

A Touchstone Energy® Cooperative



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 2014

The high cost of fuel continues to plague CVEA members. We cannot control the cost of fuel. We can, however, work to lessen our reliance on fuel 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.

In 2013, your Cooperative set records for the most kWhs of hydro produced by CVEA each month from June through October. This year also came in second for the most hydro-power generation ever in one calendar year, producing 55,258,600 kWhs, or nearly 60 percent of our total annual generation.

This increase in hydropower paid off for CVEA members. Additional hydro generation resulted in lower fuel usage which led to average rates being 1.74 cents lower than 2012.

CVEA believes that hydropower is the most viable and cost-effective renewable resource and has continued to aggressively move the Allison Creek Hydroelectric Project forward; which will displace 725,000 gallons of fuel annually and increase CVEA's renewable energy portfolio from 50-64 percent. In August 2013, CVEA received the original license to construct the project from the Federal Energy Regulatory Commission (FERC). Engineering design was 100 percent completed and an authorization to construct the access road and tunnel was received. Over \$17 million in grants have been received and the plan of finance for construction of the project is in place. Construction will begin as soon as weather conditions allow this spring. CVEA's goal is to have Allison Creek producing hydropower by 2016.

We also continue to investigate other potential generation alternatives. CVEA continued to gather and evaluate wind data collected by two Meteorological (MET) towers in 2013. The results from the tower erected at 10 Mile in Valdez proved the wind in this area would not work for a successful wind generation project. This tower was decommissioned and re-deployed to a location on Gakona Bluffs overlooking the Copper River in the Copper Basin. Data collection from the second MET Tower, installed at Tolsona Ridge in the Copper Basin, is ongoing.

Alternative and/or renewable energy remains on many of our members' minds and CVEA has addressed this issue head on with the creation and implementation of a Net Metering Program and installation of renewable energy displays in each district. Throughout 2013, we gathered and analyzed generation data from a solar array located at the CVEA office in Glennallen and a wind turbine in Valdez. CVEA launched a web page that provided members information on capital and installation costs as well as actual generation output. Data output from the displays was minimal and clearly demonstrates that they are not a good option for our area.

Solving the avalanche issue on Thompson Pass has been a priority for the Cooperative since 2009. In 2013, after thorough analysis and an exhaustive public process, the Cooperative received a permit from the Alaska Department of Natural Resources to relocate approxi-

mately three miles of transmission line to the west side of the Richardson Highway, finally out of the Thompson Pass avalanche zone, allowing us to keep Cooperative assets and employees out of harm's way. Construction of the new line is set to begin this summer, with a goal to have the new line installed and operational by the end of 2014.

In 2013, CVEA began an aggressive effort to communicate power outage information to CVEA members. Outage updates are now made during extended outages that affect a large number of CVEA members. Members can access these updates by visiting the CVEA Facebook page or calling CVEA's after-hours emergency phone number.

In addition to these and many other important projects CVEA advanced in 2013, the Cooperative had to deal with significant weather issues that plagued our service territory and wreaked havoc on parts of our system. High winds, heavy snow, and ice have caused a majority of the outages affecting CVEA's service territory. In September, high water caused by flooding changed the path of the Lowe River, eroded the land surrounding a CVEA transmission line structure, caused the structure to collapse, and left the cross-arm remaining in the river. CVEA had to erect a temporary structure to put the t-line back in service, which was, remarkably, completed in only a week. We are currently investigating the future risk and working on the development of a permanent solution to this problem.

Finally, more recently, the 'Damalanche' in Keystone Canyon made power restoration and the repair of a transmission tower on Thompson Pass very difficult as the road was blocked and access to the area was restricted. CVEA crews had to fly by helicopter and wade through waist deep snow and water to restore power to the Heiden View Subdivision and crews had to make multiple trips from Glennallen to Thompson Pass, escorted by Alaska DOT, to repair the damaged tower.

The aging of the American workforce is a critical issue. In the next 5-10 years, nearly half of CVEA's workforce is within retirement age. We've made significant strides in addressing this issue by creating workforce development initiatives to help meet our future needs for skilled employees. A Power Plant Operator Trainee program was created in 2009, but expanded in 2013. These positions promote hiring local candidates looking for a career in power plant operations with CVEA. The trainee position receives two years of hands-on training on the various functions of the job helping to bridge the large learning curve associated with becoming a Plant Operator.

