



**BOARD OF DIRECTORS  
REGULAR MEETING  
OPALCO Board Room**

1034 Guard Street, Friday Harbor

**Thursday, June 19, 2014 8:30 a.m.**

**TRAVEL**



***Via Island Air***

378-2376 / 378-8129 (cell)

**To:**

Leave Lopez 8:00 a.m.

Arrive FH 8:15 a.m.

**From:**

Leave FH 2:00 p.m.

Arrive Lopez 2:15 p.m.



***Via Ferry:***

**To:**

Leave Lopez 6:50 a.m.

Leave Shaw 7:15 a.m.

Leave Orcas 7:35 a.m.

Arrive FH 8:15 a.m.

**From:**

Leave FH 2:15 p.m.

Arrive Orcas 3:05 p.m.

Shaw 3:20 p.m.

Lopez 3:40 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Monthly Meeting**  
1034 Guard Street, Friday Harbor 376-3549  
**June 19, 2014      8:30 a.m.**

**PAGES**

**WELCOME GUESTS/MEMBERS**

Anne Falcon, EES Consulting

**CONSENT AGENDA**

- 3-4**      ○ April Minutes
- 5-6**      ○ Admission of New Members

**ACTION ITEMS**

- 7**      ○ Capital Credits
- 8-15**      ○ RUS 219s
- 16-17**      ○ Resolution 5-2014 RESAP
- 18-22**      ○ Project PAL
- 23-26**      ○ WECPAC Donation
- 27-29**      ○ NRECA Voting Delegate
- 30-38**      ○ OPALCO Support for Community Solar

**DISCUSSION ITEMS**

- 39**      ○ Annual Meeting Review
- 40**      ○ Policy Committee
- 41**      ○ Rate Discussion (Ongoing)
- 42-90**      • Cost of Service Review ~ Anne Falcon, EES Consulting
- Member Comments

**REPORTS**

- 91**      ○ 2014 First-Quarter Financials
- 92**      ○ Cash Recap
- 93**      ○ Total Fund Balances Chart
- 94**      ○ Outages
- 95**      ○ Safety
- 96-98**      ○ General Manager
- 99**      • Communication Infrastructure Update
- 100-101**      • Distribution Grid Monitoring Technologies
- 102-109**      • NRU Segmentation Update
- 110-113**      • WRECA Update

**INFORMATION ITEMS**

- 114-115**      ○ New Services
- 116**      ○ Historical MORE Revenue
- 117**      ○ Member Billing Revenue History
- 118-119**      ○ BPA Consumption Summary
- 120-121**      ○ Member Communications

**ADJOURNMENT**

# MINUTES OF THE BOARD OF DIRECTORS MEETING

## ORCAS POWER & LIGHT COOPERATIVE

Thursday, April 17, 2014

President Chris Thomerson called the meeting to order at 8:15 a.m. at the Lopez Islander Resort. Directors Winnie Adams, Vince Dauciunas, Glenna Hall, Jim Lett, Bob Myhr and Dr. Jerry Whitfield were present. Also present were General Manager Randy Cornelius, Assistant General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry and Executive Assistant Bev Madan, serving as recording secretary.

### Member/Guests

Jennifer Chu of Moss Adams LLC; Marcus Perry of BPA; Gray Cope (San Juan), Steve Ludwig (Lopez); Rob Thesman (Lopez); Steve Hudson (San Juan); Ted Whitley (Lopez) and Dwight Lewis (Lopez).

### Consent Agenda

- **Motion** made by Lett and seconded to approve the Consent Agenda, which included the March minutes and new members as listed below. Motion carried by voice vote.

#### Blakely

Howlett, Jeffrey

#### Decatur

Halvorson, Leif

#### Lopez

Arnott, Deborah  
Behnke, Joe  
Dye, Aaron  
Giedd-Clark, Marlene  
Leaf, Linaya  
McMurchie, Larry & Gurley, Barbara  
Stoner, Allan W & Meyer-Stoner, Marcia

#### Orcas

Anderson, Adaiah Jo  
Anderson, Jo  
Baillie, Thomas A & Kathleen M  
Buckley, Kristin Troy  
Daoust, Stephen J & Lovella R  
Davis, William J Jr  
Finch, Di  
Griffith, Blair  
Henderson, Sol  
Johnson, Ashley  
Moore, Michael Patricia  
Oldham, Keith T & Guice, Karen  
Pechacek, Laine Craig  
Resource Transition Consultants  
Skillcorn, Shannon  
Sunset Ranch Owners' Association  
Swanson, Andrea R

#### San Juan

Aiello, Paul  
Anderson, Tucker  
Barrett, Michael & Linda  
Borgquist, Brian L  
Christie, Robert & Erin  
Cobb, Wendy  
Davis, Ronald B  
D'Errico, Aaron  
Dragonleaf LLC  
Duke, Julie  
Foss, Beverly J  
Gerber, Alexandra  
Johnson, Jennifer & Erik  
Joyce, Cheryl  
Keane, Jacob  
Kelley, Alana  
Lawson, Hal A & Katharine H Briar  
Leonard, Ron  
Madrona Court Apartments LLC  
Martin, Richard  
Meredith, Janet I  
Metzger, Annette  
Parks, Ann  
Rhodes Jr, Jerry Allan & Rebecca  
Rose, Robby & Johnna  
Ruyle, Justin  
San Juan Heating  
Sanabria, Ame  
Schrippe, Ryan  
Sherwood-Hill, Emmet  
Sutton, Andrew P  
Vague, Hollye  
Willey, Elizabeth  
Yaratan, Samil

### Capital Credits

- **Motion** made by Myhr to approve payment of capital credits to the estates of deceased members as listed below for a total of \$845.45

Louise Edmundson.....\$203.32  
Robert E. Erickson.....\$642.13

### RUS 219s

- **Motion** made by Myhr and seconded to approve submission of RUS Form 219s that include projects completed in January and February from the Construction Work Plan totaling \$214,523.98. Motion carried by voice vote.

## **2013 Financial Statement Audit Report**

Jennifer Chu of Moss Adams LLC presented the draft 2013 audit report with Olga Darlington of Moss Adams LLC teleconferencing. It is the opinion of Moss Adams LLC that the financial statements fairly present the financial position of OPALCO as of December 31, 2013 and 2012.

- **Motion** made by Myhr and seconded to “enthusiastically” accept the findings of Moss Adams LLC and approve the 2013 Financial Statement Audit Report as presented. Motion carried by voice vote.

## **Community Relations Coordinator Position**

Increased member engagement, website enhancements and outreach efforts result in the need for additional communications support staff.

- **Motion** made by Lett and seconded to add this new position to the organizational chart. Motion carried by voice vote.

## **BPA Energy Efficiency Incentive Fund**

Cornelius reviewed the spreadsheet showing fiscal year 2013-14 revenue and expenses and kWh savings. The first two quarters of FY 2014 show rebates to members of \$172,265 representing 610,355 kWh saved. This utilizes all but \$57,560 of the \$229,825 awarded by BPA this fiscal year. Cornelius pointed out that OPALCO opts out of the administration fee, instead awarding 100% of the funds to members in the form of rebates.

## **Cost of Service / BPA Presentation**

Marcus Perry, BPA Senior Account Executive, and Hildreth reviewed OPALCO's power bill, explaining the different components and how each affects our costs. This is the first step in the Cost of Service Study as the Board discusses rate design. The goal is to avoid Tier 2 costs, which are market rates for power.

## **REPORTS**

### **Cash Recap**

Hildreth reported General Funds of \$1,330,486, Cash Reserve of \$1,834,138 and Restricted Funds of \$2,008,260 for a total fund ending balance on March 31 of \$5,172,884.

### **Outages**

There were a total of 13 outages during March, 2 of which were weather related.

### **Safety**

There were no incidents to report during March. The investigation into the September 2013 incident is still ongoing.

### **General Manager**

Cornelius reported that the Energy Savings team has been active in the community and working with the nonprofit partners. Energy Fairs are planned for May and June on each island.

Member Services staff welcome their new supervisor, Patty Kelly, this week and are fully engaged with annual meeting planning, SmartHub enrollment, the WiFi launch at the ferry landings and the system-wide outage planned for May 8-9.

Operations has put out requests for bids for the installation of submarine cable between Lopez and San Juan islands. Bids are expected in May for installation of submarine cable between San Juan and Henry islands.

### **Adjournment**

The meeting adjourned at 11:30 a.m.

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Chris Thomerson, President

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Jim Lett, Secretary-Treasurer



## New Members April/May 2014

### Center

1. Mead, Jeromie

### Decatur

2. Drake, Tammy & Robert

### Henry

3. Johnson, Jeff

### Lopez

4. Blanchard-Smith, Beth & Smith, Felix Moser
5. Brower, Tyler
6. Butterfly Boutique
7. Danforth, Laura
8. Despain, Naomi & Phelps, Lisa
9. Dragseth, John A
10. Mitchell, Heather
11. Natapow, Kevin & Jennifer
12. Obleman, Karen
13. Obleman, Karin
14. Smith, Skyler
15. Wedaa, Mercedes R
16. Williams, John & Anne
17. Wilson, Deborah & Clay
18. Zapalac, Diana

### Orcas

19. Aloha Spirits LLC
20. Burton, William
21. Carl, John
22. Cookston, Keegan
23. Crouzier, Wellesley
24. Dhaliwal, Karter & Harjeet
25. Dowling, Ciaran & Duke, Rachel
26. Doyle, Todd & Lori
27. Ferguson, Sherwin & Robert
28. Feuer, Carrie
29. Fugere, Jeremy & Autumn
30. Gentry, Marian M
31. Graber, James
32. Heidecke, Adam
33. Heitman, Grant
34. Hendrich, Susan M
35. Island Time Holdings, LLC
36. Kelly, Megan
37. Leimback, Vicki A
38. Limbach, Learner
39. Miller, Laura & Michael
40. Palmer, Gail & Richard
41. Pearl Summer Austin Mudd Settlement
42. Pechacek, Laine & Craig
43. Ramenofsky, Brent & Cisneros, Roxana
44. Rodriguez Valdez, Mauro & Ignacio Cruz Gonzalez
45. Rose, Kelly
46. Rosenkilde, Gavin
47. Santonocito, Robert
48. Shaffer-Bauck, James
49. Smith, Glenda
50. Smith, Micheal

51. Smith, Steve & Jennifer
52. Spain, Sam
53. Thibault, Alan & Shauna
54. Tucker, Melanie & Thomas
55. Vincent, Christine & Becker, William
56. Whitehead, Charles
57. Williams, Scott

### San Juan

58. Albert, Peter
59. Atwell, Angela
60. Aubert, Dante & Massarat, Deborah
61. Bankruptcy Estate of Douglas & Susan Hayes
62. Boardman, Tyler
63. Boland, Joshua
64. Bowman, Blake
65. Buckwalter, Jesse & Maynard, Jill
66. Carpentier, Brandy
67. Columna, Derek & Knowles, Chelsey
68. Cuomo, Robert
69. Cuomo, Wendy
70. Davis, Birsen
71. Farr, Elizabeth
72. Felton, Dave
73. Fihn, Nathan & Hooper, Quinn
74. Finley, Doug & Pamela
75. Friday Harbor House Of Jerky
76. Gallaty, Blaine & De'An
77. Galli, Attilio
78. Garcia, Maria
79. Hand to Shoulder Therapy PLLC
80. Harada, Jenifer
81. Harbortyme LLC
82. Hemingway, Hyrum
83. Hennen, John & Nancy
84. Henrie, James Scott
85. Herdy, Amy & Claussen, Matt
86. Higgins, Ricky D
87. Hindle, Robert
88. Hoyne, Kathleen & Stringer, Roberta M
89. James, Tara
90. Kentner, Adrienne E
91. Kiser, Daniel
92. Kruse, Kimberly J
93. Kuller, Linda
94. Kyser, Brian
95. Lopez, Romulo
96. Lueders, John D & Larson, Elizabeth A
97. Masessa, Millissa L
98. Mayer, Paul C & Kimberly A
99. Meenan, Richard & Karen S
100. Milinsky, Mary Griggs
101. Miller, Kim
102. Neugebauer, Whitney
103. Newport, Sam
104. Owens, Brent
105. Pacheco, Antonio
106. Patrick, Danielle
107. Perren, Beverly
108. Potter, John M

109. Roark, Dennis
110. Roberts, Roy Leith
111. Ross, Nathan
112. San Juan Lots LLC
113. Sawyer, Katherine
114. Schmidt, Ethan
115. Serenbetz, Clay
116. Seubert, Michael O
117. Stehle, Carla
118. Thurling, Toni
119. Ulrey, Judi
120. Walsh, Kate
121. Ware, Gary
122. Wayner, Zachary Kyle
123. Weaver, Julie
124. Wehner, Holly
125. Whitis, Jessica
126. Whybren, Heather
127. Williams, Myron C & Penny
128. Yarborough, Glenn C & Victorio Austin
129. Yergenson, Pamela J

**Shaw**

130. Swanson, Chad
131. Wysocki, Anne Frances & Lynch, Dennis

CAPITAL CREDITS  
May-June 2014

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

Robert A. Anderson.....	\$1,198.93
Jane Barfoot-Hodde .....	\$786.43
George Bartell, Jr. ....	\$415.19
Barbara E. Dann .....	\$2,438.26
James M. Drake .....	\$1,148.56
Avis A. Honaker .....	\$59.90
Susan M. Ross.....	\$301.67
Dion B. C. Sutton .....	\$806.98

**Total ..... \$7,155.92**

MEMORANDUM

June 9, 2014

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

March projects completed from the Construction Work Plan:

Inventory #201403 .....\$13,346.08  
*San Juan: Lawson Road replaced rusted transformers, changed out rusted 3-phase transformer; Pleasant Valley Road replaced rusted transclosure  
Orcas: overhead section converted to underground, pole removed*

April projects completed from the Construction Work Plan:

Inventory #201404 .....\$579,214.29  
*Lopez: Ferry Road conversion to UG, change out transclosure, Tinkham Lane replace cable  
Orcas: Eastsound substation replaced breaker; removed old pedestal, rerouted cable and replaced with VFI; Judd Cove URD replacement; relocated transformer and installed conduit for URD replacement; Buck Mountain replaced URD cable  
San Juan, changed out transformer; Halvorson Road pole replacement; Wood Duck Lane cable replacement; Hanna Heights URD cable replacement  
Shaw: Indian Cove Road recloser;*  
Inventory #1404M (minor projects) .....\$10,478.67  
*Lopez: OH section and pole;  
San Juan: remove OH section and replace with UG secondary*

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$603,039.

