



**BOARD OF DIRECTORS
REGULAR BOARD MEETING
Thursday, June 18, 2015 8:00 a.m.
Lopez Islander Resort
2864 Fisherman Bay Road**

TRAVEL



Via Island Air
378-2376 / 378-8129 (cell)

From:

Leave FH 7:30 a.m.

Arrive Lopez 7:45 a.m.

Return:

Leave Lopez 6:00 p.m.

Arrive FH 6:15 p.m.



Via Ferry:

From:

Leave FH 6:05 a.m.

Leave Orcas 6:55 a.m.

Leave Shaw 7:10 a.m.

Arrive Lopez 7:30 a.m.

Return:

Leave Lopez 7:05* pm

Arrive Shaw 7:25 p.m.

Orcas 7:40 p.m.

FH 8:20 p.m.

*An earlier ferry leaves Lopez at 3:45 pm

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
Lopez Islander Resort
376-3549**

June 18, 2015 8:00 a.m.

PAGES

WELCOME GUESTS/MEMBERS

- Member Comment Period

ACTION ITEMS

- Approval of Minutes
 - April 16
 - May 28
- 4-6
- 7-8
- 9-10
- 11
- 12-14
- 15-21
- 22
- 23-25
- 26-30
- 31-33
- 34
- 35-40
- Admission of New Members
- Capital Credits
- RUS 219s
- MS Policy 11 *Capital Credits*
- Treasure Hunt Drawing / Annual Report (\$50 bill credit)
- NRECA Voting Delegate
- Member Information Requests ~ Appeals
 - Greacen
 - Greacen/Silverstein
- Submarine Cable
- Revenue Adjustment

DISCUSSION ITEMS

- 42
- 43
- 44-47
- Annual Meeting 2015 Review
- Integrated Resource Evaluation Plan
- Corrective Action Plan

REPORTS

- 49-53
- 54
- 55
- 56-57
- 58
- 59-62
- Q1 Financials
- Cash Recap
- Total Fund Balances Chart
- Outages
- Safety
- General Manager

INFORMATION ITEMS

- 64-65
- 66
- 67-68
- 69-71
- 72-74
- 75-84
- New Services
- Historical MORE Revenue
- BPA Consumption Summary
- Needs Assessment Letters
- Policy 16 *Information Request* Form Revision
- Member Correspondence

ADJOURNMENT

Executive Session: Submarine Cable Bidding

ACTION ITEMS

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, April 16, 2015

President Jim Lett called the meeting to order at 8:45 a.m. at the Friday Harbor OPALCO office.

Board Members Present: Winnie Adams, Vince Dauciunas, Glenna Hall, Jim Lett, Bob Myhr, Chris Thomerson, Jerry Whitfield.

Staff Present: General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, Manager of Member Services and Energy Savings Amy Saxe, Gerry Lawlor, Vice-President of Rock Island Communications and Executive Assistant Bev Madan (serving as recording secretary).

Member/Guests

Each member/guest was offered an opportunity to address the board.

OPALCO counsel Joel Paisner; EES Consultant Anne Falcon; EES Consultant Steve Anderson; consultant Jay Kimball; Doug Rowan (San Juan) and members:

Lopez: Dwight Lewis; Brian Silverstein; Steve Ludwig

Orcas: Ed Sutton, candidate for District 2 Director,

San Juan: Steve Hudson

Comments ranged from concern about broadband to dissatisfaction with the increased facility charge.

March Meeting Minutes

- **Motion** made by Myhr to accept the March minutes as presented. Motion was seconded (Dauciunas) and carried by voice vote.

New Members

- **Motion** made by Myhr to accept the new members listed below. Motion was seconded (Adams) and carried by voice vote.

Decatur

Dingfield, Mark

Lopez

Boyce, Jon & Petito-Boyce,

Catherine

Cyprex Services

Gaddis, J.B

Goodwool

Gundlach, Jens & Giedt,

Cassandra

Mackinnon,

Megan

Uradnik, Gazala & Michael

Vachon, Jennifer & Brown, Adam

Orcas

Alter, Susan

Blewett, Jim

Boero, Micheal

Boetger, Randall

Bowers, Amy & Hamilton, James

Bryant, Alan T & Kitrina M

De Anda, Ricardo

Hagen, Steven

Hampel, Larry & Susan

Hostler, James A

Mr & Miscellaneous

Mueller, Anna

Nute, Stephen

Orcas Island Storage LLC

Robertson, Sue & David

Sleeper, Amy Brown, Lynne

Stewart, Joel D & McIntyre, Annie

Stonecipher, Thomas & Brenda

San Juan

Arnold, Adrienne

Barton, Elisabeth G

Beliveau, Jacob

Bond, Tomi

Border, David & Jennifer

Buckler, Joe

Camassia Professional Corp

Campbell, Crystal

Dobbins, Austin T

Frink, J Curtis

Groseclose,

Nicholas

Guthrie, Jessi

Halliday, Michelline & Bama, Ben

Halverson, Helen

Hartigan, Steve

Irwin, Brandon

Iverson, Steffan

Johnson, John

Kielty, Gail

Kilpatrick-Boe, Me'Tairie

Kubisty, Cheryl

Kyser, Brian

Lindenberg, Nancy R

Lloyd, Isaac

McFarland, Jean

McFarland, Lee Krueger &

Michael E

Mock, Michela

Moore, Robert L

Neeley, Gail & Jeffrey

Rajczi, Kristee

Rice, Jenny

Roddick, Jeffrey

Ross, Rob & Sommer

Searles, James

Wagner, Valeria & Johanna

Wampler, Nancy D

Wells, Gloria A

Wilson, Ronald & Raber, Susan

Zall, Barnaby

Zygocki, David A

Shaw

Johnson, Rodney

Capital Credits

- **Motion** made by Myhr and seconded (Hall) to approve payment of \$7,782.05 in capital credits to the estates of deceased members listed below. Motion carried by voice vote.

John I. Goodlad	\$1,411.99
Jean Heidenreich	\$174.22
Francesca Hosea	\$254.10

Juan Johnson	\$842.74
Charles W. Lindenberg.....	\$568.16
Margaret K. Reynolds.....	\$1,998.51
Romayne Richie	\$1,531.12
June Stewart	\$164.66
Charles Wells	\$836.55

NWPPA Voting Delegate

The annual conference and membership meeting will be held in Anchorage, Alaska May 17-20, 2015. Attendees will be Jim Lett, Bob Myhr and Foster Hildreth.

- **Motion** made by Myhr and seconded (Thomerson) to appoint Jim Lett the voting delegate with Foster Hildreth as the alternate. Motion carried by voice vote.

RUS 219s

The Inventory of Work Orders includes projects completed at the Lopez substation, Henry Island submarine cable replacement, Blakely Island and a Lopez to San Juan secondary gigabit radio.

- **Motion** made by Myhr and seconded (Thomerson) to approve submission of the RUS Form 219s that total \$1,897,841.92. Motion carried by voice vote.

Member Services Policy 11 Capital Credits

Draft revisions were presented for discussion. After thorough discussion, it was agreed that more research was needed. Staff is to explore how members can find their patronage capital balance online. The policy revisions will be presented at the June board meeting.

Integrated Resource Evaluation

Ann Falcon and Steve Anderson of EES were present to give an overview of the timeline and expectations of the Integrated Resource Plan. Similar to the rate design process, this will occur over several months. Hildreth presented a PowerPoint entitled “Perspectives on Energy in San Juan County” that outlined the problems to be solved with the evaluation and gave an overview of electric usage in San Juan County. It was the consensus of the Board that the PowerPoint should be presented to members. Further discussion included concerns that the goal be defined and affordability and greener options are factors for generation/usage.

2014 Annual Meeting Minutes

The minutes will be approved by the membership at the Annual Meeting; however, the Board reviewed for errors.

Cost Recovery Charge

The cost recovery charge would be a “true-up” mechanism on member’s bills to avoid a revenue shortfall. Developing a plan that will be fair to all members is key. The Board agreed that educating the members is going to be difficult but extremely important. Hildreth is to present to the Board a plan to increase revenue by utilizing a cost recovery charge and the suggested messaging to members at the June meeting.

Rock Island Communications Update

Lawlor reviewed activity to date. RIC is moving into the second phase of their finance integration plan.

The meeting adjourned to an Executive Session at 2:00 p.m. The regular session resumed at 3:20 pm.

2014 Audit Report

Olga Darlington and Jennifer Chu of Moss Adams LLC presented the 2014 audit report. They reported a clean audit with no audit adjustments and no difficulties. The revenue shortfall caused by a warming trend in the weather surprised everyone and was true for all of the utilities Moss Adams works with.

The meeting adjourned to Executive Session at 4:10 p.m. and regular session resumed at 4:40 p.m.

Reports

The **Cash Recap** shows a projected ending balance of \$68,865 as of April 30, 2015.

The **Safety** report indicated no incidents or near misses for March. There was one reported accident that occurred when a lineman strained his lower back reconnecting a service to a transformer.

Hildreth reviewed the **General Manager's** report. April 18, 2015 is Lineman Appreciation Day. Hildreth will present a shirt to our line crew with a logo designed by Ed Lago, Engineering Technician.

Adjournment

The meeting adjourned at 4:55 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

MINUTES OF THE BOARD OF DIRECTORS MEETING
ORCAS POWER & LIGHT COOPERATIVE

Thursday, May 28, 2015

President Jim Lett called the meeting to order at 9:40 a.m. at the Eastsound OPALCO office after a fog delay.

Board Members Present: Winnie Adams, Randy Cornelius, Vince Dauciuonas, Glenna Hall, Bob Myhr and Jerry Whitfield.

Staff Present: General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis; Manager of Member Services and Energy Savings, Amy Saxe; Vice-President of Rock Island Communications, Gerry Lawlor; Public Relations Administrator, Suzanne Olson; Communication Specialist, Theresa Haynie, and Executive Assistant Bev Madan (serving as recording secretary).

Consultants: EES Consulting, Anne Falcon; Mountain Cedar, Jay Kimball.

Member/Guests

Each member/guest was offered an opportunity to address the board.

Shaw members: Gabriel Jacobs

Lopez members: L. Dwight Lewis; Chom Greacen; Chris Greacen; Brian Silverstein Sandy Bishop; Joyce Renfrow; Steve Ludwig; Rick Strachan

Orcas: Michael Riordan; Fred Klein; John Fleischer; Wally Gudgell; Arthur Winer; Robin DiGeorgio; Angela Saxe; Rex Chadwell; Barbara Bedell; Jim McCullough; David Alexander; Jan MacFarland

San Juan: Gray Cope

Several members addressed the Board, some expressing dissatisfaction with the revenue shortfall and requesting the Board to have two-way dialogue with members, consider a rate structure that promotes conservation, develop a plan for low income members, have more transparency, and include members in discussion groups. Other members expressed appreciation for broadband.

WRECA

A new representative is needed at the WRECA Board of Directors meetings.

- **Motion** made by Myhr and seconded to appoint Randy Cornelius the OPALCO representative to the WRECA Board with Foster Hildreth the alternate. Motion carried by voice vote.

REVENUE SHORTFALL

Lett noted that during his attendance at the Northwest Public Power Association's (NWPPA) annual meeting the week of May 18, revenue shortfall was a common thread among the other utilities. He noted that the Board has a fiduciary responsibility to solve the problem beginning with the July billing.

Hildreth summarized the annual budgeting process that includes reviewing the rate structure each year. The 2015 budget included revenue projections that are not being achieved due to under-forecasted electric demand due to warmer weather and shifting energy usage patterns attributed to conservation, energy efficiency measures by members and more solar generation. As a point of reference, heating degree days (HDD) are down 36% below normal. Revenue has grown at 3.1% annually, while energy expense has risen 5.7% and operating expense has risen 6.1%. Consumption of energy is down 13% from normal through April 2015. OPALCO has charged members less than the "cost of service" during this period because actual load was less than forecasted, leading to the revenue shortfall. OPALCO must collect revenues that reflect a true cost of service as mandated by the cooperative business model. The projected billing revenue shortfall through the first half of the year is approximately \$600,000.

Anne Falcon, EES Consulting reviewed the following revenue recovery options:

1. General rate increase
2. Developing a cost adjustment charge (expense based)

3. Revenue adjustment charge (kWh)
4. Variable cost of service rate (Minimum bill)

The Minimum Bill (option four above) was discussed in length, which decouples revenue from actual load and eliminates the facility charge (see Meeting Board Materials). This rate design will eliminate all future revenue shortfalls. While details and rate nuances needed to be studied, it was supported in concept by the Board, Management and Anne Falcon.

As an immediate action, Board, Management and Falcon supported implementing the third corrective measure above in the July billing period to address the current 2015 shortfall and as a temporary 2015 corrective measure.

Leading up to the June Board meeting, staff will continue to review year-to-date budget to actual expenses (along with confirmation of year-to-date revenue) and revise year-end financial projections. First quarter financials will also be reviewed at the June Board meeting. Staff will continue to explore expense cutting measures.

After discussion, the Board consensus was to have staff update budget to actual financial projections (revenue and expense) through year-end for further review and discussion at the June Board meeting, finalize a revenue adjustment charge/credit (item #3 above) as a separate line item on member bills (kWh based), implement the revenue adjustment charge/credit in the July billing period, continue to review and consider rate structure alternatives for implementation in January 2016.

Adjournment

The meeting adjourned at 12:30 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

New Members April 2015

Blakely

1. Escobar, Carlos Romero

Lopez

2. Goodlad, Stephen & Nakamura, Lynne
3. Scherer, William J & Migael M
4. Schilling, Carol
5. Smith, Barbara W

Orcas

6. Adams, Eric
7. Berlin, Griffin
8. Crispe, Ian N & Tolle, Kristin M
9. Darby, Robert & Wendy
10. Gaible, Katherine & David
11. Hartley, Stacie & Cheryl
12. Jacobs, Brian
13. Lerner, Thomas & Erickson, Kirsten
14. Lindberg, Heidi
15. Neubauer, Erin & Tom
16. Rawson, Tom
17. Rose, Barry & Janice
18. Ruby Point, LLC
19. Semiahmoo Services LLC
20. Sheplor, Madeline & Jabbora, Charlie
21. Watson, Michael

San Juan

22. AMN Healthcare Services LLC
23. Bell, Elizabeth Jean
24. Bircher, Andrea
25. Borowicz, Alex
26. Cave, Brenda K
27. Christensen, Heather
28. Conway, Gabrielle
29. Cosecha Textiles
30. David, Lori Ann
31. Dowhower, Wendy & Curt
32. Green, Marta
33. Griffin, Mary Louise
34. Gutierrez, Jason A
35. H & B Bob LLC
36. Kucur, Kristie
37. Mattson, Kent S
38. Mayes, Jeannette
39. Mc Gehee III, Fielding M & Moore, Rebecca
40. Nydegger, Matthew
41. Reid, Samuel Tad & Madonna
42. Reimer, Zachary
43. Scribner, Brandon
44. SJC Economic Development Council
45. Trudell, Vicki
46. Tung, Joseph
47. Twice New
48. Williams, Shirley & Gary
49. Wisen, Craig

New Members May 2015

Decatur

1. Thomas, Scott Bernard

Lopez

2. Aufderhar, Glenn & Barbara
3. Contreras, Jennifer
4. Red Penny LLC, DBA Haven
5. Webb, Michael C & Roxanne A

Orcas

6. Brayer Insurance Services, LLC
7. Coldspring Resource Management
8. Coleman, Stacey A & Kimball, Shelley
9. Drake, Victoria
10. Genther, Cindy
11. Goodrich, Nicholas
12. Inman, Michael & Ashley
13. Kunstman, Marc & Nancy
14. McIlvaine, Phelps & Amy
15. Mount, Mary Jo
16. Nunea-Marquez, Santiago & Arcadio
17. Raha, Arun & Colleen
18. Sands, M. Alexandra
19. Simpson, Scott M & Yu, May C
20. Timmins, Jennifer & Patrick
21. Torma, Brian
22. Vis, Michel & Cowles, Meliss

San Juan

23. Akin, Zebidiah L
24. Ames, Jean A
25. Amaro, Rami
26. Brown, Mallory
27. Bryan, Marianne & Brent
28. Burns, Kerry E
29. Cavallo, Mark
30. Cavanaugh-Spain, James
31. Chaussee, Stuart & Linda
32. Dance, Andrew
33. Dayton-Ricks, Mona
34. Dehner, Shawn & Purnell, Jamie
35. DuVall, Cris
36. Estate of Agnes May Murray
37. Falls, Christian
38. Ford, Shawna
39. Frazel, Miles & Elaine
40. Gossom, John
41. Guzman, Joe
42. Hanson, Teresa & Knowle
43. Harrell, Anthony J
44. Heacox, Mark & Nancy
45. Hilton, Edward & Nancy
46. Hines, Aaron

47. Jameson, Auralee
48. Johnson, David R
49. Kesling-Wood, Patricia F
50. Krumenacker, Carl & Rebecca
51. Logsdon, Frederick Dean
52. Lounibos, Jules
53. MacGillivray, Angela
54. Mitchell, Brian
55. Mosquito Fleet Mercantile
56. Mountford, David & Jamie
57. Peon, Raymond
58. Pontius, John Clark & Suzanne
59. Popovich, Andrew S & Elizabeth T
60. Ramirez, Marcella & Ramirez-Mena, Pedro
61. Richard, Normand
62. Sievert, Mike
63. Sutliff, Jean P
64. Thompson, Deborah
65. Thornton, Cheryl & Tom
66. Vincent, Brian
67. Wilson, Teri
68. York, Ranae

Shaw

69. Linzer, Richard & Anna

CAPITAL CREDITS

Approval of payment of capital credits to the estates of the following deceased members and defunct organizations is requested:

Tom Ashe.....	\$361.82
Dorthea Ellen Augusztiny.....	\$1,534.85
A.L. and Hope Aydelott.....	\$115.00
Inez Browne.....	\$892.77
Ragnar J. Dahl.....	\$381.76
Julia A. Elliott.....	\$128.81
Thomas E. Evans.....	\$1,444.50
Art Griffin.....	\$1,537.77
Marsha Harris.....	\$2,793.66
Donald E. Kauffman.....	\$1,147.39
Victor Prescott.....	\$1,043.65
Ivan and June Scherer.....	\$1,230.11
Don Shuff.....	\$30.18
James R. Sisley.....	\$77.75
Clyde Stromberg.....	\$834.37
Willard M. Sutliff.....	\$1,240.17
Luxel Corporation.....	\$12,969.72
Seafood Northwest LLC.....	\$123.41
Total.....	\$27,887.69

MEMORANDUM

June 8, 2015

TO: Board of Directors
FROM: Foster Hildreth, General Manager
RE: RUS Form 219s *Inventory of Work Orders*

Projects completed from the Construction Work Plan:

- Inventory # 1502M..... \$29,308.51
Gigabit Radio Lopez to San Juan Secondary (Grid Control)

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$29,308.51.

