

MINUTES OF THE BOARD OF DIRECTORS MEETING
ORCAS POWER & LIGHT COOPERATIVE

Thursday, August 20, 2015

President Jim Lett called the meeting to order at 8:45 a.m. at the Friday Harbor OPALCO office. Board Members present were Winnie Adams, Randy Cornelius, Vince Dauciunas, Jim Lett, Bob Myhr, Jerry Whitfield. Staff present included General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, Manager of Member Services & Energy Savings Amy Saxe and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Executive Vice-President Gerry Lawlor and Vice President of Marketing & Sales Dan Burke. Also present was OPALCO Consultant Jay Kimball

Member/Guests

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

Lopez: Steve Ludwig, Dwight Lewis, Brian Silverstein

San Juan: Gray Cope

Comments ranged from encouraging workshops to informing members about rate design, the increase in the facility charge to the current survey.

June Meeting Minutes

- **Motion** made by Myhr to accept the June 18 minutes as presented. Motion was seconded (Dauciunas) and carried by voice vote.

New Members

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

Lopez

Auckland, Brian & Anne
Genther, Cindy
Greenwood, Roger & Mary
Gschwend, Christian & Juliene
Lazy L Recreation LLC
Leigh, Erin
Matisse, Robert
McCallister, Scot & Sandra
Mira, Julia
Price, Kelley & Nancy
Schreiber, MarySkelton, Kathleen & Doug
Williams Lane Property Owners
Willis, Matthew

Orcas

Allred, Austin & Kya Salt
Barham, Chris
Baumann, Kurt
Brault, Andrew & Laura
Corkery, Tami & Dennis
CTO Properties LLC dba North Beach
Storage
Culbert, Andy & Gina
David, Dan & Krisch, Laurene
Davidson, Ruth & Kovacevich, Bernhard
Dickens, Fisher
Frey, Adam & McIntire, David
Graham, Christopher & Fausti Eduard
Hanson, Jeff
Hoffman, Jolene & Mitchell, Michael
HRP Co LLC
Lassen, David & Robin
Ledgerwood, Alyssa
Lighthill, Selby
Malo, Kimberly & Kirisimasi
McNamara, Mai
Morelli, Michele & Heather

Neal, Travis & Megan
Niquette, Austin & Robbins, Sarah
Page, Ryan & Whitney
Pedron, Joseph & Robin
Rawson, Tom
Reyes, Linnea & Jordan, Ryan
Rose, Barry & Jannice
Selin, Dan & Vicki

San Juan

Bartholomew, Robert
Boucher, Wendy J
Boyden, Ian & Jennifer
Chevalier, Ashley
Cochran, Suzanne
Connor, Kyle R & Thomas, Jayne L
Coronado-Escobar, Marysol & Gonzales,
Carolos Barrios
Craig, Katrina S
Diaz, Danna
Ehle, Lisa & Angevine, Derek
Ellis, Emily
Ellis, Melanie
Estate of William R Crouss
Ferry, Stephane G
FHHH Investment LLC
Flora, Bart
Fox, Cathy
Foy, Teresa
Francois, Dale & Sharon
Harrison, Leslie
Hayden, Kenneth
Jablonski, Carl & Alison M
Kiselyk, Alexis Ruth
Kurtz, Alexander L
McIntyre, Kenyon & Barbara B
Miller, Teresa & Beaver, Charles
Neff, Deborah

Norton, Gala M
 O'Brien, James
 Prince, John
 Rea, Lisa & Ken
 Ryan, Tyler & Bobby
 Sanabria, Martin
 Sands, Lauren
 Sargent, Dana
 Schaltenbrand, Elizabeth
 Scott, Michael Lee
 Shalen, Inc.
 Shepler, Jay
 Smith, Bryan
 Spears, Anna

Strain, Samuel Henry
 Tokunaga, Amanda & Bill
 Tunison, Marcus
 Vician, Daniel J & Carolyn T
 Wagner Law Offices PC
 Wisen, Craig
 Young, Jason
 Young, Noah

Shaw
 Bethke, John & Havens, Tom
 Brodahl, Sandra
 McEwen, Jordie & Kim

Capital Credits

- **Motion** made by Myhr and seconded (Dauciunas to approve payment of \$18,225.00 in capital credits to the estates of deceased members and businesses listed below. Motion carried by voice vote.

Joan F. Amidon.....	\$502.17
Charles R. Chevalier	\$2,602.93
William R. Crouss	\$1,313.18
Eugene H. Crowe	\$704.84
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
R.W. Little Trustee.....	\$468.69

RUS 219s

The Inventory of Work Orders includes transformer relocates, sectionalizing, pole replacements, overhead conversion to underground at Wilks Way and White Beach, underground replacement at Kielhaven Lane and Peninsula Road, conduit installation, and the removal of two spans of overhead primary.

