



BOARD OF DIRECTORS REGULAR MEETING

Thursday, December 17, 2015 8:30 a.m.

OPALCO Conference Room

183 Mt Baker Road, Eastsound, WA

TRAVEL



Via Island Air

378-2376 / 378-8129 (cell)

From:

Leave Friday Harbor 7:45 a.m.

Lopez 8:00 a.m.

Arrive Eastsound 8:15 a.m.

Return:

Leave Eastsound 3:00 p.m.

Arrive Lopez 3:15 p.m.

Friday Harbor 3:30 p.m.



Via Ferry:

From:

Leave Friday Harbor 6:10 a.m.

Lopez 6:55 a.m.

Shaw 7:15 a.m.

Arrive Orcas 7:35 a.m.

Return:

Leave Orcas 3:10 p.m.

Arrive Shaw 3:25 p.m.

Arrive Lopez 3:45 p.m.

Leave Orcas 4:30 p.m.

Arrive Friday Harbor 5:10 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
183 Mt Baker Road, Eastsound
376-3549
December 17, 2015 8:30 a.m.**

PAGES

WELCOME GUESTS/MEMBERS

- Member Comment Period
- Nourdine Jensen Youth Scholarship Presentation

ACTION ITEMS

- 3-7** ○ Approval of November Minutes
- 8** ○ New Members
- 9** ○ Capital Credits
- 10-16** ○ RUS 219s
- 17-19** ○ Policy 29 (Second Reading)
- 20-21** ○ Tariffs – Other Alternatives
- 22-35** ○ Tariffs (Second Reading)
- 36-38** ○ NRECA Voting Delegate
- 39-44** ○ PNGC (excluding Fees)

DISCUSSION ITEMS

- 45** ○ Integrated Resource Plan

REPORTS

- 46** ○ Safety
- 47-52** ○ General Manager
- 53-56** ○ Rock Island Communications

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- 63-65** ○ Member Correspondence

ADJOURNMENT

Executive Session: PNGC (Fees) & Personnel

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

Friday, November 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, Jim Lett, Mark Madsen, Bob Myhr and Jerry Whitfield. Vince Dauciunas attended via telephone. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, Head Accountant Travis Neal, Assistant Manager of Member Services Jon Blomgren and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Executive Vice President Gerry Lawlor and Accountant Chad Bailey. Also present was consultant Jay Kimball.

Member/Guests

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

Lopez: Dwight Lewis, Brian Silverstein

San Juan: Doug Rowan

One member spoke in favor of the recommended changes to Policy 29 *Energy Rates* and the Low Income Rate added to the rate design. Another member noted that members were not given an option for broadband and were not given full consideration of the debt level required to purchase Rock Island.

October 15 Meeting Minutes

- **Motion** made by Myhr to accept the October 20, 2015 minutes. Motion was seconded (Adams) and carried by voice vote.

October 29 Special Meeting Minutes

- **Motion** made by Madsen to accept the October 29, 2015 minutes. Motion was seconded (Myhr) and carried by voice vote.

New Members

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

DISTRICT 1

Brown

Smith, Lucian & Kelly

San Juan

Acs, Thomas
Belcovson, Joe & Jill
Black, Coral
Borland, Christopher & Linda
Broxon, Cass
Cull, Robert
Dutra, Pamela & Bill
Flynn, Catherine
Guerrero, Martin
Johnston-Lohrey, Alison
Kaplan, Al
Keith, Cathy
Malcolm Street Properties
Mar, David
O'day-Strom, Kelsey
Olson, Kim
Platman, Lauren
Smith, Kathleen
Vittinghoff, Eric
Waldron, Ben & Michelle
Webb, Nancy
Worcester, Stacy

DISTRICT 2

Orcas

Abrahamson, Cindy
Arnold, Thomas
Barron, Rachel
Beach, Carl
Becker, Barrie
Blackhurst, Anne & Walsh,
Joseph
Blackwell, Burt
Coulombe, Lisa & Frerichs,
Leland
Gehl, Barry & Joyce
Helm, Cheryl
Perthou, Morley
Tokarchuk, Jessica
Transue, Garry & Scharaga,
Deborah
Wild, Erin
Williams, Nicholas & Crosby,
Elizabeth

DISTRICT 3

Lopez

Christensen, Donald & Mary
Hancock, Audrey
Handshue, Daniel S
Highland Water Users
Association
Lopez Animal Protection Society
Miller, Mason
Stone, Anita
Westman, Steve

DISTRICT 4

Crane

Mahlum, Paul E.

Shaw

Larson, E. Chris

Capital Credits

General Retirement

In keeping with the 25-year rotation of retiring capital credits, staff requested Board approval to retire the capital credits for 1990 in the amount of \$1,111,134. Historically, only a portion of the checks are cashed so it is anticipated that \$700,000 will be expended through year-end. After discussion and because of the capital commitments to fund the Lopez to San Juan Island submarine cable, the Board agreed to distribute only fifty percent of margin associated with the year 1990, with the remainder paid out at a later date.

- **Motion** made by Cornelius to approve payment of 50% of the general retirement of capital credits for 1990. The motion was seconded (Whitfield) and carried by voice vote.

Estates

- **Motion** made by Cornelius to approve payment of \$2,830.42 in capital credits to the estates of deceased members listed below. Motion was seconded (Myhr) and carried by voice vote.

Sidonia Barker	\$1,568.21
Janet Maas	\$598.97
Twila Stephens	\$293.07
Roy C. Toole	\$230.30
Carole L. Vowell.....	\$139.87

NRUCFC Loan Refinance / Resolution 11-2015

An estimated \$800,000 in interest can be saved if OPALCO refinances its current RUS Hardship loan that carries an interest rate of 5%. With 27 years remaining on the loan, OPALCO could refinance with NRUCFC at an interest rate of approximately 4.2% (rate will be determined once the loan documents are filed).

- **Motion** made by Myhr and seconded (Cornelius) to approve Resolution 11-2015 *Authorizing NRU CFC Borrowing* which allows OPALCO to refinance and execute the documents relating to the refinance of OPALCO RUS Hardship loan with NRUCFC. Motion carried by voice vote.

2016 OPALCO Budget

NOTE: The Board of Directors held an all-day work session Thursday, November 19 and an extensive portion of the November 20th Board meeting to review and discuss both the OPALCO and the Rock Island Communications 2016 budgets.

As discussed during the November 19th Board work session and November 20th Board meeting, the Board approved the 2016 OPALCO Budget as recommended by staff, with the following changes and discussion:

- The “Energy Assistance Program” rate was thoroughly discussed by the Board. As discussed during the Needs Assessment meetings, awards would be determined by eligibility in other low-income programs, such as LIHEAP (Low Income Home Energy Assistance Program). OPALCO will prescreen the applications and work with the PAL Committee to determine their desired involvement. The Board agreed to cut the amount budgeted in half for the first year (from \$180,000 to \$90,000). Due to initial startup unknowns, the Board agreed to revisit the progress of the program periodically to gauge member participation and determine if additional funding should be considered.
- Solar and renewable generation: The 2016 Budget includes administrative and engineering staff time to site, engineer and explore funding options for a community funded pilot solar project. While the amount budgeted in 2016 did not change, the Board consensus was to take a leadership role in laying the groundwork necessary in 2016 necessary to construct a community solar project in 2017.

- Capital projects were discussed, including the possibility of eliminating \$1M from the undergrounding cable portion of the proposed budget. After a review of the proposed undergrounding projects, the Board approved the capital projects budget as submitted.
- The Board discussed the merits of joining the power resource cooperative, named PNGC, as a full paying member starting October 1st, 2017. It was requested that staff provide the Board with a detailed analysis at the December Board meeting.

A slide presentation was reviewed with the Board which highlighted: 3rd quarter financial report, load forecasting, fuel switching, capital projects (including submarine cable project), and comparisons to other cooperatives within the region. Hildreth noted that discretionary funds have been pared down starting 2014 when revenue shortfalls started to occur and any further expense reductions will impact member service levels. The Board approved 2016 Budget is as follows:

2016 Budget:	
REVENUES	
Operating	\$24,833,155
EXPENSES	
Operating	
Cost of Power	\$ 7,624,980
Transmission	\$ 53,560
Distribution – operations	\$ 3,420,263
Distribution – maintenance	\$ 1,702,147
Consumer accounts	\$ 930,975
General and Administration	
Administration G&A	\$ 3,058,886
Energy services G&A	\$ 410,376
Total General & Administration	\$ 3,469,263
Depreciation and amortization	\$ 3,673,019
Taxes	\$ 1,028,086
Total Operating Expenses	\$21,902,293
FIXED CHARGES	
Interest	\$ 1,360,588
Total Fixed Charges	\$ 1,360,588
Operating Margins after Fixed Charges	\$ 1,570,274
PATRONAGE CAPITAL CREDITS	\$ 56,051
Net operating margins	\$ 1,626,325
NON-OPERATING MARGINS	
Interest income	\$ 332,289
Other income	\$ 20,381
Fiber Optics Division	--
Net non-operating margins	\$ 352,670
NET MARGINS	\$ 1,978,996
OPALCO TIER	2.20
OPALCO Equity % of Total cap	45.6%
CAPITAL PROJECTS	
DISTRIBUTION	
New Services	\$ 170,000
Conversions and Line Changes	\$ 975,000
Equipment	\$ 3,640,000
Other Distribution Items	\$ 2,445,000
TRANSMISSION	
New Substations, switching Stations, metering point, etc.	\$ 600,000

Line and Stations Changes	\$ 3,025,000
OTHER	
Facilities	\$ 124,000
All Other	\$ 1,055,000
Minor Projects	<u>\$ 90,000</u>
Subtotal	\$12,124,000
CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)	
New Services, Transformers, Meters	(\$318,000)
Community Solar Member Contributions	(\$300,000)

- **Motion** made by Myhr and seconded (Adams) to approve the 2016 budget as revised. Motion carried by voice vote with Cornelius voting “no”.

2016 Rock Island Communications Budget

Lawlor presented the RIC 2016 budget. The Board commended the RIC staff on a job well done so far, noting their tenacity and the excellent team.

Lawlor presented that they have entered into a collaborative arrangement with T-Mobile, whereby RIC will provide the backhaul for T-Mobile in exchange for T-Mobile providing LTE equipment on 38 poles. Lawlor will be revising business plan and reviewing same with the Board upon completion.

2016 Rock Island Communications Budget

OPERATING REVENUES

Fiber	\$1,278,953
LTE	\$ 920,850
DSL / Canopy	\$ 693,283
Retail	\$ 120,000
IT Solutions	\$ 78,192
IT Services	<u>\$ 120,000</u>
TOTAL	<u>\$3,211,278</u>

COST OF SERVICES SOLD

Fiber Transport	\$ 109,704
DSL Transport	\$ 237,000
Retail	\$ 105,750
Services	\$ 96,000
Other	<u>\$ 200,000</u>
TOTAL	<u>\$ 748,454</u>

GROSS PROFIT \$2,462,824

OPERATING EXPENSES

Payroll	\$2,070,000
Depreciation	\$ 177,000
Professional Fees	\$ 366,660
Rent	\$ 132,000
Utilities	\$ 12,000
Other	\$ 200,000
Contractor Wages	\$ 52,000
Licenses & Permits	<u>\$ 100,000</u>
TOTAL	<u>\$3,109,660</u>

NET OPERATING MARGINS (\$ 646,836)

NON-OPERATING MARGINS (EXPENSE)

Interest Income (Expense)	(\$ 300,000)
Other Income (Expense)	800
Taxes	(\$ 32,000)
TOTAL	<u>(\$ 331,200)</u>

TOTAL NET PROFIT (LOSS) (\$ 978,036)

- **Motion** made by Myhr and seconded (Whitfield) to approve the 2016 Rock Island Communications budget that includes an accelerated borrowing of \$4.977M through 2015 year-end and the remaining startup loan for 2016 of \$2.6M for a total of \$7.5M startup funding. Motion carried by voice vote.

2016 Tariffs (First Reading)

In order to meet the projected revenue requirements within the Board approved 2016 Budget, a 5% rate increase across all billing components and rate classes was proposed. Two new billing line items will be added to member bills, including “Energy Assistance Program” to all rate classes and a “Demand Charge” to the all residential rate classes. Rates were modeled after 2015 average usage profile with forecasted kWh sales to members. The Commercial and other rate classes were not changed other than the ~5% increase to all billing components. Board discussion included:

- * The Board discussed the demand component of member billing. OPALCO does not have demand meters in place and changing out the meters would cost ~\$2M. Members need to be educated about demand. The consensus of the Board was not to include the specific demand charge line item on the bill, however, the “Demand Charge” line item is to be for illustrative and educational purposes only for 2016 and will not include any billing charges.
- * Decoupling (revenue/credit add-on) was discussed as was the difficulty of predicting Heating Degree Days (HDD). Charging monthly (or refunding) for the revenue/credit add-on allows for a lesser variability and assures that there will be enough revenue to meet the budget. The Board consensus was that a true-up mechanism had merit for ensuring that revenue requirements be met, particularly during times of low power demand for heating (low HDD), and that it can be revenue neutral for the membership by providing for either a charge or a credit on member’s bills. Staff will present options to the Board at the December meeting.
- * Elimination or modifying the kWh blocks for the summer/winter blocks was discussed. Some felt it penalized members for being energy efficient (i.e., heat pump users). Staff will present varying options to the Board at the December meeting.

