

INTENT ON INTEGRITY



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 supplies wholesale electricity to eleven distribution cooperatives: six in eastern Montana and five in western North Dakota. The eleven Member Systems serve 79,292 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 2023, energy purchased from WAPA represented 2.46% of total sales and Basin was 97.54%, respectively.

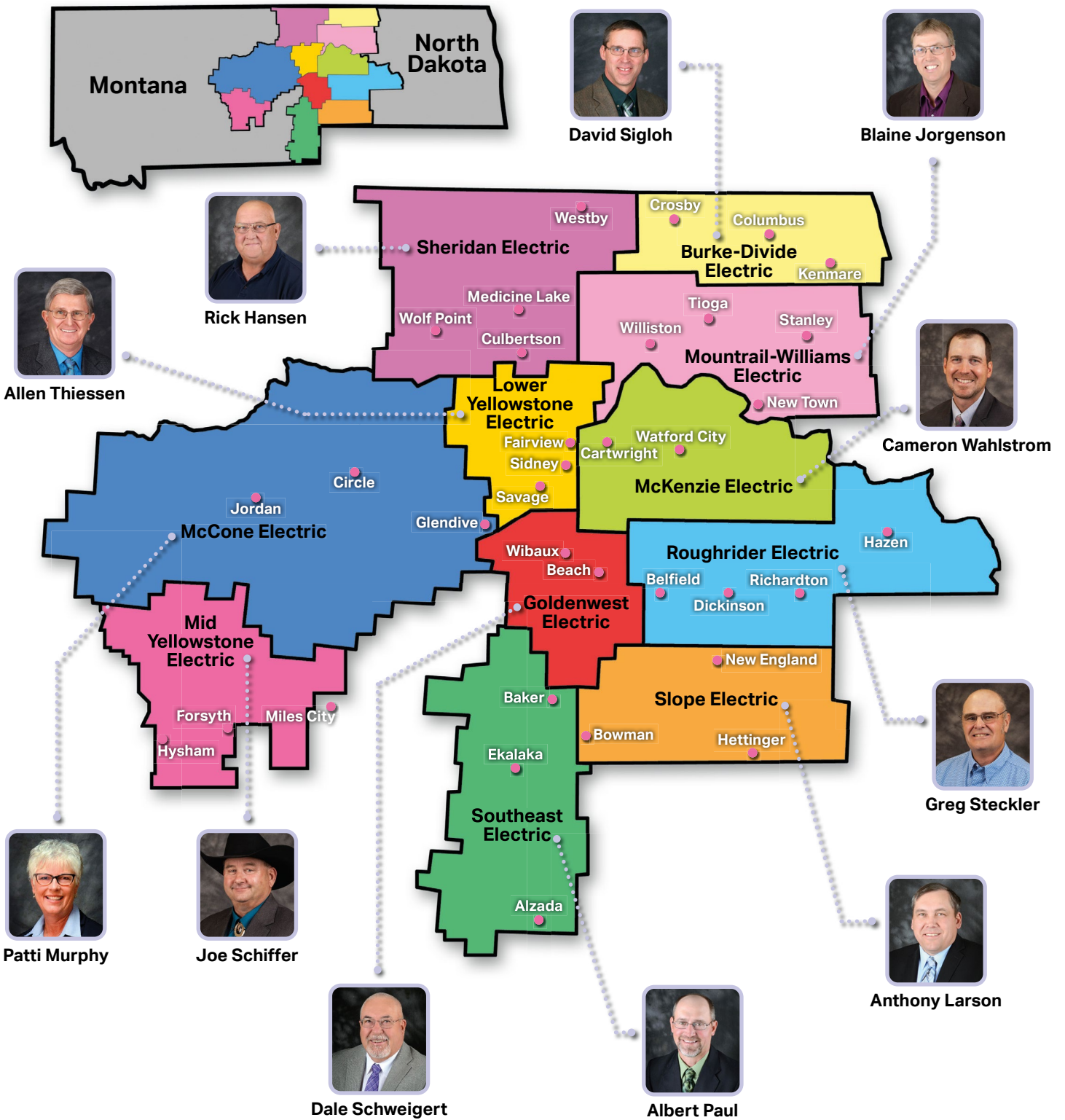
Upper Missouri administers the transmission delivery metering services for most of its service area. There are currently 239 delivery points used in the billing of its members. Upper Missouri also uses these delivery meters to provide high accuracy real-time data to Basin.

