



**BOARD OF DIRECTORS
REGULAR BOARD MEETING
Thursday, August 20, 2015 8:45 a.m.
OPALCO Conference Room
1034 Guard Street, Friday Harbor, WA**

TRAVEL



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

From:

Leave Lopez 8:00 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 4:30 p.m.

Arrive Lopez 4:45 p.m.



Via Ferry:

From:

Leave Shaw 7:10 a.m.

Leave Orcas 6:55 a.m.

Leave Lopez 7:35 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 5:30 p.m.

Arrive Orcas 6:20 p.m.

Arrive Shaw 6:35 p.m.

Arrive Lopez 6:55 p.m.

Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
OPALCO Office 1034 Guard Street
376-3549
August 20, 2015 8:45 a.m.

PAGES

WELCOME GUESTS/MEMBERS

- Member Comment Period

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- 9-10** ○ Admission of New Members
- 11** ○ Capital Credits
- 12-16** ○ RUS 219s
- 17** ○ Draft Bylaw Amendment
- 18** ○ Moss Adams Engagement Letter
- 19** ○ September Meeting Date
- 20** ○ Submarine Cable Replacement

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- 21** ○ Employee Policies 4, 7, 9A, 9B, 12, 13, 14, 15, 17, 18, 19, 20, 23, 25, 26
- 22** ○ Grid Control Update
- 23-24** ○ Integrated Resource Plan
- 25** ○ Direction for Rate Structure Discussion
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- 34** ○ Q2 Financials - OPALCO
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- 38** ○ Safety
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- 42-49** ○ Dashboard Charts
- 50** ○ Historical MORE Revenue
- 51-57** ○ Member Correspondence

ADJOURNMENT

Executive Session: Auditor Engagement Letter; Board Self-Evaluation; Personnel Issues, Submarine Cable

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, June 18, 2015

President Jim Lett called the meeting to order at 8:00 a.m. at the Lopez Islander Resort. Board Members Present: Winnie Adams, Randy Cornelius, Vince Dauciunas, Glenna Hall, Jim Lett, Bob Myhr, Jerry Whitfield.

Staff Present: General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, System Engineer Joel Mietzner and Executive Assistant Bev Madan (serving as recording secretary).

Member/Guests

Each member/guest was offered an opportunity to address the board.

EES Consultant Anne Falcon; EES Consultant Steve Anderson; consultant Jay Kimball; Lopez: Dwight Lewis; Brian Silverstein; Steve Ludwig, Rob Thesman, Chom Greacen, Chris Greacen, Sandy Bishop, Ruby Hampton

Orcas: John Fleischer

San Juan: Gray Cope

Shaw: Gabriel Jacobs

Comments ranged from concern about broadband to dissatisfaction with the Recovery Adjustment charge proposed.

April Meeting Minutes

- **Motion** made by Hall to accept the April minutes as presented. Motion was seconded (Myhr) and carried by voice vote.

May Meeting Minutes

- **Motion** made by Adams to accept the May minutes with the addition of noting that Whitfield proposed the Variable Cost of Service Rate. Motion was seconded (Hall) and carried by voice vote.

New Members

- **Motion** made by Myhr to accept the April and May new members listed below. Motion was seconded (Adams) and carried by voice vote

Blakely

Escobar, Carlos Romero

Decatur

Thomas, Scott Bernard

Lopez

Aufderhar, Glenn & Barbara
Contreras, Jennifer
Goodlad, Stephen &
Nakamura, Lynne

Red Penny LLC, DBA Haven

Scherer, William J & Migael

Schilling, Carol

Smith, Barbara W

Webb, Michael C. & Roxanne A.

Orcas

Adams, Eric

Berlin, Griffin

Brayer Insurance Services LLC

Coldspring Resource Mgmt

Coleman, Stacey A & Kimball,
Shelley

Crispe, Ian N & Tolle, Kristin M

Darby, Robert & Wendy

Drake, Victoria

Gaible, Katherine & David

Genther, Cindy

Goodrich, Nicholas

Hartley, Stacie & Cheryl

Inman, Michael & Ashley

Jacobs, Brian

Kuntsman, Marc & Nancy
 Lerner, Thomas & Erickson,
 Kirsten
 Lindberg, Heidi
 McIlvaine, Phelps & Amy
 Mount, Mary Jo
 Neubauer, Erin & Tom
 Nunea-Marquez, Santiago
 & Arcadio
 Raha, Arun & Colleen
 Rawson, Tom
 Rose, Barry & Janice
 Ruby Point, LLC
 Sands, M. Alexandra
 Semiahmoo Services LLC
 Sheplor, Madeline &
 Jabbora, Charlie
 Simpson, Scott m & Yu,
 May C
 Timmins, Jennifer & Patrick
 Torma, Brian
 Vis, Michel & Cowles,
 Meliss
 Watson, Michael

San Juan

AMN Healthcare Services
 LLC
 Akin, Zebidiah L.
 Ames, Jean A.
 Amaro, Rami
 Bell, Elizabeth Jean
 Bircher, Andrea
 Borowicz, Alex
 Brown, Mallory
 Bryan, Marianne & Brent
 Burns, Kerry E.

Cavallo, Mark
 Cavanaugh-Spain, James
 Cave, Brenda K
 Chaussee, Stuart & Linda
 Christensen, Heather
 Conway, Gabrielle
 Cosecha Textiles
 Dance, Andrew
 David, Lori Ann
 Dayton-Ricks, Mona
 Dehner, Shawn & Purnell,
 Jamie
 Dowhower, Wendy & Curt
 DuVall, Cris
 Estate of Agnes May Murray
 Falls, Christian
 Ford, Shawna
 Frazel, Miles & Elaine
 Gossom, John
 Green, Marta
 Griffin, Mary Louise
 Gutierrez, Jason A
 Guzman, Joe
 H & B Bob LLC
 Hanson, Teresa & Knowle
 Harrell, Anthony J
 Heacox, Mark & Nancy
 Hilton, Edward & Nancy
 Hines, Aaron
 Jameson, Auralee
 Johnson, David R.
 Kesling-Wood, Patricia F
 Krumenacker, Carl & Rebecca
 Kucur, Kristie
 Logsdon, Frederick Dean
 Lounibos, Jules
 MacGillivray, Angela

Mattson, Kent S
 Mayes, Jeannette
 Mc Gehee III, Fielding M &
 Moore, Rebecca
 Mitchell, Brian
 Mosquito Fleet Mercantile
 Mountford, David & Jamie
 Nydegger, Matthew
 Peon, Raymond
 Pontius, John Clark & Suzanne
 Popovich, Andrew S &
 Elizabeth T
 Ramirez, Marcella & Ramirez-
 Mena, Pedro
 Reid, Samuel Tad & Madonna
 Reimer, Zachary
 Richard, Normand
 Scribner, Brandon
 SJC Economic Development
 Council
 Sievert, Mike
 Sutliff, Jean P
 Thompson, Deborah
 Thornton, Cheryl & Tom
 Trudell, Vicki
 Tung, Joseph
 Twice New
 Vincent, Brian
 Williams, Shirley & Gary
 Wilson, Teri
 Wisen, Craig
 York, Ranae

Shaw

Linzer, Richard & Anna

Capital Credits

- **Motion** made by Myhr and seconded (Hall) to approve payment of \$29,612.85 in capital credits to the estates of deceased members and businesses listed below.
 Motion carried by voice vote.

Warren Argetsinger	\$139.70	Agnes Murray	\$655.14
Tom Ashe	\$361.82	Ralph Nichols	\$122.56
Dorthea Ellen Augusztiny	\$1,534.85	Victor Prescott	\$1,043.65
A.L. and Hope Aydelott.....	\$115.00	Ivan and June Scherer	\$1,230.11
Inez Browne.....	\$892.77	Don Shuff	\$30.18
Ragnar J. Dahl.....	\$381.76	James R. Sisley.....	\$77.75
Julia A. Elliott	\$128.81	Clyde Stromberg	\$834.37
Thomas E. Evans	\$1,444.50	Willard M. Sutliff	\$1,240.17
Deborah Falls	\$303.73	Polly White	\$504.03
Art Griffin.....	\$1,537.77		
Marsha Harris	\$2,793.66	Luxel Corporation	\$12,969.72
Donald E. Kauffman	\$1,147.39	Seafood Northwest LLC	\$123.41

RUS 219s

The Inventory of Work Orders includes conversions to underground at Vista Road and White Point; URD replacement at Henry Island, Blanchard Road, Fagerholm and Swal'Lech Lane as well as a gigabit radio secondary for grid control.

- **Motion** made by Myhr and seconded (Adams) to approve submission of the RUS Form 219s that total \$660,200.67. Motion carried by voice vote.

MS Policy 11 Capital Credits

Suggested revisions to Member Service Policy 11 were reviewed at the April Board meeting. Revisions were made to allow for voluntary assignment of capital credits to member programs. The Board questioned the effectiveness of a 25-year payout for the donations; staff will research the possibility of early retirements for donation purposes.

- **Motion** made by Whitfield and seconded (Myhr) to approve the revisions to MS Policy 11 as presented. Motion carried by voice vote.

Annual Report / Treasure Hunt Drawing

The 2015 annual report encouraged members to read through the report and take a quiz. Member Dwight Lewis (Lopez) drew a name from those completing the quiz – Leonard Shifter was the winner and will receive a \$50 credit on his bill.

NRECA Voting Delegate

The 2015 Regional meeting will be held September 30-October 1 in Salt Lake City.

- **Motion** made by Myhr and seconded (Hall) to appoint Foster Hildreth the voting delegate with Jim Lett as the alternate. Motion carried by voice vote.

Member Information Request ~ Appeal

Lopez Member Chris Greacen requested an accounting of OPALCO's investment in fiber optic equipment pursuant to Member Service Policy 16. Hildreth denied the request on the basis that the information is readily available on OPALCO's website. Greacen requested that the Board override the denial.

Greacen handed out a template for communication and fiber optics projects billed as grid control for all projects over \$50k, stating staff could just "fill in the blanks". The Board thoroughly discussed other options for providing information regarding the grid control as requested, such as providing information for a higher threshold. It was suggested that the Construction Work Plan (CWP) be put on the website with a geographic desegregation map included. It was pointed out that the 2015 budget introduction states clearly what the grid control backbone will do.

- **Motion** made by Myhr and seconded (Adams) to support the denial of the Member Information Request. Motion carried by voice vote, with Whitfield voting no and Adams abstaining.

Further discussion included alternatives for Greacen to get the information requested. Hildreth stated that the CWP will be posted to the website.

Member Information Request ~ Appeal

Lopez members Chris Greacen and Brian Silverstein requested “12 calendar months of recent anonymous data on monthly electrical consumption by OPALCO members, broken down by customer class.” Hildreth denied the request based on Policy 16.3.1.1 that the information is not ‘readily available’, would require an inordinate amount of staff resources (Policy 16.3.1.1.4) and is potentially adverse due to providing member information.

Hildreth noted that, other than confidential matters, members are given access to the same level of information as the Board via OPALCO’s website.

- **Motion** made by Myhr and seconded (Hall) to deny the appeal based on the Board’s thorough discussion. Motion carried by voice vote.

It was suggested that Greacen and Silverstein could amend their request and ask for a larger minimum aggregate to ensure members’ privacy.

- **Motion** made by Myhr and seconded (Hall) to have staff provide follow-up with Greacen and Silverstein provided the information is easy to access, readily available and protects privacy. Motion carried by voice vote.

Submarine Cable Bid

System Engineer Joel Mietzner presented the process required to replace the submarine cable between Lopez and San Juan islands. Permitting is required from county (shoreline permit), state (Department of Fisheries, 4 departments within the Department of Natural Resources) and federal government (Corp of Engineers, Fish & Wildlife, Department of Ecology and National Oceanographic and Atmospheric Administration) as well as the Lummi Nation (cultural resource study). In all, eleven different agencies are required to allow the replacement. On both sides there is eel grass and on the Lopez side there are two archeological sites as well.

It is now a requirement to remove the existing oil-filled cable. Another issue is that the CenturyLink cable has moved over the top of our existing cable and will need to be moved prior to replacement. It has been a challenge working with CenturyLink.

11:55 a.m. The meeting adjourned to Executive Session to discuss details of the submarine cable bids and a short lunch break.

12:50 p.m. Meeting resumed

Q1 Financials

Lawlor reviewed the first quarter financial report for Rock Island Communications with assistance from Don Nicholson and Stephanie Karp of the accounting firm Nth Degree. The merging of Rock Island Technology Solutions and Island Network dominated the first quarter. Milestones achieved during the first quarter include establishing corporate headquarters in Eastsound; developing a new brand, website and social media presence; field testing of specialty construction capabilities; key hiring of personnel; achieving commitments from nine homeowners associations for fiber build out; signing an agreement to provide hosted VoIP; finalizing the loan program with Islanders Bank; beginning of in-depth analysis of county-wide emergency communications network; and

the beginning of an in-depth analysis to provide high speed wireless service for users of the ferry system throughout the county and at the Anacortes ferry terminal.

Revenues came in \$11,696 below budget at \$326,279 and operating expenses were \$81,879 lower than budgeted at \$410,655.

Hildreth reviewed the OPALCO Q1 financials. While there was a predicted revenue shortfall in the first quarter, OPALCO in turn received a lower power bill from BPA due to lower kWh sales. Revenue during Q1 was \$505k less than budgeted, power costs were \$310k less and the savings in expenses resulted in a decreased margin of \$158k. Of note during Q1 were HDD (Heating Degree Days) were down @ 42% below normal; energy demand was over-forecasted; power purchases were down by \$310,247; expenses were reduced by approximately \$40k due to delayed hiring of budgeted positions; members were billed less than the "cost of service". A corrective action plan to meet RUS financial loan covenants for TIER was also developed.

