

INN Electric Cooperative, Inc.

POWER FOR THE FUTURE!

“The mission of INN Electric Cooperative, Inc. is to serve our members needs by providing safe and reliable energy, at reasonable rates, with exceptional customer service and commitment to the communities we serve.”

2014 Annual Report

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Letter to the Membership

Dear INNEC Members,

As always it is with a feeling of disbelief that I realize another year has passed by and we are getting ready for another Annual Membership meeting.

2014 was not quite as busy as 2013 was but we were kept busy just maintaining our coop and everything that goes with it.

Some of the jobs we are working on for the summer of 2015 include; cleaning and repainting transformers and cabinets throughout the system, clearing brush and trees out of our power line right-of-ways and from around the transformers and cabinets. We are dealing with a lot of electrical infrastructure that is over 30 years old now and in need of a little bit of maintenance. Hopefully with a little bit of TLC we will get another 30 years out of a lot of our equipment!

At the time of writing this we are also in the permit application process for a permit to trench and bury as much as possible, the power line that runs across 6 Mile Lake. Hopefully by the time of the Annual Meeting we will have the permit in hand and will just be waiting for the shore line to thaw out a bit so we can commence trenching and burying that line as much as possible.

We made it through the winter (at the time of this writing) with just 2 short power failures. The first was on Super Bowl Sunday almost exactly 1 hour before kick-off. This was caused by the hydro plant shutting down from high tail race water. The tail race was freezing closed and the water backed up enough to trigger the safety shut-down. Fortunately the diesel generators had the entire system back up and running within about 30 seconds. The second power failure was a week later and only lasted for about 15 seconds. This was caused by operator error and we won't mention any names except to say it was the General Manager not paying attention!!

In 2014 INNEC generated 3,903,972 kWh of power. Of this 3,871,736 was hydro power and 32,236 was diesel power. We burned just 1,368 gallons of fuel in the generators. Total generation is down by about 226,000 kWh from 2013. This can be attributed to Pebble pulling out of Iliamna and an extremely warm winter.

I am sure that most members have seen the BBNC commercial featuring our operator Rob Clay. I do believe that this is the best BBNC commercial yet. Last summer Alaska Dispatch did a front page article on our hydro plant and it has been very well received state wide. Every member of INNEC should be proud of what we all own and are all a part of. Alaska Energy Authority uses INNEC, the Tazimina Hydro Plant and our Newhalen Diesel Plant as examples of how successful operations should be run.

Thank you for being a member of INN Electric Cooperative.
We hope to see you on April 11 at our annual shareholders meeting in Newhalen.

Sincerely,

George Hornberger
General Manager

Tinny Hedlund
Board President

2015 Director Candidate

One (1) three-year "At Large - Seat E" on INN's Board of Directors will be filled at the 2014 Annual Membership Meeting on April 11, 2015. John Baechler is the only candidate for this seat.



John Baechler, Sr. is a 35 year resident of Iliamna, Alaska. He enjoys skiing, snowmobiling, fishing, and loves our country. He currently owns his own business in Iliamna. As an incumbent Mr. Baechler is seeking re-election to help the INNEC Board of Directors and General Manager in keeping our coop in good standing and providing safe and reliable power.



INN ELECTRIC COOPERATIVE, INC.

PO Box 210
Iliamna, AK 99606
(907) 571-1259 (tel)
1-800-571-1259 (toll free)
(907) 571-1579 (fax)

www.innelectric.com
innmanager@innelectric.com

BOARD OF DIRECTORS

Thomas Hedlund,
President
John Baechler, Sr.,
Vice President
Evelynn Trefon,
Secretary/Treasurer
Gary Martilla
Director
Bob Tracey
Director

STAFF

George Hornberger,
General Manager
Robert Clay,
Plant Operator
Crystal Braun,
CSR/Administrative Assistant
Terri Harper
Financial Manager



**INN ELECTRIC COOPERATIVE
ANNUAL MEMBERSHIP MEETING MINUTES**

April 12, 2014

1. CALL TO ORDER AND VERIFICATION OF A QUORUM

President Thomas Hedlund welcomed members and called the 2014 INN Electric Cooperative, Inc. Annual Membership Meeting to order at 12:00 PM. The meeting was held at the INNEC Shop in Newhalen, Alaska. President Hedlund stated that there were 204 members of record. A quorum of 20 was reached with 38 members signing in as of 12:00 NOON.

