



BUILDING TOMORROW'S COOPERATIVE



2016
ANNUAL
REPORT

TABLE OF CONTENTS

ANNUAL REPORT TO THE MEMBERS

LETTER FROM THE CEO	3
BUILDING A STRONG COOPERATIVE.....	5
BUILDING A SMART COOPERATIVE	6
BUILDING A BRIGHT COOPERATIVE.....	9
BUILDING A POWERFUL COOPERATIVE.....	10
BOARD OF DIRECTORS	12

2016 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



UNITED POWER SITS AT THE INTERSECTION OF CHANGE – DRIVEN BY UNPRECEDENTED GROWTH IN BOTH METERS AND LOAD.

Our service territory is located at the apex of growth for the Denver metro area, and your cooperative is preparing for an exciting new future. How do we handle the growth efficiently? How do we partner with our member cities and towns to help them build the communities they envision? How do we grow internally to handle the new challenges? These are just some of the issues being discussed in the board room, and with our leadership team as we work toward our new future.

So, how are we moving forward to meet these challenges? We are focusing on the cooperative's core competencies, which means we are making sure we are meeting our members' expectations in the key areas of our operation. We are striving for excellence by providing value through our electric delivery, through competitive rates, and through excellent service and support.

When a business is challenged by explosive growth, it's easy to lose sight of what defines success. United Power is committed, at every level of the organization, to making our service to you – our members – a priority. Over the past year we have earnestly begun working toward our goal by concentrating on key areas that affect your service, and we're proud of what we've already accomplished.



BUILDING TOMORROW'S COOPERATIVE



Darryl Schriver
Chief Executive Officer

As I reach my first year as CEO at United Power, I am excited to report that we have begun to position this cooperative for a bright new future. United Power is in a unique position, a position that most cooperatives across the country would envy. We are situated in an area that is growing, and in the position to partner with the cities and towns we serve as they chart their futures. We can be a strong partner in their economic development efforts, and help them build communities that provide good jobs, great recreation opportunities, and quality schools. We can be a partner in making the lives of each of our members richer.

How are we working toward this future? In 2016 we took a hard look at our core business competencies. We evaluated our operations programs to see how they were serving our members. In particular we focused on maintenance and reliability, and made a decision to reallocate our employees and contract crews in a different way. Today United Power's talented line crews are focused solely on maintenance. We have charged these key employees with investigating problem areas for outages, and making repairs and upgrades to the system. They are gaining knowledge and expertise about these areas, and while the work is helping to build a more solid delivery system it is also allowing our employees to provide quicker and more efficient service to our members in the event of an outage. New construction has been assigned to contract crews, which allows us to be more responsive to developers because we can grow or contract the number of workers assigned to these projects. Now we are truly delivering the best service to both our current and future members.

In the coming year I'm challenging employees in every operational area at United Power to look at the way they serve members and to explore ways to streamline, improve and leverage technology to provide a better experience for our members. We have talented employees who are passionate about delivering the best service and support to each member. As we position ourselves as the cooperative of the future, I encourage you to follow us on our journey. Look for updates in our monthly newsletter, United Newsliner, join us at our Annual Meeting as we highlight our accomplishments, or visit our website at www.unitedpower.com to see what new and exciting programs and services we're rolling out for you in the coming year.

Thanks to the United Power Board, and to each of you, for your trust and support of me as I work to lead this cooperative into our new future.



30

Full-Time
Linemen
year-end 2016

5,857

Miles of Line
year-end 2016

79,966

Meters Powered
year-end 2016

BUILDING A STRONG COOPERATIVE

IN 2016 UNITED POWER TOOK A HARD LOOK AT OUR OPERATIONS STRUCTURE AND SYSTEM, WITH A FOCUS ON WHAT CHANGES WOULD PRODUCE GREATER RELIABILITY FOR OUR MEMBERS.

We took a hard look at our electrical system, our procedures, our staffing, and how we utilize our resources. We studied best practices of larger utilities and discussed how those practices might help United Power reduce the frequency of outages, allow us to respond more quickly during an outage, and how we could meet the new construction requirements throughout the territory.

