



People, Power, Progress

Celebrating 75 Years
2013 ANNUAL REPORT





Out of darkness came light and hope for rural residents in the 1930s.

A cooperative effort in the halls of government birthed the Rural Electrification Administration (REA). With engineering and financial assistance provided by the REA, small groups of determined rural folks worked hard to bring electricity to this and other rural areas. It's difficult to imagine the hours and sheer effort it took to clear the right-of-way and set the first poles using tools and technology that seem primitive to us today. Yet they succeeded. Power lines soon began to stretch across the countryside, connecting homes and farms to the electricity that city dwellers had enjoyed for some time.

Union Electric Membership Corporation (now Union Power

Cooperative) was formed in 1939 to meet the vital need of bringing electricity to our region. Many of our members have shared the awe of experiencing running water and turning on the lights for the first time. Rural electrification changed this area and the nation, making life easier and much more efficient. Farm production jumped, benefitting the local and national economy, and the landscape of our communities was forever changed for the better.

Much has changed in 75 years. What began with less than 400 members and just over 500 miles of lines has grown to 70,000 strong and nearly 5,700 miles of lines. Simple tools and horses have given

way to advanced technology and equipment that help our personnel serve you effectively and efficiently. Yet one thing remains the same—today's members can rely on us to provide safe and reliable power with exceptional value, just as members have done throughout the past seven decades.



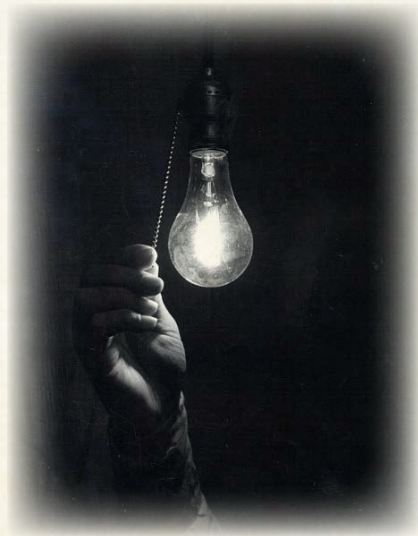
B. L. Starnes
President,
Board of Directors



Greg Andress
Executive
Vice President,
General Manager

“Everybody was so glad to have that one light bulb hanging down inside...it wasn’t long until we had all kinds of appliances.”

—Inez Byrum of Waxhaw



Board Members

Standing, left to right:

Neil W. Hasty—District IV, **Jim T. Hartsell**—District VI
Dent H. Turner, Jr.—Asst. Secretary-Treasurer, District I
David G. Hyatt—District II
Lee Roy Kirk, Jr.—Vice President, District I
B. L. Starnes—President, District III, **Tom J. Caudle**—District II
Jan Haigler—Secretary-Treasurer, District V
Carole P. Jones—District IV

Seated, left to right:

Rufus N. Reid—District VI, **Juanita Poplin**—District I

Service Territories

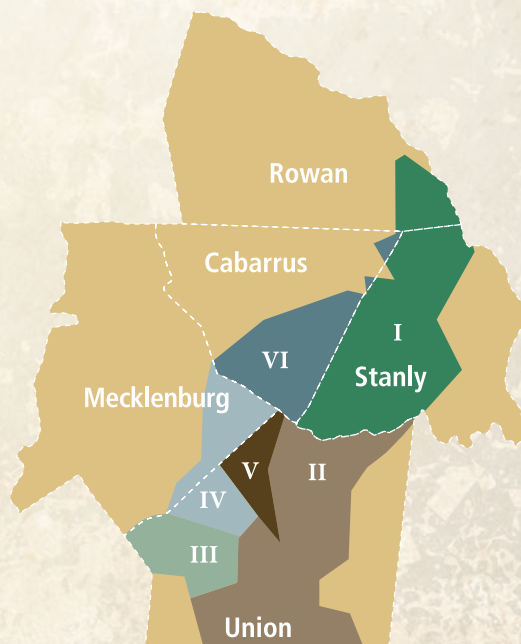
Union County is our largest service area. It covers 3,607 miles of energized line and 47,673 meters.

Stanly County is our second largest service area. It covers 1,014 miles of energized line and 8,550 meters.

Cabarrus County is our third largest service area. It covers 586 miles of energized line and 6,957 meters.

