

Upshur Rural Electric Cooperative

Virtual Annual Meeting Guide

2021





Welcome from
Frankie B. King
President, URECC Board of Directors



Welcome to the 84th Annual Meeting of Upshur Rural Electric Cooperative Corporation. The information contained in this annual report covers the cooperatives operations for the year 2020. Over 80 years ago our forefathers and founders of URECC had a dream of making life better for their friends and neighbors who resided in the countryside. Their dream of electrifying the rural areas by providing safe, affordable, and reliable electrical energy to our members became a reality and we continue to use their dream as our mission statement today.

As it turns out, the year 2020 was a test year for your Co-Op, our staff, and your Board. The uncharted waters of surviving a global pandemic necessitated a new way of conducting business. I am happy to report to you our members, in spite of the issues that Covid-19 has caused, Upshur recorded another healthy financial year, we continued to make capital improvements to our system, and had it not been for one major storm in April, we would have set a record for reliability. This successful year was only possible through the efforts of a dedicated and determined staff.



In times like these, when we find ourselves uncertain and fearful of the future, we depend on our faith in God and take comfort in things that seem to remain steadfast and dependable. Upshur Rural remains healthy and steadfast in its mission. We continue to invest in and make capital improvements to our infrastructure as well as clear and maintain our right of ways. Financially, we continue to maintain a healthy equity position, return on investment, and other key ratios that are required from our lenders and are well within the requirements of our loan covenants. No one is certain at this point what the future looks like as it relates to the way we conduct business not only here at Upshur, but all across the country. Going forward, we may depend less on bricks and mortar offices and rely more on our staff working from home. As usual, change will be part of our future as it has always been.

Things have certainly changed over the past 84 years from Upshur's humble beginnings of less than 500 members, a few miles of energized lines, and less than \$100,000 in assets. Today, those figures have changed to over 33,000 members, 47,000 meters, thousands of miles of transmission and distribution lines, and over \$233 million in assets.

Without a reliable power supply for our members, Upshur Rural would cease to exist. This is also another area where we see change occurring. Just a few years ago, coal was responsible for producing over 40% of the power we sell to our members. Wind and solar were not a factor. That has and continues to change as coal plants are closing. The cost of wind, solar, and hydro continues to fall and as they do, they make up a larger portion of our energy portfolio. To put that into perspective, there are days when over 60% of the electricity in the Southwest Power Pool is produced by wind turbines. As we close out the year, your Board would like to thank the members of Upshur Rural for your continued support and also thank our staff for their hard work and dedication. 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 as it contains important information concerning YOUR Cooperative. As always, if you have a question, please call or come by the office.

Yours very truly,

Upshur Rural Electric Cooperative Corporation
PO Box 70, 1200 W. Tyler St., Gilmer, Texas 75644
903 843-2536 800 259-2536 URECC.coop

A Letter to the members of URECC from General Manager

Robert A. Walker



Not long ago, I heard a young student lament that, while science was fun and math was okay, history and writing classes were not something so relished. Given the rise of Covid-19 and at-home lessons that result from it, it is likely less interesting to such students. Irish statesman Edmund Burke, is typically credited but often misquoted as having said, “Those who don’t know history are doomed to repeat it.” It flows then from this idea that those who do not know or remember their history, the history of their family, culture, community, church, the meaning of their traditions and the importance of festival and celebration, stand to repeat past mistakes of others. Moreover, they will become unmoored from themselves and those who care for them most, from being able to grow and improve, from the community and the values that it represents, and from their faith and their final destiny. Knowing and understanding history is profoundly important. There was a time in England in the 1860s when the first industrial revolution both improved the Englishman’s station in life and also created great chasms between those that owned property and invested in the capital of machines and those that worked with their hands as tradesmen, and for sure those rural folks who had, for centuries, learned a trade that enabled them to feed themselves and their families while also allowing them to hold onto land and homes. The time was the reign of Queen Victoria. During her reign, many things were created and expanded like the first railroads, the first postage stamps, the concept of vaccinations for smallpox, the Salvation Army, and the idea of Cooperatives!

