

UNION POWER COOPERATIVE

20 ANNUAL 18 REPORT



POWERING FORWARD

GREG ANDRESS

EXECUTIVE VICE PRESIDENT & GENERAL MANAGER



EXECUTIVE MESSAGE

Our mission to enhance the quality for life of our members and the communities we serve has remained a top priority in delivering our promise to provide safe, reliable electric power and energy services with exceptional value. Continued investment in our workforce and infrastructure were key drivers of our success in 2018.

The most critical challenge we faced during the past year was the impact of two major hurricanes and an ice storm. Throughout the course of those events, our crews worked diligently to repair outages and played a key role in our restoration efforts. We embraced the true spirit of the cooperative guiding principle – Cooperation Among Cooperatives – and demonstrated that we are best able to serve our members and strengthen the cooperative model by working together to achieve common goals. Due to the hard work of our employees, the aid we received from neighboring cooperatives, and our utility contractors, we safely restored power to as many members as possible in the shortest amount of time. And in turn, once power was restored, we sent workers to assist with restoration in harder hit areas of North Carolina and other states.

The impact of the storms could have been considerably worse, and I am pleased with the way our system performed. The system's durability was due, largely in part, to proactive system maintenance, investment in resilient technologies, and our industry-leading vegetation management practices, which truly made a difference.

Work continued on two transmission line projects as we made great strides in increasing the reliability and modernization of our infrastructure to meet the demands of our growing membership.

Another significant project this year was the interconnection of a 74.9 MW solar farm in Cabarrus County, one of the largest in North Carolina. In addition, over 60 percent of our wholesale power generation is comprised of carbon-free resources.

Throughout 2018, we have remained strategically focused and have consistently worked to improve our internal processes and methods. We have taken proactive steps to enhance our cybersecurity program. Protecting the data of our membership is a top priority and one in which we strive for continuous improvement. As part of this effort, we have also upgraded our disaster recovery plan to ensure operational resiliency should a disaster occur.

In October 2018, we broke ground on our headquarters expansion. Construction is underway and is projected to be complete in the spring of 2020.

As highlighted in this report, the Cooperative remains committed to financial strength. Members received approximately \$3.5 million in capital credit refunds, one of the many benefits of being a member.

Union Power is here to serve you, the member, and remain steadfast in delivering on our promise to provide safe, reliable electric power and energy services with exceptional value.

2018 HIGHLIGHTS

RURAL ECONOMIC DEVELOPMENT



Union Power Cooperative worked with Ridgecrest Volunteer Fire Department (RVFD) in Stanly County to secure funds for the purchase of a new pumper tanker. The funds were obtained as part of the ongoing “revolving loan” program with the United States Department of Agriculture (USDA) Rural Economic Development Loan and Grant program

(REDLG), which provides zero-interest loans and grants to local electric cooperatives.

“We needed to replace an aging 1990 tanker that was requiring a great deal of maintenance,” RVFD Board Chairman Curtis Furr said. “The new 3,000-gallon capacity tanker allows Ridgecrest VFD to better respond to community needs,” Furr added. “Over the past two years, the RVFD has responded to over 600 calls related to fire, medical and rescue emergencies, and we anticipate that call volume to increase as we grow in this area.”

Ridgecrest VFD serves the unincorporated areas of western Stanly County, including approximately 2,500 single family dwellings.

During 2018, employees raised \$31,640 for Hospice of Stanly & the Uwharrie through various fundraisers. Union Power employees have raised close to \$400,000 for local hospice agencies since naming Hospice as their charity of choice in 2009.