Policy 29 Rate Design (First Reading)

Draft revisions were discussed to allow for rate structure flexibility. The Board suggested adding language to include both charging and returning revenue to the members (true-up), calling it a Cost Recovery Charge/Credit.

Reports

- **Safety:** The October safety report was reviewed. There were 3 accidents during the month; each of the staff missed work. The Board reiterated that its Number One priority is Safety.
- **General Manager:** Hildreth reported that the bore at Otis Perkins Park on Lopez Island came in about \$100,000 under budget.
The member survey and results are posted online and were presented at the Board work session November 19 by Cameron Madill of PixelSpoke.

The Board convened to Executive Session at 1:25 p.m., reconvening in regular session at 1:50 p.m. to adjourn the meeting.

Adjournment

The meeting adjourned at 1:50 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

New Members November 2015

DISTRICT 1

San Juan

1. Bailey, Chad & Dee
2. Boyko, Edward
3. Clark, Maurine
4. Edwards, Joan
5. Fite, Tate
6. Hambleden, Lesley J & Ruud, Olav
7. Harpham, Kari
8. Hasty, Chase
9. Havel, Chris
10. Jewett, Carolyn
11. Jordan, Forest
12. Marschner, Thomas
13. Schubert, Wilson & Lydia
14. Taylor, Mike
15. Vowell, Kimberly
16. Walters, L. Ashley
17. York, Susan
18. Zemalkowski, Gregory & Watson, Christine
19. Zimmerman, Steve

DISTRICT 2

Orcas

20. 81 Hope Lane LLC
21. Berends, Johannes G.
22. Bowman, Annette
23. Bradshaw, Burke
24. Chapman, Doug & King, Karol
25. Cohn, H Philip & Cara
26. De Marval, Valerie
27. Dekker, David & Mary L
28. Field, James & Jennifer
29. Gray, Jane & Woods, Emmet
30. Heyn, April & Eric
31. Jones, Yian
32. Knight, Bonnie
33. Meador, Robert & Bellwood, Willo
34. Menta, Denyse
35. Orcas Machine Quilting
36. Petro, Kelly
37. Petty, Cory & Shannon
38. Sabino, Nan & Christensen, Sara
39. Webber, Randall
40. Wyckoff, William & Brashier, Joseph

DISTRICT 3

Decatur

41. Wade, John & Christina

Lopez

42. Constable, Scott
43. Cook, Johnathan
44. Donnelly, Nathan & Alina
45. McElroy, Sandi
46. Orrell, Pat & Jim
47. Stephenson, Wendy
48. Vickers, Linda

DISTRICT 4

None

CAPITAL CREDITS

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

Faith Deeds	\$1,046.27
Virginia H. Smith.....	\$515.41
Total	\$1,561.68

MEMORANDUM

December 11, 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 #AN1509\$19,282.45
Conduit Installation
- Inventory # AN1510\$15,673.67
Communications
- Inventory #201510\$202,404.92
Pole retirement, tie lines, transformer relocation, cleanup of overhead secondary's; cable replacement; urd replacement;

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$237,361.04.

12/10/2015 4:45:33 pm

RUS Form 219 Inventory Of Work Orders

Period: OCT 2015 System Designation: WA AH O9

Page: 8

Inventory : AN1509

Budget		
Loan	Project	Amount
1	706 - 3	18,605.08
Total:		18,605.08

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.

Russell Haines Guerry
INSPECTION PERFORMED BY

FIRM

52424
LICENSE NUMBER

12/11/2015
DATE

[Signature]
SIGNATURE OF LICENSED ENGINEER



12/10/2015 4:45:33 pm

RUS Form 219 Inventory Of Work Orders

Page: 3

Period: OCT 2015

System Designation: WA AH O9

Inventory: AN1509

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)		
		Retirement (2)							
706 - 3	2014	1805							
			1	19,282.45	0.00	0.00	0.00	0.00	18,605.08
				19,282.45	0.00	0.00	AFUDC: 677.37 0.00	0.00	18,605.08
Grand Totals:				\$ 19,282.45	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 18,605.08

12/10/2015 4:45:33 pm

RUS Form 219 Inventory Of Work Orders

Page: 9

Period: OCT 2015

System Designation: WA AH O9

Inventory : AN1510

Budget

Loan	Project	Amount
1	706 - 3	15,132.86
Total:		15,132.86

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.

Russell Haines Guerry

INSPECTION PERFORMED BY

FIRM

52424

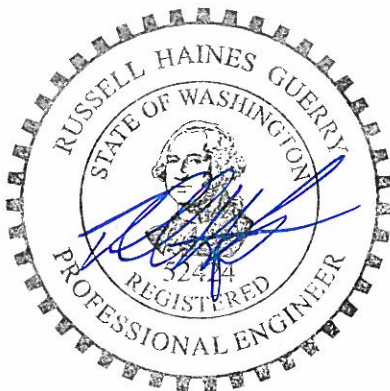
LICENSE NUMBER

12/11/2015

DATE

[Signature]

SIGNATURE OF LICENSED ENGINEER



12/10/2015 4:45:33 pm

RUS Form 219 Inventory Of Work Orders

Period: OCT 2015 System Designation: WA AH O9

Page: 4

Inventory: AN1510

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	Retirement (2)		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)		
706 - 3	2014	1624	1	15,673.67	0.00	0.00	0.00	0.00	15,132.86
				15,673.67	0.00	0.00	AFUDC: 540.81	0.00	15,132.86
Grand Totals:				\$ 15,673.67	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 15,132.86

12/10/2015 4:45:33 pm

RUS Form 219 Inventory Of Work Orders

Period: OCT 2015 System Designation: WA AH 09

Page: 7

Inventory : 201510

Budget		
Loan	Project	Amount
1	0000	0.00
1	204	55,659.20
1	601	4,040.36
1	606	1,953.54
1	608	140,751.82
Total:		202,404.92

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.



Russell Haines Guerry

INSPECTION PERFORMED BY

FIRM

52424

LICENSE NUMBER

12/11/2015

DATE

SIGNATURE OF LICENSED ENGINEER

12/10/2015 4:45:33 pm

RUS Form 219 Inventory Of Work Orders

Period: OCT 2015 System Designation: WA AH O9

Page: 2

Inventory: 201510

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)		
		Retirement (2)							
0000	2014	1762							
			1	0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
204	2014	1714							
			1	57,558.39	0.00	0.00	0.00	0.00	55,659.20
							AFUDC: 1,899.19		
				57,558.39	0.00	0.00	0.00	0.00	55,659.20
601	2015	1934							
		1934	1	2,867.35	1,186.15	0.00	0.00	0.00	4,040.36
							AFUDC: 13.14		
				2,867.35	1,186.15	0.00	0.00	0.00	4,040.36
606	2015	2064							
		2064	1	1,094.61	858.93	0.00	0.00	0.00	1,953.54
				1,094.61	858.93	0.00	0.00	0.00	1,953.54
608	2013	1343							
			1	2,991.49	0.00	0.00	0.00	0.00	2,986.80
							AFUDC: 4.69		
608	2014	1655							
		1655	1	85,301.76	0.00	130.03	0.00	0.00	82,592.15
							AFUDC: 2,579.58		
608	2014	1963							
		1963	1	30,323.63	593.50	0.00	0.00	0.00	30,705.52
							AFUDC: 211.61		
608	2015	1894							
		1894	1	9,654.94	0.00	0.00	0.00	0.00	9,574.41
							AFUDC: 80.53		
608	2015	2092							
		2092	1	14,781.64	202.75	0.00	0.00	0.00	14,892.94
							AFUDC: 91.45		
				143,053.46	796.25	130.03	0.00	0.00	140,751.82
Grand Totals:				\$ 204,573.81	\$ 2,841.33	\$ 130.03	\$ 0.00	\$ 0.00	\$ 202,404.92

MEMORANDUM

December 10, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Policy 29 *Rate Design* (Second Reading)

Changes to sections 29.2.2.3 and 29.2.2.4 were edited to include revisions that allow the Board to implement rate increases when necessary and in a manner appropriate to meet revenue requirements. As discussed at the November board meeting, language was added to include a credit as well as a charge in the event revenue from kWh sales surpassed expenses.

Staff recommends a motion to approve the changes to Policy 29 *Rate Design* as presented, including the title change.

ORCAS POWER AND LIGHT COOPERATIVE

POLICY 29

RATE DESIGN

29.1 PURPOSE

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

29.2 POLICY

29.2.1 Commitment to Rate Design

It is the policy of the Board of Directors of the Cooperative to develop electric rates that allow the Cooperative to provide electricity that is reliable, cost-based, considerate of the environment and maintains the Cooperative's financial strength at the Cooperative's lowest cost. The Cooperative's Rate Structures shall meet revenue requirements, fairly allocate the Cooperative's expenses in relation to each members' use of and impact on the system, reduce the effects of weather, market and other volatility and promote stability in the Cooperative's ongoing financial position as indicated through equity and TIER.

29.2.2 Basic Fundamentals

29.2.2.1 The Cooperative will periodically perform cost of service studies to inform whether existing rate structures are meeting the goals of this policy.

29.2.2.2 Rates will be developed and implemented that:

29.2.2.2.1 Meet revenue requirements and are cost-based;

29.2.2.2.2 Are implemented over time when dramatic rate changes occur;

29.2.2.2.3 Generate margins which meet long-term financial objectives and lender requirements and as per the Cooperative's strategic directives;

29.2.2.2.4 Decrease revenue volatility to counter warming temperature trends and reduction in energy usage.

29.2.2.2.5 **Facility**: Utilize a fixed cost methodology whereby the facility charge collects the Cooperatives' fixed expenses;

29.2.2.2.6 **Demand**: Implement a demand element which reflects the costs associated with variable need for system capacity for all member classes as the phase out/replacement of existing meters progresses;

29.2.2.2.7 **Energy**: Implement a variable mechanism that passes energy costs to members based on their usage;

29.2.2.2.8 Weather True-up (Charge or Credit): Implement a Weather True-up (Charge or Credit) on member bills to smooth revenue volatility that is caused by fluctuations in energy consumption. Weather True-up mechanism shall be implemented on an as needed basis.

29.2.2.3 Rates will incorporate a mechanism for ensuring any member's energy usage above (or below) the Cooperative's power provider's base load rates (BPA Tier 1) will be charged (or credited) for those costs.

29.2.2.4 Rate increases necessary to meet budgetary revenue requirements are to be applied per Board-approved methodology.

29.2.2.5 Rates shall be independent of OPALCO approved member programs for energy conservation, energy assistance (PAL), member owned renewal energy (MORE), etc. The determination of the funding of these programs will be through Board action as laid out during the budgeting process.

29.2.3 Management Responsibility

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

Effective Date: 12/17/2015

J. Foster Hildreth, General Manager

MEMORANDUM

December 14, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Alternative Rate Structures for Consideration

At the November meeting, the Board requested that staff investigate both “revenue decoupling” and alternative residential rate structures for discussion at the December Board meeting.

- A. Revenue Decoupling (cost/credit true-up): During our 2014 Cost of Service study, the topic of revenue decoupling was discussed. In 2015 the Board chose to implement a temporary true-up mechanism to collect revenue to meet OPALCO’s 2015 financial obligations.

At this point, the Board wishes to explore implementing revenue decoupling on a permanent basis. If implemented, such a cost/credit true-up would allow OPALCO to collect the exact amount of revenue to cover expenses and reduce the inherent volatility associated with weather, power cost fluctuations, and a number of other variables beyond the control of the cooperative. Please note that revenue decoupling can be applied to any or all rate structure alternatives under consideration. For 2016, staff is recommending that revenue decoupling be implemented on a temporary basis (if required), and develop/test the permanent true-up mechanism for implementation in 2017.

- B. Alternative Residential Rate Structures, including:
1. Institute a new demand charge component to all residential bills
 2. Increase Winter Block 1 maximum threshold from 3000 kWh to 3500 kWh
 3. Increase Winter Block 1 maximum threshold from 3000 kWh to 4000 kWh
 4. Collapse all energy charges into one block

The following table outlines the details of each rate alternative above. Please note that each of the above residential rate structure alternatives are revenue neutral.

