

UnionPower Cooperative

A Touchstone Energy® Cooperative 

Find A
Balanced Solution 

We can. We have to.

Guiding Principles: Continuous Improvement
Fiscal Responsibility; Empowerment
Stewardship; Integrity and Trust
Citizenship; Teamwork; Diversity
Creative; Member Focus

Executive Message

Right now, Congress is working on national Climate Change legislation, also known as Cap and Trade, which will impact your electric bills. Union Power, along with other electric cooperatives across the country, is looking out for you, our members. We are communicating with Congress to ensure that you continue to receive electricity that is reliable as well as affordable.

We agree that together we have to reduce greenhouse gases and develop feasible renewable energy resources. Achieving these goals, however, will cost a great deal of money. When Congress spends money, where does it come from? It comes from the American citizens. We all need to remind Congress that cost does matter.

We must also remind Congress that the energy policies developed today will need to be paid for, and most of that cost will fall on the shoulders of our children and grandchildren.

We are asking Congress to find a balanced solution – one that produces real environmental results without further harming our economy.

We want the industry to have time to match up mandates with technologies, in clean coal and nuclear, as well as renewables, energy efficiency measures, and smart grid technology. These improvements must be made to keep costs affordable for everyone.

On a state level, in 2007, the North Carolina General Assembly passed the North Carolina Renewable Energy Portfolio Standard. This law mandates by the year 2018, 10% of Union Power's electricity will need to come from renewable resources. We are complying with this mandate on your behalf.

Last year, we called on you to join the Our Energy, Our Future campaign that asked critical questions of our legislators in Congress. Union Power sent over 6,500 e-mails on your behalf and nationwide co-op members sent over 1.5 million e-mails to Congress.

This year, we joined a regional effort to educate our members through the Find a Balanced Solution campaign. These efforts are working to engage people, influence debate, and to make better decisions in Washington. We want to thank all of you who have contacted your legislators, but I want to emphasize that we still need your help. We are asking you to join us and become engaged.

Let your representatives and senators know that you're paying attention to what they're doing. Visit www.findabalancedsolution.com for more information. On that site, you will have two options for contacting Congress: a toll free phone number or a link for you to e-mail your representatives.

Working together, we can get this right.



B. L. Starnes
President,
Board of Directors

Tony E. Herrin
Executive Vice President,
General Manager



Board Members

Pictured From Left to Right:

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

Service Territories

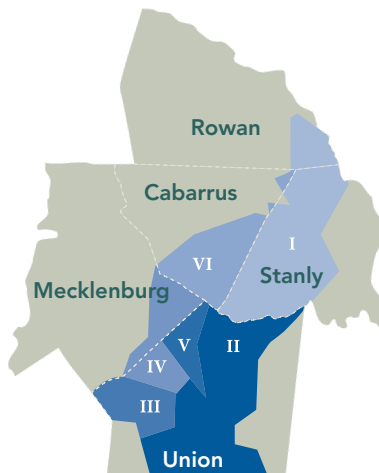
Union County is our largest service area. It covers 4,529 miles of energized line and 43,151 meters.

Stanly County is our second largest service area. It covers 1,130 miles of energized line and ~~more~~ **than** 8,499 meters.

Cabarrus County is our third largest service area. It covers nearly 600 miles of energized line and 6,713 meters.

Mecklenburg County covers 344 miles of energized line and 8,842 meters.

Rowan County covers 172 miles of energized lines and 1,064 meters.



Highlights of 2008 Annual Business Meeting

- Secretary/Treasurer Jan Haigler read proof of mailing stating each member was notified by mail on August 25, 2008 of the date and time of the 2008 Annual Meeting.
- Cooperative Attorney Bobby Griffin announced that 752 members were present or represented by proxy.
- With Mr. Griffin presiding, Directors Dent H. Turner, Vann W. Hilton, Jan Haigler, and Rufus N. Reid were elected for three-year terms.
- Report given by Executive Vice President and General Manager Tony Herrin.
- Winners announced for \$2,500 in door prizes.
- Meeting adjourned by Board President B. L. Starnes.



To ensure efficiency within our organization, Union Power has recently undergone a process improvement review to study workflow processes. During this review, the following four areas of focus were identified: financial performance, member satisfaction, operational excellence, and team effectiveness.

Financial Performance

Strong financial performance is important to every business. Especially in today's economy, businesses have to be fiscally responsible to stay successful and to stay in business. Fiscal responsibility is one of Union Power's ten guiding principles.