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 1,897 MW. Energy sales in 2023 totaled 13,890,115 MWh. Sales in 2023 were 18.61% above 2022 sales and continued growth is projected to continue over the next decade.

On the cover: A picture of frost-covered lines in McCone Electric's service area between Lindsay and Bloomfield, MT in an area they refer to as "On Top of the Divide." Frost and ice have plagued many of our members with outages in 2023, though McCone, like all Upper Missouri's members are "Intent on Integrity" and determined to bring reliability and value to its members. Photo by Willy Green of McCone Electric.

Basin's new 583 MW Pioneer IV Generation Station, under construction, will be an important natural gas generation resource, providing capacity to Upper Missouri's ever-growing region. Photo by Michael Hardy of Basin Electric.

DISTRIBUTION MAP



MANAGEMENT STAFF



*From left to right: **Stacey Brown**, office manager; **Brent Hanson**, chief operating officer; **Jeremy Mahowald**, general manager, **Justin Boyer**, controller, and; **D'Lon Anderson**, financial integrity analyst.*

PRESIDENT'S REPORT



BLAINE JORGENSON

Upper Missouri Power Cooperative is "Intent on Integrity" as the theme of this year's annual meeting states. This is an intentional focus that starts in the boardroom and is transmitted through the manager and to all the staff. In this way, and with additional staff, Upper Missouri can assure the highest level of integrity possible in the services provided to each member.

This year has seen significant staffing changes at Upper Missouri. Long time Controller Della Pewonka retired at the end of 2023. We thank Della for her many years of service and dedication. Justin Boyer has stepped into the Controller position and is capably handling his new responsibilities. Late in 2023, Upper Missouri also hired D'Lon Anderson for the newly created position of Financial Integrity Analyst. Through her work, and the possibility of adding another position in 2024, Upper Missouri intends to limit our reliance on contracted services. This should reduce our costs while increasing integrity in our own services. Thank you to all the staff for their hard work and dedication.

Change is also coming to the Upper Missouri Board as McCone director Patti Murphy has announced she will be stepping down from the Board. We will miss Patti's succinct and highly positive approach to the challenges presented Upper Missouri. Thank you, Patti, for all you have done for our cooperative. We look forward to the same high level of service from whomever is chosen to fill this role.

In 2023, the Upper Missouri Board hired Guernsey to initiate a rate study. This is not something Upper Missouri has ever done before or at least not for a very long time. The Board does not believe the rates to be unfair but hopes to be presented options to simplify and truly know if the rates are equitable. As part of the FERC settlement the rate formula cannot change until 2025.

The business of providing electric service to Upper Missouri's members has changed drastically in the past few years. We cannot get much further from the days when it was said that every new generation source will provide power cheaper than the last, the market will always provide cheap reliable power, or Basin will not need to build or own new generation again. This thinking turned out to be highly damaging to our structure, but we must focus on the future. Upper Missouri's most important role today has shifted to working with Basin to find ways to serve the unprecedented load growth in our area. Many have questioned what this load growth will cost and how it could affect rates. But what will be the cost if we decide not to serve these loads? Responsible growth is a benefit to all the membership. Let us always remember that when we discuss reducing risk, the only true source of revenue for our distribution cooperatives, Upper Missouri, and Basin is the member at the end of the line.

GENERAL MANAGER'S REPORT



JEREMY MAHOWALD

At the time of this writing, we don't yet know where we stand amongst other G. & T.'s sales, but we expect to be tenth or eleventh for overall sales in 2023, as we reached nearly 13.9 million MWh. As also noted by Justin in his report, this is a staggering 18.61% increase in energy sales above 2022 and very near \$800 million in power billing. We are responsible for nearly all the power delivery metering and for accurate power billing, which equates to an average \$25.36 per second, for every second in 2023. Accuracy is a critical priority for us, and just one of many ways Upper Missouri is "Intent on Integrity."

Another way we are "Intent on Integrity" is through the defense and protection of our wholesale power contracts, as we continue to work to resolve disputes and differences with our rates through FERC and litigation. Over the last decades, Upper Missouri has evolved into the eleven cooperative membership we are today and is committed to providing power to our members for the duration our contracts specify. As we have never generated power ourselves since formation, by contract we get the WAPA power first, with all remaining power needs from Basin, also through long-term wholesale contracts.