The first recorded Cooperative was known as the Rochdale Society of Equitable Pioneers and was formed in 1844. Over half the 28 initial members were weavers who had found it impossible to continue making a living in their trade because of the invention of the Jacquard loom in the 1840s. In Paris, some tradesfolk revolted against the Jacquard loom, took to the streets, protested their use, and occasionally smashed the units. These protesters became known as Luddites. Today, we call people who resist new technology Luddites. The Jacquard loom was just too good and efficient, and the movement died out in Paris. In Lancashire, England, the tradesfolk took a different route. They formed a Cooperative. Starting with a few goods made and the idea of developing a business none could afford on their own, they opened their first store. Despite some combination and name changes, the roots of this Cooperative were still around in 2007. This first Cooperative was the first to issue patronage capital returns. More importantly, it wrote down the Rochdale Principles that are often quoted today as the 7 Cooperative Principles. Over 175 years later, these principles are still the lodestone by which cooperatives are pulled, including Upshur Rural Electric.

For sure, 2020 is a year of change. Many things like education, workplace, restaurants, and more will never be the same. Even now, the electric industry is in flux with a new administration that issues edicts and orders almost daily; it seems that will change the energy landscape for a time to come. Taxpayer subsidized solar, wind, and batteries are quickly replacing coal plants and natural gas plants as the electric generation landscape changes. We all must continue to know our history, remember why we do what we do, hold firm to our understanding of community, self-determination, and organization for the greater common good. Those ideals and others will anchor through any sea of change we might experience.

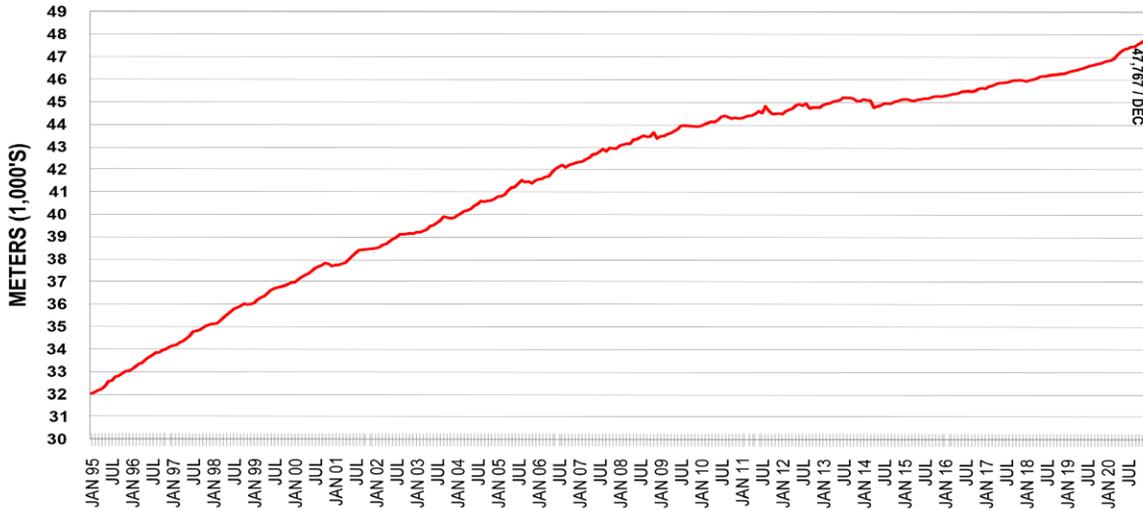
Upshur Rural Electric stands ready to face the challenges and changes, holding on to its 7 Cooperative Principles:

- Voluntary & Open Membership,
- Democratic Member Control,
- A Member’s Economic Participation and help to fund the organization,
- Autonomy & Independence without compromise,
- Education & Information to all Members,
- Cooperation among Cooperatives to weather every challenge or storm, and
- Concern for Community.