05/14/2015 11:31:30 am

RUS Form 219 Inventory Of Work Orders
 Period: FEB 2015 System Designation: WA AH 09

Page: 4

Inventory : 1502M

Budget		Amount
Loan	Project	
1	1600	29,308.51
Total:		29,308.51

ENVIRONMENTAL CERTIFICATION

1 WE CERTIFY THAT CONSTRUCTION REPORTED ON THE LISTED WORK ORDERS (EXCEPT CERTIFICATION "2" BELOW), IS A CATEGORICAL EXCLUSION OF A TYPE DESCRIBED IN 7 CFR 1794.31 (b) WHICH NORMALLY DOES NOT REQUIRE PREPARATION OF A BORROWER'S ENVIRONMENTAL REPORT.

2 WE CERTIFY THAT CONSTRUCTION REPORTED ON WORK ORDERS _____ IS A CATEGORICAL EXCLUSION OF A TYPE THAT NORMALLY REQUIRES A BORROWER'S ENVIRONMENTAL REPORT WHICH IS ATTACHED.

SIGNATURE (MANAGER) _____
DATE

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER) _____
DATE

SIGNATURE (BOARD APPROVAL) _____
DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Mietzner P.E. *OPALCO*

INSPECTION PERFORMED BY _____
FIRM

42902 *3/16/17*

LICENSE NUMBER DATE

Joel Mietzner P.E.

SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/17

MEMORANDUM

June 4, 2015

TO: Board of Directors
FROM: Foster Hildreth
RE: MS Policy 11 *Capital Credits* Revisions

Suggested revisions to MS Policy 11 *Capital Credits* were reviewed at the April Board meeting. Changes incorporated include:

Section 11.5.4 *Voluntary Assignment to Member Programs* is newly added, allowing members to donate their capital credits to Board-approved member programs.

Section 11.5.5 (renumbered) *Payment and Notice of Retirement* addition of opening sentence.

Section 11.5.6 (renumbered) *Unclaimed Capital Credits* eliminates the published list of unclaimed capital credits and the transfer to the education fund.

Form added: *Voluntary Assignment of Orcas Power & Light Cooperative Capital Credits*

Staff recommends a motion to approve the changes to Policy 11 as presented.

ORCAS POWER AND LIGHT COOPERATIVE
MEMBER SERVICE POLICY 11
CAPITAL CREDITS

11.1 GOALS AND OBJECTIVES

To state the general policy of Orcas Power and Light Cooperative for allocating and retiring capital credits.

11.2 EXPECTATIONS

11.2.1 OPALCO shall operate on a cooperative basis for the mutual benefit of all members. Capital credits shall be allocated and retired in a manner that is consistent with operating as a cooperative under federal law. OPALCO will be fair and reasonable to its members and former members, while providing the cooperative with sufficient equity and capital to operate efficiently and effectively, thus protecting OPALCO's financial condition. Subject to law, OPALCO's Articles of Incorporation, and OPALCO's Bylaws, the allocation and retirement of capital credits shall be at the sole discretion of the OPALCO Board of Directors.

11.2.2 Member

An OPALCO member is any member, or member entity, who has paid the membership fee and who is providing patronage by using any OPALCO service.

11.2.3 Capital Credits

Capital credits are the primary source of equity for most cooperatives. Members contribute equitably to the capital of the cooperative every month when they pay their OPALCO bill for electric and communication charges. At the end of each fiscal year, the operating and non-operating expenses are deducted from the operating and non-operating income to arrive at the net margins. Net margins are assignable as capital credits to each member and allocated annually to the member's capital credits account.

11.3 PROCEDURES FOR ALLOCATION OF CAPITAL CREDITS

11.3.1 Board Approval

OPALCO shall allocate capital credits according to the manner, method, timing, and amount approved by the Board.

11.3.2 Patronage Earning Allocations

OPALCO shall equitably allocate its patronage earnings to each member in proportion to the value of service paid for by the member during the fiscal year.

11.3.3 Patronage Loss Allocations

OPALCO shall offset patronage losses with its patronage earnings during any fiscal year.

11.3.4 Formula for Allocation

A member's year-end capital credit allocation is calculated by multiplying OPALCO's annual capital credit allocation factor times a member's annual direct billing for electric energy and communication services.

11.3.4.1 Capital Credit Allocation Factor

Upon the completion of the OPALCO's audited annual financial statements, the total net margin is divided by total annual revenue derived from the sale of electric energy and communication services (also known as patronage) which results in the Cooperative's overall allocation factor. The total patronage amounts included are annual electrical demand charges, street and security light charges, kWh usage charges, basic charges, and communication charges. The Cooperative's revenue components that are not included in the allocation factor calculation are miscellaneous charges (fees, deposits, member-elected contributions, etc.).

11.3.4.2 Member Capital Credit Allocation

To derive a member's year-end capital credit allocation, the Cooperative's overall Capital Credit Allocation Factor is multiplied by the annual amount paid by a member for electric energy and communication services, including charges for electric energy, electric demand, street and security lights, kWh usage, basic charges, and communication services. Member billing components not included in the capital credit allocation calculation are miscellaneous charges (fees, deposits, member-elected contributions, etc.)

11.3.5 Notification of Allocation

Within one hundred eighty (180) days following a fiscal year, OPALCO shall notify each patron in writing of the amount of capital credits allocated to the member for the preceding fiscal year. This notice can be in the form of a letter or as a message on the member's billing statement.

11.4 PROCEDURES FOR RETIRING AND REFUNDING CAPITAL CREDITS

11.4.1 At any time, if the Board determines that OPALCO's financial condition will not be adversely impacted:

11.4.1.1 The Board may authorize OPALCO to wholly or partially retire and refund capital credits to members and former members;
and

- 11.4.1.2 The Board may also authorize OPALCO to retire and refund the corresponding affiliated organization's capital credits.
- 11.4.2 The Board shall have the discretion to determine the manner, method, and timing of retiring and refunding capital credits and affiliated capital credits.
- 11.4.3 Nothing in this policy shall be deemed to entitle a member to receive any capital credit or affiliated capital credit to which they have not contributed, or in a proportion greater than the proportion of their contribution.
- 11.4.4 **General Retirement of Capital Credits**
The Board will consider general retirement of capital credits, in accordance with the above conditions, on a yearly basis. The Board will review the amount of funds that are available for retirement and, if appropriate, authorize payment of these capital credits to members and former members. OPALCO shall not pay interest or dividends on capital furnished by members.
- 11.4.5 **Retirement of Capital Credits due to Death**
Upon the death of any individual member or individual former member, and pursuant to a written request from the deceased member's representative, the Board may retire the deceased member's capital credits and affiliated capital credits under terms and conditions agreed upon by the member's representative and OPALCO, which will include reduction of said credits as described in Section 11.5.3.
- 11.4.6 **Retirement of Capital Credits to Entities**
Upon the dissolution, liquidation or cessation of existence of an entity member or former entity member, and pursuant to written proof that the entity no longer exists, the board may retire the organization's capital credits and affiliated capital credits under terms and conditions agreed upon by the entity member and OPALCO, which will include reduction of said credits as described in Section 11.5.3.
- 11.4.7 **Joint Memberships**
Upon OPALCO receiving written notice and adequate proof of any joint membership that is:
- 11.4.7.1 Terminated or converted through the death of one (1) joint member, the capital credits previously allocated and credited to the joint membership shall remain with the surviving joint member/s; or
- 11.4.7.2 Otherwise terminated or converted, and unless otherwise instructed by a court or administrative body of competent

jurisdiction, the capital credits previously allocated and credited to the joint membership shall be transferred proportionately to each joint member.

11.4.8 Application to Debt

Before retiring and refunding any capital credits or affiliated capital credits, OPALCO may deduct from the capital credits or affiliated capital credits any amounts owed to OPALCO by the member or former member as per the procedure set forth in Member Service Policy 7 *Billing and Collection*.

Any remaining capital credits due the member or former member may be distributed during the normal payout cycle of capital credits.

11.4.9 Minimum Amount

OPALCO shall not retire and pay capital credits in an amount less than \$5.00.

11.5 LIMITATIONS

11.5.1 Forfeiture of Capital Credits

OPALCO shall not enter contracts through which a member or former member forfeits the right to the allocation or retirement of capital credits. RUS Bulletin 102-1 states "No patron should be asked by contract or otherwise to waive his capital credits."

11.5.2 Separate Allocations and Retirements

OPALCO shall separately identify and allocate to its members capital credits and similar amounts allocated to OPALCO by an entity in which OPALCO is a member, patron, or owner. OPALCO may retire these separately identified and allocated capital credits only after the entity retires and pays the amounts to OPALCO.

11.5.3 Valuation of Special Retirements

Special Retirements are applicable for a deceased member, dissolved corporation or association, or bad debt. Special retirements return capital to members earlier than the general retirements, which are typically planned on a 25-year holding period. An earlier retirement has a lower value. OPALCO shall use the percentage rate set by the Board at the January 1987 OPALCO Board of Directors meeting. This is a straight line accrual; OPALCO will pay 2.5% cumulative for the year the capital credit has been held by OPALCO; (i.e., 2.5% for 2004, 5% for 2003, 7.5% for 2002, etc. In addition, capital credits paid out as special retirements that have been held by OPALCO for over 25 years will be paid at 100%.

11.5.4 Voluntary Assignment to Member Programs

During the General Retirement process, members have the option of voluntarily retiring allocated capital credits and assigning capital credit payments to Board approved OPALCO member programs, including Project PAL, Solar for Schools, M.O.R.E., or other approved programs as determined by the Board. Annual capital credit distributions may be assigned to the selected OPALCO member program on a one-time or recurring basis. Members must notify OPALCO of their voluntary assignment via the attached form. Such assignment forms are to be submitted to OPALCO no later than October 1st of any given year.

11.5.5 Payment and Notice of Retirement

With the exception of Application to Debt in Section 11.4.8 and/or Voluntary Assignment to Member Programs in Section 11.5.4 above, after OPALCO retires capital credits allocated to a member, it shall pay the retired amount by sending a check for the amount to the member's most current address listed on OPALCO's records.

11.5.6 Unclaimed Capital Credits

If a member or former member fails to claim a retired capital credits amount within 180 days, the check will be voided and added to the list of unclaimed capital credit amounts.

11.6 RESPONSIBILITY

11.6.1 Implementation of Policy

OPALCO's general manager is responsible for implementing this policy and for developing procedures necessary to allocate and retire capital credits according to this policy.

11.6.2 Recommendations to the Board

OPALCO's general manager is responsible for recommending to the board the manner, method, timing, and amount for allocating and retiring capital credits. The manager is also responsible, when in the best interest of OPALCO, its members and former members, for recommending to the board revisions to this policy.

11.6.3 Review and Approval by Board

The board is responsible for approving the recommended manner, method, timing, and amount for allocating and retiring capital credits. The board is also responsible for reviewing, discussing, and evaluating the general manager's recommendations for revisions of this policy.

Foster Hildreth, General Manager

Effective Date: June 18, 2015

**VOLUNTARY ASSIGNMENT OF
ORCAS POWER & LIGHT COOPERATIVE
CAPITAL CREDITS**

The undersigned hereby chooses to donate their total annual General Retirement capital credit allocation to the following OPALCO Member Program funds:

Project PAL

Project PAL was created as a vehicle for Co-op members to help their members pay their electric bills. Members participate by rounding up their electric bill or by making one-time contributions. An independent member volunteer council reviews Project PAL applications and makes award decisions monthly during the heating season. Half of PAL funds each year are designated for senior citizens and disabled persons of low income.

Solar for Schools

Community Solar for Schools is a project in partnership with the San Juan Islands Conservation District, the Bonneville Environmental Foundation, and OPALCO to deliver solar renewable energy education curriculum to San Juan County schools. Four solar electric systems will be installed at the public schools on Lopez, Orcas, San Juan, and Shaw Islands in 2015.

Member Owned Renewable Energy (M.O.R.E.)

The Member Owned Renewable Energy (M.O.R.E.) program is designed to support the growth of locally generated power and is funded by member contributions. M.O.R.E. funds raised go toward paying local production incentives to member generators connecting to the OPALCO grid using solar, wind, and micro-hydro technology.

Other (please specify): _____

Customer # _____

Election is for: Year: _____ One-time _____ Recurring _____

Signature of Member

Date

Signature of Member

Date

MEMORANDUM

June 12, 2015

TO: Board of Directors
FROM: Foster Hildreth, General Manager
RE: Treasure Hunt Drawing

The 2015 Annual Report included a “treasure hunt” quiz. Members were encouraged to read the annual report and complete a short quiz by June 15. A drawing will be held from those completing the quiz, and the winner will receive a \$50 bill credit.

The winner will be announced at the Board meeting.

MEMORANDUM

June 8, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Voting Delegate for 2015 NRECA Regional Meeting

Staff requests that the Board designate, in the form of a motion, an official voting delegate and an alternate for the NRECA 2015 Regional Meeting to be held September 30-October 1, 2015 in Salt Lake City, Utah.

As a point of reference, Foster Hildreth was the voting delegate last year with Bob Myhr the alternate.



2015 Voting Delegate and Alternate Delegate Certification

June 2015

To: CEOs/General Managers, NRECA Voting Member Systems

From: Director and Member Legal Services, NRECA Office of General Counsel

Subject: NRECA 2015 Regional Meeting Voting Delegate Certification

Participation in the Regional Business Meeting is an important step in NRECA's grassroots policymaking process. The Regional Meetings are the place where co-op leaders meet to discuss how energy policy impacts co-op member-owners and your local community. We hope you plan to certify a delegate for your upcoming Regional Meeting and that your delegate will participate with their vote!

Please review the enclosed voting delegate certification form and following reminders:

- Per the NRECA Bylaws, the cooperative's board of directors or the cooperative's membership may vote to select one of its members, directors, or employees to serve as the cooperative's voting delegate and one to serve as the alternate delegate.
- Don't want to change last year's delegate? Simply check the "No Change" box for that delegate and/or alternate. If you do have changes, note them on the lines provided.
- **Per the NRECA Bylaws, "Each voting delegate must submit a certification signed by the director who is president of the member or is chair of the member's board of directors, and by the director who is secretary of the member,"** regardless of whether or not changes have been made.
- **Be sure that you are certifying individuals who will attend the NRECA Regional Meeting (dates and locations are listed on Cooperative.com).** The delegate must also be registered for the Regional Meeting. You will be able to designate a new delegate and alternate for the 2016 Annual Meeting, if necessary.
- **Return the form to NRECA by August 3, 2015 for Regions 1, 4, 5, 6, 7 & 9 and by September 4, 2015 for Regions 2, 3, 8 & 10** to votingdelegates@nreca.coop or by fax at 703-907-5951, Attention: Membership Dept. – Voting Delegates.
- Instructions and proposed resolutions will be emailed to the certified voting delegate and alternate delegate in late July and an updated compendium of proposed resolutions will be posted to the Cooperative.com following each Regional Meeting.

Please email resolutions@nreca.coop with questions about the resolutions process. Please email votingdelegates@nreca.coop with questions about the delegate certification process.



Printed below in the NRECA VOTING DELEGATE CERTIFICATION box are the Voting Delegate and Alternate Delegate who are presently on file at NRECA for your member system. Please review, correct and certify this information in order to vote at the Business Session for the 2015 Regional Meeting.

Please return this form to NRECA by email: VotingDelegates@nreca.coop or by fax: (703) 907-5512

To: Foster Hildreth
Orcas Power & Light Co-op
183 Mount Baker Rd
Eastsound, WA 98245-9413

Region: 9
State: Washington

NRECA VOTING DELEGATE CERTIFICATION

NRECA Bylaws Article V, Section 2(B) and 2(C) provide that "Each voting member shall be entitled to select, either by vote of its membership or its board of directors, one of its members, directors or employees to act as the voting delegate, and one such person to act as the alternate delegate, at meetings of the Association. All voting delegates must submit certification signed by the president and secretary of the member that such delegate is duly authorized to cast the vote of the member."

Please review the information below and make any necessary corrections or changes. Only those delegates who have been properly documented as authorized by their cooperatives shall be credentialed to act during the NRECA Annual and Regional Meeting Business Session. If there are no changes, check the "No Change" box for the delegate and/or alternate delegate. If new delegates have been selected, please provide the new information requested. This form must be dated, signed by the president and secretary of the member system, and returned to the NRECA office. Regions 1, 4, 5, 6, 7 and 9 are due by August 3, 2015. Regions 2, 3, 8, and 10 are due by September 4, 2015.

The following are hereby certified as official voting delegate and alternate and are duly authorized to cast the vote of this member.

Current Voting Delegate

Foster Hildreth

No Change

Current Alternate Delegate

Robert Myhr

No Change

New Voting Delegate

Title

New Alternate Delegate

Title

(The Alternate is certified to act only in the absence of the Delegate)

Signed President of the Board of Trustees DATE Secretary of the Board of Trustees DATE

Meeting and Delegate Registration Procedures

1 Please return signed, dated and completed form to VotingDelegates@nreca.coop by August 3, 2015 for Regions 1, 4, 5, 6, 7 and 9 by September 4, 2015 For Regions 2, 3, 8, and 10.