2. READING OF THE NOTICE OF THE 2013 ANNUAL MEETING AND AFFIDAVIT OF MAILING

President Hedlund stated that he had the official notice of the 2014 INN Electric Cooperative, Inc. Annual Membership Meeting and Affidavit of Mailing mailed to members of record on March 21, 2014. He asked for a motion to waive the reading of the notice and affidavit. IT WAS MOVED, SECONDED AND DULY PASSED to waive reading the meeting notice and the affidavit of mailing.

3. READING AND APPROVAL OF THE April 12, 2014 ANNUAL MEETING MINUTES

President Hedlund stated that the 2013 INN Electric Cooperative, Inc. Annual Membership Meeting Minutes were in the annual meeting packet and available at the registration desk. He asked for corrections to the minutes, none heard he asked for a motion to waive the reading and approve the minutes as presented. IT WAS MOVED, SECONDED AND DULY PASSED to waive the reading and approve the April 13, 2013 INN Electric Cooperative, Inc. Annual Membership Meeting Minutes as presented in the Annual Meeting packet.

4. BOARD PRESIDENT'S REPORT

President Hedlund introduced the INN Electric Cooperative, Inc. Board of Directors: John Baechler, Sr., Vice President, Greg Anelson, Jr. who is tardy due to Anchorage meetings he was attending, Secretary, Bob Tracey, Director and Gary Marttila, Director. He also introduced INN's General Manager, George Hornberger, Sarah John, Secretary/Bookkeeper and Board Recorder and Terri Harper, Financial Manager.

The President thanked the nominating committee: Jaslyn Wren, Kate Cornell, Dawn Wassillie, Nancy Delkittie and

Natalia Marttila for their diligence in carrying out the duties of the committee by seeking board nominations, and ensuring that the balloting and counting was secure.

President Hedlund also introduced this year's candidates, Bob Tracey of Nondalton who is running uncontested and Evelyn Trefon who is running against Greg Anelson, Jr. for the Newhalen Seat. He noted that Greg Anelson, Jr. would be at the meeting as soon as he is returning from meetings in Anchorage.

President Hedlund began his report to the membership by briefly recapping the Cooperative's accomplishments in 2013, and outlining plans for 2014. He then turned his report over to Manager Hornberger who thanked members for attending INN Electric Cooperative's 2014 Annual Membership Meeting. He stated that throughout the winter we had several brief outages due to icing problems and low water levels at the hydro plant. The new automated switch gears works great and none of the outages were due to ground faults and the outages did not last more than about 30 seconds.

Manager Hornberger stated that in the generation department Tazimina Hydroelectric plant provided 98.5% of gross kWh generation. Diesel generation consumed approximately 4,961 gallons of diesel fuel providing the remaining 1.5% of gross kWh generation.

He noted that underground line replacement was completed in the fall, which included a couple of outages. The project included the Nondalton Fish Camp bypass of overhead power lines along the GCI fiber-optic line easement, underground power line from the Newhalen/Iliamna Post Office to East Wind Lake and the Newhalen/Iliamna Post Office to the Road House Inn driveway. It also included retiring the old shunt reactor and switch at East Wind Lake and installing a new switch across the road from the old reactor. A new oil filled reactor was also installed by the Newhalen/Iliamna Post Office. Distribution system clean-up was also included in the project. He thanked Don Henry for his great work, as well as Rob Clay, Clarence Balluta and all the guys that are temporarily hired to help out.

Manager Hornberger stated one of the Cooperative's biggest accomplishments of 2013 was the design and building of our new office building located in Newhalen.

Manager Hornberger informed members that INNEC received legislative funding for a Round 6 Renewable Energy Grant Fund to do a feasibility study to upgrade Tazimina to 1.4 megawatts, which would take place in 2015.

Manager Hornberger informed members that Anglo American gifted INNEC with \$2.5 million, which is in the bank now. The purpose of the money is to guarantee the upgrade of the Tazimina Hydroelectric Plant. He noted that electricity rates would not go down because of this money. He reviewed different options with the money but did note that rates would not decrease.

Manager Hornberger thanks all the INNEC employees and temporary helpers, as well as a supportive Board. He noted that sales were down mainly because of Pebble pulling out. Margins were at \$312,437.00 with over 3 million kWh sold.

Manager Hornberger opened the floor to any questions or comments. There was a comment from a member thanking the Board for the School Incentive Program for student attendance taking place in the 2013/14 school year. There were some member questions on PCE, rates, fuel and selling of fuel, as well as interruptible power and electric boilers.