Revenue Adjustment

Staff has analyzed information and trends in order to project the 2015 year-end margin shortfall. The result is a recommendation of a temporary Revenue Adjustment to members' bills in the amount of \$0.01/kWh for residential and \$0.0056/kWh for commercial. This line item on members' bills will begin with the July billing and end with the December 2015 billing.

Commercial members have already been paying rates closer to the cost of service so their increase is less than residential members. The Revenue Adjustment is a stop gap measure for 2015; the Integrated Resource Plan will assist with the 2016 budget.

- **Motion** made by Myhr and seconded (Whitfield) to approve the 2015 temporary Revenue Adjustment of \$0.01/kWh to the residential rate schedules; \$0.0056/kWh to the commercial rate schedules for the July to December 2015 billing periods and an additional block of 6 p.m. to 8 p.m. in the amount of \$0.1450/kWh to the Time of Use (TOU) Tariff. Motion carried by voice vote.

Integrated Resource Evaluation

EES consultants Anne Falcon and Steve Anderson reviewed the evaluation to date. After discussion at the April board meeting, the focus now is to determine clear options for balancing resources. Studies show that conventional heating is the biggest single use of energy

Corrective Action Plan

RUS requires a corrective action plan for meeting our TIER in 2015. OPALCO's TIER ratio was 1.13 in 2014; a ratio of 1.25 is required. The corrective action plan includes significant adjustments to the 2015 budget, including a revenue increase through rates; a Cost of Service and Rate Study initiated in April 2014 and completed in January 2015 which identified the need for a comprehensive rate restructuring (resulting in Policy 29); a rate increase implemented in February 2015; a revenue recovery charge component in member billings to be implemented in July 2015; and a wholly owned subsidiary to

provide member Internet that will provide debt service payments as cash flow allows (anticipated in 2017).

Adjournment

The meeting adjourned at 3:50 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

New Members June 2015

Lopez

1. Genther, Cindy
2. Greenwood, Roger & Mary
3. Lazy L Recreation LLC
4. Leigh, Erin
5. McCallister, Scot & Sandra
6. Skelton, Kathleen & Doug
7. Williams Lane Property Owners
8. Willis, Matthew

Orcas

9. Allred, Austin & Kya Salt
10. Barham, Chris
11. Baumann, Kurt
12. Brault, Andrew & Laura
13. CTO Properties LLC dba North Beach Storage
14. David, Dan & Krisch, Lauren
15. Davidson, Ruth & Kovacevich, Bernhard
16. Dickens, Fisher
17. Frey, Adam & McIntire, David
18. Hanson, Jeff
19. Hoffman, Jolene & Mitchell, Michael
20. HRP Co LLC
21. Malo, Kimberly & Kirisimasi
22. McNamara, Mai
23. Niquette, Austin & Robbins, Sarah
24. Pedron, Joseph & Robin

San Juan

25. Boucher, Wendy J
26. Boyden, Ian & Jennifer
27. Chevalier, Ashley
28. Cochran, Suzanne
29. Connor, Kyle R & Thomas, Jayne L
30. Diaz, Danna
31. Ehle, Lisa & Angevine, Derek
32. Ellis, Emily
33. Estate of William R Crouss
34. Ferry, Stephane G
35. Flora, Bart
36. Fox, Cathy
37. Harrison, Leslie
38. Kiselyk, Alexis Ruth
39. Kurtz, Alexander L
40. McIntyre, Kenyon & Barbara B
41. Neff, Deborah
42. Norton, Gala M
43. Prince, John
44. Rea, Lisa & Ken
45. Ryan, Tyler & Bobby
46. Sargent, Dana
47. Schaltenbrand, Elizabeth
48. Shalen, Inc.
49. Shepler, Jay
50. Smith, Bryan
51. Strain, Samuel Henry
52. Tunison, Marcus
53. Vician, Daniel J & Carolyn T
54. Wagner Law Offices P.C.
55. Young, Jason
56. Young, Noah

Shaw

57. Bethke, John & Havens, Tom
58. Brodahl, Sandra
59. McEwen, Jordie & Kimo

New Members July 2015

Lopez

1. Auckland, Brian & Anne
2. Gschwend, Christian & Juliene
3. Matisse, Robert
4. Mira, Julia
5. Price, Kelley & Nancy
6. Schreiber, Mary & Cassaday, Charlotte

Orcas

7. Corkery, Tami & Dennis
8. Culbert, Andy & Gina
9. David, Dan & Krisch, Laurene
10. Graham, Christopher & Fausti, Eduard
11. Lassen, David & Robin
12. Ledgerwood, Alyssa
13. Lighthill, Selby
14. McNamara, Mai
15. Morelli, Michele & Heather
16. Neal, Travis & Megan
17. Page, Ryan & Whitney
18. Rawson, Tom
19. Reyes, Linnea & Jordan, Ryan
20. Rose, Barry & Jannice
21. Selin, Dan & Vicki

San Juan

22. Bartholomew, Robert
23. Coronado-Escobar, Marysol & Gonzales, Carolos Barrios
24. Craig, Katrina S
25. Ehle, Lisa & Angevine, Derek
26. Ellis, Melanie
27. FHH Investment LLC
28. Foy, Teresa
29. Francois, Dale & Sharon
30. Hayden, Kenneth
31. Jablonski, Carl & Alison M
32. Miller, Teresa & Beaver, Charles
33. O'Brien, James
34. Sanabria, Martin
35. Sands, Lauren
36. Scott, Michael Lee
37. Spears, Anna
38. Tokunaga, Amanda & Bill
39. Wagner Law Offices PC
40. Wisen, Craig

CAPITAL CREDITS

Approval of payment of capital credits to the estates of the following deceased members and to organizations no longer in business is requested:

Joan F. Amidon	\$502.17
Charles R. Chevalier	\$2,602.93
William R. Crouss.....	\$1,313.18
George A. Higgins.....	\$1,795.16
Ruth B. Hill	\$1,131.28
Wade Hill.....	\$2,197.66
Stacy McCray.....	\$4.52
Marion Percich	\$1,406.35
WG Price.....	\$1,295.72
Leonard D. Sullivan.....	\$626.87
Dorothy E. Wachter.....	\$616.98
 Northwest Aquaculture	 \$3,558.65
 Total.....	 \$17,051.47

MEMORANDUM

July 27, 2015

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

Projects completed from the Construction Work Plan:

- Inventory # 201505..... \$195,907.32
*Transformer relocates; sectionalizing; pole replacements;
overhead conversion to underground Wilks Way; underground
replacement Kielhaven Lane, Peninsula Road;*
- Inventory #1505M..... \$217,851.95
*Install conduit; install secondary vault; overhead conversion at White Beach;
install secondary and remove 2 spans of overhead primary*

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$413,759.27.

07/17/2015 8:05:53 am

RUS Form 219 Inventory Of Work Orders

Page: 6

Period: MAY 2015

System Designation: WA AH O9

Inventory : 201505

Budget	Loan	Project	Amount
	1	601	549.71
	1	603	62,598.52
	1	606	1,813.96
	1	608	29,915.73
	1	706 - 1	101,029.40
	Total:		195,907.32

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.

OPALCO

INSPECTION PERFORMED BY

FIRM

42902

3/16/17

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/17

07/17/2015 8:05:53 am

RUS Form 219 Inventory Of Work Orders

Period: MAY 2015 System Designation: WA AH O9

 Page: 3
 2.41.80

Inventory: 201505

Loan		Work Order Construction (1)		Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year	Retirement (2)	Bdgt (3)	Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
601	2015	1942 1942	1	1,678.27	0.00	0.00	0.00	1,126.71	549.71
				1,678.27	0.00	0.00	AFUDC: 1.85 0.00	1,126.71	549.71
603	2014	1533	1	62,739.44	0.00	0.00	0.00	0.00	62,598.52
				62,739.44	0.00	0.00	AFUDC: 140.92 0.00	0.00	62,598.52
606	2014	1705	1	1,845.58	0.00	0.00	0.00	0.00	1,813.96
							AFUDC: 31.62		
606	2015	1857	1	0.00	0.00	0.00	0.00	0.00	0.00
				1,845.58	0.00	0.00	0.00	0.00	1,813.96
608	2014	1901 1901	1	13,657.50	350.37	0.00	0.00	0.00	13,916.26
							AFUDC: 91.61		
608	2015	1871 1871	1	16,091.33	0.00	0.00	0.00	0.00	15,999.47
				29,748.83	350.37	0.00	AFUDC: 91.86 0.00	0.00	29,915.73
706 - 1	2014	1785 1785	1	100,646.86	2,106.57	0.00	0.00	0.00	101,029.40
				100,646.86	2,106.57	0.00	AFUDC: 1,724.03 0.00	0.00	101,029.40
Grand Totals:				\$ 196,658.98	\$ 2,456.94	\$ 0.00	\$ 0.00	\$ 1,126.71	\$ 195,907.32

07/17/2015 8:05:53 am

RUS Form 219 Inventory Of Work Orders

Page: 5

Period: MAY 2015

System Designation: WA AH O9

Inventory : 1505M

Budget Loan	Project	Amount
1	1600	217,851.95
Total:		217,851.95



EXPIRES 3/14/17

ENVIRONMENTAL CERTIFICATION

- 1 ☒ WE CERTIFY THAT CONSTRUCTION REPORTED ON THE LISTED WORK ORDERS (EXCEPT CERTIFICATION "2" BELOW), IS A CATEGORICAL EXCLUSION OF A TYPE DESCRIBED IN 7 CFR 1794.31 (b) WHICH NORMALLY DOES NOT REQUIRE PREPARATION OF A BORROWER'S ENVIRONMENTAL REPORT.
- 2 ☐ WE CERTIFY THAT CONSTRUCTION REPORTED ON WORK ORDERS _____, IS A CATEGORICAL EXCLUSION OF A TYPE THAT NORMALLY REQUIRES A BORROWER'S ENVIRONMENTAL REPORT WHICH IS ATTACHED.

SIGNATURE (MANAGER)

DATE

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

42902

LICENSE NUMBER

3/16/17

DATE

CPALCg

FIRM

SIGNATURE OF LICENSED ENGINEER

07/17/2015 8:05:53 am

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: MAY 2015

System Designation: WA AH O9

Inventory: 1505M

Loan		Work Order Construction (1)	Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year			Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
1600	2013	1456	1	182,858.90	0.00	0.00	0.00	0.00	179,244.73
							AFUDC: 3.614.17		
1600	2014	1764	1	1,052.13	0.00	0.00	0.00	0.00	1,052.13
1600	2014	1822	1	19,801.80	1,969.66	0.00	0.00	0.00	21,771.46
1600	2014	1831	1	10,623.83	1,941.17	0.00	0.00	0.00	12,414.35
							AFUDC: 150.65		
1600	2014	1834	1	3,431.98	0.00	0.00	0.00	0.00	3,369.28
							AFUDC: 62.70		
				217,768.64	3,910.83	0.00	0.00	0.00	217,851.95
Grand Totals:				\$ 217,768.64	\$ 3,910.83	\$ 0.00	\$ 0.00	\$ 0.00	\$ 217,851.95

MEMORANDUM

August 13, 2015

TO: Board of Directors
FROM: Foster Hildreth
RE: Draft Bylaw Amendment

Staff has received a member inquiry concerning the cancelation of the July Board meeting. After of the review of the Bylaws, staff requested OPALCO's attorney to draft clarification language allowing the Board President to have scheduling flexibility. Below please find bylaw revision language to Article IV – *Meetings of Directors* Section 1. *Regular Meetings*.

The added language is highlighted in yellow.

ARTICLE IV – MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this bylaw, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in San Juan County, Washington, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof. **The President may cancel or change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all Directors.**

MEMORANDUM

Date: August 13, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Moss Adams 2015 Auditor Engagement Letter for Audit/Non-Attest Services and PSA

Moss Adams LLC has presented OPALCO with an Engagement Letter for Audit and Non-Attest Services for fiscal year 2015. The Engagement Letter includes the normal services provided for in recent years with the addition of some services for Island Network LLC. Details of the Engagement Letter, Tax Addendum, and Master Service Agreement will be reviewed in Executive Session based on the disclosure of contract amounts, terms, and conditions.

In terms of schedule, Moss Adams is planning to issue the audit report no later than May 6, 2016.

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 2015 year-end audit process.

MEMORANDUM

August 13, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: September Meeting Date

It has been requested that the September meeting date be changed to Thursday, September 24 instead of the regularly scheduled September 17 date.

Staff recommends approval of the meeting date change by way of consensus.

MEMORANDUM

August 14, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

SUBJECT: Status of Submarine Cable Replacement – Lopez to San Juan (69 kV)

RUS LOAN: In January 2015, OPALCO formally submitted our transmission loan application (submarine cable loan) to RUS. On August 10th, 2015, we received an email notification from RUS that OPALCO's submarine cable loan was approved by the RUS loan committee. We expect loan funds will be available to OPALCO by year-end.

The next step is for RUS staff to compile/deliver mortgage and loan documentation to OPALCO. Once OPALCO management and legal counsel review, approve and record the loan documentation, staff will request the Board's approval to formally execute the loan documentation via Board resolution. Loan funds will be made available to OPALCO once the new loan is set-up in the RUS loan system.

Given RUS has formally approved our submarine cable loan (via our acceptance of the RUS Commitment Letter), OPALCO can now formally contract for services.

