

CORDOVA
ELECTRIC
COOPERATIVE, INC



2023
ANNUAL REPORT



REPORT TO THE MEMBERSHIP

Dear customers of Cordova Electric Cooperative (CEC):

This year marks the **45th anniversary** of Cordova Electric Cooperative (CEC), but that is only a part of Cordova’s electric utility history. Over the years, CEC has been through many transitions, and it is important to understand where we have been in order to better understand where we are now and our path to the future.

The first electric utility for Cordova was a private utility, Cordova Power and Light which produced **hydropower at Humpback Creek starting in 1907**. The utility later transitioned to coal and wood-fired steam generation, then a diesel engine generation-based electricity supply. As the Kennecott Copper Mine closed, the City of Cordova took custody of the electric utility as one of several Cordova Public Utilities (CPU) which also included telephone, water, sewer, and garbage. In the late 1970’s as the utility struggled to maintain reliability, community members organized and **incorporated CEC in 1978**.

CEC was formed with two priorities for improving reliability: converting the entire distribution system from **overhead to underground** power lines and developing **local sources of energy**. The overhead to underground transition was initiated immediately, and in 2011 was completed. For local power, the Humpback Creek hydro project was initiated almost immediately, and after a decade of planning, permitting, land acquisition, and construction, was placed in service on Christmas of 1990. **Humpback Creek produces 10% - 15%** of Cordova’s electricity. Work on the Power Creek project began after completion of Humpback Creek and after 10 years of planning, permitting, and construction, was placed into service on Veteran’s Day of 2000. **Power Creek produces 55% - 65%** of Cordova’s electricity so we are currently ranging between 65% and 75% hydro each year in our transition to affordable, reliable renewables.



Clay Koplin, CEO

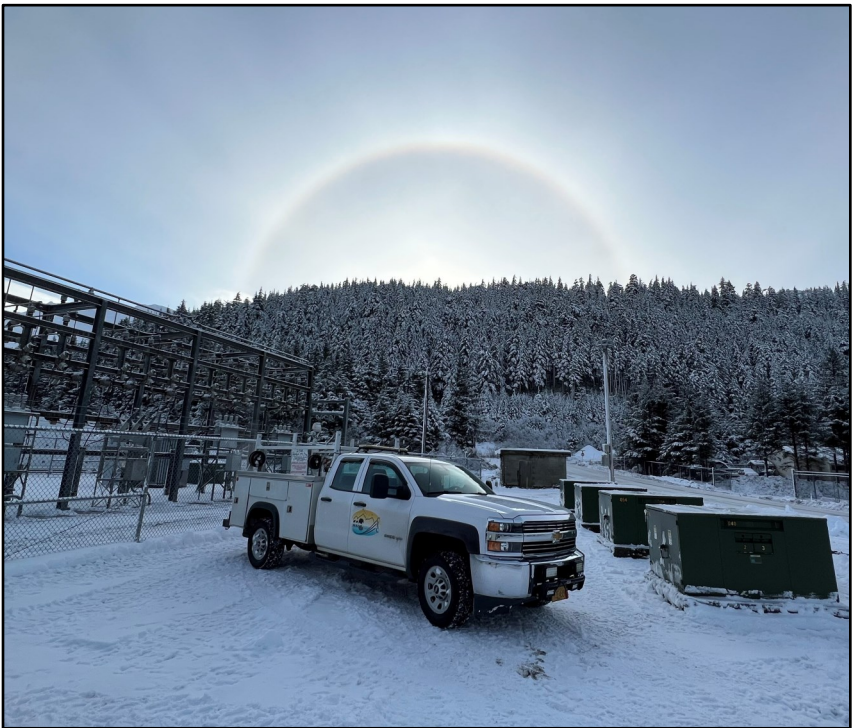


Photo by Robert Silveira

power, or heat from a running diesel. We also gained efficiencies in the diesel generators by replacing and upgrading aged piping, temperature controlled valves, pumps and auxiliary systems, and main bearings. The hydro plants have also had extensive bearings, valves, and controls upgrades. The work in 2022 has improved both hydro and diesel efficiencies, and **we are hoping to set a new annual record of 80% renewable** from our hydro plants in the near future.

