

MEMORANDUM

March 11, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2015 Year End Unaudited Financial Report

Please see attached the 2015 Year End Unaudited Financial Report. Included in the report package are the Statement of Operations (along with a Notable Drivers analysis), Statement of Financial Position, Statement of Cash Flows (GAAP), Capital Projects Budget, and the Draft 2015 RUS Financial and Operating Report Electrical Distribution Form 7.

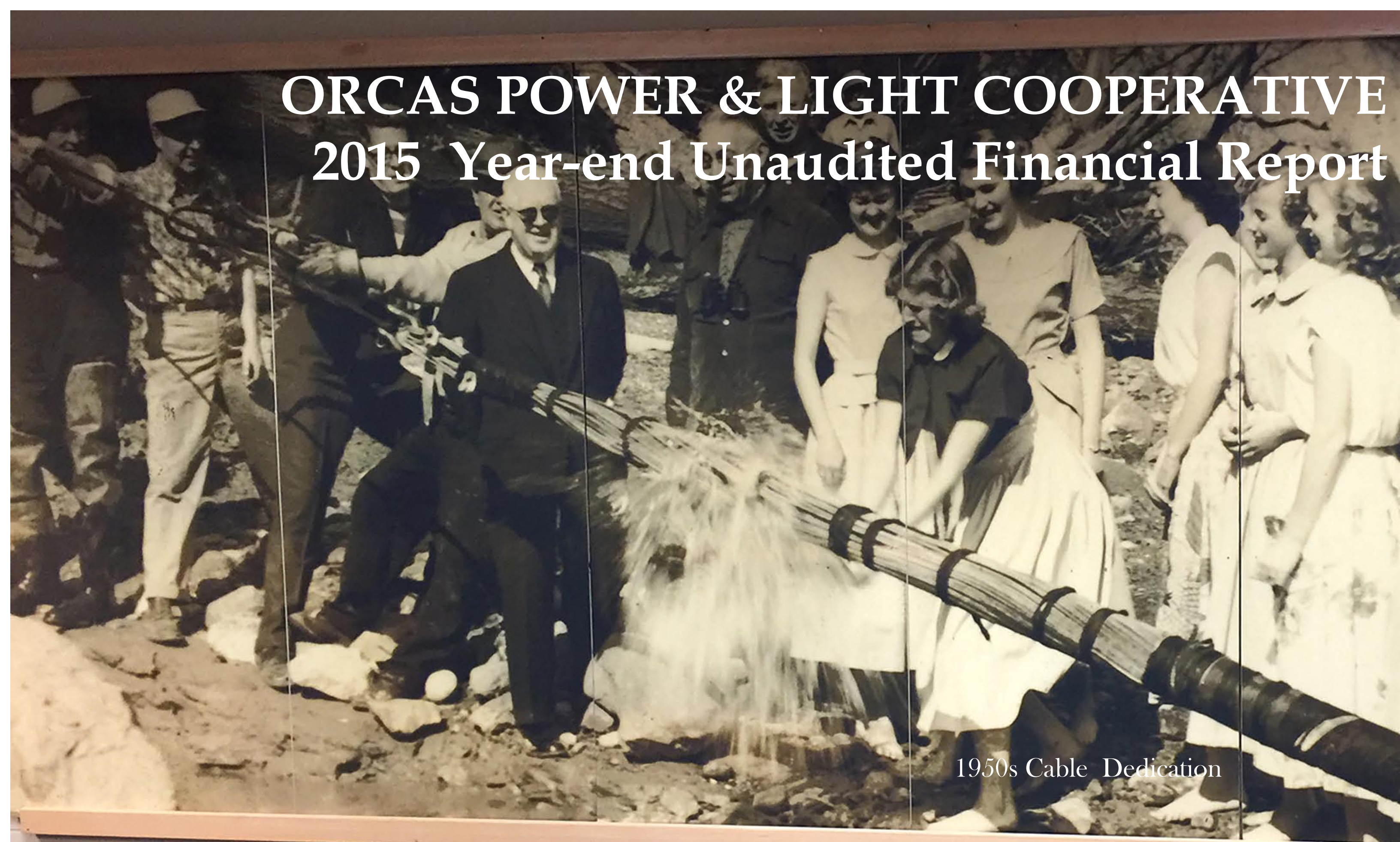
With the addition of the mid-year rate increase (revenue recovery add-on), revenue ended just slightly below budget at the end of 2015. As expected, less kWh sales were realized, which was primarily driven by warmer than expected temperatures. The overall net margin shows a healthy increase and is greater than budgeted due to decreased expense efforts throughout the year coupled with the effect of the revenue recovery add-on that began in Q3.

In summary, revenue for the year was down compared to budget (\$115k) and was more than offset by reductions in budgeted operating expense (\$923k). Lower power purchases contributed to the majority of the expense reduction and the balance comes from cuts, deliberately delayed projects, hiring delays and capitalized construction expense (as mandated by RUS). Please note, our 2016 Budget has accounted for the El Niño warming trend that we expect to continue through the latter part of 2016.

For more detail, please note the following key points for Q4:

- Heating Degree Days (HDD) were down 27% below the ten-year average (YTD) because of continued warm weather through year-end.
- Year-end kWh sales projections were lowered from 200M to 191M kilowatt hours at the end of Q3 based on performance to date and adjusted forecasts. Our year-end actual kWh sales came in right at our adjusted target: 191M kilowatt hours. However, from our original target, our year end kWh sales were down by 4.54% of budget.
- BPA Power purchases were below budget by \$665k (down 8%), tied into the above stated lower kWh consumption.
- Energy Savings expenses were below budget by \$85k (down 11%) through increased efficiencies, the absence of budgeted County Fair expenditures and changes in BPA's weatherization rebate offerings.
- The revenue recovery add-on proved to be an effective tool in catching up to budgeted margin targets by year-end. A total of \$766,323 was collected using this tool in 2015 and then discontinued at year-end. However, in January 2016 the Board approved a revision to Policy 29 that institutes a discretionary energy charge adjustment (+/-) mechanism to balance the fluctuations (credits and debits) in energy revenues on an as-needed basis.
- With a TIER of 2.5, OPALCO ended the year well within our RUS loan covenants (1.25).
- Rock Island Communications Year End Financials included in separate packet.