04/23/2014 8:39:40 am

Page: 4

RUS Form 219 Inventory Of Work Orders

Period: MAR 2014

System Designation: WA AH O9

Inventory : 201403

Budget		
Loan	Project	Amount
1	601	12,043.01
1	606	1,303.07
Total:		13,346.08

**BORROWER CERTIFICATION**

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

**ENGINEERING CERTIFICATION**

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Mietzner P.E.  
INSPECTION PERFORMED BY

OPALCO

FIRM

42902

3/16/15

LICENSE NUMBER

DATE

Signature  
SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/15

04/23/2014 8:39:40 am

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: MAR 2014

System Designation: WA AH O9

Inventory: 201403

Loan		Work Order Construction (1)	Gross Funds Required		Deductions			Loan Funds Subject To Advance By RUS (9)
			Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)	Contrib In Aid Of Constr and Previous Advances (8)	
Project	Year	Retirement (2)	Bdgt (3)					
601	2013	1403						
		1403	1	9,054.80	118.99	0.00	0.00	9,173.79
601	2013	1507						
		1507	1	136.15	0.00	0.00	0.00	136.15
601	2013	1510						
		1510	1	2,403.28	329.79	0.00	0.00	2,733.07
				11,594.23	448.78	0.00	0.00	12,043.01
606	2013	1496						
		1496	1	718.66	584.41	0.00	0.00	1,303.07
				718.66	584.41	0.00	0.00	1,303.07
Grand Totals:				\$ 12,312.89	\$ 1,033.19	\$ 0.00	\$ 0.00	\$ 13,346.08

05/28/2014 11:39:13 am

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RUS Form 219 Inventory Of Work Orders

Period: APR 2014System Designation: WA AH O9

Inventory : 201404

Budget		
Loan	Project	Amount
1	322	174,961.80
1	504	103,849.46
1	601	3,603.03
1	603	-3,610.72
1	606	9,850.29
1	608	201,370.27
1	608 - 914	89,190.16
Total:		579,214.29

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Metzner P.E.

OPH & CO

INSPECTION PERFORMED BY

FIRM

42902

3/16/15

Joel Metzner P.E.

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/15

05/28/2014 11:39:13 am

RUS Form 219 Inventory Of Work Orders

Period: APR 2014

System Designation: WA AH O9

Inventory: 201404		Work Order Construction (1)		Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year	Retirement (2)	Bdgt (3)	Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
322	2011	1274	1						
		1274		162,466.51	12,495.29	0.00	0.00	0.00	174,961.80
				162,466.51	12,495.29	0.00	0.00	0.00	174,961.80
504	2013	1412	1						
		1412		103,409.67	439.79	0.00	0.00	0.00	103,849.46
				103,409.67	439.79	0.00	0.00	0.00	103,849.46
601	2013	1553	1						
		1553		1,906.36	583.54	0.00	0.00	0.00	2,489.90
601	2014	1632	1						
		1632		818.46	294.67	0.00	0.00	0.00	1,113.13
				2,724.82	878.21	0.00	0.00	0.00	3,603.03
603	2011	11045-29	1						
				6,020.46	0.00	0.00	0.00	0.00	6,020.46
603	2011	1241	1						
		1241		3,437.91	487.20	13,556.29	0.00	0.00	-9,631.18
				9,458.37	487.20	13,556.29	0.00	0.00	-3,610.72
606	2013	1529	1						
		1529		8,753.54	1,096.75	0.00	0.00	0.00	9,850.29
				8,753.54	1,096.75	0.00	0.00	0.00	9,850.29
608	2013	1471	1						
		1471		26,147.71	748.89	0.00	0.00	0.00	26,896.60
608	2013	1483	1						
				14,104.01	0.00	0.00	0.00	0.00	14,104.01
608	2013	1508	1						
		1508		140,608.20	3,510.28	170.05	0.00	0.00	143,948.43
608	2013	1540	1						
		1540		7,270.29	0.00	0.00	0.00	0.00	7,270.29
608	2014	1561	1						
		1561		8,845.93	305.01	0.00	0.00	0.00	9,150.94
				196,976.14	4,564.18	170.05	0.00	0.00	201,370.27
608 - 914	2011	1153	1						
		1153		88,869.84	320.32	0.00	0.00	0.00	89,190.16



RUS Form 219 Inventory Of Work Orders

Period: APR 2014System Designation: WA AH O9

Inventory: 201404				Gross Funds Required		Deductions			
		Work Order Construction (1)		Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)	Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Loan									
Project	Year	Retirement (2)	Bdgt (3)						
				88,869.84	320.32	0.00	0.00	0.00	89,190.16
Grand Totals:				\$ 572,658.89	\$ 20,281.74	\$ 13,726.34	\$ 0.00	\$ 0.00	\$ 579,214.29

05/28/2014 11:39:13 am

Page: 6

RUS Form 219 Inventory Of Work Orders

Period: APR 2014

System Designation: WA AH O9

Inventory : 1404M

Budget		
Loan	Project	Amount
1	1600	10,478.67
Total:		10,478.67



EXPIRES 3/16/15

ENVIRONMENTAL CERTIFICATION

- 1 ☒ WE CERTIFY THAT CONSTRUCTION REPORTED ON THE LISTED WORK ORDERS (EXCEPT CERTIFICATION "2" BELOW), IS A CATEGORICAL EXCLUSION OF A TYPE DESCRIBED IN 7 CFR 1794.31 (b) WHICH NORMALLY DOES NOT REQUIRE PREPARATION OF A BORROWER'S ENVIRONMENTAL REPORT.
- 2 ☐ WE CERTIFY THAT CONSTRUCTION REPORTED ON WORK ORDERS IS A CATEGORICAL EXCLUSION OF A TYPE THAT NORMALLY REQUIRES A BORROWER'S ENVIRONMENTAL REPORT WHICH IS ATTACHED.

SIGNATURE (MANAGER)

DATE

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Mietzner P.E.

CPALCO

INSPECTION PERFORMED BY

FIRM

42902

3/16/15

LICENSE NUMBER

DATE

Joel Mietzner P.E.

SIGNATURE OF LICENSED ENGINEER

05/28/2014 11:39:13 am

RUS Form 219 Inventory Of Work Orders

Page: 2

Period: APR 2014

System Designation: WA AH O9

Inventory: 1404M

		Work Order Construction (1)		Gross Funds Required		Deductions			
Loan				Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)	Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year	Retirement (2)	Bdgt (3)						
1600	2014	1559							
		1559	1	2,099.25	89.49	0.00	0.00	0.00	2,188.74
1600	2014	1574							
		1574	1	7,515.94	800.44	26.45	0.00	0.00	8,289.93
				9,615.19	889.93	26.45	0.00	0.00	10,478.67
Grand Totals:				\$ 9,615.19	\$ 889.93	\$ 26.45	\$ 0.00	\$ 0.00	\$ 10,478.67

Minor Construction Work Orders

✓ Work Order: 1559 - MEMBER AGREED TO DIG TRENCH & PROVIDE CONDUIT AND RELOCATE EXIST METERBASE. WE REMOVE OH SEC & POLE. WE PROVIDE UG SEC WIRE.

✓ Work Order: 1574 - REMOVE OH SEC SERVING #1090421-097 AND REPLACE WITH UG SECONDARY.

MEMORANDUM

May 12, 2014

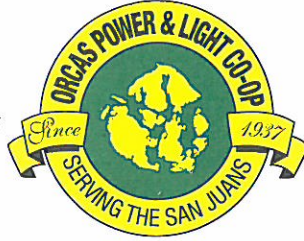
TO: Board of Directors  
FROM: Randy J. Cornelius  
RE: Resolution 5-2014

Resolution 5-2014 "Rural Electric Safety Achievement Program (RESAP) Participation" is another step in the application process for membership in the RESAP program through NRECA.

Staff requests a motion to approve Resolution 5-2014 so that we can continue with the application process.

# 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 5-2014

#### Rural Electric Safety Achievement Program (RESAP) Participation

**WHEREAS** the Board of Directors and Management of Orcas Power & Light Cooperative recognize that the safety of all cooperative employees is of paramount importance to the success and sustainability of the cooperative; and

**WHEREAS** we hold safety as an essential organizational value; and

**WHEREAS** the need to complete a job efficiently should never take priority over the need to perform it safely; and

**WHEREAS** Managers and Supervisors are responsible for maintaining safe working conditions and implementing effective safety programs; and

**WHEREAS** all employees of Orcas Power & Light Cooperative must take an active role in protecting themselves, fellow employees, cooperative members and the general public from unsafe conditions; and

**WHEREAS** employees are expected to follow safe work practices and procedures and adhere to all Orcas Power & Light Cooperative rules.

**NOW THEREFORE BE IT RESOLVED** that the Board of Directors supports establishing an enterprise-wide safety culture at Orcas Power & Light Cooperative, including, but not limited to, participation in the Rural Electric Safety Achievement program (RESAP).

#### CERTIFICATION OF SECRETARY

I, Jerry Whitfield, 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 19<sup>th</sup> day of June, 2014 at which meeting a quorum was present.

SEAL

Jerry Whitfield, Secretary



# MEMORANDUM

June 4, 2014

TO: Board of Directors  
FROM: Randy J. Cornelius  
RE: Project PAL Funding

I am requesting the Board allow staff to add \$20,000 to the PAL program account to help fill the gap between award requests and available funds in the PAL account. This would be a temporary stopgap measure until a needs assessment can be performed that will determine how best to meet the funding needs of the PAL program. The needs assessment would provide information that would assist staff in developing a permanent solution to the PAL funding, which the Board could then approve.

The \$20,000 would go into an account and a policy written so that these funds are used as a last resort. PAL funds contributed by members' "rounding up" would be used first, then the \$20,000 if needed. The overall trend is that PAL "round up" contributions are declining, yet the requests are increasing along with the cost of power.

I have attached the highlights of both the 2013 and 2014 PAL council reports. You can see that there was an increase in contributions through members "rounding up", mainly due to the efforts of staff encouraging members to "round up". Even with this effort, funding is less than what is needed.

The PAL Committee has worked hard to stretch the funding. They have increased the income eligibility level<sup>1</sup> and decreased the amount of each award from \$250 to \$150 per season. With 50% of the funding earmarked for seniors and the disabled, too many remain unable to pay their power bills, even with the help from the PAL program.

We have been asked several times to investigate the possibility of forming a 501(c)(3) so that contributions would be tax deductible. We explored this with our former attorneys and they concluded that the cost was not worth the effort. We need to look at some other way members can contribute to PAL so donations are tax deductible. As of this past year, the Orcas Island Community Foundation is able to accept contributions up to \$3000 annually for PAL and they are tax deductible; we received about \$1500 through this effort.

I request that the Board make a motion to allow staff to put \$20,000 into the PAL account for the 2014-15 heating season and to add \$20,000 to the 2015 budget for PAL.