This year we are celebrating the successes of the past and recent work by hosting the annual meeting in the Cordova Center. We will be showcasing some of our key partners and professional relationships, providing more insights into the finances and operations of CEC and plans for the future. The meeting will be hosted at the Cordova Center featuring heavy hors d’ oeuvres, and many prizes. We encourage you to make plans to join us on March 20th at the Cordova Center for a fun evening of food and prizes and don’t forget to vote for board members.

We wish you a safe, happy, and successful 2023. Respectfully, Clay Koplin, CEO

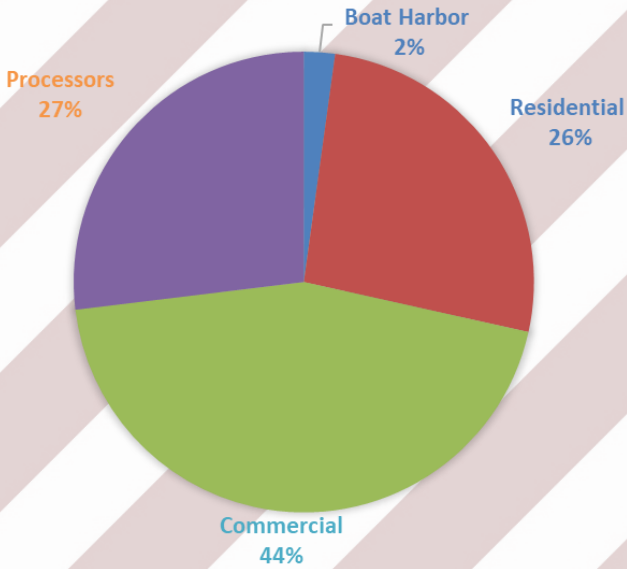
Clay R. Koplin

FINANCIALS

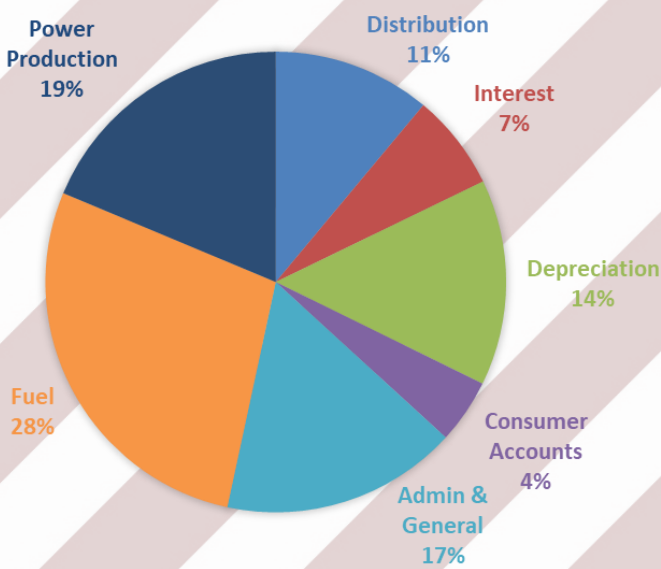
Statement of Operations

	2020	2021	2022
Energy Charges	5,666,616	6,041,914	5,886,559
Fuel Surcharges	781,034	958,447	2,304,907
Operating Revenue	\$ 6,447,650	\$ 7,000,361	\$ 8,191,466
Power Production Expense	1,272,154	1,369,236	1,542,840
Cost of Fuel	1,304,136	1,616,609	2,304,907
Distribution O & M Expense	898,321	683,122	913,188
Consumer Accounts & Information Expense	368,270	386,956	373,229
Administrative & General Expense	1,175,894	1,191,836	1,368,605
Total Operating & Maint Expenses	\$ 5,018,775	\$ 5,247,759	\$ 6,502,769
Depreciation & Taxes	990,476	1,076,854	1,193,456
Interest Expense	388,054	388,971	556,631
Other	18,842	15,772	17,332
Total Cost of Electric Service	\$ 6,416,147	\$ 6,729,356	\$ 8,270,188
Operating Margins	31,503	271,005	(78,722)
Interest Income	12,709	14,774	14,901
Other Capital Credits & Patronage Dividends	233,341	283,686	246,205
Non-operating margins--Other	487,897	30,588	28,579
Patronage Capital or Margins	\$ 765,449	\$ 600,053	\$ 210,963

