

Our Member Focus

UPPER MISSOURI
POWER COOPERATIVE A Touchstone Energy® Cooperative 

2017 ANNUAL REPORT

About Us

Upper Missouri Power Cooperative (Upper Missouri) was organized in 1957 to serve transmission needs of rural electric cooperatives in eastern Montana and western North Dakota. Today, Upper Missouri provides service to eleven distribution cooperatives, six in eastern Montana and five in western North Dakota. The eleven Member Systems serve nearly 75,847 meters to farms, ranches, homes and businesses in thirty-seven counties, representing 54,762 square miles.

Upper Missouri sources power from two major power suppliers, Western Area Power Administration (WAPA) and Basin Electric Power Cooperative (Basin). The majority and increasing percentage of power supply is sourced from Basin; in 2017, 96%.

Upper Missouri has 180 delivery points, serves as the Southwest Power Pool (SPP) meter agent and is a transmission owner in Midcontinent Independent System Operator (MISO).

Upper Missouri continues to have stellar sales growth due to the oil/gas development in the Bakken Oil Play. Upper Missouri is now a 1,238 MW system; sales growth in 2017 was 8.11% over 2016. Upper Missouri is projecting another 200 MW of growth over the next two years.



Board of Trustees



President Travis Thompson
McKenzie Electric Cooperative

Travis was born and raised near Charlson, ND. He attended Watford City High School and was a business major at Dickinson State University. Travis and his wife Lisa live near Keene, ND and have two grown children. The Thompsons operate a farm & ranch and own an oilfield business. Lisa owns Keen Kuts, a styling salon in Keene.

The Thompsons believe in community involvement. Travis served on the church board for 6 years, the weigh association board for 3 years, the telephone cooperative board for 2 years and the McKenzie Electric Cooperative board for 20 years. Travis has served on the Upper Missouri board for 11 years, the last two as president.

Travis is committed to bringing reliable and low-cost power to the community. Travis relates concerns regarding our ability to keep competitive in light of technology developments, regulatory pressure and the market environment.

Travis is quick to point out the opportunities that the booming oil & gas industry have presented to the electric cooperative network. To that end, he is committed to provide involved leadership to influence power supply and transmission decisions for the benefit of the member-owner-consumer.



Vice President Allen Thiessen
Lower Yellowstone Rural Electric Cooperative

Allen Thiessen was born in Sidney and raised on a farm south of Lambert. He graduated from Lambert High School, attended Montana State for two years, and worked in Manhattan, MT for a year before returning

to Lambert to start his own business. He and his wife Sue have two children, Anthony Thiessen and Angela Olson, and six grandchildren, all of which reside in Sidney.

Al's civic involvements include: past president of the Lambert Sewer and Water Association, former member of the Lambert Volunteer Fire Department, founding board member of the Lambert Lion's Den (teen center), and former board member of the Foundation for Community Care in Sidney.

Al is serving his 31st year as a Lower Yellowstone REC board member and is currently serving as president. He spent ten years on the board and served six years as president of the Montana Electric Cooperatives' Association in Great Falls. He also served on the board of the Midwest Electric Consumer's Association in Denver for eleven years. For the past 17 years, Al has represented LYREC on the board of Upper Missouri Power Cooperative in Sidney. In 2012, he was elected to the board of Basin Electric Power Cooperative in Bismarck, representing the eleven cooperatives in Upper Missouri Power Cooperative. He currently represents Basin Electric on the boards of the Dakota Gas Company and has represented Basin Electric on the board of the North Dakota Association of Rural Electric Cooperatives for the past two years.

Regarding board service, the biggest reward is being a part of helping provide the member at the end of the line with low cost dependable power. This is critical in the world we live in. Another reward is participating in projects that start as an idea from our group and seeing them come to fruition. When you get a lot of minds working in the same direction without selfish motives, great things happen. Last, but certainly not least, is the relationships my wife Sue and I have built with other board members, managers, and their families nationwide. As diverse as our group is, we still have a common goal and have established great friendships in the process.

The bottom line is that I really enjoy participating in the whole program.

America is undergoing many major changes, technologically, politically, and in business structure. We absolutely cannot afford to be complacent. If we don't stay on top or ahead of the changes, it will be our demise. However, while these changes are challenges, they are also the providers of great opportunities. If we as the co-op leaders will utilize the same principles and ideas that got us to where we are today to prepare for the future, we and our members will enjoy a bright future together.



Secretary Blaine Jorgenson
Mountrail-Williams Electric Cooperative

Blaine was raised on a farm northwest of Williston, ND. Blaine attended grade school at Round Prairie and Pioneer rural school and attended Williston High School. After graduation, he attended NDSU where he received his Bachelor of Science degree in Agricultural & Bio Systems Engineering. He began farming on his own while a junior in college.

Blaine and his wife Jennifer have three children, Logan who will graduate from Concordia in May, Megan a senior at Williston High School and Tucker who is a freshman at Williston High School. Blaine and Jennifer are very involved with the community youth. Blaine has served on the West Prairie Church board as well as the Upper Missouri Ministries Bible Camp. He is on the Mont Township board and has served on the Mountrail-Williams Electric Cooperative board for 12 years. Blaine has served on the Upper Missouri board for two years, the last year as secretary.

Locally, Blaine sees the challenge to develop infrastructure for load and community growth. On a broader scale, he sees distributed generation

Board of Trustees

development and slow electric growth as immense challenges for the industry. The technology and changes in the system to accommodate distributed generation will have a great impact on the cooperative's operation and planning. He notes that "iron" is expensive and there is need for long-term commitment to finance infrastructure effectively.

As for advice for his colleagues and for himself, it is extremely important that board trustees ask questions and have an opinion. "Going along" with other's opinions to "get along" does not represent strategic and sustainable leadership nor does it lead to strong organizational enterprises.



Treasurer Bill Retterath
Roughrider Electric Cooperative

Bill was raised near Stanton ND, attending a rural grade school and Stanton High School. Following high school, Bill served in the military for 3 years, one year in Vietnam. There he was a

helicopter gunship crew chief. He attended Bismarck Junior College for a year and then worked for ten years at the power plants in the region, including Minnkota Power Cooperative and Great River Energy's Coal Creek Station.

He started farming & ranching full-time in 1980. The farm/ranch is located on the Missouri breaks and produces corn, beans and wheat in addition to the livestock operation. Bill and Carol have been married for 45 years, have 6 children and 15 grandchildren. Carol is a tax consultant for Farm Credit Services, Mandan.

Bill has served on his local electric cooperative since 1984 and on the Upper Missouri board since 2012. Bill has served on numerous community boards including his church board, the school board, the Cenex board and served on the North Dakota Association of Rural Electric Cooperative board.

