

# ANNUAL REPORT | 2023



# MOVING FORWARD

In many ways, 2023 saw a return to normalcy, stability and predictability for your co-op. With Winter Storm Uri and its attendant difficulties finally in the rear view mirror, United began moving forward with as little impact as possible on our members.

As a reminder, Brazos Electric Cooperative (Brazos) emerged from bankruptcy late in 2022. The result, dubbed “Brazos 2.0,” resolved the issue of who owed how much of the debt incurred by Winter Storm Uri. United came out of the process owing roughly \$440 million in debt. To pay off the debt, United sold bonds in a process called securitization. This process would allow United to pay down the debt over time. The long-range plan to cover the cost of the debt meant that the co-op added a 1.2-cent securitization charge per kilowatt-hour to member bills.

The creation of the Brazos Electric Ratepayer Fund in 2023 eliminated the cost of securitization to our most vulnerable members, covering 100 percent of the Winter Storm Uri securitization charges for qualifying, low-income members. This fund helps low-income folks, and every one of them needs to take advantage of it. It’s a relatively easy process to sign up at [www.ucs.net](http://www.ucs.net). Members shouldn’t pass up this opportunity to possibly save hundreds of dollars per year.

As part of the bankruptcy settlement, Brazos had to cease electrical generating operations as of March 1, 2023. This left United with the challenge of finding a new wholesale energy provider. United met this challenge with a good deal of planning and foresight by choosing Constellation Energy as its new energy provider.

On March 1, 2023, United flipped the switch, guaranteeing members a reliable, predictable source of energy at a stable price. A price that continues to provide significant value to members compared to the average retail energy price on the market.

In other words, our members get a good, predictable deal in a volatile energy market.

On the internet front, United moved forward with its plans to provide high-speed fiber to its members. In just a few years, United garnered 20,000 internet subscribers, a tremendous feat that took the work of many talented and dedicated people. That

impressive number of subscribers continues to grow with more added daily to our ever-expanding fiber network.

No longer considered a luxury—today’s modern world requires access to a fast, reliable internet connection. We at United have dedicated ourselves to providing this necessity to our members.

Construction of United’s fiber internet backbone continued throughout 2023, resulting in a more reliable and stable internet experience for our membership. This effort culminated in the completion of the backbone in early 2024, bringing us ever closer to our goal of providing internet to all our members.

The digital divide, the gulf between those with access to reliable, high-speed internet and those without, disproportionately affects rural communities, businesses and schools. With the expansion of our network of fiber, United has started the process of bridging that divide. The cooperatives provided electricity to rural America in the 20th century, bringing power to people who had never had it before. United’s effort to bring reliable, high-speed fiber internet to the rural folks we serve hearkens back to our roots as an organization.

Moving forward again, the cooperative board of directors decided to resume giving dividends back to its member-owners after a two-year hiatus. In October of 2023, members received their first dividend checks. When members pay their electric bill every month, they invest in an organization that they partly own. After paying all operating costs for the fiscal year, members may receive a part of the money left over.

In 2023, United moved forward into normalcy, predictability and exceptional service to its membership.

Looking back on 2023, we have many blessings to count. Foresight, planning and the work of a lot of talented people brought us a new partnership with Constellation Energy, new ways to help our neighbors with the Brazos Electric Ratepayer Hardship fund, new accomplishments like garnering 20,000 internet subscribers and a resumption of old traditions like giving dividends back to our members. With gratitude to the people we serve, we look forward to a bright new year to come.

May God bless you and keep you safe!



