



**BOARD OF DIRECTORS
BOARD MEETING
Lopez Fire Station**

2228 Fisherman Bay Road, Lopez Island

Thursday, August 21, 2014 8:15 a.m.

TRAVEL



Via Island Air

378-2376 / 378-8129 (cell)

To:

Leave FH 7:45 a.m.

Arrive Lopez 8:00 a.m.

From:

Leave Lopez 3:00 p.m.

Arrive FH 3:15 p.m.



Via Ferry:

To:

Leave Orcas 7:15 a.m.

Leave Shaw 7:30 a.m.

Leave FH 8:30 a.m.

Arrive Lopez 7:50 a.m.

Arrive Lopez 9:50 a.m.

From:

Leave Lopez 3:45 p.m.

Arrive Shaw 4:05 p.m.

Arrive Orcas 4:25 p.m.

Arrive FH 5:05 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Monthly Meeting
2228 Fisherman Bay Road, Lopez Island
August 21, 2014 8:30 a.m.**

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WELCOME GUESTS/MEMBERS

Please limit your comments to five minutes or less

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ADJOURNMENT

Executive Session Immediately Following

CONSENT AGENDA

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, July 17, 2014

President Jim Lett called the meeting to order at 9:50 a.m. at the Eastsound OPALCO office. The start time of the meeting was delayed due to fog. Directors Winnie Adams, Vince Dauciuonas, Glenna Hall, Bob Myhr, Chris Thomerson and Dr. Jerry Whitfield were present. Also present were General Manager Randy Cornelius, Assistant General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Information Services John Graminski and Executive Assistant Bev Madan, serving as recording secretary.

Member/Guests

Harvey Aldort (Orcas), Gabriel Jacobs (Shaw), Dwight Lewis (Lopez), John Fleischer (Orcas) and Jay Kimball (Orcas) were welcomed and given an opportunity to address the board. Aldort implored the Board to let the members vote on the Broadband issue and stated that it was not something the Board alone should decide. Jacobs referred to a newspaper article written by Alex McLeod of Shaw and urged the Board to discuss its contents and "act accordingly". *Whitfield commented that he had a letter to distribute to the Board that they will discuss at their first opportunity.* Lewis commented on the letter to the editor written by Alex McLeod and urged the Board to provide answers to the questions risen in the letter. *Lett told Lewis he would discuss with him privately.*

Lett read aloud a letter sent to him by member Tom Ritter (Orcas) commending Cornelius and Hildreth for their expertise in addressing a men's group on Orcas recently. Madan was commended for coordinating their attendance.

June Minutes

Myhr noted that the minutes should indicate that the Board adjourned to executive session in order to discuss personnel matters.

- **Motion** made by Thomerson and seconded to approve the June minutes with the correction. Motion carried by voice vote.

New Members

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

Blakely

Zech, Cynthia

Decatur

Brace, Colin & Milkana
Wallace, Tim & Beth

Lopez

Fletcher, Corey & Luckhurst, Jasmine
Gammill, Hilary & Kevin
Huff, Connie
Kent, Amilia & Nurczyk, Tim
Koenig, Tai
Moilanen, David
Russo, Ambrose
Tri Grand Lopez Limited Partnership
Williams, John & Anne
Yalden, Victor

Orcas

6543 LLC & Howard Wright III
Adam, Emmett
Boerstler, Diane & Philip
Carrion de Quintero, Cristal
Olmstead, Erin & Kintzele, Paul
Tonachel, Debra
Webb, Eric
Webster, Tim
Emerson, Susan
Whitley, Wesley

San Juan

Action 24 LLC
Allen-Tate, Ross

Baker, Dalton
Balster, Diane
Bartlett, Jessica
Billington, Carl
Cagwin, Tom
Churape, Santiago
Cole, James
Compton, Christopher & Anna
Dann, Tsolo & Janet M
Davis, Alex
Dick, Gordon W
Dutton, Ashley & Watts, Kevin
Easterbrook, Trevor
Edholm, Wesley
Gallaty, Ralph
Galluccio-Mott, Karen & Mott, Patrick
Good, Jonathan
Granger, Donald
Gustafson, David
Hanson, Jadin & Charisse
Knutson, Dana & McGillivray, Mike
Lautenbach Industries
Macaskill, Dawn
Martinez, Debbie & Kelly
McCullough, Annette
Peterson, Robert E
Plane House LLC
Randall, Jacob Ian & Michelle Renee
RIC Insurance General Agency
Robb, Laura & Paul
Roberts, Steven
Rollins, Shane
Scanlan Dressler, Emma & Dressler, Brian
Shih, Jenny

Slack, Jady
Stevens, Laurel & Sera, Jay
Storms, Pamela & Kevin
Sutherlin, Nickie
Wade, Dennis
Waite, Hannah & Lawson, Parker
Watson, Wesley

Weigeshoff, Raymond L
Zell, Van

Shaw
Messenger, Marcia & David

Member Owned Renewable Energy (MORE)

Cornelius reported that the San Juan Islands Conservation District (SJICD), under the direction of Linda Lyshall, is doing a good job so far working as the umbrella organization for Policy 28 *Collaborating with Nonprofits to Accelerate Energy Efficiency & Conservation*. Cornelius requested that the MOU be adjusted to include the MORE Committee and to add \$50,000 to the SJICD budget so that SJICD can hire additional staff to do the work of the MORE Committee. This increases the amount OPALCO will contribute annually to \$200,000.

- **Motion** made by Thomerson to approve modification of the MOU with San Juan Islands Conservation District to include the MORE program and to contribute an additional \$50,000 to SJICD, increasing the annual total to \$200,000 effective this year. Motion was seconded and carried by voice vote.

Capital Credits

- **Motion** made by Myhr to approve payment of \$7,194.91 in capital credits to the estates of deceased members as listed below; motion was seconded and carried by voice vote.

Joan Dexter Glidden.....	\$1,402.52
Daniel D. Martel.....	\$4,188.39
Edith E. Schwendeman	\$622.45
Frank Sera.....	\$981.55

RUS 219s

- **Motion** made by Myhr and seconded to approve submission of RUS Form 219s that include projects completed in May from the Construction Work Plan totaling \$32,916.86. Motion carried by voice vote.

Resolution 6-2014 Load Forecast

RUS requires annual updates to the Load Forecast. This update also satisfies requirements of Washington State’s HB 1010 *Resource Plan*.

- **Motion** made by Adams and seconded to approve Resolution 6-2014 *2014-2024 Electric Load Forecast Update*; motion carried by voice vote.

Whitney Easement Relinquishment

Easement AFN 71640 on San Juan Island was for an old overhead line granted in 1969 and is an old abandoned right of way. It bears no direct relationship to the existing line or clearing zone.

- **Motion** made by Myhr to relinquishment AFN 71640 and seconded; motion carried by voice vote.

Survey Results: PixelSpoke

Cameron Madill of PixelSpoke presented the results of the recent member satisfaction survey; members will be presented with the results at the San Juan County Fair in August. This survey was developed to help OPALCO build a culture of “listening” to better serve members and will be repeated every other year.

The 35-question survey was released to the membership on May 3 and closed on June 20. Members were offered a \$5 bill credit for participating. A total of 2,172 respondents completed the survey (almost 20% of the membership). The survey showed that, of those responding, 48.8% were “very satisfied” overall and 1.1% were “very dissatisfied”. Results of this survey will be used to determine areas that need improvement and trends will be developed over time.

Rate Design

Anne Falcon of EES Consulting presented objectives of the rate design. This is the third step in the process of designing new rates. Rates presented indicated an overall 6% increase that would be effective with the March 2015 billing.

An important aspect of the new rates will be adding a demand charge. Objectives of the new rate design will also include consideration of conservation price signals and simplifying the rate schedules.

The next step in the process will be for the Board to review the rates distributed, add their comments/suggestions and send to Hildreth to determine the impact on members. Rates will be reviewed at the August Board meeting. It is hoped that the new rates will be approved at the October Board meeting. Members will have two months to comment before the rates are finalized.

Island Network Cost Interim Rate

Hildreth reviewed the Island Network Costing and Rates presentation prepared by EES Consulting. Current objectives are to determine the costs of providing Internet services; identify interim service offerings; apply interim rates and to modify policies and procedures consistent with interim rates. Next steps will be to perform market studies, refine service offerings and rates and develop operating procedures and policies.

IN is currently serving 45 members with 85 connections with monthly revenues of \$41,401-- an increase of 61%.

Adjournment

The meeting adjourned for lunch followed by Executive Session at 12:30 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

New Members July 2014

Center

1. Mangas, Jan

Crane

2. Halvorsen, Gretchen & Boyer
3. Shaiman, James

Lopez

4. Berg, Isaac
5. Dawson, Dawn
6. Fuller, Kurt & Enderle, Jan
7. Hanks, Renee & Miller, Steven
8. Lamb, Kendra
9. Leisy, Douglas & Matthews, Laura
10. Lopez Beach Cabin, LLC
11. Melzer, Sanford & Evans, Ellen
12. Pal, Caleb
13. Steinbrueck, Dave & Lisa

Orcas

14. Allred, Austin & Salt, Kya
15. Arbuckle, John
16. Bailey, Mark
17. Carter, Jerry & Linda
18. Chaney, Matt & Lewis, Sara
19. Clarke, Richard & Mueller, Nicole
20. Coleman, Gordon
21. Emerson, Suzan
22. Furr, Carol
23. Grant, Hugh & Gandara-Perea, Jose R
24. Hickey, Erin
25. Hidalgo, Micheal
26. House, Danny
27. Kennemer, Brian
28. Overlund, Jason
29. Shankman, Roy
30. Winn, Patricia

San Juan

31. Barnes, Michael
32. Bender, Barbara
33. Bergh, Jim
34. Boothney, Gregg
35. Boreen, Joshua Jayson
36. Borys, Henry J & Ewers, Keesha
37. Cicione, Joe
38. Durette, Sallie & Luc J
39. Erp, John D
40. Escherich, Susan
41. Green, Lonnie
42. Hernandez, MARRISA
43. Johnston, Rebecca M & Lemon, William C
44. Kaleidoscope Artistry
45. Kimsey, Robert Trustee, The Redoubt Trust
46. Klein, Chloe
47. Martel, Justin E
48. Martin, Bruce & Sheila
49. Morrell, Kathleen
50. Newsom, Sue
51. Pepka, Charles
52. Peterson, Lorien
53. Purdum, Elizabeth
54. Roche Starfish LLC
55. San Juan Sun Grown LLC
56. Scheer, Mark P & Amy
57. Schemmel, Michael & Tonia
58. Smith, Ryan M & Reifentstahl, Alexis
59. Stewart, Slade
60. Swenson, Richard F & Louise V
61. Tappan, Sadie L
62. Vucich, John
63. Wilenken, Jennifer
64. Woodruff, Julie
65. Wright, Howard & Celina

ACTION ITEMS

CAPITAL CREDITS

Application has been received for payment of capital credits to the estates of the following deceased members:

Dorothy N. Arbuckle	\$2,404.47
Cela B. Coleman	\$633.32
Louis M. Falb.....	\$1,460.43
Bill LaPorte.....	\$170.22
Benjamin G. Marcin.....	\$1,023.67
Antoinette A. Poulsen.....	\$1,422.93
Total.....	\$7,115.04

MEMORANDUM

July 30, 2014

TO: Board of Directors
FROM: Randy Cornelius, General Manager
RE: RUS Form 219s *Inventory of Work Orders*

June projects completed from the Construction Work Plan:

Inventory # 201405..... \$23,218.66
Remove cable and transformer serving Friday Harbor marina; insert pole and slack span to remove guy and anchor in road at Buoy Bay; replace cable (URD) on San Juan

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$23,218.66.

07/18/2014 9:49:53 am

RUS Form 219 Inventory Of Work Orders

Page: 4

Period: JUN 2014

System Designation: WA AH 09

Inventory : 201406

Budget

Loan	Project	Amount
1	0000	-26.40
1	606	2,699.96
1	608	20,545.10
Total:		23,218.66

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Mietzner P.E.

INSPECTION PERFORMED BY

OPALCO

FIRM

42902

LICENSE NUMBER

3/16/2015

DATE

[Signature]

SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/2015

MEMORANDUM

August 15, 2014

TO: Board of Directors
FROM: Randy Cornelius, General Manager
RE: Moss Adams 2014 Auditor Engagement Letter for Audit/Non-Attest Services and Tax Services

Attached please find Moss Adams' Engagement Letter for Audit and Non-Attest Services for fiscal year 2014.

In terms of schedule, Moss Adams is planning to issue the audit report no later than May 15, 2015, and present the audit opinion/report to the Board at the April 2015 meeting.

The chart below lists the Moss Adams original proposal(s) and corresponding actual expenses:

<u>Firm/Year of Service</u>	<u>2013</u>	<u>2014 Proposal²</u>
Moss Adams (audit and tax)	\$29,400	\$30,200
Estimated out of pocket expenses	<u>\$5,300</u>	<u>\$5,300</u>
Total	\$34,700	\$35,500
Moss Adams Actual Expenses to date ¹	\$28,776	TBD

Note:

1. The above figures exclude additional services and the 2013 tax return
2. Audit services fee equates to \$26,300 and tax services approximately \$3,900

Staff recommends that the Board make a motion to approve execution of Moss Adams' engagement letter(s) as well as identify any additional scope of work that the Board recommends be performed by Moss Adams as part of the 2014 year-end audit process.

July 15, 2014

Mr. Foster Hildreth
Orcas Power & Light Cooperative
183 Mt. Baker Road
Eastsound, WA 98245

Re: Audit and Non-Attest Services

Dear Foster:

Thank you for the opportunity to provide services to Orcas Power & Light Cooperative. This engagement letter ("Engagement Letter") and the attached Professional Services Agreement, which is incorporated by this reference, confirm our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams LLP ("Moss Adams," "we," "us," and "our") will provide to Orcas Power & Light Cooperative ("you," "your," and "Cooperative").

Scope of Services - Audit

You have requested that we audit the Cooperative's balance sheet as of December 31, 2014, and the related statements of revenues and margins, changes in patronage capital and other equities, and cash flows for the year then ending.

Scope of Services and Limitations - Non-Attest

We will provide the Cooperative with the following non-attest services:

1. Assist you in drafting the financial statements and related footnotes as of and for the year ended December 31, 2014.

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide non-attest services such as those identified in the preceding paragraphs. As a result, you must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses the skill, knowledge, and/or experience to oversee our non-attest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the non-attest services performed.
- Accept responsibility for the results of the non-attest services performed.

MOSS ADAMS LLP

Mr. Foster Hildreth
Orcas Power & Light Cooperative
July 15, 2014
Page 2 of 3

It is our understanding that Nancy Loomis has been designated by the Cooperative to oversee the non-attest services and that, in the opinion of the Cooperative, is qualified to oversee our non-attest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Timing

Olga A. Darlington is responsible for supervising the engagement and authorizing the signing of the report. We expect to begin our audit on approximately March 30, 2015, complete fieldwork on approximately April 3, 2015, and issue our report no later than May 15, 2015. As we reach the conclusion of the audit, we will coordinate with you the date the audited financial statements will be available for issuance. You understand that (1) you will be required to consider subsequent events through the date the financial statements are available for issuance, (2) you will disclose in the notes to the financial statements the date through which subsequent events have been considered, and (3) the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff's unavailability or delays in your closing and adjusting process. You understand that our fees are subject to adjustment if we experience these delays in completing our services.