Challenges in our industry from Bill's perspective include the regulatory and competitive pressure on coal facilities and the sheer ability to keep up to date in the rapidly changing business and political climate.

Bill's advice to his colleagues is to study issues and keep informed of industry trends.



David Sigloh
Burke-Divide Electric Cooperative

David was born and raised on the family farm southwest of Kenmare, ND. He graduated from Kenmare High School and continued his education at NDSU. David graduated from NDSU with

a Bachelor of Science degree in Agronomy with a minor in Animal Science.

David served in the ND National Guard, ultimately serving as Platoon Leader in Company B 164 out of Williston ND.

David is married to Penny, together they had four children and have four grandchildren.

He began farming while in high school and now assists Penny with her businesses in Kenmare; the Kenmare One Stop, a retail clothing and custom embroidery business and the Kenmare Burger Shop.

David has been a Burke-Divide Electric Cooperative trustee since 1989, he currently serves as chairman of the board. David has served as a trustee on the Upper Missouri board for 20 years serving several terms as secretary and president.

David currently serves as the chairman of the Basin Resolutions committee and is a member of the Midwest Electric Consumers resolution committee. David serves as a director on the North Dakota Association of Rural Electric Cooperatives, representing Upper Missouri. David also serves as

the director and chairman for the Rural Development Finance Corporation and is a director for Dakotas American, a national community development organization.

Closer to home, David serves as the chairman of the Spencer Township board of supervisors, is Vice President of the Kenmare Vet's Club and a member of the honor guard. David is a volunteer EMT with the Kenmare Ambulance Service, is the past president of the Nazareth Lutheran Church Council-Kenmare and is a past member of the North Dakota Farmers Union Policy and Action Committee.

David enjoys the opportunity to get involved, and work with other people, and to learn from other people through their experiences as well. While we face the challenges of keeping up with (getting behind) the rapid pace of change in the electric industry, David sees the opportunities presented by technology. Technology that is creating many new ways to produce, distribute and consume energy in our world. One of the most interesting is electric energy storage.

David's advice to others as well as himself, stay busy and be involved.



Dale Schweigert
Goldenwest Electric Cooperative

Dale Schweigert was born and raised near Baker, Montana. After high school he attended college at Montana State University-Bozeman and Dawson Community College-Glendive. He

farmed with his wife Brenda for many years. Dale retired from farming/ranching and has worked full time for Stevenson Funeral Home for the past seven years.

Dale and his wife, Brenda, have two children. Their daughter lives in Dickinson, ND where she teaches

Board of Trustees

school and their son lives in Gillette, WY.

Dale has served as a board member on the Goldenwest Electric Cooperative board for 15 years and has served as a trustee on the Upper Missouri board since April 2017. Dale has served on a number of other boards and committees including the elevator board, the Baker School board, the Farm Service Agency committee and the Fallon County Planning Commission.

Dale enjoys target shooting and is a member of the Big Hill Shooting Club where they do black powder cartridge shooting.

Dale sees challenges in adapting to the rapid development of new energy sources from battery storage to distributed generation. He is committed to serving Rural America's electric energy needs by accepting new approaches and new technologies.

Dale's advice is: work hard to find ways to affordably serve the member owner at the end of the line.



Jim DeCock

Mid-Yellowstone Electric Cooperative

Jim DeCock was born in Miles City, Montana. Jim was raised on the family farm/ranch near Hysham, Montana. Jim attended Hysham High School, and attended Montana State University

majoring in agriculture production, minoring in range management. Jim served in the ROTC program for two years.

Following the unexpected death of his father, Jim came home to farm in 1970. Jim farmed and ranched, raising sugar beets, malt barley and silage corn. Jim and his brother also feed cattle, utilizing the feed they produced on their irrigated farm. Jim and his wife, Richelle, still live on the farm. They have two children and, together, ten grandchildren.

In Jim's free time, he enjoys reading about the U.S. Calvary and collects artifacts relating to the U.S. Calvary.

Jim was elected to the Mid-Yellowstone Electric Cooperative board in 1977 and has served continuously since; serving as the Secretary-Treasurer for the last 30 years. Jim was elected to the troubled Southern Montana G&T board; serving as an architect to mitigate its demise. Jim also served on the Montana Electric Cooperative Association board for several years.

Jim shares concern about the vulnerability of the electric grid from foreign enemies, citing the need to be cyber aware and prepared. Jim is adamant that our family keep vigilant in protecting our allocation of affordable public power.

Jim's advice to his colleagues and member owners is that we read, study and understand our industry and challenges. Further, Jim advocates asking questions and challenging the "status quo."



Wayne Deubner

Sheridan Electric Cooperative

Wayne was raised on a farm near Homestead, Montana. He attended Medicine Lake High School and later attended the Billings Business College, majoring in accounting and also taking a year

of computer programming.

Wayne and Carolyn were married in 1970. Carolyn taught school and he worked at the CHS fertilizer plant and later was a bulk truck driver for Farmers Union in Billings. They began grain farming north of Brockton, Montana in 1971, and did custom harvesting for farmers in the area.

Wayne and Carolyn have two children and six grandchildren.

Wayne and Carolyn are members of Faith Free Lutheran, a small country church near their home. Wayne has served as chairman of the church council for many years. Wayne has served on the Sheridan Electric board for 14 years and on the Upper Missouri board for over 5 years.

Wayne served on the Froid Farmers Union Oil board until it sold out to Agland Cooperatives of Wolfpoint. He continued to serve on the Agland board until retiring from farming. In total, he served on those boards 42 years and also served as a director and chairman of the board of Ag Partners LLC, a partnership between the Farmers Elevator of Circle, MT and Agland Cooperatives.

Wayne sees challenges in our ability to keep competitive with other fuels, other technologies without shifting costs to our legacy members.

Wayne's advice is to be ever conscience and keep in mind who we serve.



Anthony Larson

Slope Electric Cooperative

Anthony was born in Hettinger, ND and grew up on the family ranch northeast of Lemmon, SD. Other than college and 1½ years in Sisseton, SD he has lived within 40 miles of the ranch.

He graduated from Lemmon High School in 1991 and received a B.S. in Agricultural Economics from North Dakota State University in 1995. He also completed the Colorado Graduate School of Banking.

Anthony and Jodi have been married for 21 years and have a daughter, Madelyn, age 15 and son, Blake, age 11. Both attend Hettinger Public School.

He is the 4th generation to own and operate the family cattle ranch that was homesteaded in 1910.

Board of Trustees

His parents live on the home place and his dad works with him on the ranch. Anthony is employed with West River Health Services as the Ambulatory Care Officer providing administrative oversight to 8 clinics, and facility departments including: visiting nurse, laboratory, radiology, therapies, pharmacy, community health, and environmental services.

