



# 2013 ANNUAL REPORT

## THE NEXT CHAPTER





# BROADBAND

Cooperation . . . Connection

## broad·band

*adjective* \ 'bròd- ,band\

- 1 : of, relating to, or being a high-speed communications network for simultaneous transmission of signals (as voice, data, or video)
- 2 : operating at, responsive to, or comprising a wide band of frequencies <a *broadband* connection to the Internet>
- 3 : a vision for San Juan County's sustainable future: economic development, education, public safety and a modern electrical distribution system.

**LEARN MORE**

Visit [www.opalco.com](http://www.opalco.com) to learn more about OPALCO's vision for broadband.

We believe that a community investment in broadband is the right way forward for our communities. The strength of our cooperative and OPALCO's commitment to serving our members has been proven over more than 75 years. We have a proud history of realizing our vision – building the infrastructure that we want and need to power our quality of life.

How we deliver this vision depends on the level of OPALCO member commitment: it's up to you. Please join us for a series of public meetings in June. Learn more at [www.opalco.com](http://www.opalco.com).

## Table of Contents

Message from the Board President . . . . .	1
OPALCO Ambassador Program . . . . .	2
Message from the Acting General Manager . . . . .	3
OPALCO Broadband Initiative . . . . .	7
Energy Services Department: Into The Future . . . . .	11
Energy Efficiency At Work: Lavender Hollow Apartments . . . . .	13
Member Profile: Henning Sehmsdorf And Elizabeth Simpson - S&S Homestead Farm On Lopez Island . . . . .	15
Support M.O.R.E. Local Renewable Power . . . . .	18
Financial Statements . . . . .	19
75 <sup>th</sup> Anniversary Celebration . . . . .	21
OPALCO's 75 <sup>th</sup> Annual Meeting . . . . .	23
From Your Member Services Staff . . . . .	25
Project PAL . . . . .	26
The OPALCO Team . . . . .	27
Nourdine Jensen Cooperative Youth Scholarship Program . . . . .	29

The mission of the Orcas Power & Light Cooperative is to serve our members with safe, reliable, cost-effective and environmentally sensitive electric utility services.

Orcas Power & Light Cooperative  
183 Mt. Baker Road, Eastsound, WA 98245  
[www.opalco.com](http://www.opalco.com)

### BOARD OF DIRECTORS

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Cooperatives

*The power of human connections<sup>®</sup>*

## Message From The Board President: Chris Thomerson

Continuing to build on 75 years of success, OPALCO now looks ahead to the next 75 years, continuing to improve the quality of life on our Islands in the changing and sometimes challenging world in which we live.

OPALCO, as our local member-owned nonprofit cooperative, has successfully adapted to change and challenges over the years and continues to employ appropriate, cost-effective equipment and methods to provide for community needs and meet our prime directive: to serve members with safe, reliable, low-cost and environmentally sensitive utility services.

We deliver hydro electricity—low cost, clean, and there when you need it. No other source of renewable electricity can say that.

All our financial indicators are strong and we just keep getting better and better at keeping the lights on.

Always forward thinking, we challenge ourselves to meet the future responsibly. We have set ourselves a challenge for OPALCO to use available energy resources wisely and to maximize the gains in energy efficiency by educating and informing our membership of simple money-saving options to reduce monthly bills.

Also, the Board has directed development of greater cost-saving automation, safety, control and efficiency of our electric distribution system. This includes a proposed countywide data and voice telecommunications infrastructure to meet the economic and educational needs of modern connectivity, including emergency responder communications; reliable, low-cost, high-speed Internet services; telephone services; and a platform for cellular providers countywide, with capacity to grow for decades into the future.

You can read more about these and other programs in this annual report and on the OPALCO web site.

As a local member-owned nonprofit cooperative, we have the power and the responsibility to shape our utility and the future of our communities by working together.



*Chris Thomerson*

# OPALCO Ambassador Program

The Ambassador Program is a grassroots legislative action group poised to reach out to elected officials on the local, state and federal levels as needed to protect our interests, power rates and policies. With the strength and voice of 11,000 member-owners, we have an impact in the region and state—and when we join with the 900 electric cooperatives in the United States through our national affiliate the National Rural Electric Cooperative Association (NRECA), we are 42 million strong.

## What are Ambassadors asked to DO?

1. Read information that is sent to you (email updates during the session and occasional calls to action)
2. Talk with your peers about the issues that affect co-op members and that are important to you.
3. Send messages to elected officials when timely and important—and when the issue at stake is compelling to you.
4. Meet once a year to get up to speed on the issues and prepare for the legislative session.

## How do I opt in?

Contact Suzanne Olson: [solson@opalco.com](mailto:solson@opalco.com)



*Chris Thomerson and Foster Hildreth of OPALCO and Kent Lopez, Executive Director of the Washington Rural Electric Cooperative Association, during our annual legislative visits in Olympia.*

## Message from the Acting General Manager, Foster Hildreth

*Note: Foster Hildreth is acting General Manager while Randy J. Cornelius is out for a planned leave of absence. Randy will be back in time for the annual meeting.*

This is an exciting moment in the history of Orcas Power & Light Cooperative. We've just celebrated our 75<sup>th</sup> anniversary and are now looking forward to a bright new story for the coming decades. I want to thank our Co-op members, the Board of Directors, and our employees for helping us to celebrate the 75<sup>th</sup> anniversary by sharing stories and photos, participating in our open house events—and creating the record-breaking attendance at the 75<sup>th</sup> Annual Meeting in May of 2012. Since 1937, OPALCO's vision has been to empower our members to improve the quality of our lives; this next chapter will keep us moving in that direction.

In my tenure, I've seen OPALCO make extraordinary progress in important areas, increasing safety and reliability while keeping our costs contained. We have improved our long-range/capital project planning as well as our accounting and budgeting practices. We have strengthened our renewable energy interconnection program. We have updated our safety education program and improved maintenance and energy efficiency in our plant. Very importantly, we have made great progress in automating our electrical distribution system by connecting our

substations with a fiber-optic network. This allows us to use smart grid tools such as SCADA (Supervisory Control and Data Acquisition) to monitor and control system components, thus providing more-reliable power to our members. In the future, this automation will help our members conserve energy and keep all of our costs down.



