

SIZED FOR SUCCESS

2017 ANNUAL REPORT



GREAT THINGS ARE DONE BY A SERIES OF

SMALL THINGS

BROUGHT TOGETHER.

Small steps often lead to big change, and in 2017 the collective efforts of our members in our communities and our staff made for a year of progress for this energy cooperative.

Throughout the past year, we took on several projects and initiatives geared toward our core pillars: providing energy at-cost for our members, helping members manage their energy consumption and keep monthly bills low, making sure members' power is up and running when they need it and that customers' propane tanks are full, and improving the quality of life for those of all ages within our community. And we're proud to say that these guiding principles led us to some pretty exciting and tangible results in 2017.

It was a year of accomplishment, a year of new beginnings and a year that has perfectly positioned us to continue to innovate for many years to come.

2017 was electric (sorry, we had to) and 2018 is poised to be even brighter. We're glad you'll be there beside us.

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POWERED BY A

PROMISE

TO DO BUSINESS THE RIGHT WAY.

When two smaller community-based energy providers came together in 1998, becoming North Carolina's largest electric cooperative, a big dream called EnergyUnited was born. Today, we're a little bigger and a little wiser than we were back then, but one aspect has never wavered through the years—our dedication to our guiding principles.

Our Core Values, Mission and Vision exist beyond words on a website and serve as a moral code we all reference daily. We are defined by our actions toward others, whether big or small, and this electric cooperative is powered by the collective positive actions of many committed members and employees.

SAFETY

Keep our employees, our members and the communities we operate in safe and sound through ongoing training and a focus on creating a safety-mentality culture.

INTEGRITY

Trust each other, lead with honesty, respect our neighbors and always seek to do the right thing. It's an approach to business—and life, for that matter—that we live by.

COMMITMENT

We deeply care about our members, our employees and our communities, and strive to always do what we say we will. Character is the foundation of all worthwhile success.

EXCELLENCE

Each day, we strive to be the best version of ourselves, and work to maintain the highest standards of excellence in all that we do.

OUR MISSION

EnergyUnited is a member-owned business committed to delivering reliable energy services at competitive prices.

OUR VISION

EnergyUnited strives to be the leading energy services cooperative.

OUR PURPOSE

To improve the quality of life for our members, customers and communities.



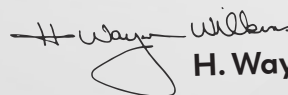
LETTER FROM THE PRESIDENT & CEO

When we look back on the past year, many notable stories come to mind. We reflect with a smile, knowing that we faithfully stayed true to our promise of providing you, our member-owners, with energy services that are safe, affordable and reliable, and also followed through on our goal of upgrading our technology. Through hassle-free resources and up-to-date information alerts, we've been able to increase both the quality and availability of our customer service. All that to say, we've personalized your energy experience.

While 2017 was a year of growth, from launching our **LIVE CHAT** functionality on our website to building out our online EnergyUnited Energy Efficiency Store to introducing Text Outage Alerts, it was also a year of learning. The energy landscape is ever-evolving, and this past year presented an opportunity to continue to position EnergyUnited as a leading electric cooperative, by researching and preparing for a new era of energy. Electric vehicles and alternative fuels are often a topic of conversation, and one we are well versed in. Progress in 2017 has placed us in an opportune situation to roll out more consumer and residential offerings within these categories for years to come.

While the future of energy may take on many forms, providing at-cost electricity and keeping your propane tanks full remained a core commitment in 2017. Along with rolling out digital features that enable you to better manage your energy and interact with our Customer Care team, we were able to introduce a negative wholesale power cost adjustment, which is to say we're giving back to you.

As a member, not a customer, of our not-for-profit energy cooperative, EnergyUnited is just as much yours as it is ours. Your input and feedback have been major contributing factors to our achievement in 2017 and will continue to be for years to come. Thank you for your support of the cooperative, your commitment to our communities and your dedication to being a good neighbor. Energy works better when we're in it together, and now more than ever we are sized to succeed.


