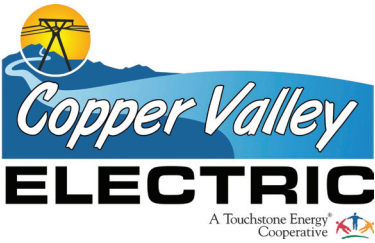


Copper Valley Electric Association 2013 Annual Report

Vision of the Cooperative:
To reduce or eliminate our dependence on fossil fuel and stabilize the Cooperative's cost of generation with regional, sustainable resources

Mission of the Cooperative:
To provide exceptional customer service through safe, reliable, cost-effective electric service and programs

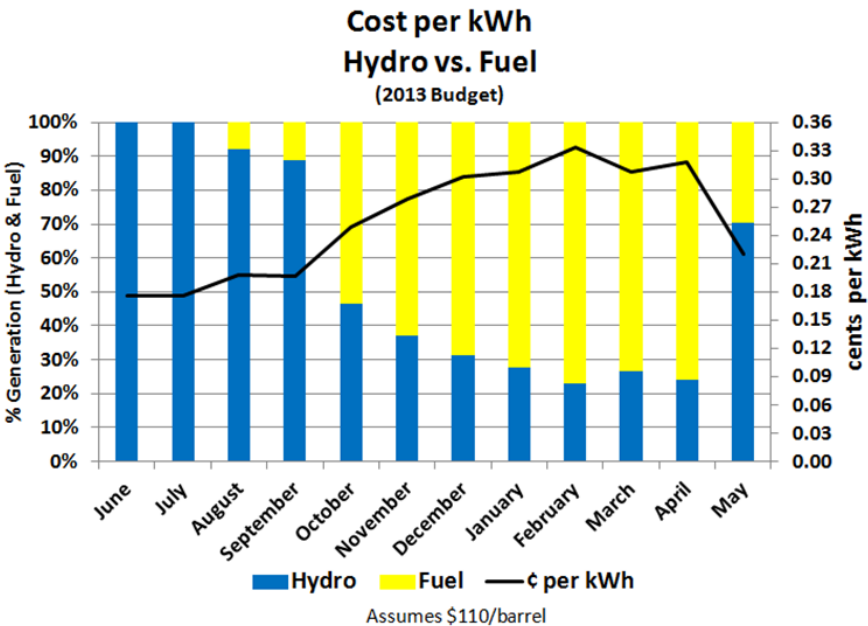


Message to the Membership

Dear Member

February 2013

High fuel costs continue to plague CVEA members. This is very apparent during winter months when a smaller percentage of CVEA's monthly generation requirement can be met with hydro, meaning the balance must be generated with fuel. The limitations of the hydro project's capabilities and the related impact to the power bill is depicted on the graph below. In sum, when the hydro produces most of the power (summer) rates are lower and in winter, when electricity is generated with fuel, rates are much higher.



CVEA cannot control the price of oil. We can work to lessen our reliance on oil for power generation and it is with this goal in mind, that CVEA continues to work toward its vision to reduce or eliminate our dependence on fossil fuel and to stabilize the Cooperative's cost of generation with regional, sustainable resources. This report highlights some of the work that is being done as well as a variety of other subjects that are beneficial to the member.

CVEA believes that hydropower is the most viable and cost effective renewable resource and has been aggressively moving the Allison Creek Hydroelectric Project forward. This past year CVEA has advanced the project past 60 percent design and we are in the process of selecting a Construction Manager. We have construction financing in place and we continue to work on the long term plan of finance to provide members with the lowest possible cost/kWh. CVEA's goal is to have Allison Creek producing hydropower by 2015.

In addition to Allison Creek, in 2012 CVEA received a \$500,000 Legislative Appropriation for a reconnaissance level study of the Tielke River drainage area to determine if it shows enough potential to be studied further and possibly developed into an additional hydropower resource.

We are also investigating other potential generation alternatives. CVEA continued to gather and evaluate wind data collected by the Meteorological (MET) tower erected at 10 Mile in Valdez in 2011. The wind in this area is rated at Class 4, which would be marginal at best and the turbulence is rated at a Category A, the highest possible. Neither bode well for a successful wind generation project. Tolsona Ridge, in the Copper Basin, was chosen for the installation of a second MET tower in 2012. In addition, in 2013, we will investigate a potential location on Gakona Bluffs overlooking the Copper River.

Alternative energy is on many of our members' minds and CVEA addressed this issue head on last year with the creation and implementation of a Net Metering Program and installation of renewable energy displays in each district. As of August 2012, CVEA consumers are now able to participate in a Net Metering Program at the Co-op, allowing eligible consumers to connect an approved alternative energy generation system to the CVEA grid in order to offset the consumer's normal usage and potentially sell back any excess energy to CVEA at an avoided cost energy rate. Consumers should understand that there are location and system specific limitations and interconnection requirements of this program put in place to protect the CVEA system and the safety of your neighbors and CVEA personnel.

Last fall CVEA installed two generation displays, a tracking solar array in Glennallen and a wind turbine in Valdez, to educate the membership on how to properly install an alternative energy source at their home or business.