*Foster Hildreth*

In partnership with community leaders, we have recently developed the "broadband initiative," a vision that could provide our membership with the high-speed internet connections necessary to support modern life. A healthy economy, access to education and healthcare, and so many aspects of life are increasingly reliant on connectivity, yet our county is constrained by an infrastructure that struggles to meet our needs. As your local, community-owned cooperative, OPALCO wants to play a key role in providing these important services to our members. As a community, we have a vision of a healthy

and sustainable future. Working together, which involves truly listening to our members, we will develop the solutions that meet our communities' needs—for today and tomorrow.

As you will read in these pages, OPALCO's next 75 years will build on our core commitments:

- Deliver safe, reliable, cost-effective and environmentally sensitive electric utility services,
- Provide excellent customer service to our members, and
- Keep the Co-op's finances healthy and strong.

In this next chapter of OPALCO's story, we'll take advantage of new tools to deliver on those promises, including some technological advances such as SmartHub (see pg 26), for bill paying and member access to meter data and energy usage; OPALCO's proposed broadband network (see pg 7); and new frontiers in energy efficiency, renewable energy, and cost savings (see page 11).

One example of how we are working with the membership is a subcommittee of the Board (Winnie Adams, John Bogert, and Bob Myhr) that is working with a group of enthusiastic

## 7 COOPERATIVE PRINCIPLES

Independent, democratically governed businesses, electric cooperatives are organized under the Rochdale Principles—also known as the Seven Cooperative Principles:

- **Voluntary and Open Membership**—Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership.
- **Democratic Member Control**—Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions.
- **Members' Economic Participation**—Members contribute equitably to, and democratically control, the capital of their cooperative.
- **Autonomy and Independence**—Cooperatives are autonomous, self-help organizations controlled by their members.
- **Education, Training, and Information**—Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives.
- **Cooperation Among Cooperatives**—Cooperatives serve their members most effectively and strengthen the cooperative movement by working together.
- **Concern for Community**—While focusing on member needs, cooperatives work for the sustainable development of their communities.

# TIERED RATES

The Co-op's current contract with BPA includes a tiered rate structure that guarantees the Co-op a certain amount of (mostly) hydro power up to a measured ceiling of demand (called our high-water mark) at the low regional rates we are accustomed to (Tier 1). When our co-op load (our demand for power) grows beyond that high-water mark, BPA will purchase power at market rates to meet the additional demand (Tier 2). Tier 2 rates are expected to be more than double what we are currently paying. The best way to forestall Tier 2 rates is by better managing our load through energy efficiency and conservation behaviors. If we all pitch in, doing what we can to make our homes and businesses more energy efficient, the savings will be significant. According to the Northwest Power and Conservation Council, "Nearly 60% of the region's new demand for electricity over the next five years, and 85% over the next 20 years, could be met with energy efficiency."

Co-op members to develop a new, creative approach to energy efficiency, conservation, and renewable energy in San Juan County. These members are forming a nonprofit organization to implement the committee's goals and initiatives. Stay tuned for more information as this exciting piece of the new story evolves.

And conservation is increasingly important. Our wholesale power costs from Bonneville Power Administration (BPA) will continue to rise incrementally with the growing cost of power and the new tiered rate structure. Our Board instituted a 3% rate increase in March to match the rise in our wholesale power bill. We are still projecting that OPALCO will begin to see Tier 2 (market) rates in 2014. We all have the power to control our energy costs through energy efficiency and conservation and thus forestall those higher market rates. Through small changes in behavior and some investment in energy efficiency upgrades, we can all contribute to managing our energy load as a cooperative and keeping electric costs under control. If you haven't done so already, please call us to schedule a Home Energy Snapshot Assessment to learn how you can help. Help yourselves by keeping your electric bills lower, and help the cooperative to manage our demand for power.

On an operational note, much of 2012 was focused on maintenance activities that will prepare us to serve you better



and more efficiently in the coming years. Over the past 75 years, OPALCO has moved from having an aging overhead power distribution system to having an aging underground power distribution system. Replacement of both direct-buried conductors and ground-mounted equipment will help to maintain the highest quality of reliable service that OPALCO can provide. OPALCO has replaced almost 4 miles of existing aging underground conductor and replaced 80 older and inefficient transformers. We have converted 1.5 miles of overhead conductor to underground. OPALCO is not just replacing existing underground conductors or burying overhead line but installing a conduit system that will allow for cheaper and quicker replacement of underground lines in the future. All installations are being done to the highest of standards and with an eye to the future. Accommodations for fiber and additional conductors in this conduit system are being designed to serve the membership's future needs. We continue to grow, adding more than 100 new member accounts in 2012, and the prospects for the future are bright.

The Co-op's 2012 financial year was a challenging one, but our team managed it well. Our revenues fell short of our budget target by about 5%, in part because it was such a warm-weather year. But we managed to keep expenditures below

budget, and the Board approved the payout of \$628,146 in the form of capital credits. We achieved our key goal of lowering our margin as compared with 2011, and we did so while continuing to meet our overall financial planning objectives:

- Maintaining a stable financial position to help manage our risks,
- Implementing a prudent construction work plan to continuously improve system reliability, and
- Funding new technology to better serve our members and reduce future operating expenses.

It is a privilege to work with the OPALCO Board and staff, and I want to recognize their outstanding dedication to the mission: serving our members. OPALCO has built a wonderful team of people, and that, more than any other factor, is what keeps us strong as a cooperative.

I encourage all Co-op members to stay engaged with us as together we create OPALCO's "new story" and find new ways to achieve our purpose of empowering members to improve the quality of their lives and the sustainability of our community. We truly do "get our power from you."

## OPALCO's Vision For Broadband

Back in the mid-1930s, Amos Coffelt went from place to place on Orcas Island talking to his neighbors about the idea of bringing electricity to the island. Some folks were afraid “the electricity” would put their cows off milking. Some didn’t think wives could get used to the “new-fangled” electric appliances. Amos’ message was clear: the world is changing and the quality of our lives in the islands would be better with electricity; the private companies are asking too much to put in the lines; and we can do it ourselves and keep control of it ourselves if we form a Rural Electric Administration (REA) electric co-op. In 1937, we did just that, thanks to the forward thinking and hard work of the twelve founders of OPALCO.

The world is still changing, and today computer networks are at the center of how we communicate, do business, access education and jobs—and how we connect with family and friends. A sustainable community today requires high-speed connectivity, but most of us are stuck with a telecommunications infrastructure that is not meeting our needs.