2 Delegates must be registered for the meeting (either in advance or onsite) and receive a badge before they can obtain their voting credentials.

3 At the meeting, the delegate must then proceed to the NRECA Voting Registration Delegate Desk that will be located near the NRECA general registration area.

4 At the NRECA Voting Delegate Registration Desk, the delegate's Certification information will be reviewed and the delegate will receive the official delegate ribbon (that should be attached to the name badge) and the assigned voting credential for the meeting.

5 The delegate must bring his/her voting credential to the NRECA Business Session and present it in order to vote. Each voting member is permitted one vote on each of the resolutions and other business properly brought before the Annual and Regional Meeting Business Session. No individual may represent more than one voting member system and proxy voting is prohibited at all meetings.

If you have any questions concerning the above procedure, please contact the Membership Department at (703) 907-5868.

MEMORANDUM

June 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Member Information Appeal – Work Order Tracking

On April 27, 2015, OPALCO received a Member Information Request from Chris Greacen for an accounting of OPALCO's investment in fiber optic equipment (attached). Pursuant to Member Service Policy 16: Information Request, the General Manager's role is to review the request and make a determination to approve or deny the request.

After review of the member information request, on June 4, 2015, I denied the request based on the amount of information that is readily available on OPALCO's website.

My goal is to make all information that is provided to the Board also available to members. The Board trusts and relies on OPALCO's professional and expert preparation of the information that is provided to them for policy, rate and decision making. Other than confidential matters, members are given access to the same level of information via OPALCO's website.

Member Service Policy 16 allows for any member information request that is denied to be appealed to the Board of Directors for resolution. Chris Greacen is hereby appealing my denial decision to the OPALCO Board of Directors.

Staff recommends that the Board deny the attached member information request made by Chris Greacen on April 27, 2015.

ORCAS POWER & LIGHT COOPERATIVE
Policy 16 Information Requests
Member Information Request Form

Member Name Christopher Greacen (with 100 members who have signed referenced petition)

Address 44 Tuatara Rd, Lopez Island, WA 98261

Telephone Number 360-468-3189 Member Number 9122900

Requesting on behalf of myself and the following other members:

Name	Address	Telephone #	Member #
<i>Please see petition at: <u>tiny/cc/opalco</u> and paper signed petitions at:</i>			
<i><u>tiny/cc/opalco-petition-hardcopy</u></i>			

The specific information I am requesting is:

An accounting (available to all OPALCO members through web url) of every OPALCO past and planned (from December 2013 and through FY 2019) investment in fiber optic or communication equipment together with an item-by-item justification of its use for the electrical grid, the cost, asset location, and date of execution.

The specific purpose for the request is:

We know from OPALCO's 2015 budget that expenditures in fiber optics and micro-wave infrastructure jumped from essentially zero in 2012 to \$474K in 2013, to \$1.7 million in 2014. In 2015 and 2016 it rises further to \$1.9 million, and then \$2.3 million. These figures seem at odds with board statements that "The Board and management have ensured that electric members will not be paying Broadband User costs." Members wish to know how these new investments are justified for a distribution network that is already very reliable. See also comments left by 44 member-signers of petition.

The specific use to which I intend to put the requested information is:

Full disclosure to the members to facilitate informed discussion OPALCO's recent escalation in debt and electricity rates.

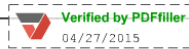
I request a cost estimate for the copying charges before any costs are incurred. I understand that I am responsible for the costs of copying any documents that are provided and the cost of copying documents will include appropriate staff time for locating and copying the documents.

I hereby state that the foregoing information is complete and correct and I covenant that I shall not give the requested information to anyone other than the member's name(s) herein or allow the requested information to be used in any way or for any purpose other than as set forth above.

(clause deleted because it does not apply to a request for information to be made to all members)

I further state and acknowledge that, if the conditions for release of this information are violated, monetary damages will be inadequate, extraordinary relief is required, the Cooperative shall be entitled to, and I hereby consent to, the entry against me of a temporary and permanent injunction, without bond, to restrain me or any agents acting on my behalf from disclosing in whole or in part such information or from providing services to any party to whom such information has been disclosed or may be disclosed. In addition to the foregoing remedy, the Cooperative shall be free to pursue any and all further remedies available against me and any third party, including, but not limited to claims and for losses and damages. *(deleted because not applicable requests for disclosure to all members).*

Print name Chris Greacen



Signature Chris Greacen

Date: 04/27/2015

MEMORANDUM

Via Email

June 4, 2015

TO: Christopher Greacen
FROM: Foster Hildreth, General Manager
RE: REVISED - Member Information Request

Please excuse a typo in the original response sent to you. The correction in the second paragraph is highlighted.

This is in response to your Policy 16 Information Request.

Requesting: “An accounting (available to all OPALCO members through web url) of every OPALCO past and planned (from December 2013 and through FY 2019) investment in fiber optic or communication equipment together with an item-by-item justification of its use for the electrical grid, the cost, asset location and date of execution.”

Purpose: “We know from OPALCO’s 2015 budget that expenditures in fiber optics and micro-wave infrastructure jumped from essentially zero in 2012 to \$474k in 2013, to \$1.7 million in 2014. In 2015 and 2016 it rises further to \$1.9 million, and then \$2.3 million. These figures seem at odds with board statements that ‘The Board and management have ensured that electric members will not be paying Broadband User costs’. Members wish to know how these new investments are justified for a distribution network that is already very reliable. See also comments left by 44 member-signers of petition.”

Specific Use: “Full disclosure to the members to facilitate informed discussion OPALCO’s recent escalation in debt and electricity rates.”

Note: The signature section of the Member Information Request form was full of strike-outs; effectively the requestor did not agree to the policy as stated in the standard form, merely signed that the foregoing information is complete and correct. This failure to accept the policy negates the validity of the request. However, the completion of the form/acceptance of the policy would not have changed the outcome of the request in this instance.

RESPONSE:

Other than the information provided on our website, no additional information will be given per your Member Information Request.

OPALCO makes ALL public information available on our website www.opalco.com including all board materials, financial statements, budgets, audit reports, business plans, grid control analysis, maps, capital projects, and other reports relative to running this cooperative.

In addition to this unprecedented transparency, OPALCO must meet the rigorous requirements of our lender, RUS (Rural Utility Service, an arm of US Department of Agriculture) for each project for which we borrow funds. RUS not only requires that expenditures for our electric distribution system / grid are utilized appropriately, but they audit our projects annually to confirm that they are. Expenditures for fiber optics and micro-wave infrastructure increased in 2013, 2014 and projected through 2016 because the Board approved dramatic increases to the fiber optic build-out for our grid control backbone, including the purchase of the wireless spectrum. Since 2002 (after completion of the first phase of fiber built out), OPALCO had been very conservative with the fiber build out. Two events accelerated our fiber construction plans: planning for the 2013-2016 Construction Work Plan included major projects to expand our fiber backbone to place more connected devices in the field and improve field crew safety and communication; and the major CenturyLink communication failure in November of 2013 created urgency and demand for infrastructure redundancy.

We understand the confusion but not the mistrust. There are concurrent investments being made in our grid and also in our Internet entity. We as a membership are making a short-term loan of \$3/month/member for 2 years to support the start-up on our investment in Rock Island Communications (RIC) that will be repaid to the Co-op. However, we stand strong behind the fact that electric users are NOT paying for broadband to members' homes.

In reference to your stated cost projections, ~~we have no idea where these future year figures are coming from, especially the \$23M figure referenced in the "purpose section" of your statement. The actual budgetary/project figures are much lower:~~

- Grid Control: 2015 (budget) = \$1.9M; 2016 (projected) = \$2.3M; 2017 (projected) = \$1.095M,, 2018 (projected) = \$0; 2019 (projected) = \$0
- Rock Island Communications: 2015 (budget) = \$2.05M; 2016 (projected) = \$1.6M; 2017 (projected) = \$1.6M ; 2018 (projected) = \$2.025; 2019 (projected) = \$2.15M

RIC sales revenue will pay back all loan funds (\$7.5M). Beginning in 2017, RIC sales revenue is projected to fully pay principle and interest payments as it transitions to becoming financially self-supporting.

A copy of the Information Request Policy is attached. If you wish to pursue this any further, please appeal to the Board in writing.

MEMORANDUM

June 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Member Information Appeal – Monthly Member Consumption Data

On June 1, 2015, OPALCO received a Member Information Request from Chris Greacen and Brian Silverstein for monthly member consumption data (attached). Pursuant to Member Service Policy 16: Information Request, the General Manager's role is to review the request and make a determination to approve or deny the request.

After review of the member information request, on June 10, 2015, I denied the request based on the policy criteria that the information is not reasonably available (Policy 16.3.1.1). Specifically, the request requires an inordinate amount of staff resources (3.1.1.4) and is potentially adverse due to providing member information.

My goal is to make all information that is provided to the Board also available to members. The Board trusts and relies on OPALCO's professional and expert preparation of the information that is provided to them for policy, rate and decision making. Other than confidential matters, members are given access to the same level of information via OPALCO's website.

Member Service Policy 16 allows for any member information request that is denied to be appealed to the Board of Directors for resolution. Chris Greacen is hereby appealing my denial decision to the OPALCO Board of Directors.

Staff recommends that the Board deny the attached member information request made by Chris Greacen and Brian Silverstein on June 1, 2015.

Dear OPALCO board,

Request: We request 12 calendar months of recent anonymous data on monthly electrical consumption by OPALCO members, broken down by customer class. This could take the form of either:

1. Monthly consumption data of each of OPALCO member; or (if OPALCO harbors concerns about confidentiality of anonymous member data)
2. Slightly aggregated data of member consumption from which it is impossible to derive individual member data. For example, sort all members by total consumption, break members into groups of five, and – for each group -- average these five to create an “indicative” customer. If this is difficult for OPALCO staff to accomplish, we are happy to assist with the creation of this aggregated dataset from a full member consumption database.

Purpose: At the May Special Board Meeting to discuss revenue shortfall Chris shared a spreadsheet tool that can be used by OPALCO staff, board, and members to evaluate the impact of various rate designs on members who consume varying amounts of electricity.

This tool currently uses 2009 data. As noted by Foster Hildreth, member consumption has dropped significantly in the past five years. It would be more accurate with more recent data.

Any data we include in the model will be aggregated to the point where deriving individual member data will be impossible.

At the meeting there were a number of calls for increased communication and transparency. Helping improve this spreadsheet tool and making it available to all members will send a strong signal that OPALCO values transparency, communication, and constructive dialogue with members on the issues members care most about. Having a public model is common practice. It has the potential to help OPALCO make the best decisions in its next crucial round of rate-making.

Several Directors and Members suggested that the spreadsheet would be more helpful if it showed impact on both a dollar as well as a percentage basis. We agree and would be happy to make that addition after updating the data set with more recent data.

We encourage OPALCO staff to review the model and verify the reasonableness of results. Please recognize that the model is an approximation for testing policy choices. OPALCO should set final rate levels with their in-house tools to ensure revenue recovery.

Best regards,

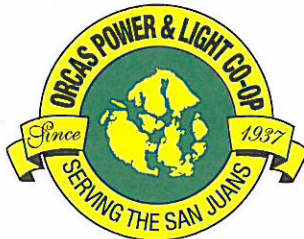
Chris Greacen, Ph.D.

Brian Silverstein

Lopez Island

ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



Eastsound Office
183 Mount Baker Road
Eastsound, WA 98245-9413
p:(360) 376-3500 f:(360) 376-3505
www.opalco.com

June 10, 2015

VIA EMAIL

Chris Greacen, Ph.D.
chrisgreacen@gmail.com

Brian Silverstein
briansilverstein@gmail.com

Dear Chris and Brian,

The following is in response to your Member Information Request.

Request: We request 12 calendar months of recent anonymous data on monthly electrical consumption by OPALCO members, broken down by customer class. This could take the form of either:

1. Monthly consumption data of each of OPALCO member; or (if OPALCO harbors concerns about confidentiality of anonymous member data)
2. Slightly aggregated data of member consumption from which it is impossible to derive individual member data. For example, sort all members by total consumption, break members into groups of five, and – for each group -- average these five to create an “indicative” customer. If this is difficult for OPALCO staff to accomplish, we are happy to assist with the creation of this aggregated dataset from a full member consumption database.

GM Response:

While I appreciate the spirit of your intent, your request is denied based on the policy criteria that the information is not reasonably available (Policy 16.3.1.1). Specifically, the request requires an inordinate amount of staff resources (16.3.1.1.4) and is potentially adverse due to providing member information.

It is my goal to make all information provided to the Board available to members as well. The Board trusts and relies on OPALCO’s professional and expert preparation of the information that is provided to them for policy, rates and decision making. Members are given access to the same level of information and are asked to extend the same trust.

Any public request that is denied may be appealed to the Board of Directors for resolution. Any decision by the Board of Directors will be final (Policy 16.6).

Sincerely,


Foster Hildreth
General Manager

MEMORANDUM

June 12, 2015

TO: Board of Directors
FROM: Foster Hildreth, General Manager
RE: Lopez to San Juan Submarine Cable Bid

Booth & Associates LLC, Consulting Engineers, was hired as an independent consultant for the review and qualification of the submarine cable bid process and to evaluate and affirm the environmental requirements.

Six submarine cable contractors were invited to bid. Two proposals were received.

Booth & Associates were given all of the project design documentation, the submarine cable bid documents and the two submarine cable bids received from qualified bidders. Design methodology was reviewed for a combination of land trench, boring and submarine cable lay and was found to be consistent with similar projects being installed throughout the United States.

Staff entertained the possibility that OPALCO would contract directly for the installation of the cable, instead of the manufacturer. After evaluating this option, it was clear that the risks involved with contracting directly were not prudent.

Staff requests that the Board make a motion to allow staff to move forward with the recommendation of Booth & Associates for contractor selection, provided OPALCO receives approval of RUS Loan AP8.

Please note, the bid evaluation itself will be presented to the board in executive session to protect the sensitive nature of the bid amounts in this competitive process.

MEMORANDUM

June 11, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Revenue Adjustment (Jul 2015 – Dec 2015) (Temporary)

As a follow-up to the May 28th Special Board Meeting, staff continued the process of analyzing available information and trends in order to develop a 2015 projection of actual results. Once completed, the projection was compared to the 2015 board-approved budget in order to project a 2015 year-end margin shortfall. The result of the analysis was that the 2015 temporary revenue adjustment should be a \$0.01/kWh increase to residential rates and a \$0.0056 increase to commercial rates. This temporary adjustment will address our 2015 current projected margin shortfall of \$661,000. Our goal, with board approval, is to implement required temporary rate adjustments with the July 2015 billing period.

As discussed at the May 28th board meeting, similar to other electric utilities in the Pacific Northwest, OPALCO is experiencing unprecedented revenue shortfalls associated with declining kWh sales due to warm weather. Based on our resulting decline of kWh sales, OPALCO's revenue and corresponding rate structure needs to be adjusted as soon as possible to meet revenue requirements and RUS loan covenants. As of May 2015, Heating Degree Days (HDD) were down 37% below normal. The 2015 budget-to-actual shortfall of kWh sales was 6,020,054 kWh through May (6.4% less than budgeted) and the cumulative revenue shortfall through May 2015 was approximately \$605,000 (~5.5% less than budgeted). This warmer-than-expected weather trend is anticipated to continue and will require ongoing evaluation and potential adjustments.

Despite increasing the rates in 2015, the unprecedented warm weather trends have resulted in:

- fewer HDD (~37%),
- reduced kWh sales (~6.4%),
- lower member bills (on average) and,
- accelerated revenue shortfall for 2015 (~5.5%).

Staff recommends that the Board make a motion to approve the 2015 temporary Revenue Adjustment of \$0.01/kWh to the residential rate schedules and \$0.0056/kWh to the commercial rate schedules for the July to December, 2015 billing periods, as shown in the attachment.

	2015 Rates (Adjusted)
Residential Facility Rate (\$/Service/Month) \$ 38.90 Demand Rate (\$/Service/Month) \$ 0.00 Energy Rates (\$/kWh) Summer Block 1 (<1,500 kWh) \$0.0855 Summer Block 2 (1,500 to 3,000 kWh) \$0.0970 Summer Block 3 (>3000 kWh) \$0.1150 Winter Block 1 (<3,000 kWh) \$0.0855 Winter Block 2 (3,000 to 5,000 kWh) \$0.0970 Winter Block 3 (>5,000 kWh) \$0.1150 Revenue Adjustment (\$/kWh) (Jul 2015 – Dec 2015) \$0.0100	
Residential TOU Facility Rate (\$/Service/Month) \$ 43.80 Demand Rate (\$/Service/Month) Energy Rates (\$/kWh) TOU Period 1 (6 am – Noon) \$0.1450 TOU Period 2 (Noon – 6 pm) \$0.0900 TOU Period 3 (6 pm – 8 pm) \$0.1450 TOU Period 4 (8 pm – 6 am) \$0.0400 Revenue Adjustment (\$/kWh) (Jul 2015 – Dec 2015) \$0.0100	
Small Commercial (<20 kW) Facility Rate (\$/Service/Month) \$ 54.90 Energy Rates (\$/kWh) Block 1 (<5,000 kWh) \$0.0870 Block 2 (>5,000 kWh) \$0.0970 Demand Rate (\$/Service/Month) Flat Rate \$ 5.00 Revenue Adjustment (\$/kWh) (Jul 2015 – Dec 2015) \$0.0056	

	2015 Rates (Adjusted)
Large Commercial (>20kW)	
Facility Rate (\$/Service/Month)	\$ 54.90
Energy Rates (\$/kWh)	
Block 1 (<5,000 kWh)	\$0.0790
Block 2 (>5,000 – 150,000 kWh)	\$0.0873
Block 3 (>150,000 kWh)	\$0.1162
Demand Rates (\$/kW)	
Block 1 (<300 kW)	\$ 3.15
Block 2 (>300 kW)	\$ 4.73
Revenue Adjustment (\$/kWh) (Jul 2015 – Dec 2015)	\$0.0056
Pumps	
Facility Rate (\$/Service/Month)	\$ 34.40
Energy Rates (\$/kWh)	
0-370 kWh	\$0.0923
370-5,000 kWh	\$0.0802
Over 5,000 kWh	\$0.0900
Demand Rate (\$/Service/Month)	
First 20 kW (Flat Rate)	\$ 0.00
Over 20 kW	\$ 3.15
Revenue Adjustment (\$/kWh) (Jul 2015 – Dec 2015)	\$0.0100



June 12, 2015

TO: Foster Hildreth
FROM: Anne Falcon
SUBJECT: Recovery of under-collected revenues

Introduction

The rate process that culminated in final electric rates effective as of February 1, 2015 was a long-term process intended to provide a comprehensive review of rate design principles, objectives and customer impacts.