<sup>1</sup>2014 Federal Poverty Level Guidelines Attached

### **Project PAL Annual Meeting Highlights 2013**

- For the 2013-14 PAL season the poverty guidelines would stay at 200%.
- The maximum award amount of \$150 will remain for the 2013-14 year.
- The Project PAL application is now available in Spanish
- The application is currently being setup to be completed online.
- Total contributions October 2012 – March 2013 = \$12,855.92, an increase of \$958.85 over the previous year
- Private donations totaled \$5,211.13
- 227 applications were approved between October 2012 and April 2013; 135 were seniors and/or disabled
- Total awarded was \$32,700

### **Project PAL Annual Meeting Highlights 2014**

- Total contributions October 2013 –March 2014 decreased by \$61.36 compared to the same period 2012-13.
- Round up contributors increased by 14, bring the total to 3,143.
- Round up is bringing in an average of \$2,125 per month, or \$25,500 per year.
- Other donations increased by \$2,142.32 over last year and totaled \$7,353.45 for October 2013-April 2014.
- There was a marked increase in December, January and February; bill messaging was all about PAL during this time.
- 233 applications were approved between October 2013 through April 2014; 119 were seniors and/or disabled.
- Total awarded was \$36,519.14, of that \$17,928.14 was granted to the 119 senior or disabled applicants.
- The May 2014 ending balance is \$14,794.57.





Georgetown University  
Health Policy Institute  
CENTER FOR CHILDREN  
AND FAMILIES

## 2014 Federal Poverty Level Guidelines

(All states and DC except Alaska and Hawaii)

Annual Guidelines								
Family Size	100%	133%	150%	185%	200%	250%	300%	400%
1	\$11,670.00	\$15,521.10	\$17,505.00	\$21,589.50	\$23,340.00	\$29,175.00	\$35,010.00	\$46,680.00
2	\$15,730.00	\$20,920.90	\$23,595.00	\$29,100.50	\$31,460.00	\$39,325.00	\$47,190.00	\$62,920.00
3	\$19,790.00	\$26,320.70	\$29,685.00	\$36,611.50	\$39,580.00	\$49,475.00	\$59,370.00	\$79,160.00
4	\$23,850.00	\$31,720.50	\$35,775.00	\$44,122.50	\$47,700.00	\$59,625.00	\$71,550.00	\$95,400.00
5	\$27,910.00	\$37,120.30	\$41,865.00	\$51,633.50	\$55,820.00	\$69,775.00	\$83,730.00	\$111,640.00
6	\$31,970.00	\$42,520.10	\$47,955.00	\$59,144.50	\$63,940.00	\$79,925.00	\$95,910.00	\$127,880.00
7	\$36,030.00	\$47,919.90	\$54,045.00	\$66,655.50	\$72,060.00	\$90,075.00	\$108,090.00	\$144,120.00
8*	\$40,090.00	\$53,319.70	\$60,135.00	\$74,166.50	\$80,180.00	\$100,225.00	\$120,270.00	\$160,360.00

\* Note: For family units of more than 8 members or families residing in Alaska or Hawaii, see the *Federal Register*.

Monthly Guidelines								
Family Size	100%	133%	150%	185%	200%	250%	300%	400%
1	\$972.50	\$1,293.43	\$1,458.75	\$1,799.13	\$1,945.00	\$2,431.25	\$2,917.50	\$3,890.00
2	\$1,310.83	\$1,743.41	\$1,966.25	\$2,425.04	\$2,621.67	\$3,277.08	\$3,932.50	\$5,243.33
3	\$1,649.17	\$2,193.39	\$2,473.75	\$3,050.96	\$3,298.33	\$4,122.92	\$4,947.50	\$6,596.67
4	\$1,987.50	\$2,643.38	\$2,981.25	\$3,676.88	\$3,975.00	\$4,968.75	\$5,962.50	\$7,950.00
5	\$2,325.83	\$3,093.36	\$3,488.75	\$4,302.79	\$4,651.67	\$5,814.58	\$6,977.50	\$9,303.33
6	\$2,664.17	\$3,543.34	\$3,996.25	\$4,928.71	\$5,328.33	\$6,660.42	\$7,992.50	\$10,656.67
7	\$3,002.50	\$3,993.33	\$4,503.75	\$5,554.63	\$6,005.00	\$7,506.25	\$9,007.50	\$12,010.00
8	\$3,340.83	\$4,443.31	\$5,011.25	\$6,180.54	\$6,681.67	\$8,352.08	\$10,022.50	\$13,363.33

Source: *Federal Register*, Vol. 79, No. 14, January 22, 2014, pp. 3593-3594. Also see <http://aspe.hhs.gov/poverty>.

Updated: 1/28/14



2013-2014

Collection Month	Round-Up Contribution	No. of Round-Up Contrib's	Other Donations	Marketing Effort/ ADJ	Int.	Total PAL Grants	No. of Senior/ Disabled Grants	Grant \$ to Senior Disabled	**50% Grant \$ Avail to Sen/Disab	Total No. of Grants	Balance
<b>BAL FORWARDED Sept. 30, 2013</b>											\$ 29,075.50
October-13	\$ 2,034.69		\$439.66	\$0.23	\$ 2.47						\$ 31,552.55
November-13	\$ 2,219.76		\$764.22		\$ 1.47	(\$8,100.00)	38	\$5,700.00	\$13,219.00	54	\$ 26,438.00
December-13	\$ 2,128.81		\$3,178.45		\$ 1.14	(\$7,650.00)	25	\$3,750.00	\$12,048.20	51	\$ 24,096.40
January-14	\$ 2,168.43		\$1,198.44		\$ 1.03	(\$5,550.00)	16	\$2,450.00	\$10,957.15	36	\$ 21,914.30
February-14	\$ 2,133.56		\$1,491.16	\$1.00	\$ 0.86	(\$9,150.00)	20	\$3,000.00	\$8,195.44	58	\$ 16,390.88
March-14	\$ 2,109.31	3143	\$53.66		\$ 0.72	(\$3,641.00)	14	\$2,100.00	\$7,456.78	22	\$ 14,913.57
April-14	\$ 2,080.66	3146	\$227.86		\$ 0.62	(\$2,400.00)	5	\$900.00		11	\$ 14,822.71
May-14						(\$28.14)	1	\$28.14		1	\$ 14,794.57
June-14											\$ 14,794.57
July-14											\$ 14,794.57
August-14											\$ 14,794.57
September-14											\$ 14,794.57
<b>Year-To-Date Totals</b>	\$ 14,875.22	6289	7353.45	1.23	8.31	-36519.14	119	17928.14	51876.57	233	
<b>**50% of PAL funds are to be given to seniors and disabled:</b> Beginning balance is from General Ledger #128.13. Donations each month are in #253.2; usually via cash drawer											

# Pizza for Project PAL



**Thursdays in June at Doe Bay**

\$1 from each pizza sold will help  
keep islanders warm during the heating season.  
It's islanders helping islanders. Come join us!

**[www.opalco.com/PAL](http://www.opalco.com/PAL)**

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# MEMORANDUM

June 6, 2014

TO: Board of Directors  
FROM: Randy J. Cornelius  
RE: WECPAC Contribution

Attached is a FAQ regarding WECPAC (Washington Electric Cooperatives PAC). Kent Lopez is requesting a \$1000 donation from each of the WRECA member cooperatives.

The initial list of legislators that we would like to support will require almost three times the amount of funds currently in the WECPAC fund. Without the donations from WRECA members, fewer legislative candidates will receive financial support.

Staff recommends the Board make a motion to approve contributing \$1,000 to the WECPAC fund.

## WECPAC FAQ

### 1. What is a Political Action Committee (PAC)?

A Political Action Committee is a committee established by an organization or individuals to financially support or oppose political candidates or ballot initiatives. There are two primary types of PACs; federal PACs and state PACs.

Federal PACs are established for supporting federal political candidates and are governed by rules and regulations of the Federal Election Commission (FEC). Many electric cooperative members participate in the Action Committee for Rural Electrification (ACRE) which is a federal PAC sponsored by and administered by the National Rural Electric Cooperative Association (NRECA).

In Washington, the state's Public Disclosure Commission (PDC) regulates the state PACs which are established for supporting or opposing state political candidates and ballot measures.

### 2. What is the Washington Electric Cooperative Political Action Committee (WECPAC)?

WECPAC is a state PAC established by the Washington Rural Electric Cooperative Association (WRECA) to support members of the Washington State Legislature who support the goals and objectives of the WRECA members.

### 3. Who can contribute to a PAC?

In Washington State, individuals, corporations (such as electric cooperatives), other PACs, unions and many other entities are allowed to contribute to WECPAC. The only prohibition is contributions from candidate committees – the political committees set up by the political candidates themselves. There are no limits to the amount of a contribution to WECPAC from any permitted contributor, or to how often contributions may be made.

The rules for federal PACs such as ACRE are very different and basically limit contributions to specific classes of individuals. In the case of ACRE, for example, the only individuals who can contribute to the PAC are members of an electric cooperative or the upper management of the electric cooperative.

### 4. Who manages WECPAC?

The WRECA staff is listed as the management of WECPAC. The staff is responsible for the accounting of the WECPAC contributions and expenditures as well as the reporting required by the PDC. An account report is given to the WRECA Board of Directors at each WRECA board meeting.

### 5. Who decides how WECPAC funds are distributed?

The WRECA staff proposes a list of political candidates to receive contributions from WECPAC and suggests the contribution amounts. This list is reviewed by the WRECA officers and the WRECA Legislative Advisory Committee. Once there is agreement on the list of recipients and the contribution amounts, the WRECA staff makes the contributions to the political candidates.

### 6. Where can I get more information about WECPAC or the public disclosure laws in Washington?

The PDC is the best place to get any answers to your questions. The PDC website is [www.pdc.wa.gov](http://www.pdc.wa.gov). While there, you can see all of the registration information and activity reports filed by WECPAC with the PDC. WECPAC is listed as "WA Electric Cooperative PAC".

# CONTRIBUTION LIMITS

2014

## CONTRIBUTORS

	State Party	County and LD Party Committees (Jointly)	Caucus Political Committee	Candidate Committees	Pacs, Unions, Corps and other entities		Individuals
State Party	Not Applicable	No Limit	No Limit	Only from Surplus Funds No Limit	\$5,000 per calendar year (non-exempt)	No Limit (exempt)	No Limit
County or LD Party Committee	No Limit	No Limit	No Limit	Only from Surplus Funds No Limit	\$5,000 per calendar year (non-exempt)	No Limit (exempt)	No Limit
Caucus Political Committee	No Limit	No Limit	No Limit	Only from Surplus Funds No Limit	\$950 per calendar year	No Limit	No Limit
State Executive Candidate	\$0.95 per Reg. Voter per cycle	\$0.50 per Reg. Voter per cycle	\$0.95 per Reg. Voter per cycle	Prohibited	\$1,900 per election	\$1,900 per election	\$1,900 per election
Legislative Candidate	\$0.95 per Reg. Voter per cycle	\$0.50 per Reg. Voter per cycle	\$0.95 per Reg. Voter per cycle	Prohibited	\$950 per election	\$950 per election	\$950 per election
Judicial Candidate	\$1,900 per election	\$1,900 per election	\$1,900 per election	Prohibited	\$1,900 per election	\$1,900 per election	\$1,900 per election
LOCAL OFFICES: • County Office • Mayor • City Council • School Board	\$0.95 per Reg. Voter per cycle	\$0.50 per Reg. Voter per cycle	\$0.95 per Reg. Voter per cycle	Prohibited	\$950 per election	\$950 per election	\$950 per election
King Co Hospital Dists 1 & 2 and Snohomish Co Hosp Dist 2	\$0.95 per Reg. Voter per cycle	\$0.50 per Reg. Voter per cycle	\$0.95 per Reg. Voter per cycle	Prohibited	\$950 per election	\$950 per election	\$950 per election
Port of Seattle and Port of Tacoma Commissioner Candidates	\$0.95 per Reg. Voter per cycle	\$0.50 per Reg. Voter per cycle	\$0.95 per Reg. Voter per cycle	Prohibited	\$1,900 per election	\$1,900 per election	\$1,900 per election
PACS	No Limit	No Limit	No Limit	Prohibited	No Limit	No Limit	No Limit

## RECIPIENTS

- **Per cycle** means aggregate during the period from January 1 after the date of the previous general election for the office through December 31 after the upcoming general election for the office.
- **Per election** means per each primary, general, or special election for that office.
- **Per calendar year** means aggregate during the period from January 1 through December 31 each year.
- Contributions designated for the exempt account of a bona fide political party are NOT subject to limit, except **during the 21 days before the general election** when the \$5,000 maximum applies. See next column.
- **During the 21 days before the general election**, no contributor may donate over \$50,000 in the aggregate to a candidate for statewide office, or over \$5,000 in the aggregate to a candidate for any other office or to a political committee. This

includes contributions to a party committee, as well as a candidate's personal contributions to his/her own campaign. It does not apply to contributions from the state committee of the WA State Democratic, Republican or Libertarian Party or from a minor party.