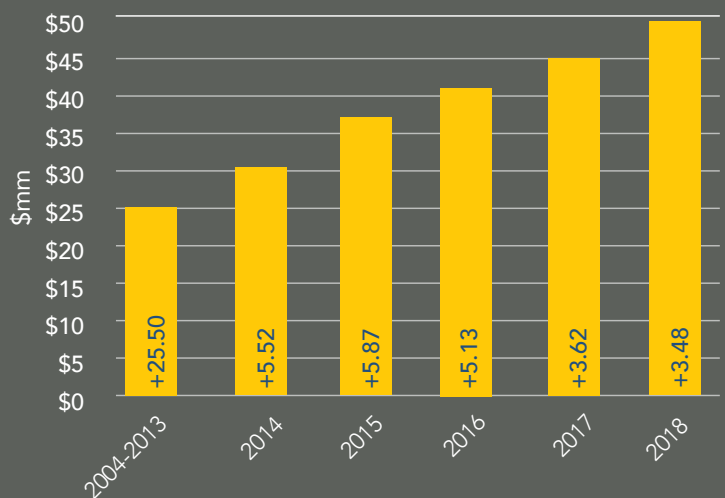


SYSTEM IMPROVEMENTS

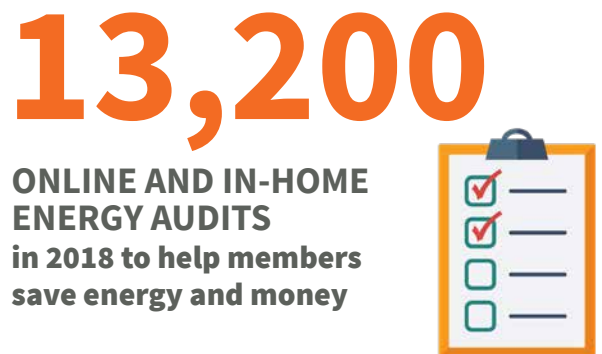
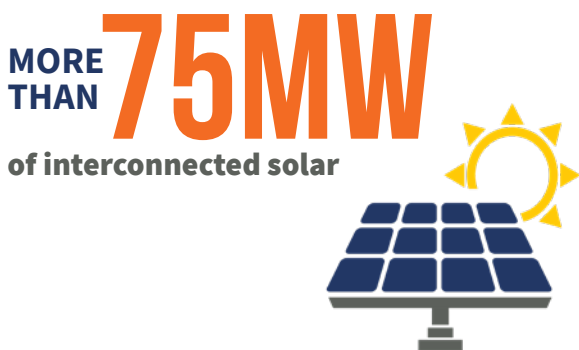
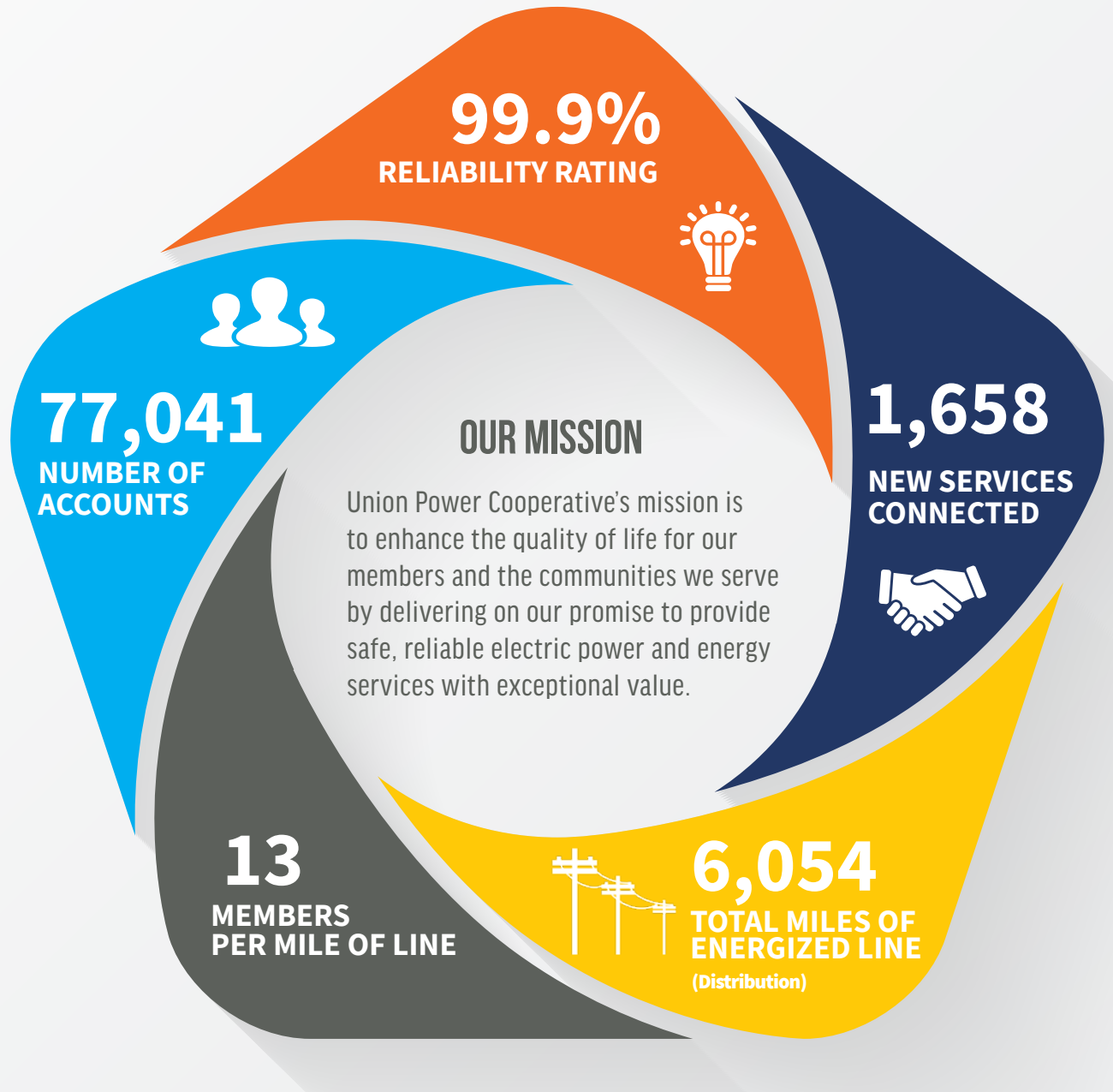
- Construction of the Weddington-to-Marvin transmission line began in August. The new line will improve reliability and provide increased capacity to the area.
- Flowes Store substation in Cabarrus County was upgraded. The station was rebuilt to increase capacity and improve the control system.
- Mount Pleasant-to-Lambert transmission line was upgraded to increase capacity.
- Several projects in the Rowan and Stanly county areas were completed to modernize the system and increase reliability.

