



From the desk of Foster Hildreth, General Manager

A HISTORY OF UPS AND DOWNS

OPALCO members have a long history of sticking together and pulling through challenging projects and “climate” changes, whether they be technology, power supply or politics. We’ve made it through a number of bumpy rides throughout our 78-year history, notably:

- Building member support to establish the Co-op in the mid-1930s
- Connecting to BPA with submarine cables in the ‘60s
- The WPPSS debacle in 1982
- Undergrounding our system in the early 1990s

When I look at historical graphs of our debt and equity positions, the numbers reflect these bumps. There is a regular ebb and flow of debt, equity and margins as we tackle major capital projects and respond to factors beyond our control. The storms of 1989-1990 that preceded our undergrounding effort, the submarine cable replacements that we are facing now and the rising temperatures that are changing energy usage patterns throughout the world are all real events that shape the way our cooperative does business.

CO-OPS OPERATE AT THE COST OF SERVICE

When our cost of service goes up, members have to pay more for their power. When our costs go down, or we have unexpected windfalls, we are able to pass those savings on to our members. This was the case in 2008 when we returned \$1 million from BPA’s Residential Exchange settlement to members and in 2009 when OPALCO received \$24,000 from the Enron settlement and invested the funds into Project PAL and our low-income weatherization program.

THIS IS OUR ROW TO HOE

The vision that keeps me motivated is that of our island children returning to the county one day to work and raise families of their own. They will have their own rows to hoe in how they contribute to the livability and sustainability of our island communities. For them, our next generation, we are making the tough decisions and hard-won investment today to ensure a safe, modern and efficient utility that keeps the power on, keeps us connected to work, business, health and education and contributes to a good quality of life for all members.

WE MUST STAY THE COURSE

Whether we like it or not, we have three submarine cables to replace in the next seven years, each costing upwards of \$15 million. The end result will be an updated, redundant and modern system that future generations can take for granted—just as we have taken for granted electricity in the islands.

Whether we like it or not, a modern electrical system requires a sophisticated backbone that includes fiber and wireless technologies to communicate with hundreds of devices in the field. The cost savings and safety gains that come with a modern grid far outweigh the investment required to build and maintain it.

Whether we like it or not, weather and energy usage patterns are changing. Our rate structure must evolve and the cost of power will go up as we adapt to the new realities.

And, like it or not, Internet services are now an essential infrastructure and OPALCO has the capacity to provide them for San Juan County.

Despite the real hardships involved in the work to be done under my watch, my legacy will be to stay the course and get us through this challenging chapter of our co-op story. I see us continually evolving to meet the needs and challenges as they emerge with the principles of cooperation, democracy, transparency and concern for community guiding our way.

CONGRATULATIONS TO RANDY

Congratulations to our former General Manager and current Board Member, Randy J. Cornelius who was honored with the Northwest Public Power Association (NWPPA) Life Member Award on May 20, 2015 during the Annual Meeting in Anchorage, Alaska. Randy earned the distinction for his 40 years of service in the electric utility business and his significant work on behalf of public power. We are lucky to have him back on our Board of Directors!