Jaime Matthews, CVEA Manager of Administration and Finance, and Travis Million, CVEA Manager of Power Generation, graduated from the prestigious National Rural Electric Cooperative Association's Management Internship Program (MIP) in 2013 and 2014, respectively. MIP is a six-week intensive leadership course that covers over 25 topics related to cooperative electric utilities, business, and communications and interpersonal relations. This program will benefit the members of CVEA by having well trained leaders at CVEA. Join us in congratulating Travis and Jaime on their accomplishment.

2013 was a very productive year as we worked hard to advance important projects and issues and overcome significant obstacles. Your Board of Directors and Staff will continue to move toward our vision in 2014. Hear more about the activities of your cooperative at the Annual Meeting on April 15 in Valdez and April 17 in Glennallen.



Robert A. Wilkinson
Chief Executive Officer

Robert A. Wilkinson

2013 Projects



Temporary structure put in place after Lowe River destruction



The MET Tower at Tolsona Ridge continues to measure wind data



Glennallen Lineman, Ryan Cook, climbs a T-Line structure in Thompson Pass to make repairs



Valdez Line Foreman, Todd Stahley, during Valdez Underground Cable Replacement Project



The Glennallen Double Circuit Project will improve reliability in the Copper Basin District

Copper Valley Electric Board of Directors



Will Stark
President



Paul Kildal
Vice President



Dan Stowe
Secretary



Lon Rake
Treasurer



Michael Johnson
Director



Jim Manning
Director



Jeff Saxe
Director



Fred Williams
Director

2013 Accomplishments

Power Supply

- Allison Creek
 - Received license to construct the project from FERC
 - Received authorization to construct the access road and tunnel
 - Completed 100 percent engineering design
 - Secured equipment with long lead times
- Decommissioned Valdez MET Tower, re-deployed to Gakona Bluffs in the Copper Basin; continued gathering wind data at the Tolsona Ridge site
- Set record for most kWhs of hydropower June-October with 38,675,400 kWhs produced; 2013 was second for most hydro generation in one calendar year with 55,258,600 kWhs produced, nearly 60 percent of our total generation

Financial

- Secured Plan of Finance for Allison Creek
- Received \$2,085,509 in funding from the Renewable Energy Fund for Allison Creek; applied for Round 7 grant
- Received a \$2.0 million State Capital Appropriation for Allison Creek
- Additional hydro generation resulted in lower fuel usage which led to average rates being 1.74 cents lower than 2012
- Completed a successful audit

Communications/Member Services

- Implemented the Outage Communications Plan
- Ruralite cover stories covering: Allison Creek, Renewable Energy, Home Generation, Power Surges, the Underground Cable Replacement Project, Wind Generation, Succession Planning, and Energy Efficiency
- Developed and implemented new logo and logo usage guidelines
- Increased Facebook presence; 474 'likes'
- Launched the Co-op Connections Healthy Savings and Online Mall programs

Operations

- Completed year three of the Valdez Underground Cable Replacement Project
- Received permit from the Alaska Department of Natural Resources to relocate 3 miles of transmission line out of the avalanche zone in Thompson Pass
- Implemented the Net Metering Program; 2 members connected in 2013
- Analyzed data from the renewable energy displays; launched website to provide members with capital investment costs and real-time generation
- Repaired t-line from failure of Structure 38-7; assessing future risks
- Constructed the Double Circuit Upgrade Project in the Copper Basin

Environmental/Regulatory

- Received Quad Z waiver; resulted in \$450,000 in savings in 2013
- Development of the Owner's Dam Safety Program

Supporting Our Communities



In 2013, we participated or sponsored many events and organizations, providing support, member education, and information on electric conservation and safety.

- KCAM Sharathon
- Copper River Emergency Medical Services
- Copper Basin Senior Citizens Auction
- Recycling Our Areas Resources
- Kenny Lake League Scholarship Fun Run
- Kenny Lake Library Literacy Camp
- Copper Valley Chamber of Commerce
- Copper Valley Telecom's Holiday Giving
- Saint Baldrick's
- Relay for Life
- VCVB Oktoberfest
- Valdez Museum Roadhouse Fundraiser
- Valdez High School Drug Free Celebration
- Valdez Cooperative Preschool
- Valdez Food Bank
- Valdez Science Fair
- Power Plant Tours
- Co-op Month Trick or Treat Parade
- Alaska Power Association Annual Meeting



CVEA Community Foundation

In 2013, the CVEA Community Foundation restructured its Board of Directors to allow for more participation from the community.

