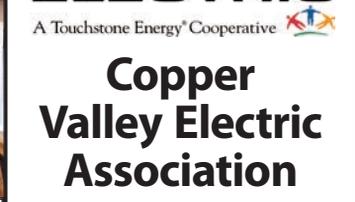


A Touchstone Energy® Cooperative

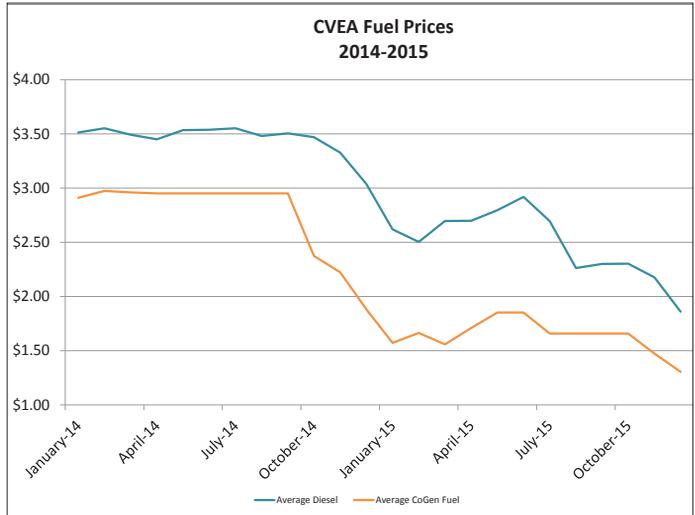
# Copper Valley Electric Association 2015 Annual Report



# Message to the Membership 2016

Dear Member

Although the lower cost of oil has been devastating to the State of Alaska, it is not a negative phenomenon in all circumstances. The lower cost of oil equates to lower cost of diesel and that has eased the winter rate costs at Copper Valley Electric. The price of fuel used to drive our thermal generating units this winter was down 40 percent from last winter. That means, the fuel component on your monthly bill was also 40 percent less this winter (2015/2016) than last winter (2014/2015). Combine that with a rather mild winter (at least as of the day I am writing this) and our members got a welcomed reprieve to the climbing energy rates in our service territory.



In contrast, the mild winter that helped our energy costs hurt us in reliability. Weather conditions throughout the CVEA service area yielded excessive frost and ice buildup on large portions of our 500 miles of distribution and transmission lines. As a result, we experienced sporadic outages and damaged equipment.

'Line slap', caused when ice falls off the line, resulted in distribution and service outages throughout the service area. In addition, extreme icing conditions east of Thompson Pass resulted in physical damage to three transmission line structures. Above are pictures showing the repair of one structure where the center pole broke due to extreme ice loading.



Despite the frost and ice difficulties, we were comforted this winter with few avalanche risks in Thompson Pass after the 2014/2015 relocation of the line from an avalanche prone area to safer ground.

That line showed a pattern of being damaged one of every three or four years but the efforts of CVEA have now virtually eliminated that risk.

Not all of our lines are free of avalanche risk but the most vulnerable locations are now significantly safer. See the before (top right) and after (right) pictures of the t-line structures in the avalanche zone and then relocated.

The staff at CVEA looked quite a bit different from the start of the year to the end of the year.

We had many turnovers in personnel, most of which were retirements of experienced and loyal employees. Fortunately, we found great replacements that stepped in and picked up where our former employees left off. Hopefully no members noticed a drop in service, or if so, that we have since returned to or exceeded the level of service members deserve.

I'm proud of the way our staff pulled together despite replacing nearly 25 percent of our team in one year. Copper Basin Customer Service Representative Joyanna Hoffman is pictured here.

Construction stopped for the winter on Allison Creek Hydroelectric Project but our enthusiasm has only risen. We are now only a few months away from completion of the project. What started out as a concept and then a preliminary design, and then an environmental study, and then an engineering design, has now become a reality. We will begin commercial power in 2016 and quickly start reducing diesel fuel use. The process to license and build a new powerhouse in today's regulatory environment is not easy but CVEA has accomplished it in near record time and at a responsible cost. As hydropower projects go, we will enjoy the benefits of Allison Creek for generations to come.

Since I am limited on space, I'll end my message here but I want everyone to know we completed several other important projects/tasks in 2015 to make your cooperative a better organization. You can see these accomplishments listed in this report on page 4.

I hope you can join us at CVEA's Annual Meeting on April 5 in Valdez and April 7 in Glennallen.



**John Duhamel**  
**Chief Executive Officer**

# Allison Creek-Almost There



## Copper Valley Electric Board of Directors



**Paul Kildal**  
President



**Lon Rake**  
Vice President



**Mary Odden**  
Secretary



**Will Stark**  
Treasurer



**Michael Johnson**  
Director



**Jeff Saxe**  
Director



**Dan Stowe**  
Director



**Fred Williams**  
Director

# 2015 Accomplishments

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## Power Supply

- Allison Creek Hydroelectric Project
  - Secured long-term loan at 4.1 percent over 30 years
  - Complete all grants totaling \$23.3 million
  - Completed Construction Season 2
- Cogen
  - Completed turbine and reduction gear box overhauls
  - Upgraded fuel conditioning system
  - Upgraded governor, controls, and HMI (computer interface)
- Developed a plan for the replacement of Unit 7 in Valdez Diesel Plant with new, more efficient CAT gensets
- Completed Phase 1 of the water expansion project with VFDA
- Upgraded recloser controller relays at Pumpstations 11 and 12 and at the Meals and Valdez Diesel Plant Substations
- Upgraded equipment at P11, P12, Meals, VDP, Cogen, and Petro Star switch station
- Second highest year for most hydro generation from Solomon Gulch in one calendar year; 63 percent of total generation with 55,981,884 kWhs produced

