

2008 Annual Report

**UnionPower  
Cooperative**

A Touchstone Energy® Cooperative 



# Our Energy, Our Future

A Dialogue With America

# Executive Message

## More for your Money: The Value of Electricity

Electricity. It's hard to imagine our life without it. It powers much of what we do on a daily basis. Electricity powers your appliances, computers, cell phones, not to mention, it keeps the lights on! We depend on electricity for nearly everything we do, and American homes use more electricity today than ever.

Over the past 25 years, the average household's electricity consumption has increased by nearly 25 percent. Yet, the portion of our household budgets that we devote to our electricity bills has actually declined. How can this be?

Believe it or not, something as necessary as electricity has remained an outstanding value through the years, while the rest of the world's commodities keep rising in price. That's because electricity prices—unlike the prices for most other goods—did not keep pace with the rate of inflation for many years. The national cost of electricity today, when adjusted for inflation, is less than what it was in 1980. Very few commodities have remained such a good value.

An average Union Power Cooperative member consumes 1,350 kilowatt-hours of electricity per month at a cost of only \$4.78 per day. That's the cost of lunch at a fast food restaurant! You can get all the convenience and comfort of electricity for an entire day for the cost of a fast food meal...what a bargain!

For the cost of one tank of gas, most of Union Power's members receive enough electricity to keep their homes and businesses powered for two weeks. Now that's value!

## Member Focused, Not Profit Focused: The Cooperative Difference

At Union Power, we strive to bring you safe, reliable electricity at an affordable price each and every day. That's our promise to you. We've managed to keep electricity at a good value over the years, despite the increase in associated costs with generating and distributing power.

As a locally owned cooperative, we sell our electricity to our members at the lowest possible cost, with our focus on service rather than profit. Any profit from kilowatt-hours

sold is reinvested in the operational needs of Union Power or returned to our members through member dividends. That's the cooperative difference.

At a time when many Americans' electric bills are going up—in some places by as much as 40 percent—the co-op way of doing business is helping to keep your costs manageable.

Union Power is doing everything possible to look out for its members by:

- Making continuous energy efficiency improvements
- Lobbying legislators to develop smart, balanced energy legislation
- Finding ways to meet an increased demand for energy

Our mission is simple: "To provide safe and reliable power with exceptional value". In today's economy, there are so many things pulling at our purse strings, yet the value of electricity is good. It's better than good—it's downright reasonable. And Union Power will do everything it can to keep it that way.

Cooperatively yours,



**Tony E. Herrin**  
Executive Vice President,  
General Manager

**B. L. Starnes**  
President,  
Board of Directors



## Our Energy, Our Future: A Call to Action

Our nation is verging on an energy crisis. Pressure is mounting in Congress to do something about climate change. There is also an increase demand for electricity, but a decline in capacity to meet the ever-growing demand.

While these energy issues and political debates in Washington, D.C. may seem far away, the outcome will have a direct impact on our cooperative, as well as Union Power Cooperative members and other electric consumers.

### Climate Change

Policymakers in Washington have the daunting task of trying to reduce the greenhouse gases responsible for climate change. Many scientists agree that greenhouse gases, including carbon dioxide, warm the earth and are accumulating in the Earth's atmosphere. The process of generating fossil-fuel electricity, followed closely by the transportation industry, is the single largest source of carbon dioxide emissions in the United States, representing 40 percent of total carbon dioxide emissions from all sources in 2005.

Our political leaders are currently debating significant energy legislation that will impact our daily lives. In response, the electric utility industry must be prepared to implement technologies that will slow, stop, and eventually reduce the level of greenhouse gases in the Earth's atmosphere. We take our role for responsible action very seriously.

We also take our responsibility to you, our member, just as seriously. When it comes to finding solutions to reducing greenhouse gases, we must meet climate change goals while keeping costs down and electricity available.

A cleaner environment is a laudable goal, and so is reliable and affordable electricity. Union Power is urging members to open a dialogue with their elected officials in Washington, asking them to support a sensible energy policy that won't result in exorbitant electric bills.