H. Wayne Wilkins


Dr. Max Walser



EXECUTIVE STAFF

H. Wayne Wilkins
CHIEF EXECUTIVE OFFICER

John McMurray
CHIEF OPERATIONS OFFICER

Alec Natt
CHIEF FINANCIAL OFFICER

Kathleen Hart
CHIEF INFORMATION OFFICER

Pam Britt
VICE PRESIDENT
HUMAN RESOURCES

Dave Meisinger
VICE PRESIDENT
POWER SUPPLY

Jeff Ruffner
GENERAL MANAGER
ENERGYUNITED PROPANE

BOARD OF DIRECTORS

DISTRICT ONE



Edgar Cartner
Vice President



Jerry Anderson



Ann Eller

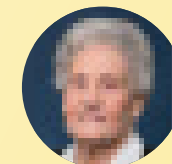
DISTRICT TWO



Dr. Max Walser
President



Mack Shoaf

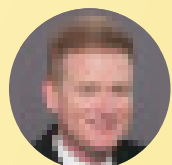


Jeannette Overby
Secretary

DISTRICT THREE



Ronnie Harrison
Treasurer



Brian Sisson



Glenn Smith

OUR SERVICE AREA

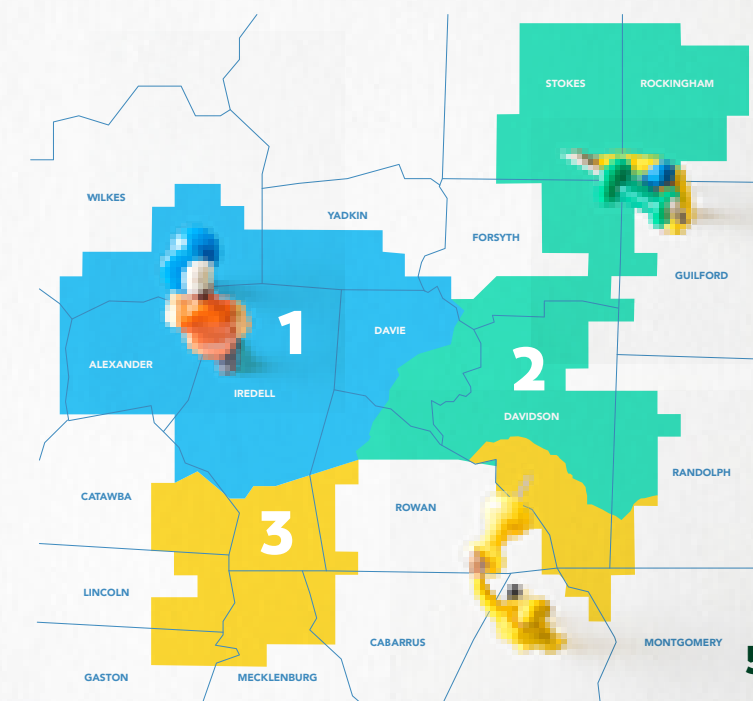
We proudly provide electric service to just over 107,000 electric members, servicing over 130,000 meters throughout 19 beautiful counties in west central North Carolina.

Our growing propane business serves more than 25,000 customers across 63 counties in North Carolina and 11 counties in South Carolina.

1
DISTRICT ONE

2
DISTRICT TWO

3
DISTRICT THREE



MEMBER SATISFACTION

IT'S A BIG DEAL.

EnergyUnited members like you are why we look forward to coming into work each morning, why we work toward enhancing our key areas of focus, and why we strive to make our home in North Carolina a brighter place.

In 2017, we brought power to the people in new ways, while also enhancing several of our existing programs and initiatives. Whether your goal for the year was to save money, go green, or something in between, we sought to make sure every opinion was heard and accounted for. How did that take shape?

KEY AREAS OF FOCUS

1 CORE SERVICES

Power and propane when and where you need it is the name of the game, and 2017 was a year of advancement in each of these areas, furthered by the introduction of **TEXT OUTAGE ALERTS**, a continuation of our **CONSTRUCTION WORK PLAN**, and always being prepared to respond quickly and safely when outages do occur.

2 PROVIDING LOW-COST ENERGY

Offering our members the lowest possible energy costs is a formula we are always working to tweak and optimize. The power that lights up your home does not come directly from EnergyUnited, but from a wholesale supplier. Each year, we work hard to ensure rates are as low as possible and, in turn, transfer those savings to you. With fuel costs low, we have been able to do just that through a negative **WHOLESALE POWER COST ADJUSTMENT (WPCA)**, a fancy term that refers to a reduction in costs per kilowatt hour, resulting in a lower monthly bill for you. And we always like the sound of that.

