

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

Thursday, December 18, 2014

President Jim Lett called the meeting to order at 8:45 a.m. at the Friday Harbor OPALCO office. Directors Winnie Adams, Bob Myhr, Vince Dauciunas, Glenna Hall, Chris Thomerson and Jerry Whitfield were present. General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance & Administration Nancy Loomis, Manager of Member Services and Energy Savings Amy Saxe, Executive Assistant Bev Madan, (serving as recording secretary) and consultant Jay Kimball were also present.

Member/Guests

In attendance were Kari Koski and Linda Lyshall of the San Juan Islands Conservation District; Steve Hudson; Jack Cory of the Island Guardian; L. Dwight Lewis; Steve Ludwig and Gray Cope. Each were offered an opportunity to address the Board. Ludwig commented on the proposed bylaw revisions, noting the changes made it more difficult for members to amend them and commented that the draft tariff revisions impacted the small user and it would be better to charge a flat rate of \$0.11/kWh to everyone. Lewis made known his concerns that the underground cables were getting older and there were no obvious plans to replace them. Cory commented that it was difficult to find the Board materials on the OPALCO website and suggested a bar at the top of the home page with the agenda and minutes posted; he also suggested there be a press release of the agenda and minutes. Hudson had concerns about the value of Island Network and the proposed draft revision to the bylaws increasing the number of members required to amend the bylaws and the 5-year limitation on former employees.

San Juan Islands Conservation District

Linda Lyshall presented a Power Point on their accomplishments for 2014, their goals for 2015 and the partnership with OPALCO. Accomplishments included: energy roundtable meetings and the formation of Islands Energy; leadership team formation and meetings; Community Solar for Schools; MORE program outreach; Solar Stakeholders work group; and Energy Audits and Home Energy Efficient Projects (22 households with an estimated annual savings of 116,040 kWh. There were also energy fairs, pie socials and Georgetown University Energy Prize qualification. The goals for 2015 include K-12 outreach and education; community outreach, more energy fairs, renewable energy feasibility studies, affordable housing heating program and continuation of the Georgetown University Energy Prize competition.

November Meeting Minutes

- **Motion** made by Hall to accept the November minutes as presented. Motion was seconded and carried by voice vote.

New Members

- **Motion** made by Myhr and seconded to accept the new members as listed. Motion carried by voice vote.

Center

Kurras, Kevin & Donna

Decatur

Evans, Frank S & Florence B

Lopez

Brooks, Andrew

Cromer, Michael & Jennifer

Gooding, Martha & Bryan

Hall, Renee

Kocak, Ece

Lopez Island Wellness Ctr

Market, Jenny & Brian

McMullin, Kathleen

Paige, Phil & Kelly

Starfire, Dana

Orcas

Blankenship, Christopher

Bray, Brad

Coates, Norman & Shurtleff, Robin

Corngold, Noel & Emily

Dow, Stacey

Fordham, Noah

Heggelund, Per O

Jacobo, Andres & Kelsey

Lee, Christine & Kevin

McKee, Shawn

Morris, Jeff

Ostle, Heather

Roberts, Van

Rusby, Jimmy & Julie

SBCII REO, LLC

Solara Property Management LLC

Suruda, Anthony
Taylor, Sophia & Easterday, Jacob
Xdesigns

Helm, Barry
Johnson, Kaitlyn C
Jones, Howard R
McCrillis, David C
Miller, Kyle & Walch, Jessica
Mulhall, Megan & David
Murray, Marissa
Newell, Jeanne W
O'Connell, Mary
Paganini, Paul J
Piff, Stuart
Simpson, Andrew
Stewart, Cindy & Edwin
Weber, Matthew D

San Juan

Baker, David & Hintgen, Kristiina
Baker, Richard & McEachern-Baker, Kathleen
Banry, Lindsey
Beck, Helene & Patricia
Black, Molly
Browning, Linda
Davison, Matthew
Doolittle, Theresa
Ducote, Brittney & Cymbalista, Cory
Eldick, Obeid
Encore Family LLC
Farnsworth, Darrel & Terry
Fuller, Daniel
Gallagher, Patricia O & Michael E
Gresseth, Jan

Shaw
Jefferts, Sue H
Wedgwood, John & Turner, Kathleen

Capital Credits

- **Motion** made by Myhr and seconded to approve payment of \$18,728.41 in capital credits to the estates of deceased members listed below. Motion carried by voice vote.

