



**BOARD OF DIRECTORS  
REGULAR BOARD MEETING 8:30 am  
OPALCO Office  
183 Mt Baker Road, Eastsound  
Thursday July 18, 2013**

**TRAVEL**



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

**To:**

Leave FH 7:45 a.m.

Leave Lopez 8:00 a.m.

Arrive Eastsound 8:15 a.m.



***Via Ferry:***

**To:**

Leave Lopez 6:50 a.m.

Leave Shaw 7:15 a.m.

Leave FH 8:30 a.m.

Arrive Orcas 7:35 a.m.

Arrive Orcas 9:15 a.m.

**From:**

Leave Orcas 3:05

Leave Orcas 4:25 p.m.

Arrive Shaw 3:20 p.m.

Arrive Lopez 3:40 p.m.

Arrive FH 5:05 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Monthly Meeting  
183 Mt Baker Road, Eastsound, WA  
July 18, 2013      8:30 a.m.**

**PAGES**

**WELCOME GUESTS/MEMBERS**

- Arthur Butler and Joel Paisner, AterWynne LLP Attorneys at Law
- Shawn Collins, Community Energy Challenge Manager, Opportunity Council

**CONSENT AGENDA**

- 3-6**      ○ June Minutes
- 7**      ○ Admission of New Members

**ACTION ITEMS**

- 8**      ○ Capital Credits
- 9**      ○ RUS 219s
- 10-12**      ○ Resolution 6-2013 *CWP Amendment #1*
- 13**      ○ NRECA Voting Delegate

**DISCUSSION ITEMS**

- Oral**      ○ Broadband Update
- 14-20**      ○ Policy 1 *Functions of the Board of Directors* Draft Revisions
- 21-24**      ○ Policy 28 *Collaborating with Nonprofits to Accelerate Energy Efficiency & Conservation & Renewable Energy Production*

**REPORTS**

- EE Committee—John Bogert
- 25**      ○ Cash Recap
- 26**      ○ Total Fund Balances Chart
- 27**      ○ Outages
- 28**      ○ Safety
- 29**      ○ General Manager

**INFORMATION ITEMS**

- 30**      ○ New Services
- 31**      ○ Historical MORE Revenue
- 32**      ○ Member Billing Revenue History
- 33**      ○ BPA Consumption Summary
- 34**      ○ Graphs: Peak Load, Total Meter Points, Equity as a % of Total Capitalization, kWh Sold
- Federated Insurance
  - 35-43**      • Loss Analysis Report for OPALCO
  - 44-48**      • *Open Lines* Newsletter 2<sup>nd</sup> Quarter 2013
- 49**      ○ Member Letters

**ADJOURNMENT**

# MINUTES OF THE BOARD OF DIRECTORS MEETING

## ORCAS POWER & LIGHT COOPERATIVE

Thursday, June 20, 2013

President Chris Thomerson called the meeting to order at 10:15 a.m. at the Lopez Island Fire Hall. Directors Winnie Adams, John Bogert, Vince Dauciunas, Jim Lett and Bob Myhr were present. Also present were General Manager Randy Cornelius, Assistant General Manager Foster Hildreth; Manager of Engineering & Operations Russell Guerry; Assistant Manager of Finance and Member Services Nancy Loomis and Executive Assistant Bev Madan, serving as recording secretary.

### Members/Guests

Glenna Hall, Dwight Lewis, Gray Cope, Steve Ludwig, Thomas BonBahr, Bruce Richardson, Ann Marie Fischer, Stuart Clarke, Marcus Perry, and Erik Hayes.

Introductions were made and each guest was offered the opportunity to speak. (Clarke, Perry and Hayes presented later in the agenda)

### Consent Agenda

**Motion:** Lett moved to accept the Consent Agenda, which included the April 20, 2013 Board meeting minutes, the May 16 Board special meeting minutes and admission of new members listed below. The motion was seconded and carried by voice vote.

#### BLAKELY

1. MILLS, CHARLES K

#### CENTER

2. DRESKER, KEVIN & SHEILA

#### LOPEZ

3. ARCHER, TERRENCE & UHLIG, HEIKE
4. BUTLER, JENNIFER O & KINNEY, ASA
5. CHUN, JINNY & REID, ROBERT
6. MISH, CHARLES & CLARISSA
7. SEIFERT, RYLAN
8. WALSH, BILL

#### ORCAS

9. BAGBY, CALI
10. BURKE, DAN
11. CALLISON, KIRK D & JILL
12. CAMACHO, MARIA
13. CAYOU QUAY MARINA LLC
14. CONVER, BARBARA
15. CULLEN, CINDY & TIM
16. CUNNINGHAM, JOHN & GILLIAM, CAT
17. CURRIE, DAN & CAROL
18. DALUSIO, BRUCE & DHALIWAL, SWARAN
19. DELISLE, JACK R
20. GAYEK, ALEXANDRA
21. GREENWAY, TERESA L
22. HAMMOND, JUSTIN
23. HEMSTREET, SUSAN
24. HENDON, SHEFFIELD
25. HSH PROPERTIES
26. HYDE, DAVID & INGALLS, ANITRA
27. JENSON, MATTHEW
28. JENSSEN, LYNN M
29. JONES, RUDOLPH & WALLACE, SARAH
30. KEEL, THOMAS E
31. MACAPIA, MARY E
32. MC KEOWN, JUDY
33. MILES-VIETH, CHERYL K & VIETH, KENNETH W III
34. NIELSEN, GLEN
35. OSBORN, SCOTT & PRICE, LISA
36. PRITCHARD, SHAUN
37. ROSS, VALA
38. STECKLEY, LISA
39. THIEME, DANIEL
40. TIMMERMAN, LINDA
41. TOWNSEND, SEAN & KELLY
42. TURNER, JESSE W & DENHART, BRENT
43. TURTLEBACK WATER SYSTEM ASSOC.
44. VILLALOBOS, LILLIANA M

#### SAN JUAN

45. ADAMS, PETER & SUZANNE
46. ARMSTRONG, CAMOLYN
47. BALL, JERRY L & DIANE D
48. BEAVER, ELIZABETH
49. BLINKS, ELIZABETH R
50. BROWN REAL ESTATE GROUP
51. BURKEH, BRAXTON
52. CARLSSON, TED & JENKINS, PAULIE
53. CARON, SANDY
54. CHADWICK, KAREN M
55. CHARAPATA, PATRICK
56. CORAK, RICHARD & ROBIN
57. CROWDER, ROBERT S
58. CRUZ, CAMILLE C
59. DAILY, MICHAEL
60. DANIELS, ELIZABETH
61. DELAPP, CHARLES M
62. DE SILVA, NISHAN
63. DICKHAUS, DAVID & KURTZ, MARY
64. DRADY, JULIAN C
65. EIGER, LEONARD & CHERYL
66. EMICK-SELEMANI, TERRY
67. ENGLE, ALLEN B
68. EUBANKS, DAVID & RAINA RENA
69. FISHER & SONS INC
70. FORGIE, ALEXANDRA
71. FRIEDMAN, CAROLYN S
72. GERMAIN, JANELLE
73. GIBBONEY, MARTHA & JONS, LOWELL
74. GOOD KARMA CAFÉ
75. GREEN, MARK & STEPHANIE
76. HARADEN, JOHN
77. HARDENED ARMS
78. HOKE, PAMELA
79. HOLMES, W.J.
80. HOWITT, DAVID
81. INTERDONATO, TIRZAH
82. JIMENEZ, FERNANDO M & LOKAR, ADAM M
83. KANNEGAARD, MAVERICK
84. KIRK, KIMBERLY
85. KREMBS, BRIAN & JENNIFER
86. LAMKIN, DIANE
87. LAW OFFICES OF CHRISTON C SKINNER
88. LEDESMA, FILEMON
89. LEWIS, STACEY KAY
90. MAGNUSON, ROSLYN & JEFFREY
91. MASON, GARY
92. MASON, KRISTOPHER C
93. MCDONALD, CINDY
94. MERRITT, JENNI & SHANE
95. MIKE'S CAFÉ AND WINE BAR

96. MITCHELL, DAVID P
97. NAKANISHI, HIDEYUKI
98. OBREGON, DANIEL
99. O'BRIEN, MARJORIE
100. ODEGARD, SVEINUNG
101. PREYSZ, MIKLOS P & LESLEY
102. RENSHAW, JORDAN & RANGEL, JAIME
103. RICHTER, PAUL R
104. ROLSTAD, ERIC
105. ROULEAU, EDIE
106. SALAS-TRUJILLO, GABRIELLA
107. SCHULER, ERIC C & TERESA
108. SHAFRAN, HOWARD

109. SMITH, DEBRA MARIE
110. SORENSON, LARS
111. THE CLEARING, SPC
112. THE GREEN HOUSE CAFÉ
113. TOOLSON, JEFF & SUZANNE
114. WARREN, GUY D & WHETSTONE, KAREN
115. WHITE, THOMAS, A
116. WILKIE, MARION
117. WILLIAMS, HUGH H

**SHAW**

118. JONES, BRADLEY B. & KELLEY M.

### Capital Credits

**Motion:** Myhr moved to approve \$5,346.44 payment of capital credits to the estates of deceased members listed below; the motion was seconded and carried by voice vote.

Reynold V. Dickhaus .....	\$1,356.73
Franklin E. Dillard Jr. ....	\$ 705.53
Frederick C. Lange .....	\$ 697.86
Shirley Miner .....	\$1,044.41
Frank E. Morrison .....	\$ 763.05
Kathy Sims .....	\$ 345.04
L. J. Welk.....	\$ 443.82

### RUS 219s

Construction Work Plan projects were completed in March for a total of \$61,145.93.

**Motion:** Myhr moved that the 219s be approved and processed with RUS; the motion was seconded and carried by voice vote.

### Resolution 5-2013 RUS Signing Authority

RUS requires that the Board authorize signatures to withdraw funds. RUS Form 695 *Financial Requirement & Expenditure Statement* along with the Resolution allows General Manager Randy Cornelius, Assistant General Manager Foster Hildreth and Manager of Engineering & Operations Russell Guerry to sign form 695 in connection with requisitioning and accounting for loan funds.

### Broadband Directives

The Board agreed that the Broadband Vision is to extend OPALCO's fiber optic and communications infrastructure in support of electric system and for the benefit of our membership by allowing data service providers access to our infrastructure. Our intent is to pay for incremental growth in communication infrastructure through user fees and leases. It was agreed that the Direction is:

- A. OPALCO is to isolate its communication infrastructure for the electric system. This means that there will be some capital improvement projects on OPALCO's communication system to isolate OPALCO's capacity/SCADA systems;
- B. OPALCO will be taking an "infrastructure provider" approach for providing members with access to OPALCO's communication infrastructure. The main areas for potential deployment include, but are not limited to, fiber optic backhaul support for ISPs (e.g. CenturyLink, Rock Island, Orcas Online, Island Network, etc.), wireless infrastructure and direct fiber optic connection (fiber to the premises—FTTP);
- C. New infrastructure will be built to RUS standards (pre-engineered, environmental issues addressed, post project inspection and sign off);
- D. Future deployment will be based on paying back the incremental cost of capital infrastructure through lease agreements. The lease rates are not to include backbone allocations;
- E. Lease arrangements are to be non-exclusive in nature with OPALCO retaining ownership of this infrastructure;
- F. Staff will continue open dialogue communications with our membership while honoring confidentiality agreements.

Recommended Staff Directives were presented as follows:

- A. CenturyLink: Authorize staff to negotiate lease agreements with CenturyLink based on the above parameters.

- B. Spectrum: Purchase of the 700 MHz licensed spectrum as a backbone infrastructure component and explore potential leasing options with ISPs.
- C. System Design: Authorize staff to move forward with backbone communication infrastructure design, with expansion capability for backhaul fiber optic, wireless and FTTP deployment.
- D. Island Network: Position Island Network as an ISP and lift the moratorium once designs and rate structures are completed and approved by the Board.
- E. Broadband Manager: Approve a new Broadband Manager staffing position and have staff initiate the hiring process.

*Ludwig left the meeting*

Discussion ensued, particularly regarding purchase of the spectrum. Cornelius noted that there were ways to support OPALCO's infrastructure without the spectrum; however, if purchased it could and would be utilized. In addition, the Board would approve any work plans involving the spectrum. The Board requested financial information regarding costs associated with using the spectrum; i.e., how would OPALCO use it for internal purposes and what would the associated costs be. Staff will present a financial summary at the July meeting.

**Motion:** Lett moved to approve the Recommended Staff Directives as presented; the motion was seconded.

**Amendment to Motion:** Myhr moved to amend #B to read "Purchase of the 700 MHz licensed spectrum as a backbone infrastructure component and explore potential leasing options with ISPs *subject to staff providing good examples of incremental costs associated with the utilization of the spectrum*". The motion was seconded. Three voted in favor of the amendment; two voted against—motion to amend carried.

More discussion ensued. Four voted in favor of the amended motion; one voted against. The record shall show that Bogert's was the dissenting vote and that the Chair voted in favor.