### Demand for Electricity, Decline in Capacity

Another energy issue our nation is facing is the demand for more electricity while the capacity to meet that demand is declining. In fact, experts now say some areas of the country will be short of power within one or two years. Over the next 20 years, electric utilities must increase generating capacity by 30 percent just to keep up with

projected growth and demand.

Yet energy supply isn't an issue our elected representatives are spending a lot of time on. Experts say that our nation's growing

electricity needs will soon go well beyond what renewables, conservation, and energy efficiency can provide alone.

There is a desire by government officials to reduce greenhouse gas emissions quickly through legislation proposals that may put at risk the current electric system

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that gives nearly every American access to dependable electricity. There is also a need for more electric generation capacity in order to meet the growing demand for power by consumers. These two interests will soon collide. Keeping electricity affordable and reliable is just as much in the public interest as mitigating climate change.

At Union Power, we understand this issue more than most other electric utilities. Our membership is growing three times faster than the electric utility average. In fact, Union Power is now larger than 95 percent of all electric cooperatives in the United States. All of this growth continues to present challenges to us to make sure we provide adequate power to our membership.

We want to reach climate change goals and meet energy needs. Without a sound, responsible plan, our government risks not only the reliability of our electric system, but literally the ability of many Americans to be able to afford to pay their electric bill.

### A Call to Action:

There are legislative proposals on climate change currently being reviewed by Congress that have the potential to deal a damaging blow not just to electric cooperative members, but to energy consumers across the nation.

Each of us has a role to play in influencing this debate that will likely result in new laws on climate change soon after the new administration and new Congress begin their work in 2009.

We, as electric cooperative members and constituents, must call on elected officials to provide this leadership.

That's why Union Power encourages you to contact your elected officials.

You don't need to be an energy expert to ask questions. Asking questions helps them find the answers to solve the problem of balancing climate change goals with keeping your lights on and your electric bills affordable.

To make things easy, we have a Website that will send an e-mail for you. Go to [www.ourenergy.coop](http://www.ourenergy.coop) and plug in your address. There you'll be able to ask a series of questions to your representatives in Washington.

Far too often questions don't get asked by policy makers until plans go wrong. We believe it makes sense to know the answers before the laws are passed. You can help your elected officials and yourself by having this conversation.

Our campaign is simple. It's about keeping the lights on and electricity affordable, while being environmental stewards. We can achieve this with a balance of smart, responsible energy legislation.

Union Power Cooperative's mission, "to provide safe and reliable power with exceptional value," remains unwavering, even in this new era of balancing electricity demand with rising cost pressures from increased regulation.



## Our Energy, Our Future

A Dialogue With America

[www.ourenergy.coop](http://www.ourenergy.coop)

### Productive dialogue begins by asking tough questions and requiring straight answers.

Start by asking your elected officials these questions to get the dialogue about energy and climate issues headed in the right direction.

Experts say that our nation's growing electricity needs will soon go well beyond what renewables, conservation and efficiency can provide; What is your plan to make sure we have the electricity we need in the future?

What are you doing to fully fund the research required to make emissions free electric plants an affordable reality?

Balancing electricity needs and environmental goals will be difficult. How much is all this going to increase my electric bill and what will you do to make it affordable?



## GreenCo Solutions & Renewable Energy Sources: Real Solutions for the Future

Across the nation, there is great excitement about the promise of renewable energy. Union Power Cooperative knows its members have a growing interest in renewable energy, as the more renewable energy our nation obtains, the less dependent we become on imported oil.

Renewable energy, also known as green power, is generated from sources that are available naturally and replenish themselves. Green power comes from renewable sources that produce little or no pollution such as wind, solar, water, and animal waste.

### Energy Legislation

Renewable energy is and will continue to be an important topic, as elected officials also have a strong interest in increasing renewable energy sources.

For instance, state energy legislation was signed into law on August 20, 2007, that promotes the development of renewable energy and energy efficiency. Called the Renewable Energy Portfolio Standard, this new law requires electric cooperatives in North Carolina to generate or purchase 10 percent of their total sales from renewable energy sources or reduce electricity consumption through energy conservation initiatives.