ORCAS POWER AND LIGHT COOPERATIVE

ALTERNATIVE RESIDENTIAL RATE STRUCTURES

		A.	B.	C.	D.	E.	F.
		Present	Recommended	Alt. 1	Alt. 2	Alt. 3	Alt. 4
Residential		Present Rates	% Increase to All Rate Components (~5%)	Implement Demand Charge	Winter Rate Block 1 Maximum Increased to 3500	Winter Rate Block 1 Maximum Increased to 4000	Collapse all Energy Blocks to One Block
1	Facility Rate (\$/Service/Month)	\$38.90	\$40.54	\$40.52	\$40.59	\$40.63	\$40.95
2	Demand Rate (\$/Service/Month)		\$0.00	\$1.00	\$0.00	\$0.00	\$0.00
3	Energy Assistance (\$/kWh)		\$0.0005	\$0.0005	\$0.0005	\$0.0005	\$0.0005
4	Energy Rates (\$/kWh)						
5	All kWh						\$0.0901
6	Summer Block 1 (< 1,500 kWh)	\$0.0855	\$0.0892	\$0.0881	\$0.0893	\$0.0894	
7	Summer Block 2 (1,500 kWh to 3000 kWh)	\$0.0970	\$0.1011	\$0.1001	\$0.1013	\$0.1014	
8	Summer Block 3 (> 3,000 kWh)	\$0.1150	\$0.1200	\$0.1188	\$0.1200	\$0.1202	
9	Winter Block 1 (< 3,000 kWh)	\$0.0855	\$0.0892	\$0.0881	\$0.0893	\$0.0894	
10	Winter Block 2 (3,000 kWh to 5,000 kWh)	\$0.0970	\$0.1011	\$0.1001	\$0.1013	\$0.1014	
11	Winter Block 3 (> 5,000 kWh)	\$0.1150	\$0.1200	\$0.1188	\$0.1200	\$0.1202	
12							
13	Residential	Present Rates	% Increase to All Rate Components (~5%)	Implement Demand Charge	Winter Rate Block 1 Maximum Increased to 3500	Winter Rate Block 1 Maximum Increased to 4000	Collapse all Energy Blocks to One Block
14	Average Bill - Summer (900 kWh)	\$115.85	\$121.27	\$121.26	\$121.41	\$121.54	\$122.49
15			4.7%	4.67%	4.8%	4.9%	5.7%
16	Average Bill - Winter (900 kWh)	\$115.85	\$121.27	\$121.26	\$121.41	\$121.54	\$122.49
17			4.7%	4.67%	4.8%	4.9%	5.7%
18	Bill - Summer (2000 kWh)	\$215.65	\$225.89	\$224.72	\$226.19	\$226.43	\$222.15
19			4.7%	4.21%	4.9%	5.0%	3.0%
20	Bill - Winter (3500 kWh)	\$352.90	\$369.89	\$366.97	\$370.24	\$370.68	\$358.05
21			4.8%	3.99%	4.9%	5.0%	1.5%
22							
37	Revenue	Present Rates	% Increase to All Rate Components (~5%)	Implement Demand Charge	Winter Rate Block 1 Maximum Increased to 3500	Winter Rate Block 1 Maximum Increased to 4000	Collapse all Energy Blocks to One Block
38	January	1,986,934	2,081,098	(7,826)	(3,544)	(5,045)	(7,065)
39	February	1,921,194	2,012,254	(7,229)	(1,054)	(853)	2,713
40	March	1,670,753	1,749,560	(4,024)	(578)	(151)	4,327
41	April	1,458,417	1,526,822	(1,353)	57	708	5,117
42	May	1,147,297	1,200,312	2,836	1,444	2,729	(4,033)
43	June	1,029,130	1,076,398	4,280	1,283	2,431	(350)
44	July	1,033,995	1,081,496	4,207	1,288	2,444	(1,491)
45	August	1,038,180	1,085,882	4,205	1,294	2,452	(595)
46	September	1,086,581	1,136,638	3,623	1,356	2,572	(1,880)
47	October	1,104,560	1,155,608	3,156	762	1,610	6,524
48	November	1,379,562	1,444,077	(340)	(54)	424	5,430
49	December	1,956,350	2,049,036	(7,543)	(2,814)	(3,763)	(4,148)

MEMORANDUM

December 10, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Tariff Revisions

With the approval of the 2016 budget, the following changes relate to the tariffs and are proposed for implementation with the January 2016 billing:

- A 5% rate increase across all billing components and rate classes.
- “Energy Assistance Charge” is to be added to all rate classes.
- The “demand” billing component has been introduced to the residential rate class (as recommended in the 2015 budget report); however, no charge is implemented at this time.

Residential	Present Rates	Change	2016 Proposed % Increase to All Rate Components (5%)
Facility Rate (\$/Service/Month)	\$38.90	\$1.64	\$40.54
Demand Rate (\$/Service/Month)		\$0.00	\$0.00
Energy Assistance Program (\$/kWh)		\$0.0005	\$0.0005
Energy Rates (\$/kWh)			
Summer Block 1 (< 1,500 kWh)	\$0.0855	\$0.0037	\$0.0892
Summer Block 2 (1,500 kWh to 3000 kWh)	\$0.0970	\$0.0041	\$0.1011
Summer Block 3 (> 3,000 kWh)	\$0.1150	\$0.0050	\$0.1200
Winter Block 1 (< 3,000 kWh)	\$0.0855	\$0.0037	\$0.0892
Winter Block 2 (3,000 kWh to 5,000 kWh)	\$0.0970	\$0.0041	\$0.1011
Winter Block 3 (> 5,000 kWh)	\$0.1150	\$0.0050	\$0.1200

Residential TOU	Present Rates	Change	2016 Proposed % Increase to All Rate Components (5%)
Facility Rate (\$/Service/Month)	\$43.80	\$2.19	\$45.99
Demand Rate (\$/Service/Month)		\$0.00	\$0.00
Energy Assistance Program (\$/kWh)		\$0.00	\$0.0005
Energy Rates (\$/kWh)			
TOU Period 1 (6 AM - Noon)	\$0.1450	\$0.0063	\$0.1513
TOU Period 2 (Noon - 6 PM)	\$0.0900	\$0.0035	\$0.0935
TOU Period 3 (6 PM - 8 PM)	\$0.1450	\$0.0063	\$0.1513
TOU Period 3 (8 PM - 6 AM)	\$0.0400	\$0.0010	\$0.0410

Small Commercial (<20 kW)	Present Rates	Change	2016 Proposed % Increase to All Rate Components (5%)
Facility Rate (\$/Service/Month)	\$54.90	\$2.75	\$57.65
Energy Assistance Program (\$/kWh)		\$0.00	\$0.0005
Energy Rates (\$/kWh)			
Block 1 (< 5,000 kWh)	\$0.0870	\$0.0034	\$0.0904
Block 2 (> 5,000 kWh)	\$0.0970	\$0.0039	\$0.1009
Demand Rates (\$/kW)			
First 20 kW (Flat Rate)	\$5.00	\$0.25	\$5.25

Large Commercial (> 20kW)	Present Rates	Change	2016 Proposed % Increase to All Rate Components (5%)
Facility Rate (\$/Service/Month)	\$54.90	\$2.75	\$57.65
Energy Assistance Program (\$/kWh)		\$0.00	\$0.0005
Energy Rates (\$/kWh)			
Block 1 (< 5,000 kWh)	\$0.0790	\$0.0030	\$0.0820
Block 2 (5,000-150,000 kWh)	\$0.0873	\$0.0034	\$0.0907
Block 3 (>150,000 kWh)	\$0.1162	\$0.0049	\$0.1211
Demand Rates (\$/kW)			
Block 1 (< 300 kW)	3.15	\$0.16	\$3.31
Block 2 (> 300 kW)	4.73	\$0.24	\$4.97

Pumps	Present Rates	Change	2016 Proposed % Increase to All Rate Components (5%)
Facility Rate (\$/Service/Month)	\$34.40	\$1.72	\$36.12
Energy Assistance Program (\$/kWh)		\$0.00	\$0.0005
Energy Rates (\$/kWh)			
0 - 370 kWh	\$0.0923	\$0.0037	\$0.0960
370-5,000 kWh	\$0.0802	\$0.0031	\$0.0833
Over 5,000 kWh	\$0.0900	\$0.0035	\$0.0935
Demand Rates (\$/kW)			
First 20 kW (Flat Rate)	\$0.00	\$1.00	\$1.00
Over 20 kW	\$3.15	\$0.16	\$3.31

These rates are subject to Board approval of Policy 29 *Rate Design*.

Staff recommends a motion to approve the revisions to the tariffs as presented.

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF R – 16**

RESIDENTIAL SERVICE

EIGHTEENTH REVISION – REPLACING SEVENTEENTH REVISION

AVAILABILITY

Available to all small farm and home members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls

APPLICATION

Service for home and farm uses, such as cooking, lighting, heating, private docks not used for commercial purposes, etc. Residences qualifying as “cottage industries” by San Juan County shall be served under this tariff.

FACILITY CHARGE \$40.54

ENERGY ASSISTANCE CHARGE \$0.0005 per kWh

DEMAND CHARGE \$0.00

ENERGY CHARGE

Summer Block 1 ($\leq 1,500$ kWh) \$0.0892 per kWh

Summer Block 2 (1,501 – 3,000 kWh) \$0.1011 per kWh

Summer Block 3 ($> 3,000$ kWh) \$0.1200 per kWh

Winter Block 1 ($\leq 3,000$ kWh) \$0.0892 per kWh

Winter Block 2 (3,001 – 5,000 kWh) \$0.1011 per kWh

Winter Block 3 ($> 5,000$ kWh) \$0.1200 per kWh

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$40.54 per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.

- Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
- 3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on line simultaneously.
- 4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
- 5. See Member Service Policy 3 *Technical Provisions* for additional requirements.
- 6. Bed and breakfast establishments will be served under this rate if the owner or manager lives in a building served by this meter.
- 7. Summer Block is defined as May billing cycle through September billing cycle; Winter Block is defined as October billing cycle through April billing cycle.

Foster Hildreth, General Manager

Effective Date: January 2016 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF TOU- 16**

RESIDENTIAL TIME OF USE RATE

(Formerly known as "ESR-08 Energy Saving Rate")

EIGHTEENTH REVISION – REPLACING SEVENTEENTH REVISION

AVAILABILITY

Available to all small farm and home members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage. Equipment subject to automatic load management controls.

APPLICATION

Service for small farms, homes, pools, greenhouses and other non-essential loads. Limited to single phase loads.

FACILITY CHARGE: \$45.99

DEMAND RATE: \$0.00

ENERGY ASSISTANCE PROGRAM \$0.0005 per kWh

ENERGY CHARGE:

TOU Period 1 (6 a.m. - noon) –\$0.1513 per kWh

TOU Period 2 (noon - 6 p.m.) –\$0.0935 per kWh

TOU Period 3 (6 p.m. - 8 p.m.) - \$0.1513 per kWh

TOU Period 4 (8 p.m. - 6 a.m.)–\$0.0410 per kWh

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$45.99 per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. The rated capacity of any motor served under this tariff shall be as follows:

- Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on line simultaneously.
 4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
 5. Loads served under this tariff shall not be capable of being switched to another meter served under a different tariff.
 6. See Member Services Policy 3 *Technical Provisions* for additional requirements.

Foster Hildreth, General Manager

Effective Date: January 2016 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF SCS – 16
SMALL COMMERCIAL SERVICE**

NINETEENTH REVISION – REPLACING EIGHTEENTH REVISION

AVAILABILITY

Available to all non-residential members using less than 20 kW in all of the preceding twelve (12) months, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase or three phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

General Service for heating, lighting, etc., for marinas for commercial use, and non-residential members.

FACILITY CHARGE \$57.65

ENERGY ASSISTANCE PROGRAM \$0.0005 per kWh

ENERGY CHARGE Block 1 (< 5,000 kWh) @ \$0.0904 per kWh
Block 2 (>-5,000 kWh @ \$0.1009 per kWh

DEMAND CHARGE \$5.25 per month

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$57.65 per month or prorated if service is provided for less than a full month.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the member for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

Demand charges may be adjusted to correct for average power factors lower than 95%. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the average power factor is less than 95% lagging.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. Except for bed and breakfast establishments, service under this rate shall not be provided to locations with occupied residential facilities unless such facilities are insignificant with respect to the business operations at the location.
3. Bed and breakfast establishments will be served under this rate tariff if the owner or manager does not live in a building served by this meter.
4. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP (single phase) are subject to requirements in Member Service Policy 3-Technical Provisions.
5. No single resistive 3-phase loads (examples: ovens, heaters, kilns) of over 45kW shall come on line simultaneously.
6. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
7. See Member Service Policy 3-*Technical Provisions* for additional requirements.

Foster Hildreth, General Manager

Effective Date January 2016 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF LCS –16
LARGE COMMERCIAL SERVICE**

NINETEENTH REVISION – REPLACING EIGHTEENTH REVISION

AVAILABILITY

Available to all non-residential members using more than 20 kW in any one or more of the preceding twelve (12) months, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase or three phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

General Service for heating, lighting, etc., for marinas for commercial use, and non-residential members.

FACILITY CHARGE \$57.65

ENERGY ASSISTANCE PROGRAM \$0.0005 per kWh

ENERGY CHARGE Block 1 ($\leq 5,000$ kWh) @ \$0.0820 per kWh
Block 2 ($> 5,000 - 150,000$ kWh) @ \$0.0907 per kWh
Block 3 ($> 150,000$ kWh) @ \$0.1211 per kWh

DEMAND CHARGE Block 1 (≤ 300 kW) \$3.31 per kW
Block 2 (> 300 kW) \$4.97 per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$57.65 per month or prorated if service is provided for less than a full month.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the member for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

Demand charges may be adjusted to correct for average power factors lower than 95%.

Such adjustments will be made by increasing the measured demand 1% for each 1% by which the average power factor is less than 95% lagging.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. Except for bed and breakfast establishments, service under this rate shall not be provided to locations with occupied residential facilities unless such facilities are insignificant with respect to the business operations at the location.
3. Bed and breakfast establishments will be served under this rate tariff if the owner or manager does not live in a building served by this meter.
4. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP (single phase) are subject to requirements in Member Service Policy 3-Technical Provisions.
5. No single resistive 3-phase loads (examples: ovens, heaters, kilns) of over 45kW shall come on line simultaneously.
6. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
7. See Member Service Policy 3-*Technical Provisions* for additional requirements.