Anthony has served on the Slope Electric board for nearly 8 years and for two years on the Upper Missouri Board. He is also a member of the Dakotas America Advisory Board. Previous Leadership positions include: Rural Development Finance Corporation board, West Dakota Utility Services board, District 39 ND Republican Chairman, For the Beauty of Hettinger board, Adams County Development Corporation board, Hettinger Chamber of Commerce board, NDSU Alumni Association board, West River Health Services board.

Anthony's motivation and desire in life has always been to serve others. He is most appreciative of the opportunities that have been afforded through rural electrics to utilize his skills and experiences in service to others. "We are in a period of significant change and challenge within the electric utility business. This period of time will be identified historically in one of two ways. As a time when we pulled together in the cooperative family to support one another with the collective interest ahead of our own or as a time when self-interest prevailed and our cooperative model was challenged. My commitment is to keep our cooperatives strong and thriving with the cooperative principles at the center of every board decision and action."

Anthony's Advice: Have faith and trust in God.



Patti Murphy
McCone Electric Cooperative

Patti was born in Billings, MT and raised on a cattle ranch near Lavina, MT. She graduated from Lavina High School and continued her education at Carroll College in Helena, MT. Since college,

Patti continued to seek education opportunities, particularly as it relates to her service as an electric cooperative director. Patti has earned her NRECA director certification.

Patti and Kim have been married for 40 years and have three married children and seven grandchildren. They own and operate a ranch northwest of Circle, MT.

She served on the McCone Electric Cooperative board for 24 years, served on the Central Montana Electric Cooperative board for 17 years and has now served on the Upper Missouri board for 1 year. Patti also represents Montana and Upper Missouri Power Cooperative as a director on the Mid-West Electric Consumers Association board. Patti has found her service as an electric cooperative director very rewarding; knowing that her cooperative provides excellent member service and reliable power delivery with dedicated employees. "McCone may not have the cheapest rates, but our service and reliability is outstanding."

Given the economic pressures and sparse service area, Patti is concerned that electric rates will become a hardship for member-owners. Over the years, opportunity has come and gone. She encourages us to be ever alert, looking ahead to position ourselves financially and strategically to capture opportunities to serve our members effectively...being ahead of the herd!



Albert Paul
Southeast Electric Cooperative

Albert was raised on a diversified corn/bean and livestock farm near Swea City, Iowa. Following Graduation from North Kossuth High School, Albert attended South Dakota State University in

Brookings, South Dakota. He earned a Bachelor of Science degree in Animal Science from SDSU.

Following graduation from SDSU, he managed a purebred Angus operation in Western Nebraska. In 2005, Albert and Lynn moved to Ismay, Montana to take over Lynn's family ranching operation.

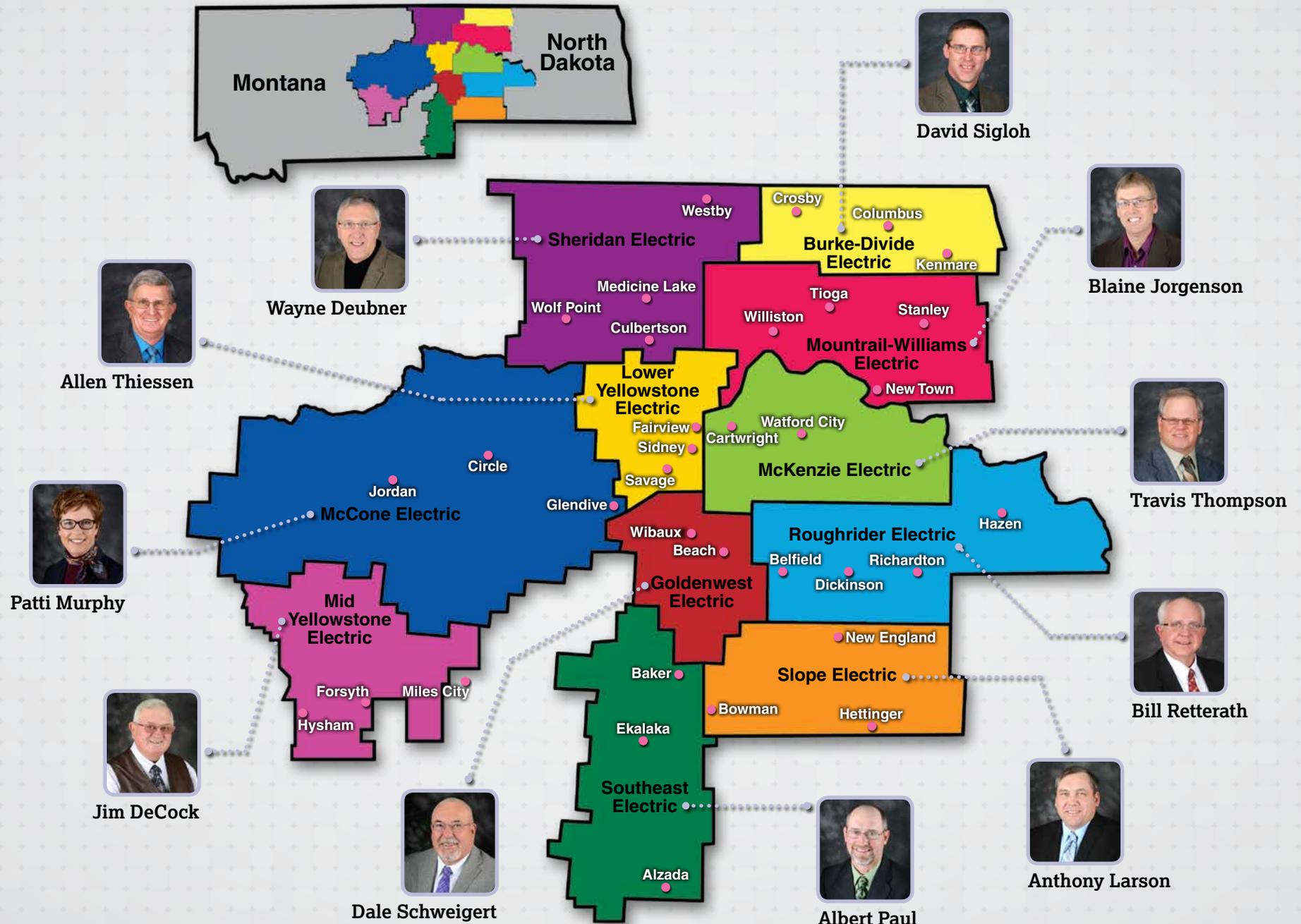
Albert and Lynn have four children, all who attend Plevna Public School. Lynn works as a pharmacist at the Miles City WalMart. Albert has served on their local church board and is a brand inspector.