At the federal level, the Energy Future Coalition's 25 by '25 plan would require 25 percent of energy to come from renewable resources by 2025. This is a great goal for all electric utilities to strive for because renewable energy sources do not emit greenhouse gases and are environmentally friendly.

However, while renewable technologies sound simple enough to implement and incorporate into our current electricity mix, there are many complicated and logistical questions that will need to be addressed in order to keep our electricity costs affordable.

### GreenCo Solutions

Union Power strives to strike a balance in the quest for renewable energy sources. We want to be an environmental steward, but we also want to make sure our energy prices stay affordable for our members.



That's why Union Power joined GreenCo Solutions, a not-for-profit, member owned cooperative that focuses on energy efficiency initiatives and renewable resources.

GreenCo Solutions' core services will include energy efficiency program development and pilot projects for the expansion of renewable energy sources.

Because GreenCo Solutions is owned by a majority of North Carolina's electric cooperatives, it will aggregate services related to green energy, allowing the member co-ops to achieve efficiencies and economies of scale. By working together, we can provide high quality programs that will benefit our residential and commercial members while keeping costs low.

Union Power views the partnership with GreenCo Solutions as innovative and important. Our cooperative is truly leading the charge in this exciting initiative, as our executive vice president and general manager, Tony Herrin, was recently elected president of the board of directors of GreenCo Solutions.

Union Power stands ready and committed to find ways to expand its involvement in renewable initiatives. We are looking out for you, and that means having a smart, balanced energy mix to help clean up the environment, while keeping your rates affordable.

# Financial Report

(as of December 31, 2007)

## What We Own

Assets:	
Original cost of Our System	\$219,617,634
We Estimate it Has Depreciated	43,384,180
Net Value of Our Property	<b>\$176,233,454</b>
Cash and Investment Reserves:	
Cash on Hand and in Bank	7,032,230
Members Owe Us for Electric Bills	9,064,622
Materials and Supplies on Hand	5,410,711
Other Investments for Reserves	188,926
Other Property and Prepaid Expenses	0
Total Assets	<b>\$197,929,943</b>

## What We Owe

Liabilities:	
Long Term Debt	107,161,022
Notes Payable	2,250,000
We Owe for Power, Material, & Supplies	15,315,411
We Hold Consumer Deposits and Payments	8,415,291
Total We Owe	<b>\$133,141,724</b>
Membership Fees and Other Capital	0
Patronage Capital Credits and Margins	64,788,219
Net Worth (Total Ownership by in Co-Op)	<b>\$64,788,219</b>
Total Liabilities and Net Worth	<b>\$197,929,943</b>

## Where the Money Came From

Revenues:	
Sale of Electric Energy	115,541,002
Non-Operating Income	1,045,211
Total Revenue	<b>\$116,586,213</b>