The resulting re-organization made a significant shift in how we prioritize and allocate our manpower and resources. United Power crews were deployed with a goal of analyzing every main “feeder” line to determine what maintenance was needed to meet these new expanded requirements. Crews were dedicated to those feeders that needed the most attention. Repairs and upgrades were budgeted and completed, and in the process our line crews became technical experts on the newly improved parts of the system. The crews will continue to revisit every feeder, check over every line, and continue the process throughout the system, and then repeat the process in coming months and years. They will work with our engineering team to assure that upgrades are planned for growth, reducing outages from overloaded systems and reducing the number of people affected by unavoidable outages. The result will be a stronger, more reliable system. We anticipate that this work will result an overall reduction in outages of up to 70 percent —and that will be a welcome improvement for our members.

Part of the reliability equation is our deployment and use of new technology that allows us to identify problems and restore power more quickly. The technology uses intelligent devices located along the United Power system to quickly

identify problems, and that allows us to dispatch our line crews more quickly to the correct spot to restore power. In 2016 United Power’s engineering group continued to enhance their ability to utilize the technology, often isolating problems and restoring power within minutes. The technology promises even greater enhancements in the future. Distribution Automation will allow us to monitor power quality issues, reduce line losses and identify maintenance issues in the months and years to come – all improvements that will benefit our members.

While our line crews and engineering teams concentrate on building a more robust system, United Power will continue to focus on being responsive to growth. We understand we are a partner with the communities we serve, and economic development is vital to assure the flow of jobs and tax dollars new business brings to our communities. It’s important that United Power remain a strong partner for this new growth, and the changes we initiated in this area are already paying dividends. New construction has been completely sourced to outside contracting crews. This allows us to easily expand and contract our workforce based on the growth needs in the territory. It also assures that we have a defined cost for our construction projects and can provide the quickest and most efficient service to get our newest members energized.

BUILDING A SMART COOPERATIVE

THERE ARE NEW APARTMENTS, HOUSES AND SHOPPING CENTERS ON EVERY CORNER, AND THAT IS IMPROVING THE QUALITY OF LIFE FOR ALL OUR MEMBERS.

Behind the scenes United Power is busy predicting those growth corridors, and working hard to make sure we have planned and budgeted to meet all the needs of this new growth. In 2016 United Power experienced unprecedented growth in load sales, due in large part to many of the oil and gas loads added in the territory. Power sales to these large loads have eclipsed residential sales, and have a major impact on the way we plan for our future growth.

While 2016 was a banner year for growth, recent predictions indicate we must plan for an additional 205 megawatts of load in the near future. United Power's engineering team has been focusing on how to best support these large loads, and that means every member is benefiting from the more robust electric delivery system. The cooperative's plans for new substations, strategically located throughout our service territory, are being supplemented by new building standards to not just meet today's load, but to be expandable to tomorrow's growth potential. Anticipating tomorrow's capacity needs is one of the many ways we're working smarter to meet the future challenges.

No conversation about working smart is complete without a discussion about how United Power is overseeing the financial aspects of the cooperative. Everyone who receives service from United Power has a unique role as a member of our cooperative. Members

are actually owners of the cooperative, and can help to chart our direction by voting in annual elections or running for the board. In addition, every member has made a financial investment into the cooperative. The evidence of that investment is seen when retirements of capital credits are distributed to members annually.

While the majority of our expenses remain tied up in wholesale power costs, we still continue to look for ways to be smart with our members' money. We've reduced our interest on long term debt by 30 percent in recent years, saving the cooperative nearly \$3 million dollars. The operational change to move new construction to outside contractors has assured us of predictable costs in this area and streamlined our ability to budget for these costs.

Behind the scenes we've added a new purchasing agent who will be looking out for our best interests. As the cooperative has grown, so has our ability to negotiate better deals and discounts when we're shopping for materials and services. Centralizing this process will allow us to consolidate our resources and leverage our clout to trim costs. Being smart in how we spend our money is the foundation of success for a cooperative.