The state law prohibiting campaigns from receiving contributions of more than \$5,000 within 21 days of a general election no longer applies to ballot measure committees, pursuant to the federal court ruling in *Family PAC v. McKenna et al.*, 9<sup>th</sup> Circuit Court of Appeals No. 10-35832 (Dec. 29, 2011). The statute is RCW 42.17A.420 (former RCW 42.17.105(8)).

## Contribution Limits to Candidates Subject to Limits

A candidate subject to limits is prohibited from accepting aggregate contributions exceeding the following amounts:

Source of Contribution	to State Executive or Port Comm'r* candidates	to Legislative, County Office, Mayor, City Council, or School Director Candidate, Hospital Comm'r candidates**
Individual	\$1,900 <sup>1</sup>	\$950 <sup>1</sup>
Union or Business	\$1,900 <sup>1</sup>	\$950 <sup>1</sup>
Political Action Committee	\$1,900 <sup>1</sup>	\$950 <sup>1</sup>
State Party Central Committee	95¢ per voter <sup>2,5</sup>	95¢ per voter <sup>2,5</sup>
Legislative District Comm	50¢ per voter <sup>3,4,5</sup>	50¢ per voter <sup>3,4,5</sup>
County Party Central Comm	50¢ per voter <sup>3,4,5</sup>	50¢ per voter <sup>3,4,5</sup>
Legislative Caucus Comm	95¢ per voter <sup>2,5</sup>	95¢ per voter <sup>2,5</sup>
*only in port districts with more than 200,000 registered voters as of the last General Election		
**only in hospital districts with populations greater than 150,000		

1 This is a per election limit; each primary, general and special election is considered a separate election. This limit does not apply to the candidate using personal funds to give to his or her own campaign. The limit does apply to the candidate's spouse.

**Primary election contributions must be made on or before the date of the primary unless a candidate lost the primary and has debt to retire.** Contributors may continue to make contributions to a candidate who loses the primary election and has insufficient funds to pay debts outstanding until the debt is retired or 30 days after the primary, whichever comes first.

**General election contributions must be made no later than December 31 of the election year.**

During the 21 days before the general election, no candidate for legislative office or local office may contribute to his or her own campaign more than \$5,000 in the aggregate, and no candidate for state executive office or Supreme Court justice may contribute to his or her own campaign more than \$50,000 in the aggregate.

2 The limit amount of \$.95 times the number of registered voters in the jurisdiction (as of the last general election) is for the entire election cycle. The election cycle is from January 1 after the last election for the office or the start of the candidate's campaign -- whichever is later -- through December 31 of the election year in which election is sought. Contributions must be made no later than December 31 of the election year.

3 During the election cycle (defined in #2 above), all county central committees and legislative district committees in the state share a combined limit to each candidate of \$.50 times the number of registered voters statewide as of the last general election. (However, during the 21 days before the general election, neither a county central committee nor a legislative district committee may give a state executive office candidate more than \$50,000 in the aggregate.) Contributions must be made on or before December 31 of the election year.

4 A county central and legislative district committee may only contribute to a candidate if voters residing in the city, county or legislative district are entitled to elect the candidate to the office sought. During the election cycle (defined in #2 above), a legislative district committee, in conjunction with all county central committees in that district, share a combined per candidate limit of \$.50 times the number of registered voters in the legislative district as of the last general election. (However, during the 21 days before the general, neither a county central committee nor a legislative district committee may give a city, county or legislative candidate more than \$5,000 in the aggregate.) Contributions must be made on or before December 31 of the election year.

5 The limit amount is for the entire election cycle. The election cycle is from January 1 after the last election for the office or the start of the candidate's campaign -- whichever is later -- through December 31 of the year in which election is sought. (However, during the 21 days before the general, a caucus political committee may not give a state executive candidate more than \$50,000 in the aggregate or a city, county or legislative candidate more than \$5,000 in the aggregate.) Contributions must be made on or before December 31 of the election year.

# MEMORANDUM

June 10, 2014

TO: Board of Directors

FROM: Randy J. Cornelius


RE: Voting Delegate for 2014 NRECA Regional Meeting

Staff requests that the Board designate, in the form of a motion, an official voting delegate and an alternate for the NRECA 2014 Regional Meeting to be held in Omaha, Nebraska October 15-16, 2014.

As a point of reference, Foster Hildreth was the voting delegate last year with Chris Thomerson the alternate.



**National Rural Electric  
Cooperative Association**

A Touchstone Energy\* Cooperative 

## **2014 Voting Delegate and Alternate Delegate Certification**

June 4, 2014

To: CEOs/General Managers, NRECA Voting Member Systems

From: Member Counsel Unit, NRECA Office of General Counsel

Subject: NRECA 2014 Regional Meeting Voting Delegate Certification

Participation in the Regional Business Meeting is an important step in NRECA's grassroots policymaking process. The Regional Meetings are the place where co-op leaders meet to discuss how energy policy impacts Co-op Nation and your local community. Last year, only 59 percent of cooperatives' voting delegates participated at the NRECA Regional Business Meetings. We hope you plan to certify a delegate for your upcoming Regional Meeting and that your delegate will participate with their vote!

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

- Per the NRECA Bylaws, the cooperative's board of directors or the cooperative's membership may vote to select one of its members, directors, or employees to serve as the cooperative's voting delegate and one to serve as the alternate delegate.
- Don't want to change last year's delegate? Simply check the "No Change" box for that delegate and/or alternate. If you do have changes, note them on the lines provided.
- **Your cooperative's board president/chair and board secretary must sign and return the certification form annually**, regardless of whether or not changes have been made. This is an NRECA Bylaw requirement.
- **Be sure that you are certifying individuals who will attend the NRECA Regional Meeting (dates and locations are listed on Cooperative.com).** The delegate must also be registered for the Regional Meeting. You will be able to designate a new delegate and alternate for the 2015 Annual Meeting, if necessary.
- **Return the form to NRECA by August 4, 2014 for Regions 1, 4, 5 & 6 and by August 29, 2014 for Regions 2, 3, 7, 8, 9 & 10** to [votingdelegates@nreca.coop](mailto:votingdelegates@nreca.coop) or by fax at 703-907-5951, Attention: Membership Dept. – Voting Delegates.
- Instructions and proposed resolutions will be emailed to the certified voting delegate and alternate delegate in late July and an updated compendium of proposed resolutions will be posted to the Cooperative.com following each Regional Meeting.

The National Resolutions Committee will meet June 20, 2014 to compile proposed resolutions for consideration by each regional resolutions committee. The proposals will be emailed to each voting member CEO/manager, voting delegate, and alternate delegate in late July. Delegates will ultimately vote on the proposals forwarded by their region's resolutions committee which meets on the first afternoon of the Regional Meeting. Please email [resolutions@nreca.coop](mailto:resolutions@nreca.coop) with questions.





# National Rural Electric Cooperative Association

A Touchstone Energy® Cooperative

## NRECA 2014 Regional Meeting Voting Delegate Certification And Credentialing Process



Printed below in the **NRECA VOTING DELEGATE CERTIFICATION** box are the Voting Delegate and Alternate Delegate who are presently on file at NRECA for your member system. Please review, correct and certify this information in order to vote at the Business Session for the 2014 Regional Meeting.

Please return this form to NRECA by email: [VotingDelegates@nreca.coop](mailto:VotingDelegates@nreca.coop) or by fax: (703) 907-5951

To: Randy J. Cornelius  
Orcas Power & Light Co-op  
183 Mount Baker Rd  
Eastsound, WA 98245-9413

Region: 9  
State: Washington

### NRECA VOTING DELEGATE CERTIFICATION

NRECA Bylaws Article V, Section 2(B) and 2(C) provide that "Each voting member shall be entitled to select, either by vote of its membership or its board of directors, one of its members, directors or employees to act as the voting delegate, and one such person to act as the alternate delegate, at meetings of the Association. All voting delegates must submit certification signed by the president and secretary of the member that such delegate is duly authorized to cast the vote of the member."

Please review the information below and make any necessary corrections or changes. **Only those delegates who have been properly documented as authorized by their cooperatives shall be credentialed to act during the NRECA Annual and Regional Meeting Business Session.** If there are no changes, check the "No Change" box for the delegate and/or alternate delegate. If new delegates have been selected, please provide the new information requested. **This form must be dated, signed by the president and secretary of the member system, and returned to the NRECA office.** Regions 1, 4, 5, and 6 are due by August 4, 2014. Regions 2, 3, 7, 8, 9, and 10 are due by August 29, 2014.

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

#### Current Voting Delegate

J Foster Hildreth

☐ No Change

#### Current Alternate Delegate

Christopher C. Thomerson, CCD

☐ No Change

#### New Voting Delegate

#### Title

#### New Alternate Delegate

#### Title

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

Signed

\_\_\_\_\_  
President (of Member System)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
Secretary (of Member System)

\_\_\_\_\_  
DATE

### Meeting and Delegate Registration Procedures

**1** Please return signed, dated and completed form to [VotingDelegates@nreca.coop](mailto:VotingDelegates@nreca.coop) by **August 4, 2014** for Regions 1, 4, 5, and 6 by **August 29, 2014** For Regions 2, 3, 7, 8, 9, and 10.

**2** Delegates must be registered for the meeting (either in advance or onsite) and receive a badge before they can obtain their voting credentials.

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

**4** At the NRECA Voting Delegate Registration Desk, the delegate's Certification information will be reviewed and the delegate will receive the official delegate ribbon (that should be attached to the name badge) and the assigned voting credential for the meeting.

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

If you have any questions concerning the above procedure, please contact the Membership Department at (703) 907-5868.

## MEMORANDUM

June 11, 2014

TO: Board of Directors

FROM: Randy J. Cornelius

RE: Community Solar for the Public Schools

Linda Lyshall, of the San Juan Islands Conservation District (SJICD), has been working with the Bonneville Environmental Foundation (BEF), the community, and the public schools to have solar panels installed on each of the four public schools in San Juan County. The total solar capacity for this project would be 40 kW with approximately 10kW being installed on each school. While installation cost has been running below \$3.50 per watt, to be conservative the Conservation District is assuming a cost of \$4 per watt. This means that the total worst-case project cost would be about \$160,000 (see attached).

Funding for the project comes from subscribers providing micro-loans. Subscribers will be paid back over a 10 year period using funds provided from BEF (\$47,000) and WA state renewable energy production incentives (approximately \$81,000 over a six year period).

We feel that the Washington State production Incentive payments should cover most, if not all, of this cost. However, we could reach our state cap of approximately \$100,000, which is our total allotted amount for incentive payments per year. If grid-tied solar installations continue at the current growth rate we may reach our maximum of the state incentive funds by 6/30/2015. If we reach our maximum, then the state requires us to reduce the incentive payments made to each member. Even then, OPALCO would not be responsible for the entire \$13,000. I can explain in more detail at the Board meeting.

The SJICD is requesting that OPALCO guarantee \$0.30/kWh of incentive funds for six years. Depending on incentives cap and the actual installation costs, this would mean a worst case fund requirement of about \$30,000.

OPALCO funding would be as follows:

OPALCO Energy Services Grant	\$20,000 (\$5,000 per school)
CoBank "Sharing Success" grant	\$ 5,000
OPALCO "Sharing Success" Match	\$ 5,000

Staff requests a motion from the Board to approve that, should it be needed, OPALCO would guarantee an incentive of \$0.30 per kWh for a six-year period for the community solar system to be mounted at the four public schools.

## The Numbers

The following table illustrates the costs, incentives, and payback period.