## Safety

- Exceeded one year with zero loss time accidents, for the first time in 10 years, and broke multiple safety records

## Administration and Finance

- Procured new diesel fuel contract resulting in savings for CVEA
- Increased auto pay customers by 8.5 percent; 27 percent now pay via auto pay
- Successful audit - 2015 audit had no exceptions noted
- Completed cyber security audit - reducing cyber threat

## Communications/Member Services

- Successful launch of the outage communications page on [cvea.org](http://cvea.org)
- *2015 Strategic Issues Paper*
- NRECA Spotlight on Excellence and NWPPA Excellence in Communications awards for the Allison Creek website and promotional items
- CVEA Community Foundation awarded \$4,500 to seven local non-profits

## Transmission and Distribution

- Final completion of the Thompson Pass Transmission Line Relocation Project
- Lowe River Erosion Mitigation Program; high risk structures fortified
- Constructed new service to Silver Bay Seafoods bunkhouse
- Commissioned *Power Flow Study* for South Harbor Drive in Valdez
- Finalized electrical system design for new Valdez Small Boat Harbor Project
- Installed six new battery banks in Solomon Gulch, both diesel plants, and Meals Substation

# Supporting Our Communities



# 2015 CVEA Financial Report

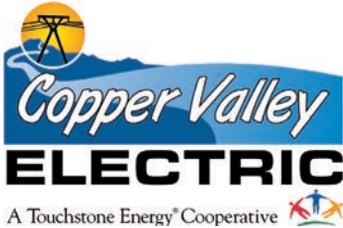
(Unaudited)

## Balance Sheets

	<u>2015</u>	<u>2014</u>
Net Utility Plant	\$ 52,477,532	\$ 36,123,045
Investments	1,633,702	1,601,490
Current Assets	20,309,258	21,510,795
Total Assets	<u>74,420,492</u>	<u>59,235,330</u>
Member Equity	16,695,595	16,189,475
R&R Fund	5,949,229	8,804,330
Long-term Debt	37,563,432	20,491,975
Current Liabilities	14,137,140	13,218,676
Other Liabilities	75,096	80,873
Operating Provisions	0	450,000
Total Liabilities & Equity	<u>\$ 74,420,492</u>	<u>\$ 59,235,330</u>

## Statements of Income

	<u>2015</u>	<u>2014</u>
Energy Revenue	\$ 5,446,507	\$ 5,349,189
Fuel / G&T/ Cost of Power Revenue	12,960,556	16,709,994
Heat Revenue	1,679,119	3,016,212
Fuel Credits	(1,463,385)	(2,810,938)
Non-Operating Margins	521,555	536,519
Total Revenues	<u>19,144,353</u>	<u>22,800,976</u>
Fuel	5,604,989	9,235,193
Power Generation & Transmission	6,012,787	5,985,511
Operations & Maintenance	1,908,010	1,943,051
Administrative, General & Customer Service	2,702,915	2,839,965
Depreciation	1,769,376	1,968,108
Interest	579,900	602,432
Taxes	40,293	40,540
Total Expenses	<u>18,618,272</u>	<u>22,614,800</u>
Margins	<u>\$ 526,081</u>	<u>\$ 186,176</u>



# Annual Meeting Notice to Members

Copper Valley Electric Association, Inc., invites you to the 2016 Annual Meeting of Members. The annual meeting will be held on Tuesday, April 5, 2016, in the Valdez District at the Valdez Civic Center and on Thursday, April 7, 2016, in the Copper Basin District at the Alaska Bible College Murdock Campus Center. Registration and food service begins at 5:30 p.m. and the business meeting begins at 6 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 Odden

## 2016 Annual Meeting Agenda

- |                                      |   |
|--------------------------------------|---|
| 1. Call to Order                     | President Kildal                        |
| 2. Reports                           |   |
| Report of Quorum                     | Secretary Odden                         |
| Notice of Meeting                    | Secretary Odden                         |
| Reading and Approval of 2015 Minutes | Secretary Odden                         |
| Financial Report                     | Treasurer Stark                         |
| Election Results                     | Credentials & Elections Committee Chair |
| Foundation Report                    | Foundation President Kildal             |
| CEO Report                           | CEO Duhamel                             |
| Questions on Reports                 |   |
| 3. Acceptance of Reports             | President Kildal                        |
| 4. Old Business                      | President Kildal                        |
| 5. New Business                      | President Kildal                        |
| 6. Special Recognition               | CEO Duhamel & President Kildal          |
| 7. Drawing of Door Prizes            |   |
| 8. Adjournment                       | President Kildal                        |

Copper Valley Electric Association, Inc.  
822-3211 in Glennallen and  
835-4301 in Valdez  
[www.cvea.org](http://www.cvea.org)