

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 Von Bahr, 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. OBRIEN, 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 & WHESTONE, 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. Bogert voted "no" to the amended motion on the grounds that the motion contained five directives, each of which has significant impact on OPALCO, and as such each should be discussed and considered individually by the Board. The record shall show that the Chair voted in favor.

Fischer, Von Bahr, 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 2nd Quarter Financials would be presented in August.

Adjournment

The meeting adjourned at 3:20 p.m.



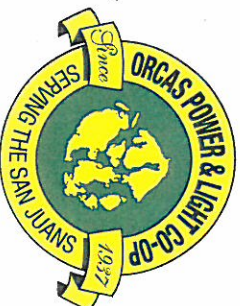
Chris Thomerson, President



Jim Lett, Secretary-Treasurer

ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



Eastsound Office
183 Mount Baker Road
Eastsound, WA 98245-9413
p:(360) 376-3500 f:(360) 376-3505
www.opalco.com

BOARD OF DIRECTORS

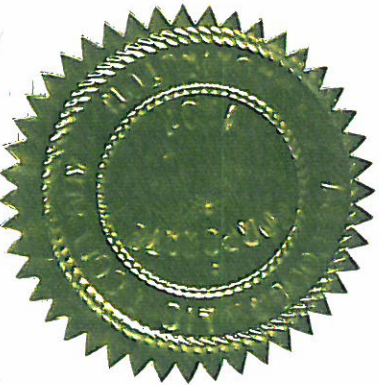
RESOLUTION 5-2013

RUS Signing Authority

RESOLVED that the Board of Directors authorizes Randy J. Cornelius, General Manager; J. Foster Hildreth, Assistant General Manager and Russell Guerry, Manager of Engineering & Operations to sign Form 595 *Financial Requirement & Expenditure Statement* in connection with requisitioning and accounting for Loan Funds.

CERTIFICATION OF SECRETARY

I, Jim Lett, Secretary of Orcas Power and Light Cooperative, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Orcas Power and Light Cooperative, held on the 20th day of June 2013 at which meeting a quorum was present.



Jim Lett, Secretary