<b># of sites (1 each Shaw, Orcas, Lopez, San Juan)</b>	4	
<b>Solar capacity for all sites</b>	40 kW	
<b>Cost per watt</b>	\$4.00	
<b>Estimated total cost</b>	\$4.00 times 40,000	\$160,000
<b>Annual estimated production</b>	1130kWh	
<b>Incentive payment</b>	\$0.354 per kWh	
<b>Annual total state production incentive payment</b>	40 kW*1130kWh/kW*\$0.30/kWh=\$13,560	
<b>State Incentive Rebate (\$0.30 kWh)</b>	40kW*1130kWh*\$0.30* 6 years (2015-2020)	\$81,360
<b>Bonneville Environmental Foundation Contribution</b>	40 kW*1130kWh/kW*\$0.30/kWh * 4.33 years * 80%	\$46,972
<b>OPALCO Contribution</b>	(13,560 * 4.33 years * 20%) +19,925	\$31,668
<b>Total incentive payments and contributions</b>	81,360+46,972+31,668	\$160,000

# Community Solar Program

# Overview: Who, What, Where

- Partners
  - Bonneville Environmental Foundation will provide funding and technical support
  - Local Schools will integrate into educational curriculum
  - San Juan Islands Conservation District will administer
  - Community members will contribute
- Community Solar for Schools Project
- 40 kW Total Installation Anticipated
- Four Sites Selected
  - Local Schools on Lopez, Orcas, San Juan, and Shaw

# Overview: Why, When, How

- **Benefits**

- Electricity generated donated to schools, reducing electricity costs and saving them money
- Bonneville Environmental Foundation (BEF) will provide teacher training, renewable energy curriculum, and science kits for each school
- Everyone can participate in solar that delivers financial payback and educational value

- **Timeline**

- Outreach and Sign-ups: Summer 2014
- Installation Anticipated: October 2014

- **Cost and Payback:**

- Cost anticipated to be no more than \$4.00 per watt, for a total of \$160,000
- Funded up-front by community members
- Full payback anticipated over a 10-year period through state production incentive rebates and BEF and OPALCO contributions

# Community Solar Program Schedule

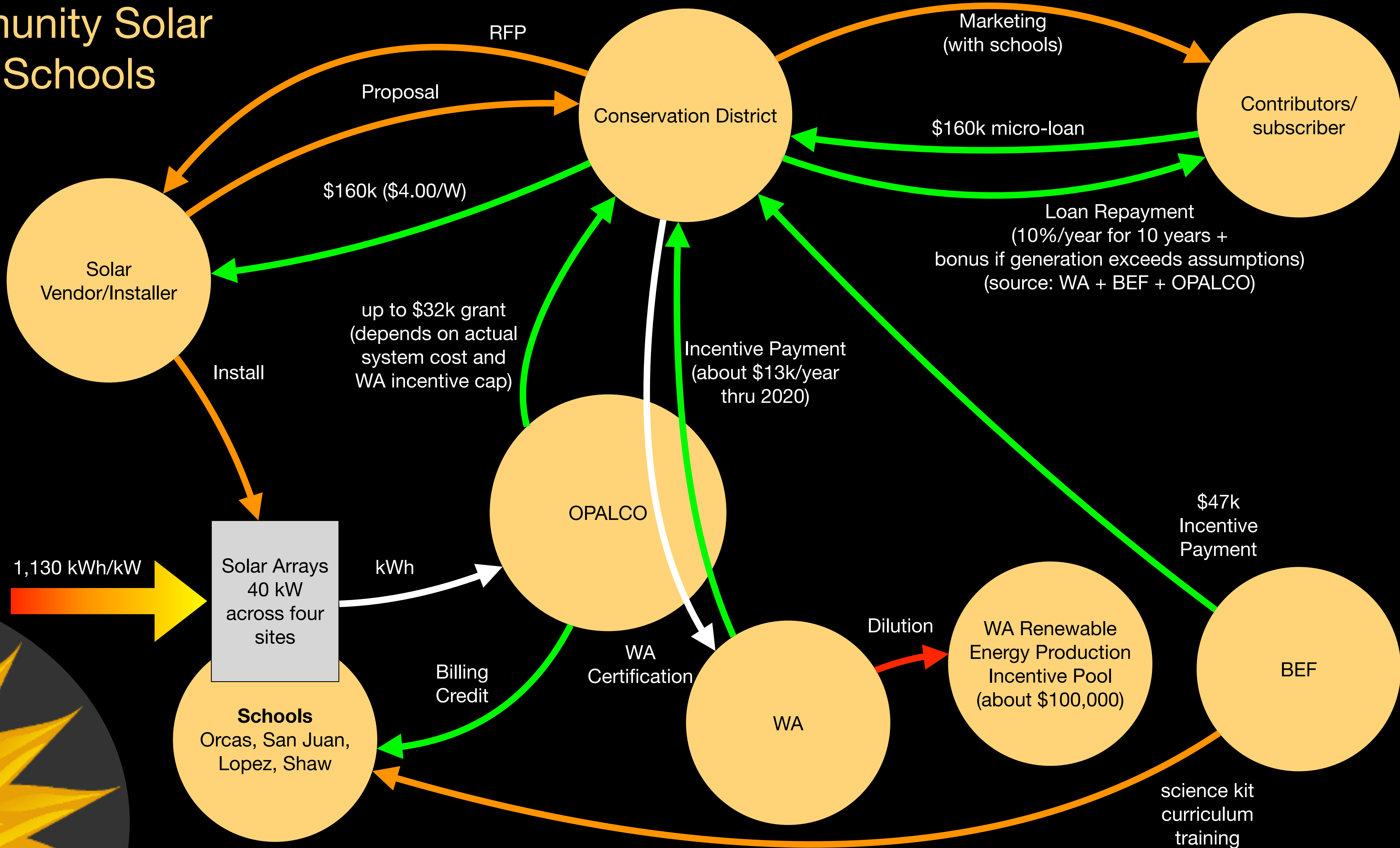
Community Solar for Schools

Community Solar for Home and Business

	2014							2015	
	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Agreement	BEF								
	OPALCO		OPALCO						
	Subscriber		Subscriber						
		Schools							
Outreach	develop outreach materials		develop outreach materials						
		signup Subscribers			signup Subscribers				
Installation	Permits		Select sites	Permits					
		prep RFP	issue RFP		prep RFP	issue RFP			
				select installer			select installer		
					install systems			install systems	
						Launch			launch
Approval				prep WSU/DoR application		prep WSU/DoR application			
					submit it		submit it		



# Community Solar for Schools





# Funding Variables

- **System Installation Cost**
  - We are conservatively assuming a worst case of \$4.00 per watt
  - Actual installation costs have been running below \$3.50 per watt
  - Total installation cost could be about \$20,000 less than estimated
  - Any cash left over will be put in contingency fund, if not needed, that will go back to subscribers as a bonus
- **State Renewable Energy Production Incentives**
  - Currently available at \$.30 kWh until 2020, without cap
  - State incentives may be upgraded in future but, at current growth rate, we may reach cap by June 30, 2015
    - Reduces amount available by \$.01-\$.08 kWh
    - \$450 to \$3500 annually, \$2,700 to \$21,000 over 6-year timeframe
  - We are assuming 1130 kWh/kW of production
    - If less is produced, BEF may cover the reduced incentive payment
    - If more is produced, it is a bonus for the subscriber

# Funding Guarantee

- The SJICD is requesting that OPALCO guarantee \$0.30/kWh of incentive funds for six years to meet potential worst-case funding needs.
- Depending on incentives cap and the actual installation costs, this would mean a worst case fund requirement of about \$30,000
- OPALCO funding would be as follows:
  - OPALCO Energy Services Grant - \$20,000 (\$5,000 per school)
  - CoBank “Sharing Success” grant - \$ 5,000
  - OPALCO ‘Sharing Success’ Match - \$ 5,000
- Staff requests a motion from the Board to approve that, should it be needed, OPALCO would guarantee an incentive of \$0.30 per kWh for a six-year period for the community solar system to be mounted at the four public schools

## 2014 ANNUAL MEETING REVIEW

The 2014 Annual Meeting aboard the M/V Hyak on May 3 was attended by 317 people, of which 210 were members. A quorum is 100 members.

Five Eastsound staff spent the night in Friday Harbor and boarded the 5:50 a.m. ferry to set up for the meeting, along with one Friday Harbor staffer.

The Island Caper was chartered to carry members/guests from San Juan Island to Orcas Island; reservations were taken for 79.

For the third year, OPALCO contracted with Survey and Ballot Systems (SBS) for hybrid voting.

	Total Absentee Ballots	Paper	Web
2012	1,763	1,360	403
2013	2,480	1,706	774
2014	2,475	1,590	896

There were 49 ballots cast at the meeting. Results:

	Absentee	Annual Meeting	Total
ByLaw			
Amendment #1	Yes: 884	Yes: 20	Yes: 904
Informational	No: 1,405	No: 33	No: 1,438
Meetings			
Bylaw Amendment	Yes: 758	Yes: 18	Yes: 776
#2 Meetings of	No: 1,519	No: 35	No: 1,554
Directors			
Vince Dauciunas	1,628	30	1,658
Glenna Hall	1,084	28	1,112
Bryan Hoyer	366	20	386
Steve Hudson	1,043	19	1,062
Doug Rowan	481	11	492
John Sheehan	123	5	128

Lunch was catered by Galley Catering of Lopez Island and distributed in reusable, insulated bags with the OPALCO logo.

Each member was given a backpack with 2 LED lights, a calculator and the annual report.

MEMORANDUM

June 11, 2014

TO: Board of Directors  
FROM: Randy J. Cornelius  
RE: Policy Committee

I would like to suggest that the Board reinstate the Policy Committee to continue work on Policies 1 *Functions of the Board of Directors* and 23 *Conflict of Interest* and the Bylaws, including establishing an approval process for legal correspondence distribution.

In addition, the Board may want to establish a new policy on rate setting.

Authority should be given to the Policy Committee to work with the attorneys as needed.

# MEMORANDUM

June 12, 2014

TO: Board of Directors

FROM: Randy J. Cornelius

RE: Cost of Service Discussion

As part of the ongoing Cost of Service discussion, Anne Falcon of EES Consulting will present a Cost of Service and Rate Design presentation.

The full sequence of events for the new Rate Design is as follows:

- A. Review of BPA billing determinants: April 2014 Board meeting: - COMPLETE
- B. Cost of service review (revenue requirements/rates classes and cost allocations), with Member comment: THIS MEETING
- D. Review of new rate design proposed by Staff: July 2014 Board meeting
- E. Board discussion/modification of proposed rate design, with Member comment: August & September 2014 Board meetings
- F. ESS review of final rate design (first reading): October 2014 Board meeting
- G. Final Board approval (second reading) of final rate design: November 2014 Board meeting
- H. New rate design goes into effect: March 2015 Billing period

# Orcas Power & Light Cooperative

## Cost of Service and Rate Design Presentation

**June 6, 2014**

**Anne Falcon**  
**Managing Director of Economics and Rates**

A registered professional engineering corporation with  
offices in Kirkland, WA and Portland, OR

Telephone: (425) 889-2700 Facsimile: (425) 889-2725  
[www.eesconsulting.com](http://www.eesconsulting.com)



# About EES Consulting, Inc.

- **Offices in Kirkland, WA and Portland, OR**
- **Clientele Consists Primarily of:**
  - Municipal utilities
  - Public utility districts
  - Cooperatives
  - Commercial/industrial customers
  - Regulatory commissions
- **Majority of Business on West Coast**
- **Staff of 20-25 Professionals – Engineers, Economists, Financial Analysts**
- **Incorporated in 1978**

# Anne Falcon

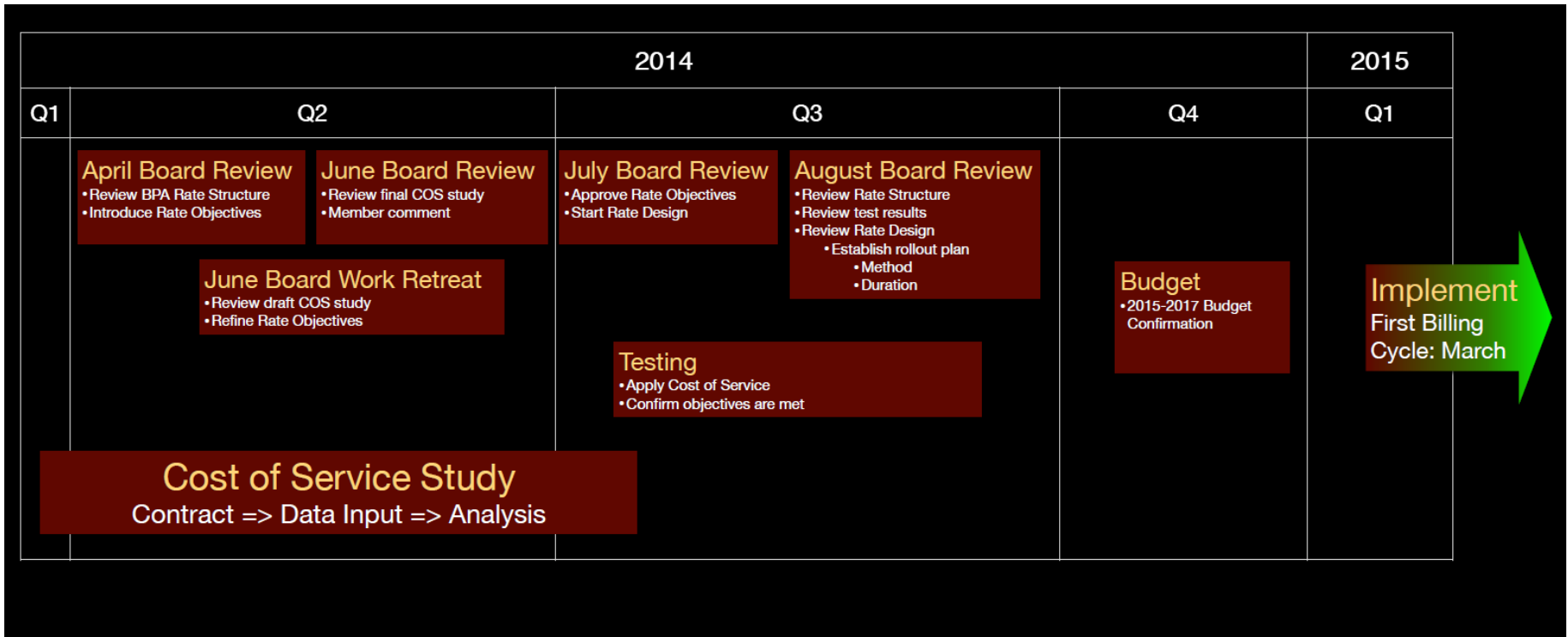
- **Economist with over 20 years in the industry**
- **Managing Director of Economics & Rates**
  - Over 30 COSA and Rate Studies per year
  - Integrated Resource Planning
  - Demand Side Management & Energy Efficiency
  - Power Supply studies & BPA monitoring
- **Recognized Industry Expert in the Area of Utility Rates and Cost Allocation**
- **Teach Rates and Cost of Service Seminars Annually**
- **Expert Witness and Legal Support**