Brett Alan Corbin	\$322.64
Celia C. Gregory	\$1,669.49
Howard K. Jones	\$3,971.66
Joseph A. and Jane M. Lopez	\$9,843.29
James A. and Janet J. Murphy	\$296.09
J. Wayne Pullman.....	\$1,780.87
Wade Sundstrom	\$844.37

2015 NRECA Voting Delegate

The 2015 NREA annual business meeting will be held February 22-25 in Orlando, Florida. At present, no one is planning to attend from OPALCO.

- **Motion** made by Thomerson and seconded to designate Hildreth the official voting delegate with Myhr as the alternate for the 2015 NRECA annual business meeting. Motion carried by voice vote.

Member Service Policy 3 Technical Provisions

Member Service Policy 4 Service Conditions

Member Service Policy 5 Line Extension

Revisions were presented at the November Board meeting for review. These revisions bring them up to date with current direction.

- **Motion** to approve MS Policies 3, 4 and 5 as presented made by Myhr and seconded. Motion carried by voice vote.

Strategic Directives

Strategic Directive #1 Safety

- **Motion** made by Myhr and seconded to revise Strategic Directive #1 to read *Safety is job #1. Safety programs will be implemented to promote OPALCO's high standards for safety to achieve the goal of no accidents.*

Motion carried by voice vote.

Strategic Directive #2 Sustainable Power Supply Strategy

- **Motion** made by Myhr and seconded to revise Strategic Directive #2 to read *Maintain a long-term strategy to provide safe, adequate, reliable, advantageously priced power, including consideration of source risk and economic, climate and energy policy uncertainty:*

- * *Maintain BPA as our primary long-term power supplier.*
- * *Investigate possible relationships with alternate suppliers of power.*
- * *Implement energy efficiency and conservation programs as a cost effective power resource. These include member projects, BPA programs and OPALCO infrastructure improvements.*

- * *Encourage local generation installations consistent with our OPALCO grid operations.*

Motion carried by voice vote.

Strategic Directive #3 Cash and Asset Availability

- **Motion** made by Myhr and seconded to revise Strategic Directive #3 to read *Ensure revenue and financial stability and have cash and assets available to provide for foreseeable demands and to mitigate the impacts of potential significant damaging events including storm damage, loss of electric supply, equipment or cable failure.*

Motion carried by voice vote.

Strategic Directive #4 Access to Debt Funding

- **Motion** made by Myhr and seconded to revise Strategic Directive #4 to read *Maintain Times Interest Earned Ratio (TIER) and other relevant parameters at a level that facilitates debt structuring and satisfies major lending agencies.*

Motion carried by voice vote.

Strategic Directive #5 Equity as a Percent of Capitalization

- **Motion** made by Myhr and seconded to revise Strategic Directive #5 to read *Maintain a prudent equity-to-capital ratio which shall not fall below 40% on an annualized basis without the Board's approval.*

Motion carried by voice vote.

Strategic Directive #6 Reliability of Electric Service

Maintain reliability of electric service.

Strategic Directive #7 Member Satisfaction

Demonstrate greater than 80% member satisfaction.

Strategic Directive #8 Communications with Members

Have member communication programs to inform members of relevant issues. Information of interest to members might include financial conditions, policies, programs, operational achievements and member benefits.

- **Motion** to accept Strategic Directives 6, 7 and 8 as presented made by Myhr, seconded and carried by voice vote.

