

# Kodiak Electric Association, Inc. 2015 Annual Report



# The KEA Board of Directors and President/CEO



Photo by Carol Scott Photography

Front Row, from left: Cecil Ranney and Chairman Cliff Davidson  
Middle Row: Gordon Gould, Vice Chairman Ron Acarregui, Secretary/Treasurer Stosh Anderson,  
and U.S. Coast Guard Liaison CDR Andrew Joca  
Back Row: Linda Freed, Jay Johnston, President/CEO Darron Scott, Cliff Ford and Michael Brechan

## Report to the Membership

By Chairman Cliff Davidson and President/CEO Darron Scott

**“KEA generated 99.8% of its power in 2015 with renewable resources.”**

resources. And if the first few months of weather is any indication for the rest of this year, we will be able to achieve this in 2016. At least for these results, it is good to have all of this rain and wind.

2015 was an excellent year for KEA. We are continuing to see the fruits of our labor and strategic vision. This vision is to “Endeavor to maintain 95% of energy sales with cost effective renewable power solutions for the future of our members and the community.” KEA surpassed this goal by generating 99.8% of its power in 2015 with renewable



**KODIAK ELECTRIC**  
ASSOCIATION



*Cliff Davidson*



*David*

Finances were solid through the year. We ended the year achieving all of our financial targets with our lending institutions and we continue to build equity – which is incredibly important – as we move towards adding more renewable power to our system. Our TIER (Times Interest Earned Ratio) was 2.70, with a minimum requirement being

1.25, and our DSC (Debt Service Coverage) was 1.75, also with a minimum requirement of 1.25. Finally, our equity grew by 2.83% and is now at 32.67%.

**“Our equity is now at 32.67%”**

We completed quite a bit of good work last year and had a very reliable electrical system as well. We saw another year with no system wide outages, which is incredibly hard to do since we are an isolated electric grid and experience extreme

weather. We moved into our new building conveniently located on Mill Bay Road. It is great to have all of our departments under one roof and very nice to have a new energy efficient office building. Thanks to all of you for your nice comments and support.

We also completed a highly unusual project for a utility like ours. In partnership with the City of Kodiak and Matson, we installed two flywheel energy storage systems, each capable of storing one megawatt of power. These units have two jobs. First, when the new large shipping crane is operating, they will buffer the power needs of the crane so it doesn't affect our electrical system balance. Second, when the crane is not in operation, the units will help our battery energy storage system in keeping our electrical system in balance with the fluctuations that come from operating wind turbines. They have been very successful at both of their duties.

**“ We saw another year with no system wide outages ”**

As you can see, KEA's renewable energy vision has been very successful. As our load continues to grow, KEA needs to have cost effective renewable energy resources available to meet that growth.

The Upper Hidden Basin Diversion Project provides that resource. It will divert water from two creeks near Terror Lake and direct that water through a tunnel to Terror Lake. It adds about 25% more water to the Terror Lake Project, which will allow it to produce that much more energy over the course of a year. This amount of energy will allow our community to meet its renewable energy goal for many years to come. KEA is continuing its engineering and permitting work and is exploring beginning construction in 2018 with it in operation by 2020. We will keep you updated as this exciting project moves forward.

Your electric cooperative has accomplished a great deal and there are many people to thank for that. Our dedicated Board of Directors has guided KEA through its Vision to achieve this success. Additionally, our wonderful group of employees has made it happen and have kept it performing through continued solid work on our system. It is great to be part of this team that has been able to serve you, our members, and our community so successfully. We look forward to continuing to provide you with outstanding service.

## Balance Sheet (December 31, 2015 and 2014)

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>Equities &amp; Liabilities</b>	<b>2015</b>	<b>2014</b>
Net Utility Plant	\$130,467,889	\$125,542,565	Patronage Capital	\$46,758,245	\$42,446,283
Investments in Assoc. Organizations	1,228,495	2,407,875	Other Equities	536,191	497,704
Non-Utility Property (net)	-	5,383	Long-Term Debt	97,672,595	103,459,865
Advance to Scholarship Fund	295,000	290,000	Less: (Current Maturities)	-5,919,610	-5,757,741
Cash	1,902,186	641,950	Less: (Advance Payments)	-5,780,531	-8,505,301
Restricted Cash Investment	2,480,340	2,766,807	Current/Accrued Liabilities	9,228,334	9,203,394
Temporary Cash Investment	2,406,032	5,169,920	Deferred Credits	2,256,334	2,551,642
Accounts Receivable	1,100,244	2,003,521	<b>Total Equities &amp; Liabilities</b>	<b>\$144,751,558</b>	<b>\$143,895,846</b>
Inventories	3,730,330	3,748,771			
Other Current/Accrued Assets	306,059	367,895			
Deferred Debits	834,983	951,159			
<b>Total Assets</b>	<b>\$144,751,558</b>	<b>\$143,895,846</b>			

## Statement of Income and Expenses

<b>Income</b>	<b>2015</b>	<b>2014</b>	<b>Expenses</b>	<b>2015</b>	<b>2014</b>
Operating Revenue	\$24,449,005	\$24,049,506	Power Cost	\$4,068,887	\$4,420,746
Interest	389,606	498,705	Transmission & Distribution	3,091,837	3,267,907
Patronage Capital from Assoc. Org.	415,418	-126,505	Consumer Accounts/Sales	444,606	459,169
Other Equity Earnings	457,835	418,920	Administrative/General	2,857,316	2,331,581
<b>Total Income</b>	<b>\$25,711,864</b>	<b>\$24,840,626</b>	Depreciation	6,619,453	6,456,148
			Gross Receipts Tax	73,610	73,524
<b>Retirement of Patronage Capital</b>	<b>-\$1,071,532</b>	<b>-\$870,755</b>	Interest	3,167,031	3,312,570
			Other	5,630	1,283
			<b>Total Expenses</b>	<b>\$20,328,370</b>	<b>\$20,322,928</b>
			<b>Consolidated Margins</b>	<b>\$5,383,494</b>	<b>\$4,517,698</b>