We represent a thin layer in the power spectrum, and it is my mission to ensure the membership gets the most value possible for the functions we have and the services we provide. Our priorities are meeting Upper Missouri's contractual commitments, the accurate measurement and timely billing of power to our members, meeting a multitude of FERC, NERC, and SPP regulations, and providing other services and benefits that either aren't provided elsewhere or have been elected by our board to be done by Upper Missouri.

Along with Basin and Upper Missouri director, Allen Thiessen, another important role for me is to advocate for our membership within the Basin family. In the last year, that focus has been on meeting the ever-growing power needs for the Upper Missouri membership and the very large load forecast projected for the years ahead. To meet this growth, we've been working with Basin to best assess the timelines of these loads coming into our system as they work to build additional capacity and transmission builds through our system. 2023 also brought our region of the grid into congestion as we reach the upper limits of the amount of power that can be served. We've also been working to accommodate market rates, which will soon be required for cryptocurrency and very large loads.

To this end, Upper Missouri will be providing a new important service for demand response in 2024, requiring new software which Brent, our COO, will be discussing further in his report. To lower risks and costs to our membership, we are also seeking to add an Information Systems Specialist in 2024 to aid in these market functions as well as take over the load monitoring, metering, and business server management that we currently use outside contractors for.

In 2023, we also saw the retirement of our long-time Controller, Della Pewonka, and brought in our new Controller, Justin Boyer. To add redundancy and lower financial risk, and to also begin bringing our meter data management functions in-house instead of contracting, we hired D'Lon Anderson, as our new Financial Integrity Analyst. To further lower risks and contractor costs, we are also seeking a Metering Integrity Analyst in 2024 to perform the meter testing, programming, communications as well as aid in the meter data management, validating and editing functions.

Another major initiative I announced in last year's report but will likely carry through 2024, will be the evaluation of Upper Missouri's rates to do our best to ensure fair and equitable treatment of our members from big to small.

I am very thankful for our dedicated staff, our collaborative and coop-focused board and our committed manager group. In 2024, please help us in our pursuit to be intent on integrity as we work toward our mutual success, regional prosperity, and delivering value to our membership. I welcome your thoughts and ideas to help us in these goals.

CHIEF OPERATING OFFICER'S REPORT



BRENT HANSON

The theme for this year's annual meeting is "Intent on Integrity" and it certainly is a fitting theme for operations in 2023. It was another year with staffing additions, a lot of growth and the precursor to change on the horizon. The potential for load growth in our region is immense, so we are focusing our efforts to provide the level of integrity that is expected from our organization.

From a staffing perspective, the additions of Justin Boyer and D'Lon Anderson to the Upper Missouri team bring years of controller and financial experience that set the Cooperative up for success. Justin has replaced Della Pewonka as the controller at Upper Missouri and is doing a great job. D'Lon started in October as the Financial Integrity Analyst. While the title is a mouthful, so are her job responsibilities. She will be spending part of her time as a backup to the controller position but primarily has been tasked to bring more of our meter reading and validation in house. A key metric for integrity at Upper Missouri is to have timely, accurate and reliable meter billing data. The addition of internal staff metering data analysis will help reduce reliance on contractors and additional accountability at the staff level.

In 2023, there were ten metering points added to load monitoring and the bill check process. Three of these meters were new delivery points. The remaining seven of these meters are splits or backup meters that, in an emergency, can be aggregated to determine usage of an upstream meter. In 2024, there are several new delivery points planned and in various stages of construction. Upper Missouri is prepared to add these delivery points to our load monitoring and power billing programs.

On the facilities side, Upper Missouri spent approximately \$417,000 on maintenance of our five bulk electric system facilities. This is up from \$396,369 in 2022. In November, the Medora Substation 60 kV and 41.6 kV breakers were replaced, along with transformer gasket replacement, and new control house batteries. Little Missouri received communications upgrades and new batteries. Culbertson, Halliday, and Grenora all had maintenance costs ranging from fence repairs, communication updates, and transformer maintenance. While the maintenance completed in 2023 was about 5% more than 2022, these activities and repairs were necessary for the safe and reliable operation of our facilities.