CONTRACTING: At the June meeting, the Board approved staff to formalize contracts for the installation of the Lopez to San Juan submarine cable. Staff has agreed to the contract terms and conditions for both the boring contract and submarine cable manufacturing/installation contract. In order to obtain RUS advanced funding for the submarine cable project, staff will be formally submitting the contracts to RUS for loan disbursement approval. Due to the sensitivity of the contract amounts and vendors to be awarded, this information will be reviewed in Executive Session.

Pursuant to guidelines, staff is requesting that the Board formally approve awarding the contracts for boring and cable manufacturing/installation via Board Resolutions 6-2015 and 7-2015.

TIMELINE: Below you will find a summary schedule of milestones for the entirety of this project including the conduit bore, OPALCO crew terminal work, and manufacturing and installation of Submarine Cable.

September 2015	Bore Contract Award
October 2015	Submarine Contract Award
November 2015	Conduit Bore Complete
April 2016	Completion of Manufacturing of UG and Submarine Cables
May 2016	Delivery of UG Cable
September 2017	Delivery of Submarine Cable
December 2017	Installation Complete

MEMORANDUM

August 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Employee Policies

During our annual legal review of OPALCO Policies, our employment attorney, Kathy Feldman of Karr, Tuttle and Campbell, recommended that OPALCO develop an Employee Handbook, in lieu of separate employee related policies. Due to the sensitivity of personnel issues, the draft employee handbook will be reviewed with the board in executive session as recommended by our legal counsel. The draft Employee Handbook incorporates the following policies:

- Policy 4 *Employment of Relatives;*
- Policy 7 *Employee Expense Reimbursement;*
- Policy 9A *Personal Use of Company Vehicles*
- Policy 9B *General Manager's Use of Company Vehicles*
- Policy 12 *Substance Abuse;*
- Policy 13 *Drug and Alcohol Testing*
- Policy 14 *Sexual Harassment*
- Policy 15 *Smoke Free Workplace;*
- Policy 17 *Employee Use of Correspondence Courses & Local Educational Opportunities;*
- Policy 18 *Equal Employment Opportunity;*
- Policy 19 *Family Medical Leave Act;*
- Policy 20 *Acceptable Use of Electronic Resources;*
- Policy 23 *Conflict of Interest;*
- Policy 25 *Whistle Blower; and*
- Policy 26 *Use of Social Media.*

These policies will be eliminated upon approval by the Board, as they are incorporated into the Employee Handbook. Until they are eliminated, all of the above-named policies are available for review on OPALCO's website (www.opalco.com/find-documents/). If approved, the remaining policies will be renumbered accordingly. Please note that future revisions to the Employee Handbook at the discretion of the General Manager, in consultation with OPALCO's legal counsel.

This is for discussion only; no action is necessary at this time. At the September Board meeting, staff will be recommending that the Board approve the elimination of the policies listed above.

MEMORANDUM

August 14, 2015

To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Grid Control Update

At the August meeting, staff will have a presentation updating the board on the status the Grid Control Network Expansion.

MEMORANDUM

August 13, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Integrated Resource Plan Update

Progress on the Integrated Resource Plan continues. At the June Board meeting, EES reviewed source and load trends, load forecasting (peak demand, conservation, renewables, fuel mix and market trends), resource objectives, strategic drivers and potential portfolios. The focus now is to solidify resource options that are aligned with OPALCO's specific objectives related to:

Objectives:

- Maintain BPA as our long-term power provider
- Target zero load growth
- Ensure continuing safe, reliable and stable grid operation as intermittent local renewable energy sources are added
- Minimize environmental impact (reduce carbon footprint)
- Increase sustainability for critical services

Recommended Strategies:

1. Optimize BPA power (Tier 1)
2. Maximize BPA rebates to our membership
3. Incentivize fuel switching for EV, heat pumps and new construction
4. Offset new energy load (item 3 above) with efficiency, conservation and local renewable incentives.
5. Ensure grid control backbone accommodates emerging local distributed energy resources and vehicle to grid standards
6. Encourages peak load reduction (renewable and demand response)
7. Continue to evaluate relationships with strategic resource partners
8. Establish prepaid metering program
9. Continue education and outreach programs (support above)

EES and staff will review a presentation with the Board at the September meeting.

Summary Timeline

- A. ✓ Complete Staff kick-off meeting: November
- B. ✓ Development of Load forecast scenarios: Q1
- C. ✓ Development of BPA Power Supply modeling: Q1
- D. ✓ Present Load-Resource Balance and scenarios to Board: Q2
- E. ✓ Research resource and efficiency options applicable to OPALCO: Q2
- F. ✓ Evaluate strategic alliances with other utilities: Q2
- G. Present Recommended Strategies: Q3 (August Meeting)
- H. Develop benefit/cost analysis of identified resource and efficiency options: Q3
- I. Develop risk analysis: Q3
- J. Solidify direction: Q3
- K. Draft Report: Q3
- L. Present Evaluation results and strategic options for the future: Q3
- M. Present Analysis of strategic alliances: Q4
- N. Finalize Report: Q4

MEMORANDUM

August 14, 2015

To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Direction for Rate Structure Discussion

At the June board meeting, there was some discussion about how to proceed with rate structure review for the 2016 budget process. At the August 20th meeting, I'd like to get clarity on a couple of questions before we begin putting resources toward this.

1. What rate structure direction is the Board currently favoring?
 - a. Minimum Bill Approach (decoupled) which includes:
 - i. All energy (kWh) charge
 - ii. Minimum energy (kWh) charge (in lieu of facility charge)
 - iii. Ongoing revenue recovery charge
 - OR
 - b. Adjust the existing rate structure. Ideas under discussion include:
 - i. Attaching a minimum kWh load to the facilities charge
 - ii. Prescribing that all future rate adjustments would target all kWh or all facilities charges
 - iii. Emphasize peak reduction through our TOU tariff
2. Given the answer to the question above, what kind of process for rate structure review does the Board envision?
 - a. Modify rate structure through the 2016 budgeting process
 - OR
 - b. Create a member work group to inform the process

MEMORANDUM

August 14, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

RE: Discussion of Board Position on Rates and Finance

Please find attached the “Board Position on Rates and Finance” article that has been circulated for board review and comment. Feedback from board members suggested that we discuss this as a group before publishing it online.

At six pages, the distribution channels are limited. My recommendation is to post it on our website and link to it from a variety of articles (newsletter, news releases, etc.).

With board approval, staff will post this article on our website and begin pointing members to it.

Board Perspective on Rates and Finance

Jim Lett, Board President

August 12, 2015

Dear Co-op Members:

The following thoughtful analysis of OPALCO's rates and revenue situation was initiated by our Shaw Island board member, Dr. Jerry Whitfield, who brings significant expertise in business and financial matters. This letter has been reviewed and edited by the full board to reflect our position as a whole in the hope that we can bring greater clarity and understanding to the membership about our financial position.

Summary

OPALCO experienced a significant shortfall in revenue during 2014 that was 6.0% below budgeted "cost of service"¹ that is continuing in 2015. The Cooperative's bottom line, or Net Margin, was down by \$1.0M in 2014, which put the Co-op's key TIER² ratio below the minimum required in its loan covenants (see table below). This requires a corrective action plan to be filed with Opalco's lenders. Recently, the Board approved a temporary charge on all residential and commercial electric bills through the end of 2015 to recover the expected 2015 shortfall in revenue and to restore TIER to above the required level. The underlying reasons for this revenue shortfall, the impact on member's electric bills, and a process for finding solutions are examined here for the benefit of all members.

	Budget	Actual	Difference
	2014	2014	(actual-budget)
Total Operating Revenue	\$ 23,421,819	\$ 22,029,026	\$ (1,392,793)
Total Operating Expenses	\$ 21,553,187	\$ 20,901,491	\$ (651,696)
Interest on long term debt	\$ 915,599	\$ 908,934	\$ (6,665)
Net Operating margins	\$ 1,003,539	\$ 286,454	\$ (717,085)
Net Non-Operating Margins	\$ 118,459	\$ (164,501)	\$ (282,960)
NET MARGINS	\$ 1,121,998	\$ 121,953	\$ (1,000,045)
OPALCO TIER	2.23	1.13	-1.10
OPALCO Equity Ratio	62.20%	58.70%	-3.50%

Background

An electric cooperative is a not-for-profit, membership-owned, quasi-monopoly. As such it is required to provide an exclusive electric service to all its members at its "cost of service." This means that it must charge a price for this service that covers all of its actual operating expenses plus a small margin (Net Margin), typically 4-5%. This margin is not considered profit in the strictest sense but is used to build up "patronage capital" for each and every member which is repaid to members after 25 years of service.

Obviously, revenue shortfalls are bad financially for any organization. OPALCO relies on long-term, low-interest government loans administered through the Department of Agriculture to provide and maintain the infrastructure that delivers electricity to our homes and businesses. OPALCO services these loans through revenues collected from members of the cooperative when they pay their electric bills. If these revenues continue to fall short,

¹ Cost of service = (total operating expenses + total fixed charges (interest in long term debt) + net margin)

² Times Interest Earned Ratio = (Net Margin+Interest)/(Interest) = 1+(Net Margin/Interest)

OPALCO will continue to make adjustments as required in the corrective action plan to meet our revenue requirements and avoid risking default on its loan covenants that are designed to assure the lender of OPALCO's continued ability to repay these loans.

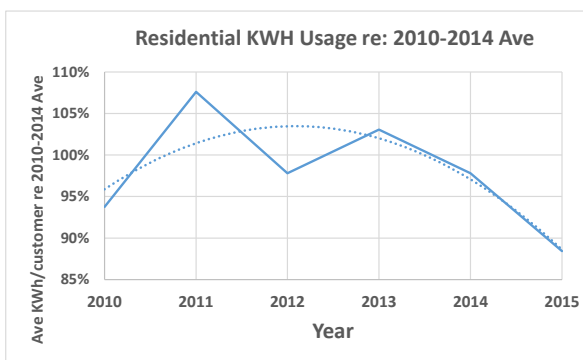
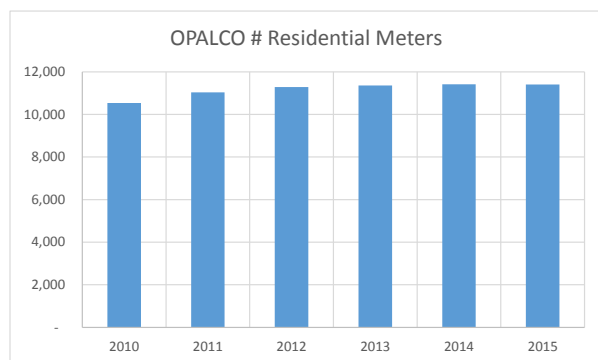
To meet its loan covenants, OPALCO must maintain its Net Margin at a level that is at least equal to 25% of the interest it must pay on all of its outstanding loans, (TIER=1.25). In 2014 TIER dropped to 1.13, or 13% of its interest repayments, requiring OPALCO for the first time ever to provide its lenders with a recovery plan. Please note that OPALCO remains in loan compliance as TIER covenants are measured via a three-year rolling review.

Revenue Shortfall

How does OPALCO set its rates and how has this revenue shortfall occurred? OPALCO, along with its professional rate consultants, EES Consulting, undertake a Cost of Service Analysis³ to develop a "rate structure" that is designed to generate revenues sufficient to recover OPALCO's full cost of providing its service. A rate structure is also intended to fairly allocate expenses in relation to each member's use of and impact on the system, to reduce the impact of weather variations, market and other volatility, and promote Opalco's financial stability. The Cost of Service Analysis utilizes OPALCO's annual budget (projected revenues and expenses) as well as its load forecast (estimate of future electricity demand by all members) to develop electricity rates. The cost of service line items are clearly delineated each year in the annual budget. Still, the current rate structure did not meet its objectives for generating the revenue required to meet its cost of service. How so, and how can it be fixed?

Despite a dedicated forecasting team at BPA, our own rigorous process and the expertise of our consultants, forecasting energy usage is not an exact science and a small variance can make a big difference. Our margin of error for weather prediction (heating degree days) is typically +/- 5%. In 2014, actual variance was 6%.

In the last 2-3 years there has been no growth in the residential customer base, and average customer usage dropped by 5% in 2014 with a steeper decline in Q1 2015. Usage is predicted to decline through the rest of the year with another projected warmer winter.