*Fischer, BonBahr, and Richardson left the meeting.*

### **NRECA Retirement Security Plan**

Erik Hayes, NRECA Relationship Manager presented information regarding the Retirement Security Plan. The Board has until September to decide whether to prepay the retirement obligation OPALCO has with NRECA.

### **BPA**

Stuart Clarke Jr., Senior Account Executive will be retiring in August so he introduced his replacement Marcus Perry. Thomerson presented Clarke with a desk clock engraved "*In grateful appreciation for 31 dedicated years providing help and guidance to Orcas Power & Light Cooperative 2013*".

Clarke and Perry then presented graphs showing OPALCO's rate impact for 2014, a TIER 2 analysis, and comparative graphs of conservation targets.

*Hall, Cope, Clarke, Perry, Hayes and Lewis left the meeting.*

*2:10 pm The Board adjourned to Executive Session*

*2:50 pm The Board resumed its regular session*

### **Attorney**

**Motion** Myhr moved that the Board hire AterWynne as OPALCO's corporate attorney; the motion was seconded and carried by voice vote.

### **EE Committee Report**

Adams reported that recent meetings have involved Yvonne Kraus of Bainbridge Island's Energy Challenge, Pat Hunt and Adrienne Reed. A proposal for summer outreach was presented to the committee; goals need to be defined and guidelines developed.

In the interest of time, the Board accepted the remainder of the agenda as presented. Hildreth stated that 2<sup>nd</sup> Quarter Financials would be presented in August.

### **Adjournment**

The meeting adjourned at 3:20 p.m.

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Chris Thomerson, President

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Jim Lett, Secretary-Treasurer

## NEW MEMBERS JUNE 2013

### LOPEZ

1. AVRETT, PAMELA & DON
2. BARNETT, MARA ELIZABETH
3. BATES, PAUL A
4. BERG, NANCY A
5. HETH, SALY J & MOLNER,  
DENISE A
6. KELLOGG, LESLIE & CHARLES
7. MANDERBACH, KIM & RICHARD
8. MCCORNACK, JULE A & GAYLE  
GRAVES
9. PREWITT, LARRY
10. THORNTON, BRET

### ORCAS

11. ANDERSON, CHANDELLE
12. BLACK, CONOR & LIZ
13. BROWN BEAR BAKING LLC
14. HANNON, CAROL P
15. HARRIS, LILLIAN E
16. HENRIQUES, KEN
17. HORSWILL, LEE & ELLERTSEN,  
DAVID
18. MYERS, MINDY & PETER
19. PAGE, MICHAEL & KATHERYNE
20. SHURTE, MICHAEL JR
21. THACKER, KEVIN
22. WHITE, MATTHEW

### PEARL

23. SHOWMAN, SUSAN M

### SAN JUAN

24. ANDERSON, LINNEA
25. ANDERSON, MADELINE &  
HARMON, DOUGLAS
26. BASTA, MATT J
27. BLAIR, BRENT R
28. CARLSON, MADELINE
29. DEBRAY, ZOE
30. DEITZ, HEATHER
31. DOUGLAS, ANDREA H
32. GB6K, LLC
33. HINKLE, CHRISTINE L
34. JIMENEZ, CIARA & KNOWLES,  
CHELSEY
35. KING IV, JOHN & SARAH
36. KYTE, ROBERT JAMES
37. LINEBACK, JAMES MICHAEL &  
CROWE, CYNTHIA A

38. MAURO, MARGARET
39. MEIER, KATHY L
40. MORRISON, JACOB T
41. PANTOJA, ISMAEL
42. PARSONS, TODD & ERIN
43. PEIHL, NICHOLAS & JEANNE
44. ROOP, MERRIE
45. SEGALL, CINDY
46. SOLOVEY, GENNADY
47. TOTTEN, RYAN
48. WOODBURY, MARY
49. ZHELEZKO, SERGEY

### SHAW

50. GIEBEL, CHRIS
51. WILDING-HERNDON, TARA

## Capital Credits July 2013

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

Jeanne Marks .....	\$1,876.51
Carol Merrill .....	\$1,268.94
<b>Total .....</b>	<b>\$3,145.45</b>



MEMORANDUM

July 18, 2013

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

Projects were completed from the Construction Work Plan:

Inventory #201305 May 2013 ..... \$244,512.50

Staff requests a motion from the Board to approve submittal of RUS Form 219 totaling \$244,512.50.

## MEMORANDUM

July 11, 2013

TO: Board of Directors

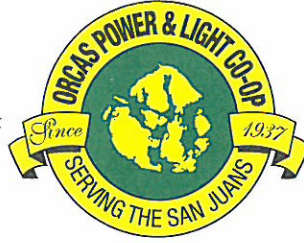
FROM: Randy J. Cornelius

RE: Resolution 6-2013 *Amendment #3 to the Construction Work Plan*

This amendment to the 2013-16 Construction Work Plan (CWP) includes substation improvements as follows:

- Eastsound Substation feeder breaker replacement @ \$90,000
- Lopez Substation station battery replacement @ \$20,000
- San Juan Gravel Pit Substation battery replacement @ \$10,000

RUS requires a Board Resolution to amend the current CWP. Staff requests that the Board make a motion to approve Resolution 6-2013 which allows amendment #3 to the CWP.



## BOARD OF DIRECTORS RESOLUTION 6-2013 APPROVING AMENDMENT #3 TO THE 2013-2016 CONSTRUCTION WORK PLAN

**WHEREAS**, the Board of Directors has approved the 2013-2016 Construction Work Plan (CWP) with Amendments #1 and #2; and

**WHEREAS**, Amendment #3 is necessary to add an Eastsound Substation feeder breaker replacement (Project 507); a Lopez Substation station battery replacement (Project 508); and a Gravel Pit Substation battery replacement (Project 509); and

**WHEREAS**, the proposed costs equal approximately \$120,000; and

**WHEREAS**, the Board considers the amendments to the CWP to be reasonable estimates for the corresponding capital projects.

**NOW, THEREFORE, BE IT RESOLVED** THAT THE Board of Directors of Orcas Power and Light Cooperative accepts and approves Amendment #3 to the CWP in the amount of \$120,000.00 upon the recommendation of the Engineering and Operations Manager at a regular meeting held on July 18, 2013 and directs the General Manager to process CWP Amendment #3 as required by the Rural Utility Services.

### CERTIFICATE OF SECRETARY

I, Jim Lett, certify that I am the Secretary of Orcas Power and Light Cooperative and that the above and foregoing is a true excerpt from the minutes of a meeting of the Board of Directors on the 18<sup>th</sup> day of July 2013, at which a quorum was present, and that the above portion of the minutes have not been modified or rescinded.

\_\_\_\_\_  
Jim Lett, Secretary

\_\_\_\_\_  
July 18, 2013  
Date



**Amendment to Currently Approved  
Construction Work Plan**  
Amendment # 3      Borrower Designation WA-09

Work Plan Period: 2013-2016

**740C Code 500**

**Change(s) Proposed:** OPALCO requests the addition of the following projects:

**Project 507** - Eastsound Substation Feeder Breaker Replacement

**Project 508** - Lopez Substation Battery Replacement

**Project 509** - Gravel Pit Substation Battery Replacement

**Reason(s) for Change(s)**

**Project 507** - Present station feeder recloser/breakers are over 50 years old. These breakers have been on a 5 year maintenance cycle for testing and inspection. Visual inspection at the 2013 annual maintenance cycle of these breaker's contacts, springs, 48 Vdc coil, and CT's indicated significant signs of wear and arcing. Because of the age of these units no spare parts are available for repair or upgrade. OPALCO is proposing to install replacement breaker(s) which will sit in the existing breaker racks.

**Project 508** - OPALCO sees the need to replace its 20-year-old battery charging system and 14-year-old batteries with a newer system that will meet NERC/WECC's proposed station battery service standards.

**Project 509** - OPALCO sees the need to replace its 12-year-old battery charging system and 12-year-old batteries with a newer battery system with a higher amp-hour rating that will meet NERC/WECC's proposed substation station battery service standards.

**Method of Financing**

Loan Funds ☒ **X**

General Funds

Contributions in Aid

**Status of Borrower's Environmental Report :** For compliance with NEPA, these projects are categorical exclusions not requiring an ER under 7 CFR 1794.21 (b)(4) and (5). For Section 106 of the NHPA, the projects would have "no potential to cause effects" to historic properties, and therefore no consultation is required with SHPO, etc. Under Section 7 of the ESA, the projects would have "no effect" so no consult with USFWS is needed. All projects are replacement of existing equipment that is presently housed in existing structures or facilities. No ground excavation or building of new facilities will occur as part of these projects.

Estimated Cost	<u>\$90,000</u>	(507)
	<u>\$20,000</u>	(508)
	<u>\$10,000</u>	(509)

Engineering Support Attached \_\_\_\_\_

Registered Engineer	<u>Joel Mietzener</u>	<u>42902</u>
(if required)	(signature)	(P.E. number)

Requested By \_\_\_\_\_ Date \_\_\_\_\_  
Manager

Recommended By \_\_\_\_\_ Date \_\_\_\_\_  
RUS, GFR

Subject to BER approval?    Yes \_\_\_\_\_    No \_\_\_\_\_

**Note:** GFR to forward request to RUS: NRD: Engineering Branch, Washington, DC  
for Form 14 approval and posting to official RUS Form 605, Budget Record.

## MEMORANDUM

July 3, 2013

TO: Board of Directors

FROM: Randy J. Cornelius

RE: Voting Delegate for 2013 NRECA Region 9 Meeting

Staff requests that the Board designate in the form of a motion, an official voting delegate and an alternate for the NRECA 2013 Region 9 Meeting to be held October 15-17 in Portland, Oregon.

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**ORCAS POWER & LIGHT COOPERATIVE**  
**POLICY 1**  
**FUNCTIONS OF THE BOARD OF DIRECTORS**  
**DRAFT REVISIONS (See Section 14)**

***Preamble***

This policy is the responsibility of the Board and it may only be changed or amended by the Board.

Board Governance policies are intended to define the Governance activities of the Board of Directors and their functioning within the Organization.

Board-authorized documents such as Mission and Values Statements and Strategic Directives will provide further guidance and instructions to the Organization.

**1. BOARD ETHICAL STANDARDS**

The Board may neither cause nor allow any Organizational practice or event that is imprudent or unethical, or that could damage the short-term or long-term viability of OPALCO.

**2. CONFIDENTIALITY**

Directors are entitled to reasonable access to Organizational data and information.

Directors are required to keep confidential all matters involving the cooperative that have not been disclosed to the public. Information received by a director shall not be disclosed to any other persons unless the director reasonably believes that he or she must do so to fulfill his fiduciary duty.

**3. DIRECTOR CONDUCT**

Regardless of any personal differences, directors are required to:

- 3.1 Foster an environment where expression of individual experience, expertise and point of view shall be encouraged where relevant to the discussion at hand.
- 3.2 Demonstrate mutual respect and allow opportunity for every other director to be heard on any matter being considered by the Board.
- 3.3 Publicly support decisions of the Board except in extraordinary circumstances where the director can demonstrate that a decision or action will bring harm to the cooperative or threaten the cooperative's survival.
- 3.4 Refrain from revealing to persons other than directors, the General Manager, or the cooperative's attorney any differences of opinion among directors on matters considered and acted upon by the Board. (This standard does not preclude fair and accurate publication of such differences to the cooperative's members in relation to contests for director elections or other matters to be voted upon by the members. Nor does it impinge upon a director's right to dissent and to have his dissenting vote recorded in the minutes.)
- 3.5 Recognize that personal notes taken during meetings are legally discoverable unless intended to be and identified as Attorney/Client Privileged communications.

#### **4. CONFLICT OF INTEREST DISCLOSURE**

Board members are required to disclose any potential conflict of interest with regard to ongoing or specific transactions on any matters before the Board and shall attest that they have no material undisclosed conflict of interest situations in writing annually.

#### **5. BOARD MEMBER QUALIFICATIONS**

- 5.1 Board members shall be competent to sign legal contracts and shall exercise their best business judgment in performing their duties as Directors.
- 5.2 Board members are required to attend Board meetings as specified in other governing documents and to travel and perform other reasonably required duties in a safe and competent manner.
- 5.3 Board members are required to complete an initial orientation conducted by the Board President and General Manager within 45 days and are encouraged to achieve NRECA Credentialed Cooperative Director status or equivalent within 24 months of first election to the Board.
- 5.4 Board members are required to complete one or more relevant ongoing one day educational sessions during each additional three years of tenure.
- 5.5 Board members are encouraged to attend conferences and other activities designed to improve their skills and knowledge. The expenses of enrollment and attendance at Board training programs are paid by the cooperative. Board training programs shall be conducted within the confines of an annual budget established by the Board of Directors for this purpose.

#### **6. BOARD POLICIES AND STRATEGIC DIRECTIVES**

- 6.1 The Board shall whenever possible formally and explicitly express the Board's expectations and standards regarding General Manager, Board, and Organizational performance.
- 6.2 Board Policies shall address matters that are expected to be permanent and pervasive in nature and define the limitations imposed on the General Manager and the Cooperative.
- 6.3 Board Strategic Directives shall address matters that may be impermanent in nature, address specific circumstances, may terminate when complete or rendered obsolete by changing circumstance and provide guidance in addressing the goals and objectives of the Cooperative.
- 6.4 Any Board member may propose a new policy or amendment to a current policy.
- 6.5 All Board Policies and Strategic Directives shall be maintained up-to-date in a format that is available to every Board member,
- 6.6 The Board shall review its own Policies and Strategic Directives for relevance, appropriateness and benefit to OPALCO at least annually.

