



Building a Foundation for the Future

2017 annual report



**UnionPower
Cooperative**

A Touchstone Energy® Cooperative 



99.99%

reliability rating



75,609

member accounts



14,200

online and in-home
energy audits in 2017
to help members save
energy and money



13 members
per mile of line

versus an average of 23
on investor-owned lines
and 44 on municipal lines

Executive Message

During 2017, Union Power continued to experience tremendous growth. As our membership grows so does our need to build the foundation to continue to serve you, the member, with the level of customer service, reliability, and value you have come to expect.

Many of the projects we undertook during 2017 focused on laying the groundwork for our future. Union Power is one of the fastest growing electric cooperatives in the nation, and our long-range forecast predicts our membership will grow by an additional 30 percent over the next 15 years. To meet the demands of this growth, Union Power remains focused on maintaining financial strength, building an electric system that delivers needed capacity and resiliency, and fostering a knowledgeable and engaged workforce committed to exceptional member service. We believe success in these areas will ensure we deliver on our promise today and into the future.

As highlighted in the included summary of financial data, Union Power finished the year in a strong financial position. Revenue for the year was just over \$148 million, and our Net Margins exceeded \$15 million. Our financial strength enabled us to make necessary investments in our infrastructure as well as return \$3.6 million to the membership through capital credit retirements.

The core of our business is providing safe, reliable power. To do this requires ongoing planning to ensure our electric system maintains the capacity and resiliency needed to serve our members.

In recent years, eastern Mecklenburg and Cabarrus counties have seen an increase in population growth. From 2013-2017, membership in this area grew by 18%. As such, in 2017, our engineering staff began planning for significant infrastructure upgrades and additions.

To meet the demands of ongoing expansion in Union County, work on the Weddington to Marvin Transmission line progressed. We expect this much-needed resource will be completed and serving the membership in 2019.

Throughout our five-county service territory, we dedicated resources to maintaining our existing electric system and rights-of-way. Our maintenance programs are critical components to achieving our high level of reliability.

We not only work hard to make sure our electric system is designed and maintained to meet the needs of our growing membership, but we also pride ourselves in delivering an exceptional member experience. In 2017, Union Power achieved a customer satisfaction score of 87, as measured by the 2017 American Customer Satisfaction Index. This rating ranks us 10 points higher than our cooperative peer group and 12 points higher than investor-owned utilities. We don't take this for granted; we continually look for ways to improve the services we provide to you.

In 2017, we implemented a chat feature on our website. This new feature provides our members with the ability to communicate with a customer service representative directly online. Additionally, we made enhancements to our website, print media, and social media platforms. Also, a project was initiated to evaluate possibilities for providing you with new text messaging options.

Throughout 2017, Union Power focused on building a foundation for the future to meet the growing needs of our membership. As we go forward, we will continue to plan for and make the investments needed to lead us to our vision of being the premier provider of reliable, cost-competitive electric power and energy services; recognized as a committed partner in the community, an innovator in the industry and the employer of choice.



Greg Andress

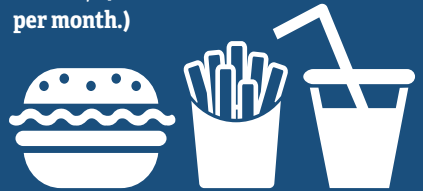
Executive Vice President and
General Manager

\$4.90 

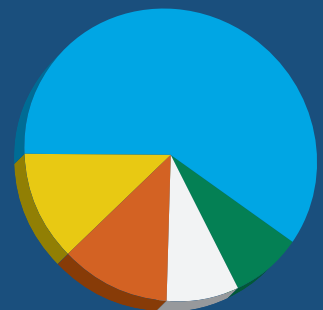
**cost of electric service per
day for a household based
on the average use of 1,240
kilowatt-hours per month**






**A Union Power member
pays less to power their
home per day than for the
average fast-food lunch.**

(Based on average residential
use of 1,240 kilowatt-hours
per month.)



How your dollar was spent



-  Cost of Purchased Power (60%)
-  Operations & Maintenance (12%)
-  Interest, Depreciation
& Taxes (12%)
-  Customer Service/Admin (8%)
-  Operating Margins (8%)

