



# STRIVING FOR STABILITY



2022 ANNUAL REPORT

UPPER MISSOURI  
POWER COOPERATIVE A Touchstone Energy® Cooperative

## About Us

Upper Missouri G&T Electric Cooperative, Inc. doing business as Upper Missouri Power Cooperative 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 78,665 meters to farms, ranches, homes, and businesses in 37 counties, covering over 54,762 square miles.

Upper Missouri sources power from two major suppliers: Western Area Power Administration (WAPA) and Basin Electric Power Cooperative. In 2022, energy purchased from WAPA represented 2.94% of total sales and Basin was 97.06%, respectively.

Upper Missouri administers the transmission delivery metering services for most of its service area. There are currently 229 delivery points used in the billing of its members. Upper Missouri also uses these delivery meters to provide high accuracy real-time data to Basin.

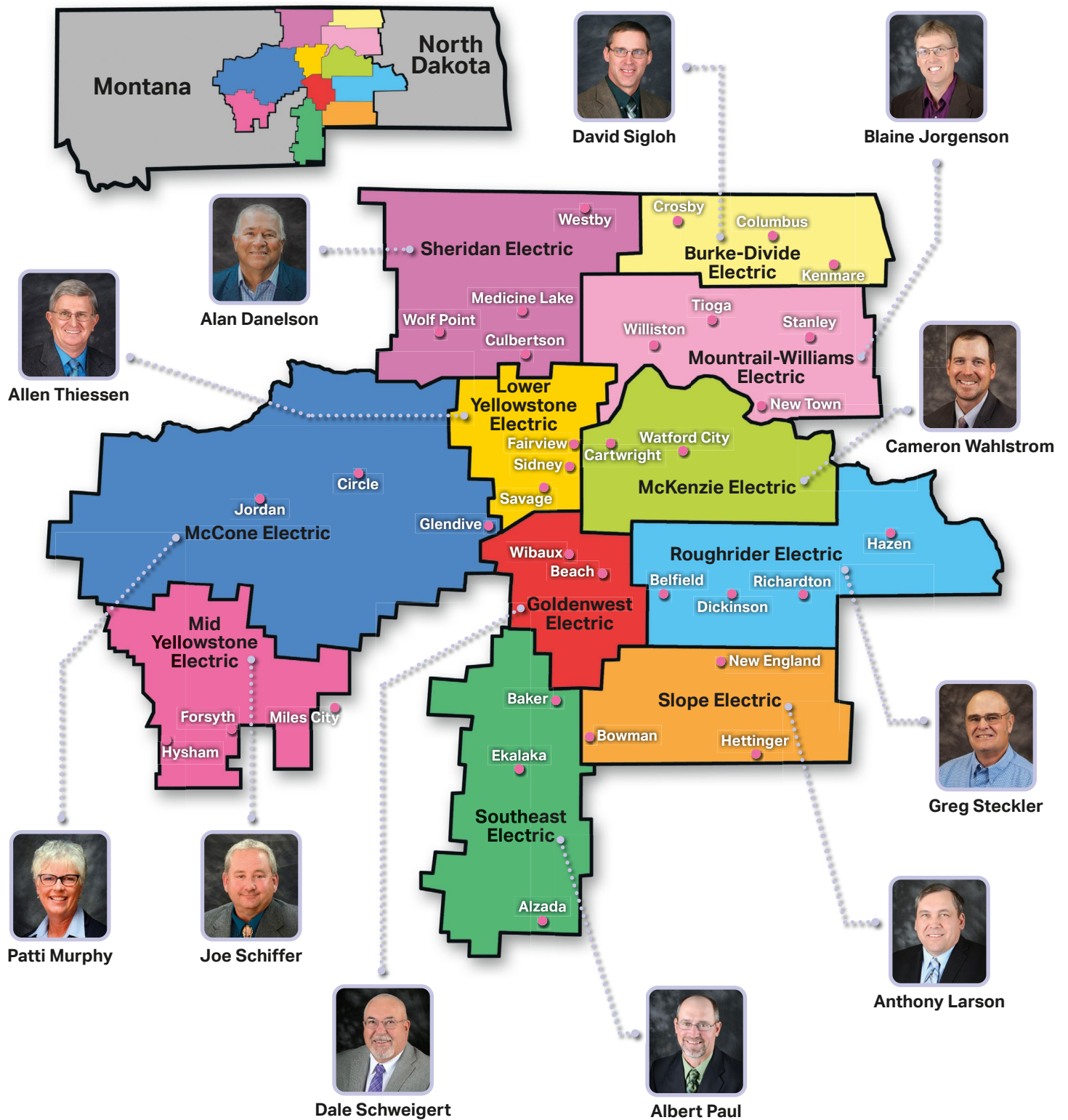
Upper Missouri is rate-regulated by the Federal Energy Regulatory Commission (FERC) and continues to have high-volume sales growth due to the oil/gas development in the Bakken region, with a peak load of 1,684 MW. Energy sales in 2022 totaled 11,710,904 MWh. Sales in 2022 were 6.27% above 2021 sales and continued growth is projected to continue over the next decade.