Upper Missouri remains committed to our compliance program. Regular meetings with our subject matter experts help to facilitate necessary updates and help ensure our compliance with the required standards. We are thankful for the ongoing support provided by our consultants, HDR, and Montana Dakota Utilities.

Earlier I mentioned the immense potential for load growth. The Upper Missouri region benefits from the geologic formation under our feet, the highway and railroad systems crisscrossing our territory, the political climate to facilitate growth, and the addition of wind and gas generation. These attributes have created a huge interest in developing loads within our territory. As loads are identified, Upper Missouri works diligently with our members to communicate the need for additional generation and transmission service. Basin Electric has already begun the construction of Pioneer Generation Station Phase IV, and in the very near future will break ground on two new 345 kV transmission lines. These projects will bring much anticipated power congestion relief to the region.

To support crypto and large loads, Basin Electric has been developing new market-based rates. These rates will encourage demand reduction (demand response) during high energy market prices and the development of generation for loads that cannot reduce usage as energy costs rise during periods of high usage or congestion. To support our member cooperatives in facilitating these rates, Upper Missouri has engaged with a software company to develop a portal for these large loads. The software will allow members to interact with the market and receive appropriate dispatch signals during times of demand response or high energy costs. As part of this project, Upper Missouri's peak prediction program will be migrated to this new platform. The development of these rates is a big step for Upper Missouri and the membership.

The outlook for 2024 is both exciting and challenging. We look forward to serving our distribution cooperatives and helping them support their members.

CONTROLLER REPORT



JUSTIN BOYER

Upper Missouri's sales growth remained strong once again with a sales total of 13,890,115 MWh in 2023 which is an 18.61% increase over 2022 sales. Upper Missouri's coincidental peak reached 1,897 MW in December. Oil and gas development, processing and transportation continue to be the major sales drivers. However, the continued drought kept irrigation sales above average. We expect more diversification over the next few years as data centers and large industries move into the territory.

Just ten years ago, in 2013, Upper Missouri had a peak demand of 772 MW and sales of 7,354,397 MWh. Present load forecasts indicate that Upper Missouri will see over 2,060 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 2023, 97.5% of Upper Missouri's energy supply was purchased from Basin Electric Power Cooperative with the balance of 2.5% purchased from Western Area Power Administration.

Major changes were brought on in 2019 which in turn caused us to fall under FERC jurisdiction for rate filings. This change required new procedures and extensive 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 & Associates. The FERC oversight created significant new workload from the accounting/rate perspective as well as delivery point/Exhibit A reporting. In 2023, we completed a FERC settlement on our rates, and our new rates went into effect on April 1, which exchanged FERC and all non-corporate legal costs from a sales basis to divide by eleven.

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 May 31, 2023. 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 typically based on asset use or sales percentages.

Upper Missouri's annual financial audit was completed by Brady, Martz & Associates. 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 retired \$100,000 in capital credits in October.

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.

2023 MEMBER STATISTICS

Coop	Total Members	Total Meters	Miles of Line	Square Miles of Service Area	Coincidental - Peak Demand (MW)	MWH Sales
Burke-Divide	1,414	3,498	2,571	2,590	32.706	206,298
GoldenWest	681	1,647	1,147	1,500	7.339	44,065
Lower Yellowstone	2,435	6,309	2,165	2,253	57.764	403,184
McCone	2,352	5,444	3,842	14,400	16.296	71,339
McKenzie	4,807	13,627	4,553	4,600	801.677	6,116,064
Mid-Yellowstone	748	2,036	1,055	4,000	8.534	30,818
Mountrail-Williams	8,442	21,202	5,446	4,089	818.151	5,769,749
Roughrider	9,163	15,012	5,431	5,800	148.035	805,034
Sheridan	1,830	4,211	2,809	4,230	25.058	136,898
Slope	1,912	4,088	3,143	4,500	40.261	239,353
Southeast	923	2,218	1,712	6,800	10.997	67,313
Upper Missouri	34,707	79,292	33,874	54,762	1,897.478	13,890,115

Coop	2023 MWH Sales	% Sales
Burke-Divide	206,298	1.5%
GoldenWest	44,065	0.3%
Lower Yellowstone	403,184	2.9%
McCone	71,339	0.5%
McKenzie	6,116,064	44.0%
Mid-Yellowstone	30,818	0.2%
Mountrail-Williams	5,769,749	41.5%
Roughrider	805,034	5.8%
Sheridan	136,898	1.0%
Slope	239,353	1.7%
Southeast	67,313	0.5%
TOTAL	13,890,115	100%

