



**United Electric
Cooperative, Inc.**

A Touchstone Energy® Cooperative 



One of 14 electric cooperatives
serving Pennsylvania and New Jersey

United Electric Cooperative, Inc.
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BOARD OF DIRECTORS

Chairman
Stephen A. Marshall, District 5
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Vice Chairman
Timothy D. Burkett, District 6
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Secretary/Treasurer
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DIRECTORS

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David W. Walker, District 4
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President & CEO
Brenda Swartzlander
Consumer Advocate
Paula Pascuzzo, ext. 8501
Richard Heverley, Editor

2016 Annual Report

2016 Chairman's Report



Stephen A. Marshall
Chairman of the
Board

UNITED ELECTRIC Cooperative experienced another good year in 2016. My fellow board members and I are honored to have the opportunity to represent the members' interest on your board of directors as we continue in our mission of

providing safe, reliable, and affordable electricity throughout our service area. On behalf of your board of directors, it is my pleasure to present you with an account of United Electric's accomplishments in 2016.

United Electric continues to maintain a strong financial position allowing us to carry on our commitment to improving system reliability. As you read through this annual report, you will see we have completed a number of system improvement projects across our 4,300-square-mile service area. We are currently maintaining 2,847 miles of line and 20 substations, serving 19,708 service points throughout Clearfield and Jefferson counties and parts of the nine surrounding counties. While our emphasis remains on line construction and line rebuild projects, system improvement also incorporates new technologies that will allow us to monitor and control our system more efficiently, ultimately providing better service to our members. Some of these new technologies include: an improved automatic meter reading system, geographic information system (GIS), electronic staking and mapping, and supervisory control and data acquisition (SCADA), which will allow us to monitor and control some aspects of our system from the office. By continuing to make these investments in the electric system, we are not only improving reliability to meet the current needs of our members, but also ensuring reliability for years to come.

In 2016, we invested more than \$4.7 million in system improvement projects while continuing to maintain our

sound financial position. This has enabled United Electric's board to approve the retirement of capital credits for the eighth consecutive year. We returned \$989,200 in capital credits to our members last year, bringing the total capital credits returned to our members over the past eight years to more than \$7.6 million. Results such as these do not come easily. It takes all of us – members, the board of directors, and our dedicated management and employees – all working together to keep our cooperative strong and moving forward.

United Electric has been, and will remain, focused on providing our members with affordable, reliable and safe electricity while at the same time remaining financially sound for years to come. The dedication of the employees of your cooperative, the thoughtful decisions of the management, the tireless efforts of the best line crews in the country, and our relationship with our generation and transmission provider, Allegheny Electric Cooperative, Inc., all combine to assure us of a strong future. On behalf of myself and the entire board of directors, I would like to take this opportunity to thank all of you for your support of United Electric.

Your board of directors is confident that your electric cooperative is in a sound financial position as we continue our focus on service and quality. We look forward to seeing all of you at the annual meeting on Wednesday, May 17, at the Brady Township Community Center in Luthersburg at 7 p.m. In addition to the business session, there will be refreshments, a free registration gift for each member, a number of door prizes, and a special guest speaker I know you will enjoy.



Stephen A. Marshall
Chairman of the Board



Brenda Swartzlander
President & CEO

Engineering Report 2016

In 2016, the Operations Department continued our system improvement and replacement plan to increase reliability to you, our members. In the past year, we rebuilt over 20 miles of line. This included rebuilding the three-phase line along Route 36 near Markton, the Stevenson Hill line rebuild project near the DuBois Airport, replacing the line along Catholic Church Road near Sigel, and a line rebuild project crossing the Clarion River near Spring Creek to improve service to Portland Mills and Spring Creek Road. We also rebuilt the Susquehanna River crossing near Frenchville, the Hemlock Road line near Sykesville and the Pansey Ringold Road line just north of Ringold. Several smaller jobs focused on replacing deteriorated underground with new overhead line construction. As always, these projects were designed and built to provide more reliable electric service, as well as increase capacity.