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*On the cover, **Cooperation Amongst Cooperatives** at its finest, with crews “Striving for Stability.” Mountrail-Williams crews working with neighboring cooperatives and contractors to restore power near Grenora and Williston in the photos. The April 2022 winter snow and ice storm event caused thousands of outages and broken poles and millions of dollars in damage to many of Upper Missouri’s members*



# Distribution Map



## Management Staff



*From left to right, **Jeremy Mahowald** (General Manager), **Della Pewonka** (Controller), **Stacey Brown** (Office Manager), and **Brent Hanson** (Chief Operating Officer)*



# President's Report



**BLAINE JORGENSON**

“Striving for Stability” is the theme for this year’s annual meeting. This seems to be a well-timed theme as we seek to normalize and realize all the implications after such impactful events of the last few years. To say we strive for stability does not mean that we lack it. Outside circumstances may have sought to toss us about, but Upper Missouri has remained solid through tumultuous events. Stability is, after all, a relative term for which we strive to maintain and improve.

As 2022 draws to a close, Upper Missouri marks the first full year of Manager Mahowald’s leadership. His deep commitment to our organization and the cooperative principles has led to improved relationships between both our members and our power suppliers. Thank you, Jeremy, for your dedication to Upper Missouri.

This past summer Upper Missouri welcomed Brent Hanson to the staff as the new chief operating officer. This brings the total number of employees at Upper Missouri to four. Brent’s knowledge and expertise has reduced the workload of Manager Mahowald and reduced our dependence on contracted services.

Following last year’s annual meeting, the Board welcomed Cameron Wahlstrom to the Upper Missouri Board. Cameron took the place of Travis Thompson representing McKenzie Electric. Cameron has brought new and welcome perspective and his outspokenness is appreciated. We said this at last year’s annual meeting, but it is worth repeating. Thank you for your service, Travis, and welcome Cameron.

During the past year, the Board also welcomed Greg Steckler representing Roughrider Electric to the Board. Due to unforeseen circumstances Bill Retterath was forced to set aside his Upper Missouri Director duties. Thank you, Bill, for your loyal service to the Board. Welcome and thank you, Greg, for stepping up in your new role.

In December, the Board held a fruitful strategic planning session with NRECA’s Kim Christianson. We tackled many real areas that Upper Missouri can look to evaluate and improve upon. Such simple issues as meeting dates to complexities of rate design and succession planning were discussed. While we avoided the elephant in the room of litigation, we did seek out areas that could produce unity. Thanks to NRECA, Upper Missouri staff, and the Upper Missouri Board for contributing to this successful event. We look to 2023 to apply what has been learned at this event.

As 2022 draws to a close, we appear to have a settlement in the FERC rate case. This has been a very difficult negotiation and while settlement may bring to a close this chapter of conflict, it has been damaging to the Upper Missouri family. The civil case continues in ND state court. Depositions have been mostly completed at this time and we now wait to see how a trial might unfold. Upper Missouri anticipates dedicating over one third of its A&G budget to legal expenses in 2023. Hopefully, something changes so this is not so.

Despite all the challenges, Upper Missouri still provides value to its membership through services provided, the coincidental benefit, and representative governance. The upper Missouri Board takes great care in meeting the unique needs of each member. Without challenges, we might not know how to “Strive for Stability.”