Strategic Directive #9 Fiber Optic and Wireless Backbone for Grid Control (Operational Use)
Accelerate completion of the planned fiber optic and wireless communications grid control backbone. (Per Board motion of November 2013)

Strategic Directive #10 Internet and Data Services to the Premises (NewCo)

Organize, manage, and control a wholly-owned subsidiary to provide access to the Internet, phone and data services to the premises, and ancillary data and communications to emergency responders. (Per Board motion of October 2014)

Strategic Directive #11 Personnel Transition Plan – Apprentice and Training Programs for Key Positions

Maintain and implement succession planning for all staff positions.

- **Motion** to accept Strategic Directives 9, 10 and 11 as presented made by Myhr, seconded and carried by voice vote.

Bylaw Revisions

The bylaws were reviewed by counsel and staff who suggested edits to the existing document. After discussion, the following revisions were approved by the Board:

Statement of Nondiscrimination Orcas Power & Light Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the US Department of Agriculture, and is subject to the provision of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules and regulations of the US Department of Agriculture. This institution is an equal opportunity provider and employer.

- **Motion** to approve the Statement of Nondiscrimination as presented made by Myhr and seconded. Motion carried by voice vote.

Article I – Members

Section 1. Any person residing and/or owning, leasing or possessing real property in San Juan County, Washington or other counties in Washington, and desiring to become an ENERGY MEMBER (hereinafter “member” or “energy member”) of the cooperative and receive electrical energy and service from it by connection to its physical system is eligible for energy membership and may apply therefor. Such applicant may become an energy member upon approval of his/her application, agreeing to purchase energy services from the cooperative, and to be bound by the articles of incorporation, bylaws, tariffs and rules of the cooperative, together with any future amendments thereto, and payment of the current fee fixed by the Board of Directors. Energy members may also purchase and receive communications and other services from the cooperative’s communications subsidiary where they are available and the member is connected to the subsidiary’s communications system.

Membership in any class may be assigned to another member or reacquired by the cooperative by following the procedure established by the Board of Directors.

Every member shall be responsible for payment of any and all services received from the cooperative and its communications subsidiary, and failure to pay for any of the services will be grounds for termination of all services received from the cooperative and for termination and/or forfeiture of membership.

No member shall ever become the holder or owner of more than one membership in any class, and memberships held by a member in excess of one shall be redeemed by the cooperative by repayment of the membership fee.

- **Motion** made by Myhr and seconded to approve all of Section 1 Article 1 changes. Motion carried by voice vote.

Section 2. Qualifications and Obligations. Any person, partnership, corporation or body politic may become an energy member in the cooperative by:

- a) signing and submitting an application for membership form;
- b) paying the membership fee hereinafter specified or as adopted by the Board of Directors;
- c) agreeing to purchase from the cooperative electric energy and service as hereinafter specified by the cooperative; and
- d) agreeing to comply with and be bound by the articles of incorporation, bylaws, tariffs and rules of the cooperative and any future amendments thereto; provided, however, that no person, partnership, corporation or body politic shall become a member unless and until he, she or it has been accepted for membership by the Board of Directors. Each member agrees to grant any necessary access to real property in order to allow the cooperative to provide electric energy and its communications subsidiary to provide communications and other services requested by the member and others, and further agrees to provide written easements recorded in favor of the cooperative and its communications subsidiary, as necessary.
- e) A husband or wife, in becoming a member, shall automatically have a joint tenancy membership with right of survivorship, unless otherwise designated by them at the time he or she becomes a member. In the event of dissolution of the marital community between a married couple, the membership will follow the property and the person awarded the property in any decree of dissolution, in absence of which the membership will be awarded to that member of the former marital community who resides upon or has control of such real property. A married couple may join as a single member, designating which one of them is to be the member, in which event, upon death of the husband or wife, the membership shall be treated as any other membership under Article I, Section 8 of these bylaws.

- **Motion** to accept Section 2 changes made by Myhr, seconded and carried by voice vote.

Section 3. Membership Fee The membership fee shall be set by the Board of Directors. Upon payment of the membership fee and approval of the membership application by the board, the member shall be eligible for services. Fees for providing connections shall be established by the regulations adopted by the cooperative that are applicable at the time the connections are made.