The Engineering Department extends a sincere "thank you" to all of the members who were instrumental in these system improvement projects. Your cooperation is essential in making these and future projects of this type a success. Allowing line relocation or changing of poles on your property makes it possible for United Electric to continue to improve service to you and your neighbors.

Currently, the Engineering Department is in the planning stages of a number of projects throughout United Electric's service territory. Three projects

are designed and ready to move to the construction phase, and eight more are in the design stages.

We are in the process of installing a SCADA (supervisory control and data acquisition) system. This will allow United Electric to more accurately monitor the electrical system. This will be very helpful during severe weather events and will also provide accurate engineering data for future projects.

In 2016, the Engineering Department was quite busy, staking 519 work orders for a total of 18 miles of line that were not part of the planned system improvements projects. This work, along with various other member requests, keeps us very busy trying to fulfill the needs of our members.

VEGETATION MANAGEMENT

The demand for reliable electric service has never been higher. With stricter regulatory oversight, cooperatives must employ professional tree contractors to achieve a successful and modern vegetation management program.

In 2016, United Electric maintained 590 miles of line. The main focus of 2016's vegetation management program was pro-active, full- and mid-cycle maintenance.

United Electric uses an integrated vegetation management (IVM) plan, blending a cyclical approach to right-of-way management with hazard tree removal, directional clearance pruning, selective herbicide application and mowing. This allows us to maximize tree-to-conductor clearances, while at the same time removing hazard trees to lessen tree-related outages over the

duration of a circuit's maintenance cycle. A solid IVM program delivers financial, environmental, ecological and operational results that are cost-effective to the cooperative and its membership.

In 2016, United Electric continued aerial patrols, which locate and proactively mitigate potential outage-causing hazards. The Forestry Department and Line Department jointly conducted a helicopter patrol of 285 miles of line this past summer. Forestry was able to identify and correct potential problems on right-of-ways between scheduled maintenance operations. These aerial patrols allowed us to target trees that had broken during prior storms, but not caused immediate problems, as well as others that had fallen victim to insects or disease. United Electric intends to continue the aerial patrol program in 2017.

The success of any program is directly related to the cooperation between our members and United Electric. With your cooperation, we will continue to maintain safer right-of-ways and improve reliability throughout our system. In addition to improving reliability, keeping our right-of-ways clear for maintenance and repair crew access lessens the potential of damage to line equipment, translating to cost-effectiveness through increased productivity and shorter duration of storm-caused outages. It also increases safety for our members, their families, and United Electric's personnel.

WOOD POLE INSPECTION AND TREATMENT

United Electric maintains a systematic wood pole inspection program, thereby allowing us to determine the serviceable life and safety of our poles. The wood pole inspection/treatment process increases serviceability of poles indefinitely, and also pinpoints the location of non-serviceable and "danger" poles that must be replaced.

This procedure begins with a visual inspection of the pole from ground line to top. If warranted, a sonic test is performed on the pole to detect the presence of any decay and voids. Poles with voids are bored and probed for a more accurate determination of the extent of the void. If serviceable, the inspector will inject an internal treatment to stabilize the wood. The inspection also includes excavation to a depth of 6 to 9 inches at the base of the pole to look for signs of decay, green mold, bleaching, etc. If any of these are present, a full excavation to a depth of 18 inches is performed. Decay is scraped away and a preservative and moisture barrier is then applied.

In 2016, 2,678 poles were inspected and treated; 22 poles (0.8 percent) were determined to be unserviceable. From inspection reports, our engineering technicians are able to plot and create the work orders for line crews to replace the defective poles. Service orders are also issued to the line department for repair of damaged hardware.

FINANCIAL HIGHLIGHTS

CONDENSED STATEMENT OF OPERATIONS
For the year ending December 31, 2016

	2016	2015
OPERATING REVENUES	\$ 24,806,609	\$ 25,356,742
OPERATING EXPENSES		
Purchased Power	10,766,681	11,322,965
Other Operations	4,533,086	4,308,924
Maintenance	3,557,159	3,312,402
Depreciation	2,905,651	2,752,235
Taxes	56,587	54,537
Interest on Long-term Debt	2,355,208	2,168,327
Other Interest and Deductions	57,835	98,076
Total Operating Expense	24,232,207	24,017,466
OPERATING MARGINS	574,392	1,339,276
NON-OPERATING MARGINS		
Total Non-Operating Margins	537,893	456,482
NET MARGINS	\$ 1,112,285	\$ 1,795,758