# General Manager's Report



**JEREMY MAHOWALD**

It has been my pleasure to be your new general manager since January of 2022. Stability is my number one focus, and it is what keeps our cooperative model strong and effective in our part of rural America. I see three kinds of stability pertinent to our industry: reliability, affordability, and organizational stability. Ultimately, “Striving to Stability,” is our ultimate everyday purpose as well as our destination. So, our theme is quite fitting.

Keeping the lights on is certainly less direct for Upper Missouri than it is for our member cooperatives, as we have a small number of transmission facilities. Reliability to us means keeping a very high level of integrity and accuracy in the facilities we do have, power billing, delivery metering services, and regulatory compliance to FERC, NERC, and SPP. As Upper Missouri has grown, so too have the risks, keeping our operational reliability in top focus.

The prosperity of our membership hinges on our ability to keep rates affordable. We work with Basin and WAPA to maximize the value of our existing and future resources as we seek to accommodate an ever-growing region during an extreme ongoing drought. At Upper Missouri, we are focused on providing value in every service we offer. Our metering and load monitoring costs are more than covered by consistently providing high accuracy real-time power measurement to Basin. We continue to develop tools to quickly discover and minimize data error risks. We also offer services to help members save money on demand with peak prediction tools, which we are looking to expand to a variety of demand response tools to help our ultimate members minimize their costs. And we'll continue to pursue cost-effective means of adding value to our membership.

Beyond reliability and affordability, our ultimate members in eastern Montana and western North Dakota are counting on us being there for the long-term. To that end, our organizational stability may be most important of all. Our organization has been in conflict, and we have been collectively working toward its resolution. We need to continue to focus and work toward solidarity through what we all hold common...reliability, affordability, and “being there” for rural America. We are better together.

I am proud of the Upper Missouri staff: Della, Stacey, and now Brent, are professional, service-oriented, and committed. As we look ahead, integrity is important. In 2023, we are projecting to bill \$940 million. Through our strategic planning, we are working to improve our contingency planning, quality assurance and redundancy, and with the board, will assess expanding our human resources to mitigate risk.

By the end of this decade, Upper Missouri is poised to grow substantially, based on a variety of large industries wishing to locate in our region. This is on top of our already significant oil and gas growth. We remain very engaged with our membership, and it will take a lot of planning and strategy to make this work for our region.

In the large and sparse regions of our service area, we have areas of high growth and demand, and areas where the cattle and the landscape they reside upon change little. Another major initiative in 2023 will be to evaluate Upper Missouri's rates as it impacts the costs of very big and small members of Upper Missouri.

We have all the ingredients for success at Upper Missouri with a collaborative and coop-focused board, manager group, and staff. In 2023, please help us in our pursuit to strive for stability as we work toward our mutual success and regional prosperity. I welcome your thoughts and ideas to help us in this goal.

# Chief Operating Report



**BRENT HANSON**

There were several changes in 2022 that presented the opportunity for disruption in day-to-day business at UMPC; therefore, much of our focus revolved around the theme of our annual meeting “Striving for Stability.” With a new General Manager, a new Chief Operating Officer and turnover at HDR engineering, it was important to provide consistency in our services. We continue to

strive for operational excellence for our members. The core focus remains providing cost effective services that promote customer relations, reliability, and data integrity.

Facilities owned by Upper Missouri remain primarily in good condition. Several facilities had general maintenance items addressed, such as the replacement of the DC batteries in the Grenora Substation. There were no major repairs completed; however, Upper Missouri did begin the process of putting together a design package for the substantial work that will need to be completed at the Medora Substation. In 2023, UMPC plans to replace the original 60 kV and 46 kV breakers and complete transformer maintenance. Additional work in 2023 includes the replacement of batteries in the Little Missouri Substation. Upper Missouri continues to work with Montana-Dakota Utilities (MDU) and Roughrider, our transmission substation facility maintenance contractors, who keep our facilities in good condition.

Upper Missouri expanded services provided by our IT contractor, Morrison Maierle, to include managing our firewalls and additional virtual Chief Information Officer (vCIO) functions. With these services, we will be receiving more details about the frequency and types of cyber-attacks that occur on a regular basis. We also have enabled two factor authentication (2FA), which will not only provide more security, but is a requirement by our insurance company. These expanded services help assure that Upper Missouri is following the latest best practices in the information technology environment.

