

The Kilowatt COURIER

May 2017



MESSAGE FROM THE PRESIDENT AND GENERAL MANAGER

Each spring we are pleased to provide an annual report to the Homer Electric Association, Inc. (HEA) membership summarizing your cooperative's accomplishments and operations over the prior year. We have printed versions in each HEA office and they were also distributed at the Annual Meeting of the Membership on May 4, 2017.

As a member of HEA, you have an influence over how your cooperative is run because membership equals ownership. Being not-for-profit, locally owned and operated, and democratically run means HEA exists to focus on its members' needs. HEA was created to provide its members affordable, reliable energy, which remains our number one goal. As a not-for-profit cooperative, HEA's priorities are local and decisions are weighed based on what is best for our community. To realize those priorities, HEA strives to improve its members' quality of life by taking leadership roles in community development projects, educating youth, and generously donating time and resources to schools, nonprofits and community events.

In addition, as a not-for-profit, HEA provides electricity to our members at cost and "a little bit extra" to build equity and satisfy our mortgagor's requirements. Eventually this "little bit extra" is returned to our members as capital credits. In April 2017, HEA refunded capital credits for members that paid the "little bit extra" during the years 1986 and 1987, totaling \$1,500,000.

HEA is more than just a utility provider that you pay each month for electricity. We are committed to building even stronger connections with you and the local communities we serve. We stand ready to provide you with information, resources and services that are as reliable and useful as the electricity we 56318003 supply.

We want you to view HEA as your trusted energy partner and your first stop whenever you have a question about any issue related to electric energy. We encourage you to contact our helpful member support representatives for any of the following:

- Energy efficiency tips and recommendations;
- The latest renewable energy information and facts;
- New service and billing inquiries; and
- Any concerns or questions about your electrical safety needs.

On behalf of the Board of Directors and staff of HEA, we thank you for your loyalty and interest, and encourage your participation in all that HEA has to offer the residents of the Kenai Peninsula. 📧

Seven Cooperative Principles

<p>VOLUNTARY AND OPEN MEMBERSHIP</p> <p>Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.</p>	1	<p>AUTONOMY AND INDEPENDENCE</p> <p>Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.</p>	4
<p>DEMOCRATIC MEMBER CONTROL</p> <p>Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.</p>	2	<p>EDUCATION, TRAINING AND INFORMATION</p> <p>Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperatives.</p>	5
<p>MEMBERS' ECONOMIC PARTICIPATION</p> <p>Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.</p>	3	<p>COOPERATION AMONG COOPERATIVES</p> <p>Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.</p>	6
		<p>CONCERN FOR COMMUNITY</p> <p>While focusing on member needs, cooperatives work for the social and economic development of their communities through policies accepted by their members.</p>	7



HIGHLIGHTS FROM THE 2016 TREASURER'S REPORT

The following are highlights from the 2016 Treasurer's Report. Details and graphs from 81745003 this report can be found in Homer Electric's 2016 Annual Report online at www.homerelectric.com.

- 2016 total consolidated revenues and non-operating income = \$98 million. That, combined with total consolidated costs of electric service of \$91 million, resulted in a positive margin of \$7 million.
- Homer Electric sold 457 million kilowatt-hours of electricity in 2016, a decrease of 3% from 2015.
- Revenue generated from energy sales totaled \$95 million, a decrease of almost 2% from the previous year.
- HEA's equity-to-total assets ratio (the percentage of the total value of the utility's assets that the members own) was 40% at year end. This ratio at the end of 2015 was 37%.
- The same ratio for Alaska Electric & Energy Cooperative (AEEC), HEA's subsidiary which owns the generation and transmission assets, was 14% in 2016 and 12% in 2015.
- The cost of power adjustment (COPA) reflects changes in the cost of fuel and purchased power. The average COPA rate in 2016 was 6.6 cents/kWh.
- In 2016, total expenses were \$91 million, which is down \$2 million or about 2% compared to 2015. Fuel and purchased power costs increased \$1.8 million and comprised 39% of the total costs. Operating costs, depreciation expense, and interest expense decreased \$400,000 or about 1% from 2014 expenses.

In conclusion, HEA met its financial goals of positive margins and required loan agreement ratios in 2016. HEA's financial management and resulting financial performance allows HEA to continue to meet the energy needs of our members through innovative energy solutions, while ensuring fair and reasonable rates. 

**HIDDEN
ACCOUNT NUMBERS**
This month four randomly chosen italicized account numbers are hidden in the Kilowatt Courier. If you find your account number, call 235-3338 and you'll receive a \$50 credit which will be reflected on your next bill. Thanks for reading!

CURRENT RESIDENTIAL RATES

As of April 1, 2017

All Residential Customers
Energy charge = 14.866 cents/kWh
Customer charge = \$20.00
System delivery charge = \$22.30*
(*If usage is less than 150 kWh)

Cost of Power Adjustment (COPA)
6.865 cents per kWh*
(*Subject to change on a quarterly basis and upon RCA approval.)

See www.homerelectric.com for the latest residential and commercial rates.

BOARD of DIRECTORS & MANAGER

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MAY 2017 KILOWATT COURIER

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BUDGET BILLING PROGRAM: LAST MONTH TO ENROLL!

Do you want to simplify paying your bill and even out your electric payments? To help avoid the high and low billing cycles due to seasonal fluctuations, Homer Electric offers a valuable program to help its members. Contact our member support department to enroll in the Budget Billing Program.

Homer Electric's Budget Billing Program charges a set amount each month with a "true up" bill each spring. You will still pay for the actual amount of energy used, but the costs will be spread evenly

over a 12-month period. It allows you to budget a more stable amount to cover your electric bill, especially if your bills are usually higher in the winter. This helps eliminate the high and low billing swings due to seasonal fluctuations. This is also an ideal program for 68010001 seasonal members who use auto draft services to pay their electric bill.

The enrollment period for this program is only open in March, April and May of each year. For more information and to enroll, please contact a member support representative at (800) 478-8551. 

MONTHLY FINANCIAL UPDATE

Homer Electric finished the month of February 2017 with a total asset base of \$237.0 million. Operating revenue for the year was \$16.8 million and total costs were \$15.5 million bringing net operating margins to \$1.3 million through February 28, 2017. This chart is a breakdown of key financial indicators for 2017 as compared to 2016. 

Year to Date	February 28, 2017	February 29, 2016
Operating Revenue	\$16.8 million	\$16.0 million
Cost of Purchased Power	\$10.4 million	\$10.3 million
Cost of Electric Service	\$5.1 million	\$4.9 million
Operating Margins	\$1.3 million	\$0.8 million
Total Kilowatt Hours Sold	82.2 million	79.3 million
Total Number of Meters	33,682	33,486