3,337

New meters
added in 2016

Growing
6x

faster than the
national co-op
median

#1

Fastest growing
co-op in
Colorado



**\$4
Million**
Capital Credits
Retired
in 2016

\$18,500
Scholarships
Awarded
in 2016

**\$1.68
Million**
Round-Up Funds
Distributed
since 1995

BUILDING A BRIGHT COOPERATIVE

COOPERATIVES ARE DIFFERENT IN MANY WAYS, BUT ONE OF THE MOST POWERFUL WAYS WE DIFFER IS IN HOW WE SUPPORT THE COMMUNITIES WE SERVE – YOU’LL EVEN FIND IT AS ONE OF OUR GUIDING PRINCIPLES.

We are invested in the communities we serve, and show it in many different ways. You’ll find United Power represented at local fairs and festivals, supporting the events that make your community unique. We actively support charitable organizations that provide services to our members – from assistance with rent or utility payments, to providing services for senior citizens – we support the organizations that make life better for our members. We work hard to be a bright spot in the communities we serve by supporting the things our members value.

One of the most exciting additions in 2016 was the development of our new safety education trailer. The trailer has made dozens of visits into the community, carrying the message that electrical safety is important. We’ve hosted events at schools, at local community safety fairs, and for employees of construction crews who are currently working throughout our territory. Showing members the power of electricity, reminding them to look up when they are working under our lines, and telling them how to be safe if they are ever in a dangerous situation around our electrical system is our goal with the trailer.

United Power is also very invested in the youth throughout our territory. In addition to educational seminars about electrical safety, you’ll find us supporting our talented students with educational opportunities and scholarships.

In 2016 we awarded \$18,500 in scholarships to college-bound students. We also sponsored students to attend the National Rural Electric Youth Tour in Washington, D.C. and the Colorado Rural Electric Youth Camp in Steamboat Springs. Students have the opportunity to learn about how a cooperative operates, learn about our political roots, and make life-long friends at these annual events.

A bright spot for all our members is what makes cooperatives so different from other utilities. Members of United Power have enjoyed capital credit retirements for many years, and in 2016 the cooperative returned \$4 million dollars in capital credits to our members. That represented a check or credit to any member who had been on our lines for at least a year. We don’t work for shareholders, but instead work for our members who support the growth and financial health of the cooperative through the rates they pay for electricity.

BUILDING A POWERFUL COOPERATIVE

UNITED POWER IS COMMITTED TO PROMOTING ENERGY EFFICIENCY AND INTEGRATING RENEWABLE ENERGY, BECAUSE IT MAKES ECONOMIC SENSE FOR OUR MEMBERS.

Since 2009, when United Power energized Colorado's first community solar farm, we have continued to integrate locally produced renewable resources into our power mix. United Power leads all cooperatives in the Tri-State Generation and Transmission family for incorporation of distributed renewable generation with a whopping 50.5 megawatts of power generated right in our territory. Our cooperative is ranked fifth in the nation for installed rooftop solar systems generating 10 megawatts of power.

Last year we were able to energize 19.5 megawatts of clean, renewable solar power on our grid through a partnership with Silicon Ranch. The two projects they completed last year featured single axis tracking systems that allow the solar panels to follow the sun across its daily arc to optimize their power output. The Ft. Lupton solar field sits on 90 acres just east of Ft. Lupton on Highway 52, and is producing 13 megawatts of energy. The Maverick solar field, located just outside Mead on Highway 34 and County Road 5 is generating 6.5 megawatts of power. The purchased power agreement with United Power offers a stable, renewable energy source that is powering more than 4,000 homes in our territory.

While United Power continues to look for innovative ways to incorporate renewable energy for all our members, we continue to support your efforts to reduce power consumption in your home. Rebates are a powerful tool to support you when you make decisions to upgrade or replace older appliance or lighting in your home. We returned more than \$80,000 to our members as rebates for Energy Star® appliances like refrigerators and dishwashers. In addition, our suite of rebates for heat

pumps, electric thermal storage and lighting pushed overall incentives over \$200,000, and that translates to a lot of electricity and money saved for our members.