2023 FINANCIAL

UPPER MISSOURI POWER COOPERATIVE BALANCE SHEETS

ASSETS AND OTHER DEBITS

Assets	2023	2022
Electric Plant		
In Service	\$19,839,267	\$19,624,001
Less accumulated depreciation	(13,945,056)	(13,568,771)
Electric Plant - net	5,894,211	6,055,230
Other Property and Investments		
Patronage Capital - Basin Electric	409,489,580	359,264,229
Investments in associated companies	847,908	864,924
Investment in economic development projects	400,000	400,000
Total other property and investments	410,737,488	360,529,153
Current Assets		
Cash and cash equivalents	3,420,968	2,374,963
Temporary cash investments	135,017	135,017
Accounts receivable	74,351,334	63,849,448
Materials and supplies	106,862	92,890
Prepayments	299,734	287,348
Total Current Assets	78,313,915	66,739,666
Deferred Debits	217,028	231,659
Total Assets	\$495,162,642	\$433,555,708

2023 FINANCIAL

LIABILITIES AND OTHER CREDITS

Equities and Liabilities 2023 2022

Equities

Memberships	\$5,500	\$5,500
Patronage capital	414,701,432	364,113,869
Total equities	414,706,932	364,119,369

Long-Term Debt, Less Current Maturities	5,763,665	5,993,684
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Current Liabilities

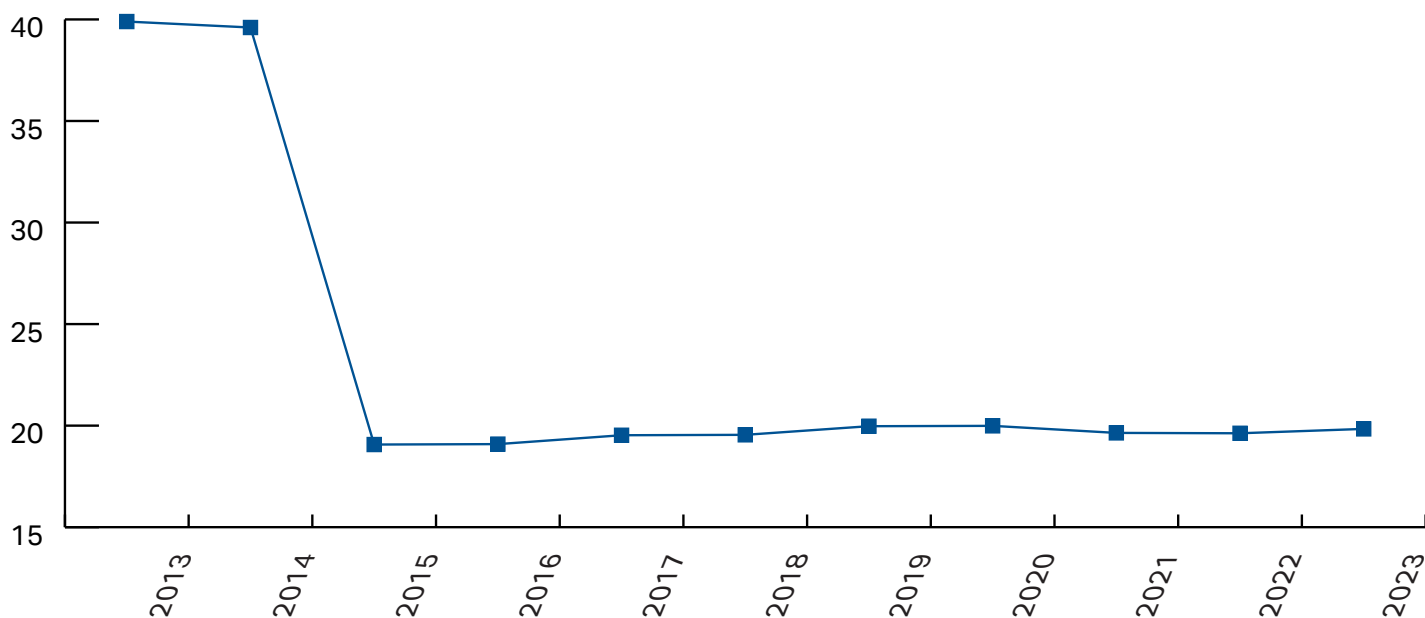
Current maturities of long-term debt	230,019	220,133
Accounts payable - Power supply	74,359,717	63,143,246
Other current and accrued liabilities	102,309	79,276