2017 Board Members



Sherise Jones
Asst. Secretary-Treasurer
District V



Jim T. Hartsell
District VI



Lee Roy Kirk, Jr.
President
District I



Neil W. Hasty
District IV



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



Carole P. Jones
District IV



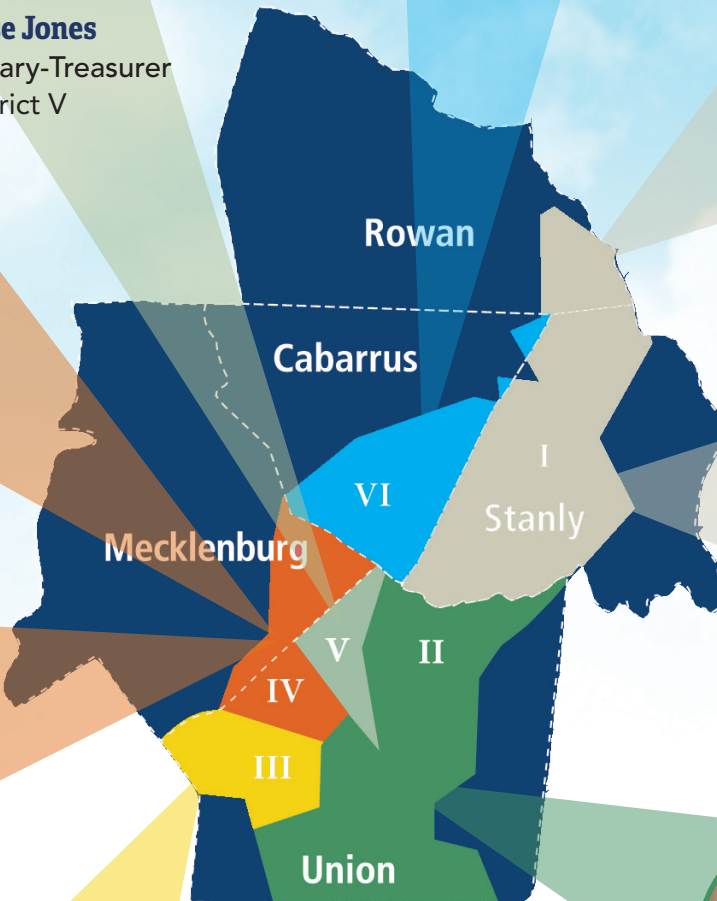
B. L. Starnes
District III



David G. Hyatt
Vice President
District II



Tom J. Caudle
District II



A customer satisfaction score comparison

Union Power Cooperative

87

Touchstone Energy Cooperatives

77

Investor-owned utilities

75

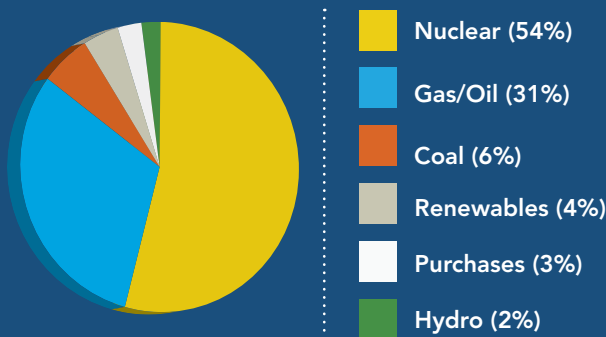
Numbers from the 2017 American Customer Satisfaction Index report are based on a 100pt. scale.

\$336,000



raised to date by employees for the
Hospices of Union and Stanly counties

How our power is produced



60% of generation comes from carbon-free sources

1,800
new services
connected last year



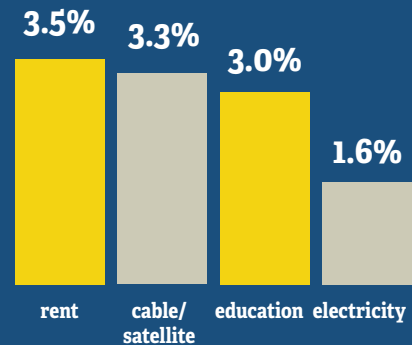
1,240
kWh

average amount
of electricity used
in a home per
month, measured
in kilowatt-hours



Electricity remains a **GOOD VALUE**

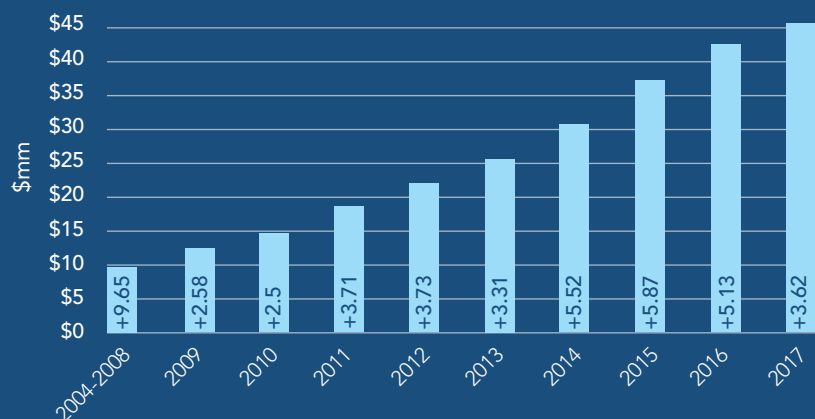
Average Annual Price Increase
from 2012 to 2017



Sources:
U.S. Bureau of Labor Statistics
Consumer Price Index

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 14 years, the Cooperative has retired over \$45 million to the benefit of you, our members. This is in part due to our continued financial strength and stability.