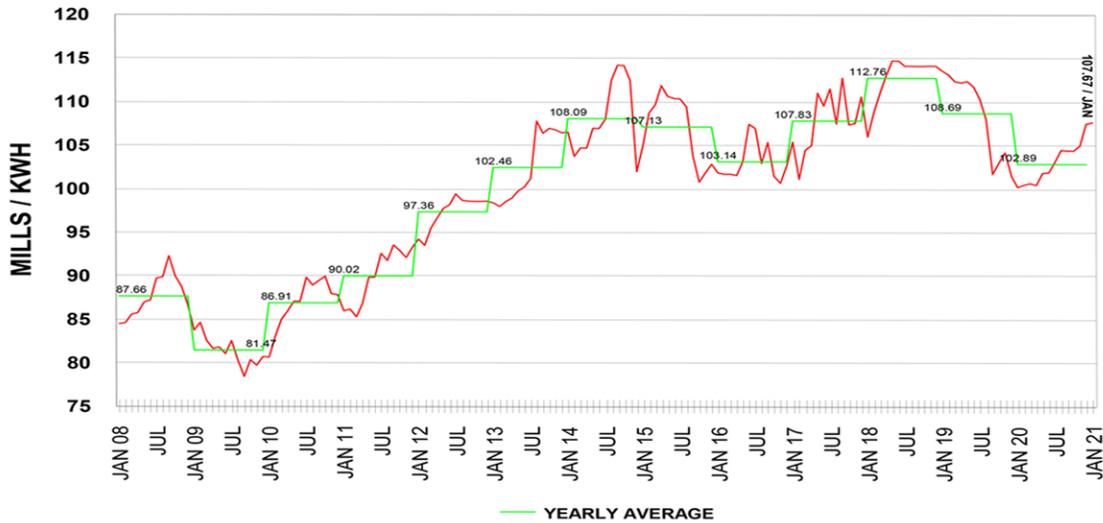
In the end, we at Upshur Rural Electric hope for your best wellness and safety, a bright and cooperative future, and we want you to know that we are working hard for you every day.

A handwritten signature in black ink, appearing to read "Robert A. Walker".

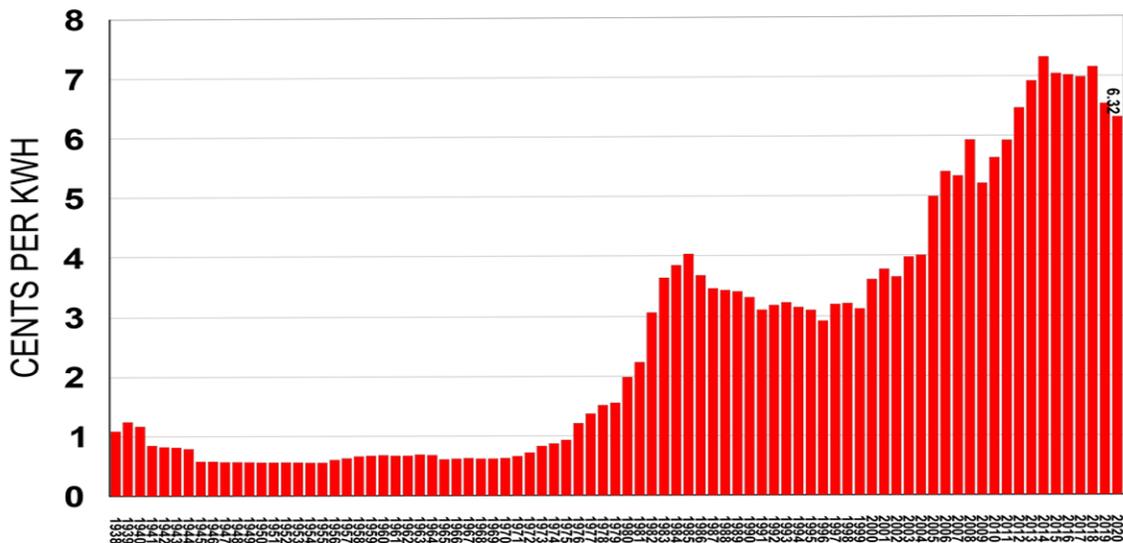
UPSHUR RURAL ELECTRIC COOPERATIVE NUMBER OF METERS BY MONTH



