

BROADBAND STATUS UPDATE

January 31, 2012



County-Wide Broadband Study

- Long-standing need in the County for better telecommunications services
 - Coverage, speed, reliability
- OPALCO is uniquely positioned to help
 - Existing redundant fiber infrastructure connecting our County to the mainland
 - Currently building out Smart Grid capabilities
 - Co-op model – bringing high value at low cost to our Membership
- Concept has been developed of a joint-use communication infrastructure that can be used to improve public safety and provide broadband service
- OPALCO's Board authorized a high-level analysis and a member survey
- Results are encouraging and the process of developing a joint-use communication infrastructure is becoming clear

High-Level Analysis: Results

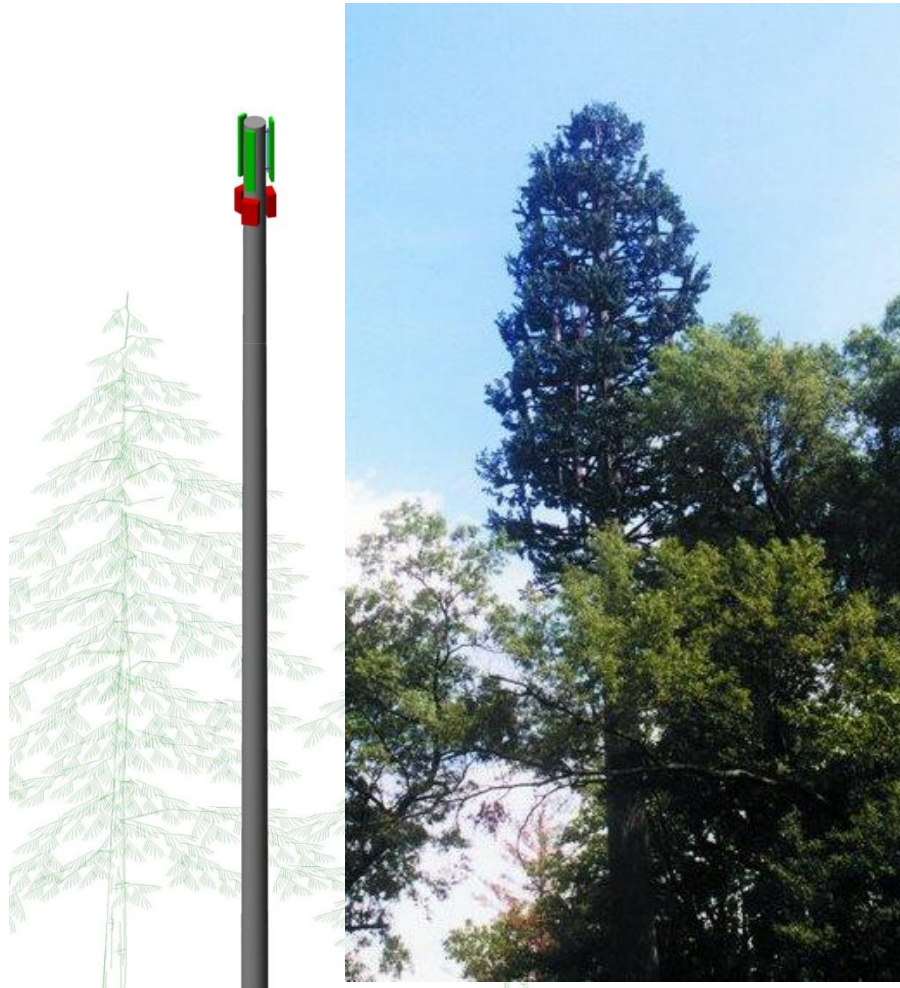
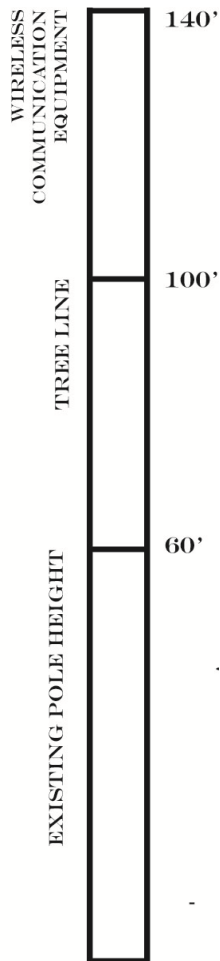
- Hybrid network: Combination of fiber to wireless endpoints (poles)
 - FCC licensed frequency
- Goal:
 - Coverage: 90% of the County (geographic)
 - Minimum 10 Megabits per second (Mbps)
- Capital cost approximately \$18M
- Construction start in 2013
- Launch services in 2014

Vision: Joint Use Network

Provide a multi-use, joint-access telecommunications infrastructure for the use by the entire community:

- Aids the Public Safety / First Responders Network
 - Facilities improved two-way radio communications
 - Supports data communications, including Internet connections to mainland
- Supports OPALCO's Long-Term Commitments
 - Reliable electrical transmission and distribution systems
 - Meter interface, load monitoring, remote operation and re-routing of power
 - Smart Grid Applications including:
 - Outage Management, Home Energy Monitoring, Energy Conservation
- Provides Reliable Broadband Access to 90% of San Juan County
- Builds Platform for Potential Expansion of Cellular Coverage
 - Access and physical space on poles for cellular provider equipment
 - Power and backhaul services