Albert has been on the Southeast Electric Cooperative board since 2012 and served as a trustee on the Upper Missouri board since 2014.

Albert is keenly concerned about challenges the electric industry faces with respect to regulatory pressures, distributed energy and storage technology and competitive pressures from other energy sources.

His advice to his colleagues is to press forward, be financially nimble and positioned to adapt to the changing world.

UMPC Distribution Map



President's Report



Travis Thompson

Upper Missouri is privileged to have had several years of extraordinary growth due to the rapid development of oil/gas in the Bakken. With rapid growth, acute attention to resource management is paramount. Our Member Systems have been cautious not to get ahead of growth, yet have facilities in place to meet the burgeoning growth. Our member-owners have invested billions of dollars in the area over the last decade. With our member-owners support and resources, we've invested a few billion in generation, transmission and distribution systems. Looking back, I am very proud of how our Member Systems have so successfully managed the unprecedented growth; ***"Our Member Focus."***

While it is important to keep vigilant at our own distribution cooperatives and our intermediary cooperative, Upper Missouri; we are intensely aware that over 97% of our cost relates to wholesale power purchases. We are pleased that the WAPA power supply costs have decreased due to the retirement of drought debt adders. We are optimistic that following 2016's rate increase from Basin Electric, that rates are projected to be level the next ten years. Given the competitive pressures and low natural gas prices, we remain concerned about our ability to compete and are therefore very attentive to initiatives that can reduce wholesale power costs. We support re-engineering and aggressive posturing to keep our business model relevant and competitive.

We remind ourselves every month that we need to look at ourselves first, what can we do to be better stewards of our member-owner's resources? And what can we do to eliminate costs or reimagine our business model to be of more value to our member-owners?

We, like our Member Systems, feel the effect of regulatory and legislative action. In 2017 Montana Legislature passed legislation that gives electric utilities in our region the right of first refusal in the

construction of transmission assets in a Regional Transmission Organization area. We supported this legislation and appreciate the work of our Legislative team, preserving local control. Another piece of legislation created an Invasive Species fee to fund initiatives to fight the zebra mussel threat. Member Systems in Montana that get more than 50% of their power supply from WAPA were assessed the fee.

We keep a watchful eye on legislation and regulation and serve as an advocate for our Member Systems. Fellow trustees and management are engaged at numerous events at our State Capitols and at the Federal level in Washington D.C. While we live in some of the most rural area of the nation, it is imperative that our voice is heard.

In summary, I am pleased with the unity we feel as Upper Missouri. From the smallest to the largest cooperative, we are committed to ***"Our Member Focus."*** Our board, staff and Member System managers & staff believe that working together to optimize resources demonstrates that we want the best value for our member-owners.

General Manager's Report



Claire Vigesaa

“Our Member Focus” is our theme for this year’s annual meeting and report. Remembering our Member has been top of mind for me as we work through issues and challenges facing our industry. Following our substantial wholesale power increases in 2016, we witnessed the devastating range fires and dismal crop yields due to the extremely dry summer. Albeit, I am not as close to the end consumer sitting in my office chair, I have a fresh memory of working directly with member-owners earlier in my career. I haven’t forgotten that every nickel of my compensation comes from member-consumer-owners who rely on us to provide affordable and reliable electric energy.

With that in mind, I have a renewed pledge to remember that my focus needs to be on the member-consumers that own the organization and service excellence; not focusing on my role in the organization! To that end, what’s best for the member-consumer is what drives our decision-making process.

To improve meter and load data acquisition efficiency, Upper Missouri assumed responsibility for delivery point meters outside WAPA owned facilities on January 1, 2017. Upper Missouri developed a metering program with standards of excellence that meet or exceed SPP’s standards. It behooved us to manage this important component of our business; measuring energy that results in revenue billing that exceeds \$500 million annually. The metering program integrity is important for load monitoring data as well. The Upper Missouri program’s performance has enabled it to capture over \$1.2 million in load monitoring incentive payments over the last 22 months!

With this change, Upper Missouri worked closely with Basin Electric Power Revenue Analysts to update our power billing methodology and moved monthly meter reading responsibility from WAPA to Basin. These changes streamline the billing process and eliminated steps that slowed the billing process.

Upper Missouri engaged EideBailly Technology Consultants in early 2017 to solicit proposals for new billing software. The current billing software had become obsolete, a result of numerous business strategy and rate changes, rendering it ineffective and cumbersome. OmniByte was selected as the developer; developing a web-based product that minimizes manual entries and ties in with QuickBooks, and our MV90 software.

Upper Missouri purchased the Snake Butte Bay from its Member System, Sheridan Electric Cooperative. The acquisition brought all the assets within the Grenora Switchyard under Upper Missouri ownership; simplifying NERC Compliance administration and ultimately saving expense to the member-consumer.

Upper Missouri assets are intertwined with two Regional Transmission Organization. Upper Missouri’s 60kV AND 115kV assets receive cost recovery from SPP through a lease with Basin Electric. These leases were updated in December. Upper Missouri is a transmission owner/participant in MISO for its 41.6 kV Assets. Participation in the leases and as a MISO transmission owner bring revenue streams back to Member Systems.

While Upper Missouri doesn’t own or control extensive transmission infrastructure, it does manage vital metering services and load data information. These services along with coordinated NERC compliance efforts and cooperative advocacy keep our team engaged and focused on bringing value to the member-consumer; **“Our Member Focus.”**

In summary, I am very proud of our team; the Board of Trustees, our staff and Member System Managers/staff who have pulled together to make 2017 another very successful year.

Chief Operator Officer's Report



Jeremy Mahowald

METERING

Much of Upper Missouri's focus in 2017 was the integration of 82 new meters that were acquired from WAPA. Having operational and planning control on all the Upper Missouri delivery point meters outside WAPA facilities brings new efficiencies and opportunities for Upper Missouri and its Member Systems. The acquisition spurred the development of the "Delivery Condition Document," a document that outlines specific high-standards of excellence for Upper Missouri's metering program. The integration of the meters enables Upper Missouri to have standardized metering equipment, time synchronized meters, provides expanded data availability to Member Systems and enables Upper Missouri to move to IP communications to each delivery point. The IP communications can handle both the load monitoring and the billing data, lowering costs at each delivery by eliminating the dial tone. IP also provides faster and more reliable data acquisition and enables Basin Electric to read multiple meters coincidentally.

In addition to the meter acquisition, Upper Missouri added new meters that enable the cooperative to capture load data at delivery points that serve more than one Member System; we call them "split meters." Upper Missouri's attention to reporting and engineering excellence exposed several meter programming errors that were inherited in the meter acquisition process. While not pleasant to find metering errors, we are confident that errors were appropriately discovered and that process developed by Upper Missouri will limit potential for future errors.