#### **7. STRATEGIC PLANNING**

The Board shall set the Cooperative's mission and purposes, engage in strategic planning on a regular basis and produce Strategic Directives, to be reviewed and updated at least annually.

## **8. OVERSIGHT**

The Board shall provide oversight including the adoption of policies and monitoring for compliance with legal and regulatory requirements as well as the adequacy of internal controls, primarily through appropriate use of Auditors and Legal Counsel.

## **9. BOARD INTERACTION WITH AUDITORS**

The Board shall approve an engagement agreement for annual audit services to be provided to the cooperative that:

- 9.1 Requires pre-approval by the Board for all services to be provided by the audit firm.
- 9.2 Sets out the scope of the audit, its objective and purposes, and deadlines for work to be performed.
- 9.3 Specifies all fees to be paid for all audit, audit-related and tax work provided by the audit firm.
- 9.4 If a multi-year agreement, provides for regular rotation of the lead audit partner.
- 9.5 Complies with all RUS Policies and/or other applicable regulatory standards on Audits.

## **10. BOARD INTERACTION WITH LEGAL COUNSEL**

The Board shall:

- 10.1. Make all decisions regarding retaining, employing, and discharging attorneys for the cooperative.
- 10.2. Reaffirm that the attorney represents the cooperative and does not represent individual directors, officers, employees, or members or affiliated entities of the cooperative, unless the Board consents to such representation and the attorney has complied with applicable conflict of interest requirements.
- 10.3. Require the attorney to keep the Board and the General Manager informed of matters for which the attorney is providing legal services.
- 10.4. Require the attorney to report evidence of any actual or intended material violation of law or material breach of duty that would likely cause substantial harm.

## **11. BOARD INTERACTION WITH THE COMMITTEE ON NOMINATIONS**

This policy is intended to provide guidance for the Board and the Committee on Nominations and in no way overrides nor supersedes any requirement in OPALCO Bylaws or Articles of Incorporation, or other applicable state or federal requirements.

### **Committee on Nominations Purpose**

To facilitate the ability of the membership to elect board members most qualified and appropriate to serve in the best interests of OPALCO as a member-owned non-profit cooperative.

To both recruit members who are competent, willing and able to commit to serve on the OPALCO board if elected.

11.1 The Board will act to minimize conflict of interest exposure of staff in the Board election process.

### **11.2 Committee on Nominations Appointment**

The OPALCO Board as a whole will propose and consider suitable qualified members from the Voting District and will appoint the members of each Committee on Nominations.



### 11.3 Committee on Nominations Preparation

The Board will instruct members of the Committee on Nominations to meet with OPALCO staff for a Board approved orientation.

### 11.4 Election Notifications

The Board will direct the General Manager to have notices placed on appropriate visible public bulletin boards, newspapers, websites, and other appropriate media as soon as practicable after the Committee on Nominations appointment. These notices will serve to attract and facilitate interested candidates to contact the Committee on Nominations.

## 12. GENERAL MANAGER

The Board selects the General Manager, and regularly evaluates performance, and sets his compensation.

### 12.1 Board Interaction with General Manager

12.1.1 The Board will direct the General Manager to achieve specific results within the restraint of specific limitations. He is authorized to make all further decisions, take all actions, and establish all practices to achieve these specified results that do not transgress the limitations imposed.

12.1.2 The Board may change its policies and thus the expectations or limitations imposed on the General Manager. So long as any particular delegation is in place the Board members will respect and support the General Manager's choices.

12.1.3 All Board authority is delegated through the General Manager. The General Manager is to be considered the only employee of the Board.

12.1.4 Only decisions of the Board acting as a body are binding upon the General Manager.

12.1.5 Decisions or instructions of individual Board members, officers, or committees are not binding on the General Manager except in circumstances where the Board has specifically authorized such exercise of authority.

12.1.6 In the case of Board members requesting information or assistance without Board authorization, the General Manager can refuse such requests that require in his judgment a material amount of staff time or funds or are disruptive.

### 12.2 General Manager Relationship Review

The Board shall ensure that the General Manager knows and understands the expectations and limitations it has placed on discretionary decision making. These expectations and limitations shall be identified in approved policies or directives. Such policies and directives shall be used as the foundation for the annual appraisal of the General Manager's performance.

## 13. BOARD SELF-EVALUATION

The Board shall complete an annual self-evaluation of its performance and accomplishments in relation to the goals and mission of OPALCO, to confirm its compliance with all relevant policies and procedures, and to review its working methods and contribution to OPALCO.

## 14. Board SubCommittees

14.1 Board Subcommittees will be formed, defined, controlled, and dissolved by action of the Board;

14.2 Authority of any sub-committee will be limited to reporting findings to the Board, unless specifically authorized by the Board. No action may be taken by a subcommittee unless authorized specifically or in general by the Board;

14.3 Membership will be determined and controlled by the Board, preferably two and no more than three board members;

14.4 Employee involvement will only be with the agreement of the General Manager;

14.5 Reports of a subcommittee including employees will include the General Manager;

14.6 Communications with employees will be copied to the General Manager.

### 14.6.1 Examples:

14.6.1.1 Purpose may be to review methods, plans, or results, propose solutions, strategic directives, etc.

14.6.1.2 Duration may be limited or perpetual at the pleasure of the Board, etc.  
(Examples: finance, capital projects, insurance, safety, special projects, etc.)

---

Christopher Thomerson, Board President

Effective Date \_\_\_\_\_

## **APPENDIX 1 (Formerly Section 14)**

### **BYLAWS MANDATED BOARD WORK**

#### Annual Meeting

##### Date Selection

The Board selects the date for Annual Meeting according to Bylaws, Article II Section1.

##### Report

The Officers report the condition of the cooperative at the Annual Meeting according to Bylaws, Article V Section12.

#### Audit

The Board provides for an annual audit. The Officers present an audit summary at the next annual meeting which follows after completion of each audit according to Bylaws Article III Section 7.

#### Board of Directors

##### Committee on Nominations

The Board appoints a Committee on Nominations for each election according to Bylaws, Article III Section 3.

##### Compensation

The Board sets a fixed sum and expenses for attendance of meetings on behalf of the Coop. according to Bylaws Article III Section 5.

##### Vacancy Replacements

The Board fills vacancies according to Bylaws, Article III Section 4.

#### Bylaws

##### Amendments

The Board shall make necessary Bylaws amendments according to Bylaws Article XIV Section1.

#### Contracts

The Board may authorize any officer or agent to enter into contracts on behalf of the Coop in general or in specific instances according to Bylaws Article VII Section1.

#### Capital Credits

The Board shall be responsible for establishing policies for the retirement of capital credits and shall review and approve the payout of retired capital credits.

At the Board's discretion, discounted rate retirements may be used to reduce outstanding or delinquent billing amounts. Board approval is required for retirement payments according to Bylaws Article VIII Section 2.

The Board may distribute forfeit capital credits to the "Education and Promotion Fund" or the "Retirement and Replacement Fund" according to Bylaws Article VIII Section 5.

### Disposition of Assets

The Board may dispose of unnecessary property not exceeding 10% of the value of all property of the Cooperative according to Bylaws Article X Section 1.

### Members

#### Expulsion

The Board shall expel any member according to Bylaws Article I Section 6.

#### Membership fee

The Board sets the initial membership fee according to Bylaws Article I Section 3.

#### New Members

The Board approves new memberships according to Bylaws Article I Section 2

### Other Organizations

The Board shall authorize membership in other organizations according to Bylaws Article XII.

MEMORANDUM

July 11, 2013

TO: Board of Directors

FROM: Randy J. Cornelius

RE: Newly Drafted Policy 28 *Energy Services Collaboration with Nonprofits*

Attached is a newly drafted policy created to develop guidelines for OPALCO working with nonprofits.

Staff drafted the policy with input from the Energy Efficiency & Conservation Committee. The purpose of this Policy is to establish guidelines for collaboration between Nonprofits and OPALCO's Board of Directors, general manager and staff.

This is the first draft of the policy; no action is necessary at this time.

# ORCAS POWER AND LIGHT COOPERATIVE

## POLICY 28

### COLLABORATING WITH NONPROFITS TO ACCELERATE ENERGY EFFICIENCY & CONSERVATION, & RENEWABLE ENERGY PRODUCTION

#### 28.1 PURPOSE

The Board of Directors of OPALCO wants to encourage and increase *Energy Efficiency* and *Conservation* (EE&C), and *Renewable Energy Production* in OPALCO's service area. OPALCO may collaborate with qualified 501(c)(3) organizations and community nonprofits (Nonprofits), to accelerate advancement of this goal.

The purpose of this Policy is to establish guidelines for collaboration between the Nonprofits and OPALCO's Board of Directors, general manager and staff.

#### 28.2 POLICY

OPALCO has been and will continue to operate a traditional electric utility conservation program aimed at reducing consumption of *electricity*. It will operate the BPA portion of this program under the terms and conditions of the *Energy Conservation Agreement* OPALCO has with Bonneville Power Administration (BPA).

In addition, to accelerate *Energy Efficiency* and *Conservation* beyond those who use electricity for their primary source of heat, OPALCO will encourage Nonprofits to seek other sources of funding to perform retrofits outside the scope of BPA's energy conservation programs.

28.2.1 Under the *Energy Conservation Agreement* OPALCO may use BPA funds to incentivize any residential and commercial measures as outlined in the BPA *Energy Efficiency Implementation Manual* (Manual). This Manual is currently published twice a year; April 1 and October 1.

28.2.2 The BPA portion Energy Efficiency and Conservation programs will be run by OPALCO's Energy Services Department. The Manual, together with Energy Conservation Agreement (ECA) and specifications in BPA's energy efficiency reporting system provides the implementation requirements for projects reported to BPA. BPA will audit all measures reported for which incentive dollars are received. If the measures pass BPA's audit, BPA will reduce three-fourths of the initial kWh savings to our load forecast which helps reduce any Tier 2 purchases.

28.2.3 Collaboration with the Nonprofits will be managed primarily by OPALCO's Energy Services Department or specific staff appointed by the GM.

28.2.4 The Energy Services Department will continue to promote the OPALCO Energy Efficiency and Conservation, and Renewable Energy programs to the co-op membership by engaging with school programs and community organizations. In addition, the Nonprofits will engage with community organizations and the

general public to further the awareness, support, and implementation of *Energy Efficiency and Conservation, and Renewable Energy*.

### **28.3 Collaboration with 501(c)(3) Community Nonprofits**

When OPALCO chooses to collaborate with one or more community Nonprofits, they must be a 501(c)(3), or operate under the “umbrella” of an existing 501(c)(3), that is established with the IRS and the State of Washington.

The Nonprofit must be self-funding and demonstrate an ability to operate a Nonprofit business effectively and professionally. The Nonprofit should be governed by a board and advisors composed of people from throughout OPALCO's service area.

Any work undertaken in collaboration with OPALCO must include a plan that clearly identifies needs, goals, objectives, action plan, and budget, as well as metrics to measure effectiveness of the plan as it is implemented.

The intent of such collaboration is to maximize the reach and implementation of OPALCO's *Energy Efficiency and Conservation, and Renewable Energy Production* programs throughout the service area.

OPALCO will develop rules and guidelines for how the Nonprofit and the Energy Services Department will collaborate with one another.

28.3.1 The Nonprofit must serve the general community covered within OPALCO's service area, not just their home island. At a minimum, it will serve all of the ferry-served islands. In addition, the Nonprofit Board of Directors and Advisors should include members from other islands. The Nonprofit will provide OPALCO with the names of their personnel and their Board of Directors and Advisors as well as their qualifications to implement the proposed measures.

28.3.2 OPALCO will draft a Memorandum of Understanding (MOU) for each Nonprofit it collaborates with. The MOU describes the rules and standards that OPALCO and each Nonprofit will operate under. OPALCO's intent is to fund projects through grants or contractual agreements for specific projects and sustainable programs that are consistent with the long-term goals set forth by OPALCO for *Energy Efficiency and Conservation, and Renewable Energy Production*.

28.3.3 The Nonprofit may engage in additional projects in which OPALCO is not involved. If the Nonprofit moves into areas beyond, or in conflict with, OPALCO's policies, goals, and objectives, OPALCO may withdraw all support from the Nonprofit.

28.3.4 If involved in retrofitting for energy efficiency and conservation of *electricity* within homes or businesses, the Nonprofit must follow the most recent BPA *Implementation Manual* and work with the Energy Services Department to assure

that the energy savings are reported and accepted by BPA and thus used to reduce OPALCO's load forecast.

- 28.3.5 Any non-profit with whom OPALCO chooses to collaborate must represent itself as an independent organization. Any use of OPALCO's name or reputation in communications, advertising, marketing, branding, logos, etc. must be specifically approved, in writing, by senior OPALCO management.