Fees

We estimate that our fees for the services will be \$26,300. You will also be billed for expenses at our cost as they are incurred.

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of the Cooperative's records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with a Client Audit Preparation Schedule that identifies the key work you will need to perform in preparation for the audit. We will also need your accounting staff to be readily available during the engagement to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments, and/or untimely assistance will result in an increase in our fees.

Reporting

We will issue a written report upon completion of our audit of the Cooperative's financial statements. Our report will be addressed to you. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services will be concluded upon delivery to you of our report on your financial statements for the year ended December 31, 2014.

MOSS ADAMS LLP

Mr. Foster Hildreth
Orcas Power & Light Cooperative
July 15, 2014
Page 3 of 3

Additional Services

You may request that we perform additional services not contemplated by this Engagement Letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. It is our practice to issue a separate agreement covering additional services. However, absent such a separate agreement, all services we provide you shall be subject to the terms and conditions in the Professional Services Agreement.

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in the Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,



Olga A. Darlington, for
Moss Adams LLP

Enclosures

ACCEPTED AND AGREED:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of Orcas Power & Light Cooperative with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature: _____

Print Name: _____

Title: _____

Date: _____

Client: #616319
v. 10/28/2013

PROFESSIONAL SERVICES AGREEMENT

Audit and Non-Attest Services

This Professional Services Agreement (the "PSA") together with the Engagement Letter, which is hereby incorporated by reference, represents the entire agreement (the "Agreement") relating to services that Moss Adams will provide to the Cooperative. Any undefined terms in this PSA shall have the same meaning as set forth in the Engagement Letter.

Objective of the Audit

The objective of our audit is the expression of an opinion on the financial statements. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). It will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws or regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws or regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Cooperative and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

We may assist management in the preparation of the Cooperative's financial statements. Regardless of any assistance we may render, all information included in the financial statements remains the representation of management. We may issue a preliminary draft of the financial statements to you for your review. Any preliminary draft financial statements should not be relied upon, reproduced, or otherwise distributed without the written permission of Moss Adams.

Professional Services Agreement

Audit and Non-Attest Services

Page 2 of 6

Management's Responsibility for Financial Statements

As a condition of our engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but management remains responsible for the financial statements. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for informing us about all known or suspected fraud affecting the Cooperative involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Cooperative received in communications from employees, former employees, regulators or others. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Management is also responsible for identifying and ensuring that the Cooperative complies with applicable laws and regulations.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide us with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within the Cooperative from whom we determine it necessary to obtain audit evidence.

Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This Agreement does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of your equity or debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, you agree that Moss Adams will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to reissue our report or withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

Professional Services Agreement

Audit and Non-Attest Services

Page 3 of 6

Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of our audit approach, procedures, scope of work, etc., we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of our engagement, we may terminate this Agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the Cooperative's operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in the Cooperative's financial statements that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the Cooperative's management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, the Cooperative further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the Cooperative's financial statements resulting in whole or in part from knowingly false or misleading representations made to us by any member of the Cooperative's management.

Fees and Expenses

The Cooperative acknowledges that the following circumstances will result in an increase of our fees:

- Failure to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure to complete the audit preparation work by the applicable due dates;
- Significant unanticipated transactions, audit issues, or other such circumstances;
- Delays causing scheduling changes or disruption of fieldwork;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances or report disclosures that impact the current year engagement; and
- An excessive number of audit adjustments.

We will endeavor to advise you in the event these circumstances occur, however we may be unable to determine the impact on the estimated fee until the conclusion of the engagement. We will bill any additional amounts based on the experience of the individuals involved and the amount of work performed.

Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. Expenses are billed as incurred and include charges for such items as transportation, meals, lodging, long distance phone, postage, computer charges, photocopying, graphics preparation, invoicing and report processing. Direct expenses are passed through to you without markup. Indirect costs incurred specifically for your work, such as computer processing and copying, are passed through at our estimated clerical and equipment cost of providing the particular service or material.

Professional Services Agreement

Audit and Non-Attest Services

Page 4 of 6

If we elect to suspend our engagement for nonpayment, we may not resume our work until the account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for expenses made through the date of termination. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Limitation on Liability

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

Subpoena or Other Release of Documents

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

Document Retention Policy

At the conclusion of this engagement, we will return to you all original records you supplied to us. Your Cooperative records are the primary records for your operations and comprise the backup and support for the results of this engagement. Our records and files, including our engagement documentation whether kept on paper or electronic media, are our property and are not a substitute for your own records. Our firm policy calls for us to destroy our engagement files and all pertinent engagement documentation after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. We are under no obligation to notify you regarding the destruction of our records. We reserve the right to modify the retention period without notifying you. Catastrophic events or physical deterioration may result in our firm's records being unavailable before the expiration of the above retention period.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

Use of Electronic Communication

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential to the Cooperative. Our firm employs measures in the use of facsimile machines and computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume that you consent to our use of facsimile transmissions to your representatives and other use of these electronic devices during this engagement as we deem appropriate.

Professional Services Agreement

Audit and Non-Attest Services

Page 5 of 6

Enforceability

In the event that any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Agreement.

Entire Agreement

This Professional Services Agreement and Engagement Letter constitute the entire agreement and understanding between Moss Adams and the Cooperative. The Cooperative agrees that in entering into this Agreement it is not relying and has not relied upon any oral or other representations, promise or statement made by anyone which is not set forth herein.

In the event the parties fail to enter into a new Agreement for each subsequent calendar year in which Moss Adams provides services to the Cooperative, the terms and conditions of this PSA shall continue in force until such time as the parties execute a new written Agreement or terminate their relationship, whichever occurs first.

Use of Moss Adams' Name

The Cooperative may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Third-Party Service Providers

We may use third-party service providers in serving you. In such circumstances, if we need to share confidential information about the Cooperative with these service providers, we will require that the third-party service providers maintain the confidentiality of your information.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

Dispute Resolution Procedure and Venue

This Agreement shall be governed by the laws of the state of Washington, without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in King County, state of Washington, in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES.

Termination

This Agreement may be terminated by either party, with or without cause, upon ten (10) days' written notice. In such event, we will stop providing services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination: (a) you shall pay us for services provided and expenses incurred

Professional Services Agreement

Audit and Non-Attest Services

Page 6 of 6

through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services, and (d) we will require any new accounting firm that you may retain to execute access letters satisfactory to Moss Adams prior to reviewing our files.

Income Tax Provision

With respect to the preparation of the tax provision regarding the presentation and disclosure of income taxes in the Cooperative's financial statements, we will not provide tax advice related to all tax positions due to the risk-based approach used in the income tax provision preparation process.

Further, to protect you from IRS and other taxing authorities' penalty assessments, the conclusion(s) regarding a tax position must meet the applicable taxing authority's requirements. Under federal tax regulations, a taxpayer cannot rely on professional advice to avoid federal tax penalties unless that advice is reflected in a comprehensive tax opinion which provides a conclusion at a confidence level of "more likely than not" (greater than 50% likelihood) that the federal tax issues would be resolved in the taxpayer's favor. Unless otherwise provided in a separate agreement covering a tax advice opinion, conclusions derived in our tax advice under this engagement will not meet applicable requirements and thus will not provide protection from potential penalty assessments.

You may not distribute, discuss or otherwise disclose any tax provision report or templates to any other party ("Third Party") without our prior written consent. This does not apply to any tax provision information that may be contained in our audit report regarding the Cooperative's financial statements. You further agree that the tax provision reports or templates are instruments of service and Moss Adams shall retain the copyright, trademark, patent, and all other intellectual property rights, whether or not the reports or templates are completed. Moss Adams grants the Cooperative an irrevocable, non-exclusive, royalty-free license to use the completed reports and templates only for its use as set forth herein. You further agree not to modify the tax provision reports or templates, or attempt to apply the tax provision reports or templates to generate calculations outside of those produced by Moss Adams.

Regulatory Access to Documentation

The documents created or incorporated into our documentation for this engagement are the property of Moss Adams and constitute confidential information. However, we may be requested to make certain engagement related documents available to regulatory agencies pursuant to authority given to them by law or regulation. If requested and in our opinion a response is required by law, access to such engagement related documents will be provided under the supervision of Moss Adams personnel. Furthermore, upon request, we may provide photocopies of selected engagement related documents to regulatory agencies. The regulatory agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

Hiring of Employees

We have a significant investment in the training and development of our accountants, and they are valued employees of Moss Adams. If you should hire one of our accountants either during the audit or within one year after the completion of this engagement, you agree to pay a personnel placement fee of 30% of their annual salary to compensate Moss Adams. Any offer of employment to members of the audit team prior to issuance of our report may impair our independence, and may result in our inability to complete the engagement and issue a report.

MASTER SERVICES AGREEMENT ADDENDUM
NOT-FOR-PROFIT ENTITY TAX RETURN
Orcas Power & Light Cooperative
July 14, 2014

Scope of Services:

We will prepare the following tax return for the Organization:

Tax Form	Taxable Year End
Federal Form 990, "Return of Organization Exempt from Income Tax"	December 31, 2014

Moss Adams is responsible for preparing only the return listed above and any additional state or other tax returns that we both agree to in writing. In the event we agree to prepare additional state or other tax returns, the terms and conditions of the MSA and this Addendum shall apply to such additional services.

In addition, if you have foreign bank accounts, investment accounts, partnerships or similar assets, or if you have signature or similar authority over these types of accounts or investments (whether owned by you or by others), you may have to file a FinCEN Form 114 (Formerly TD F 90-22.1), *Report of Foreign Bank and Financial Accounts*. Our services in this Engagement do not include the preparation of any Forms 114. If you would like us to prepare any Form 114, we will provide a separate Addendum covering such services.

At your request, we will amend any of the above tax returns subsequent to their filing with the respective tax authority. Our preparation of such amended returns will be subject to the terms and conditions of this Addendum. We will issue a separate Addendum if you want us to prepare federal tax returns not specifically identified above.

Your return is subject to examination by the taxing authorities. In the event of an audit, the taxing authorities may request you to produce documents, records, or other evidence to substantiate the items shown on the tax returns. If an examination occurs, we will represent you if you so desire; however, these additional services are not included in our fee for preparation of your return. If you would like us to perform such services, they would be covered under a separate tax services Addendum.

Limitations:

We will not audit or otherwise verify the data you submit, or that is submitted on your behalf, although we may ask you to clarify some of the information. We do not contemplate rendering extensive accounting and bookkeeping services to prepare the income tax return. The fees for preparing the above tax returns do not include services provided by Moss Adams for maintaining the Organization's property, plant and equipment book or tax depreciation records. If such additional accounting or bookkeeping services are needed in order to complete the preparation of the tax return, we will discuss with you the extent of such services that should be performed. The cost for these services will be billed separately.

Disclosure of Listed Transactions:

You agree to disclose to Moss Adams your participation in any "listed transaction" or "transaction of interest" as defined in Internal Revenue Code Section 6011, Treasury Reg. §1.6011-4, IRS Notice 2004-67 and other related IRS Rulings/Notices. You acknowledge that failure to adequately disclose involvement in any listed transaction on a U.S. tax return carries up to a maximum per transaction taxpayer penalty of \$200,000. There is no judicial appeal for this penalty. In other words, once imposed the penalty is not abatable. Additional taxpayer penalties of up to 30% of the tax understatement are also applicable under the Act; however, the reporting penalty applies regardless of whether the underlying transaction results in a tax understatement.

Master Services Agreement Addenda

Not-for-Profit Entity Tax Return
Orcas Power & Light Cooperative
July 14, 2014
Page 2 of 2

Many states may also have listed transactions in addition to those defined by the IRS. You agree to disclose to Moss Adams your participation in any "listed transaction" as defined by the states in which you conduct business.

You agree that Moss Adams has no responsibility for your penalties for failure to disclose listed transactions or transactions of interest. As these listed transactions are quite complicated, you will find a summary of federal listed transactions on the following IRS website:

<http://www.irs.gov/Businesses/Corporations/Listed-Transactions---LB&I-Tier-I-Issues>.

A summary of transactions of interest is available on the following IRS website:

<http://www.irs.gov/Businesses/Corporations/Transactions-of-Interest---Not-LMSB-Tier-I-Issues>.

Our services under this Engagement will not include an analysis or review of whether or not you have transactions that require disclosure. If you would like us to perform such services, they would be covered under a separate Addendum.

Fee Arrangement:

We estimate our fees for the preparation of the above return will be \$3,885.

MSA Application:

The services set forth in this Addendum are subject to the terms and conditions of the Master Services Agreement between you and Moss Adams. The applicable Master Services Agreement has the most current date preceding the date of this Addendum or otherwise accompanies this Addendum. Terms not otherwise defined herein shall have the same meaning as set forth in the Master Services Agreement.

ACCEPTED AND AGREED:

This Addendum and the Master Services Agreement set forth the understanding with respect to the tax services described above to be provided by Moss Adams and is effective as of the date set forth herein:

ORCAS POWER & LIGHT COOPERATIVE

Signature: _____

Print Name: _____

Title: _____

MOSS ADAMS LLP

Signature: Cheri Burnham

Print Name: Cheri R. Burnham

Title: Partner

DISCUSSION ITEMS

MEMORANDUM

August 15, 2014

TO: Board of Directors
FROM: Randy J. Cornelius
RE: Rate Design

This is the fourth step in the process of designing new rates. Information from EES Consulting will be distributed prior to the Board meeting.

