



**BOARD OF DIRECTORS  
REGULAR MEETING  
Thursday, January 21, 2016 8:15 a.m.  
Lopez Fire Hall**

**TRAVEL**



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

**From:**

Leave Friday Harbor 7:30 a.m.  
Eastsound 7:45 a.m.

Arrive Lopez 8:00 a.m.

**Return:**

Leave Lopez 3:00 p.m.

Arrive Eastsound 3:15 p.m.  
Friday Harbor 3:30 p.m.



***Via Ferry:***

**From:**

Leave Friday Harbor 5:55 a.m.  
Orcas 7:00 a.m.  
Shaw 7:15 a.m.

Arrive Lopez 6:40 a.m.

Arrive Lopez 7:45 a.m.

**Return:**

Leave Lopez 3:35 p.m.

Arrive Shaw 3:55 p.m.  
Orcas 4:15 p.m.  
Friday Harbor 4:55 p.m.

**Orcas Power & Light Cooperative**  
**Board of Directors**  
**Regular Board Meeting**  
Lopez Island Fire Hall  
376-3549  
**January 21, 2016      8:15 a.m.**

**PAGES**

**WELCOME GUESTS/MEMBERS**

- Member Comment Period
- MORE Committee

**ACTION ITEMS**

- 3-6**      ○ Approval of December 17, 2015 Minutes
- 7**      ○ Approval of Nominating Committee Serial Email Communication
- 8**      ○ New Members
- 9**      ○ Capital Credits
- 10-15**      ○ RUS 219s
- 16**      ○ Election of Vice President
- 17-19**      ○ Policy 29 *Rate Design*
- 20-24**      ○ Resolution – CRC CFC Guaranty

**DISCUSSION ITEMS**

- 25-49**      ○ SJI Conservation District
- 50-56**      ○ MORE Program
- 57-70**      ○ Energy Assistance Credit
- 71-72**      ○ Tariff J – Joint Use of Poles

**REPORTS**

- 73**      ○ Safety
- 74-75**      ○ General Manager
- 76-79**      ○ Rock Island Communications

**INFORMATION ITEMS**

- 80-86**      ○ Dashboard Charts
- 87**      ○ 2015 Member Survey Summary
- 88-90**      ○ NW River Partners
- 91-95**      ○ WRECA 2016 Legislative Objectives
- 96-99**      ○ Member Correspondence

**ADJOURNMENT**

## MINUTES OF THE BOARD OF DIRECTORS MEETING

### ORCAS POWER & LIGHT COOPERATIVE

Thursday, December 17, 2015

Vice-President Bob Myhr chaired the meeting due to President Lett's absence in the room due to illness. Myhr called the meeting to order at 8:30 a.m. at the Eastsound OPALCO office. Board Members present were Winnie Adams, Randy Cornelius, Vince Dauciunas and Jerry Whitfield. President Jim Lett and Mark Madsen attended via telephone. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Assistant Manager of Member Services Jon Blomgren and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Executive Vice President Gerry Lawlor, Accountant Chad Bailey and Vice President of Marketing and Communications Dan Burke. Also present was consultant Jay Kimball.

Bob Myhr thanked the OPALCO crew, staff and everyone involved in the recent outage on Shaw Island. This is Myhr's last meeting as a director; his resignation becomes effective December 31, 2015 when he moves out of the area. He stated that it has been an honor and a privilege to represent the members for the past nearly thirty years. He noted that he is looking forward to the future but leaves with *saudade* – a Brazilian word meaning melancholy, sadness.

#### **Nourdine Jensen Youth Scholarship**

The 2015 recipients, Ray Doss, (Orcas Island High School), Seda Guckian (Spring Street International School), Michaëlla Ibambasi (Spring Street International School), Anthony Kaskurs (Orcas Island High School) and Robby Miller (Spring Street International School) reported their experiences at the Idaho Consumer-Owned Utilities (ICUA) Youth Rally and thanked the Board for their sponsorship. Each of the five recipients received an OPALCO \$500 scholarship and an additional awards from the Youth Rally.

#### **Member/Guests**

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

Lopez: Lauren Stephens, Dwight Lewis, Steve Ludwig

Orcas: John Fleischer, Tony Ghazel

Comments from members included concern over OPALCO's long-term debt, Rock Island Communications expenditures and the recent survey.

#### **Integrated Resource Plan (IRP)**

Hildreth presented an overview of the IRP to date. Now that the IRP has been developed and reviewed, there will be a member feedback period until July 2016. The final plan will be included in the Long-Range Plan that will begin development after July 2016.

Other than BPA, which will continue to be an essential piece of our future as our connection to the mainland, energy efficiency will be the main resource (see Northwest Power Council's Seventh Northwest Power Plan), followed by cost-effective renewable resources. OPALCO's contract with BPA ends in 2028; there is no guaranty OPALCO will be a preferred customer of BPA as we are now and we may have to obtain resources outside of BPA -- and outside the county -- to serve our members. Integrating any renewable resource obtained will require a healthy grid system.

After a lengthy discussion, it was noted that the IRP prepared by EES Consulting is an excellent document that sets the tone for the future.

#### **PNGC Power**

One component of the IRP is joining another group(s) on the mainland to manage OPALCO's resources. BPA may not include that piece after 2028. The power industry is changing dramatically, increasing the need for outside resources. Other than PNGC Power, there are only two other groups who provide these resources: NRU and NEMS.

Another option would be to buy resources on the open market; however, OPALCO would be a “small fish in a large pond.” It would take time and expertise to purchase power on the open market. The risks involve negotiating a contract with BPA in 2028 that will give us 100% of the power we need, how much Tier 2 power to secure, and affordability. Can these risks be mitigated by joining PNGC? The 2028 negotiations with BPA are unknown. PNGC is like a mini-BPA—they’ve been in existence a long time and are experienced. PNGC is a risk management option for OPALCO.

PNGC proposed membership in a confidential letter November 3 to OPALCO.

*The Board adjourned to Executive Session at 10:30 am. Regular session resumed at 11:30 a.m.*

Discussion resumed regarding membership in PNGC Power. Hildreth noted that membership was included in the 2016 budget that was approved at the November meeting.

- **Motion** made by Lett to join PNGC Power as outlined in the confidential letter sent November 3, 2015.
- **Friendly amendment** by Daucinas: In addition, when staff meets with PNGC to formalize the membership, assure that OPALCO is allowed an opt-out clause for capital projects. Lett approved the amendment. Motion was seconded (Cornelius) and carried by voice vote. Myhr noted that he is opposed.

### **Policy 29 Rate Design**

Revisions were presented in November to allow the Board to implement rate increases when necessary and in a manner appropriate to meet revenue requirements. Additionally, permanent revenue decoupling (cost/credit true-up) was discussed. This would allow OPALCO to collect (or return) the exact amount of revenue required to cover expenses and reduce the inherent volatility associated with weather, power cost fluctuations and other variables beyond our control. OPALCO instituted a temporary “true-up” mechanism to collect revenue to meet OPALCO’s 2015 financial obligations. Consensus of the Board was to reconsider making the decoupling true-up permanent if the mechanism is invoked in 2016, or if not invoked in 2016, reconsider making the true-up mechanism permanent during the 2017 budgetary process. The temporary true-up language included in Policy 29 Rate Design is to be brought back to the Board for final consideration at the January 2016 meeting.

### **Alternative Rate Structures**

Alternative rate structures were presented as requested at the prior November Board meeting, including:

- 1 Institute a new demand charge component to all residential bills;
- 2 Increase Winter Block 1 to a maximum threshold of 3500kWh (currently 3000 kWh)
- 3 Increase Winter Block 1 maximum threshold to 4000 kWh (currently 3000 kWh)
- 4 Collapse all energy charges into one block

A chart was included to show the impact of these alternatives on revenue on a month-by-month basis. Discussion included comparison of btus of other fuels and that 3000 kWh was too low a threshold for heat pump users during cold weather. The consensus of the Board was to leave the winter kWh threshold block at 3000.

### **Tariff Revisions**

Effective with the January 2016 billing:

- All rate classes and billing components will have a 5% rate increase;
- A new line item “Energy Assistance Charge” is added to all rate classes that have kWh charges;
- The “demand” billing component is introduced to the residential rate class as recommended in the 2015 budget report; however no charge is implemented at this time.

- **Motion** made by Whitfield and seconded (Lett) to approve the revisions to all tariffs as presented. Motion carried by voice vote with Cornelius opposing.

### November 17 Meeting Minutes

The minutes presented were amended: “Capital projects: ~~were discussed, including the possibility of eliminating \$1M from the undergrounding cable portion of the proposed budget was discussed.~~”

- **Motion** made by Adams to accept the November 17, 2015 minutes as amended. Motion was seconded (Dauciunas) and carried by voice vote.

### New Members

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

#### DISTRICT 1

##### San Juan

Bailey, Chad & Dee  
 Boyko, Edward  
 Clark, Maurine  
 Edwards, Joan  
 Fite, Tate  
 Hambleden, Lesley J & Ruud, Olav  
 Harpham, Kari  
 Hasty, Chase  
 Havel, Chris  
 Jewett, Carolyn  
 Jordan, Forest  
 Marschner, Thomas  
 Schubert, Wilson & Lydia  
 Taylor, Mike  
 Vowell, Kimberly  
 Walters, L. Ashley  
 York, Susan  
 Zemalkowski, Gregory & Watson,  
 Christine  
 Zimmerman, Steve

Cohn, H Philip & Cara  
 De Marval, Valerie  
 Dekker, David & Mary L  
 Field, James & Jennifer  
 Gray, Jane & Woods, Emmet  
 Heyn, April & Eric  
 Jones, Yian  
 Knight, Bonnie  
 Meador, Robert & Bellwood, Willo  
 Menta, Denyse  
 Orcas Machine Quilting  
 Petro, Kelly  
 Petty, Cory & Shannon  
 Sabino, Nan & Christensen, Sara  
 Webber, Randall  
 Wyckoff, William & Brashier, Joseph

#### DISTRICT 2

##### Orcas

81 Hope Lane LLC  
 Berends, Johannes G.  
 Bowman, Annette  
 Bradshaw, Burke  
 Chapman, Doug & King, Karol

#### DISTRICT 3

##### Decatur

Wade, John & Christina

##### Lopez

Constable, Scott  
 Cook, Johnathan  
 Donnelly, Nathan & Alina  
 McElroy, Sandi  
 Orrell, Pat & Jim  
 Stephenson, Wendy  
 Vickers, Linda

### Capital Credits

- **Motion** made by Lett to approve payment of \$3,728.68 in capital credits to the estates of deceased members listed below. Motion was seconded (Adams) and carried by voice vote.

Sally W. Bryan .....	\$2,167.00
Faith Deeds .....	\$1,046.27
Virginia H. Smith .....	\$515.41

### RUS 219s

- **Motion** made by Lett to approve submission of RUS 219s representing projects completed in October 2015 from the Construction Work Plan in the amount of \$237,361.04. Motion was seconded (Whitfield) and carried by voice vote.

### NRECA Voting Delegate

The 2016 annual meeting will be held in New Orleans, LA February 15-17, 2016. No one plans to attend at this time.

- **Motion** made by Lett and seconded (Dauciunas) appointing Hildreth the voting delegate for the 2016 NRECA Annual Meeting. Motion carried by voice vote.

## Reports

- **Safety:** The Safety Committee approved the Safety Manual to be in effect January 1, 2016. The Safety Committee is also working on the Safety Improvement Plan and expects completion by year-end.
- **General Manager:** The Board was reminded to form Nominating Committees by January 2, 2016 for Districts 3 and 4. Board appointment will be ratified via email vote.  
The Board determined that Myhr's position will be filled during the normal election process and no Board appointment would be made.  
Processing of the RUS loan is nearing completion. Funds should be available by year-end.  
December 6 the Lopez transmission line relay detected a three-phase fault on Shaw Island. A 120-foot tree fell on to the overhead transmission line on Parkway Road, Shaw Island. Seven transmission poles from the County Park to the Shaw South Submarine Cable Terminal broke as a result. The outage lasted about 30 hours. Pole replacement, right-of-way clearing, redundancy and undergrounding were discussed.  
The RUS hardship loan has been refinanced with CFC at 4.21% interest.  
Hildreth also reported that the PAL Committee is not interested in administering the Energy Assistance Program (financed through a line-item on members' bills).
- **Rock Island Communications (RIC):** Lawlor reported that projects continue throughout the county in the areas of Spring Point, Mineral Point, Cape San Juan, Whiskey Hill and Suncrest.  
More LTE sites are active. They will interact with each other and are equipped with fixed wireless and T-Mobile equipment. RIC will inform members about T-Mobile in April 2016 when the LTE sites are completed.  
Hildreth noted that Island Network policies will be presented at the February 2016 board meeting.

## Adjournment

The meeting adjourned at 1:30 p.m.

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Bob Myhr, Vice-President

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Jerry Whitfield, Secretary-Treasurer

**BOARD OF DIRECTORS**  
**SERIAL EMAIL COMMUNICATION**  
**ORCAS POWER & LIGHT COOPERATIVE**

December 2015

Bylaws Article III Section 3 states, in part, that: it is the duty of the Board of Directors to appoint, not less than one hundred twenty (120) days before the date of a meeting of the energy members at which directors are to be elected, a committee on nominations consisting of not less than three (3) nor more than five (5) energy members from each of the voting districts for which a director is to be elected.”

**District 3 Committee on Nominations**

An email was sent to all Board members requesting their vote of ‘yay’ or ‘nay’ for the appointment of the Committee on Nominations for District #3 (Lopez, Decatur, Center and Charles) as follows:

1. Larry Hendel
2. Larry Eppenbach
3. Clark Johnson
4. Becky Smith

All are residents of Lopez Island and meet the qualifications according to Bylaws Article III Section 3(a).

Responses and date received were:

Voting “yay”	Voting “nay”
a) Bob Myhr 12/30/15	None
b) Vince Dauciunas 12/30/15	
c) Mark Madsen 12/30/15	
d) Jim Lett 12/30/15	
e) Randy Cornelius 12/30/15	
f) Winnie Adams 12/30/15	
g) Jerry Whitfield 12/31/15	

**District 4 Committee on Nominations**

An email was sent on December 31, 2015 to all Board members requesting their vote of “yay” or “nay” for the appointment of the Committee on Nominations for District #4 (Shaw, Crane, Canoe and Bell) as follows:

1. Hardy Schmidt
2. Sharon Wootton
3. Ned Griffin

All are residents of Shaw Island and meet the qualifications according to Bylaws Article III Section 3(a).

Responses and date received were:

Voting “yay”	Voting “nay”
a) Vince Dauciunas 12/31/15	None
b) Bob Myhr 12/31/15	
c) Mark Madsen 12/31/15	
d) Winnie Adams 12/31/15	
e) Jim Lett 1/1/16	
f) Jerry Whitfield 1/1/16	
g) Randy Cornelius 1/1/16	

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Jim Lett, President

---

Jerry Whitfield, Secretary-Treasurer

## New Members December 2015

### DISTRICT 1

#### **San Juan**

1. Bada, Jeffrey & Schoeninger, Margaret
2. Barnes, Kristine
3. Bereitschaft, Frank & Sharon
4. Dahlstrom, Helena
5. G&R Custom Painting
6. Gimlett, Barbara & Dan
7. Hoepfner, Winny
8. Jackson, Kaala
9. Jenkins, David M
10. Meat Machine Cycles
11. Moore, William & Lind, Richard
12. Morrell, Greg & Lorraine
13. Mulvaney, Rodney
14. Novak, Deborah
15. Read, Andrea
16. Roemers-Kleven, Karin
17. Solomon, Shelby L.
18. Stayberg, William R
19. Stringer, Steven
20. Universal American Mortgage Co. LLC
21. Whidden, William
22. Wood, Tom & Marcia

### DISTRICT 2

#### **Orcas**

23. Ahrens, Majo & Julie
24. Bartells, Brandon
25. Combs, Michael & Karen
26. Contreras-Barrios, Abdon & Moreno,  
Nicolasa
27. Doornmalen, Nathalie & Luchterhand,  
Boris
28. Goetz, Theresa & Knapp, Steven
29. Miller, William H
30. Simpson, Scott M & Yu, May C

### DISTRICT 3

#### **Decatur**

31. Whitaker, Gord & Cori

#### **Lopez**

32. Draper, Jennifer

### DISTRICT 4

33. Plant, Richard



MEMORANDUM

January 15, 2016

TO: Board of Directors  
FROM: Foster Hildreth, General Manager  
RE: Capital Credits

Staff requests a motion to approve payment of capital credits to the estates of the following deceased members and/or to organizations no longer in business:

Clyde L. Boice .....	394.90
Thurman C. Bond .....	484.41
Edna Bradshaw .....	389.48
Edward Carlberg.....	1,374.29
Edith Dickinson.....	1,551.82
Carol A. Edgbert.....	1,392.67
Paul G. Flood.....	1,768.95
I.L. Kosin .....	82.36
Lawrence A. Lindberg.....	1,624.00
Florence L. Wine .....	96.42
Inter Island Escrow .....	217.15
<b>Total.....</b>	<b>\$9,376.45</b>

MEMORANDUM

January 15, 2016

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 # AN1511 ..... \$51,788.10  
*Smart Grid*
- Inventory #..... \$658,953.20  
*URD replacement; Decatur 25KV conversion; transformers, meters;  
Pole changeout;*

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$710,741.30.