Subsequent to the setting of new rates, energy sales have been much less than projected. OPALCO is therefore experiencing a significant shortfall in revenues year to date. The shortfall is continuing from 2014 and OPALCO is no longer able to weather the shortfalls without increasing rates.

This memo will discuss options for developing two revenue-decoupling adjustments: one to collect the current shortfall and one to implement a mechanism that can address any future revenue shortfalls.

Overview

At the last Board meeting, several questions were raised regarding the methodology used to allocate costs and revenue shortfall to customer classes. It is important to remember that the Cost of Service (COSA) process allocated costs between customer classes based on each class' use of the system. In a COSA, cost allocations are driven by the usage, density and delivery voltage of each customer class.

While the COSA showed variation in results among customer classes, the overall findings of the COSA was that the revenue to cost ratios for all customer classes were within a reasonable range of cost of service. The recommendations was therefore to apply a uniform increase to all rate schedules.

570 Kirkland Way, Suite 100
Kirkland, Washington 98033

Telephone: 425 889-700

Facsimile: 425 889-2725

A registered professional engineering corporation with offices in
Kirkland, WA and Portland, OR

As the 2015 Revenue Shortfall Adjustment and the Revenue Decoupling Adjustment rates are designed, it is important to remember that the allocated costs in the COSA provided the foundation for determining the budgeted revenues by customer class as well as the determining the shortfall associated with each customer class.

2015 Revenue Shortfall Adjustment

The 2015 Revenue Shortfall Adjustment rate is intended to collect both the difference between actual revenues collected from customers and budgeted revenues for the first 6 months of 2015 and the projected shortfall for the last 6 months of 2015. This rate is a short-term rate that will end December 31, 2015.

The rate is applicable to all customers in rate schedules R-15, TOU-15, SCS-15, LCS-15 and P-15. Applicable customers will be segregated into two distinct rate groups:

Group 1 – Schedules R-15, TOU-15, P-15

Group 2 – Schedules SCS-15, LCS-15

A rate will be determined for each group of customers based on the collected revenues and budgeted revenues.

The following method will be used to develop the 2015 Revenue Shortfall Adjustment Rate:

Step 1 – Determine the *Collected Revenues* between January 1, 2015 and June 31, 2015 for each rate group.

Step 2 – Determine the *Projected Revenues* for July 1, 2015 to December 31, 2015

Step 3 – Identify the *Budgeted Revenues* for each rate group for the period January 1, 2015 and December 31, 2015

Step 4 – Calculate the *Total Revenues* for each rate group as

$$\text{Total Revenues} = \text{Collected Revenues} + \text{Projected Revenues}$$

Step 5 – Calculate the Revenue shortfall for each rate group as

$$\text{Revenue Shortfall}_i = \text{Total Revenues}_i - \text{Budgeted Revenues}_i$$

Where i denotes the rate group.

Step 6 – Determine the projected energy sales for each rate group as:

$$\text{Projected energy sales}_i = \text{Estimated energy sales from July 1, 2015 – December 31, 2015}_i$$

Where i denotes the rate group.

Step 7 – Calculate the 2015 Revenue Shortfall Adjustment as:

$$2015 \text{ Revenue Shortfall Adjustment}_{group1} = \text{Revenue Shortfall}_{group1} / \text{projected energy sales}_{group1}$$

$$2015 \text{ Revenue Shortfall Adjustment}_{group2} = \text{Revenue Shortfall}_{group2} / \text{projected energy sales}_{group2}$$

Revenue Decoupling Adjustment

Decoupling is a rate adjustment mechanism that breaks the link between how much energy the utility sells and the revenues it collects to recover the fixed costs of providing service. The Revenue Decoupling mechanism is intended to ensure that OPALCO does not experience a significant revenue shortfall post-2015.

Decoupling requires a balancing account which keeps track of the over or under collection of revenues each month. The utility then calculates the decoupling charge during each period.

$$\text{Balancing account amount} = \text{allowed (budgeted) revenues} - \text{actual revenues}$$

$$\text{Decoupling charge} = \text{balancing account balance} / \text{Kwh sales (either actual or projected)}$$

The period between adjustments can be monthly, quarterly or some other length of time.

The difference between a revenue decoupling and a cost adjustment charge is that revenue decoupling is directly associated with changes in energy sales, while a cost adjustment charge is targeting changes in costs. Otherwise, the two adjustments work in a similar manner.

Summary

It is recommended that the 2015 Revenue Shortfall Adjustment is implemented immediately. In addition, OPALCO should implement a revenue decoupling mechanism in the near future to ensure that the post-2015 period will not result in severe under-collection.

The Revenue Decoupling adjustment rate can be calculated monthly, quarterly or annually and can be applied under the current rate structure. Implementing this adjustment rate will allow OPALCO the time to reassess the current rate structure and options for going forward.

DISCUSSION ITEMS

2015 ANNUAL MEETING REVIEW

The 2015 Annual Meeting aboard the M/V Hyak on May 2 was attended by 337 people, of which 229 were members. A quorum is 100 members.

Six Eastsound staff spent the night in Friday Harbor and 5 boarded the 5:50 a.m. ferry to set up for the meeting, along with one Friday Harbor staffer. One Eastsound staffer assisted with the Friday Harbor registration and rode the charter boat.

The Island Caper was chartered to carry members/guests from San Juan Island to Orcas Island; reservations were taken for 101; however only 77 actually rode the charter.

For the fourth year, OPALCO contracted with Survey and Ballot Systems (SBS) for hybrid voting. This year we gave members the option of receiving only email ballots for 2016; a total of 891 members “opted out” of paper ballots for 2016. The results of the 2015 hybrid balloting are:

	Paper	Web	Total Absentee Ballots
2012	1,360	403	1,763
2013	1,706	774	2,480
2014	1,590	896	2,475
2015	1,494	1,186	2,680

There were 71 ballots cast at the meeting. Results:

		Absentee	Annual Meeting	Total
Bylaw Amendment #4 Meeting of Directors	Yes	1,156	35	1,191
	No	1,297	27	1,324
Winnie Adams		1600	43	1643
Randy Cornelius		1548	49	1597
Ed Sutton		781	15	796
Chris Thomerson		1239	28	1267

Lunch was catered by Asher & Olive of Orcas Island and distributed in reusable, insulated bags provided by SJI Conservation District.

MEMORANDUM

June 11, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Integrated Resource Plan Update

Progress on the Integrated Resource Plan continues. EES presented an overview of the timeline and expectations at the April board meeting. The focus now is on clear options for balancing resources that are aligned with the competing topics related to:

- Carbon Footprint Reduction
- Sustainability
- Low cost/No cost
- Environmental Impact

EES and staff will review a Power Point presentation with the Board at the June meeting.

Resource Evaluation Summary Timeline

- A. ✓ Complete Staff kick-off meeting: November
- B. ✓ Development of Load forecast scenarios: Q1
- C. ✓ Development of BPA Power Supply modeling: Q1
- D. Present Load-Resource Balance and scenarios to Board: Q2
- E. Research resource and efficiency options applicable to OPALCO: Q2
- F. Evaluate strategic alliances with other utilities: Q2
- G. Develop benefit/cost analysis of identified resource and efficiency options: Q3
- H. Develop risk analysis: Q3
- I. Present options and considerations to OPALCO Board: Q3
- J. Draft Report: Q3
- K. Present Evaluation results and strategic options for the future: Q3
- L. Present Analysis of strategic alliances: Q4
- M. Finalize Report: Q4

MEMORANDUM

June 12, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Corrective Action Plan

Attached is OPALCO's draft letter informing the USDA – Rural Development (RD) of our corrective action plan for meeting our TIER in 2015 and a supporting letter from Howard Barnes, consultant.

In 2014, OPALCO did not meet its TIER so a Corrective Action Plan was developed as required by our mortgage holder, RUS. Based on our analysis of the resulting RUS mortgage ratios, the following was determined:

- a) TIER ratio achieved for 2014: 1.13 (required ratio 1.25) ~ NOT ACHIEVED
- b) DSC ratio achieved for 2014: 2.52 (required ratio 1.25) ~ ACHIEVED
- c) OTIER ratio achieved for 2014: 1.21 (required ratio 1.10) ~ ACHIEVED
- d) ODSC ratio achieved for 2014: 2.57 (required ratio 1.10) ~ ACHIEVED

As noted by former RUS General Field Representative Howard Barnes, not achieving RUS Mortgage Ratios in any one given year does not constitute a borrower being in technical default. Only when a borrower fails to meet mortgage covenants on the basis of the average of these ratios for the highest two years during a three year period, will the borrower be considered in technical default of its mortgage. However in any given year when annual mortgage covenants are not met, please recognize RUS requires a corrective action plan be submitted.

June 12, 2015

Via Email and US Mail

Office of Portfolio Management and Risk Assessment (OPMRA)
Attention: Mr. Victor Vu, Rural Utilities Service, USDA - RD
1400 Independence Avenue,
S.W. Stop 1568, Room 0270, South Building
Washington, DC 20250-1568

Subject: Review of Orcas Power & Light (WA 9), Mortgage Ratios for 2014, Corrective Action Plan

To Whom It May Concern:

This letter is being sent to your office in connection with your review of the 2014 year-end results for Orcas Power & Light Cooperative (OPALCO), WA 9, Eastsound, WA, which were filed on the Data Collection System on March 24, 2015.

Based upon our analysis of the resulting RUS mortgage ratios, we have determined the following:

- a) TIER ratio achieved for 2014: 1.13 (required ratio of 1.25)
- b) DSC ratio achieved for 2014: 2.52 (required ratio of 1.25)
- c) OTIER ratio achieved for 2014: 1.21 (required ratio of 1.10)
- d) ODSC ratio achieved for 2014: 2.57 (required ratio of 1.10)

This letter is being provided to discuss what accounted for our inability to meet the required TIER ratio for 2014, as well as what steps are being taken to ensure satisfactory financial performance in 2015. OPALCO understands that a corrective action plan (CAP) is required by RUS when a borrower falls below its mortgage covenant ratios.

The primary reason OPALCO failed to meet its required TIER ratio in 2014 was due to lower than expected energy sales. OPALCO sold approximately 9 million fewer kilowatt hours than budgeted in 2014. Similar to other electric utilities in the Pacific Northwest, OPALCO is experiencing revenue shortfalls associated with declining kWh sales due to warm weather. To date, Heating Degree Days (HDD) are down ~36% below normal, kWh sales are down by ~6% of budget and electric revenue is down by -\$1.4 M. This is reported in the Operating Report in Part A, Statement of Operations, on Line 1, Operating Revenue – comparing This Year to Budget, in the amount of (-\$1,392,793). In 2014, OPALCO performed an extensive 10 month cost of service study and rate analysis to become better informed and address this issue going forward in 2016.

In addition, starting in October 2014, OPALCO launched the expansion of its member internet division. While financially minor in comparison to lower energy sales (energy sales -\$1.4M), the initial startup

Operations, which occurred during the last quarter of 2014 and was funded using cash reserves, produced a non-utility margin shortfall of -\$109k. This is reported in the Operating Report in Part A, Statement of Operations, on Line 25, Non-Operating Margins – Other, in the amount of (-\$109,065).

Among the corrective action steps being taken by OPALCO to address this are the following:

- a) OPALCO made significant adjustments to our 2015 budget, including a revenue increase through rates, to mitigate the likelihood of future revenue shortfalls.
- b) A Cost of Service and Rate Study was initiated in April 2014 and completed in January 2016, which identified the need for a comprehensive rate re-structuring, reflected in revised Policy 29 (enclosed). Until changed or adjusted by the Board, all future rate increases required to meet revenue requirements will be applied to our facilities charges (in lieu of the variable components of our billing, such as kWh). In this manner, our facility charge will increasingly collect the revenue required to cover fixed costs independent of energy usage patterns, which are shifting.
- c) A rate increase was implemented in the February 2015 billing cycle and OPALCO will also be implementing a revenue recovery charge component in member billings to collect any unexpected revenue shortfalls on a monthly basis.
- d) On the non-utility side, the OPALCO Board of Directors approved setting up a wholly owned subsidiary for providing member Internet and we are funding the short term start-up operations of our new entity. Starting in January 2015, OPALCO began providing the member Internet subsidiary with a startup loan. As cash flow allows, the new member Internet entity will make debt service payments (starting in 2017).

If further information or background would be needed in your review of this matter, we would be pleased to provide that to you.

Thank you for your help in this matter.

Foster Hildreth
General Manager

To: Foster Hildreth, General Manager
Orcas Power & Light Cooperative

June 12, 2015

Subject: Startup of Internet Division and its impact on RUS Mortgage Ratios

As discussed yesterday by phone, you asked that I provide information as to how RUS may view the startup of OPALCO's internet division and its impact on mortgage ratios.

RUS has historically been supportive of efforts by its borrowers to provide broadband service in rural areas where others have been hesitant to do so. RUS believes that broadband service is an important component of rural development.

Related to the startup of any new service, it is not unusual that expenses would initially be greater than revenues received for providing that service. In view of this, RUS has historically recognized this and its impact on meeting RUS mortgage covenants during this startup period. For these reasons, it will not be surprising to RUS that OPALCO may have temporary and short term financial challenges during the initial start-up period of your internet subsidiary.

Please note that missing RUS Mortgage Ratios in any given one year, does not constitute a borrower being in technical default. Only when a borrower fails to meet mortgage covenants on the basis of the average of these ratios for the highest two years during a three year period, will the borrower be considered in technical default of its mortgage. However in any given year when annual mortgage covenants are not met, please recognize RUS requires a corrective action plan be submitted. Should a borrower be unable to meet covenants for a period beyond a few years, without evidence that the subsidiary can be profitable, increased scrutiny by RUS is likely.

As with any lender, it is important to keep RUS advised of all actions being taken to reach profitability. Doing so with the RUS General Field Representative on a regular basis during field visits as well as providing annual budgets and financial reports during the year would be viewed as helpful to RUS.

Please let me know if further clarification of these points is needed.



Howard W. Barnes, Consultant
1605 Firerock Court
Loveland, CO 80538
(970) 744-3075
howard.barnes.co@gmail.com

REPORTS

MEMORANDUM

June 12, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2015 First Quarter Financial Report

Please see attached the 2015 First Quarter Financial Report. As predicted, we did see a revenue shortfall in the first quarter. On a positive note, a lower power bill from BPA (due to lower kWh sales) and reduced expenditures kept the shortfall lower than originally expected.

In summary, the total revenue shortfall in Q1 was \$505k less than budgeted, power costs were \$310k less, and the savings in expenses, all combined, resulted in a decreased margin of \$158k. Despite the lower than anticipated margin shortfall, we will continue to monitor revenue and expenses closely. We will recommend the establishment of a 2015 temporary Revenue Adjustment (as outlined in OPALCO Policy 29 – *Energy Services Rate Design*) on members' bills from July-December 2015 in order to catch up the current shortfall and collect any unexpected 2015 margin shortfalls on a monthly basis. All margin shortfalls will need to be addressed before year-end 2015.

For more detail, please note the following key points for Q1:

- Heating Degree Days (HDD) were down ~42% below normal and kWh sales down by ~6% of budget, even after basing our 2015 projections on the out-of-the ordinary 2014 HDD Actuals. Weather and heating fluctuations will continue to produce dramatic sales revenue volatility, with the expected margin of error in HDD driving sales revenue swings of +/- 5%.
- Energy demand was over-forecasted as a result of continued warmer weather and shifting energy usage patterns attributed to conservation, energy efficiency measures by members, and increased solar generation.
- Power purchases were down by \$310,247 due to lower kWh consumption from warmer temperatures and the fact that we did not incur additional BPA demand charges this quarter, unlike February, 2014.
- Expenses were reduced by approximately \$40k (net) primarily due to delayed hiring of budgeted positions. There continue to be few discretionary expenses to cut because most of our expenses are directly related to our service levels and, as agreed, we will reduce neither safety nor reliability in our system.
- Members were charged less than the "cost of service" during this period, because actual load was less than forecasted and led to the revenue shortfall. OPALCO must collect revenues that reflect a true cost of service as mandated by the cooperative business model.
- OPALCO needs to meet RUS financial loan covenants for TIER. Although OPALCO is still in compliance, the rate structure, rate and revenue adjustments are all part of a corrective action plan to demonstrate to RUS how we are addressing the issue. Please keep in mind that our RUS loan covenant pertaining to TIER of 1.25, is calculated on a three-year duration, whereby the lowest TIER in the three-year period is dropped and the remaining two-year TIERS are averaged, with the required result being greater than or equal to 1.25.

MEMORANDUM

June 12, 2015

TO: Board of Directors
FROM: Foster Hildreth
RE: 2015 RIC First Quarter Financial Report

The first quarter of full operations of Rock Island Communications (formally Island Network) was and continues to be dominated by the combination of Rock Island Technology Solutions legacy businesses and Island Network's new service offerings and startup requirements.

The first half of Q1 focused on securing the first important neighborhood commitments as we continued to spread the word around the county about our deployment plans and build methods. A deviation from the initial expected rollout was the uptake and desire by neighborhoods to explore and commit to full fiber rollouts versus the more cost effective hybrid or wireless solutions.