Orcas Power and Light Cooperative  
Cash Recap  
June 30, 2013

	Rate	Term	Due Date	Amount	Total Balance
<b>GENERAL FUNDS:</b>					
Cash on Hand				600	
Cash in Checking - Key Bank				(31,974)	
Cash in Checking/MMDA/Construction - Islanders Bank				683,029	
Cash in Checking/Savings/Payroll - Wells Fargo				350,244	
SUBTOTAL GENERAL FUNDS					1,001,898
<b>CASH RESERVE FUND:</b>					
CFC Commercial Paper	0.13%	36	7/19/13	200,000	
CFC Commercial Paper	0.15%	57	8/9/13	200,000	
CFC Commercial Paper	0.18%	92	9/13/13	200,000	
SUBTOTAL CASH RESERVE FUND					600,000
<b>RESTRICTED FUND:</b>					
CFC Select Notes	0.4200%	160	7/9/13	276,095	
CFC Select Notes	0.4100%	160	8/7/13	351,548	
CFC Select Notes	0.4200%	160	8/29/13	200,000	
CFC Select Notes	0.4000%	160	10/15/13	350,767	
CFC Select Notes	0.3800%	160	11/12/13	352,060	
CoBank - AIM				151,613	
Home Street Bank	0.2500%	365	10/29/13	104,809	
Washington Federal Savings	0.4000%	365	11/29/13	107,567	
Washington Federal Savings	0.4000%	365	5/19/14	108,646	
SUBTOTAL RESTRICTED FUNDS					2,005,105
GRAND TOTAL FUND ENDING BALANCE 6/30/13					<u>3,607,003</u>

Project PAL: Islanders Bank				<u>22,453</u>	
MORE Program: Islanders Bank				<u>161,668</u>	
RUS Cushion of Credit *	5.000%			<u>1,455,008</u>	

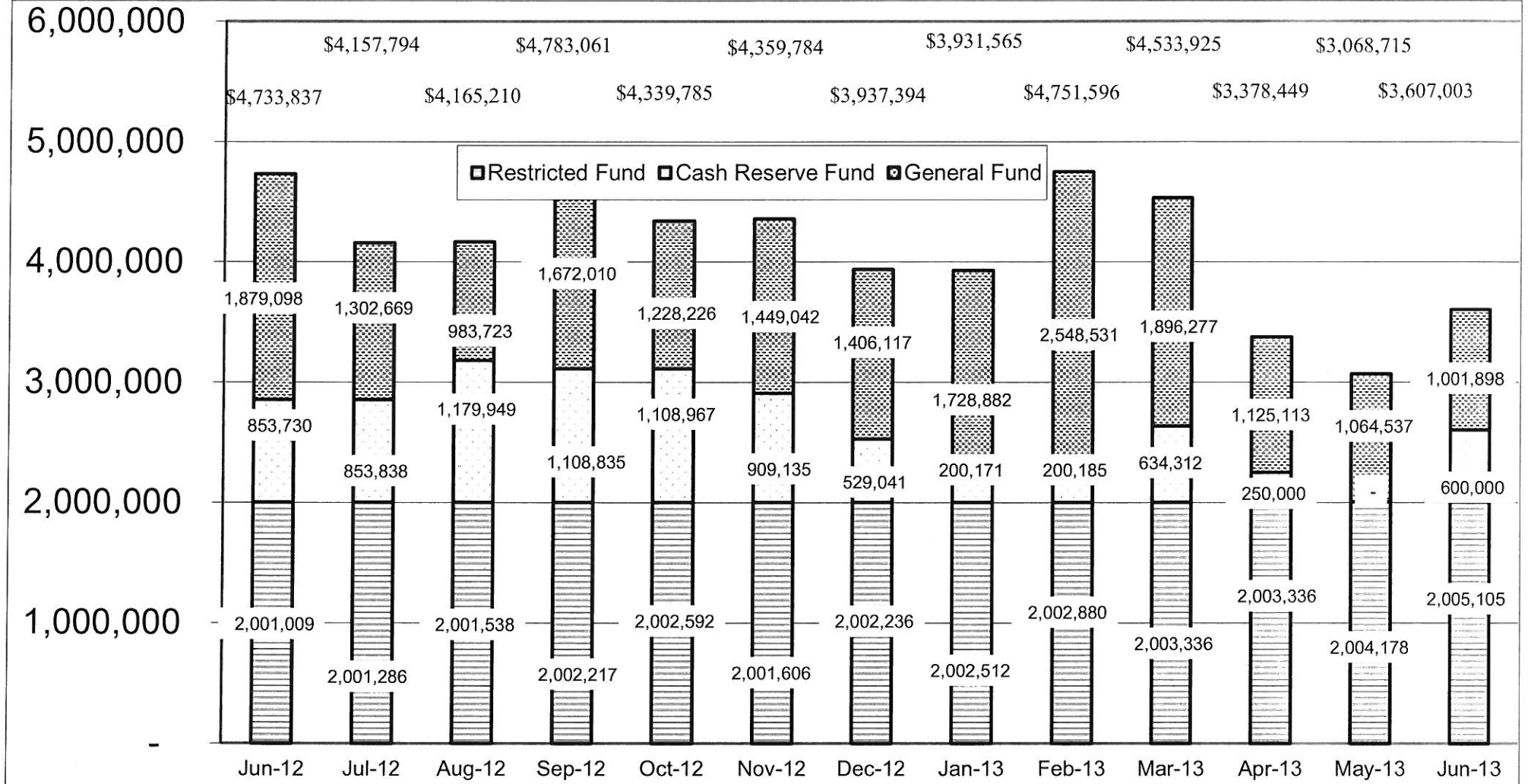
**CASH PROJECTION:**

July 31, 2013

<b>GENERAL FUNDS:</b>					
Beginning Cash 6/30/13				1,001,898	
Estimated Revenue (based on 95% of billing)				1,377,938	
Estimated Other Revenue				20,000	
Transfer From RUS Cushion of Credit				181,159	
Subtotal Cash/Revenue					2,580,995
Estimated Accounts Payable				(750,000)	
Estimated Payroll and Benefits				(655,000)	
Estimated RUS Principal and Interest Payment				(181,159)	
Power and Transmission Bill (June bill)				(349,093)	
Subtotal Expenses				(1,935,252)	
Projected Ending Balance 7/31/13					645,743
<b>CASH RESERVE FUND:</b>					
Beginning Cash 6/30/13				600,000	
Transfer To General Fund				0	
Projected Ending Balance 7/31/13					600,000
<b>RESTRICTED FUND:</b>					
Beginning Cash 6/30/13				2,005,105	
Transfer To General Fund				0	
Projected Ending Balance 7/31/13					2,005,105
PROJECTED GRAND TOTAL FUND ENDING BALANCE 7/31/13					<u>3,250,848</u>
PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 7/31/13					<u>(356,155)</u>
<b>RUS CUSHION OF CREDIT*:</b>					
Beginning Balance 6/30/13				1,455,008	
Estimated Loan Principal and Interest Payment				(181,159)	
Projected Ending Balance 7/31/13					<u>1,273,849</u>

\* represents advance payments unapplied for RUS long term debt

# TOTAL FUND BALANCE



# ORCAS POWER & LIGHT COOPERATIVE

## UNSCHEDULED OUTAGE REPORT: JUNE 2013

OUTAGE CODE	CAUSE OF OUTAGE	DISTRICT			2013 TOTALS		
		ORCAS	SJ	LOPEZ	JUN PTD	MAY YTD	YTD TOTAL
001	Power Supplier-Bonneville	-	-	-	0	0	0
002	Power Supplier-Puget Power	-	-	-	0	0	0
100	OPALCO Construction	-	-	-	0	0	0
200	Severe Storm	-	-	-	0	1	1
300-303	Faulty Equipment/Installation	-	2	2	4	0	4
350	Sectionalizing	-	-	-	0	0	0
351	Fuses/Fusing	-	-	-	0	1	1
352/353	Electrical/CAL/Transformer Overload	-	3	-	3	2	5
400	Underground Cable Failure	1	-	2	3	9	12
401	Contamination/Leakage (Equip. Fail.)	-	1	-	1	0	1
402/403	Aging Material/Equipment	-	-	-	0	0	0
450	Trees/Right of Way	-	-	1	1	0	1
500/509	Weather (Other than Severe Storm)	-	-	1	1	2	3
600	Small Animals/Rodents	-	-	-	0	1	1
601	Birds	-	-	-	0	0	0
602	Birds-Endangered (Swans; Eagles)	-	-	-	0	1	1
603	Large Animals	-	-	-	0	0	0
700/701	Cable Dig-In	-	-	-	0	1	1
702	Traffic Accident	-	1	-	1	1	2
703	Fire	1	-	-	1	1	2
704	Substation Vandalism	-	-	-	0	0	0
705	Construction	-	-	-	0	0	0
709	Public Caused Outage	-	-	-	0	2	2
800	Member Secondary Outage	-	-	-	0	2	2
900	Cause Unknown	-	-	-	0	0	0
PTD/YTD OUTAGES: JUNE 2013		2	7	6	15	24	39
PTD OUTAGES: JUNE 2012		3	6	3	12	54	66

Date: July 1, 2013  
To: Randy Cornelius, General Manager  
From: Russell Guerry, Manager of Engineering & Operations  
Subject: Operations Safety Program – June 2013

Jeff Myers conducted pole top and vault rescue training. Those present performed individual pole top rescues. Individual vault rescues are scheduled for a later date.

### **Accidents/Incidents/Near Miss**

**Date:** 6/5/2013

**Type:** Accident

**Description:** During the removal of an elbow in a transformer, the elbow separated improperly leaving the probe in the transformer causing the probe to flash over to the tank of the transformer. One of the linemen standing behind the lineman performing the work had issues with his eyes the following day.

**Action Taken:** The lineman received medical attention the following day. The injury only required time to heal. The linemen were reminded to wear safety glasses while performing any work.

	<b>June 2013</b>	<b>YTD (2013)</b>
<b>Near Misses</b>	0	0
<b>Incidents</b>	0	0
<b>Accidents</b>	1	3
<b>Loss Time</b>	0	0

Total Hours Worked without Loss Time Accident: 327,700

## **MANAGER'S REPORT**

**July 2013**

### **Finance**

#### **2012 Form 990 Return of Organization Exempt from Income Tax**

Staff provided information to Moss Adams for the preparation of the draft Exempt Organizations 2012 tax returns. Staff is expecting to review a draft copy late July and will target the August board meeting for the board review of the return.

#### **REDL Application for Lopez Fire**

Staff is currently awaiting a response to the application from Rodney Peach, USDA State Business and Cooperative Program Specialist. Anderson Hunter is finishing up the development of the loan agreements that will be executed with Lopez Fire District if the loan is approved and prior to disbursement of the loan proceeds.

### **Member Services**

#### **Enhanced Payment Remittance Tool**

Online Banking Interface (OBI) was implemented in July and is working very well. Member payments made via bank bill pay services now arrive at OPALCO and post to electric accounts within one business day (formerly 8-10 days).

#### **Training**

Amy Saxe and new Member Services Rep Madeline Danielson will attend a training session hosted by NISC (our billing vendor) July 22-25. This session will include a comprehensive unit on Contact Tracking, a tool Member Services will implement in Q3 to enhance member contact reporting and service order processing.

#### **NISC Document Vault**

Amy Saxe met with Technical Services and NISC to kick off the implementation of Document Vault, a document imaging solution to reduce paper workflow in Member Services, Engineering, and Accounting. Estimated live date is early October 2013.

### **Engineering & Operations**

As of July 8, there are 248 work orders open totaling \$2,450,372. Operations has completed construction on 54 of those work orders, totaling \$473,245.

#### **Island Network/Technical Services**

At the end of May, the Technical Services team completed the installation of a new licensed Gigabit Radio between San Juan and Lopez Islands. This new radio was installed to support increased capacity and to be used as a redundant system to the original Synchronous Optical Network (SONET) radio, which was installed in 2003. This new radio system became an instant necessity on June 7, 2013 when a SONET switch on Lopez became non-operational causing the biggest fiber outage to date. Technical Service members worked into the early morning hours rerouting traffic and bringing San Juan Island back onto the fiber network using the new Gigabit radio. The rest of June was spent tracking down the exact cause of the outage, reconfiguring, and testing the fiber network.

Technical Services, Operations, and Engineering Departments participated in a demonstration of 3-cell microduct (underground conduit) and fiber cable installation using a fiber blower. Everyone was extremely impressed with the ease of use and effectiveness of the new product and the blower.

## NEW SERVICES

June 2013

	Orcas	San Juan	Lopez	Center/ Decatur	Blakely/Obstruction /Crane/Shaw	Total
Residential	9	4	3			16
Commercial		2				2
Line Retention						0
Other - OPALCO						0
<b>Total*</b>	9	6	3		0	18
2013 YTD	18	28	6		1	53
2012 YTD**	15	33	11	2	2	63
2011 YTD**	18	29	7		4	58
2010 YTD	33	37	16		3	89
2009 YTD	45	66	8	1	2	122

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

\*\*7 services for Lopez and 2 services for Shaw/Blakely were closed in February 2012, but meters were set in 2011. These 9 new service points will be reconciling items in 2011/2012.