01/06/2016 7:53:33 am

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

Page: 13

Inventory : AN1511

Budget		Amount
Loan	Project	
1	706 - 3	51,788.10
<b>Total:</b>		<b>51,788.10</b>

**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.

*Russell H. Conway*  
\_\_\_\_\_  
INSPECTION PERFORMED BY

*OPALCO*  
\_\_\_\_\_  
FIRM

*52424*  
\_\_\_\_\_  
LICENSE NUMBER

*1/8/2016*  
\_\_\_\_\_  
DATE

*[Signature]*  
\_\_\_\_\_  
SIGNATURE OF LICENSED ENGINEER

01/06/2016 7:53:33 am

Page: 4

**RUS Form 219 Inventory Of Work Orders**  
 Period: NOV 2015 System Designation: WA AH O9

Inventory: AN1511

Loan		Work Order Construction (1)	Gross Funds Required		Deductions		Loan Funds Subject To Advance By RUS		
Project	Year	Retirement (2)	Bdgt (3)	Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)	Contrib In Aid Of Constr and Previous Advances (8)	(9)
706 - 3	2014	1956	1	45,620.99	0.00	0.00	0.00	0.00	45,233.84
							AFUDC: 387.15		
706 - 3	2015	1927	1	6,564.55	0.00	0.00	0.00	0.00	6,554.26
							AFUDC: 10.29		
<b>Grand Totals:</b>				\$ 52,185.54	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 51,788.10

01/06/2016 7:53:33 am

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

Inventory : 201511

Budget		
Loan	Project	Amount
1	0000	0.00
1	601	21,454.50
1	606	1,747.18
1	608	621,794.81
2	1003	13,956.71
<b>Total:</b>		<b>658,953.20</b>

**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.

*Russell Haines Gentry*  
\_\_\_\_\_  
INSPECTION PERFORMED BY

*Orcas Power & Light Cooperative*  
\_\_\_\_\_  
FIRM

*52424*  
\_\_\_\_\_  
LICENSE NUMBER

*1/8/2016*  
\_\_\_\_\_  
DATE

*[Signature]*  
\_\_\_\_\_  
SIGNATURE OF LICENSED ENGINEER

01/06/2016 7:53:33 am

RUS Form 219 Inventory Of Work Orders  
 Period: NOV 2015 System Designation: WA AH O9

Inventory: 201511

Project	Loan	Year	Work Order Construction (1) Retirement (2)	Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
					Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
0000		2014	2066	1	0.00	0.00	0.00	0.00	0.00	0.00
					0.00	0.00	0.00	0.00	0.00	0.00
1003		2014	2254	2	14,019.86	0.00	0.00	0.00	0.00	13,956.71
					14,019.86	0.00	0.00	AFUDC: 63.15	0.00	13,956.71
601		2015	2041	1	2,185.01	0.00	0.00	0.00	0.00	2,174.76
								AFUDC: 10.25		
601		2015	2228 2228	1	4,363.70	958.06	0.00	0.00	0.00	5,299.94
								AFUDC: 21.82		
601		2015	2244 2244	1	9,188.18	0.00	0.00	0.00	0.00	9,148.50
								AFUDC: 39.68		
601		2015	2263	1	4,831.30	0.00	0.00	0.00	0.00	4,831.30
					20,568.19	958.06	0.00	0.00	0.00	21,454.50
606		2015	1685	1	1,755.42	0.00	0.00	0.00	0.00	1,747.18
					1,755.42	0.00	0.00	AFUDC: 8.24	0.00	1,747.18
608		2014	1670 1670	1	297,501.40	599.31	1,494.95	0.00	0.00	292,637.99
								AFUDC: 3,967.77		
608		2014	2067 2067	1	17,394.09	75.92	0.00	0.00	0.00	17,434.01
								AFUDC: 36.00		
608		2014	2077	1	6,677.56	0.00	0.00	0.00	0.00	6,616.45
								AFUDC: 61.11		
608		2014	2245 2245	1	3,040.32	0.00	-1,390.00	0.00	0.00	4,415.31

RUS Form 219 Inventory Of Work Orders  
 Period: NOV 2015 System Designation: WA AH O9

Inventory: 201511

Project	Loan	Year	Work Order Construction (1) Retirement (2)	Bdgt (3)	Gross Funds Required		Deductions		Loan Funds Subject To Advance By RUS (9)
					Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)	
								AFUDC: 15.01	
608		2014	2291						
				1	6,729.02	0.00	0.00	0.00	6,729.02
608		2015	1801						
			1801	1	11,806.29	0.00	817.96	0.00	10,948.60
								AFUDC: 39.73	
608		2015	1850						
			1850	1	8,772.66	0.00	28.58	0.00	8,713.26
								AFUDC: 30.82	
608		2015	1883						
			1883	1	184,056.95	8,822.38	0.00	0.00	189,459.20
								AFUDC: 3,420.13	
608		2015	1904						
			1904	1	84,375.94	1,757.18	0.00	0.00	84,840.97
								AFUDC: 1,292.15	
					620,354.23	11,254.79	951.49	0.00	621,794.81
<b>Grand Totals:</b>					\$ 656,697.70	\$ 12,212.85	\$ 951.49	\$ 0.00	\$ 658,953.20

MEMORANDUM

January 15, 2016

TO: Board of Directors  
FROM: Foster Hildreth  
RE: Board Vice-President Election

Bob Myhr served as vice-president of the Board. With his resignation there is a vacancy in that position on the Board.

The Board of Directors will select a vice-president to fill that position at the January meeting. The director will hold this position until April 30 when the slate of officers is up for re-election.



MEMORANDUM

January 15, 2016

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Policy 29 *Rate Design (final reading)*

At the December meeting, the board requested staff to clarify language proposed in section 29.2.2.2.8 regarding the mechanism on member bills.

Also note, changes to sections 29.2.2.3 and 29.2.2.4 were edited in November and December to include revisions that allow the Board to implement rate increases when necessary and in a manner appropriate to meet revenue requirements.

Staff recommends a motion to approve the revisions to Policy 29 *Rate Design* as presented.

# ORCAS POWER AND LIGHT COOPERATIVE

## POLICY 29

### RATE DESIGN

#### 29.1 PURPOSE

To set forth policy relating to the development and implementation of electric rates that follows the strategic objectives of the Cooperative.

#### 29.2 POLICY

##### 29.2.1 Commitment to Rate Design

It is the policy of the Board of Directors of the Cooperative to develop electric rates that allow the Cooperative to provide electricity that is reliable, cost-based, considerate of the environment and maintains the Cooperative's financial strength at the Cooperative's lowest cost. The Cooperative's Rate Structures shall meet revenue requirements, fairly allocate the Cooperative's expenses in relation to each members' use of and impact on the system, reduce the effects of weather, market and other volatility and promote stability in the Cooperative's ongoing financial position as indicated through equity and TIER.

##### 29.2.2 Basic Fundamentals

29.2.2.1 The Cooperative will periodically perform cost of service studies to inform whether existing rate structures are meeting the goals of this policy.

29.2.2.2 Rates will be developed and implemented that:

29.2.2.2.1 Meet revenue requirements and are cost-based;

29.2.2.2.2 Are implemented over time when dramatic rate changes occur;

29.2.2.2.3 Generate margins which meet long-term financial objectives and lender requirements and as per the Cooperative's strategic directives;

29.2.2.2.4 Decrease revenue volatility to counter warming temperature trends and reduction in energy usage.

29.2.2.2.5 **Facility**: Utilize a fixed cost methodology whereby the facility charge collects the Cooperatives' fixed expenses;

29.2.2.2.6 **Demand**: Implement a demand element which reflects the costs associated with variable need for system capacity for all member classes as the phase out/replacement of existing meters progresses;

29.2.2.2.7 **Energy**: Implement a variable mechanism that passes energy costs to members based on their usage;

**29.2.2.2.8 Energy Charge Adjustment (+/-):** Implement a variable mechanism that balances the fluctuation in energy revenues on an as-needed basis. The purpose of this mechanism is to balance the cooperative's finances. The mechanism may appear as a credit or debit on member bills.

29.2.2.3 Rates will incorporate a mechanism for ensuring any member's energy usage above (or below) the Cooperative's power provider's base load rates (BPA Tier 1) will be charged (or credited) for those costs.

29.2.2.4 Rate increases necessary to meet budgetary revenue requirements are to be applied per Board-approved methodology.

29.2.2.5 Rates shall be independent of OPALCO approved member programs for energy conservation, energy assistance (PAL), member owned renewal energy (MORE), etc. The determination of the funding of these programs will be through Board action as laid out during the budgeting process.

### 29.2.3 Management Responsibility

29.2.3.1 Management will be held accountable for implementing rates as approved by the Board of Directors and routinely report to the Board of Directors as to the need to adjust rates to account for changes in cost or strategic initiatives.

Effective Date: 12/17/2015

J. Foster Hildreth, General Manager

## MEMORANDUM

January 15, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Cooperative Response Center / Resolution 1-2016

OPALCO has reached a point where we intend to expand the services provided to the membership during outages and for additional resources to aid the employees during outages. The next step is to enhance our outage management system through integration of our existing SCADA and AMR systems. These services would provide expanded dispatching, call management and member outreach support including:

- Call answering,
- Real-time website updates (to include published outage mapping),
- Assistance to linemen for system information
- Predicted outage extent,
- Assistance to Member Services during large events (responding to outage calls, etc.)

The implementation of these services are above and beyond the current service levels provided. Through discussions with other cooperatives, Cooperative Response Center is highly recommended by our peers.

In order to move forward, CRC is requesting OPALCO execute the CRC resolution for a CFC Guaranty for \$10,000. This guaranty would serve as a financial tool as required by CRC for emergency needs only.

Staff recommends a motion for the execution of Resolution 1-2016 and corresponding documentation.



**BOARD OF DIRECTORS  
RESOLUTION 1-2016  
COOPERATIVE RESPONSE CENTER GUARANTY**

I, Jerry Whitfield, do hereby certify that I am the Secretary of Orcas Power & Light Cooperative (the “Guarantor”); the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Guarantor at a regular meeting held January 21, 2016, and entered in the minute book of the Guarantor; the meeting was duly and regularly called and held in accordance with the by-laws of the Guarantor; the attached form of guaranty is a correct copy of the form thereof authorized by the Board of Directors to be executed; and none of the following resolutions has been rescinded or modified.

RESOLVED, that the Guarantor guarantee and all obligations, liabilities, and indebtedness that the Cooperative Response Center (“Borrower”) has or may have to National Rural Utilities Cooperative Finance Corporation (“CFC”) from time to time, which guaranty shall not exceed, at any one time, the amount of Ten Thousand Dollars (\$10,000.00).

RESOLVED, that the General Manager of the Guarantor be and hereby is authorized and empowered to take in the name and on behalf of the Guarantor any and all action deemed necessary, convenient or desirable in connection with and for the purpose of effecting such guaranty, it being the express purpose of this resolution to confer upon said authorized person the full authority with respect to any and all matters in connection with said loan from CFC without the necessity of other or further action of the Board of Directors to the end that all persons may rely conclusively upon such action and upon this resolution, and any acts or things heretofore done or authorized to be done by said authorized person in connection with the loan be and they hereby are ratified, confirmed, approved and adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Guarantor the 21<sup>st</sup> day of January 2016.

S E A L

\_\_\_\_\_  
Jerry Whitfield, Secretary





## **Guaranty**

For and in consideration of loans, advances, acceptances, discounts and extensions of credit made by National Rural Utilities Cooperative Finance Corporation, a District of Columbia Cooperative Association (“CFC”), to, for the

account of, or on behalf of \_\_\_\_\_ Cooperative Response Center, Inc.

(“Borrower”), the undersigned, \_\_\_\_\_ (“Guarantor”), hereby absolutely and unconditionally guarantees, to CFC the punctual payment in full of the principal, interest and other sums due thereon from the Borrower to CFC at any time and from time to time from the date hereof until the termination of the liability of the Guarantor hereunder as hereinafter provided, on account of any and all obligations, indebtedness and liability of the Borrower to CFC, whether now existing or hereafter incurred, whether direct, indirect, or contingent, whether otherwise guaranteed or secured, and whether on open account or evidenced by a note, draft, check, or other instrument or document (such obligations indebtedness and liability hereinafter referred to as “Indebtedness”); provided, however, that the Guarantor’s obligation hereunder shall not exceed Ten Thousand Dollars (\$10,000.00).

The Guarantor expressly waives the following: notice of the incurring of Indebtedness by the Borrower; the acceptance of this Guaranty by CFC; presentment and demand for payment, protest, notice of protest and notice of dishonor or non-payment of any instrument evidencing Indebtedness of the Borrower; any right to require suit against the Borrower or any other party before enforcing this Guaranty; any right to have security applied before enforcing this Guaranty; and any right of subrogation to CFC’s rights against the Borrower until the Borrower’s Indebtedness is paid in full.

The Guarantor hereby consents and agrees that renewals and extensions of time of payment, surrender, release, exchange, substitution, dealing with or taking of additional collateral security, taking or release of other guarantees, abstaining from taking advantage of or realizing upon any collateral security or other guarantees and any and all other forbearances or indulgences granted by CFC to the Borrower or any other party may be made, granted and effected by CFC without notice to the Guarantor and without affecting in any manner its liability hereunder.

In the event that a petition in bankruptcy or for an arrangement or reorganization of the Borrower under the bankruptcy laws or for the appointment of a receiver for the Borrower or any of its property is filed by or against the Borrower, or if the Borrower shall make an assignment for the benefit of creditors or shall become insolvent, the Indebtedness of the Borrower shall, for the purpose of this Guaranty, be deemed at CFC’s election to have become immediately due and payable.

The Guarantor further agrees to pay CFC its pro rata share of any and all costs, expenses and reasonable attorney's fees paid or incurred by CFC in collecting or endeavoring to collect the Indebtedness of the Borrower or all costs, expenses and reasonable attorney's fees paid or incurred by CFC in enforcing or endeavoring to enforce this Guaranty.

This Guaranty shall operate as a continuing guaranty for so long as Borrower has any outstanding obligations, indebtedness, or liability to CFC and shall expire only with the written consent of CFC.

This Guaranty shall be binding upon the Guarantor and its successors and assigns, and shall inure to the benefit of CFC and its successors and assigns. The terms "Guarantor" and "Borrower" and any pronouns referring thereto as used herein shall be construed in the singular or plural as the context may require.