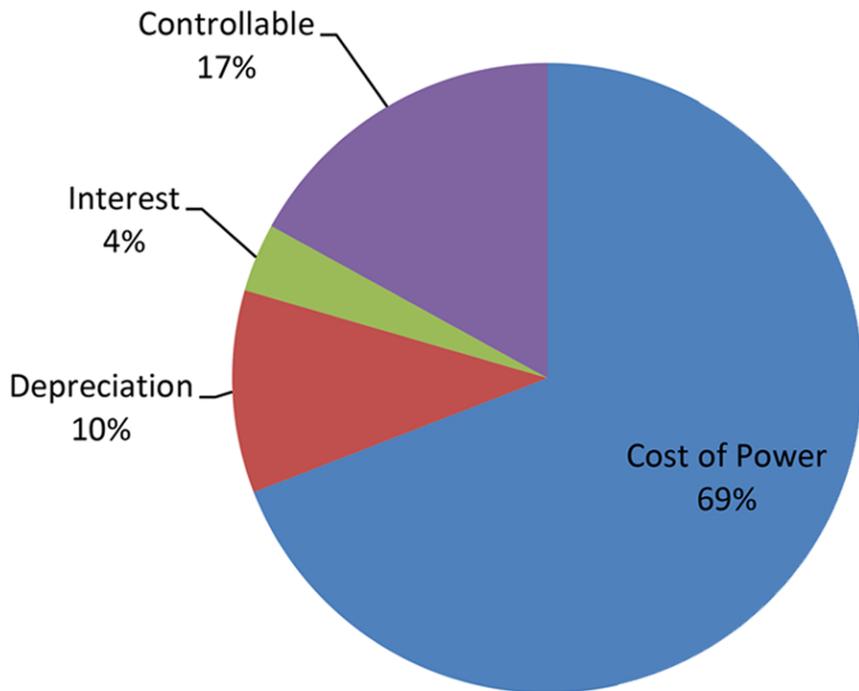
UPSHUR RURAL ELECTRIC COOPERATIVE RETAIL POWER COST BY MONTH



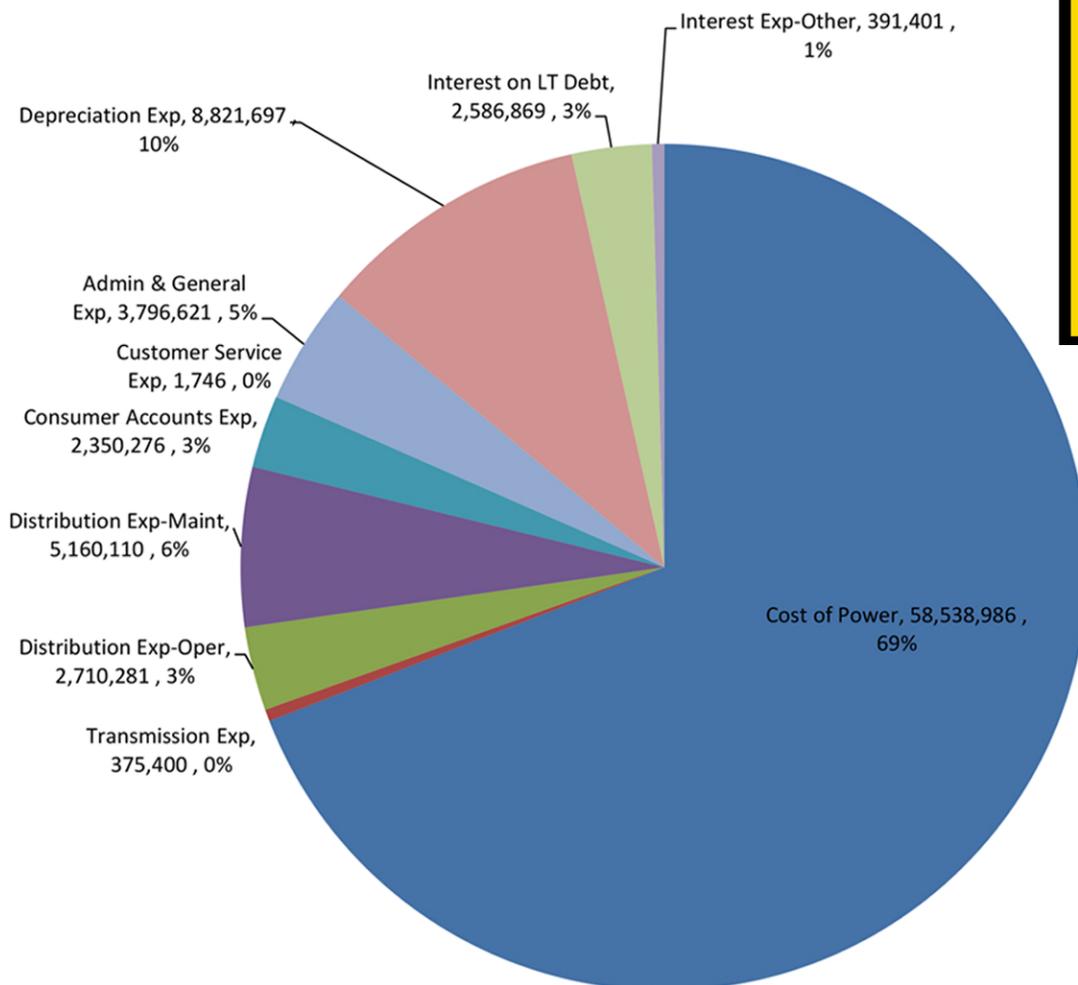
UPSHUR RURAL ELECTRIC COOPERATIVE WHOLESALE POWER COST BY YEAR



Controllable vs Fixed - 2020



Total Cost of Service - 2020



Go Green.

Paperless Billing

It's simple.
It's secure.
It saves money.

By enrolling in paperless billing you are saving money spent on paper and printing. Every dollar saved affects the numbers seen on the graphs on this page!

GO
Paperless



On the go and in control. Manage your account 24/7.
Download the URECC SmartHub App today.



SMART MANAGEMENT. SMART LIFE. SMARTHUB.

2020 Financial Statement

Secretary - Treasurer's Financial Report December 31, 2020

ASSETS - WHAT WE OWN

NET UTILITY PLANT		\$	181,086,577
CURRENT & ACCRUED ASSETS			
Cash in Banks	\$	703,012	
Accounts Receivable	\$	11,361,456	
Materials & Supplies	\$	2,850,484	
Prepayments	\$	152,773	
Other Property & Investments	\$	37,550,190	
Other Current & Accrued Assets	\$	15,713	
Deferred Debits	\$	96,146	
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TOTAL CURRENT AND ACCRUED ASSETS		\$	52,729,774
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TOTAL ASSETS		\$	<u>233,816,351</u>

LIABILITIES - WHAT WE OWE

LONG-TERM OBLIGATION TO RUS	\$	-	
LONG-TERM OBLIGATION TO NRUFC	\$	66,558,917	
			<hr/>
TOTAL LONG-TERM DEBT		\$	66,558,917
ACCUMULATED PROVISIONS FOR			
Obligations Under Capital Leases-Non Current	\$	511,608	
Post-Retirement Benefits Other Than Pensions	\$	4,528,275	
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		\$	5,039,883
CURRENT LIABILITIES & DEFERRED CREDITS			
Notes & Accounts Payable	\$	30,994,689	
Consumer Deposits	\$	2,873,319	
