



2016

Annual Report



Welcome to the 80th Annual Membership meeting of Upshur Rural Electric Cooperative Corporation. The information contained in this Annual Report covers the Cooperative's operations for the year of 2016. The mission of Upshur Rural Electric from its humble beginnings has been to make reliable electric energy available to its Members at the lowest cost consistent with sound economy and good management. Today, 80 years later, our mission remains the same.

It is with a great deal of pleasure your Board of Directors can report Upshur Rural remains a very strong co-op when measured by growth, equity, cost of service, the return of capital credits to our Members, and the very competitive rates charged to our Members.

During the past 80 years Upshur Rural Electric has seen a lot of changes. Beginning in 1938, with less than 500 members, only a few miles of energized lines and relying on the Federal Government for its capital needs, Upshur Rural Electric was driven for a better way of life for the rural families in our communities, but was entirely dependent upon the investor-owned utilities as a source of purchased power for its Members. Upshur Rural Electric presently has over 45,600 meters, sells almost 1,000,000,000 kWh annually, has over 6,600 miles of energized lines, and within a few short years will be self-reliant for its energy needs. Using the Co-Op business model, Board's decisions are made for what is in the best interest of our Members rather than what is in the best interest of stock holders. As a result, Upshur Rural Electric has returned over 42 million dollars in capital credits to our Members.

Going forward, change will continue to be part of Upshur Rural Electric's culture as we comply with federal mandates, deal with environmental concerns, and seek renewable sources of energy. Each of these changes will challenge the Board as well as the Staff of your Cooperative but our commitment to our mission remains the same. With the EPA's emission guidelines on existing coal fired plants and with the expected restrictions on existing plants, we are anticipating no new coal plants to be built. The possible shutdown of several coal plants, presently supplying our energy needs, could also become a reality. Thus, the future of a reliable and low cost source of power is your Board's biggest challenge.

Your Board would like to thank the Members of Upshur Rural for your continued support and the staff of Upshur Rural Electric for their hard work. As your Board we are dedicated to the continued success of your Cooperative and to our Mission Statement.

I encourage you to study the Annual Report and the important information contained therein. As always, if you have questions, please call or come by the office.

Yours very truly,

A handwritten signature in black ink that reads "Frankie B. King".

Frankie B. King
President



"A Locally Owned – Locally Controlled – Tax Paying Business"

URECC ANNUAL MEETING PROGRAM

April 6, 2017

12:00 Noon

Registration

Entertainment

- Featuring *"The Southern Plainsmen"*

1:05 p.m.

Video Presentation

1:30 p.m.

Business Session

Annual Meeting Welcome

Frankie B. King, President

Invocation

David Venters, Former URECC Employee

Determine Quorum

Rex Nichols Jr., Attorney

Notice of Meeting

Rex Nichols Jr., Attorney

President's Report

Frankie B. King, President

General Manager's Report

Robert A. Walker, Jr., General Mgr.

