



POWERING THE FUTURE

 **UNITED
POWER**

Your Touchstone Energy® Cooperative 

2017
ANNUAL
REPORT



ANNUAL REPORT TO THE MEMBERS

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POWERING THE FUTURE



John Parker
Chief Executive Officer

Dear Valued United Power Members,

As your Chief Executive Officer, I have been honored to lead this cooperative over the past year, and I am very excited to share some of the details of the many things we are doing at United Power to enhance your experience as a member. Prior to being named CEO, I was the Chief Financial Officer for more than a decade with United Power and have been greatly involved in the rapid growth we've experienced during this time. This growth has given the cooperative the exciting opportunity to experience new innovation and technologies – all in an effort to provide our members with high quality services at a great value.

In the most recent years we have made changes to several of our processes with the goal of improving all of the many services we offer to our members, especially the reliability and quality of our electric service. Our renewed focus on maintaining our electric system is helping us reduce both the frequency and duration of outages. We no longer accept an “unknown cause”. Our goal in serving new members is to ask the question “when do you need service?” and then make it happen. We've realigned our departments and the reporting structure to better meet the needs of our members. The utilization of technology has allowed for the creation of a member portal that allows you to see important information about your service without having to contact United Power. The redeployment of our employees to different areas of our service territory will allow us to be more responsive to our member needs and changes to market conditions.

I am proud to report these changes have had a significant positive impact on your cooperative. I've enjoyed working with the Board of Directors on this new direction and purpose. We make every effort to listen to what you, our members, are saying you want from your cooperative. I want all of your experiences with United Power to be an enjoyable, educational interaction that exceeds your expectations.

I want to thank all of our employees for their efforts and the Board for their support as I continue to lead this company through a rapidly changing industry and environment. I will continue to make sure we are the leaders in this industry moving forward while exceeding your expectations and being a good neighbor to the communities that we serve.



DELIVERING INNOVATION

Many companies tout their ability to innovate, but there is often a divide between thought and action. Sometimes innovation can be a powerful tool to change the way work is done; sometimes it may be using a new technology or technique to streamline processes. In 2017 United Power worked hard to put innovation into practice to make us more efficient in the delivery of our power, and in ways that will provide more reliable service to our members. Let's look at how United Power is working to innovate how we deliver power.

TECHNOLOGY FOR SYSTEM RELIABILITY

A more robust mapping system was complemented by the deployment of iPads to field employees. Now employees can access complicated mapping information at construction sites and make better decisions on the go, which allows them to work more efficiently and safely. The introduction of mobile technology in the field reduced response time, helped us provide crews essential information to complete their jobs, and provides a better record of work performed and maintenance completed.

In addition to new technology in the hands of our work crews, an aggressive maintenance program in our mountain territory was assisted by the use of unmanned aerial vehicles (UAVs), or "drones" as they are

commonly known. The UAVs have been able to patrol miles of terrain that is difficult to access, providing a bird's eye view of pole top lines, crossbars and poles. In addition, the technology utilizes geotagging to add redundancy to our mapping data and infrared thermography – graphically displaying thermal heat images of each pole – helping to identify anomalies in electrical components, such as overloaded equipment.

ENERGY INNOVATIONS THAT WILL POWER OUR FUTURE

No discussion about innovation in our industry would be complete without including how we are incorporating and utilizing the newest technologies, rate designs and strategies to deliver reliable and economical power.

United Power has long been an innovator in the renewable energy field, and the cooperative continues to find ways to be on the leading edge of our industry. Two additional solar fields have joined our family of renewable energy projects that feed directly into our distribution grid. The 16MW Platte solar project was energized in November, and the 6.5MW Mavericks solar project in Mead was energized in January.

Additionally, United Power officially announced our new utility scale battery project. Anticipated to be completed in 2018, the project will utilize Tesla batteries to support a new community battery concept for our membership.



USING TECHNOLOGY TO IMPROVE PERFORMANCE

Technology is changing rapidly, and the electric industry is no exception. How we handle member information, collect and tabulate billing data, and monitor the health of our delivery grid are all essential technology tools for the cooperative.

United Power has carefully considered all these vital assets, and continues to look at the best-in-class

solutions for processes as diverse as mapping and design, to member information and billing. We are looking for products that work efficiently, and those that save money, as well as looking for technology that provides our members with better information.



PLANNING IS POWERFUL

United Power has spent the last year preparing for the future. Where is the future of our industry headed? What are the technologies and energy innovations on the horizon that will impact the future of our industry? How will families and businesses consume power in the future, and how can we assure that our system, rate structure and power availability meets those growing needs? Here are some of the key ways United Power is responding to these changes.

