Over my past 10 years of service on the Board of Directors, we’ve participated in the greatest transformation of MEA in decades and I share pride in the growth with my fellow cooperative members.

The design, construction and management of the Eklutna Generation Station has shaped a new MEA with many opportunities ahead of us. With that complete, it was important for MEA to take a look at the future of our service territory and decide what role our cooperative would have in it.

Over the past year, the board, in partnership with new General Manager, Tony Izzo, has developed a new strategic plan for this talented organization, focused on bringing MEA to the next level of service, reliability and affordability for our members. Our electric cooperative has worked hard and we are now well-positioned for the road ahead.

Just over a year ago, in January 2016, I started to lead our utility. The MEA team had successfully brought the new power plant online and transitioned the cooperative to a new kind of organization. Our financial health was firmly on track and the next logical step was to look ahead and set a solid foundation for a bright future. There were significant opportunities for our members as well as economic uncertainty and other challenges to manage. It was also important to look within and ask how we could better serve our members.

Over the past year, MEA has forged a new path. Thanks to focused leadership from the board and a strong team, MEA is well-positioned for long-term success. We have ushered in a new era of collaboration with our Railbelt utility colleagues. We have focused on making the most of our technology investments for efficiency and reliability, and we have made progress in positioning MEA for opportunities in the future. We have committed to do more with less as good stewards of our members’ investment in MEA. Most importantly, we have renewed our focus on each of you and, as a member-owned cooperative, that’s where our focus will stay.

### MEA’s New Mission Statement

To provide safe reliable energy at reasonable rates with exceptional member service and commitment to the community we serve.

### MEA’s Strategic Goals

As MEA matures in its new role as a vertically-integrated utility, we will be motivated and disciplined to maximize opportunities, improve reliability and contain costs to achieve the best possible results for our members.

- Strengthen MEA’s safety program
- Create a comprehensive employee development plan
- Strengthen regulatory effectiveness
- Prioritize investment and leverage infrastructure and technology
- Maximize efficient power generation and energy delivery
- Solidify financial position
- Embrace process improvement throughout the organization
- Recognize and capitalize on external opportunities
2016 YEAR IN REVIEW

SHARPENING OUR FOCUS ON RELIABILITY
The most important thing to our members is reliability. In 2016, MEA focused our efforts on tracking and improving how well we keep the lights on.

2016 OUTAGES AT A GLANCE
Each year, MEA analyzes the causes of our outages to determine how we can improve reliability. The graph below shows the causes of 2016's total outage hours.

CLEARING
The single biggest thing MEA can do to keep the lights on is tree trimming in our easements. Data shows an active clearing program increases the reliability of each feeder.

Our clearing team has developed a new vegetation management plan and is on track to clear 100% of our easements every six to seven years.

CAPITAL PROJECTS
In 2016, MEA invested in a few capital projects to improve the redundancy and quality of our system. This helps us reduce the number of outages and improve restoration time.

• New fiber optic pathways on our lines speeds communication between substations to give us better information and improved options to restore power faster during outages. It also provides us a better view of our system for proactive maintenance.
• MEA is replacing our old fleet of meters with new ones to increase our efficiency and give us more options to improve member service.
• The planned transmission line through Wasilla will add redundancy and meet our growing load. This year we worked with our members on right-of-way acquisition and final design.
• Much of MEA’s infrastructure is aging. Our system planning department ensures we can meet the growth needs of our members safely and with improved reliability.

RAILBELT COLLABORATION
MEA has been working with our colleague utilities on the Railbelt to buy and sell power when it is more economic for our members. This year we formalized an agreement with our Railbelt neighbors to merge generation resources. This single move will allow us to burn the least amount of gas for every kilowatt we produce. Modeling shows this could save our region $12-18M in fuel costs with $2-3M of that directly offsetting MEA rates.

MANAGING OUR LARGEST COST - FUEL
The largest component of our members’ rates is the cost of fuel - almost 40% compared to 6% in administration. MEA is focused on finding ways to lower that cost. In 2016, MEA secured a new fuel contract with Hilcorp to supply all our gas needs through 2023. That contract will save millions in lower gas costs starting in the second quarter of 2018.

COMMUNICATING WITH OUR MEMBERS
2016 saw MEA launch a new outage map, outage reporting via our online “SmartHub” application and growth in our use of social media to keep our members informed during an outage. We now have over 13,000 followers through social media, hearing up-to-date outage reports and other messages.

After input from our members, we introduced paperless options for billing and annual meeting materials. This saves money and provides convenient options for our members.

EKLUTNA GENERATION STATION POWER PLANT
After its first full year of operation, MEA couldn’t be happier with the performance of EGS.