San Juan County is at a crossroads as we were in 1937 and, once again, we have a vision for how we could work together to meet the needs of our own communities—now and into the future.

OPALCO’s Board of Directors has studied potential broadband solutions and has developed a plan to meet our communities’ needs for

- the modernization of the electrical distribution system;
- a robust communication network for public safety and first responders;
- connection to real-world resources in education, jobs, business, and health; and
- fast, reliable Internet and phone service delivered county-wide.

OPALCO can provide the infrastructure necessary, building on the existing fiber-optic network that we’ve had in place since 2001 to provide telephone service to our three offices, field communications for the line crews, and connection to all of OPALCO’s substations for power monitoring and control. We understand the challenges of providing infrastructure “on the rock.” Our county’s difficult terrain and commitment to environmental and aesthetic integrity require a sensitive and often more costly approach.

Our current plan shows fiber-optic cable connected directly to homes and businesses in the population centers (Lopez Village,

Friday Harbor, and Eastsound) for high-speed Internet and land-line phone (broadband) services. Members in more rural areas would receive a broadband connection through a robust wireless network tied to the fiber backbone.

We have been out talking with our members explaining the plan, listening to members' ideas and concerns and bringing all that feedback into the planning and design process. What have we learned from our members so far? We've heard broad support for the benefits of broadband service and know that the majority of our members want improved service. However, the number of members pre-subscribing for broadband service is low—well below the volume of calls and emails and supportive comments we are receiving. It's clearly a challenge to get our members to take action. We've heard some good questions from members concerned about wireless technology and the financial risks involved. We are listening and exploring all of the possible paths for realizing our vision. OPALCO will host another series of public meetings in June to continue the two-way conversation.

We believe that modern connectivity is essential to the sustainability of our island communities.

### **Broadband 101:**

- **Broadband:** A high-speed communications network for simultaneous transmission of signals (as voice, data, or video).
- **Fiber Optics:** Thin transparent fibers of glass that transmit light to carry information. This technology has been used for decades and will remain the dominant method of transmitting information for the foreseeable future.
- **LTE Wireless:** Long-Term Evolution technology is a standard for wireless communication of high-speed data transmitted within a licensed spectrum.
- **Wi-fi:** A type of wireless networking protocol that allows devices to communicate without cords or cables within a fixed location.
- **VoIP:** Voice over Internet Protocol transmits a voice signal over the Internet, using regular phones or other equipment.
- **Mbps:** Megabits per second, referring to the speed of data transfer.

### **How much speed (Mbps) do I need?**

- Basic e-mail, web browsing, VoIP: 1.5 Mbps
- Streaming music, videos in standard definition (SD): 3 Mbps
- File sharing, Internet Protocol Television (IPTV): 3–6 Mbps
- Online gaming, video on demand (Netflix, et al): 6–10 Mbps
- Telemedicine, remote education, IPTV high definition (HD): 10–25 Mbps

### **How many Mbps am I currently getting?**

It varies by location and time of day. Go to [www.sjcbroadbandforum.org](http://www.sjcbroadbandforum.org) and take the speed test. Test your speed at different times of day and different days of the week for a full understanding of your current service.

# OPALCO WOMEN IN BUSINESS



OPALCO celebrates our women in business. Top: Karin Becker, Bev Madan, Katie Maxwell, Suzanne Olson, Shawni Wooding, Nancy Loomis, Ginny Reagles, Michelle Beal of Eastsound. Bottom: Susan Evans, Marilyn Goff, Jeanie Fodor, Amy Saxe, Elisa Howard, Beth Anderson.

Broadband is a long-term investment in our future health and key quality-of-life issues including public safety, education, economic development, electric system upgrades, and telemedicine. OPALCO Board and staff have done their due diligence and are committed to solving this problem for San Juan County. We will do what we can to provide infrastructure improvements and cooperate with existing business and providers going forward. San Juan County has relied on OPALCO since 1937 to provide the infrastructure that empowers our quality of life in the islands—and we will continue to do so