PUTTING POWERFUL INFORMATION IN OUR MEMBERS HANDS

When the cooperative moved to the Advanced Metering Infrastructure several years ago, the first goal was to provide better information for our engineering and operations teams to expand and maintain the growing electrical system. This technology allows us to remotely connect and disconnect accounts; it helps us identify possible system problems before they cause an outage, and helps us to more effectively plan for growth on our system.

A secondary benefit has been a wealth of information for our members to provide them with granular data about their power use. This new information allows us to have a better understanding of the

power needs of our members, and to better understand the actual costs to provide that power.

Last year we began the deployment of our Power Portal, an online tool that allows members to look at the details of their energy use. They can see when and how much power they are using, and it will help them begin to understand how their use of electricity is impacting the power bill they pay. Rolled out to industrial and commercial accounts in 2017, we are extending this powerful tool to all of our members throughout 2018.

LOOKING AHEAD TO WHAT POWERS OUR MEMBERS

Smart homes, mobile devices, electric cars, and battery storage are all changing the ways our members use electricity and how they interact with their electric cooperative. It's becoming more common that our members' everyday activities rely on electricity—like adding an item to a "to-do" list by talking into a smart speaker, or filling up their "gas tank" through an outlet instead of a fuel pump.

Cooperative membership and cooperative operations are a partnership. We are committed to

being the source for our members' power needs and to being a partner in implementing the technologies that power their daily lives. Our teams have been listening to our members, looking carefully at emerging trends, and looking at the technology forecasts for the decades to come.

We have spent the past few years researching, planning and developing new offerings that will support our members well into the future. Soon, United Power members will begin to see new programs that put more energy information in their hands to

help them make smart home and business technology decisions, to provide the service that meets the needs of their newest technology investments, and to help them better control their energy costs. We're always looking for ways to power our members and to power their futures..





POWERED BY OUR PEOPLE

People are important to any company, and at United Power we have years of utility experience, a wealth of industry knowledge and crews of talented people who provide the very specific skill sets that our operation requires. As our industry continues to evolve, we will ensure we are utilizing the right skills in the right teams, and that our processes make efficient use of that talent.

RESTRUCTURING FOR THE NEXT DECADE

United Power has experienced explosive growth in the past decade, and there is no indication that this growth will slow down. Taking a hard look at the cooperative's current structure was essential to our future operation. Are employees deployed effectively through the organization? What processes are cumbersome for our members? How can we make better use of the talent we have at the cooperative, and what skills will we need to add in the coming decade?

It was crucial that the cooperative make a comprehensive assessment of our operating structure, and see where we could streamline processes, add expertise and put new procedures in place. Interestingly, it was more than

just personnel; it was also a critical time to look at the technology we use and assess what enhancements could be made to make us more efficient.

New reporting structures were built that allowed better alignment between strategic goals and operational planning. Technology was investigated and leveraged to save workload where possible. This work will continue into the next year, with the goal of keeping you, our members, at the center of this effort. Our continued focus on what our members need, coupled with smart stewardship of our resources, will help us institute the changes the cooperative needs to stay nimble and competitive in the coming years.

RETHINKING MANPOWER

Over the past decade we've seen our operation crews stretched thinner every year between maintaining our growing electrical system and supporting a demanding construction schedule.

In an effort to focus on system reliability, United Power crews were redeployed in a maintenance capacity, charged with meticulous oversight of the existing grid and implementation of system upgrades and equipment replacements. Crews concentrated their efforts on parts of the system identified as more failure prone, and the effect on reliability was visible within months. New construction was assigned primarily to certified contractors, allowing the cooperative to deploy contract crews according to need. Our ability to respond to new construction requests was broadened, and the length of time between planning and final construction was significantly shortened.



EFFICIENT PURCHASE AND PROCUREMENT PROCESS

As United Power has grown, so have the purchases we make to keep our system operating. The purchase of poles, lines, and other electrical components constitutes a large part of United Power's operating expenses.

Now is the time to negotiate better prices and quicker delivery of the many materials United Power needs to grow our electric system, and we have the talent and manpower behind the scenes to negotiate the best deals on

behalf of our membership. We have further enhanced this part of our operation by improving internal controls to ensure high standards are maintained as we grow.



POWERING THE COMMUNITY

United Power is dedicated to the members we serve. Our goal is to support the communities our members call home – by supporting the activities and organizations that make those communities strong. You will see United Power providing a voice at the table in the economic development efforts of our cities and towns, by sponsoring community fairs and festivals, and by supporting the local non-profit groups that enrich the lives of our members. We are an active participant in these efforts, because we know these things are important parts of what makes a community feel like home.