# Agenda

- Objectives
- Review of Rate Setting Process
- Cost of Service Study Assumptions
- Results of the Cost of Service
- Rate Design Considerations
- Next Steps
- Questions / Answers

# Expected Rate Design Time Table



# Definitions

- **Energy Related- kWh**
- **Demand/Capacity Related – kW**
  - Coincident – at the time of your system's peak
  - Non-Coincident – at the time of your rate class peak
- **Customer/Member Related – member meters**

# *Objectives*

# Rate Setting is both Science and Art

- **Cost of Service Analysis is Only Half of the Equation**
- **Several Factors Need to be Considered when Setting Rates**
  - Existing rate levels/design
  - Cost of service results
  - Utility goals and objectives
  - Regulatory constraints/requirements
  - Impacts on Members

# COSA Objective

- **Review Equity of Current Cost of Service Analysis (COSA) and Rate Design**
  - Goal is every member pays fair share
  - Cost allocations driven by usage patterns

# Rate Setting Principles

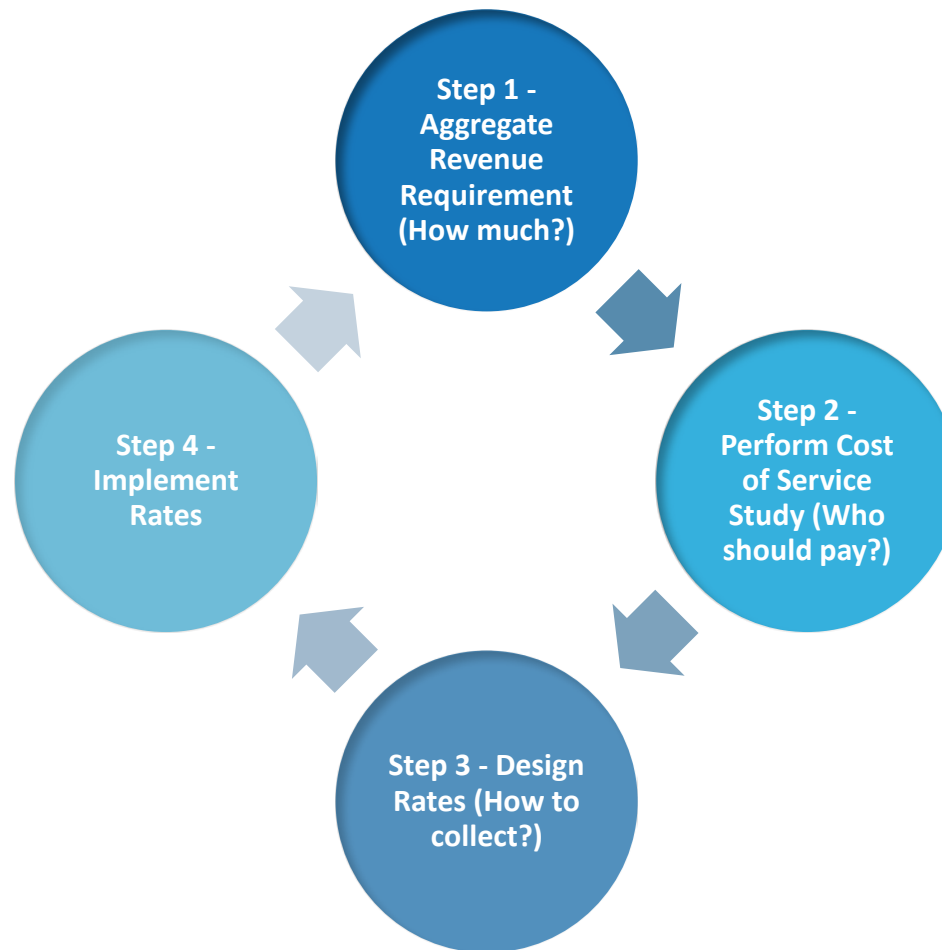
## ■ Traditional Rate Setting Principles

- Rates should meet revenue requirement
- Rates should be cost based
- Rates should be “Just, Reasonable and Not Unduly Discriminatory or Preferential” – “Fair and Equitable”
- Rates should be easy to understand and administer
- Rates and the cost allocation process should conform to generally accepted rate setting techniques
- Rates should provide revenue stability to the utility and rate stability to the consumer

# ***Review of Rate Setting Process***



# Rate Setting Process



# Review of Rate Setting Process (cont'd)

## ■ Revenue Requirement

- Forecast loads/revenues
- Forecast operating expenses – power supply and O&M
- Forecast depreciation, interest and margin
- Forecast other revenues and contributions
- Format

O&M

+ Taxes

+ Depreciation

+ Interest

+ Margin

+ Other Contributions

- Other Revenues

---

$\Sigma$  = Revenue Requirement

# Review of Rate Setting Process (cont'd)

## ■ Cost of Service Study

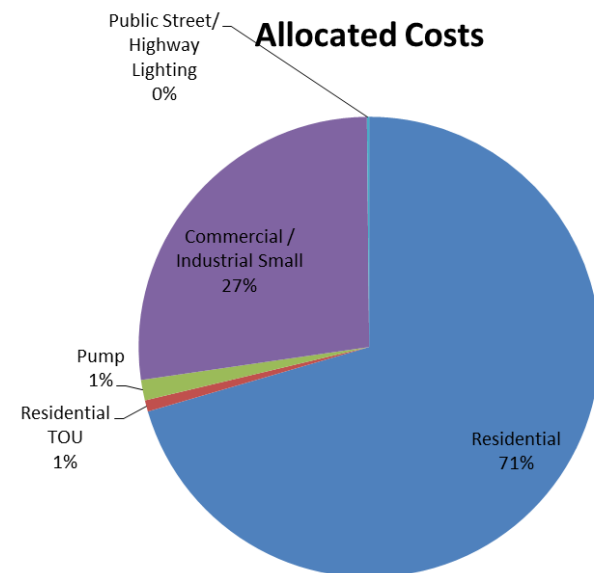
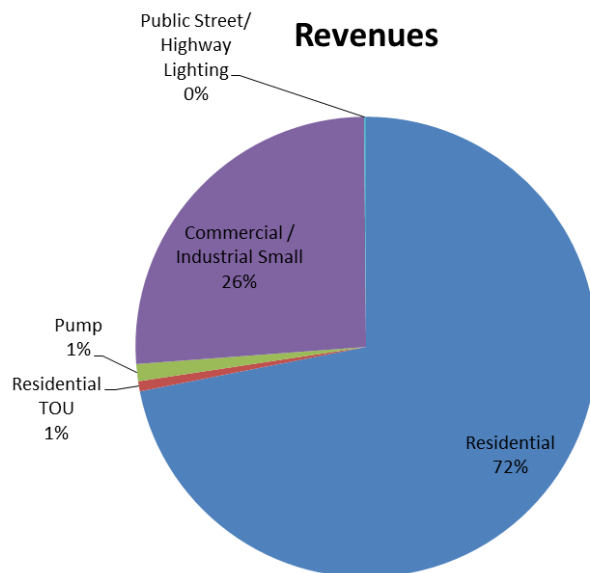
- Analytical exercise that allocates a utility's total revenues, expenses and investments in assets among the different user groups on the system
- Steps
  - Functionalization
  - Classification
  - Allocation

## ■ Rate Design

- Take unit costs and calculate rates
- Considerations other than cost of service sometimes considered in rate design

# What Does the COSA Do?

- **Revenue Requirement (Phase I) – Determines the Size of the Pie – should tell you how much to raise rates overall**
- **Cost of Service and Rates (Phase II) – It Splits Up the Pie**



# ***Cost of Service Assumptions***

# COSA Assumptions

- **Calendar Year 2013 Historic Year**
- **Calendar Year 2014 Test Period**
- **Load Forecast Projected 1.0 percent Per Year for Residential, 0.5 percent per year for Commercial**
- **Revenues Calculated Using Current Rates and Billing Determinants**
- **Power Supply and Production Expenses (incl. BPA Transmission)**
  - Projection provided by OPALCO & BPA
  - Assumed 6% BPA rate increase each rate period (2 years) beginning October 2015
- **Forecast O&M Expenses per 2014-2016 Budget**
  - Non-power supply expenses and other revenues escalated 3% per year thereafter
- **Margins included based on Budget**

# COSA Assumptions

- **Rate Classes:**
  - Residential
  - Residential TOU (closed)
  - Pumps
  - Commercial/Industrial
  - Public Street/Highway Lighting

# COSA Results

## Summary of Revenue Requirement

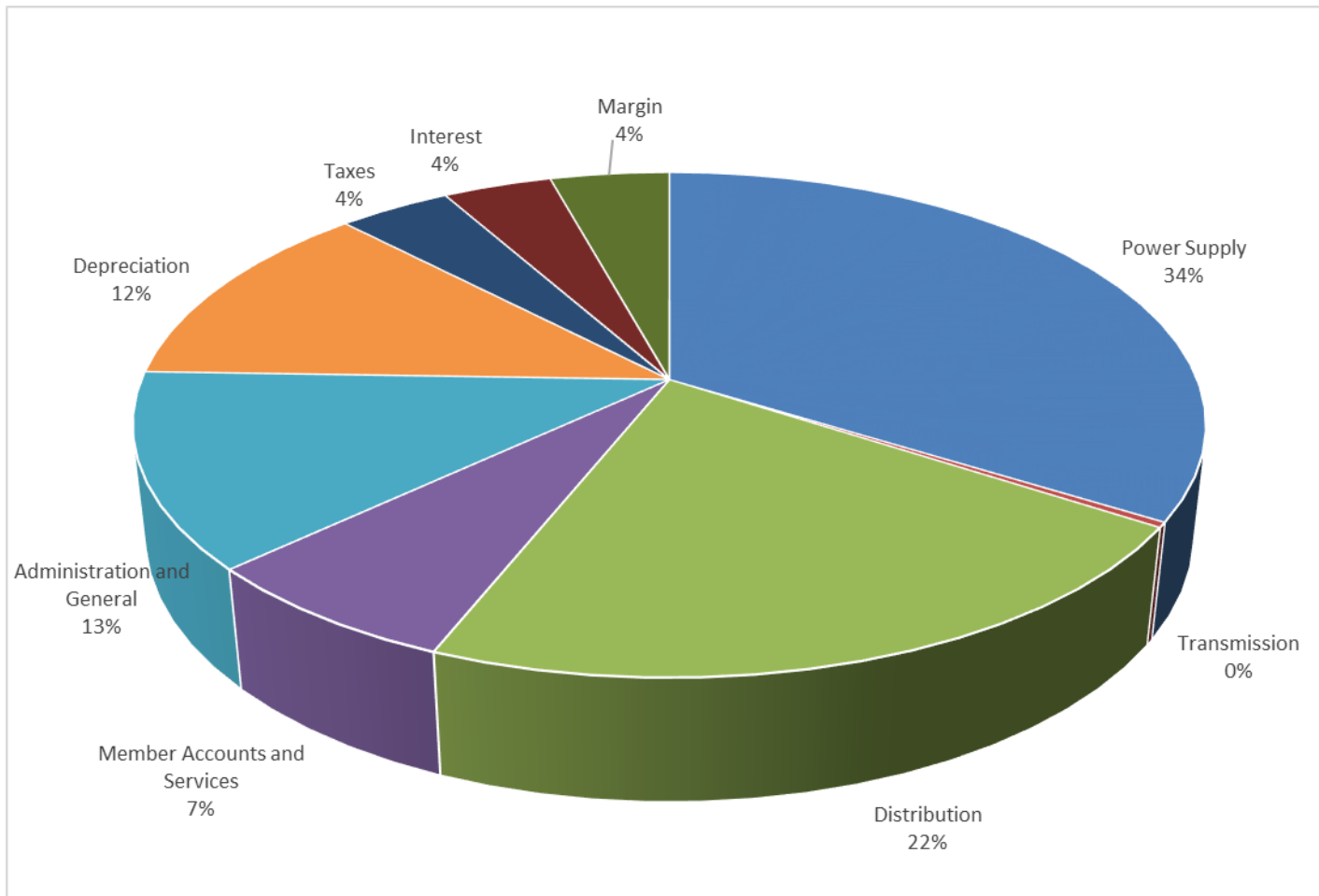
### Summary of the Cash Basis Revenue Requirement CY: 2014