# ORCAS POWER & LIGHT COOPERATIVE 2015 Year-end Unaudited Financial Report



1950s Cable Dedication

# ORCAS POWER AND LIGHT COOPERATIVE

## STATEMENT OF OPERATIONS

	A. Audited Year End 12/31/2011	B. Audited Year End 12/31/2012	C. Audited Year End 12/31/2013	D. Audited Year End 12/31/2014	E. Budget Year End 12/31/2015	F. Unaudited Year End 12/31/2015	G. Budget Variance (F - E)
1 OPERATING REVENUES							
2 Residential	\$ 15,759,594	\$ 14,861,010	\$ 15,598,797	\$ 15,913,325	\$ 17,714,009	\$ 17,694,706	(19,303)
3 Commercial	5,092,396	5,260,451	5,467,588	5,694,901	6,523,281	6,356,143	(167,138)
4 Other	317,208	296,764	364,892	420,798	459,851	531,069	71,218
5 Total operating revenue	21,169,199	20,418,225	21,431,278	22,029,025	24,697,141	24,581,918	(115,223)
6							
7 OPERATING EXPENSES							
8 Cost of power	6,680,856	7,240,696	7,514,128	8,037,428	8,452,880	7,787,142	(665,738)
9 Transmission	51,964	126,986	70,117	92,874	95,459	179,264	83,805
10 Distribution - operations	2,348,360	2,805,586	2,968,003	2,961,250	3,462,037	3,391,150	(70,887)
11 Distribution - maintenance	1,417,386	1,518,742	1,669,524	1,778,516	1,862,557	1,713,924	(148,633)
12 Consumer accounts	835,247	809,149	853,211	898,198	1,000,006	893,766	(106,240)
13							
14 General and administration							
15 Administration	2,385,483	2,799,833	2,718,889	2,822,439	3,060,993	2,950,777	(110,216)
16 Energy services	219,929	276,269	462,966	373,323	743,548	658,939	(84,608)
17 Subsidiary charges (RIC network mgt services)	-	-	-	-	-	29,100	29,100
18 Total general and administration	2,605,412	3,076,102	3,181,855	3,195,763	3,804,540	3,638,816	(165,724)
19							
20 Depreciation and amortization	2,507,468	2,652,194	2,719,560	2,975,650	3,166,399	3,308,154	141,755
21 Taxes	869,518	832,220	930,482	961,815	1,038,446	1,046,626	8,180
22							
23 Total operating expenses	17,316,211	19,061,677	19,906,881	20,901,493	22,882,324	21,958,841	(923,482)
24							
25 Operating margins before fixed charges	3,852,988	1,356,548	1,524,397	1,127,532	1,814,817	2,623,077	808,260
26							
27 FIXED CHARGES							
28 Interest on long-term debt	733,675	759,686	786,193	908,934	1,003,025	1,047,248	44,223
29 Other Interest	227,223	-	-	-	-	-	-
30							
31 Total fixed charges	960,898	759,686	786,193	908,934	1,003,025	1,047,248	44,223
32							
33 Operating margins after fixed charges	2,892,090	596,861	738,204	218,598	811,792	1,575,829	764,037
34							
35 PATRONAGE CAPITAL CREDITS	42,563	40,416	38,048	67,853	56,472	83,608	27,136
36							
37 Net operating margins	2,934,652	637,277	776,252	286,451	868,265	1,659,437	791,172
38							
39 NON-OPERATING MARGINS							
40 Interest income	33,196	32,228	33,261	32,130	34,165	27,983	(6,182)
41 Other income	32,609	21,995	46,893	23,458	21,933	12,787	(9,146)
42 Total Opalco non-operating margins	65,805	54,222	80,154	55,588	56,098	40,770	(15,329)
43							
44 Fiber Optics Division (Island Network Department)							
45 IN Income	303,761	348,119	388,117	519,819	-	-	-
46 IN Expenses	169,562	225,095	273,006	739,907	-	-	-
47 Total Fiber Optics Division	134,199	123,024	115,111	(220,088)	-	-	-
48							
49 Non-operating margins from Subsidiary							
50 Interest Income (RIC loan)	-	-	-	-	174,000	99,822	(74,178)
51 Other income (use of OPALCO backbone)	-	-	-	-	-	58,294	58,294
52 Total non-operating margins from Subsidiary	-	-	-	-	174,000	158,116	(15,884)
53							
54 Net non-operating margins	200,004	177,246	195,265	(164,500)	230,098	198,886	(31,213)
55							
56 NET MARGINS	\$ 3,134,656	\$ 814,524	\$ 971,518	\$ 121,951	\$ 1,098,363	\$ 1,858,322	759,959
57							
58 TIER	5.27	2.07	2.24	1.13	1.92	2.51	
59 Equity % of Total Cap	73.5%	72.1%	69.5%	61.3%	52.7%	53.3%	