In 2022, Upper Missouri utilized tools created in past years to manage its compliance program. Midwest Reliability Organization (MRO) reviewed our 2021 self-certifications and requested additional information. Through our strong relationships with MDU and HDR we are confident that we

have the resources needed to tackle questions from MRO and maintain a robust compliance program. In 2023, we can expect additional self-certifications and updates to our compliance program and facility ratings.

The metering and billing program saw significant changes in 2022. The primary staff at HDR and Basin moved onto new positions; however, we find ourselves in very capable hands. Per a new agreement, Upper Missouri has formalized the process to utilizing Basin for meter validation, error identification, editing and billing. Data integrity is of utmost importance to Upper Missouri, and we will be looking for opportunities to improve data quality and accessibility in 2023.

In 2022, only three billing points were added; however, our maximum billed demand increased 11.3% and energy sales increased 6.3%. Energy sales were impacted due to the significant weather systems impacting our region in April and December 2022. As additional industrial loads are energized, we anticipate another solid year of demand and energy sales growth in 2023.

Load monitoring continues to be a strong program at Upper Missouri. Upper Missouri has received the maximum load monitoring benefit from Basin for 51 straight months and has received over \$6.2M in load monitoring incentive payments. The incentive payments are utilized to pay for shared load monitoring services and the excess is returned to our distribution cooperative members.

Given many of Upper Missouri’s members pass along coincidental demand to their industrial members, we are seeing more interest in our peak prediction program, which is a tool that alerts members of high peak conditions to help them “beat-the-peak,” thereby lowering their demand costs.

Looking into the future, Upper Missouri is actively looking at advanced demand response options as well as new communication technologies to enhance the member experience and help ultimate members save.

Overall, we are excited about the future of operations at Upper Missouri. The load forecast for our members details substantial growth over the next decade. Upper Missouri’s stable position will enable us to support our members as they accommodate growth in their systems. We look forward to the challenges ahead and intend to develop tools and processes that enhance member value.

# Controller Report



**DELLA PEWONKA**

Upper Missouri's sales growth remained strong; sales totaled 11,711 GWh in 2022 a 6.27% increase over 2021. Upper Missouri's coincidental peak reached 1,684 MW in December. Oil and gas development, processing and transportation are the major sales drivers. However, the continued drought kept irrigation sales above average. We expect more diversification over the next few years as data center and large industries move into the territory.

Just ten years ago, in 2012, Upper Missouri had a peak demand of 582 MW and sales of 3,698 GWh. Present load forecasts indicate that Upper Missouri will see over 761 MW of growth over the next five years. This does not include some of the major industrial load that may develop in our region.

In 2022, 97% of Upper Missouri's energy supply was purchased from Basin Electric Power Cooperative with the balance of 3% purchased from Western Area Power Administration.

Our world changed in 2019, moving under FERC jurisdiction for rate filings. This change required new procedures and reporting requirements. We made some accounting designation changes when we converted from the RUS Form 12 to the FERC Form 1 reporting protocol. FERC Form 1 is filed quarterly with oversight from our CPA, Brady Martz. The FERC oversight created significant new workload from the accounting/rate perspective as well as delivery point/Exhibit A reporting. Unfortunately, the rate filing process is a slow process, so our legal expense is mounting. We are optimistic that our rate filing will make it through the FERC process soon. Our goal is to have a formulary rate approved to minimize the annual filing process.

Upper Missouri is required to file an Attachment "O" with MISO and hold an annual meeting for transmission customer input on transmission cost recovery. The annual meeting was held on June 22nd. No concerns or protests were raised during the meeting.

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

Upper Missouri's financial audit was completed by Brady-Martz. The cooperative is financially secure and has quality resources to rely upon. 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 \$150,000 in December.

With confidence, I am pleased to report that we have accounting and financial systems in place to provide secure and predictable financial performance to serve our member owners.