The full sequence of events for the new Rate Design is as follows:

- A. ✓ Review of BPA billing determinants: April 2014 Board meeting: - COMPLETE
- B. ✓ Cost of service review (revenue requirements/rates classes and cost allocations), with Member comment: COMPLETE
- C. ✓ Review of new rate design proposed by Staff: COMPLETE
- D. Board discussion/modification of proposed rate design, with member comment: August & September 2014 Board meetings
- E. ESS review of final rate design (first reading): October 2014 Board meeting
- F. Final Board approval (second reading) of final rate design: November 2014 Board meeting
- G. New rate design goes into effect with the March 2015 billing period

Orcas Power & Light Cooperative

Rate Design Presentation

August 21, 2014

Anne Falcon
Managing Director of Economics and Rates

A registered professional engineering corporation with
offices in Kirkland, WA and Portland, OR

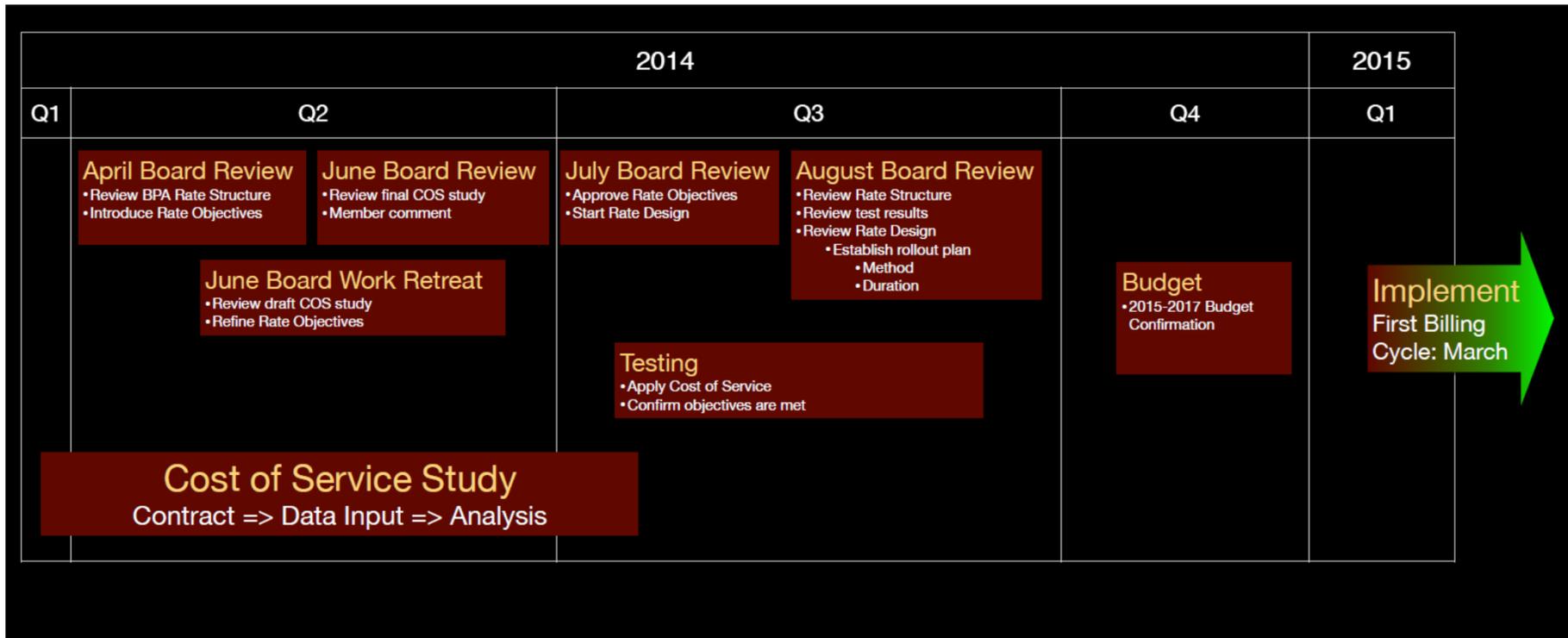
Telephone: (425) 889-2700 Facsimile: (425) 889-2725
www.eesconsulting.com



Agenda

- **Where are We?**
- **Proposed Rate Design & Impacts**
- **Next Steps**
- **Questions / Answers**

Expected Rate Design Time Table



Proposed Rate Design Options & Impacts

Rate Design Process

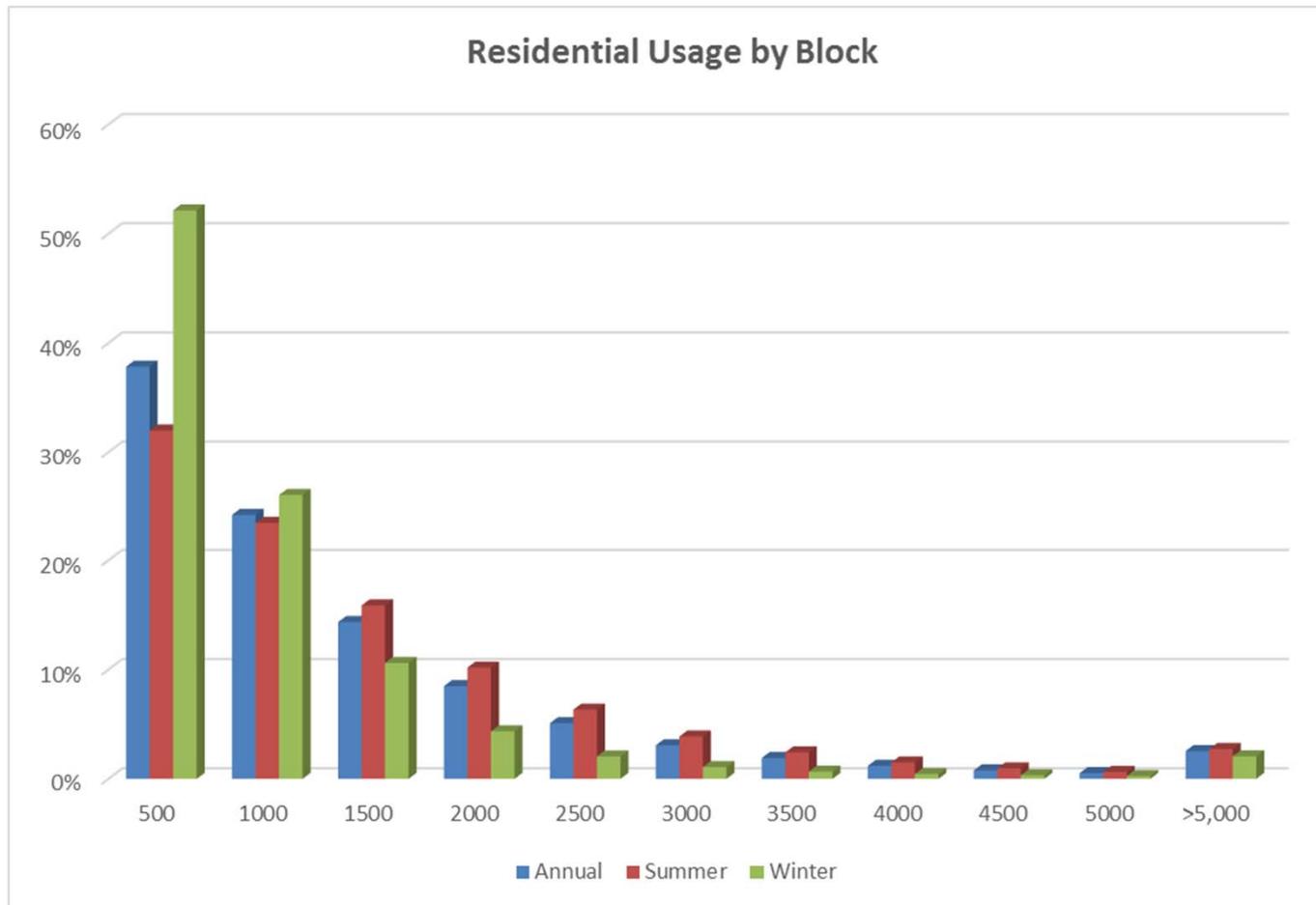
- **Determine Overall Rate Adjustment**
 - 6 percent by March 1, 2015
- **Determine Method for Allocating Rate Increase Across Classes:**
 - Across-the-board
- **Develop Proposed Rates**
 - Move towards demand charges
 - Consider conservation price signals – i.e. increasing blocks
 - Simplify rate schedules

Rate Design

- **Ensure Collection of Sufficient Revenues**
- **Monitor Intraclass Rate Changes**
- **Reflect Cost of Delivering Power in Rates**
 - Facilities charge
 - Demand charge
- **Develop Tiered rates**
 - Aware of heat pump customers
- **Phase-in of these proposed rates is needed**

COSA Results and Unit Costs

Residential



Proposed Rate Design Option

Residential

Proposed Rates Residential		
	Present	Proposed
Facilities Charge (\$/day)	\$28.60	\$30.32
Energy Charge Block 1 (\$/kWh)	\$0.0852 (0-5,000 kWh)	Summer Block 1 - \$0.0865 (0-1,500 kWh) Winter Block 1 - \$0.0865 (0-3,000 kWh)
Energy Charge Block 2 (\$/kWh)	0.1006 (> 5,000 kWh)	Summer Block 2 - \$0.1150 Winter Block 2 - \$0.1150
Demand Charge (\$/customer/Month)		\$2.50
<i>Rate Change over Present</i>		6.0%

*Summer (May 1st – Sept 31st)

*Winter (Oct. 1st – April 30th)

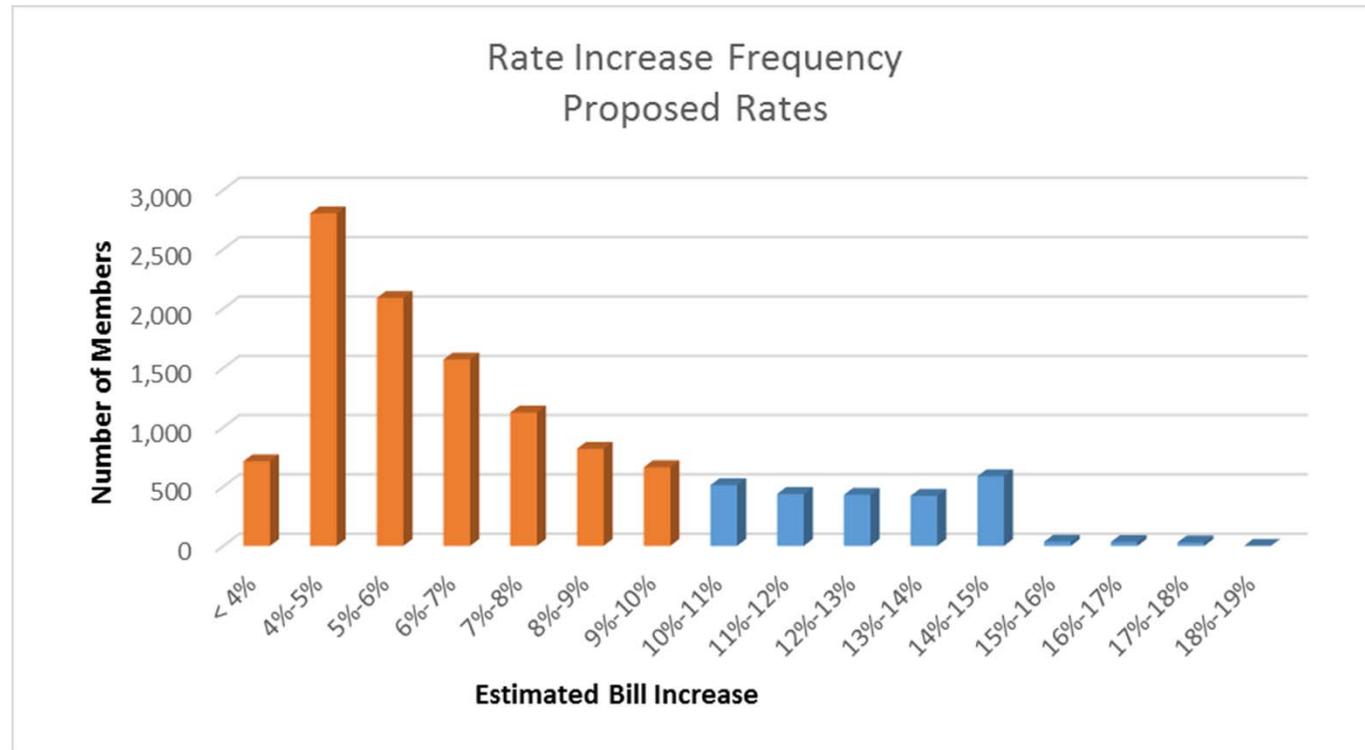
Proposed Rate Design Option Residential

- **Rate Increases**
 - Facilities Charge increase 6.4%, with demand charge increase 15.1%
 - Block 1 charge increase 1.5% - note change in block definition
 - Block 2 charge increase 14.3% - note change in block definition
- **Usage Within Each Block?**
 - Currently 97% of energy is within 1st block
 - New Rate Design
 - Block 1 – Summer: 21%, Winter: 68%
 - Block 2 – Summer: 8%, Winter: 3%

* Do not add up to 100% due to Rounding

Proposed Rate Design Option

Residential Impact



- Very small user and very large users see the highest percent rate increases
- 9,783 members with less than 10% rate increase
- 2,498 members with more than 10% rate increase

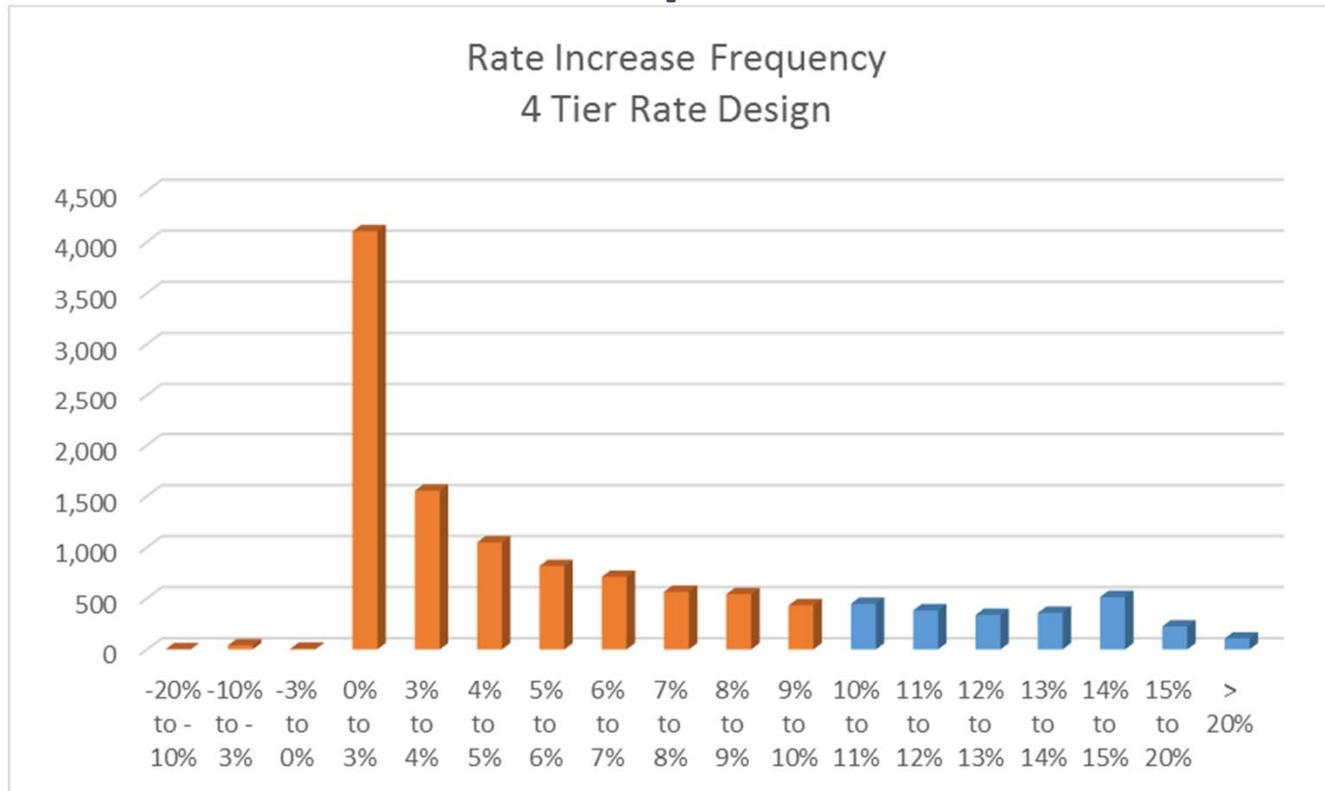
Proposed Rate Design Option

Alternate Proposal Residential

Proposed Rates 4-Tier Residential		
	Present	Proposed
Facilities Charge (\$/day)	\$28.60	\$30.32
Block 1	\$0.0852 (0-5,000 kWh)	\$0.08075 (<1,000 kWh)
Block 2	0.1006 (> 5,000 kWh)	\$0.09400 (1,000 - 2,500 kWh)
Block 3	N/A	\$0.12600 (2,500 - 5,000 kWh)
Block 4	N/A	\$0.141 (> 5,000 kWh)
Demand Charge	N/A	\$2.50 per Month