Several initiatives have been studied and completed over the past year, with the goal of steadily improving our financial performance. These initiatives included looking at appropriate inventory levels, budgeting tools, and energy audits on both our Monroe and Oakboro facilities.

While we look internally to control our operating costs, we still have to look at external factors such as the cost of wholesale power, state taxes, and interest and depreciation expenses. Those are costs that we cannot control and they make up 84% of our budget.

As a cooperative, Union Power is not in business to make a profit. We work to maintain our mission of providing safe and reliable power with exceptional value.

Member Service and Satisfaction

The driving goal of member service and satisfaction is striving to meet or exceed member expectations by delivering valued products and services. Being mindful of our mission, good value is represented in everything we do at Union Power. From answering a question over the phone to restoring electricity during a storm, we are working together as a team to provide exceptional value and customer service; for our members.

Just recently, the Union Power website, www.union-power.com, was redesigned to make it more user-friendly and to offer even more tools for managing your energy costs. The new Billing Insights feature assists you with analyzing power costs associated with your home and usage habits. It is directly related to your electric bill. The site also includes customer service functions that can be accessed 24/7. Our website additions add a great deal of value to cooperative membership.

One way we measure member service and satisfaction is through conducting surveys. Union Power currently

participates in two such surveys. The American Consumer Satisfaction Index (ACSI) measures across 42 different industries and more than 200 companies nationwide, rating member satisfaction. A second customer satisfaction survey compares cooperatives to each other and rates each one in areas such as providing reliable service, good value, handling problems, and courteous service.

In conducting these surveys, some members are called randomly while others are chosen from those who have initiated a service from us during the past month. Each quarter, Union Power closely examines the results of these surveys to determine where improvement is needed and where attention should be focused. We're listening to what you're telling us. If you are called to participate in a survey for Union Power, please take the time to answer the questions. We are looking out for you!

Operational Excellence

Strong operational performance is important to every business, especially an electric utility. Union Power focuses every day on providing operational excellence to its members. This includes handling outages quickly and efficiently, maintaining the Cooperative's rights-of-way, and building infrastructure to meet the electrical needs of the membership.

The Engineering and Operations staff of Union Power have been closely examining the statistics of outage restoration times and determining what changes could be made to shorten dispatching and outage times.

Another way we're achieving operational excellence is through well-maintained rights-of-way. With the help of Environmental Consultants, Inc., Union Power began a new right-of-way program in 2005. As a result, tree-related outages have drastically decreased. While annual miles of right-of-way trimmed has nearly doubled since 2005, the cost per mile of line per year has decreased more than 50 percent in comparison.

Building infrastructure such as new substations and transmission lines also contributes to maintaining operational excellence. Union Power has built two new substations within the last two years and is currently in the process of building another substation along with a transmission line. These facilities are all located on the western side of Union County, an area that experienced 29 percent growth during the years 2004-2007. New

infrastructure is necessary to maintain safe and reliable service to all Union Power members.

Operational excellence will always be an important area of focus for Union Power Cooperative as we continue to provide the reliable service our members have come to expect.

Team Effectiveness

Our employees are our greatest assets, and we strive to work together safely and efficiently as we serve you. Over the past year, the Cooperative has looked very closely at team effectiveness, examining several areas of improvement. Most of these areas of focus lie within the procedures and operations of the employees of Union Power but ultimately affects you, our members.

The first important area of focus is safety. In the electricity distribution business, safety has to be the number one priority. Union Power builds and maintains its electrical system with our members' and employees' safety in mind. Even though the Cooperative has always viewed this as a top priority, we are placing a new emphasis on the safety of our members and employees. An innovative steering team has been organized to conduct in-depth safety studies and make improvements where needed. The dangerous work our linemen do every day ensures that we all have power in our homes and businesses. We must provide the most up-to-date safety procedures and equipment to protect them.

The second area that falls under team effectiveness is a project that affects all members and nearly every department within the organization. That project is updating the information in our Geographic Information System (GIS). This consists of ensuring that computerized maps of our service area along with maps of our electrical system are matched up and can be viewed by all linemen. This project impacts the safety of our employees by giving them access to the most up-to-date information as they perform maintenance on our system and restore power after outages.

During the past six months, the Cooperative has been performing a full and precise inventory of its entire electrical system, down to the meter on each member's home.

Because Union Power's mission is to continue to provide the most affordable and reliable service, along with the most exceptional value possible to each of our members, we are constantly focusing on improvement with you in our sights!