Secretary / Treasurer's Report

Sherry Morgan, Secretary / Treasurer

Report on Cooperative Audit

Bob Duvall, CPA

Knuckols, Duvall, Hallum & Company

Election of Directors

Rex Nichols Jr., Attorney

Other Business

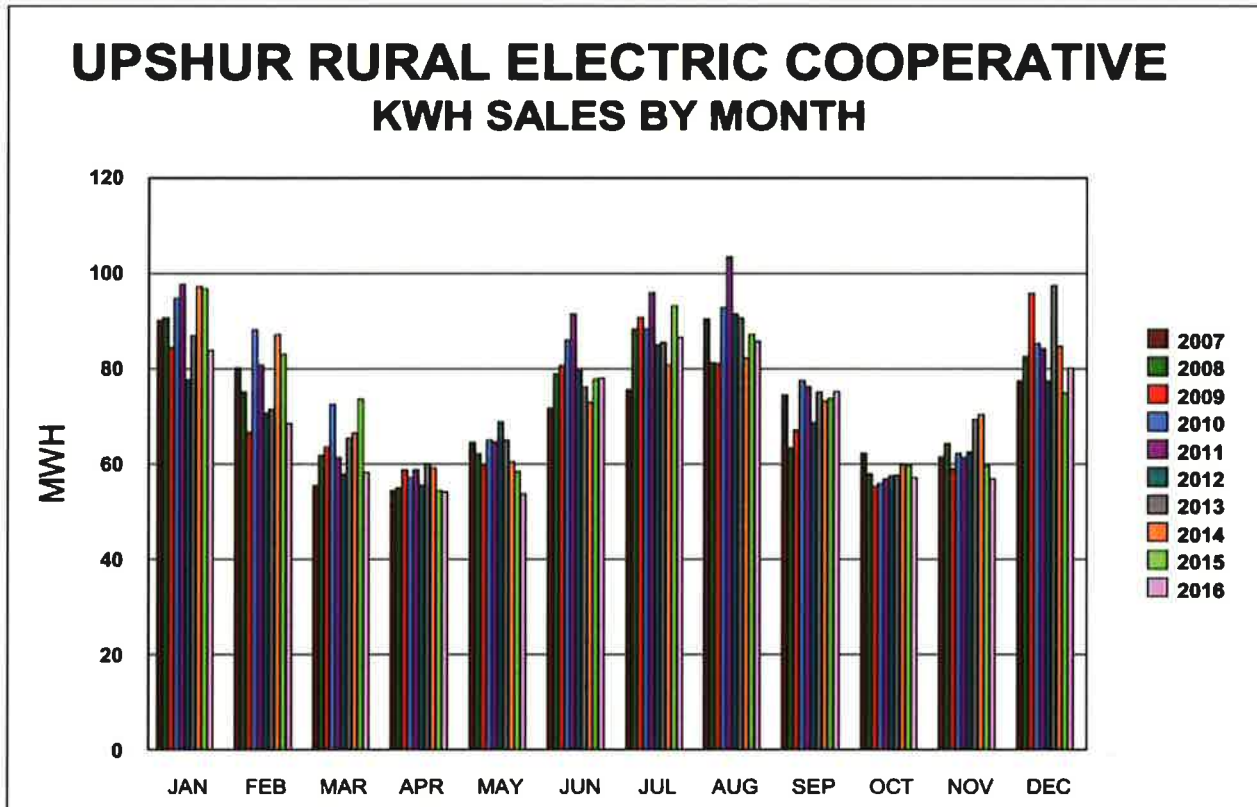
Frankie B. King, President

Adjournment of Business Session

Drawing for Door Prizes

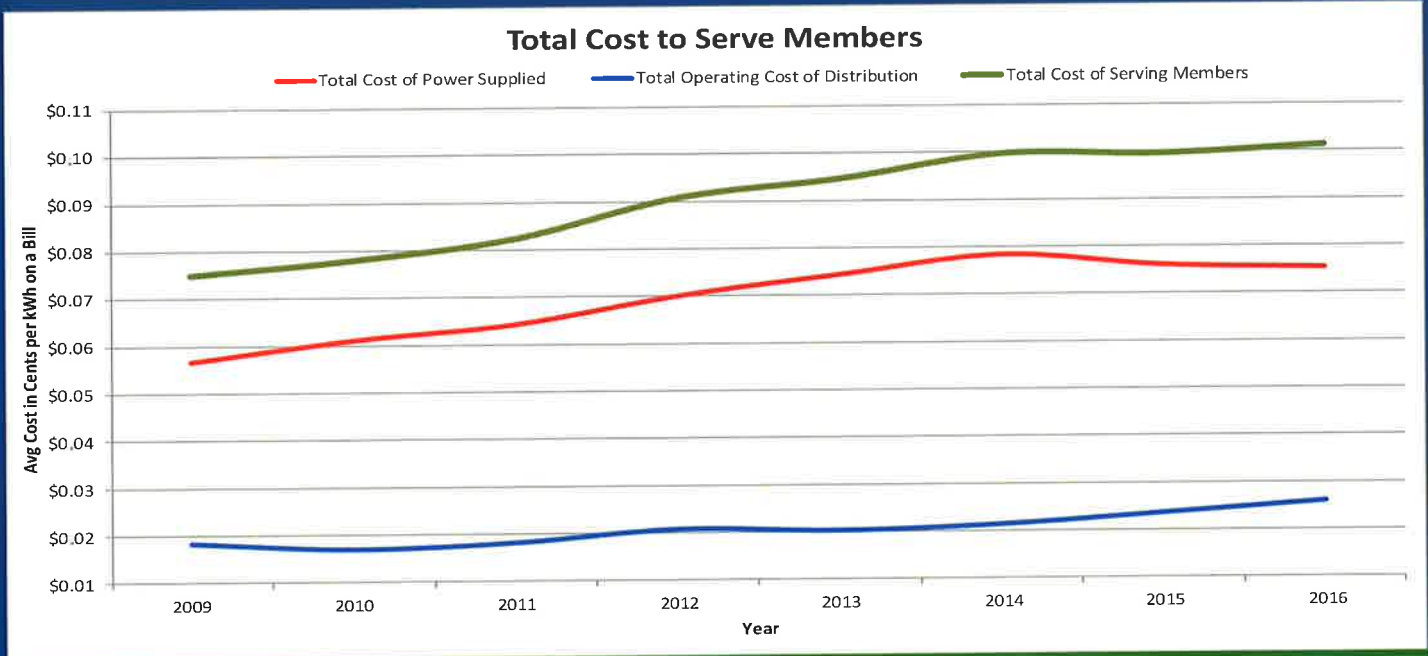


2016 kWh Sales

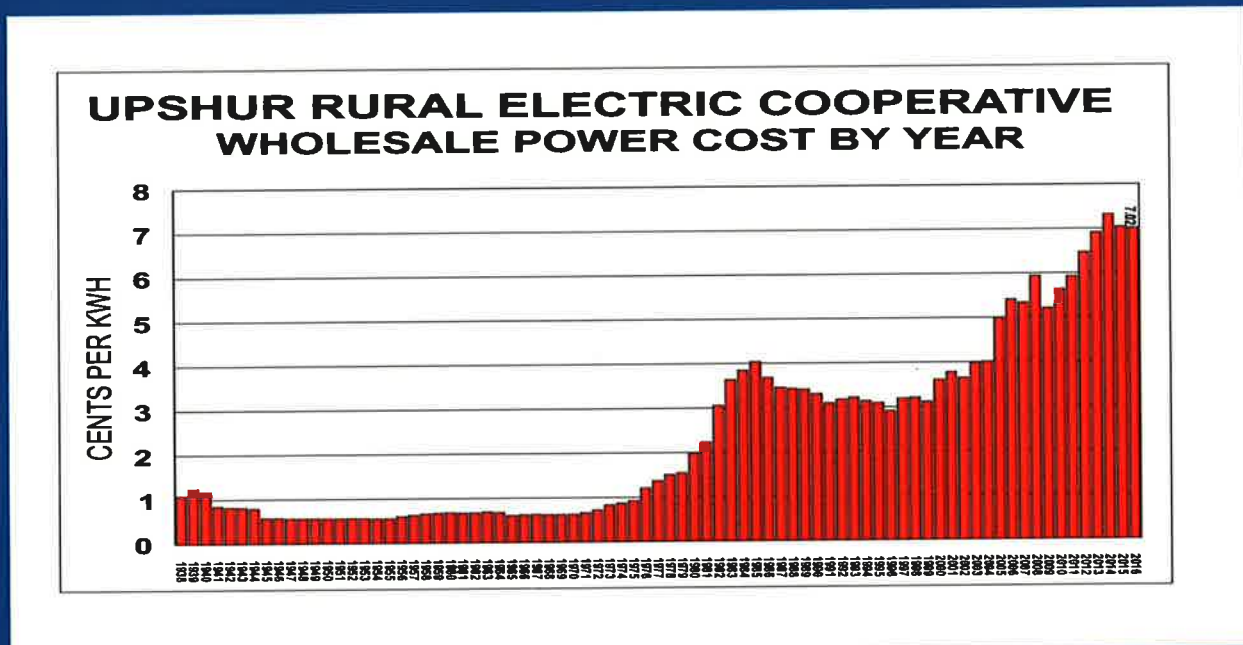


This graph indicates the month-to-month kWh Energy Sales for Upshur Rural Electric spanning the past ten (10) years. As indicated above, the year 2016 proved to be a very mild weather year in terms of temperatures, resulting in lower kWh energy sales throughout the entire year. With the exception of June and September, kWh energy sales fell below historic averages resulting from very uncharacteristic weather patterns throughout the entire state of Texas.