2022 Operating Revenues



2022 Operating Expenses



Balance Sheet

ASSETS	2020	2021	2022	EQUITY & LIABILITIES	2020	2021	2022
Plant				Equity			
Plant & CWIP	48,670,662	50,654,634	52,926,131	Patronage Capital	17,376,010	17,914,035	18,242,060
Depreciation	(22,107,584)	(22,201,642)	(23,271,982)	Current Year Margin	765,449	600,053	210,963
Net Plant	26,563,078	28,452,992	29,654,149	Other Equity	492,847	563,200	606,612
Current Assets				Total Equity	18,634,306	19,077,288	19,059,635
Investments	3,232,887	3,343,343	3,430,261	Liabilities			
Cash	2,001,831	1,970,176	1,089,366	Long Term Debt	14,289,022	15,609,499	17,305,182
Other Assets	1,801,367	1,826,061	2,816,538	Payables	232,784	452,559	137,263
Total Other Assets	7,036,085	7,139,580	7,336,165	Accrued & Other Liabilities	443,051	453,225	488,234
TOTAL ASSETS	33,599,163	35,592,572	36,990,314	Total Liabilities	14,964,857	16,515,284	17,930,679
				TOTAL EQUITY & LIABILITIES	33,599,163	35,592,572	36,990,314

BOARD CANDIDATE PROFILES

The CEC Nominating Committee nominated four members that have agreed to run for the CEC Board of Directors. The following candidate information was submitted by each candidate

Rob Campbell (Incumbent)

Occupation(s): Oceanographer

Community Involvement: As a working scientist I spend a lot of time on outreach activities, trying to share the results of my and my colleagues’ work with anyone who is interested. As well as basic research I have been lucky enough to be involved with some applied projects to improve fisheries management decisions and increase fishing opportunities in the region. I joined the board of CEC as a way to give back to the community and make use of the problem solving and critical thinking skills I have developed as part of my education.

Goal as Director: My term has gone by quickly! I started on the board at the height of the pandemic, and it was over a year before we were all able to sit in the same room. The cooperative has weathered the pandemic very well, though now we are again feeling the pain of skyrocketing fuel prices. I have learned a lot over the last three years and I think I have a good handle on the needs of the cooperative. I continue to be impressed with Clay’s “all of the above” approach to reduce our reliance on diesel, and we have seen some significant efficiency improvements recently. Ultimately I would like to see us making the investments to get us off diesel entirely; with current technology that will most likely mean some kind of stored hydro to get us through the winter when our run of the river hydro is not producing. I would be delighted to continue sitting on the board if the membership will have me.

Joe Cook (Incumbent)

Occupation(s): Comm Fisherman – Maintenance NVE

Community Involvement: Over the Years – Eyak Corp – Harbor Commission – Pioneer Igloo – CDFU – Labor Hall

Goal as Director: I have served on CEC Board for a number of years – took a 3 year break – found I missed the people involved – local and state wide so I put my name back in.

My term is up and would like to serve again.

Thank You

Grace Lee

Occupation(s): Ayurvedic Health Counselor, Exercise Physiologist, Commercial fishing

Community Involvement: Coming into my 7th year residency in Cordova, I am grateful to have served on several boards and organizations for children’s programs as well as organize events in town to promote individual and community wellness. As a young mother, I have a strong desire to build up the community for the next generation as well as serve women in all stages of life.

Goal as Director: I would like to gain more experience and understanding of higher functioning boards in this community that directly impact the vast majority of the town. As a woman, fisherwoman, and young mother, I believe I can bring a new perspective and be representative of an underserved population in this community. We are all shaped by our experiences and I know I would benefit from learning from the new and existing board members throughout this process. I am especially interested in improving sustainability within our energy practices and brainstorming ways to meet the energy needs of Cordova while protecting its wild environment. What I lack in experience I make up for in curiosity and a desire to listen, learn, and do better.

