



**BOARD OF DIRECTORS
REGULAR BOARD MEETING**
Thursday, March 19, 2015 9:00 a.m.
OPALCO Conference Room
183 Mt Baker Road

TRAVEL



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

From:

Leave Eastsound 2:00 pm

Arrive Lopez 2:15 pm

Arrive FH 2:30 pm



Via Ferry:

From:

Leave Orcas 2:55 pm

Arrive Shaw 3:10 pm

Arrive Lopez 3:30 pm

Leave Orcas 4:15 pm

Arrive FH 4:55 pm

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
183 Mt Baker Road, Eastsound
376-3500
March 19, 2015 9:00 a.m.**

PAGES

WELCOME GUESTS/MEMBERS

PNGC Power: Dan James, Vice President, Public Affairs & Marketing; John Prescott, President/CEO; Dave Sabala, BoD and GM Douglas Electric Cooperative, Roseburg, Oregon

New staff introductions: Theresa Haynie, Communication Specialist; Megan Heinz, Software Specialist; Jeff Tilstra, Communication Technician

ACTION ITEMS

- 4-7** ○ Approval of February 19 Minutes
- 8** ○ Admission of New Members
- 9** ○ Capital Credits
- 10-17** ○ MS Policy 3 *Technical Provisions*
- 18-20** ○ PowerVision Loan
- 21-22** ○ Bylaw Revisions re Annual Meeting
-

DISCUSSION ITEMS

- 24** ○ PNGC Power Presentation
- 25** ○ Resource Evaluation Timeline
- 26** ○ Policy 29 Cost Recovery Charge
- 27** ○ 2014 Year-End Financials; 2014 Form 7
-

REPORTS

- 29** ○ Cash Recap
- 30** ○ Total Fund Balances Chart
- 31** ○ Outages
- 32** ○ Safety
- 33-34** ○ General Manager
- 35-37** ○ Rock Island Communications Update

INFORMATION ITEMS

- 39** ○ New Services
- 40** ○ Historical MORE Revenue
- 41-42** ○ BPA Consumption Summary
- 43** ○ NISC Capital Credits Allocation

ADJOURNMENT

Executive Session: Personnel and legal issues

ACTION ITEMS

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, February 19, 2015

President Jim Lett called the meeting to order at 8:25 a.m. at the Lopez Fire Hall.

Present: Directors Winnie Adams and Jerry Whitfield

Via Telephone: Chris Thomerson and Vince Dauciunas

Absent: Glenna Hall and Bob Myhr

Staff Present: General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Member Services and Energy Savings Amy Saxe, Manager of Island Network Gerry Lawlor and Executive Assistant Bev Madan (serving as recording secretary). Jay Kimball, consultant

Member/Guests

Dwight Lewis (Lopez Island) and Steve Ludwig (Lopez Island); and—arriving later in the meeting--Ann Allbriton were each given the opportunity to address the Board. Lewis questioned the amount OPALCO pays for the directors' medical insurance; President Lett stated he would discuss it privately with Lewis. Lewis then questioned the increase in operating expenses and how much was saved for the submarine cable.

Ludwig asked that the date of activation for the LTE antennae on Vista Road be noted. He also questioned the meaning of "for profit entity" that was discussed at the January board meeting.

Allbriton stated she was there to listen and represented the Whiskey Hill Homeowners Association as well as the Friendly Isle Building.

January Meeting Minutes

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

New Members

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

Blakely

Whitman, Michele

Lopez

Carey's Pine Bluff LLC
Case, Scott & Margot
Drougas, Inara D
Edenwild Events LLC
King, Chris & Katie
Lighthall, Gary
Nichols, Constance A
Presley, Rebecca J
Prewitt, Lori
Wheatley, William

Orcas

Capital Income and Growth Fund LLC
Coronis, Sean
Dickey, Loren & Vollmer, Jennifer A
Edes, Jeffrey L
Heinz, Megan & George
Holbert, Christopher
Horton, Richard
Humes, Lawrence E
King, Robert
Linnes, Jacob & Hawes, Krista
Monroe, Martha A
Rishog, Hiba
Sanchez, Demetri
Summers, Caleb
Thompson, David & Aspinwall, Sharon
Shaefer, Derrick

San Juan

Baker, Leslie
Beast Custom Cycles, LLC
Birkeland, Chris
Bison, Lance
Bussey McHenry, Katherine
Christensen, George & Beardsley, Morgan
Czaja, Elayne M
Duffy, Douglas E
Eccles, Matthew
Encinas, Bryan & Tess
Friedman, Jeff
Harbor Homes LLC
Harrison, Margaret Jeanne
Haslet-Philips, Jennifer & Hamilton, John
Holman, Andrew & Carol
Holthuis, Bernadette V
Jones, Michael & Gimenez, Maria E
Lanham, David & Diana
Luttrell, Shawn
Miller, Lee Ann
Pampered Pets
Parker, Amanda L
Petritsch, Brandon
Philbrooks Boatyard USA Inc
Pickard Family LLC
Reff, Alan
RH Skyways #37
Rich, Nathaniel & Lisa
Riter, Christina A
Rudd, Jayme
Scammell, Cy
Stewart, Dean

Capital Credits

- **Motion** made by Whitfield and seconded to approve payment of \$6,638.79 in capital credits to the estates of deceased members listed below. Motion carried by voice vote.
Nancy Lea Callaghan..... \$1,310.51
John Alex Carey \$609.61
Elizabeth S. Hoisington \$1,793.95
William Edward Humes \$1,356.34
Alvin G. Wilding \$1,568.38

RUS 219s

This was an added agenda item.

- **Motion** made by Thomerson to approve the submittal of RUS 219s totaling \$756,186.73 for projects completed from the Construction Work Plan. Motion was seconded and carried by voice vote.

Member-Initiated Bylaw Revisions

Three separate petitions were submitted in April 2014 to revise the bylaws. Each had the sufficient number of member signatures (50 minimum) but were submitted after the deadline for the 2014 annual meeting.

Current Bylaws state: *Article XIV – Amendments – Section 2 Member Initiated Amendment*
Voting members may propose changes to the bylaws as follows:

- a) *Bylaw Amendments Proposed by Members: Any group of fifty (50) or more voting members may propose, in writing, a resolution to make, alter, amend or repeal a bylaw or to adopt new bylaws. Any such proposed resolution must be submitted to the Board of Directors no less than ninety (90) days prior to the date of the next annual meeting of the members, as described in Article II, Section 1 of the Bylaws;*
- b) *Review by Directors. After review by the directors, the proposed amendment to the bylaws shall be placed upon the agenda of the annual meeting of the energy members, and notice of the proposed amendment shall be provided to the energy members in accordance with the notice provisions contained in Article II, Section 3 of the Bylaws;*
- c) *Voting on Proposed Amendment. Any proposed amendment shall be voted upon at the annual meeting of the energy members. Voting shall be in accordance with Article II, Section 5 and 6 of the Bylaws. Any proposed amendment receiving a simple majority of votes from the energy members shall be approved.”*

The attorneys reviewed the proposed amendments for consistency with OPALCO’s Articles of Incorporation and submitted their legal opinion on each amendment:

The first petitioned amendment is to Article IV – Meetings of Directors Section 3 Notice and reads:

“Meetings of the Board of Directors shall be held in accordance with the Washington State Open Public Meetings Act (RCW 42.30)”

The attorneys’ legal opinion states that the Open Public Meetings Act would conflict with the fiduciary duty of a Director and as such conflicts with state law. Additionally, by its terms, the Open Public Meetings Act applies only to public agencies, as stated in RCW 42.30, and not private corporations such as OPALCO. The attorneys’ recommendation is not to include this amendment on the ballot to the members.

- **Motion** made by Whitfield to follow the attorneys’ legal advice and omit this petitioned amendment from the annual meeting ballot. Motion was seconded and carried by voice vote.

The second petitioned amendment is also to Article IV – Meetings of Directors Section 3 and reads:

“Any Board-initiated amendment to these Bylaws which would diminish, supersede or remove the existing powers reserved to the Energy Members shall require approval by vote of the Energy Members before it takes effect”.

The attorneys’ legal opinion states that this amendment would have the effect of limiting the Board of Directors’ ability to change or amend the bylaws, as provided for in its Articles and is not a proper amendment and conflicts with the Articles and state law.

- **Motion** made by Whitfield to follow the attorneys’ legal advice and omit this petitioned amendment from the annual meeting ballot. Motion was seconded and carried by voice vote.

The third petitioned amendment is also to Article IV – Meetings of Directors Section 3 and reads:

“In addition, the cooperative shall maintain an email list to notify any Energy Members who sign up to be notified when any board meetings are called or scheduled and whether they are open to the Energy Members. Any amendments to these Bylaws shall be emailed to the same email list”.

The attorneys found no legal objection to this petitioned amendment and stated that it may be properly submitted to the membership at the OPALCO annual meeting.

- **Motion** made by Dauciunas to include this petitioned amendment on the annual meeting ballot. The motion was seconded and carried by voice vote.

Member Services Policy 3 Technical Provisions Draft Revision

The draft revisions to Section 3.5.9 are presented for discussion; final vote will occur at the March meeting. This revision was added because marijuana grow operations are in conflict with federal and state laws. Our power is from a federal agency; grow operations are legal in our state but illegal on a federal level. This revision allows OPALCO to terminate service to grow operations if requested to do so by BPA.

During discussion, it was suggested that this writing is too specific in nature. In the event there are other federal and state laws that may be in conflict, this revision should be more generic in nature. The revision will be rewritten and presented for approval at the March meeting.

Reports

The **Cash Recap** shows a projected ending balance of \$447,186 as of February 28, 2015.