Financial Report

(as of December 31, 2008)

What We Own	Assets:	
	Original cost of Our System	\$246,385,939
	We Estimate it Has Depreciated	47,673,547
	Net Value of Our Property	\$198,712,392
	Cash and Investment Reserves:	
	Cash on Hand and in Bank	8,525,336
	Members Owe Us for Electric Bills	9,690,392
	Materials and Supplies on Hand	2,101,088
	Other Investments for Reserves	148,293
	Other Property and Prepaid Expenses	10,983
	Total Assets	\$219,188,484

What We Owe	Liabilities:	
	Long Term Debt	\$114,832,783
	Notes Payable	5,000,000
	We Owe for Power, Material, & Supplies	14,351,101
	We Hold Consumer Deposits and Payments	12,007,618
	Total We Owe	\$146,191,502
	Membership Fees and Other Capital	0
	Patronage Capital Credits and Margins	72,996,982
	Net Worth (Total Ownership by in Co-Op)	\$72,996,982
	Total Liabilities and Net Worth	\$219,188,484

Where the Money Came From	Revenues:	
	Sale of Electric Energy	119,452,391
	Non-Operating Income	984,835
	Total Revenue	\$120,437,226

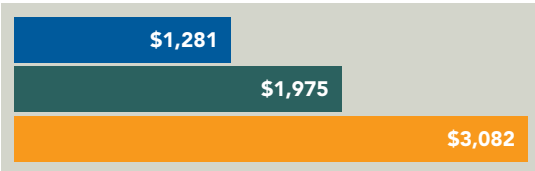
How the Money was Used	Expenses:	
	Wholesale Power Cost	74,234,433
	Operating Expenses	19,721,137
	Depreciation Expenses	6,561,431
	Taxes	3,925,675
	Interest	6,320,675
	Total Expense	\$110,763,351
Net Margins	\$9,673,875	

	1988	1998	2008	
Statistical Highlights	Average Meters Billed	24,823	38,361	64,475
	Miles of Distribution Line	3,196	4,225	5,813
	Members per Mile of Line	7.8	9.1	11.1
	Total Assets	\$ 41,044,139	\$ 90,360,930	\$ 219,188,484
	Net Investment in Plant	\$ 31,790,866	\$ 75,747,592	\$ 198,712,392
	Total kWh Purchased	420,366,155	6,767,758,647	1,214,742,211
	Number of Employees	73	95	119

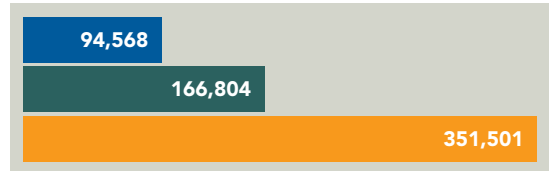
How your dollar is spent



Net Plant Investment per Member



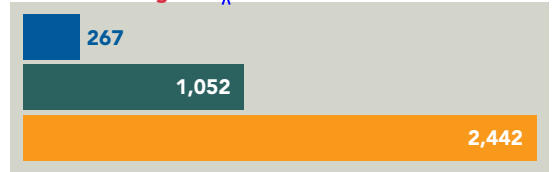
kW Peak Demand



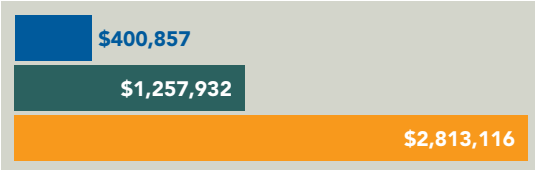
Monthly kWh Use per Residential Member



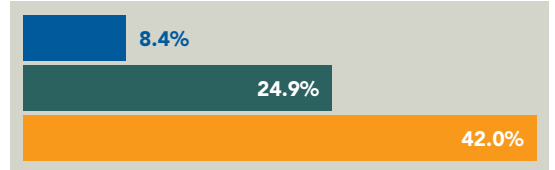
Miles of Underground



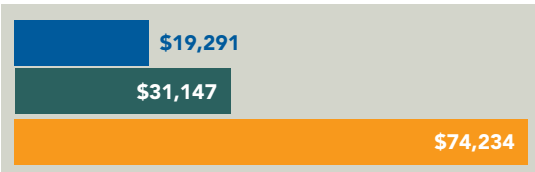
Right-of-Way Maintenance



% of Distribution System That Is Underground



Wholesale Power Costs (in thousands)





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