Section 4. Purchase of Electric Energy. Each member shall, as soon as electric energy is available, purchase from the cooperative all electric energy for use on the premises specified in his or her application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by resolution of the Board of Directors; provided, however, that the

electric energy which the cooperative shall furnish to any member may be limited to such an amount as the Board of Directors shall from time to time determine. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the cooperative. It is expressly understood that amounts paid for electric energy in excess of cost of service are furnished by energy members as capital, and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to the Cooperative a facility charge, which shall be a minimum amount per month as shall be fixed by the Board of Directors from time to time, regardless of the amount of electric energy consumed, but in no case less than said minimum amount. Energy members may also purchase communications and other services from the cooperative's communications subsidiary where such services are available and the member is connected to the subsidiary's communications system. Members purchasing communications or other services shall pay at rates and on terms and conditions which shall from time to time be fixed by the cooperative's communications subsidiary. Each member shall pay all obligations that may from time to time become due and payable by such member to the cooperative as and when the same shall become due and payable. The cooperative and its communications subsidiary reserve the right to discontinue any or all service, including but not limited to electric service, to any member who has not paid the amounts owed by the member.

Section 5. Non Liability for Debts of the Cooperative *No Changes Made*

Section 6. Expulsion of Members The Board of Directors of the cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who has violated or refused to comply with any of the provisions of the articles of incorporation, the bylaws, the tariffs or any rules or regulations adopted from time to time by the Board of Directors or any future amendments thereto. Any member so expelled may be reinstated as a member by a vote of the energy members at any annual or special meeting of the energy members. The action of the members with respect to any such reinstatement shall be final.

Section 7. Withdrawal of Membership Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the cooperative and its communications subsidiary and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 8. Transfer and Termination of Membership

- a) Membership in the cooperative shall not be transferred except as hereinafter otherwise provided; and upon the death, cessation of existence, expulsion or withdrawal of a member, or if a member has received no electrical service for a continuous period of twelve (12) months when it was available to him or her, the membership of such member shall thereupon terminate. Termination of membership shall not release the member or the member's estate from the debts or liabilities of such member to the cooperative.
- b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by the spouse jointly with the provisions of subdivisions (b) and (c) of Section 2 of this article. Such transfer shall be made and recorded on the books of the cooperative.
- c) When a membership is held jointly by a married couple, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to the surviving spouse, as the case may be, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the cooperative.
- d) One whose membership has been terminated for any reason, but who requires service again, may again become a member by complying with the procedure outlined in Article 1, Section 2. Such a reinstated member, however, shall be required to pay a connection fee equivalent to that required of an existing member, in addition to the membership fee.
 - **Motion** to accept changes to Sections 3 through 8 made by Hall, seconded and carried by voice vote.

Section 9. New Classes of Memberships *No changes made*

Section 10. Removal of Directors and Officers *No changes made*

Article II – Meeting of Energy Members

Section 1. Annual Meeting The annual meeting of the energy members shall be held on a date selected by the directors each year, at such place as the directors shall designate, for the purpose of electing directors and transacting such other business as shall come before the meeting. Unless the laws of the State of Washington, the articles of incorporation of the cooperative, or the bylaws provide otherwise, no business requiring a vote of the members shall be acted upon at such meeting unless notice of the business to be transacted has been given to members in accordance with notice provisions contained in Article II, Section 3 of these bylaws. If the election of directors shall not be held on the day designated herein for such annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the energy members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not constitute a forfeiture or dissolution of the cooperative.

Section 2. Special Meetings *No changes made*

Section 3. Written notice of a meeting stating the place, day and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting, either personally, by electronic transmission, or by mail, by or at the direction of the secretary, or by the persons calling the meeting, to each energy member provided, however, that with respect to all meetings at which directors are to be elected, such notice shall be so delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting. Such notice may be transmitted by mail or electronic transmission. If mailed, such notice shall be deemed delivered when deposited in the United States mail, addressed to the energy member at his or her address as it appears on the records of the cooperative, with postage thereon prepaid. If sent by electronic transmission, the notice is deemed to be delivered when sent, addressed to the member or shareholder at his or her electronic transmission address as it appears on the records of the cooperative. The failure of any energy member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting. Each member and director shall be responsible to provide advance written notice to the cooperative of any address change.