_____ Foster Hildreth, General Manager	Effective Date <u>January 2016 Billing Period</u>
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**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF P- 15 16
PUMP SERVICE**

NINETEENTH REVISION – REPLACING EIGHTEENTH REVISION

AVAILABILITY

Available to all members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

Service for pumping water for domestic use and/or irrigation.

FACILITY CHARGE \$36.12

ENERGY ASSISTANCE PROGRAM \$0.00105per kWh

ENERGY CHARGE 0-370 kWh @ \$0.0960 per kWh
 371-5,000 kWh @ \$0.0833 per kWh
 Over 5,000 kWh @ \$0.0935 per kWh

DEMAND CHARGE First 20 kW @ \$1.00
 Over 20 kW @ \$3.31 per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$36.12 per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. All pumps served under this tariff shall be metered separately.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
3. See Member Service Policy 3-Technical Provisions for additional requirements.

_____ Effective Date: January 2016 Billing Period
Foster Hildreth, General Manager

ORCAS POWER AND LIGHT COOPERATIVE
TARIFF LR –16
LINE RETENTION
SEVENTEENTH REVISION – REPLACING SIXTEENTH REVISION

AVAILABILITY

Available for individual residential, marina, and general service accounts where the primary and transformer only serve one member and the removal of the equipment will not affect the service to other members, and/or no service has been taken for a period of twelve (12) months.

TYPE OF SERVICE

Single-phase, 7200 GrdY primary or 120/240 secondary voltage.

APPLICATION

Payment of the line retention rate will ensure that the facilities remain in place for future use.

FACILITY CHARGE \$22.26

ENERGY CHARGE

No energy may be used under this rate.

MINIMUM MONTHLY CHARGE

The monthly charge, under the above rate, shall be \$22.26 per month or prorated if service is provided for less than a full month.

GENERAL PROVISIONS FOR MEMBERS ON LINE RETENTION

1. The above rate is not available where energy is being used or where a meter is installed.
2. OPALCO normally retires and/or removes facilities that have not been used for twelve (12) months. Payment of the line retention rate will ensure that the facilities remain in place for future use. If OPALCO removes any equipment and the member wants it reinstalled, the member shall be required to apply for a new service or line extension in accordance with the current member service policy.
3. Members who have discontinued service for a period of twelve (12) months or have made a formal request for service and have not connected to the system after a period of twelve (12) months are subject to the line retention rate, provided that OPALCO has determined that the facilities are causing ongoing expenses, such as line losses or line maintenance to the system.

Foster Hildreth, General Manager

Effective Date: January 2016 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE
TARIFF NM- 16
UNMETERED SERVICE
TENTH REVISION – REPLACING NINTH-REVISION

AVAILABILITY

Available to small fixed loads such as cable television amplifiers.

TYPE OF SERVICE

Single-phase, 60 cycles, 120 volts, 20 amps or less.

APPLICATION

For electrical loads that are unchanging during the day and operate at 120 volts with 20 amps or less.

FACILITY CHARGE: \$34.97

ENERGY ASSISTANCE PROGRAM \$0.0010 per kWh

ENERGY CHARGE: All kWh @ \$0.0807

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$34.97 per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power or transmission charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. The member must install a disconnect switch that can be locked by OPALCO.
2. The member must provide suitable fusing to protect their equipment.
3. Kilowatt hour usage shall be calculated based on the device drawing rated current (as determined by the manufacturer's recommended fuse size) at 120 volts at unity power factor for 720 hours per month.

Effective Date: January 2016 Billing Period

Foster Hildreth, General Manager

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF POL – 16
PRIVATE OUTDOOR LIGHTING**

MEMORANDUM

December 8, 2015

TO: Board of Directors

FROM: Foster Hildreth


RE: Voting Delegate for 2016 NRECA Annual Meeting

Staff requests that the Board designate, in the form of a motion, an official voting delegate and an alternate for the NRECA 2016 Annual Meeting to be held in New Orleans, LA February 15-17, 2016.

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National Rural Electric Cooperative Association

A Touchstone Energy® Cooperative 

2016 Voting Delegate and Alternate Delegate Certification

November 25, 2015

To: CEOs/General Managers, NRECA Voting Member Systems

From: Director and Member Legal Services, NRECA Office of General Counsel

Subject: NRECA 2016 Annual Meeting Voting Delegate Certification and Credentialing Process

Last year, 65 percent of NRECA's member cooperatives were represented by a voting delegate at the NRECA Annual Business Meeting. Participation in the Business Meeting ensures that your system has a voice in the future direction of NRECA's advocacy efforts by voting on proposed resolutions. We hope you plan to certify a delegate!

Please review the enclosed voting delegate certification form and following reminders:

- Per the NRECA Bylaws, the cooperative's board of directors or the cooperative's membership may vote to select one of its members, directors, or employees to serve as the cooperative's voting delegate and one to serve as the alternate delegate.
- **Your cooperative's board president/chair and board secretary must sign and return the certification form.** This is an NRECA Bylaw requirement.
- **Be sure that you are certifying individuals who will be attending the NRECA Annual Meeting in New Orleans from February 15-17, 2016.** The delegate must also be registered for the Annual Meeting.
- **Return the form to NRECA by January 11, 2016** to VotingDelegates@nreca.coop or by fax at 703-907-5512, Attention: Membership Department – Voting Delegates.
- Instructions and proposed resolutions will be emailed to the certified voting delegate and alternate delegate in late January. Please email resolutions@nreca.coop with questions.

Thank you in advance for your participation in the 2016 NRECA Annual Member Business Meeting!



**National Rural Electric
Cooperative Association**
A Touchstone Energy® Cooperative

**NRECA 2016 Annual and
Regional Meeting
Voting Delegate Certification
And Credentialing Process**



Please fill out the form below. Indicate who will be your Voting Delegate for 2016 and an Alternate in case the Delegate is unable to attend the Business Meeting. You will have an opportunity to select a new delegate for the 2016 Regional Meetings. **Please return this form to NRECA using the following email address: VotingDelegates@nreca.coop or this fax number: (703) 907-5512.**

To: J Foster Hildreth

State: Washington

Orcas Power & Light Co-op

183 Mount Baker Rd

Eastsound, WA 98245-9413

NRECA VOTING DELEGATE CERTIFICATION

NRECA Bylaws Article V, Section 2(B) and 2(C) provide that "...each voting member shall be entitled to select, either by vote of its membership or its board of directors, one of its members, directors, or employees to act as the voting delegate, and one such person to act as the alternate delegate, at the meeting...each voting delegate must submit a certification signed by the director who is president of the member or is chair of the member's board of directors, and by the director who is secretary of the member, stating that such delegate is duly authorized to cast the vote of the member."

Please indicate below who will be your delegate at the 2016 NRECA Annual Meeting. **Only those delegates who have been properly documented as authorized by their cooperatives shall be credentialed to act during the NRECA Annual and Regional Meeting Business Session. This form must be dated, signed by the board President and board Secretary (board of directors/trustees), and returned to NRECA by January 11, 2016.** You will have an opportunity to select new delegates for the 2016 Regional Meetings.

The following are hereby certified as official voting delegate and alternate and are duly authorized to cast the vote of this member.

2016 Voting Delegate

Name _____

Title _____

2016 Alternate Delegate

Name _____

Title _____

(The Alternate is certified to act only in the absence of the Delegate)

Signed _____

Board President (of Member System) DATE _____

Board Secretary (of Member System) DATE _____

Meeting and Delegate Registration Procedures

1 Please return signed, dated and completed form to VotingDelegates@nreca.coop by January 11th, 2016.

2 Delegates must be registered for the meeting in advance and should pick up their badge before checking in as a delegate.

3 At the meeting the delegate must then proceed to the Voting Delegate registration Desk which will be located near the general NRECA Meeting Registration area.

4 At the NRECA Voting Delegate Registration Desk, the delegate's certification information will be reviewed and the delegate will receive the official delegate ribbon, which will be attached to the name badge, as well as the assigned credential card for the meeting.

5 The delegate must bring the credential card and ribbon to the NRECA Business Meeting and present it in order to vote. Each voting member is permitted one vote on each of the resolutions and other business properly brought before the Annual and Regional Business Sessions. **No individual may represent more than one voting member system and proxy voting is prohibited.**

MEMORANDUM

December 14, 2015

TO: Board of Directors
FROM: Foster Hildreth
RE: PNGC Report and Analysis

At the November meeting, the Board requested that staff provide an analysis of joining the power resource cooperative, PNGC. Please note that PNGC has requested that the specific membership fee information remain confidential and only discussed during Executive Session.

The PNGC report is attached; the analysis along with the PNGC fee schedule (previously distributed) will be distributed in Executive Session at the Board meeting. Please note the figures and assumptions used are extremely high level. The uncertainty, as it relates to future years, is high, including BPA contract beyond 2028, BPA Tier 1 availability, market power cost, renewable technology and cost, regulations, etc. PNGC Power is a risk management option for OPALCO and should be considered equivalent to an insurance policy. Additionally, PNGC provides a host of other services which may provide overall benefit to OPALCO's operations.

After review and discussion, staff recommends that OPALCO join the PNGC Power cooperative at the introductory level as offered by the PNGC group in their November 3 memo.

PNGC Report & Analysis

Purpose: The purpose of this analysis is to determine whether it is in the best interest of OPALCO to formally join the power resource cooperative known as PNGC Power.

Roadmap: The future of the power industry is becoming more and more complex. We expect to dedicate substantial staff resources to monitor markets, regulation, and the overall climate surrounding power resource issues including, but not limited to, load forecasting, power resource planning, billing verification, transmission planning, regulatory and legislative compliance, and legal oversight.

The following analysis describes OPALCO's current efforts to manage the existing power supply, transmission, and resource planning; predicts the future efforts required to manage OPALCO's power resource needs; and benefits for joining PNGC Power cooperative.

Existing Power Supply, Transmission and Resource Planning:

As a BPA full requirements customer, OPALCO relies on BPA to supply all of our resource needs. In this manner, we have been able to minimize the staff resources needed to manage our power resources. The areas of resource planning include:

- Load forecasting – work with BPA representative only
- Monthly billing verification – BPA Portal
- Transmission – work with BPA representative only
- Regulatory and Legislative Compliance – Member of NRU
- Legal – minimal (if at all)
- Contractual Compliance – work with BPA representative only
- Consulting Services – external contracting as needed

Future Power Supply, Transmission and Resource Planning:

OPALCO's future power resource decisions are becoming more complex and uncertain and will be impacted by many factors, some of which are discussed below.

The electric utility industry is changing at a more rapid rate than perhaps at any other time in the industry's history. As climate change concerns, particularly carbon emissions, gain momentum, the push for carbon reduction from electric generating resources is fueling a whole range of initiatives at both the local, state, and national levels including:

- Renewable energy portfolio standards,
- Carbon limits, markets, or reduction program,
- Retail Consumers' demand for greener power portfolios from their utilities,

- A more competitive solar industry that has both retail customer scaled and utility scaled applications, including community solar,
- Applications for micro-grids for regular and emergency or islanded (no pun intended) operations and as a defense to cyber-security issues,
- Implementation of smart grid, energy efficiency, conservation, and demand response measures.

BPA's own Federal Columbia River Power System (FCRPS) may also face significant changes from a variety of sources including:

- Renegotiation of the Columbia River Treaty with Canada
- Ongoing fish mitigation issues (Bi-Op limitations)
- Potential changes to traditional operations from decreased or changed timing in snowpack and run-off, for example:
 - low water operations causing conflicts with fish obligations and power supply commitments
 - high water operations in spring causing conflicts with must run wind gen, etc.
- Increase of variable energy resources system wide putting differing operational needs (firming, balancing, ramping) on the FCRPS
- Capacity limitations in FCRPS caused by above
- Loss of flexibility of FCRPS caused by above

OPALCO's power supply contract with BPA expires 2028, but talks about the future BPA/preference customer relation are already underway as part of the Focus 2028 process. For example, BPA currently provides full coverage of a preference customers demand needs and has put a limit on energy (Contract High Water Mark). The next contract may also include a limit on the amount of capacity that BPA would make available to a customer. There may also be requirements for certain amounts of renewable resources, energy efficiency, demand response, etc. Pooling this risk and managing these uncertainties with a group of like-minded cooperatives provides significant risk management for OPALCO looking into the future.

Based on the uncertainty above, OPALCO should anticipate committing more resources to managing our power resources. In the future, OPALCO's options are:

- Continue with all the power resources supplied by BPA, and if this option is available, include our preference power (currently Tier 1 power) and other needs (market purchases at market rates) to satisfy our resource needs,
- Join PNGC in FY 2018 to manage our current Tier 1 loads and partner to satisfy our Above Rate Period High Water Mark Load Obligations (ARHWM Load Obligations) and other resources, or

- Delay joining a power resource group (other than a lobbying type group, such as NRU) and revisit options periodically.

For comparison purposes, we have assigned rough values to the list of services that we believe we would have to do ourselves in the future. All these services are included in the PNGC Power membership.