On February 6th we closed on the purchase of Rock Island Technology Solutions and began the effort to merge the two entities.

This is an extensive effort to continue supporting all legacy revenue while adapting and growing the team to expand our new collective capabilities. Beyond the merger highlights in the first quarter are listed below.

Operational Milestones achieved in Q1 2015

- Established corporate headquarters in Eastsound
- Developed a new brand, website and social media presence
- Performed multi-day field testing of specialty construction capabilities (Rock-Wheel, Vibratory Plow and Directional Drilling) for all local contractors and SJ County Public Works department. The introduction of this equipment into the effort has enabled 5x savings in time and labor for conduit deployment. For example, a 600 feet stretch of public road, vault-to-vault using our rock wheel was performed start to finish in seven hours. The same distance in the adjacent county right of way ditch would have been 4-5 days of trenching and backfilling to county specifications.
- Added and integrated key hires in various areas from construction, development, support, finance and operations.
- Achieved nine HOA fiber-hood build commitments
 - Cape SJ & Cattle Point
 - Mineral Heights, Mineral Point & Highlands
 - Eagle Lake
 - Spring Point & Harborview
 - Alder Cottages
- Signed multi-year agreement with ClearFly to provide hosted CLEC VoIP
- Finalized the loan program with Islanders Bank for individual and group funding
- Received an average of seven indications of interest a day during Q1 for a total of more than 650
- Delivered 20 new fiber-to-the-premise services during the first three months
- Began in-depth analysis of county wide emergency communication network in order to assist in and deliver significant upgrades for all first responders
- Began in-depth analysis to provide high-speed wireless service for all users of the ferry system throughout the Islands and at the Anacortes terminal

Operational Challenges in Q1 2015

- LTE equipment provider did not meet our required support standards delaying our ability to effectively deploy wireless service during Q1. New vendor negotiations began in mid-February.

- Inquiry and Prospect Volume – while we were very happy to achieve nine committed neighborhoods during Q1, we are not yet satisfied with our ability to effectively respond to and communicate with all those interested in receiving service in a timely manner. We are actively working on various solutions to enable faster informative and responsive communications.

Financial Highlights for Q1 2015

The budget to actual performance for Island Network pre-Feb 6th and the combined entities for the balance of the quarter were in-line with expectations. See summary Table 1 below.

Revenues came in just below budget for the quarter at \$326,279 with a variance of (\$11,696) from budget. Operating Expenses were lower than budget at \$410,655, \$81,879 under budget.

An important risk-mitigating factor within the business plan was to correlate a significant portion of the tranche investment structure to the take rate. Given the longer commitment, design and planning time required deploying FTTP to entire neighborhoods we drew down less of the investment dollars from the parent during Q1. As mentioned in our challenges, another notable driver during Q1 was our course change regarding our LTE equipment. While this resulted in a lower investment/expense it did slow our ability to serve potential customers via wireless quickly in our early stages.

Table 1

	Budget Period End	Actual Period End	Variance
Op Revenue	\$337,975	\$326,279	(\$11,696)
COGS	\$145,076	\$113,556	(\$31,520)
Gross Profit	\$192,899	\$212,722	\$19,823
Op Expenses	\$492,534	\$410,655	(\$81,879)
Net Margin	(\$311,201)	\$(203,737)	\$107,464

Borrowings from Parent (Nov 14 to Period End)

Borrowings for the year adjusted for the acquisition of Rock Island Technology Solutions is \$3.4M, up from \$2.9M. Through the first five months (Nov, Dec 14 & Q1 15) our borrowings from the parent organization is \$2.1M for startup operations. We have budgeted a remaining \$1.3M, which is in line with our running operational costs for the balance of 2015.

Staffing

In line with budgeted expectations after the acquisition staffing levels at period end were 15 FTEs compared to a budgeted 18 FTEs.

Positions filled by period end;

1. Executive VP
2. VP Operations
3. VP Technology
4. VP Engineering
5. Network Operations
6. Customer Support
7. Retail Sales
8. System Admin
9. GIS Tech
10. Field Tech +4
11. Operations Support +2

Subscriber Highlights for Q1 2015

Our plan forecast a gradual ramp up in subscribers during the initial months of 2015. Q1 of 2015 was not expected to be heavy period of subscriptions given our focus on the Rock Island transaction during the latter weeks of 2014 and beginning of 2015 and the time to market factors involved in our startup operations. We also did not expect the very first neighborhoods to gravitate predominantly to all fiber construction versus hybrid and wireless. This pushed many of the expected Q1 subscribers into Q2.

Our total fiber subscribers for 2015 were expected to be 400. We currently have fiber under construction to 320 properties and an expected take rate of just over 200 new connections from these with an additional 20-30 new fiber connections by period end Q2. That will put us at a 150 or so connections required in the second half of the year to meet our initial fiber deployment goal.

Subscriber Table

Period	Q1		Q2		Q3		Q4	
	FTTP	LTE	FTTP	LTE	FTTP	LTE	FTTP	LTE
Budgeted	57	90	93	120	125	195	125	195
Actual	20	0						

The 320 properties number is an important additional growth metric. While we don't expect 100% take rates in any neighborhood, our HOA group model will enable new growth in the business over the long term. Cost effective fiber access at vacant land/homes will enhance asset values and help future growth for Rock Island.

While we expected to be predominately deploying hybrid and wireless solutions earlier in the year and FTTP in the second half, our ability to commit nine neighborhoods by period end Q1 is enabling us to stay on track to meet our desired metric of 1000 subscribers by the end of the year. Now that we are moving forward with our new LTE equipment vendor we will be bringing our LTE-core online in Q2. This will give the team to ability to rapidly engage groups and hard to reach areas and deliver cost effective connections. The ability to offer high-speed broadband without all the complexity of a fiber-hood build to prospective customers in underserved areas will be very welcome.

For targets in the coming months we have modeled a size of build to density

- Total Amount of Homes in Group
- Total Middle Mile Feet
- Total Last Mile Feet
- A Density Calculation of Total Homes Over Total Middle Mile Feet (smaller numbers means smaller cost of MM per member)
- A Density Calculation of Total Homes Over Total Liddle Mile Feet (smaller numbers means homes are closer to MM)

Here is a view of the pipeline as it sites in rank based on the existing model data:

Fiberhood Pipeline

Island	Group	Total Homes	Interested	Total LM	Total MM	LM Density	MM Density	Total Feet	Total Density	MM Den. Weight	LM Den. Weight	Score
San Juan	Portland Fair Area	86	75	16,108	4,738	187	55	20,846	242	4	2	14
San Juan	White Point	162	84	21,722	12,502	134	77	34,224	211	4	3	12
Orcas	Orcas Highlands	97	88	17,355	14,355	179	148	31,710	327	2	2	12
San Juan	Limestone	99	81	18,252	18,982	184	192	37,234	376	1	2	11
Lopez	South Lopez	87	41	8,768	8,640	101	99	17,408	200	3	3	10
Orcas	Rosario	175	48	10,061	24,926	57	142	34,987	200	2	4	10
Orcas	Spring Point	87	71	13,687	18,470	157	212	32,157	370	1	2	10
Orcas	North Beach	134	0	9,514	14,799	71	110	24,313	181	3	4	7
San Juan	Yacht Haven	141	0	-	16,547	0	117	16,547	117	3	1	4
San Juan	Afterglow	123	0	-	5,506	0	45	5,506	45	1	1	2

A few columns we plan on adding to the model soon are:

- Total Amount of Homes Showing Interest in Group (completed our interest form)
- A Percentage of Total Homes Over Interested Homes
- BB Distance
- FGO (Fiber Group Organizer) Strength
- Group Estimated Income Avg.

Once we gather the rest of this data we will calculate a score for every potential fiber installation, and use that as a guide for prioritizing our pipeline.

Orcas Power and Light Cooperative
Cash Recap
May 31, 2015

	Rate	Term	Due Date	Amount	Total Balance
GENERAL FUNDS:					
Cash on Hand				600	
Cash in Checking - Key Bank				49,832	
Cash in Checking/MMDA/Construction - Islanders Bank				794,226	
Cash in Checking/Savings/Payroll - Wells Fargo				272,372	
Cash in Island Network LLC - Islanders Bank *				435,051	
SUBTOTAL GENERAL FUNDS					1,552,082
CASH RESERVE FUND:					
					0
RESTRICTED FUND:					
CoBank - AIM				151,653	
Washington Federal Savings	0.4000%	395	6/19/15	109,410	
Washington Federal Savings	0.4000%	395	12/29/15	108,323	
Home Street Bank	0.3490%	579	11/28/16	105,445	
SUBTOTAL RESTRICTED FUNDS					474,831
GRAND TOTAL FUND ENDING BALANCE 5/31/15					<u>2,026,913</u>

Project PAL: Islanders Bank				<u>25,175</u>	
MORE Program: Islanders Bank				<u>187,645</u>	
RUS Cushion of Credit **	5.000%			<u>449,736</u>	

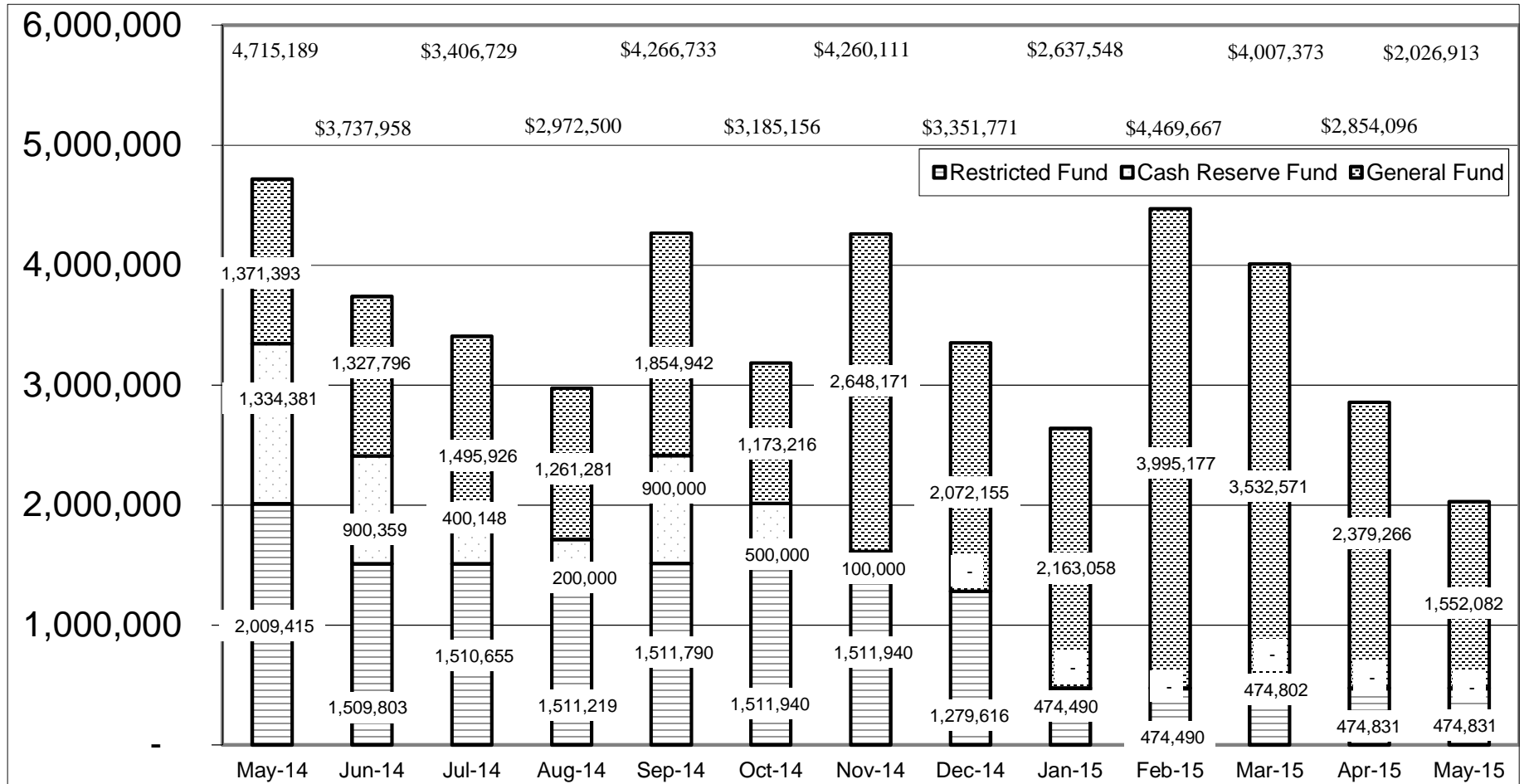
CASH PROJECTION:
June 30, 2015

GENERAL FUNDS:					
Beginning Cash 5/31/15				1,552,082	
Estimated Revenue (based on 95% of billing)				1,713,426	
Estimated Other Revenue				20,000	
RUS Loan Draw on 6/5/15				2,500,000	
Estimated Transfer From Cash Reserve Fund				195,000	
Estimated Transfer From RUS Cushion of Credit				330,000	
Subtotal Cash/Revenue					6,310,509
Estimated Accounts Payable				(1,600,000)	
Estimated Payroll and Benefits				(671,500)	
Estimated CFC and RUS Principal and Interest Payment				(525,000)	
Transfer to Cash Reserve Fund				(1,250,000)	
Power and Transmission Bill (May bill and Dec 2014 additional transmission)				(496,471)	
Subtotal Expenses					(4,542,971)
Projected Ending Balance 6/30/15					1,767,538
CASH RESERVE FUND:					
Beginning Cash 5/31/15				0	
Estimated Transfer To General Fund				(195,000)	
Transfer From General Fund				1,250,000	
Projected Ending Balance 6/30/15					1,055,000
RESTRICTED FUND:					
Beginning Cash 5/31/15				474,831	
Transfer To General Fund				0	
Projected Ending Balance 6/30/15					474,831
PROJECTED GRAND TOTAL FUND ENDING BALANCE 6/30/15					<u>3,297,368</u>
PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 6/30/15					<u>1,270,455</u>
RUS CUSHION OF CREDIT**:					
Beginning Balance 5/31/15				449,736	
Transfer From General Fund				0	
Estimated Transfer To General Fund				(330,000)	
Projected Ending Balance 6/30/15					<u>119,736</u>

* to be transitioned to new entity ledger

** represents advance payments unapplied for RUS long term debt

TOTAL FUND BALANCE

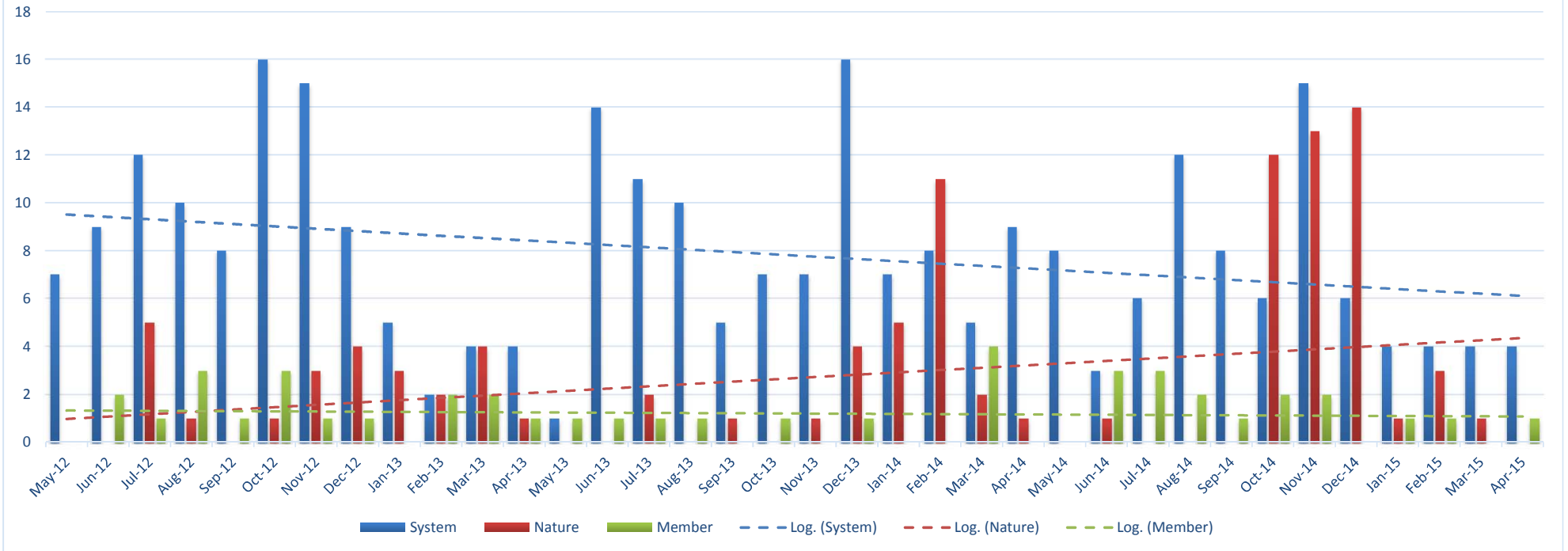


Notes:

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. Loan draw #1 CFC \$3M @ 4.05% (February 2015)