IN WITNESS WHEREOF this Guaranty has been executed and delivered to  
CFC by the undersigned Guarantor this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
(Guarantor)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_  
(Secretary)

**CERTIFICATE OF INCUMBENCY AND AUTHENTICATION  
OF SIGNATURES OF OFFICERS FOR GUARANTOR**

I, \_\_\_\_\_, Secretary of

\_\_\_\_\_ (hereinafter called the "Corporation"), certify that the persons designated as officers of this Corporation have been duly elected to and now hold the offices in this Corporation set opposite their respective names, and that the following are the authentic signatures of the said respective officers:

<u>Office</u>	<u>Names (typed)</u>	<u>Signature</u>
President	_____	_____
Vice President	_____	_____
Secretary	_____	_____
Treasurer	_____	_____
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of

\_\_\_\_\_ the Corporation this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
Secretary

(Corporate Seal)



## MEMORANDUM

January 15, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: San Juan Islands Conservation District

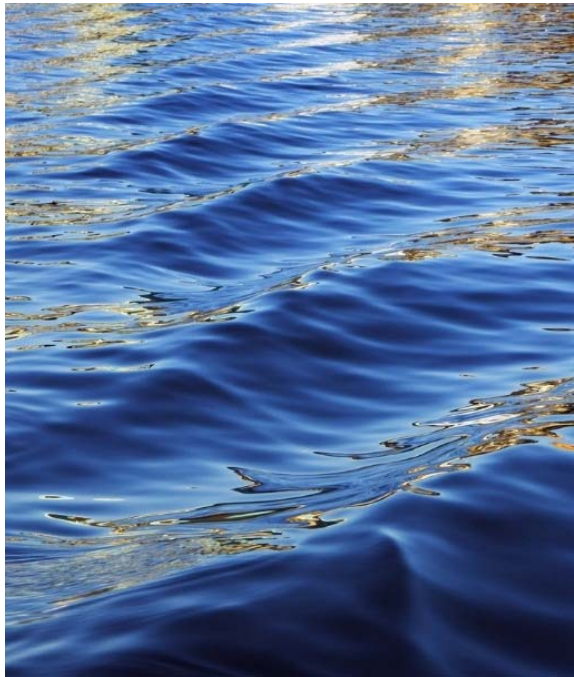
The purpose of this report is for the annual review of the San Juan Islands Conservation District. The San Juan Islands Conservation District has been a key resource for community engagement in 2015. They have been tasked with being the voice of efficiency, education and conservation efforts as they relate to OPALCO Policy 28 *Collaborate with Nonprofits to Accelerate Energy Efficiency & Conservation and Renewable Energy Production*. They have acted as a focal point to further those initiatives in San Juan County and beyond.

In accordance with Policy 28 and the related Memorandum of Understanding, staff has worked with the District to reinforce the importance of conservation and energy stewardship in the community. In conjunction with staff, the District has promoted community events, education campaigns, and marketing for a variety of projects with the goals of collaborating with regional partners, increasing energy efficiency and conservation, and promoting renewable energy.

Staff will be continuing the partnership with the San Juan Islands Conservation District for the 2016 calendar year as budgeted.



**Islands Energy**  
Empowering Our Island Community for a Resilient Future



# San Juan Islands Energy Plan

## *Empowering Our Island Community for a Resilient Future*

### Participants:

#### Islands Energy Team

##### ***Orcas Island***

Sharon Abreu, Winnie Adams, Akarya Ahimsa, Oleg Ashirov, Clark Cundy, Robert Dash, Sonja Hammer, Joy Hughes, Jay Kimball, John Mottl, Adrienne Reed, Joe Symons, Eric Youngren

##### ***San Juan Island***

Thomas Bennett, Gray Cope, Katie Fleming, Noreene Ignelzi, Kari Koski, Linda Lyshall, Lovel Pratt, Peter Risser, Susan Risser, Ron Zee

##### ***Lopez Island***

Sandy Bishop, Scott Finley, Chom Greacen, Chris Greacen, Doug Poole

##### ***Shaw Island***

John Bogert

#### Energy Leadership Team

June Arnold, San Juan Island School District Board  
Sandy Bishop, Lopez Community Land Trust  
Lisa Byers, OPAL Community Land Trust  
Shawn Collins, Opportunity Council  
Vincent Dauciunas, OPALCO Board of Directors  
Gary Franklin, Economic Development Council  
Rick Hughes, San Juan County  
Bob Jarman, San Juan County  
Peter Kilpatrick, Ravenhill Construction  
Jay Kimball, 8020 Vision  
Linda Lyshall, San Juan Islands Conservation District  
Marilyn O’Conner, Port of Friday Harbor  
Doug Poole, Sage Building Solutions  
Greg Sawyer, San Juan County Public Works  
Jamie Stevens, San Juan County  
Mike Thomas, San Juan County  
Duncan Wilson, Town of Friday Harbor  
Ron Zee, San Juan Islands Conservation District

# Energy Plan Guiding Principles

**Community:** Engage all communities in developing and making decisions related to the development and implementation of the energy plan, and build a broad-based community support for and ownership of local energy solutions.

**Commitment:** Set ambitious energy and carbon reduction targets that make a climate difference, and commit resources necessary to achieve the targets.

**Respect:** Respect island community diversity through engagement of all demographics, and respect the natural environment through stewardship and conservation.

**Resiliency:** Build local energy resiliency and self-reliance by reducing dependency on energy imports through cultivating energy consciousness, improving efficiency of the energy system and consumption patterns, and increasing deployment of local renewable energy resources.

**Prosperity:** Create and nurture a vibrant local economy and creation of green jobs through investments in local clean energy, waste reduction, and energy efficiency.

**Equity:** Provide equal access to energy by ensuring affordability of essential energy services, and fair and equal treatment of different segments of our community.

**Prudence:** Implement measures and programs that reflect industry best practices and demonstrate financial prudence by ensuring all resources are utilized in an efficient and effective manner.

**Innovation:** Utilize technological, social, and regulatory innovations and adapt creatively to arrive at solutions that work in our community and serve as a model for others.

**Governance:** Foster long-term governance to ensure participation, transparency, and implementation of the Energy Plan.

# Georgetown University Energy Prize

A framework for achieving and measuring  
the success of our Energy Plan

# Georgetown University Scoring Criteria

Category	Points
Competition Performance	25
Innovation	15
Potential for Replication	15
Likely Future Performance	10
Equitable Access, Community and Stakeholder Engagement	10
Education	10
Overall Quality and Success	15
<b>Total</b>	<b>100</b>

# Overarching Goals

## **Goal 1: Engage the Community and Students in Energy Issues**

- Objective: Reach 50 Percent of Student Population
  - Strategy: Develop and Implement K-12 Outreach and Education Program
- Objective: Reach 20 percent of Adult Population
  - Strategy: Develop and Implement a Community Outreach and Education Program

# Overarching Goals

## **Goal 2: Reduce Energy Waste And Use Energy Wisely**

- Objective: Increase Residential Energy Efficiency and Conservation 20 Percent Annually
  - Strategy: Encourage Energy Efficiency And Conservation Through Incentives And Technical Assistance
  - Strategy: Encourage Energy Efficiency And Conservation Through Policy And Permitting Changes
- Objective: Increase Municipal Energy Efficiency And Conservation 20 Percent Annually
  - Strategy: Develop And Implement Energy Saving Facilities And Operations Plans



# Overarching Goals

## Goal 3: Increase Local Renewable Energy Generation

- Objective: Increase Renewable Energy Portfolio 5 Percent Annually
  - Strategy: Promote Large-scale Renewable Energy Facilities
  - Strategy: Promote Municipal And Residential Renewable Energy Generation



# Overarching Goals

## Goal 4: Reduce Carbon Footprint

- Objective: Decrease Carbon Emissions 5 Percent Annually
  - Strategy: Gain Comprehensive Understanding of Carbon Emissions
  - Strategy: Encourage Alternative Transportation Use Through Infrastructure, Policy, and Incentives
- Objective: Convert 10 Percent Of Low Income Housing From Propane to Heat Pumps
  - Strategy: Address Low Income Heating Needs
- Objective: Reduce Transportation Of Waste And Food 5 Percent Annually
  - Strategy: Utilize Waste As A Resource
  - Strategy: Reduce Carbon Through Local Agriculture

# Accomplishments for 2015

- Student Energy Curriculum
- Cool School Challenge
- Lectures, Films and Discussions
- Islands Energy Fairs
- Energy Pie Socials
- Georgetown University Energy Prize
- Home Energy Efficiency and Conservation
- Municipal Energy Efficiency and Conservation
- Community Solar for Schools
- Electric Vehicle Campaign

# Accomplishments for 2015

## Engage the Community and Students in Energy Issues

### Student Energy Curriculum

#### Output:

- Implemented Bonneville Environmental Foundation's Energy Curriculum in five schools on four islands. Conducted 2 Teacher Trainings for 18 Champion teachers on energy principles, renewable energy, and hands on activities highlighting tools provided in the Teacher Science Kits.
- Five Energy Science Kits given to school districts including energy & renewable energy curriculum and classroom science kit materials.

*Benefit: Engaging students offers an excellent access point to reach members.*

#### Outcomes:

- Champion Teachers are incorporating Energy Efficiency and Renewable Energy curriculum.
- Each school has on-line programs for students to monitor and analyze PV array production data hourly, daily, and monthly.
- School Districts encouraged to incorporate an energy efficiency plan.
- Kiosk at Orcas Island high school that illustrates solar production.



# Accomplishments for 2015

Engage the Community and Students in Energy Issues

## Cool School Challenge

### Output:

- Implemented Cool School Challenge with 12 classrooms and 204 students on 4 islands.
- In addition, 504 students, 322 student families, and 143 school district employees received a student generated 'Energy Saving Pledge'.
- Participating classrooms received Smart Strips and Kill-a-Watt Meters.
- Engaged student leadership.

*Benefit: Reduces energy waste, targets one of the highest users, and provides our youth with a living experience that will help them to make educated decisions in the future.*

### Outcome:

- Students gained knowledge of energy use, energy efficiency and climate change through instruction and hands-on energy monitoring and classroom and home audits.
- Students shared knowledge by preparing Energy Pledges and Actions for other students, teachers, classrooms and island families;
- Students prepared results of expected energy and cost savings from classroom changes for school peers and school staff.

# Accomplishments for 2015

Engage the Community and Students in Energy Issues

## Lectures, Films and Discussions

### Output:

- Lectures:
  - Cuban Energy Revolution, Mario Alberto Arrastia Avila, Author of Foundations of a Sustainable Future. Presentations on San Juan, Orcas & Lopez Island
  - Energy Use and Carbon Footprint in San Juan County, Jay Kimball and Vince Dauciunas of OPALCO & Islands Energy
  - Fossil Fuel Junkies, Climate Change and Better Living Through Algae, Dr. Chuck Greene,
  - NE Pacific Warming: How I learned to Love the Blob, Dr. Nick Bond University of Washington Climatologist, with Madrona Institute
  - Decarbonizing Our Fuel Systems, Dr. Dan Kammen, UC Berkeley, IPCC
- Film Series:
  - Years of Living Dangerously with partners Transition Lopez, Thrive Orcas Island and Islands Climate Resilience, 9 part film series, all 3 islands
  - Symphony of Soil on Carbon Sequestration, with partner San Juan Agricultural Guild
- Facilitated Discussion On Building A Climate Resilient San Juan Islands Community, with partner Islands Climate Resilience

### Outcome:

- Community Actions: climate work groups to create an islands climate action plan and coordination between various islands groups on future programming.

*Benefit: Creates energy awareness, illustrates how personal choices affect our cooperative and our future, and spurs creativity, collaboration, and action.*

**ISLANDS CLIMATE RESILIENCE**  
presents  
**YEARS OF LIVING DANGEROUSLY**  
SHOWTIME

**EMMY-AWARD WINNING  
9 PART SERIES ON  
CLIMATE CHANGE**

**APRIL 2nd to APRIL 30th**

**WEEK 1 APRIL 2**  
Episodes 1 & 2:  
Dry Season &  
End of the Woods

**WEEK 2 APRIL 9**  
Episodes 3 & 4:  
The Surge &  
Ice & Brimstone

**WEEK 3 APRIL 16**  
Episodes 5 & 6:  
True Colors &  
Winds of Change

**WEEK 4 APRIL 23**  
Episodes 7 & 8:  
Revolt, Rebuild,  
Renew & A  
Dangerous Future

**WEEK 5 APRIL 30**  
Episode 9: Moving a  
Mountain & Community  
Discussion on  
Local Actions for  
Climate Resilience

**7:00pm**  
**SAN JUAN  
ISLAND GRANGE**

**Co-Sponsors:**  
FRIENDS OF THE SAN JUAN ISLANDS  
San Juan Islanders for Safe Shipping  
SAN JUAN ISLAND GRANGE #996  
SAN JUAN COUNTY  
ISLANDS ENERGY  
OPALCO  
NEWBARRAN S.P.A. 1811

**EACH WEEK'S SHOWING WILL BE FOLLOWED BY A COMMUNITY CONVERSATION TO INSPIRE US TO THRIVE IN THESE UNCERTAIN TIMES**  
The films feature actors Harrison Ford, Matt Damon, Arnold Schwarzenegger, Don Cheadle, Journalists Thomas L. Friedman, Lesley Stahl, Mark Bittman, & others

# Accomplishments for 2015

## Engage the Community and Students in Energy Issues

### Islands Energy Fairs

#### Output:

- San Juan Mullis Center Outdoors, May 30, 200 people attended
- Orcas Island June 6, Orcas Village Green, 250 people attended
- Lopez Island June 27, Community Center, 150 people attended
- Focus Areas for Booths and Outreach Materials: Energy Efficiency; Renewable Energy; Climate; Green Transportation; Solar Home Tours
- Solar Home Tours: 3-4 homes with renewable systems toured, handouts on home systems
- Electric Vehicle Demonstrations/rides: Various island EV's including Nissan Leaf, TESLA, BMA, Focus & home kits; Special Islands Energy Fair Incentives: \$1,000 off Wilson Motors Nissan Leaf Purchase during Fairs
- Energy Kit Giveaways: Be Energy Wise Card, weather stripping; wall outlet/light covers; aerator faucets/low flow shower heads; window coverings; clothes pines & lines; smart strips; surge protectors; LED night lights; LED motion detector lights; power timers; kilowatt meters; Turn Me Off stickers, Islands Energy buttons/stickers/tattoos.

#### Outcome:

- Positive Community Engagement

***Benefit: Grows active members. Makes participation in OPALCO programs more robust and assists in transforming intention into action.***



# Accomplishments for 2015

Engage the Community and Students in Energy Issues

## Energy Pie Socials

### Output:

- TAKE CHARGE Campaign: Stay Warm In Winter & Decarbonize Your Energy
- Information Exchange focused on energy efficiency, decarbonizing our energy, fuel switching to electric heat pumps & renewable energy sources.
- Energy Efficiency Giveaways
- Great Pies



*Benefit: Promotes and integrates OPALCO messaging and supports members in making positive changes.*

### Outcome:

- 30 people received Snap Shot Home Energy Audits from OPALCO
- 3 people received \$1,000 voucher for home energy project, all three have discussed possible projects with CD staff;
- 6 people received \$500 voucher for home energy projects, 4 have discussed projects with Cd staff.
- San Juan Islands Newspaper Article.



# Accomplishments for 2015

Engage the Community and Students in Energy Issues

## Georgetown University Energy Prize

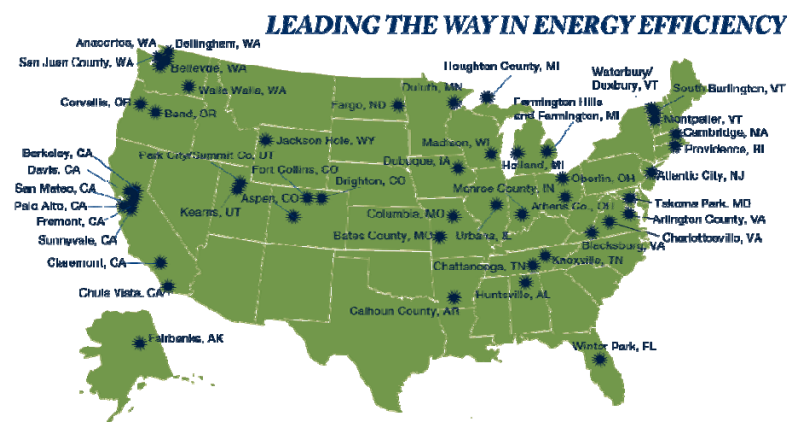
### Output:

- Quarterly Energy Use Data submitted by OPALCO staff & coordinated with Conservation District staff.
- Local news media, Conservation District Website, FaceBook & Email List Serve on San Juan County being a GUEP Contestant!
- Outreach and advertising of Energy Plan actions/events on Conservation District & OPALCO Websites, BLOGS, FaceBook, newsletters and monthly insert into OPALCO member mailings.
- GUEP and Climate Communities Weekly Webinar on modeling Climate Communities
- Attended first GUEP Regional Workshop in Bellevue, WA; 3 Island Energy members attended.
- GUEP Director visited San Juan Island for meeting with Islands Energy Team.