- **Motion** made by Myhr and seconded (Adams) to approve submission of the RUS Form 219s that total \$413,759.27. Motion carried by voice vote.

Bylaw Amendment Article IV Section 1

OPALCO's attorney drafted clarification language to Article IV Section 1 of the bylaws to allow the Board President to have scheduling flexibility. The Bylaw amendment reads: "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."

- **Motion** made by Cornelius and seconded (Whitfield) to approve the amendment to Bylaw Article IV Section 1 as presented. Motion carried by voice vote with Myhr voting against and requesting that the record state thus.

September Meeting Date Change

Due to scheduling conflicts, the date of the September Board of Directors meeting is changed to Wednesday, September 23. The meeting will be held in Eastsound.

Submarine Cable Replacement / Resolutions 6-2015 and 7-2015

In January 2015, an application for a transmission loan was submitted to RUS. On August 10 we received notification from RUS that the loan was approved; loan funds

are expected to be available to OPALCO by year-end. OPALCO can now formally contract for services.

At the June Board of Directors meeting, the Board approved staff to formalize contracts for the installation of the Lopez to San Juan submarine cable. 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.

Also discussed was the CenturyLink fiber optic cable that is laying over the OPALCO cable. To date, calls to CenturyLink have gone unanswered. If OPALCO does not get a response from CenturyLink, the work will be done and CenturyLink will be invoiced. If OPALCO opted to leave our electric submarine cable in-place as is, the lengthy permitting process would have to begin again so it is not a viable option. Cornelius cautioned the Board to be prepared for the unexpected and reminded it is a risky process. Members should also be informed of the risks.

- **Motion** made by Cornelius and seconded (Adams) to approve Resolutions 6-2015 *Accepting the Proposal of Sumitomo Electric USA* and 7-2015 *Accepting the Proposal of Trenchless Construction Services LLC*. Motion carried by voice vote.

Employee Policies

During the annual legal review of OPALCO policies, it was recommended that OPALCO eliminate all policies related to employees/employment and develop an employee handbook that will incorporate these policies. Staff will request that Policies 4 *Employment of Relatives*; 7 *Employee Expense Reimbursement*; 9A *Personal Use of Company Vehicles*; 9B *General Manager's Use of Company Vehicles*; 12 *Substance Abuse*; 13 *Drug and Alcohol Testing*; 14 *Sexual Harassment*; 15 *Smoke Free Workplace*; 17 *Employee Use of Correspondence Courses & Local Educational Opportunities*; 18 *Equal Employment Opportunity*; 19 *Family Medical Leave Act*; 20 *Acceptable Use of Electronic Resources*; 23 *Conflict of Interest*; 25 *Whistle Blower*; and 26 *Use of Social Media* be eliminated at the September meeting. The second reading to remove the above employee related policies will occur at the September Board meeting.

Grid Control Update

Hildreth presented *OPALCO's Grid in the 21st Century* showing the deployment status of the grid control backbone as laid out in the board approved budgets and directives. OPALCO's infrastructure (submarine cables, transmission system, and distribution system) will continue to be essential to this community for the next thirty plus years. Optimization through monitoring, controlling, and communicating is essential. This presentation highlighted OPALCO's proactive long term solution for the future of this utility and community through efficient grid use, first responder communications, community services, and member connectivity. Highlights included the "evolution of the broadband grid" showing how the backbone has grown to include interconnection of "smart" appliances, demand response units (DRU's) "smart" inverters and pumped hydro and grid storage—trends in San Juan County from 2015-2035.

Integrated Resource Plan (IRP)

Hildreth presented *Integrated Resource Plan* slideshow, outlining OPALCO's objectives and strategy for the next twenty years. Objectives include:

- maintaining BPA as the long-term power provider, with the estimation that by 2023 BPA prices will be similar to solar prices;
- ensure continuing safe, reliable and stable grid operation as intermittent local renewable energy sources are added
- minimize environmental impact (reduce carbon footprint) and increase sustainability for critical services.

Zero load growth was a presented objective based on prior board discussions. It was stated that zero load growth as an objective is inconsistent with efficient use of all energy sources. The board showed support of encouraging fuel switching, including fossil fuels heating and transportation to electric sources. In San Juan County there is a

steady warming trend, a shift from propane and heating oil furnaces to heat pumps (this helps increase electric use and keeps rates low), increased use of air conditioning, and electric vehicle technology that allows two-way energy flow. New resources to consider should be reliable, safe, affordable, diverse, efficient, and manageable and have a potential for community participation. These resources include conservation, wholesale market, natural gas-fired resources, regional wind, out-of-region wind, wastewater biomass, geothermal, landfill gas, solar, micro hydro, tidal, wave, woody debris biomass, manure (farm) biomass, pumped hydro and batteries. The board discussed joining an energy resource cooperative (such as PNGC). It was noted that a majority of cooperatives' IRPs look beyond BPA for power. The merits of individual co-ops joining with other co-ops to purchase power should be fundamental conclusion of this IRP.