Total Current Liabilities	74,692,045	63,442,655
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Deferred Credits	0	0
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Total current liabilities	\$495,162,642	\$433,555,708
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TOTAL UTILITY PLANT VALUE (MILLIONS)



2023 FINANCIAL

UPPER MISSOURI POWER COOPERATIVE BALANCE SHEETS STATEMENTS OF OPERATIONS

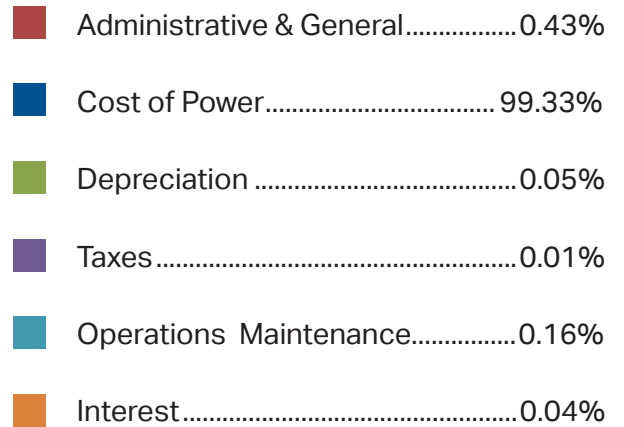
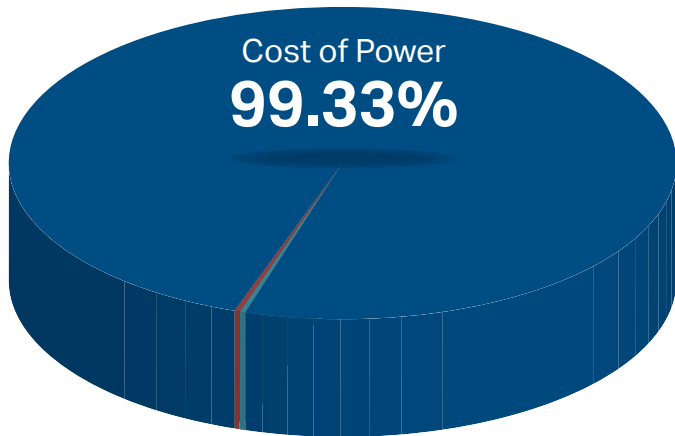
	2023	2022
Operating Revenues		
Electric	795,336,102	639,952,349
Other	4,186,703	4,667,618
	\$799,522,805	\$644,619,967
Operating Expenses		
Cost of Power	796,361,103	641,117,491
Transmission - operations	839,900	594,842
Transmission - maintenance	416,884	396,369
Administrative and general	3,415,315	3,264,298
Depreciation and amortization	376,285	393,532
Taxes	64,390	59,219
Interest on long-term debt	291,001	301,157
Total Operating Expenses	801,764,878	646,126,908
Operating Margins Before Capital Credits	(2,242,073)	(1,506,941)
Basin Electric capital credits	54,024,708	77,926,783
Other Cooperative Capital Credits	32,741	114,017
Total Capital Credits	54,057,449	78,040,800
Net Operating Margins	51,815,376	76,533,859
Nonoperating Margins		
Interest Income	331,671	75,561
Gain (loss) on sale of plant	0	(583)
Compliance	26,118	36,556
Load Monitoring	824,774	630,586
Maintenance	430,155	366,823
Rent Income	1,037,089	1,170,344
Other non-operating income	21,737	16,986
Total non-operating margins	2,671,544	2,296,273
Net Margins	\$54,486,920	\$78,830,132