SUPPORT FOR COMMUNITY

Community is at the heart of a cooperative, and how we support the towns and cities we serve defines our commitment. United Power wants to support each community's vision for what makes life great for their residents, and help them achieve the future they envision.

United Power has partnered with municipalities to build new neighborhoods, and attract businesses to provide jobs and shopping to their residents. We have provided thousands of dollars in rebates to offset the cost of heat

pumps for new developments, and efficient lighting to save money for businesses in our service territory.

United Power is also an active participant in the many ways each town or city chooses to celebrate their citizens – from fairs and festivals to business expos and educational seminars – United Power supports these efforts with sponsorship dollars, donations of goods and services, and with expertise.

INVESTING IN OUR YOUTH



United Power is dedicated to our youth, supporting students at every level throughout our territory. We've continued to grow one of our most successful programs – increasing the number and size of scholarships to support college-bound students.

We continue to sponsor student attendance at both the Colorado Youth Leadership Camp and the Washington, D.C. Cooperative Youth Tour, so young participants can learn about the cooperative business model.

Finally, United Power works with schools throughout our territory to enhance educational opportunities for local youth – from lectures about job opportunities in our industry to high voltage safety demonstrations – you'll find United Power employees working with our local schools.

PROVIDING BETTER SUPPORT THROUGH OUR FOUNDATION

United Power's Round-Up Foundation is a unique entity. Members "round-up" their electric bill to the next full dollar amount, and that change goes to the foundation to help those in need. The average donation is only about 50 cents per month, or six dollars per year. The best feature of the program is that United Power absorbs all the administrative costs so every penny goes to help individuals, families and organizations that provide services to our members.

In 2017, the Operation Round-Up board made a significant change to the way the foundation handled grants. They placed large grants into the hands of four targeted organizations in our service territory,

and charged them with distributing those funds to individuals and families in need. The members who got assistance through these organizations got a full-suite of services to meet their needs, and our grant monies were used to offset rent, mortgage and utility payments for those applicants. In addition, thousands of additional dollars were granted to local assistance organizations to support a variety of programs. More than \$143,000 was distributed through the foundation last year, helping individuals, families and other service groups that support our members throughout the territory.

2017 BOARD OF DIRECTORS



James Vigesaa
President
East District



Susan Petrocco
Vice President
South District



Beth Martin
Secretary-Treasurer
East District



Ursula J. Morgan
Asst. Secretary/Treasurer
West District



Keith Alquist, II
South District



Ginny Buczek
West District



Tim Erickson
East District



Brian A. McCormick
West District



Richard Newman
Mountain District



Dave Rose
South District



Tamra Waltemath
Mountain District



POWERING THE FUTURE



2017 FINANCIAL REPORT

COMPARATIVE BALANCE SHEET

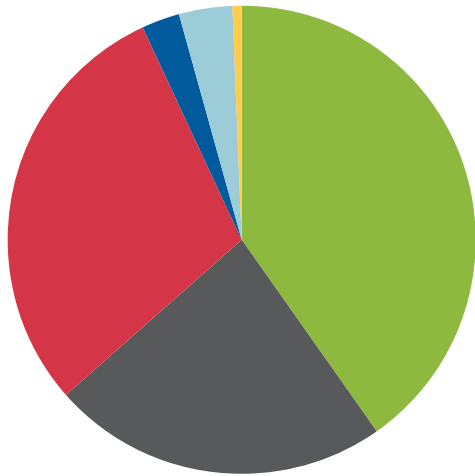
	2017	2016
ASSETS		
Utility Plant		
Electric Plant	\$ 323,900,638	\$ 302,292,676
less: Depreciation	(81,926,172)	(82,138,925)
Depreciated Value	<u>241,974,466</u>	<u>220,153,751</u>
Investments and Other Property	129,757,265	122,505,722
Current Assets		
Cash & Cash Equivalents	7,159,264	5,034,008
Receivables	11,282,225	10,063,074
Materials	5,540,535	6,743,752
Prepayments and Other Current Assets	<u>24,363,988</u>	<u>23,363,918</u>
Total	<u>48,346,012</u>	<u>45,204,752</u>
Total Assets	\$ 420,077,743	\$ 387,864,225
LIABILITIES & CAPITAL		
Capital Equities		
Patronage Capital	\$ 187,500,809	\$ 180,774,379
Other Capital	(4,962,561)	(4,873,213)
Total	<u>182,538,248</u>	<u>175,901,166</u>
Long-Term Liabilities	167,512,198	155,065,212
Obligations Under Capital Leases	729,382	1,396,284
Current Liabilities		
Current Maturities of Long-Term Debt	7,513,209	7,881,929
Current Maturities of Capital Leases	666,902	1,132,703
Notes Payable	29,500,000	18,000,000
Accounts Payable	16,706,260	15,305,710
Accrued Expenses	5,477,633	3,166,624
Accrued Taxes	5,392,087	5,835,704
Customer Deposits	<u>1,138,721</u>	<u>1,130,114</u>
Total	<u>66,394,812</u>	<u>52,452,784</u>
Deferred Credits	2,903,103	3,048,779
Total Liabilities & Capital	\$ 420,077,743	\$ 387,864,225