- **Motion** to approve the changes made to Sections 1-3 made by Hall, seconded and carried by voice vote.

Section 4. Quorum *No changes made*

Section 5. Voting. Each energy member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the energy members at which a quorum is present, all questions shall be decided by a vote of a majority of the energy members voting thereon in person or by absentee ballot, provided that the proposition submitted is exactly the same as the measure voted on at the meeting, except as otherwise provided by law, the articles of incorporation of the cooperative, or these bylaws. If a married couple hold a joint energy membership, they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the energy members. Issues submitted to the energy membership for vote will be objectively stated and as free from bias as possible.

- **Motion** to approve the changes made to Section 5 made by Myhr, seconded and approved by voice vote.

Section 6. Voting by Absentee Ballot Any energy member who is absent from any annual or special meeting of the energy members may vote electronically or by written absentee ballot upon any motion or resolution to be acted upon at any such meeting, except that motions regarding procedural matters involving the conduct of the meeting, such as approval of the minutes, may be made from the floor, and shall be acted upon solely by the energy members in attendance at the meeting. The secretary shall enclose with the notice of such meeting an exact copy of all motions or resolutions. In the event of an election of directors, the notice shall include a list of all candidates by position according to Article III, Section 3 of the bylaws that have been predetermined to be acted upon. Such absentee energy member shall express his or her vote thereon by either voting electronically following the written instructions provided by the cooperative, or by writing "Yes" or "No" on each such motion or resolution in the space provided therefore, and enclose each such ballot so marked in a

sealed envelope marked "Ballot" and then place said envelope in another envelope addressed to the Orcas Power & Light Cooperative at Eastsound, Washington, and print or type his or her name and affix a signature to the outside thereof, and cause the same to be delivered by mail, electronically or otherwise to the Orcas Power & Light Cooperative at Eastsound, Washington by such time as may be fixed by the Board of Directors, but in no event later than the day before the annual or special meeting.

When such written absentee ballot is enclosed and received from any absent energy member, it shall be accepted and counted as a vote of such absent energy member at the meeting. If a married couple hold a joint membership and are absent from any annual or special meeting of the members, they shall jointly be entitled to vote by absentee ballot, whether provided in the mail or electronically by the cooperative, as provided in this section. The failure of any such absentee energy member to receive a copy by mail or electronically, of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting. The board may adopt voting procedures to facilitate electronic voting. In the event electronic voting procedures are adopted, the board shall provide advance notice of those procedures in the manner provided for in this Article II, and as provided by law.

- **Motion** to approve changes made to Section 6 made by Myhr, seconded and approved by voice vote.

Section 7. Order of Business. The order of business at the annual meeting of the energy members, and, so far as possible, at all other meetings of the energy members, shall be essentially as follows:

1. Call of the roll;
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
3. Reading of unapproved minutes of previous meetings of the energy members and the taking of necessary action thereon;
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees;
5. Election of directors;
6. Unfinished business;
7. New business. Any new business raised at the annual or special meeting may be continued until the next member meeting set according to these bylaws;
8. Adjournments.

- **Motion** to approve changes to Section 7 made by Myhr, seconded and approved by voice vote.

