

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, November 20, 2014

President Jim Lett called the meeting to order at 8:25 a.m. at the Lopez Fire Hall. Directors Winnie Adams, Vince Dauciunas, Glenna Hall, Chris Thomerson and Jerry Whitfield were present. Bob Myhr was absent. Also present were General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance Nancy Loomis, Manager of Member Services and Energy Savings, and Executive Assistant Bev Madan, serving as recording secretary. Consultant Jay Kimball was also in attendance.

NRECA Credentialed Cooperative Directors

Lett presented Hall and Whitfield with Director Education Certificates earned by attending the NRECA courses.

Island Network

Lett noted that throughout the process of researching broadband in San Juan County, Dauciunas was a guiding force. Hildreth presented Dauciunas with the "game ball" to honor the significant contributions he made during the process.

Member/Guests

Harvey Aldort, Orcas; Rob Thesman, Lopez; Steve Ludwig, Lopez; Dwight Lewis, Lopez; Sandy Bishop, Lopez.

Aldort suggested the Board either get rid of the capital credits or pay them out sooner (instead of the 25-year cycle). He also protested the proposed Time of Use (TOU) rate structure, suggesting the peak times proposed would not encourage the TOU rate.

October 16 Minutes

- **Motion** made by Hall to approve the October minutes. Motion was seconded and carried by voice vote.

November 7 Minutes

- **Motion** made by Thomerson to approve the minutes of the November 7 special meeting held to approve the filing of the IRS Form 990. The motion was seconded and carried by voice vote. Hall abstained as she was did not attend the November 7 meeting.

New Members

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

Blakely

Fergus, Mary Beth & David Alan
Sullivan, Barbara & Clement

Lopez

Carlson, Nels
Derzay, Eli
Lozier, Edith & Gurke, Dean
Moore, Jeannie
Sage, Bob
Shea, Kristin & Tim
Smith, Lolly

Orcas

Abstoss, Katherine & Nicolas
Bawden, Michelle & Michael
Carnevale, Thom
Conant, Laura
Crane, Bailee
Dashevsky, Antony & Rhodes,
Quincy
Frenyea, R Bryon & McKenna,
Cindie
Gottlieb, Daniel & Chung, Grace
Haberzette, Mary
Hanna, Bruce P
Harding, Tyler A & Jocelyne N
Hutchinson, Leslie

Klein, Sonya

McDonough, Rebecca & Thomas
Orcas Veterinary Service PLL
Petitjean, Holly
Petro, Shawn M
Posey, Mark & Cindie
Schramm, Thomas R
Shedd, Jill
Shores, Carroll W
Taylor, Calin M & Ian
Teegardin, Timothy & Kim
Walsh, Jennifer & Chris
White, Greg

San Juan

Byrne, Halley
Camacho, Guillermo P
Choe, Kevin
Conner, Stephanie
Copas, Marina
Dahl, Kurt
Daniels, Steven
Devirian, Michael & Sager-
Devirian, Lauri
Erga, Brian
Feng, Wei
Garrels, Thomas
Green Island Growers

Grey, Jerad Alan

Hazel, Robert & Rebecca
Henry's Reserve LLC
Hertel, Nathaniel & Concord,
Alisabeth
Hoepfner, Gloria
Hughes, Chris & Janise
Hughes, Susan
Kahn, Sadia A
Keffer, Pamela
Kwan Lamah II, LLC
Langford, Philip J
Longley, Margaret J
Lowell, Steven G & Deborah K
Luigs, Michael
Marush, Donna & Charles
Miller, Kyle & Walch, Jessica
Miner, Christina
Mirarose LLC
Okulitch, Judith
Owens, Todd
Prudence, Sasha
Salsedo, Cyrilla Torres
Smith, Georgia & Michalowski,
Stefan
Spencer, Cheryl
Stewart, Scott
Surina-Star Center LLC

Capital Credits: Estates

- **Motion** made by Thomerson to approve payment of \$16,380.81 in capital credits to the estates of deceased members listed below. Motion was seconded and carried by voice vote.