### Outcome:

- GUEP Competition Status: 16 out of 52 as of December 2015! New regional & national relationships developed, and national exposure as a result.

*Benefit: Engages community and lights fire to take action.*



# Accomplishments for 2015

## Reduce Energy Waste And Use Energy Wisely Home Energy Efficiency and Conservation

### Output:

- Comprehensive energy assessments (audits) provided at 30 homes by CEC.
- Completed 38 upgrade projects.

### Outcome:

- Estimated 279,700 kWh of annual energy savings.

***Benefit: Reduces electricity load.***

## Municipal Energy Efficiency and Conservation

### Output:

- Town of Friday Harbor Completed HVAC Upgrades and Ductwork
- Friday Harbor Airport completed lighting upgrades.

### Outcome:

- Estimated 14,745 kWh of annual energy savings.

## Business Energy Efficiency and Conservation

### Outcome:

- Lighting upgrades and energy assessments at four businesses on Orcas Island and five on San Juan Island.

# Accomplishments for 2015

## Increase Local Renewable Energy Generation Community Solar for Schools

### Output:

- Completed installations at four schools. Total capacity of the system is 31.7 kW. Lopez, Orcas, and San Juan schools each have 10kW installed. Shaw, a much smaller school, has 1.7 kW.

*Benefit: Helps grow local generation.*



### Outcome:

- Well received by the community at large.
- Based on feedback, community would support a large-scale community solar project.
- Excellent educational opportunity for students and families.
- Please see report for additional details

# Accomplishments for 2015

## Reduce Carbon Footprint Electric Vehicle Campaign

*Benefit: Increases source of night-time revenue, improves air quality, and reduces carbon output.*

### Output:

- Incentive program with Wilson Nissan.
- Installation of Charging station at CD office completed.
- Conservation District purchased an EV car, a Nissan Leaf! Using car to demonstrate EV use in San Juan County.
- Conducted outreach to improve visibility and accessibility of charging stations.

### Outcome:

- 10 EVs purchased in county as result of outreach.



# Plans for 2016

## Goal 1: Engage the Community and Students in Energy Issues

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**Energy Fairs, Presentations,  
Newspaper Articles**

Energy Fairs on three islands, expert speakers, outreach

**Take Charge Campaign**

Outreach program to encourage fuel switching and conservation.

**Cool School Challenge**

Work with 6 Schools on 3 Islands

**Georgetown University Energy  
Challenge**

Continue participation in competition

# Plans for 2016

## Goal 2: Reduce Energy Waste and Use Energy Wisely

---

**Heat Pump Conversions,  
Weatherization**                      200+ Homes

**Municipal/School Program**                      4 Schools

# Plans for 2016

## Goal 3: Increase Local Renewable Energy Generation

<b>Member Owned Renewable Energy Program (MORE)</b>	Increase Local Distributed Generation Support Residential Generation
<b>Large-Scale Community Solar</b>	Tracking Legislation
<b>Community Solar for Schools</b>	Administer micro-loan incentive payback

# Plans for 2016

## Goal 4: Reduce Carbon Footprint

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### **Electric Vehicle Campaign**

Outreach to increase number of EVs in the County.

10 Charger Installations at Strategic Locations, partner with the County





Questions?



## MEMORANDUM

January 15, 2016

TO: Board of Directors  
FROM: Foster Hildreth  
RE: MORE Committee

The evolution of the independent M.O.R.E. (Member Owned Renewable Energy) program is at a crossroads. Voluntary member donations are slowly decreasing and will be unable to support additional member financial participation in future years. Please see the 2015 Member Survey Summary provided as an information item in this packet.

As was anticipated at the inception of the program, incentive dollars are decreasing as more members participate. The M.O.R.E. Committee is faced with determining the next steps. Note that this discussion is limited to the M.O.R.E. program only and has no impact on the state and federal incentives available.

The MORE Committee is recommending that a moratorium be put into effect to allow funding to the existing M.O.R.E. program participants only. In doing so, M.O.R.E. incentive payments to new connections will drop to zero; existing participants will continue to receive incentives based on their interconnection date.

To summarize:

- M.O.R.E. incentives will still be paid to existing subscribers.
- New interconnecting members will not receive M.O.R.E. incentives.
- State and Federal incentives are not affected.

The M.O.R.E. Committee will be presenting the current status of the M.O.R.E. program to the Board at this January meeting.



# Member Owned Renewable Energy Program Report

# MORE Program Success and Participation

- ▶ **Highly successful program initiated and supported by OPALCO.**
- ▶ **Incentivized installation of 128 renewable power systems generating electricity every sunny day.**
- ▶ 2014-2015
  - ▶ Total number of systems: 35
  - ▶ Total kW capacity: 258.70
- ▶ 2013-2014
  - ▶ Total number of systems: 33
  - ▶ Total kW capacity: 208.53
- ▶ 2012-2013
  - ▶ Total number of systems: 35
  - ▶ Total kW capacity: 208.35
- ▶ 2010-2012
  - ▶ Total number of systems: 25
  - ▶ Total kW capacity: 139.69



**6.9kW System at Deer Harbor Marina**

# Benefits of Member Owned Renewable Energy

- ▶ Assists in managing load growth
  - Addresses BPA directive
- ▶ Promotes local resiliency
  - Adds diversity to energy grid
- ▶ Promotes carbon reduction
  - Commitment to clean energy
- ▶ Supports local renewable energy economy
- ▶ Has high level of support from membership
- ▶ Increases awareness of energy use
- ▶ Benefits all OPALCO members



# MORE Program Status and Proposal

- ▶ Amount of payouts has not kept up with income from Green Energy contributions.
- ▶ Incentive rate significantly reduced earlier than anticipated.
  - ▶ 20 cents to 3.5 cents
- ▶ Suggestions from the Committee:
  - ▶ Continue funding existing projects at the reduced rate utilizing funds generated from the green energy blocks.
  - ▶ Continue accepting members into the MORE program, but place a moratorium on new production incentive agreements.

# Request for Input from MORE Committee

- ▶ MORE is Evolving and Considering a New Strategy and Vision to Promote Member Owned Renewable Energy
  - ▶ Committee is considering:
    - ▶ Potential proposal to the board to allocate ½ of 1% of revenue to initiate a fund for co-op owned large-scale renewable energy projects.
    - ▶ Collaborating with local government and schools to promote large-scale renewable energy.
- ▶ Committee is seeking input from the OPALCO Board.
  - ▶ How do you envision MORE contributing to OPALCO's mission and needs?



Questions?



## MEMORANDUM

January 15, 2016

TO: Board of Directors  
FROM: Foster Hildreth  
RE: Energy Assistance Credit

The purpose of this report is to review the implementation specifics of the Energy Assistance Program included in the 2016 Budget.

Please note, this program is intended to supplement the PAL, LIHEAP, and other programs that offer limited duration emergency assistance.

In conjunction with CLEAResult in 2015, OPALCO developed a needs assessment which explored what a robust local assistance program would look like for the community. Staff then researched other existing utility programs, lessons learned and best practices to produce a pilot program for qualifying residential households in the County.

**Funds Collection:** Staff has implemented a \$0.0005/kWh Energy Assistance Charge on member bills effective with the January billing. This is to fund an assistance program for low-income households (\$90,000 as budgeted) which would be applied as a credit to the facilities charge of qualified members.

**Funds Distribution:** Staff's goal is to keep the implementation simple and easy to administer. Funds will be distributed to qualifying members as a credit to their facility charge. From a high-level perspective, credits will range from \$10 to \$25 depending on household size. Please note that this is a pilot program that will be adjusted as the program evolves. Please refer to presentation for further detail.



# Energy Assistance Program

JANUARY 21, 2016 OPALCO BOARD MEETING

# Driving Questions

1. Who is in need?
2. How big is the need?
3. What are existing programs?
4. How will the new program be funded?
5. What are the implementation details?

# CLEAResult/OPALCO Study

- ▶ History
  - ▶ Spring 2015 – October 2015
- ▶ Stakeholders
  - ▶ Family Resource Centers, SJ County, Opportunity Council, PAL/OPALCO
- ▶ Resources
  - ▶ Census, Experian, American Community Survey, public records, stakeholder input

# Driving Questions

## **Who is in need?**

About 1,500 households, 3,000 individuals, or just under 10% of the total population

## **How big is the need?**

Everything from \$0 annual income for single-individual household to 4 person household making \$48,500 annually (based on 200% FPL guidelines).

## **What are existing programs?**

SSI/SSDI, Apple Health (MEDICAID), SNAP, Free/Reduced Lunch program

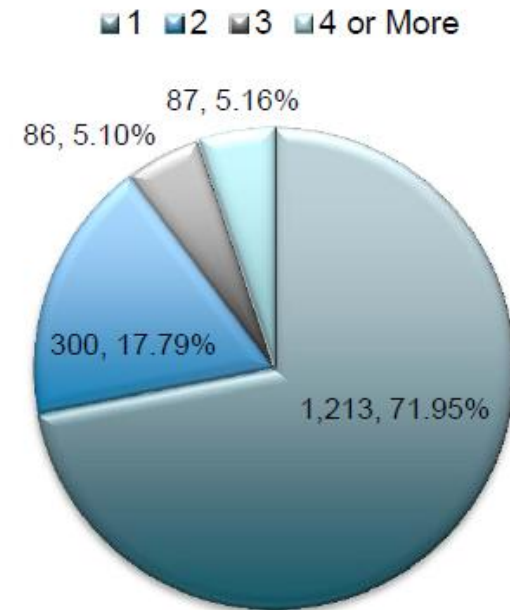
## **How will the program be funded?**

Developed concept with Board direction to fund via rates with Energy Assistance Charge

# Key Discoveries

- Majority of 150% FPL qualifying households are occupied by single person
- Generally, of qualifying households, about a third actually apply for and receive assistance
- For the average low income household, the energy burden is relatively low compared to other costs (housing, food, transportation, etc.)

**Estimated Households By Number of Adults Making 150% of Federal Poverty Level Guidelines**



Source: Experian Consumer Demographics Data

# Where we left off -

## **OTHER CONSIDERATIONS**

- Will the program provide assistance monthly for the entire year or be limited to the heating season?
- Participation rates for existing energy bill assistance programs are under 5 percent of total households but range from 15 to 30 percent of qualified households. Would a progressive program combined have higher participations rates?
- Should the new assistance program take into account energy assistance already obtained?
- Special considerations for renters versus home owners participating in any program and different outreach methods.

# Methodology

- ▶ Monthly credit will be applied to the Facilities Charge
  - ▶ This will keep the baseline charges low, and allow the kWh charges to stay in control of the household.
- ▶ The more people in the household, the higher the credit
- ▶ The starting budget would be \$90,000.00
  - ▶ Option to re-approach later depending on program popularity



# Methodology

Total Program Max Funding:	\$90,000.00	Household Size	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	Total
		Est. No. of Households (150% of FPL)	1213	300	86	87	42	20	1748
Total budgeted number of potential households:	<b>680</b>	Est. Submittal Percent	44%	33%	22%	18%	19%	15%	39%
Min (credit/member/month)	\$10.00	Est. Submittal Households	535	99	19	16	8	3	680
Max (credit/member/month)	\$25.00	Monthly Household Credit (\$/Month)	\$ 10	\$ 13	\$ 16	\$ 19	\$ 22	\$ 25	
Cap (Household Members)	6	Annual Credit/Household (\$/Year)	\$ 120	\$ 156	\$ 192	\$ 228	\$ 264	\$ 300	
Monthly addn/occupant	\$ 3.00	Budget (\$/Year)	\$ 64,200	\$ 15,444	\$ 3,648	\$ 3,648	\$ 2,112	\$ 900	\$ 89,952
		Adjusted Monthly Fac. Chg (after Credi	30.52	27.52	24.52	21.52	18.52	15.52	

Household size budgeting is based on study results.

This is a pilot program which will develop as we review actual results.

# Methodology

- ▶ Application approval would be dependent on the member receiving assistance through other assistance programs' vetting process.
- ▶ Program administered in-house through Member Services
- ▶ Annual renewal is required
- ▶ Scrutiny will be used in approval process
- ▶ Qualifying members will now have 3 energy assistance programs to help
  - ▶ PAL, LIHEAP, Co-op Assistance Credit

# 3 Complimentary Programs

- ▶ PAL
  - ▶ One-time
  - ▶ Anonymous Committee
- ▶ LIHEAP
  - ▶ Seasonal
  - ▶ Larger Credits
- ▶ OPALCO's Energy Assistance Program
  - ▶ Year-round, sustainable
  - ▶ Administered through staff

# Why We Still Need PAL

- ▶ Sustained assistance versus catastrophic event
- ▶ Administration (anonymous committee vs. open approval process).
- ▶ There will always be a gray area, but by having 3 programs we can aid in closing the assistance gap.
- ▶ Funded through rates instead of voluntary donations

# Timeline

- ▶ Implementation – February billing
- ▶ Review period – pilot program
- ▶ Revisit, revise – ongoing with firm recap in 6 mos. (August)



Other questions/concerns?

MEMORANDUM

January 15, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Tariff J *Joint Use of Poles*

Tariff J is revised to simplify the language. The rate follows a formula provided through the FCC; the former tariff language was cumbersome. Any pole attachments require an agreement.

This is the first reading of the draft revisions. No action is necessary at this time.

ORCAS POWER AND LIGHT COOPERATIVE  
TARIFF

**SIXTH** FIFTH REVISION – REPLACING **FIFTH** FOURTH REVISION

**TARIFF J-13 16**  
**JOINT USE OF POLES**

**AVAILABILITY**

Available to public utilities for communication contacts.

**POLE CONTACT RATE DETERMINATION**

The rate for joint use of poles attachments will be recalculated every year using the FCC methodology. This calculation is available once the prior year's financials are closed on or about the end of first quarter of the calendar year. Calculations effective January 1, 2013 are as follows:

Pole Measurements:	
Total pole height	37.5 ft
Usable space	13.5 ft
Non-usable space	24.0 ft
Space occupied by attachment	1.0 ft
Average number of attachments per pole	1.5
Pole Attachment Rate Calculations, FCC Formula:	
Unusable Space Factor:	
2/3 factor	0.67
Unusable space	24.0 ft
Pole height	37.50 ft
Net cost of bare pole	\$184.51
Number of attachers	1.50
Carrying charge rate	33.34%
Unusable Space Factor	17.50 ft
Usable Space Factor:	
Space occupied by attachment	1.00 ft
Total usable space	13.50 ft
Pole Height	37.50 ft
Net cost of bare pole	\$184.51
Carrying charge rate	33.34%
Usable space factor	1.64

**TOTAL RATE: \$19.14** per attachment for fiscal year effective January 1, 2013.

**GENERAL PROVISIONS**

An executed *General Agreement for Joint Use of Poles* will be required prior to communication attachments on any OPALCO poles.

\_\_\_\_\_  
J Foster Hildreth, Acting General Manager

Approval Date: 2/18/2016 April 9, 2013



MEMORANDUM

Date: January 15, 2016  
To: Board of Directors  
From: Foster Hildreth, General Manager  
Subject: Safety Program – December 2015

**Safety Training**

Jeff Myers conducted training on the OPALCO Switching Procedures. This set of procedures is intended to be the best practices to conduct switching while ensuring safety and a reliable distribution system.

**RESAP**

The Safety Committee is fine-tuning the safety improvement goals for adoption. These include increased inspections on rubber goods, ground, vehicle, and other safety equipment; expansion of the training program; and development of a formalized safety program guideline. The goal is to have the Safety Committee expand our safety program to assure a safe work culture for the employees.

**Accidents/Incidents/Near Miss**

None

	<b>December 2015</b>	<b>YTD (2015)</b>
<b>Near Misses</b>	0	1
<b>Incidents</b>	0	3
<b>Accidents</b>	0	4
<b>Loss Time</b>	0	0

Total Hours Worked without Loss Time Accident: 13,849

## **GENERAL MANAGER'S REPORT**

### **ENGINEERING AND OPERATIONS**

#### **WIP**

As of January 15 there are 334 work orders open totaling \$3,571,142. Of those, Operations has completed construction on 72 work orders, totaling \$1,016,105. Continuation of our multi-year construction through Moran State Park is scheduled to be completed by 3<sup>rd</sup> Quarter 2016. The Mud Bay Road fiber construction is complete. Construction is under way in Salmon Point on Lopez for replacement of failing URD. Construction will start at Karen Lane on Orcas in February.