With these displays CVEA can provide members information on capital and installation costs as well as realistic generation output. While CVEA is not advocating either system, it is our hope that members can use this information to determine if a similar project makes sense for them. Log on to www.cvea.org and click the Renewable Generation Displays hot-link to track the projects.

Solving the avalanche issue on Thompson Pass has been a priority for the Cooperative since 2009. In 2012, after extensive analysis, the decision to relocate the line was made. The Cooperative is currently waiting on a permit from the State of Alaska, Department of Natural Resources. Once received, CVEA will move forward with plans to relocate a portion of the line to the west side of the Richardson Highway, keeping Cooperative assets and employees out of harm's way.

In 2012, CVEA implemented an outage communications plan to provide members real-time information on outages. If an outage is expected to last an extended period of time and affect a large number of CVEA members, members can call the after-hours emergency number or visit the CVEA Facebook page for timely updates. We believe these measures will significantly improve the availability and status of outage information.

2012 was a very productive year as the CVEA team worked hard to advance important projects and issues. Your Board of Directors and Staff will continue to move toward our vision as we look to the year ahead. We hope you will make plans to attend the annual meeting to hear more about the activities of your electric cooperative on April 16 in Glennallen and April 18 in Valdez.



Robert A. Wilkinson
Chief Executive Officer

Robert A. Wilkinson

Copper Valley Electric Board of Directors



**Carl Crosman
President**



**Will Stark
Vice President**



**Dan Stowe
Secretary**



**Lon Rake
Treasurer**



**Paul Kildal
Director**



**Jim Manning
Director**



**Jeff Saxe
Director**



**Fred Williams
Director**

In Memoriam

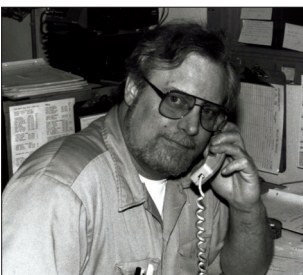


John Hunter

April 2, 1950-February 27, 2013

John was a dedicated employee
of Copper Valley Electric
Association for over 38 years.

He will be missed



2012 Accomplishments

Power Supply

Allison Creek

- Draft Environmental Assessment adopted by FERC with minor changes
- Hired a Design Engineer and an Owner's Representative
- Solicited Construction Contractor
- Completed line and penstock mapping and geotechnical work
- Applied for Renewable Energy Fund grant for \$6 million
- Secured construction financing, continued work on long term financing

Tiekel River Reconnaissance

- Solicited and received \$500,000 grant from state
- Conducted a Request for Proposals and awarded a contract
- Received draft report January 2013

Deployed a second Meteorological (MET) Tower at Tolsona Ridge in the Copper Basin to assess the possibility of a wind generation project in the area

Financial

- Implemented the Rate Study in June 2012
- Completed a successful audit

Communications

- Implemented Outage Communications Plan
- Held member open house to provide information on renewable energy displays
- Ruralite cover stories on important topics including: Allison Creek, Net Metering, Rate Study, Renewable Energy, Biomass, Hydropower, Energy Efficiency, and Lighting Alternatives
- Participated in the Regional Energy Conference at Glennallen

Operations

- Completed year two of the Valdez Underground Cable Replacement Project
- Thompson Pass Relocation Project design and ongoing permitting effort
- Created a Net Metering Program and installed solar and wind renewable generation displays
- Solomon Gulch Unit 2 Overhaul, installed more efficient runner; replaced governors on both units
- Upgraded Solomon Gulch security and safety with outdoor cameras
- Made energy efficiency upgrades at the Glennallen Office Building

Environmental/Regulatory

- Completed FERC Part 12D Inspection, a Potential Failure Mode Analysis, the Owner's Dam Safety Program Plan, and a Time Sensitivity EAP Assessment
- Secured exemption from EPA for expensive modifications to diesel generators

Supporting Our Communities



In 2012, we participated or sponsored many events and organizations, providing support, member education, and information on electric conservation and safety.

- Copper Basin Governor's Picnic
- KCAM Sharathon
- Gakona Youth Environmental Summit
- Copper Basin High School Career Day
- Copper River Emergency Medical Services Auction
- Copper Basin Senior Citizens Auction
- Recycling Our Areas Resources
- Kenny Lake League Scholarship Fun Run
- Kenny Lake Library Summer Literacy Camp
- Glennallen PTO Book Basket Auction
- Copper Valley Chamber of Commerce
- Copper Valley Telecom's Holiday Giving
- Saint Baldrick's
- Valdez Consortium Library Book Basket Auction
- Relay for Life
- VCVB Oktoberfest
- Valdez Museum Roadhouse Fundraiser
- Valdez High School Drug Free Celebration
- Valdez Cooperative Preschool
- Valdez Food Bank
- Valdez Science Fair
- Advocates for Victims of Violence
- Alaska Power Association Annual Meeting
- Regional Energy Summit