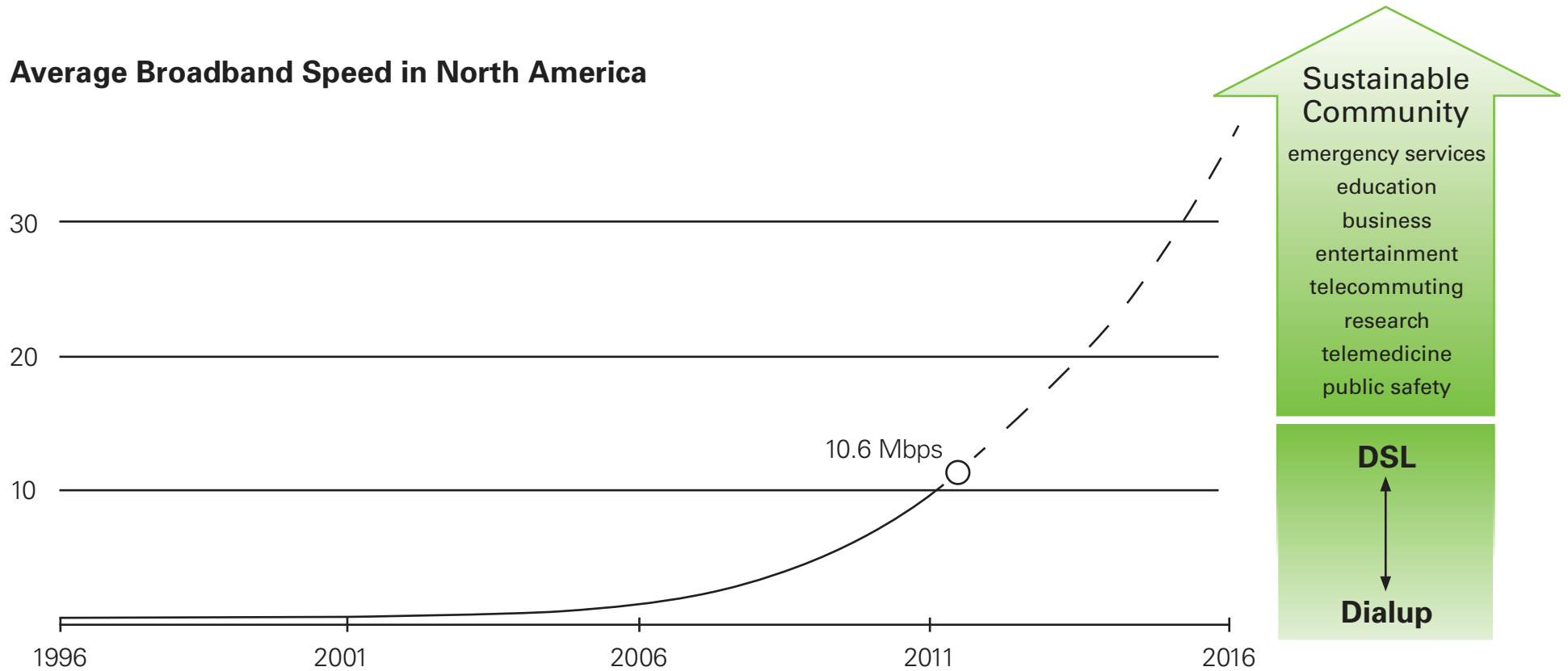


The vision is clear: broadband will strengthen our communities. How we get there is up to you! Please join us for a series of public meetings in June.

Visit [www.opalco.com](http://www.opalco.com) to learn more about OPALCO's vision for broadband.

Eastsound: (360) 376-3500 Friday Harbor: (360) 376-3550

## Average Broadband Speed in North America



- In 2011, In North America, the average broadband speed grew 42% to 10.6 Mbps. In San Juan County, islanders, on average, are only offered a fraction of that speed.
- The average broadband speed is projected to grow 3.5-fold from 2011 to 2016, from 10.6 Mbps to 37 Mbps - well beyond the capabilities of DSL and Canopy wireless service.
- Internet video traffic grew 79%, and is now 62% of all consumer Internet traffic.

Source: Cisco VNI (<http://www.cisco.com/web/solutions/s...hts/index.html>)

## Energy Services Department: Into The Future

*Anne Bertino, Assistant Manager of Energy Services*

The Bonneville Power Administration's Emerging Technologies Program has brought us many new, tried-and-tested energy-efficient devices in the last couple of years. BPA is committed to bringing new technologies to market that will reduce the future load growth in the Northwest.

OPALCO members have embraced these new technologies with open homes and are always waiting in anticipation for what's next.

In the last three years, 57 ductless heat pumps (DHPs) have been installed in OPALCO territory with no complaints. Everyone loves them! DHPs have become recognized as the most efficient way to heat your home in the Northwest, delivering over twice the BTUs (a measure of heat) per dollar as electric resistance heat and seven times the BTUs per dollar as propane heat. OPALCO offers a \$1,500 rebate when all requirements of installation are met. We also have rebates for commercial DHPs.

Heat pump technologies have continued to expand with the introduction in 2012 of the heat pump water heater (HPWH). Several OPALCO members have taken advantage of a triple rebate offered through Sears and the SmartWaterHeat project. The combined rebates reduced the cost of a state-of-the-art HPWH (normally over \$1,000) to \$300, the cost of a standard hot water heater. HPWH tests have shown savings for homeowners of up to 50% on their hot water energy. OPALCO continues to offer rebates for HPWHs depending on the size.

Now that prices have come down and reliability has gone up, LEDs are finally making their mark. BPA has provided incentives



**For calendar year 2012 approximately 500 residential and commercial members received rebates totaling \$264,470 and 985,603 kWh in savings.**

for LEDs in commercial buildings for several years, and now it is starting to incentivize LEDs for home use. The incentives are small compared with the cost, but we hope to see LED prices continue to drop.

What's next? Smart, "learning" residential thermostats (NEST.com) and smart appliances hooked to home energy management systems (geappliances.com). Be assured that BPA's Emerging Technology Program is leading the way by providing testing and verification of new energy-efficient technologies that will help us meet our goal of reducing load growth in San Juan County.

Please help us in continuing to spread the energy efficiency message. If you enjoyed a DHP rebate or had a Home Energy Snapshot, share your experience with your friends and neighbors. Together we save energy and money!



*Shaw Island School primary class students were recognized for their terrific job in creating a 2013 Energy Conservation and Efficiency Calendar. The calendar includes helpful tips generated by the students such Sophia's (second grade) advice: "Feeling a bit of a chill? Reach for a sweater instead of the thermostat! Heating accounts for the biggest portion of your utility bill." OPALCO's Energy Super Heroes (Energy Services staff members Beth Anderson, Anne Bertino and Elisa Howard) arrived in costume to award the students and instructors with OPALCO Energy Saver Super Hero Certificates. The calendars are available at OPALCO offices and the Shaw General Store. Be sure to pick one up while supplies last!*



*OPALCO partnered with Negawatt Media to educate co-op members about energy waste in our homes.*

## Energy Efficiency At Work: Lavender Hollow Apartments

We all know that energy efficiency is important. But, sometimes making the choice to improve energy efficiency in our homes is hard or expensive. OPALCO's Residential Rebate program offers that bit of extra motivation that can help homeowners get started toward a more comfortable home that saves energy and money. OPALCO offers three basic kinds of rebates through the Bonneville Power Administration's Energy Efficiency Programs:

- Appliance rebates on Energy Star appliances such as refrigerators/freezers, clothes washers, and water heaters
- Heat pump rebates for high-efficiency ducted and ductless heat pumps
- Weatherization rebates for upgraded insulation, air sealing, windows, and duct work sealing (for homes with electric heat)

In the climate of our islands, heating a home is the number one cost on energy bills. So when OPAL Community Land Trust undertook renovation of the 22-unit Lavender Hollow Apartments in 2012, a visit to OPALCO to discuss the

Residential Rebate program was one of its first steps. OPAL purchased the apartments in Eastsound in 2011 to ensure that they would continue to serve households with low incomes. Ongoing energy efficiency is a key factor for affordability.

Jeanne Beck, OPAL project manager, said, "I sat down with Anne Bertino at OPALCO, and she walked me through the rebates available to OPAL, and the documentation needed for each rebate." In the end, OPALCO provided OPAL with approximately \$10,000 in rebates for windows and appliances.

According to Justin Paulsen of Terra Firma NW LLC, general contractor for the project, "The biggest payback for Lavender Hollow was that all the windows were replaced with double-pane windows, sealing any energy leakages and remediating any mold problems, providing a healthier living situation. All the new windows and refrigerators qualified for OPALCO rebates, and overall the renovation reduced both water and electricity usage."