<i><b>Revenues</b></i>	<i><b>CY 2014</b></i>
Present Rate Revenues	\$23,056,883
Other Income	503,013
Total Revenues	\$23,559,896
<i><b>Expenses</b></i>	
Power Supply	\$7,962,823
Transmission	77,112
Distribution	5,142,615
Customer Accounts and Services	1,641,580
Administration and General	2,931,201
Depreciation	2,889,271
Taxes	948,050
Interest	915,599
Margin	1,003,540
Other Contributions	(47,280)
Total Expenses	\$23,464,511
Surplus (Deficiency) in Funds	\$95,385
Required Revenue Increase (Decrease)	-0.4%
Present Rate Revenues <sup>1</sup>	\$23,056,883
Rev Req (Expenses less Other Income)	\$22,961,498
Surplus (Deficiency) in Funds	\$95,385
Required Retail Rate Increase (Decrease)	-0.4%



# COSA Results

## Summary of Revenue Requirement

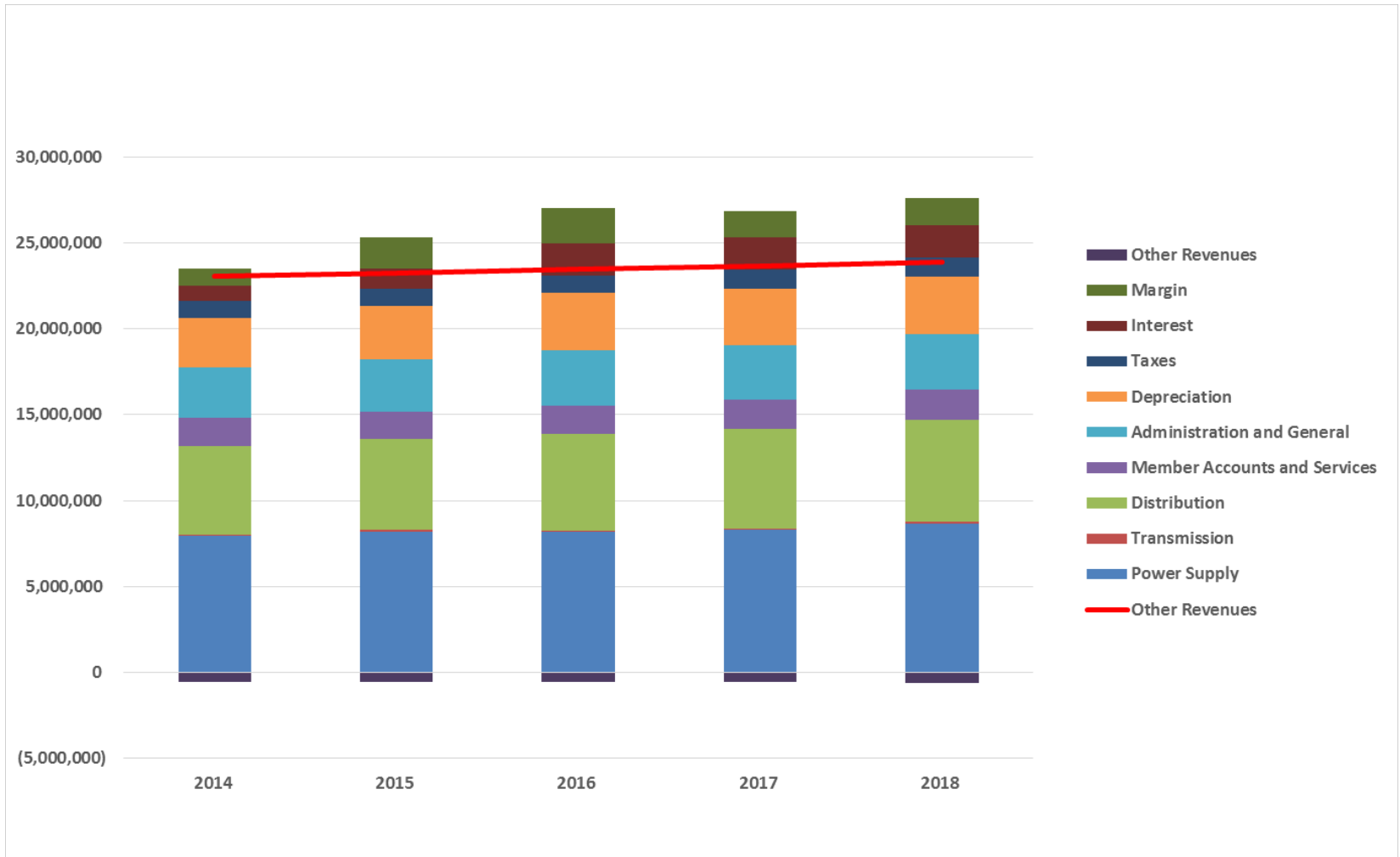


# Result of Revenue Requirement

Projected Rate Increases						
CY	Present Rate Revenues <sup>(1)</sup> <i>a</i>	Power Supply Costs <i>b</i>	Non-Power Supply Costs, Net <sup>(2)</sup> <i>c</i>	Revenue Requirement <i>d = b + c</i>	Surplus (Deficiency) <i>e = a - d</i>	Annual Rate Increases Needed
<b>2014</b>	23,056,883	7,962,823	14,998,675	22,961,498	95,385	-0.4%
<b>2015</b>	23,256,301	8,201,127	16,551,432	24,752,559	(1,496,258)	6.4%
<b>2016</b>	23,456,387	8,181,202	18,261,702	26,442,904	(2,986,516)	5.9%
<b>2017</b>	23,660,674	8,303,318	17,966,501	26,269,818	(2,609,145)	-1.2%
<b>2018</b>	23,865,664	8,676,675	18,960,403	27,637,077	(3,771,413)	1.7%

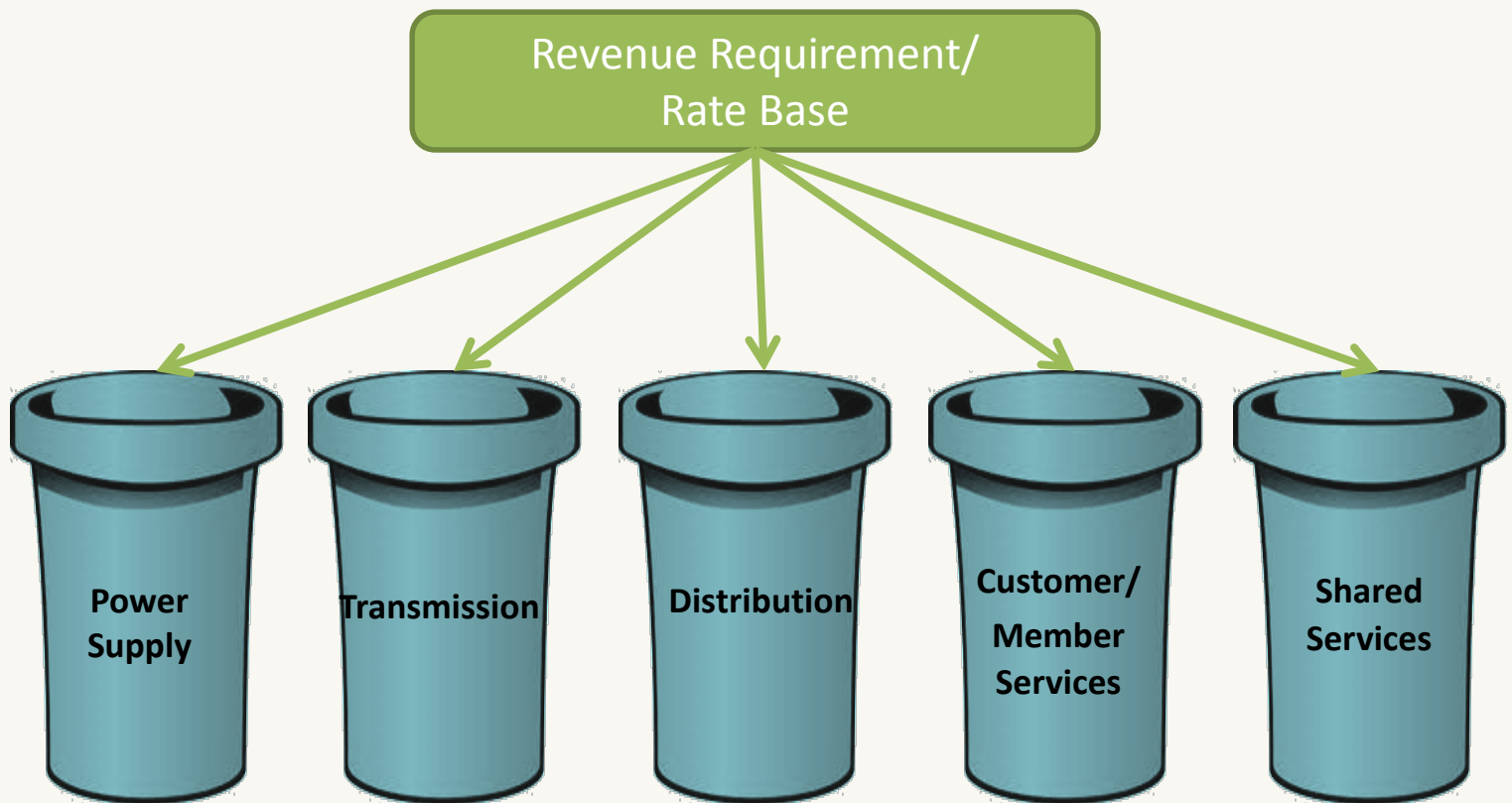
1. Calculated based on 2014 rates – includes no proposed rate increases
2. Includes miscellaneous revenues.