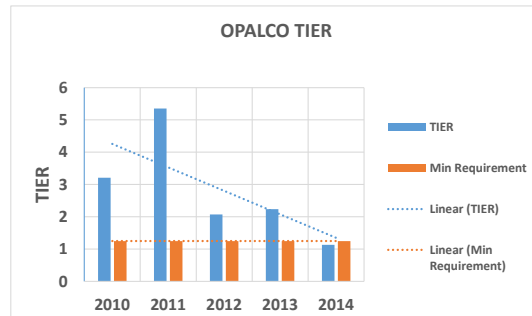
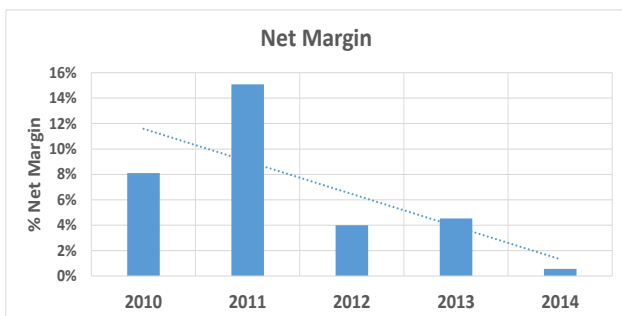
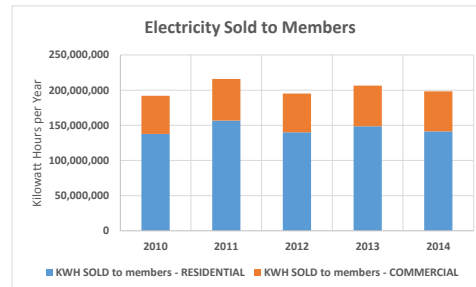
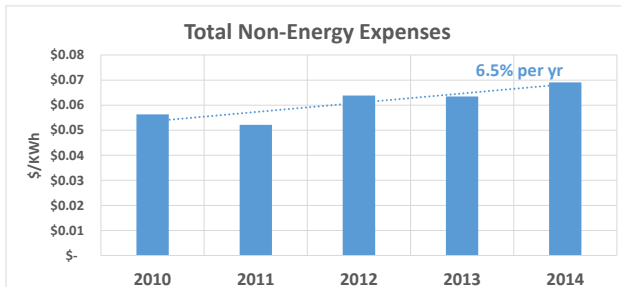
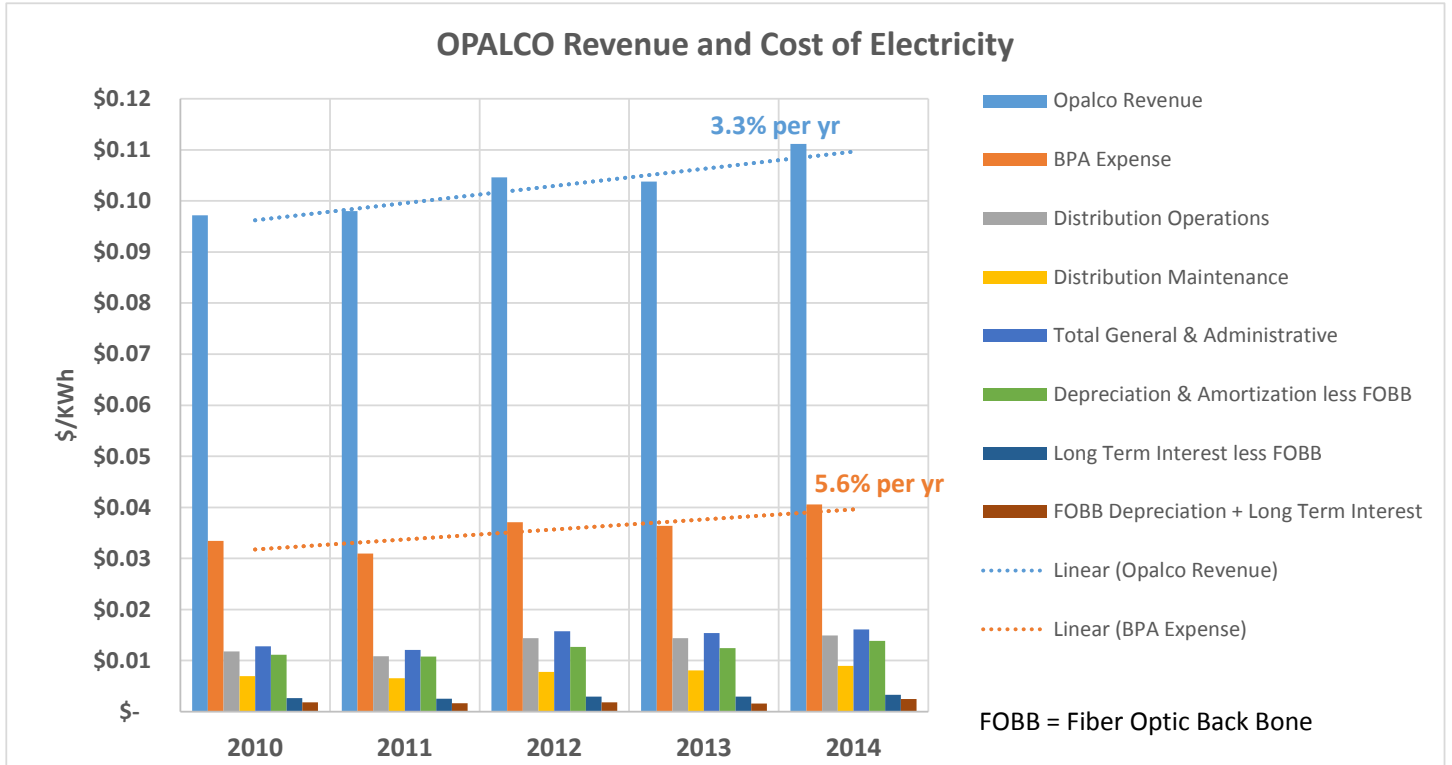


However, the cost-of-service analysis projected a 1% annual load **growth** in both 2014 and 2015, over-predicting sales of KWh by >6% in 2014. The \$/kWh rate was established on this load projection, and when usage comes in low, so does revenue, which leads directly to the revenue shortfall. The net effect is that OPALCO has charged all members **below** the full cost of service during this period.

³ Orcas Power and Light Cooperative Electric Cost of Service and Rate Study, Final. EES Consulting. Feb 12th 2015. <http://www.opalco.com/wp-content/uploads/2015/04/Rate-Design-COSA.pdf> pp25-77.

This trend has been in the making since 2010 (see charts below) because rates were held relatively flat while revenues increased on average by 3.3% per year on a \$/KWh basis; however energy expenses (BPA) went up by 5.6% per year and non-energy expenses by 6.5% per year. This was an intentional board direction: rates increases were minimized to help with recession recovery and then, in 2012, the Board intentionally began driving down Net Margins and TIER, which was higher due to elevated kWh sales during a cold weather year in 2011.

Trends in Cost of OPALCO Electricity

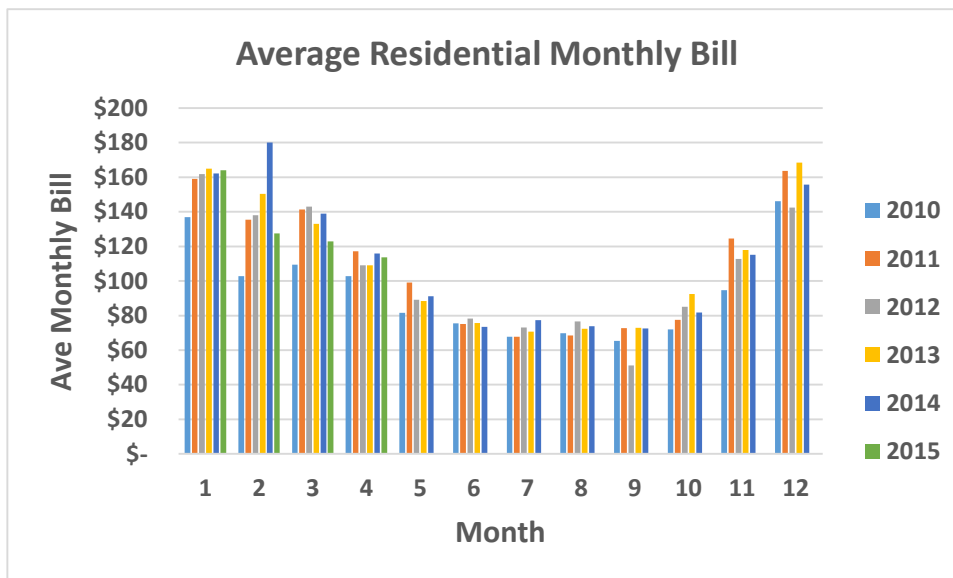


Impact on Members Bills

Monthly electric bills consists of two parts: a fixed facility charge and a variable energy charge determined by kilowatt hour (KWH) usage. Historically, the energy charge (KWH sales) has represented the majority (60-75%) of

the bill so that lower revenues are directly linked to lower sales. While it is good for the member to have a fixed price per unit of electricity, it represents a revenue risk for OPALCO if **actual usage** falls below predicted. Recently, warmer weather patterns, installation of low-energy lighting and appliances, and more solar generation by members has resulted in a significant downturn in usage per customer compared to forecast and at a time when the customer base is not growing. Had our forecast been on target, the average member bill would have increased by the budgeted 6% instead of the actual increase of only 2.8% in 2014.

The variation in average monthly bill for residential usage is shown here over the last five years. Seasonal demand change is very clear. Year-to-year changes are quite modest.



OPALCO Financial Management

Predicting the weather is a difficult task, even with all the BPA expertise and experience OPALCO has in its team and consultants. The warmer weather patterns of late as well as member's decisions to invest in energy efficiency and local distributed power are beyond OPALCO's direct control.

Missing the TIER targets has been characterized by some as an expense problem which must be fixed by slashing expenses and capital investment. Expenses were reduced by over \$650k (3%) in 2014, but this was insufficient to relieve the underlying problem. This a **revenue problem first and foremost** that can only be solved by first generating sufficient revenues to cover the true cost of service.

The current challenge for Management and the Board is to rigorously control costs during a time of declining usage, thereby minimizing further rate increases, without compromising safety and reliability of service.

Going forward, OPALCO has a number of capital investment challenges, including replacement of some aging submarine cables and financing the build-out of broadband internet through Rock Island Communications⁴.

It is important to note that our investment in broadband was based on a decision made in 2013 and we are fully committed and contractually obligated to see it through to profitability. With the acquisition of Rock Island in February 2015, the risk, timeline and costs involved in meeting this directive have been significantly reduced from our initial proposal and we are on track to reach financial breakeven with a minimal number of connections (2,000-3,000).

⁴2015 Capital Projects Budget. <http://www.opalco.com/wp-content/uploads/2015/01/2015-Capital-Projects-Budget.pdf>

The total cost of the capital buildout for our fiber optic backbone is about 2.5% of a member's electric bill today increasing to a maximum of 5% when completed in 2017 (see chart on the previous page). This is a cost-benefit issue that deserves on-going and systematic review by Management, the Board and the Membership.

This is a challenging period of necessary capital investment. We anticipate another 2-3 years of higher debt load which will add further to the cost of service and members' electric bills. This was clearly spelled out in the 2015 Budget.⁵ Management and the Board must be aware of the rate impact of these future funding decisions and be prepared to communicate these decisions.

It is important to understand that OPALCO provides an electric **service**, guaranteeing grid connectivity across many island waterways, and supplying reliable, affordable power to all its members at all times. It is not solely a retail commodity provider of kilowatt hours akin to a gas station or grocery store where the commodity prices depend on supply and demand. As such, member-owners must be prepared to pay the full cost of service regardless of changing weather patterns and decisions made by users to improve their energy efficiency. And the Board must serve the interests of the membership by striving to minimize increases in members' bills. This is a responsibility that comes with cooperative ownership, and costs must be shared fairly across the membership. Bear in mind that higher rates do not always spell out higher monthly bills (see above chart, Average Residential Monthly Bill).

Where do we go from here? There are a number of ideas on the table for rate structure solutions and discussion will continue at the next Board meeting in Friday Harbor on August 20, 2015. No matter how we go forward, there will be trade-offs including unintended consequences and tough decisions to make, such as:

- When we structure rates to **encourage conservation** (higher kWh charges, lower facilities charge), members have more control of their bills but our revenue is more subject to volatility based on weather and usage and, an unintended consequence is that, part-time members are subsidized by full-time members for the year-round fixed costs of the infrastructure that serves them.
- If we try to **encourage fuel switching** (replacing member propane and gas usage with hydropower), the rate structure includes lower kWh charges and a higher facilities charge which reduces revenue volatility, encourages new electric load and revenue and charges part-time members their full cost of service year round. The trade-offs are less reward for conservation and less member control over their bills.
- As rates go up, what role should the Co-op play in addressing affordability in San Juan County? Does the membership want to **subsidize a rate relief program** for qualified seniors and low-income member household through increased rates? Our county-wide low-income assessment in process this summer will provide key information on this important affordability issue.

Members are invited to weigh in on these important questions by taking a survey online at www.opalco.com/survey. The results of this survey will help inform our decision making during the 2016 budget process.

To follow the conversation, members can read each Board packet when they are posted online at www.opalco.com (find documents/board materials). To participate in the discussions, board meetings are open to members and provide a forum for exchanges of information and ideas. If you have questions, come to the source: the wealth of information online and our knowledgeable staff and leadership. Social media helps to broaden participation in the conversation, but should not be mistaken for the conversation itself.

⁵ <http://www.opalco.com/wp-content/uploads/2015/03/2015-Budget-Report-updated-rate-chartREV.pdf>. pp8-29.

FINANCIAL PRESENTATION

MEMORANDUM

August 14, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2015 Second Quarter Financial Report

Please see attached the 2015 Second Quarter Financial Report (Q1 + Q2). Revenue is still down, but expense reductions offset the shortfall for a summer plateau of greater stability. This is no surprise – the expense cuts and expense delays were intentional and we are in the most stable part of our year when temperatures, load and revenue are more predictable.

In summary, revenue is down (Q1 + Q2) \$738K and is more than offset by reduced expense (\$744K). Lower power purchases represent \$270K in expense reductions and the balance (\$474K) comes from significant cuts and shifted expenditures—some of which (hiring, equipment purchases) will still have to be spent before year-end.

The El Niño warming trend we have been experiencing is expected to strengthen and may exceed historical records, further reducing OPALCO revenue. Meanwhile, expenses, dominated by fixed costs, will grow slightly - to maintain grid reliability, timely repairs, and the customer service members expect. Though we have lowered our kilowatt-hour sales projections, the revenue recovery add-on puts us back on track financially. We will see the impact of the revenue recovery add-on beginning in Q3.