Outage Report: Trending + YTD Summary

Outage Occurrence Trending

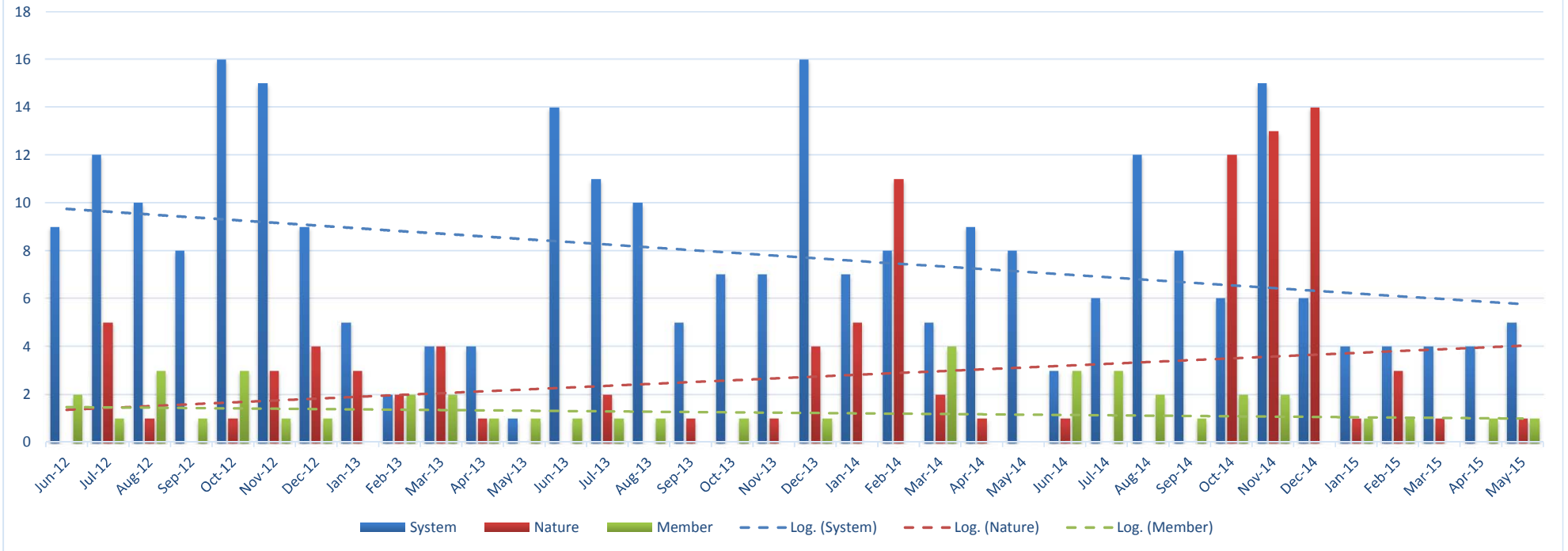


YTD Summary

Category Description	Group Description	April 2015			YTD 2015			YTD 2014		
		Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)
System	Scheduled	1	63	6	1	63	6	0	0	0
System	Faulty Equipment or Installation	2	35	6	5	41	9	6	183	23.5
System	System Issue	0	0	0	1	2	2.5	4	33	8
System	Age or Deterioration (Failed URD)	0	0	0	4	58	16.75	11	285	93.5
System	Right-of-way	0	0	0	2	17	3.75	0	0	0
System	Secondary	0	0	0	1	1	1.5	7	9	17.5
System	Unknown	1	2	8	2	2	8	1	12	0.5
Nature	Weather	0	0	0	3	32	12.5	18	1108	47.5
Nature	Animal	0	0	0	2	6	4	1	10	1
Member	Member/Public	1	1	3.5	3	3	5	4	133	9
Totals		5	101	23.5	24	225	69	52	1773	200.5

Outage Report: Trending + YTD Summary

Outage Occurrence Trending



YTD Summary

Category Description	Group Description	May 2015			YTD 2015			YTD 2014		
		Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)
System	Scheduled	0	0	0	1	63	6	0	0	0
System	Faulty Equipment or Installation	1	1	3	6	42	12	6	183	23.5
System	System Issue	1	1	2	2	3	4.5	4	33	8
System	Age or Deterioration (Failed URD)	2	153	13.5	6	211	30.25	17	1519	110.5
System	Right-of-way	0	0	0	2	17	3.75	1	3	10
System	Secondary	0	0	0	1	1	1.5	7	9	17.5
System	Unknown	1	1	2.5	3	3	10.5	2	36	3.5
Nature	Weather	0	0	0	3	32	12.5	18	1108	47.5
Nature	Animal	1	2	1	3	8	5	1	10	1
Member	Member/Public	1	0	0	4	3	5	4	133	9
Totals		7	158	22	31	383	91	60	3034	230.5

MEMORANDUM

Date: June 10, 2015
To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Safety Program – April & May 2015

Safety Training

Jeff Myers conducted fire safety training in April that included a review of the proper procedures for handling the various fires our personnel may encounter.

In May, the topic was boater safety. This included a review of boating laws, safety practices, and signaling as well as a review of the safety procedures and equipment for OPALCO's boat.

Accidents/Incidents/Near Miss

Date: April 2, 2015
Type: Near Miss
Description: Underground elbow failure resulting in a flash to ground.
Corrective Action: Reviewed incident with the crews. The crews were instructed to be sure all safety gear is used to prevent injuries and to de-energize cables/elbows if there is any suspicion of damage.

	April/May 2015	YTD (2015)
Near Misses	1	1
Incidents	0	0
Accidents	0	1
Loss Time	0	0

Total Hours Worked without Loss Time Accident: 72,539

General Manager's Report June 2015

FINANCE

2015 Q1 Financial Results

Staff will be presenting the 2015 Q1 financial results and analysis for discussion at the June Board meeting.

Cash Position

Staff requested and received a \$2.5M, RUS loan draw on June 5th, at an interest rate of 2.767%, in order to fund the continued OPALCO board approved budgeted capital project requirements.

ENERGY SAVINGS

Rebates/EEI Funding Balance

For the rate period beginning 10/1/13 through 5/31/15, staff has issued rebates totaling \$609,534 with an associated kWh savings of 2,456,968. A summary of rebates by type will be included in the next board packet.

Energy Savings staff continues to process rebates for members but will hold for submission to BPA until the FY16-17 EEI funds are available on October 1. Assuming the same EEI funding levels as the last rate period, \$326,732 remains before self-funding is necessary (likely early 2016). Staff continues to pursue bilateral transfers from other utilities.

OPALCO/Nonprofit Partnership

The following activities were recently completed:

- Energy Fairs on San Juan and Orcas were held on May 30 and June 6, with approximately 400 people in attendance. OPALCO staff distributed 250 LED bulbs to members. Besides energy savings programs, members were eager to discuss a variety of energy topics, including rate design, demand, broadband, and other current OPALCO projects.
- The installation of a 10kW solar array was completed in early June at the Orcas School District and teacher training has been completed. The San Juan, Lopez, and Shaw installations are planned for completion in August.
- The Cool Schools Challenge, a middle school energy efficiency education program, wrapped up as the school year ends. Friday Harbor, Orcas, and Spring Street School students composed energy efficiency educational letters to send home with all students, completed school audits, and made energy plans for home and school. Friday Harbor students created a Vampire Energy display for the Energy Fairs.
- OPALCO staff reported baseline and Q1 2015 energy consumption data for the Georgetown Energy Prize as the pursuit of the grand prize continues. Energy Roundtable and County Leadership team meetings are planned for July to discuss progress and next steps for the County Energy Plan, including details about how the prize money will be used.
- The Conservation District completed the "Years of Living Dangerously" and Carbon Footprint speaker series and presentations/discussion. We would like to thank Vince

Dauciunas for his wonderful presentation on fuel cost/carbon impact tradeoffs. Additional Climate Action Planning public events are planned for June, July, and October.

Low Income Programs

The Project PAL season wrapped up with a final meeting held in April. A total of 220 members received PAL grants totaling \$39,361; of these, 116 members were seniors or disabled. The PAL fund balance at the end of the season is \$25,175.37. This balance currently grows by an average of \$2k/month from member billing roundup with an additional contribution from OPALCO of \$20k for the 2014-2015 heating season and a budgeted \$25k for 2015-2016.

Staff continues to work with CLEAResult to provide data for the Low Income Needs Assessment. A meeting to review and discuss initial data and program options has been scheduled with community stakeholders on July 6. OPALCO staff is also assisting with the Opportunity Council's regional assessment (Prosperity Project) as well as attending the BPA Low Income Roundtable discussion. These findings will provide additional valuable insight for the needs assessment and program design discussion.

Local Low Income weatherization projects are underway with the \$30k funding provided by OPALCO. More details will be provided in a later board packet.

MEMBER SERVICES

Member Services fielded over 100 calls in the past month about billing, rates, and the revenue recovery charge article. Most wanted to know details about the variable component and anticipate more information in June.

ENGINEERING & OPERATIONS

Work In Progress (WIP)

As of 6/10/2015, there are 456 work orders open totaling \$5,475,285. Operations has completed construction on 122 of those work orders, totaling \$1,700,437.

- Cattle Point Road Re-conductor conduit system installation is expected to be complete by October.
- Continuation of our multi-year construction through Moran State Park should commence in July.
- Cattle Point Relocation, a National Park Service project, started in May and the utility portion should be complete in the 4th quarter of this year.

COMMUNICATIONS

Temporary Revenue Adjustment Fee

The Communications team and Member Services have been fielding questions and social media responses to our announcement of the temporary revenue adjustment fee -- to address the shortfall. Member commentary has slowed down, but we expect a resurgence once the Board approves the actual fee amount on June 18th. Once the fee is confirmed, we will include an explanatory breakdown in our member outreach.

This topic in a nutshell:

- Utility revenues are very much tied to temperatures. With record high temperatures, our energy sales have gone down, causing a revenue shortfall.
- Utilities across the nation are experiencing similar issues as temperatures rise and energy usage patterns shift.
- We operate at the cost of service. When costs go up, members must pay more. When costs go down, members pay less.
- OPALCO is cutting expenses – and has been since kWh sales went down last year. There is very little discretionary expense to cut. Most of our expense is directly related to service levels and we are not reducing service levels at this point.
- OPALCO leadership will continue to work on rate structure adjustments in concert with our 2016 budget planning. Member input will be solicited in the process.
- The temporary revenue adjustment fee is calculated with two components: catch up for past shortfall (to date) and a true-up correction for the adjusted revenue forecasted through the end of 2015.

Web Projects

1. **Redesign** - The Communications Team (along with Software Specialist Megan Heinz and Manager of Member Services and Energy Savings Amy Saxe) is working with PixelSpoke on a scheduled redesign/refresh of our website and online presence. Updated navigation, content, interactive tools and a fresh look will be complete by the end of the year.
2. **Member Survey** – A web-based survey is in the design process on the topic of Energy Savings including efficiency, conservation, renewables and partnership. The team is coordinating this effort with consultants EES and ClearResult to help inform the Integrated Resource Evaluation and (Low-Income) Needs Assessment underway. This survey will go out to the whole membership and launch at the County Fair with results in October to help inform our budget process.

Wireless Rollout

The team is developing an outreach plan for letting members know about our deployment of the 700 MHz spectrum. Rock Island Communication's (RIC's) new hire Dan Burke (VP of Sales & Marketing) is an excellent addition to the team and the collaboration is working well. The first layer of deployment is focused on communications and safety for our crews and all first responders. We're working with county EMS, emergency management and other community leaders to get the word out about the critical public safety importance of this project.

PERSONNEL

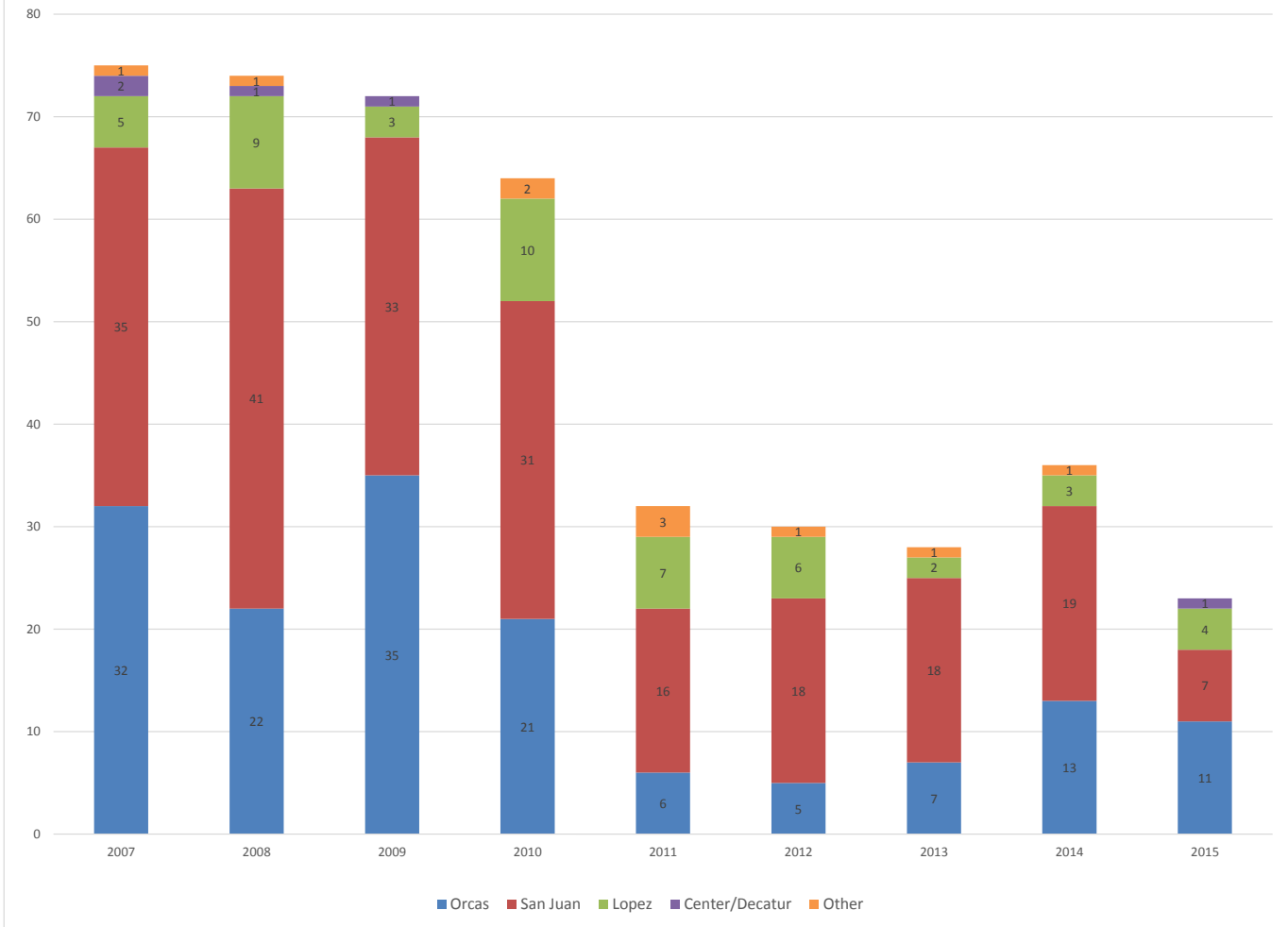
Staff has made an offer of employment to a Head Accountant candidate, Travis Neal, who has accepted the offer and will start on July 20th.

Staff also interviewed candidates for the Special Projects Coordinator position, which will be vacated when James Toole retires on June 30th after five years of service. Staff is in the final stages of the selection process and will most likely extend an offer of employment later this month for the staff replacement.

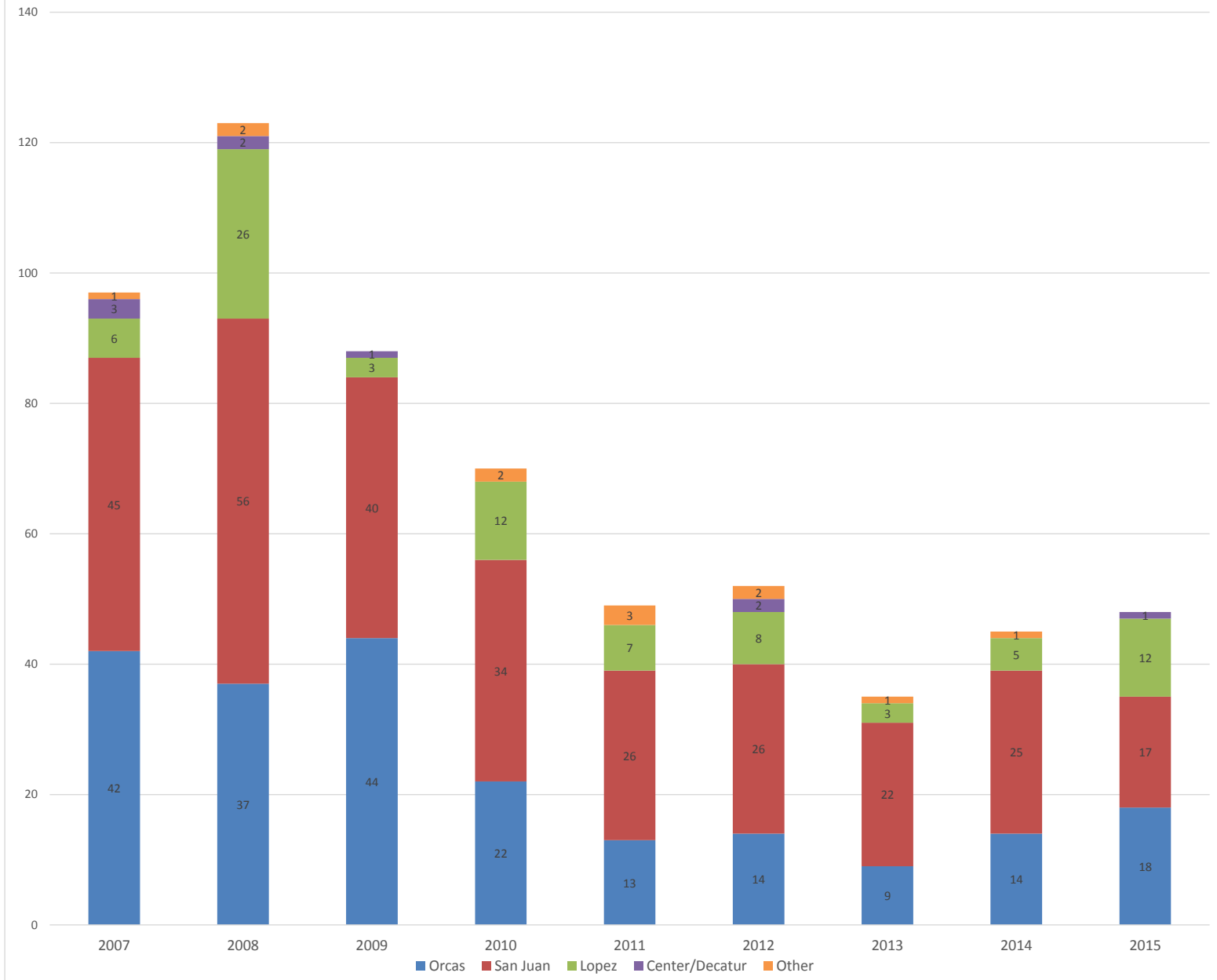
Interviews were completed for the open Member Services Representative position in Friday Harbor. Jeanie Fodor will retire June 30th after sixteen years of service. The goal is to have a new staff person starting in early July.

