

2016 Annual Report



YOUR *source*
FOR STAYING
connected

**UnionPower
Cooperative**

A Touchstone Energy® Cooperative 



Greg Andress

Executive Vice President
& General Manager

Executive Message

Union Power is proud to be your source for safe, reliable electric power and energy services. As a member-owned, not-for-profit organization, we continuously strive to provide you with an exceptional member experience.

Throughout 2016, our service territory continued to be one of the fastest-growing areas in the state and in the country, therefore investment in our infrastructure continues to be a top priority.

As a member of this Cooperative, we want you to be informed about our operations, our plans for the future and issues where you could be impacted. Currently, an important part of our long-term strategy is investments to optimize and strengthen our transmission and distribution network.

Just as it has in our personal lives, technology is changing the possibilities for utilities.

Innovations in communication and grid management tools mean we have access to the latest resources that help the grid work smarter. In turn, our system is optimized to run more efficiently, and in the long term, reduces costs. It also means that we are able to offer new tools that empower you, as a consumer, to better manage and understand your energy use. Here's a look at how we're putting these resources to work:

Integrating controls that help us to better manage power flow

By applying technologies, we can optimize the performance of the

network — and increase efficiency. These controls also allow us to integrate distributed generation resources, such as solar panels and generators, for homes and businesses in our community. As a result, we maintain the high standards of reliability we pride ourselves on.

Applying safeguards to protect and guard the system against threats

Cybersecurity risks are constantly evolving as the grid becomes more interconnected to the internet. New software and hardware upgrades protect our system against cyber threats, which target electric utilities no matter the size.

Offering services that put you in control

Enhanced technologies also provide a window into the details of your home's energy use. Our Member Center allows you to view electric consumption, pay your bills and manage other aspects of your account. Services like *Pay Your Way* give you the control to pay how much you want. Account alerts notify you of unusually high energy usage. For more information about the services that empower you to take control of your energy use, visit us at union-power.com.

Keeping electricity affordable is a priority for Union Power Cooperative. By strengthening our system, building efficiencies, and providing exceptional service we ensure a reliable future.

Union Power Cooperative's mission is to enhance the quality of life of our members and the communities we serve by delivering on our promise to provide safe, reliable electric power and energy services with exceptional value.

Board Members



Sherise Jones
District V



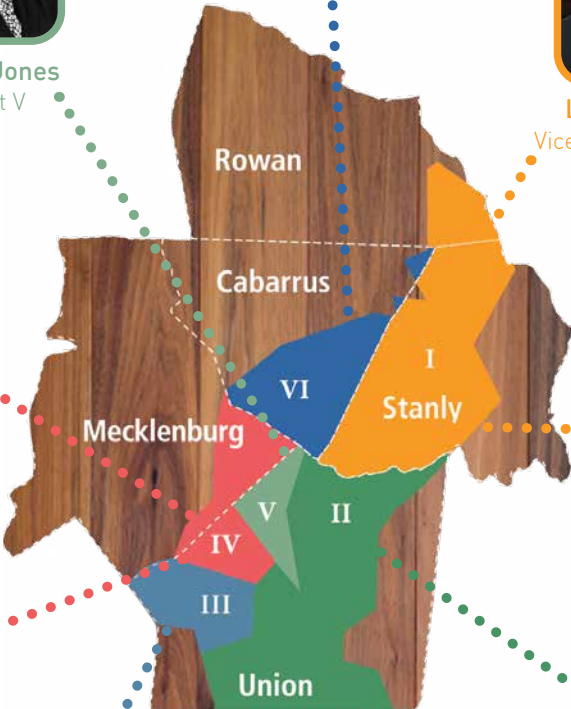
Jim T. Hartsell
District VI



Lee Roy Kirk, Jr.
Vice President, District I



Neil W. Hasty
District IV



Dent H. Turner, Jr.
Secretary-Treasurer
District I



Carole P. Jones
District IV



Tom J. Caudle
District II



B. L. Starnes
President, District III



David G. Hyatt
Asst. Secretary-Treasurer,
District II

Cabarrus County cover 610 miles of energized line and 7,490 meters.

Mecklenburg County covers 355 miles of energized line and 6,247 meters.

Rowan County covers 158 miles of energized line and 1,120 meters.

Stanly County is our second largest service area. It covers 1,023 miles of energized line and 8,629 meters.

Union County is our largest service area. It covers 3,756 miles of energized line and 50,606 meters.



Keeping you connected

In today's connected world, it is important for us to maintain a reliable electric system that is there when you need it. Throughout 2016, Union Power made several enhancements to its electric transmission and distribution network, which include investments in new substations, upgraded lines and emerging technology.

Union County continued to be one of the fastest-growing counties in North Carolina. To meet the demands of this growth, Union Power constructed and energized a new substation in Stallings. The new substation is equipped with the latest control systems, enabling our employees in the operations center to monitor and control what is taking place at the substation. This remote capability creates efficiencies, allowing our engineering and operations staff to respond quicker and make better decisions if and when an outage occurs. This capability also increases the safety of our employees in the field.