Mecklenburg County covers 350 miles of energized line and 6,112 meters.

Rowan County covers 156 miles of energized line and 1,097 meters.





“It was a happy day in June 1940 when electricity came to our community...The first things my family bought were a wringer washing machine, an electric iron and a radio. Electricity made our lives so much easier. It’s the best thing that has happened for our community in my lifetime.”

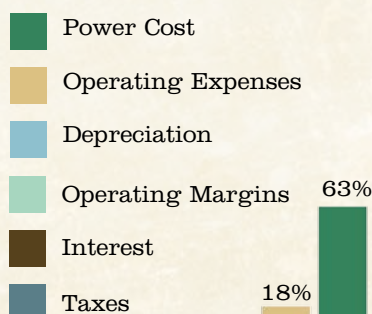
—Kirksey M. Shaver of Richfield

Statistical Highlights

	1993	2003	2013
Number of Members Served	30,973	50,938	69,338
Residential Members % of Total	97%	97%	98%
Number of Employees	89	114	119
Miles of Transmission Line	93	94	109
Miles of Distribution Line	3,641	5,055	5,671
% of Distribution System that is Underground	15%	35%	45%
Members per Mile of Distribution Line	9	10	12
Total Assets	\$61,295,310	\$139,207,004	\$290,383,794
Net Plant Investment	\$47,079,541	\$124,062,286	\$234,133,412
Net Plant Investment per Member	\$1,520	\$2,436	\$3,377
Total kWh Purchased	534,426,393	889,949,826	1,250,053,852
Residential Average kWh Use per Month	1,227	1,230	1,245
Right-of-Way Maintenance	\$811,213	\$1,983,149	\$3,531,378
Wholesale Power Cost	\$27,397,072	\$43,792,444	\$87,414,553



How Your Dollar Was Spent



Financial Statements [December 31, 2013]

BALANCE SHEET

ASSETS [What We Own]

CURRENT AND OTHER ASSETS

Cash and Temporary Investments	\$ 22,477,800
Accounts/Notes Receivable—net of uncollectibles	11,483,377
Materials and Supplies	1,889,423
Other Current Assets	338,833
Investments in Associated Organizations	15,332,750
Other Assets	4,728,199
Total Current and Other Assets	\$ 56,250,382

PROPERTY, PLANT AND EQUIPMENT—NET OF DEPRECIATION

\$ 234,133,412

TOTAL ASSETS

\$ 290,383,794

EQUITY AND LIABILITIES [What We Owe]

EQUITY

Patronage Capital	\$ 91,996,725
Other Equity	21,937,927
Total Equity	\$ 113,934,652

LIABILITIES

Accounts Payable	\$ 8,621,223
Customer Deposits	3,253,020
Other Current Liabilities	3,888,167
Notes Payable—including current portion	153,356,879
Regulatory Liabilities	1,500,000
Other Liabilities	5,829,853
Total Liabilities	\$ 176,449,142

TOTAL EQUITY AND LIABILITIES

\$ 290,383,794

STATEMENT OF OPERATIONS

OPERATING REVENUES [Where The Money Came From]

Operating Revenues	\$ 138,267,204
Less: Cost of Purchased Power	(87,414,553)
Gross Margin	\$ 50,852,651

OPERATING EXPENSES [How the Money Was Used]

Operating Expense	\$ 23,943,400
Depreciation	8,835,005
Tax Expense	4,390,783
Interest Expense	6,295,236
Other Deductions	73,584
Total Operating Expenses	\$ 43,538,008

Total Operating Margins

\$ 7,314,643

NON-OPERATING MARGINS

Interest and Other Income	\$ 300,197
Income (Loss) from Affiliates	180,072
Capital Credits from Associated Organizations	2,320,828
Total Non-Operating Margins	\$ 2,801,097

NET MARGINS

\$ 10,115,740

People, Power, Progress

Our story is the story of people and the evolution of progress. It is a 75-year-old story of the partnership between members and a resourceful team of employees consistently working to improve members' quality of life. In the Co-op's early decades, employees focused on bringing vital power to their families, friends and neighbors in rural communities. Today's employees demonstrate that same dedication as they work to promote change, encourage innovation and consistently add value to a membership of more than 70,000.