This year’s data confirms the plant was tailor-made for MEA’s unique member profile. In 2016, our power plant served our members more efficiently than any other on the Railbelt and logged lower than anticipated emissions.

EGS offers something new to our Railbelt colleagues too – strengthening our opportunities for power sales and bringing in over $12.6M in additional revenue in 2016 to directly offset member costs.

1000+ students reached through MEA’s energy education programs
115 organizations supported through sponsorships and donations
6 employees retired with 119 combined years of service
1,493 new services designed and constructed
As a member-owned cooperative, it’s important to us to be a part of our community. Whether through financial giving, education or involvement, we support the things that make our service area stronger.

**SPONSORSHIPS AND DONATIONS**

Sponsorships and donations are just one way to give back to those we serve. Funds support youth, seniors, recycling, health, wellness, education and more. We’re proud to support the organizations and groups that improve our service area.

**ENERGY EDUCATION**

By educating our youngest members, we’re helping develop the future of our service area. Through our Safety City presentation, Power Pledge Challenge and other energy education programs, students learn how their electricity is produced, how to be safe around it and how their energy use affects the world around them.

**YOUR PENNIES AT WORK - CHARITABLE FOUNDATION**

In 2016, the MEA Charitable Foundation gave back $221,925 — and over $873,000 since 2011 — thanks to the pennies collected from Operation Roundup®. This program rounds up participating member’s monthly bills to the nearest dollar, allowing funds to be provided to local non-profits and families in need.

For a full list of community involvement activities and more information, please visit http://www.mea.coop/mea-in-the-community/.

## MEA IN THE COMMUNITY

MEA employee John and his son Eli handing out candy in Palmer Chamber’s Colony Days Parade.

Cub Scout Pack 224 achieve their ‘Building a Better World’ Requirement during one of our energy presentations.

Charitable Foundation board members David Dahms and Linda Menard-Post.

## FINANCIALS

**Balance Sheet as of December 31, 2016**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Utility Plant</td>
<td>$576,583,117</td>
</tr>
<tr>
<td>Other Property and Investments</td>
<td>24,405,349</td>
</tr>
<tr>
<td>Current Assets</td>
<td>38,899,345</td>
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<tr>
<td>Deferred Charges</td>
<td>6,859,623</td>
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<tr>
<td>Total Assets</td>
<td>$646,807,434</td>
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</table>

**Equities and Liabilities**

<table>
<thead>
<tr>
<th>Equities and Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities and Margins</td>
<td>$137,409,336</td>
</tr>
<tr>
<td>Long-Term Debt, Net</td>
<td>469,937,189</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>27,705,604</td>
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<tr>
<td>Deferred Credits</td>
<td>11,795,305</td>
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<tr>
<td>Total Equities and Liabilities</td>
<td>$646,807,434</td>
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</tbody>
</table>

**Statement of Revenue and Patronage Capital Year Ended December 31, 2016**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$137,279,126</td>
</tr>
<tr>
<td>Less: Fuel and Purchased Power Costs</td>
<td>49,790,362</td>
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<tr>
<td>Other Operating Expenses</td>
<td>80,005,982</td>
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<tr>
<td>Total Operating Expenses</td>
<td>$129,856,344</td>
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<tr>
<td>Operating Margins</td>
<td>23,422,782</td>
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<tr>
<td>Patronage Capital from Others</td>
<td>2,542,587</td>
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<tr>
<td>Non-Operating Margins, Net</td>
<td>113,945.75</td>
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<tr>
<td>Assignable Margins</td>
<td>10,996,334</td>
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<tr>
<td>Beginning Patronage Capital</td>
<td>123,299,099</td>
</tr>
<tr>
<td>Patronage Capital Returned</td>
<td>(182,858)</td>
</tr>
<tr>
<td>Ending Patronage Capital</td>
<td>$133,011,575</td>
</tr>
</tbody>
</table>

MEA members may request a complete copy of the audited financial statements by calling 761-9212.
**CONTACT US**

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**Mail:** Matanuska Electric Association, Inc.  
  P.O. Box 2929 Palmer, AK 99645

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761-9300  
Outages: 746-POWR (7697)  
Fax: 761-9352  

**EAGLE RIVER**  
11623 Aurora Street  
689-9300  
Outages: 696-POWR (7697)  
Fax: 689-9630

**WASILLA**  
1401 S. Seward Meridian Parkway  
761-9500  
Outages: 746-POWR (7697)  
Fax: 761-9520

**BIG LAKE** (Engineering Office)  
Spring Drive, Mile 51.4 Parks Highway