# ORCAS POWER AND LIGHT COOPERATIVE

## STATEMENT OF OPERATIONS BUDGET TO ACTUAL DETAILED BREAKOUT OF NOTABLE DRIVERS

	A. Budget Year End 12/31/2015	B. Unaudited Year End 12/31/2015	C. Budget Variance (B - A)	D.
				Comments: Budget To Actual (Column C.)
1	<b>24,697,141</b>	<b>24,581,918</b>	<b>(115,223)</b>	<b>Decrease in income</b> - Due to warmer weather, revenue recovery add-on invoked to bring revenue to budget levels per Board approval
2	<b>24,697,141</b>	<b>24,581,918</b>	<b>(115,223)</b>	
3				
4	<b>22,882,324</b>	<b>21,958,842</b>	<b>(923,482)</b>	<b>Decrease in operating expenses</b>
5				
6	<b>8,452,880</b>	<b>7,787,142</b>	<b>(665,738)</b>	<b>Decrease in expense</b> - Less kWh consumption/purchased from BPA due to lower heating load (warmer weather)
7				
8	<b>95,459</b>	<b>179,264</b>	<b>83,805</b>	<b>Increase in expense</b>
9	Maintenance of OH Lines /Transmission		22,696	Repair to transmission switch gear
10	Maintenance of OH Lines /Brush		(46,588)	More efficient right of way contracting
11	Maintenance of OH Lines - Storm		99,142	4th quarter OH line maintenance due to storms (Shaw)
12	Multiple Accounts		8,555	Variance among multiple general ledger accounts (6 accounts)
13	Subtotal Transmission		83,805	
14				
15	<b>3,462,037</b>	<b>3,391,150</b>	<b>(70,887)</b>	<b>Decrease in expense</b>
16	Oper Supervision & Engineer		10,427	Retirement benefit payouts timing later than anticipated
17	Station Expenses		40,738	Unanticipated repair of load tap changer
18	Tailgate Time		(17,451)	Timing of the hiring of new Lopez journeyman lineman and delay of return to work for San Juan employee on L&I
19	Misc. Engineering Expenses		40,066	Project remediation
20	Misc. Eng. - Construction Work Plan		(182,931)	Per RUS guidelines, environmental expense (wetland and archeological) are now capitalized with the associated work orders
21	Multiple Accounts		38,264	Variance among multiple general ledger accounts (15 accounts)
22	Subtotal Distribution - Operations		(70,887)	
23				
24	<b>1,862,557</b>	<b>1,713,924</b>	<b>(148,633)</b>	<b>Decrease in expense</b>
25	San Juan District Accident		11,834	L&I expenses - employee who was expected to return in December 2014, returned in May 2015 (partially offset above in Distribution - Operations over multiple accounts)
26	Lopez District Accident		(38,688)	Labor & Industries case closed earlier than anticipated
27	Maintenance of OH Lines		(144,192)	More efficient right of way contracting
28	Maint-Underground Lines		38,961	Outage expense & updating underground conductors
29	Multiple Accounts		(16,548)	Variance among multiple general ledger accounts (9 accounts)
30	Subtotal Distribution Maintenance		(148,633)	
31				
32	<b>1,000,006</b>	<b>893,766</b>	<b>(106,240)</b>	<b>Decrease in expense</b>
33	Customer Records/Collection		(101,034)	Staff hiring delay (Member Service Rep and Member Service Supervisor)

# ORCAS POWER AND LIGHT COOPERATIVE

## STATEMENT OF OPERATIONS BUDGET TO ACTUAL DETAILED BREAKOUT OF NOTABLE DRIVERS

	A.	B.	C.	D.
	Budget	Unaudited	Budget	
	Year End	Year End	Variance	
	12/31/2015	12/31/2015	(B - A)	Comments: Budget To Actual (Column C.)
34			(9,653)	Less write offs than prior year (new vendor more effective at collections)
35			4,447	More members paying online than predicted
36			<u>(106,240)</u>	
37				
38	<b>Total General and Administrative (G&amp;A):</b>	<b>3,804,540</b>	<b><u>(165,724)</u></b>	<b>Decrease in expense</b>
39				
40	<b>Administration G&amp;A - Line 15 Detail Breakout:</b>	<b>3,060,993</b>	<b><u>(110,216)</u></b>	<b>Increase in expense</b>
41	Informational Instruction/Advertising Expense		(47,755)	Web redesign was capitalized
42	Administrative /General Salary		(57,797)	Primarily vacant position, Network Engineer - cancelled for 2016
43	Legal Expense (General, Board, Union Mgmt.)		(43,182)	Less legal expenses than prior year
44	Outside Services		58,809	Rate model, interim rate increase, other consultants
45	Director's Fee & Expenses		(55,511)	Minimized spending on activities and fees (less conferences, no retreat)
46	Misc. Gen Exp/Manager		(61,559)	Minimized spending over prior year
47	Misc. Gen Exp/Annual Meeting		(12,427)	Minimized spending over prior year
48	Maintenance of General Plant		30,701	FH yard and warehouse drainage repair, along with Eastsound generator repairs
49	Tech Services Misc. Expense		64,131	Increase in software licenses, maintenance, and subscriptions
50	Multiple Accounts		14,374	Variance among multiple general ledger accounts (15 accounts)
51	Subtotal Administration G&A		<u>(110,216)</u>	
52				
53	<b>Energy Services G&amp;A - Line 16</b>	<b>743,547</b>	<b><u>(84,608)</u></b>	<b>Decrease in expense</b>
54	General Overhead Expenses		(13,369)	Reduced labor expenses
55	Education and Outreach		(62,747)	Reduced staff requirement at energy fairs & ~\$20K less vendor invoicing than budget
56	Renewable Energy Programs		(66,997)	Less staff time on renewable energy programs & incentives to be paid in 2016
57	BPA Rebates		(92,808)	Fewer BPA rebate projects completed, more in the pipeline for 2016
58	BPA Low Income Programs/GM Conservation EE Ed Discretion Fund		(41,764)	Less low income projects submitted by the Opportunity Council. EE Ed grant awards have been put on hold for 2015
59	BPA EEI Funding		259,172	BPA reimbursement timing shifted to 2016
60	Multiple Accounts		(66,096)	Variance among multiple general ledger accounts (6 accounts)
61	Subtotal Energy Services G&A		<u>(84,608)</u>	
62				
63	<b>Subsidiary Charges - Line 17</b>	<b>-</b>	<b><u>29,100</u></b>	<b>Increase in expense - RIC network management services</b>
64				
65	<b>Total General and Administrative (G&amp;A)</b>	<b>3,804,540</b>	<b><u>(165,724)</u></b>	<b>Overall decrease in expense</b>
66				
67	<b>Deprec. &amp; Amort. - Line 20</b>	<b>3,166,399</b>	<b><u>141,755</u></b>	<b>Increase in expense - Increased capitalization of backbone fiber which has a shorter life than utility plant (10 year life vs. 30 yr. life)</b>
68				
69	<b>Taxes - Line 21</b>	<b>1,038,446</b>	<b><u>8,180</u></b>	<b>Increase in expense</b>