Capital Credit Retirements | \$49.1 million since 2004

One of the many benefits of cooperative membership is Capital Credits. When you purchase electricity from Union Power Cooperative, you become a member. Over the past 15 years, the Cooperative has retired over \$49.1 million to the benefit of you, our members. This is in part due to our continued financial strength and stability.



OUR IMPACT IN 2018



BOARD MEMBERS



Lee Roy Kirk, Jr.
President
District I



Dent H. Turner
Vice President
District I



Sherise Jones
Secretary-Treasurer
District V



David G. Hyatt
Asst. Secretary-Treasurer
District II



Tom J. Caudle
District II



Neil W. Hasty
District IV



Thomas E. Porter, Jr.
District VI



B. L. Starnes
District III



Sue B. Threat
District IV

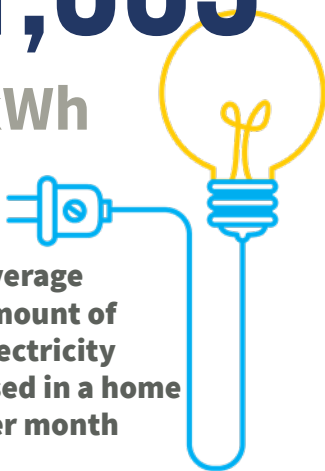


88,477

CUSTOMER SERVICE
calls taken in 2018

1,339

kWh



Average amount of electricity used in a home per month

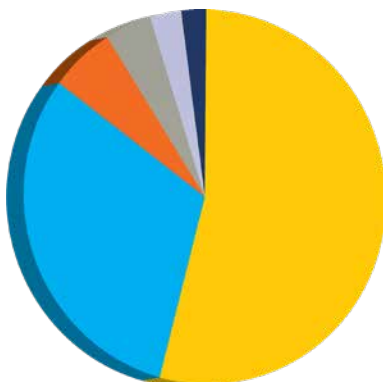
\$5.35

PER DAY



Cost of Electric Service per day for a household based on the average use of 1,339 kWh per month

SOURCES OF POWER



- nuclear (54%)
- gas/oil (31%)
- coal (6%)
- renewables (4%)
- purchases (3%)
- hydro (2%)

