Dear Member,

With many things to be thankful for, 2017 was a good year for Copper Valley Electric, in spite of the uncharacteristic and severe weather that challenged the Copper Basin District as the year came to an end.

The new operations building in Glennallen was completed, and I am pleased to report that it has already contributed to improved outage response times as expected. In the past, linemen had to get their vehicles started, let them warm up (sometimes taking up to an hour), attach the heavy equipment possibly needed for the job, then head on their way. With the new operations building in place, bucket trucks and tow-behinds are warm and ready to go as soon as the lineman arrives. Linemen now head to the outage without delay, allowing them to locate the problem and restore power to members more quickly.

In 2017 CVEA also broke the all time record in hydropower production. As you know, when we produce hydropower, we are able to avoid the high costs of using fuel. A record year of hydro subsequently means greater savings. These savings were accomplished with the addition of the Allison Creek Hydroelectric Plant that was commercially utilized in 2017.

What was notable about this accomplishment is that CVEA experienced the highest hydropower production level in a year when Valdez had lower than normal snow and rain, and would traditionally have been characterized as a low water year. If all goes as planned, 2018 will produce even more hydropower. Two fish processors in Valdez asked CVEA for more power. One has undertaken a large financial commitment to upgrade the service to their plant, and this will result in the sale of excess power produced from the Allison Creek Hydropower Project. As well, the new Valdez Harbor will use more power in the summer, meaning more hydropower sales. The affect of these added sales means 2018 rates will not increase, with the exception of fuel, which is dependent upon oil prices.

The Cooperative’s efforts to improve services are not restricted to just power production. CVEA continually improves the online system providing you visibility over your accounts and giving you many avenues to pay your bill the way it is most convenient for you. Smart Hub has been a great addition to CVEA’s billing system. In addition, communications
to members continually improves through cvea.org and social media, getting the word out on Co-op projects and issues, and providing real-time outage updates as soon as information is available. The feedback we have received on communications and the automated system has been very positive.

As I mentioned earlier, outages from severe winter storms have been a real challenge. The December storm caused sections of the line to be out for up to three days. This is not common for CVEA, but it happens all over Alaska, and the Lower 48 too, from time to time. CVEA assets endure more weather extremes than the vast majority of utilities in the US, yet reliability remains at 99.9 percent. That means that the lights are on 99.9 percent of the time.

Feedback received after the storm indicated that some CVEA members believed trees should have been cleared from outside the right of way (ROW) during the summer, suggesting this would have prevented the outages. Unfortunately, it is not as easy as that, and it’s important the Membership understands.

ROW boundaries are determined by agreements and laws. CVEA cannot just cut down trees outside the ROW for a potential storm that has not yet happened. The 2017 December storm was unique in that healthy, upright trees were so weighted down, they became a problem in a matter of hours; there was no way to anticipate the situation. CVEA does, however, have an aggressive program to keep ROWs clear. If a tree from outside the ROW is leaning and considered a ‘danger tree’, we often coordinate with the landowner to cut it down. The co-op also asks you, the members, to let us know if you see danger trees.

Typically, lines and facilities are inspected throughout the winter and snow and ice are removed before they become a problem. In 2017, linemen spent a significant amount of extra time performing this type of maintenance in the areas hit hardest by the storm, but due to the sheer amount and thickness of the ice, it continued to cause big problems. Despite the uniqueness of the storm, I’m proud of CVEAs linemen and the way the Co-op team, as well as the linemen from Anchorage who were called in to assist, came together to put the system back online again as quickly as possible. In the summer of 2018, additional ROW clearing and system upgrades have been budgeted that will reinforce the system in the worst areas and reduce the risk of outages due to similar severe weather conditions. Even with the challenges of the storm, 2017 was another great year for CVEA with many accomplishments to brag about.

I am very thankful to be associated with this excellent organization.
Member Tour Program Launch

2017 Directors

Lon Rake
President

Mary Odden
Vice President

Dan Stowe
Secretary

Brad Honerlaw
Treasurer

Paul Kildal
Director

Jeff Saxe
Director

Will Stark
Director

Fred Williams
Director
2017 Accomplishments

**Power Supply**
- Allison Creek Hydroelectric Project
  - Operated reliably for the first season saving the need to run diesel in what would have traditionally been considered a low water year
- Highest hydro output in the history of CVEA with 57,470,326 kWhs of energy produced, accounting for 63 percent of CVEA’s energy needs
- Valdez Diesel Plant
  - Completed installation of two, more energy efficient, CAT generators
- Solomon Gulch
  - Successful FERC dam safety and security inspections
  - Resealed the asphalt face of the dam

**Safety**
- Continued to improve the safety program
- Had zero recordable accidents for the first time in recorded history of the Cooperative
- Fourth consecutive year under the industry average for incident rates
- Fifth consecutive year under the industry average for workmans’ compensation mod factor