Shirley F. Aggas	\$1,656.26
John C. Conant.....	\$1,247.28
Daryl Davenport.....	\$1,789.07
Margaret J. Hoepfner.....	\$2,019.48
Keith B. Jefferts	\$2,091.35
Robert R. Lynch.....	\$419.68
George Miller	\$88.46
Marion C. Musgrove	\$373.20
Walter & Genevieve Page	\$486.45
Stephen R. Salsbury.....	\$713.50
William R. Webb	\$5,496.08

Capital Credits: Uncollectible Accounts

Delinquent inactive accounts have been moved to an “uncollectable account (UA)” status. Capital credits are applied to the uncollectable accounts prior to processing the retirement capital credits. A total of \$19,748 was transferred to UA between November 12, 2013 and November 3, 2014. The amount of capital credits applied to the UA accounts is \$6,738; discounted capital credits transferred to the OPALCO Equity Account is \$27,285. The total capital credits retired in this category is \$34,023.

- **Motion** made by Thomerson to approve the use of member allocated capital credits to reduce and/or offset individual member delinquent UA balances as referenced in the Capital Credit/Bad Debt Payment Program report. The motion was seconded and carried by voice vote.

Capital Credits: General Retirement

The capital credit allocation for 1989 is \$944,999. Historically, approximately 73% of the checks will be printed due to member relocations and incomplete estate information. In addition, 90% of those checks will actually be cashed. A total of \$650,000 will be set aside for these payments.

- **Motion** made by Thomerson to approve the payment and retirement of capital credits representing the year 1989. Motion was seconded and carried by voice vote.

Special Equipment Summary

Included were purchases of transformers and padmounts since 2012.

- **Motion** made by Adams to approve submittal of the Special Equipment Summary to RUS in order to draw down \$1,041,719.71 of loan funds. Motion was seconded and carried by voice vote.

Rate Design

This is the culmination of the efforts of the last eight months to develop rates that better align the Cooperative with its members and how the system costs are allocated to them. Hildreth outlined the current financial situation due to the warm temperatures that we have been experiencing this year that are causing volatility in our revenue. Current projections are indicating a revenue shortfall of \$1.4M this year; a large contributor to our dilemma is the fact that a great deal of our fixed operational costs are embedded in our kWh charge. At the request of the Board and with the primary goal of revenue stability, staff worked with EES Consulting to develop alternatives to meeting revenue requirements for expected reduction in energy sales. Options suggested by EES Consulting included 1) Implement a High Fixed Charge; 2) Implement a Minimum Bill; 3) Implement a Cost Recovery Charge; or 4) a combination of the options. It was noted that regardless of the strategy used to ensure recovery of lost revenues due to low energy consumption and fixed costs, it is important to keep in mind the following:

- Vulnerable members (low and fixed income) by providing access to resources that will allow them to participate in energy efficiency programs;
- Consider the impact on energy efficiency participation;
- Consider the impact on local distributed generation cost effectiveness;

- Continue to monitor the fixed cost of the system and consider options for long-term savings;
- Educate members on rate components and why rates are changing; and
- Consider the additional member education needs and front office staffing needs as members may object to bill increases.

The rate design is shown. Revenue requirements and associated rates will be determined during the annual budget process.