## 2022 Member Statistics

Coop	Total Members	Total Meters	Miles of Line	Square Miles of Service Area	Coincidental - Peak Demand (MW)	GWH Sales
Burke-Divide	1,407	3,488	2,572	2,590	35.777	200
GoldenWest	683	1,632	1,171	1,500	8.063	49
Lower Yellowstone	2,436	6,229	2,149	2,289	49.717	337
McCone	2,377	5,407	3,837	14,400	18.601	72
McKenzie	4,769	13,456	4,493	4,600	724.954	5,536
Mid-Yellowstone	739	2,041	1,051	4,000	8.912	34
Mountrail-Williams	8,310	21,210	5,413	4,089	648.046	4,190
Roughrider	8,952	14,912	5,261	5,800	148.712	794
Sheridan	1,835	4,196	2,822	4,230	25.780	135
Slope	1,914	4,497	3,143	4,528	47.105	304
Southeast	935	2,198	1,712	6,800	12.203	60
<b>Upper Missouri</b>	<b>34,357</b>	<b>79,266</b>	<b>33,624</b>	<b>54,826</b>	<b>1,684.198</b>	<b>11,711</b>

Coop	2022 GWH Sales	% Sales
Burke-Divide	200	1.7%
GoldenWest	49	0.4%
Lower Yellowstone	337	2.9%
McCone	72	0.6%
McKenzie	5,536	47.3%
Mid-Yellowstone	34	0.3%
Mountrail-Williams	4,190	35.8%
Roughrider	794	6.8%
Sheridan	135	1.1%
Slope	304	2.6%
Southeast	60	0.5%
<b>TOTAL</b>	<b>11,711</b>	<b>100%</b>

## UPPER MISSOURI POWER COOPERATIVE BALANCE SHEETS

### ASSETS AND OTHER DEBITS

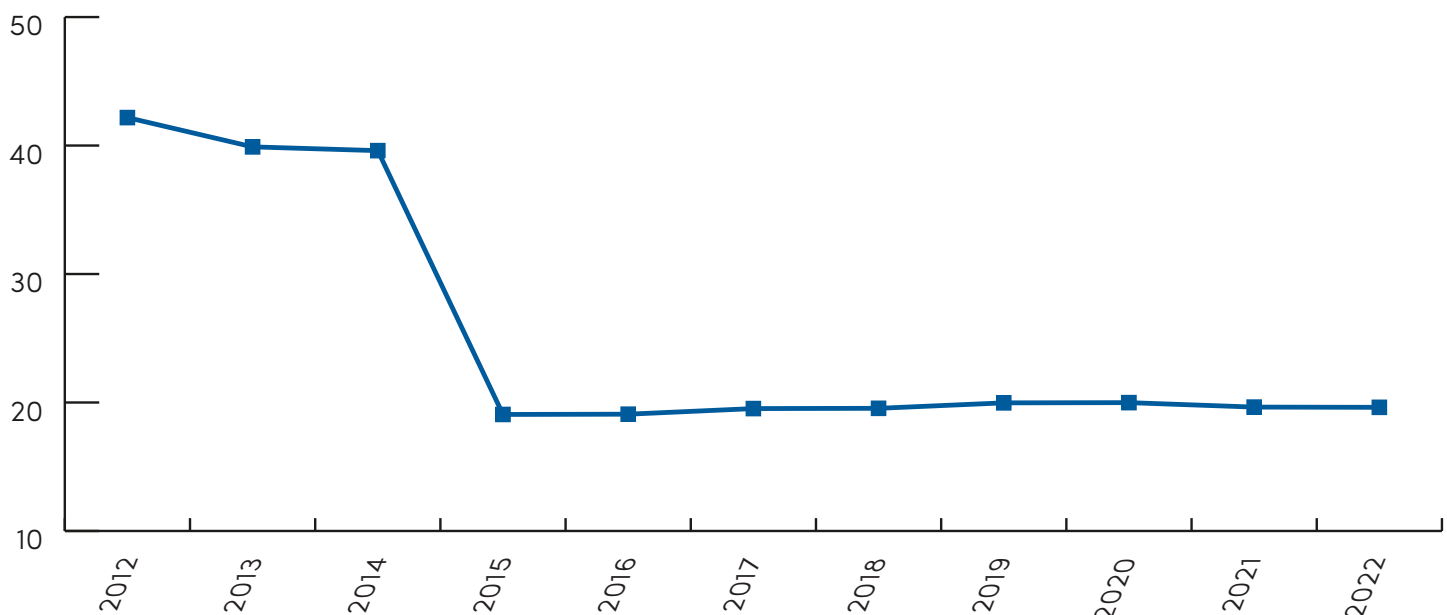
Assets	2022	2021
<b>Electric Plant</b>		
In Service	\$19,624,001	\$19,642,073
Less accumulated depreciation	(13,568,771)	(13,192,728)
<b>Electric Plant - net</b>	<b>6,055,230</b>	<b>6,449,345</b>
<b>Other Property and Investments</b>		
Patronage Capital - Basin Electric	359,264,229	286,375,346
Investments in associated companies	864,924	802,472
Investment in economic development projects	400,000	400,000
<b>Total other property and investments</b>	<b>360,529,153</b>	<b>287,577,818</b>
<b>Current Assets</b>		
Cash and cash equivalents	2,374,963	1,481,050
Temporary cash investments	135,017	135,017
Accounts receivable	63,849,448	50,020,599
Materials and supplies	92,890	149,147
Prepayments	287,348	281,722
<b>Total Current Assets</b>	<b>66,739,666</b>	<b>52,067,535</b>
<b>Deferred Debits</b>	<b>231,659</b>	<b>246,290</b>
<b>TOTAL ASSETS</b>	<b>\$433,555,708</b>	<b>\$346,340,988</b>