Proposed Rate Design Option

Alternate Residential Impact



- Rate increase range from -10% to 39%
- 9,825 members with less than 10% rate increase
- 2,373 members with more than 10% rate increase

Proposed Rate Design Options

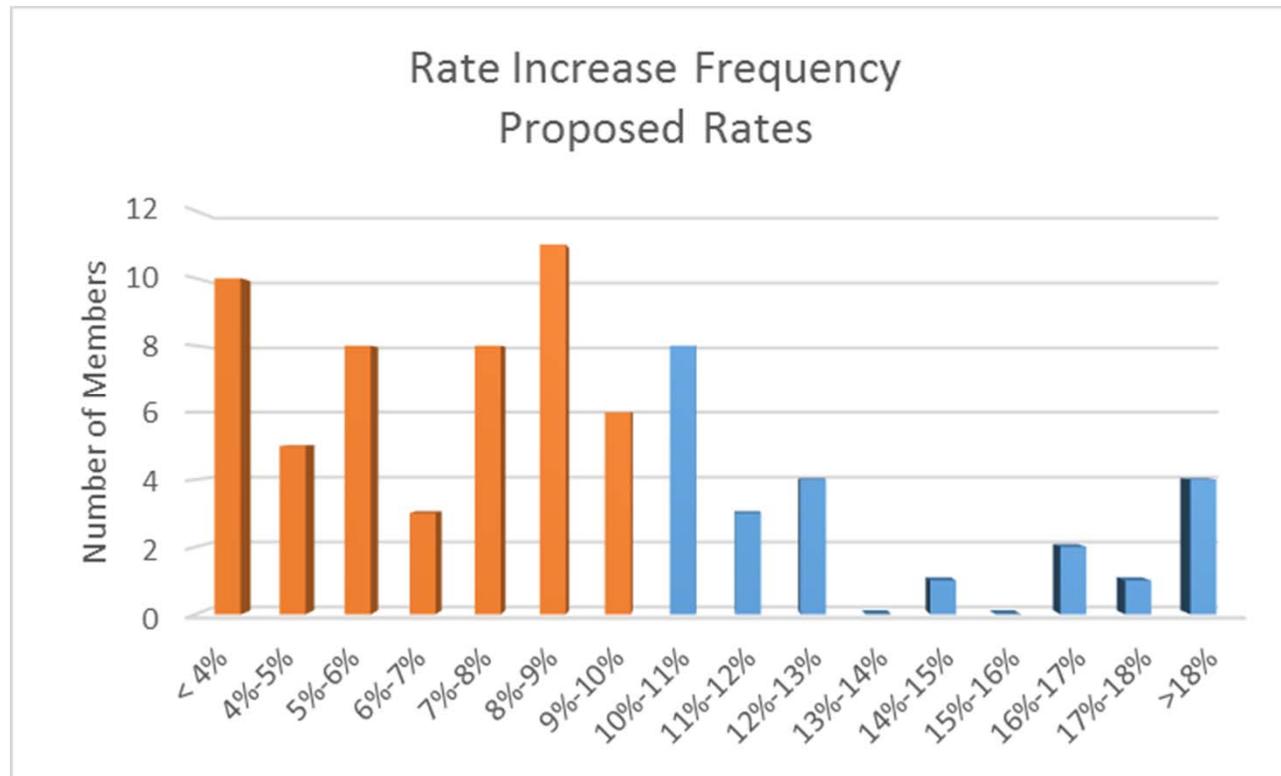
TOU Residential

Proposed Rates TOU Residential		
	Present	Proposed
Facilities Charge (\$/day)	\$32.20	\$34.13
Energy (6 am - Noon)	\$0.1294	\$0.1450
Energy (Noon - 6 PM)	\$0.0590	\$0.0900
Energy (6 PM - 6 AM)	\$0.0507	\$0.0400

- **Varied Increase by Rate Component**
 - 6% increase in facility charge
 - 12% increase in period 1
 - 54% increase in period 2
 - -21% increase in period 3
- **Increase Incentive to Shift Usage**

Proposed Rate Design Options

TOU Impact



- Rate shock will be reduced once behaviors change
- 51 members with less than 10% rate increase
- 23 members with more than 10% rate increase

Commercial Rate Design

- **Separate Small and Large Commercial**
 - Increase rates 6 percent
 - Demand charge to all
 - No Inclining block

- **How to distinguish between Small and Large?**
 - Non-Demand metered assumed small (80%)
 - Demand Metered assumed large (20%)

Proposed Rate Design Options

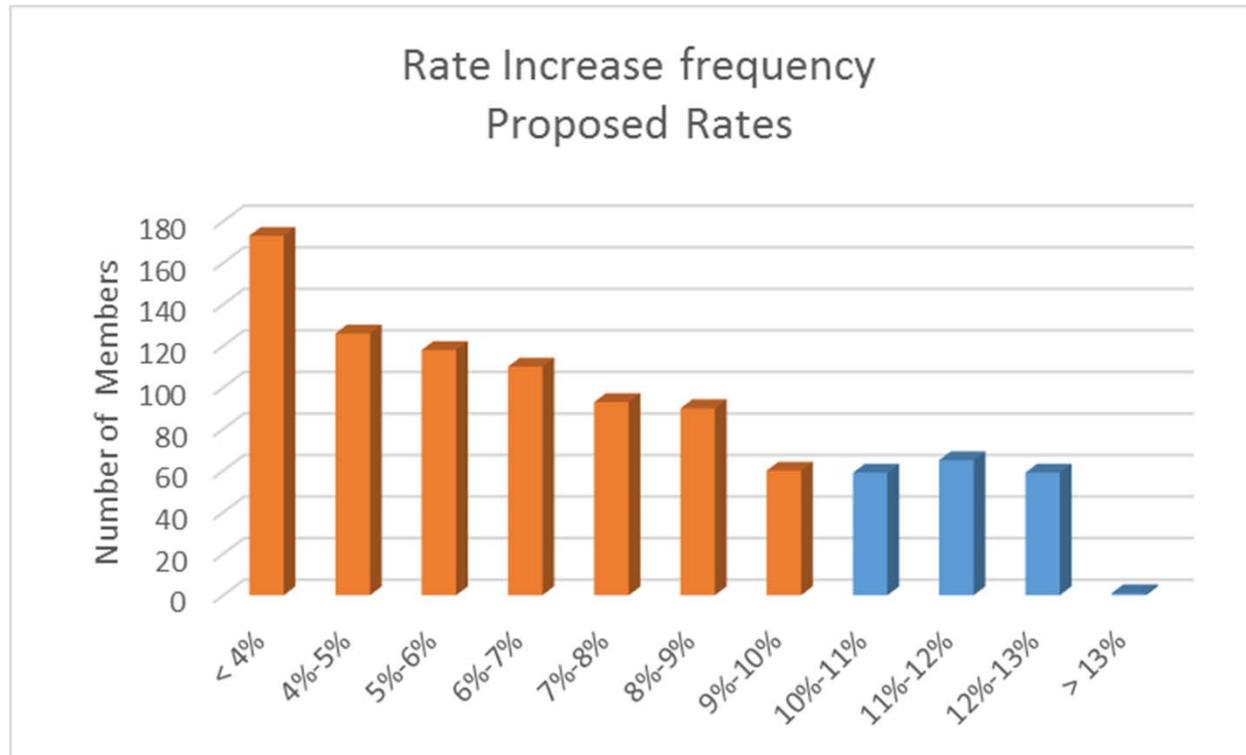
Small Commercial

Proposed Rates Small General Service		
	Present	Option 1
Facilities Charge (\$/day)	\$40.40	\$40.40
Block 1 - First 5,000 kWh	\$0.0866	\$0.0875
Block 2 - > 5,000 kWh	\$0.0781	\$0.0997
Demand Charge	\$3.15 (> 20 kW)	\$5.00 per Month

- **Approximately 1,220 members**
- **6.1% Increase Overall**
- **Small increase in Block 1 Rate**
- **Large Increase in Block 2 Rate**

Proposed Rate Design Options

Small Commercial Impact



- 770 members with less than 10% rate increase
- 185 members with more than 10% rate increase

Proposed Rate Design Options

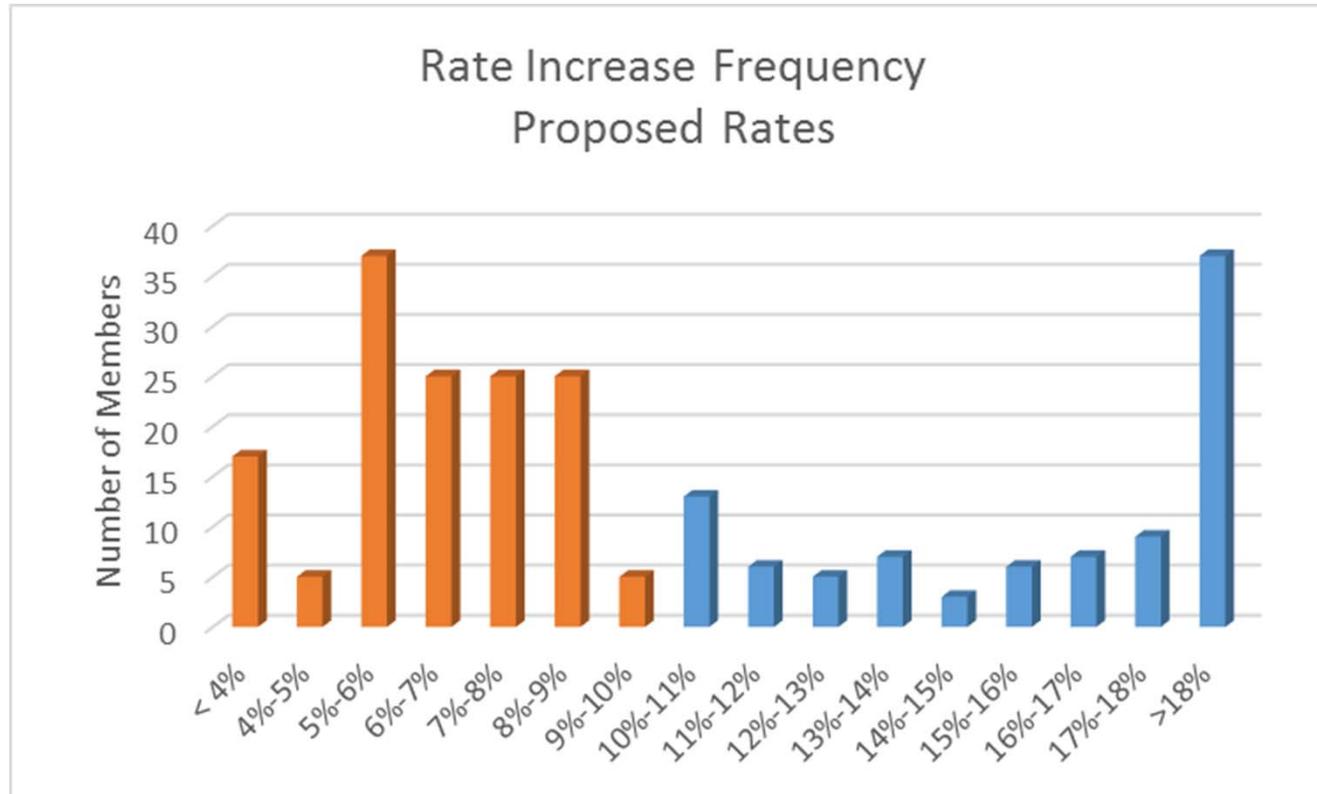
Large Commercial

Proposed Rates Large General Service		
	Present	Option 1
Facilities Charge (\$/day)	\$40.40	\$40.40
Block 1 - First 5,000 kWh	\$0.0866	\$0.0815
Block 2 - > 5,000 kWh	\$0.0781	\$0.0815
Demand Charge	\$3.15 (> 20 kW)	\$3.50 (all kW)

- **Approximately 300 members**
- **8.9% Increase Overall Based on 2013 Data**

Proposed Rate Design Options

Large Commercial Impact



- 139 members with less than 10% rate increase
- 93 members with more than 10% rate increase

Proposed Rate Design Option

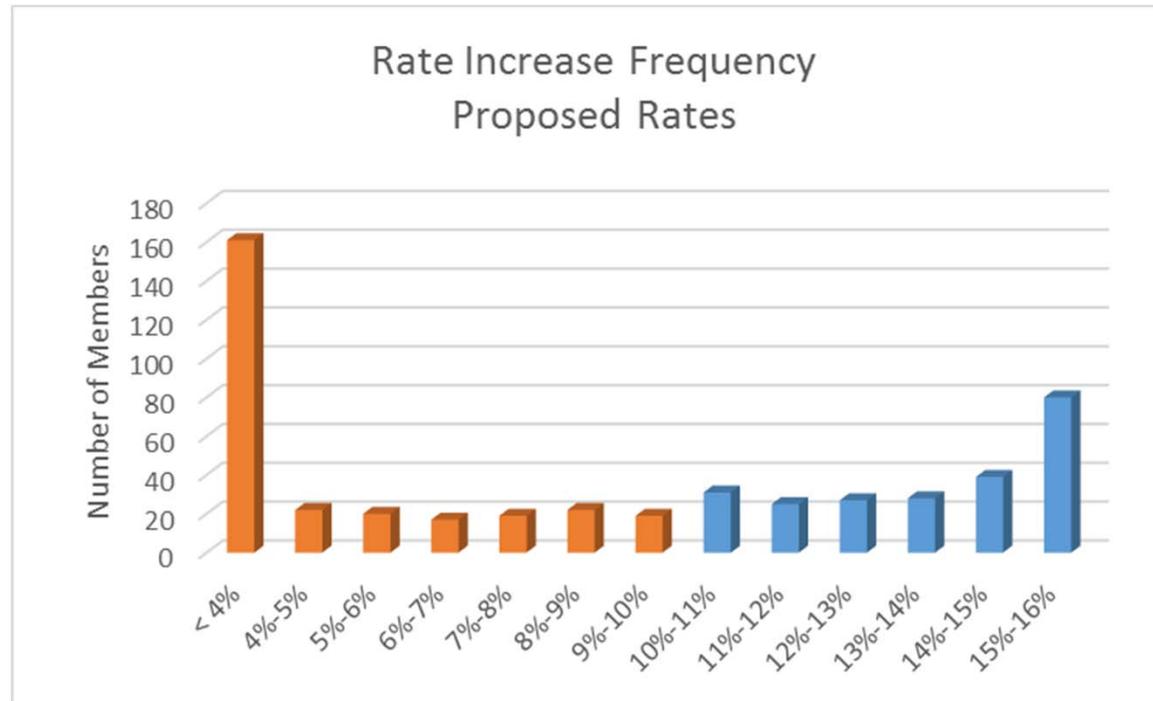
Pump

Proposed Rates Pumps		
	Present	Proposed
Facilities Charge (\$/day)	\$25.30	\$26.82
Block 1	\$0.0978 (< 370 kWh)	\$0.0752 (< 1,500 kWh)
Block 2	\$0.0752 (370 - 5,000 kWh)	\$0.0850 (> 1,500 kWh)
Block 3	\$0.0900 (> 5,000 kWh)	N/A
Demand Charge	\$3.15 (> 20 kW)	\$2.50 + \$3.15/kW (>20 kW)

- **Impacts Based on 2013 Actual Bill Data**
- **Overall Increase in Pump Revenues is 5%**
- **Impact for Pumps: -5% to 16%**
 - **Small customers with low usage: 16% increase**

Proposed Rate Design Options

Pumps Impact



- 285 members with less than 10% rate increase
- 231 members with more than 10% rate increase

Questions / Answers

MEMORANDUM

July 23, 2014

TO: Board of Directors
FROM: Chris Thomerson
RE: Strategic Directives Revisions

I propose the Board adopt the following two additional strategic directives:

7 a. OPALCO rate structure shall decouple fixed and variable costs and fairly allocate the significant separate system costs such as energy, demand, and facilities charges, to be brought substantially in line before the end of the current BPA contract in 2028

13. OPALCO develop, and fund relevant targeted goal driven programs, with measured deliverables and known financing requirements, to drive desired specific end results advantageous for the membership, such as Energy Efficiency, Local Renewable Generation, carbon footprint reduction, wise energy use, reduced member financial stress, etc.