Direction for Rate Structure Discussion

Prior to spending member resources, Hildreth requested that the Board provide further direction as to whether the Board wishes to have staff provide an in depth analysis of the "decoupled minimum bill" rate structuring approach or to make modifications to the existing rate structure (Policy 29) during the 2016 Budgetary process.

It was noted that rates have been discussed in-depth since April 2014, including presentations by EES Consulting and BPA. Tariffs were approved early in 2015 and the "add-on" approved for the July 2015 billing through the end of 2015. The Board approved the current structure (Policy 29), which allows for rate modifications.

Dauciunas proposed a billing statement adjustment that would solve the revenue shortfall, with line items to be outlined similar to:

- Line 1: Facility Charge
- Line 2: kWh Charge (tiered)
- Line 3: Demand Charge
- Line 4: Member Program Fees
 - Energy Efficiency/Conservation Fee \$0.0XX (would pay for incentives)
 - Renewable Energy Infrastructure Development Fee \$0.0XX (support community solar)
 - Low Income Fee \$0.0XX (reduction in facility charge for low income members)
- Line 5: Revenue Recovery Add-on Charge (budget to actual difference)

These rates must be clearly stated on the bill, fair to all members and meet OPALCO's revenue requirements. Hildreth noted that the rate structure modifications summarized by Vince and discussed by the Board could be made by adjusting the current rate structure(s), during the 2016 budgetary process.

Board Position on Rates and Finance

The board was presented with a communication piece directed at clarifying the board's position on rates and finances. The Board acknowledged and noted appreciation for the work Jerry Whitfield put into his technical piece "Board Perspective on Rates and Finance"; it was well done and will be helpful going forward. Whitfield explained that he wrote the piece to help members understand the revenue shortfall. It will be included on the OPALCO website as another source of quality information.

Financial Presentation

Hildreth presented a slideshow "Q2 Financials Introduction" prior to discussion of the Q2 financials. This slideshow included information on climate change (heating degree days –HDD—were down 37% from normal 2000 through 2013); the revenue is back on track with the revenue add-on included on members' bills.

Q2 Financials / OPALCO (under separate cover)

The second quarter financial report and presentation shows that revenue is down \$738k and is more than offset by reduced expense as compared to budget (\$744k). Lower power purchases represent \$270k in budgeted expense reductions and the balance (\$474k) comes from significant cuts and shifted expenditures. Some of the shifted

expenditures will have to be spent before the end of the year; i.e. hiring and equipment purchases. The revenue recovery add-on is expected to keep OPALCO on track through 2015.

Q2 Financials / Rock Island Communications (under separate cover)

Revenues were just above the amount budgeted for the first half of 2015 at \$811,766 (\$23,158 above budget). Operating expenses were lower than budgeted at \$978,088 (\$186,999 under budget). Due to siting issues, RIC is behind schedule in construction and deploying LTE. Once the 38 wireless poles are in-place, RIC expects to reach deployment targets relatively quickly. Through Q2, borrowings from OPALCO total \$2.8M for startup costs, connection incentives and operational costs.

Safety Report

Staff reviewed and the board discussed the report; it was noted there were no accidents, incidents or near-misses for June or July.

General Manager's Report

Hildreth reviewed the report, noting that a Low Income Needs Assessment group has convened. It includes representatives from a wide variety of agencies throughout the county. A presentation to the Board of its findings is planned for October.

Dashboard Charts

Staff is working to develop a series of "dashboard" charts that include real-time metrics directly from the OPALCO database. This process will evolve to ensure staff and the board has with relevant metrics to manage OPALCO.

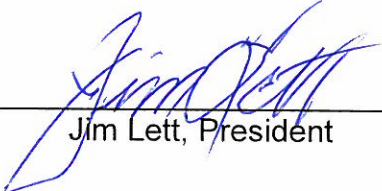
Member Comments

Member Alex Conrad proposed a Member Advisory Board to work with OPALCO Board of Directors and management. The board did not support the formation of a Member Advisory Group. Hildreth reported that he plans to meet with members on an informal basis moving forward.

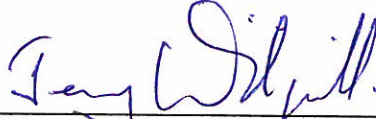
The Board convened to Executive Session at 2:15, reconvening at 3:00 p.m.

Adjournment

The meeting adjourned at 3:00 p.m.



Jim Lett, President



Jerry Whitfield, Secretary-Treasurer