Residential	Present Rates	2015 Structure (0% Increase)*	2016 Structure (0% Increase)*	2017 Structure (0% Increase)*
Facility Rate (\$/Service/Month)	28.60	\$28.60	\$28.69	\$28.87
Demand Rate (\$/Service/Month)		0.00	1.00	3.00
Energy Rates (\$/kWh)				
Block 1 (<5,000 kWh)	\$0.0852			
Block 2 (>5,000 kWh)	\$0.1006			
Summer block 1 (<1,500 kWh)		\$0.0850	\$0.0813	\$0.0780
Summer Block 2 (>1,500 kWh)		\$0.0950	\$0.1036	\$0.1085
Winter Block 1 (<3,000 kWh)		\$0.0850	\$0.0813	\$0.0780
Winter Block 2 (>3,000 kWh)		\$0.0950	\$0.1036	\$0.1085
Residential TOU	Present Rates	2015 Structure (0% Increase)*	2016 Structure (0% Increase)*	2017 Structure (0% Increase)*
Facility Rate (\$/Service/Month)	\$32.20	\$32.20	\$32.30	\$32.40
Demand Rate (\$/Service/Month)			\$0.50	\$1.00
Energy Rates (\$/kWh)				
TOU Period 1 (6 am – Noon)	\$0.1294	\$0.1450	\$0.1450	\$0.1450
TOU Period 2 (Noon – 10* pm)	\$0.0590	\$0.0900	\$0.0900	\$0.0900
<i>To be phased in over 3 years</i>		<i>Noon – 8 pm</i>	<i>Noon – 9 pm</i>	<i>Noon – 10 pm</i>
TOU Period 3 (10* pm – 6 am)	\$0.0507	\$0.0400	\$0.0400	\$0.0400
Small Commercial (<20 kW)	Present Rates	2015 Structure (0% Increase)*	2016 Structure (0% Increase)*	2017 Structure (0% Increase)*
Facility Rate (\$/Service/Month)	\$40.40	\$40.40	\$40.40	\$41.07
Energy Rates (\$/kWh)				
Block 1 (<5,000 kWh)	\$0.0866	\$0.0861	\$0.0861	\$0.0861
Block 2 (>5,000 kWh)	\$0.0781	\$0.0861	\$0.0944	\$0.1059
Demand Rate (\$/Service/Month)				
First 20 kW (Flat Rate)	\$0.00	\$5.00	\$5.30	\$6.00
Over 20 kW	\$3.15			
Large Commercial (>20kW)	Present Rates	2015 Structure (0% Increase)*	2016 Structure (0% Increase)*	2017 Structure (0% Increase)*
Facility Rate (\$/Service/Month)	\$40.40	\$40.40	\$40.40	\$41.07
Energy Rates (\$/kWh)				
Block 1 (<5,000 kWh)	\$0.0866	\$0.0775	\$0.0777	\$0.0782
Block 2 (>5,000 – 150,000 kWh)	\$0.0781	\$0.0775	\$0.0777	\$0.0782
Block 3 (>150,000 kWh)		\$0.1162	\$0.1166	\$0.1173
Demand Rates (\$/kW)				
First 20 kW	\$0.00			
Over 20 kW	\$3.15			
Block 1 (<300 kW)		\$3.15	\$3.15	\$3.15
Block 2 (>300 kW)		\$4.73	\$4.73	\$4.73
Pumps	Present Rates	2015 Structure (0% Increase)*	2016 Structure (0% Increase)*	2017 Structure (0% Increase)*
Facility Rate (\$/Service/Month)	\$25.30	\$25.47	\$26.79	\$27.12
Energy Rates (\$/kWh)				
0-370 kWh	\$0.0978	\$0.0923	\$0.0813	\$0.0771
370-5,000 kWh	\$0.0752	\$0.0802	\$0.0813	\$0.0771
Over 5,000 kWh	\$0.0900	\$0.0878	\$0.0830	\$0.0771
Demand Rate (\$/Service/Month)				
First 20 kW (Flat Rate)	\$0.00	\$0.00	\$1.00	\$2.50
Over 20 kW	\$3.15	\$3.15	\$3.15	\$3.15

*For comparative purposes only, the above is assuming a 0% increase to revenue requirements.

- **Motion** made by Thomerson to approve the rate structure; motion was seconded and carried by voice vote.

Additional discussion will occur during the resource evaluation in the coming year.