The **Outage** chart was reviewed and showed an increase in weather-related outages (mostly due to wind).

The **Safety** report indicated no accidents, incidents or near misses for January. There was an incident in December reported involving a digger truck. Lett and Hildreth noted that WRECA embraces the RESAP program that OPALCO will participate in. There will be a modicum of expense and a commitment from the Board and staff but will be well worth it.

Hildreth reviewed the **General Manager's** report.

Revenue True-Up Mechanism: The plan is to develop a revenue “true-up” mechanism per Policy 29 *Rate Design*. This will be a rolling 12-month cycle to counterbalance revenue shortfalls.

Dashboard: staff is in development of a dashboard that will allow staff to present indicators to the board and the membership metrics which will allow them to have a sense of the wellbeing of the Cooperative. Included will be revenue, power cost, purchased and sold energy, system demand, outage statistics, safety metrics, margins, TIER and expense by category.

Member Services and Energy Savings: Saxe reviewed the Energy Savings and Member Services portion of the report. Member Services is now using a contact tracking tool to determine the volume of member interest in certain topics that will tie into the web design. Thomerson noted that he regularly gets compliments regarding the Member Service staff.

Saxe noted that they have surpassed the 2 million mark on kWh saved.

The PAL Committee welcomed information about the new rate design and appreciated the added funding for the 2014-15 heating season (\$20,000) and the 2015-16 season (\$25,000). Staff will be coordinating with the Family Resource Centers, the Opportunity Council and the Conservation District to combine funding and plan outreach events designed to reach low income members to increase awareness and participation in available programs while delivering energy education.

The Solar for Schools project is progressing and has raised half of the funding needed beyond the \$60,000 provided by BPA. Installation will be in stages. Whitfield noted that he and Hall attended director training and learned that voluntary donation of capital credits could be used as a potential funding mechanism. Hildreth noted that a policy change would be needed but staff is reviewing the process and will report to the board at the March meeting.

Accident Investigation: a settlement was reached regarding the Lopez accident and are proceeding with the abatement as prescribed. The San Juan L&I investigation is complete; no citations are anticipated.

Submarine Cables: The ROV survey of the existing cable confirmed that the CenturyLink cable is over our cable. Hildreth noted that staff is working through the process.

WRECA Olympia visit: Both Hildreth and Lett reported they appreciated the value of visiting with the legislators February 9-11. Lett noted that WRECA’s work in Olympia is essential to our cooperative’s wellbeing.

Federated Insurance/Terrorism Coverage: Lett noted that OPALCO has terrorism coverage through Federated covering damage to property and equipment (with limits); however, business interruption is not covered. Our representative, Monty Reher, will visit OPALCO in April and will discuss a solution to cover business interruption; it will undoubtedly be expensive.

OPALCO website overhaul was demonstrated in real time by Olson. The new addition of a documents library should make it easier to find items.

Island Network Update

Lawlor reviewed activities of the past month. The business has been formed as an LLC, named Island Network LLC with Hildreth holding the title of General Manager. Bank accounts were established at Islanders Bank. The move to their new office location in Eastsound is complete.

Lett read an article from ACRE magazine called *Rural America Needs Robust Broadband Service*.

Rock Island Communications

Hildreth proudly announced that the wholly owned subsidiary Island Network LLC this week purchased Rock Island Technologies Solutions from Mike Greene. Island Network, LLC is the legal entity (wholly owned subsidiary) that will do business as Rock Island Communications. Funding came from the start-up costs and working capital in the form of a loan that will be repaid. The impact to the membership is approximately \$3 per member per month for a period of 24 months and has been built into our capital budget.

Adjournment

The meeting adjourned to an Executive Session at 10:45 p.m.

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Jim Lett, President	Jerry Whitfield, Secretary-Treasurer

New Members February 2015

Lopez

1. Adams, Dale & Arlene
2. Hudson, Archie
3. Kauffman, Joan & C. Michel Cavallero
4. Miller, Carsen

Orcas

5. Acosta, Kristopher
6. Billy's Goat, Inc
7. Boero, Mike
8. Cordova, Alejandro
9. Cunard, Geoff
10. Fox, Dustin
11. Goetz, Theresa & Knapp, Steven
12. Hohman, Laura Ann & Stephen
13. Koch Family Trust of 1982
14. Leddick, Marie
15. Marok, Kanwaljit
16. Peterson, Philip & Janet
17. Rodriguez, Manuel De Jesus
18. Seehof, James & Lisa R
19. Sleeper, Amy
20. Surbaugh, Madden

San Juan

21. Allen, Robert R & Bernadette
22. Clover, Helen Mae
23. Edwards, Brett & Megan
24. Gunderson, William B & Penney, Katryn
25. Kitaeff, Pema
26. Munoz, Jena C & Tyler W
27. Pyramid Financial
28. Smith III, Edward F
29. Smith, Graham & McNeill, Dr. Karen A
30. Staton, Daniel
31. Unger, Kelley J
32. Varns, Daniel & McGehee, Emily
33. Ware, Dwight Jr
34. Woltisberg Rios, Carmen
35. Yo Friday Harbor (SJ Florist)

CAPITAL CREDITS

Approval of payment of capital credits to the estates of the following deceased members is requested:

Ann Busey	\$525.65
Agnes B. Forbes	\$919.59
David A. Fox.....	\$1,483.68
Frank C. Russell, Jr.....	\$1,259.01
Edward F. Smith, Jr.....	\$4,499.19
JD White.....	\$652.92
Total	\$9,340.04

MEMORANDUM

March 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Member Service Policy 3 *Technical Provisions* Revision

Section 3.5.9 *Termination of Service* was added in the event that BPA makes a determination regarding the use of federal resources to energize operations that may be in conflict with state and federal laws.

The February draft was modified to make it more generic, as suggested by the board.

Staff requests a motion to approve the revisions to MS Policy 3.

ORCAS POWER AND LIGHT COOPERATIVE
MEMBER SERVICE POLICY 3
TECHNICAL PROVISIONS

3.1 DETERMINATION OF USE AND METERING

The quantity of electrical energy and electrical demand shall be determined by the registration of the electric meters authorized and maintained by OPALCO.

- 3.1.1 Where the load is such that the amount of electrical energy consumed is fixed, OPALCO may elect not to meter the service and to bill the member for a fixed number of kilowatt hours. The amount charged shall be computed under the appropriate schedule including base charges.
- 3.1.2 Where service is rendered under conditions making metering impractical, OPALCO may estimate the amount of energy consumed based on the member's load.
- 3.1.3 OPALCO is required to maintain its meters within plus or minus two (2) percent accuracy. OPALCO maintains an ongoing meter calibration program. OPALCO will test a member's meter upon written request at no charge if the most recent calibration is more than ten years old. If a member requests a meter accuracy check less than ten years from the previous test, he must pay the charges as stated in Schedule of Deposits and Charges in the OPALCO Tariff book. In either case, should the meter, upon testing by OPALCO prove inaccurate, the charges will be refunded and billing adjusted per Member Service Policy 7.9. (The member will be furnished a test report stating the accuracy of the tested meter.) The member may request that the meter be sent to an independent third party for calibration. The member will be responsible for all costs associated with independent calibration of his meter. Should the meter prove inaccurate upon testing, the testing charges will be refunded and billing adjusted per Member Service Policy 7.9.
- 3.1.4 OPALCO requires commercial meterbases with manual bypass and electric meters with demand registers for all non-residential and all three phase accounts. OPALCO requires electric meters with demand registers for all accounts where the 15-minute demand at any time during the year is anticipated to exceed 15 kW. OPALCO will require demand meters on other services if required by the applicable rate schedule. OPALCO may install demand meters on any account for data collection purposes. Where demand meters are installed for data collection, the member will continue to be billed under the existing rate schedule unless the data gathered shows that a different rate schedule is required.
- 3.1.5 Commercial facilities containing electronic equipment, or where the fifteen minute demand at any time during the year does not exceed 15 KW, and having no other loads other than for heating and air conditioning, are required to have commercial meterbases with manual bypass, but are not required to have demand meters.

3.2 PROTECTIVE EQUIPMENT

It is the member's sole responsibility to provide suitable protective equipment for the devices and appliances in their premises. If three phase equipment is used, it is the member's responsibility to protect such equipment against single phase operation, reverse phasing, and under-and-over voltage conditions. OPALCO will monitor and troubleshoot member related problems from the member's serving substation to the

secondary lugs of the member's meterbase. All other investigation into electrical problems beyond the secondary lugs of the member's meterbase shall be at the member's expense.

3.2.1 Non-Standard Tolerances

OPALCO regulates power characteristics to the point of member interconnection, which is generally the serving transformer. Where the member requires a degree of protection or regulation of the characteristics of the electrical service greater than that normally furnished by OPALCO, the member shall be responsible for obtaining, installing and maintaining the required regulating equipment.

3.2.2 Protection

The member is responsible for protection of the member's own equipment due to loss of power, voltage surges and sags, or loss of phase/phases of a three phase line. Certain protective devices normally considered necessary are recommended below:

3.2.2.1 Line Starting Protection

Any motor which, in starting, might be damaged by the full line voltage requires some type of protective device to disconnect it from the line during interruptions in service, thus protecting the motor when service is restored. OPALCO further recommends that such a device be equipped with a time delay mechanism so that the motor will not be disconnected by momentary fluctuations in voltage.

3.2.2.2 Overload Protection

Since the intense heat caused by overload might seriously damage the motor, the member should install a device that will disconnect the motor if overload occurs. Fuses, thermal relays or circuit breakers, which are specifically designed to operate when excessive current occurs, are the devices used for this purpose. Where the member receives three phase service, OPALCO recommends that such protective devices be connected to all phases.