# ORCAS POWER AND LIGHT COOPERATIVE

## BALANCE SHEET

	A. Audited Year End 12/31/2011	B. Audited Year End 12/31/2012	C. Audited Year End 12/31/2013	D. Audited Year End 12/31/2014	E. <b>Unaudited</b> Year End 12/31/2015	F. Change (E - D)
1 ASSETS						
2						
3 UTILITY PLANT, at cost						
4    Electric plant in service	\$ 79,769,777	\$ 82,840,443	\$ 86,319,230	\$ 91,153,200	\$ <b>100,151,208</b>	\$ 8,998,008
5    Construction work in progress	1,859,540	1,438,043	2,456,829	5,696,090	<b>3,860,288</b>	(1,835,803)
6						
7	81,629,317	84,278,486	88,776,059	96,849,290	<b>104,011,496</b>	7,162,206
8    Less accumulated depreciation and amortization	32,376,495	34,068,592	36,237,594	38,650,755	<b>41,160,577</b>	2,509,822
9						
10    Net utility plant	49,252,822	50,209,894	52,538,465	58,198,535	<b>62,850,919</b>	4,652,383
11						
12 OTHER PROPERTY AND INVESTMENT, at cost						
13						
14    Island Network (department only) (Note 1)	194,402	252,854	426,272	74,891	-	(74,891)
15    Opalco non-utility property	-	-	-	-	-	-
16						
17	194,402	252,854	426,272	74,891	-	(74,891)
18    Investments in associated organizations						
19      Other	908,190	929,141	941,203	1,063,004	<b>1,093,965</b>	30,961
20      Non-utility investment subsidiary (Note 2 & 3)	-	-	-	-	<b>5,199,172</b>	5,199,172
21      Total investments in associated organizations	908,190	929,141	941,203	1,063,004	<b>6,293,137</b>	5,230,133
22						
23    Other property and investments	1,102,592	1,181,995	1,367,476	1,137,895	<b>6,293,137</b>	5,155,242
24						
25 CURRENT ASSETS						
26    Cash and cash equivalents	2,049,721	2,091,466	797,873	2,254,475	<b>1,697,386</b>	(557,089)
27    Cash and cash equivalents - board designated	2,004,674	2,002,236	2,006,348	1,279,616	-	(1,279,616)
28    Accounts receivable, less doubtful accts allowance	2,690,548	2,388,170	3,146,966	3,036,986	<b>3,558,213</b>	521,227
29    Interest receivable	6,495	6,848	7,394	6,330	<b>6,140</b>	(190)
30    Materials and supplies	1,333,658	1,502,931	2,141,563	2,720,342	<b>3,341,939</b>	621,597
31    Prepaid expenses	103,649	115,232	122,451	586,081	<b>311,801</b>	(274,279)
32						
33    Total current assets	8,188,745	8,106,884	8,222,594	9,883,830	<b>8,915,480</b>	(968,350)
34						
35 DEFERRED CHARGES	-	-	-	50,371	-	(50,371)
36						
37    Total assets	<u>\$ 58,544,159</u>	<u>\$ 59,498,772</u>	<u>\$ 62,128,535</u>	<u>\$ 69,270,631</u>	<u>\$ <b>78,059,535</b></u>	<u>\$ 8,788,904</u>

# ORCAS POWER AND LIGHT COOPERATIVE

## BALANCE SHEET

	A. Audited Year End 12/31/2011	B. Audited Year End 12/31/2012	C. Audited Year End 12/31/2013	D. Audited Year End 12/31/2014	E. Unaudited Year End 12/31/2015	F. Change (E - D)
38						
39	EQUITIES, MARGINS, AND LIABILITIES					
40						
41	EQUITIES AND MARGINS					
42	\$ 60,505	\$ 54,800	\$ 55,655	\$ 56,880	\$ 56,395	\$ (485)
43	37,836,072	37,473,607	37,250,119	36,348,023	37,130,221	782,198
44	-	-	-	(220,088)	-	220,088
45	Donated and other equities					
46	3,158,271	3,643,203	4,024,439	4,477,375	4,763,939	286,564
47	-	-	-	-	(1,830,821)	
48						
49	<u>41,054,848</u>	<u>41,171,610</u>	<u>41,330,213</u>	<u>40,662,189</u>	<u>40,119,734</u>	<u>(542,455)</u>
50						
51	LONG-TERM DEBT, less current maturities					
52	11,514,336	12,769,260	14,982,671	22,446,072	25,094,574	2,648,502
53	-	-	-	72,663	64,659	(8,004)
54	2,803,987	2,693,103	2,575,694	2,468,531	8,821,516	6,352,985
55						
56	<u>14,318,323</u>	<u>15,462,363</u>	<u>17,558,365</u>	<u>24,987,266</u>	<u>33,980,749</u>	<u>8,993,483</u>
57						
58	CURRENT LIABILITIES					
59	1,548,452	1,297,200	1,732,736	1,931,399	1,765,437	(165,962)
60	67,922	77,002	86,161	91,717	82,377	(9,340)
61	937,927	854,196	696,741	751,049	712,118	(38,931)
62	491,649	479,289	555,793	663,885	1,181,603	517,717
63						
64	<u>3,045,949</u>	<u>2,707,686</u>	<u>3,071,431</u>	<u>3,438,051</u>	<u>3,741,535</u>	<u>303,484</u>
65						
66	<u>125,039</u>	<u>157,113</u>	<u>168,527</u>	<u>183,124</u>	<u>217,517</u>	<u>34,392</u>
67						
68	<u>\$ 58,544,159</u>	<u>\$ 59,498,772</u>	<u>\$ 62,128,535</u>	<u>\$ 69,270,631</u>	<u>\$ 78,059,535</u>	<u>\$ 8,788,904</u>