#### **Submarine Cables**

We are solidifying the contract for manufacturing, laying of the new cable, and removal of the existing cable with Sumitomo. Loan processing has been submitted to RUS and is under further review since current RUS staff never received a formal opinion of the contract from recently retired RUS staff. Staff expects RUS to finalize their contract approval by February 1<sup>st</sup>.

### **FINANCE**

#### **Transition of the Island Network**

Staff continues to work closely with the Island Network team to transition the Island Network Department to the separate legal entity ledger. Staff will complete the RIC transition prior to submitting our Form 7 to RUS.

#### **2015 Year-End**

Staff is currently performing the year-end processes associated with the general ledger accounting close, W-2s (for the 2015 employees), and Form 1099s (for the 2015 vendors).

#### **Loan Position**

Staff requested and received an \$800k RUS AM8 loan draw in January, based on available funds related to the Form 219 submissions, at an interest rate of 2.510%. Additionally, the RUS AP8 loan package was further processed in early January, which allowed for loan draws approved for advance. Staff anticipates preparing a loan draw request for both the reimbursement of the funds used for the submarine cable boring process, as well as the first and second installment payments for the submarine cable purchase, both due in the near future.

### **MEMBER SERVICES and ENERGY SAVINGS**

#### **Member Services**

A new Member Services Supervisor is scheduled to start February 1<sup>st</sup>, 2016 to fill the position vacated late July 2015. The Member Services team continues to work hard to make sure critical deadlines are met. In addition to implementing the rate and bill changes approved in December, staff has also been preparing the energy assistance program administration plan for discussion at this meeting.

## **Energy Savings Rebates**

Staff is continuing to work with BPA to submit Energy Efficiency Incentive (EEI) invoices for reimbursement, and incentive funding is still targeted to expire in the second quarter 2016. Weatherization incentives have been put on hold pending new rate period funding from BPA, and staff is exploring alternative funding sources as well. Other rebates (heat pump, appliance, etc) are projected to be available through 2<sup>nd</sup> quarter 2016.

## **COMMUNICATIONS**

### **Website Refresh**

The updated website went live in December and is performing well, with a handful of bugs and fixes in the process, as is expected. The new site is ADA Compliant. The results of a brief survey on our new home page is showing the majority “like” or “love” the new site and 70% were able to find the content they were looking for.

### **Director Election**

Candidate forums will be coordinated by OPALCO staff this year to give members greater opportunities to participate in co-op governance and exercise their voice. Independently moderated forums will take place on Shaw, Lopez, San Juan and Orcas islands sometime during the period of April 11-22 (depending on when ballots go out and availability of venues and moderators). Stay tuned for more details.

### **Member Communication / Social Media**

The volume of member commentary has been higher than usual, as expected, in response to the rate increase. There is continued frustration about the investment OPALCO has made in broadband and continued concern about affordability for low-income members. Email newsletters, bill inserts, media releases and social media responses continue to address these issues.

## Rock Island Communications January 2016 Update

Major construction projects continue around San Juan County. We are closing down 2015 group projects and kicking off a series of new community projects for 2016. Our Individual Connection program is continuing to ramp up along with wide scale LTE Fixed Wireless and we will continue to run numerous Community Group projects, Individual Connections and LTE Deployments throughout 2016 to hit our numbers.

### Recap Major Projects Summary

#### **SPRING POINT: 100% Complete**

- Group project complete. Future connection will be added to Individual Connections queue

#### **MINERAL POINT: 100% Complete**

- Group project complete. Future connection will be added to Individual Connections queue

#### **MORNING LIGHT: 100% Complete**

- Group project complete. Future connection will be added to Individual Connections queue

#### **CAPE SAN JUAN (PHASE 1): 100% Complete**

- Group project Phase 1 complete
- Kicking off Phase 2 in January

#### **MATIA VIEW: 75% Complete**

- 0/13 total homes in the Matia View area
- Middle mile construction complete, fiber and splicing complete
- Last miles are 75% complete
- Backbone permit moving forward
- Backbone construction walkthrough has begun

#### **SUNCREST: 60% of Total Project Complete**

- 0/10 total homes in the Suncrest area
- Middle mile construction complete, fiber and splicing complete
- 5/10 last mile consults complete
- 5 last mile construction quotes complete and paid
- 1 last mile dig complete

### **WHISKEY HILL: 50% of Total Project Complete**

- 57 total homes in the Whiskey Hill HOA
- Middle mile construction complete, fiber and splicing complete
- 29 last mile consults complete
- 5 last mile construction projects on deck
- Last-mile digs will start in this month

### **INDIVIDUALS: Ramping Up**

- Big push for individual connections along Deer Harbor Rd, Nordstrom Ln and Orcas Rd. Along these routes alone we have identified and are actively constructing/connecting 120+ connections that can be funded with incentive dollars (zero cost to the customer). We continue to refine this process so we can roll out this program countywide.
- Delivered mailers to over a hundred homes to take advantage of this program on Orcas with great response.
- New routes for Individual Connections will roll out as they as backbone fiber permits countywide and moves towards completion.

### **Modem Swaps**

- Switching customers with a BEC fiber modem to a Zhone devices
- New Zhone modems have been received very well. The device is stable and has a wider Wi-Fi range than the BEC
- Majority of the modems have been swapped to date
- We have shipped multiple pallets back to the manufacturer already

### **VoiP Rollout**

- We have started taking VoiP customers as promised in January now that the new Zhone modems are in place, multiple services online each day.
- UPS battery backups will go out with VoiP-enabled modems
- We will roll out VoiP to customers chronologically by group in sequence in fixed groups every week

### **LTE Rollout Project**

- 6 poles are up, commissioned and lit and all have customers on them, and growing on a daily basis
- Customer response is positive beyond our expectations
- Refining our delivery process to enable self install to speed up deployment. As easy as coming into the store(s), picking up a device and within 5 minutes of powering the device on at home customers are enjoying high-speed broadband.

- Next sites to be lit will be Mineral Point, West Valley/Boyce, Scott Hill, Cape St. Mary and Vista Rd.
- Targeting a run rate of lighting 4-5 sites a month for the next 5 months
- Planning to deploy a web-based eligibility list by February on rockisland.com
- Our largest outstanding issue relates to the wireless backhaul at the Cape San Juan site.

### **Fiber Sales Pipeline**

- Commitments, many with final designs and payment:
  - Cape SJ/Cattle Pt Phase 2 (60)
  - Roche Harbor Resort HOA (26)
  - Salmon Point on Lopez (16)
  - Harney View on Orcas (35+)
  - Brown Island on San Juan (46)
  - Garry Oak on San Juan (12)
  - Portland Fair Area on San Juan (35)
  - Panorama Place on San Juan (12)
  - Ruggles on Lopez (3)
  - Eastsound Village (30\*)
  - Geisers Way (14)
  - Rosario Group A (12)
  - Hilltop on Lopez (40)
  - Humphrey Head (12)
  - LCLT (19)
- Actively in discussion: 18 other communities

### **Operational Software Support**

We are in the final stages of rolling out new operational software companywide to support our team with the goals ahead. This new software will deliver efficiencies, reporting and accountability far beyond our current state.

Software rollout includes:

- Service Order (CIAC) generation and automation
- Fiber manager/Arc GIS (working with OPALCO)
- Customer management and billing system
- Customer support and ticketing system
- Customer onboarding and registration for FTTH customers
- Remote management for LTE devices

**DASHBOARD: ROCK ISLAND COMMUNICATIONS**

**SUBSCRIBERS**

BUDGET Subscribers	2015 Budget Subscribers												2015	2015
	January	February <sup>1</sup>	March	April	May	June	July	August	September	October	November	December	Period End (Dec) Budget	Year End Budget
DSL/Canopy	-	1,618	1,618	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644
Fiber	108	108	138	151	165	178	228	278	328	385	443	500	500	500
LTE	-	-	100	150	200	250	300	350	400	469	539	608	608	608
<b>Total</b>	<b>108</b>	<b>1,726</b>	<b>1,856</b>	<b>1,945</b>	<b>2,009</b>	<b>2,072</b>	<b>2,172</b>	<b>2,272</b>	<b>2,372</b>	<b>2,499</b>	<b>2,625</b>	<b>2,752</b>	<b>2,752</b>	<b>2,752</b>

ACTUAL Subscribers	2015 Actual Subscribers												2015	2015
	January	February <sup>1</sup>	March	April	May	June	July	August <sup>2</sup>	September	October	November	December	Period End (Dec) Actual	Year End Actual
DSL/Canopy	-	1,561	1,564	1,569	1,578	1,582	1,587	1,590	1,593	1,641	1,511	1,555	1,555	1,555
Fiber	115	123	128	137	167	221	227	235	275	335	419	489	489	489
LTE	-	-	-	-	-	-	-	3	13	33	35	39	39	39
<b>Total</b>	<b>115</b>	<b>1,684</b>	<b>1,692</b>	<b>1,706</b>	<b>1,745</b>	<b>1,803</b>	<b>1,814</b>	<b>1,828</b>	<b>1,881</b>	<b>2,009</b>	<b>1,965</b>	<b>2,083</b>	<b>2,083</b>	<b>2,083</b>

VARIANCE Subscribers	2015 Variance Subscribers												2015	2015
	January	February <sup>1</sup>	March	April	May	June	July	August <sup>2</sup>	September	October	November	December	Period End (Dec) Variance	Year End Variance
DSL/Canopy	-	(57)	(54)	(75)	(66)	(62)	(57)	(54)	(51)	(3)	(133)	(89)	(89)	(89)
Fiber	7	15	(10)	(14)	2	43	(1)	(43)	(53)	(50)	(24)	(11)	(11)	(11)
LTE	-	-	(100)	(150)	(200)	(250)	(300)	(347)	(387)	(436)	(504)	(569)	(569)	(569)
<b>Total Variance (Actual - Budget)</b>	<b>7</b>	<b>(42)</b>	<b>(164)</b>	<b>(239)</b>	<b>(264)</b>	<b>(269)</b>	<b>(358)</b>	<b>(444)</b>	<b>(491)</b>	<b>(490)</b>	<b>(660)</b>	<b>(669)</b>	<b>(669)</b>	<b>(669)</b>

Pipeline Subscribers	2016 Subscriber Pipeline												2016	2016
	January	February <sup>1</sup>	March	April	May	June	July	August	September	October	November	December	Q1 Pipeline	Year End Target
Fiber	42	51	59										152	600
LTE	95	125	154										374	1,500
<b>Total Pipeline</b>	<b>137</b>	<b>176</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526</b>	<b>2,100</b>

**REVENUE**

BUDGET Revenue	2015 Budget Revenue												2015	2015
	January	February <sup>1</sup>	March	April	May	June	July	August	September	October	November	December	Period End (Nov) Budget	Year End Budget
Subscribers	-	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	945,648
DSL/Canopy	-	26,982	26,982	35,976	35,976	35,976	58,461	58,461	58,461	58,461	58,461	58,461	58,461	481,179
Fiber	12,938	12,938	12,938	17,250	17,250	17,250	28,031	28,031	28,031	28,031	28,031	28,031	28,031	230,719
LTE	-	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	293,333
IT Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$39,920</b>	<b>\$161,151</b>	<b>\$161,151</b>	<b>\$174,458</b>	<b>\$174,458</b>	<b>\$174,458</b>	<b>\$207,724</b>	<b>\$207,724</b>	<b>\$207,724</b>	<b>\$207,724</b>	<b>\$207,724</b>	<b>\$207,724</b>	<b>\$1,924,213</b>	<b>\$2,131,937</b>

ACTUAL Revenue	2015 Actual Revenue												2015	2015
	January	February <sup>1</sup>	March	April	May	June	July	August	September <sup>4</sup>	October	November	December	Period End (Nov) Actual	Year End Actual
Subscribers	-	53,184	84,480	76,966	76,629	76,875	77,484	76,517	143,056	74,180	70,658	-	810,028	1,040,213
DSL/Canopy	-	43,833	41,794	41,794	44,102	43,570	53,561	60,980	61,829	70,366	64,399	64,043	590,271	539,640
Fiber <sup>3</sup>	-	-	-	-	-	-	-	-	-	-	812	1,504	2,316	258,750
LTE	-	-	-	-	-	-	-	-	-	-	-	-	-	269,626
IT Services	-	33,623	27,570	29,045	55,275	29,465	21,408	18,890	8,818	27,899	17,633	-	-	-
<b>Total</b>	<b>\$43,833</b>	<b>\$128,601</b>	<b>\$153,844</b>	<b>\$150,113</b>	<b>\$175,474</b>	<b>\$159,901</b>	<b>\$159,872</b>	<b>\$157,236</b>	<b>\$222,240</b>	<b>\$167,289</b>	<b>\$153,838</b>	<b>\$0</b>	<b>\$1,672,241</b>	<b>-</b>

VARIANCE Revenue	2015 Variance Revenue												2015	2015
	January	February <sup>1</sup>	March	April	May	June	July	August	September	October	November	December	Period End (Nov) Variance	Year End Variance
Subscribers	-	(41,381)	(10,085)	(17,599)	(17,936)	(17,690)	(17,081)	(18,048)	48,491	(20,385)	(23,907)	-	\$(135,620)	1,040,213
DSL/Canopy	-	16,851	14,812	8,126	7,594	17,585	2,519	3,368	11,905	5,938	5,582	-	\$109,092	539,640
Fiber <sup>3</sup>	(12,938)	(12,938)	(12,938)	(17,250)	(17,250)	(17,250)	(28,031)	(28,031)	(28,031)	(27,219)	(26,528)	-	\$(228,403)	230,719
LTE	-	6,956	903	2,378	28,608	2,798	(5,259)	(7,777)	(17,849)	1,233	(9,034)	-	\$2,960	269,626
IT Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Variance (Actual - Budget)</b>	<b>3,914</b>	<b>(32,550)</b>	<b>(7,307)</b>	<b>(24,344)</b>	<b>1,017</b>	<b>(14,557)</b>	<b>(47,852)</b>	<b>(50,488)</b>	<b>14,516</b>	<b>(40,434)</b>	<b>(53,886)</b>	<b>-</b>	<b>(251,971)</b>	<b>-</b>
<b>Variance %</b>	<b>8.9%</b>	<b>-25.3%</b>	<b>-4.7%</b>	<b>-16.2%</b>	<b>0.6%</b>	<b>-9.1%</b>	<b>-29.9%</b>	<b>-32.1%</b>	<b>6.5%</b>	<b>-24.2%</b>	<b>-35.0%</b>	<b>0.0%</b>	<b>-15.1%</b>	<b>0.0%</b>

**Notes:**

General: Accounting consolidation ongoing (Legacy Rock Island + Island Network = Rock Island Communications)

1. RIC acquisition closed on February 6th 2015

2. Adjustment to DSL/Canopy Subscribers during billing software reconciliation

3. Reflects transition to residential subscriber base from larger commercial connections (e.g. 'Noanet')

4. Sept. revenue includes a one time only adjustment to shift RIC from the cash basis to accrual. (adding accts.rec. billed and owed, not yet received) This adjustment is required per GAAP for accrual basis reporting.

MEMORANDUM

January 15, 2016

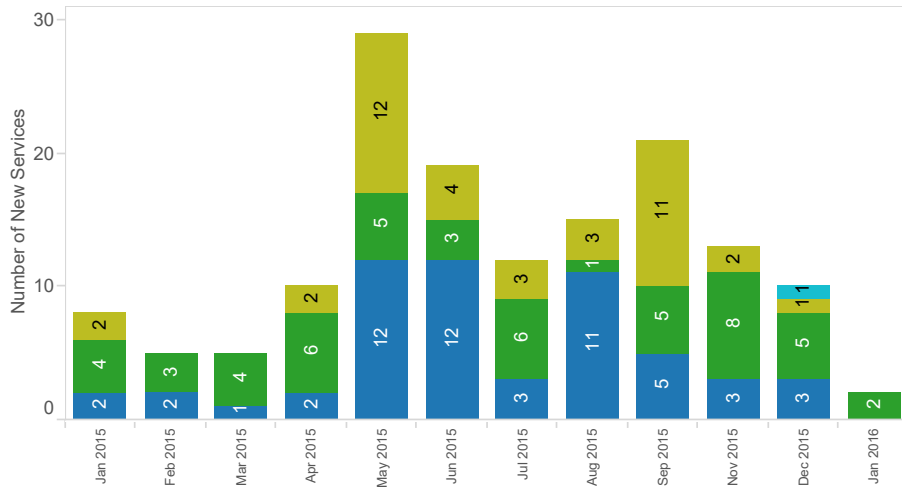
To: Board of Directors  
 From: Foster Hildreth, General Manager  
 Subject: Dashboard

Attached please find the latest version of our dashboard charts. Please remember these charts are a work in progress that will evolve over the coming months. The chart listed below indicates their status.