INFORMATION ITEMS

New Services History- April 2015 YTD



New Service History- May 2015 YTD



OPALCO
 Historical MORE Revenue
 (All Green kWh and MORE Blocks)
 For Years 2013 - 2015 YTD

Month	2013 YTD							2014 YTD							2015 YTD									
	All Green			MORE Blocks				Total Revenue	All Green			MORE Blocks				Total Revenue	All Green			MORE Blocks				Total Revenue
	#	kWh	Revenue	#	#	Block	Revenue		#	kWh	Revenue	#	#	Block	Revenue		#	kWh	Revenue	#	#	Block	Revenue	
	Members	kWh	Revenue	Members	Blocks	Revenue	Revenue	Members	kWh	Revenue	Members	Blocks	Revenue	Revenue	Members	kWh	Revenue	Members	Blocks	Revenue	Revenue			
		\$ 0.04			\$ 4			\$ 0.04			\$ 4				\$ 0.04			\$ 4						
Jan	43	54,479	2,179	433	921	3,684	5,863	44	41,878	1,675	411	871	3,484	5,159	42	38,625	1,545	408	853	3,412	4,957			
Feb	43	50,927	2,037	432	918	3,672	5,709	44	47,227	1,889	410	870	3,480	5,369	42	29,125	1,165	406	842	3,368	4,533			
Mar	42	42,787	1,711	429	915	3,660	5,371	44	35,590	1,424	408	866	3,464	4,888	42	28,200	1,128	406	842	3,368	4,496			
Apr	42	31,063	1,243	427	904	3,616	4,859	44	30,702	1,228	408	865	3,460	4,688	43	25,769	1,031	402	840	3,360	4,391			
May	41	21,699	868	426	897	3,588	4,456	44	26,412	1,056	408	858	3,432	4,488	42	18,992	760	400	833	3,332	4,092			
Jun	41	20,336	813	426	897	3,588	4,401	45	17,020	681	418	870	3,480	4,161	-	-	-	-	-	-	-			
Jul	43	17,756	710	425	895	3,580	4,290	44	19,421	777	416	865	3,460	4,237	-	-	-	-	-	-	-			
Aug	42	18,716	749	421	893	3,572	4,321	44	16,540	662	415	864	3,456	4,118	-	-	-	-	-	-	-			
Sep	42	18,786	751	418	890	3,560	4,311	44	16,477	659	414	860	3,440	4,099	-	-	-	-	-	-	-			
Oct	43	23,882	955	415	887	3,548	4,503	45	17,566	703	413	860	3,440	4,143	-	-	-	-	-	-	-			
Nov	44	31,535	1,261	414	881	3,524	4,785	44	27,414	1,097	410	860	3,440	4,537	-	-	-	-	-	-	-			
Dec	44	47,347	1,894	412	879	3,516	5,410	42	36,929	1,477	409	855	3,420	4,897	-	-	-	-	-	-	-			
Total	43	379,313	\$15,173	423	10,777	\$43,108	\$ 58,281	44	333,176	\$ 13,327	412	10,364	\$ 41,456	\$ 54,783	42	140,711	\$ 5,628	404	4,210	\$ 16,840	\$ 22,468			

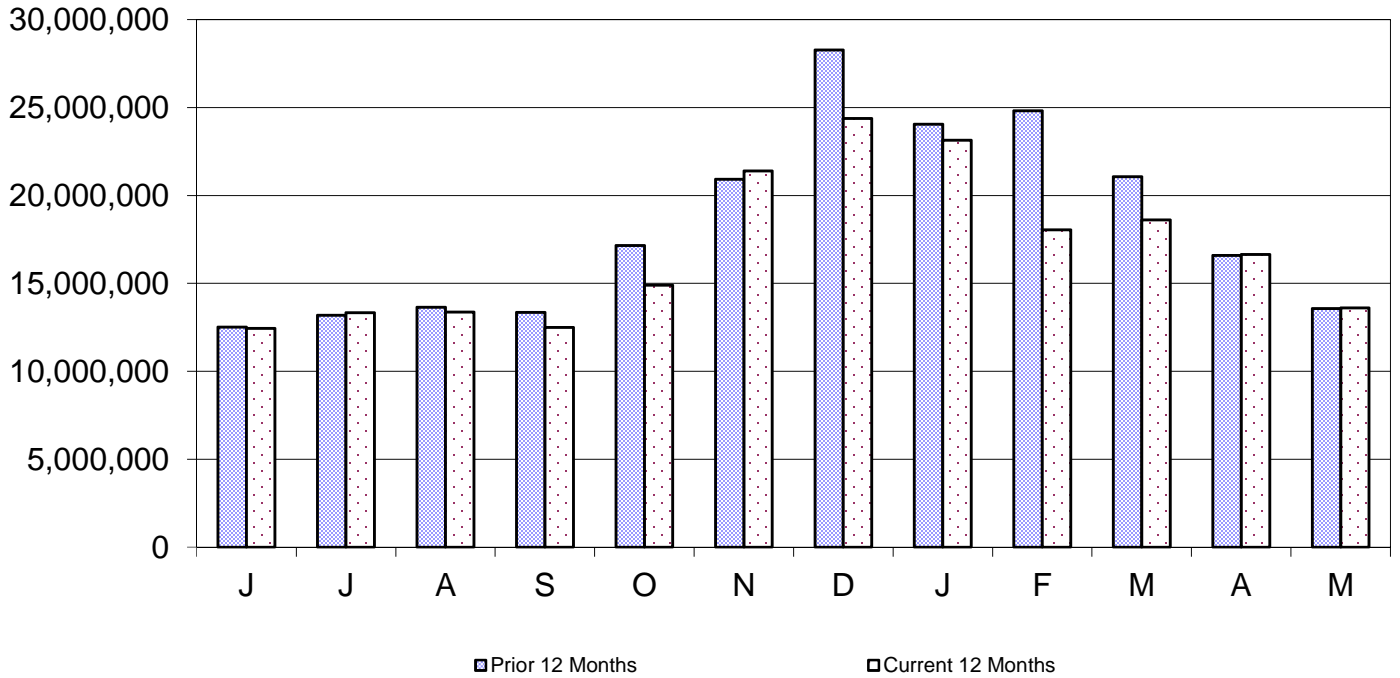
Notes:

2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.
 Average kWh per month usage for All Green members is 667 kWh (below average for residential).
 Beginning June 2011, report reflects combined data for the former Green Power program and MORE.
 Beginning September 2012, half of the members were transitioned to a mid-month billing cycle; these members were billed for 15 days of consumption, a prorated basic charge, and prorated MORE blocks on 9/14/12.

BPA Consumption Summary

Through
May 2015

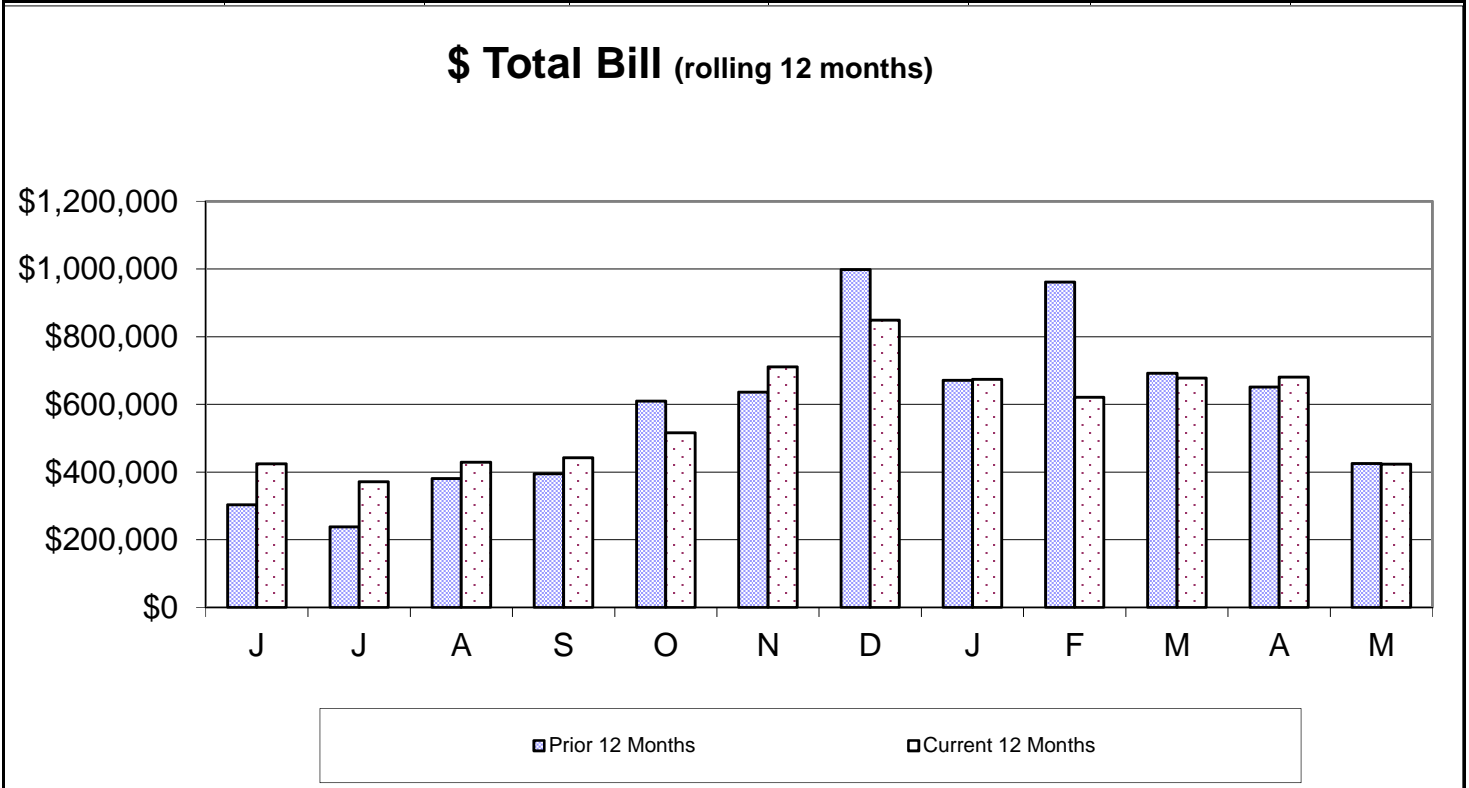
kWh Purchased - Load Variance (rolling 12 months)



A.	B.	C.	D.	E.	
Prior 12 Months	Prior 12 Months	Current 12 Months	Current 12 Months	Difference (D-B)	
				% Change (D to B)	
Jun-13	12,503,372	Jun-14	12,439,266	(64,106)	-1%
Jul-13	13,179,669	Jul-14	13,334,282	154,613	1%
Aug-13	13,635,840	Aug-14	13,371,257	(264,583)	-2%
Sep-13	13,342,354	Sep-14	12,487,726	(854,628)	-6%
Oct-13	17,149,832	Oct-14	14,894,686	(2,255,146)	-13%
Nov-13	20,925,364	Nov-14	21,386,705	461,341	2%
Dec-13	28,277,954	Dec-14	24,368,500	(3,909,454)	-14%
Jan-14	24,042,632	Jan-15	23,133,873	(908,759)	-4%
Feb-14	24,808,824	Feb-15	18,044,632	(6,764,192)	-27%
Mar-14	21,068,301	Mar-15	18,602,560	(2,465,741)	-12%
Apr-14	16,580,487	Apr-15	16,641,545	61,058	0%
May-14	13,567,275	May-15	13,605,075	37,800	0%
	219,081,904		202,310,107	(16,771,797)	-8%

BPA Consumption Summary

Through
May 2015



A.	B.	C.	D.	E.	F.	G.	H.
Prior 12 Months	Prior 12 Months	\$ per kWh	Current 12 Months	Current 12 Months	\$ per kWh	Difference (E-B)	% Change (F to C)
Jun-13	\$303,730	\$0.0243	Jun-14	\$424,286	\$0.0341	\$120,556	40%
Jul-13	\$238,152	\$0.0181	Jul-14	\$371,553	\$0.0279	\$133,401	54%
Aug-13	\$380,699	\$0.0279	Aug-14	\$429,270	\$0.0321	\$48,571	15%
Sep-13	\$395,230	\$0.0296	Sep-14	\$441,858	\$0.0354	\$46,628	19%
Oct-13	\$610,063	\$0.0356	Oct-14	\$516,082	\$0.0346	-\$93,981	-3%
Nov-13	\$635,770	\$0.0304	Nov-14	\$711,250	\$0.0333	\$75,480	9%
Dec-13	\$998,086	\$0.0353	Dec-14	\$849,021	\$0.0348	-\$149,065	-1%
Jan-14	\$670,805	\$0.0279	Jan-15	\$674,029	\$0.0291	\$3,224	4%
Feb-14	\$961,210	\$0.0387	Feb-15	\$621,237	\$0.0344	-\$339,973	-11%
Mar-14	\$691,864	\$0.0328	Mar-15	\$677,563	\$0.0364	-\$14,301	11%
Apr-14	\$651,601	\$0.0393	Apr-15	\$680,582	\$0.0409	\$28,981	4%
May-14	\$425,316	\$0.0313	May-15	\$423,512	\$0.0311	-\$1,804	-1%
	\$6,962,526			\$6,820,243		Total Annual Percent Change	-2.0%
Prior Total Rolling 12 Months (2013/14)			Current Rolling 12 Months (2014/15)			Total Difference	
Annual kWh Purchase	219,081,904			202,310,107		-\$16,771,797	-7.66%
Annual Total Bill \$	6,962,526			6,820,243		-\$142,283	-2.04%
Annual \$ per kWh	\$0.0318			\$0.0337		\$0.0019	6.08%



Health & Community Services
San Juan County

P. O. Box 607 - 145 Rhone, Friday Harbor, WA 98250
Phone: (360) 378-4474 Fax: (360) 378-7036

MEMORANDUM

Date: May 26, 2015
To: County Council
Through: Mike Thomas, County Manager
From: Housing Bank Commission (HBC)
Subject: OPALCO rate increases
For Meeting of:

Issue:

The HBC wishes to make a recommendation to the County Council regarding OPALCO rate increases as they will affect low income home owners and renters. At their May 20th regularly scheduled meeting, the HBC voted unanimously to make the following recommendation to the Council.

Recommendation:

The SJC Housing Bank recommends that the SJC Council ask OPALCO to prioritize a rate structure review. We ask the Council to ask OPALCO to take into consideration affordable access to electricity for fixed- and low-income populations as well as small businesses, and the overall adverse impacts such rate increases will have on the local economy.

Policy Decisions:

The HBC is an advisory body to the County Council. Recommendations from the HBC are forwarded to the Council for consideration. One purpose of the HBC is: "To achieve the County's objectives, the County shall solicit the cooperation of state and federal agencies, other local governments, for-profit builders and developers, nonprofit organizations, nonprofit organizations providing affordable housing or housing-related services in the County, and similar agencies and organizations." (*San Juan County Code, Chapter 2.27.020 Section D.*) The HBC believes that access to affordable electricity is vital for affordable housing.

Background:

At its January 2015 board meeting, the OPALCO board adopted a new rate structure. As a result, the base rate for residential members increases from \$28.60 in 2014 to \$38.90/month in 2015, and climbing upwards to \$77.70/month in 2019. Small commercial members will experience an increase in the base rate from \$40.40/month in 2014 to \$59.90/month in 2015 and 105.20/month in 2019. In addition to the base rate, members pay per kWh charges, depending on usage.

In light of the approved rate increases, we have the following concerns.

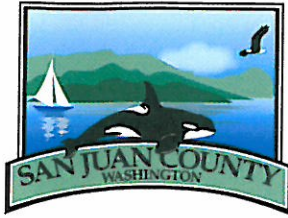
- 1) About 30% of SJC residents are over 65 years old, and on fixed incomes. About 11% of SJC residents are at or below poverty level. The approved 171.2% increase in the base rate will adversely affect this segment of population and their ability to access basic electricity services.
- 2) The Project PAL program is inadequate to ameliorate the anticipated bill impacts. In 2014, even before the most recent rate increases, the program was able to provide assistance of approximately \$150/recipient/year to 279 members, roughly a quarter of the qualified low-income households. If the 30% of the SJC residents or about 3,600 households who are on fixed-income or in a financially vulnerable position were to be insulated from the impacts of the base rate increases, Project PAL would need to grow its fund from \$42,000/year in 2014 to over \$2 million/year in 2019, just to make these people not worse off than they were in 2014. Recognizing the inadequacy of the PAL fund, OPALCO has allocated \$25,000 from its operations to Project PAL for 2015, but this falls far short of the amount required.
- 3) The rate increases are of no small impact to small commercial members, either, particularly those with small businesses and organizations that have limited means to handle escalating costs. While large commercial members will see on average a total bill increase of less than 12%, the average bill increase for small commercial members will be 63% in 2019. Such high bill increases will affect financial viability of vulnerable small businesses and thus the overall SJC economy.

