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
Dear Member

February 2012

The year 2011 was both challenging and productive. This report highlights a variety of subjects which will be expanded upon at the upcoming annual meeting. CVEA has worked diligently 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.

On August 29, 2011, a major milestone was met on the Allison Creek Hydroelectric Project when the Original Application for License was submitted to the Federal Energy Regulatory Commission. This milestone sets in motion FERC’s formal review which is expected to lead to authorization to build the project. In addition, CVEA requested and received a $10 million state appropriation to help fund the project. When applied to the overall financing package this grant will reduce Allison Creek cost of power by 5 cents per kilowatt hour. Work continues on the project and we look forward to fulfilling the many promises the project holds.

CVEA is also investigating other potential generation alternatives. In 2011, we erected a Meteorological (MET) tower at 10 Mile in Valdez, to gather wind data and help us determine whether or not there is enough ‘good’ wind to support a generation project. A second MET tower is currently being evaluated for installation in the Copper Basin.

The Cooperative also recently completed a biomass study and review. We learned that generating power from biomass, at a commercial level, would reduce reliability and increase rates. This is not in the best interest of CVEA members so this alternative has been taken off the table for now.

Since 1988, we’ve had five destructive avalanches hit the transmission line on Thompson Pass, resulting in extended outages and significant repair costs. Solving this issue has been a priority for the Cooperative in 2011. We’ve completed an Avalanche Mitigation Study that proposes relocating the transmission line out of harm’s way. We have filed permit applications with state agencies, who will soon be conducting public meetings, to relocate the line. We ask that you attend these meetings, and we also ask for your support for the project.

The on-again-off-again Rate Study was jump started in July 2011. The specific goal of this project has been to design cost of service based rates that collect our costs while at the same time using Cogen heat revenues to offset the fuel cost component on member bills. This study was completed and public hearings were held in March. Members wishing to provide comment may still do so until 5 p.m. Tuesday, April 17, 2012.

It is part of our mission to provide reliable electric service. In 2011, CVEA worked on major maintenance projects including some significant upgrades at Solomon Gulch that will improve safety and our ability to handle catastrophic and
seismic events. The Cooperative, in partnership with Copper Valley Telecom and GCI, also completed year one of a multi-year Underground Cable Replacement Project that involves replacing aging cable with cable in conduit. Completion of this project will greatly improve CVEA’s distribution system reliability in Valdez.

Your Cooperative continues to look for ways to keep you informed. We distributed the Strategic Issues Paper 2011, held our second annual Connections Program luncheon and distributed our first Cooperative Connection Newsletter. We launched the CVEA Facebook page and began providing real-time outage information.

In 2011, the CVEA Community Foundation provided $9,500 in educational scholarships and provided scholarships for two students to participate in our youth leadership program.

The Community Foundation also partnered with the Wrangell Institute for Science and the Environment and Copper Valley Telecom to introduce a new Junior Scientist program in our community schools.

Again, 2011 was an exciting and challenging time in the energy business. Threats and opportunities abound in today’s economic climate and your Board and Staff remain committed to addressing those challenges.

We hope you will make plans to attend the annual meeting of the membership to hear more about the activities of your electric cooperative on April 10 in Valdez or April 12 in Glennallen.

Copper Valley Electric Board of Directors

Robert A. Wilkinson
Chief Executive Officer

Chairman of the Board

Copper Valley Electric Board of Directors

James Manning
President

Jeff Saxe
Vice President

Lyle Von Bargen
Secretary

Dan Stowe
Treasurer

Carl Crosman
Director

Paul Kildal
Director

Will Stark
Director

Fred Williams
Director
2011 Accomplishments

Power Supply
- Allison Creek
  - Filed application for Original License with FERC on August 29, 2011
  - Four years of environmental studies complete, final design underway, procurement strategy being developed
  - Plan of Finance ongoing, received $10 million state appropriation for the project
  - Wind study begun with installation of a Meteorological (MET) Tower at 10 Mile Richardson Highway
  - Completed study of a biomass combined heat and power project for the Copper Basin
  - Began study of hydropower potential of Tiekel River Valley

Financial
- Rate Study completed including new tariff to return heat credits when cogen project is running
- Issued $600,000 in Capital Credits checks

Communications
- Issued Strategic Issues Paper 2011
- Launched CVEA Co-op Connections discount card program
- Launched the CVEA Facebook page
- Launched the Cooperative Connection Newsletter

Operations
- Completion of numerous major maintenance and upgrade projects that will improve system reliability, efficiency and safe operations including Solomon Gulch Low Level Outlet works, penstock anchor block reinforcements, right-of-way clearing, began Valdez underground cable replacement project, transmission system maintenance
- Functioned as leader on environmental and regulatory compliance issues both statewide and federally
- Thompson Pass Avalanche Mitigation Study completed, permitting underway
CVEA Getting Things Done

An overview of the Allison Creek Run-of-River Hydro Project

Solomon Gulch Low Level Outlet project

Solomon Gulch Anchor Block Replacement Project

CVEA MET tower stands 167 feet in the air and is supported by 12 anchors and 20 guy wires

One of many biologists used to study the stream and fish populations in Allison Creek
Supporting Our Communities

CVEA Community Foundation

- Awarded $6,000 in educational scholarships to graduating seniors
- Awarded $1,500 in community college scholarships to adults continuing their education
- Contributed $1,500 to the PWSCC Adult Basic Education Program for scholarships
- Sent two students to the Idaho Youth Rally Leadership Camp
- Contributed $4,000 to fund the new WISE Junior Scientist Program in our schools

In 2011, we participated or sponsored many events and organizations, providing support, member education, and information on electric conservation and safety.