3.2.2.3 Protection from Loss of Phase/Phases

Where the member receives three phase service, phase protecting relays should be installed which will disconnect the motor from the lines in the event that one phase of the line becomes open.

3.2.2.4 Reverse Phasing Protection

For three phase installations of electric cranes, hoists, elevators, pumps and similar equipment which may be damaged by reverse phasing, the member should install relays that will disconnect the motor from the line in the event of accidental phase reversal.

3.2.2.5 Surge Suppressors

The member should install surge suppression devices to protect sensitive electronic equipment such as computers, and other home electronic appliances from transient voltage spikes caused by lightning, system failures, normal utility load switching, etc.

3.3 ADDITIONAL LOAD

OPALCO will attempt to meet the additional load requirements of our members. OPALCO will work with the responsible party to accurately size the transformer to meet the needs of the responsible party's prospective load and to incorporate said load onto OPALCO's power distribution network.

3.3.1 Notice

Responsible parties shall give 60 days' written notice to the OPALCO Engineering Department of any proposed increase in required service capacity and/or meterbase upgrade. Increased service capacity, additional facilities or feeders added to an existing meterbase, or meterbase upgrades, are to be treated as a new service request and require an application. OPALCO's Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

3.3.1.1 Addition to Single Phase Loads

Responsible party shall give at least sixty (60) days' written notice to OPALCO's Engineering Department of any additional load requirements on single-phase transformers or additional facilities added to an existing meterbase. Specialized equipment such as transformers may have lengthy delivery schedules, and the Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

3.3.1.2 Addition to Three Phase Loads

Responsible party shall give at least sixty (60) days' written notice to OPALCO's Engineering Department of any additional load requirements, or of the addition of facilities or service runs to an existing meterbase, on any three-phase transformer or bank of transformers forming a three-phase system. Specialized equipment such as three phase transformers may have lengthy delivery schedules, and the Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

3.3.1.3 Conversion from Single Phase to Three Phase

Three phase service is made available only in specific portions of OPALCO's service area. Responsible parties planning to convert from single phase to three phase should check with OPALCO to determine the availability and cost of providing three phase service. All costs associated with conversion from single phase to three phase shall be paid for by the requesting responsible party. OPALCO's power distribution network has

no single phase protection of three phase lines. It is the responsible party's responsibility to protect their three phase equipment from single phase or reverse direction conditions.

3.3.2 OPALCO/Responsible Party Obligations

- 3.3.2.1 If the load of an *existing* facility increases, requiring a change in transformer size or meter class and the responsible party has been paying for power at this facility for more than five (5) years, OPALCO shall change out the transformer and/or meter at OPALCO's expense as long as the responsible party has not added additional facilities on to the power distribution network.
- 3.3.2.2 If the load of an *existing* facility increases, requiring a change in transformer size or meter class and the responsible party has been paying for power at this facility for less than five (5) years, the responsible party shall change out the transformer and/or meter at their expense, as outlined in Member Service Policy 5.2
- 3.3.2.3 If the load of a transformer or meter increases due to the addition of new facilities being served by the transformer, the responsible party of the added facilities shall pay all costs to change out the transformer and/or meter as outlined in Member Service Policy 5.2.

3.4 UNDESIRABLE SERVICE CHARACTERISTICS

Undesirable service characteristics are defined as service(s) connected to OPALCO's distribution network which affect the power quality, reliability, and cost to distribute power on the power distribution network. To limit the effects of undesirable service characteristics to the membership, OPALCO may require the following for continued service:

3.4.1 Reduced Voltage Starting

Individual single phase or three phase motor units rated seven and a half (7.5) horsepower or more shall be controlled by soft start or reduced voltage starters.

3.4.2 Three Phase Required

Individual motor units rated at seven and a half (7.5) horsepower shall be three phased when three phase service is available, unless otherwise approved in writing by OPALCO's engineering department prior to installation. Phase adders such as rotary phase converters and static phase converters up to seven and a half (7.5) horsepower and lower can be used on single phase lines as long as they are protected by a responsible party supplied voltage stabilizer, current harmonics are being filtered, and service supplying power to the motor is a commercial account (see Member Service Policy 3.4.3).

3.4.3 Highly Fluctuating Loads

OPALCO may disconnect service to a member who adds any load that causes a large fluctuation in voltage or a significant disruption to the electric system, or otherwise disturbs the service provided to other members.

3.4.4. Failed Secondary

When a member's secondary service fails and results in outages to OPALCO's primary system, OPALCO may require the member to install a circuit breaker in compliance with Member Service Policy 6.2.2.1.

3.4.5 Harmonics

Responsible parties installing equipment which can be expected, or are found, to generate harmonics will be required to install appropriate filters to remove the harmonics at the responsible party's expense. OPALCO may require that a responsible party increase the size of the neutral conductor to accommodate for increased neutral conductor load as a condition of continuing to provide power to the facility(ies) from which the harmonics are emanating.

3.4.6 Additional Protection Devices

Responsible party installing electrical service(s) or electrical equipment which OPALCO, at its sole discretion, determines could potentially cause additional risk to the distribution network will be required to pay for additional protection device(s) on the primary side of the serving transformer.

3.5 IMMEDIATE DISCONNECTION

OPALCO will immediately disconnect service to a member without advance notice under the following conditions:

3.5.1 Immediate Hazard

Service will be disconnected if an immediate hazard exists which threatens the health or safety of the responsible party, the general population, or OPALCO's personnel or facilities.

3.5.2 Meter Tampering

Service will be disconnected if OPALCO determines, at its sole discretion, that there is evidence of meter tampering, power theft, or fraud by the responsible party.

3.5.3 Curtailment

Service will be disconnected if the responsible party has failed to comply with the curtailment procedures imposed by OPALCO during an emergency.

3.5.4 Undesirable Service Characteristics

Service(s) which cause undesirable service characteristics on OPALCO's power distribution network will be immediately disconnected until the responsible party has corrected the condition to OPALCO's satisfaction. OPALCO has sole authority in determining the effect of a connected service on OPALCO's distribution network, and whether or not a connected service is causing, or is likely to cause, undesirable service characteristics, and OPALCO shall not be liable for disconnecting said service for the purpose of protecting the power distribution network.

3.5.5 Failure to Provide OPALCO with Easement on Property

All facilities and equipment owned and maintained by OPALCO on private property require an easement (see Member Service Policy Introduction – Easements).

Orcas Power and Light Cooperative's Membership Application Agreement includes the requirement for a member property owner to grant to the Cooperative, its subsidiaries, and assigns, and its licensees reasonable requests for easement(s) to achieve the Cooperative's purposes and to consent to the recording on title of all such easements. Failure to fulfill this obligation may result in the denial or revocation of membership.

In the event that the responsible party will not provide OPALCO with an adequate easement for new or existing communications and/or electrical distribution, and/or transmission facilities, equipment or other appurtenances on the responsible party's property, OPALCO may, at its sole discretion, disconnect the responsible party's service and relocate OPALCO owned facilities back to a point of legal private easement or public right-of-way.

In such cases, all reconnections to OPALCO facilities will be treated as new service requests. The responsible party refusing legal easement is responsible for all costs associated with installation of their meterbase and the reconnection of secondary conductors, regardless of date of service or installation. OPALCO shall give the responsible party a thirty (30) day notice in advance of relocation of OPALCO facilities. It is the responsible party's responsibility to: apply to OPALCO for a new service; obtain any electrical permits required; secure all secondary easements required to connect to OPALCO facilities; and arrange and pay for trenching and installation of secondary conductors.

3.5.6 Failure to Provide Adequate Clearances for and around OPALCO Facilities.

It is the responsible party's responsibility to maintain adequate clearances and not hinder access in any manner around all OPALCO facilities on their property. Failure to maintain facilities in a manner requested by OPALCO may result in removal of facilities from service. Responsible party shall be responsible for the full disposal and replacement cost of any equipment found to have failed due to inadequate clearances.

3.5.7 Failure to Meet Contractual Obligations Agreed to as a Requirement of Membership.

OPALCO is a member owned, non-profit cooperative governed by a board of directors that is elected by the membership. In an effort to treat all members equally, the board has elected to require a defined, consistent level of cooperation by individuals and parties as a condition of membership. Failure to meet the spirit or intent, or otherwise not comply with, the provisions of OPALCO's articles of incorporation, bylaws, member service policies or membership application will result in loss of membership. Responsible parties who do not comply with all provisions in OPALCO's articles of incorporation, bylaws, member service policies, or membership application will be notified of violation or required action in writing. Responsible parties shall be given one hundred twenty (120) days to comply with membership obligations. After the one hundred twenty (120) day notice time period has expired, OPALCO shall deem failure to comply with the provisions of the articles of incorporation, bylaws, member service policies, or obligations agreed to on the membership application as a surrender and forfeiture of membership. OPALCO shall be allowed to remove any and all facilities and equipment, including meter(s), connected in person(s) name. OPALCO shall provide the responsible party(ies) with written notice of the surrender and forfeiture of membership. Any

such notice of surrender and forfeiture of membership may be appealed to the board of directors by delivering a written request for reconsideration to OPALCO's manager within sixty (60) days of the date of the notice of surrender and forfeiture. The board's decision shall be final and conclusive and not subject to further appeal or review.

3.5.8 Unauthorized Attachments

Written permission is required prior to the attachment of any equipment or material to any OPALCO property including poles, guys, transformers, or other equipment or structures. Any unauthorized attachment is subject to removal at any time without notice. OPALCO assumes no liability for and will not be responsible for any unauthorized attachments. OPALCO shall not be held responsible for any consequences related to the removal of any unauthorized attachment.