Other Accrued Liabilities	\$	5,543,971	
Deferred Credits	\$	243,429	
			<hr/>
TOTAL CURRENT LIABILITIES AND DEFERRED CREDITS		\$	39,655,408
			<hr/>
TOTAL LIABILITIES		\$	<u>111,254,208</u>
EQUITIES			
Patronage Capital	\$	113,838,551	
Non-Operating Margins	\$	1,908,230	
Other Margins and Equities	\$	6,815,362	
			<hr/>
TOTAL EQUITIES		\$	122,562,143
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TOTAL LIABILITIES AND EQUITIES		\$	<u>233,816,351</u>

Knuckols, Duvall, Hallum & Co., P.C.
Certified Public Accountants

To the members of Upshur Rural
Electric Cooperative Corporation

We have audited the balance sheet of Upshur Rural Electric Cooperative Corporation as of December 31, 2020, and the related statements of revenue and patronage capital, and cash flows for the year then ended and we expressed an unmodified opinion on these financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Knuckols, Duvall, Hallum & Co.
Marshall, Texas

The audit report and financial statements are available at the Cooperative's office for your review.



URECC

2021 Virtual Annual Meeting

The Upshur Rural Electric Cooperative Board of Directors



Front Row, Left to Right: **Mr. Rex Youngblood** - *Asst. Secretary/Treasurer*,
Mr. Alan Branham - *Vice President*, **Mr. Frankie B. King** - *President*
Second Row, Left to Right: **Mr. J.P. Abernathy**, **Dr. Charles Whiteside**,
Mrs. Sherry Morgan - *Treasurer/Secretary*, **Mr. Jonathan Hunt**,
Mr. Henry Jackson, **Mr. Cody Newman**

General Manager - Robert A. Walker, Jr.

Certified Public Accountants - Knuckols, Duvall, Hallum & Company

Attorney - Nichols & Nichols, P.C.



Upshur Rural Electric Cooperative Corporation

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