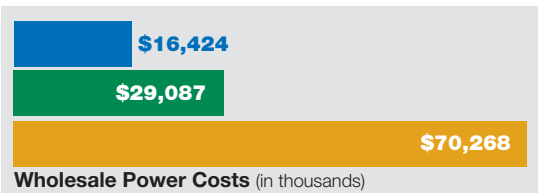
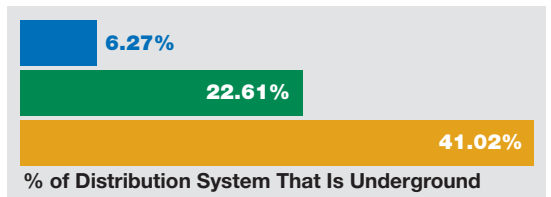
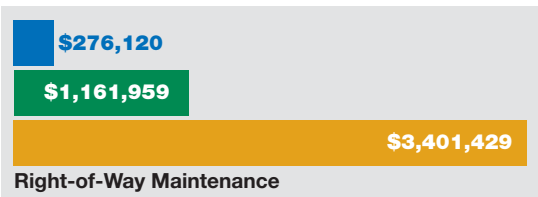
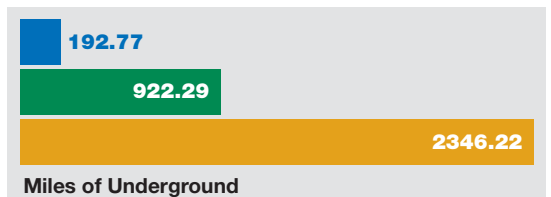
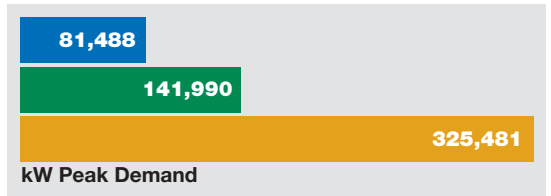
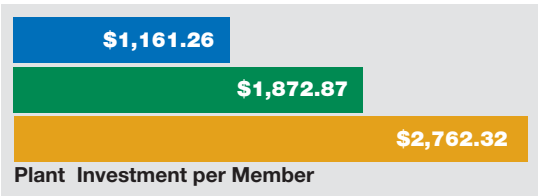
## How the Money was Used

Expenses:	
Wholesale Power Cost	70,268,505
Operating Expenses	18,213,879
Depreciation Expenses	6,005,904
Taxes	3,720,971
Interest	5,884,869
Total Expense	<b>\$104,094,128</b>
Net Margins	<b>\$12,492,085</b>

## Statistical Highlights

	1987	1997	2007
Average Meters Billed	23,532	36,449	62,555
Miles of Distribution Line	3,074.78	4,079.91	5,719.73
Member per Mile of Line	7.65	8.93	10.94
Total Assets	37,052,101	83,458,924	197,929,943
Net Investment in Plant	27,326,723	68,264,409	176,233,454
Total Kwh Purchased	397,625,313	615,131,001	1,213,256,805
Number of Employees	69	96	118

**How your dollar is spent**

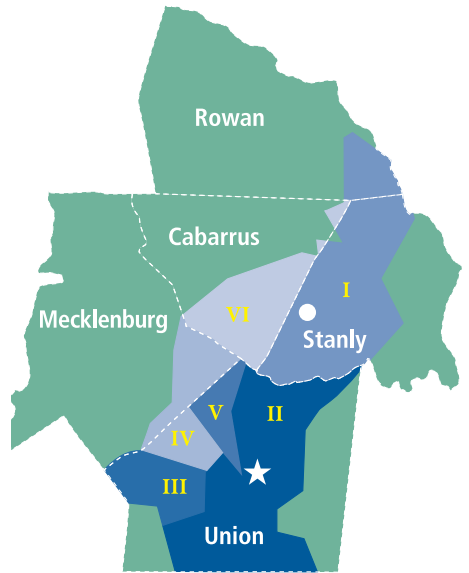




## Board Members

*Pictured From Left to Right:*

- William R. Wilson**, Vice President, District I
- B. L. Starnes**, President, District III
- Vann W. Hilton**, District II
- Dent H. Turner, Jr.**, Asst. Secretary-Treasurer, District I
- Juanita Poplin**, District I
- Ralph E. Johnson**, District IV
- Richard L. Simpson**, District II
- Rufus N. Reid**, District VI
- Neil W. Hasty**, District IV
- Jim T. Hartsell**, District VI
- Jan Haigler**, Secretary-Treasurer, District V



## Service Territories

**Union County** is our largest service area. It covers more than 3,500 miles of energized lines and more than 42,400 meters.

**Stanly County** is our second largest service area. It covers 1,130 miles of energized lines and more than 8,500 meters.

**Cabarrus County** is our third largest service area. It covers nearly 600 miles of energized lines and more than 6,600 meters.

**Mecklenburg County** covers 332 miles of energized lines and more than 5,600 meters.

**Rowan County** covers 172 miles of energized lines and 1,073 meters.

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