**OPALCO**  
**Historical MORE Revenue**  
**(All Green kWh and MORE Blocks)**  
**For Years 2011 - 2013 YTD**

Month	2011 YTD							2012 YTD							2013 YTD						
	All Green			Green Power Blocks			Total Revenue	All Green			Green Power Blocks			Total Revenue	All Green			Green Power Blocks			Total Revenue
	#	kWh	Revenue	#	#	Block		#	kWh	Revenue	#	#	Block		#	kWh	Revenue	#	#	Block	
	Members	kWh	Revenue	Members	Blocks	Revenue		Members	kWh	Revenue	Members	Blocks	Revenue		Members	kWh	Revenue	Members	Blocks	Revenue	
		\$	0.04			\$	4		\$	0.04			\$	4		\$	0.04			\$	4
Jan	46	50,160	2,006	478	948	3,792	5,798	44	47,428	1,897	454	970	3,880	5,777	43	54,479	2,179	433	921	3,684	5,863
Feb	44	41,550	1,662	448	947	3,788	5,450	43	37,664	1,507	452	962	3,848	5,355	43	50,927	2,037	432	918	3,672	5,709
Mar	41	41,906	1,676	446	949	3,796	5,473	42	37,682	1,507	449	953	3,812	5,319	42	42,787	1,711	429	915	3,660	5,371
Apr	41	33,629	1,345	446	950	3,800	5,146	42	27,636	1,105	449	953	3,812	4,917	42	31,063	1,243	427	904	3,616	4,859
May	42	31,336	1,253	450	956	3,824	5,077	42	21,993	880	448	952	3,808	4,688	41	21,699	868	426	897	3,588	4,456
Jun	42	21,813	873	455	971	3,885	4,758	43	20,335	813	448	952	3,808	4,621	41	20,336	813	426	897	3,588	4,401
Jul	43	21,335	853	464	987	3,948	4,801	43	19,649	786	449	953	3,812	4,598	-	-	-	-	-	-	-
Aug	43	20,004	800	466	990	3,960	4,760	43	22,457	898	446	948	3,792	4,690	-	-	-	-	-	-	-
Sep	45	25,959	1,038	465	985	3,940	4,978	42	13,136	525	443	947	2,530	3,055	-	-	-	-	-	-	-
Oct	44	25,321	1,013	464	984	3,936	4,949	42	21,162	846	443	947	3,788	4,634	-	-	-	-	-	-	-
Nov	46	40,308	1,612	458	972	3,888	5,500	44	30,335	1,213	438	943	3,772	4,985	-	-	-	-	-	-	-
Dec	45	49,303	1,972	458	972	3,888	5,860	43	43,849	1,754	437	929	3,716	5,470	-	-	-	-	-	-	-
Total	44	402,624	\$ 16,105	458	11,611	\$ 46,446	\$ 62,551	43	343,326	\$ 13,733	446	11,409	\$44,378	\$ 58,111	42	221,291	\$ 8,852	429	5,452	\$21,808	\$ 30,660

Notes: 2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.  
Beginning June 2011, this report reflects combined data for the former Green Power program and MOR  
Beginning September 2012, half of the members were transitioned to a mid-month billing cycle; these members were billed for 15 days of consumption, a prorated basic charge, and prorated MORE blocks on 9/14/12.

## OPALCO Member Billing Revenue History

Month	2009	2010	2011	2012	2013	Average
January	\$ 2,542,345	\$ 2,091,129	\$ 2,266,724	\$ 2,203,319	\$ 2,354,732	\$ 2,291,650
February	2,109,273	1,684,100	2,018,866	1,980,380	2,190,659	1,996,656
March	1,868,966	1,693,238	2,100,947	2,080,586	2,031,007	1,954,949
April	1,825,774	1,659,771	1,803,095	1,733,543	1,803,826	1,765,202
May	1,582,738	1,453,989	1,634,542	1,536,601	1,580,671	1,557,708
June	1,243,754	1,409,557	1,383,932	1,419,883	1,450,461	1,381,517
July	1,217,676	1,300,950	1,302,528	1,380,472		1,300,407
August	1,300,901	1,342,739	1,360,611	1,450,397		1,363,662
September*	1,297,670	1,297,936	1,421,174	1,005,902		1,255,671
October	1,335,166	1,389,529	1,483,658	1,499,863		1,427,054
November	1,590,102	1,584,909	1,977,782	1,779,353		1,733,036
December	1,975,064	2,123,602	2,375,284	2,085,584		2,139,884
Total	\$ 19,889,429	\$ 19,031,449	\$ 21,129,143	\$ 20,155,885	\$ 11,411,357	\$ 20,167,395

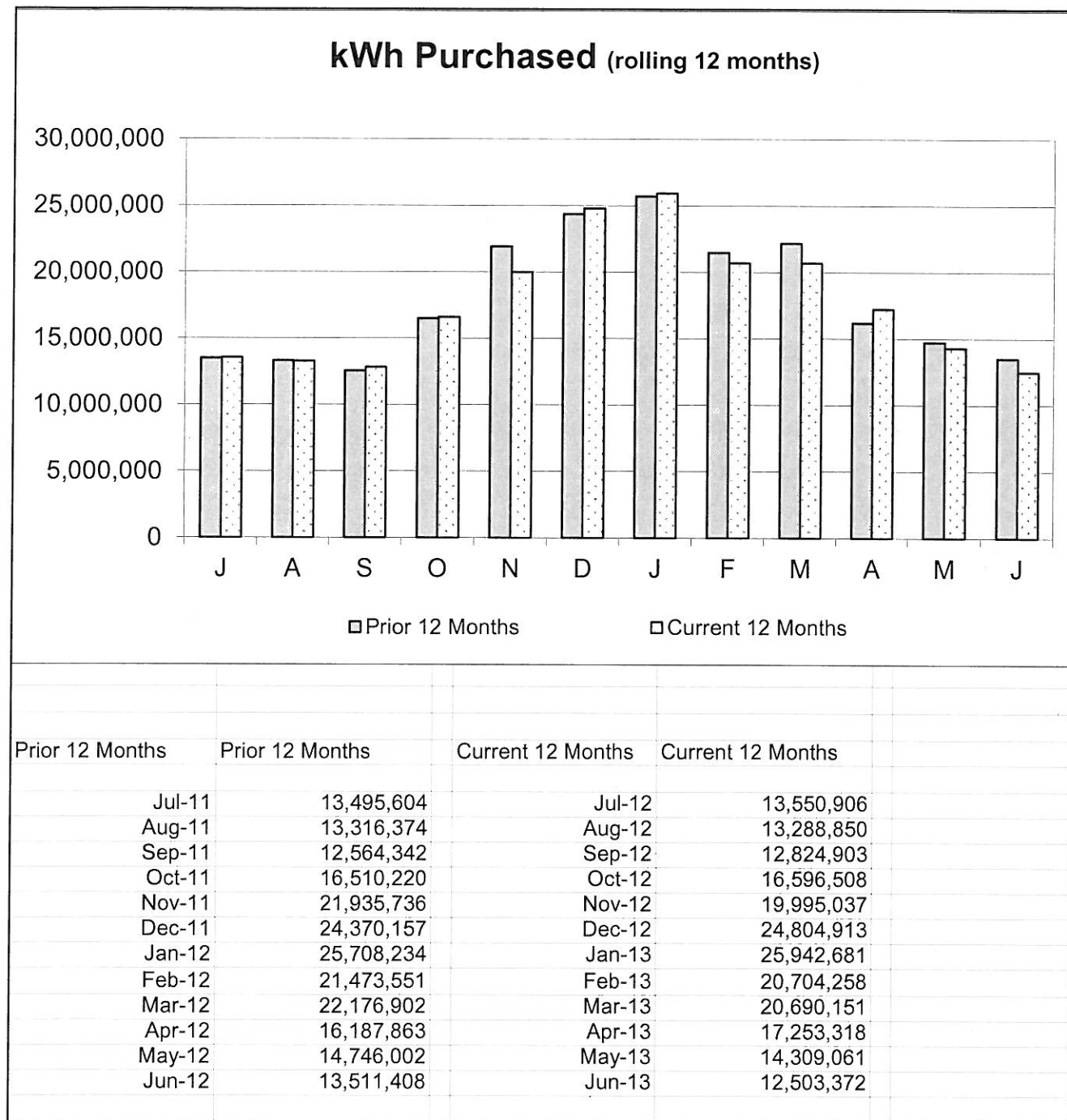
Notes:

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



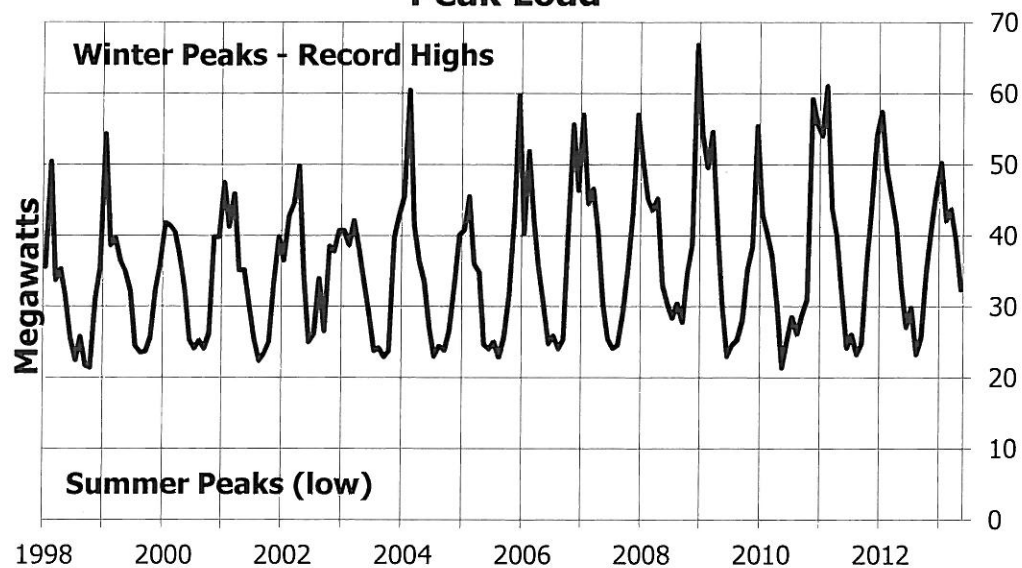
# BPA Consumption Summary

Through  
June 2013

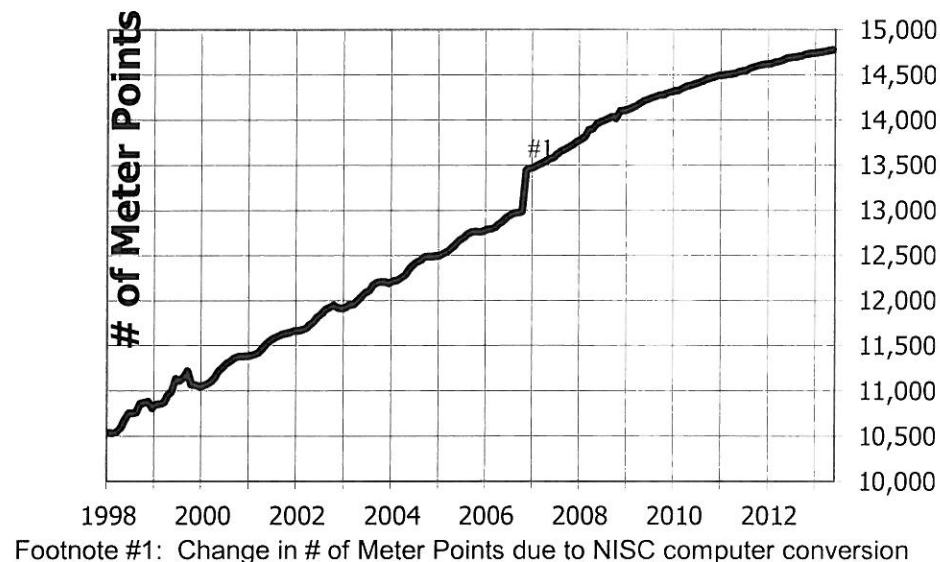


**RUS Form 7 Data**  
Through May 2013

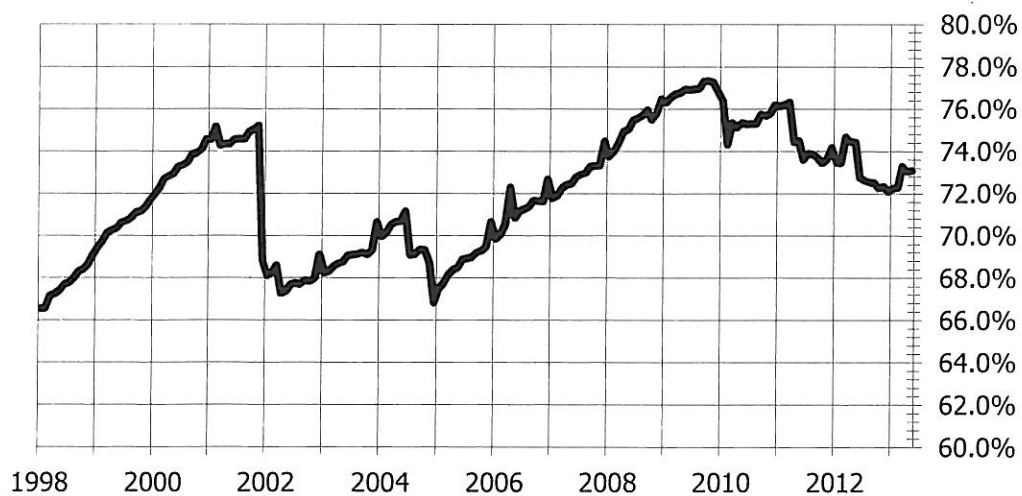
**Peak Load**



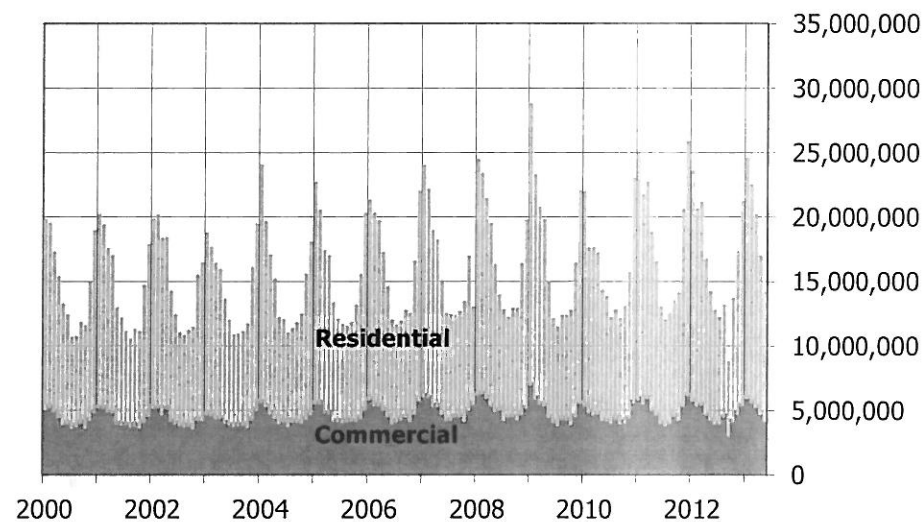
**Total Meter Points**



**Equity as a % of Total Capitalization**  
Margins & Equity/Margin & Equity +  
Total Long Term Debt



**kWh Sold**



# Loss Analysis Report

Orcas Power & Light Cooperative  
WASHINGTON

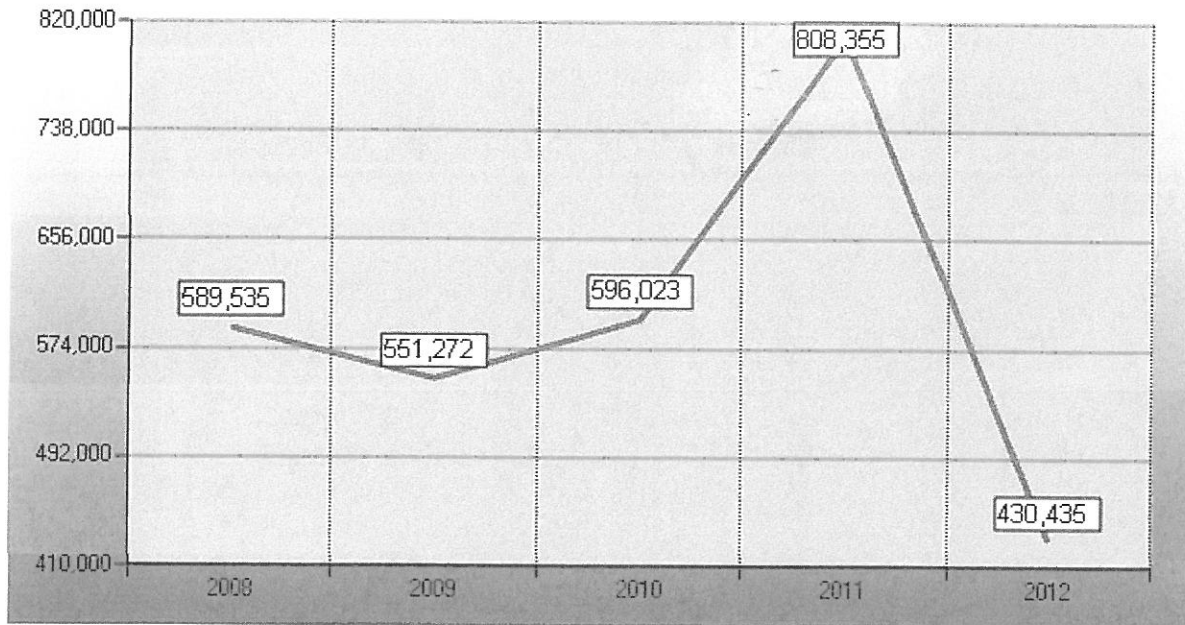
**Prepared By Monty Reher**  
Monday, June 24, 2013

Federated Rural Electric Insurance Exchange  
(800) 356-8360  
[www.federatedrural.com](http://www.federatedrural.com)

## State Loss Trend

### WASHINGTON

#### Total Incurred\* Losses



\*Chart displays only those year(s) that include incurred losses

Total for each year prior to the current year is through December 31.

#### Key Drivers

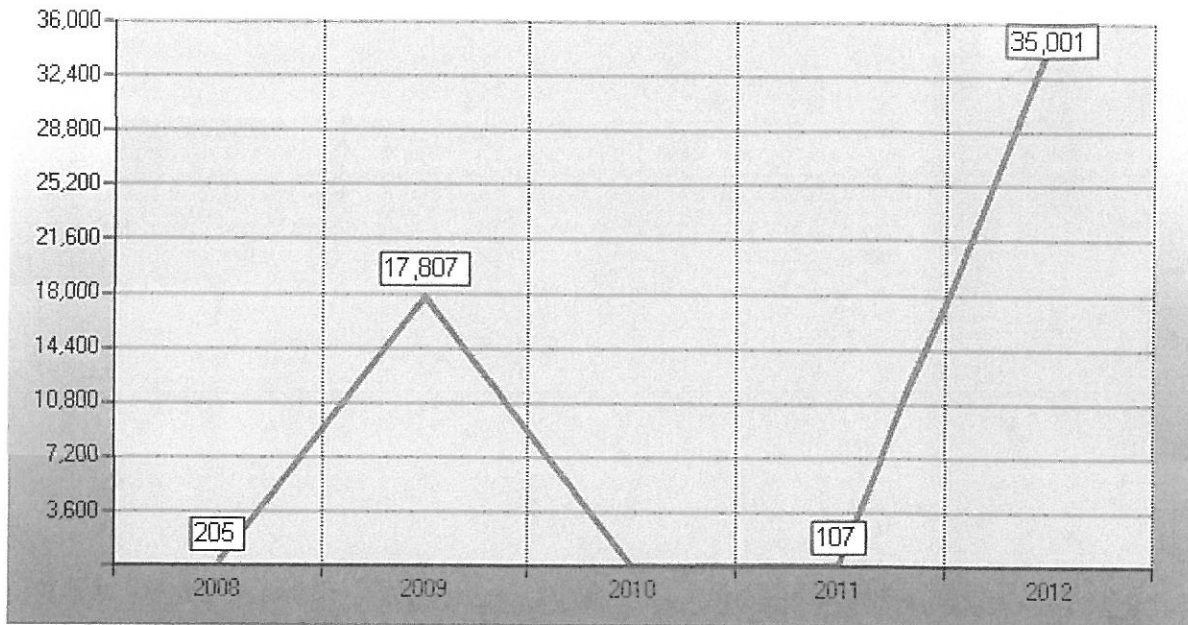
2008 - IM  
2009 - GLPD  
2010 - GLPD  
2011 - GLPD  
2012 - GLPD

**Allied 12X** - Vandalism, Windstorm, Hail, Theft, Substation  
**ALBI 41** - Auto Liability / Bodily Injury  
**ALPD 42** - Auto Liability / Physical Damage  
**B&T 80X** - Burglary and Theft (includes money and securities)  
**Comp. 51X** - Auto Comprehensive (includes windshields, fire and other)  
**Coll. 52X** - Auto Collision  
**Fire 11X** - Fire, Fire Substation, Lightning, Lightning Substation  
**GLBI 71X** - General Liability / Bodily Injury (includes electric contacts)  
**GLPD 72X** - General Liability / Property Damage  
**IM 199** - Inland Marine (includes hydraulics and property in transit)

## System

### Orcas Power & Light Cooperative

#### Total Incurred\* Losses



\*Chart displays only those year(s) that include incurred losses

Total for each year prior to the current year is through December 31.

#### Key Drivers

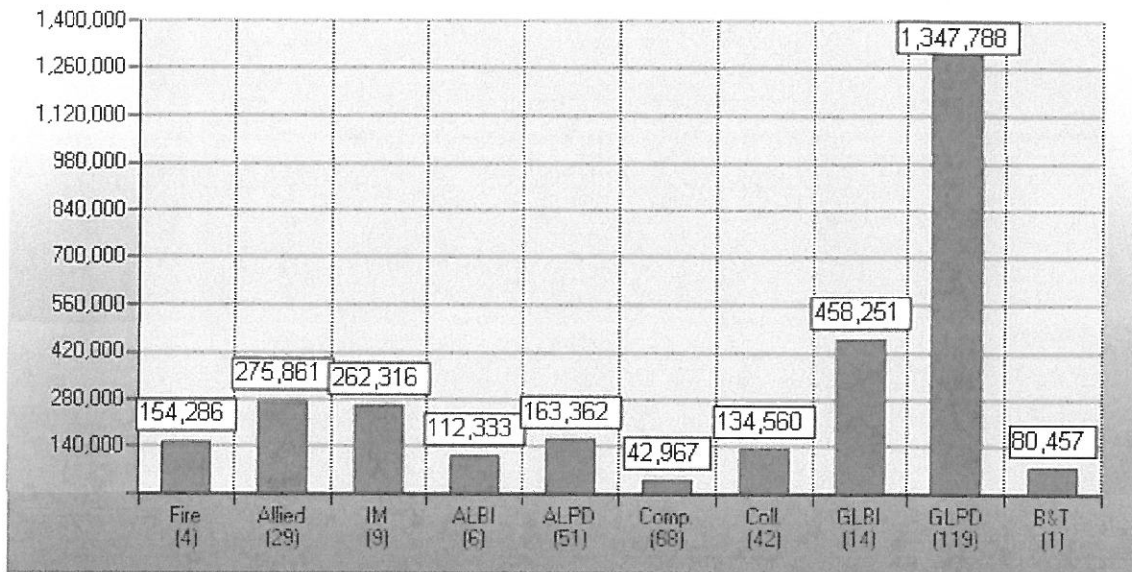
2008 - Coll.  
2009 - Coll.  
2010 - GLPD  
2011 - GLBI  
2012 - GLBI

**Allied 12X** - Vandalism, Windstorm, Hail, Theft, Substation  
**ALBI 41** - Auto Liability / Bodily Injury  
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**IM 199** - Inland Marine (includes hydraulics and property in transit)

## State Loss by Line of Business

### WASHINGTON

Total Incurred\* 01/01/2008 through 06/24/2013



Numbers in parentheses below chart represent number of claims for each line

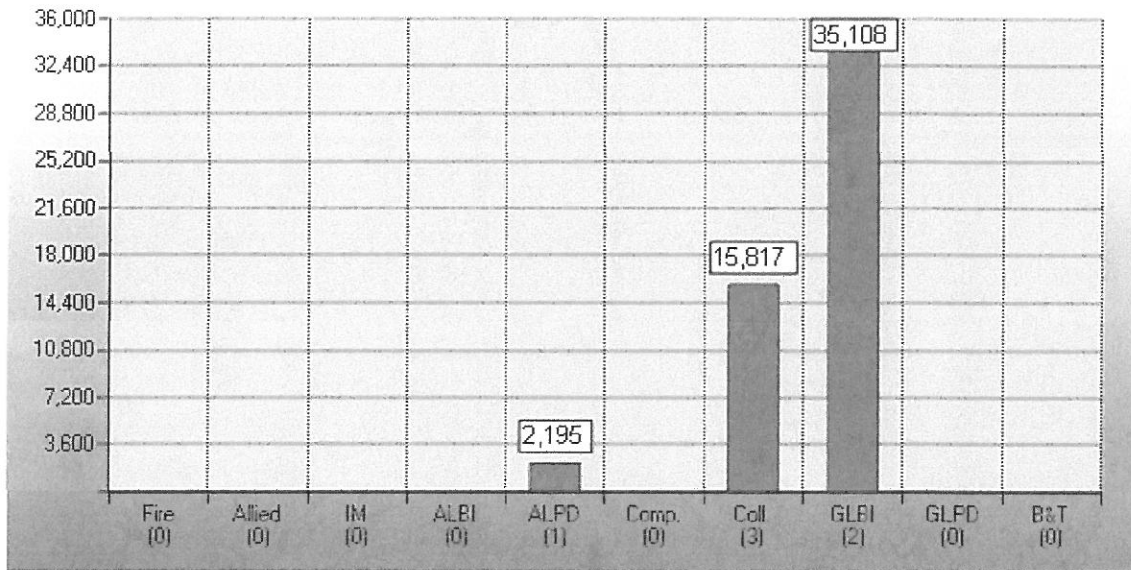
\* This chart shows only incurred amounts that apply to your state.