Douglas Poole of Sage Building Solutions conducted the diagnostic testing of energy losses in the buildings according

**For more information, visit OPALCO's website at**



to the standards of the Washington State Department of Commerce and Building Performance Institute. Poole notes, "You can gain more energy advantages by attention to detail on the convective losses, say when the wind is blowing. So we tested the units to determine where air sealing was required to achieve air tightness goals. Along with air sealing it's important to include mechanical ventilation to bring in fresh air, which OPAL did with whole-house fans."

Jeanne Beck noted, "OPALCO's website is easy to navigate to find the rebate information. The application process is simple. These rebates could serve as a tipping point for a homeowner who is considering improvements but has been hesitant because of the cost. I see the OPALCO rebates as an incredible incentive to make energy efficiency improvements to a house."

OPALCO and Islanders Bank have partnered together to help islanders improve the energy efficiency of their homes.

Get a **Home Snapshot Energy Assessment** for \$25 - and then apply for a **Get Connected** home improvement loan to make the energy efficiency upgrades that will reduce your energy bills and make your home more comfortable.

Call 360-376-3586 to schedule your **Home Snapshot Energy Assessment** today! Stop into your local Islanders Bank and pick up a **Get Connected** loan application.



## Member Profile: Henning Sehmsdorf And Elizabeth Simpson - S&S Homestead Farm On Lopez Island

Henning Sehmsdorf and Elizabeth Simpson produce everything they need—including electricity—to sustain their 50-acre farm and the community that depends on it.

In 1970, Sehmsdorf purchased the first 10 acres of his farmland on Lopez Island and created a 50-year plan for a biodynamic and sustainable farm. The vision was to produce all food, feed, seeds, animal replacements, timber/lumber, water, and energy necessary to sustain the farm and the people who live there. In late 2011, the final piece of the farm plan was implemented: self-sustaining energy.

Sehmsdorf and Simpson worked with OPALCO's MORE (Member Owned Renewable Energy) Program and Whidbey Sun & Wind to install a 74-panel photovoltaic system with a nameplate capacity of 16 kW. In its first year of production, the system produced about 20,000 kWh.

OPALCO's MORE Program collects voluntary donations from Co-op members on their monthly electric bills to support MORE producers, like S&S Homestead Farm, with annual incentives based on the total amount of energy they produce. An

independent committee of OPALCO Co-op members manages the process and approves MORE producer applications and incentives. In addition to local MORE incentives, state and federal tax incentives, rebates, and credits are available.

"Elisa Howard at OPALCO and the engineers at Whidbey Sun & Wind were very good in helping us to understand this complex system and the net metering structure," says Sehmsdorf, adjunct professor at the WSU Center for Sustaining Agriculture and Natural Resources, and a full-time farmer since 1994.

In planning this project, Sehmsdorf and Simpson set out to reduce the farm's electricity consumption by half and produce as much electricity as possible. To reduce consumption, they replaced their home's electric floor heating system with a very efficient woodstove. They also de-activated a less efficient



*Henning Sehmsdorf and Elizabeth Simpson*

fireplace insert and replaced incandescent bulbs with CFLs. The fuel for the woodstove comes from their own by-product supplies of waste lumber and timber from the farm. They have been able to meet the farm's electricity needs with their PV system since May of 2012, and the net surplus in energy production is stored on OPALCO's grid, banked as a credit and paid out each year in April.

"Debt has no place in the farm plan," says Sehmsdorf, which is why it took them nearly 42 years to realize the energy piece of the plan. The initial investment of about \$86,000 was paid in cash. S&S Homestead Farm received its first MORE Producer incentive of \$2,935 in August (plus the Washington State Incentive of \$1,468) and expects to receive a total of \$33,389 in combined incentives and tax rebates/credits in 2012. Sehmsdorf has calculated that their return on investment will be complete in ten years, which is much shorter than for most systems because of the lack of debt service.

"The annual financial return is about 9.5%," reports Sehmsdorf, "better than the stock market or any other investment today. But," he continues, "when you consider only the financial benefits, you are missing the point."

When asked what small-scale renewable power means to the islands, to the world, Sehmsdorf responds, "Sine qua non."

# 2012 MORE SUMMARY

Total interconnected renewable installations: 103 (97 active member generators)

Total renewable capacity of interconnected renewable generators: 514.25 kW

- Micro-Hydro: 80.25 kW
- Solar: 419 kW
- Wind: 15 kW

2012 MORE Incentives Paid: In July, \$18,494 was paid out to 27 MORE Producers\* with total combined capacity of 139.69 kW, producing a total of 78,956 kWh.

From August - December 2012, an additional 17 MORE Producers came on board increasing the total MORE production capacity by 105.03 kW.

**To date, there are 44 MORE participants\* with a total capacity of 244.72 kW**

*\*Note: "MORE producers" are those who have interconnected since the MORE Program was launched in July 2010. The total number of interconnected renewable generators includes those who have participated since the green power program began in 1998.*

# M.O.R.E. HISTORY

When we first began OPALCO's grid-tied program in 1998, our Co-op was seen as an innovator. Now we are part of a worldwide expansion of renewable energy resources. Be a part of our island's energy future. Sign up for the MORE program today! Call 376-3500.

Member generators: WE GET OUR POWER FROM YOU! Early adopters receive the maximum benefit from utility production incentives. OPALCO has partnered with Islanders Bank and the Get Connected loan program to help with financing.

**SIGN UP online at [www.opalco.com](http://www.opalco.com)**

Without which nothing." He pointed out the CO<sub>2</sub> sequestration readings on each of his three inverters. By this measurement, the S&S system has sequestered more than 25 metric tons of carbon to date. "This is a practice we must adopt as a culture to make progress," he states with professorial authority, citing Bill McKibben's recent article in Rolling Stone on the urgency of carbon accountability, "Global Warming's Terrifying New Math."

In keeping with the mission of the farm to provide "education in ecological farming and sustainable living," the farm's energy system is now an integral part of the S&S Center for Sustainable Agriculture demonstration project, which engages schoolchildren (K-12) on Lopez as a part of their regular school day, provides a well-established intern and apprenticeship program for college students, and offers workshops, farm tours, and farm stays.

In July, OPALCO's MORE Program paid out incentives totaling \$18,494 to 25 local MORE producers, who generate solar and wind power interconnected to the Co-op's distribution grid. With 80 local renewable generators in the system now, the total energy production for the 2012 fiscal year (July 1-June 30) was more than 200MWh—enough to meet the power needs of about 166 island homes for a month.