**CAMERON SMALLWOOD**  
United CEO



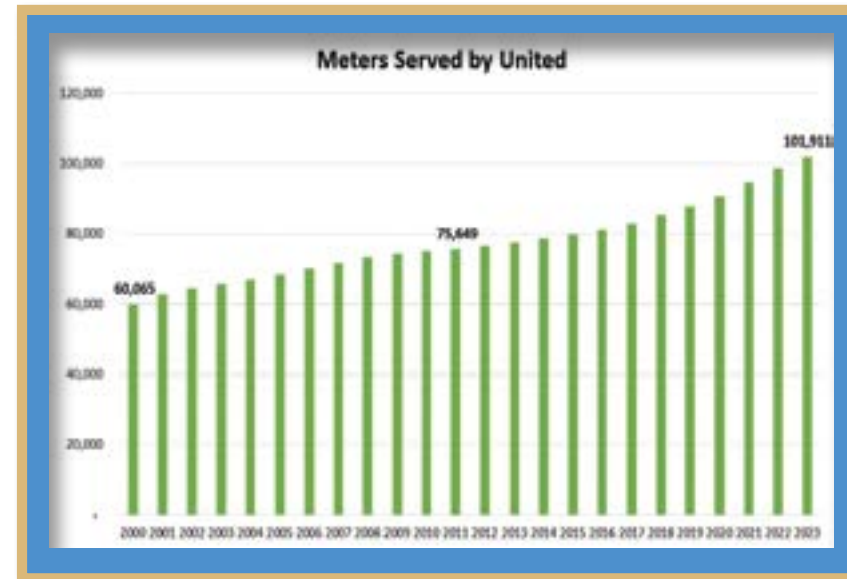
# Balance Sheets

As of December 31, 2023 and 2022

# Statements of Revenue and Patronage Capital

For the Years Ended December 31, 2023 and 2022

	As of December 31,	
	2023	2022
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Electric plant in service at cost	\$ 638,173,193	\$ 559,545,352
Construction work in progress	26,959,607	25,769,259
<b>Total utility plant</b>	<b>\$ 665,132,800</b>	<b>\$ 585,314,611</b>
Less accumulated provision for depreciation	167,200,623	152,931,738
<b>Net utility plant</b>	<b>\$ 497,932,177</b>	<b>\$ 432,382,873</b>
<b>INTERNET SERVICE PLANT</b>		
Internet plant in service at cost	\$ 119,914,687	\$ 77,131,984
Construction work in progress	68,385,255	53,051,676
<b>Total non-utility plant</b>	<b>\$ 188,299,942</b>	<b>\$ 130,183,660</b>
Less accumulated provision for depreciation	10,049,319	5,165,764
<b>Net non-utility plant</b>	<b>\$ 178,250,623</b>	<b>\$ 125,017,896</b>
<b>OTHER PROPERTY AND INVESTMENTS AT COST</b>		
Investments in associated organizations	\$ 578,755,677	\$ 577,279,232
<b>Total property and investments</b>	<b>\$ 578,755,677</b>	<b>\$ 577,279,232</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 14,739,827	\$ 44,092,839
Restricted Cash	\$ 11,168,313	\$ 8,079,444
Accounts receivable-less allowance for doubtful accounts	34,275,475	42,441,978
Material and supplies (at average cost)	13,063,975	15,624,815
Other current and accrued assets	943,835	470,625
<b>Total current assets</b>	<b>\$ 74,191,425</b>	<b>\$ 110,709,701</b>
<b>DEFERRED DEBITS</b>		
	\$ -	\$ -
<b>TOTAL ASSETS</b>	<b>\$ 1,329,129,902</b>	<b>\$ 1,245,389,702</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>EQUITIES AND MARGINS</b>		
Memberships	\$ 125,130	\$ 130,955
Patronage capital	296,746,472	287,135,701
Accumulated other comprehensive income	11,594,338	9,745,412
Other equities	(6,845,243)	(2,616,769)
<b>Total equities and margins</b>	<b>\$ 301,620,697</b>	<b>\$ 294,395,299</b>
<b>LONG-TERM DEBT</b>		
RUS mortgage notes	\$ -	\$ -
CFC mortgage notes	24,897,148	27,019,895
CoBank mortgage notes	29,632,573	30,000,000
FFB mortgage notes	437,651,881	338,521,487
Securitized bonds	436,775,744	444,571,513
Economic development loan	-	-
<b>Total long-term debt</b>	<b>\$ 928,957,346</b>	<b>\$ 840,112,895</b>
<b>ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS</b>		
	\$ 1,852,870	\$ 1,480,732
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 12,605,000	\$ 10,592,000
Current portion of securitized bonds	\$ 7,795,769	\$ 4,606,643
Current portion of postretirement benefits	350,000	350,000
Line of Credit	-	-
Accounts payable - purchased power	20,243,869	27,929,430
Accounts payable - other	10,774,968	13,119,724
Consumer deposits	4,780,383	4,133,658
Accrued taxes	4,800,452	4,751,647
Accrued interest	2,566,496	492,349
Other current and accrued liabilities	22,437,219	34,048,850
<b>Total current liabilities</b>	<b>\$ 86,354,156</b>	<b>\$ 100,024,301</b>
<b>DEFERRED CREDITS</b>		
	\$ 10,344,833	\$ 9,376,475
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 1,329,129,902</b>	<b>\$ 1,245,389,702</b>