John Stack

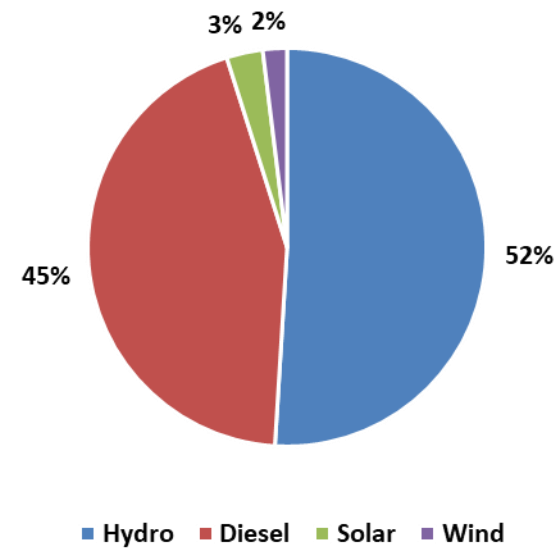
Occupation(s): Fisherman

Community Involvement: I currently serve on the Cordova Historical Society. I feel that I am at a point in my life where I would like to give some time to my community which brings me to consider running for this seat.

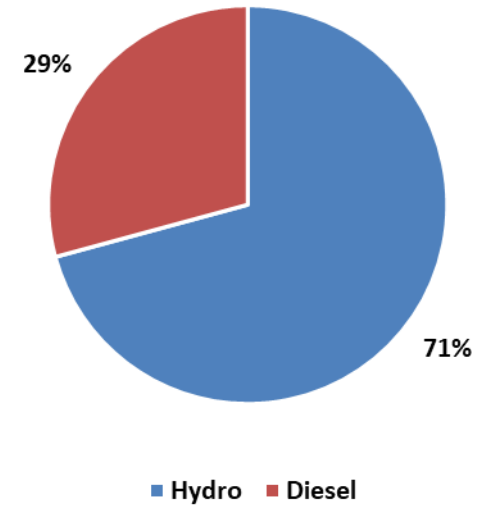
Goal as Director: I have always been interested in energy, where it comes from, how it is transported or transformed and how it is used and or wasted. I am a big fan of the Cordova micro grid and its ability to switch between various modes of power generation. I feel that I have some good problem-solving skills, developed in an earlier career as an engineer, that would be useful in this role. I would be honored to work alongside of the other board members and members to work towards future improvements to the Cordova grid. These are exciting times with funding opportunities to develop alternate powers sources that could benefit the community. I would like to be a part of that process. Thank you for your consideration.

HYDRO IS OUR SUPERPOWER!

Member Perception of Generation Sources

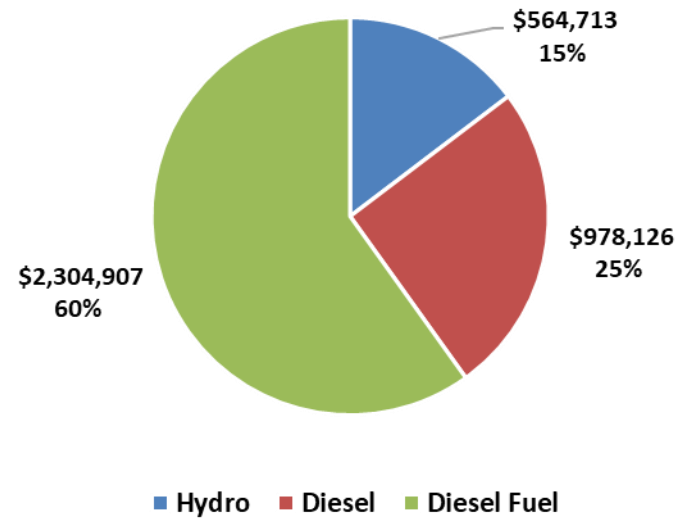


2022 Generation Sources



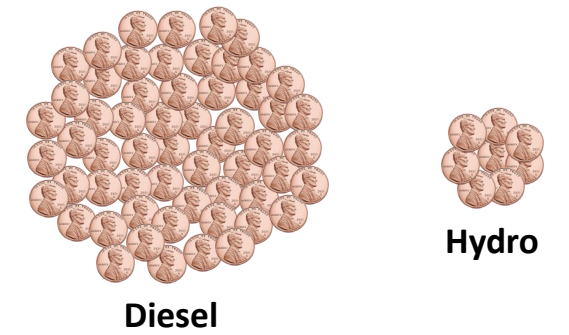
Our customer survey conducted in December/January revealed that on average, members of CEC knew that our primary source of power was hydro, but they underestimated how much hydro we actually use. We consistently produce 65% - 75% of power with hydro, and are aiming to reach 80% with efficiency gains and upgrades to the existing system. Even though diesel only provides about 1/3 of our power, it makes up most of our expense.