Section 8. Robert's Rules of Order *No Changes Made*

Article III - Directors

Section 1. General Powers *No changes made*

Section 2. Qualifications and Tenure *No changes made*

Section 3. Nominations and Election of Directors

a) Nominations: It shall be the duty of the Board of Directors to appoint, not less than one hundred (100) calendar 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. No officer or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post in the lobby at the principal office of the cooperative at least sixty (60) calendar days before the meeting a list of its nominations for directors. Any fifteen (15) or more members may make other nominations from their particular district by petition with their signatures, filed with the board of directors at the principal office of the cooperative at Eastsound, Washington, not less than fifty-five (55) calendar days prior to the meeting. The secretary shall cause the same to be posted at the place where a list of nominations made by the committee is posted, including electronic postings on the cooperative's website. The secretary shall publish a legal notice in the local newspaper(s) which carries legal notices, said notice to announce names of director candidates. The notice must be submitted to the newspaper(s) within three working days of the posting of nominations. The cooperative, in the alternative, may post the list of director candidates on its website in order to provide the notice required in this section. The

committee, if possible, should nominate at least two (2) candidates for each open position, one of whom shall be an incumbent director, unless such director does not wish to be considered for reelection. The secretary shall mail with the notice of the meeting a statement of the number of directors to be elected from each district and showing separately the nominations made by petition, if any, or in the alternative, the cooperative shall provide such notice electronically.

- **Motion** to accept changes to Article III Section 3 (a) made by Myhr, seconded and approved by voice vote.

b) **Election of Directors.** Not less than ten (10) nor more than thirty-five (35) days before an annual or special meeting of the energy members at which directors are to be elected, the secretary of the cooperative shall mail to each energy member a printed ballot marked "Ballot for Directors" containing the names of all nominees for the respective districts to be arranged alphabetically, together with a notice of said meeting, containing appropriate information and instructions relative to voting by absentee ballot or at the meeting. The ballot shall indicate thereon the number of directors to be elected from each district and shall also show separately nominations made by the nominating committee and the nominations made by petition. In the alternative, the cooperative may provide ballots to each energy member electronically. Each energy member of the cooperative present at the meeting shall be entitled to cast a vote for the election of directors unless voting previously had been completed by an absentee ballot. Absentee voting shall be conducted by the procedures established in Article II, Section 6.

Each energy member is entitled to vote for each position for which a director is to be elected, and the candidate receiving the most votes in each position is deemed to be elected; provided, where two directors are to be elected for a particular district, the two persons receiving the greatest number of votes shall be deemed elected.

- **Motion** to accept changes to Article III Section 3 (b) made by Myhr, seconded and approved by voice vote.

Section 4. Vacancies A vacancy occurring in the Board of Directors shall be filled by the election of an energy member resident of the same district as the director whose office is vacated, by a majority vote of the remaining directors, and a director thus elected shall serve for the unexpired portion of the term or until his or her successor shall have been elected and shall have qualified.

Section 5. Compensation Directors shall not receive any salary for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for serving as a director at meetings on behalf of the cooperative. Close relatives of a director shall not receive compensation for serving the cooperative, unless such compensation shall be specifically authorized by a vote of the members.

- **Motion** to accept changes to Article III Sections 4 and 5 made by Myhr, seconded and approved by voice vote.

Section 6. Rules and Regulations *No Changes Made*

Section 7. Accounting System and Reports *No Changes Made*

Section 8. Changes in Rates *No Changes Made*

Section 9. Absences of Directors *No Changes Made*

Article IV – Meetings of Directors

Section 1. Regular Meetings *No Changes Made*

Section 2. Special Meetings *No Changes Made*

Section 3. Notice. Notice of the date, time, and location of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written or electronic notice, delivered to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his or her address as it appears on the records of the cooperative, with postage thereon prepaid. If sent by electronic transmission, the notice is deemed to be delivered when sent, addressed to the director at his or her electronic transmission address as it appears on the records of the

cooperative. In the alternative any special meeting of the Board of Directors can be posted on the cooperative's website, and electronic email notice shall also be provided. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

- **Motion** to accept changes made to Article IV Section 3 made by Myhr, seconded and approved by voice vote.

