

# The Kilowatt COURIER

May 2018



## MESSAGE FROM HEA PRESIDENT AND GENERAL MANAGER

One of HEA Board of Directors' biggest surprises of late; our members' vote in late 2016 to reject independence from the Regulatory Commission of Alaska (RCA). In other words, "Local Control." Among other things on the Board, we have learned to, "always remember to test our assumptions." Before engaging in the Local Control vote, we had not shopped around our thoughts to share our considerations and get feedback. Your Board continues to learn and you will see the value of learning, embodied in each of three long-term initiatives identified at a valuable strategic planning session in October 2017.

The electric utility industry around the world, in the U.S., and in Alaska faces a myriad of social and technological drivers for change that have potential to upend our economic environment at intervals of three to fifteen (3-15) years.

For example, in 2010 the RCA decided to decouple the price of Cook Inlet natural gas from lower-48 Henry Hub indexed prices. Over the next five (5) years, the new rate design predictably led to higher costs for natural gas, roughly doubling what we paid in previous years and the ability for utilities to secure financially attractive long-term supply contracts diminished greatly. With the days of securing multiple decades-long natural gas contracts (with commensurate price stability and predictability) behind us, short-term natural gas contracts have added uncertainty and risk in our efforts to deliver members reliable electricity at stable prices. As a result of the increased risk, HEA's efforts moving forward and reflected in our previously mentioned strategic plan include continuing the efforts to increase the efficiency of existing assets and secure additional resources to generate electricity that are not dependent on fossil fuel.

Turning to the future, your Board sees several short-term and long-term strategic initiatives. Our first strategic initiative is to reduce our dependence on natural gas and diversify our primary energy source portfolio. This means increasing 64155002 efficiency measures and adopting renewables when and to the extent we can do so, wisely.

The second strategic initiative is to engage effectively in ongoing discussions about re-structuring management of Alaska's inter-connected Railbelt electrical grid. This has involved a large-scale collaborative effort among the utilities to analyze potential benefits that might accrue by re-organizing the methods we use to deliver wholesale power on the Railbelt. Railbelt-scale conversations about re-organization are both arcane and complex — and not entirely without political aspects. In addition, most Railbelt-level engagements occur in Anchorage, this already involves increased travel costs for management, staff, and your Board.

The third strategic initiative we identified pertains to your Board's desire to improve communications with you, our members. Better yet, improve on a two-way communication so that we can provide better service and make better decisions. We would like to share information that you might find helpful and engages you, to help us in an informed way in our decision-making challenges. When the HEA staff and Board can work with you effectively, we can be MORE POWERFUL TOGETHER.

In closing, we would like to acknowledge HEA's hardworking staff and Board for an outstanding year as we have accomplished another successful year and we look forward to numerous opportunities in the future. 🌱

Enroll in

BUDGET

Billing



Don't worry about a fluctuating electric bill with each season. Even out your bill throughout the year!

## MORE POWERFUL TOGETHER

## HIGHLIGHTS FROM THE 2017 TREASURER'S REPORT

The following are highlights from the 2017 Treasurer's Report. Details and graphs from this report can be found in Homer Electric's 2017 Annual Report online at [www.homerelectric.com](http://www.homerelectric.com).

- 2017 total consolidated operating revenues totaled \$100 million. That total, less consolidated costs of electric service of \$95 million and non-operating margins of \$1 million, resulted in a positive margin of \$6 million.
- Homer Electric sold 479 million kilowatt-hours of electricity in 2017, an increase of five percent from 2016.
- Revenue generated from energy sales totaled \$99 million, an increase of almost four percent from the previous year.
- HEA's equity-to-total assets ratio (the percentage of the total value of the utility's assets that members own) was 41 percent at year end. This ratio at the end of 2016 was 40 percent.
- The same ratio for Alaska Electric & Energy Cooperative (AEEC), HEA's subsidiary, which owns the generation and transmission assets, was 15 percent in 2017 and 14 percent in 2016.
- The Cost of Power Adjustment (COPA) reflects changes in cost of fuel and purchased power. The average COPA rate in 2017 was 7.1 cents/kWh.
- In 2017, total expenses were \$95 million, an increase of almost \$4 million or about four percent compared to 2016. Fuel and purchased power costs increased \$1.0 million and comprised 37 percent of total expenses. Operating costs increased almost \$3 million or five percent from 2016.

In conclusion, HEA met its financial goals of positive margins and required loan agreement ratios in 2017. 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 2847002 and reasonable rates. 

**HIDDEN  
ACCOUNT NUMBERS**  
Three 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, 2018

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)  
6.70 cents per kWh\*  
(\*Subject to change on a quarterly basis and upon RCA approval.)

See [www.homerelectric.com](http://www.homerelectric.com) for the latest residential and commercial rates.

## BOARD of DIRECTORS & MANAGER

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## ATTENTION KACHEMAK BAY RECREATIONALISTS

The Bradley Lake public floating dock, as well as the road to the Bradley Lake dam, will be closed to the public for the next two years.

The Battle Creek Project is underway and there will be heavy equipment and construction activity in the area. The Battle Creek Project is expected to be completed in late 2019.

## MONTHLY FINANCIAL UPDATE

Homer Electric finished the month of February 2018 with a total asset base of \$244.9 million. Operating revenue for the year was \$17.7 million and total costs were \$16.8 million, bringing net operating margins to \$0.9 million through February 28, 2018. This chart is a breakdown of key financial indicators comparing February 2018 to February 2017. 

Year to Date	February 28, 2018	February 28, 2017
Operating Revenue	\$17.7 million	\$16.8 million
Cost of Purchased Power	\$11.4 million	\$10.4 million
Cost of Electric Service	\$5.4 million	\$5.1 million
Operating Margins	\$0.9 million	\$1.3 million
Total Kilowatt Hours Sold	84.4 million	82.2 million
Total Number of Meters	34,419	33,682

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