

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

Thursday, January 17, 2013

President Chris Thomerson called the meeting to order at 8:35 a.m. at the Friday Harbor OPALCO office. Present were directors Winnie Adams, John Bogert, Vince Dauciunas, Jim Lett, and Bob Myhr. George Mulligan was absent. Also present were General Manager Randy Cornelius; Assistant General Manager Foster Hildreth; Suzanne Olson, Communications Specialist; and Executive Assistant Bev Madan, serving as recording secretary.

Members/Guests

Greg Ayers, Orcas Island, Candidate for San Juan County Council, spoke on his discussions about Broadband at meetings of small groups throughout the San Juan Islands. He determined that approximately 78% of the people he spoke with were in favor of OPALCO's Broadband Initiative. Their concerns were with a fixed rate applied to all members' accounts and the impact it would have on low- and fixed-income members. He stated that about 75% of the people he spoke with knew of the Initiative.

Gray Cope, San Juan Island offered that OPALCO might want to have a better explanation of the difference between "smart grid" and fiber. He then made his recommendations and observations about Member Service Policy 16, which will be addressed later on the agenda. He commented that he appreciates the Board's inquisitiveness and interactions with members regarding the Broadband Initiative.

Jim Hooper, President of the Economic Development Council (EDC) Board, San Juan Island reviewed his experience with internet speeds working with Frontline Call Center and in his own consulting business. The EDC recognized faster internet speeds as an enabling factor to business in 2011 when they developed a Broadband Initiative Prospectus. The San Juan County Council has supported their work and funded a survey for feedback. He encouraged the OPALCO Board to press forward with the Broadband effort and thanked the Board for the time they have spent exploring the possibility.

Consent Agenda

Myhr moved to accept the Consent Agenda, which included minutes from the December 20, 2012 Board meeting and new members listed below. The motion was seconded and carried by voice vote.

LOPEZ

1. CUMMINGS, PATRICIA
2. HIETBRINK, ANNE & SHIRK, BETH
3. JORGENSEN, RENA

ORCAS

4. ARGUELLO, ARMANDO
5. COW HILL PROPERTY OWNERS ASSOCIATION
6. KOONS, TRUSTEE CHRISTINA
7. LIND, ANNE
8. MCGREGOR, MICHAEL
9. PERSON, MICHAEL
10. RAUN, SCOTT
11. RHODES, BRUCE
12. ROSE, BRIANNA
13. SCHOLL, WENDY & WARREN S
14. TINNER, GERALD
15. WILKES, LINDA

SAN JUAN

16. AVERY, JENNA
17. BLACKTHORN INSURANCE UNDERWRITERS LLC
18. BOYD, STACEY L
19. BRITAIN, LISA M
20. BUTLER, LINDA
21. CLARKE, REBECCA

22. COYNE, CHRIS
23. CRUZ AGUAYO, ISREAL
24. CUNNINGHAM, ANDREW
25. FIELDS, ZACK
26. FINNEY, JUDAH
27. FLEMING, ROBIN & RUSSELL
28. FRICKE, ELIZABETH D
29. HALL, AUBREY & JASON
30. ISLAND PETROLEUM SERVICES
31. JACKSON, ROBERT & CYNTHIA
32. JOHNSON, KAITLYN
33. JOHNSTON, KELLE & ROBERT P
34. JUNE HOLLINGER FAMILY LP
35. MAYCOCK, COLIN
36. MCFARLAND, JEAN
37. MCIVER, MATTHEW
38. MEYER, TAMMY
39. OAK KNOLL FARM LLC
40. OVENELL, MATTHEW
41. SHUFF, DON
42. STOCK, AMANDA
43. URI, MARY
44. VERNON D HANNAH TRUST
45. ZITO TEXAS-WA, LLC

SHAW

46. JONES, COLIN & JONES, NICK

Capital Credits

Myhr moved to approve a total capital credits payment of \$16,481.55 to the estates of the following deceased members; motion was seconded and carried by voice vote.

| | | | |
|--------------------------|------------|-------------------------|------------|
| Bradley, Lucille..... | \$544.07 | Meyer, Barbara M..... | \$883.88 |
| Branch, Thomas E..... | \$644.96 | Quealy, Virginia..... | \$1,289.08 |
| Calohan, Daniel M..... | \$2,088.97 | Rankin, Robert L..... | \$231.82 |
| Dolphin Bay School..... | \$892.26 | Reardon, Donald E..... | \$855.54 |
| Donnelly, Edward P..... | \$277.61 | Saunders, Sally J..... | \$469.88 |
| Erickson, Frances M..... | \$1,167.06 | Sinn, Walter O..... | \$755.74 |
| Hannah, Vernon D..... | \$4,039.78 | Stafford, Virginia..... | \$863.42 |
| Klein, Harold T..... | \$989.34 | Trimmer, Allen H..... | \$488.14 |

RUS Form 219s

Motion was made by Myhr to approve RUS Form 219s in the amount of \$1,665,690.94 representing work done during July, August, September and October of 2012. Motion was seconded and carried by voice vote.