	For the Years Ended December 31,	
	2023	2022
<b>NET SALES</b>		
	\$ 341,553,374	\$ 350,166,779
<b>OPERATING EXPENSES</b>		
Purchased power	\$ 258,102,317	\$ 266,030,503
Distribution expense - operations	9,899,030	8,861,981
Distribution expense - maintenance	14,710,361	14,083,722
Consumer accounts	6,313,081	6,044,545
Customer service and information	2,233,777	2,184,412
Administrative and general	7,555,260	7,523,213
Depreciation and amortization	23,911,426	20,872,464
Taxes	2,339,865	2,169,690
Interest on long-term debt	9,607,567	7,610,120
Other interest and deductions	155,245	481,692
<b>Total operating expenses</b>	<b>\$ 334,827,929</b>	<b>\$ 335,862,342</b>
<b>Net operating margins</b>	<b>\$ 6,725,445</b>	<b>\$ 14,304,437</b>
<b>INTERNET SERVICE REVENUE (EXPENSES)</b>		
Internet Service Revenue	\$ 15,935,926	\$ 10,156,637
Cost of Sales	(1,935,455)	(1,435,967)
Operating expenses	(17,895,209)	(11,802,790)
<b>Total internet service margins</b>	<b>\$ (3,894,738)</b>	<b>\$ (3,082,120)</b>
<b>NONOPERATING MARGINS</b>		
Interest income	\$ 884,543	\$ 61,617
Other	1,488,266	3,938,480
<b>Total nonoperating margins</b>	<b>\$ 2,372,809</b>	<b>\$ 4,000,097</b>
<b>Generation and transmission cooperative and other capital credits</b>		
	\$ 2,215,619	\$ 1,299,972
<b>NET MARGINS FOR YEAR</b>		
	\$ 7,419,135	\$ 16,522,386
<b>PATRONAGE CAPITAL - END OF YEAR</b>		
	\$ 296,746,472	\$ 287,135,701

## 2023 FINANCIAL REVIEW

### SALES OF ELECTRICITY & INTERNET SERVICES

In 2023, United delivered 2,800 gigawatt-hours to the membership, marking the third consecutive year that United's sales have surpassed 2,500 gigawatt-hours. This was the fifth-highest total

among Texas cooperatives and in the top 3 percent of cooperatives nationwide. 2023 residential sales decreased 12 gigawatt-hours and commercial sales increased 36 gigawatt-hours for an overall percentage increase of 0.8 percent over 2022's sales. 2023 saw the continued deployment of fiber internet services to the membership, with 22,497 subscribers at year end. This was a 47 percent growth rate from 2022 and continued the rapid expansion dating back to August of 2020.

### PLANT INVESTMENT AND EQUITY POSITION

In the past five years, United has invested in electric distribution and internet plant for new construction and system improvements totaling

over \$387 million. Multiple factors produced this sizable investment, most notably significant electric meter growth and the launch of fiber internet services. Funding for these improvements comes from both current operations and a large portion funded by long-term loans. United has an equity ratio of 34 percent, which is below the median on a national level of 42 percent for electric distribution co-ops of like size.

### FINANCIAL PERFORMANCE

Margins for 2023 were \$7,419,135 with members receiving a patronage capital margin allocation equivalent to 3.52 percent of their 2023 billed electric service. United's Times Interest Earned Ratio (TIER) at the end of the year was 1.66 compared to a 2023

average of 2.53 for electric distribution co-ops of like size.

TIER is an important ratio measuring United's ability to repay debt. United's lenders require that our TIER level not fall below 1.25 and our Operating TIER level not fall below 1.10 when averaging the two highest annual results over the last three years. United reports an average TIER of 3.39 when using the two highest TIER results from the last three years and an average Operating TIER of 2.49.

Costs composed of distribution, consumer, and administrative expenses amounted to \$399 per meter in 2023 compared to a national average of \$417 for electric distribution co-ops of like size. United's five-year average for this ratio from 2019 through 2023 is \$369 versus \$403 for like-sized distribution co-ops.



# FUN FACTS 2023



## 1 AVERAGE METER COUNT - 102,000

- Top 5% (#36) in the U.S. among co-ops
- 4.5x the average TX co-op
- Nearly 7x the average U.S. co-op



## 5 TOTAL MWH SOLD - 2,800,000

- Top 3% (#25) in the U.S.
- Just over double the amount of MWh sold during the first year of consolidation (2000)



## 2 MILES OF LINE - APPROX. 11,500

- 3rd most in TX (co-ops)
- Top 15 (#14) in the U.S.
- LA to NYC round-trip twice