THREE YEAR SUMMARY OF

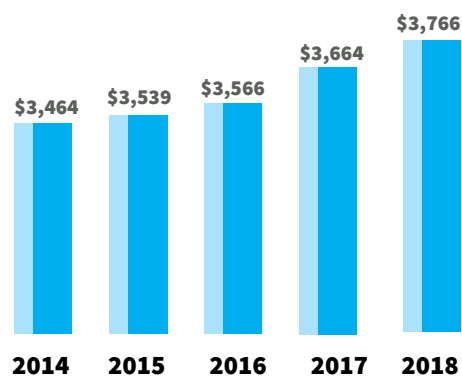
FINANCIAL DATA

December 31

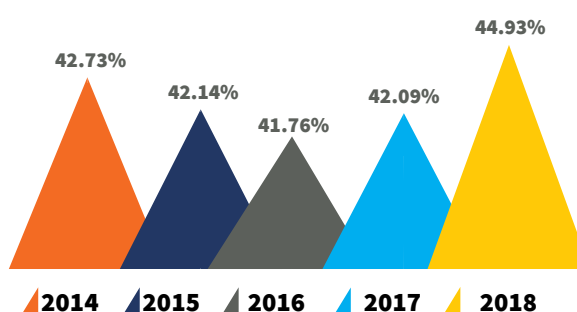
BALANCE SHEET

	2016	2017	2018
Cash and Temporary Investments	\$ 19,774,777	\$ 30,461,992	\$ 24,449,632
Accounts/Notes Receivable - net of uncollectibles	\$ 26,492,987	\$ 25,442,598	\$ 23,397,606
Materials and Supplies	\$ 2,489,162	\$ 2,598,160	\$ 1,488,515
Other Current Assets	\$ 345,529	\$ 305,534	\$ 400,061
Investments in Associated Organizations	\$ 23,108,254	\$ 25,881,348	\$ 29,761,841
Other Assets	\$ 2,910,620	\$ 738,925	\$ 228,888
Total Current and Other Assest	\$ 75,121,329	\$ 85,428,557	\$ 79,726,543
Property, Plant and Equipment - net of depreciation	\$ 264,222,891	\$ 277,060,986	\$ 290,107,537
Total Assets	\$ 339,344,220	\$ 362,489,543	\$ 369,834,080
Patronage Capital	\$ 108,510,895	\$ 117,441,258	\$ 127,441,178
Other Equity	\$ 33,194,326	\$ 35,139,554	\$ 38,710,603
Total Equity	\$ 141,705,221	\$ 152,580,812	\$ 166,151,781
Notes Payable - including current portion	\$ 168,904,575	\$ 174,914,960	\$ 165,611,917
Accounts Payable	\$ 9,968,638	\$ 10,086,031	\$ 13,041,382
Customer Deposits	\$ 3,278,265	\$ 2,911,718	\$ 3,058,163
Other Current Liabilities	\$ 6,014,002	\$ 6,598,199	\$ 7,415,386
Other Liabilities	\$ 9,473,519	\$ 15,397,823	\$ 14,555,451
Total Liabilities	\$ 197,638,999	\$ 209,908,731	\$ 203,682,299
Total Equity and Liabilities	\$ 339,344,220	\$ 362,489,543	\$ 369,834,080

Net Plant Investment per Member



Equity as % of Assets



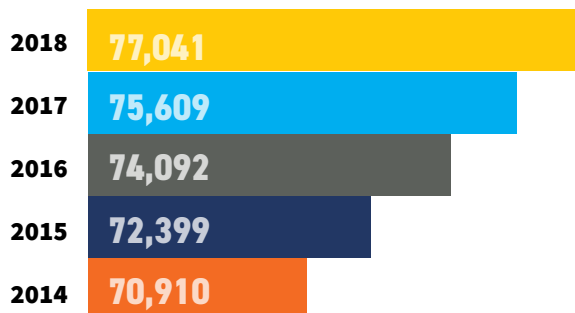
December 31

STATEMENT OF OPERATIONS

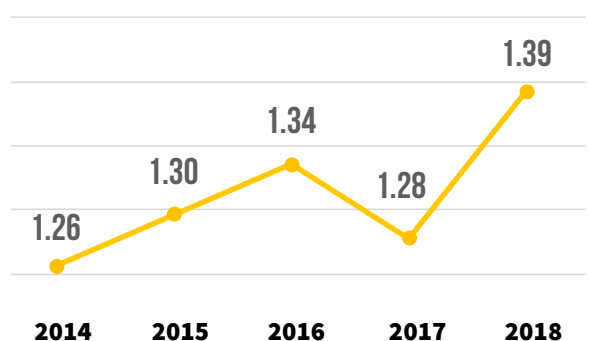
	2016	2017	2018
Operating Revenues	\$ 149,108,278	\$ 148,113,746	\$ 167,969,080
Less: Cost of Purchased Power	\$ (90,944,570)	\$ (89,411,927)	\$ (107,853,377)
Gross Margin	\$ 58,163,708	\$ 58,701,819	\$ 60,115,702
Operating Expense	\$ 29,095,416	\$ 29,733,800	\$ 28,429,812
Depreciation	\$ 12,035,908	\$ 11,389,435	\$ 11,758,580
Tax Expense	\$ 2,348	\$ 7,796	\$ 16,819
Interest Expense	\$ 6,947,036	\$ 6,396,987	\$ 6,499,411
Other Deductions	\$ 97,401	\$ 137,625	\$ 131,995
Total Operating Margins	\$ 9,985,599	\$ 11,036,176	\$ 13,279,086
Interest and Other Income	\$ 1,019,408	\$ 1,241,203	\$ (627,781)
Income (Loss) from Affiliates	\$ 62,109	\$ 1,438	\$ 192,296
Capital Credits from Associated Organizations	\$ 3,148,917	\$ 3,032,769	\$ 3,885,914
Total Non-Operating Margins	\$ 4,230,434	\$ 4,275,410	\$ 3,450,429
Net Margins	\$ 14,216,033	\$ 15,311,586	\$ 16,729,515

Complete audited financial statements are available at Union Power Cooperative's headquarters. The independent audit of 2016 through 2018 financial statements were completed by the certified public accounting firm of Adams, Jenkins & Cheatham of Richmond, Virginia.

Member Accounts Billed



Total kWh Sold (in billions)





Union Power Cooperative

A Touchstone Energy® Cooperative 

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704-289-3145

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

union-power.com