Policy 29 Rate Design

The policy was reviewed at the October Board meeting; the only modification made to this version was to change the name to “Energy Services Rate Design”.

- **Motion** made by Thomerson to approve Policy 29 as amended; motion was seconded and carried by voice vote.

January Meeting Date Change

Hildreth will be attending a conference January 11-14.

- **Motion** made by Dauciunas to move the Board of Directors meeting date from January 15 to January 22, 2015. Motion was seconded and carried by voice vote.

Resolution 10-2014 Authority to Execute RUS Form 595

With the change in management, RUS requires the Board of Directors to give authority for signing their Form 595 *Financial Requirement & Expenditure Statement*. This Resolution gives signing authority to Hildreth, Lett and Whitfield.

Resolution 11-2014 RDUP Form 674 Signing Authority

This Resolution names Hildreth as the "Certifier" responsible for submitting and certifying to RUS any and all data required by RDUP Form 674 and names Loomis as the "Security Administrator who shall give access to the Corporation's data as appropriate for the purpose of complying with RDUP Form 674.

- **Motion** made by Thomerson and seconded to approve Resolutions 10-2014 and 11-2014; motion was seconded and carried by voice vote.

3Q Financials

Hildreth presented the 2014 third quarter financials, which indicate a \$672,000 revenue shortfall at present and \$1.4 million predicted by year's end due to the warm weather.

2015 Capital Projects Budget

Hildreth presented the proposed capital projects portion of the budget:

Distribution	
New Services	164,800
New Tie Lines	130,000
Conversions and line changes	968,000
Miscellaneous Distribution Equipment	
Transformers & Meters	379,300
Sectionalizing Equipment	140,000
Ordinary Replacements	247,200
Underground Dist., Cable Replacement	1,168,020
Other	
Island Network	2,900,000
Fiber/Microwave Infrastructure	1,930,000
Transmission	6,405,000
Other	
Headquarter Facilities	150,000
All Other	
Transportation/Equipment/Tools/Radios	565,380
Office Equipment/Furniture, etc.	51,500
Computer /Servers/Software	206,500
Minor Projects	90,000
Contribution in Aid of Construction	(252,434)
Capital Projects Total	<u>\$7,790,882</u>

TOTAL 2015 CAPITAL PROJECTS BUDGET **\$15,243,266**

- **Motion** to approve the Capital Projects portion of the 2015 budget made by Thomerson, seconded and carried by voice vote.

Member Service Policy 3 Technical Provisions

Member Service Policy 4 Service Conditions

Member Service Policy 5 Line Extension

These policies were revised to bring them up to date with the current Strategic Directives relating to Island Network. The policies were reviewed and will be presented in their final form at the December meeting. No changes were recommended.

Island Network Update

Initial testing began on the 700MHz LTE infrastructure at the Eastsound OPALCO office. Construction of Fiber to the Premises (FTTP) was completed to eight homes south of Lopez Village on Fisherman Bay Road.

Over 70 participants in the Cattle Point/Cape San Juan area committed to FTTP with full deployment by mid-February 2015. Cattle Point/Cape San Juan is a hybrid deployment of 700MHz and FTTP.

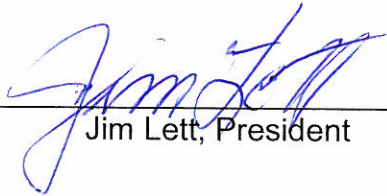
Lawlor and his team are working with several other homeowner associations interested in deploying FTTP or wireless.

Reports

The Cash Recap, Total Fund Balances, Outages, Safety, General Manager and Washington Future Energy Conference reports were reviewed and discussed. Whitfield attended the Washington Future Energy Conference and gave a full report, with the bottom line to reduce our carbon footprint and stay with long-term contracts with BPA.

Adjournment

The meeting adjourned to Executive Session at 2:10 p.m. Executive Session ended at 2:50 p.m.



Jim Lett, President

Jerry Whitfield, Secretary-Treasurer