Recommended Action:

To address the concerns, the SJC Housing Bank recommends that the SJC Council ask OPALCO to prioritize a rate structure review in order to prevent these rapid rate increases. We ask the Council to ask OPALCO to take into consideration affordable access to electricity for fixed- and low-income population as well as small businesses, and the overall adverse impacts such rate increases will have on the local economy.

Prepared on behalf of the HBC by: Melanie E. Rollins
Melanie Rollins, Affordable Housing Coordinator

cc: Housing Bank Commission, Nancy DeVaux, chair *Nancy DeVaux*
Mark Tompkins, Director Health & Community Services



San Juan County Council

350 Court Street No. 1
Friday Harbor, WA
98250
(360) 378 - 2898

District 1, Bob Jarman
District 2, Rick Hughes
District 3, Jamie Stephens

June 2, 2015

Foster Hildreth, General Manager
Orcas Power & Light Cooperative
183 Mt. Baker Road
Eastsound, WA 98245

Dear Mr. Hildreth:

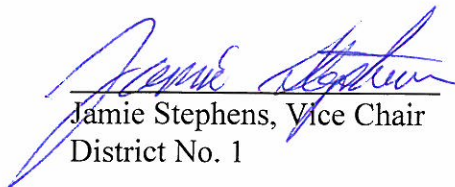
The San Juan County Housing Bank is charged with providing leadership, support and funding for the development of quality affordable housing for very low, low and middle incomes in San Juan County. The Housing Bank is, consequently, aware of the many factors that affect the affordability of ownership or rental housing including the cost of and access to electricity.

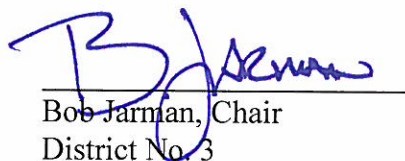
It is our understanding OPALCO will soon embark on a Needs Assessment that will among other things analyze the needs of the County's low and fixed income households, and that data gathered will be used in the rate structure discussion for the 2016 budget. We applaud this effort and ask that you include Melanie Rollins, the County's Affordable Housing Coordinator, in whatever process that is established for the Needs Assessment. Ms. Rollins expertise and experience in housing will be an asset to the process.

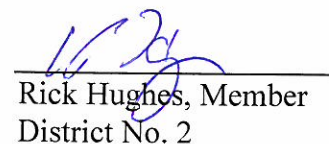
The Council appreciates OPALCO's consideration and incorporation of the needs of those who are financially challenged in securing and maintaining access to electricity.

Best regards,

COUNTY COUNCIL
SAN JUAN COUNTY, WASHINGTON


Jamie Stephens, Vice Chair
District No. 1


Bob Jarman, Chair
District No. 3


Rick Hughes, Member
District No. 2

ORCAS POWER & LIGHT COOPERATIVE
Policy 16 *Information Requests*
Member Information Request Form

Member Name _____

Address _____

Telephone Number _____ Member Number _____

Requesting on behalf of myself and the following other members:

Name	Address	Telephone #	Member #
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The specific information I am requesting is:

The specific purpose of the request is:

The specific use to which I intend to put the requested information is:

I request a cost estimate for the copying charges before any costs are incurred. I understand that I am responsible for the costs of copying any documents that are provided and the cost of copying documents will include appropriate staff time for locating and copying the documents.

I hereby state that the foregoing information is complete and correct. ~~and~~ I covenant that I shall not give the requested information to anyone other than the member(s) named herein or allow the

requested information to be used in any way or for any purpose other than as set forth above. **I understand that any information received is for OPALCO members only.**

~~I further state and acknowledge that, if the conditions for release of this information are violated, monetary damages will be inadequate, extraordinary relief is required, the Cooperative shall be entitled to, and I hereby consent to, the entry against me of a temporary and permanent injunction, without bond, to restrain me or any agents acting on my behalf from disclosing in whole or in part such information or from providing services to any party to whom such information has been disclosed or may be disclosed. In addition to the foregoing remedy, the Cooperative shall be free to pursue any and all further remedies available against me and any third party, including, but not limited to, claims and for losses and damages.~~

Printed Name _____

Signature _____

Date _____

For office use only

_____ Approved

_____ Denied

Comments _____

Foster Hildreth, General Manager

Date

ORCAS POWER & LIGHT COOPERATIVE
Policy 16 *Information Requests*
Member Information Request
Appeal to Board of Directors Form

Member Name _____

Attached is a copy of the Information Request Form showing the General Manager's denial to my Member Information Request.

I hereby request that the OPALCO Board of Directors review my request and override the General Manager's denial of my request. I further agree to abide by Member Service Policy 16 *Information Requests* if my request is approved.

Member Signature _____

Date _____

Decision of the Board of Directors is final.

_____ Approved

_____ Denied

Comments _____

Jerry Whitfield, Secretary/Treasurer

Date

R. Bruce King
Post Office Box 183
Orcas, Washington 98280-0183

25 April 2015

Orcas Power & Light Cooperative
183 Mt. Baker Road
Eastsound, Washington 98245-9413

Re: Account 6630700

Dear OPALCO:

This letter is to formally end my participation in your Project PAL program.

I do this solely as a protest to your increasing the electric users Facility Charge by \$3 per month to pay for your Broadband program. OPALCO has a basic monopoly on electricity in San Juan County, to force the users of your monopoly to pay for a non-electrical service to continue receiving the original service of which they signed up for, is quite frankly, immoral to me.

I fully realize that my opting out of Project PAL hurts only the poor in this County, but in light of OPALCO's board of director's hand picking like-minded people to run for the board, the membership has little chance of changing things through the ballot box.

Sincerely,

A handwritten signature in black ink that reads "Bruce" with a long horizontal flourish extending to the right.

R. Bruce King
Account: 6630700

May 23, 2015

Subject: OPALCO contact mail from Tom Eagan

OPALCO website information request

Recipient: Foster Hildreth, General Manager

Name: Tom Eagan

Comment: I would like to add my name to the growing list of members (30 years here) who are vehemently opposed to the proposed rate restructuring that the OPALCO board has put forward. This egregiously regressive approach will be a major hardship for low-income families, seniors, and is in direct opposition to the stated goals of energy conservation and local green energy production.

Rewarding high usage and punishing low usage is bad enough, but a fixed 'facility' charge upwards of \$70 per month is unconscionable.

Thank you.

June 3, 2015

Member Services telephone conversation with Harold Smith who lives on Shaw Island:

He is 70 years old and really wanted to suggest a special senior rate. He is on a fixed income and thinks a special rate for seniors would be very helpful.

His usage is very low, average 150 kWh monthly. He also has a pump on the same meter and inquired if he could switch to the pump rate as it would save him \$4.00 a month. He cannot as his residence is on the meter as well.

It was suggested he write a letter but he does not use a computer.
He does not want to apply for PAL.

Foster Hildreth GM
OPALCO
183 Mt. Baker Rd.
Eastsound, WA 98245

June 4, 2015

RE: OPALCO Surcharge

Dear Mr. Foster,

I am writing to voice my **major displeasure** at the surcharge to be added to my monthly OPALCO bill. I don't care rather it is 1 cent or the possible \$17.50 for 1000 kilowatts that may vary monthly, per the article in the Journal newspaper today. I was upset with the huge increase of the monthly base rate going up of \$10.30 and now this!!!! It was presented to us the reason for this base increase was due to the 'shortfall analysis' of money needed for repairs, etc. Now you are using the same reasoning for the monthly surcharge. I just plain do not buy it and I think most of us here in the islands do not either.

I protest and ask that there be NO surcharge implemented.

You and the board of OPALCO have us average working San Juan County citizens at your mercy with this electric company being the only one to choose from, unless we are set up with solar energy panels or live in a tent or our car. I think all of this is very interesting timing after acquisition of Rock Island Internet and totally unfair to us, if that even matters.

Why should we have to pay for this purchase & broadband services (no matter how your words cover it up) or Mother Nature in having a warmer winter needing less electricity to keep us warm. I for one have already made an effort to use less electricity because of this \$10.30 increase and now with this surcharge I will be even more astute. Be assured, I will use a little as I possibly can. I only used 333 kilowatt hours last month, but will be using less and less, even if I go cold in the winter. After living here on San Juan Island going on 38 years, this just might be the final straw in leaving the island.....because of you and the board of OPALCO!!!



Carole Sue Conran
PO Box 482
Friday Harbor, WA 98250

From: Chuenchom Sangarasri Greacen
Sent: Friday, June 05, 2015 12:17 PM
To: Jim & Shanley Lett; Jerry Whitfield; Director - Winnie Adams; Randy Cornelius; Bob Myhr; Vince Dauciunas; Glenna Hall
Cc: Foster Hildreth
Subject: Concerns about cost deliberation and suggestions about the cost recovery surcharge

Dear OPALCO Board of Directors,

Having attended the last board meeting (special meeting on May 28), I am writing to express concerns about the lack of discussion around the issues of spending and expenditure during the meeting. Specifically, I have the following concerns/questions:

1. If the board did not discuss expenses during the board meetings, how and when does the board exercise its fiduciary duty to set the budget and monitor the expenses? Before the OPALCO board and management decide on how to collect more more money from members-owners to address a "revenue shortfall," can the board provide some evidence-based assurances that the board has done its deliberation on cost monitoring? What are the actual expenditures compared to the 2015 budget so far? I understand that the management has implemented some cost-cutting measures. What are these and how much has been saved compared to the budget?
2. If the board has done such cost-monitoring deliberation, why was the process not open to the public and info not presented and shared before or during the May 28 meeting while the subject of revenue shortfalls was discussed?
3. If the board has not done such deliberation, when does it plan to do so?

Given the growing concerns about the rising rates and costs, I sincerely hope we members-owners will get some answers to the above questions from the board/management.

I was however intrigued by OPALCO PR person Theresa Haynie's statement on Orcas Issues ([seehttp://orcasisues.com/guest-opinion-revenue-shortfalls-in-opalcos-rural-cooperative](http://orcasisues.com/guest-opinion-revenue-shortfalls-in-opalcos-rural-cooperative)) that "The revenue shortfall does not come from expenses of any kind." Is it correct to assume that her statement represents OPALCO's official position on the issue? To remove doubts about higher-than-budgeted costs causing the need to raise the rates, I propose the following:

1. the calculation of "revenue shortfall" should be based on the original revenue target as per the approved 2015 budget, adjusted for kWh shortfalls only.

According to the May 28 board packet, the kWh shortfall was 4,443,958 kWh. Using OPALCO's "total revenue per kWh sales" estimate of average 11 cents/kWh (from the presentation shown at the same board meeting), the revenue shortfall from warming temperatures should be \$489,000, not \$600,000. This is 18.5% below OPALCO's calculated figure of "revenue shortfall". So what explains the 18.5% extra cost/revenue shortfall?

If Theresa's claim that "the revenue shortfall does not come from expenses of any kind" is true, calculating the revenue shortfall based on the kWh shortfall alone should be sufficient to meet

the revenue target and TIER ratio.

2. If Theresa's statement above is incorrect and there is indeed a need to raise rates because of higher expenses than planned, it is inaccurate and misleading to use the phrase "revenue shortfall". For this portion of costs to be recovered, I believe we need at least two board meetings to go over the numbers before approving and passing through such costs onto members-owners. To quietly insert such costs into the "revenue shortfall" surcharge formula is equivalent to the board giving up its fiduciary power to monitor the cost and budget. This is not the board's intention, is it?

I understand OPALCO is in a difficult financial situation right now. But please do not give up transparency, honesty and trust in its haste to solve the financial trouble. OPALCO is on a long road to rate increases, it is important to not mis-step and build trust and understanding with its members-owners.

Thank you for your consideration.

Sincerely,
Chom Greacen, OPALCO member, Lopez Island

June 5, 2015

Jim Lett
President of the Board
OPALCO
183 Mt. Baker Rd.
Eastsound, WA 98245

Dear Mr. Lett:

I have been a member of OPALCO since 1988. For most of that time I have been impressed with the cooperative's performance as a provider of electricity, its openness and responsiveness to its members, its sensitivity to expenses and costs and its sound financial management.

Except for its record of providing reliable electric service, all of that has changed in the past three or four years. It has gotten to the point that the cooperative has violated its RUS loan covenant and now is driven not by good management but by its lender. For this to happen is evidence of the board's failure in its core fiduciary responsibilities to its members.

Not only that, the board and management have made millions of dollars of investments in an effort to enter the broadband/telecom business, yet insisted that these investments are both necessary to the electric-grid infrastructure and is charging those costs to its electric customers as a legitimate "cost of service." That is fundamentally dishonest and below any standard of board conduct.

The board and management have put OPALCO -- actually, us members -- in a financial pickle that the board seems to view simply as a "revenue shortfall" issue. It clearly is much more than a failure of revenue to meet forecast. Absent the rapid and substantial growth of debt and operating expenses, the TIER would not have been violated even with winter's one-off warmth. (That management has not provided the board as of this date with a first-quarter financial statement, and that the board seems to accept that, astonishes me.)

I believe it is imperative to the financial well-being of the cooperative as well as to the membership's trust in the board and management that it take the following steps before addressing the "revenue shortfall" at its next meeting.

1. The board needs to acknowledge that virtually all of the investments in the "electric-grid" infrastructure have been for broadband rather than necessary to maintaining a high level of electric service.

2. Immediately suspend all capital and operational spending on broadband/telecom. Submit no more work orders for related RUS funding. Reduce or eliminate all sales and marketing staff. Show the membership that expenses are being paused, if not shelved.
3. Institute a short-term surcharge to solve the short-term TIER problem. Show the members how much needs to be raised, in what amount of time and have a sunset provision attached to the surcharge.
4. Hire an independent organization to create spending and revenue plan for the next three years that fully anticipates the borrowing for replacing the submarine cable, that assesses the viability of the broadband business plan and identifies the management and board failures that have put the cooperative in this position.

Taking these steps will help put the cooperative back on a solid relationship with its members and provide the board with better information that it has been getting from management.

Sincerely,

A handwritten signature in black ink, appearing to read "Alex MacLeod". The signature is fluid and cursive, with a large initial "A" and "M".

Alex MacLeod
Shaw Island

with attachment

Despite its claims to the contrary, OPALCO doesn't have a revenue problem. It has a debt and spending problem.

The problem has gotten so bad that it has violated a financial requirement of its lender. Unless it significantly cuts spending, and does it right now, it will have no choice but to raise our electric rates beginning July 1, and as often as monthly well into the future.

What makes this an especially bitter pill for many members to swallow is this financial problem has much less to do with OPALCO's historic, core mission, which is to supply its members with electricity than it does its debt and spending. It is, again despite the OPALCO board's and management's stubborn insistence to the contrary, almost entirely the result of its effort to become an Internet and telecom business.

The evidence defies the straight-faced denials of management and the board.

By 2009, OPALCO had modernized its electric-grid infrastructure to (among many other things) read our meters automatically and give us the ability to check our electricity use hourly. Its long-term debt stood at \$11.2 million, more than \$2.5 million less than it had been when it started the project. Its annual operating expenses stood at \$13.3 million.

It wasn't long after that the board decided to explore a way to provide county residents and businesses with high-speed broadband service. Its initial plan, which included a monthly fee to be charged to all electric customers, was roundly rejected by the membership. Rather than backing off or looking for other ways to solve broadband desires, the board very quietly decided on another course: call the investments necessary improvements to the electric-grid backbone, ones that would almost immediately produce operating savings, even though management at the time told the board no more than 5% of the investment would actually benefit the electric operations.

The board then went on to buy Vulcan's wireless spectrum in the county and later buy Rock Island and lend it \$7.5 million over the next three years, much of which is to fund \$1,500 loans to incentivize connections.

When it finally went public with its Internet business plan last October, it said it would break even by 2017 and then return a 30% profit by 2020. (So far its forecast for connections is way behind its plan.) It also said the total cost to the each electric customer would be \$72 spread over the following two years. Really.

By the end of last year, management had told the board that it needed to increase the base "facilities charge" to each customer by 36% and raise rates overall by 12%. This was after having raised rates by 6% each of the two previous years, planning to raise rates another 6% a year through 2019 and nearly doubling the higher "facilities charge" by 2019. And this was before today's "revenue shortfall crisis."

So, what has happened since 2009?

OPALCO's debt has more than doubled, to \$25 million, including an increase of \$7.5 million last year. Its operating expenses have increased by nearly 30% (despite the pledge that the "electric-grid" investments would produce operating savings). Annual interest on the debt has increased 85% to \$1 million. (And OPALCO has yet to begin serious borrowing -- \$15-17 million -- to replace the underwater cable between Lopez and San Juan islands.)

General Manager Foster Hildreth told the board last week that it was a "revenue shortfall" caused by a warmer-than-normal winter and less than forecasted energy use that led to this crisis and the need for the board to add a surcharge on our bills in July. But the fact is that the electric revenues for this past winter were actually about *\$500,000 greater than the average revenue for the same winter months from 2009 through 2013*. And even if they are below OPALCO's faulty forecast and not keeping up with the cost of electricity OPALCO buys, this, alone, did not trigger this financial crisis. It was just the last straw.

So, just to be clear, the problem is not the "revenue shortfall." It is spending. The doubling of debt can only be explained by broadband. Most of the operating expense increases can also be tied to broadband and its interest payments. The debt and spending is directly responsible for OPALCO violating the terms of its loan agreements, as Alex Conrad of Orcas demonstrated in a recent post (<http://orcasissues.com/guest-opinion-revenue-shortfalls-in-opalcos-rural-cooperative#comments>).

I believe it is way past time for the OPALCO board and management to be honest with the membership about the true reasons for all this debt and spending and that one warmer-than-usual winter isn't the root cause of OPALCO's financial crisis. It also needs to provide the membership -- as well as its lender -- a "corrective action plan" that is something other than the blank check it seems intent on writing, and that we will pay.

A NOTE TO READERS: *The numbers I have used for debt, interest on debt and operating expenses are certified reports OPALCO is required to submit annually to its lender (called RUS Form 7s), and from its 2015 budget. I've had to estimate the electric revenues for this January, February and March from a line graph Foster presented to the board last week. He refused my request for the actual numbers used to create the graph.*