# 2022 Financial

## LIABILITIES AND OTHER CREDITS

Equities and Liabilities	2022	2021
<b>Equities</b>		
Memberships	\$5,500	\$5,500
Patronage capital	364,113,869	290,471,637
<b>Total equities</b>	<b>364,119,369</b>	<b>290,477,137</b>
<b>Long-Term Debt, Less Current Maturities</b>	<b>5,993,684</b>	<b>6,213,817</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	220,133	210,492
Accounts payable - Power supply	63,143,246	49,326,758
Other current and accrued liabilities	79,276	103,658
<b>Total Current Liabilities</b>	<b>63,442,655</b>	<b>49,640,908</b>
Deferred Credits	0	9,126
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$433,555,708</b>	<b>\$346,340,988</b>

## TOTAL UTILITY PLANT VALUE (MILLIONS)





## UPPER MISSOURI POWER COOPERATIVE BALANCE SHEETS

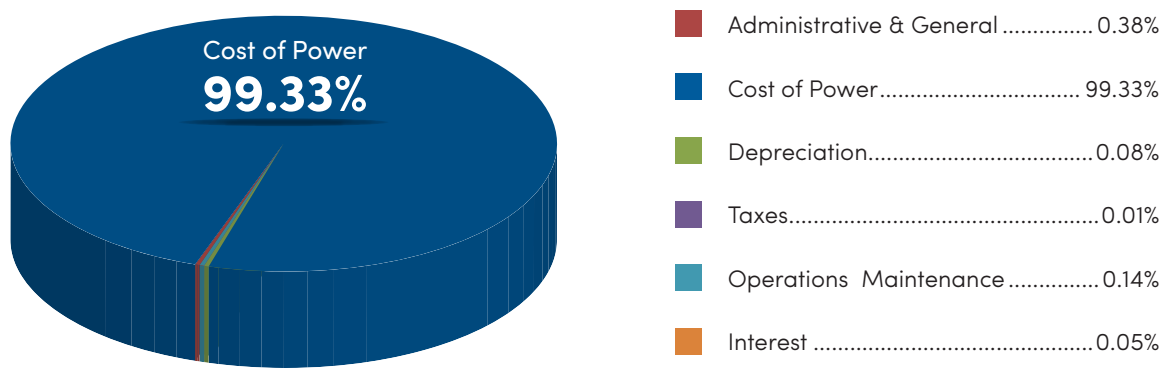
### STATEMENTS OF OPERATIONS

	2022	2021
<b>Operating Revenues</b>		
Electric	639,952,349	622,006,652
Other	4,667,618	4,027,791
	<b>\$644,619,967</b>	<b>\$626,034,443</b>
<b>Operating Expenses</b>		
Cost of Power	641,117,491	623,162,945
Transmission - operations	594,842	620,073
Transmission - maintenance	396,369	370,208
Administrative and general	3,264,298	3,312,044