Conceptual Pole Design






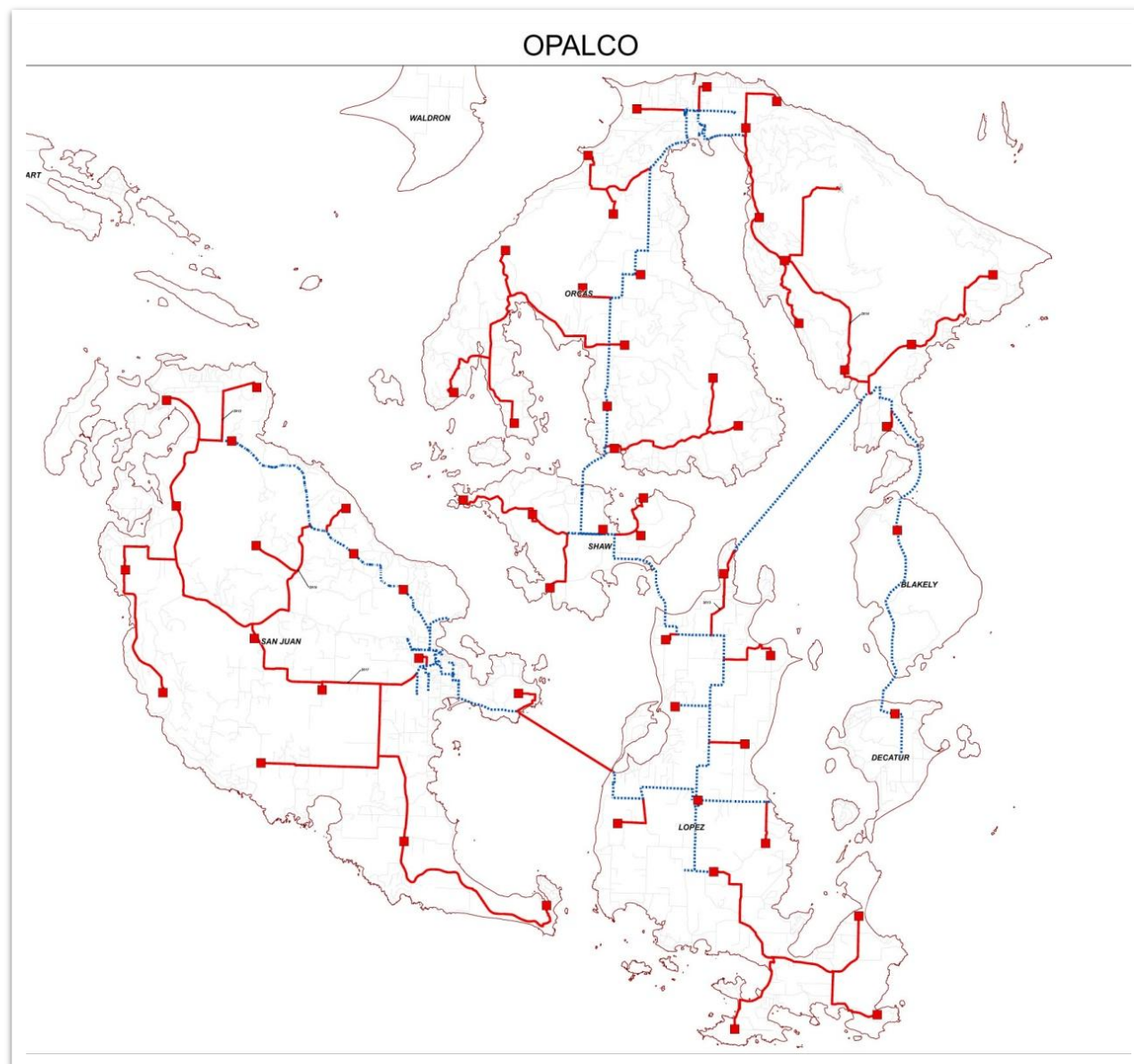
- Low-impact approach
- Utilize existing structures, where possible
- Respect island aesthetics
- Maximum pole height of 140'

Photo on left ("mono-pine") is example of pole camouflaging technology available now.

Conceptual Infrastructure Map

Estimating 60 sites.
Actual system design is
dependent upon
frequency selected.

-  Proposed New Fiber Routes
-  Existing Fiber Routes
-  Proposed Pole or Extension Sites



Critical issues

- Frequency Selection and Acquisition
 - Radio Frequency studies underway to confirm pole site locations and infrastructure layout
- Due Diligence
 - Confirm business, operational and financial assumptions
 - Transition from high-level to detailed analysis
- Permitting Predictability
 - No OPALCO investment without 100% confidence that we can permit and build the infrastructure
 - Continue to work with the County on Wireless Ordinance and land use access through existing utility franchise agreements

Next Steps

In order to commit to acquiring the frequency spectrum and moving forward, OPALCO's Board needs:

- Complete Due Diligence efforts (OPALCO)
- A finalized and adopted County Wireless Service Facilities Ordinance that allows OPALCO to permit and build (County)

Note: Ordinance passage is a pre-requisite to OPALCO's willingness to go forward with spectrum purchase. The project timeline is dependent on these next steps; if these contingences are addressed, frequency acquisition could occur as soon as April, 2012.

The Cooperative Approach

For 75 years, OPALCO has served our member-owners “with safe, reliable, cost effective and environmentally sensitive electric utility services.”

OPALCO has a long track record of balancing our members’ interests and capital with efficient utility development and services. We hope this project – through Broadband delivery and expansion of our Smart Grid capabilities – will be the next chapter in a 75-year-old story of our co-op making a difference in the quality of life for San Juan Islanders.

We hope to see you on the ferry for our 75th Annual Meeting on the ferry on Saturday, May 5th. You can bet we’re going to be taking about Broadband!