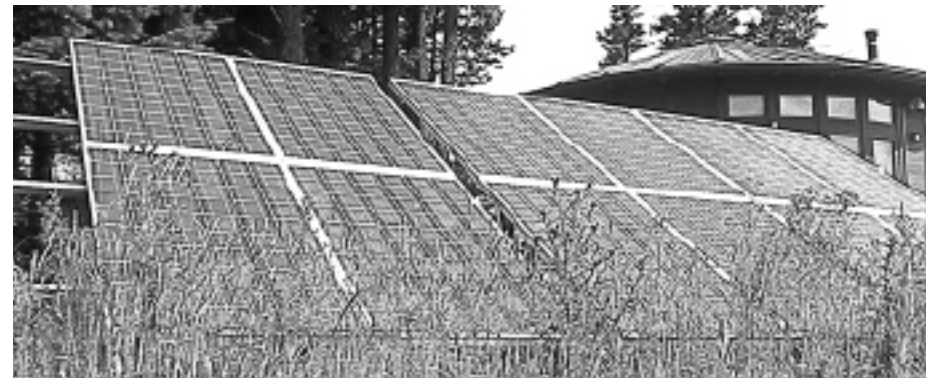
## Support M.O.R.E. Local Renewable Power



Would you like to help OPALCO keep energy costs down for all members? Do you want to support locally generated renewable energy in the San Juans? Then you should know about the MORE Program. MORE helps members participate in local generation of renewable energy for use both by the producer and, through connections to the OPALCO grid, by all members.

Members who wish to generate their own electrical energy can install a grid-connected renewable energy system of their own. Members who can't become producers can support OPALCO member generators in four ways:

- Opt to buy "green energy blocks" at \$4 per billing cycle.
- Opt for full participation and purchase all green energy at an additional \$0.04 per kWh for all energy consumed.
- Designate a higher monthly donation amount.
- Make a one-time donation to the MORE program.



*Examples of member owned renewable generators on OPALCO's system*

## Combined Balance Sheets - For Years Ending December 31, 2012 & 2011

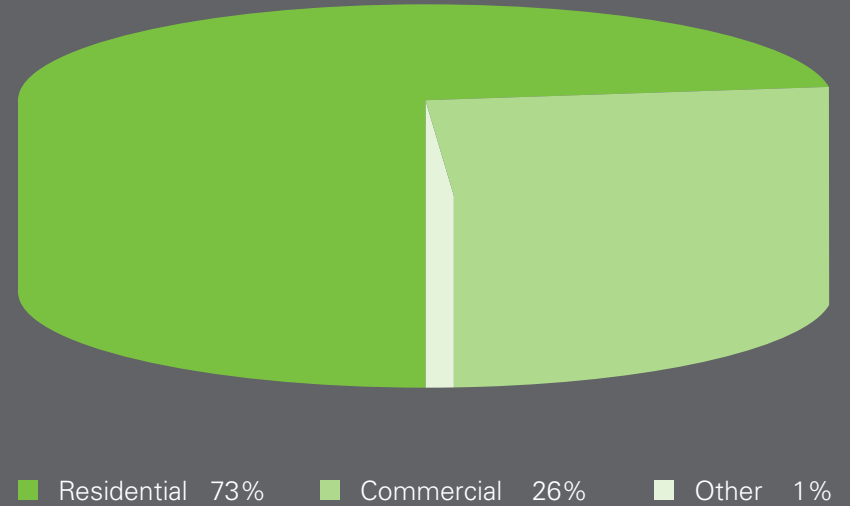
<b>ASSETS</b>	<b>2012 Audited</b>	<b>2011 Audited</b>	<b>EQUITIES &amp; MARGINS</b>	<b>2012 Audited</b>	<b>2011 Audited</b>
Utility Plant	84,278,486	81,629,317	Memberships	\$54,800	\$60,505
Less accumulated depreciation & amortization	34,068,592	32,376,495	Other equities	3,643,203	3,158,271
Net Electric Plant	50,209,894	49,252,822	Patronage capital	37,473,607	37,836,072
<b>OTHER PROPERTY AND INVESTMENTS - AT COST</b>			Equity & Margins	41,171,610	41,054,848
Non-utility property (net)	252,854	194,402	<b>LONG-TERM DEBT</b>		
Investments in associated organizations	929,141	908,190	RUS mortgage notes	12,769,260	11,514,336
Net Non-Utility Property	1,181,995	1,102,592	CFC mortgage notes	2,693,387	2,803,987
<b>CURRENT ASSETS</b>			Long Term Debt	15,462,364	14,318,323
Cash and cash equivalents	4,093,702	4,054,395	<b>CURRENT LIABILITIES</b>		
Accounts receivable	2,388,170	2,690,548	Accounts payable	1,297,200	1,548,452
Materials and supplies	1,502,931	1,333,658	Customer deposits	77,002	67,922
Other current & accrued assets	122,080	110,144	Accrued liabilities	854,196	937,927
Total Current Assets	8,106,883	8,188,745	Current maturities of long-term debt	479,288	491,649
<b>DEFERRED CHARGES</b>	-	-	Total Current Liabilities	2,707,685	3,045,949
<b>TOTAL CURRENT ASSETS</b>	<b>\$59,498,772</b>	<b>\$58,544,159</b>	<b>DEFERRED CREDITS</b>	157,113	125,039
			<b>EQUITIES, MARGINS, AND LIABILITIES</b>	<b>\$59,498,772</b>	<b>\$58,544,159</b>