- Fire 11X** - Fire, Fire Substation, Lightning, Lightning Substation
- Allied 12X** - Vandalism, Windstorm, Hail, Theft, Substation
- IM 199** - Inland Marine (includes hydraulics and property in transit)
- ALBI 41** - Auto Liability / Bodily Injury
- ALPD 42** - Auto Liability / Physical Damage
- Comp. 51X** - Auto Comprehensive (includes windshields, fire and other)
- Coll. 52X** - Auto Collision
- GLBI 71X** - General Liability / Bodily Injury (includes electric contacts)
- GLPD 72X** - General Liability / Property Damage
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## System Loss by Line of Business

### Orcas Power & Light Cooperative

Total Incurred\* 01/01/2008 through 06/24/2013



Numbers in parentheses below chart represent number of claims for each line

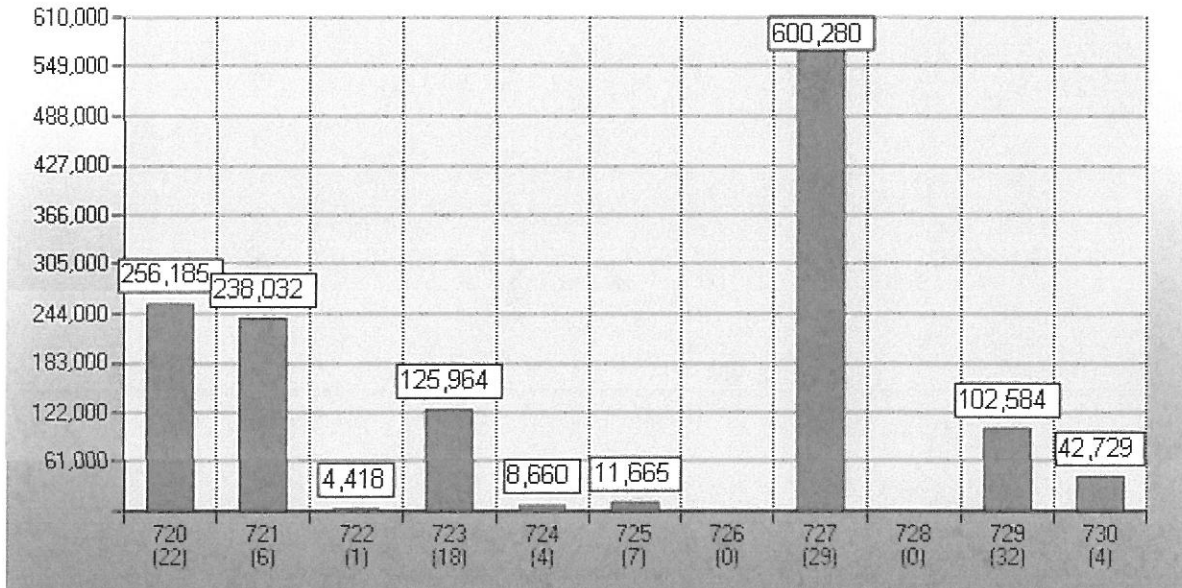
\* This chart shows only incurred amounts that apply to your system.

- Fire 11X** - Fire, Fire Substation, Lightning, Lightning Substation
- Allied 12X** - Vandalism, Windstorm, Hail, Theft, Substation
- IM 199** - Inland Marine (includes hydraulics and property in transit)
- ALBI 41** - Auto Liability / Bodily Injury
- ALPD 42** - Auto Liability / Physical Damage
- Comp. 51X** - Auto Comprehensive (includes windshields, fire and other)
- Coll. 52X** - Auto Collision
- GLBI 71X** - General Liability / Bodily Injury (includes electric contacts)
- GLPD 72X** - General Liability / Property Damage
- B&T 80X** - Burglary and Theft (includes money and securities)

# State Losses General Liability / Property Damage

## WASHINGTON

Total Incurred\* 01/01/2008 through 06/24/2013



Numbers in parentheses below chart represent number of claims for each line

\*This chart shows only incurred amounts for GLPD losses that apply to your state.

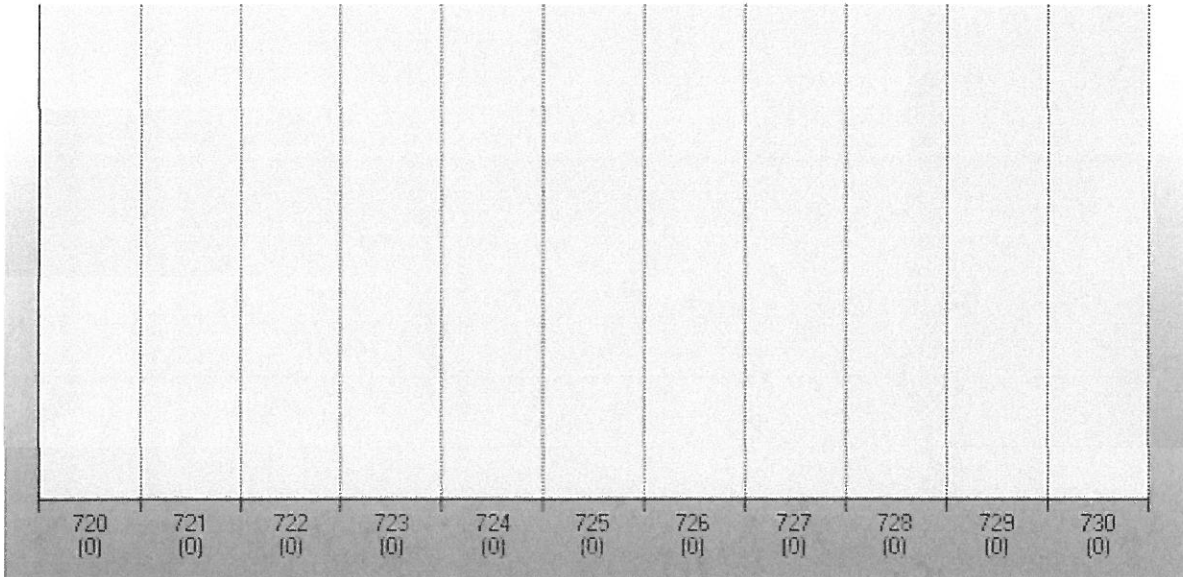
- |   |                                  |
|---|----------------------------------|
| <b>720 -</b> Improper Disconnect / Action | <b>726 -</b> Livestock           |
| <b>721 -</b> Downed Lines / Poles         | <b>727 -</b> All Other           |
| <b>722 -</b> Tree (Right of Way)          | <b>728 -</b> Stray Voltage       |
| <b>723 -</b> Equipment Failure            | <b>729 -</b> Voltage Fluctuation |
| <b>724 -</b> Loose Neutral / Ground       | <b>730 -</b> Environmental       |
| <b>725 -</b> Trenching / Dig-in           |                                  |



System  
General Liability / Property Damage

**Orcas Power & Light Cooperative**

Total Incurred\* 01/01/2008 through 06/24/2013



Numbers in parentheses below chart represent number of claims for each line

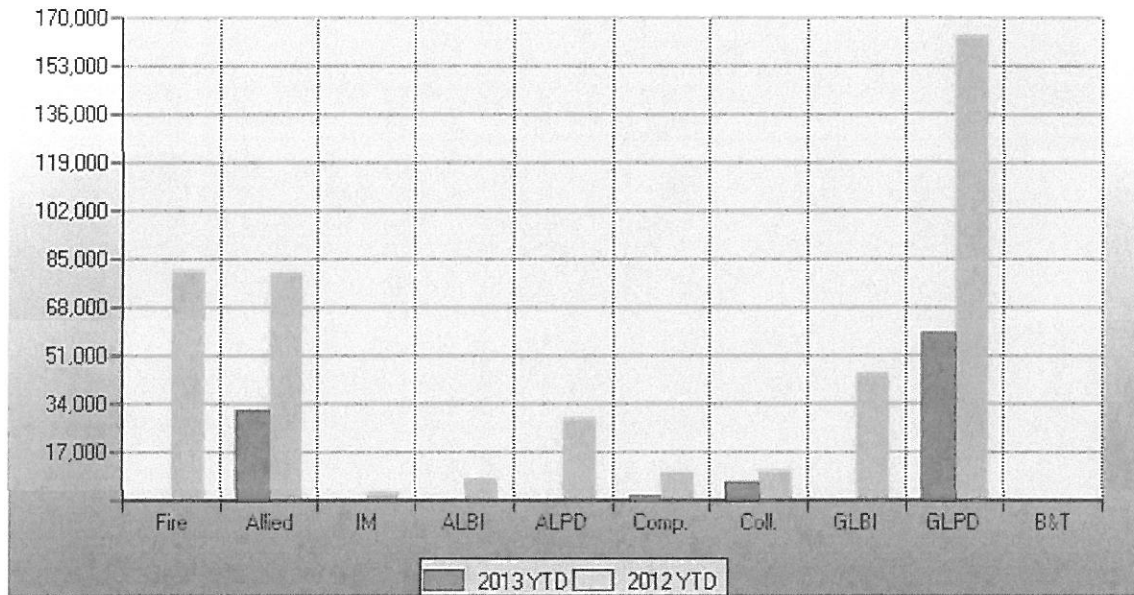
\*This chart shows only incurred amounts for GLPD losses that apply to your system.

<b>720</b> - Improper Disconnect / Action	<b>726</b> - Livestock
<b>721</b> - Downed Lines / Poles	<b>727</b> - All Other
<b>722</b> - Tree (Right of Way)	<b>728</b> - Stray Voltage
<b>723</b> - Equipment Failure	<b>729</b> - Voltage Fluctuation
<b>724</b> - Loose Neutral / Ground	<b>730</b> - Environmental
<b>725</b> - Trenching / Dig-in	

# State Loss by Line of Business

## WASHINGTON

Total Incurred\* Year to Date 01/01/2013 through 06/24/2013



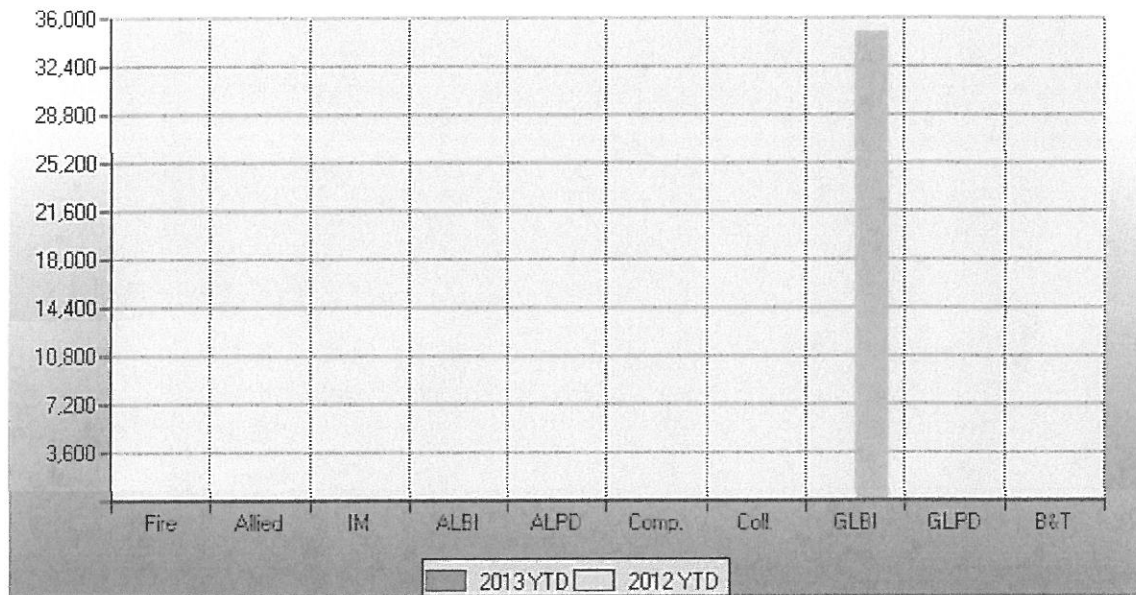
\* This chart shows only incurred amounts that apply to your state.