2023 FINANCIAL

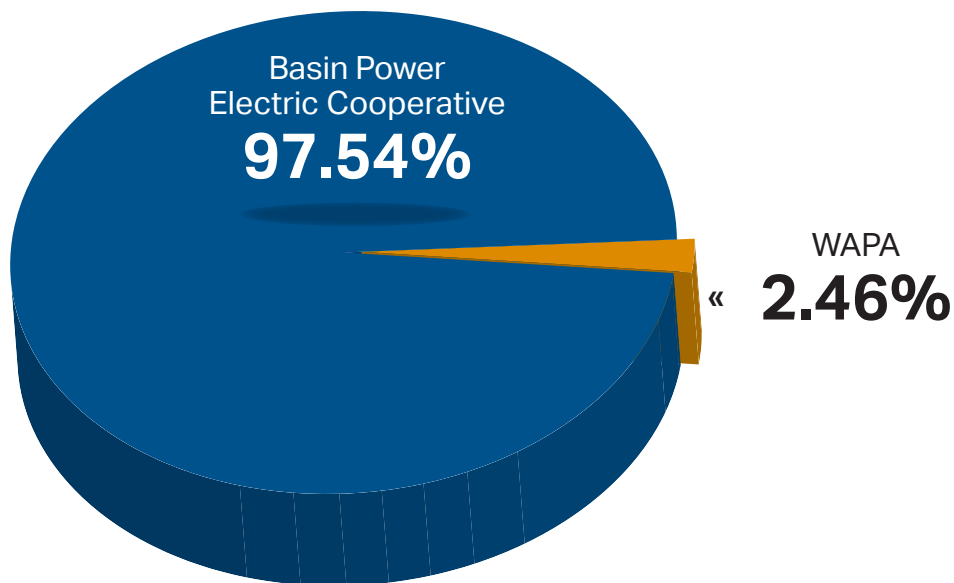
2023 EXPENSES

Administrative & General - 0.43%	3,415,315
Cost of Power - 99.33%	796,361,103
Depreciation - 0.05%	376,285
Taxes - 0.01%	64,390
Operations Maintenance - 0.16%	1,256,784
Interest - 0.04%	291,001