NERC COMPLIANCE

Upper Missouri led a collaborative effort with its Member Systems to develop its NERC compliance program as well as Member System's individual NERC compliance programs. The Member System working group met to develop common procedures and plans;

ultimately completing plans in advance of the April 1, 2017 deadline. Upper Missouri and its Member Systems involved completed their MRO Registration on April 1, 2017.

Upper Missouri and its Member Systems have a Coordinated Functional Registration (CFR) with Basin Electric. The CFR matrix outlines the individual Bulk Electric System elements, describes NERC compliance requirements and designates a responsible entity. Much of Upper Missouri's assets are maintained and operated by MDU; Upper Missouri has an agreement with MDU assigning and designating them responsible for most of the NERC compliance maintenance. We conduct annual asset reviews and meet with MDU quarterly to review maintenance, operation activity and related reporting to assure that Upper Missouri's assets are properly operated.

Cybersecurity is especially critical in this world of technology. Upper Missouri has taken great effort to assure that its systems and data are secure.

In summary, we had a busy operational year but are very pleased with the program development and execution of the initiatives. We are very well positioned for the future and have clear plans and direction for our operations activities.

Controller's Report



Della Pewonka

Upper Missouri's sales growth remained strong, sales totaled 8,291 GWh in 2017 a 8.11% increase over 2016. Upper Missouri's coincidental peak reached 1238 MW on December 29th. Oil and gas development continue to drive load growth, even at \$50-\$60 per barrel oil prices. Technology advances coupled with the massive reserves in the center of the Bakken support oil/gas exploration even at softened oil prices.

Just ten years ago, in 2007, Upper Missouri had a peak demand of 301 MW and sales of 1,870 GWh. Present load forecasts indicate that Upper Missouri will see up to 200 MW of growth over the next two years.

In 2017, 96% of Upper Missouri's energy supply was purchased from Basin Electric Power Cooperative with the balance 4% was purchased from WAPA.

Under Upper Missouri's cost of service model, wholesale power costs are passed directly through to the Member Systems. Maintenance and replacement expense, operations expense, capital credit allocations and renewable energy credits are passed through to the Member System based on asset use or sales percentages.

The Board of Trustees renewed its \$40 million Line of Credit with CoBank in July. The Line of Credit is substantial but provides a buffer for unforeseen billing issues, noting monthly billing now exceeds \$47 million.

In efforts to improve the budgeting process and save consulting expense, budgeting was brought back internally. The new budget format aligns with the cost of service billing, providing more clarity for Member Systems. The budgeting process and attention to cost containment supports our theme, "**Our Member Focus.**"

The cooperative utilizes contract support, Andrew Adams-EideBailly, to provide CFO services. This service enables Upper Missouri access to financial

services expertise without the overhead of a full time CPA.

The cooperative is financially secure and has quality resources, both human and technical, to operate from a position of strength. Upper Missouri's healthy financial ratios, cost effective financing and cost of service model provide for a predictable ten-year rotation of member patronage. Upper Missouri returned its budgeted \$700,000 in capital credits in addition to a bill credit of \$185,000 with the December billing.

With confidence, I am pleased to report that we have accounting and financial systems in place to provide secure and predictable financial performance; "**Our Member Focus.**" For it is our Member's investment for which we are stewards.

Member Recognition

Board Leadership:

Dennis Nelson – LYREC

Dave Hayden – Southeast

Brent McRae – McCone

Anthony Larson – Slope

Director Gold Credential:

John Redman – LYREC

Greg Steckler – Roughrider

Credentialed Cooperative Director:

James Vitt – LYREC

Rodney Smith – Sheridan

Michael Hansen – Southeast

Albert Paul – Southeast

Kurt Koppelsloen – Burke-Divide

Lane Titus – Burke-Divide

Kenneth Sanford – McKenzie

Cameron Wahlstrom – McKenzie

Angela Carlson-Slope

Barbi Narum-Slope

NO LOST TIME AWARDS

Goldenwest Electric – 29 years

Mid-Yellowstone Electric – 1 year

Sheridan Electric – 1 year

HARD RIDIN' AWARD

Dean McCabe, McCone Electric

MECA COMMUNICATIONS AWARDS

Sweepstakes Awards for Excellence in Communications (small co-ops) – Southeast Electric

Best Social Media Post or Presence – first place to Vicki Fix, Southeast Electric for “Celebrating 35 Years”

Best Feature Story – first place to Lower Yellowstone REC for “Yellow Bird Shares Culture with the World;” second place to Vicki Fix, Southeast Electric for “I Laughed, I Cried, I Sang Tour Bus Karaoke”

Best Feature Photo – second place to Scot Brown, McCone Electric for “Cotton Candy Man”

Best Manager’s Report – first place to Jack Hamblin, Southeast Electric for “To Those Who Remember, From One Who Doesn’t”

NDAREC AWARDS

Cooperative Leadership Award – Teryl Jacobs, Slope

Outstanding Apprentice Award – Mitchel Krebs, Roughrider

Certificate of Safety Achievement – Slope

Safety Award, no OSHA Recordable Injuries – McKenzie & Slope

Outstanding Safety Performance Award – Roughrider & Slope

Member Highlights



Burke-Divide Electric Cooperative built a new outpost in Kenmare. The outpost is located approximately 2 miles north of Kenmare along Highway 52. The new outpost is similar to the outpost built in Crosby in 2016. It replaces a smaller outpost and rented office space in Kenmare allowing the cooperative to dispatch personnel more efficiently for the membership in the area.



Goldenwest Electric Cooperative said farewell to Dale Evans who retired as operations manager after 42 years of service to the cooperative. There is no replacing the likes of Dale who could visualize nearly every homestead and power line on the system. Remarkably, Goldenwest has a great safety record, 60 years with no accidents; much a credit to Dale's leadership.



McCone Electric Cooperative experienced a severe drought in 2017 leading to massive range fires. The Lodgepole Complex started on July 19, 2017 as 4 fires (Bridge Coulee, Barker, South Breaks, and Square Butte) following a lightning storm. Approximately 270,723 acres burned in four range fires, sixteen homes, 16 unidentified structures were destroyed, and firefighting efforts cost over six million dollars. Over the 40 miles of powerlines in the burn area, McCone Electric replaced 100 poles damaged by fire. Countless others were scorched by the fires.



Lower Yellowstone Rural Electric Cooperative line-workers designed and built this safety trailer from scratch in 2017. LYREC staff traveled to 6 elementary schools in LYREC's service territory and put on 8 safety demonstrations between the schools the month of October. They also had the high voltage safety demonstration at the Richland County Fair and hosted a safety event in October for the community.