Orcas Power & Light Cooperative

Board of Directors

Strategic Directives

Board Strategic Directives provide guidance in achieving the goals and objectives of OPALCO by addressing matters that may be impermanent in nature, cover specific circumstances, or terminate when complete or rendered obsolete by changing circumstance.

1. **Safety**

Safety is job #1.

2. **Sustainable Power Supply Strategy**

OPALCO will maintain a long term evolving strategic power supply resource plan to provide safe, adequate, reliable, advantageously priced power including appropriate mitigation of source risk, economic, climate and energy policy uncertainty. To that end, we will:

- Maintain BPA as our primary long-term power supplier.
- Investigate and form relationships with alternate suppliers of power.
- Implement energy efficiency and conservation programs as a cost effective power resource. These include member projects, BPA programs, and OPALCO infrastructure improvements.
- Encourage local generation installations consistent with our OPALCO grid operations.

3. **Cash Position and Reserves**

Ensure that cash and liquid assets are available in a timely manner to adequately provide reasonable preparedness for foreseeable cash demands and to mitigate potential significant damaging events including but not limited to storm damage, loss of electric supply, equipment or cable failure.

Build financial reserves with a goal of \$1 million in the cash reserve fund (working cash) and \$2 million in a restricted fund that is under the Board's control.

4. **Equity as a Percent of Capitalization**

With consideration for our risk management liabilities and all other relevant factors, a prudent equity-to-capital ratio shall be maintained which shall not fall below 60% on an annualized basis.

5. **Times Interest Earned Ratio**

The Times Interest Earned Ratio (TIER) must be maintained at a level that facilitates future debt structuring and satisfies major lending agencies with whom we do or might reasonably want to do business.

6. **Reliability of Electric Service**

Reliability of electric service is desired to generate justified satisfaction within our membership.

7. **Tariffs Aligned with Cost of Service**

A. Tariffs are to be based generally on cost of service. The Board seeks a long-term creative solution to reconcile the mutually exclusive objectives of decoupling power sales from

infrastructure costs while providing motivation for energy efficiency and satisfying our members.

B. OPALCO rate structure shall decouple fixed and variable costs and fairly allocate the significant separate system costs such as energy, demand and facilities charges, to be brought substantially in line before the end of the current BPA contract in 2028.

8. Communications with Members

Strengthen the cooperative's member communications by ensuring that the concepts of competent, caring, aware and good stewards are conveyed. Communications should both proactively and reactively address our policies, our programs and how members benefit from them, and how we operate.

9. Fiber Optic Backbone Non Operational Use

OPALCO shall complete the operational fiber optic backbone in accordance with our long-term plan. When opportunities arise that have a cost benefit, OPALCO is to extend the local fiber. OPALCO may be a conduit for state and local fiber optics programs in which members can participate and benefit.

10. Individual Charitable Donations

Cash donations to organizations are not allowed. Contributions in kind or physical items may be donated to further OPALCO Strategic Directives at GM's discretion.

11. Personnel Transition Plan – Apprentice and Training Programs for Key Positions

Succession planning needed for all appropriate staff positions. The following are considered some key positions: General Manager, System Engineer, Head Accountant, Linemen, Communications Technician, and Meter Technician.

12. Deployment of Technology to Support Operations

Identify, assess, implement, and fully utilize cost effective, financially feasible, proven technologies that support energy management, distribution delivery and member service programs on a cooperative-wide basis. Additionally, assess other technologies on a pilot basis to determine future applicability, opportunity, and potential benefit.

13. Targeted Goal Driven Programs

OPALCO shall develop and fund relevant targeted goal driven programs, with measured deliverables and known financing requirements, to drive desired specific end results advantageous for the membership, such as Energy Efficiency, Local Renewable Generation, carbon footprint reduction, wise energy use, reduced member financial stress, etc.

14. New Activities

New OPALCO activities may reasonably be considered if they meet the following criteria:

- Match existing or probably achievable core competencies
- Are economically viable and make financial sense
- Our community demonstrates a will or need to a satisfactory level

Jim Lett, President

Date

MEMORANDUM

August 15, 2014

TO: Board of Directors

FROM: Randy J. Cornelius

RE: Draft Policy 29 *Energy Rate Design*

The attached draft Policy 29 has been reviewed by Anne Falcon of EES Consulting; her suggested edits are included in the draft.

This is a work-in-progress and is presented for continuing the discussion on rate design.

ORCAS POWER AND LIGHT COOPERATIVE

POLICY 29

ENERGY RATE DESIGN

Draft

29.1 PURPOSE

To set forth policy relating to the development and implementation of electric rates that matches the strategic objectives of the cooperative.

29.2 POLICY

29.2.1 Commitment to Rate Design

It is the policy of the Board of Directors of OPALCO to develop electric rates that allow the Cooperative to provide electricity that is reliable, cost-based, considerate of the environment, and maintains the Cooperative's financial strength at the Cooperative's lowest cost.

29.2.2 Basic Fundamentals

- 29.2.2.1 The Cooperative will prepare revenue requirements and cost-of-service as required to have information needed to develop rates.
- 29.2.2.2 Rates will be developed and implemented that:
 - 29.2.2.2.1 Allocate cost across rate classes in an equitable manner;
 - 29.2.2.2.2 Minimize subsidies between classes. (Exceptions may occur due to a specific strategic initiative such as providing a low-income rate);
 - 29.2.2.2.3 Generate margins adequate to meet annual lender requirements and long-term financial objectives as per the Cooperative's strategic directives;
 - 29.2.2.2.4 Meet revenue requirement and are cost based;
 - 29.2.2.2.5 Are easy to understand and administer.
- 29.2.2.3 Environmental Commitment
 - 29.2.2.3.1 Develop and implement rates that encourage energy conservation and efficiency.
 - 29.2.2.3.2 Promote the use of renewable resources.
 - 29.2.2.3.3 Develop effective demand-side management programs.
- 29.2.2.4 Technology

29.2.2.4.1 Invest in technologies that:

29.2.2.4.1.1 Allow the Cooperative to properly signal the consumer as to the current price of energy;

29.2.2.4.1.2 Implement demand-side management programs;

29.2.2.4.1.3 Enhance customer service and reliability.

29.2.2.5 Monitoring

Management should be held accountable for implementing rates as approved by the Board of Directors and routinely report to the Board of Directors as to the need to adjust rates to account for changes in cost or strategic initiatives.

MEMORANDUM

August 15, 2014

TO: Board of Directors

FROM: Randy J. Cornelius

RE: Member Service Policy 14 *Interconnection of Member Generators*

Included is a draft of recommended revisions to MS Policy 14.

Minor edits are necessary to accommodate growing Member Generator (MG) system capacity, including clarification of incentive pools. Additional edits will be proposed at a later date to address Community Solar projects and the M.O.R.E. Committee moving under Policy 28 as part of the increased scope for the San Juan Islands Conservation District's MOU.

This is for discussion only this month; the final draft will be submitted for approval at the September board meeting.

ORCAS POWER & LIGHT COOPERATIVE
MEMBER SERVICE POLICY 14
INTERCONNECTION OF MEMBER GENERATORS

This policy covers interconnection of any member owned generating facility, herein referred to as Member Generator (MG), to the OPALCO distribution grid. Any MG energized prior to December 17, 2003 will continue to be covered under Member Services Policy 13.

The member may select from the following options:

(1) Net Metering allows the MG to consume energy generated by their system which will offset the amount of energy purchased from OPALCO. MG may qualify for additional production incentives through the Member Owned Renewable Energy Program (MORE); OR

(2) Buy/Sell allows the MG the option to consume a portion of the energy produced; however, 51% of the energy produced must be sold to OPALCO.

14.1 AVAILABILITY

- 14.1.1 Energy must be generated from small-scale renewable resources such as solar, wind, and micro-hydro;
- 14.1.2 All power is considered non-firm, (this means power that is not available 24 hours per day, seven days per week);
- 14.1.3 Facilities with nameplate capability no greater than 200 kilowatts;
- 14.1.4 Requests for interconnection will be processed on a first-come, first-served basis. The maximum cumulative generating capacity of all MGs connected to OPALCO's grid is ~~one~~ two Megawatts (MW);
- 14.1.5 OPALCO shall reserve the right to apply a fixed fee for administrative costs. The member shall be given reasonable notice before fixed fees are applied.

14.2 SERVICE CHARACTERISTICS

Single or three phase service, 60 Hz, at OPALCO voltages of 240/120, 480/277, 208/120 are available. In areas served by single phase lines, only single phase power will be purchased or sold unless the MG requests three phase service in accordance with OPALCO's line extension policy.

14.3 GENERAL PROVISIONS

14.3.1 Design Requirements

The MG shall be built and operated to comply with *Interconnection Standards for Member Generators with nameplate capability no greater than 200kW.*

14.3.2 Interruption or Reduction of Deliveries

- 14.3.2.1 OPALCO shall not be obligated to accept delivery of MGs' energy and may require MG to interrupt or reduce such delivery:

- 14.3.2.1.1 In order to construct, or maintain any of OPALCO's equipment or system;
 - 14.3.2.1.2 If curtailment is necessary because of emergencies, forced outages, or compliance with prudent electrical practices.
 - 14.3.2.2 OPALCO will, whenever possible, give the MG reasonable notice that interruption or reduction of delivery may be required.
- 14.3.3 The MGs proposed facility must be pre-approved by the OPALCO Engineering Department prior to construction.
 - 14.3.3.1 Member shall provide a detailed interconnection diagram showing protective disconnecting device(s) and over/under voltage and current devices.
 - 14.3.3.2 MG may be required to install additional protective equipment. OPALCO shall have the right to have representatives present at the initial testing of member's protective apparatus.
 - 14.3.3.3 MG shall not commence parallel operation of the facility until OPALCO has authorized the start up.
- 14.3.4 The MG shall complete, sign and submit an *Interconnection Application* and an *Agreement for Interconnection of Member Generators* prior to beginning construction.
- 14.3.5 Member shall pay for designing, installing, operating and maintaining the MG in accordance with OPALCO standards and agreements that apply at the time of installation. OPALCO's standards and agreements are detailed in OPALCO's *Agreement for Interconnection of Member Generators* and *Interconnection Standards for Installation of Member Generators*, which may be amended from time to time.
- 14.3.6 OPALCO reserves the right to designate the metering type, location, and method of interconnection. The MG shall be required to pay a contribution in aid of construction for all equipment and upgrades necessary to OPALCO's distribution system in order to accommodate the facility.
- 14.3.7 Member shall obtain any governmental authorizations and permits required for the construction and operation of the MG. Member shall reimburse OPALCO for any and all losses, damages, claims, penalties or liability it incurs as a result of member's failure to obtain or maintain any governmental authorizations and permits required for construction and operation of MG or failure to properly maintain member's facility.
- 14.3.8 The MG shall comply with all requirements and standards of the National Electric Code (NEC), National Electrical Safety Code (NESC), American National Standards Institute (ANSI), Institute of Electrical and Electronic Engineers (IEEE), American Society of Mechanical Engineers (ASME), Western Electricity Coordinating Council (WECC), Underwriters Laboratories (UL), North American Electric Reliability Corporation (NERC) the National Electric Code General Order 95, and all local, state, and federal rules and regulations or codes which may be applicable.

- 14.3.9 All safety and operation procedures for MG must comply with the Occupational Safety Health Administration (OSHA) standards, the NEC, Washington Administrative Code (WAC) rules, Washington Industrial Safety and Health Administration (WISHA) standards, and equipment manufacturers' safety and operation manuals.
- 14.3.10 Notwithstanding any other provision of this policy, if at any time OPALCO determines that either (1) the facility may endanger OPALCO personnel or (2) the continued operation of member's facility may endanger the integrity of OPALCO's electrical system, OPALCO shall have the right to disconnect MG from OPALCO's electric system. The MG shall remain disconnected until all hazardous conditions have been corrected.
- 14.3.11 The owner of the MG shall install, at no cost to OPALCO, a disconnect device that is manually operated, accessible, visible, and lockable. OPALCO reserves the right to lock this device in the "open" position. This protective switching equipment may be operated without notice or liability by OPALCO or an OPALCO representative if, in the opinion of OPALCO or its representatives, continued operation of the MG in connection with OPALCO's system may create or contribute to a system emergency or safety hazard. OPALCO shall endeavor to minimize any adverse effects of such operation on the MG.
- 14.3.12 The MG must provide OPALCO a written notice of sale or transfer of the MG or the premises upon which the facility is located within thirty (30) calendar days. To continue interconnection service to the new MG, a new interconnection agreement, signed by the new MG, is required within thirty (30) calendar days. Production incentive payments will cease to departing member, but will transfer to new owner upon receipt of signed documents.
- 14.3.13 OPALCO may enter member's premises or property:
- 14.3.13.1 To inspect the member's protective devices during reasonable hours with prior notice;
 - 14.3.13.2 To disconnect at OPALCO's meter or transformer, without notice, the MG (or the entire service if the MG cannot be disconnected at or near the meter) if, in OPALCO's opinion, a hazardous condition exists.

14.4 NET METERING

- 14.4.1 Net Metering is the connection method in which the MG may consume the energy generated by their system in order to offset the amount of energy purchased from OPALCO. In the event the energy generated exceeds the energy consumed by the MG, the excess may be distributed to OPALCO's grid.
- 14.4.2 In no case will a credit be issued for excess energy generated. A bill for zero usage will be issued and excess kWhs will be "banked" for usage by the member in a subsequent month. Payment for any banked kWhs remaining on April 30th of each year shall be made based on OPALCO's yearly average of wholesale power purchased from BPA. The yearly average shall be determined each year on March

31st using OPALCO's year-end Rural Utilities Service (RUS) Form 7, Part K, Section (e) *Average Cost*. In addition, a green power premium shall be paid at one cent (\$.01) per kWh.

- 14.4.3 The Net Metering billing adjustment applies to charges for energy consumed only. A member participating in the Net Metering Program is subject to the OPALCO tariff under which the member receives service. Banked kWhs shall be applied only to energy usage and not the basic charge. In all cases, the basic charge will apply.
- 14.4.4 OPALCO shall provide meter aggregation for members who are participating under the Net Metering section of this policy. If a member's interconnection under Net Metering is known to produce more energy than the member's premises can consume on a yearly basis, then OPALCO shall allow the member to apply the excess energy to any other of the member's account(s) that are under exactly the same name as the member's interconnected facility. The member shall provide OPALCO with the account information for which they wish meter aggregation at the time application is made. Members can change the accounts which are being aggregated one time each year, on or before April 30th. Requests must be in writing and the change shall take effect in the next billing period.