Title	Status			Comment
Service Additions by Board District				Continued new services
PAL and Energy Assist. Prog.				Funding through the tariffs will help
MORE/All Green				Continued decline in participation
Cash				Pursuant to Board Directives
TIER				Stable due to CRC
Equity				Pursuant to Board Directives/budget
Debt				Pursuant to Board Directives/budget
Outage Summary				Trending is level
Outage Statistics				Durations above Industry Trends
Power Cost				Below budget

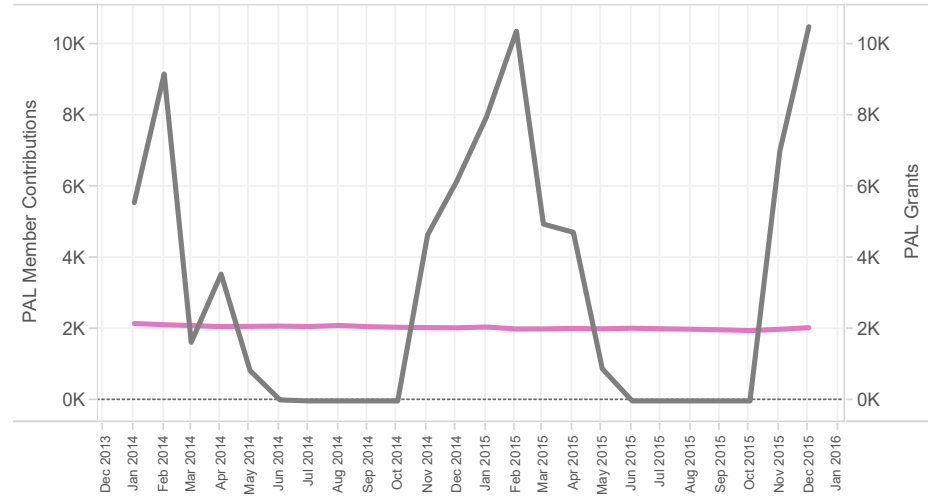


### Services Additions by Board District (excluding transfers)



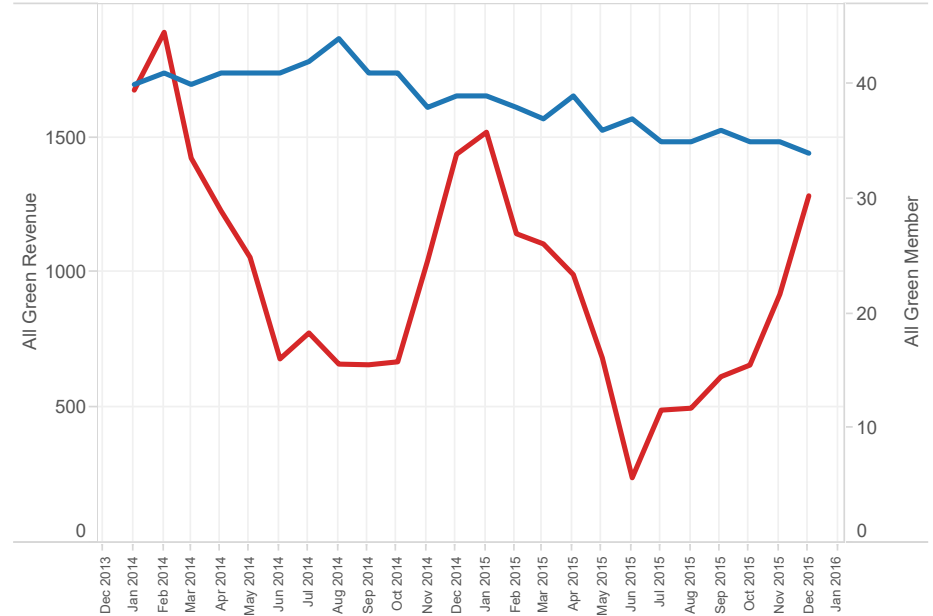
- District 4 - Shaw, Bell, Canoe, and Crane
- District 3 - Lopez, Decatur, Center, and Charles
- District 2 - Orcas, Blakely, Obstruction, Armitage, Bid Double, Little Double, and Fawn
- District 1 - San Juan, Brown, Henry, Pearl, and Spieden