Certainly information and education is powerful when you're trying to reduce energy consumption, and United Power is invested in helping you understand how to save money every month. United Power provides free walk-through energy audits, and an energy evaluation is a great way to understand what equipment and upgrades might save you money. Our auditors have an extensive knowledge of our rates, and about how certain technology and behaviors affect electric bills. If you want to know what's driving up your bill, all you need to do is call someone from our Energy Management team, and we'll schedule an in-home visit to help you understand your consumption.

United Power's focus on core competencies will serve you, our members, by providing reliable, economical power. We are also braced for growth – growth that will change the landscape of our cooperative and bring new opportunities and challenges to the communities we serve. We will be here as partners in the communities our members call home, working to make sure your needs are met. As more homes and businesses fill in the territory it will be vital that we continue to share the cooperative message. We will be present in your communities, at your schools, and working to protect your interests at the legislature. We will support new growth that brings the promise of new jobs, great places to eat and shop, and broader tax bases to support schools and infrastructure. We are so much more than just a utility; we are a partner in all the things that you value in your home and in your community.



1,673

Rooftop Solar
Systems
year-end 2016

50.5

Megawatts
Renewable
Generation

\$280K

Energy Efficiency
Rebates Issued
in 2016

2016 BOARD OF DIRECTORS



Brian McCormick
President



Susan Petrocco
Vice President



Beth Martin
Secretary-Treasurer



Ursula J. Morgan
Asst. Secretary/Treasurer



Ginny Buczek



Tim Erickson



Bob Grant



Richard Newman



Douglas Pryce



Dave Rose



James Vigesaa



2016 FINANCIAL REPORT



Your Touchstone Energy® Cooperative 

COMPARATIVE BALANCE SHEET

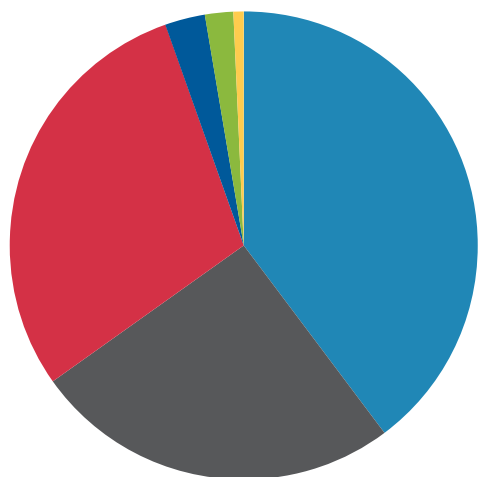
	2016	2015
ASSETS		
Utility Plant		
Electric Plant	\$302,292,676	\$309,352,202
less: Depreciation	82,138,925	81,989,633
Depreciated Value	220,153,751	227,362,569
Investments and Other Property	122,505,722	116,769,794
Current Assets		
Cash & Cash Equivalents	5,034,008	5,639,394
Receivables	10,063,073	10,467,491
Materials	6,743,752	6,918,570
Prepayments and Other Current Assets	23,363,918	15,934,705
Total	45,204,751	38,960,160
Total Assets	\$387,864,224	\$383,092,523
LIABILITIES & CAPITAL		
Capital Equities		
Patronage Capital	\$180,774,379	\$171,166,548
Other Capital	(4,873,213)	(5,338,539)
Total	175,901,166	165,828,009
Long-Term Liabilities	155,065,212	163,469,342
Obligations Under Capital Leases	1,396,284	2,528,987
Current Liabilities		
Current Maturities of Long-Term Debt	7,881,929	7,855,550
Current Maturities Capital Leases	1,132,703	1,104,942
Notes Payable	18,000,000	14,000,000
Accounts Payable	15,305,709	15,486,667
Accrued Expenses	3,166,624	3,159,403
Accrued Taxes	5,835,704	5,600,762
Customer Deposits	1,130,114	1,109,026
Total	52,452,783	48,316,350
Deferred Credits	3,048,779	2,949,835
Total Liabilities & Capital	\$387,864,224	\$383,092,523