14.5 BUY/SELL

- 14.5.1 Buy/Sell is the connection method in which no less than 51% of the generation will be sold to OPALCO.
- 14.5.2 Energy delivered into the OPALCO system will be reimbursed on a monthly basis by OPALCO. The established rate at which OPALCO will purchase all energy flowing out of the MG and delivered to OPALCO's distribution grid for non-firm power shall be based on OPALCO's yearly average of wholesale power purchased from BPA. The yearly average shall be determined each year on March 31st using OPALCO's year-end Rural Utilities Service (RUS) Form 7, Part K, Section (e) *Average Cost*. In addition, a green power premium shall be paid at one cent (\$.01) per kWh.
- 14.5.3 The Buy/Sell option applies to charges for energy consumed only. In all cases the basic charge will apply. OPALCO reserves the right to limit purchases that exceed OPALCO's ability to resell the power to its members.

14.6 MEMBER OWNED RENEWABLE ENERGY (MORE) FUND/PRODUCTION INCENTIVES

All MORE incentives will be funded through voluntary contributions; OPALCO offers no guaranteed incentive payments. New MGs will be admitted into the MORE Incentive Program on a first come, first served basis after July 1, 2010. MORE installations will follow the Net Metering Section 14.4 of this policy.

- 14.6.1 Production meter: Member will install, at their expense, a meter base which will accommodate an OPALCO meter. The production meter is a separate meter from the OPALCO billing meter and is required to record all energy produced from the MG.

14.6.2 Incentives will be administered through an independent committee of OPALCO members following approved MORE committee guidelines. See MORE guidelines for more details.

14.7 WASHINGTON STATE RENEWABLE ENERGY SYSTEM COST RECOVERY (WSRESCR) INCENTIVE

14.7.1 All MGs are eligible for the WSRESCR incentive. ~~based on MGs having their system~~ **MGs must have their system certified by Washington State University to participate. OPALCO's incentive pool is subject to a state-defined cap. Once the cap is reached, incentives paid to participating MGs will be proportionally decreased.**

14.7.2 Member will install, at their expense, a meter base which will accommodate a production meter. The production meter is a separate meter from the OPALCO billing meter and is required to record all energy produced from the MG.

14.8 INDEMNITY AND LIABILITY

Member shall hold harmless and indemnify OPALCO, its other members, employees, and its agents, from any damage, loss, claim or expense arising out of member's actions or inaction in connection with this policy. OPALCO shall hold harmless and indemnify member for any loss, claim or expense arising out of the actions or inaction of OPALCO, its employees, or its agents in implementing this policy. This section shall not relieve any insurer of its obligation to pay claims in accordance with the provisions of any valid insurance policy.

Randy J. Cornelius, General Manager

September 18, 2014
Effective Date

MEMORANDUM

August 15, 2014

TO: Board of Directors
FROM: Randy J. Cornelius
RE: Policy 19 Draft Revisions

OPALCO lacked a policy covering workplace breastfeeding as required by law. Policy 19 *Family Medical Leave Act* was revised to include this addition.

This is presented for discussion only this month; the final draft will be presented in September for approval.

ORCAS POWER AND LIGHT COOPERATIVE

OPALCO POLICY 19

FAMILY MEDICAL LEAVE ACT

DRAFT REVISIONS TO 19.9

Under the Family and Medical Leave Act (FMLA), eligible employees may request to take a total of twelve (12) weeks of unpaid leave in any twelve (12) month period for certain family or personal health care needs. This policy describes the provisions of OPALCO's leave policy and how this leave relates to the Cooperative's other benefits.

19.1 ELIGIBILITY

You are eligible to take leave under this policy if, at the time you request it:

- 19.1.1 You have worked at OPALCO for at least twelve (12) months.
- 19.1.2 You have worked for OPALCO at least 1,250 hours in the previous twelve (12) months.
- 19.1.3 You work at an OPALCO work site which has fifty (50) or more employees or is within seventy-five (75) miles of work sites that, together, have a total of fifty (50) or more employees.

19.2 REASONS FOR LEAVE

- 19.2.1 To care for yourself because of a serious health condition that prevents you from performing the essential functions of your job.
- 19.2.2 The birth of your child or the placement of a child with you through adoption or foster care.
- 19.2.3 To care for a parent, spouse, child, parent-in-law, or grandparent who has a serious health condition requiring either inpatient care or continuing care by a health care provider for a condition requiring more than three days' absence from work or school which otherwise prevents your family member from performing daily activities for more than three days.

19.3 AMOUNT CREDITING OF LEAVE

- 19.3.1 At the time you request leave, you may take up to a maximum of twelve (12) work weeks in any calendar year.
- 19.3.2 FMLA leave for the birth or placement of a child must be taken all in one block and must be taken within one year of the birth or placement of a child.
- 19.3.3 FMLA leaves may be taken intermittently or on a reduced-hours basis but only to the extent medically necessary. Approved intermittent FLMA leaves will be on an unpaid basis.
- 19.3.4 If, at the time you request leave, you have accrued vacation and unused personal or sick days, you will be required to use these days before you can take unpaid FMLA leave. Vacation, personal days, sickness and accident leave will count toward the twelve (12) week FMLA leave allotment.

19.4 DURING THE LEAVE

While you are on FMLA leave, the cooperative will continue health benefits under the same terms and conditions as those for active employees. The effect of FMLA leave on other benefit plans will be explained at the time FMLA leave is approved.

19.5 PROCEDURES

19.5.1 Notice

In general, you must give the company thirty (30) days advance notice before commencing FMLA leave. In emergency situations, you must give as much advance notice as practicable.

19.5.2 Intermittent/Reduced Hours Leave

If you are requesting intermittent or reduced-hours leave (as opposed to taking all your leave in one block), you must schedule the leave, insofar as possible, to minimize disruption to your work schedules and assignments. OPALCO may reassign you to another function within the same job class if it will better accommodate your recurring absences for intermittent or reduced-hours leave.

19.5.3 Medical Certification

19.5.3.1 All leaves involving a serious health condition, including the birth of a child, require medical certification from you or your family member's health care provider to substantiate the existence of a condition requiring the leave.

19.5.3.2 In the event you use FMLA leave for your own care, your health care provider must also certify either that you cannot perform any job or that you cannot perform the essential functions of your own job.

19.5.3.3 Medical certification forms are available from the human resources office.

19.5.3.4 OPALCO has the right to obtain a second opinion on the need for you to take FMLA leave.

19.6 RETURNING TO WORK

19.6.1 When you are able to return to work, the cooperative will restore you to your same job and all benefits.

19.6.2 Before you can return, the cooperative may require you to submit a medical release from your physician to verify that you are able to resume your duties with OPALCO.

19.6.3 If you fail to return to work, and there are no extenuating circumstances, OPALCO may require you to pay its share of the health care premiums it made on your behalf during the leave.

19.7 MISCELLANEOUS

- 19.7.1 OPALCO will take all steps necessary to administer this leave policy, including deciding which absences from work will be charged to FMLA leave time. To the extent consistent with applicable law, OPALCO has the responsibility to interpret this policy and decide any issue not expressly addressed by it. OPALCO may at any time change this policy, provided such changes comply with applicable law. Should any provisions of this policy conflict with the FMLA or its regulations, the FMLA and its regulations shall control.
- 19.7.2 Nothing in this policy insulates you from the application of any other company policies; e.g., while on leave you remain subject to all changes that may occur in the company's health care program and are subject to all other employment-related policies of general applicability.
- 19.7.3 Leaves of absence other than FMLA will continue as provided under the Collective Bargaining Agreement.

19.8 OPALCO FAMILY MEDICAL LEAVE GUIDE/EMPLOYEE CHECKLIST

Eligibility: Eligible employees may request family leave only after having been employed (1) for at least 12 months by OPALCO before the leave is requested; and (2) for at least 1, 250 hours of actual service for OPALCO during the previous 12 month period immediately before the leave commences.

- 19.8.1 For leave that is foreseeable, notify the human resources administrator thirty (30) days in advance of the need, the reason and expected duration of leave. For leave that is not foreseeable, give notice as soon as practicable (within one or two business days of need for leave).
- 19.8.2 Fill out the *Request for Leave* form completely and return it to human resources.
- 19.8.3 Once your *Request for Leave* form is completed correctly, you will receive notification on whether you qualify from human resources. This is the *Employer Response Form*.
- 19.8.4 For FMLA leave for a family member (which shall mean spouse, child, parent, parent-in-law, and grandparent) or the employee's own *serious health condition*, human resources requests that the *health care provider* complete the *Certification of Health Care Provider* form. (Job description must be attached for employees seeking FMLA leave). Once completed, send it to human resources within fifteen (15) days of request. (Under certain circumstances, OPALCO may request recertification of your condition. Recertification compliance is required with 15 calendar days). Failure to submit the appropriate paperwork to human resources within the 15 calendar day time frame may result in the denial of FMLA leave.
- 19.8.5 An eligible employee may take up to twelve (12) weeks of unpaid leave or use applicable leave balances (sick, compensatory, and vacation).

- 19.8.6 If an employee is found ineligible for FMLA leave, standard leave policies will apply.
- 19.8.7 Follow up medical documentation may be requested of the employee only by human resources during the time the employee is on leave.
- 19.8.8 If the employee is on unpaid approved FMLA leave, it will be his/her responsibility to pay the employee portion of the monthly health care premium to the OPALCO payroll office.
- 19.8.9 At the end of the FMLA leave, the employee will be reinstated to the original or equivalent position, provided they do not qualify as a "key" employee as defined by the Department of Labor and Industry.
- 19.8.10 Spouses, both of whom are employed by OPALCO, are jointly entitled to a combined total of twelve (12) work weeks of family leave for the birth, adoption or foster care placement of a child. If FMLA leave is for birth, adoption, or foster care placement of a child, use of intermittent leave is subject to the employers approval.
- 19.8.11 If intermittent or reduced work schedule is requested, it must be discussed and developed by the employee and human resources. Human resources will include the supervisor, only to arrange for a new work schedule that does not unduly disrupt OPALCO's operations.
- 19.8.12 Provide human resources with periodic updates in any changes in your condition, need for leave, and intent to return to work.
- 19.8.13 A two-week notification must be given to human resources of your intent to return to work.

19.9 Workplace Breastfeeding

19.9.1 Company Responsibilities

19.9.1.1 Milk Expression Breaks: Breastfeeding employees are allowed to breastfeed or express milk during work hours using their normal breaks and meal times. For time that may be needed beyond the usual break times, employees may use personal leave or may make up the time as negotiated with their supervisors.

19.9.1.2 A Place to Express Milk: A private room (not a restroom) shall be available for employees to breastfeed or express milk. The room will be private and sanitary, located near a sink with running water for washing hands and rinsing out breast pump parts, and have an electrical outlet. If employees prefer, they may also breastfeed or express milk in their own private office, or in other comfortable locations agreed upon in consultation with the employee's supervisor. Expressed milk can be stored in the company refrigerator.

19.9.1.3. Staff Support: Supervisors and managers are responsible for alerting pregnant and breastfeeding employees to the company's worksite lactation support program and for negotiating policies and practices that will help facilitate each employee's infant feeding goals. It is expected that all employees will assist in providing a positive atmosphere of support for breastfeeding employees.

19.9.2 Employee Responsibilities

19.9.2.1 Communication with Supervisors: Employees who wish to express milk during the work period shall keep supervisors and managers informed of their needs so that appropriate accommodations can be made to satisfy the needs of both the employee and the cooperative.

19.9.2.2 Maintenance of Milk Expression Areas: Breastfeeding employees are responsible for keeping milk expression areas clean, using anti-microbial wipes to clean the pump and area around it. Employees are also responsible for keeping the general lactation room clean for the next user. This responsibility extends to both designated milk expression areas and other areas where milk may be expressed.

19.9.2.3 Milk Storage: Employees should label all milk expressed with their name and date collected so it is not inadvertently confused with another employee's milk. Each employee is responsible for proper storage of her milk using OPALCO's refrigerator or her own personal storage cooler.

19.9.2.4 Use of Break Times to Express Milk: When more than one breastfeeding employee needs to use the designated lactation room, employees can use the sign-in log provided in the room to negotiate milk expression times that are most convenient or best meet their needs.

Randy Cornelius, General Manager

Effective Date: August 1, 2003

OPALCO FAMILY & MEDICAL LEAVE (FMLA) REQUEST FORM

Name: _____ Date: _____

Social Security Number: _____ Department: _____

Mailing Address (home): _____

Home Phone Number: _____ Work Phone Number _____

Supervisors Name: _____ Phone Number: _____

Normal Work Hours Per Week: _____ Hire Date: _____

Anticipated Begin Date of Leave: _____

Expected Return to Work: _____

Have You Taken Other *FMLA* Leave During this Calendar Year? _____

Explain Reason or Request:

Schedule for Leave Request:

_____ For entire period requested above.

_____ Intermittent (a few hours a day for a few days a week or on an as needed basis).

_____ Reduced Schedule (reduction in hours worked per work week or work day).

Request is initiated by: Employee _____ Supervisor _____ Other _____

Signature: _____ Date: _____

Note: After making the supervisor aware that the employee needs leave for a reason that might qualify for FMLA leave, it is the responsibility of the employee to obtain from the health care provider the completed *Certification of Health Provider Form* and return to human resources within fifteen (15) days.

REPORTS

MEMORANDUM

August 15, 2014

TO: Board of Directors

FROM: Randy Cornelius, General Manager

RE: 2014 Second Quarter Financials

The 2014 second-quarter financial results are being sent as a separate file for review prior to the Board meeting. Included in the report are the Statement of Operations (along with a Notable Drivers analysis), Balance Sheet, Statement of Cash Flow (Non-GAAP, GAAP, and a comparison between the two formats), Capital Projects Budget, Island Network Financial Tracking Tool, and the 2014 Draft RUS Form 7.

Staff will be available to discuss the information in detail during the August 21 Board meeting.

