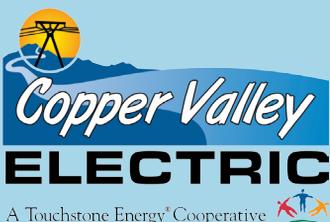


2019

Celebrating 60 Years of Service



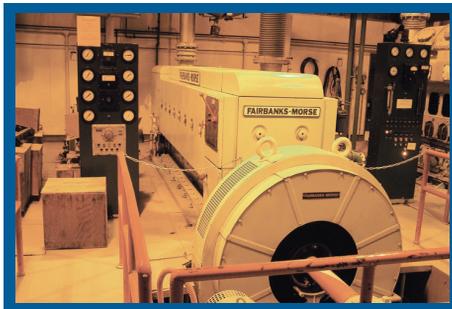
Copper Valley Electric Association Annual Report

2018

Message to the Membership 2019

Dear Member,

Alaska celebrates its 60th anniversary in 2019 and so, too, does CVEA. It is hard to believe the progress of this state and your cooperative in such a short time. Since I was born before Alaska became a state and before CVEA became a cooperative, I have the right to say that this is a short time. I'm sure that many of you could argue this point but please wait until you turn 60 and then get back to me that I was wrong. I'm sure then you will agree with me that 60 years is not a long time.



So what has happened since CVEA began in 1959? CVEA started as a small organization that served Glennallen with a single diesel plant. In 1964, Valdez was included in the membership and a second diesel plant was established. By the late 70s, a dam and hydroelectric plant using Solomon Gulch Lake was constructed. A fourth power plant was added at the Petro Star Refinery in 2000, and yet another hydroelectric plant on Allison Creek was completed in 2016. Along with all this growth, substations, transmission lines and distribution lines were constructed and extended. The Membership has grown from 38 initial customers served by 48 miles of line to currently over 3800 customers with over 500 miles of line in an area the size of Maryland.

CVEA has a lot to be thankful for from a hard working Staff to a Board of Directors that has made sound decisions over many decades. If you compare CVEA to all the other isolated grids in Alaska, we are very near the best in price. Still, we strive to do better and work hard for you every day in a constantly changing world. A recap of 2018 accomplishments follows.

1. CVEA's all-time hydro production record was shattered in 2018 by producing 66 million kilowatt hours; the previous record was 57 million kWhrs. Hydropower is the most economical energy by far. This added hydropower eliminated \$2 million in fuel from members bills throughout 2018.
2. The Cooperative's all-time record in safe operations was broken by surpassing 900 straight days without a lost time incident. CVEA received a safety award in 2018 from the Northwest Public Power Association, which has over 300 members.
3. Installation was completed on two new CAT units which replaces the most costly power generators and these units are now our cheapest diesel power units. Even though elimination of diesel power would be preferred, if it is necessary to utilize a diesel unit, a cheaper alternative is now available.



4. The Operations Building was completed which allows bucket trucks and other expensive pieces of equipment to be stored inside, out of inclement weather. Because of this, response time to winter outages in Glennallen has drastically improved.
5. Through the financial support of a fish processor in Valdez, CVEA's ability to provide more power to South Harbor Drive was upgraded, which facilitated the sale of more hydropower in 2018. This additional hydropower would have been lost over the spillway had this project not been completed. It was one of several variables that contributed to shattering CVEA's all time hydropower production record.
6. In a joint effort with Alyeska, the first year of an expansion of CVEA's distribution line was completed. The expansion reaches along the southern stretch of the Richardson Highway. This will most certainly increase the prosperity of the area and will provide member growth to an area that CVEA has never served before.
7. CVEA completed the first year of the Advanced Metering Infrastructure. This infrastructure will improve outage reliability and provide better service to the members. In 2018, nearly 2000 meters were deployed in Valdez. The meters notify CVEA immediately when an outage occurs. Replacement of the Copper Basin meters is underway. Once complete, the members will no longer need to call in an outage situation. We will not only know that your power has gone out but we will know when your power is back on. The old meters did not provide this information, and for members away from their home, or business, for any extended period of time, CVEA might never know they were out of power without a phone call; now we will know.



Those are just a few of the accomplishments in 2018. A more detailed list is provided inside this report. Your cooperative Board and Staff continue to serve you in many ways. I am proud to be part of that professional team during the 60th Anniversary of a great organization that has come such a long way in such a very short time.

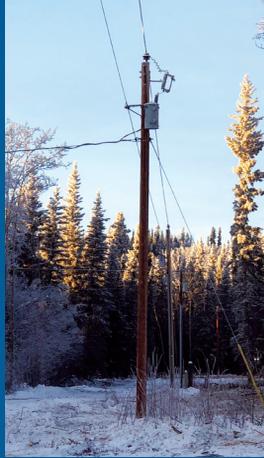


John Duhamel
Chief Executive Officer

John L. Duhamel



Right-of-Way Management



2018 Directors



Lon Rake
President



Mary Odden
Vice President



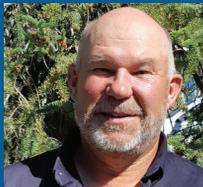
Dan Stowe
Secretary



Will Stark
Treasurer



Paul Kildal
Director



Jeff Saxe
Director



Brad Honerlaw
Director



Fred Williams
Director

Power Supply

- Allison Creek Hydroelectric Project operated reliably for the second season; generating into mid-December
- Successful FERC Part 12D and independent consultant dam safety inspections
- Highest hydro output in history of CVEA with 65,996,900 kWhs of energy produced, accounting for 70 percent of CVEA's energy needs