The photo shows Rich Gorde and Aaron Eide presenting at Central Elementary in Sidney.

Member Highlights

MWEC DISTRIBUTION MENU			
WILLIAMS		MOUNTRAIL	
BARR BUTTE #49	NW. WILLISTON #59	AUSTIN METER	NE. ROSS 1 #80
ELLISVILLE 25KV #48	PLEASANT VL #8	BELDEN #10	NE. ROSS 2 #84
EPPING #42	PLEASANT VL-3 #7	BIG BEND #44	ROSS #22
FARMVALE #32	PL VL 25KV #25	BLAISDELL #11	STANLEY 25KV #33
HESS RAIL #65	RAY #2	BLAISDELL 25KV #21	VAN HOOK #37
HESS TGP #61	SE WILLISTON 1 #64	BROOKBANK #79	WEST ROB LAKE #27
HOPFLUND #17	SE WILLISTON 2 #34	LOSTWOOD #28	WHITE EARTH #78
JUDSON 15KV #56	SIMPSON #31	MOE #76	
JUDSON 25KV #55	STONY CREEK #6	NT T1 25KV #52	
LIBERTY #54	STRANDAHL #67	NT T2 25KV #36	
MONT #24	SW WILLISTON 1 #35	OSBORN #75	
N. MISSOURI RD #57	SW WILLISTON 2 #40	PALERMO #19	
NORTH TIOGA #9	TIOGA #3	PARSHALL 25KV 1 #23	
N. TIOGA 2 #18	TWELVE MILE #72	PARSHALL 25KV 2 #12	
N. TWELVE MILE 1 #30	TYRONE #47	PARSHALL 25KV 3 #13	
N. TWELVE MILE 2 #41	WEST BANK 1 #66	PLAZA 25KV #86	
N. WILLISTON #58	WEST BANK 2 #39	POWERS LAKE #29	
NE. WILLISTON #63	WHELOCK #71	RAT LAKE #77	
NE. WILL 25KV #81	WILLISTON 15KV #4	ROB. LAKE #20	
	WILLISTON 25KV #83		
	ZAHL #5		
	ZAHL 25KV #70		

CURRENT LOAD 405274
 RTD PEAK LOAD 426586
 12/24/2017 17:27:05

ABSOLUTE PEAK 426586
 12/24/2017 17:27:05

DISPLAY 70001
 TRANSMISSION PG
 DISTRIBUTION SW PG
 OPERATIONS PG
 TOWER PG

Mountrail-Williams Electric Cooperative hit another mega-Watt milestone in 2017. The screen shot here shows load on Christmas Eve, 426.586 MW. Mountrail-Williams was a 100 MW system just six years ago, now a 400 MW system.



McKenzie Electric Cooperative experienced a large wind storm in July, the damaging winds snapped 49 poles in the southern part of McKenzie Electric Cooperative's service area causing 379 meters to lose service. McKenzie Electric's line crews had power restored within 36-hours.



In June 2017, Roughrider Electric Cooperative purchased a spare transformer from Slope Electric Cooperative, and transported it from Rhame to South Heart. The transformer weighed 160,400 pounds "undressed," without oil and accessories.

There is an alternative transmission feed between power suppliers Upper Missouri Power Cooperative and Basin Electric Power Cooperative, so the Slope system operates reliably without the use of the spare transformer.

With one similar in size in place at South Heart, this spare, which is still in excellent condition, was needed by Roughrider. It will serve as a back-up in case the existing transformer fails or Roughrider crews need to perform maintenance.

The sale and purchase of the transformer is a bargain for Slope and Roughrider respectively, and the cooperation between cooperatives will benefit the member-owners.

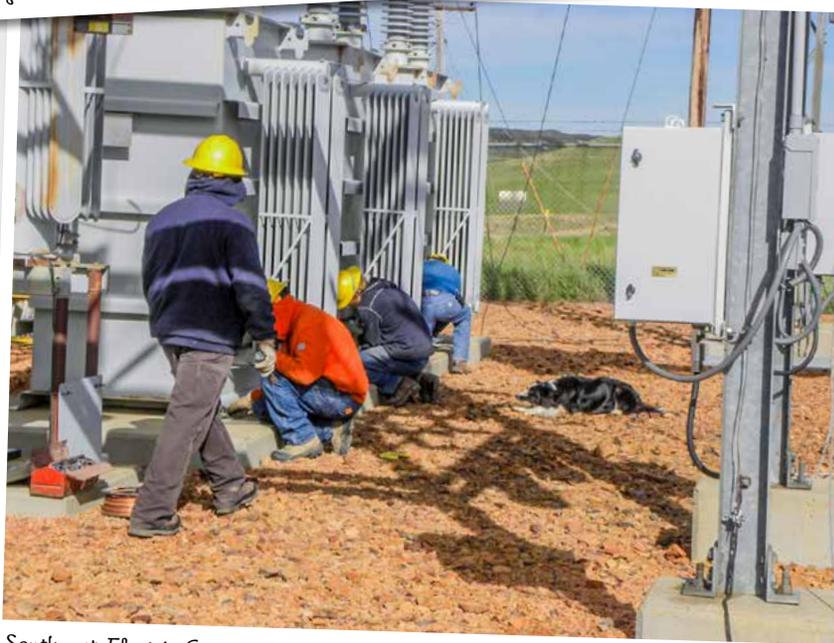


Mid-Yellowstone Electric Cooperative updated the Cramer substation and rebuilt tie lines between the substations in 2017 to increase the reliability to the membership.

Member Highlights



Sheridan Electric Cooperative has a strategic initiative to invest in the future by cultivating leadership within their local education system. These students are the future Board members, accountants, Managers, and IT of the community. In support of this initiative, Sheridan Electric provides funding support and leadership training. Pictured is one of the recipients of Sheridan's program, the Business Professionals of America group from the Bainville High School, Montana.



Southeast Electric Cooperative has done much needed updates on two of their substations this year. Under the supervision of "Bo," the linemen are removing bolts from the transformers so the crane could lift them out of the Willard Substation.



Slope Electric Cooperative hosted trench box safety training in May 2017 in a pole yard near New England headquarters. More than 25 employees from Slope, Roughrider Electric Cooperative, 3C Construction and Innovative Energy Alliance Cooperative attended and learned how to assemble an aluminum box, that when lowered into the ground, will protect the worker from injury if the dirt wall collapses and fills the hole.

The box was purchased by Slope, Roughrider and Mor-Gran-Sou Electric Cooperatives, and will be shared as needed. Not every underground job will require the use of the box, but every cooperative will use the box. The cost savings and gained efficiencies will benefit each cooperative.

Slope Electric Line Technicians Craig Turner and Chris Backhaus served as the resident experts who dug the hole and provided guidance on assembly and use.