# Statements Of Operations - For Years Ending December 31, 2012 & 2011

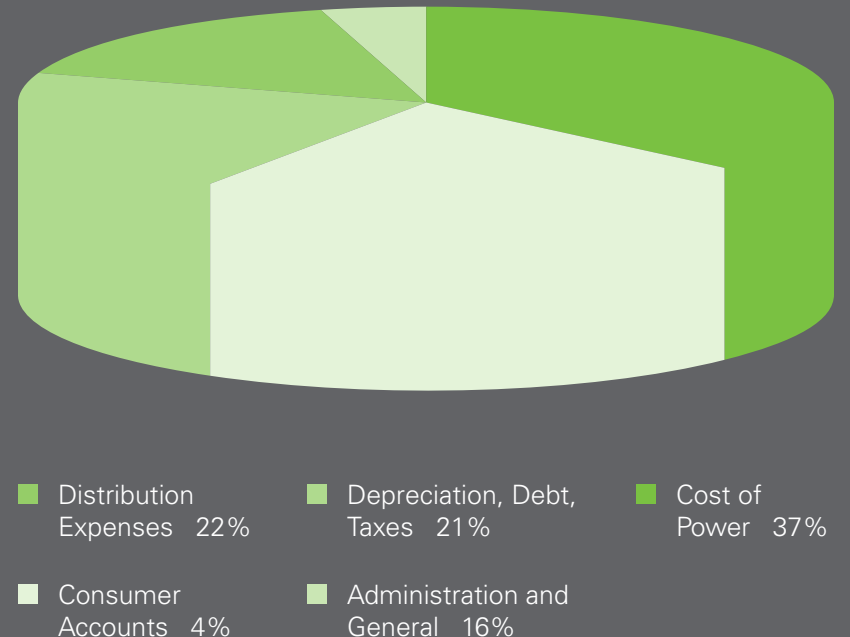
	<b>2012 Audited</b>	<b>2011 Audited</b>
<b>OPERATING REVENUES</b>	\$20,418,225	\$21,169,199*
<b>OPERATING EXPENSES</b>		
Cost of purchased power	7,367,683	6,732,820
Distribution expense	4,324,328	3,765,746
Consumer accounts	809,149	835,247
Administrative and general	3,076,103	2,605,412
Depreciation and amortization	2,652,194	2,507,468
Taxes	832,220	869,518
Interest expense - other	-	227,223
Interest on long-term debt	759,686	733,675
<b>Total Operating Expenses</b>	<b>19,821,363</b>	<b>18,277,109</b>
Operating margins	596,862	2,892,090
Non-operating margins	177,246	200,004
Patronage capital credits	40,416	42,563
<b>NET MARGINS</b>	<b>\$814,524</b>	<b>\$3,134,656</b>

\*Includes an adjustment for unbilled revenue.

## 2012 REVENUES



## 2012 EXPENSES



## 75th Anniversary Celebration

**THANK YOU** to all the Co-op family members who made our 75<sup>th</sup> anniversary celebration a grand success. Our 75<sup>th</sup> Annual Meeting had a record attendance of 535 members! Our past employees, board members, longest-standing members and all members who were 75 or older received special recognition and gifts. The 75<sup>th</sup> anniversary commemorative items were very popular give-aways and a limited edition 75<sup>th</sup> anniversary publication was well received.

Almost 300 members attended the Open House events on San Juan, Orcas, Lopez and Shaw islands. Members were invited into a 1930's living room set to share stories, which were recorded, and many members brought show and tell from the old days. These were all very warm events; there was local live music and island-made refreshments, and each event fostered a good "old-fashioned" feeling of co-op community and connection. At the Orcas Open House, one of our original Worthington diesel generators was unveiled in its new home in front of the Eastsound headquarters.

The year of celebration culminated at the County Fair where members shared and recorded their stories and kids (of all

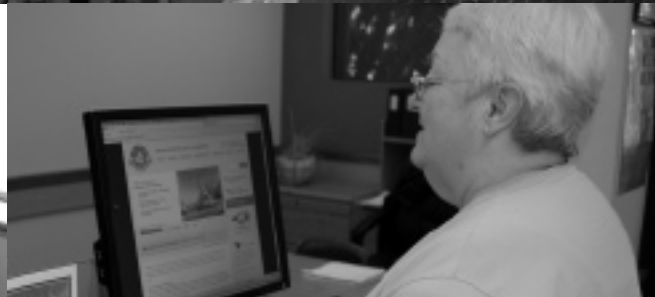
ages) drew pictures of what they would miss most if they didn't have electricity. OPALCO's historical website ([www.opalco.com/history](http://www.opalco.com/history)) is now our dynamic archive and public display for historical photos, stories, videos and an interactive timeline. We will continue to add to this repository of history as new materials become available. Please let us know if you have a story or photo to share!











75th Annual Meeting

## From Your Member Services Staff

Your OPALCO Member Services team is more than just a billing and payment department—we are your service partners. Our primary goal is to actively engage with members to share ideas about energy conservation, offer the latest information about OPALCO's electrifying programs and initiatives, and offer insight into important upcoming events.

In addition to being a valuable resource to members, we believe that empowering members to efficiently manage their account information is critical. Here is a list of current account service options that make busy lives easier:

- **Electronic Billing (Ebill)**

Reduce waste, and eliminate paper statements and postage costs by opting to receive your OPALCO bill via email.

- **Pay by Phone or Autopay**

Paying your bill is as easy as making a phone call. Simply call

Member Services at 360-376-3500 Monday through Friday from 8 a.m. to 4:30 p.m. to securely pay your bill by credit card or check.

No time to call? Sign up for Autopay to have your balance automatically deducted from your checking account or charged to a credit card each month.



*Amy Saxe, Member Services Supervisor*

- **NEW! MyUsage Meter Data Management Online Tool**

OPALCO now offers members the ability to view daily consumption data online! Once you are enrolled in Ebill, log on to see your daily consumption history, set event flags, and perform billing comparisons. Please stop by the Member Services table at

**GO PAPERLESS AND SAVE!** No deposit required, no late fees when you sign up for AutoPay. No paper waste, no postage costs when you sign up for eBill. Call Member Services at 376-3500 today to sign up or to get more information. It's the Co-op way!

the Annual Meeting to view a demo and sign up for Ebill.

Member Services is constantly evaluating tools to simplify service delivery. Watch for the following new and exciting service enhancements in the coming year:

- **After-Hours Account Management by Phone**

Access your account by phone to securely inquire about your balance, pay your bill, update your information, or request service items even when OPALCO offices are closed.

- **Ebill Upgrade to SmartHub**

Our current Ebill site will be upgraded in late 2013 to a mobile-friendly application and online tool called SmartHub. This enhancement combines the ease of online account access with the meter consumption and comparison data offered in the current Meter Data Management tool.

Log in from the web or download an app to your mobile device to manage your billing, payment, and consumption data! With SmartHub, you can even set personalized alerts and event flags to assist you in your conservation efforts.