Orcas Power and Light Cooperative
Cash Recap
July 31, 2014

	Rate	Term	Due Date	Amount	Total Balance
GENERAL FUNDS					
Cash on Hand				600	
Cash in Checking - Key Bank				88,757	
Cash in Checking/MMDA/Construction - Islanders Bank				1,059,124	
Cash in Checking/Savings/Payroll - Wells Fargo				347,444	
SUBTOTAL GENERAL FUNDS					1,495,926
CASH RESERVE FUND:					
CFC Commercial Paper	0.13%	35	8/15/14	400,148	
SUBTOTAL CASH RESERVE FUND					400,148
RESTRICTED FUND:					
CFC Select Notes	0.3700%	158	8/29/14	352,091	
CFC Select Notes	0.2500%	73	9/25/14	551,744	
CFC Select Notes	0.3800%	160	12/4/14	132,958	
CoBank - AIM				151,642	
Home Street Bank	0.3490%	547	4/29/15	105,141	
Washington Federal Savings	0.4000%	395	12/29/14	107,998	
Washington Federal Savings	0.4000%	395	6/19/15	109,082	
SUBTOTAL RESTRICTED FUNDS					1,510,655
GRAND TOTAL FUND ENDING BALANCE 7/31/14					<u>3,406,729</u>

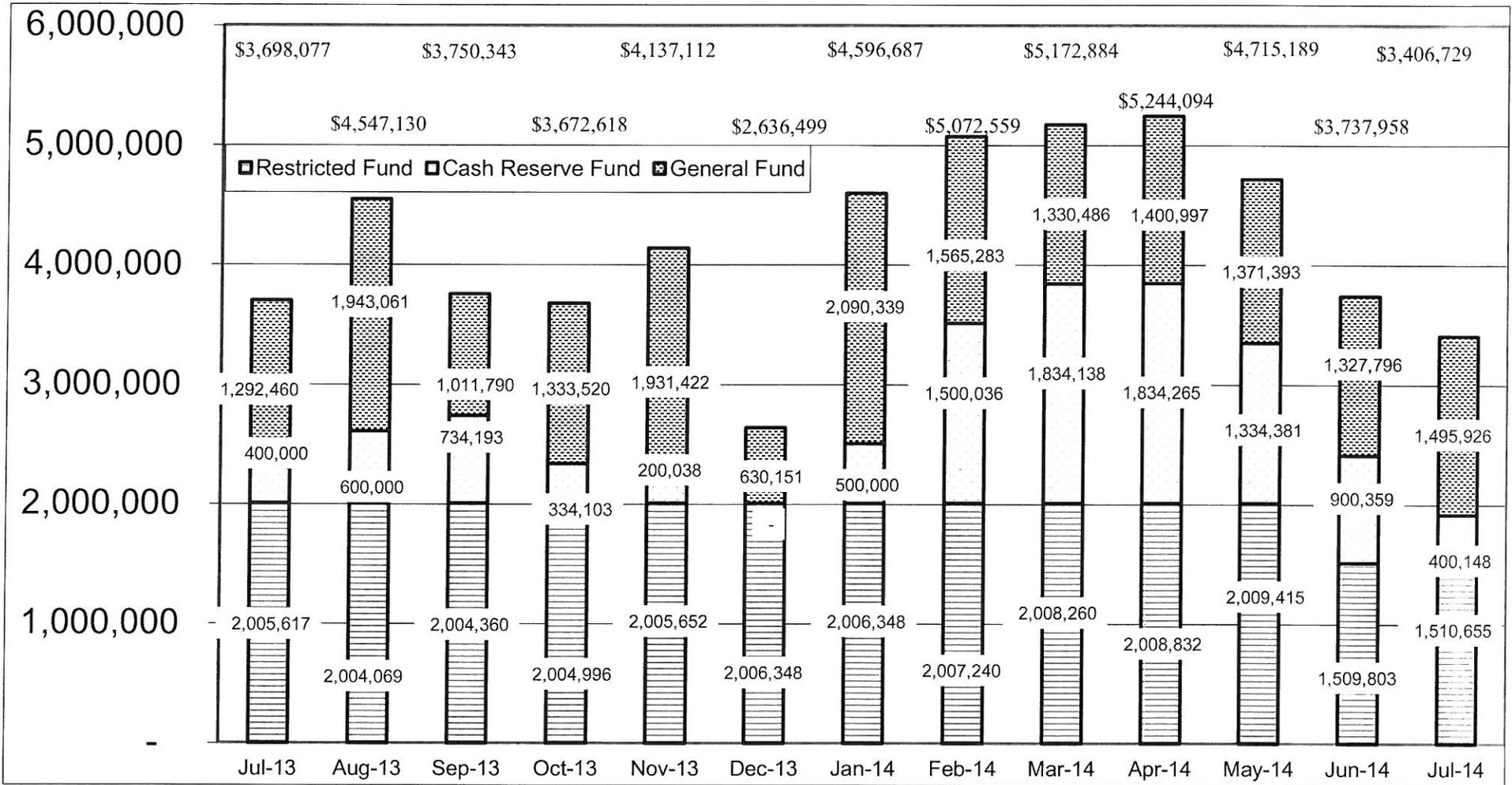
Project PAL: Islanders Bank				<u>21,626</u>	
MORE Program: Islanders Bank				<u>176,739</u>	
RUS Cushion of Credit *	5.000%			<u>922,466</u>	

CASH PROJECTION:
August 31, 2014

GENERAL FUNDS:					
Beginning Cash 7/31/14				1,495,926	
Estimated Revenue (based on 95% of billing)				1,473,073	
Estimated Other Revenue				20,000	
Transfer From Restricted Fund				0	
Estimated Transfer From Reserve Fund				0	
Estimated Transfer From RUS Cushion of Credit				19,129	
Subtotal Cash/Revenue				<u>3,008,127</u>	
Estimated Accounts Payable				(806,000)	
Estimated Payroll and Benefits				(673,000)	
Estimated RUS Principal and Interest Payment				(19,129)	
Power and Transmission Bill (July bill)				(421,778)	
Subtotal Expenses				<u>(1,919,907)</u>	
Projected Ending Balance 8/31/14					1,088,220
CASH RESERVE FUND:					
Beginning Cash 7/31/14				400,148	
Estimated Transfer To General Fund				0	
Projected Ending Balance 8/31/14					400,148
RESTRICTED FUND:					
Beginning Cash 7/31/14				1,510,655	
Transfer To General Fund				0	
Projected Ending Balance 8/31/14					1,510,655
PROJECTED GRAND TOTAL FUND ENDING BALANCE 8/31/14					<u>2,999,023</u>
PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 8/31/14					<u>(407,705)</u>
RUS CUSHION OF CREDIT*:					
Beginning Balance 7/31/14				922,466	
Transfer From General Fund				0	
Estimated Transfer To General Fund				(19,129)	
Projected Ending Balance 8/31/14					<u>903,337</u>

* represents advance payments unapplied for RUS long term debt

TOTAL FUND BALANCE

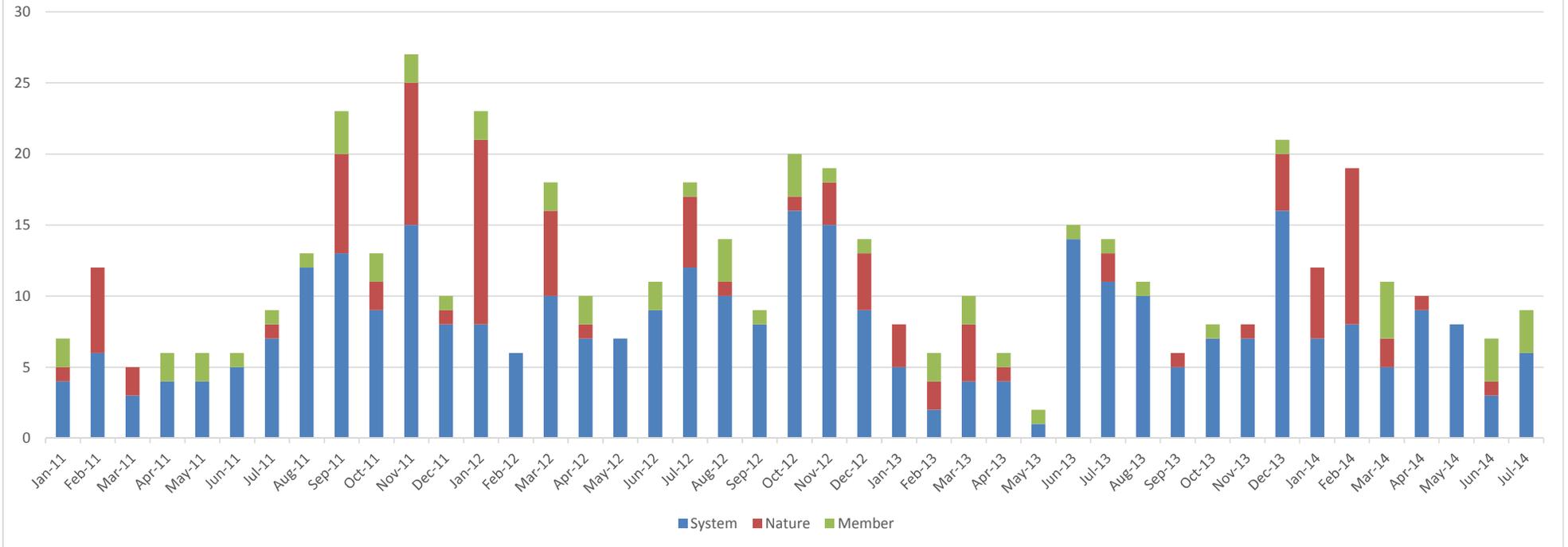


Notes:

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. 2014 - RUS loan draw \$1.22M @ 3.456% (January 2014)
3. 2014 - RUS loan draw \$878k @ 3.479% (January 2014)

Outage Report: Trending + YTD Summary

Outage Occurrence Trending



YTD Summary

Category Description	Group Description	July 2014			YTD 2014			YTD 2013		
		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	2	66	5.1	9	250	29.6	5	808	12.766
System	System Issue	1	1	15	5	34	23	4	1188	3.5
System	Age or Deterioration (Failed URD)	3	86	19	21	1654	138	24	2012	114
System	Right-of-way	0	0	0	2	6	12	4	49	6.75
System	Secondary	0	0	0	7	9	17.5	1	3	2.5
System	Unknown	0	0	0	2	36	3.5	3	604	8.83
Nature	Weather	0	0	0	19	1136	50.25	7	1269	10.44
Nature	Animal	0	0	0	1	10	1	5	124	8
Member	Member/Public	3	1465	8.5	10	1612	24.5	8	63	21.75
Totals		9	1618	47.6	76	4747	299.35	61	6120	188.536

MEMORANDUM

Date: August 14, 2014
To: Randy Cornelius, General Manager
From: Russell Guerry, Manager of Engineering & Operations
Subject: Safety Program – July 2014

Safety Training

Jeff Myers conducted boater safety training during our July safety meeting. State law requires operators of motorboats with 15 horsepower or greater to take a safety education course and obtain a boater education card to operate a boat in Washington.

RESAP (Rural Electric Safety Accreditation Program)

RESAP is in its infancy at OPALCO. We are compiling historical records for our personnel and vehicle safety programs. Next step is defining an organizational structure for implementation and continuance of this program.

Accidents/Incidents/Near Misses

Date: 6/27/2014

Type: Accident

Description: While removing a meter, the meter base cover arced to the meter seat. The arc burned the lineman’s hand. The burns were minor and did not need treatment.

Corrective Action: It was recommended that anti-seize compound be used when setting a meter. The crews were also reminded to be sure to wear gloves and long sleeves during such operations.

Date: 7/11/2014

Type: Near Miss

Description: While removing a pole, the line on the digger truck broke. No one was injured.

Corrective Action: Crews were instructed to better inspect the lines and were reminded to take precautions when lifting and placing lines under tension.

Date: 7/31/2014

Type: Incident

Description: Due to a mislabeled cable, a grounded elbow was placed on an energized module. The result was an outage for several members. No one was injured nor was there potential for being injured.

Corrective Action: Double check cable tagging when applying tags.

	July 2014	YTD (2014)
Near Misses	1	2
Incidents	0	1
Accidents	1	2
Loss Time	0	0

Total Hours Worked without Loss Time Accident: 64,996

General Manager's Report August 2014

FINANCE

2014 2ndQ Financial Review

Staff will be presenting the 2014 2ndQ financial results and capital projects update at the August board meeting.

2013 Form 990 Exempt Organization Return

Staff will provide Moss Adams their requested information for the preparation of the draft 2013 Form 990 Exempt Organization Return, currently extended until November 17, 2014. As part of the preparation process, staff will present, during an executive session of a future board meeting (date to be determined), the draft return filing for board discussion and approval.

NRECA Participant Review

Staff has been notified by NRECA that OPALCO will be part of the Region 7 & 9 (we are in Region 9) Participant Review of our NRECA 401(k) Pension Plan, Retirement Security (RS) Plan, and Medical Plan, designed to ensure that eligible participants are properly enrolled in the OPALCO benefit plans. The process is considered a routine review that takes place every four years for every NRECA participant. Since OPALCO is a cooperative that has more than 26 employees, we are required to engage an independent accounting firm to conduct the NRECA Agreed-Upon Procedures. Staff has engaged Moss Adams to conduct the required procedures on September 2 and 3.

2014 Financial Statement Audit and Form 990 Exempt Organization Return

Staff will distribute the 2014 Moss Adams financial statement audit engagement letter, as well as the 2014 Form 990 tax return addendum, for the Board's consideration and approval at the August Board meeting.

MEMBER SERVICES AND ENERGY SAVINGS

Rebates/EEI Funding Balance

For the period 10/1/13 – 7/31/14, the Energy Savings team has issued 2,112 rebates totaling \$319,136 with an associated kWh savings of 1,198,739. BPA Energy Efficiency Incentive funds allocated for FY 2014 and 2015 (\$481,580) are estimated to be fully distributed by the end of September. A funding projection will be provided at the September board meeting to estimate the anticipated amount of self-funding necessary to continue the program through 10/1/15.

Nonprofit Partnership/Islands Energy

San Juan County has been selected as a quarterfinalist for the Georgetown University Energy Prize. The next phase of the competition includes development of a comprehensive county energy plan. A newly formed Energy Leadership team comprised of county leaders met for an initial discussion about creating the plan, including vision, goals, strategies, and actions. Discussion will continue in late August.

Outreach activities have begun for the Solar for Schools project, including at the Climate Speaker Series, Farmer's Markets, community group presentations, and a booth at the County Fair.

Other efforts include completion of a two day “Energy Detective” training with the Orcas and Lopez Youth Corp and planning for M.O.R.E. outreach at the County Fair.

County Fair

Member Services and Energy Savings staff will host a booth at the San Juan County Fair 8/13 – 16 to promote rebate programs, renewables, and conservation education. Kids will have a chance to take an Energy Savings Pledge to earn a t-shirt and educational materials. Staff will also highlight safety, SmartHub, and other programs such as Energy Audits, MORE, and PAL.

Member Payments

OPALCO now accepts the Discover Card in addition to MasterCard and Visa.

ENGINEERING & OPERATIONS

WIP

As of August 13, there are 351 work orders open totaling \$3,654,695. Of those, Operations has completed construction on 74, totaling \$1,714,087. Cattle Point Road Re-conductor Phase 1 construction is underway; bid walkthroughs were conducted on August 14 for Phase 2 of this project. Overhead fiber installation for the Smart Grid Communications project, contracted to Michel’s Power, started on August 4.

Accident Investigation

Lopez L&I investigation is ongoing. The lineman returned to work August 15.

Submarine Cables

Lopez to San Juan: We have finalizing environmental reporting and are awaiting agency responses. The request for bids is out for cable supply and installation.

San Juan to Henry Island: Construction to begin in October.

Headquarters

Eastsound office expansion/warehouse renovation will begin construction in late September.

INFORMATION SERVICES

Vacant Positions

We are moving forward filling the vacant positions within Information Services.

1. The Software Specialist position is still open until filled. There are presently no candidates scheduled for interviews. The position is currently advertised through several job boards.
2. The Network Engineer position is ready for approval and advertising. We are waiting for completion of the Island Network business plan to move forward.

Grid Control Communication Expansion

The grid control communication expansion project is proceeding as scheduled. OPALCO IS and Engineering resources are moving forward with permitting, environmental requirements, and planning material resource lead times. Work is beginning this month on the overhead fiber installations. Purchases of long lead time items for the underground portion are in process.