- **Resource operations**

- Perform scheduling duties to deliver resource to load
- Manage credit agreements and mark-to-market exposure mitigation with counterparties
- Maintain a diverse list of potential counterparties for market or resource acquisitions
- Perform O&M services, or contract for O&M services, for PNGC owned resources
- Transmission reservations for existing and future resources or contracts
- Potential expansion for a 24x7 desk to integrate variable energy resources more efficiently
- Back office verification of flow, curtailments, and payments
- Integration of new resources into existing BPA contract

- **Power supply planning**

- Develop ongoing integrated resource plans (IRP) (including development of load forecasts and fuel price projections, regulatory issues evaluations, etc.)
- Perform technical analysis on potential federal and state legislation/regulation that may impact future power supply
- Annual load forecast utilizing ITRON's Metrix ND Model with mid-year performance report
- Biannual end-use residential member surveys to track trends in usage and electric end-use stocks and efficiencies
- Daily short-term and long-term market tracking with monthly reports
- Manage financial position (follow equity management plan, etc.)
- Evaluate and identify suitable power supply alternatives
- Negotiate agreements with project developers, marketers, etc.
- Maintain relationships with financial institutions to finance future resource projects, tailor existing agreements to support resource development
- Support Green Power Programs and acquire RECs as needed for that program.
- Ensure that OPALCO meets any current or future renewable portfolio standard requirements

- **Transmission management and acquisition**
 - Administer BPA NT contract that transmission of all resources to OPALCO service area
 - Deliver resources to load in the most efficient manner (JOE transmission benefits)
 - Acquire additional points of receipts (POR) to meet OPALCO power supply needs
 - Acquire additional points of delivery to serve OPALCO loads as needed
 - Participate in BPA transmission forums to ensure integrity of existing transmission rights and maintain flexibilities needed to achieve OPALCO's future transmission needs
- **Energy efficiency support**
 - Support conservation programs
 - Support demand response programs
 - Conduct end-use customer surveys
 - Manage data collection and reporting for BPA programs
 - Coordinate with BPA and regional parties as an advocate for rural programs
 - Implement pooled energy efficiency programs
 - Participate in regional energy efficiency forums (NEEA, etc.)
- **Generation projects (e.g., local generation projects)**
 - Conduct preliminary investigations & general project evaluations
 - Support generation resource integration & interconnection
 - Develop interconnection, wheeling and transmission agreements
 - Evaluate “fit” with contractual, planning and operations
 - Develop power purchase agreements
 - Support consumer-owned generation plans
 - Coordinate with BPA
 - Support net metering policies, rates, and other actions
- **Generation interconnection and wheeling agreement support**
 - Support OPALCO in dealing with generators' requests for interconnection, wheeling, power sales
 - Provide generic interconnection and wheeling agreements and customize as needed
 - Aid in development of wheeling rates
 - Facilitate interface with BPA if necessary
- **Regulatory Compliance & Requirements**
 - Coordinate with NRECA to influence NERC ERO direction
 - Participate and influence BPA compliance policy development (compliance coordination and documentation, program costs, etc.)

- Provide comments and input into regulatory processes with the goal of minimizing unnecessary regulatory oversight for small entities
- Support with specific compliance issues
- Support compliance with pending cyber-security regulations
- Provide FERC compliance (power marketing license requirements, etc.)
- Support permitting process for OPALCO owned resources
- **Monthly BPA bills (power & transmission)**
 - Verify meter readings and metering points
 - Verify Demand and Energy Billing Determinants
 - Coordinate error resolution with BPA
 - Ensure proper treatment of AHWM or OPALCO owned resources on both power and transmission bills from BPA
 - Create and maintain a power cost model
 - Develop customized billings (e.g., CIS monthly statements)
- **Legislative & Public Affairs**
 - Advocate for cooperative interests on range of Federal & Regional matters
 - Influence Federal & Regional regulators and policymakers (e.g., BPA, other Federal agencies, US Congress, NWPPC)
 - Provide support and guidance to NRECA and statewide organizations
 - Participate in regional policy forums on behalf of member interests
 - Seek future grants and other financial incentives that further the goals of OPALCO. (Example: PNGC Power was the recipient of grant under the American Reinvestment and Recovery Act of 2009. This allowed some members to deploy smart grid systems at half the cost).
 - Manage relationships with other industry stakeholders
- **Communications & Marketing**
 - Develop issues-related communications, talking-points, etc.
 - Provide OPALCO Director and staff education programs
 - Assist OPALCO in managing its external image and media relations; provide strategic counsel
 - Support Touchstone and NEEA outreach activities
- **BPA Policy Issues & Forums**
 - Participate and influence BPA power supply, energy efficiency and transmission policy development
 - Influence development of BPA business practices
 - Protect services for transfer customers
 - Shape Fish & Wildlife policy that directly impacts BPA rates

MEMORANDUM

December 11, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Integrated Resource Plan (IRP) Update

Staff is presenting the integrated resource plan showing our 20 year vision and roadmap with the goal of providing reliable, affordable, clean, and sustainable energy (for critical services) to the co-op membership. This working document is the culmination of a one-year effort and contains datasets with detailed information on energy demand, energy resources, and the grid. We consider the IRP a living document which will inform our Long Range Plan and assist us in providing the flexible and efficient infrastructure to sustain the grid needs of our membership for the future.

Included in the board materials (under separate attachment) is the draft IRP document for Board and member review.

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: Q4
- M. Present Analysis of strategic alliance (PNGC): Q4
- N. Finalize Report: Q4

MEMORANDUM

December 10, 2015

To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Safety Program – November 2015

Safety Training

Jeff Myers conducted training on Lockout/Tagout and Grounding.

Safety Manual

The Safety Committee has voted the Safety Manual into place effective January 1, 2016.

RESAP

The Safety Committee is in development of the Safety Improvement Plan with a target completion of end of year.

Accidents/Incidents/Near Miss

Date: November 10, 2015
Type: Incident
Description: During regulator bypass operations, the switching was interrupted. The crew was asked to test a step operation prior to the opening of the regulator bypass switch. The result was the melting of the load lead of the regulator. The Safety Committee is reviewing the matter to prevent another occurrence.

Date: November 10, 2015
Type: Incident
Description: While backing a trailer, an axle weld broke. After inspection of the axle, the weld was found to be inferior. All trailers by the same manufacturer were inspected with no issues found. Investigations of these trailers continues.

	November 2015	YTD (2015)
Near Misses	0	1
Incidents	2	3
Accidents	0	4
Loss Time	0	0

Total Hours Worked without Loss Time Accident: 6,575

GENERAL MANAGER'S REPORT

COMMITTEES ON NOMINATIONS

The Board of Directors will be forming two Committees on Nominations; one each for District 3 (Lopez, Decatur, Center and Charles islands) and District 4 (Shaw, Crane, Canoe and Bell islands). OPALCO Bylaws, Article II Section 3 (a) states that the Board of Directors will appoint a committee "not less than 120 days before the date of a meeting of the energy members at which directors are to be elected". The annual meeting for 2016 was set at April 30; 120 days prior to April 30 is January 2, 2016. Two districts will be up for election—Districts 3 and 4.

ENGINEERING AND OPERATIONS

Work in Progress (WIP)

As of December 10, 2015, there are 324 work orders open totaling \$5,231,319. Of those, Operations has completed construction on 69 work orders, totaling \$1,171,737. Continuation of our multi-year construction through Moran State Park is scheduled to be completed by 3rd Quarter 2016.

Submarine Cables

The bore at Otis Perkins Park, Lopez Island is complete. The contract for manufacturing, laying of the new cable, and removal of the existing cable is solidifying with Sumitomo. Loan processing has been submitted to RUS. We expect to draw RUS loan funds by year-end to pay for the first payment installment of the submarine cable itself.

Shaw Transmission Outage

On Sunday December 6, 2015 at 6:30 p.m., the Lopez transmission line relay detected a three phase fault on Shaw Island. This was the result of a 120-foot tree, 60 feet from the edge of the right-of-way, falling into the overhead transmission line on Parkway Road. This caused 7 transmission poles from the County Park to the Shaw South Submarine Cable Terminal to break. There were approximately 3,000 members effected by this event. Based on capacity and outage logistics, crews were able to restore--by use of the feed to Olga from Blakely--Moran State Park north to only one of two Eastsound circuits. A total of 12 linemen, 3 bucket trucks, 3 digger trucks, 1 excavator, 1 dump truck, and 1 boat participated in the repair of the transmission, distribution, and fiber lines. Once again, our line crew and staff did a great job restoring power, with the outage time logged in at about 30 hours. This outage provides us with the opportunity to revisit the following topics:

1. Pole replacement process: Our engineers and crew take the maintenance of our infrastructure and system very seriously. There are between 1,800 to 2,000 poles spread across our 20-island service area, and our power poles are each inspected on a 5 to 7 year rolling schedule, following Rural Utility Services (RUS) guidelines. The transmission line and poles that were taken out by the large, 120-foot fir tree on Shaw Island were originally installed in 1980, and have gone through continuous inspections. The poles are all Class 1 with a 50-year lifespan. The poles damaged in this recent storm were last tested and inspected in May 2010.

2. Right-of-way clearing: One of our most challenging efforts is to keep our right-of-ways clear of trees that can fall on OPALCO power lines during windstorms. OPALCO conducts right-of-way clearing efforts on selected portions of our service territory on an annual basis. We balance being sensitive to our tree-lined environment, with our desire to remove dangerous and hazardous trees. In this recent event, the 120-foot tree was 60 feet away from our right-of-way. OPALCO will continue to be diligent with our right-of-way clearing efforts and respectfully request the support of our membership during future right-of-way clearing activities.
3. Redundancy: This outage occurred on our main transmission line on Shaw. For redundancy purposes, this is further support for our goal of obtaining a separate feed from BPA on Decatur (BPA tap) to route power directly to the east side of Orcas (rather than routing Orcas solely through Shaw). An amendment to the current RUS CWP work plan allocates capital funding for a direct BPA tap on Decatur Island, which is scheduled in 2018.
4. Undergrounding: Periodically members inquire why undergrounding high voltage line is not feasible. Installing high voltage transmission lines underground presents many financial and operational challenges and has proven not to be feasible, including but not limited to, the following reasons:
 - a. Design: Currently held transmission easements are not transferable to an underground transmission line and require a larger footprint. Environmental regulations also become more of an issue as the depth and width of trenches is wider. Adding capacity for future loads also becomes more of an issue.
 - b. Installation: Conduit and vault systems are crucial in installation. Encasing the conduits in concrete is standard with transmission line for additional protection. Vaults for splices are necessary to increase the life of the splice and minimize environmental contact. The trenching required to accomplish this is expensive, deep, and time consuming to manage.
 - c. Operation: Undergrounding transmission cables require oversized conduit to be buried deeper and protected from dig-ins and installation of other facilities. These right-of-ways need to be clear of all vegetation with long roots that could interfere with the cable system. Splice repairs can range in cost from \$20,000 to \$60,000 and outage restoration time can take 5 to 9 days.
 - d. Cost: The estimated cost for construction of underground transmission lines ranges from 4 to 14 times the cost of overhead transmission lines. This cost increase is not only due to the expansive conduit, cable, and vault systems needed, but for right-of-way acquisition, conflicts with other utilities, trenching issues, environmental issues, and the need for cooling space or facilities. As a point of reference, undergrounding only ½ of our transmission system would cost our membership \$50 million (OPALCO current net plant is \$60M).

FINANCE

Transition of Island Network to Rock Island

Staff continues to work closely with the Rock Island team to transition the Island Network Department to the separate legal entity ledger before year-end.

Loan Position

Staff has completed the refinancing of RUS Hardship loans to CFC in order to take advantage of lower interest rates. The RUS loan payoff in the amount of \$3,364,050.68 occurred on December 11th, and carries a new interest rate of 4.21%. This will result in an estimated interest expense savings of approximately \$894k.

2016 Budget Process

The Board approved the 2016 Budget at the November meeting.

1990 Capital Credit General Retirement

Based upon Board approval at the November Board meeting, staff performed the capital credit general retirement process, representing 50% of the 1990 margin. The process resulted in a reduction of the capital credit liability balance of \$555,378.57, with the issuance of 4,343 checks, in the total amount of \$433,015.70. The expectation is that the checks will be sent out the week of December 21st.

MEMBER SERVICES and ENERGY SAVINGS

Staff is continuing to interview for the Member Services Supervisor position, and hopes to have it filled soon. Staff availability has been limited due to vacation and sick time, but we are meeting all key deadlines. Staff is continuing to refine our communication processes for outages, and have received positive feedback from members concerning the recent power outage on Shaw and ½ Orcas.

Energy Savings Rebates

Staff is continuing to work with BPA to submit Energy Efficiency Incentive (EEL) invoices for reimbursement, and incentive funding is still targeted to expire in the second quarter 2016. Member rebate applications are still being submitted for both residential and commercial projects. Staff has recently taken part in several community events to promote energy efficiency in partnership with the San Juan Islands Conservation District.

COMMUNICATIONS

Outage Management

Twitter and Facebook have become go-to sources for outage information, driving traffic to our website for more detailed information. During the recent Shaw/Orcas outage (12/6-7), we had:

- 569 members and external news sources follow our Twitter account *@orcaspower*
- 55 re-tweets to help spread the word, including FoxNews, KOMONews, KOMOWeather, KIRO, KVOSTV Bellingham and San Juan County Department of Emergency Management
- 3,900 views on Facebook *facebook.com/orcaspower*

Social media has proven an excellent tool for quickly getting the word out during outages, as cellular coverage is not always affected by the outage. Getting steady information from the Member comments and stories shared on social media about the outage are attached to this

report. The membership also reminded us to please keep the phone system updated with current outage information.