### PAL



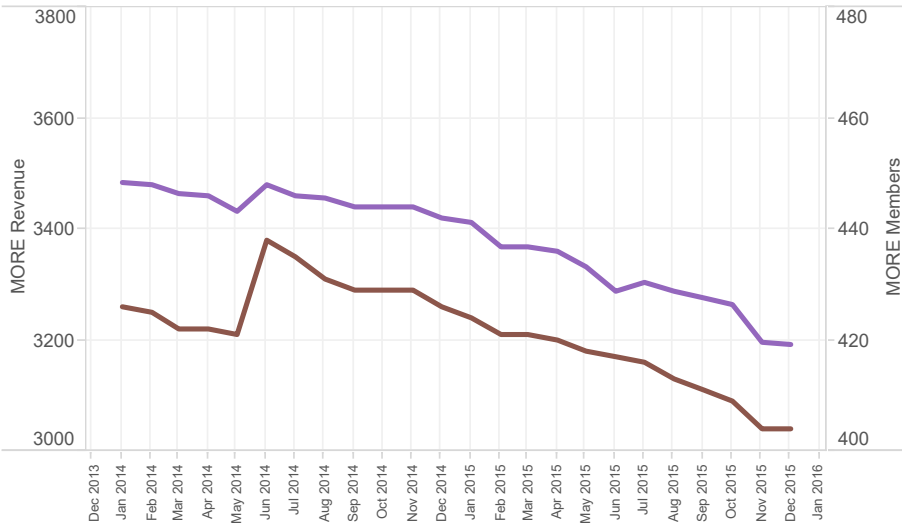
- PAL Grants
- PAL Member Contributions

### All Green



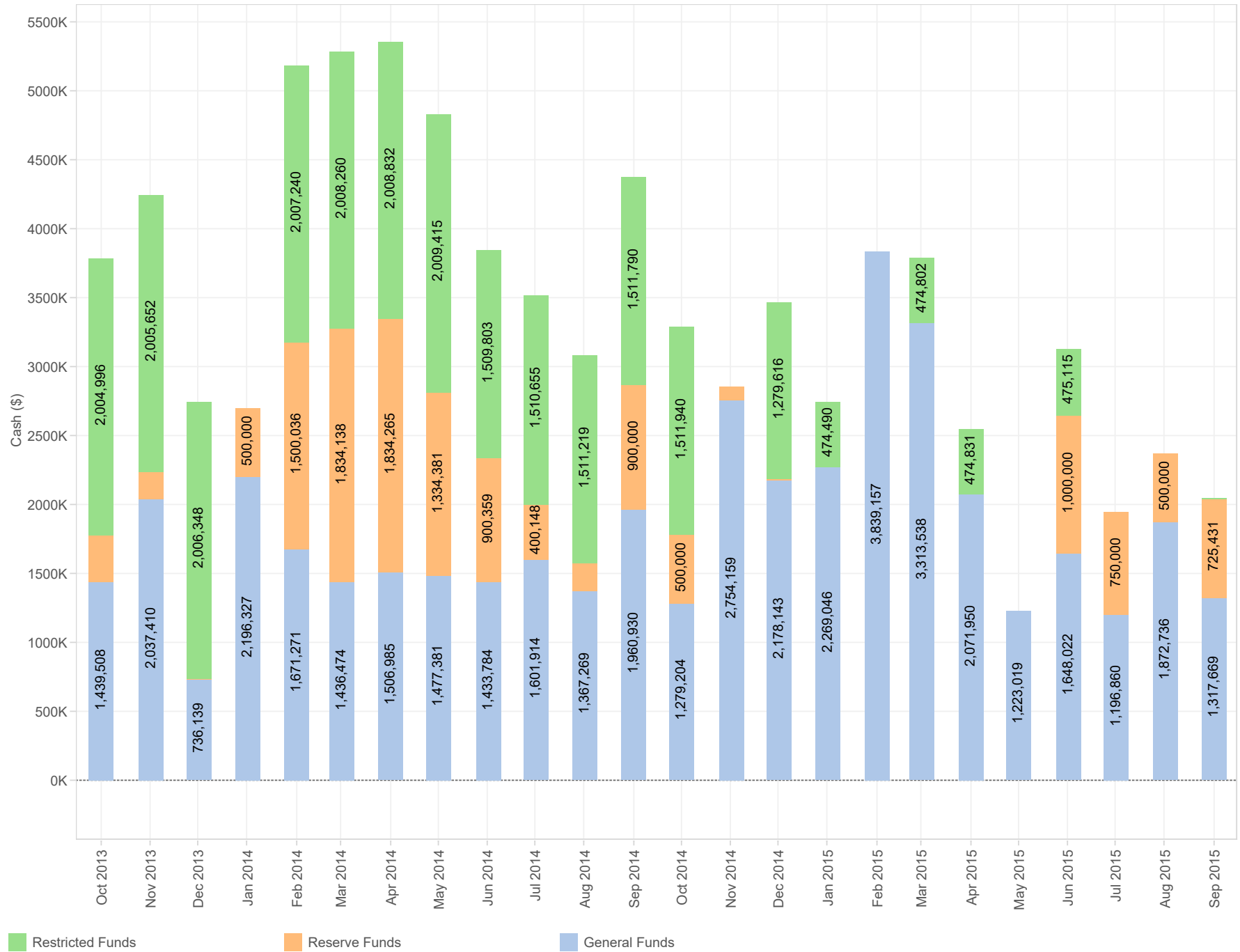
- All Green Member
- All Green Revenue

### MORE

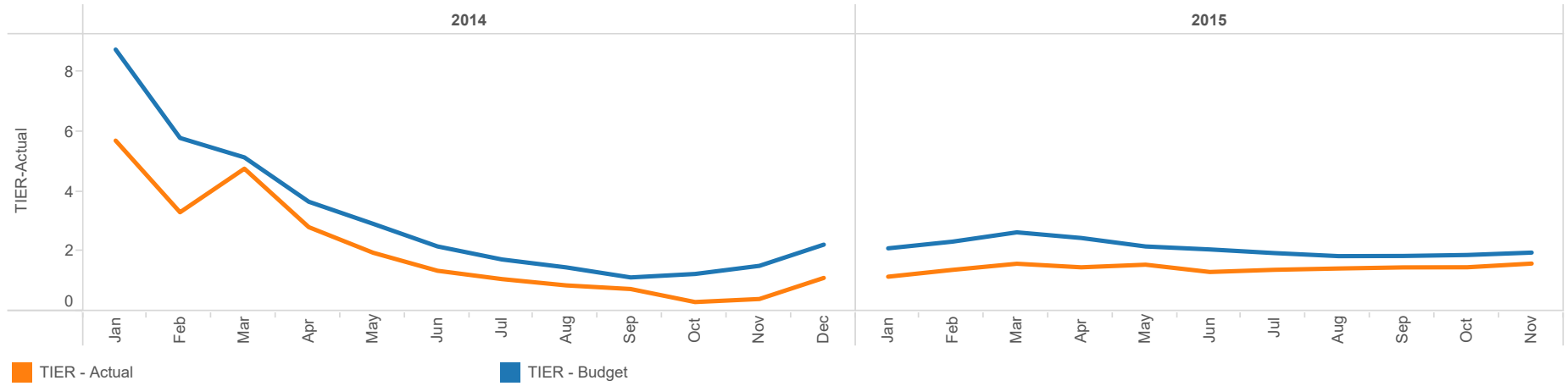


- MORE Members
- MORE Revenue

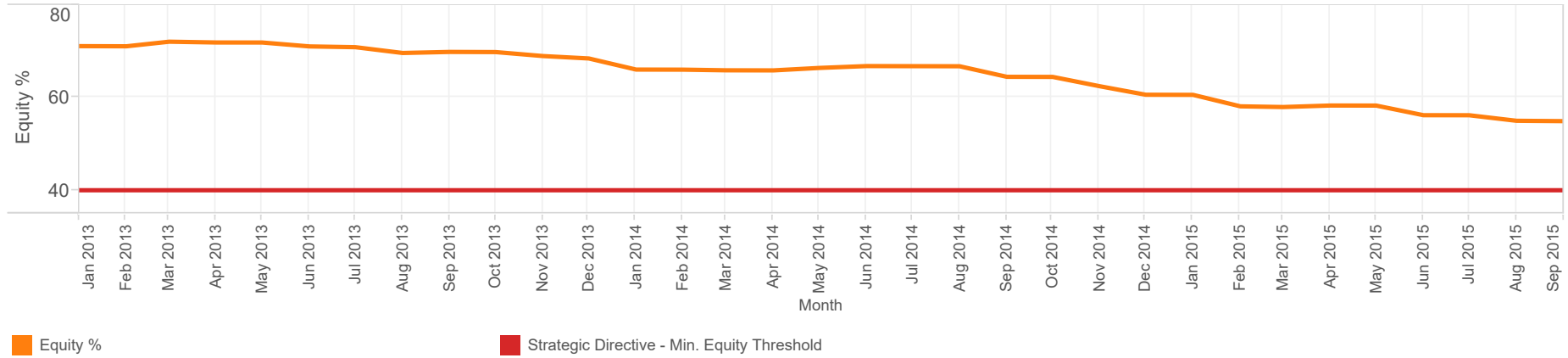
# Cash



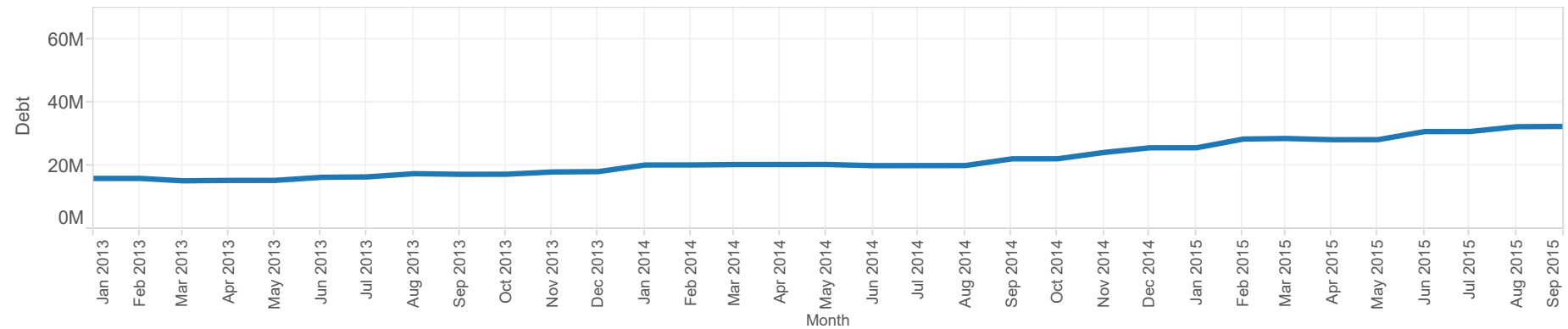
TIER



Equity

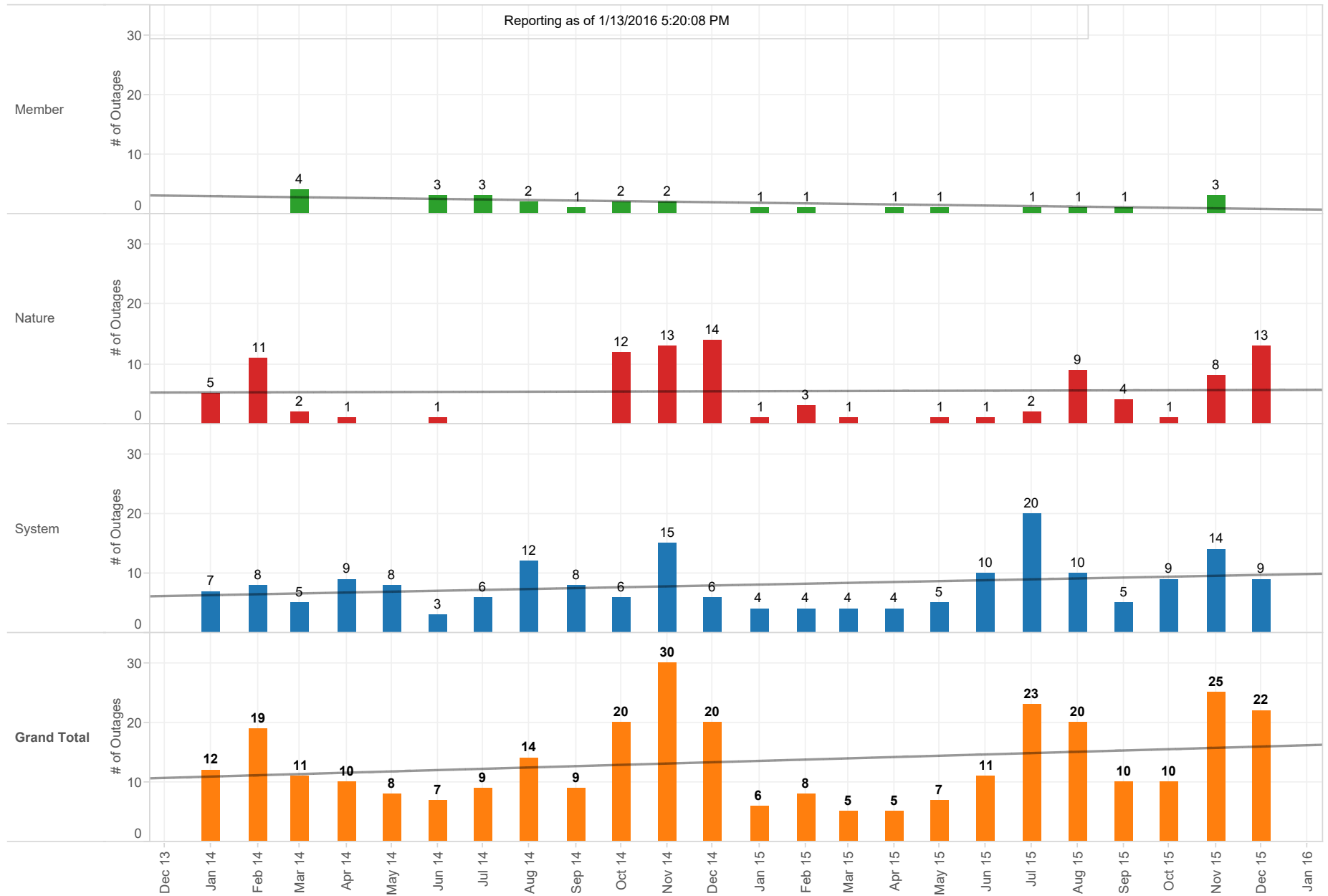


Debt



# Outage Summary

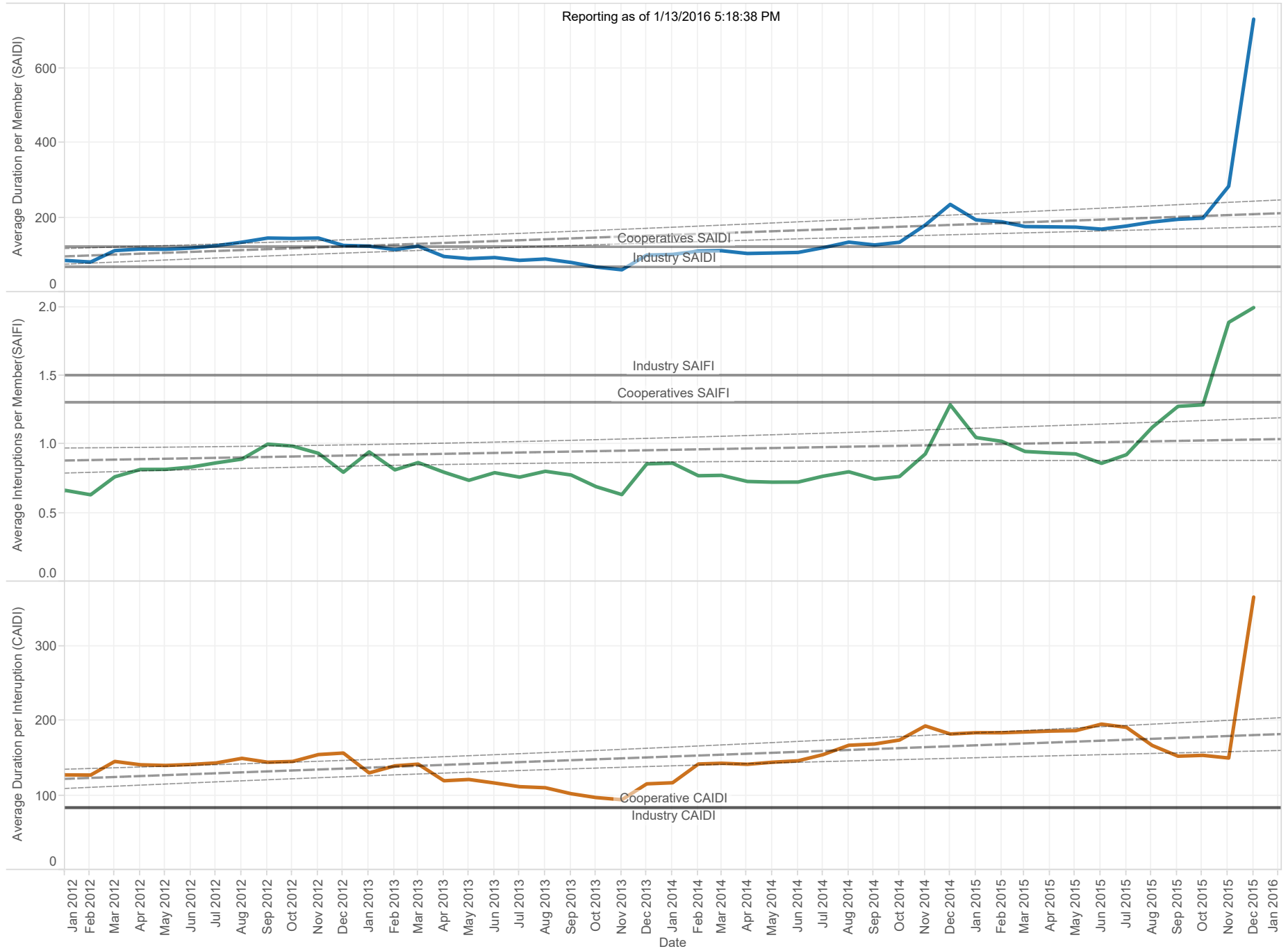
Reporting as of 1/13/2016 5:20:08 PM



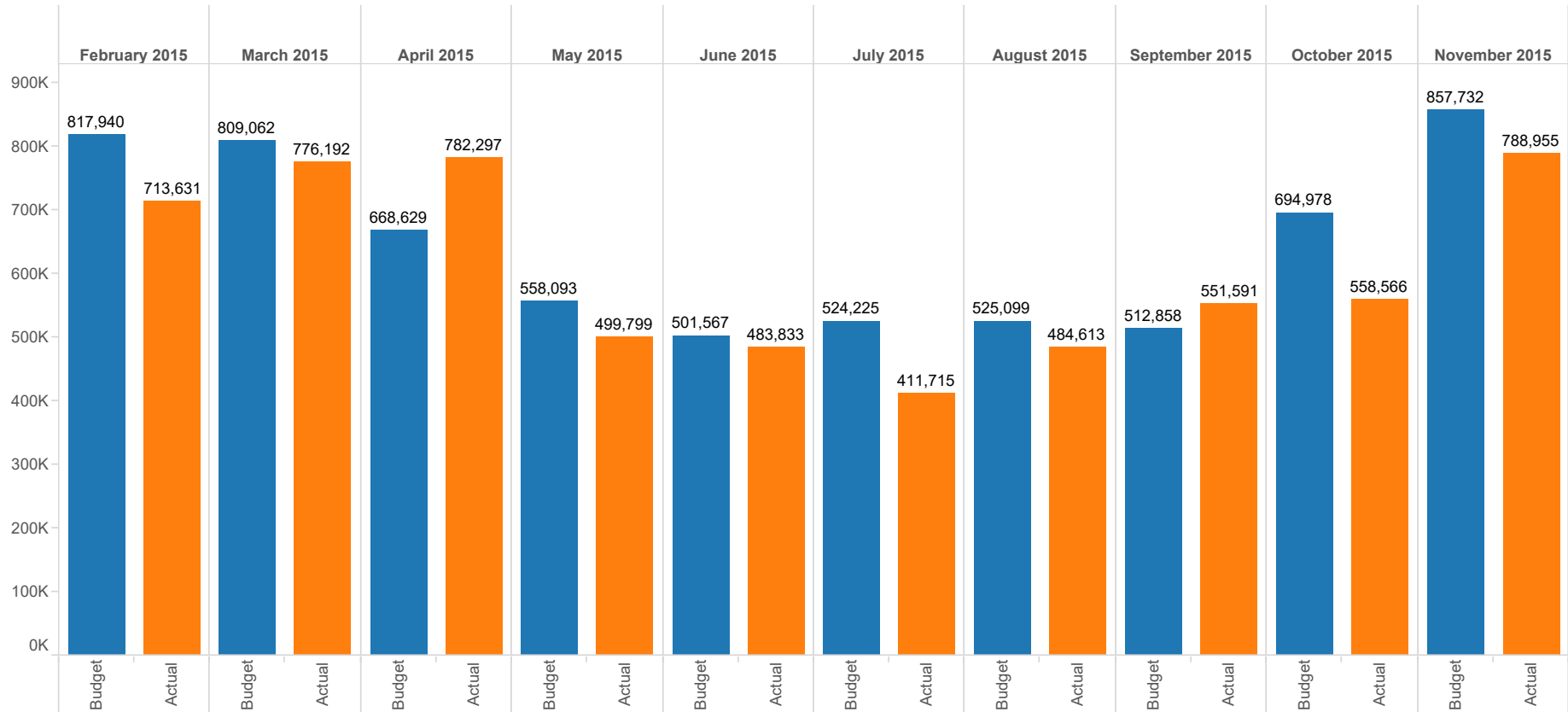
**Category Description**  
■ Member    ■ Nature    ■ System    ■ Grand Total

# Outage Statistics

Reporting as of 1/13/2016 5:18:38 PM



**Power Cost**



**Prior Rolling 12 Months**

	Budget	Actual	Variance
December 2013	864,907	1,125,500	260,593
January 2014	866,852	765,166	-101,686
February 2014	850,331	1,105,673	255,343
March 2014	773,388	778,706	5,318
April 2014	763,902	713,126	-50,776
May 2014	487,679	475,013	-12,666
June 2014	502,284	473,272	-29,012
July 2014	431,674	421,778	-9,896
August 2014	496,352	481,176	-15,177
September 2014	568,008	494,856	-73,152
October 2014	638,675	564,620	-74,055
November 2014	691,774	800,125	108,351
<b>Grand Total</b>	<b>7,935,824</b>	<b>8,199,011</b>	<b>263,187</b>

**Current Rolling 12 Months**

	Budget	Actual	Variance
December 2014	849,214	963,917	114,703
January 2015	957,138	784,070	-173,068
February 2015	817,940	713,631	-104,309
March 2015	809,062	776,192	-32,870
April 2015	668,629	782,297	113,668
May 2015	558,093	499,799	-58,294
June 2015	501,567	483,833	-17,734
July 2015	524,225	411,715	-112,510
August 2015	525,099	484,613	-40,487
September 2015	512,858	551,591	38,733
October 2015	694,978	558,566	-136,412
November 2015	857,732	788,955	-68,777
<b>Grand Total</b>	<b>8,276,534</b>	<b>7,799,178</b>	<b>-477,355</b>

## 2015 Member Survey Summary

Cameron Madill of PixelSpoke presented the full survey results with demographic correlations at the December 2015 board meeting. For Board information, the summary of key findings is included below and the full report is available in our Resource Library online: <http://www.opalco.com/wp-content/uploads/2015/12/2015-Energy-Savings-Survey-Report.pdf>.

1. Should OPALCO increase rates to fund efficiency and conservation?
  - Only 23% support this – and, of that total: only 17% of full-time members, 8% of low-income members
  - All but 11% say we should put efficiency programs on hold
2. Should OPALCO provide incentives for fuel switching (electric cars and propane heat):
  - 22% in favor of incentives for both electric cars and propane
  - 21% in favor of propane switching
  - 14% in favor of electric car incentives
  - 42% said neither
3. How should OPALCO support those who generate renewable power?
  - 77% said voluntary donations only (as is)
  - 16% in support of solar (roof-top and community)
  - 8% in support of community solar only / 6% for roof top only
4. About 25% of respondents participated in SJI Conservation District events, primarily energy fairs (19%)
5. In comparing rate structure options (higher base + lower Kwh vs lower base + higher Kwh), the most popular responses were:
  - Somewhere in the middle (51%)
  - Higher Kwh charge (30%)
  - Lower Kwh charge (9%)
6. Top priorities for funding OPALCO programs:
  - Rate Relief for qualified seniors / low-income
  - Energy Efficiency & Conservation
  - MORE (distant third place)



December 21, 2015

Foster Hildreth  
Orcas Power & Light Cooperative  
183 Mt. Baker Rd.  
Eastsound, WA 98245

Dear Foster,

This year NW RiverPartners celebrated its 10 year anniversary, an achievement reached thanks to your continued support. In honor of this milestone, we have summed up the past 10 years in this Accomplishments handout instead of 2015 alone.

Enclosed is a copy of the Accomplishments handout for your perusal. I strongly encourage you to share it with your Board/Commission, staff and/or customers. For additional copies, contact Richelle Beck at [rbeck@nwriverspartners.org](mailto:rbeck@nwriverspartners.org).

Our efforts to spread the good news story and provide education on the value of the hydropower system would be impossible without your support, so I thank you again. We look forward to another great year ahead!

Sincerely,

A handwritten signature in black ink that reads "Terry Flores". The signature is written in a cursive style.

Terry Flores, Executive Director  
NW RiverPartners  
101 SW Main Street, #1605  
Portland, OR 97204  
503-274-7792





# Northwest RiverPartners

## TEN YEARS OF ACTION AND ACCOMPLISHMENTS

### 2005 – 2015

Ten years ago, Northwest RiverPartners formed as litigation over operations of the federal hydropower system reached a peak. The stakes were high. The presiding federal court judge held the Northwest's economy and environment – which relies on clean renewable, reliable and affordable energy – in his hands.

It was time for utilities, ports, agriculture and businesses to come together. They came together to provide a coordinated legal defense and voice in support of the hydropower system and the massive investments by Northwest families and businesses in helping 13 stocks of endangered salmon. Northwest RiverPartners became that defense and that voice. Over time, RiverPartners also became a strong voice for the Northwest's clean, renewable hydro power through its "CleanHydro" public education media campaign.

#### **RiverPartners: Time to Reach Out, Act and Speak Up**

RiverPartners was founded on the dual premise that salmon, dams and hydropower can and must co-exist, and that restoration policies and actions must be based in sound science to ensure salmon and other species will benefit from our collective actions. Our role is to ensure that the investments being made by electric utility customers to benefit fish and wildlife in the Northwest are spent wisely, not wasted. RiverPartners is a tireless advocate for salmon, clean hydropower and the dams that bring so much economic and environmental vitality to the Columbia River Basin and Northwest residents' lives.

#### **Salmon Return in Record Numbers**

There is much to celebrate: First and foremost, the last 15 years have seen dramatic and persistent increases in overall adult salmon returns to Bonneville Dam. The Northwest now boasts the largest restoration program for any species anywhere in the nation and likely the world. A billion-dollar habitat restoration program is bearing fruit, and changes to federal hydro operations are speeding young salmon to the sea at very high survival levels – similar to those seen in undammed rivers. The combination of these activities, the myriad other actions in the federal salmon plan, or Biological Opinion (BiOp), that are now underway, and good ocean conditions is working to help the fish.