70 Note:

71 1 Combination of all balance sheet accounts for Island Network (department only).

72 2 Investment in subsidiary consists of: (1) Amounts due to OPALCO: \$2,112,828 from IN LLC (pre-RIC), (2) \$4,917,165 due from Rock Island, and (3) 2015 subsidiary deficit of (\$1,830,821). (1)+(2)+(3) = \$5,199,172

73 3 Rock Island start-up funding through 2015 + 2016 budget lending: \$4,917,165 (2015) + \$2,600,000 = \$7,517,165

74 4 Balance was transitioned to the subsidiary in 2015, subsidiary equity(deficit) of (\$1,830,821) now reflected in 'Non-utility investment' & 'donated & other margins'.



# ORCAS POWER AND LIGHT COOPERATIVE

## STATEMENT OF CASH FLOW

### GAAP

	A.	B.	C.	D.	E.
	Audited	Audited	Audited	Audited	Unaudited
	Year End	Year End	Year End	Year End	Year End
	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
1 CASH FLOWS FROM OPERATING ACTIVITIES					
2 Net margins	\$ 3,134,656	\$ 814,524	\$ 971,520	\$ 121,951	\$ 1,858,322
3 Adjustments to reconcile net margin to cash					
4 from operating activities					
5 Depreciation and amortization	2,507,468	2,652,194	2,719,561	2,975,650	3,308,154
6 Changes in assets and liabilities					
7 Accounts receivable	(624,789)	302,378	(758,796)	109,980	(521,227)
8 Interest receivable	6	(354)	(546)	1,064	190
9 Prepaid expenses	(21,653)	(11,583)	(7,219)	(463,630)	274,279
10 Accounts payable	201,025	(251,253)	435,535	198,663	(165,962)
11 Customer deposits	7,055	9,080	9,160	5,557	(9,340)
12 Accrued liabilities	28,834	(83,731)	(157,453)	54,308	(38,931)
13 Deferred credits	100,919	32,073	11,414	14,598	34,392
14					
15 Net cash from operating activities	5,333,521	3,463,329	3,223,176	3,018,141	4,739,878
16					
17 CASH FLOWS FROM INVESTING ACTIVITIES					
18 Additions to utility plant, net	(5,757,907)	(3,930,981)	(5,632,016)	(9,831,711)	(8,597,475)
19 Reduction to non-utility plant (Island Network transition)(Note 1)	39,352	(58,452)	(173,419)	351,381	74,891
20 Change in materials and supplies	(115,766)	(169,273)	(638,632)	(578,779)	(621,597)
21 Increase in investment in Subsidiary (Note 2)	-	-	-	-	(5,199,172)
22 Increase in other OPALCO property and investments, net	(24,503)	(20,950)	(12,063)	(121,801)	(30,961)
23					
24 Net cash from investing activities	(5,858,824)	(4,179,656)	(6,456,130)	(10,180,909)	(14,374,314)
25					
26 CASH FLOWS FROM FINANCING ACTIVITIES					
27 Payments on long-term debt (Note 3 & 4)	(772,016)	(368,319)	(1,027,495)	156,993	(4,347,789)
28 Proceeds from debt (Note 4)	3,000,000	1,500,000	3,200,000	7,380,000	13,858,989
29 Memberships	2,030	(5,705)	855	1,225	(485)
30 Retirements of patronage capital, net	(644,716)	(692,057)	(813,770)	(791,199)	(569,472)
31 Change in subsidiary equities	-	-	-	-	(1,830,821)
32 Contributions in aid of construction	515,614	321,715	583,883	1,145,619	687,308
33 Other changes in equities	-	-	-	-	-
34					
35 Net cash from financing activities	2,100,912	755,634	1,943,473	7,892,638	7,797,731
36					
37 NET CHANGE IN CASH	1,575,608	39,307	(1,289,481)	729,870	(1,836,705)
38					
39 CASH AND CASH EQUIVALENTS, beginning of year/period	2,478,787	4,054,395	4,093,702	2,804,221	3,534,091
40					
41 CASH AND CASH EQUIVALENTS, end of year/period	4,054,395	4,093,702	2,804,221	3,534,091	1,697,386
42					
43 SUPPLEMENTAL DISCLOSURES					
44 Cash paid for interest	\$ 960,898	\$ 759,686	\$ 786,193	\$ 908,934	\$ 1,234,621
45					
45 OUTSTANDING DEBT BALANCE	(14,809,971)	(15,941,652)	(18,114,158)	(25,651,151)	(35,162,351)
46					
46 Notes:					
47 1 IN department assets, liabilities & equity fully transferred to Rock Island					
46 2 Investment in subsidiary consists of: (1) Amounts due to OPALCO: \$2,112,828 from IN LLC (pre-RIC), (2) \$4,917,165 due from Rock Island, and (3) 2015 subsidiary deficit of (\$1,830,821). (1)+(2)+(3) = \$5,199,172					
47 3 Includes Economic Development loan from RUS and is offset by RUS Cushion of Credit balance of 2011: \$684k, 2012: \$546k, 2013: \$1.1M, 2014: \$235k, 2015: \$127k.					
48 4 \$3.36M of RUS hardship loans refinanced to CFC (grosses-up both payments & proceeds). 2015 Actual borrowing: \$6.5M RUS, \$4M CFC. 2015 budget borrowing: \$10M RUS and \$1.9M CFC.					