**Please let your Member Services team work for you!**

**To enroll or request more information about any of our account service options, call us at 360-376-3500.**

## ROUND UP YOUR BILL

The PAL program was developed to help OPALCO members with low incomes to pay their winter heating bills. Project PAL is funded through voluntary member contributions. Members contribute by rounding up their electric bill payment amounts to the next whole dollar and by direct donations. An independent volunteer council made up of OPALCO members meets to evaluate each application for PAL funds and awards grants by unanimous vote.

Half of PAL funds is designated for seniors and disabled persons of low income; the remainder is made available to any member who meets the guidelines ([www.opalco.com](http://www.opalco.com)) and whose application is approved by the volunteer council. Thanks for all your support!

During the 2011-12 heating season, an average of 3033 members rounded up their payments each month for a total of \$16,072. An additional \$14,948 was received from members in monthly and one-time gifts. PAL grants totaling \$33,703 in funds dispersed were made to 227 co-op members. Of those grants awarded, 126 went to seniors or members with disabilities.

PROJECT PAL

## The OPALCO Team

OPALCO welcomed three new members to the team in 2012: Judy McKeown, Russell Guerry, and Nathan Ahrens.

Judy joined the Engineering department team in January 2012, filling the role of Work Order Clerk. She relocated from Pennsylvania to Orcas Island, where her sons have made their homes.

Russell accepted the new position of Manager of Engineering and Operations and started work in February of 2012. He and his wife relocated from North Carolina where he was Vice President of Engineering for Edgecombe-Martin County EMC in Tarbor, NC. He earned his B.S. in Electrical Engineering from Clemson University and is a licensed professional engineer.

Nathan joined the Eastsound line crew in August 2012. He and his family moved to Orcas from Whatcom County, where Nathan completed his apprenticeship while working for Potelco, Inc. He is originally from Cashmere, WA.



*Judy McKeown, Work Order Clerk*



*Nathan Ahrens, Journeyman Lineman*



*Russell Guerry, Manager of Engineering and Operations (left) pictured with Ed Lago, Staking Technician and Alan Smith, GIS Mapping Technician*

And, we bid farewell to two long-time members of the team who have retired: Ginny Reagles, Member Services Representative, and Todd Shaner, Superintendent of Operations. Please join us in congratulating Ginny and Todd on their long and successful careers at OPALCO. May they both fully enjoy happy and healthful retirements!

After 18 years of dedicated service to OPALCO members, Ginny Reagles has decided to retire. Since 1995, Ginny has been the recognizable “voice of OPALCO” and a familiar face to many members in her role as a Member Services Representative in the Eastsound office. Her playful sense of humor, knowledge of island history, and keen attention to safety and customer service were skillfully woven into her day-to-day work.

Todd started work at OPALCO in 1980 on the right-of-way crew. He was one of the first to go through OPALCO’s apprentice program, beginning in 1984. He served as a lineman for 22 years before being promoted to Foreman, Manager of Operations, and Superintendent of Operations. Todd is looking forward to working on projects at home and travelling.



*Ginny Reagles, 18 years of service*



*Todd Shaner, 33 years of service*



*Rex Guard, Steve Dengler, Kerry & Beth Anderson were among those recognized for 20 or more years of service at the 2012 Employee Appreciation Event. Not pictured: Karin Becker, Rich Lartz, Todd Shaner, Mark Tilstra, Terry Turner and Kevin Zoerb*

## Nourdine Jensen Cooperative Youth Scholarship Program

Nourdine Jensen served on the OPALCO Board of Directors for 37 years between 1965 and 2008. Nourdine was a longtime boatbuilder, former Friday Harbor town councilman, school board member, and port commissioner. Nourdine believed in the cooperative model and, in that spirit, the Nourdine Jensen Cooperative Youth Scholarship Program was established in his name to educate our youth about electric co-ops and public power, and to give them the opportunity to expand their horizons and develop leadership qualities. Students chosen for the program receive a \$500 OPALCO scholarship, an all-expenses-paid trip to the Youth Rally co-op leadership camp in Idaho, and the chance to compete for additional scholarship awards at the Rally. The program is open to sophomores and juniors of OPALCO member households.

Five high-school students from San Juan County were selected as OPALCO's Nourdine Jensen Cooperative Youth Scholarship award winners in 2012: Cameron Schuh (Orcas), Marné Cook and Joe O'Bryant (Lopez), and Paige Carlson and Me'Tairie Kilpatrick-Boe (San Juan Island). Connar Smith, of San Juan Island, returned as a Youth Director for the Rally.

"I had an amazing time at the Rally," said Marné. "I met so many

incredible people. There was always something to do and I learned so much. The speakers were engaging, interesting and exciting. On top of the wonderful seminars, they planned these epic activities: water park, roller skating, bowling and dances. We even had a talent show. It was the perfect balance of education and fun."



*2012 Youth Rally ambassadors (from left): Paige Carlson, Connar Smith, Cameron Schuh, Joe O'Bryant, Marné Cook, Me'Tairie Boe-Kilpatrick and (below) Suzanne Olson, Chaperone.*

The students participated in forums with regional leaders from the power industry, learned the basics of electricity and how co-ops work from the grass roots up, and then put their knowledge to work in team-building exercises and games. Check out a slide show of the 2012 Youth Rally on OPALCO's website: [www.opalco.com/programs/youth-rally-scholarships/](http://www.opalco.com/programs/youth-rally-scholarships/).

Cameron Schuh of Orcas High School was elected by his peers to return as a Youth Director for the 2013 Youth Rally Program and will accompany the next round of students. The 2013 scholarship winners will be announced at the annual meeting on May 4<sup>th</sup>.





## Thank You Engineering & Operations Staff! We get our power from YOU!

**2012 ENGINEERING AND OPERATIONS STAFF:** Standing: Judy McKeown, Todd Shaner, Steve Dengler, Rich Lartz, Kevin Zoerb, Steve Eyer, Matt Minnis, Tim Savage, Sean Parsons, Dan Watters, Roger Sandwith, Russell Guerry, Kai Burleson, Kerry Anderson. Kneeling: Scott Otto, Brian Swanson, David Harold, Rex Guard, Bob Belcher, Luke Furber, Russ Heber. Not pictured: Mark Tilstra, Ed Lago, Katie Maxwell, Joel Mietzner, Jim Schubert, Alan Smith, Terry Turner, Mark Whitney, Jay Fowler



In 1937, OPALCO empowered our members to improve the quality of our lives with electricity. We have the power to create sustainable island communities for future generations. What will the next chapter look like?