700 MHz LTE Test and Pilot Projects

One test site and five pilot sites have been selected for the 700 MHz LTE test and pilot projects. Eastsound has been selected as the initial test site. Cattle Point, Deer Harbor, Eagle Lake, Mt.

Dallas (West), and South Lopez have been chosen as the pilot sites; these sites are communications challenged areas and are ideal for pilot project sites. The LTE core and radio equipment has been ordered; expected delivery is mid-late September. Meanwhile, internal and site infrastructure preparations for the projects are underway.

Island Network Website - Requests for New Service

The Island Network Website continues to process member requests for new broadband services at a growing pace. Since launching on March 15, the Website has processed 326 member requests. A growing number of requests (22 to date) are for neighborhood connections, which range from 6 to 100 per request.

Island Network New Services We now have 48 members with a total of 88 connections. We have 8 additional members in the construction process and 32 more in various stages of the application process.

Island Network Cost of Service Study/Business Plan

The Cost of Service Study performed by EES is complete and we are now developing the business plan. Gerry Lawlor has been contracted to perform this work. Final pricing for all services will be complete this month. The overall business plan is scheduled for internal review on September 5 and presented to the Board at the September Board meeting.

Island Network Member Engagement

In addition to developing the Island Network business plan, Gerry Lawlor has been tasked with engaging local ISPs and interested members to evaluate requirements and develop processes/procedures for implementing cooperative Internet services to members. These efforts are proving successful; the ISPs have been engaged and are preparing to work cooperatively with Island Network. In addition, plans are being developed to have several member groups and homeowner associations take advantage of this cooperative environment to receive Internet services.

Wi-Fi Hotspots at Interisland Ferry Terminals

OPALCO Wi-Fi at the ferry landings continues to be popular among OPALCO members. Participation in this service is growing daily. To date, there have been nearly 500 users accessing the system using more than 700 devices.

San Juan County Fair

Island Network is hosting a booth at the County Fair to engage members and discuss Internet services. In addition:

- Members who take our latest online survey (accessible from iPads in our booth) will receive a \$5 food court voucher
- Members are invited to place a pin in a map of our service area to show their interest in Island Network Internet services
- A daily raffle is held for t-shirts, backpacks, \$5 food court certificates, and other prizes.

INFORMATION ITEMS

NEW SERVICES

July 2014

	Orcas	San Juan	Lopez	Center/ Decatur	Blakely/Obstruction /Crane/Shaw	Total
Residential	3	3	1		2	9
Commercial		1				1
Line Retention						0
Other - OPALCO			1			1
Total*	3	4	2	0	2	11
2014 YTD	24	39	9	0	3	75
2013 YTD	20	32	13		1	66
2012 YTD	16	35	12	2	2	67
2011 YTD	19	34	9		4	66
2010 YTD	38	46	17		3	104

*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 2012 - 2014 YTD

Month	2012 YTD							2013 YTD							2014 YTD						
	All Green			MORE Blocks			Total Revenue	All Green			MORE Blocks			Total Revenue	All Green			MORE Blocks			Total Revenue
	# Members	kWh	kWh Revenue	# Members	# Blocks	Block Revenue		# Members	kWh	kWh Revenue	# Members	# Blocks	Block Revenue		# Members	kWh	kWh Revenue	# Members	# Blocks	Block Revenue	
			\$ 0.04			\$ 4			\$ 0.04			\$ 4			\$ 0.04			\$ 4			
Jan	44	47,428	1,897	454	970	3,880	5,777	43	54,479	2,179	433	921	3,684	5,863	44	41,878	1,675	411	871	3,484	5,159
Feb	43	37,664	1,507	452	962	3,848	5,355	43	50,927	2,037	432	918	3,672	5,709	44	47,227	1,889	410	870	3,480	5,369
Mar	42	37,682	1,507	449	953	3,812	5,319	42	42,787	1,711	429	915	3,660	5,371	44	35,590	1,424	408	866	3,464	4,888
Apr	42	27,636	1,105	449	953	3,812	4,917	42	31,063	1,243	427	904	3,616	4,859	44	30,702	1,228	408	865	3,460	4,688
May	42	21,993	880	448	952	3,808	4,688	41	21,699	868	426	897	3,588	4,456	44	26,412	1,056	408	858	3,432	4,488
Jun	43	20,335	813	448	952	3,808	4,621	41	20,336	813	426	897	3,588	4,401	45	17,020	681	418	870	3,480	4,161
Jul	43	19,649	786	449	953	3,812	4,598	43	17,756	710	425	895	3,580	4,290	44	19,421	777	416	865	3,460	4,237
Aug	43	22,457	898	446	948	3,792	4,690	42	18,716	749	421	893	3,572	4,321	-	-	-	-	-	-	-
Sep	42	13,136	525	443	947	2,530	3,055	42	18,786	751	418	890	3,560	4,311	-	-	-	-	-	-	-
Oct	42	21,162	846	443	947	3,788	4,634	43	23,882	955	415	887	3,548	4,503	-	-	-	-	-	-	-
Nov	44	30,335	1,213	438	943	3,772	4,985	44	31,535	1,261	414	881	3,524	4,785	-	-	-	-	-	-	-
Dec	43	43,849	1,754	437	929	3,716	5,470	44	47,347	1,894	412	879	3,516	5,410	-	-	-	-	-	-	-
Total	43	343,326	\$ 13,733	446	11,409	\$ 44,378	\$ 58,111	43	379,313	\$ 15,173	423	10,777	\$ 43,108	\$ 58,281	44	218,250	\$ 8,730	411	6,065	\$ 24,260	\$ 32,990

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 750 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.

OPALCO Member Billing Revenue History

Month	2010	2011	2012	2013	2014	Average
January	\$ 2,091,129	\$ 2,266,724	\$ 2,203,319	\$ 2,354,732	\$ 2,294,020	\$ 2,241,985
February	1,684,100	2,018,866	1,980,380	2,190,659	2,469,527	2,068,706
March	1,693,238	2,100,947	2,080,586	2,031,007	2,165,897	2,014,335
April	1,659,771	1,803,095	1,733,543	1,803,826	1,930,658	1,786,179
May	1,453,989	1,634,542	1,536,601	1,580,671	1,652,563	1,571,673
June	1,409,557	1,383,932	1,419,883	1,450,461	1,476,413	1,428,049
July	1,300,950	1,302,528	1,380,472	1,423,753	1,550,603	1,391,661
August	1,342,739	1,360,611	1,450,397	1,448,015		1,400,440
September*	1,297,936	1,421,174	1,005,902	1,458,553		1,295,891
October	1,389,529	1,483,658	1,499,863	1,636,955		1,502,501
November	1,584,909	1,977,782	1,779,353	1,923,857		1,816,475
December	2,123,602	2,375,284	2,085,584	2,480,061		2,266,133
Total**	\$ 19,031,449	\$ 21,129,143	\$ 20,155,885	\$ 21,782,552	\$ 13,539,680	\$ 20,784,030

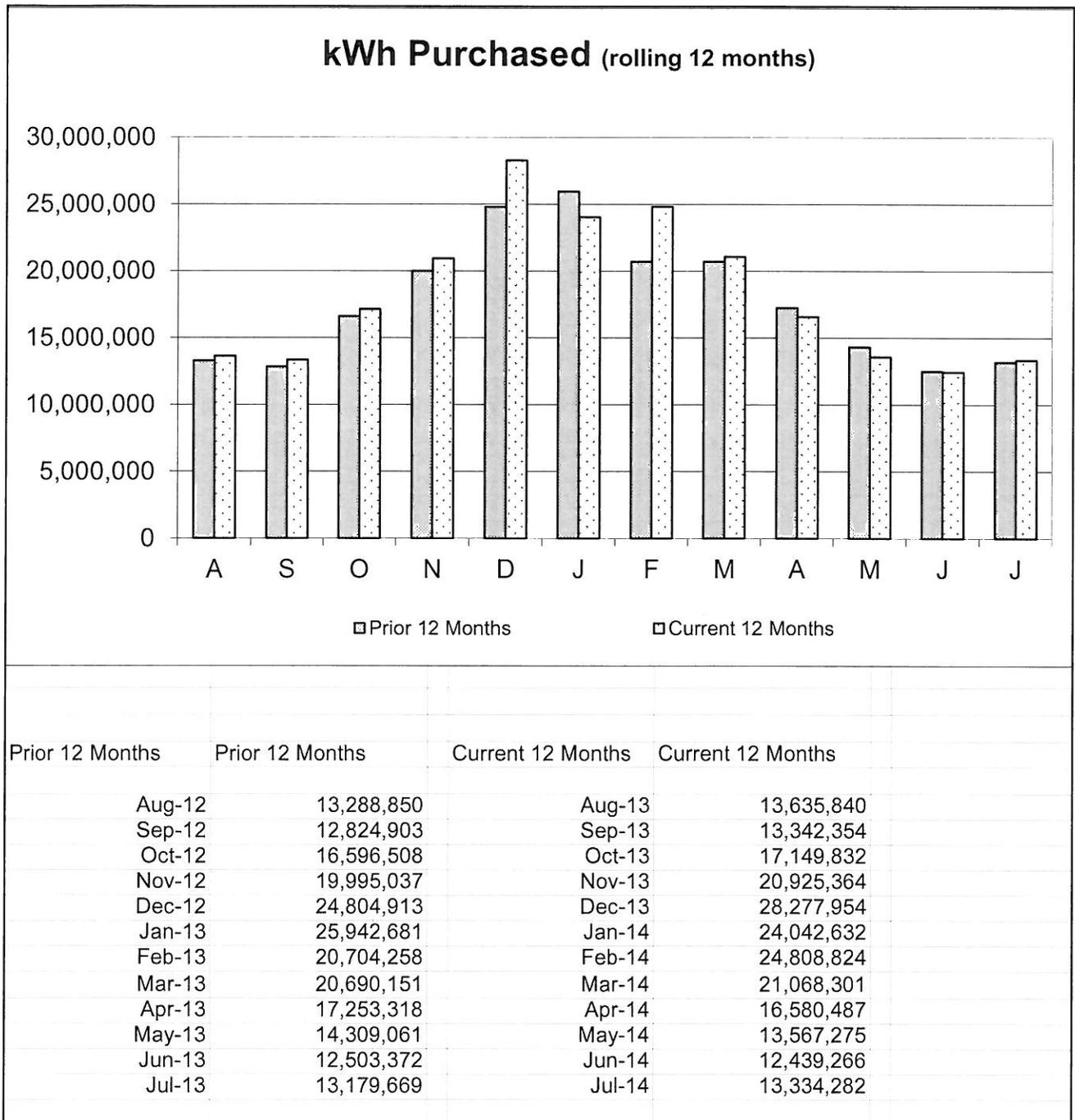
Notes:

* September 2012 excluded - half of the membership transitioned to a mid-month billing cycle. These members were billed for 15 days of consumption and a prorated basic charge on 9/14/12.

**Totals include Island Network billing

BPA Consumption Summary

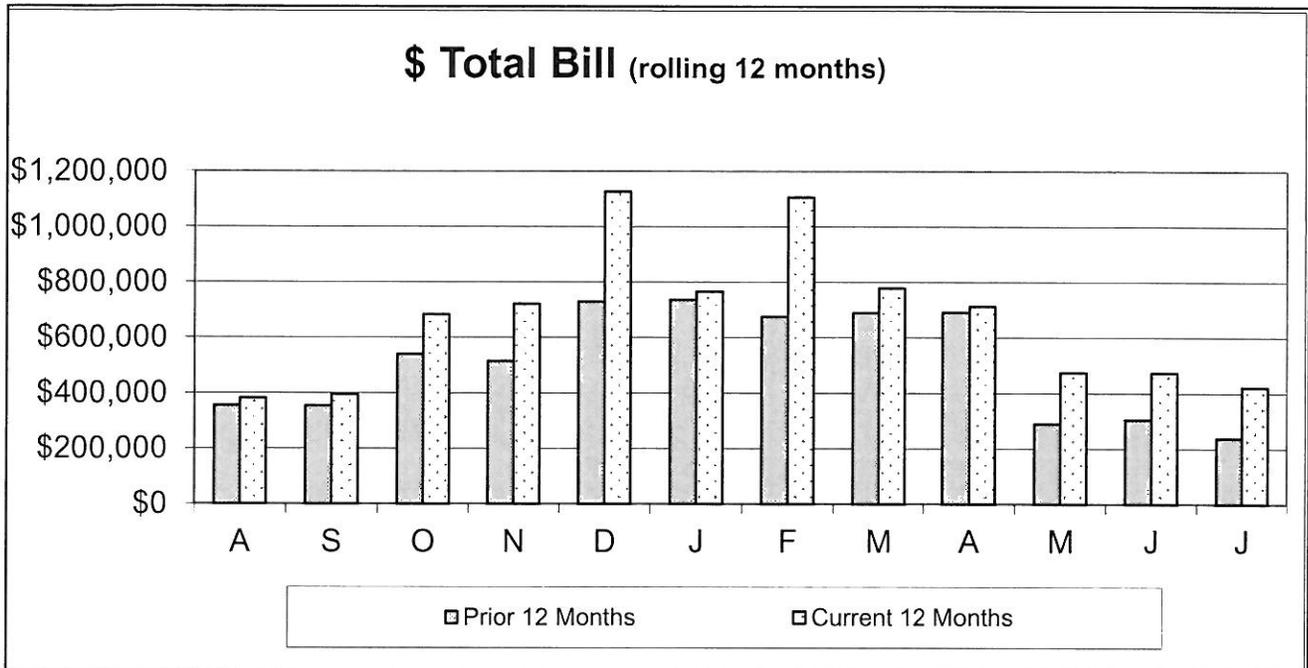
Through
July 2014



Prior 12 Months	Prior 12 Months	Current 12 Months	Current 12 Months
Aug-12	13,288,850	Aug-13	13,635,840
Sep-12	12,824,903	Sep-13	13,342,354
Oct-12	16,596,508	Oct-13	17,149,832
Nov-12	19,995,037	Nov-13	20,925,364
Dec-12	24,804,913	Dec-13	28,277,954
Jan-13	25,942,681	Jan-14	24,042,632
Feb-13	20,704,258	Feb-14	24,808,824
Mar-13	20,690,151	Mar-14	21,068,301
Apr-13	17,253,318	Apr-14	16,580,487
May-13	14,309,061	May-14	13,567,275
Jun-13	12,503,372	Jun-14	12,439,266
Jul-13	13,179,669	Jul-14	13,334,282

BPA Consumption Summary

Through
July 2014



Prior 12 Months	Prior 12 Months	Current 12 Months	Current 12 Months
Aug-12	\$354,877	Aug-13	\$380,699
Sep-12	\$354,077	Sep-13	\$395,230
Oct-12	\$539,994	Oct-13	\$683,267
Nov-12	\$514,404	Nov-13	\$720,443
Dec-12	\$729,318	Dec-13	\$1,125,500
Jan-13	\$736,305	Jan-14	\$765,166
Feb-13	\$675,379	Feb-14	\$1,105,673
Mar-13	\$688,755	Mar-14	\$778,706
Apr-13	\$691,224	Apr-14	\$713,126
May-13	\$289,366	May-14	\$473,739
Jun-13	\$303,730	Jun-14	\$473,272
Jul-13	\$238,152	Jul-14	\$421,778