3 MANAGE AND SAVE ENERGY

In 2017, we further built out our **ONLINE ENERGYUNITED ENERGY EFFICIENCY STORE**, a robust portal for purchasing energy-saving devices. **LIVE CHAT** launched, making it easy to connect with EnergyUnited Customer Care Representatives in real time. Improvements to our **INTERACTIVE VOICE RESPONSE (IVR)** phone system offered a simplified way to access basic account information. And our in-depth **TECHNOLOGY STRATEGY** created the blueprint for keeping your personal information secure.

4 COMMITMENT TO THE COMMUNITY

Your home is our home, a flourishing community made up of quaint downtown streets, beautiful scenery and the friendliest folks we've ever met. Bettering our service areas took on many forms in 2017, including supplying grants through the **ENERGYUNITED FOUNDATION**, a philanthropic organization that helps members give back to fellow members in need, and awarding scholarships to educators through community outreach programs.

EnergyUnited's commitment to helping teachers better serve our students is a true testament to a company that prides itself on customer service.

KIM MATHES
Bright Ideas Recipient

Your manager, Don, has been most helpful and courteous to me. He has gone out of his way to help. I also want to compliment his entire staff. They are truly friendly and helpful too.

NORVIS D.
Propane Customer

Words can't describe the life-changing experience that I had at the NC Youth Tour. It was a profound honor to represent EnergyUnited, and I will be forever thankful for the doors this venture opened for me.

CHETAN SINGALREDDY
2017 Youth Tour Winner

I feel like I matter to EnergyUnited. New services like E-Billing, LIVE CHAT and Text Outage Alerts have helped me save time and money. It's no wonder the reliability rate is 99.98%.

KELLY PARDUE
Member Advisor Committee Member

BY THE NUMBERS

99.98%

RELIABILITY RATING

25,000
PROPANE CUSTOMERS

JUST OVER
107,000

ELECTRIC MEMBERS

CORPORATE PROFILE

CONSOLIDATED BALANCE SHEETS

ASSETS

	2017	2016
UTILITY PLANT		
Electric plant in service	\$583,090,172	\$566,114,308
Property and equipment – subsidiaries	28,478,908	28,104,016
Construction work in progress	8,284,813	7,435,678
Gross utility plant	619,853,893	601,654,002
Less accumulated depreciation	234,373,777	220,151,762
TOTAL UTILITY PLANT	385,480,116	381,502,240
OTHER PROPERTY AND INVESTMENTS		
Restricted property and investments	1,093,353	1,067,876
Investments in associated organizations	17,187,063	16,484,080
Goodwill	2,230,745	2,554,985
Investment in leases	120,033	317,279
Other assets	2,245,919	1,945,674
Notes receivable	3,222,500	3,677,500
TOTAL OTHER PROPERTY & INVESTMENTS	26,099,613	26,047,394
CURRENT ASSETS		
Cash and cash equivalents	5,075,663	15,336,043
Consumer accounts receivable, less allowance for doubtful accounts of \$1,517,135 and \$1,558,052 for 2017 and 2016, respectively	16,117,551	14,007,946
Other accounts receivable	174,531	353,274
Unbilled accounts receivable	15,362,760	14,295,721
Inventories and supplies	5,880,182	5,600,108
Current maturities of notes receivable	455,000	455,000
Current investment in leases	183,334	208,496
Other current assets	1,788,647	4,680,519
TOTAL CURRENT ASSETS	45,037,668	54,937,107
DEFERRED CHARGES	3,874,471	3,957,002
TOTAL ASSETS	\$ 460,491,868	\$466,443,743

EQUITIES AND LIABILITIES

	2017	2016
EQUITIES		
Member shares	\$535,455	\$529,402
Patronage capital	33,104,198	47,857,422
Other equities	157,797,364	140,403,780
Accumulated comprehensive gain/(loss)	(4,748,122)	1,121,070
TOTAL EQUITIES	186,688,895	189,911,674
NON-CURRENT LIABILITIES		
Long-term debt, less current maturities	170,061,800	181,687,644
Accumulated obligation for pensions and benefits, less current amount	10,322,485	10,212,223
Other non-current accrued liabilities	4,491,222	4,048,186
TOTAL NON-CURRENT LIABILITIES	184,875,507	195,948,053
CURRENT LIABILITIES		
Current maturities of long-term debt	14,428,540	14,693,309
Accounts payable	23,086,247	22,281,723
Consumer deposits	3,467,787	3,473,906
Other current liabilities	9,555,787	5,294,539
TOTAL CURRENT LIABILITIES	50,538,361	45,743,477
DEFERRED CREDITS	38,389,105	34,840,539
TOTAL EQUITIES AND LIABILITIES	\$460,491,868	\$466,443,743