# ORCAS POWER AND LIGHT COOPERATIVE

## CAPITAL PROJECTS BUDGET

RUS CWP DESCRIPTION			A. Audited Year End 12/31/2014	B. Budget Year End 12/31/2015	C. Actual Period End 12/31/2015	D. Budget Variance (C - B)	G. Comments
1	DISTRIBUTION						
2	100	New Services	\$ 256,450	\$ 164,800	\$ 221,770	\$ 56,970	More new services than predicted. Please note partial offset by CIAC on row 42.
3	200	New Tie Lines	341,347	130,000	147,776	17,776	
4	300	Conversions and Line Changes	1,194,755	968,000	528,776	(439,224)	Weather/Soil delay in Cattle Point Road reconductor.
5	400	New Substations, switching station, metering point, etc.	-	-	-	-	
6	500	Substation, Switching Station, Metering Point Changes	23,034	-	145	145	
7	600	Miscellaneous Distribution Equipment					
8	601	Transformers & Meters	575,840	379,300	627,342	248,042	Delay from 2014, delivered in 2015.
9	602	Sets of Service Wires to increase Capacity	-	-	-	-	
10	603	Sectionalizing Equipment	401,127	140,000	101,557	(38,443)	Delayed installation of VFIs associated with Cattle Point circuit.
11	604	Regulators	131,410	-	15,911	15,911	
12	605	Capacitors	-	-	-	-	
13	606	Ordinary Replacements	179,366	247,200	170,439	(76,761)	Less normal pole replacements than expected.
14	608	Underground Dist. Cable Replacement	3,202,174	1,168,020	2,127,270	959,250	Accelerated to offset other project delays/outage issues.
15	700	Other Distribution Items					
16	701	Engineering Fees	-	-	-	-	
17		701.1 Environmental Consultant (asset portion only)		75,000	-	(75,000)	This cost is embedded in the associated projects for capitalization purposes. See Note 2.
18		701.2 AFUDC - Interest Capitalization		192,570	-	(192,570)	This cost is embedded in the associated projects for capitalization purposes. See Note 1.
19	704	LMS & SCADA	1,805	-	32,715	32,715	Continued SCADA security/network separation.
20	705	AMR	-	-	-	-	
21	706	Communications					
22		706.0 Island Network	349,692	-	-	-	
23		706.1 Fiber/Microwave Infrastructure	1,747,051	1,930,000	2,528,428	598,428	Acceleration per Board approval.
24	TRANSMISSION						
25	800	New Tie Line	-	-	-	-	
26	900	New Substations, switching station, metering point, etc.	11,321	-	443	443	
27	1000	Line and Station Changes	257,537	3,000,000	900,338	(2,099,662)	Project on schedule. Spending delay due to contractor/loan. Expect budget overage in 2016.
28	1100	Other Transmission	-	-	-	-	
29	GENERATION						
30	1200	Generation	-	-	-	-	
31	OTHER						
32	1300	Headquarters Facilities	62,112	150,000	409,976	259,976	Carry over from prior year. Contract delay post budget approval.
33	1400	Acquisitions	-	-	-	-	
34	1500	All Other (Transportation, Etc.)					
35		1501 Transportation/Equipment/Tools/Radios	426,919	565,380	335,842	(229,538)	Delay in purchase of bucket truck to 2016 (as seen in budget).
36		1502 Office Equipment/Furniture/Etc.	7,938	51,500	70,727	19,227	
37		1503 Computer/Servers/Software	212,073	206,500	283,254	76,754	Replacement of failing network switching with office.
38		1504 Electrical Infrastructure to Support Community Solar	-	50,000	-	(50,000)	
39	1600	Minor Projects	212,306	90,000	94,343	4,343	
40		<b>RUS CWP SUBTOTAL</b>	<u>9,594,257</u>	<u>9,508,270</u>	<u>8,597,052</u>	<u>(911,218)</u>	
41	<b>CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)</b>						
42		New Services, Transformers, Meters	(272,300)	(164,800)	(181,922)	(17,122)	More new services than predicted. Please note partial offset by CIAC on row 2.
43		Meters and Transformers	(137,843)	(87,634)	(176,241)	(88,607)	More Transformer installation for new services that predicted.
44		Joint Projects	(184,657)	-	(329,145)	(329,145)	Includes a transfer from IN Dept.
45		Island Network Department	(305,819)	-	-	-	Removed transfer to reduce IN Dept in 2014.
46		<b>RUS CWP NET TOTAL</b>	<u>8,693,638</u>	<u>9,255,836</u>	<u>7,909,744</u>	<u>(1,346,093)</u>	

Notes:

- \$186,973 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.
- \$189,033 in Environmental Consultant. This cost is embedded in the associated projects listed above for capitalization purposes.