Members and Community— The People Connection

One of the seven Cooperative Principles that Union Power and other electric cooperatives adhere to is "Concern for Community." Union Power strengthens our communities by doing what we do best: providing safe and reliable power with exceptional value. Your board of directors and staff support policies and projects that are good for the communities we serve because

what's good for our community is good for the Co-op.

Union Power contributes to the local economy in many ways. The Cooperative is proud to put money back into the pockets of members through the return of capital credits. This member-centered business model sets us apart from other utilities. Our capital credits program keeps money here rather than taking profits to areas or investors far away. This year, Union Power is retiring \$5.5 million in capital credits.

Union Power strengthens our communities by supporting local teachers and students, and Co-op employees give generously of their time, talents and resources to support local causes and programs.

- Our Bright Ideas educational grants program has awarded nearly \$300,000 to service-area schools during the past 20 years.
- We send three high school juniors to the nation's capital for a week each year as part of the Electric Cooperative Youth Tour.

"Before electricity we used lamps...and wood for heat. We walked to school. Some of the children did not go to school... We drank water from a well and a spring."

—Katie Helms of Monroe



- We award \$1,000 college scholarships to three high school students each year.
- We award basketball camp scholarships to two middle school students each summer.
- Union Power employees' "Hearts for Hospice" campaign has awarded \$200,700 to the Hospices of Union and Stanly counties since 2009.



1939 Co-op formed by 360+ members as Union Electric Membership Corporation; holds first Annual Meeting at Union County Courthouse

1947 First issue of Cooperative Review newsletter published in April

1956 Five new substations put into service (Lambert, New London, Houston, Trinity and Unionville); Monroe Substation served all members prior to that time

1979 Second district office opens in downtown Oakboro to serve members in Stanly, Cabarrus and Rowan counties; total membership at 17,500

Celebrating 75 Years

- Our Co-op Connections Card program has saved members \$35,000 on prescription costs and provided local and national discounts since the program began.
- Our employees volunteer on school committees, in church activities, coach youth sports teams, and even serve as first responders and fire fighters.

Reliability—The Power Connection

During its early decades, the majority of Union Power's service area was rural. Our membership and service area have since grown tremendously, placing the Co-op in one of the fastest-growing regions in the state. From a few hundred members and one substation to more than 70,000 member accounts and 23 substations, Union Power continues to deliver safe and reliable electric service.

We know that today you depend on our efficient system to provide you with uninterrupted and reliable service 24/7. An important factor in keeping the power on is inspecting our system

for hazard trees that threaten power lines. To help prevent electrical hazards and tree-related outages, our crews regularly trim trees and brush along power lines with modern equipment—a far cry from cutting right-of-way by hand as our first employees did.

Rural farmland has given way to bustling communities filled with houses, schools and businesses. Union Power has kept pace with growing energy demands by regularly upgrading and maintaining existing infrastructure and completing projects such as the construction of a new transmission line and substation that began serving our western Union County members in the first quarter of 2014. Necessary projects like these decrease strain on the system, increase service reliability and provide for future load growth as more new members move into our area.

Technology—The Progress Connection

Union Power's team responds to your needs while keeping pace with rapidly advancing technology. The Cooperative has developed a real-time, fully automated mapping

system called "Union Power Operations Dashboard" (UPOD). Its features enable us to better monitor our system with data that allows personnel to proactively identify and address many issues. With Mobile Dashboard, an iPad app based on UPOD, our crews in the field locate outages quicker, which helps us serve you more efficiently.

Through our UPC Mobile app, you can pay bills securely, view our Outage Map, find information about your account, or opt to receive alerts and reminders that you set up. In addition, union-power.com puts energy-saving tools and information at your fingertips 24/7. Recognizing that many of you are relying more on mobile and online technologies to access information, our personnel are dedicated to providing you with tools to help you stay connected.

People, power and progress are what have built Union Power and continue to make the Cooperative successful. Our directors and staff continue to stay member-focused, and we are committed to making every connection count.