For more detail, please note the following key points for Q2:

- Heating Degree Days (HDD) were down ~37% below normal (YTD) and kWh sales down by ~5% of budget. Weather and usage fluctuations are expected to continue through the end of the year.
- Energy demand was over-forecasted as a result of continued warmer weather at the tail end of the heating season (April). Year-end kWh sales projections have been lowered from 200M to 191M based on performance to date and adjusted forecasts.
- Power purchases were down by \$270K due to lower kWh consumption.
- Expenses were reduced by approximately \$470K through cuts and shifted expenditures. Please note that shifted expenditures (e.g. delayed hiring) will appear by year-end.
- Despite our deteriorating kWh outlook and shifting expenditures, the revenue recovery add-on (as implemented) is expected to keep us on track through 2015.
- OPALCO continues to be in compliance with RUS loan covenants.

MEMORANDUM

August 14, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Rock Island Communications; Second Quarter Financial Review

The Q2 (YTD) of full operations of Rock Island Communications was a progressive move towards our full operating model and goals. We are nearing completion for our integration efforts. The Q2 financials are attached.

Our primary focus in Q2 was the construction efforts of Middle Mile infrastructure in Spring Point, The Cape, Mineral Point, Eagle Lake and Alder Cottages. In addition, we continued to fill our pipeline of fiber-hoods and new connections along with supporting all existing revenue streams.

Operational Milestones achieved in Q2 2015

- Managed simultaneous construction efforts on multiple islands completing the development of Eagle Lake, Alder Cottages and numerous individual connections
- County wide engagement of all emergency services to co-develop a data network for county wide use.
- Completed contract and tech specs on SIM cards for LTE Network.
- Completed comprehensive Radio Frequency study for optimal LTE deployment.
- Began development on a county wide fiber/LTE cost estimation model to predicate individual and collective costs of deployment.
- Hired key staff in sales and operations.
- Achieved 2 additional HOA fiber-hood build commitments
 - Alder Forest (Orcas)
 - Whiskey Hill (Lopez)
- Delivered 48 new fiber to the home services.
- Started delivering VoIP services.

Operational Challenges in Q2 2015

- LTE build out is going slower than planned, due to vendor selection and system testing.
- VoIP has been a greater challenge and steeper learning curve than anticipated. The transfer process from CenturyLink is frustrating and overly complex.
- Inquiry and Prospect Volume – Effective county wide communication continues to be a challenge, especially in real-time to various groups and

individuals. We expect this to improve significantly throughout the balance of 2015 as we implement our operational platforms and tracking systems.

Financial Highlights for Q2 2015

The budget to actual performance for Island Network overall remains in-line with expectations for the first half of the year.

Revenues came in just above budget for the half at \$811,766 with a variance of \$23,158 from budget. Operating Expenses were lower than budget at \$978,088, \$186,999 under budget.

An important risk-mitigating factor within the business plan is to correlate a significant portion of the tranche investment structure to the take rate as well as the addition of Rock Island legacy revenue stream. We are now accelerating our LTE construction investment in order to deliver approximately 600 fixed wireless subscribers before year end.

Table 1

	Budget Period End	Actual Period End	Variance
Op Revenue	\$788,609	\$811,766	\$23,158
COGS	\$338,511	\$336,409	(\$2,102)
Gross Profit	\$450,098	\$475,357	\$25,259
Op Expenses	\$1,165,087	\$978,088	(\$186,999)
Net Margin	(\$738,121)	\$(522,392)	\$215,729

Borrowings from OPALCO (Nov 14 to Period End)

Borrowings for the year adjusted for the acquisition of Rock Island Technology Solutions is \$3.4M, up from \$2.9M. Through the first eight months (Nov, Dec 14 & Q1 & Q2 15) our borrowings from OPALCO totals \$2.8M for startup costs and connection incentives. The remaining amount is in line with our running operational costs for the balance of 2015.

Staffing

In line with budgeted expectations after the acquisition staffing levels at period end where 17 FTE's compared to a budgeted 19 FTE's.

Positions filled by period end;

1. EVP
2. VP Operations
3. VP Technology
4. VP Engineering
5. VP Sales and Marketing
6. Network Operations
7. Customer Support

8. Retail Sales
9. System Admin
10. GIS Tech
11. Field Tech +5
12. Operations Support +3

Subscriber Highlights for Q1 2015

Our goals planned for a gradual ramp up in subscribers during the initial months of 2015 continues particularly those receiving Fiber to the home. Q2 of 2015 was focused on gearing up and beginning our first group of large fiber-hoods. Initial construction efforts have been a mix of great to moderate. Two major projects (Spring Point & Mineral Point) have had two very different middle mile experiences. The Spring Point middle mile project went exceedingly well, on time and on budget. The Mineral Point middle mile, while on budget, has taken far too long with a significant impact on the homeowners.

Total new fiber subscribers for 2015 were budgeted to be 400. As of end of Q2 we have added 68 new subscribers. We currently have fiber under construction to 278 properties with an expected 255 new connections from these. We are expecting 185 new connections to occur in Q3. The table below lays out our overall progress by subscriber type and compares budget to actual.

ROCK ISLAND COMMUNICATIONS

Total Subscribers - Budget To Actual

BUDGET	2014	2015 Budget				Comments
	Actual Year-end	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Subscribers						Delay in LTE Deployment
DSL		1,444	1,444	1,444	1,444	
Canopy		174	174	174	174	
Fiber		138	178	328	500	
LTE		100	250	400	608	
Total		1,856	2,046	2,346	2,726	
ACTUAL	2014	2015 Actual				
	Actual Year-end	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Subscribers						
DSL	-	1,444	1,470			
Canopy	-	174	174			
Fiber	108	128	176			
LTE	-	-	-			
Total	108	1,746	1,820	-	-	
Variance (Actual - Budget)	-	(110)	(226)	-	-	

*We project that budgeted LTE subscriptions will be connected by year end.

MEMORANDUM

Date: June 10, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Subject: Safety Program – June & July 2015

Safety Training

Jeff Myers conducted fire training in confined spaces/vault rescue in June and Pole Top Rescue training in July.

Confined Spaces/Vault Rescue training included procedures for entry into a confined space/vault and rescue of personnel should an incident happen; all of the line crew (i.e., qualified electrical workers) performed a practice rescue. Pole Top Rescue training included a review of the procedures of various methods of pole top rescue (bucket, climbing, etc.). All qualified electrical workers performed a practice rescue.

Accidents/Incidents/Near Miss

	June/July 2015	YTD (2015)
Near Misses	0	1
Incidents	0	0
Accidents	0	1
Loss Time	0	0

Total Hours Worked without Loss Time Accident: 89,672

GENERAL MANAGER'S REPORT

ENGINEERING AND OPERATIONS

Work in Progress (WIP)

As of August 12th, there are 569 work orders open totaling \$6,509,938. Operations has completed construction on 114 of those work orders, totaling \$1,284,693.

Cattle Point Road Re-conductor conduit system installation is expected to be complete by October. Continuation of our multi-year construction through Moran State Park has been delayed due to permitting issues. Cattle Point Relocation, a National Park Service project, began in May and the OPALCO portion should be complete in the 4th quarter of this year.

Submarine Cables

See memo in discussion items.

FINANCE

2015 Q2 Financial Results

Staff will be presenting the 2015 Q2 financial results and analysis for discussion with the board at the August board meeting.

Cash Position

Staff requested a \$2M RUS loan draw on August 12th, in order to fund the continued OPALCO Board-approved budgeted capital projects.

MEMBER SERVICES AND ENERGY SAVINGS

Rebates/EEI Funding Balance

During the current rate period (10/1/13 - 7/31/15), staff has issued rebates totaling \$642,060 with an associated kWh savings of 2,788,530. Rebate volumes slowed down in July, but are expected to pick up as we approach the end of the rate period and with decreased weatherization rebates effective 10/1. Two large grocery retrofits on San Juan were delayed until the next funding period.

EEI (Energy Efficiency Incentives) funding projections are looking slightly better for FY16-17. Estimated EEI for the next rate period is \$524K - \$42K higher than the current rate period. An additional \$7,322 in BPA Unassigned Accounts was transferred to our EEI fund balance in early August. Staff projects that \$360,273 remains before self-funding is necessary (Q1 2016).

Low Income Programs

Staff convened a Needs Assessment Work Group in July to begin the process of better understanding the needs of low-income islanders and to coordinate a county-wide response. The group included representatives from a wide variety of assistance agencies, including family resources, the County Housing Bank, community foundations, and the Opportunity Council. A draft of the Needs Assessment was reviewed by the group and a meeting is scheduled for late August to review the final data, define gaps in current programs available and coordinate outreach efforts. A presentation to the Board is planned for September to inform the budget process for OPALCO low income programs.

Local low income weatherization projects are underway and are expected to be invoiced in late August.

OPALCO/Nonprofit Partnership

The following activities were recently completed:

- The Solar Education project is fully funded and is expected to be completed no later than the end of September. The Orcas School 10kW array was installed in early June; San Juan and Shaw schools are expected to be completed in August, and Lopez is on schedule to install in September. There will be a press release and events planned at each school when all projects are fully

completed. Ten teachers in the county have been selected to lead the curriculum training for their respective schools.

- The County Leadership team met in early August to review and update the County Energy Plan, prioritize programs, and discuss projects currently underway, including incentivizing retrofits for homes heated with propane. The team received updates about projects planned for next year. The Town of Friday Harbor is planning extensive energy retrofits funded primarily by a \$500K grant from the Department of Commerce and some OPALCO rebates during the next rate period. An update on San Juan County's ranking for the Georgetown University Energy Prize is on the agenda for the next meeting in October.
- The Conservation District worked with Camp Eagle Rock (Friday Harbor) to implement energy conservation and efficiency education as part of the summer camp activities.
- Water conservation presentations were made at the Friday Harbor Farmer's Market and the Whale Museum in July. OPALCO provided free showerheads and faucet aerators to those in attendance. Water conservation and energy education will continue at the Conservation District's county fair booth in August.

Member Services

Member Services fielded about 60 calls in July and early August about billing, rates, and the implementation of the revenue recovery charge. The overall tone of the calls has been much more challenging compared to the initial rate increase calls. Member Services staff continues to diligently address member concerns and receive extra support from the Communications staff.

COMMUNICATIONS

Website Redesign

Research and design components are complete and have been tested with staff and board focus groups. The team is working on content and on target for completion by the end of the year.

Member Survey

The survey was retooled to provide timely input for the 2016 budget process with the following goals: 1) Gauge member appetite for self-funding energy efficiency and conservation; 2) Inform a strategy and direction for 2-year interim funding of programs until BPA funding is available. Survey is online: www.opalco.com/survey and we are again offering a \$5 bill credit for member participation. Without the county fair booth, outreach is limited to a quick burst of advertising. Please encourage members to take the survey.

Nourdine Jensen Cooperative Youth Scholarship Program

Five high-school students plus a returning youth director and two chaperones (Suzanne Olson and Theresa Haynie) attended the Idaho Consumer-owned Utility Association's (ICUA) Youth Rally at the College of Idaho in July. All five of the students received awards of \$100-\$500 from ICUA in addition to the \$500 OPALCO scholarships. Ray Doss of Orcas Island High School was elected by his peers to return in 2016 as a Youth Director.

Co-op Connector Newsletter

A new format was launched with the July newsletter – a more visual and compartmentalized design. The emerging "Letter from the General Manager" is now a separate piece that will be sent independently of the newsletter to the same list of 1,541 subscribers. The July newsletter had an open rate of 45.5% (list average is 41.6%; industry average is 17.9%). The stories most clicked on were 1) What is "the grid"?; 2) RIC Fiber to the Neighborhood; and 3) the letter from student Anthony Kaskurs. Three members clicked the new "Email Foster" button to send a message.

Personnel

Congratulations to all of OPALCO's new employees! Over the last few years, OPALCO has had an average of 50 employees. Twenty five percent of current staff are recent hires, who bring fresh enthusiasm and ideas to our cooperative.

The Accounting Department is now fully staffed, with the addition of Travis Neal as Head Accountant and Patty Kelly as Special Projects Coordinator. Travis, formerly employed with Moss Adams LLP, joined OPALCO on July 13th. He brought his extensive audit and accounting experience, and is joined on Orcas by his wife Megan and son, Owen. Patty, who joined OPALCO over a year ago as the Member Services Supervisor, wanted to return to her accounting and benefits administration roots of her former positions. She, along with her husband John, have been long-time Orcas homeowners.

Regina Penwell was selected to fill the Member Services Representative position in the Friday Harbor office. Regina has a long history of customer service and served in the US Army. She has lived on San Juan Island for 11 years with her husband and two children.

Kyle Stanley has filled the journeyman lineman position with the Lopez crew. Kyle is from Great Falls, MT and has seven years' experience working as an apprentice and lineman with utilities.