# ORCAS POWER AND LIGHT COOPERATIVE

## SALES AND USAGE REPORT

	A.	B.	C.	D.	E.	F.	G.	H.	I.	J.	K.	L.	M.
	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 HEATING DEGREE DAYS (HDD)													
2 10 Year Average HDD	285	238	200	113	44	15	5	3	13	62	169	310	1,457
3 Actual HDD	199	96	114	114	32	8	-	2	25	19	210	235	1,054
4 <b>Variance</b>	<b>(86)</b>	<b>(142)</b>	<b>(86)</b>	<b>1</b>	<b>(12)</b>	<b>(7)</b>	<b>-</b>	<b>(1)</b>	<b>12</b>	<b>(43)</b>	<b>41</b>	<b>(75)</b>	<b>(398)</b>
5													
6 ENERGY USAGE (kWh)													
7 Residential													
8 Budget	17,168,588	15,555,344	15,228,501	11,459,487	9,363,812	8,043,899	8,253,776	8,077,297	7,997,331	10,086,920	13,337,379	18,127,823	142,700,157
9 Actual	17,423,161	11,607,035	13,547,685	10,731,430	8,905,424	6,887,132	7,530,891	7,932,613	8,410,598	9,558,827	13,119,616	18,649,617	134,304,029
10 <b>Variance (Budget to Actual)</b>	<b>254,573</b>	<b>(3,948,309)</b>	<b>(1,680,816)</b>	<b>(728,057)</b>	<b>(458,388)</b>	<b>(1,156,767)</b>	<b>(722,885)</b>	<b>(144,684)</b>	<b>413,267</b>	<b>(528,093)</b>	<b>(217,763)</b>	<b>521,794</b>	<b>(8,396,128)</b>
11 Commercial													
12 Budget	5,823,716	4,791,629	5,693,361	4,427,231	4,041,188	4,048,463	4,354,242	4,449,951	4,243,389	4,727,940	4,974,119	5,868,917	57,444,146
13 Actual	5,724,816	5,781,125	5,081,577	4,422,381	4,091,789	3,851,028	4,358,812	4,502,492	4,099,887	4,067,407	4,826,927	5,949,932	56,758,173
14 <b>Variance (Budget to Actual)</b>	<b>(98,900)</b>	<b>989,496</b>	<b>(611,784)</b>	<b>(4,850)</b>	<b>50,601</b>	<b>(197,435)</b>	<b>4,570</b>	<b>52,541</b>	<b>(143,502)</b>	<b>(660,533)</b>	<b>(147,192)</b>	<b>81,015</b>	<b>(685,973)</b>
15													
16 REVENUE													
17 Residential													
18 Budget	(1,804,368)	(1,809,181)	(1,767,349)	(1,448,039)	(1,266,684)	(1,154,758)	(1,174,435)	(1,157,607)	(1,150,453)	(1,330,245)	(1,613,191)	(2,038,052)	(17,714,361)
19 Actual	(1,820,629)	(1,495,998)	(1,656,103)	(1,328,536)	(1,291,950)	(1,046,955)	(1,208,168)	(1,233,278)	(1,268,226)	(1,387,766)	(1,713,030)	(2,244,066)	(17,694,706)
20 <b>Variance (Budget to Actual)</b>	<b>16,261</b>	<b>(313,183)</b>	<b>(111,246)</b>	<b>(119,503)</b>	<b>25,266</b>	<b>(107,803)</b>	<b>(33,733)</b>	<b>(75,671)</b>	<b>(117,774)</b>	<b>(57,521)</b>	<b>(99,839)</b>	<b>(206,014)</b>	<b>(1,200,759)</b>
21 Commercial													
22 Budget	(573,330)	(552,673)	(625,943)	(516,413)	(482,435)	(479,391)	(501,629)	(509,250)	(492,747)	(536,164)	(563,791)	(645,819)	(6,479,585)
23 Actual	(545,738)	(526,139)	(569,483)	(497,547)	(492,506)	(452,919)	(527,602)	(521,387)	(493,489)	(486,831)	(536,422)	(662,482)	(6,312,545)
24 <b>Variance (Budget to Actual)</b>	<b>(27,592)</b>	<b>(26,534)</b>	<b>(56,460)</b>	<b>(18,866)</b>	<b>10,070</b>	<b>26,472</b>	<b>(25,974)</b>	<b>(12,137)</b>	<b>(742)</b>	<b>49,334</b>	<b>27,369</b>	<b>(16,663)</b>	<b>(71,723)</b>

25  
26 NOTE: Excluded Other Revenue and Revenues that are not usage based.

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7  
STATEMENT OF OPERATIONS

<small>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.</small>				
UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND STATISTICAL REPORT</b>		BORROWER DESIGNATION WA0009 BORROWER NAME AND ADDRESS <b>Orcas Power &amp; Light Cooperative</b>		
INSTRUCTIONS-For detailed instructions, see RUS Bulletin 1717B-2 <i>This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C 901 et. Seq.) and may be confidential.</i>		PERIOD ENDED Dec-15		
<b>CERTIFICATION</b>  We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001. We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.  ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.  DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII (check one of the following)  <input type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects. <input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.				
SIGNATURE OF MANAGER		DATE		
<b>PART A. STATEMENT OF OPERATIONS</b>				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	22,029,025	24,581,918	24,697,141	2,981,381
2. Power Production Expense.....	-	-	-	-
3. Cost of Purchased Power.....	8,037,428	7,787,142	8,452,880	951,880
4. Transmission Expense.....	92,874	179,264	95,459	122,963
5. Regional Market Expense.....	-	-	-	-
6. Distribution Expense-Operation.....	2,961,250	3,391,150	3,462,037	263,310
7. Distribution Expense-Maintenance.....	1,778,516	1,713,924	1,862,557	163,749
8. Consumer Accounts Expense.....	898,198	893,766	1,000,006	64,823
9. Customer Service and Informational Expense.....	481,633	750,701	909,675	62,952
10. Sales Expense.....	53,962	43,296	48,144	2,844
11. Administrative and General Expense.....	2,654,238	2,839,739	2,843,549	295,595
12. Total Operation and Maintenance Expense (2 thru 11).....	16,958,098	17,598,981	18,674,307	1,928,117
13. Depreciation and Amortization Expense.....	2,975,650	3,308,154	3,166,399	283,981
14. Tax Expense - Property and Gross Receipts.....	202,375	188,790	208,446	15,308
15. Tax Expense - Other.....	759,440	857,836	830,000	98,511
16. Interest on Long-Term Debt.....	928,163	1,234,621	1,195,595	107,775
17. Interest Charged to Construction - Credit.....	(19,229)	(187,373)	(192,570)	(14,541)
18. Interest Expense - Other.....	-	-	-	-
19. Other Deductions.....	5,930	5,080	3,172	5,000
20. Total Cost of Electric Service (12 thru 19).....	21,810,427	23,006,090	23,885,349	2,424,150
21. Patronage Capital and Operating Margins (1 minus 20).....	218,598	1,575,829	811,792	557,231
22. Non Operating Margins - Interest.....	32,130	127,804	208,165	102,303
23. Allowance for Funds Used During Construction.....	-	-	-	-
24. Income (Loss) from Equity Investments.....	-	-	-	-
25. Non Operating Margins - Other.....	(196,630)	71,081	21,933	59,438
26. Generation and Transmission Capital Credits.....	-	-	-	-
27. Other Capital Credits and Patronage Dividends.....	67,853	83,608	56,472	27,557
28. Extraordinary Items.....	-	-	-	-
29. Patronage Capital or Margins (21 thru 28).....	121,951	1,858,322	1,098,363	746,529