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND PATRONAGE CAPITAL

	2017	2016
NON-CURRENT LIABILITIES		
Operating revenue	\$282,621,305	\$291,287,078
Cost of sales	229,773,461	237,108,768
Gross profit on sales	52,847,844	54,178,310
OTHER EXPENSES		
Advertising, marketing and sales	757,299	694,792
Product services and labor	8,914,479	8,623,508
Other G&A expenses	13,064,616	12,443,514
Depreciation and amortization	20,752,810	20,177,394
Interest	8,579,903	8,924,865
Other	46,821	29,171
TOTAL EXPENSES	52,115,928	50,893,244
NET OPERATING MARGINS	731,916	3,285,066
NON-OPERATING MARGINS		
Interest income	3,441,961	3,246,930
Other income	2,194,441	2,562,995
Gain (Loss) on disposal of property	83,901	110,867
TOTAL NON-OPERATING MARGINS	5,720,303	5,920,792
NET MARGINS	\$6,452,219	\$9,205,858

\$3.5
MILLION
IN CAPITAL
CREDITS
DISTRIBUTED
TO MEMBERS

LEADING THE WAY

DAY AFTER DAY

At EnergyUnited, our vision is crystal clear: to be the leading energy services provider for the members we serve. Everything we do, every single day, is focused on bringing that vision to light. And 2017 was no exception.

The progress we made over the past twelve months was derived from our road map for success, which is always changing and adapting to support an efficient future. We use this roadmap to identify areas of business with sizeable growth opportunities, set goals, and plan for the future challenges that will impact our members.

OUR NICHE, OUR HOME

EnergyUnited is the largest not-for-profit electric cooperative in North Carolina, which also happens to be one of our greatest strengths. We serve over 130,000 metering points with reliable electric services at cost. We have a growing number of customers who rely on us for propane. And we support a great number of key commercial and industrial accounts across a variety of industries.

BACKUP GENERATION, JUST IN CASE

Both residential and commercial consumers require near 100% reliability to avoid disruptions. Affordable home and industrial backup generators are a great way for members to bridge the gap between an outage and restoration. EnergyUnited has partnered with generator manufacturers such as Generac to provide affordable residential and commercial solutions for automatic backup generation.

BUILDING EFFICIENCY

Advances in LED lighting, building controls, HVAC upgrades and other technologies have the opportunity to provide real savings to our members. While each building or facility has its own unique energy challenges, our experts have the experience necessary to identify opportunities for energy efficiency and leverage our vendor/partners to deliver impactful solutions.

EMPOWERING THE CO-OP

Our Commercial and Industrial (C&I) accounts are reaping the benefits of our partnership with GridPoint, which leverages a cloud-based technology to collect real-time data on energy usage. Our online Energy Efficiency Store offers a number of energy-saving products that help members save on their monthly energy bills. Our sponsored pilot programs are helping us better understand member interactions with energy-saving devices. And in 2018, we're excited to introduce a brand-new customer engagement system that will empower you to conserve energy at home.

AFV: OUR NEW FAVORITE ACRONYM

Many new car buyers are evaluating the possibility of alternative fueled vehicles (AFVs) for their primary mode of transportation. To show our support for this advancing technology, we offer rebates specifically for members to help offset the cost of a charging station installation. EnergyUnited will continue to provide information about this emerging technology and work to further equip our service area with the necessary infrastructure.



BRINGING POWER TO THE PEOPLE IN TREMENDOUS WAYS.

Keeping the lights on and delivering power and propane to our members' homes, businesses and schools safely is at the heart of all we do. Times change, technology improves, and the means for ensuring you have power when and where you need it have evolved over the years, and 2017 represented a year of monumental growth for keeping true to our core services.