Depreciation and amortization	393,532	466,017
Taxes	59,219	62,153
Interest on long-term debt	301,157	310,862
<b>Total Operating Expenses</b>	<b>646,126,908</b>	<b>628,304,302</b>
<b>Operating Margins Before Capital Credits</b>	<b>(1,506,941)</b>	<b>(2,269,859)</b>
Basin Electric capital credits	77,926,783	21,771,071
Other Cooperative Capital Credits	114,017	95,253
<b>Total Capital Credits</b>	<b>78,040,800</b>	<b>21,866,324</b>
<b>Net Operating Margins</b>	<b>76,533,859</b>	<b>19,596,465</b>
<b>Nonoperating Margins</b>		
Interest Income	75,561	5,008
Gain (loss) on sale of plant	(583)	57,481
Compliance	36,556	66,507
	630,586	640,300
Maintenance	366,823	325,544
Rent Income	1,170,344	1,160,577
Other non-operating income	16,986	14,584
<b>Total non-operating margins</b>	<b>2,296,273</b>	<b>2,270,001</b>
<b>NET MARGINS</b>	<b>\$78,830,132</b>	<b>\$21,866,466</b>

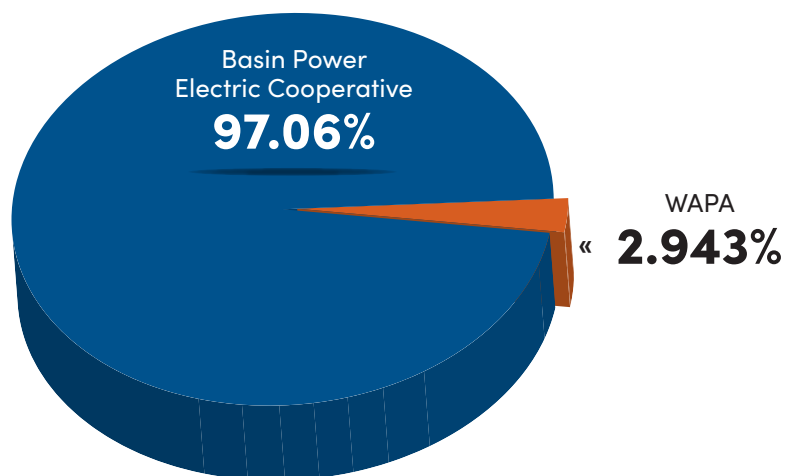
# 2022 Financial

## 2022 EXPENSES

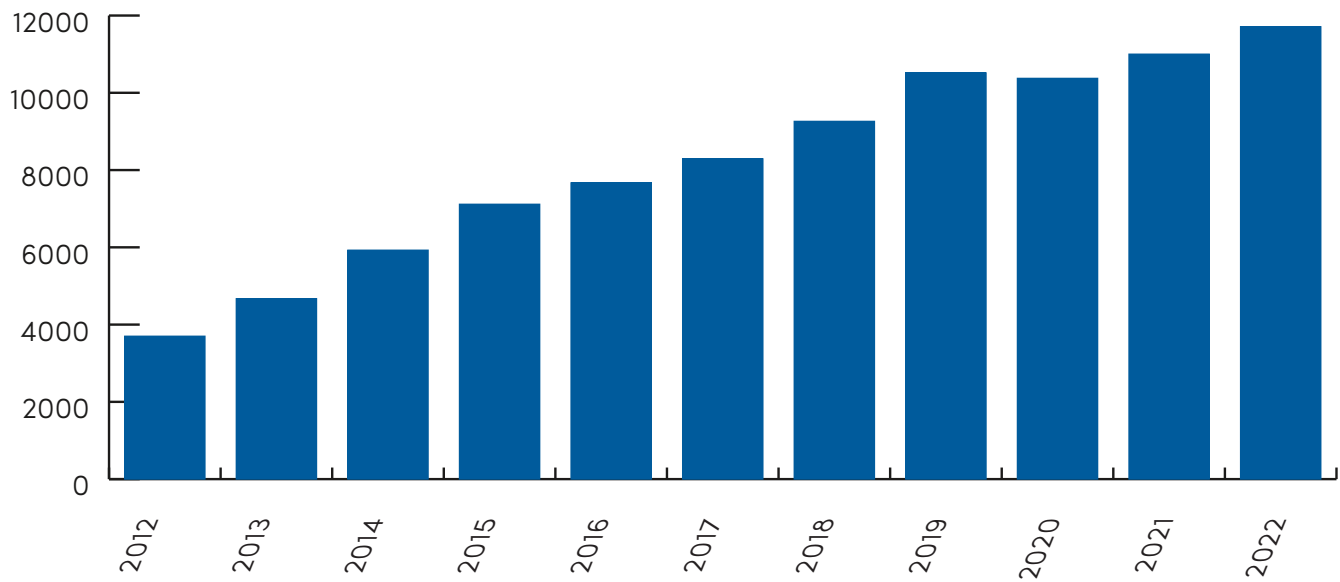
Administrative & General - 0.38%	3,264,298
Cost of Power - 99.33%	641,117,491
Depreciation - 0.08%	393,532
Taxes - 0.01%	59,219
Operations Maintenance - 0.14%	991,211
Interest - 0.05%	301,157
<b>TOTAL EXPENSES</b>	<b>646,126,908</b>