Website Refresh

The updated website will have a soft launch on and go live on December 11 and staff will be testing and perfecting the content over the coming weeks. Members will see the new and fully functional site, if they go to www.opalco.com – but traffic is expected to be very low during the next few weeks. In January, we have a progression of articles planned to explain the rate increase and we will, at that time, introduce the refreshed website as a tool to help members more easily navigate to the information they need.

Youth Scholarship Program

At the December board meeting, our Youth Director, Ray Doss, will give a brief presentation about the 2015 Youth Rally experience. Other student participants may also be present.

Co-op Stewards Program

The next generation of our OPALCO Ambassadors program will launch in January as the Co-op Stewards. This high touch program is designed to help caring co-op members who are interested in good stewardship of their co-op stay up-to-date with timely and succinct information about co-op issues and, occasionally, take action to help us spread the word. Stay tuned for more information in January.

Member Comments received during the Shaw outage December 6-8:

From FaceBook:



Power outage = great marriage rekindler. To bed at 9PM. Sorry, no photos! Anxiously awaiting the next outage to clear all mindless distractions from our lives so we can look in each other's eyes again!

From email:

- Judy Sutherland on Orchard Dr.



called to say THANK YOU to everyone for the hard work in getting the power back on.

- Thank you for the information and the pictures. Very informative. Thank you to the whole crew for working so hard. Carolyn Carroll

From voicemail:

Here are some comments I took down beyond those just reporting the outage:

- I know it must be wind related.
- I hope everything is going well!
- I hope it's taken care of shortly.
- Who wants to go get some firewood?
- There was no recorded message.
- Thank you so much, I know it was a horrible night.
- Good Monday morning!
- Phone doesn't require electricity – but I've got a flashlight!

- My kids said they saw a flash on the power pole.
- Thanks for being there for us!
- Gotta get the recording up to date.
- I hope you're all safe, and able to bring back power soon.
- We know you do a good job, and do the best you can. I can see the lights on at Roche Harbor, so I'm hopeful.
- I can tell the power went out about 20 minutes ago from my flashing stove light. Do a great job.
- I'm calling back because I noticed my neighbors are out, too. Good luck and please fix.

Rock Island Communications December 2015 Update

Major ongoing construction projects are moving into the final closing stages as the last mile phase of the project are completed. As expected, there are outstanding members in each community (seasonal folks not here to complete paper work, etc.). We expect to hopefully capture these outstanding connections in the spring as the members return to area as an individual connection.

Current Major Projects Summary

SPRING POINT: 80% of Total Project Complete

- 48/76 customers connected and are being billed
- 58 Last Mile constructions complete
- 10 of the Last Mile constructions are in the final stages of hookup
- Currently awaiting paperwork from 11 home owners

MINERAL POINT: 85% of Total Project Complete

- 32/46 customers have been connected and are being billed
- 4 homes are pending construction, along with 4 homes pending final installs
- Currently awaiting paperwork from 6 customers

CAPE SAN JUAN: 96% of Total Project Complete

- 19/22 FTTH customers are connected and are being billed
- 5 LTE customers connected and are being billed
- A new backhaul radio should be in place by 12/15
- A plan is in development to support the second part of the Cape and the Cattle Point residents

WHISKEY HILL: 50% of Total Project Complete

- 62 total homes in the Whiskey Hill HOA
- Middle mile portion of the construction has been completed. Flooding and crushed existing pipe issues have caused some delay in the construction process.
- Scheduling for all last mile appointments have been delayed by HOA as they organize
- 23 last mile consults have been scheduled
- 10 last mile consults have been completed
- 10 last mile construction quotes have been completed
- Last-mile digs will start this month

SUNCREST: 60% of Total Project Complete

- Middle mile construction has been completed, fiber will be blown in and spliced as the next step
- 5/10 last mile consults have been completed
- 5 last mile construction quotes have been completed and paid by the members
- Last mile digs will begin in December

INDIVIDUALS: Ongoing

- There has been a big push for individual connections along Deer Harbor Rd, Nordstrom Ln, and Orcas Rd, with construction happening now until the end of the year.
- One contractor (Earthworks) has developed a specific dedicated team to spec, cost estimate and build the easy ones. They are able to perform 2-3 constructions each day. Turn around can be under 48 Hours.
- We are on target to hit dozens of new connections by year-end and will continue to target homes throughout the county.

Modem Swaps

- We are currently switching customers with a BEC fiber modem to a Zhone
- 73/165 Zhone modems have been swapped
- Roughly 6 have been deployed out into the field every business day
- We have shipped several back to the manufacturer as well for reimbursement

LTE Rollout Project

- Deploying the first LTE customers in proximity to the Eastsound OPALCO location and Cape San Juan areas
- On track to light 4 for a total of 6 poles by year end
- Next sites to be lit will be Olga Sub, Spring Point, Victoria Valley and N. Shaw
- Upon completion next in line will be Mineral Point, West Valley/Boyce Rd. and Scott Hill

Fiber Sales Pipeline

- We have commitments and are awaiting final designs and payment for the following areas:
 - Roche Harbor Resort HOA (26)
 - Salmon Point on Lopez (16)
 - Harney View on Orcas (35+)
 - Brown Island on San Juan (Construction has already started) (46)
 - Garry Oak on San Juan (12)
 - Portland Fair Area on San Juan (35)

- Panorama Place on San Juan (12)
 - Ruggles on Lopez (3)
 - Eastsound Village (30*)
- We are also in active discussion with 15 other communities
- We have dozens more where we are going to schedule a discussion

DASHBOARD: ROCK ISLAND COMMUNICATIONS

ISCRIBERS

BUDGET Subscribers	2015 Budget Subscribers												2015	2015
	January	February ¹	March	April	May	June	July	August	September	October	November	December	Period End (Nov) Budget	Year End Budget
DSL/Canopy	-	1,618	1,618	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644	1,644
Fiber	108	108	138	151	165	178	228	278	328	385	443	500	443	500
LTE	-	-	100	150	200	250	300	350	400	469	539	608	539	608
Total	108	1,726	1,856	1,945	2,009	2,072	2,172	2,272	2,372	2,499	2,625	2,752	2,625	2,752

ACTUAL Subscribers	2015 Actual Subscribers												2015	2015
	January	February ¹	March	April	May	June	July	August ²	September	October	November	December	Period End (Nov) Actual	Year End Actual
DSL/Canopy	-	1,561	1,564	1,569	1,578	1,582	1,587	1,590	1,593	1,641	1,511	-	1,511	1,511
Fiber	115	123	128	137	167	221	227	235	275	335	419	-	419	419
LTE	-	-	-	-	-	-	-	3	13	33	35	-	35	35
Total	115	1,684	1,692	1,706	1,745	1,803	1,814	1,828	1,881	2,009	1,965	-	1,965	1,965

VARIANCE Subscribers	2015 Variance Subscribers												2015	2015
	January	February ¹	March	April	May	June	July	August ²	September	October	November	December	Period End (Nov) Variance	Year End Variance
DSL/Canopy	-	(57)	(54)	(75)	(66)	(62)	(57)	(54)	(51)	(3)	(133)	-	(133)	(133)
Fiber	7	15	(10)	(14)	2	43	(1)	(43)	(53)	(50)	(24)	-	(24)	(24)
LTE	-	-	(100)	(150)	(200)	(250)	(300)	(347)	(387)	(436)	(504)	-	(504)	(504)
Total Variance (Actual - Budget)	7	(42)	(164)	(239)	(264)	(269)	(358)	(444)	(491)	(490)	(660)	-	(660)	(660)

Pipeline Subscribers	2015 Subscriber Pipeline												2015	2015
	January	February ¹	March	April	May	June	July	August	September	October	November	December	YTD	Last Qtr Pipeline
Fiber	-	-	-	-	-	-	-	-	-	-	-	79	-	79
LTE	-	-	-	-	-	-	-	-	-	-	-	73	-	73
Total Pipeline	-	-	-	-	-	-	-	-	-	-	-	152	-	152

Pipeline Subscribers	2016 Subscriber Pipeline												2016	2016
	January	February ¹	March	April	May	June	July	August	September	October	November	December	YTD	Last Qtr Pipeline
Fiber	49	42	59	-	-	-	-	-	-	-	-	-	-	-
LTE	95	125	155	-	-	-	-	-	-	-	-	-	-	-
Total Pipeline	144	167	214	-	-	-	-	-	-	-	-	-	-	-

REVENUE

BUDGET Revenue	2015 Budget Revenue												2015	2015
	January	February ¹	March	April	May	June	July	August	September	October	November	December	Period End (Oct) Budget	Year End Budget
Subscribers	-	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	851,084	1,040,213
DSL/Canopy	-	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	94,565	851,084	1,040,213
Fiber	26,982	26,982	26,982	35,976	35,976	35,976	58,461	58,461	58,461	58,461	58,461	58,461	422,718	539,640
LTE	12,938	12,938	12,938	17,250	17,250	17,250	28,031	28,031	28,031	28,031	28,031	28,031	202,688	258,750
IT Services	-	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	26,667	240,000	293,333
Total	\$39,920	\$161,151	\$161,151	\$174,458	\$174,458	\$174,458	\$207,724	\$207,724	\$207,724	\$207,724	\$207,724	\$207,724	\$1,716,489	\$2,131,937

ACTUAL Revenue	2015 Actual Revenue												2015	2015
	January	February ¹	March	April	May	June	July	August	September ⁴	October	November	December	Period End (Oct) Actual	Year End Actual
DSL/Canopy	-	53,184	84,480	76,966	76,629	76,875	77,484	76,517	143,056	74,180	-	-	739,371	-
Fiber ³	43,833	41,794	41,794	44,102	43,570	53,561	60,980	61,829	70,366	64,399	-	-	526,228	-
LTE	-	-	-	-	-	-	-	-	-	812	-	-	812	-
IT Services	-	33,623	27,570	29,045	55,275	29,465	21,408	18,890	8,818	27,899	-	-	251,993	-
Total	\$43,833	\$128,601	\$153,844	\$150,113	\$175,474	\$159,901	\$159,872	\$157,236	\$222,240	\$167,289	\$0	\$0	\$1,518,404	-

VARIANCE Revenue	2015 Variance Revenue												2015	2015
	January	February ¹	March	April	May	June	July	August	September	October	November	December	Period End (Oct) Variance	Year End Variance
Subscribers	-	(41,381)	(10,085)	(17,599)	(17,936)	(16,690)	(17,081)	(18,048)	48,491	(20,385)	-	-	\$ (111,713)	-
DSL/Canopy	-	(41,381)	(10,085)	(17,599)	(17,936)	(16,690)	(17,081)	(18,048)	48,491	(20,385)	-	-	\$ (111,713)	-
Fiber ³	16,851	14,812	14,812	8,126	7,594	17,585	2,519	3,368	11,905	5,938	-	-	\$ 103,510	-
LTE	(12,938)	(12,938)	(12,938)	(17,250)	(17,250)	(17,250)	(28,031)	(28,031)	(28,031)	(27,219)	-	-	\$ (201,875)	-
IT Services	-	6,956	903	2,378	28,608	2,798	(5,259)	(7,777)	(17,849)	1,233	-	-	\$ 11,993	-
Total Variance (Actual - Budget)	3,914	(32,550)	(7,307)	(24,344)	1,017	(14,557)	(47,852)	(50,488)	14,516	(40,434)	-	-	(198,085)	-
Variance %	8.9%	-25.3%	-4.7%	-16.2%	0.6%	-9.1%	-29.9%	-32.1%	6.5%	-24.2%	0.0%	0.0%	-13.0%	0.0%

Notes:

General: Accounting consolidation ongoing (Legacy Rock Island + Island Network = Rock Island Communications)

1. RIC acquisition closed on February 6th 2015

2. Adjustment to DSL/Canopy Subscribers during billing software reconciliation

3. Reflects transition to residential subscriber base from larger commercial connections (e.g. 'Noone')

4. Sept. revenue includes a one time only adjustment to shift RIC from the cash basis to accrual. (adding accts rec. billed and owed, not yet received) This adjustment is required per GAAP for accrual basis reporting.

MEMORANDUM































December 11, 2015

To: Board of Directors

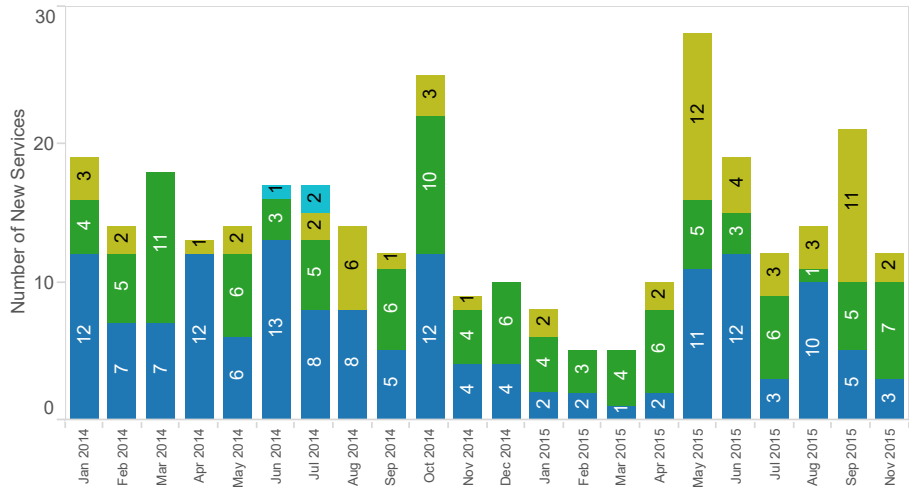
From: Foster Hildreth, General Manager

Subject: Dashboard

Attached please find the latest version of our dashboard charts. Please remember these charts are a work in progress that will evolve over the coming months. The chart listed below indicates their status.