STATEMENT OF OPERATIONS & PATRONAGE CAPITAL

	2017	2016
OPERATING REVENUE		
Operating Revenue	\$ 227,404,844	\$ 219,961,706
OPERATING EXPENSES		
Cost of purchased power	173,659,441	162,042,673
Operating expenses - distribution	6,494,480	6,120,069
Maintenance of distribution plant	6,795,930	6,873,165
Consumer accounting and collection expenses	4,615,980	4,861,777
Other customer expenses	2,440,499	2,447,438
Administrative & general expense	11,417,059	9,170,957
Directors fees and expense	326,979	300,539
Depreciation	8,326,355	8,445,109
Property taxes	4,714,781	5,188,485
Interest on long-term debt	6,149,436	6,240,523
Other interest expense	481,844	197,087
Other expenses	446,481	407,196
Total Operating Expenses	<u>225,869,265</u>	<u>212,295,018</u>
Operating Margins (Loss) Before Capital Credits	1,535,579	7,666,688
G&T and Other Capital Credits	10,240,628	6,032,580
Operating Margins	<u>11,776,207</u>	<u>13,699,268</u>
Interest revenue	221,825	200,042
Other revenue (expense)	<u>(779,745)</u>	<u>(181,095)</u>
Nonoperating margin	(557,920)	18,947
Net Margins	\$ 11,218,287	\$ 13,718,215
PATRONAGE CAPITAL AND OTHER EQUITY		
Net Margins	\$ 11,218,287	\$ 13,718,215
Beginning of Year	<u>175,901,166</u>	<u>165,828,008</u>
Subtotal	187,119,453	179,546,223
Retirement of Capital Credits and Other Contributions (Net)	<u>(4,581,205)</u>	<u>(3,645,057)</u>
Patronage Capital & Other Equities End of Year	\$ 182,538,248	\$ 175,901,166

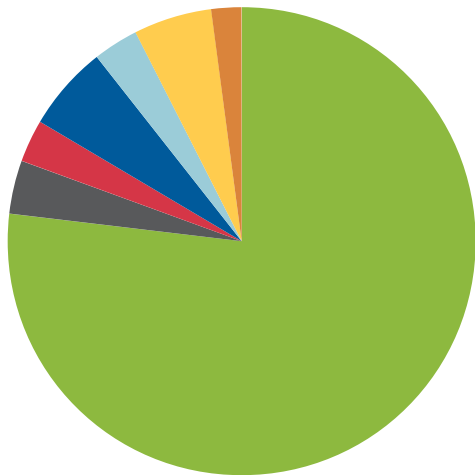
SOURCES OF REVENUE

(OPERATING & NON-OPERATING)



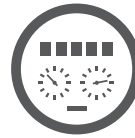
Residential	\$95,383,423	40.2%
Small Commercial	\$55,150,622	23.3%
Large Commercial	\$70,098,424	29.6%
Other Operating Revenues	\$6,212,973	2.6%
Tri-State Allocations (non-cash)	\$8,733,457	3.7%
Other Allocations & Income (non-cash)	\$1,507,171	0.6%

STATEMENT OF EXPENSES



Cost of Power	\$173,659,441	76.9%
Depreciation (non-cash)	\$8,326,355	3.7%
Interest	\$6,631,280	2.9%
Operations & Maintenance	\$13,290,410	5.9%
Consumer Accounts & Info	\$7,056,479	3.1%
Admin, Gen'l & Other	\$12,190,519	5.4%
Taxes	\$4,714,781	2.1%

NUMBER OF METERS



2013	71,985
2014	74,146
2015	76,629
2016	79,966
2017	83,323

MILES OF LINE



2013	5,740
2014	5,771
2015	5,800
2016	5,857
2017	5,979

TOTAL REVENUE

(THOUSANDS)