3.5.9 Termination of Service

Given that OPALCO's power provider Bonneville Power Administration (BPA) is a Federal agency, OPALCO reserves the right to terminate service to any member in the event there is a conflict with federal and state laws and if requested to do so by BPA or other federal agency. (E.g. conflicting federal and state laws for Marijuana grow operations).

3.6 INSPECTION AND ACCESSIBILITY

The responsible party is responsible for installing, providing the required clearances around facilities, and maintaining the secondary wiring and equipment in accordance with current applicable electric and building codes and OPALCO facility installation specifications. Prior to OPALCO energizing any services, the State of Washington Electrical Inspector must approve the installation, and the secondary trenches must be backfilled. Landscaping around OPALCO's facilities must comply with Member Service Policy 6.1.5.

3.7 INTERCONNECTION WITH RESPONSIBLE PARTY OWNED GENERATION EQUIPMENT

3.7.1 Alternative Technology Generation

OPALCO will permit the interconnection and operation of alternative technology generation as specified in Member Service Policy 14.

3.7.2 Fossil Fuel Standby Generation

OPALCO will not permit the interconnection and operation of fossil fuel standby generation facilities, such as diesel, propane or gasoline driven standby generators on its system. Diesel, propane or gasoline driven standby generators shall be connected to the responsible party's load only through a state inspected double throw switch that will prevent parallel operation with OPALCO's system.

Foster Hildreth, General Manager

Effective Date: March 19, 2015

MEMORANDUM

March 13, 2015

TO: Board of Directors

FROM: Foster Hildreth

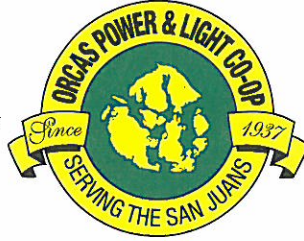
RE: PowerVision Loan

It's time to renew our "line of credit" loan with our cooperative financing group CFC. OPALCO uses CFC's "PowerVision" loan as a contingency funding "line of credit" in cases of emergencies or for unanticipated financial events. Additionally, as reported in the 2015 Budget, a portion of this loan will be used as start-up funding for our new subsidiary Rock Island Communications.

Staff requests a motion to approve Resolution 7-2015 *Authorizing CFC PowerVision Loan* to increase the current PowerVision loan from \$5m approved in 2011 to \$10m.

ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



Eastsound Office
183 Mount Baker Road
Eastsound, WA 98245-9413
p:(360) 376-3500 f:(360) 376-3505
www.opalco.com

BOARD OF DIRECTORS RESOLUTION 7-2015 AUTHORIZING CFC POWERVISION LOAN

CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, Jerry Whitfield, do hereby certify that (i) I am the Secretary of ORCAS POWER AND LIGHT COOPERATIVE (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on March 19, 2015; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the Board of Directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation ("CFC"), from time to time as determined by the persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed \$10,000,000.00 as set forth in the loan agreement with CFC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement");

RESOLVED, that the proceeds of this loan be used for the purpose set forth in the Loan Agreement;

RESOLVED, that the individuals listed below are hereby authorized to execute and deliver to CFC the following documents (including as many counterparts as may be required):

- a) the Loan Agreement;
- b) one or more secured promissory notes payable to the order of CFC, which in the aggregate shall not exceed the principal amount of \$10,000,000.00, substantially in the form of the note(s) presented to this meeting; and
- c) if required by CFC, as many counterparts as shall be deemed advisable of a mortgage and security agreement with CFC and the United States of America as mortgagee, for purposes of securing the loan provided for herein, in such form as the persons authorized herein may negotiate with CFC.



RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

Title or Office	Name
President	James Lett
Vice President	Bob Myhr
Secretary/Treasurer	Jerry Whitfield
General Manager	Foster Hildreth

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 19th day of March, 2015.

(SEAL)

Jerry Whitfield

MEMORANDUM

March 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Bylaws Article III *Directors* Section 3 *Nominations and Election of Directors*

The revisions made to the bylaws in December 2014 inadvertently made the time short between the Committee on Nominations announcement of candidates and nominations by member petition. Staff is recommending that we extend the duration between the two nomination processes by 10 days. Additionally, staff suggests that we revisit the entire nomination process in greater detail later this year.

For this year, staff followed the timeline outlined in the current bylaws, posting the candidates named by the Committee on Nominations March 3. The deadline for nominations by member petition was March 9, only 6 days after the Committee on Nominations deadline.

Suggested revisions would be to move the Committee on Nominations date ahead 15 days from the petition deadline:

- a) *"Nominations: It shall be the duty of the Board of Directors to appoint, not less than one hundred (100)-one hundred (100) 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)~~ seventy (70) 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.

Staff requests a motion to approve the amendment suggested which will apply to the 2016 nomination process.

DISCUSSION ITEMS

MEMORANDUM

March 13, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: PNGC Power

Pursuant to Strategic Directive #2 *Sustainable Power Supply Strategy*, wherein the second bullet states “investigate possible relationships with alternate suppliers of power”, representatives of PNGC will be present at the Board meeting to discuss OPALCO joining their group.

From the PNGC Power website: “PNGC Power is a Portland-based electric generation and transmission (G&T) cooperative owned by 14 Northwest electric distribution cooperative utilities with service territory in seven western states (Oregon, Washington, Idaho, Montana, Utah, Nevada and Wyoming).

PNGC Power provides power supply and other management services and is a top aggregator of geographically diverse loads in the region and was the first electric cooperative in the country to receive a power marketing license from the Federal Energy Regulatory Commission (FERC).

In December 2008, PNGC Power signed a new 20-year contract with BPA to begin in 2011. This contract secures long-term, cost-based power from the Federal Base System. It also sets the stage for PNGC to acquire additional resources to meet member cooperatives’ future energy needs in the most efficient manner and at the highest level of wholesale rate stability possible. The contract gives PNGC power members the opportunity to be directly involved in future resource decisions, build equity in generating assets, better manage power supply risk and keep future wholesale energy costs as low as possible.”

Please note that if OPALCO joins PNGC, our BPA supplied tier 1 load remains intact and will be pooled with the other PNGC member cooperatives.

MEMORANDUM

March 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Resource Evaluation Timeline

Staff is involved in the resource evaluation process as follows:

- Resource Evaluation Study (2014/2015)
- Develop suite of cost effective and environmentally sensitive resource and efficiency options applicable to OPALCO
- Develop strategy for future resource and efficiency acquisitions

Similar to the rate design process, resource evaluation will occur over the course of several months as indicated below.

Resource Evaluation Summary Timeline

- A. ✓ Complete Staff kick-off meeting: November
- B. Development of Load forecast scenarios: Ongoing
- C. Development of BPA Power Supply modeling: Ongoing
- D. Present Load-Resource Balance and scenarios to Board: Q2
- E. Research resource and efficiency options applicable to OPALCO: Q2
- F. Evaluate strategic alliances with other utilities: Q2
- G. Present options and considerations to OPALCO Board: Q3
- H. Develop benefit/cost analysis of identified resource and efficiency options: Q3
- I. Develop risk analysis: Q3
- J. Draft Report: Q3
- K. Present Evaluation results and strategic options for the future: Q3
- L. Present Analysis of strategic alliances: Q4
- M. Finalize Report: Q4

MEMORANDUM

Date: March 13, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Subject: Policy 29.2.2.2.8 *Cost Recovery Charge*

In the course of the rate design process, staff and the board discussed and implemented OPALCO Policy 29 *Energy Services Rate Design*, including section 2.2.2.8 *Cost Recovery Charge* (CRC), for stabilizing revenues due to weather and load uncertainty. As seen in the 2014 OPALCO financials, there is a need for such a mechanism. This mechanism is to recuperate lost revenues caused by fluctuation in energy consumption.

The CRC will:

- Follow Policy 29.2.2.2.9 requirements
- Be based on revenue budget to actual comparison
- Be proportioned based on facility charge collections per rate schedule
- Be calculated monthly
- Applied as a fixed charge (Policy 29.2.2.4)
- Be spread over 12 month period ease of impact

This charge is designed to use revenue differentials, whether shortfall or over-collections occur, and create a factor to be added as a fixed charge to each service's monthly bill. The CRC will be calculated by multiplying the Budget to Revenue Differential (Budget to Actual) by a facility charge proportional factor per rate schedule. This is then divided by the number of services and then divided by 12. The Facility Charge Proportional Factor will be calculated by dividing the total facility charge collected for the rate schedule in question by the total facility charges collected from all rate schedules.

We realize the above paragraph is overly confusing. Staff will be reviewing the conceptual mechanics of the CRC in more detail at the meeting.

MEMORANDUM

March 13, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: 2014 Year End Unaudited Financials

The 2014 year-end unaudited financial results are being sent as a separate file for review prior to the Board meeting. Included in the report package are the Statement of Operations (along with a Notable Drivers analysis), Balance Sheet, Statement of Cash Flow (GAAP), Capital Projects Budget, Island Network Financial Tracking Tool and the Draft 2014 RUS Financial and Operating Report Electrical Distribution Form 7.

OPALCO experienced a challenging financial year. As we have discussed throughout the year and in detail during the 2015 budgeting process, we ended the year with a \$1.4M revenue shortfall which was primarily driven by less kWh sales due to warmer than expected temperatures. To be clear to the membership, this current revenue shortfall should not be misconstrued as a Broadband issue.

Thanks to proactive leadership, we are implementing the revenue and rate tools that we collectively put in place at the end of last year to reduce revenue volatility. The importance of implementing mitigation measures is magnified by our need for RUS to approve our recently submitted submarine cable loan; that approval is dependent on our stated financial health.