2017 marked the second of a three-year Field Asset Inventory project throughout our service areas—an effort to inventory facilities and equipment in order to light the way for a safer, more reliable and much-improved electric system. Great strides were made toward maintaining an accurate record of all poles, underground facilities, pad mount transformers and meters, keeping us well on track for completion in 2018.

But that was just the beginning of a year of sizable achievement tied to our core services.

TEXT OUTAGE ALERTS

Introduced in 2017, these automated mobile alerts provide members with key details in the event of a power outage, including:

- If an outage has affected your area
- Estimated restoration times and status updates
- Outage causes
- Restoration notifications

CONSTRUCTION WORK PLAN

Last year, we broke ground on our 2017-2020 Construction Work Plan, a campaign calling for 190 miles of new underground construction, 35 miles of new overhead construction, six new substations and improvements to 53 existing stations. And this path to progress is off to a great start.

\$4.4 MILLION
INVESTED IN DISTRIBUTION LINE
IMPROVEMENTS TO ENHANCE
CAPACITY AND RELIABILITY

SAFE AND SOUND—FROM THE LINES TO THE GROUND

As part of our ongoing commitment to safety, we developed **EnergyUnited.e-SmartOnline.net/FirstResponder** in 2017 to help train first responders like firefighters, law enforcement officers and emergency medical technicians in the communities we serve. The webpage included scholarly research, educational tools, electric and propane safety tips, and more.

SAVE ENERGY.

SMILE BRIGHTLY.

EnergyUnited is committed to providing our members with the highest levels of satisfaction, which is why we are continually looking for opportunities to help our members manage and save energy. In 2017, we built upon and introduced several initiatives designed to provide more options for energy management.

Our online EnergyUnited Energy Efficiency Store continued to provide low-cost energy savings products, such as LED light bulbs, smart thermostats, energy-efficient shower heads and more.

- We continued to reward member-owners with rebates on residential products, including heat pumps, propane tankless water heaters and high-efficiency lighting.
- We increased the number of member-owners enrolled in our net-metering program to 111, with more coming online and pending.
- Power became even more personalized, with enhanced text and email notifications for payment alerts and e-billing statements.

Manage. Save. Repeat.

LOOKING AHEAD

EnergyUnited wants to be your **EnergyAdvisor**. In 2018, we're launching some new tools & resources that we'll be calling **EnergyAdvisor**. This engagement system will empower you to conserve energy at home. With a personalized dashboard, you'll be able to zero in on your home energy costs before the bill hits your inbox.