Generation Expense in 2022



CEC spends far more in the operations, maintenance, and fuel for diesel generation than hydro. The price difference is so extreme that we do everything we can to stay “diesel off” as much as possible.

Price per kWh Produced



Each kWh produced by diesel costs 58 cents. Each kWh produced by hydro costs 8 cents.

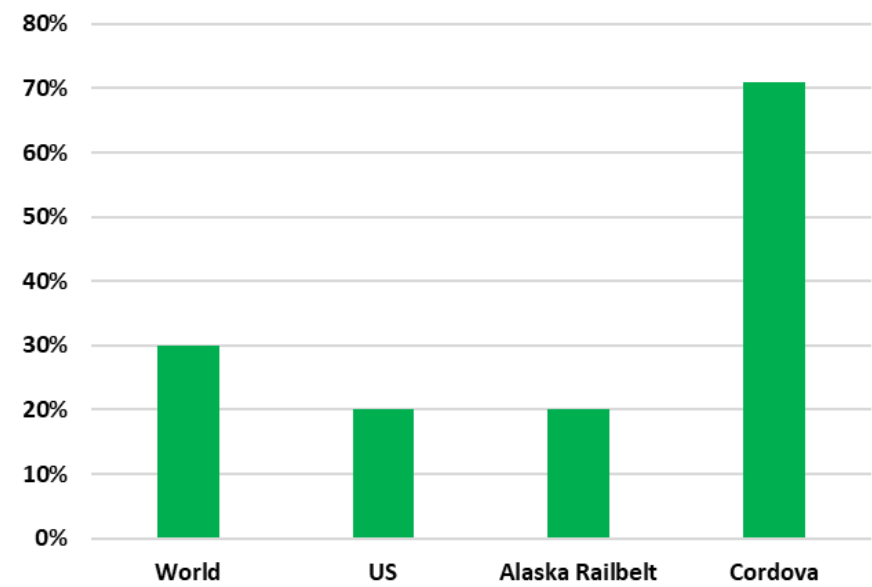
Diesel is over 7 times more expensive

than hydro .