Safety

- Continued to improve the safety program
- Had zero recordable accidents for the second consecutive year; first time in recorded history of the Cooperative
- Fifth consecutive year under the industry average for incident rates
- Sixth consecutive year under the industry average for Workmans' Compensation mod factor
- Reached 910 days with zero lost time accidents; another CVEA record
- Received the first place Safety Award for 2017, in our category, from the Northwest Public Power Association

Administration and Finance

- Began the 2018 Rate Study
- Implemented banking fraud detection programs
- Adjusted office and employee hours to a four day, ten hour schedule
- Successful audit - 2017 audit had no exceptions noted
- Paid \$540,000 in patronage capital to members in December
- Received \$351,180 Cogeneration Plant debt reimbursement from the State
- Conducted employee training in human resources and cyber security

Communications and Community Foundation

- Successfully hosted Spring and Fall Member Asset Tours
- Complete redesign of cvea.org to have a fresh, modern look and improved functionality, to include a mobile friendly platform
- Created a comprehensive video to provide member and public education on the Cooperative; *Behind the Switch* is set to premier at the CVEA Annual Meeting
- Over 1,000 people attended the Cooperative Month Halloween Spooktacular
- CVEA Community Foundation awarded \$13,800 to 13 local nonprofit organizations

Operations

- Began Advanced Metering Infrastructure (AMI) project; completed deployment in Valdez and began in the Copper Basin
- Cleared over 20 miles of distribution right of way and added 25 additional poles south of Kenny Lake to strengthen the line
- Cleared over 9.5 miles of transmission right of way
- Performed multiple upgrades to improve reliability of the west line in the Copper Basin
- Underground residential distribution upgrades completed between Meals Avenue and the Park Strip, and the Valdez Mobile Home Park in Valdez
- Upgraded distribution to South Harbor Drive
- Completed a five mile extension for Alyeska Pipeline Service Company

Supporting Our Communities



2018 Audited Financial Statement

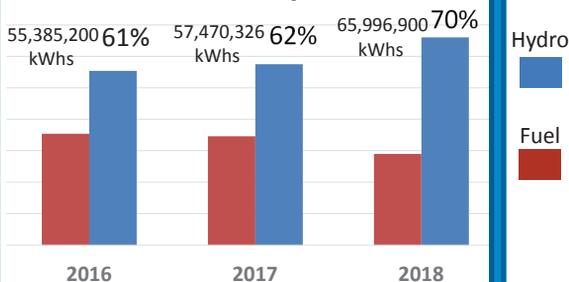
Balance Sheet

	2018	2017
Net Utility Plant	\$ 66,122,794	\$ 65,090,857
Investments	1,158,535	1,070,098
Current Assets	12,326,032	14,629,078
Total Assets	79,607,361	80,790,033
Member Equity	19,280,050	18,253,167
R&R Fund	5,650,417	6,555,168
Long-term Debt	40,984,479	40,944,599
Current Liabilities	13,634,648	14,973,556
Other Liabilities	57,767	63,543
Total Liabilities & Equity	\$ 79,607,361	\$ 80,790,033

Statement of Income

	2018	2017
Energy Revenue	\$ 6,042,771	\$ 5,714,599
Fuel / G&T/ Cost of Power Revenue	15,477,666	15,624,056
Heat Revenue	1,687,226	1,842,449
Fuel Credits	(1,518,503)	(1,658,204)
Non-Operating Margins	626,225	618,327
Total Revenues	22,315,385	22,141,227
Fuel	5,900,648	6,075,642
Power Generation & Transmission	6,384,506	6,689,074
Operations & Maintenance	1,653,446	1,662,424
Administrative, General & Customer Service	2,545,943	2,469,959
Depreciation	2,373,341	2,235,108
Interest	1,775,525	1,819,355
Taxes	41,531	41,407
Total Expenses	20,674,940	20,992,969
Margins	\$ 1,640,445	\$ 1,148,258

Fuel vs. Hydro



Increased hydro generation of roughly 9 million kWh shattered previous production records and eliminated \$2 million in fuel costs from members' bills in 2018.

2019 Annual Meeting Notice to Members



Copper Valley Electric Association, Inc., invites you to the 2019 Annual Meeting of Members and 60 year celebration. The annual meeting will be held on Tuesday, April 30, 2019, in the Copper Basin District at the Alaska Bible College Murdock Campus Center and on Thursday, May 2, 2019, in the Valdez District at the Valdez Civic Center. Registration and food service begins at 5:30 p.m. and the business meeting begins at 6 p.m. Register by 6 p.m. to be eligible for attendance gifts and door prizes.

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

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|--------------------------------------|-----------------------------------------|
| 1. Call to Order | President Rake |
| 2. 60 Year Celebration | CEO Duhamel |
| 3. Reports | |
| Report of Quorum | Secretary Stowe |
| Notice of Meeting | Secretary Stowe |
| Reading and Approval of 2018 Minutes | Secretary Stowe |
| Financial Report | Treasurer Stark |
| Election Results | Credentials & Elections Committee Chair |
| Foundation Report | CEO Duhamel |
| CEO Report | CEO Duhamel |
| Questions on Reports | |
| 4. Acceptance of Reports | President Rake |
| 5. Old Business | President Rake |
| 6. New Business | President Rake |
| 7. Special Recognition | CEO Duhamel & President Rake |
| 8. Drawing of Door Prizes | |
| 9. Adjournment | President Rake |

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