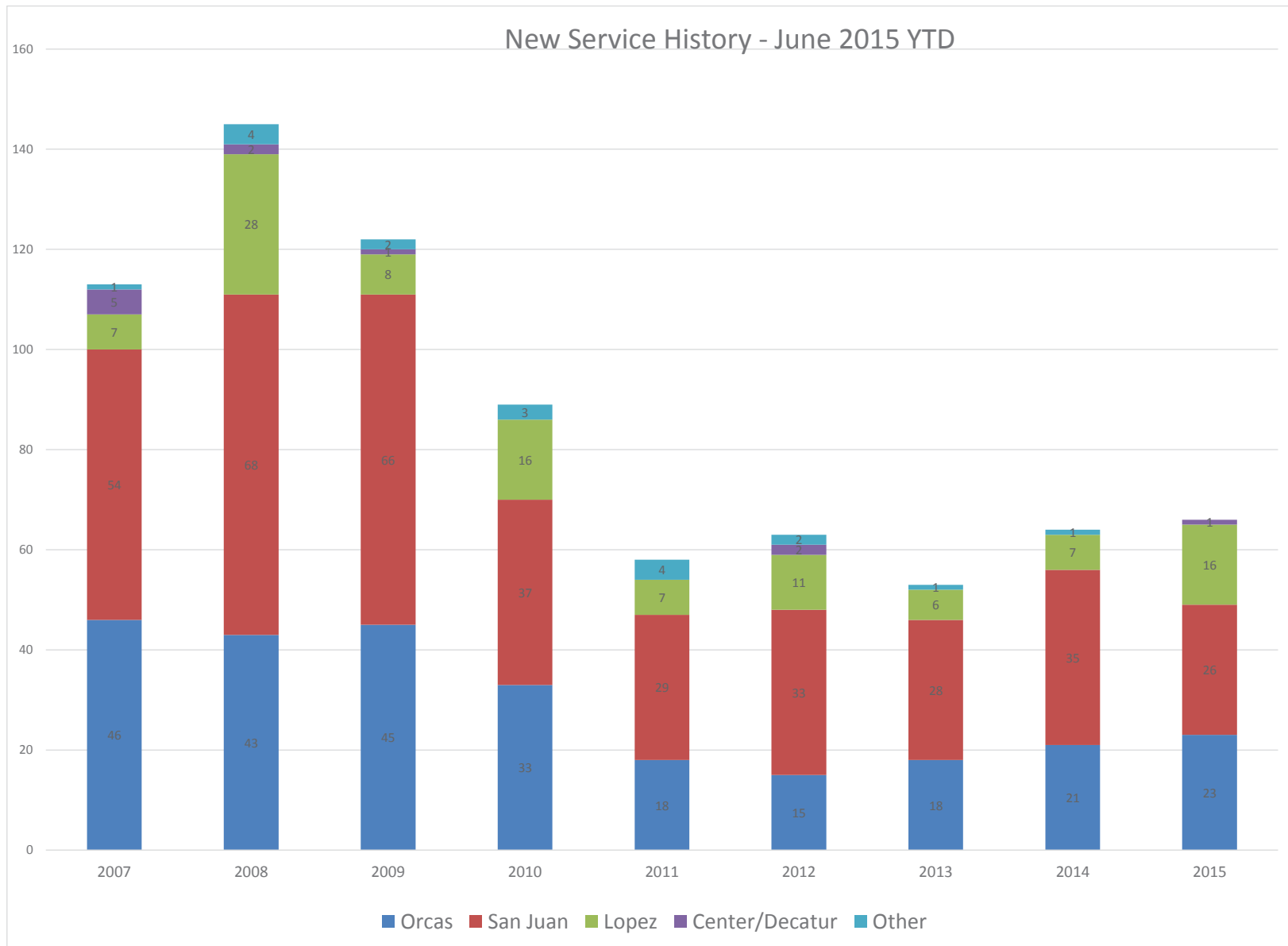
Interviews are wrapping up for the open Member Services Supervisor and Member Services Representative positions in Eastsound. Offers are expected to be made in mid-August with a goal of early to mid-September start dates.

MEMORANDUM

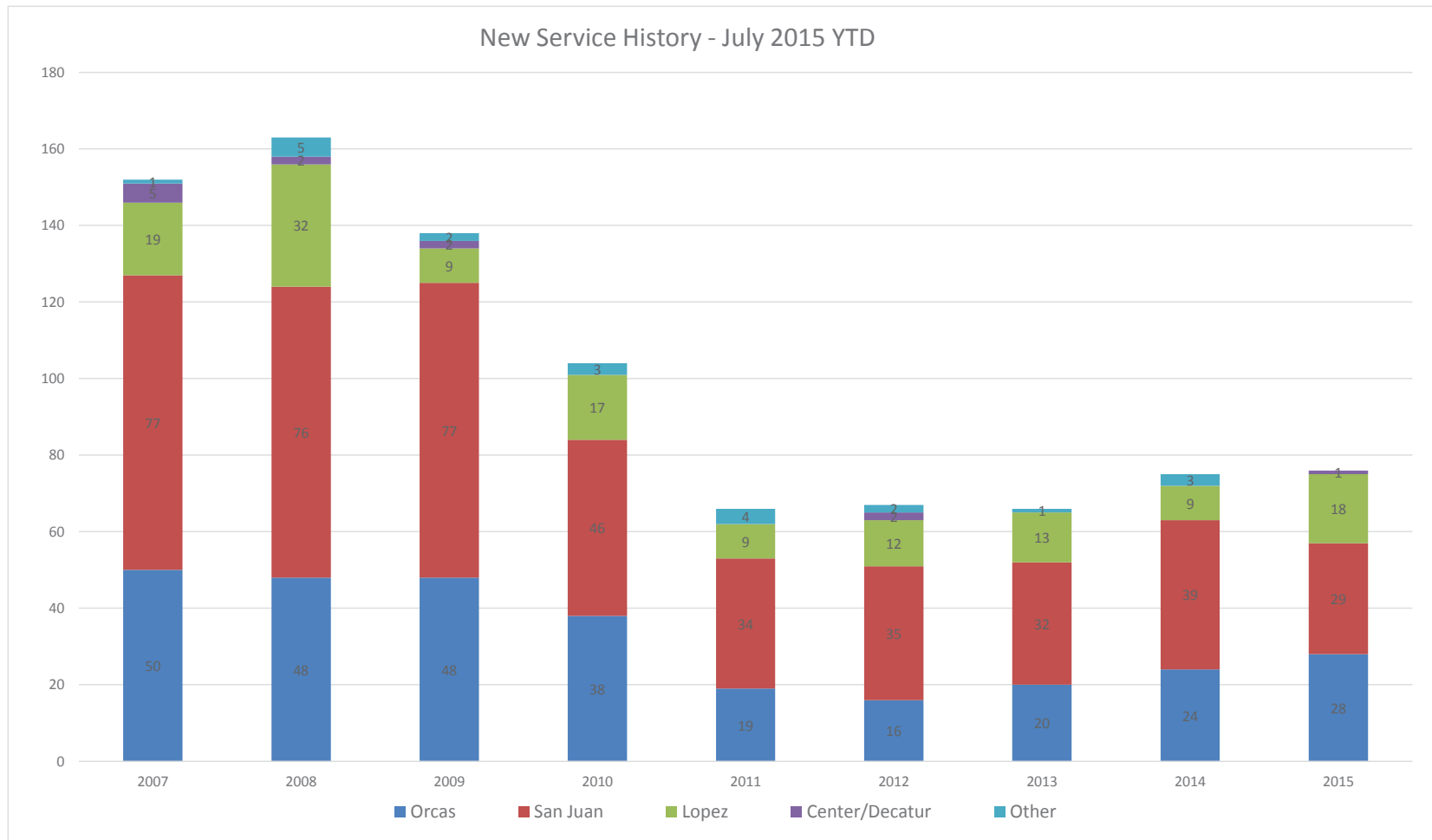
August 14, 2015

To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Dashboard Charts

The following charts provide the board with key real-time metrics directly from our database. This is the board's first look at this dashboard tool, which represents an efficiency that makes best use of staff time. We are very excited about the access to information that we will be able to provide. Staff will continue to expand available data as we refine this new dashboard.

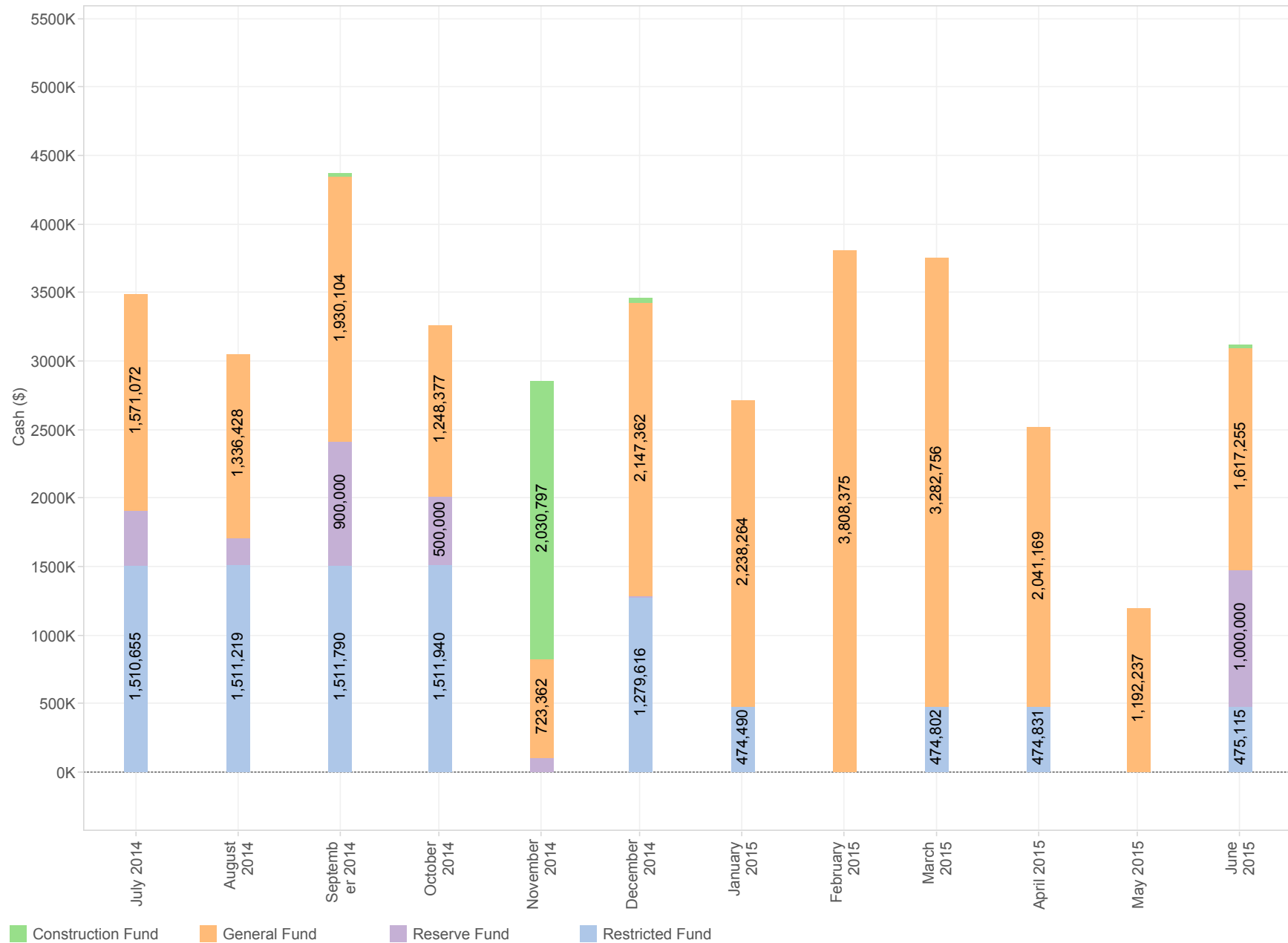


*Figures have been queried from the Service Order billing module and reconciled to the RUS Form 7 New Service numbers.

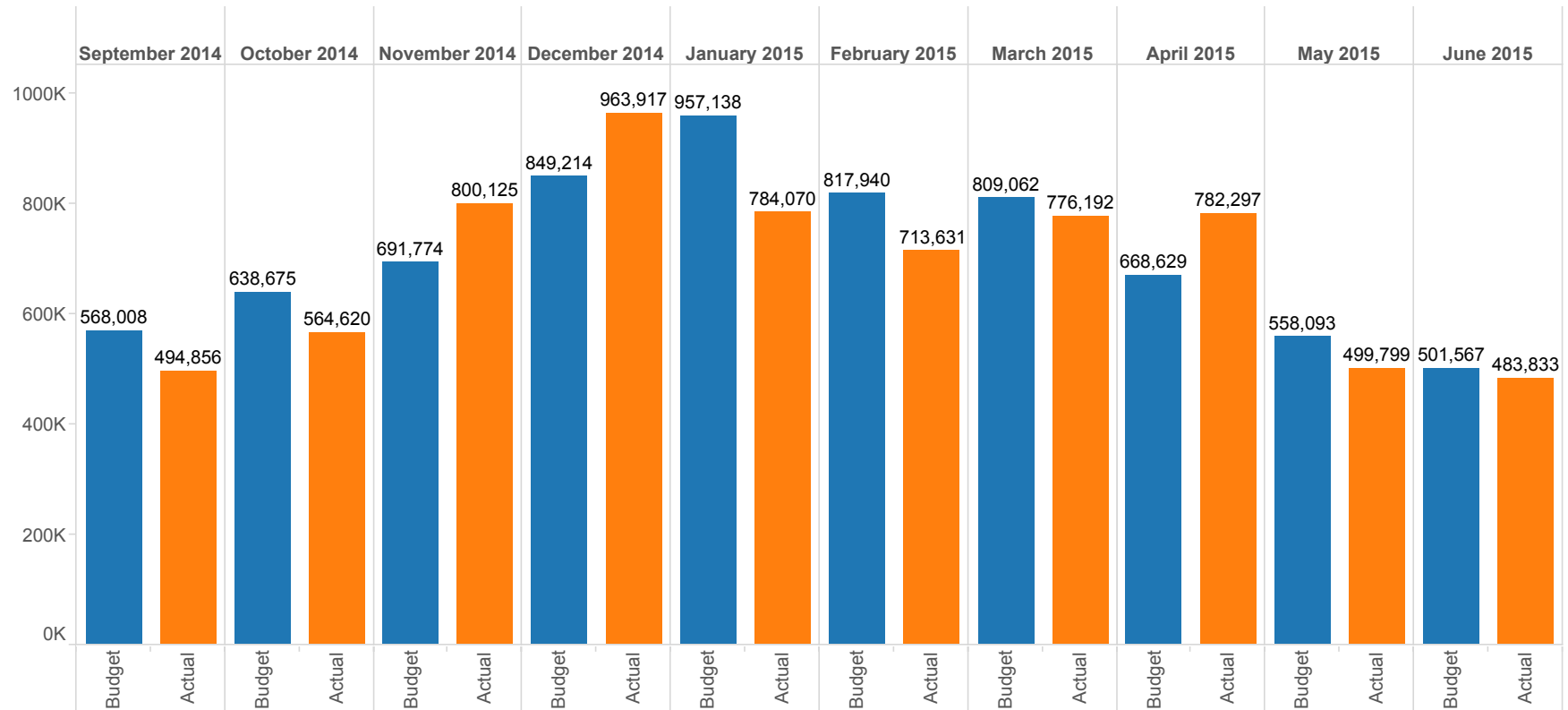


*Figures have been queried from the Service Order billing module and reconciled to the RUS Form 7 New Service numbers.