	2013 YTD	2012 YTD
<b>Fire 11X</b> - Fire, Fire Substation, Lightning, Lightning Substation	0	81,010
<b>Allied 12X</b> - Vandalism, Windstorm, Hail, Theft, Substation	31,951	80,296
<b>IM 199</b> - Inland Marine (includes hydraulics and property in transit)	0	2,907
<b>ALBI 41</b> - Auto Liability / Bodily Injury	0	7,990
<b>ALPD 42</b> - Auto Liability / Physical Damage	0	29,048
<b>Comp. 51X</b> - Auto Comprehensive (includes windshields, fire and other)	1,941	9,829
<b>Coll. 52X</b> - Auto Collision	6,417	10,421
<b>GLBI 71X</b> - General Liability / Bodily Injury (includes electric contacts)	0	45,002
<b>GLPD 72X</b> - General Liability / Property Damage	58,981	163,933
<b>B&amp;T 80X</b> - Burglary and Theft (includes money and securities)	0	0

# System Loss by Line of Business

## Orcas Power & Light Cooperative

Total Incurred\* Year to Date 01/01/2013 through 06/24/2013



\* This chart shows only incurred amounts that apply to your system.

	2013 YTD	2012 YTD
<b>Fire 11X</b> - Fire, Fire Substation, Lightning, Lightning Substation	0	0
<b>Allied 12X</b> - Vandalism, Windstorm, Hail, Theft, Substation	0	0
<b>IM 199</b> - Inland Marine (includes hydraulics and property in transit)	0	0
<b>ALBI 41</b> - Auto Liability / Bodily Injury	0	0
<b>ALPD 42</b> - Auto Liability / Physical Damage	0	0
<b>Comp. 51X</b> - Auto Comprehensive (includes windshields, fire and other)	0	0
<b>Coll. 52X</b> - Auto Collision	0	0
<b>GLBI 71X</b> - General Liability / Bodily Injury (includes electric contacts)	0	35,001
<b>GLPD 72X</b> - General Liability / Property Damage	0	0
<b>B&amp;T 80X</b> - Burglary and Theft (includes money and securities)	0	0

# FEDERATED OPEN LINES

[Culture of Safety Strategy  
Lab Update](#)

[Firestorm Season Arrived  
with Fury](#)

[Insuring Solar  
Installations](#)

[Federated  
News](#)

## The President's Connection

2nd Quarter 2013

### A Community of People



**Phil Irwin**  
President and CEO

Federated serves the rural utility industry and has done so for more than 50 years. We take tremendous pride in what we do and in the service, products and relationships we have established in the rural utility marketplace. According to an article published by Bloomberg in Business Week, the average life expectancy of a multinational corporation, Fortune 500 or its equivalent is between 40 and 50 years.

*"There is a strong correlation between long-term success and long-term member relationships."*

A full one-third of the companies listed in the 1970 Fortune 500, for instance, had vanished by 1983, by being acquired, merged, or broken into pieces.

Why, then, do so many companies die prematurely? There is accumulating evidence that companies die because their managers focus on the economic activity of producing goods and services, and they forget that their organizations' true nature is that of a community of people.

There is a strong correlation between long-term success and long-term member relationships. At Federated, we base our member relationships on trust, cooperation, and collaboration. Not only that, but we also know that the only reason for our existence is to provide quality insurance coverage for our rural utility systems.

At Federated, our organizational structure very closely resembles that of the cooperatives we serve in that we are owned and controlled by our members. We are not driven by market conditions; our goal is to operate at a 100 percent combined ratio – basically, an "at cost" insurance program. If successful, then our investment earnings are able to be returned as member margins.

Since 1999, when Federated converted from a stock insurance company to a reciprocal insurance exchange, \$136.8 million in margins have been allocated back to the membership. Of that amount, \$55 million was returned in cash.



Our goal is to offer our members affordable coverage over the long term ... plus a level of service and support commercial insurance carriers simply cannot match.

The insurance program we provide is based on Safety and Loss Prevention -- much like the program offered to cooperatives in 1959. We continue this tradition by returning a portion of premiums to statewide organizations to help support their job training and safety efforts. In 2013, the amount we returned countrywide was \$3.5 million. This amount includes the 1% bonus contribution, as approved by our Board of Directors, of \$877,000. This brings our total contributions to statewide safety efforts to \$42 million since our inception. We are also very active in other areas. We support RESAP, attend your statewide meetings, work with safety directors, and conduct Culture of Safety Strategy Labs with member cooperatives.

As you can see, we have not forgotten that ours is a community based on the needs and expectations of people. We learned long ago that people don't buy what you do; they buy why you do it. We continue to strive to make every effort to ensure that you will always consider us as your long-term, trusted partner.

As always, let us know how we can help.

## Culture of Safety Strategy Lab Update

[Back to theTop](#)

Federated's Culture of Safety Strategy Lab has been a huge success! We have conducted the Strategy Labs in 25 states involving 207 Safety Directors, 455 Line Workers, 432 Operations Managers, and 400 CEOs. These participants represented 505 electric cooperatives and 29,000+ employees whose work during that timeframe reached approximately 450 million hours. That is a great deal of work from a lot of employees; but we're not stopping. We have more work to do.

At the upcoming Safety Leadership Summit in October 2013, Federated will present the findings for six years of data from our Strategy Labs. We believe the responses and data gained from the Strategy Labs is the most comprehensive safety study ever completed for electric cooperatives. We will share this information with Safety Summit attendees during one of the breakout sessions.

Also, we are consulting with our meeting facilitators to determine the feasibility of continuing with the Strategy Labs and the possibility of returning to previously visited states to gauge the changes in culture of those cooperatives. Additional work with high performing cooperatives is also being considered.

Be sure to register for the Safety Leadership Summit in San Antonio, TX. The dates are October 29-31, 2013. Registration is easy and available online at [www.cooperative.com](http://www.cooperative.com). We hope to see you there!

## Firestorm Season Arrived with Fury

[Back to theTop](#)

Headlines are filled with news of smoke and fire. The recent Colorado wildfire is a stark reminder of how deadly and costly volatile, dry conditions can become.

Given that utilities are prime suspects for such fires, the claims department constantly monitors the news for fires that may occur within our members' service territories.

Once such a fire has been identified, the member is contacted, if they have not already reached out to Federated. Proactive decisions must be made quickly. Even if there is no public speculation as to the cause of the fire, an investigation must occur out of caution.

Federated is fortunate to have long term relationships with attorneys in each state that are very familiar with distribution systems. Federated contacts the appropriate attorney, who then retains the necessary experts.

These experts include:

- Electrical engineers to examine equipment and investigate whether or not the equipment functioned appropriately and met all applicable code requirements
- Cause and origin experts to identify ignition points and track fire spread
- Metallurgists to examine wires, etc to determine the cause of any marks on the wire
- Wood experts to determine soundness of poles, if necessary
- Satellite mapping experts to provide aerial documentation of fire spread and timing

Another necessary step is to retain all pertinent equipment, poles (if necessary) and collected data. These items must be carefully catalogued with chain of control documented. If these items are not retained, their absence may make the defense of a claim more difficult and result in a spoliation of evidence accusation.

Claims from homeowners or their insurance carriers can be quite large. Claims for fire suppression costs can be several million dollars. Given the potential size of the damages involved with these fires, Federated works with its members immediately to try to maximize all defenses available.

## Insuring Solar Installations

[Back to theTop](#)

The growth in the solar industry has been stunning, and seems to be increasing exponentially. The Solar Energy Industries Association (SEIA), an industry trade group that represents more than 1,000 member companies doing solar business in the United States, expects to see at least 5.2 gigawatts of new solar generation to come online in 2013.

"Green" power requirements from members and governmental mandates have pushed systems to become involved with solar generation in many different ways, and the trend is only increasing. For the nation's electric cooperative family, this is leading to new equipment in the field and new risk exposures to manage.

The liability insurance needed for solar installations is primarily related to the premises where the facilities are located. Coverage is needed in case trespassers, whether just curious onlookers, children, or those with more malicious intent, are on the property. This exposure is similar in nature to that of substations, and can be managed in much the same way – using familiar techniques such as lighting, fencing and remotely monitored security measures. The insurance coverage should be automatically covered by a good General Liability policy. Please discuss with your insurer to be sure.

No significant environmental liability exposure has been reported yet. This differs from the other major renewable energy source, wind, which has seen a few claims of noise pollution, notably the low-frequency infrasound and ground absorption of turbine noise.

Property insurance is the more difficult component of coverage, but it is readily available. The coverage is for damage to the equipment; including wind, hail, fire, collapse due to the weight of ice, sleet or snow, vandalism, loss of income, plus more. Optional flood and earth movement coverage can be purchased. Builder's risk coverage is available if not supplied by the contractor.

The contractor building the installation, or the one that built it, is very important to the insurance underwriter. They need to be qualified and certified to handle this kind of project.

Premiums will be based on size, replacement cost, output and coverage desired. This is why



the underwriters of these policies ask so many detailed questions. It is important to get the coverage and pricing correct. These questions are the biggest challenge facing the applicant for this insurance, but with patience and a good team of professionals, it all can be gathered.

Warranty questions are important to these discussions as well. A recent article in the New York Times reported that the \$77 billion solar industry is "facing a quality crisis just as solar panels are on the verge of widespread adoption." The article cited multiple reports of double-digit defect rates for installed components, mostly manufactured in China.

While all solar panels degrade over time, generating less electricity, the Times article said a review of some 30,000 installations in Europe by the German solar monitoring firm Meteocontrol found 80 percent were underperforming. "Testing of six manufacturers' solar panels at two Spanish power plants by Enertis Solar in 2010 found defect rates as high as 34.5 percent," the article said.

These figures are contested by many in the industry, and a good definition of the word "defect" has yet to be agreed on. Suffice it to say at this point that the manufacturer's warranty is critical, because insurance won't cover the defective products or their subsequent potential for income loss.

According to Andrea Wells, in the June 17, 2013 edition of the Insurance Journal, there are 7,700 megawatts (7.7 gigawatts) of solar in operation in the United States today – that's enough energy to power 1.2 million households. Solar power usage has risen by 600 percent since the early years of mass production in 2008. And more than 40 percent of all solar power capacity in the United States came online in 2012 alone. This trend is just beginning, and will soon affect a lot of us in the cooperative program. Please call your Account Executive or Bill West if you need help with any specific need.

Federated News

[Back to theTop](#)

Holiday Closures

July 4

Independence Day

August 23

Federated Day

September 2

Labor Day

New Business

Our sincere appreciation to the following system for choosing Federated for its insurance needs.


**South Kentucky Electric Cooperative**





managed by Federated Rural Electric Management Corp.  
*Make Safety a Core Value*

Web site: [www.federatedrural.com](http://www.federatedrural.com)  
Telephone: (800) 356-8360 Facsimile: (913) 541-9004

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Federated Rural Electric Insurance Exchange | 11875 W. 85th Street | Lenexa | KS | 66214-1519



ORCAS ISLAND ASSOCIATION OF REALTORS®

P.O. Box 192  
Eastsound WA 98245

June 27, 2013

Dear Orcas Power and Light Board of Directors,

The Orcas Island Association of Realtors is urging you to go ahead with the current Broadband Initiative as soon as possible, in conjunction with the purchase of the 700 MHz spectrum. The Association feels that both of these initiatives are critical to San Juan County infrastructure for our digital survival. We would like to acknowledge the important role that the Broadband Initiative will play in our future as a community, and the significant impact not having Broadband would have on our property values.

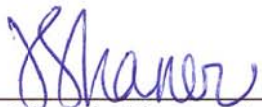
In April 2011 San Juan County Economic Development Council said "San Juan County will soon become a digital desert, with 90% of our maximum broadband connectivity a mere 1.5% of the rest of the world." Other than water, food, and shelter broadband is becoming one of our most important necessities. The majority of our work force relies on the internet in some capacity. More and more families moving here find that one lands a job locally, but the other works remotely. CenturyLink's infrastructure is mostly based in copper, which has a limitation of approximately 15 megabytes per second, whereas fiber optic cable can easily reach speeds of up to 100 megabytes per second. We are sure you are aware of the exponential increase of demand for broadband. Many of us have had clients recently purchase a home to discover that there is no DSL available for them, and that CenturyLink has a waiting list for DSL in some areas.

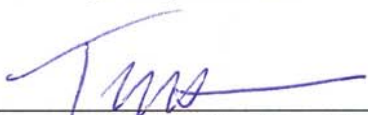
OPALCO is in a unique position to be able to help our county. We know that you are working with CenturyLink and that they are now sitting down with you because of the 900 people that signed up for the initial OPALCO initiative. Your new plan is the minimum that needs to happen so that we in San Juan County do not take a substantial loss in property values because of our rural area and slow broadband speeds.

Respectfully,

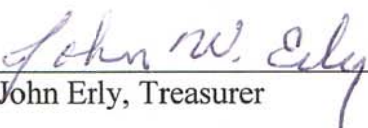
Board of Directors, Orcas Island Association of REALTORS®

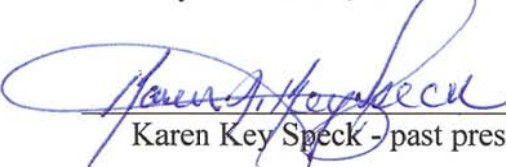
  
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Victoria Shaner, Secretary

  
Teri Williams, Vice President

  
Gwyneth Burrill, member at large

  
John Erly, Treasurer

  
Karen Key Speck - past president