Cost of Power



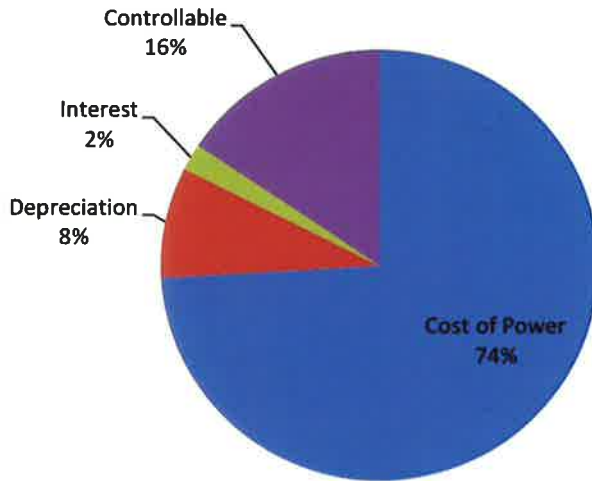
This chart represents the comparison of Power Cost from our suppliers versus the remaining cost to operate the Cooperative on your bill. Power Cost peaked in 2014 due mainly to regulatory compliance and increased regional transmission cost but have remained constant since. While Operating Costs are a much less part of a bill, they have increased at a steady average rate driven significantly by increased depreciation as plant/capital such as new poles, services and substations are replaced or added to the system. Most other Operating Costs have otherwise increased annually at a rate of approximately 3.4% excepting depreciation. These Operating Costs include expense of storm repairs and non-capitalized system maintenance such as refurbishment of some system parts like transformer rebuilds/repairs or yard light repairs.