Cash



Power Cost



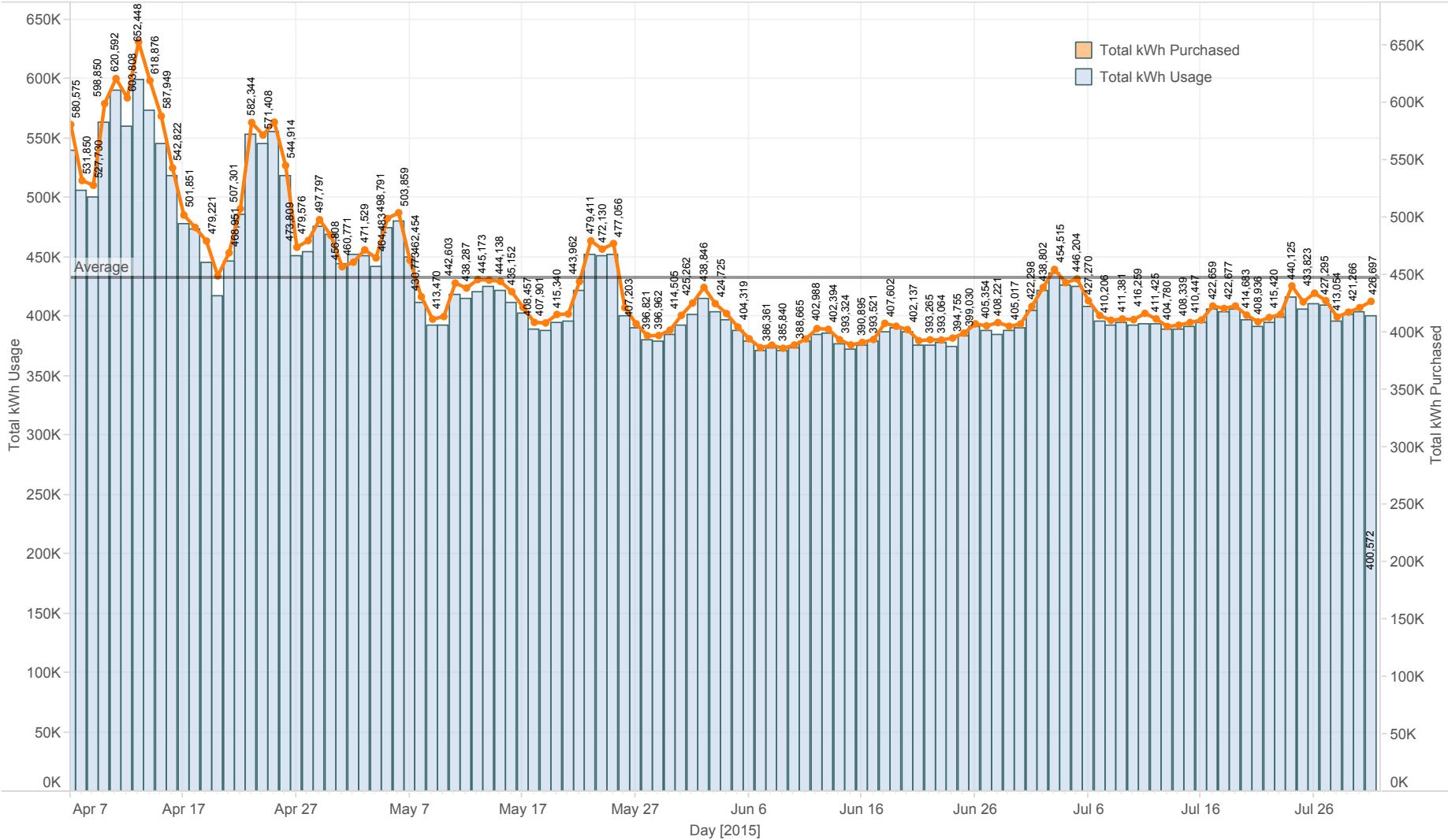
Prior Rolling 12 Months

	Budget	Actual	Variance
July 2013	348,698	285,822	-62,876
August 2013	413,961	427,961	14,000
September 2013	409,365	438,193	28,828
October 2013	630,777	683,267	52,490
November 2013	629,849	720,443	90,594
December 2013	864,907	1,125,500	260,593
January 2014	866,852	765,166	-101,686
February 2014	850,331	1,105,673	255,343
March 2014	773,388	778,706	5,318
April 2014	763,902	713,126	-50,776
May 2014	487,679	475,013	-12,666
June 2014	502,284	473,272	-29,012

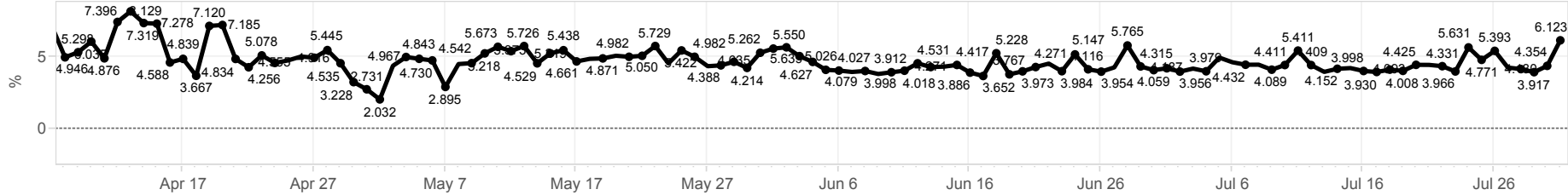
Current Rolling 12 Months

	Budget	Actual	Variance
July 2014	431,674	421,778	-9,896
August 2014	496,352	481,176	-15,177
September 2014	568,008	494,856	-73,152
October 2014	638,675	564,620	-74,055
November 2014	691,774	800,125	108,351
December 2014	849,214	963,917	114,703
January 2015	957,138	784,070	-173,068
February 2015	817,940	713,631	-104,309
March 2015	809,062	776,192	-32,870
April 2015	668,629	782,297	113,668
May 2015	558,093	499,799	-58,294
June 2015	501,567	483,833	-17,734

Sold vs Purchased (kWh)

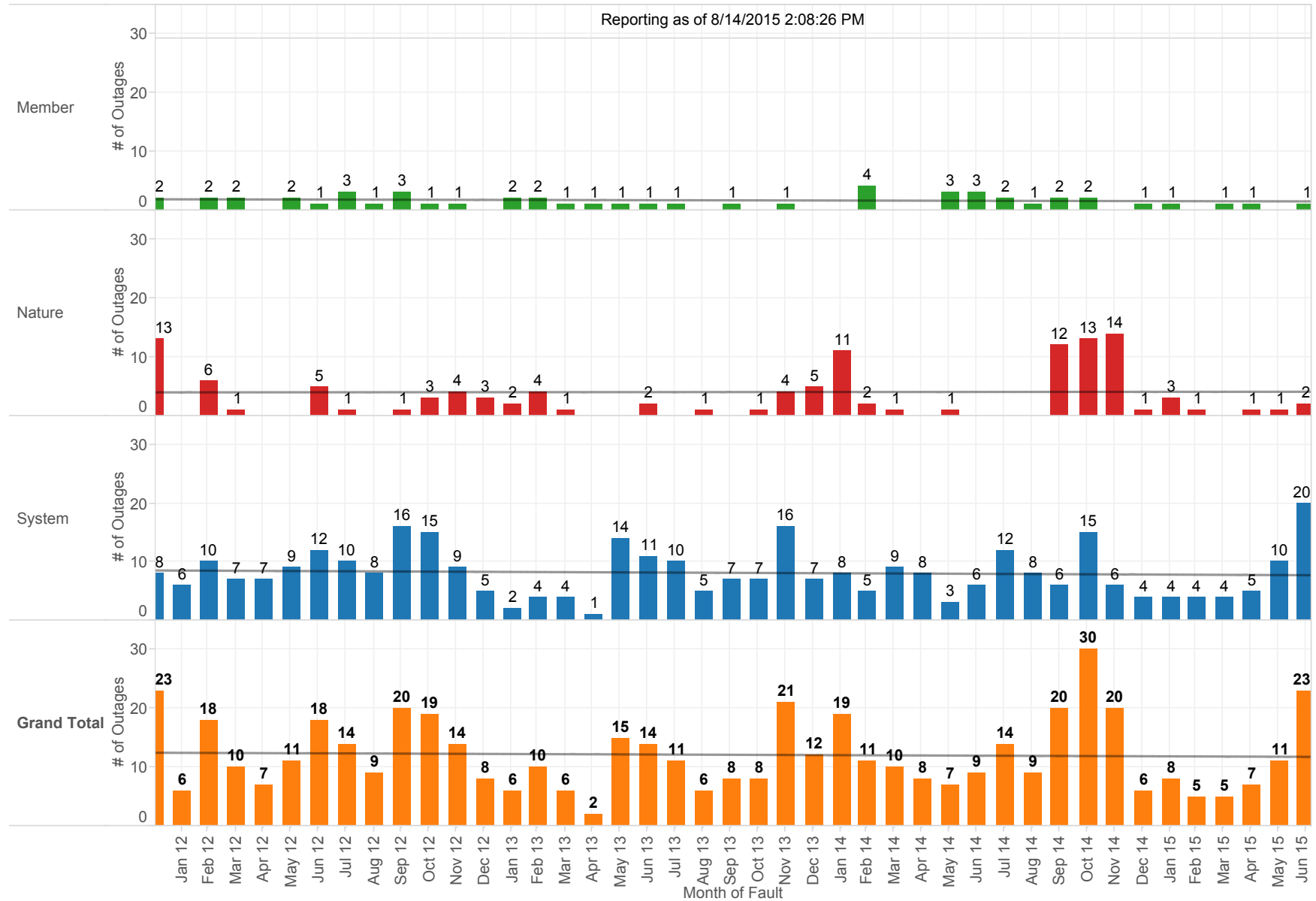


System Losses (%)