CONDENSED BALANCE SHEET
December 31, 2016

	2016	2015
ASSETS		
Electric Plant (at cost)	\$ 113,116,552	\$ 108,372,023
Construction work in progress	908,063	872,894
Less accumulated depreciation	(31,340,329)	(29,804,043)
Net Plant	82,684,286	79,440,874
Other Assets and Investments	6,411,339	6,811,946
Current Assets	4,707,426	4,421,219
Deferred Charges	2,939,104	3,254,835
Total Assets	96,742,155	93,928,874
EQUITIES AND LIABILITIES		
Memberships	\$ 64,305	\$ 66,805
Patronage Capital	29,858,914	29,703,843
Other Equities	1,511,799	1,439,050
Total Equities	31,435,018	31,209,698
Long-Term Debt	54,875,107	53,899,456
Other Non-Current Liabilities	1,341,840	1,341,902
Current Liabilities	8,741,640	7,081,378
Deferred Credits	348,550	396,440
Total Equities and Liabilities	96,742,155	93,928,874

2016 Audit of United Electric Cooperative conducted by Fiore, Fedeli, Snyder, Carothers LLP Certified Public Accountants

Plan to attend Annual Meeting 2017

OFFICIAL NOTICE of ANNUAL MEETING

WEDNESDAY, MAY 17, 2017, AT 7 P.M.
AT THE BRADY TOWNSHIP COMMUNITY CENTER, LUTHERSBURG, PA

Notice is hereby given of the Annual Meeting of members of United Electric Cooperative, Inc. The meeting will be held at the Brady Township Community Center, Luthersburg, Pa., at 7 p.m. on Wednesday, May 17, 2017. The following matters will be acted upon: Reports of the Directors and Officers; declaration of the Board Director Election in Districts 4 & 5; any and all other business, which may come before the meeting or any

adjournment or adjournments thereof.

An admission card will not be mailed to you. Admission cards will be provided and valid membership status determined at the Annual Meeting registration on Wednesday, May 17, 2017.

United Electric Cooperative, Inc.
Eileen Pisaneschi, Secretary/Treasurer

Treasurer's Report

As treasurer of United Electric Cooperative, it is my privilege to present the 2016 Audited Financial Statements for the cooperative. The year saw continued financial stability in the financial condition of the cooperative. The 2016 margins ended the year at \$1,112,285 as compared with \$1,795,758 for 2015,

and the 2016 TIER ratio for United was 1.47. The margin of \$1,112,285 is 4.5 percent of the year's revenue and will be allocated to each member's capital credit account.

Operating revenues decreased to \$24,806,609 compared to

\$25,356,742 in 2015. Maintenance expenses increased from \$3,312,402 in 2015 to \$3,557,159. Interest expense for the year was 9.7 percent of our operating expenses; during 2015 this amounted to 9 percent. Interest expense on long-term debt in 2016 was \$186,881 more than it was in 2015.

After allocation of this year's margins and estate retirements, the total equity of the members will increase from \$31,209,698 to \$31,435,018. The members' equity ratio for the end of 2016 is 32.49 percent.

During 2016, work proceeded on our construction work plan for system improvements. The cost of construction work completed during 2016 was \$5,556,622 in additions and \$1,048,910 in retirements.

The net increase in plant for 2016 was \$4,744,529. Improve-

ments included sectionalizing lines to decrease outages, upgrading substations, adding and replacing reclosers, replacing old wire and poles, installing Aclara meters, and adding new services. This work plan was put in place to improve the reliability of the electric service.

During 2016, a general capital credit retirement to the members was accomplished utilizing the FIFO (first in, first out) method. The 2016 general retirement marks the eighth consecutive year that United has returned capital credits to the membership. The general capital credits retirement was completed in October in the amount of \$779,282. United continues to settle estate capital credits retirements, which for the year totaled \$209,918. The total amount of capital credits distributions made for 2016 amounted to \$989,200.