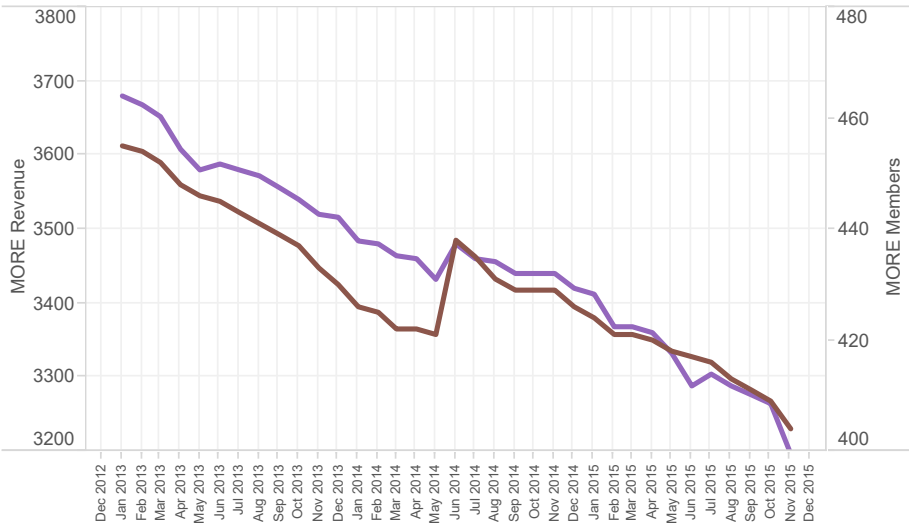
Title	Status			Comment
Service Additions by Board District				Continued new services
PAL and Energy Assist. Prog.				Funding through the tariffs will help
MORE/All Green				Continued decline in participation
Cash				Pursuant to Board Directives
TIER				Stable due to CRC
Equity				Pursuant to Board Directives/budget
Debt				Pursuant to Board Directives/budget
Outage Summary				Trending is level
Outage Statistics				Durations above Industry Trends
Power Cost				Below budget

Services Additions by Board District
(excluding transfers)



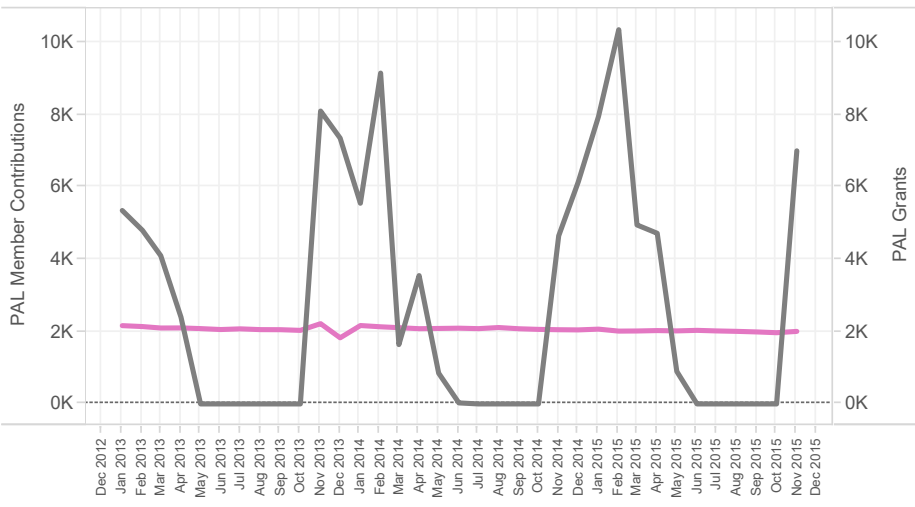
- District 4 - Shaw, Bell, Canoe, and Crane
- District 3 - Lopez, Decatur, Center, and Charles
- District 2 - Orcas, Blakely, Obstruction, Armitage, Bid Double, Little Double, and Fawn
- District 1 - San Juan, Brown, Henry, Pearl, and Spieden