Outage Summary

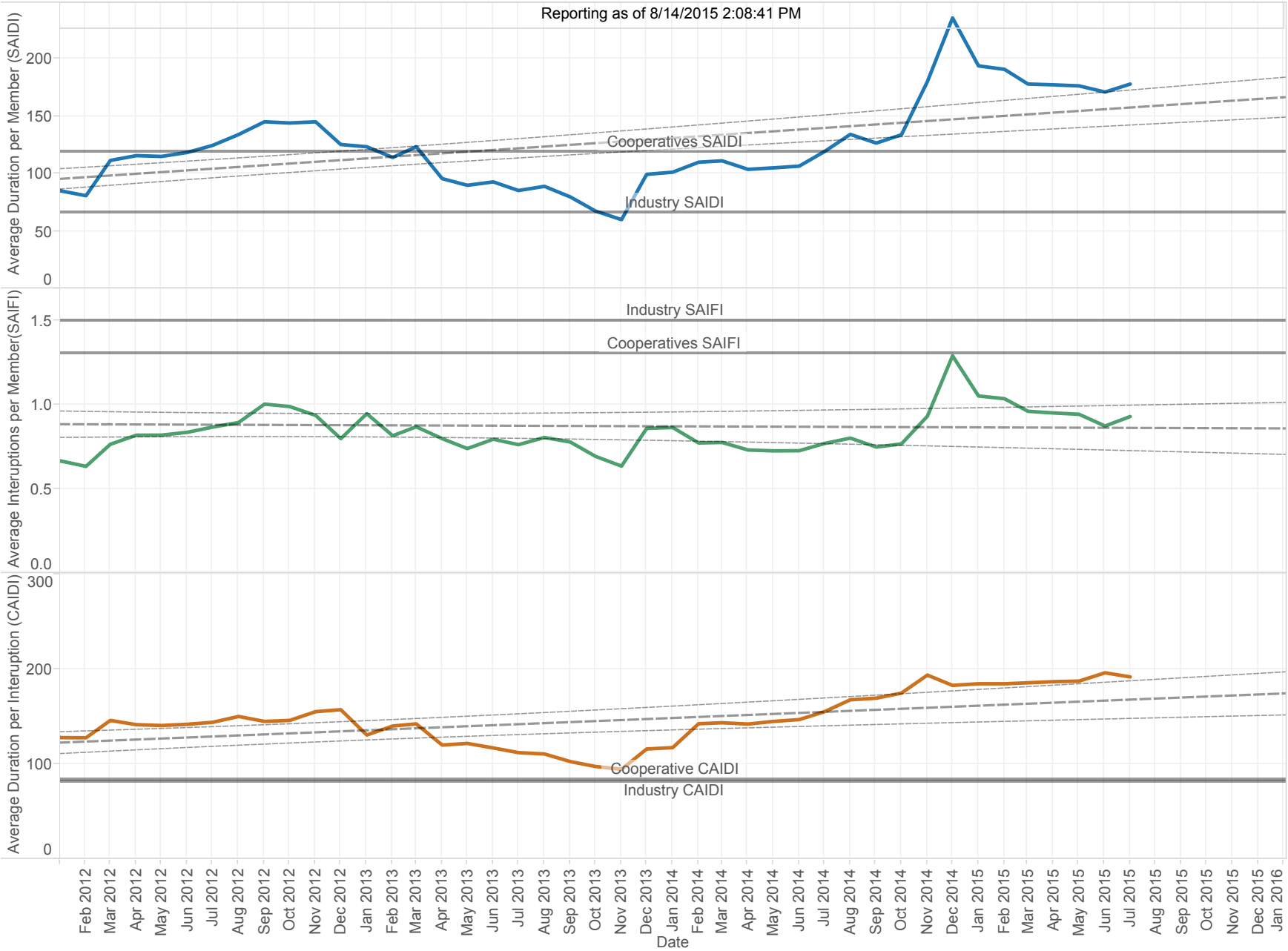
Reporting as of 8/14/2015 2:08:26 PM



Category Description

■ Member
 ■ Nature
 ■ System
 ■ Grand Total

Outage Statistics



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

Month	2013 YTD							2014 YTD							2015 YTD						
	All Green			MORE Blocks			Total Revenue	All Green			MORE Blocks			Total Revenue	All Green			MORE Blocks			Total Revenue
	#	kWh	Revenue	#	#	Block Revenue		#	kWh	Revenue	#	#	Block Revenue		#	kWh	Revenue	#	#	Block Revenue	
	Members	kWh	Revenue	Members	Blocks	Revenue		Members	kWh	Revenue	Members	Blocks	Revenue		Members	kWh	Revenue	Members	Blocks	Revenue	
			\$ 0.04			\$ 4				\$ 0.04			\$ 4				\$ 0.04			\$ 4	
Jan	43	54,479	2,179	433	921	3,684	5,863	44	41,878	1,675	411	871	3,484	5,159	42	38,625	1,545	408	853	3,412	4,957
Feb	43	50,927	2,037	432	918	3,672	5,709	44	47,227	1,889	410	870	3,480	5,369	42	29,125	1,165	406	842	3,368	4,533
Mar	42	42,787	1,711	429	915	3,660	5,371	44	35,590	1,424	408	866	3,464	4,888	42	28,200	1,128	406	842	3,368	4,496
Apr	42	31,063	1,243	427	904	3,616	4,859	44	30,702	1,228	408	865	3,460	4,688	43	25,769	1,031	402	840	3,360	4,391
May	41	21,699	868	426	897	3,588	4,456	44	26,412	1,056	408	858	3,432	4,488	42	18,992	760	400	833	3,332	4,092
Jun	41	20,336	813	426	897	3,588	4,401	45	17,020	681	418	870	3,480	4,161	37	13,775	551	401	824	3,296	3,847
Jul	43	17,756	710	425	895	3,580	4,290	44	19,421	777	416	865	3,460	4,237	38	12,284	491	400	826	3,304	3,795
Aug	42	18,716	749	421	893	3,572	4,321	44	16,540	662	415	864	3,456	4,118	-	-	-	-	-	-	-
Sep	42	18,786	751	418	890	3,560	4,311	44	16,477	659	414	860	3,440	4,099	-	-	-	-	-	-	-
Oct	43	23,882	955	415	887	3,548	4,503	45	17,566	703	413	860	3,440	4,143	-	-	-	-	-	-	-
Nov	44	31,535	1,261	414	881	3,524	4,785	44	27,414	1,097	410	860	3,440	4,537	-	-	-	-	-	-	-
Dec	44	47,347	1,894	412	879	3,516	5,410	42	36,929	1,477	409	855	3,420	4,897	-	-	-	-	-	-	-
Total	43	379,313	\$15,173	423	10,777	\$43,108	\$ 58,281	44	333,176	\$ 13,327	412	10,364	\$ 41,456	\$ 54,783	41	166,770	\$ 6,671	403	5,860	\$ 23,440	\$ 30,111

Notes:

2 members participate in both All Green and Green Blocks. Average blocks per member is 2.0.
Average kWh per month usage for All Green members is 580 kWh (below average for residenti
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.

MEMORANDUM

August 14, 2015

To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Member Comments for Board Information

Since the last board meeting, we have received several comments emails from our members for board information. The following is the list of topics and authors of the attached comments:

<u>Topic</u>	<u>Member</u>
1. Member Advisory Board Proposal	Alex Conrad
2. Thank You Letters	Nourdine Jensen Scholarship Students
3. Rate Increase Comment	Jolie Wheeling

1: Member Comment from Alex Conrad

OPALCO Member Advisory Board DRAFT PROPOSAL, 02 July 2015

Objective:

The Advisory Board will work with OPALCO Board of Directors and Management to improve member communications, develop a strategic plan and provide input to rate design. The Advisory Board will provide advice and counsel on a non-binding basis, but its formal recommendations will be a matter of public record.

- Strategic Plan (plan plus metrics)
 - o Adapting the business plan to emerging marketplace challenges
 - Identify new revenue opportunities
 - Analysis of existing co-op structure
 - o Preparing for capex, such as sub-marine cable replacement and ongoing grid improvements
 - o Broadband: necessary metrics to achieve sustainability and explore ex-member cost recovery
 - o Emerging role of renewable/efficiency technologies
- Rate Design
 - o Financial analysis to identify expense driven triggers
 - o Communications plan for rate design for all member classes

n.b. OPALCO is certainly engaged in similar reviews currently, often with the aid of industry consultants. The Advisory Board will not replace OPALCO's internal analysis, but rather supplement it with the enormous depth of human resource assets that exist in our local community.

Inception:

Similar advisory boards are not uncommon in the utility industry. Most operate in cooperation with the Utility. However, customer advocacy groups outside of formal cooperation with Utilities are not unheard of. The latter typically occurs when customers fear that their concerns are not being adequately acknowledged Utility management.

It is suggested that the OPALCO Member Advisory Board be modeled after the Seattle City Light Review Panel. Although Seattle City Light is materially distinct from OPALCO in many ways, having the opportunity to meet regionally with current and past Review Panel members to develop best practices will be a valuable asset.

Some background...

The Seattle City Light Review Panel was created in 2010 via City Council Ordinance. The Review Panel is a successor to the city Light Advisory Board, which existed from 2003 - 2010, and the Rate Advisory Committee, which operated in 2009.

The nine panel members come from city Light's customer groups. At inception, the membership of the Panel was comprised of:

1: Member Comment from Alex Conrad

- Economist
- Financial Analyst
- Residential Representative
- Commercial Customer
- Industrial Customer
- Low-income Customer Representative
- At-large Customer
- Non-profit Energy Efficiency Advocate
- Suburban Franchise Representative

OPALCO Member Advisory Board at formation:

- Seven member panel (one individual may cover more than one attribute below)
 - o Representing customer classes
 - o Representing geographic island groups
 - o Representing subject matter expertise including broadband, energy efficiency/renewables and financial analysis
 - o Serving for an initial two-year term
 - One tactical objective of the initial Advisory Board will be creation of a charter, which will detail future terms, member selection, internal conduct, etc
- Reporting
 - o Annual report to members
 - o Quarterly report at OPALCO public BOD meetings
 - o Ad hoc reporting as necessary

Benefits to OPALCO

- Enhanced transparency
- Improved outreach to members
- Demonstrating a responsiveness to member concerns
- Highly likely that the advisory board will contribute significant value to both planning and member communications
- Leveraging a currently under-utilized asset – member knowledge and experience
- Will deflect some of the pressure from member criticism

Benefits to Members

- A stronger voice in strategic plans and rate adjustments
- Advisory Board will be accessible to members for feedback and ideas
- A channel for interested members to become more involved
- Enhanced understanding of both challenges and opportunities facing OPALCO
- Slow and eventually reverse the recent erosion of trust

2: Member Comment from Nouridine Jensen Scholarship

Received Via Email

Dear Foster Hildreth and the OPALCO Board of Directors,

I would like to express my sincere gratitude for the opportunity to participate in the ICUA Youth Rally this last week, and the generous gift of \$500 toward my college education. It is because of opportunities like this that I can be sure my future dreams and ambitions are secure.

The youth rally gave me a new perspective on many things. I met many amazing people and participated in an array of leadership skill building activities. I also was taught a lot about local power utilities, it was all very interesting to me. I am very grateful for the opportunity to learn about where my power comes from, and why it is important. The rally truly helped give me a broader understanding of what it means to "turn on the light".

I really hope that this fantastic program will continue on, and many more groups of OPALCO delegates will learn about the importance of electrical utilities. I am very excited to return next year as a director and watch this first hand. I really cannot express how amazing this experience is for local students.

Thank you for this great opportunity, and here's to many more.

Sincerely,
Ray Doss

2: Member Comment from Nouridine Jensen Scholarship

Dear Foster Hildreth:

My name is Anthony Kaskurs, a 17-year-old high school student that recently had the privilege of attending the Idaho Consumer-Owned Utilities Association Youth Rally about a week ago. In order to attend I had to write a short essay and appear in front of an interview board from OPALCO. I was selected to go as one of 5 delegates to Caldwell, Idaho where we would attend classes about electricity, the types of power companies, and what certain jobs were available in the power industry. I have to say I had a ton of fun.

One the first day we arrived at Anacortes to meet the other delegates that were selected to go from the San Juan's. Right from the get-go we hit it off as a group. Each delegate was funny, smart, caring, and amiable - people who really reflected the values of our small island communities. As we arrived at the rally in Idaho, we were immediately taken to the bowling alley where we started to get to know one another. It was a little strange being thrown into a pot of new faces, but after a while, we started to relax and talk to others as if we had know them all our lives.

Throughout the week we had dances, went to a waterpark, and roller-skated, but the most interesting part of the week was the time spent learning about the various utilities of the Pacific Northwest. One class taught us how electricity is transferred from Bonneville Power Administration, the company where OPALCO purchases its power, to our home appliances. It was a really awesome and informative class. We learned about the different types of distributors such as Co-ops, MUNI's, and IUO's, and how each operated and distributed their revenues. On the last day, awards were handed out, I was fortunate enough to receive a \$300 scholarship, and we began to say goodbye to all the friends that we made. Tears were shed, people were hugged, hands were shook, and many of us stayed up until 3 am, talking to the other delegates, sharing snapchats, and discussing our future plans. I, no doubt, made many friends at the rally that I will try to stay in contact with for years to come.

I have taken so much away from this rally experience and will continue to push for more and more juniors to apply for this opportunity. In as little time as one week I believe I have become a more caring, open individual, and have learned that it only takes a little courage at one moment in time to make friends and build relationships that will last a lifetime. Thank you again for offering this phenomenal trip and life altering adventure.

Anthony Kaskurs
Orcas Island

3: Member Comment from Nourdine Jensen Scholarship

Received Via Email

To whom it may concern,

My name is Michaella Ibambasi Marebe, I am from Rwanda, but currently I am attending Spring Street International School in Friday Harbor. I am very pleased to tell you how immensely grateful I am for the opportunity that you made happen for me and for my friends. We had an incredible experience and we would totally do it all over again.

I learned about OPALCO in class and from other members of the community. I applied for the youth Rally, and fortunately I got in. Last week, I attended the ICUA Youth Rally in Idaho. As a new resident of the United States, I was just impressed by everything, the countryside, the culture, and more. I got to hear from inspiring people who have made great use of their lives to kids my age in juvenile prison who started off on the wrong foot. I was highly impressed by the operation of cooperatives around the Northwest, and I hope to be able to build something as such in my home community. Being the only international student on campus was sort of intimidating a first but by the end of the week I had made friends whom I am sure will last. I appreciate your support for this program and I want to tell you that your efforts do not go to waste. OPALCO is more than an electric cooperative for this community, and we the youth will always be thankful.

Yours gratefully,
Michaella

3: Member Comment from Jolie Wheeling

Rec'd 8.12.15

8/15/2015

Dear Mr. Hildreth,

I just wanted to let you know how distressed I am by the constant increase in the Facility Charge and I would like to know precisely why this is happening. My husband and I are both mostly retired - I sell on eBay part time - and we are sincerely distressed as we watch our bills go up month after month, while we struggle to use, and succeed in using, less electricity. Please check my account and you will see exactly what I am talking about!

My understanding is that this facility charge will continue to increase for a number of years and I estimate it will top out for us, with our usage, at around \$300 a month. Which is more than I pay for my mortgage. Something is wrong here. And this "revenue recovery add-on"? Do you people have accountants? Are you not able to accurately project your expenses? THAT charge simply add insult to injury!

The current facilities charge of \$38.90 is high enough!! I did some online research and found that most Coop's Facility charges are set and do not increase over time. Most charges that I saw were in the \$15 to \$30/month range. Why is ours already so high and still increasing? Surely the population in the islands is not decreasing! How am I supposed to afford this never-ending increase on a fixed income, when YOUR charges are NOT fixed?

Thanks

A handwritten signature in black ink that reads "Jolie Wheeling". The signature is stylized with a large, looping initial "J" and a cursive script for the rest of the name.

Jolie Wheeling

Cc The San Juan Journal, The Sounder