The unaudited financial statements indicate a TIER of 1.13, which is below the minimum threshold for RUS loan covenants (a TIER of 1.25 is required). OPALCO is in the process of submitting a corrective action plan (CAP) to RUS, which will indicate the factors that led to the lower TIER, as well as the steps we have taken to ensure that all mortgage covenants are met in the future, including:

- 12% revenue increase for 2015, with rates adjusted beginning in the February billing period;
- Comprehensive rate restructuring to reduce revenue volatility: whereby future budget increases (to meet revenue requirements) are to be applied to the facility charge;
- Implementing a cost recovery charge component to our member billing (once calculation methodology is determined) to collect revenue shortfalls (or return revenue) on a monthly basis.

Although the revenue shortfall was approximately \$1.4M, operating expenses were also down by \$650k, even with a \$117k increase in the power purchased expense. The Detailed Breakout of Notable Drivers schedule contained within the packet will highlight the key variances in the budgeted amounts for 2014. Staff will be available to discuss the information in detail during the March 19th Board meeting.

I recognize and appreciate that the rate increase and restructuring has an impact on our membership. We are committed to working with members in need through Project PAL and our energy efficiency programs to help as much as we can as a Co-op. These measures are super critical to the sustainability of our Co-op going forward. We are shaping the long-term health of our Co-op and community and we must stay the course.

REPORTS

Orcas Power and Light Cooperative
Cash Recap
February 28, 2015

	Rate	Term	Due Date	Amount	Total Balance
GENERAL FUNDS:					
Cash on Hand				600	
Cash in Checking - Key Bank				(139,743)	
Cash in Checking/MMDA/Construction - Islanders Bank				3,140,949	
Cash in Checking/Savings/Payroll - Wells Fargo				731,362	
Cash In Island Network LLC - Islanders Bank *				262,008	
SUBTOTAL GENERAL FUNDS					3,995,177
CASH RESERVE FUND:					
					0
RESTRICTED FUND:					
CoBank - AIM				151,650	
Home Street Bank	0.3490%	547	4/29/15	105,326	
Washington Federal Savings	0.4000%	395	6/19/15	109,302	
Washington Federal Savings	0.4000%	395	12/29/15	108,213	
SUBTOTAL RESTRICTED FUNDS					474,490
GRAND TOTAL FUND ENDING BALANCE 1/31/15					<u>4,469,667</u>

Project PAL: Islanders Bank				<u>29,417</u>	
MORE Program: Islanders Bank				<u>174,652</u>	
RUS Cushion of Credit **	5.000%			<u>447,186</u>	

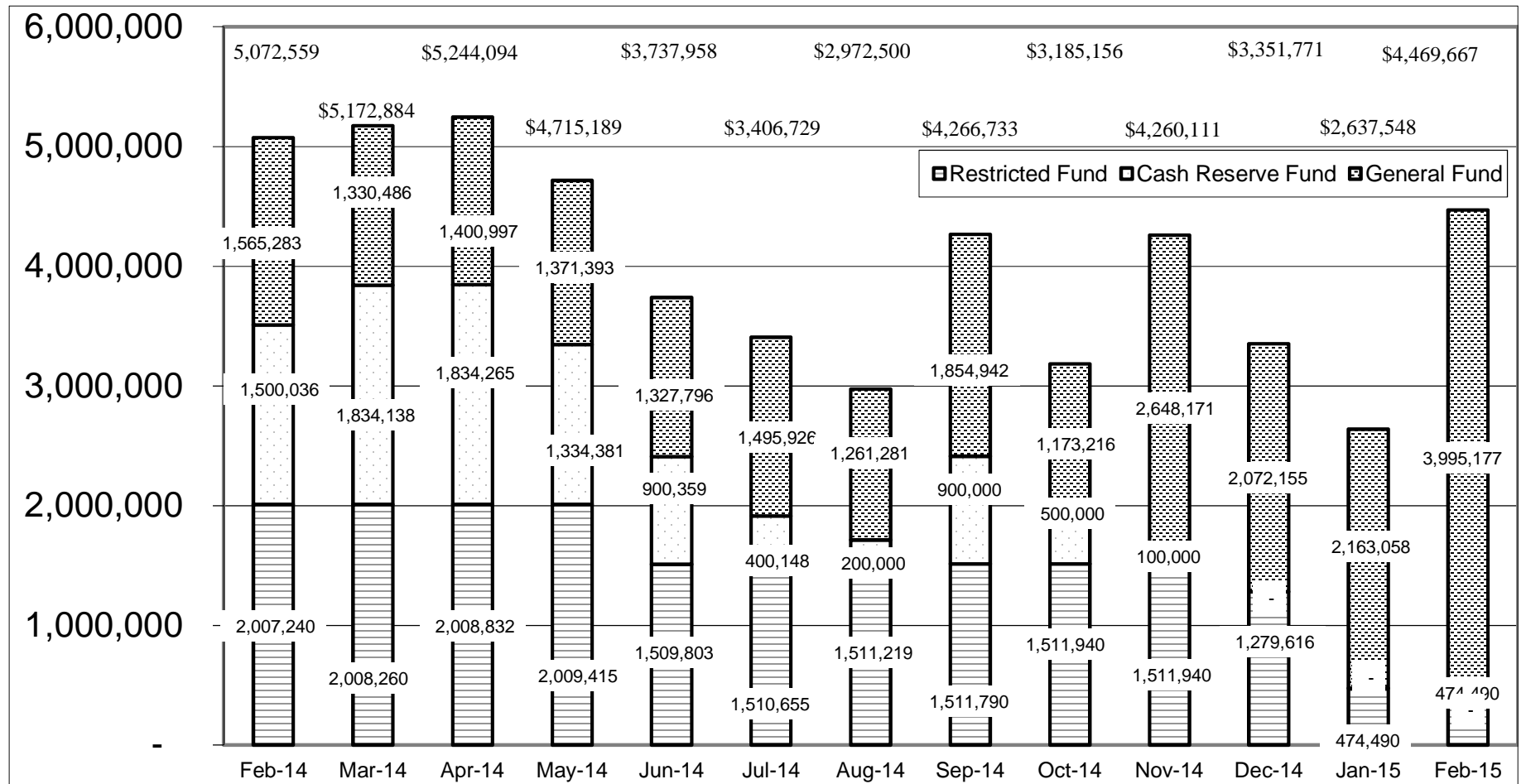
CASH PROJECTION:
March 31, 2015

GENERAL FUNDS:					
Beginning Cash 2/28/15				3,995,177	
Estimated Revenue (based on 95% of billing)				2,136,591	
Estimated Other Revenue				20,000	
Estimated Transfer From Restricted Fund				0	
Estimated Transfer From RUS Cushion of Credit				313,400	
Subtotal Cash/Revenue					6,465,168
Estimated Accounts Payable				(1,400,000)	
Estimated Payroll and Benefits				(601,000)	
Estimated RUS and CFC Principal and Interest Payment				(380,200)	
Estimated Capital Credit General Retirement Checks Cashed (\$94k remaining to be cashed)				(25,000)	
Power and Transmission Bill (February bill)				(704,155)	
Subtotal Expenses				(3,110,355)	
Projected Ending Balance 3/31/15					3,354,812
RESTRICTED FUND:					
Beginning Cash 2/28/15				474,490	
Transfer To General Fund				0	
Projected Ending Balance 3/31/15					474,490
PROJECTED GRAND TOTAL FUND ENDING BALANCE 3/31/15					<u>3,829,302</u>
PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 3/31/15					<u>(640,364)</u>
RUS CUSHION OF CREDIT*:					
Beginning Balance 2/28/15				447,186	
Transfer From General Fund				0	
Estimated Transfer To General Fund				(313,400)	
Projected Ending Balance 3/31/15					<u>133,787</u>

* to be transitioned to new entity ledger

** represents advance payments unapplied for RUS long term debt

TOTAL FUND BALANCE

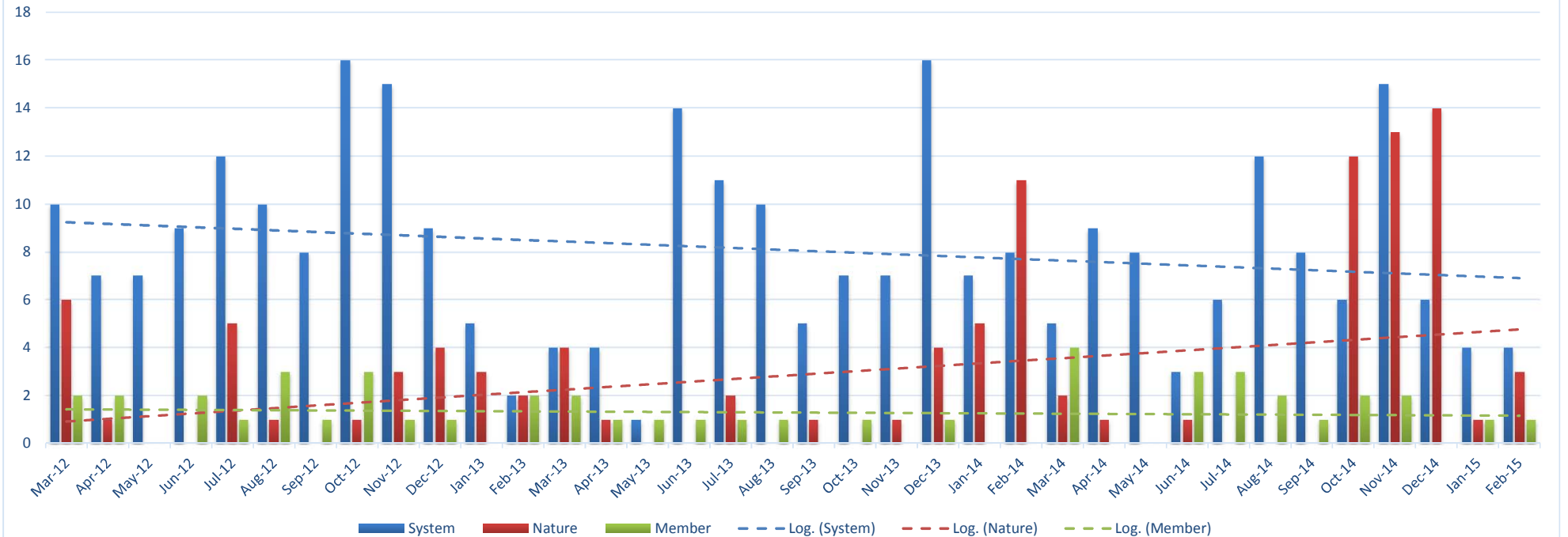


Notes:

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. Loan draw #1 CFC \$3M @ 4.05% (February 2015)

Outage Report: Trending + YTD Summary

Outage Occurrence Trending



YTD Summary

Category Description	Group Description	February 2015			YTD 2015			YTD 2014		
		Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)
System	Scheduled	0	0	0	0	0	0	0	0	0
System	Faulty Equipment or Installation	1	4	1	2	5	1	2	1	4.5
System	System Issue	0	0	0	0	0	0	2	29	4.5
System	Age or Deterioration (Failed URD)	0	0	0	2	33	11.25	6	199	23.25
System	Right-of-way	2	17	3.75	2	17	3.75	0	0	0
System	Secondary	0	0	0	1	1	1.5	4	7	6
System	Unknown	1	0	0	1	0	0	1	12	0.5
Nature	Weather	1	4	7	2	12	8	16	1081	44
Nature	Animal	2	6	4	2	6	4	0	0	0
Member	Member/Public	1	1	0	2	2	1.5	0	0	0
Totals		8	32	15.75	14	76	31	31	1329	82.75

MEMORANDUM

Date: March 11, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Subject: Safety Program – February 2015

Safety Training

A review of the new OSHA and upcoming Arc Flash Hazard PPE standard was conducted. This standard includes Arc Flash Resistant Clothing as PPE, meaning the Cooperative will have to provide a clothing system to protect employees whose jobs require them to be in a zone where this hazard is present.

RESAP (Rural Electric Safety Accreditation Program)

The collection of historical data has been completed. The Cooperative has three volunteers for aiding in the inspection of other cooperatives in the program. We are now on track for full implementation of the program. The next step is to have the Safety Committee define a safety improvement plan.

Accidents/Incidents/Near Miss

None.

	February 2015	YTD (2015)
Near Misses	0	0
Incidents	0	0
Accidents	0	0
Loss Time	0	0

Total Hours Worked without Loss Time Accident: 48,298

General Manager's Report March 2015

FINANCE

2014 Year-End Processes

Staff will present and discuss the 2014 unaudited year-end financials and the 2014 draft RUS Form 7 during the March board meeting (under separate cover). Staff is also working on the WA Annual report, which once filed, will become the basis for the 2016 OPALCO and Island Network, LLC property tax assessments.

Cash Position

Staff will present the CFC PowerVision short-term loan documents and board resolutions to the Board at the March board meeting for discussion and approval.

Member Service Policy 11 *Capital Credits*

Staff is working with our software provider to assure the ability for a voluntary assignment of a member's capital credit payments to a board approved OPALCO member program such as Project PAL, Solar for Schools, and M.O.R.E. Revisions to Policy 11 will be forthcoming once staff confirms the capability of our NISC billing system to track such voluntary capital credit transactions.

2014 Moss Adams Financial Statement Audit

Staff is currently preparing and providing financial information to Moss Adams in anticipation of the upcoming audit fieldwork, scheduled for the week of March 30th to April 3rd.

2014 Form 1120 POL – U.S. Income Tax Return for Certain Political Organizations

The 2014 return was prepared by Moss Adams and filed before the March 16th due date. The return was required as a result of OPALCO's board authorized \$1k contribution to the PAC (Political Action Committee) of WECPAC.

ENERGY SAVINGS

Rebates/EEI Funding Balance

For the rate period October 1, 2013 through February 28, 2015, rebates totaling \$542,440 with an associated kWh savings of 2,215,749 were issued.

Nonprofit Partnership

The Energy Roundtable met in early March to review the County Energy Plan and upcoming Energy Fairs. Attendance and participation levels were high and the meeting was very productive. OPALCO Energy Savings will continue with residential lighting and weatherization education, table top demonstrations and a lightbulb exchange at all three fairs. Other booths will feature home upgrade demos, electric vehicles, solar home tours, climate change discussions, and activities for kids.

As a result of coordination to write the County Energy Plan with county leaders, there are several municipal buildings evaluating and implementing energy efficiency measures with OPALCO rebates and Sustainable Connections (Opportunity Council).

Installer bids are currently being evaluated for the Solar for Schools project, with installations expected to begin in April.

MEMBER SERVICES

Member Services staff reviewed and updated the member database to prepare for the Annual Meeting ballot mailing. All Member Service representatives are participating in registration this year and have begun to remind members about voting in the election and attending the meeting on May 2nd.

Staff piloted the NISC Contact Tracking tool to track common topics of member questions. In February the highest number of calls were about payments or billing questions, including 20 calls from members about the new rate design. Overall, those members were satisfied with the information provided related to factors used to determine the rate increase and design. Patty Kelly will watch for trends to provide timely information for communication as Member Services continues to refine the contact tool.

ENGINEERING & OPERATIONS

Work In Progress

As of March 12, there are 341 work orders open totaling \$4,657,947. Operations has completed construction on 100 of those work orders, totaling \$1,840,362. Cattle Point Road Re-conductor construction continues.

Accident Investigation

Both L&I Investigations are complete.

Submarine Cables

Lopez to San Juan Island - 69 kV – Independent engineering firm is reviewing specifications and bid process to ensure risk and costs are controlled appropriately.

Headquarters

Construction is underway and 80% complete for the server room with a completion expectation in April. The remaining work includes the electrical and networking

PERSONNEL

Interviews were held for the Eastsound Staking Technician position recently. Initial candidates were selected for the Energy Services Coordinator position; interviews will be held in late March. The Head Accountant and Journeyman Lineman positions remain open and applications are being reviewed for the two Apprentice Lineman position openings.

To: Board of Directors

From: Foster Hildreth

Date: March 10, 2015

Re: Rock Island Communications Update

Community and area designs continue moving forward. Update on the most advanced groups:

San Juan:

- **Cattle Point/Cape San Juan – 84 Connections**

Most of the work orders for middle mile have been signed by participants; a large percentage is not taking the Discount Incentive and paying their own \$1500 share of the Construction. Middle Mile construction is nearing completion, and last mile FTTH design began March 10.

- **Mineral Point/Highlands – approx. 40+ connections**

Middle Mile work orders have gone out, and checks are flowing in. Middle mile construction has begun within the Mineral Heights area

- **Friday Harbor – Peterson and Nillson Commercial buildings**

The Bean Café, a very popular place in Friday Harbor, is now getting service. Again we are doing a marketing of free Wi-Fi of 100Mbps+ here. This effort will be announced once we complete advertising etc. The Rock Island team is working on further interior wiring; approximately 20 businesses will have the ability to connect to the fiber in these two buildings

Lopez:

- **Lopez Village – 10+ Connections**

Initial project complete. Work on additional connections is underway at Islanders Bank and Isabel's Café. We are working on a marketing effort in conjunction with Isabel's where we will be providing 100Mbps+ free Wi-Fi for a period of time to let community members experience true high-speed connectivity.

- **South Lopez**

The communication LTE pole has been erected. LTE testing at designated locations will begin once we get equipment installed on pole, Mobilisa is deploying equipment this week. Test connections will begin in the near term.

Orcas:

- **Eagle Lake – 36 connections**

Backbone fiber, conduit proofing and vault setting are complete. Microwave shot from Blakely to Doe Bay is under construction. Target date for delivering service to first

customers is expected in April/May. We also plan on connecting a few new locations along the way into the EL community.

- **Spring Point/Harborview**

The Spring Point HOA membership has voted (81% Yes to 19% No) to go forward with the plan to build a middle mile that will reach every property in the SPHOA for \$2500 per household. This project includes a 700MHz installation within the community to expand crew & emergency communication capabilities, and provide Fixed Wireless service to much of Crane Island. Multiple contractors (Earthworks and Island Ex) will be working on a combined build effort. Next step is to deliver a full cost estimate to Islanders Bank to enable SPHOA to move forward on their loan program.

- **Alder Cottages (9 connections) and neighboring communities**

Condo associations in Eastsound core. Alder Cottages project is under way – work orders, payments, and easements are being processed, and construction should begin within 4 weeks. Expected service delivery in May. We also plan to serve Washington Federal Bank with this build and extend the infrastructure into the neighboring communities of Alder Forest and Driftwood Condominiums.

- **OPAL/EWUA**

Office and residential location in Eastsound. Initial construction is complete to the office locations. There will be 11 service connections once completed.

- **Four Winds Camp**

Construction is beginning on over 2000 feet of fiber deployment within the property to numerous building locations. We will be deploying a property wide Wi-Fi solution as well as a multi-line phone system once connectivity is complete.