We also streamlined our contribution process and held several fundraisers to raise money for Foundation programs. Last year the Foundation contributed roughly \$13,000 to worthwhile programs in our communities.

- \$4,000 in educational scholarships to graduating seniors
- Scholarships for two students to attend the Idaho Youth Rally Leadership Camp
- \$3,900 to fund seven local non-profit organizations: KCHU, Valdez Torpedos Swim Club, Valdez Imagination Library, Valdez Food Bank, Copper Basin Child Advocacy Center, Copper Valley Community Library, and WISE



2013 CVEA Financial Report

(Unaudited)

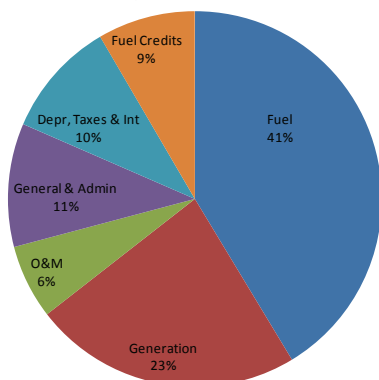
Balance Sheets

	<u>2013</u>	<u>2012</u>
Net Utility Plant	\$ 24,373,333	\$ 23,419,131
Investments	2,573,038	2,539,692
Current Assets	<u>22,865,331</u>	<u>21,538,116</u>
Total Assets	<u><u>49,811,702</u></u>	<u><u>47,496,939</u></u>
Member Equity	16,022,068	15,292,909
R&R Fund	11,748,719	11,977,318
Long-term Debt	11,629,314	10,783,779
Current Liabilities	9,874,951	8,884,695
Other Liabilities	86,649	108,237
Operating Provisions	<u>450,000</u>	<u>450,000</u>
Total Liabilities & Equity	<u><u>\$ 49,811,702</u></u>	<u><u>\$ 47,496,939</u></u>

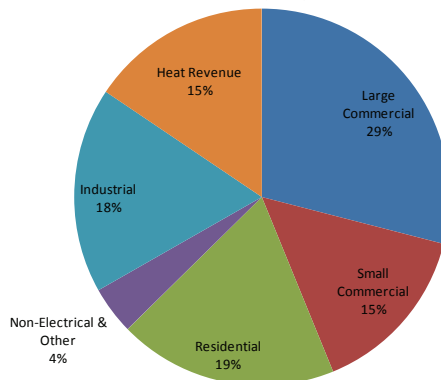
Statements of Income

	<u>2013</u>	<u>2012</u>
Energy Revenue	\$ 5,566,626	\$ 5,976,252
Fuel / G&T/ Cost of Power Revenue	17,517,101	19,292,585
Heat Revenue	2,452,429	4,783,233
Fuel Credits	(2,140,041)	(2,233,652)
Non-Operating Margins	<u>613,559</u>	<u>678,995</u>
Total Revenues	24,009,674	28,497,413
Fuel	10,503,161	14,249,783
Power Generation & Transmission	5,869,015	5,356,044
Operations & Maintenance	1,628,965	1,551,138
Administrative, General & Customer Service	2,706,553	2,660,858
Depreciation	1,910,328	1,840,111
Interest	609,427	616,830
Taxes	<u>32,612</u>	<u>30,445</u>
Total Expenses	23,260,061	26,305,209
Margins	<u><u>\$ 749,613</u></u>	<u><u>\$ 2,192,204</u></u>

Money Spent in 2013



Revenue By Type 2013





Annual Meeting Notice to Members

Copper Valley Electric Association, Inc., invites you to the 2014 Annual Meeting of Members. The Annual Meeting will be held on Tuesday, April 15, 2014, in the Valdez District at the Valdez Civic Center and on Thursday, April 17, 2014, 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 Stowe

2014 Annual Meeting Agenda

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| 1. Call to Order | President Stark |
| 2. Reports | |
| Report of Quorum | Secretary Stowe |
| Notice of Meeting | Secretary Stowe |
| Reading and Approval of 2013 Minutes | Secretary Stowe |
| Financial Report | Treasurer Rake |
| Election Results | Credentials & Elections Committee Chair |
| Foundation Report | Foundation President Gallatin |
| CEO Report | CEO Wilkinson & Executive Staff |
| Questions on Reports | |
| 3. Acceptance of Reports | President Stark |
| 4. Old Business | President Stark |
| 5. New Business | President Stark |
| 6. Special Recognition | CEO Wilkinson & President Stark |
| 7. Drawing of Door Prizes | |
| 8. Adjournment | President Stark |

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