

# MINUTES OF THE BOARD OF DIRECTORS MEETING

## ORCAS POWER & LIGHT COOPERATIVE

Thursday, October 16, 2014

President Jim Lett called the meeting to order at 9:00 a.m. at the Eastsound OPALCO office. Directors Winnie Adams, Glenna Hall, Bob Myhr, Chris Thomerson and Jerry Whitfield were present. Vince Dauciunas was absent. Also present were General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance Nancy Loomis, Engineering Technician Alan Smith, Communication Specialist Suzanne Olson and Executive Assistant Bev Madan, serving as recording secretary. Consultants Gerry Lawlor, Jay Kimball and Tom Schramm were also in attendance.

### Nourdine Jensen Youth Scholarship

Suzanne Olson introduced the recipients of the 2014 Nourdine Jensen Youth Scholarship award: Peter Kamin, William Coe and Willow Paige. Other recipients Gabi Carver-Hackett and Maya Burt-Kidwell were not in attendance. The three presented their experiences at the Youth Rally sponsored by the College of Idaho. Each earned additional scholarships at the Youth Rally and William Coe was elected to return in 2015 as a director.

### Member/Guests

There was a large turnout due to interest in the Island Network Business Plan. Each member was invited to speak. Present and speaking in favor of OPALCO moving forward with broadband for the county were: Randy Gaylord (Orcas), SJC prosecuting attorney; Mike Green (San Juan), Rock Island Technology Solutions; Linda Wilkes (Orcas); Audra Query (Orcas); Wally Gudgell (Orcas) asked that the Board be aggressive in their rollout, the demand is proven and real estate has suffered due to the low speeds in the islands; Bernard Jalbert (Orcas); Ron Rosenberg President of the Eagle Lake HOA Board (Orcas) stated that Eagle Lake, with 45 lots are all on board and willing to pay their share of the costs to install fiber having lost home sales in the past few years; Bernard Shanks (Orcas) commended the Board on their excellent vision and asked that they "get on with it"; Mark Madsen (San Juan) Mineral Heights HOA noted that the change in the Broadband direction the past 6 months is astonishing and has a place for OPALCO to start digging; Sheldon Gregory (Orcas) stated that broadband is desperately needed as their home-based business depends on it, the strategy is excellent and he appreciates the progress made; Anne Marie Shanks (Orcas) excited to be part of the pilot project and the growth this year has been phenomenal, the business plan is reasonable and asks that the Board "pass the budget"; Sheila Gaquin (Orcas); Howard Barbour (Orcas) noted that Deer Harbor is poorly served and is glad that OPALCO took up the torch; Todd Silva (Orcas) stated their move from Phoenix to Orcas was borderline dependent on internet speeds and the increased internet capabilities will allow him to work from home; Mike Speece (Orcas) in favor of the broadband plan.

Also speaking were Chom Greacen (Lopez) in favor of broadband but concerned about the impact on rates; Steve Ludwig (Lopez) spoke against the proposed rate design and the increased facility charge, hopes that OPALCO will locate the LTE antennae at least 1500 feet from any dwellings, noted that the insurance increase did not include any electro-magnetic radiation exposure and asked that the Board respect the health of its members and once again stated that OPALCO is noncompliant with RCW 24.06; Dwight Lewis (Lopez) noted his concern over the money OPALCO is spending on broadband.

Others in attendance were Susan Cole, Kiki Coe, Susan Kink, John Fleischer and Tony Ghazel.

### September Minutes

- **Motion** made by Thomerson to approve the September minutes. 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.

#### Blakely

Doughty, Stephen & Amy

#### Lopez

Coward, Susan

Harry, Ben A & Kris

McKenzie, Sandi & Redmayne, Peter

Miller, Mary & Steve

Morgan, David

Nationstar Mortgage LLC

Waite, Leslie A & Nancy J

Wilburn, Randall & Karen

#### Orcas

Aldort, Yonatan

Avondet, Jeremy

Bowen, Cheryl J

Brewer, Thomas & Virginia

Culley, Matthew A  
 Dahl Electric Inc  
 DiCaprio, Tamara  
 Fisher, Lisa-Dawn & James  
 Goodrich, Elaine  
 Hamui, Marcelo  
 Hickey, John  
 Johnson, Tiffany A & James C  
 Kaulakis, Michael & Sharon  
 Keeny, Christy V  
 Lehwald, Nancy  
 Lever, Mark Alexander & Eisner, Rivka  
 Moore, Lana Fay  
 Ransome, Jack  
 Schumacher, Andrea & Long, David  
 Schwitters, Karen & Roy F  
 Shunk, Edward  
 Stefaniak, David & Carolyn  
 Turner, Jacob