STATEMENT OF OPERATIONS & PATRONAGE CAPITAL

	2016	2015
OPERATING REVENUE		
Operating Revenue	\$219,961,706	\$208,569,014
OPERATING EXPENSES		
Cost of purchased power	162,042,673	148,682,258
Operating expenses - transmission	-	-
Operating expenses - distribution	6,120,069	4,929,332
Maintenance of distribution plant	6,873,165	5,894,894
Consumer accounting and collection expenses	4,861,777	5,130,279
Other customer expenses	2,447,438	3,047,070
Administrative & general expense	9,146,506	8,732,622
Directors fees and expense	324,990	340,835
Depreciation	8,445,109	8,289,621
Property taxes	5,188,485	4,830,962
Interest on long-term debt	6,240,523	6,625,192
Other interest expense	197,087	358,490
Other expenses	407,196	340,219
Total Operating Expenses	212,295,018	197,201,774
Operating Margins (Loss) Before Capital Credits	7,666,688	11,367,240
G&T and Other Capital Credits	6,032,580	8,282,369
Operating Margins	13,699,268	19,649,609
Interest revenue	200,042	175,909
Other revenue (expense)	(181,095)	(120,727)
Nonoperating margin	18,947	55,182
Net Margins	\$13,718,215	\$19,704,791
	2016	2015
PATRONAGE CAPITAL AND OTHER EQUITY		
Net Margins	\$13,718,215	\$19,704,791
Beginning of Year	165,828,009	150,662,243
Subtotal	179,546,224	170,367,034
Retirement of Capital Credits and Other Contributions (Net)	(3,645,058)	(4,539,025)
Patronage Capital & Other Equities End of Year	\$175,901,166	\$165,828,009

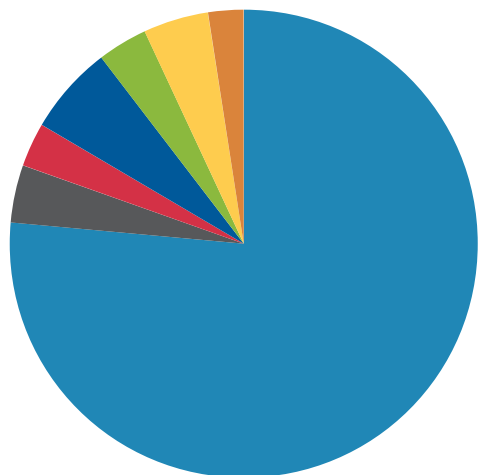
SOURCES OF REVENUE

(OPERATING & NON-OPERATING)



Residential	\$89,841,849	39.8%
Small Commercial	\$57,438,859	25.4%
Large Commercial	\$66,464,944	29.4%
Other Operating Revenues	\$6,233,939	2.8%
Tri-State Allocations (non-cash)	\$4,427,925	2.0%
Other Allocations & Income (non-cash)	\$1,604,655	0.7%

STATEMENT OF EXPENSES



Cost of Power	\$162,042,673	76.4%
Depreciation (non-cash)	\$8,445,109	4.0%
Interest	\$6,437,610	3.0%
Operations & Maintenance	\$12,993,234	6.1%
Consumer Accounts & Info	\$7,309,215	3.4%
Admin, Gen'l & Other	\$9,553,702	4.5%
Taxes	\$5,188,485	2.4%

NUMBER OF CUSTOMERS



2012	70,101
2013	71,985
2014	74,146
2015	76,629
2016	79,966

MILES OF LINE



2012	5,704
2013	5,740
2014	5,771
2015	5,800
2016	5,857

TOTAL REVENUE

(THOUSANDS)



2012	\$151,279
2013	\$158,650
2014	\$179,892
2015	\$208,569
2016	\$219,962

TOTAL ASSETS

(THOUSANDS)



2012	\$321,987
2013	\$339,728
2014	\$372,824
2015	\$383,093
2016	\$387,864

ENERGY SALES - KWH

(THOUSANDS)



2012	1,371,103
2013	1,410,521
2014	1,645,719
2015	1,965,198
2016	2,150,654

TOTAL PLANT INVESTMENT

(THOUSANDS)



2012	\$266,222
2013	\$281,560
2014	\$308,718
2015	\$309,352
2016	\$302,293