Broadband Initiative

Thomerson reflected on the due diligence the Board has accomplished in their more than year-long project. The Board has: consulted with business and technical experts; retained qualified consultants; consulted with legal counsel; investigated similar rural electric coop data delivery systems; reviewed and considered all applicable regulations; considered member concerns and desires; considered technology alternatives; sought out beneficial partnerships; collaborated with local safety agencies; collaborated with local economic development agencies; pre-qualified with the necessary financial organizations; negotiated access to mission critical system components and collaborated with skilled, experienced and trusted local businesses.

Hildreth stated that after more than a year of comprehensive study, there is a clear understanding of what the proposed broadband project would require, as detailed in the Summary Findings document (attached). Team Broadband has studied a number of technologies that could be applied to meet the community's needs, and has determined that a hybrid system employing a combination of fiber optic and wireless technologies can deliver the capabilities that the community is seeking. Team Broadband has consulted with OPALCO's legal counsel who has stated that creating and operating such a system is legally appropriate for OPALCO. Team Broadband understands that OPALCO's membership is concerned about adverse visual impacts on the environment and would work within the County's regulations to prevent such impacts. They have heard concern about health issues related to wireless data transmission and, after researching the issue, are confident that the system that is planned poses no health risk to the community.

He further stated that building and operating this system requires a very substantial financial investment. To be prudent, OPALCO cannot build this system without reasonable certainty that there will be enough revenue received to cover costs. The Summary Findings document shows that a subscriber adoption rate of about half of our membership (5,800 members) will equate to revenue certainty.

Staff recommends that the Board: 1) In keeping with our confidentiality agreement with the owner of a FCC licensed spectrum authorize execution of the term sheet and negotiations to purchase the spectrum based on the terms outlined therein; and 2) Authorize the deployment of a data communications infrastructure serving the major portion of our countywide membership contingent upon adequate member subscription commitment.

Dauciunas stated that Team Broadband has spent more than a year researching the Broadband project and feels it is time to move forward. Member engagement is critical to the success of the project. The spectrum can be resold if the project does not go through. The Board congratulated Team Broadband on their accomplishment in reaching the agreement for the spectrum.

Myhr moved that the Board authorize staff to sign the term sheet (provided for the FCC licensed spectrum) with the vendor to allow the Board to move forward with the Broadband Initiative, understanding that the term sheet is nonbinding and allows discussion to finalize details. The motion was seconded and carried by voice vote.

A lengthy discussion continued on how to move forward with the members. Dauciunas moved that the Board wants staff to move forward with the countywide member education process to educate

and measure member commitment and receive member input. The motion was seconded and carried by voice vote.

The Board further discussed the process of ascertaining member commitment asking that staff develop a framework for measurement and report back to the Board for a decision.

Ayers and Hooper left the meeting.

2013 Committee on Nominations

Motion was made by Daucinas to accept the Committees on Nominations for District 3 members Ron Mayo, Jerry Hancock and Rebecca Smith and District 4 members Jon Shannon, Ron Woodard and Jan Chamberlin. Motion was seconded and passed by voice vote. Cornelius reminded the Board that the 2012 Committee on Nominations made recommendations for improvement to the process, which included a revision to the bylaws.

Member Service Policy 16 Public Information Requests

A newly drafted policy was presented for the first time. The purpose of the policy is to protect the privacy of the employees and members. Suggested changes were to drop the word "public" from the title. The policy will be resubmitted for review at the February board meeting.

Strategic Directives

Thomerson suggested revisions and additions to the existing Strategic Directives. The changes came about from discussions at the Board retreat in January. The Board agreed to the following revisions:

Strategic Directive No. 5 Tariffs Aligned with Cost of Service

Tariffs are to be based generally on cost of service. The Board seeks a long-term creative solution to reconcile the mutually exclusive objectives of decoupling power sales from infrastructure costs while providing motivation for energy efficiency and satisfying our members.