**Administration and Finance**
- Implemented financial training for the Board of Directors and Staff
- Successful audit - 2017 audit had no exceptions noted
- Paid $540,000 in patronage capital to members in December
- Implementation of electronic record retention system

**Communications/Community Foundation**
- Successfully implemented the new Member Asset Tour Program
- Made improvements to the energy calculator on cvea.org, improving value to members
- Record numbers attended the Cooperative Month Halloween Spooktacular
- CVEA Community Foundation awarded $11,392 to 15 local nonprofit organizations

**Operations**
- Began utilizing the new operations garage in Glennallen
- Completed exterior remodel of Valdez office building
- Cleared over 12 miles of transmission right of way
- Performed multiple upgrades to improve reliability of the Dayville Road circuit (Solomon, Allison, and Cogen connection)
- Underground residential distribution upgrades in Robe River Subdivision at 95 percent completion
- Performed extensive aerial inspection of the entire transmission infrastructure
- Relocated two miles of distribution line near Tolsona Creek
Supporting Our Communities
### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Utility Plant</td>
<td>$65,090,857</td>
<td>$64,098,975</td>
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<tr>
<td>Investments</td>
<td>1,070,098</td>
<td>1,700,320</td>
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<tr>
<td>Current Assets</td>
<td>14,629,078</td>
<td>14,736,969</td>
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<tr>
<td>Total Assets</td>
<td>80,790,033</td>
<td>80,536,264</td>
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<tr>
<td>Member Equity</td>
<td>18,253,167</td>
<td>17,668,668</td>
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<td>R&amp;R Fund</td>
<td>6,555,168</td>
<td>6,224,160</td>
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<td>Long-term Debt</td>
<td>40,944,599</td>
<td>42,153,853</td>
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<tr>
<td>Current Liabilities</td>
<td>14,973,556</td>
<td>14,420,263</td>
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<tr>
<td>Other Liabilities</td>
<td>63,543</td>
<td>69,320</td>
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<tr>
<td>Total Liabilities &amp; Equity</td>
<td>$80,790,033</td>
<td>$80,536,264</td>
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### Statement of Income

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<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Revenue</td>
<td>$5,714,599</td>
<td>$5,841,361</td>
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<tr>
<td>Fuel / G&amp;T/ Cost of Power Revenue</td>
<td>15,624,056</td>
<td>13,103,555</td>
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<tr>
<td>Heat Revenue</td>
<td>1,842,449</td>
<td>1,267,645</td>
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<tr>
<td>Fuel Credits</td>
<td>(1,658,204)</td>
<td>(1,140,881)</td>
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<tr>
<td>Non-Operating Margins</td>
<td>618,327</td>
<td>597,127</td>
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<tr>
<td>Total Revenues</td>
<td>22,141,227</td>
<td>19,668,807</td>
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<tr>
<td>Fuel</td>
<td>6,075,642</td>
<td>4,824,123</td>
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<tr>
<td>Power Generation &amp; Transmission</td>
<td>6,689,074</td>
<td>6,904,321</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>1,662,424</td>
<td>1,754,268</td>
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<tr>
<td>Administrative, General &amp; Customer Service</td>
<td>2,469,959</td>
<td>2,381,181</td>
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<tr>
<td>Depreciation</td>
<td>2,235,108</td>
<td>1,626,077</td>
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<tr>
<td>Interest</td>
<td>1,819,355</td>
<td>558,073</td>
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<tr>
<td>Taxes</td>
<td>41,407</td>
<td>40,265</td>
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<tr>
<td>Total Expenses</td>
<td>20,992,969</td>
<td>18,088,308</td>
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<tr>
<td>Margins</td>
<td>$1,148,258</td>
<td>$1,580,499</td>
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</tbody>
</table>
Copper Valley Electric Association, Inc., invites you to the 2018 Annual Meeting of Members. The annual meeting will be held on Tuesday, May 1, 2018, in the Valdez District at the Valdez Civic Center and on Thursday, May 3, 2018, 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. Arrive 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

**2018 Annual Meeting Agenda**

1. Call to Order                     President Rake
2. Reports
   - Report of Quorum                Secretary Stowe
   - Notice of Meeting               Secretary Stowe
   - Reading and Approval of 2017 Minutes Secretary Stowe
   - Financial Report                Treasurer Honerlaw
   - Election Results                Credentials & Elections Committee Chair
   - Foundation Report               Foundation President Honerlaw
   - CEO Report                      CEO Duhamel
   - Questions on Reports
3. Acceptance of Reports            President Rake
4. Old Business                     President Rake
5. New Business                     President Rake
6. Special Recognition              CEO Duhamel & President Rake
7. Drawing of Door Prizes           President Rake
8. Adjournment                      President Rake