Section 4. Quorum *No Changes Made*

Section 5. Manner of Acting *No Changes Made*

Section 6. Actions by Written Consent and Telephone or Other Electronic Means Any corporate action required or permitted by the articles of incorporation, bylaws, or the laws under which this cooperative is formed, to be voted upon or approved at a duly called meeting of the directors or of a committee of directors, may be accomplished without a meeting if unanimous written consents of the respective directors, setting forth the actions so taken, shall be signed, either before or after the action taken, by all the directors or committee members, as the case may be. Action taken by unanimous written consent is effective when the last director or committee member signs the consent, unless the consent specifies a later effective date. Further, any director may participate in any meeting by telephone, or other electronic means of communication by which all directors participating in the meeting may simultaneously hear each other during the meeting with the consent of all the directors personally present at the meeting. Any director participating by telephone or other electronic means shall be counted for purposes of the quorum.

- **Motion** made to approve the changes to Article IV Section 6 made by Myhr, seconded and approved by voice vote.

Article V – Officers *No Changes Made*

Article VI – Books and Records *No Changes Made*

Article VII – Contracts, Checks and Deposits – *No Changes Made*

Article VIII – Nonprofit Operation

Section 1. Interest or Dividends on Capital Prohibited *No Changes Made*

Section 2. Members' Patronage Capital in Connection with Furnishing Electric Energy *No Changes Made*

Section 3. Binding Effect of Articles of Incorporation, Bylaws, Tariffs and Rules of the Cooperative All members of the cooperative, by dealing with the cooperative, acknowledge that the terms and provisions of the articles of incorporation, bylaws, tariffs and rules of the cooperative and any future amendments thereof, shall constitute and be a contract between the cooperative and each member, and both the cooperative and such members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each member of the cooperative by posting in a conspicuous place in the cooperative's office. As a condition of membership, each member also agrees to respect and give legal effect to any utility easements for any services offered by the cooperative and/or its communications subsidiary, and grant any necessary access and easements as necessary to furnish all services offered by the cooperative and/or its communications subsidiary.

Section 4. Patronage Refunds in Connection with Furnishing Other Services All other amounts received by the cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, in the Board's discretion either retained by the cooperative, or allocated to the members on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided.

Income received from any subsidiary corporation shall not be allocated or assigned to patrons or members prior to dissolution of the cooperative, unless so determined by the Board of Directors.

- **Motion** to accept changes to Article VIII Sections 3 and 4 made by Myhr, seconded and approved by voice vote.

No other changes were made to the bylaws at this time.

RUS 219s

- **Motion** to approve submission of RUS Form 219s that include projects completed in October from the Construction Work Plan totaling \$630,014.66 made by Myhr and seconded. Motion was seconded and carried by voice vote.

2015 Budget

Hildreth reviewed the 2015 budget, noting that it is a challenging budget year with shifting to a new rate structure and make corrections required to stabilize the revenue stream. The budget increases from \$22M to \$24.7M to meet financial and operational commitments. Revenue is expected to increase by 12%. Key points were:

- 2014 revenue is down about \$1.4M due to warmer than projected temperatures. The old rate structure placed too much fixed cost expense on energy (kWh) charges. The new rate structure begins to correct this vulnerability by placing more of the fixed costs in the facilities charge, which is phased in over time. The 2015 rate increase includes some catch-up for the 2014 shortfall and anticipates a continuing trend of warmer temperatures.
- Due to redistribution of costs and member classes in the new rate structure, 2015 revenue adjustment is up 12%; however, actual impacts on member bills are less.
- Submarine cable replacement is a major upcoming expense (\$15M in 2015-17) and is driving the need to build equity and cash through rates to manage the debt necessary to complete the project. This trend will continue with three additional submarine cable replacements planned over the next 20 years.
- Energy efficiency, conservation and local distributed power continue to be high priorities. However, to meet revenue requirements, the new rate structure and foreseeable rate increases will be limited to the facilities charge and cap conservation and efficiency savings at a \$0.08/kWh rate level for the next five years. Our Energy Savings Department, in concert with BPA and the San Juan Islands Conservation District, will continue to fund, promote and reward energy efficiency, conservation and distributed power outside of the rate structure. In addition, OPALCO and community leadership must work together to discover new ways to reward those who help balance financial stability with energy efficiency, conservation and distributed generation goals.
- The rate increases proposed for 2015 are independent of the creation of our new Internet services entity. The start-up cost is \$7.5M over the next three years. The impact of this debt service on our membership is \$3/member/month for 24 months. Expenses for this new entity are not included in the new rate structure. The new company is expected to break even and start generating a positive cash flow in 2017. Starting in year 2020, this revenue stream may be used to help the Co-op offset future volatility in electric revenue (i.e. due to weather) and assist with upcoming capital expenses post 2020.
- OPALCO provides utility services in the most challenging service territory in the nation: serving 20 islands with 26 submarine cables, eleven substations, three line crews and two administrative offices.