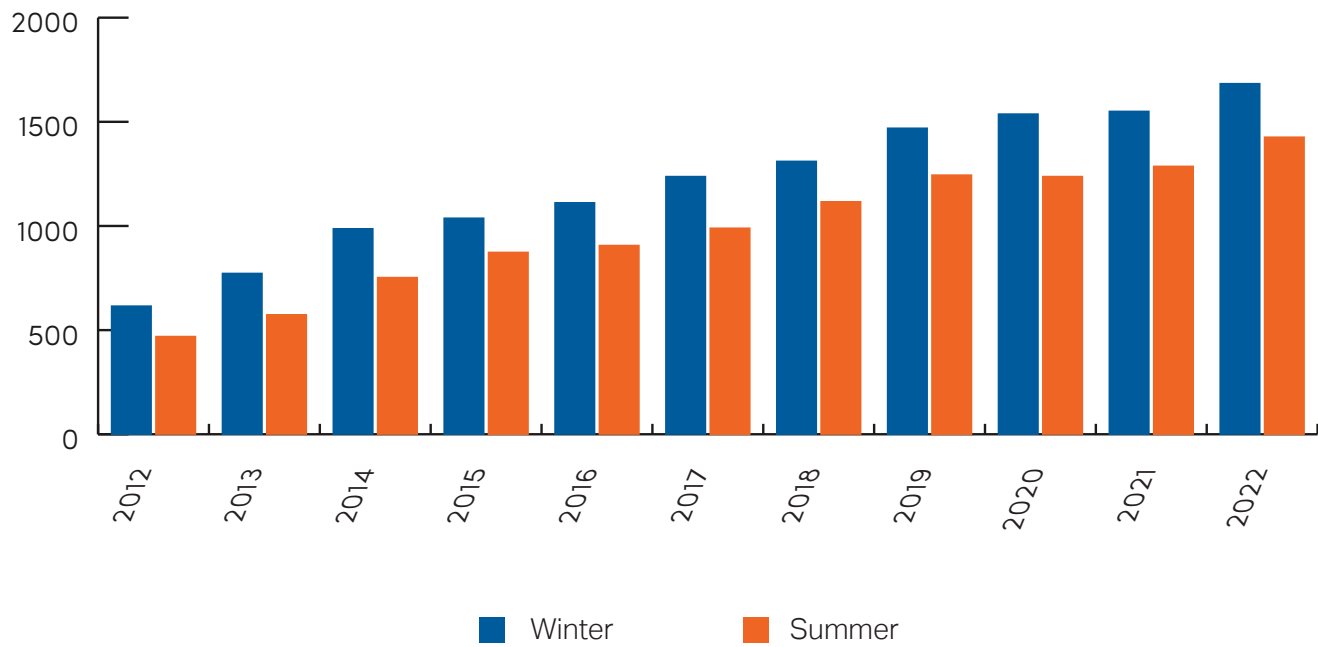
## 2022 POWER SUPPLY



ENERGY SALES (GWH)



PEAK LOADS (MEGA WATTS)







*The Little Missouri substation: a 230-kV Upper Missouri bulk electric facility serving Slope and Southeast near Marmarth, ND.*





# UPPER MISSOURI

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