#### **San Juan**

Beachem, Lee  
 Blackmon, Will  
 Burch, Angela  
 Cator, Scott & Sehgal, Melissa  
 Chaffee, Frank  
 Charlesbois, Diane  
 Community Treasures  
 Design Solutions  
 Duck Soup Inn  
 Edmondson, Linda  
 Friday Harbor Skin Care & Facial Aesthetics

Grace, Patricia Ann  
 Hamilton, Hayden  
 Hansen, Michael J & Jan K  
 Henderson, Nicholas  
 Huenefeld, Joan  
 JMG Constructors LLC  
 Judd, David S  
 Keane, Tina  
 Klein, Kevin & Telford, Victoria  
 Lawson II, Jimmie  
 Lembcke, Susan  
 Mathis, Shelley  
 Maynard, Debra & Michael  
 Mc Gregor, Theodora  
 Murphy, Melinda  
 Nippolt, Candace C & John C  
 Noreau, Pete & Nancy  
 Rice, Mark D & Perkins, Sara K  
 Rice, Richard  
 Risenhoover, Kevin  
 Seipp, Edwin A & Barbara G  
 Semprebon, Collin C  
 Shearer, Keith  
 Sigafoos, Maria  
 Smith, Tony  
 Tanis, Anthony J  
 Teixeira, Joshua M  
 Telegraph LLC  
 Wainwright, Daniel  
 Webb, Nancy M  
 Wilcox, Ellen K & Lane, Peter  
 Zwiers, Terr

### **Capital Credits**

- **Motion** made by Myhr to approve payment of \$4,824.12 in capital credits to the estates of deceased members as listed below. Motion was seconded and carried by voice vote.

Ben Alvey.....	\$669.52
Michael James Butler.....	\$424.14
Michael Copas .....	\$700.46

### **RUS 219s**

- **Motion** made by Myhr and seconded to approve submission of RUS Form 219s that include projects completed in August from the Construction Work Plan totaling \$1,180,747.54. Motion was seconded and carried by voice vote.

### **Island Network Business Plan**

The Board of Directors held an all-day work session Wednesday, October 15 to discuss and develop a business plan for OPALCO'S broadband.

Hildreth gave a brief history of broadband in San Juan County, beginning in 2000 when OPALCO installed its first fiber optic cables and later opened it up to schools, government offices and libraries. He then presented an executive summary PowerPoint of the Island Network Business Plan. Members applauded the presentation.

**Motion** by Thomerson to

1. Approve the Grid Control and Broadband Directives listed below:

As outlined in the business plan, OPALCO will continue to accelerate expansion of its local member-owned robust, reliable high-speed data infrastructure to provide internet, phone and emergency communications services to its members. Deployment will be supported and funded by OPALCO assets, including equity, debt and rates.

- A. OPALCO is to isolate its communication infrastructure for the electric system and build it to RUS standards;
- B. OPALCO's grid control infrastructure is to be built with member expansion capability;
- C. OPALCO is to bear all costs of grid control infrastructure, including the 700 MHz spectrum. The Board has explicitly elected not to allocate such costs to member internet;

- D. The main areas for deployment include, but are not limited to, fiber optic backhaul support for ISPs, wireless infrastructure and direct fiber optic connection;
  - E. OPALCO will establish a wholly owned subsidiary and provide capital and operational funding, as necessary, to deliver wholesale and retail internet services to the membership;
  - F. Service arrangements are to be non-exclusive, with OPALCO retaining ownership of the communication infrastructure.
2. Approve funding of a second OPALCO Communications Technician position; and
  3. Approve the lending of Board Designated Restricted Funds (~\$1.5M) to Island Network (or the to-be-created wholly owned subsidiary) for startup of operations.

Motion was seconded and carried by voice vote. Members applauded the vote.