MORE



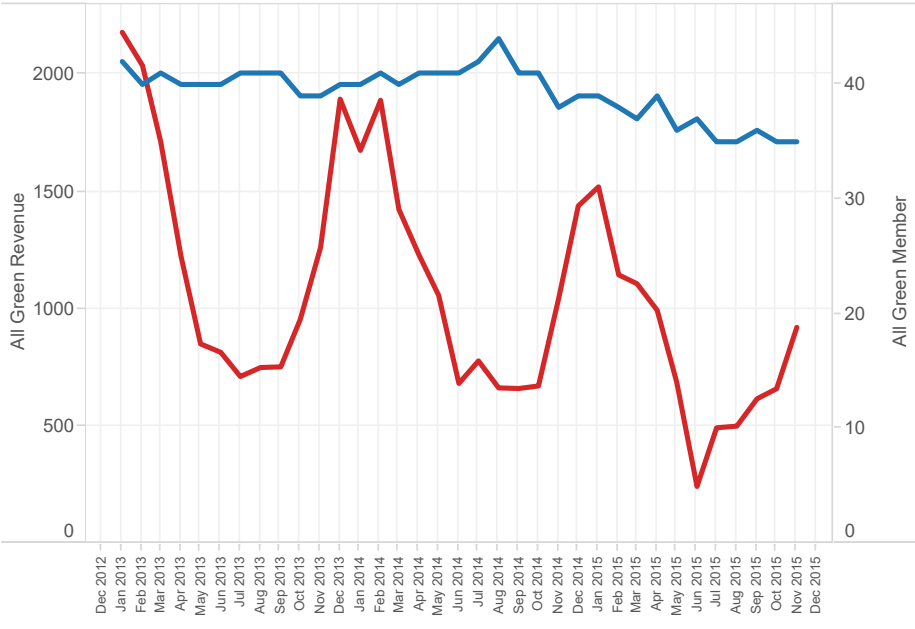
- MORE Members
- MORE Revenue

PAL



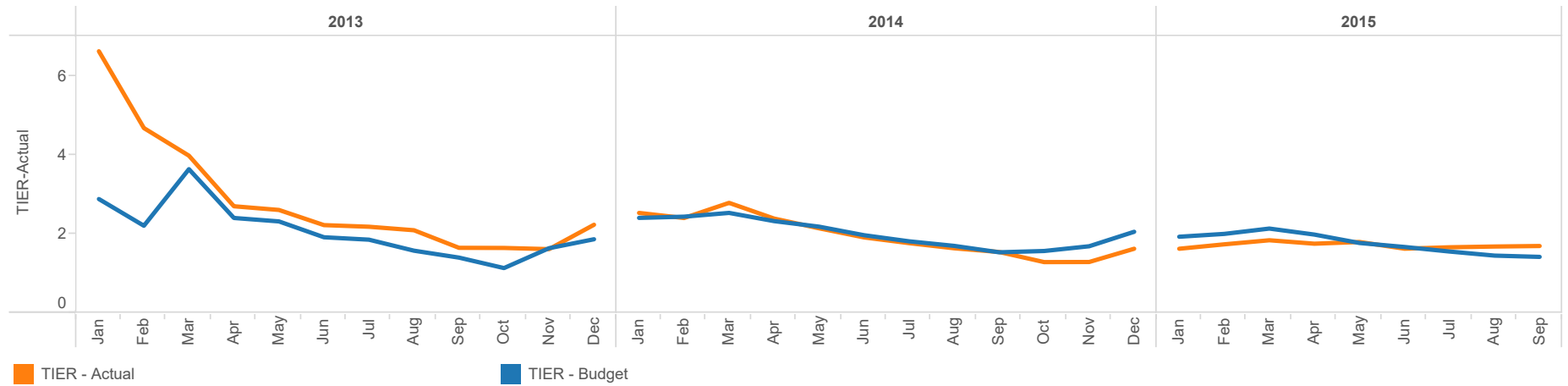
- PAL Grants
- PAL Member Contributions

All Green

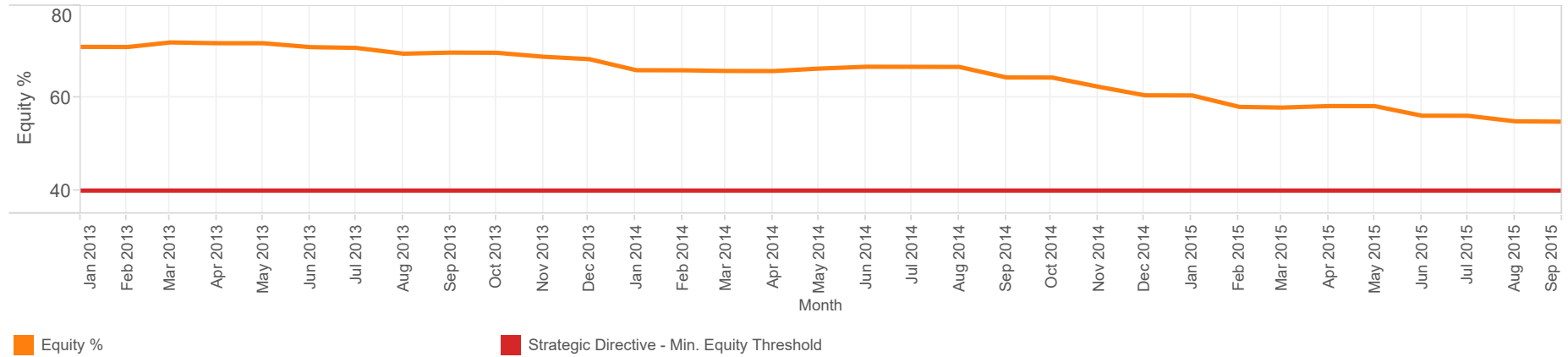


- All Green Member
- All Green Revenue

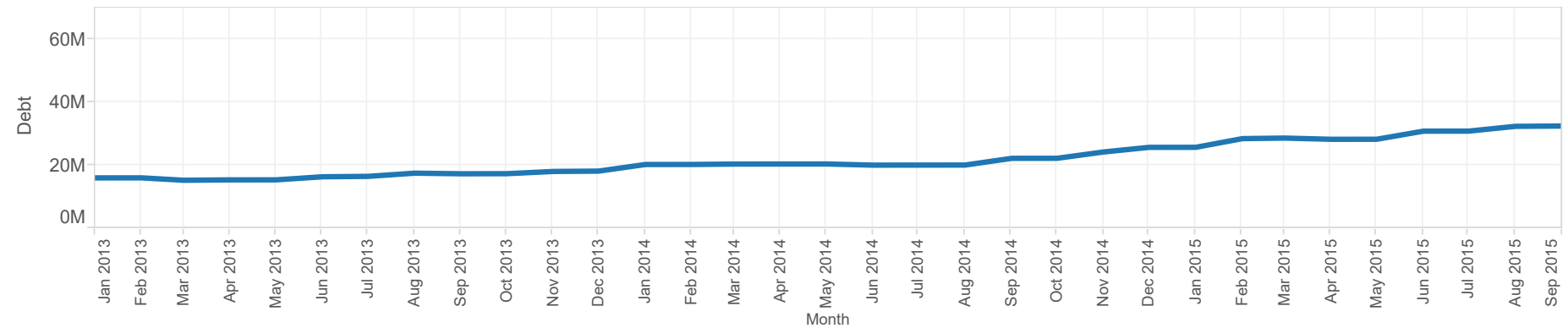
TIER



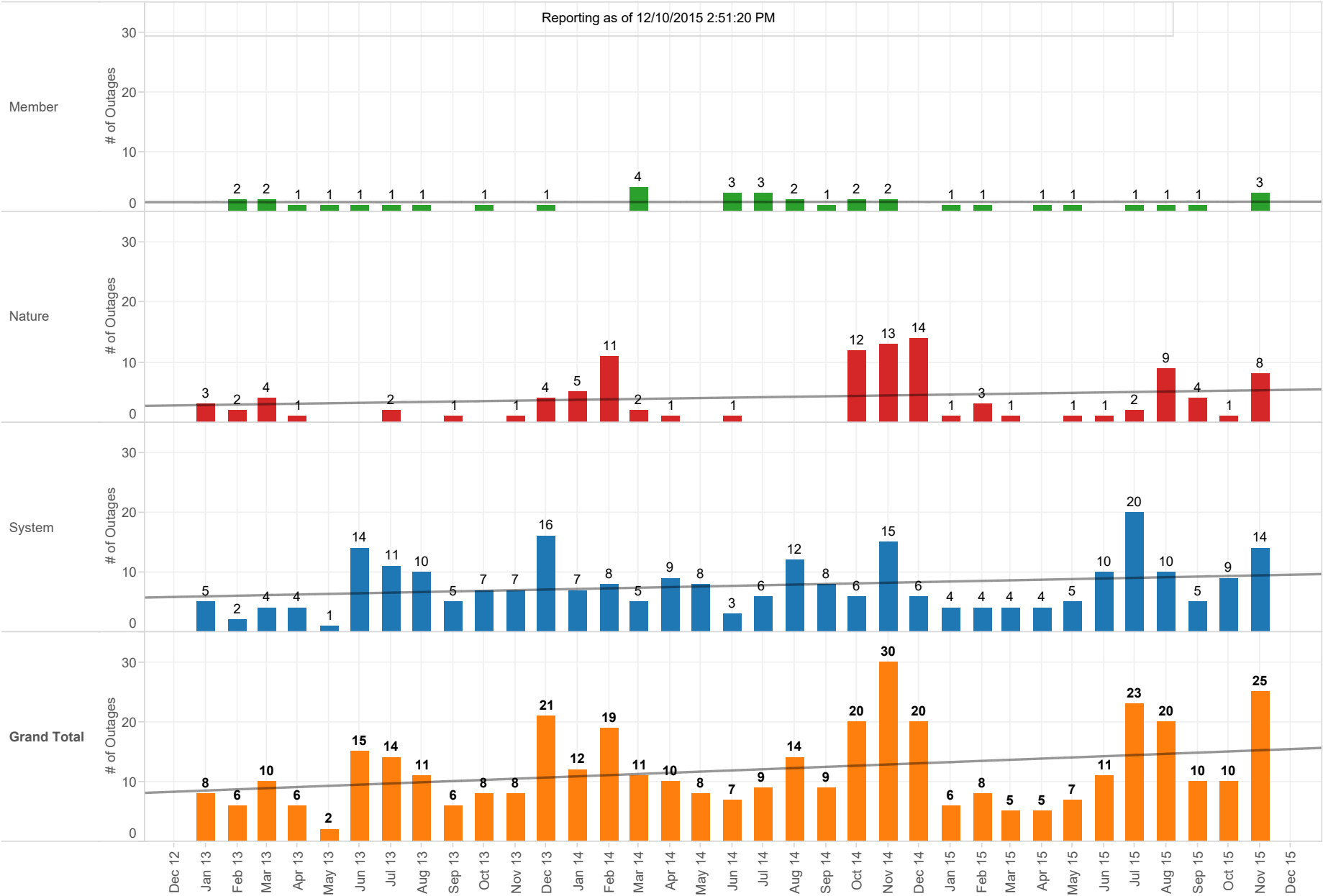
Equity



Debt



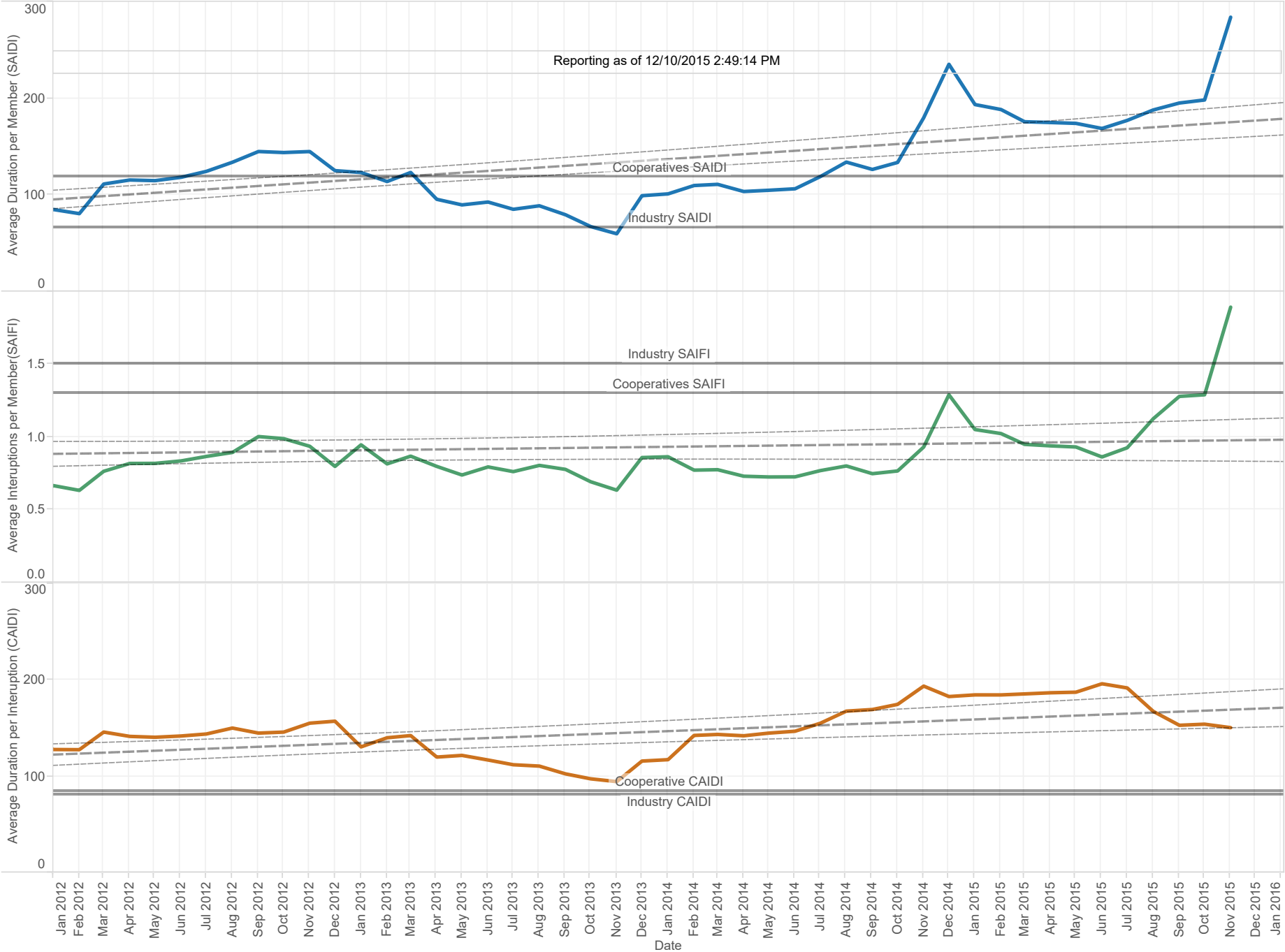
Outage Summary



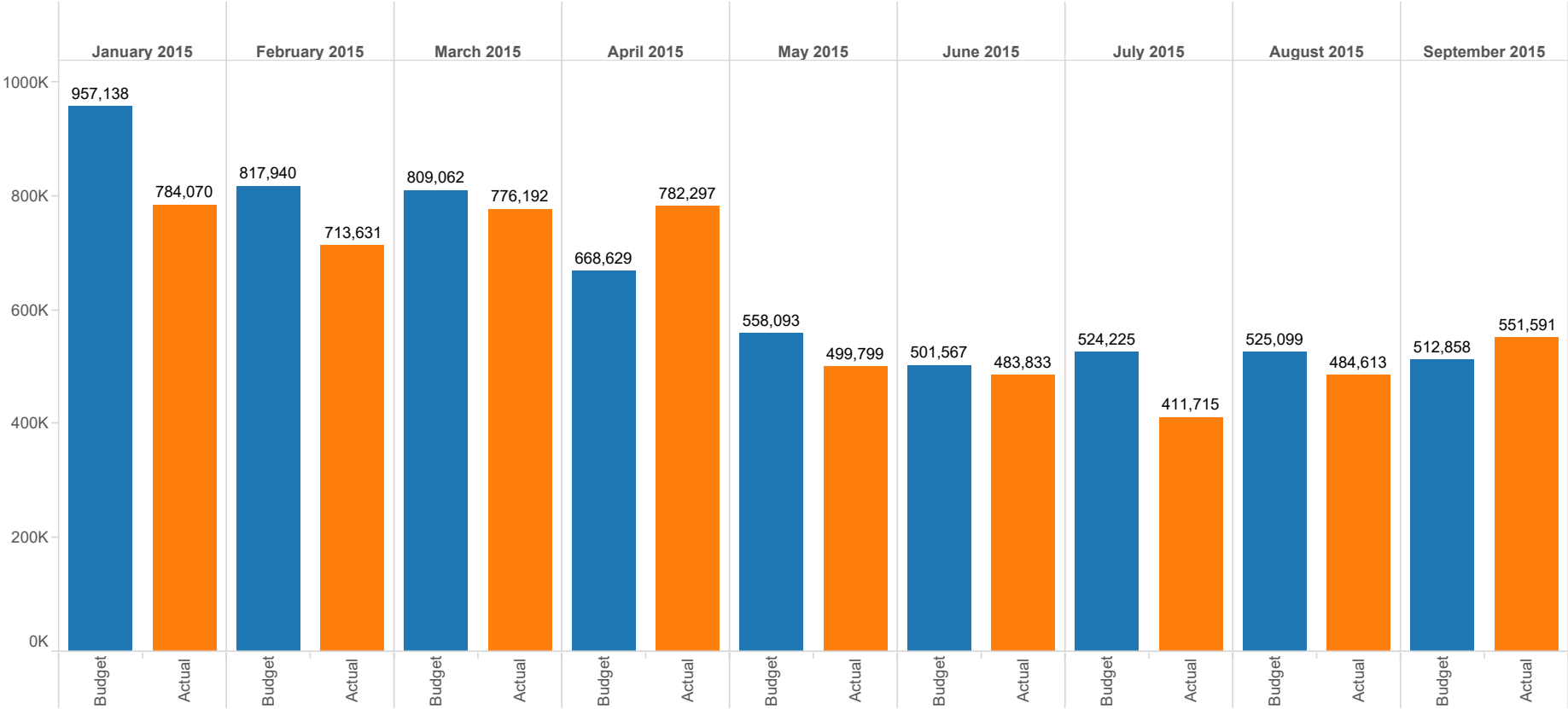
Category Description

Member Nature System Grand Total

Outage Statistics



Power Cost



Prior Rolling 12 Months

	Budget	Actual	Variance
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
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
Grand Total	7,873,899	8,119,329	245,430

Current Rolling 12 Months

	Budget	Actual	Variance
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
July 2015	524,225	411,715	-112,510
August 2015	525,099	484,613	-40,487
September 2015	512,858	551,591	38,733
Grand Total	8,054,273	7,816,403	-237,871

MEMORANDUM

December 11, 2015

TO: Board of Directors
FROM: Foster Hildreth
RE: Member Communication

The following were received from members this past month:

<u>Topic</u>	<u>Member</u>
1. TOU Rate	Dave Hylton

Member Communication #1

From: "Dave Hylton" <hylton@rockisland.com>

Subject: Thoughts on rate design

Date: December 7, 2015 at 11:45:10 PM PST

To: Foster Hildreth <fhildreth@opalco.com>

Foster ----

In this email, I am sharing my thoughts about two rate changes that are pending final approval and a rate change that was approved June 18, 2015.

My views are based upon over 25 years as a member, over 10 years buying energy on a TOU basis and 6 years as a Board member.

Energy Assistance Program

Your Nov. 13, 2015 Tariff Revision memo to the Board included draft tariffs for 2016; each tariff includes a line item for a proposed Energy Assistance Program; this proposed OPALCO welfare program provides a \$20 / month subsidy for 1500 (750?) households.

While there was considerable effort and expense incurred for the needs assessment, there is no evidence of any discussions or studies on how to fund this program. It was just presented in the 2016 budget as an energy charge of \$ 0.001 / kwhr which places the funding burden on full time energy users and essentially excludes the 4000 absentee members / owners who do not use much energy.

Please consider preparing an alternative method of funding this county wide program which will allow all Opalco members to share in the costs. A flat rate charge (similar to the Demand Charge) of \$ 1.00 / month would generate enough revenue for this program.

Residential Facility Rates

Your Nov. 13, 2015 Tariff Revision memo to the Board included drafts of two Residential tariffs --Regular and TOU ; the proposed Facility Rate listed are :: Regular Residential --- \$ 40.52 / month and TOU Residential --- \$ 45.99 / month ; the TOU Residential is \$ 5.49 / month higher; this amounts to a 13.5% penalty to buy energy on a TOU basis.

What is the justification for this penalty?

OPALCO members, who choose to purchase electric energy on a TOU basis, proactively shift loads, on a daily basis, away from peak demand periods to non-peak periods;; this load shaping benefits the entire Coop.

Please consider a single facility rate for all Residential Members; this would be fair and would not impact budgets since there are so few members on TOU.

June 18, 2015 TOU Rate increase

The June 18, 2015 Board meeting included discussion and action on Temporary Revenue increase by approving a \$ 0.01 / kwhr charge from July thru Dec ,2015 ;; the Board Motion for this also included a TOU rate change from \$ 0.09 / kwhr to \$ 0.14 / kwhr for the 6 pm to 8 pm period. There is no record of discussion of this action. Since this was a 61 % increase, it surely warranted some Board discussion.

Your June 11, 2015 memo to the Board recommended approval of the Temporary Revenue Adjustment , is completely silent on the TOU rate change except for the revised rate schedule attached to you memo.

I have reviewed the Cost of Service Study material from EES published in 2014 and reiterated again in a April 7, 2015 ESS memo to you and find nothing to suggest a midyear rate for the TOU members was being discussed.

I know the TOU members are a small minority, but they deserve better treatment than a mushroom.

Thank you for taking your time to read this and try your best to encourage the Board to treat TOU members fairly; as electric load shaping, full time, energy consuming islanders.

Dave Hylton