Strategic Directive No. 7 Energy Efficiency

- 1) Aggressively pursue programs and price signals to maximize member's ability to reduce their electric bill through Energy Efficiency;
- 2) Influence BPA to add more innovative programs to the list of acceptable measures it will fund;
- 3) Be a catalyst and conduit of support for local member owned renewable generation and local energy efficiency programs;
- 4) Provide information, including demonstrations of new energy related applications, such as plug-in vehicles and smart metering, and minimize barriers to member utilization;
- 5) Ensure OPALCO continues as a trusted and knowledgeable resource for electrical energy solutions;
- 6) OPALCO facilities are to be upgraded and maintained to a cost effective high standard of energy efficiency

Strategic Directive No. 13 Power Supply and Related Opportunities

A complete Resource Assessment will be completed by the end of 2015. The Board wants the General Manager to bring knowledge-based presentations of a complete spectrum of opportunities to educate the Board in a timely fashion given the possibility that TIER 2 power may eventually come from a source other than BPA.

Strategic directive No. 15 New Activities

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

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

Strategic Directive No. 16 Community Generation

Small-scale cost effective OPALCO sponsored community generation projects are encouraged where they make environmental and economic sense.

Energy Efficiency/Conservation

Bogert reported he met with Adrienne Reid of the Bainbridge Energy Challenge. She told him of 4-5 funding sources (grants) available. The Committee has also been in contact with the Whatcom

Energy Challenge staff. The Committee is in the process of researching funding sources and is working with nonprofits in order to bring detailed recommendations to the Board at the February Board meeting.

Cornelius shared that island contractors are reluctant to complete BPA's rebate paperwork for members upon completion of heat pump installations. Staff has conversed with BPA about the issue.

Reports

Cash Recap

Hildreth reported that 2012 ended almost identical to 2011 financially, with a total ending balance of \$3,937,394.

Outages

Most of the outages for underground occur from older cable. Cable is flagged when a second outage occurs and is then put on a replacement list.

Safety

There were no accidents, incidents or near misses in December. The total hours worked without a loss time accident is now 283,431 hours.

The General Manager's Report

Cornelius reviewed the Manager's Report. The RUS loan submittal process is nearing completion with the expectation that funds would be available during the second quarter of 2013.


Member Services is cleaning up older accounts and refunding the \$5 membership fee to inactive accounts.

Cornelius has agreed to fund \$10,000 to the Orcas Montessori School for a solar array project they are receiving through the BPA Foundation. The total cost of the project is \$15,000.

Cornelius reported that Bill Drummond was named the new BPA Administrator, replacing Steve Wright.

Adjournment

The meeting adjourned at 12:20 p.m.


Chris Thomerson, President


John Bogert, Secretary-Treasurer

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Board of Directors Resolution 1-2013 Amendment of the Retirement Security Plan Special Early Retirement Program

WHEREAS, Orcas Power & Light Cooperative is a participating employer in the NRECA sponsored defined benefit plan, the Retirement Security Plan; and

WHEREAS, Orcas Power & Light Cooperative now desires to offer unreduced early retirement benefits on a one-time basis to certain eligible employees by executing the appropriate Addendum to the Adoption Agreement;

NOW, THEREFORE BE IT RESOLVED, that effective February 1, 2013 the Board of Directors hereby authorizes and directs the adoption of the Special Early Retirement Program (SERP) pursuant to Paragraph 7.07(a) of the Specifications to provide Eligible Participants benefits under the Plan without the actuarial reduction provided in Paragraph 21.01 of the Specifications. Eligible Participants are all participants who satisfy the eligibility Requirements during the Window Period.

BE IT FURTHER RESOLVED, that the Manager be directed to prepare and execute all documents and communications required for proper implementation of the SERP and to include the Addendum to the Adoption Agreement to reflect:

Eligibility Requirements
Window Period
SERP Retirement Date
Additional Years of Benefit Service

Job Classification of Operations Superintendent
February 15, 2013 through March 31, 2013
April 1, 2013
One Year

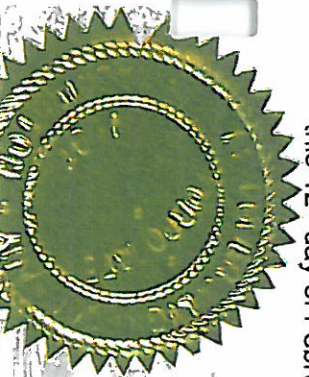
And the Special Early Retirement Program Hold-Harmless and Indemnification Agreement on form RUS: 48009-001.

AND, BE IT RESOLVED that the Manager be directed to notify the Plan Trustee by duly executed appropriate agreement form that the Employer will assume the past service adjustment cost of those Eligible Participants who elect to retire under the SERP as offered, in the maximum aggregate amount of \$32,914.76.

CERTIFICATION

I, John Bogert certify that I am Secretary of Orcas Power and Light Cooperative and that the above is a true excerpt from the minutes of a regular meeting of the Board of Directors held on the 12th day of February 2013, and the above portion of the minutes has not been modified or rescinded.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Orcas Power & Light Cooperative this 12th day of February, 2013.



Secretary Signature