Investing in new infrastructure is a must to keep up with rising demand. However, to continue to provide safe, reliable power, we must also ensure we maintain and upgrade our existing assets. In 2016, Union Power performed a complete

overhaul of the Monroe substation, one of the oldest on our system. Like the Stallings substation, this too is equipped with the latest control systems.

Work also progressed on the Weddington-Marvin transmission line project. This line will provide Union Power with additional transmission capacity to meet current and future demand. In addition, the Weddington-Marvin line will increase the resiliency of the network by adding another power source to the service area.

During a storm, downed trees and tree limbs are the most frequent cause of power outages and blinks. With this in mind, Union Power prides itself on our nationally recognized vegetation management program. In 2016, we were named a *Tree Line USA utility* for the 11th consecutive year.

As Union Power grows, we are committed to investments in our infrastructure to ensure we have the capacity and resiliency to deliver on our promise to you.

Keeping you informed

While we keep you connected with power, we also provide you with good value for the money you spend on electric bills. With regular updates to



the Union Power website, you can have access to your account anytime.

Because today's members are on-the-go, we increased our presence on social media providing real-time updates of outages, energy savings tips and tools.

Empowering the community

Not only do we power your home, but we empower you and the communities where we live and work, strengthening the foundation Union Power was built upon.

Through programs like the USDA's Rural Economic Development Loan and Grant (REDLG) program, electric cooperatives throughout North Carolina have assisted rural communities in obtaining over \$50 million in funds. Last year, Union Power helped Flowes Store Volunteer Fire Department in Cabarrus County with purchasing a new pumper truck.

Union Power gives back to our communities by supporting local students and teachers each year through Bright Ideas educational grants, college scholarships, and the Electric Cooperative Youth Tour. We believe that there is no better investment in the future than in the education of our youth.

A brighter future

Renewable energy sources and conserving energy (and money) are hot topics these days. When it comes to renewable energy, we're

here to answer your questions about options in our region. We're committed to identifying and evaluating renewable energy options for members before responsibly implementing them in the community. North Carolina ranks second in the country in terms of solar capacity installed, and here at Union Power, through our interconnection process, we are able to assist members who choose alternative energy sources to heat and cool their homes.

To help you manage your energy, we provide residential and commercial energy assessments. Union Power will conduct an analysis of energy usage in your home or business and provide you with energy-savings tips that can help your savings begin immediately.

Our lighting rebate program provides incentives and assists commercial and agricultural members in switching to more efficient lighting options. By simply changing out high-use fixtures and bulbs to more efficient LEDs, members can apply for a rebate based on the amount of wattage saved.

At Union Power Cooperative, we're more than just a utility provider. We are committed to building connections with you and the local communities we serve. That's the cooperative advantage that allows us to be your trusted energy partner, providing you with the electricity you need to power your daily life and be your source for staying connected.