1989 Hurricane Hugo devastates area, downing nearly 100% of Co-op's lines and leaving all members without power

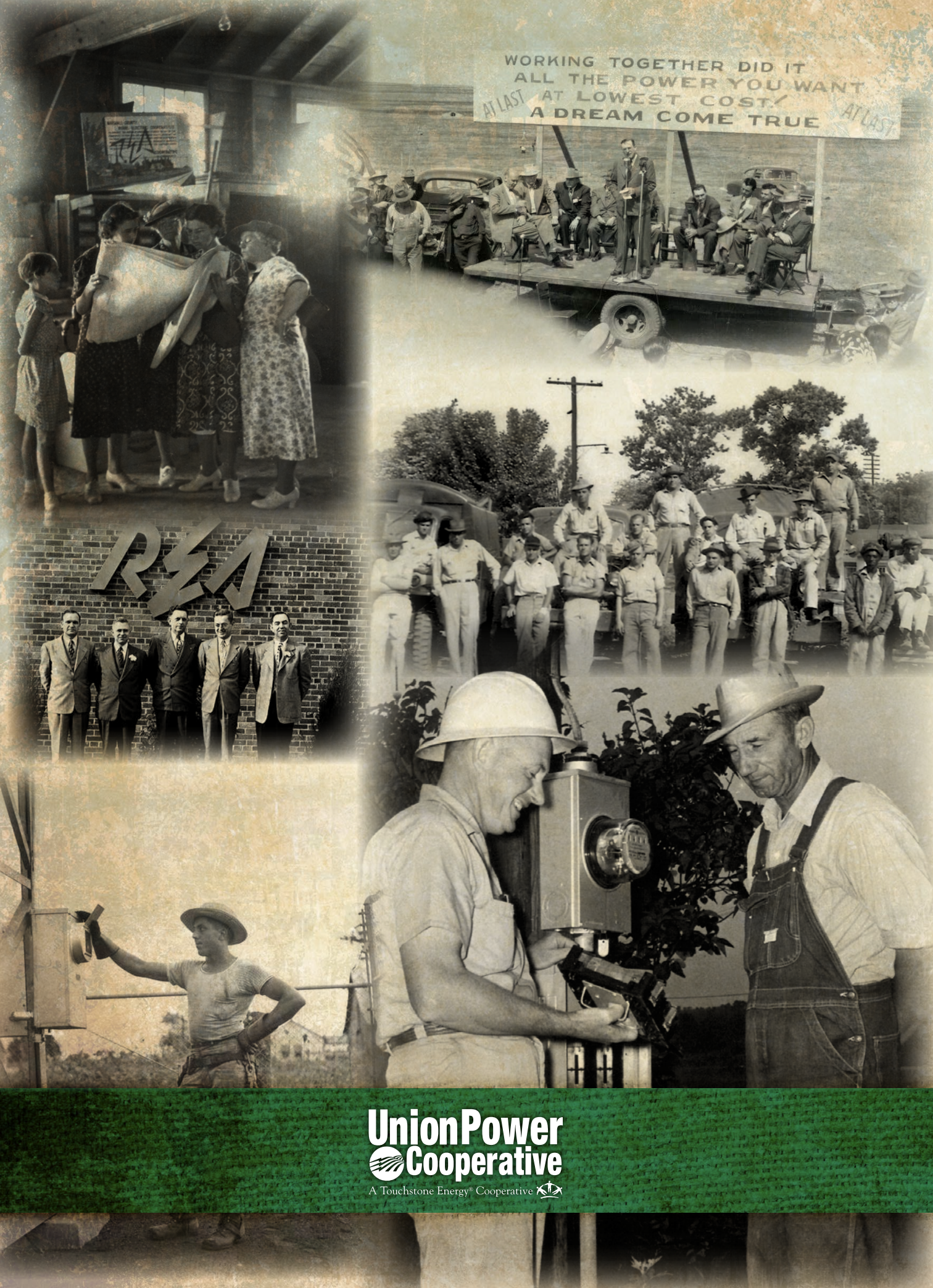


2000 Co-op officially changes name to Union Power Cooperative; membership at 42,000



2007 Co-op experiences third year of tremendous growth, signing up as many as 700 members per month in some periods; membership at 60,000

2014 Twelve Mile Creek Substation is the 23rd substation energized; membership at 70,000+



WORKING TOGETHER DID IT
ALL THE POWER YOU WANT
AT LOWEST COST/
A DREAM COME TRUE

AT LAST

REA

Union Power
Cooperative

A Touchstone Energy® Cooperative