5. FIRST DRAWING OF DOOR PRIZES

6. ELECTION OF DIRECTORS

7. RECESS FOR REFRESHMENTS

President Hedlund recessed the meeting at 12:34 PM for refreshments and the casting and counting of ballots.

8. RECONVENE MEETING AND REPORT ELECTION RESULTS

President Hedlund reconvened the meeting at 12:55 PM.

Election results:

Seat A (Newhalen):

President Hedlund reported that there were 73 mail-in ballots, 15 in-person ballots and 13 invalid ballots.

Evelynn Trefon	42
Gregory Anelon, Jr.	41

Other write-in ballots included:

Not Them	1
Melvin Trefon (NNL Res)	1
Harvey Anelon (ILI Res)	1
Fedosia Balluta	1
Michelle Wilson (NNL Res)	1

Seat D (At Large):

President Hedlund reported that there were 74 mail-in ballots, 15 in-person ballots and 12 invalid ballots.

Bob Tracey	82
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Other write-in ballots included:

Melvin Trefon	2
Trefim Andrew	1
Rick Delkittie	1
Shannon Johnson-Nanalook	1
Clyde Trefon	1
Natalia Marttila	1

President Hedlund announced the results and congratulated incumbent, Bob Tracey on his reelection to INNEC's Board of Directors and Evelyn Trefon on becoming a new INNEC Board Member.

9. GENERAL MANAGERS REPORT

Manager Hornberger gave his report during the President's Report when President Hedlund turned the floor over to Manager Hornberger.

10. UNFINISHED BUSINESS

None

11. NEW BUSINESS – QUESTIONS FROM THE MEMBERSHIP

None

12. SECOND DRAWING OF DOOR PRIZES

13. GRAND PRIZE DRAWING

Gary & Natalia Marttila won a \$300 electricity gift certificate. Michael & Cathleen Gust won a \$50 electricity gift certificate, as did Hedlund Aircraft Salvage, Michael & Evelyn Trefon and Bill & Kate Cornell.

14. ADJOURNMENT 2:00 PM

President Hedlund thanked the membership for attending and encouraged anymore questions, in which there were none. ADJOURNMENT WAS MOVED, SECONDED AND DULY PASSED at 2:00PM.

DRAFT Audited Financial Statements

BALANCE SHEET DECEMBER 31, 2014

Assets	
Net Utility Plant	\$ 7,150,981
Other Property, Investments, and Receivables	
381,235	
Current Assets	
4,014,440	
Total Assets	\$
<u>11,546,656</u>	
Equities and Liabilities	
Patronage Capital & Other Equities	\$
4,896,681	
Net Long-Term Debt	
3,764,770	
Current Liabilities	
235,205	
Deferred Credits	
2,650,000	
Total Equities and Liabilities	<u>\$ 11,546,656</u>

STATEMENT OF OPERATIONS DECEMBER 31, 2014

Operating Revenues	
\$	<u>1,348,589</u>
Less: Cost of Power	
\$	139,811
Other Operating Expenses	
780,093	
Total Operating Expenses	
\$	<u>919,904</u>
Less: Interest on Long-Term Debt	
\$	168,727
Operating Margins	
\$	<u>259,958</u>
Investment Income	
\$	12,585
Patronage Capital from Others	
43,540	
Net Margins	
\$	<u>316,083</u>

Rates

FUEL SURCHARGE:
All kWh / All Members

.12

RESIDENTIAL:

Consumer Charge	\$25.00
0 - 400 kWh	.40
Over 400 kWh	.37

COMMERCIAL:

Consumer Charge	\$35.00
Consumer 3 Phase	\$65.00
First 1000 kWh	.40
Over 1000 kWh	.37



INN Electric Cooperative, Inc.

2014 Annual Membership Meeting
INNEC Office Building/Shop
Newhalen, Alaska

Saturday April 11, 2015
Registration 11:00 AM – Meeting 12:00 NOON



AGENDA

- 1. Call to Order**
- 2. Reading of Notice of Annual Meeting and Affidavit of Mailing**
- 3. Reading and Approval of the Minutes of the April 12, 2014 Annual Meeting**
- 4. Board President's Report**
- 5. First Drawing of Door Prizes**
- 6. Election of Directors**
- 7. Recess for Refreshments**
- 8. Reconvene Meeting and Report on Election Results**
- 9. Second Drawing of Door Prizes**
- 10. General Manager's Report**
- 11. Unfinished Business**
- 12. New Business – Questions from the Membership**
- 13. Third Drawing of Door Prizes**
- 14. Grand Prize Drawing - 1—\$250 VISA Gift Card**
- 15. Adjournment**