Always being a "brother's keeper" in looking out for his fellow line technicians, Backhaus says the key to working safely is to, "use your head and use your safety tools. Always think smart."

2017 Upper Missouri Activities

January: Assumed metering responsibility from WAPA

February: Commissioned Eide Bailly to facilitate a billing software discovery process

April: Selected OmniByte to develop new billing software



OmniByte project leadership staff; Billie Haynes, Sonja Berry, Ray Berry

Power billing methodology updated (Basin verses WAPA)

Ray Clouse and Dean McCabe retire from the board of trustees

Patti Murphy and Dale Schweigert join the board of trustees



Jack Hamblin-General Manager Southeast, Stacey Brown-Office Manager and Claire Vigesaa-General Manager joined NRECA Director Chris Christensen and Gary Wiens-MECA for a visit with FEMA staff in Washington D.C.

May: Bid farewell (retired) to Jim Ramstad-Eide Bailly contract CFO



UMPC Staff honoring Jim Ramstad-Contract CFO retirement in May

Welcomed Andrew Adams-Eide Bailly as Upper Missouri's contract CFO

June: Patti Murphy elected to the Midwest Electric Consumers board

July: Mobile Transformer – travels to Jordan MN for refurbishment, LYREC to manage and store, while Upper



Upper Missouri/MorGranSou/MDU shared mobile transformer ready for transport to Jordan MN

Missouri insures

August: Upper Missouri parking lot resurfaced

September: Backup server updated for QuickBooks



Manager Vigesaa participated in the Basin Electric Fly-in; picture courtesy of Congressman Cramer

October: MV90 software moved to a dedicated server

Load monitoring incentive collections surpass \$1.0 million

November: Mid Rivers installs new phone system at Upper Missouri Headquarters

Brady Martz selected as auditor for 2017-2020

December: Upgraded load monitoring-diagnostics added (check engine light)

2017 Upper Missouri Statistics

COOP	TOTAL MEMBERS	TOTAL METERS	MILES OF LINE	SQUARE MILES OF SERVICE AREA	COINCIDENTAL - PEAK DEMAND (MW)	GWH SALES
Burke-Divide	1,436	3,514	2,664	2,590	40	250
GoldenWest	692	1,561	1,163	1,500	9	64
LowerYellowstone	2,462	6,162	2,102	2,253	44	269
McCone	2,491	5,301	3,830	14,400	17	76
McKenzie	4,162	12,655	3,899	4,600	466	3,281
Mid-Yellowstone	734	2,023	1,042	4,000	8	34
Mountrail-Williams	7,757	20,099	5,865	4,089	418	2,880
Roughrider	8,277	14,473	5,530	5,800	149	791
Sheridan	1,863	3,960	2,831	4,230	26	137
Slope	1,893	4,000	3,208	4,500	60	442
Southeast	941	2,099	1,706	6,800	14	67
UPPER MISSOURI	32,708	75,847	33,840	54,762	1,238	8,291

Financials

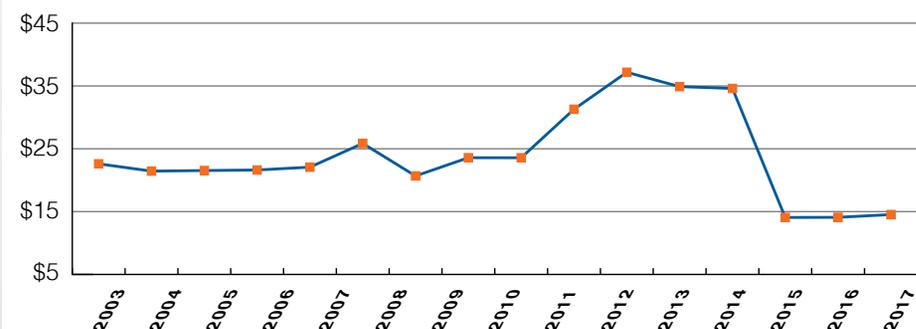
ASSETS AND OTHER DEBITS

Assets	2017	2016
Electric Plant		
In Service	\$19,527,787	\$19,090,558
Under construction	155,161	166,484
Total electric plant	19,682,948	19,257,042
Less accumulated depreciation	(11,370,274)	(10,866,633)
Electric Plant - net	8,312,674	8,390,409
Other Property and Investments		
Patronage Capital - Basin Electric	143,365,053	120,570,222
Investments in associated companies	650,093	659,450
Investment in economic development projects	400,000	442,550
Total other property and investments	144,415,146	121,672,222
Current Assets		
Cash and cash equivalents	979,532	1,308,878
Temporary cash investments	134,920	134,920
Accounts receivable	48,453,088	42,601,446
Materials and supplies	114,330	100,464
Prepayments	175,083	141,251
Total Current Assets	49,856,953	44,286,959
Total Assets	\$202,584,773	\$174,349,590

LIABILITIES AND OTHER CREDITS

Equities and Liabilities	2017	2016
Equities		
Memberships	\$5,500	\$5,500
Patronage capital	147,627,435	124,800,525
Total equities	147,632,935	124,806,025
Long-Term Debt, Less Current Maturities	6,699,903	6,358,000
Current Liabilities		
Current maturities of long-term debt	157,484	699,434
Line of credit	31,638	39,891
Accounts payable - Power supply	47,543,450	41,519,324
Accounts payable - other	0	162,582
Patronage capital retirement payable	0	700,000
Other current and accrued liabilities	73,628	64,334
Total Current Liabilities	47,806,200	43,185,565
Deferred Credits	445,735	0
Total current liabilities	\$202,584,773	\$174,349,590

TOTAL UTILITY PLANT VALUE (MILLIONS)



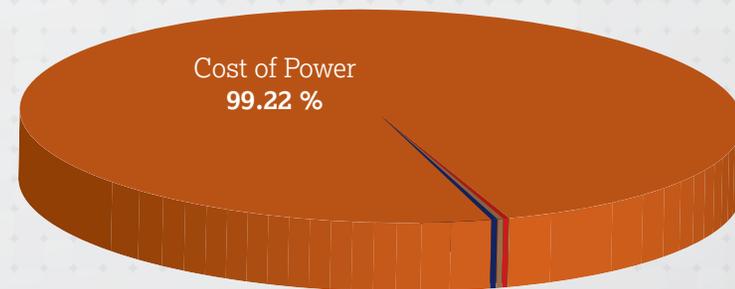
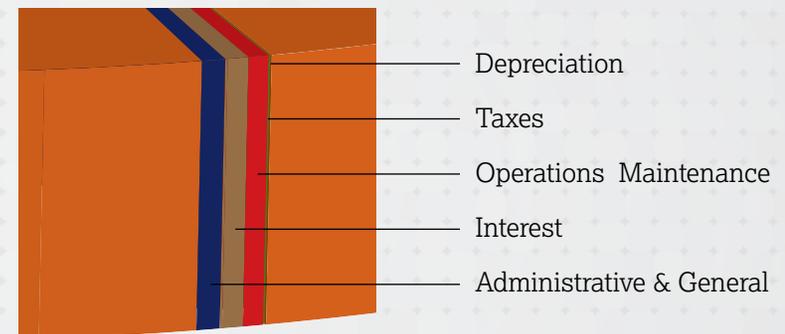
Financials