CVEA Community Foundation

- Awarded \$6,000 in educational scholarships to graduating seniors
- Awarded \$1,500 in community college scholarships to adults continuing their education
- Sent two students to the Idaho Youth Rally Leadership Camp
- Contributed \$1,500 to fund the new LEGO Robotics Class and after school club at Valdez Middle School



2012 CVEA Financial Report

(Unaudited)

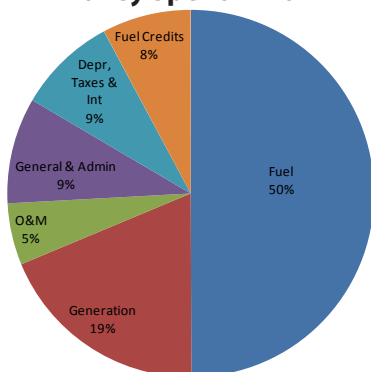
Balance Sheets

	<u>2012</u>	<u>2011</u>
Net Utility Plant	\$ 23,419,131	\$ 20,250,618
Investments	2,539,692	2,420,748
Current Assets	<u>21,538,116</u>	<u>23,029,774</u>
Total Assets	<u><u>47,496,939</u></u>	<u><u>45,701,141</u></u>
Member Equity	15,292,909	13,113,675
R&R Fund	11,977,318	14,586,070
Long-term Debt	10,783,779	11,065,200
Current Liabilities	8,884,695	6,372,181
Other Liabilities	108,237	114,014
Operating Provisions	<u>450,000</u>	<u>450,000</u>
Total Liabilities & Equity	<u><u>\$ 47,496,939</u></u>	<u><u>\$ 45,701,141</u></u>

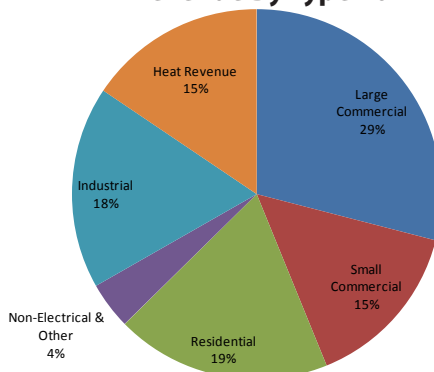
Statements of Income

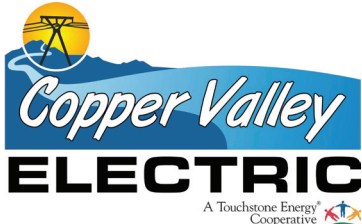
	<u>2012</u>	<u>2011</u>
Energy Revenue	\$ 5,976,252	\$ 6,105,495
Fuel / Cost of Power Revenue	19,292,585	15,126,386
Heat Revenue	4,783,233	2,544,057
Fuel Credits	(2,233,652)	(1,242,688)
Non-Operating Margins	<u>678,995</u>	<u>615,831</u>
Total Revenues	28,497,413	23,149,081
Fuel	14,249,783	11,684,585
Power Generation & Transmission	5,356,044	4,593,950
Operations & Maintenance	1,551,138	1,365,775
Administrative, General & Customer Service	2,660,858	2,331,338
Depreciation	1,840,111	1,785,020
Interest	616,830	636,551
Taxes	30,445	18,287
Margin Stabilization	<u>0</u>	<u>(450,000)</u>
Total Expenses	<u>26,305,209</u>	<u>21,965,506</u>
Margins	<u><u>\$ 2,192,204</u></u>	<u><u>\$ 1,183,575</u></u>

Money Spent in 2012



Revenue By Type 2012





Annual Meeting Notice to Members

Copper Valley Electric Association, Inc., invites you to the 2013 Annual Meeting of Members. The Annual Meeting will be held on Tuesday, April 16, 2013, in the Copper Basin District at the Alaska Bible College Murdock Campus Center and on Thursday, April 18, 2013, in the Valdez District at the Valdez Civic Center. Registration and food service begins at 6:30 p.m. and the Business Meeting begins at 7 p.m.

The purpose of the meeting shall be to hear reports, ask questions about your electric cooperative, accept director election results, and to transact any other business that may come before the membership.

- Caused to be published by Secretary Stowe

2013 Annual Meeting Agenda

- | | |
|--------------------------------------|---|
| 1. Call to Order | President Crosman |
| 2. Reports | |
| Report of Quorum | Secretary Stowe |
| Notice of Meeting | Secretary Stowe |
| Reading and Approval of 2012 Minutes | Secretary Stowe |
| Financial Report | Treasurer Rake |
| Election Results | Credentials & Elections Committee Chair |
| Foundation Report | Secretary & Foundation President Stowe |
| CEO Report | CEO Wilkinson & Executive Staff |
| Questions on Reports | |
| 3. Acceptance of Reports | President Crosman |
| 4. Old Business | President Crosman |
| 5. New Business | President Crosman |
| 6. Special Recognition | CEO Wilkinson & President Crosman |
| 7. Drawing of Door Prizes | |
| 8. Adjournment | President Crosman |

Copper Valley Electric Association, Inc.
822-3211 in Glennallen and
835-4301 in Valdez
www.cvea.org