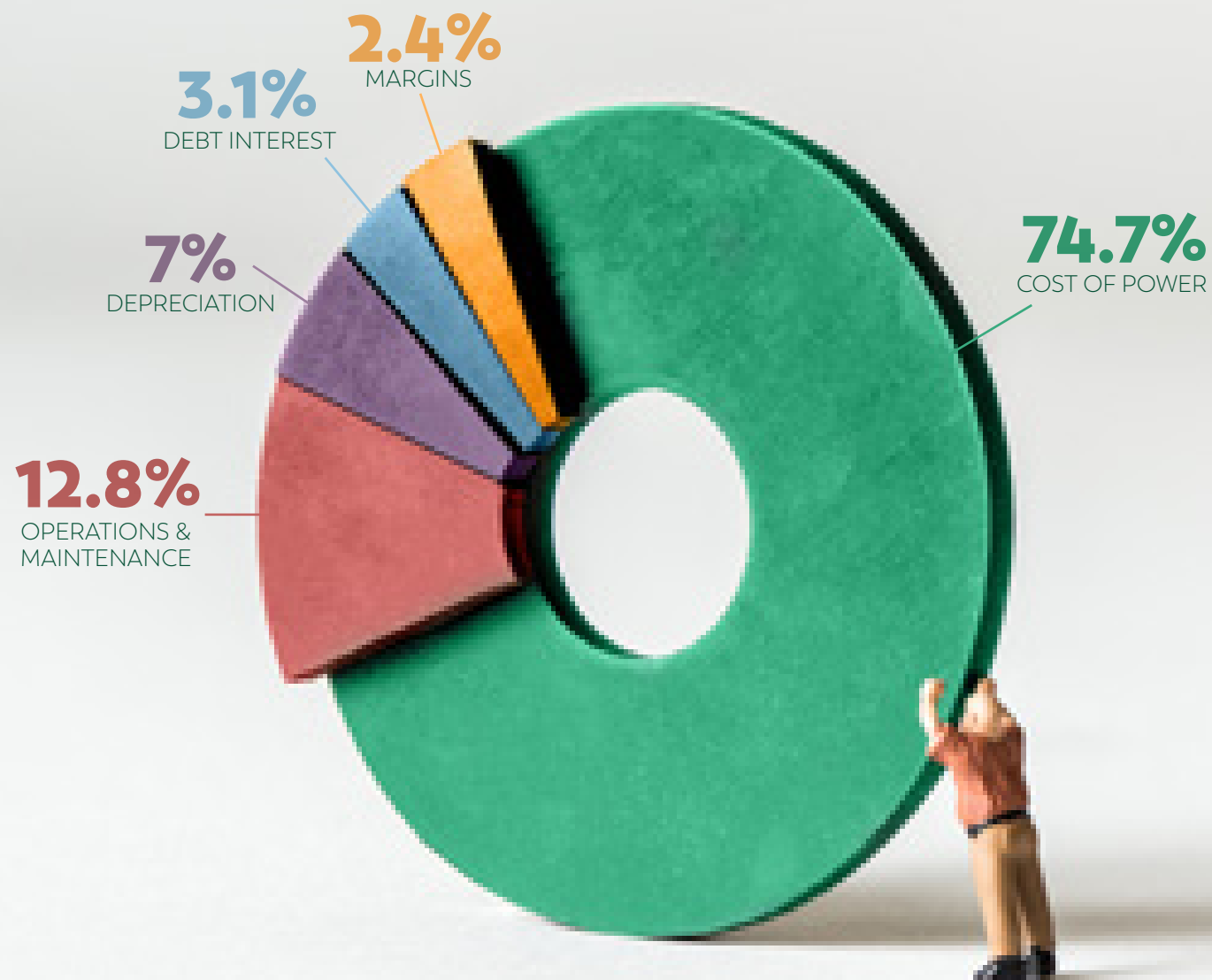
Knowledge is power, after all, and the combination of EnergyAdvisor and a revamped website will provide you more energy insight than ever before.



LIGHTS ON. ENERGY COSTS LOW.

EVERY DOLLAR TRAVELS FAR.

In order to provide our members with safe, reliable electric service at the lowest cost possible, we must carefully monitor how each dollar is spent. When broken down, nearly $\frac{3}{4}$ of our expense goes directly toward the cost of power. The result? A happy cooperative made up of members receiving the best possible value on energy.



A HUGE

POSITIVE IMPACT ON OUR COMMUNITY.

EnergyUnited has been wired to support our communities from the very beginning—it's the cooperative way and a calling we invest much time and effort in. This is our home, too, and we want to make our local communities a vibrant place to work, play and live for years to come. Community involvement takes on many different forms, from scholarship programs for our youth to partnerships with the first responders that keep our members safe on a daily basis. In 2017, we continued down the path toward making our 19-county service area bigger and better, with a variety of initiatives and outreach programs focused around improving the quality of life for our members.

THE ENERGYUNITED FOUNDATION gifted nearly \$300,000 in grants.

Thanks to the **OPERATION ROUND-UP PROGRAM**, 70,000 of our members helped other members in need by rounding up their monthly bill to the nearest dollar. These life changing moments wouldn't be possible without the generosity of our members and nonprofits.

Through our **BRIGHT IDEAS PROGRAM**, we awarded 40 teachers with education grants totaling over \$40,000 to fund innovative classroom projects.

We sent two well-deserving high school students to Washington, D.C. for the **ELECTRIC COOPERATIVE YOUTH TOUR**, joining 1,500 other students to learn about electric cooperatives, American history and the United States government.

Our partnership with **TOUCHSTONE ENERGY SPORTS CAMP SCHOLARSHIPS** sent **TWO RISING STARS** to attend basketball camp at N.C. State University and UNC Chapel Hill.

We work to keep our community thriving by recruiting businesses to the area and offering **ZERO-INTEREST LOANS FROM THE USDA** to aid in infrastructure development projects.

2017 was a year of support, achievement and monumental growth. We're ready to keep the trend going in 2018.



LIGHTING THE WAY FOR LARGE-SCALE PROGRESS.