TOTAL 801,764,878

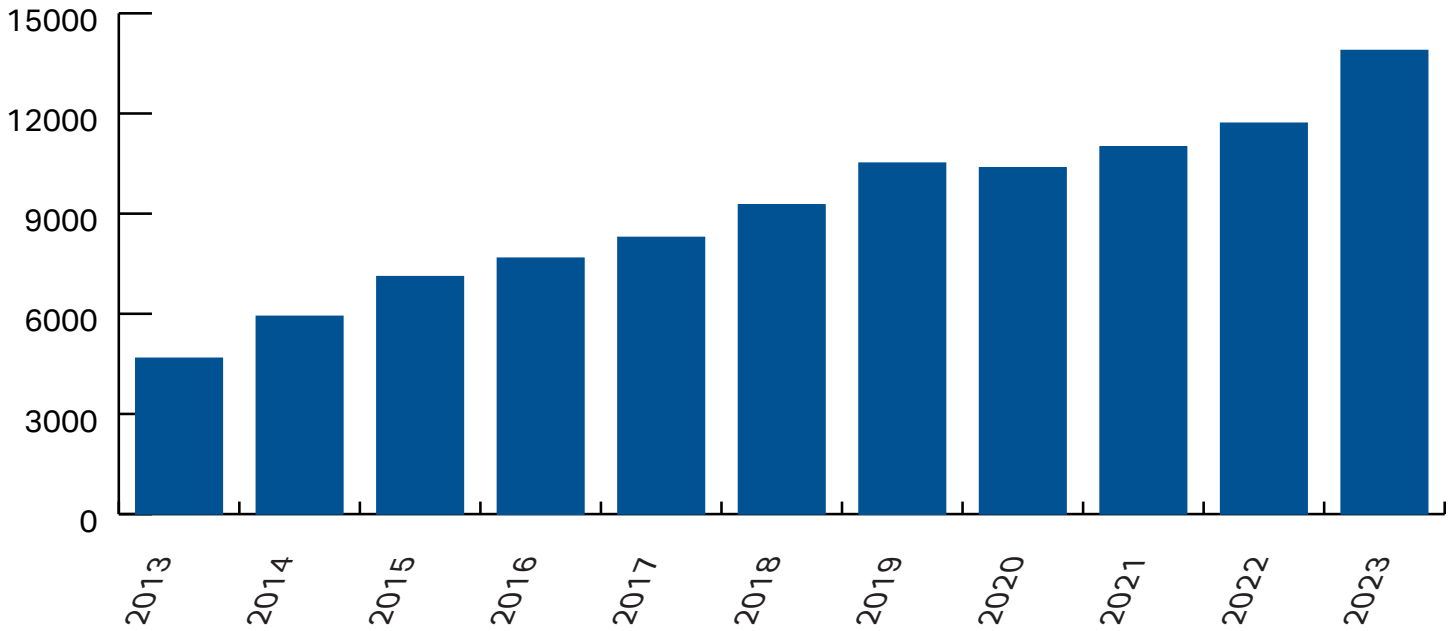


2023 POWER SUPPLY

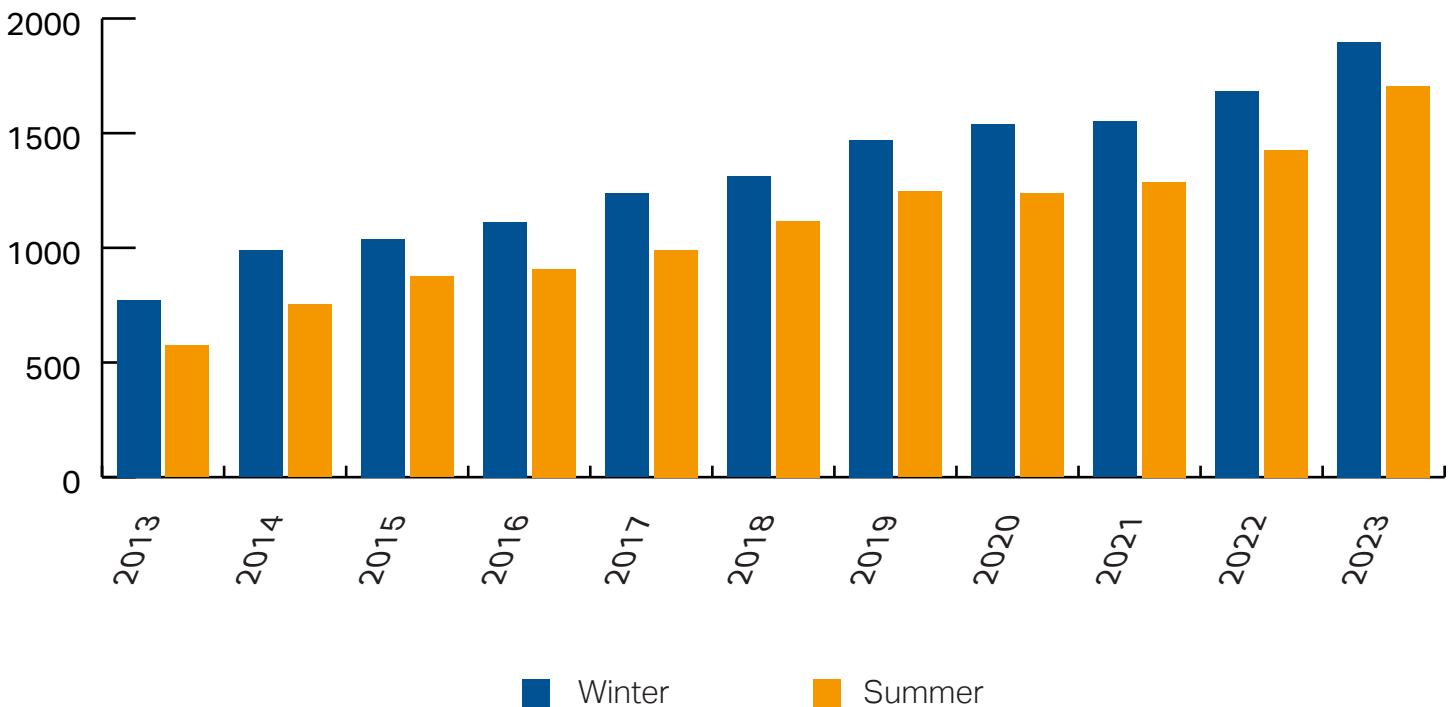


2023 FINANCIAL

2023 ENERGY SALES (GWH)



2023 PEAK LOADS (MEGA WATTS)





Oil well near Marmarth, North Dakota on this page, and oil wells near Mandaree, North Dakota on Back Cover. Upper Missouri's region is driven by agriculture and energy. Photos by Jeremy Mahowald.



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