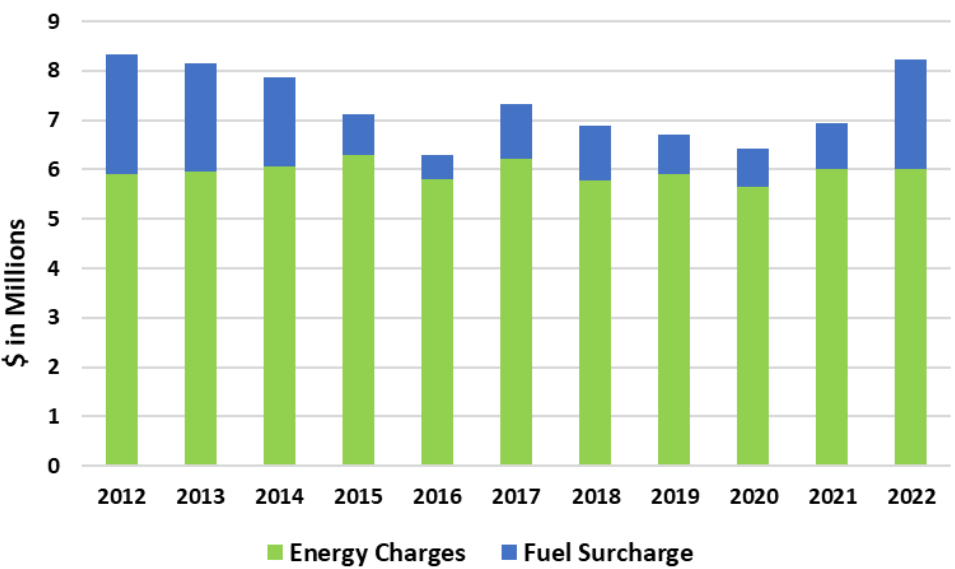
CEC IN GRAPHS

Percent Renewable



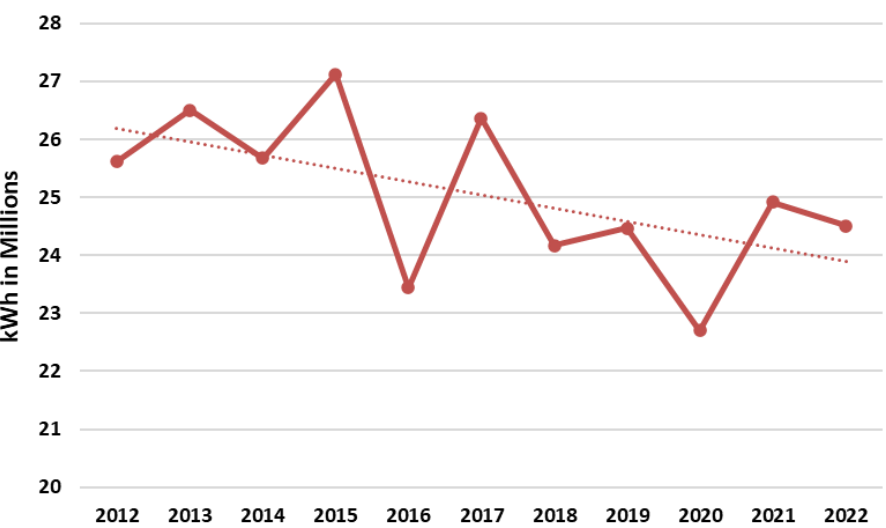
With increased attention on renewable energy at the national and global level, its easy to assume renewable energy is being used much more than it actually is. The majority of the US is part of an inter-connected grid, which means if you can't generate power locally, you are able to buy it from some-where else. The Alaska Railbelt operates similarly, but at a smaller scale from Fairbanks to the Kenai Peninsula. Cordova is a microgrid not connected to any other power source other than our own, so we have to generate all of the power we use. While it's encouraging how far we've come beyond many others, the less than 30% gap we currently generate with diesel will be extremely hard to replace with renewable energy.

Fuel Surcharge and Energy Charges



Consistent revenue from our rates (green) means CEC has a good rate structure in place. The fuel surcharge (blue) is based on how much diesel we use and how much it costs. The high fuel prices in 2022 increased the fuel surcharge significantly, and we can expect the surcharge to remain high in 2023. While it can be frustrating to have larger bills due to the surcharge, it is to our member's benefit to collect it this way as it will go down when diesel usage or prices decrease.