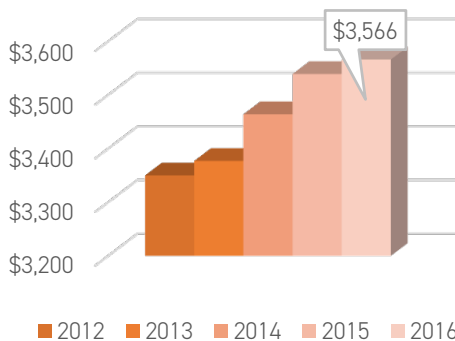


THREE-YEAR SUMMARY OF *Financial Data*

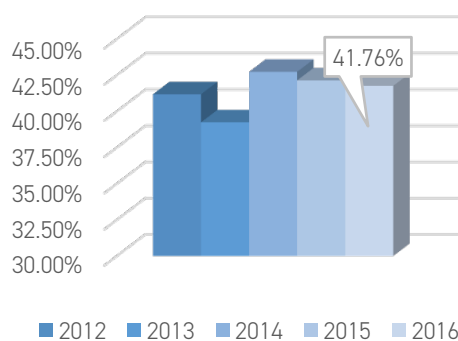
December 31,

BALANCE SHEET	December 31,		
	2014	2015	2016
Cash and Temporary Investments	\$ 7,418,270	\$ 8,372,551	\$ 19,774,777
Accounts/Notes Receivable - net of uncollectibles	\$ 18,739,392	\$ 23,227,144	\$ 26,492,987
Materials and Supplies	\$ 1,919,528	\$ 1,846,334	\$ 2,489,162
Other Current Assets	\$ 471,942	\$ 391,243	\$ 345,529
Investments in Associated Organizations	\$ 17,324,515	\$ 20,067,821	\$ 23,108,254
Other Assets	\$ 3,725,321	\$ 3,747,398	\$ 2,910,620
Total Current and Other Assest	\$ 49,598,968	\$ 57,652,491	\$ 75,121,329
Property, Plant and Equipment - net of depreciation	\$ 245,657,506	\$ 256,186,170	\$ 264,222,891
Total Assets	\$ 295,256,474	\$ 313,838,661	\$ 339,344,220
Patronage Capital	\$ 102,640,632	\$ 104,671,400	\$ 108,510,895
Other Equity	\$ 23,519,268	\$ 27,566,672	\$ 33,194,326
Total Equity	\$ 126,159,900	\$ 132,238,072	\$ 141,705,221
Notes Payable - including current portion	\$ 146,664,105	\$ 156,599,126	\$ 168,904,575
Accounts Payable	\$ 9,954,099	\$ 8,927,802	\$ 9,968,638
Customer Deposits	\$ 3,284,321	\$ 3,224,165	\$ 3,278,265
Other Current Liabilities	\$ 4,500,843	\$ 5,066,358	\$ 6,014,002
Other Liabilities	\$ 4,693,206	\$ 7,783,138	\$ 9,473,519
Total Liabilities	\$ 169,096,574	\$ 181,600,589	\$ 197,638,999
Total Equity and Liabilities	\$ 295,256,474	\$ 313,838,661	\$ 339,344,220

Net Plant Investment per Member



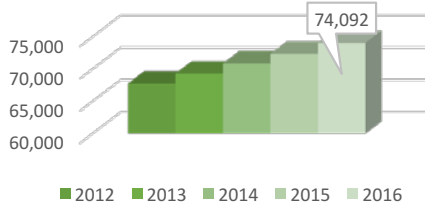
Equity as % of Assets



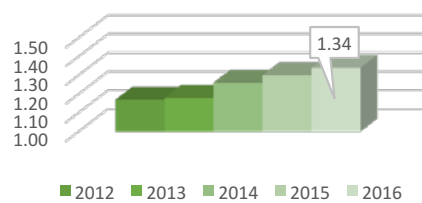
Complete audited financial statements are available at Union Power Cooperative's headquarters. The independent audit of 2014, 2015 and 2016 financial statements were completed by the certified public accounting firm of Adams, Jenkins & Cheatham of Richmond, Virginia.

STATEMENT OF OPERATIONS	December 31,		
	2014	2015	2016
Operating Revenues	\$ 145,702,114	\$ 147,230,785	\$ 149,108,278
Less: Cost of Purchased Power	\$ (94,051,198)	\$ (95,247,913)	\$ (90,944,570)
Gross Margin	\$ 51,650,916	\$ 51,982,872	\$ 58,163,708
Operating Expense	\$ 26,844,583	\$ 28,252,604	\$ 29,095,416
Depreciation	\$ 9,336,542	\$ 10,005,342	\$ 12,035,908
Tax Expense	\$ 2,156,938	\$ 4,445	\$ 2,348
Interest Expense	\$ 7,262,669	\$ 7,083,482	\$ 6,947,036
Other Deductions	\$ 56,354	\$ 90,615	\$ 97,401
Total Operating Margins	\$ 5,993,830	\$ 6,546,384	\$ 9,985,599
Interest and Other Income	\$ 1,036,087	\$ 1,047,945	\$ 1,019,408
Income (Loss) from Affiliates	\$ 91,717	\$ 102,447	\$ 62,109
Capital Credits from Associated Organizations	\$ 2,353,195	\$ 2,951,402	\$ 3,148,917
Total Non-Operating Margins	\$ 3,480,999	\$ 4,101,794	\$ 4,230,434
Net Margins	\$ 9,474,829	\$ 10,648,178	\$ 14,216,033

Number of Accounts Billed

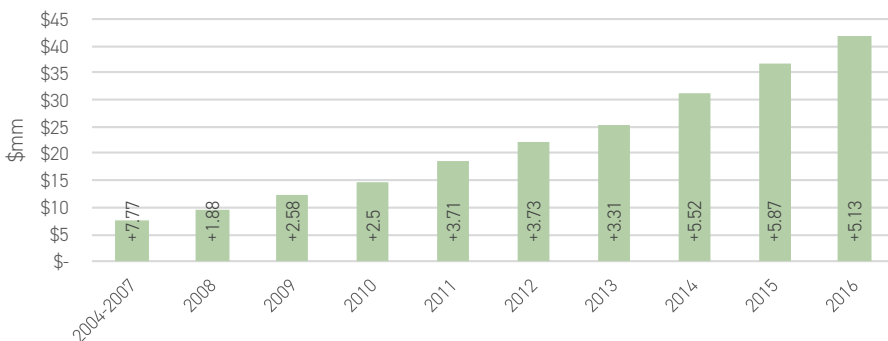


Total kWh Sold (in billions)




Capital Credit Retirements (\$42 million since 2004)

One of many benefits of Cooperative membership is Capital Credits. When you purchase electricity from Union Power Cooperative, you become a member. Over the past 13 years, the Cooperative has retired over \$42 million to the benefit of you, our members. This is in part due to our continued financial strength and stability. You own the Cooperative and we work hard for you to ensure you have a brighter future.





UnionPower Cooperative

A Touchstone Energy® Cooperative 

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union-power.com



This institution is an
equal opportunity
provider and employer.