OPERATING REVENUES (12% increase)

Residential	17,885,711
Commercial	6,351,244
Other Non-Operating	<u>460,186</u>
Total Operating Revenue	\$24,697,141

OPERATING EXPENSES

Cost of purchased power	8,452,880
Transmission	95,459
Distribution- Operations	3,462,037
Distribution - Maintenance	1,862,557
Consumer Accounts	1,000,006
General and Administration	
Administration G&A	3,060,993
Energy Services G&A	<u>743,548</u>
Total general and administration	3,804,540

Depreciation and amortization	3,166,399
Taxes	1,038,446
Total Operating Expenses	<u>22,882,324</u>
Operating margins before fixed charges	1,814,817
FIXED CHARGES	
Interest on long-term debt	1,003,025
Total fixed charges	<u>1,003,025</u>
Operating margins after fixed charges	811,792
PATRONAGE CAPITAL CREDITS	<u>56,472</u>
Net operating margins	<u>868,265</u>
NON-OPERATING MARGINS	
Interest Income	208,165
Other income	21,933
Fiber Optics Division	--
Net non-operating margins	<u>230,098</u>
NET MARGINS	<u>1,098,363</u>
OPALCO TIER	2.10
OPALCO Equity % of Total Cap	52.7%
NewCo	
NON-OPERATING MARGINS	
NewCo Revenue	1,171,650
NewCo Expenses	<u>2,420,250</u>
Net non-operating margin	<u>(1,248,600)</u>
NewCo TIER	(6.18)
Consolidated Equity: OPALCO+NewCo (not reported in official financial statements)	50.1%

- **Motion** made by Adams to approve the 2015 budget as presented. Motion was seconded and carried by voice vote.

Tariff Revisions

Tariffs and Deposits and Charges were proposed to reflect the newly designed rate structure. This was the first reading of the tariff revisions; the final revisions will be presented at the January board meeting to go into effect with the February billing cycle. These tariff revisions strive to reduce revenue volatility to better position OPALCO to meet its financial and service level commitments to the membership.

BPA Energy Efficiency Incentives

OPALCO issued 2,784 rebates to members totaling \$411,019 with an associated kWh savings of 1,558,346 during the period October 1, 2013 through November 30, 2014.

2015 Committee on Nominations

The Board will appoint a committee following the newly revised bylaws, which stipulate that the committee must be named no later than 100 days prior to the annual meeting (January 22, 2015).

Reports

The **Cash Recap** shows an ending balance of \$4,260,111 as of September 30, 2014.

The **Outage** chart was reviewed.

The **Safety** report indicated no accidents, incidents or near misses for November.

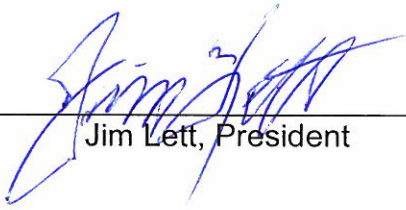
The **General Manager's** report was reviewed.

Gerry Lawlor presented an **IN Update** and indicated levels of activity, mostly from homeowner associations. LTE testing continues with LTE devices being placed in homes close to the Eastsound OPALCO LTE pole.

Hildreth encouraged the Board to read through the IN survey that was done at the San Juan County Fair and to review the web analytics provided by PixelSpoke.

Adjournment

The meeting adjourned at 2:20 p.m.



Jim Lett, President



Jerry Whitfield, Secretary-Treasurer