Islanders Bank

Each branch location to be connected over the coming weeks. Awaiting county permits on Lopez, electric cut over work for Eastsound. Friday Harbor office was wired last week. We will be utilizing a new boring/drilling method on both the Lopez and Eastsound builds to enable faster and more cost effective builds.

Rock Island Integration

This process continues. Customer facing activities are increasingly moving to the FH office and Mike Greene is leading the effort to match personnel/skill sets to roles going forward.

Financial Management

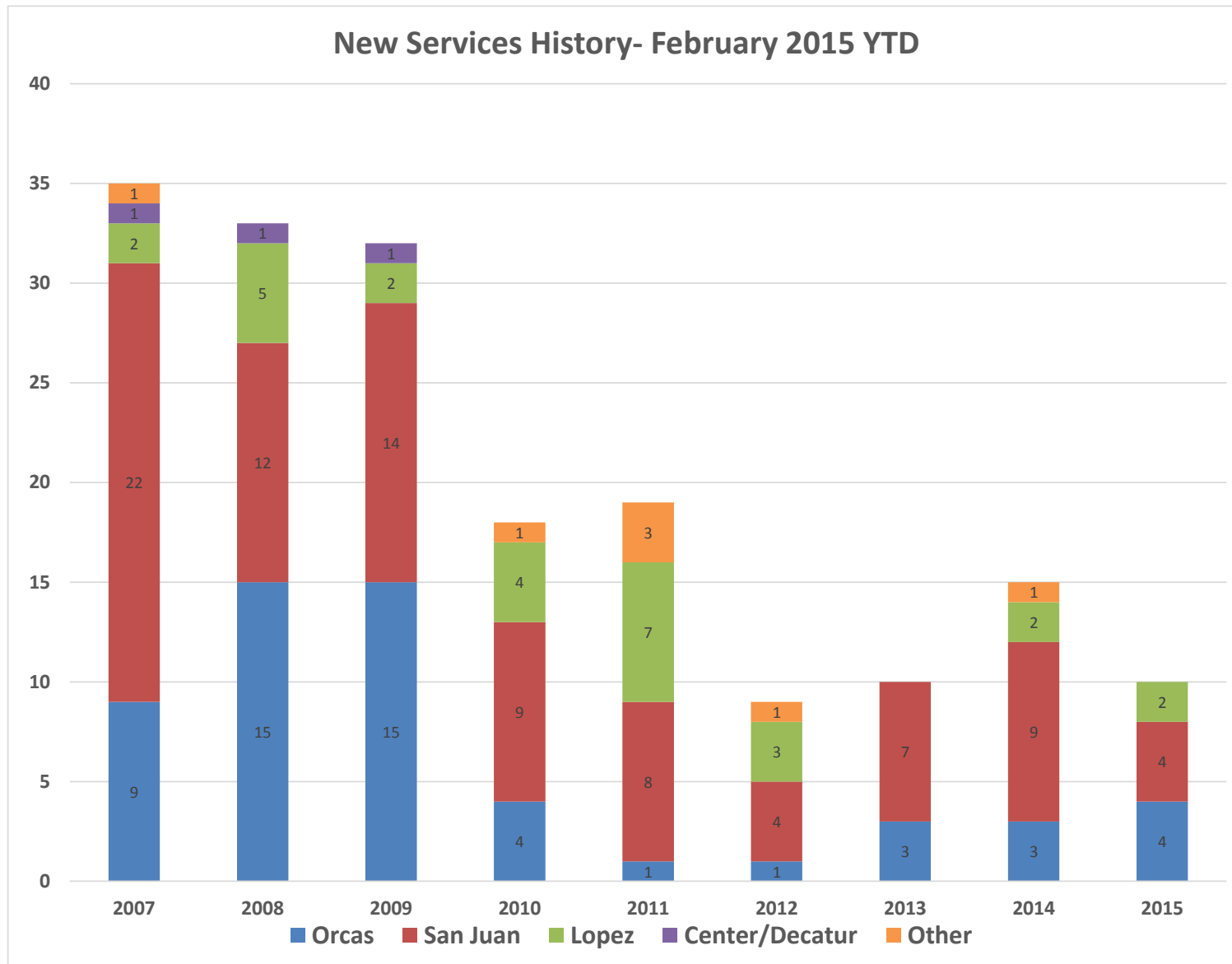
We have selected Nth Degree CPAs of Seattle to lead the design of our processes. They presented a phased approach to design and implement our financial structures

over the next three months. We have selected FishBowl, integrated with QuickBooks, for real time work-order, warehouse and inventory management.

Facilities

Furnishing continues in our new Eastsound office location, including computer equipment, workstations and demo equipment on the “Giga Bar”. All RIC hardware is being stored at a warehouse in Eastsound.

INFORMATION ITEMS



*Figures have been queried from the Service Order billing module and reconciled to the RUS Form 7 New Service numbers.

OPALCO
Historical MORE Revenue
(All Green kWh and MORE Blocks)
For Years 2013 - 2015 YTD

Month	2013 YTD							2014 YTD							2015 YTD						
	All Green			MORE Blocks			Total Revenue	All Green			MORE Blocks			Total Revenue	All Green			MORE Blocks			Total Revenue
	#	kWh	Revenue	#	#	Block Revenue		#	kWh	Revenue	#	#	Block Revenue		#	kWh	Revenue	#	#	Block Revenue	
	Members	kWh	Revenue	Members	Blocks	Revenue		Members	kWh	Revenue	Members	Blocks	Revenue		Members	kWh	Revenue	Members	Blocks	Revenue	
			\$ 0.04			\$ 4				\$ 0.04			\$ 4				\$ 0.04			\$ 4	
Jan	43	54,479	2,179	433	921	3,684	5,863	44	41,878	1,675	411	871	3,484	5,159	42	38,625	1,545	408	853	3,412	4,957
Feb	43	50,927	2,037	432	918	3,672	5,709	44	47,227	1,889	410	870	3,480	5,369	42	29,125	1,165	407	842	3,368	4,533
Mar	42	42,787	1,711	429	915	3,660	5,371	44	35,590	1,424	408	866	3,464	4,888	-	-	-	-	-	-	-
Apr	42	31,063	1,243	427	904	3,616	4,859	44	30,702	1,228	408	865	3,460	4,688	-	-	-	-	-	-	-
May	41	21,699	868	426	897	3,588	4,456	44	26,412	1,056	408	858	3,432	4,488	-	-	-	-	-	-	-
Jun	41	20,336	813	426	897	3,588	4,401	45	17,020	681	418	870	3,480	4,161	-	-	-	-	-	-	-
Jul	43	17,756	710	425	895	3,580	4,290	44	19,421	777	416	865	3,460	4,237	-	-	-	-	-	-	-
Aug	42	18,716	749	421	893	3,572	4,321	44	16,540	662	415	864	3,456	4,118	-	-	-	-	-	-	-
Sep	42	18,786	751	418	890	3,560	4,311	44	16,477	659	414	860	3,440	4,099	-	-	-	-	-	-	-
Oct	43	23,882	955	415	887	3,548	4,503	45	17,566	703	413	860	3,440	4,143	-	-	-	-	-	-	-
Nov	44	31,535	1,261	414	881	3,524	4,785	44	27,414	1,097	410	860	3,440	4,537	-	-	-	-	-	-	-
Dec	44	47,347	1,894	412	879	3,516	5,410	42	36,929	1,477	409	855	3,420	4,897	-	-	-	-	-	-	-
Total	43	379,313	\$15,173	423	10,777	\$43,108	\$ 58,281	44	333,176	\$ 13,327	412	10,364	\$ 41,456	\$ 54,783	42	67,750	\$ 2,710	408	1,695	\$ 6,780	\$ 9,490

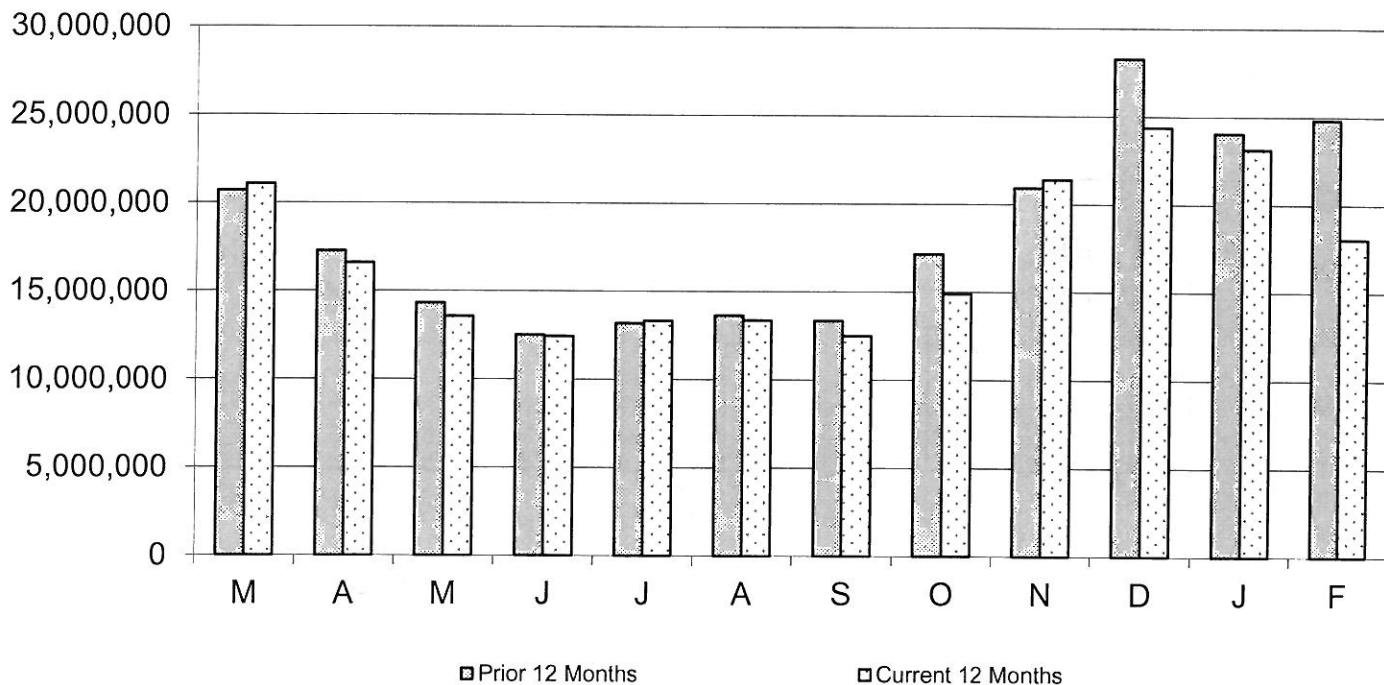
Notes:

2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.
Average kWh per month usage for All Green members is 806 kWh (below average for residential).
Beginning June 2011, report reflects combined data for the former Green Power program and MORE.
Beginning September 2012, half of the members were transitioned to a mid-month billing cycle; these members were billed for 15 days of consumption, a prorated basic charge, and prorated MORE blocks on 9/14/12.

BPA Consumption Summary

Through
February 2015

kWh Purchased - Load Variance (rolling 12 months)

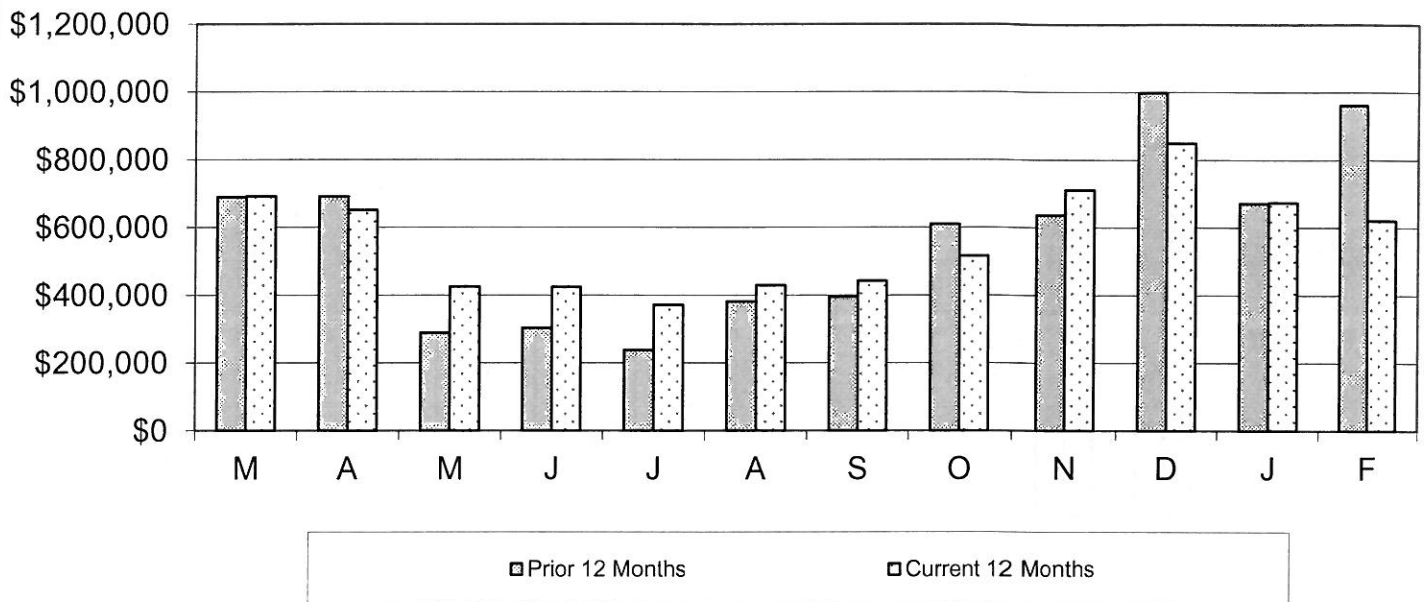


A. Prior 12 Months	B. Prior 12 Months	C. Current 12 Months	D. Current 12 Months	E. Difference (D-B)	% Change (D to B)
Mar-13	20,690,151	Mar-14	21,068,301	378,150	2%
Apr-13	17,253,318	Apr-14	16,580,487	(672,831)	-4%
May-13	14,309,061	May-14	13,567,275	(741,786)	-5%
Jun-13	12,503,372	Jun-14	12,439,266	(64,106)	-1%
Jul-13	13,179,669	Jul-14	13,334,282	154,613	1%
Aug-13	13,635,840	Aug-14	13,371,257	(264,583)	-2%
Sep-13	13,342,354	Sep-14	12,487,726	(854,628)	-6%
Oct-13	17,149,832	Oct-14	14,894,686	(2,255,146)	-13%
Nov-13	20,925,364	Nov-14	21,386,705	461,341	2%
Dec-13	28,277,954	Dec-14	24,368,500	(3,909,454)	-14%
Jan-14	24,042,632	Jan-15	23,133,873	(908,759)	-4%
Feb-14	24,808,824	Feb-15	18,044,632	(6,764,192)	-27%
	220,118,371		204,676,990	(15,441,381)	-7%

BPA Consumption Summary

Through
February 2015

\$ Total Bill (rolling 12 months)



A.	B.	C.	D.	E.	F.	G.	H.
Prior 12 Months	Prior 12 Months	\$ per kWh	Current 12 Months	Current 12 Months	\$ per kWh	Difference (E-B)	% Change (F to C)
Mar-13	\$688,755	\$0.0333	Mar-14	\$691,864	\$0.0328	\$3,109	-1%
Apr-13	\$691,224	\$0.0401	Apr-14	\$651,601	\$0.0393	-\$39,623	-2%
May-13	\$289,366	\$0.0202	May-14	\$425,316	\$0.0313	\$135,950	55%
Jun-13	\$303,730	\$0.0243	Jun-14	\$424,286	\$0.0341	\$120,556	40%
Jul-13	\$238,152	\$0.0181	Jul-14	\$371,553	\$0.0279	\$133,401	54%
Aug-13	\$380,699	\$0.0279	Aug-14	\$429,270	\$0.0321	\$48,571	15%
Sep-13	\$395,230	\$0.0296	Sep-14	\$441,858	\$0.0354	\$46,628	19%
Oct-13	\$610,063	\$0.0356	Oct-14	\$516,082	\$0.0346	-\$93,981	-3%
Nov-13	\$635,770	\$0.0304	Nov-14	\$711,250	\$0.0333	\$75,480	9%
Dec-13	\$998,086	\$0.0353	Dec-14	\$849,021	\$0.0348	-\$149,065	-1%
Jan-14	\$670,805	\$0.0279	Jan-15	\$674,029	\$0.0291	\$3,224	4%
Feb-14	\$961,210	\$0.0387	Feb-15	\$621,237	\$0.0344	-\$339,973	-11%
	\$6,863,090			\$6,807,367		Total Annual Percent Change	-0.8%
Prior Total Rolling 12 Months (2013/14)			Current Rolling 12 Months (2014/15)			Total Difference	
Annual kWh Purchase	220,118,371			204,676,990		-\$15,441,381	-7.02%
Annual Total Bill \$	6,863,090			6,807,367		-\$55,723	-0.81%
Annual \$ per kWh	\$0.0312			\$0.0333		\$0.0021	6.67%

February 13, 2015

Mr. Randy Cornelius
Orcas Power & Light Co-op
183 Mt. Baker Road
Eastsound, WA 98245

Dear Mr. Cornelius:

NISC's 2014 fiscal year ended June 30. I am pleased to report that we had a year of solid financial performance with growth in our top-line revenue and bottom-line margin.

As a Subchapter T Cooperative, NISC returns to Members a percentage of that margin in cash. In the past, we've returned 21 percent. At its September Board meeting, NISC's Directors unanimously voted to increase the organization's 2014 cash allocation to 30 percent.

The Board reasoned that because Members' support and use of NISC solutions were the primary reason for our strong financial position, you and your peers should realize a greater share of NISC's margin.

In December, we sent you our annual electronic notification about your capital credit allocation. Enclosed you can find your organization's NISC capital credit retirement check. The following details the status of your current capital credit status:

Orcas Power & Light Co-op Capital Credit Summary

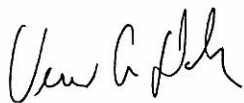
Capital Credit Balance	\$55,189.76
2014 Patronage Allocation	\$16,394.72
2014 Patronage Cash Retirement	<u>(\$ 4,918.42)</u>
Capital Credit Ending Balance	\$66,666.06

NISC's Board of Directors and staff thank you for your support as we collaborate on software and service development designed to help you meet challenges and take advantages of opportunities. Our Member-driven growth and positive financial results give us the ability to continue to increase our service to you as your trusted technology partner.

If you didn't receive the December notification or have any questions concerning your capital credit account, contact me at vern.dosch@nisc.coop or call 701.667.6500 or NISC's Controller, Fred Selensky, at fred.selensky@nisc.coop or call 701.667.6603.

Again, thank you for your support and we look forward to earning your business, your trust, your candor and your friendship for years to come.

Again, thank you.



Vern A. Dosch
President and CEO