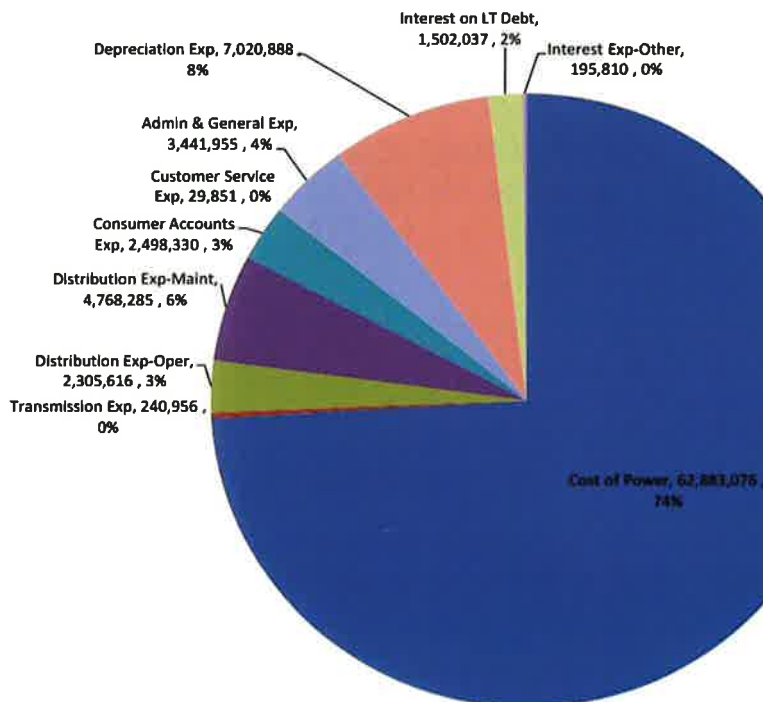
Wholesale power costs typically increase due to new power plants, fuel costs and government regulations.

2016 Expenses

Controllable vs Fixed



Total Cost of Service - 2016



Secretary - Treasurer's Financial Report
December 31, 2016

ASSETS - WHAT WE OWN

NET UTILITY PLANT \$ 140,075,062

CURRENT & ACCRUED ASSETS

Cash in Banks	\$	868,874
Accounts Receivable	\$	9,014,937
Materials & Supplies	\$	2,086,372
Prepayments	\$	182,561
Other Property & Investments	\$	33,753,643
Other Current & Accrued Assets	\$	17,449
Deferred Debits	\$	<u>553,111</u>

TOTAL CURRENT AND ACCRUED ASSETS \$ 46,476,947

TOTAL ASSETS \$ 186,552,009

LIABILITIES - WHAT WE OWE

LONG-TERM OBLIGATION TO RUS	\$	-
LONG-TERM OBLIGATION TO NRUCFC	\$	<u>37,431,004</u>

TOTAL LONG-TERM DEBT \$ 37,431,004

ACCUMULATED PROVISIONS FOR

Post-Retirement Benefits		
Other Than Pensions		<u>\$ 10,435,100</u>

CURRENT LIABILITIES & DEFERRED CREDITS

Notes & Accounts Payable	\$	11,422,294
Consumer Deposits	\$	2,967,696
Other Accrued Liabilities	\$	13,143,999
Deferred Credits	\$	<u>144,227</u>

TOTAL CURRENT LIABILITIES AND DEFERRED CREDITS \$ 27,678,216

TOTAL LIABILITIES \$ 75,544,320

EQUITIES

Patronage Capital	\$	109,266,956
Non-Operating Margins	\$	2,501,633
Other Margins and Equities	\$	<u>(760,900)</u>

TOTAL EQUITIES \$ 111,007,689

TOTAL LIABILITIES AND EQUITIES \$ 186,552,009

**UPSHUR RURAL ELECTRIC COOPERATIVE CORPORATION
BOARD OF DIRECTORS**

Frankie B. King
President

R. Alan Branham
Vice President

Sherry Morgan
Secretary / Treasurer

S. Rex Youngblood
Assistant Secretary / Treasurer

J. Don Beard

Henry Jackson

J.C. "Sonny" McKnight

R. Cody Newman

Charles H. Whiteside

Robert A. Walker, Jr.
General Manager

Nichols & Nichols, P.C.
Attorney

Knuckols, Duvall, Hallum & Company
Certified Public Accountants

Upshur Rural Electric Cooperative Corporation

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