# ORCAS POWER AND LIGHT COOPERATIVE

## RUS FORM 7 BALANCE SHEET

USDA - RUS FINANCIAL AND STATISTICAL REPORT				BORROWER DESIGNATION PERIOD ENDED Dec-15		
INSTRUCTIONS - See RUS Bulletin 1717B-2						
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT						
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE		
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)	
1. New Services Connected	134	145	5. Miles Transmission	42.65		42.65
2. Services Retired	15	-	6. Miles Distribution- Overhead	157.13		156.03
3. Total Services in Place	14,864	15,009	7. Miles Distribution- Underground	1,139.28		1,139.98
4. Idle Services (Exclude Seasonal)	1,139	1,185	8. Total Miles Energized (5 + 6 + 7)	1,339.06		1,338.66
PART C. BALANCE SHEET						
ASSETS AND OTHER DEBITS				LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service.....	100,151,208		30. Memberships.....	56,395		
2. Construction Work in Progress.....	3,851,252		31. Patronage Capital.....	35,271,898		
3. Total Utility Plant (1 + 2).....	104,002,461		32. Operating Margins - Prior Years.....	-		
4. Accum. Provision for Depreciation and Amort.....	41,151,542		33. Operating Margins - Current Year.....	1,787,241		
5. Net Utility Plant (3 - 4).....	62,850,919		34. Non-Operating Margins.....	71,081		
6. Non-Utility Property - Net.....	-		35. Other Margins and Equities.....	2,933,119		
7. Investments In Subsidiary Companies.....	5,199,172		36. Total Margins and Equities (30 thru 35).....	40,119,734		
8. Invest. In Assoc. Org. - Patronage Capital.....	465,358		37. Long-Term Debt - RUS (Net).....	-		
9. Invest. In Assoc. Org. - Other - General Funds.....	7,000		38. Long-Term Debt - FFB - RUS Guaranteed.....	25,691,555		
10. Invest. In Assoc. Org. - Other -Nongeneral Funds.....	558,274		39. Long-Term Debt - Other - RUS Guaranteed.....	-		
11. Investments In Economic Development Projects.....	63,333		40. Long-Term Debt - Other (Net).....	9,533,040		
12. Other Investments.....	-		41. Long-Term Debt - RUS - Econ. Devel. (Net).....	64,659		
13. Special Funds.....	216,712		42. Payments-Unapplied.....	(126,903)		
14. Total Other Property and Investments (6 thru 13).....	6,509,849		43. Total Long-Term Debt (37 thru 41-42).....	35,162,351		
15. Cash - General Funds.....	974,189		44. Obligations Under Capital Leases-Noncurrent.....	-		
16. Cash - Construction Fund - Trustee.....	30,737		45. Accumulated Operating Provisions and Asset Retirement Obligations.....	-		
17. Special Deposits.....	-		46. Total Other Noncurrent Liabilities (44+45).....	-		
18. Temporary Investments.....	475,748		47. Notes Payable.....	-		
19. Notes Receivable (Net).....	-		48. Accounts Payable.....	1,765,437		
20. Accounts Receivable - Sales of Energy (Net).....	2,390,511		49. Consumers Deposits.....	82,377		
21. Accounts Receivable - Other (Net).....	61,218		50. Current Maturities Long-Term Debt.....	-		
22. Renewable Energy Credits.....	-		51. Current Maturities Long-Term Debt-Ec.Dev.....	-		
23. Materials and Supplies - Electric and Other.....	3,341,939		52. Current Maturities Capital Leases.....	-		
24. Prepayments.....	311,801		53. Other Current and Accrued Liabilities.....	712,118		
25. Other Current and Accrued Assets.....	1,112,625		54. Total Current and Accrued Liabilities (47 thru 53).....	2,559,933		
26. Total Current and Accrued Assets (15 thru 25).....	8,698,767		55. Regulatory Liabilities.....	-		
27. Regulatory Assets.....	-		56. Other Deferred Credits.....	217,517		
28. Other Deferred Debits.....	-		57. Total Liabilities and Other Credits (36+43+46+54 thru 56).....	78,059,535		
29. Total Assets and Other Debits (5+14+26 thru 28).....	78,059,535					
PART D. NOTES TO FINANCIAL STATEMENTS						
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS. (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)						

RUS Form 7