2013	\$158,650
2014	\$179,892
2015	\$208,569
2016	\$219,962
2017	\$227,405

TOTAL ASSETS

(THOUSANDS)



2013	\$339,728
2014	\$372,824
2015	\$383,093
2016	\$387,864
2017	\$420,078

ENERGY SALES - KWH

(THOUSANDS)



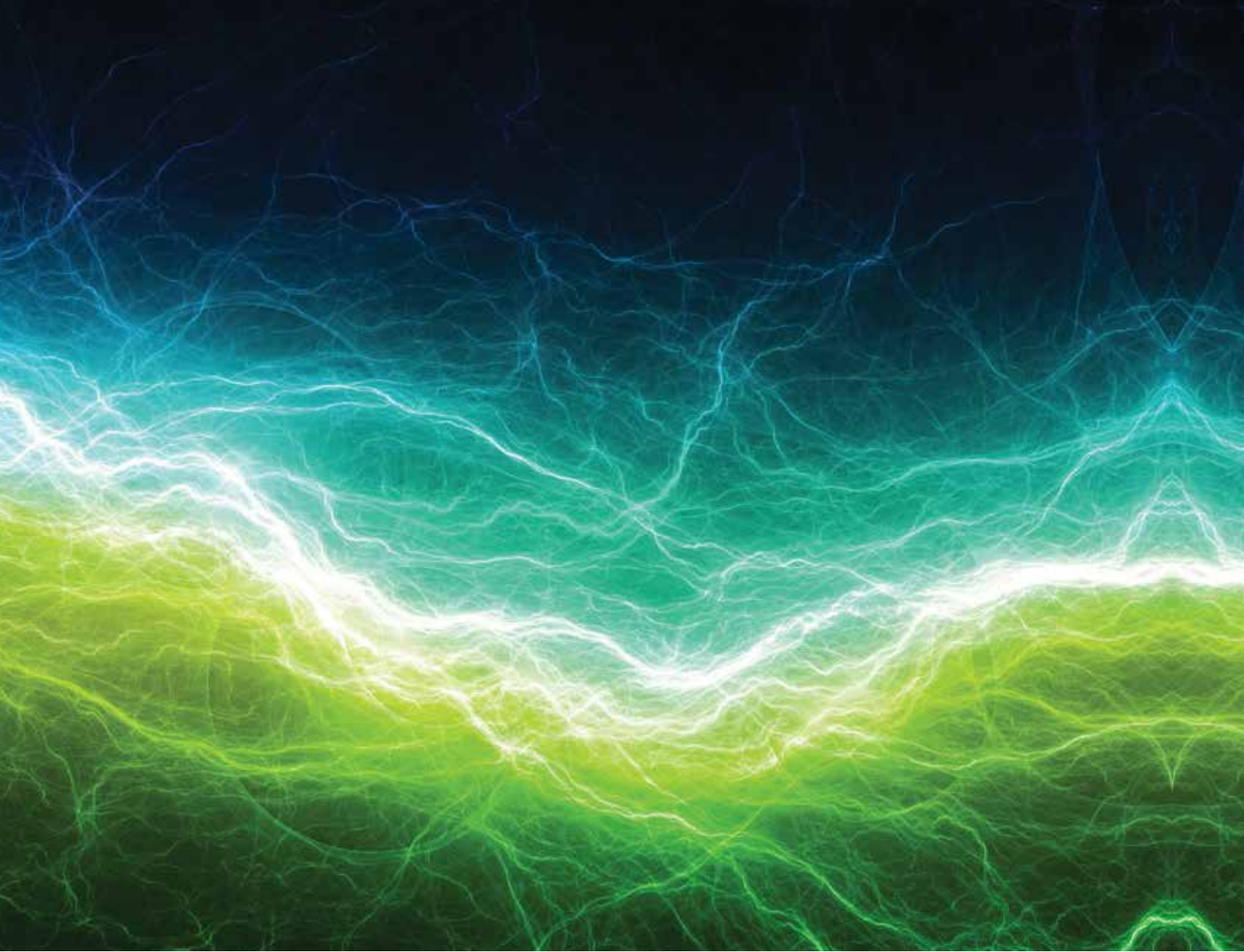
2013	1,410,521
2014	1,645,719
2015	1,965,198
2016	2,150,654
2017	2,182,274

TOTAL PLANT INVESTMENT

(THOUSANDS)



2013	\$281,560
2014	\$308,718
2015	\$309,352
2016	\$302,293
2017	\$323,901



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