

# Kodiak Electric Association, Inc.

## 2017 Annual Report

### Report to the Membership

By Chairman Cliff Davidson and President/CEO Darron Scott

We hit the trifecta in 2017! It was an outstanding year with Solid Finances, no System Wide Outages, and no Lost Time Injuries. We accomplished this while maintaining 98.3% renewable generation for the year. We also completed major steps in moving forward with the Upper Hidden Basin Diversion Project (UHBD).

KEA achieved all of our financial targets in 2017. These targets are set by our lending institutions. They include Debt Service Coverage (DSC) which must be above 1.25, and ours was 1.35. Also, Times Interest Earned Ratio (TIER) which must also be above 1.25, and ours was 2.38. This puts us in a very solid position to move forward with the construction of the UHBD.

2017 was great for two additional reasons, as well. First, the Board of Directors' vision for KEA has really taken shape. They have provided consistent, thoughtful direction that has brought about our renewable and reliable system. Also, KEA employees have provided high quality work on all parts of our system and the work was performed in a very safe manner. This type of consistent work year after year is providing wonderful system reliability. Since 2014, KEA has had nearly 100% of kilowatt hour sales with cost-effective, renewable power solutions.

The UHBD Project is the next step in continuing this vision. This project will divert water from two streams through a new tunnel to Terror Lake where it can be utilized by the existing Hydroelectric Plant. It equates to about 33 million kilowatt hours per year, which is equivalent to about 2.2 million gallons of diesel. Over the last year, KEA was successful in securing all of the necessary permits to construct the project. KEA was also successful in securing a \$40 million low interest loan for the approximately \$80 million project. Construction will begin in June of 2018 and is scheduled to be completed by the summer of 2020.

KEA is excited about bringing the UHBD Project to fruition. It was first investigated almost 40 years ago as a great way to add to Terror Lake's water supply. This will bring stable, cost-effective renewable energy to our community for years to come. KEA would like to thank you, our members, for all of the support you have given us, not only for this project, but for all that we have accomplished. As a cooperative we are owned by you and it is a pleasure to serve such a great community.



## 2017-2018 Board of Directors

Chairman Cliff Davidson, Vice Chairman Ron Acarregui,  
 Secretary/Treasurer Stosh Anderson, Michael Brechan,  
 Cliff Ford, Linda Freed, Gordon Gould, Jay Johnston,  
 Ben Millstein, and USCG Liaison CDR Jeremy Hall

*Vision Statement: “Endeavor to maintain 98% of energy sales with cost effective renewable power solutions for the future of our members and of the community.”*

## Balance Sheet (December 31, 2017 and 2016)

	<b>2017</b>	<b>2016</b>
<b>Assets</b>	<b>\$184,692,743</b>	<b>\$145,749,515</b>
Net Utility Plant	126,270,060	127,919,108
Investment in Associated Organizations	1,410,784	1,322,446
Non-Utility Property	-	-
Advance to Scholarship Foundation	-	295,000
Cash	1,638,814	1,978,102
Restricted Cash and Investments	42,712,360	1,888,348
Temporary Cash and Investments	5,814,318	6,066,170
Accounts Receivable	2,196,036	1,363,591
Inventories	3,662,956	3,923,534
Other Current/Accrued Assets	388,782	246,060
Deferred Debits	598,633	747,156
<b>Equities &amp; Liabilities</b>	<b>\$184,692,743</b>	<b>\$145,749,515</b>
Patronage Capital	55,790,107	51,210,333
Other Equities	729,213	559,240
Long-Term Debt	138,204,936	100,652,859
<i>Less Current Maturities</i>	-8,940,715	-6,644,920
<i>Less Advanced Payments</i>	-15,109,882	-10,802,897
Current/Accrued Liabilities	11,603,329	9,087,990
Deferred Credits	2,415,755	1,686,910

## 2017 Expenses

Power Generation	\$ 4,559,507
Transmission & Distribution	\$ 3,120,258
Admin & Member Services	\$ 3,018,454
Depreciation	\$ 6,895,305
Interest & Taxes	\$ 3,494,073

**Complete copies of independent audit report and financial statements are available at KEA.**