## 6 METER GROWTH % - 3.32%

- 4th consecutive year above 3%
- U.S. median - 0.9%
- TX median - 2.0%



## 3 FIBER CABLE MILES - 7,000

- Distance from Burleson to Perth, Australia



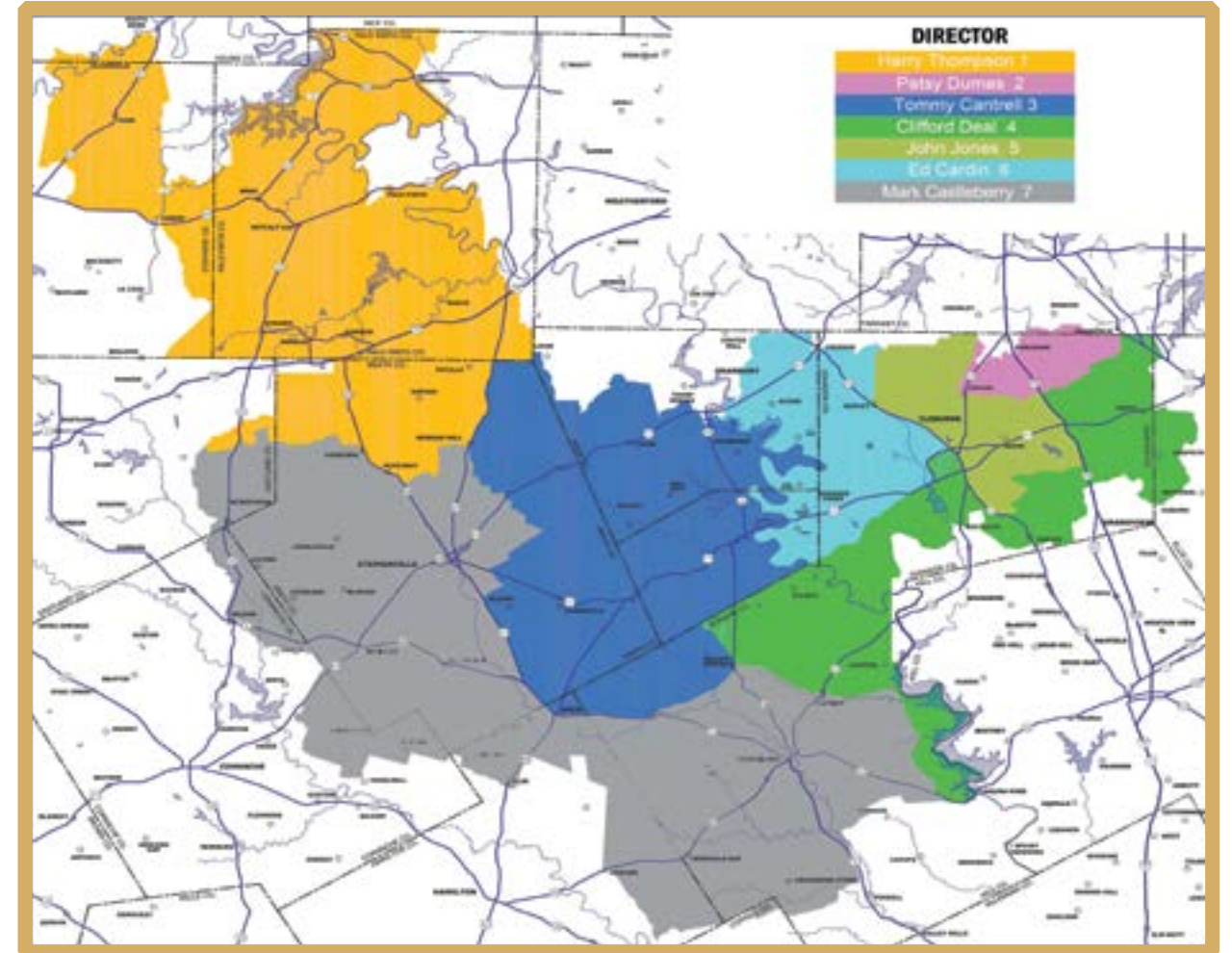
## 7 AVERAGE METERS PER MILE - 8.8

- Median of like-size co-ops - 15.8



## 4 FIBER CABLE MILES ADDED IN 2023 - 2,159

- 41.5 miles per week



DIRECTOR	
1	Harry Thompson
2	Patsy Dumas
3	Tommy Cantrell
4	Clifford Deal
5	John Jones
6	Ed Cardin
7	Mark Castleberry

The United Cooperative Services Board of Directors consists of United members and business professionals elected from seven service territory districts by the United membership; each charged with the responsibility of setting cooperative policies and providing oversight of all cooperative business.



**PATSY DUMAS**  
President  
District 2



**TOMMY CANTRELL**  
Vice President  
District 3



**HARRY THOMPSON**  
Secretary-Treasurer  
District 1



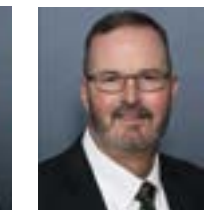
**CLIFFORD DEAL**  
District 4



**JOHN JONES**  
District 5



**ED CARDIN**  
District 6



**MARK CASTLEBERRY**  
District 7

## Briscoe, Burke & Grigsby LLP

CERTIFIED PUBLIC ACCOUNTANTS

April 19, 2024

To the Members of United Cooperative Services:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of United Cooperative Services as of December 31, 2023 and 2022, and the related statements of income and patronage capital, and cash flows for the years then ended and in our report dated April 19, 2024, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in

relation to the financial statements from which it was derived.

The complete audit report as described above is on file at the Cooperative's headquarters office.

*Briscoe, Burke & Grigsby LLP*  
Certified Public Accountants