STATEMENTS OF OPERATIONS

	2017	2016
Operating Revenues		
Electric	503,737,857	438,699,066
Other	3,263,117	2,821,364
	\$507,000,974	\$441,520,430
Operating Expenses		
Cost of Power	503,802,502	438,608,153
Transmission - operations	836,141	225,230
Transmission - maintenance	301,288	316,548
Administrative and general	1,886,074	1,801,606
Depreciation and amortization	515,758	470,411
Taxes	56,611	83,062
Interest on long-term debt	350,297	545,733
Total Operating Expenses	507,748,671	442,050,743
Operating Margins Before Capital Credits	(747,697)	(530,313)
Basin Electric capital credits	22,960,557	43,712,602
Other Cooperative Capital Credits	125,759	100,725
Total Capital Credits	23,086,316	43,813,327
Net Operating Margins	22,338,619	43,283,014
Nonoperating Margins		
Interest Income	24,399	14,047
Gain on sale of plant	(774)	8,457
Compliance	115,921	234,816
Load Monitoring	885,176	179,322
Maintenance	239,924	242,831
Other non-operating income	89,371	523,556
Total non-operating margins	1,354,017	1,203,029
Net Margins	\$23,692,636	\$44,486,043

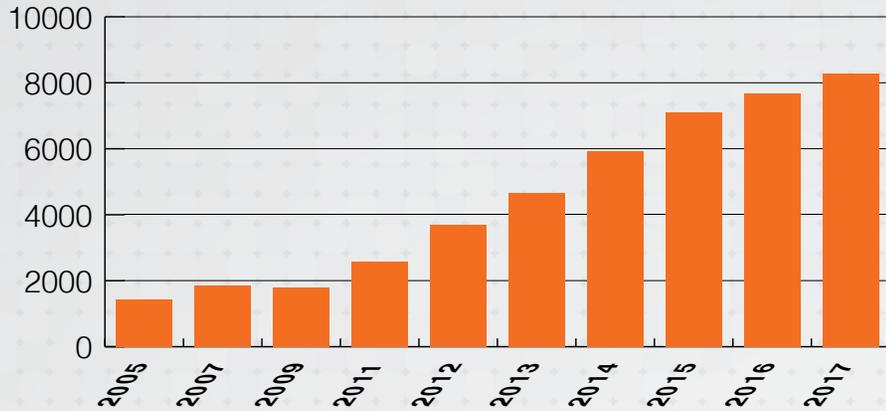
2017 EXPENSES

Administrative & General	1,886,074
Cost of Power	503,802,502
Depreciation	515,758
Taxes	56,611
Operations Maintenance	1,137,429
Interest	350,297
	507,748,671

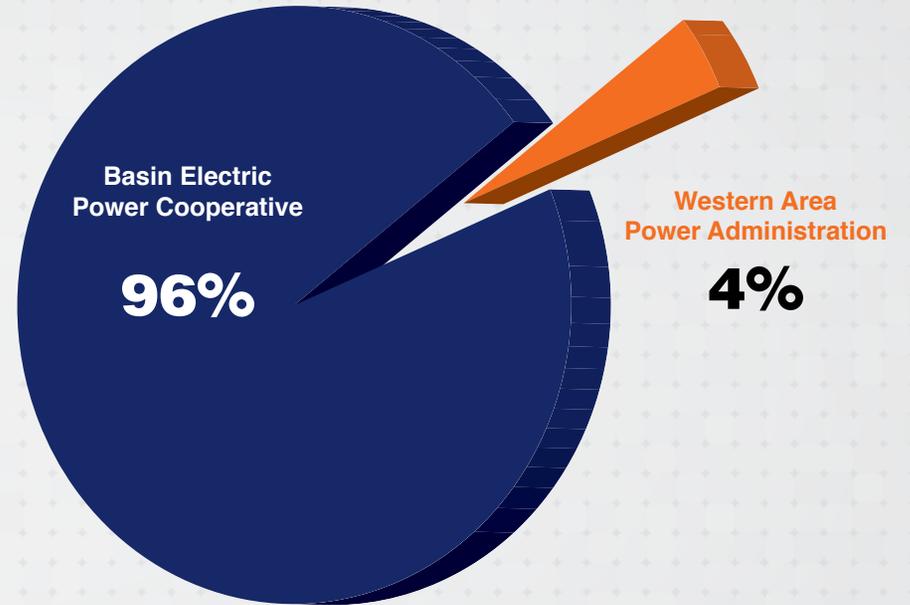
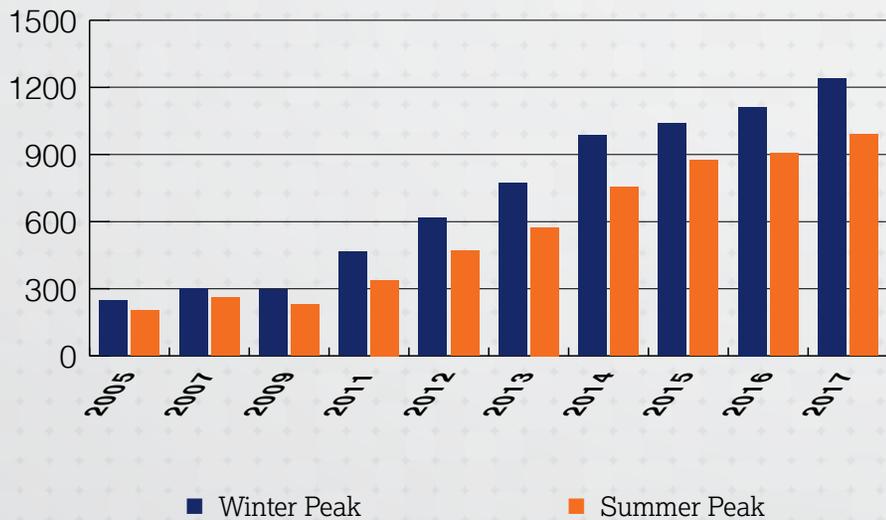


Financials

ENERGY SALES (GWH)



PEAK LOADS (MW)





UPPER MISSOURI
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