Capital Credit Retirements | (\$45.6 million since 2004)



Three Year Summary of Financial Data

December 31

BALANCE SHEET	2015	2016	2017
Cash and Temporary Investments	\$ 8,372,551	\$ 19,774,777	\$ 30,461,992
Accounts/Notes Receivable - net of uncollectibles	\$ 23,227,144	\$ 26,492,987	\$ 25,442,598
Materials and Supplies	\$ 1,846,334	\$ 2,489,162	\$ 2,598,160
Other Current Assets	\$ 391,243	\$ 345,529	\$ 305,534
Investments in Associated Organizations	\$ 20,067,821	\$ 23,108,254	\$ 25,881,348
Other Assets	\$ 3,747,398	\$ 2,910,620	\$ 738,925
Total Current and Other Assets	\$ 57,652,491	\$ 75,121,329	\$ 85,428,557
Property, Plant and Equipment - net of depreciation	\$ 256,186,170	\$ 264,222,891	\$ 277,060,986
Total Assets	\$ 313,838,661	\$ 339,344,220	\$ 362,489,543
Patronage Capital	\$ 104,671,400	\$ 108,510,895	\$ 117,441,258
Other Equity	\$ 27,566,672	\$ 33,194,326	\$ 35,139,554
Total Equity	\$ 132,238,072	\$ 141,705,221	\$ 152,580,812
Notes Payable - including current portion	\$ 156,599,126	\$ 168,904,575	\$ 174,914,960
Accounts Payable	\$ 8,927,802	\$ 9,968,638	\$ 10,086,031
Customer Deposits	\$ 3,224,165	\$ 3,278,265	\$ 2,911,718
Other Current Liabilities	\$ 5,066,358	\$ 6,014,002	\$ 6,598,199
Other Liabilities	\$ 7,783,138	\$ 9,473,519	\$ 15,397,823
Total Liabilities	\$ 181,600,589	\$ 197,638,999	\$ 209,908,731
Total Equity and Liabilities	\$ 313,838,661	\$ 339,344,220	\$ 362,489,543

Net Plant Investment per Member

2017	\$3,664
2016	\$3,566
2015	\$3,539
2014	\$3,464
2013	\$3,377

Equity as % of Assets

2017	42.09%
2016	41.76%
2015	42.14%
2014	42.73%
2013	39.24%

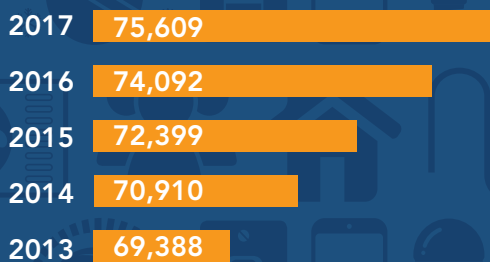
Complete audited financial statements are available at Union Power Cooperative's headquarters. The independent audit of 2015, 2016 and 2017 financial statements were completed by the certified public accounting firm of Adams, Jenkins & Cheatham of Richmond, Virginia.

December 31

STATEMENT OF OPERATIONS

	2015	2016	2017
Operating Revenues	\$ 147,230,785	\$ 149,108,278	\$ 148,113,746
Less: Cost of Purchased Power	\$ (95,247,913)	\$ (90,944,570)	\$ (89,411,927)
Gross Margin	\$ 51,982,872	\$ 58,163,708	\$ 58,701,819
Operating Expense	\$ 28,252,604	\$ 29,095,416	\$ 29,733,800
Depreciation	\$ 10,005,342	\$ 12,035,908	\$ 11,389,435
Tax Expense	\$ 4,445	\$ 2,348	\$ 7,796
Interest Expense	\$ 7,083,482	\$ 6,947,036	\$ 6,396,987
Other Deductions	\$ 90,615	\$ 97,401	\$ 137,625
Total Operating Margins	\$ 6,546,384	\$ 9,985,599	\$ 11,036,176
Interest and Other Income	\$ 1,047,945	\$ 1,019,408	\$ 1,241,203
Income (Loss) from Affiliates	\$ 102,447	\$ 62,109	\$ 1,438
Capital Credits from Associated Organizations	\$ 2,951,402	\$ 3,148,917	\$ 3,032,769
Total Non-Operating Margins	\$ 4,101,794	\$ 4,230,434	\$ 4,275,410
Net Margins	\$ 10,648,178	\$ 14,216,033	\$ 15,311,586

Member Accounts Billed



Total kWh Sold (in billions)



Mission

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.

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*This institution is an equal
opportunity provider
and employer.*

UnionPower
Cooperative
A Touchstone Energy® Cooperative 