Kilowatt Hour (kWh) Sales

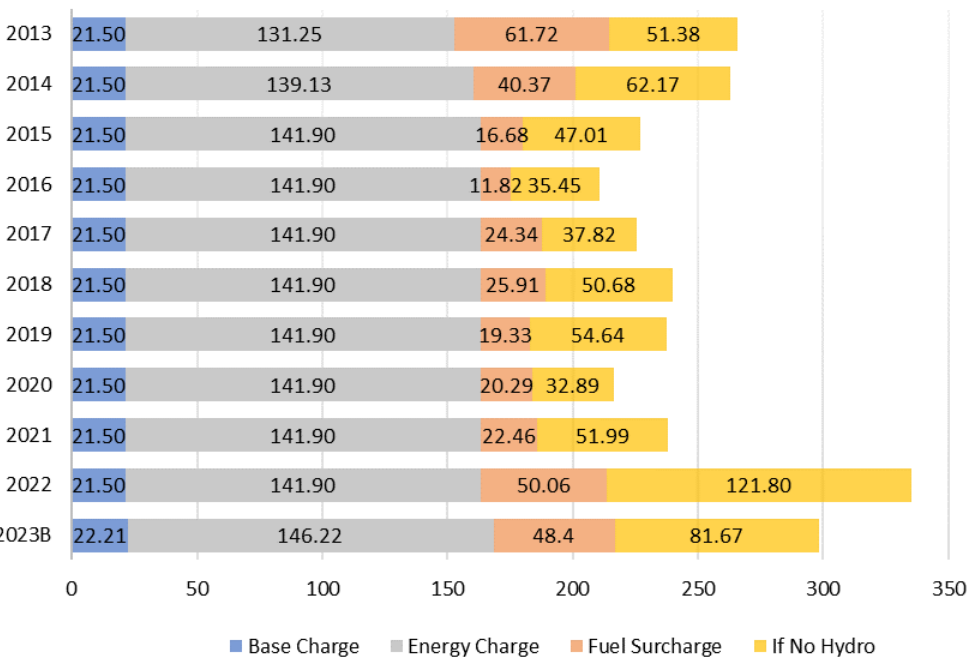


Our kWh sales continue to trend downwards over time. This will be interesting to watch as efficiency upgrades decrease usage, but growing electrification efforts increase usage. Seafood processors make up most of the reduction in sales. With a grid as small as ours, kWh sales could dramatically change with a gain or loss of a single large customer.

Base charge (blue), energy charge (grey), and fuel surcharge (orange) make up our customer's bills. The "If No Hydro" portion (yellow) displays how high bills could be if we did not have our beloved hydropower.

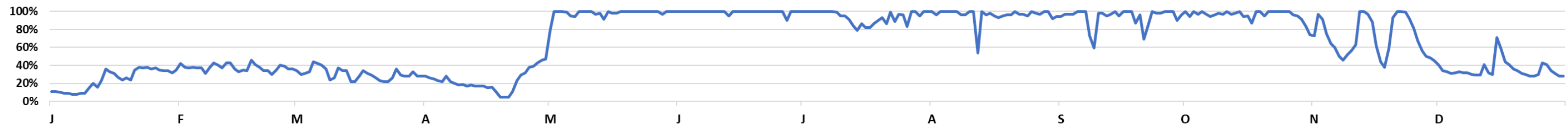
Base charges and energy charges have remained stable for a long time. The fluctuations in bills come down to the actual kWh used and the fuel surcharge. As shown in the graph, 2023 includes a 4% increase to the base charge and energy charge, which the board is contemplating to become effective in April. This would be the first increase to the rates in nine years, and is a modest increase compared to the fluctuations due to the fuel surcharge.

Average Residential Monthly Bill (Based on 500 kWh)



Percent Hydro Over 2022

CEC tries to be 100% hydro as much as we can. This graph depicts the average daily percent of power that comes from hydro over the course of a year. As you can see, January—April is our most difficult time of year.



Annual Meeting Notice

Cordova Electric Cooperative invites all members to participate in the 2023 Annual Meeting.

The Annual Meeting will be held on Monday, March 20th, 2023 at the Cordova Center. Registration will begin at 5:00 pm. Members will be able to submit their ballots, register for the drawings, enjoy appetizers, and listen to presentations by CEC staff. The meeting will start in the auditorium at 6:30 pm and will last approximately one hour with a drawing for prizes at the end.

We look forward to hosting an informative Annual Meeting once again in-person

Annual Meeting Agenda

Monday, March 20, 2023

6:30 pm

Cordova Center

1. Call to Order and Determine Quorum
2. Reading of Notice of Meeting
3. Approve 2022 Annual Meeting Minutes
4. Election of Board Directors / Bylaw Proposition Results
5. Reports of Officers
6. Unfinished Business
7. New Business
8. Adjournment

Board of Directors

Joe Cook - Chair
Stephen Phillips - Vice Chair
Steve Ranney - Secretary/Treasurer
Scott Pegau
Rob Campbell
Andrew Smallwood
Jeremy Botz

Attorney

Andy Leman
Kemppel, Huffman & Ellis, P.C.

Auditor

Julie Desimone
Moss Adams

Employees

Management

Clay Koplin - Chief Executive Officer
Russ Goss - Manager of Generation
Emma Merritt - Manager of Admin. & Finance
Trevor Kudrna - Technology Manager
Leif Stavig - Executive Assistant/HR

Finance Department

Angela Jeppson - Customer Service Rep.
Ann Linville - Customer Service Rep.

Distribution Department

Jeff Field - Distribution Foreman
Ben Simpler - Journeyman Lineman
August Jewell - Apprentice Lineman
Robert Silveira - Apprentice Lineman

Generation Department

Brian Wagner - Generation Foreman
Garrett Collins - Apprentice Maint. Operator
Jason Borland - Apprentice Maint. Operator
Royce Landeen - Apprentice Maint. Operator



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