### **RiverPartners Plays Key Role in BiOp Litigation and Implementation**

RiverPartners helped form and continues to facilitate an unusual and powerful coalition of federal, state, tribal and river interests that is a true force in the federal BiOp case. Working together, this Regional Coalition shared perspectives, filed joint briefs, and coordinated courtroom arguments to put on the best possible defense of the salmon plan. Also, as the BiOp's myriad measures are implemented to protect and restore protected salmon, RiverPartners plays a key role in seeing that the best science is brought to bear to ensure benefits to the species and protect our customers and constituents' investments. And, as the hydro system faces more lawsuits, RiverPartners is there, providing a strong legal defense.

### **Snake Dams Enjoy Solid Public Support**

RiverPartners is a tireless defender of the Snake River dams, which remain firmly in place and enjoy growing public support. That is the case despite calls for dam removal from those who seek free-flowing rivers and a return to a time before hydropower, population growth and climate change. RiverPartners' annual public opinion polling, by an independent research firm over the last ten years, consistently shows we are in touch with public sentiment when it comes to the dams: This year, support for the Snake River dams stood at 70 percent, and 77 percent of residents confirmed they want to see salmon and dams co-exist.

### **CleanHydro TV Campaign Puts Hydro Back in the Picture**

As part of its mission to promote clean renewable hydroelectricity, RiverPartners mounted a major public education TV and print ad campaign called "CleanHydro" from 2013 to 2015, with great results. For too long, hydropower had been overlooked as the key player in the Northwest's clean renewable legacy—even as it provided more than 60 percent of the region's electric energy and 90 percent of its renewable energy. CleanHydro changed that, with over 7 million people in the Northwest seeing our message of "Way to Go H2O," learning about how hydro helps keep our skies clean and the many economic benefits of the Columbia and Snake Rivers.

### **NWRP: A Trusted Resource**

As RiverPartners works with federal agencies, states, tribes and our closely-aligned trade association partners, we've made our mark: In the media, with members of Congress including our Northwest delegation, policymakers such as the Northwest Power and Conservation Council, Governor's offices and many others. RiverPartners counters misinformation with facts and well-reasoned perspectives, paying close attention to what the best science is telling us.

We've had a huge impact in our short history—in the courts and halls of power, in the news media, and in the hearts and minds of Northwest residents. In the coming years, RiverPartners will continue to reach out, act and speak up on behalf of salmon, our economy and our quality of life.

Thanks to our member organizations which represent 4 million utility customers, 40,000 farmers, thousands of port jobs, industries and businesses.



## **2016 Legislative Objective: Climate Change**

**Climate change is a global issue. In an effort to avoid duplicative and costly regulations that can harm Washington's competitiveness, WRECA prefers a national effort as the best approach to limiting greenhouse gas (GHG) emissions.**

Given Washington State's vast hydroelectric system, our share of the world's GHG emissions is about two-tenths of one percent (0.21 %), causing a negligible impact on climate change. In 2011, our state's CO<sub>2</sub> emissions from the generation of electricity were about one metric ton (1.08) per capita – the fourth lowest per capita rate in the nation.

The state has adopted renewable energy standards, carbon dioxide mitigation requirements and emissions performance standards for power generation. The state has also adopted vehicle emission standards, renewable fuel standards and energy efficiency and conservation standards for new buildings, placing the state well ahead of most others in adopting climate change policies.

The state policy makers have consistently been more aggressive than their counterparts in other states in adopting climate change-related policies. The State has proceeded to enact climate change policies to reduce greenhouse gas emissions under a false assumption that federal policies will not contribute to meeting the state's GHG reduction targets. Adoption of any more regulations will place Washington at a distinct competitive disadvantage to states whose emission sources will largely be regulated by federal policies alone.

While it is laudable to seek reductions in emissions of GHG, Washington's policy makers must balance such efforts with consideration of the economic impacts that GHG reduction efforts will have on the quality of life for Washington residents, especially as implementation of various GHG reduction efforts affects the reliability and affordability of electric power. WRECA will:

1. Collaborate with legislators and stakeholders to shape climate change policy that recognizes the value of the Northwest's clean and predominantly carbon-free electricity resources.
2. Oppose policies and laws that are only indirectly related to GHG emissions, such as SEPA guidance, scenario planning and model land use regulations.
3. Oppose carbon pricing policies which adversely impact jobs in Washington State or place our businesses at a competitive disadvantage.
4. Support opportunities to increase hydropower, nuclear and other non-carbon emitting sources of electricity.
5. Seek to obtain recognition of and reward utilities that already have lower emission intensities, have taken early actions, and promote conservation and energy efficiency programs for their consumers.



## **2016 Legislative Objective: Energy**

**The Legislature must consider the ramifications of its actions on the energy costs for Washington's families and businesses, and maximize the opportunities to utilize Washington's abundant, renewable natural resources.**

Washington's economy has been built on abundant, reliable and affordable electric energy. Clean, reliable, renewable and low-cost hydropower accounts for over 80 percent of the wholesale power sold by the average electric cooperative in Washington. As a BPA customer, these utilities receive their wholesale power supply mostly from resources that have no greenhouse gas emissions.

Washington once enjoyed a competitive energy advantage that allowed its businesses, industries and farms to provide family-waged jobs, meet strict environmental regulations, offset high transportation costs and remain competitive in the regional, national and global marketplace. Our competitive energy advantage began to seriously erode, however, during the 2000/2001 energy crisis. A severe drought and market manipulation significantly contributed to wholesale electricity and natural gas market conditions that exposed electric cooperatives and their customers to unprecedented costs that they are still bearing today.

Renewable and alternative energy resources that do not emit greenhouse gas emissions, including hydropower, all play a very important role in diversifying our state's electric energy portfolio, provided such resources are obtained and integrated at a reasonable cost. Unfortunately, the state's energy policies have not only failed to address rising energy costs, but contribute to the problem.

The Legislature must take into consideration the ramifications of its actions on the energy costs for Washington's families and businesses, and maximize the opportunities to utilize Washington's abundant, renewable natural resources.

### **WRECA:**

1. Supports legislation that provides opportunities for the development of cost-effective baseload generation such as hydropower and nuclear power in Washington State.
2. Supports legislation that calls for the use of least-cost resources, including conservation and energy efficiency, to meet the state's energy needs.
3. Opposes legislation mandating credit for distributed generation that doesn't reflect the true cost of service to the generator, such as net metering credit at the retail level and feed-in tariffs.



## **2016 Legislative Objective: I-937 (Energy Independence Act)**

**Amend the state's RPS (RCW 19.285) to:**

- 1. repeal mandates to purchase power or credits that is not required to meet the utility's load,**
- 2. allow incremental power generated as a result of efficiency improvements at federal hydro facilities to count towards a utility's RPS requirements,**
- 3. provide greater renewable energy credit (REC) banking flexibility,**
- 4. allow conservation and energy efficiency achievements to count towards the utility's renewable energy requirements, and**
- 5. exempt "small utilities" as defined in RCW 19.29A**

**without any increase in the renewable energy or conservation requirements.**

I-937 does not recognize conservation achievements and other factors impacting a utility's actual needs for new resources at the I-937 mandated compliance levels (3% by 2012, 9% by 2016, and 15% by 2020). These mandates have the effect of forcing utilities with existing generating resources to acquire unneeded, higher-cost eligible renewable resources or renewable energy credits (RECs) ahead of need rather than when needed. Being forced to acquire power or RECs ahead of need is inconsistent with sound business practices and costs utility consumers tens of millions of dollars. Additionally, the I-937 definition of eligible renewable resources is too narrowly defined and can limit the development of new, low or non-carbon, job producing technologies.

The legislature should amend I-937 to:

1. Allow a utility to delay the purchase of the mandated eligible renewable power or RECs until the utility actually needs the power to serve its consumers.
2. Expand the definition of eligible renewable resources to promote the development of additional renewable resources.
3. Recognize that the conservation and the eligible renewable resource mandates must be complimentary and that conservation can reduce the need for new eligible resources.
4. Change the definition of "small utility" to match the long-standing definition in RCW 19.29A which defines a "small utility" as having less than 25,000 customers or fewer than seven customers per mile of line.



## **2016 Legislative Objective: Small Utilities**

**WRECA seeks legislative and regulatory provisions that provide small utilities with exemptions or more simple compliance alternatives. Small utilities are defined as those with two percent or less of the state’s total number of electric consumers as reported by the most recent data from the U.S. Energy Information Administration (EIA).**

There are over 60 utilities selling retail electric power to consumers in Washington State. Seven of those utilities are very large, and together, those seven large utilities provide electric service to over 78 percent of the electric consumers in the state.

The majority of the electric distribution utilities in Washington are much smaller. These small utilities are not-for-profit entities with service areas that range from mostly-residential urban areas to the sparsely-populated rural regions of the state. They are publicly or member owned utilities with locally-elected and more readily accessible governing boards which ensure that the utility’s policy-makers and management is more responsive and operate in the best interest of the utility’s ratepayers. The small utilities provide this service while often serving territories that are physically challenging and thus require a larger portion of the utility resources (staff, equipment, and financial) to be focused on providing reliable and safe electrical service.

The typical small utility does not own any generating resources. The typical small utility doesn’t own or operate any transmission facilities and the distribution system has very little if any impact on the regional power grid.

Many state laws and regulations covering the retail sale of electric power are “one size fits all” approaches to public policy. Most of these laws and regulations do not provide additional reliability or safety for the electric customers, and may in fact adversely affect the small utilities’ ability to maintain a high standard of service reliability and public safety in a cost effective manner. While such policies, laws and regulations can be effectively managed by larger utilities that have more flexibility with staffing and resource allocations, this isn’t the case with the small utilities. With fewer customers, lower energy sales, and less staff, many of the compliance requirements place a disproportionately higher burden on smaller utilities.

The small utilities ability to provide cost-effective, reliable and safe utility services to their customers should not be jeopardized by unnecessary mandates or regulations. Therefore, WRECA will seek legislative and regulatory provisions that when appropriate provide small utilities with exemptions or more simple compliance alternatives.



## 2016 Legislative Objective: Regulation

**Washington electric co-ops as consumer-owned utilities are self-regulated and do not require government regulation. WRECA opposes any regulation of electric co-ops or mutual companies by the Washington Utilities and Transportation Commission (WUTC).**

Consumers of utility services and products are usually “captive” to a single service provider and don’t have competitive options that the open market generally provides consumers. This monopoly arrangement is largely due to the complexity and costs required to provide the services offered by electric companies and water companies. However, such a “monopoly market” creates a conflict of interest and puts the purchasing public in a precarious position when the utility is in business to make a profit for its owners (shareholders), most of whom will not be customers of the utility. Without an independent entity to balance the interests of the consuming public against the interests of the owners of the monopoly who seek to profit from the business, the customers are severely disadvantaged. The legislature accordingly established the UTC to act as a “referee”, providing a balance between the interests of the consumer and the owner, and thereby resolving the conflict of interest.

In the case of electric companies that are mutual companies or cooperatives, the owners of the company and the consumers of the product or service *are the same individuals*. Any purported protection for consumers provided by UTC regulation would be duplicative and thus unnecessary, because the consumers of electric co-ops and mutual companies themselves are also the owners of the electric company. As such, the interest of the consumer and the owner are aligned. Therefore, since there is no conflict of interest, regulation by the UTC of electric co-ops and mutual companies is not necessary and is inappropriate.

WRECA opposes any regulation that limits the self-regulation of electric co-ops and mutual companies.

MEMORANDUM

January 15, 2016

TO: Board of Directors  
FROM: Foster Hildreth  
RE: Member Communications

The following were received from members this past month:

TOPIC	NAME
1. General	Alex MacLeod



## Member Communication #1 MacLeod

Alex MacLeod Letter and OPALCO Reply

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*Published in Orcas Issues and on LopezRocks*

### **Guest Opinion: OPALCO's Rate Hikes Signal Bottomless Pit**

Posted on [January 10, 2016](#)

—by Alex MacLeod —

As 2016 begins, and yet another OPALCO rate hike kicks in, it is worth looking back at 2015 to see how OPALCO's go-it-alone Internet business is doing.

For starters, Rock Island Communications has blown through nearly \$5 million of what was to be a three-year, \$7.5 million "startup" loan from OPALCO. And what does it have to show for it? As of its December report, it had about 400 fiber customers and almost no LTE connections, in total less than half of what it projected through the year.

On the broader expense side, OPALCO has spent as much as \$11 million to expand what it calls the "electric-grid backbone," virtually all of which, in truth, is for its Internet business. It spent more than another \$1 million to buy and make active Paul Allen's wireless spectrum, and this year plans to increase the staffing of Rock Island to about two-thirds of the total staffing of the core electric business.

Meanwhile, the "electric-grid backbone" investments, which were promised to produce actual savings in operating expenses, have produced none. Instead, expenses continue to grow and grow, from \$13 million in 2009 to a budgeted \$22 million this year — and that doesn't count another \$3 million in operating expenses for Rock Island.

The result for us members has been predictable.

In 2015, the board raised everyone's base charge 36% and raised overall rates by 12%. Then in July it tacked on a 10% surcharge on energy use to keep on the right side of its lender. This was after raising rates 6% in each of the previous two years. This year, the rate increase is 5%, but that doesn't count a new charge on everyone's bills to raise more money for the many county residents who no longer afford to pay their electric bills.

On top of that, the board last month cut in half its annual return of "profits" (in non-profit terms "profits" are called "margin") to longtime members and said it would continue that for several more years. It blamed that on the added borrowing costs to replace underwater electric cables; the reality is there would have been plenty of money to finance that debt had OPALCO not chosen to go into the Internet business.

The saddest part of this story is it didn't have to be this way.

OPALCO had a deal with CenturyLink that would have delivered at least 10 mbps service to at least 75 percent of all island households at virtually no cost to OPALCO. The resulting speed would have been more than adequate for most households; others could pay, as they have in the past, to connect directly to OPALCO's fiber network.

By comparison, OPALCO's go-it-alone plan, even if all its goals are met, will provide faster Internet to just 25 percent of island households, yet all will pay the infrastructure costs to get there.

So, why did the OPALCO board choose to do all this on its own?

Greed is probably the simplest way of putting it. The board saw being in the broadband business as a goose that would lay unending golden eggs of profit. Never mind that it had no experience in running anything other than a sleepy monopoly, nor undertook any meaningful assessment of risk before taking the plunge.

While any other entrepreneur would have to go into the market to raise capital, OPALCO could rely on its federal loan program. And why care about risk when, as a monopoly supplying people essential electricity, you could just fund anything simply by raising rates — as we've come to learn. It also is trusting that no new, cheaper, solutions will come to market, something the history of technological change would say is likely.

I have written many times about the financial burden the OPALCO board has been dumping on its members only because the board and management have not be straightforward — some might say honest — about what it is doing. All along, I have told OPALCO and members of its board to show me that I am wrong and I will stop writing. Instead, its public-relations people chastise me for my "strong opinions" and the board advises members to rely on it for information and not mistake my writing, or anyone else's, "for the real conversation."

The bottom line is that OPALCO is going down a path where the many are paying for the benefit of the few, the financial risks to the cooperative are becoming increasingly clear and the board has committed to its lender to raise rates as often and as much as it needs to avoid default.

The pit is bottomless, so brace yourselves.

*(Alex MacLeod is a longtime OPALCO member who lives on Shaw Island.)*

Comments

*Guest Opinion: OPALCO's Rate Hikes Signal Bottomless Pit*

1. [Suzanne Olson](#) on [January 11, 2016 at 10:33 am](#) said:

There was no done deal with Century Link. CenturyLink's proposed terms would have taken member-owned infrastructure out of co-op members' hands and put it into the hands of an absentee corporation. Not a good use of member resources.

OPALCO is in good financial health. Read the board materials online (see link below) and come to your co-op board meetings. Rock Island's acceleration of construction in 2015 will net greater connections in 2016, including and especially LTE services, which will equalize Internet access for islanders of all income levels.

As financial expert and co-op member Joe Cohen points out, the Rock Island investment is good for the community and good for co-op members. Even if a member never subscribes to Internet services, the benefits in profit return, community safety and community economic development will pay exponentially more in dividends. (see pages 61-64 in the budget presentation linked below).

The world is changing, including San Juan County. An automated distribution grid – a smart grid – is required to meet the current and known future needs of our membership. We are building our grid to meet those needs and can, with a relatively small investment, leverage that same grid to provide essential communication services to our members.

<http://www.opalco.com/wp-content/uploads/2015/12/2016-Budget-Presentation.pdf>