- Tonsina Dog Mushers
- Copper Basin Senior Citizens, Inc.
- Copper River School District
- Valdez Science Fair
- Ducks Unlimited
- Copper River EMS
- Valdez Museum
- Tours for schools and Cub Scouts
- Kenny Lake Library Literacy Camp
- Tazlina & Gulkana Clean Up Days
- Valdez Relay for Life
- CRRHN Health Fairs
- Recycling Our Areas Resources
- Holiday Food Baskets
- AHTNA, Gulkana, and CVDA Annual Meetings
- Valdez Gold Rush
- CVCC
- Copper River Watershed Project
- Wrangell Mountain Center
- Kenny Lake League Fun Run
- One Voice
- Copper Basin Shooting Club
- KCAM Share-a-thon
## 2011 CVEA Financial Report

(Unaudited)

### Balance Sheets

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<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
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<tbody>
<tr>
<td>Net Utility Plant</td>
<td>$20,250,618</td>
<td>$19,240,489</td>
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<tr>
<td>Investments</td>
<td>2,420,748</td>
<td>2,359,346</td>
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<tr>
<td>Current Assets</td>
<td>23,029,774</td>
<td>24,430,025</td>
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<tr>
<td>Total Assets</td>
<td>45,701,140</td>
<td>46,029,860</td>
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<table>
<thead>
<tr>
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<tr>
<td>Member Equity</td>
<td>13,113,675</td>
<td>12,594,722</td>
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<td>R&amp;R Fund</td>
<td>14,586,070</td>
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<td>Long-term Debt</td>
<td>11,049,624</td>
<td>11,321,243</td>
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<td>Current Liabilities</td>
<td>6,387,756</td>
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<td>Other Liabilities</td>
<td>114,014</td>
<td>119,790</td>
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<td>Operating Provisions</td>
<td>450,000</td>
<td>900,000</td>
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<td>Total Liabilities &amp; Equity</td>
<td>$45,701,140</td>
<td>$46,029,860</td>
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### Statements of Income

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<thead>
<tr>
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<th>2011</th>
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<tbody>
<tr>
<td>Energy Revenue</td>
<td>$6,105,495</td>
<td>$5,954,908</td>
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<td>Cost of Power Revenue</td>
<td>15,126,386</td>
<td>12,133,707</td>
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<td>Heat Revenue</td>
<td>2,544,057</td>
<td>3,480,779</td>
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<tr>
<td>Non-Operating Margins</td>
<td>615,831</td>
<td>668,540</td>
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<tr>
<td>Total Revenues</td>
<td>24,391,769</td>
<td>22,237,934</td>
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<table>
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<tbody>
<tr>
<td>Fuel</td>
<td>11,684,585</td>
<td>9,283,674</td>
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<tr>
<td>Power Generation &amp; Transmission</td>
<td>4,593,950</td>
<td>4,546,049</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>1,365,775</td>
<td>1,248,781</td>
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<tr>
<td>Administrative, General &amp; Customer Service</td>
<td>2,331,338</td>
<td>2,587,853</td>
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<tr>
<td>Depreciation</td>
<td>1,785,020</td>
<td>1,715,855</td>
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<td>Interest</td>
<td>636,551</td>
<td>649,413</td>
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<td>Taxes</td>
<td>18,287</td>
<td>79,624</td>
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<td>Fuel Credit Program</td>
<td>1,242,688</td>
<td>1,224,509</td>
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<tr>
<td>Margin Stabilization</td>
<td>(450,000)</td>
<td>900,000</td>
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<tr>
<td>Total Expenses</td>
<td>23,208,194</td>
<td>22,235,758</td>
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</table>

|                     | 1,183,575  | 2,176      |

Margins
Copper Valley Electric Association, Inc., invites you to the 2012 Annual Meeting of Members. The Annual Meeting will be held on Tuesday, April 10, 2012, in the Valdez District at the Valdez Civic Center and on Thursday, April 12, 2012, in the Copper Basin District at the Alaska Bible College Murdock Campus 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 Von Bargen

2012 Annual Meeting Agenda

1. Call to Order                       President Manning
2. Reports
   Report of Quorum                  President Manning
   Notice of Meeting                  President Manning
   Reading and Approval of 2011 Minutes President Manning
   Financial Report                   President Manning
   Election Results                   Credentials & Elections Committee Chair
   Foundation Report                  President Manning
   CEO Report                         CEO Wilkinson & Executive Staff
   Questions on Reports
3. Acceptance of Reports              President Manning
4. Old Business                       President Manning
5. New Business                      President Manning
6. Special Recognition               CEO Wilkinson & President Manning
7. Drawing of Door Prizes
8. Adjournment                        President Manning

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