** | **$150,662,243** |

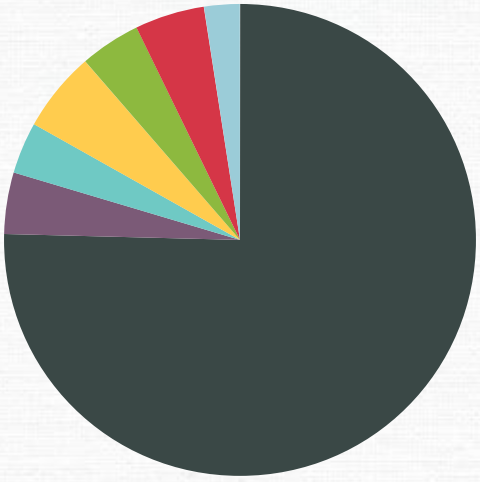
# SOURCES OF REVENUE

(OPERATING & NON-OPERATING)



| | | |
|---|---|---|
| Residential | $86,062,340 | 39.7% |
| Small Commercial | $56,665,847 | 26.1% |
| Large Commercial | $59,827,716 | 27.6% |
| Other Operating Revenues | $6,065,192 | 2.8% |
| Tri-State Allocations (non-cash) | $6,967,473 | 3.2% |
| Other Allocations & Income (non-cash) | $1,304,896 | 0.6% |

# STATEMENT OF EXPENSES



| | | |
|---|---|---|
| Cost of Power | $148,682,258 | 75.4% |
| Depreciation (non-cash) | $8,289,621 | 4.2% |
| Interest | $6,983,682 | 3.5% |
| Operations & Maintenance | $10,824,226 | 5.5% |
| Consumer Accounts & Info | $8,177,349 | 4.1% |
| Admin, Gen'l & Other | $9,403,232 | 4.8% |
| Taxes | $4,830,962 | 2.4% |

## NUMBER OF METERS

| | |
|---|---|
| 2011 | 68,708 |
| 2012 | 70,101 |
| 2013 | 71,985 |
| 2014 | 74,146 |
| **2015** | **76,629** |

## MILES OF LINE

| | |
|---|---|
| 2011 | 5,683 |
| 2012 | 5,704 |
| 2013 | 5,740 |
| 2014 | 5,771 |
| **2015** | **5,800** |

## OPERATING REVENUE

(THOUSANDS)

| | |
|---|---|
| 2011 | $141,865 |
| 2012 | $151,279 |
| 2013 | $158,650 |
| 2014 | $179,892 |
| **2015** | **$208,569** |

## TOTAL ASSETS

(THOUSANDS)

| | |
|---|---|
| 2011 | $311,186 |
| 2012 | $321,987 |
| 2013 | $339,728 |
| 2014 | $372,824 |
| **2015** | **$383,093** |

## ENERGY SALES - KWH

(THOUSANDS)

| | |
|---|---|
| 2011 | 1,318,971 |
| 2012 | 1,371,103 |
| 2013 | 1,410,521 |
| 2014 | 1,645,719 |
| **2015** | **1,965,198** |

## TOTAL PLANT

(THOUSANDS)

| | |
|---|---|
| 2011 | $258,244 |
| 2012 | $266,222 |
| 2013 | $281,560 |
| 2014 | $308,718 |
| **2015** | **$309,352** |


MEMBER CARD