### **Construction Work Plan Amendment – Submarine Cable from Lopez to San Juan Island**

Staff reviewed the reasoning for increasing the capital project RUS Construction Work Plan (CWP) budget related to the submarine cable to be installed from Lopez to San Juan Island. Increased costs of replacing the submarine cable between Lopez and San Juan are due to unforeseen and changing Regulatory, Environmental and Archaeological requirements. 1) The original estimate assumed that the existing cable could be purged of oil and abandoned in place. Regulatory agencies have concluded that a sufficient amount of oil from this cable could not be removed to guaranty that oil would not be leaked out into the environment. 2) It was originally thought that OPALCO would dig over the top of the existing cable and lay the new cable in the same manner. Due to environmental issues and archaeological deposits in the area, regulatory agencies are requesting that OPALCO bore an 800 foot, 14-inch path under the sensitive areas. 3) San Juan County code changes now require that OPALCO engineer based on the 2012 IBC (International Building Code) seismic design criteria for this region. 4) Original project's submarine cable costs have increased fourfold and an additional 1000 feet of cable is needed.

Guerry displayed a piece of the submarine cable, showing how the existing cable has lost some of its protective armor and has risk of failure. Joel Mietzner, System Engineer, was able to view the cable in place in November 2013 when the CenturyLink cable was being spliced in a nearby location. The oil-filled cable, laid in 1977, will be replaced with a dielectric submarine cable that is expected to last 30-40 years. Staff noted that construction and installation bids are expected to be returned on November 1<sup>st</sup> and further budget clarity will be provided at that time.

- **Motion** made by Hall to approve an additional \$9M to the 2013-16 Construction Work Plan. Motion was seconded and carried by voice vote.

### **Annual Meeting 2015**

By consensus the Board established:

- The date for the 2015 annual meeting at May 2, 2015;
- The absentee ballot deadline at 10:00 a.m. (Pacific Time) May 1.
- Tally chair will be Doug Pearson
- Parliamentarian will be Ater Wynne.

The Board noted that time be allowed on the agenda for member comments and an open question/answer period. Written comments will be accepted and either read aloud or given a later response.

### **Federated Insurance General Liability Increase**

During the annual review of OPALCO's Federated insurance policy, it was determined that an additional \$5 million should be added to the umbrella insurance coverage. Fire is the biggest threat.

- **Motion** made by Myhr to increase the umbrella coverage from \$25M to \$30M, an increase of \$5M. The motion was seconded and carried by voice vote.

### **Rate Design**

Discussion continued with the fifth step in the process of designing new rate structures introduced; which included recommended rate structures for residential, residential TOU, small commercial, large commercial and pumps. The driving goal is to produce rate structures which fairly allocate the expenses of OPALCO in relation to a member's use of the grid system and impact on the cooperative's operations. Staff is striving to reduce revenue volatility so OPALCO will be better positioned to meet its financial and service level commitments to our membership. Staff recommended rate structures with the following notable changes:



1. Align the fixed expense components of operating OPALCO to be included in the facility charge (base rate)
2. Introduce a "demand" billing component over time to coincide with power purchases from BPA;
3. Transition the residential rate structure to differentiate summer versus winter usage;
4. Reinstate a time-of-use (TOU) rate;
5. Separate small (less than 20kW) versus large (more than 20kW) commercial services;
6. Introduce a new block rate for high usage commercial services (more than 150,000 kWh)
7. Pump rate is to be more aligned with the cost of service.

After discussion of each rate category, it was suggested that the TOU rate begin at 10:00 pm rather than 6:00 pm; this time change would be phased in over time (i.e., year one would be 8 pm, year 2, 9 pm). The Board requested staff to work develop alternatives to meeting revenue requirements for reduction in energy sales, including a rate adjustment mechanism on member bills to reduce revenue volatility.

### **Policy 29 Rate Design**

Modifications were made to the policy regarding revenue requirements to allow for monthly adjustments to member bills to cover revenue short falls; the facility charge would be based on a fixed cost methodology whereby the facility charge collects the costs associated with the fixed expenses to operate OPALCO. The final draft will be presented at the November Board meeting.

### **Annual Review Timeline**

Hildreth presented a suggested timeline of items to be reviewed annually by the Board.

### **Resource Evaluation Timeline**

Hildreth presented a timeline of the resource evaluation process as directed in the Strategic Directives. The goal is to provide "safe, reliable, cost effective and environmentally sensitive" power to our members. Staff will meet in November to begin the process.

### **Reports**

Submitted reports were reviewed. Jay Kimball reported that the Georgetown Energy application was progressing.

Guerry reported that a Friday Harbor-based staking technician had been hired and will begin work October 27.

### **Adjournment**

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

  
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Jim Lett, President  
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Jerry Whitfield, Secretary-Treasurer