# Result of 5 Year Revenue Requirement

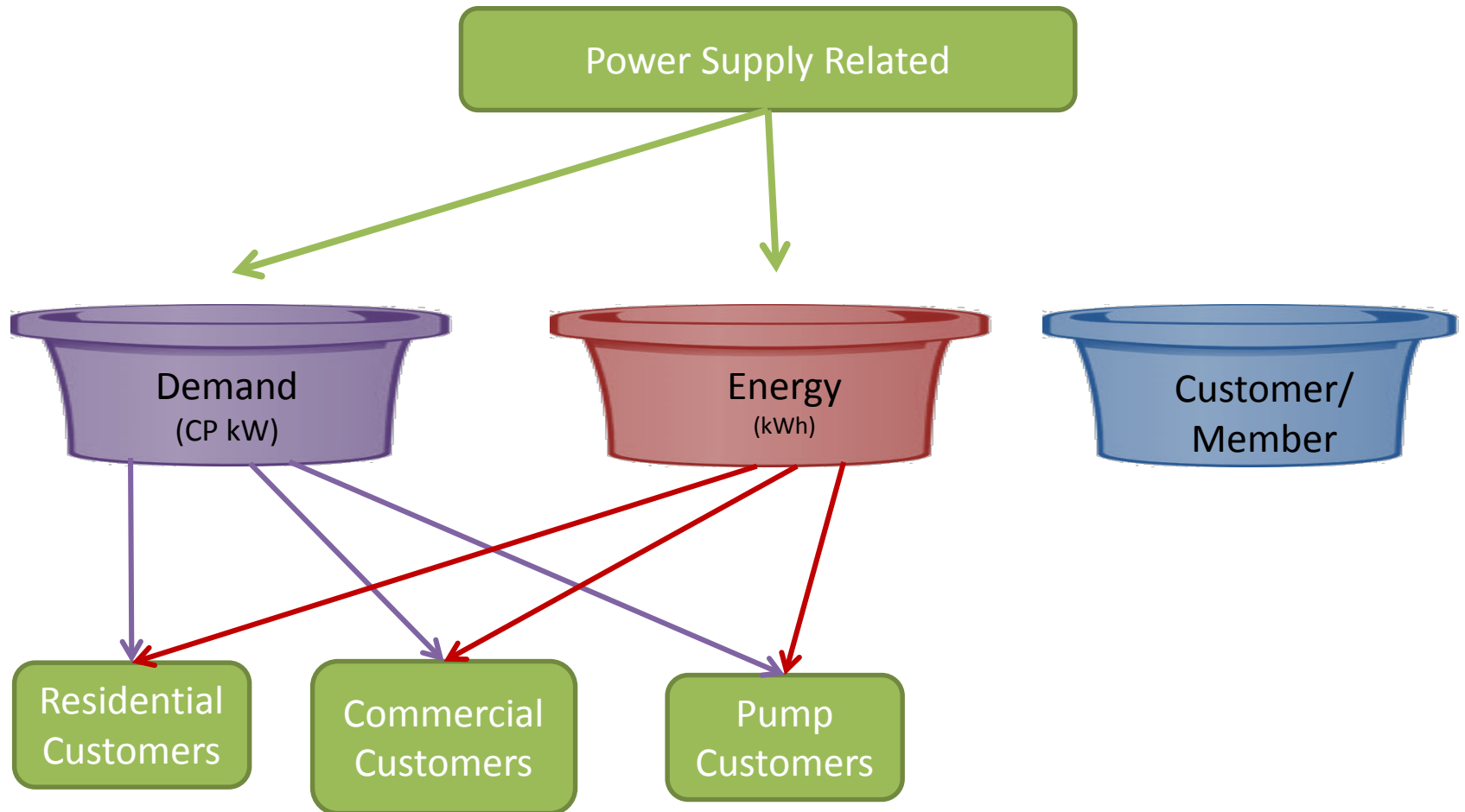


## ***Results of Cost of Service***

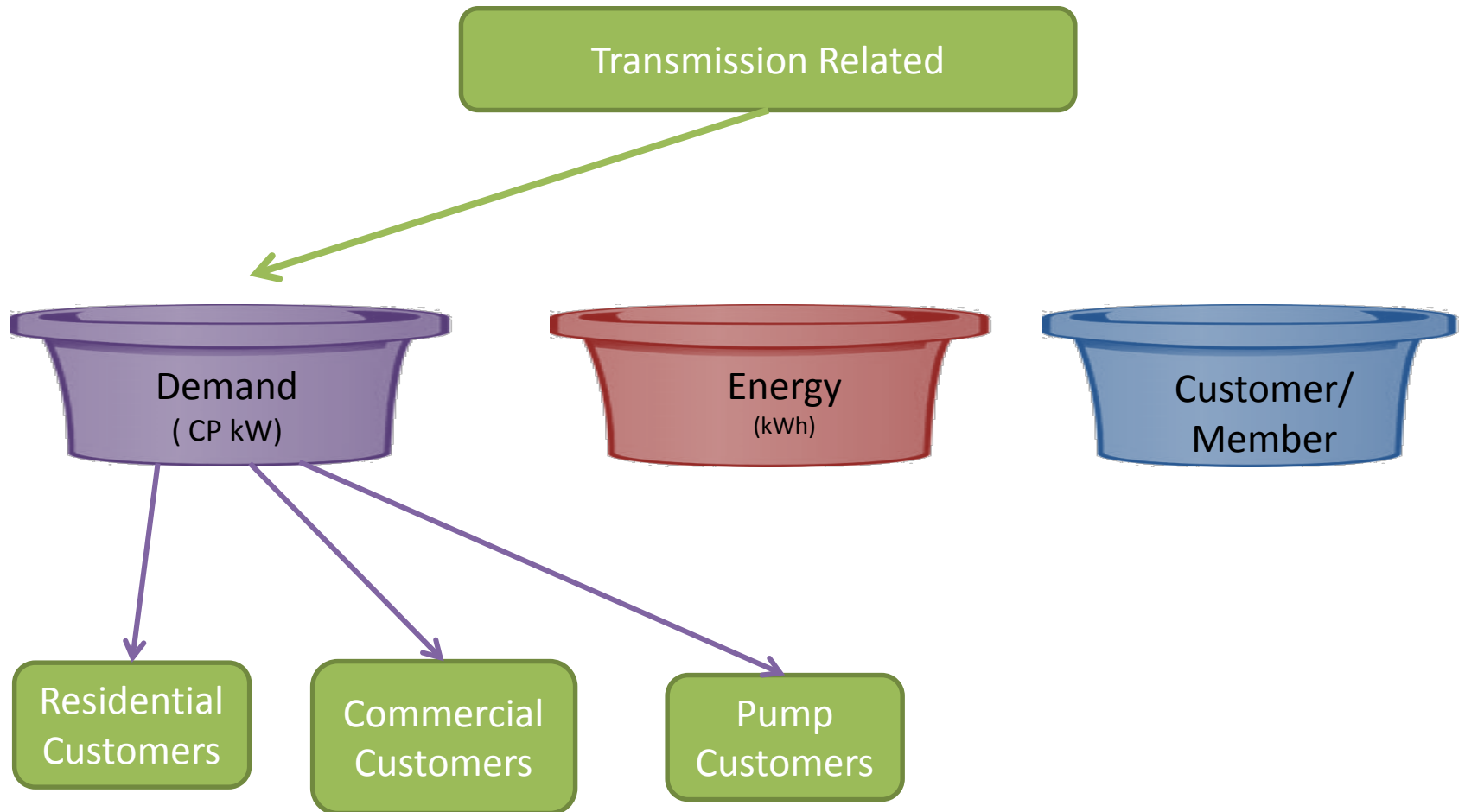
# Functionalization



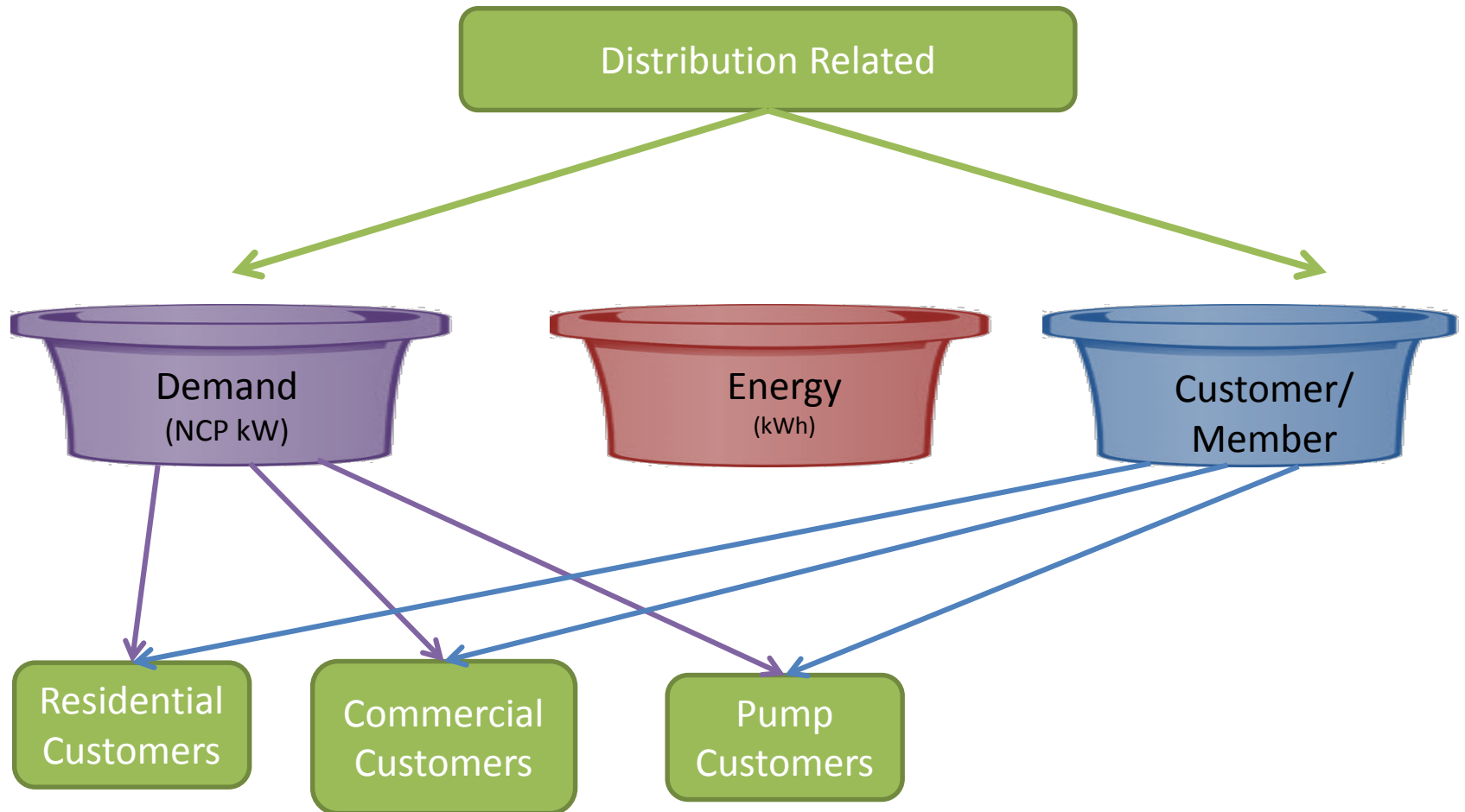
# Classification – Power Supply



# Classification – Transmission

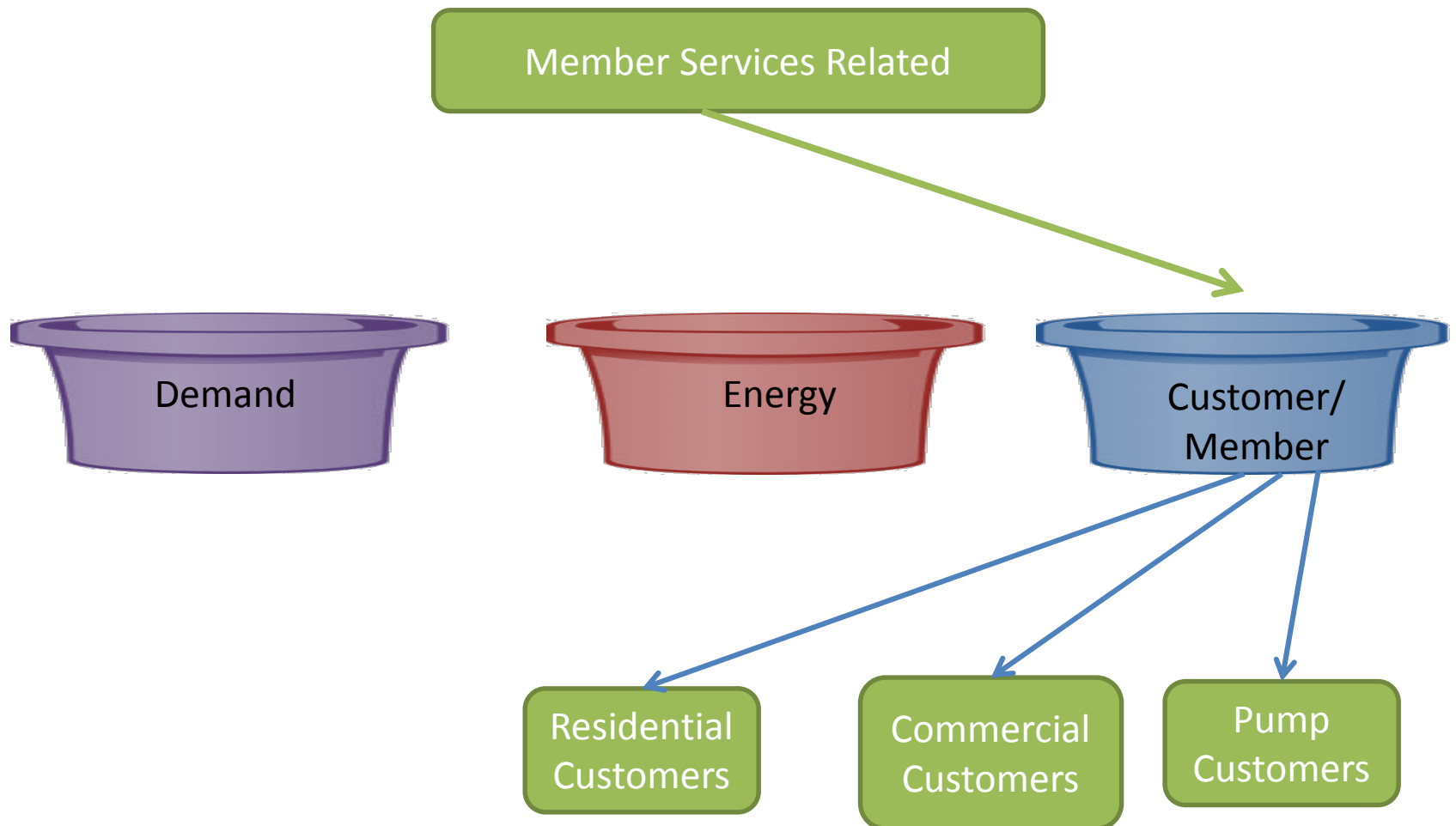


# Classification – Distribution





# Classification – Member Services



# OPALCO COSA Methodology

## ■ Power Supply & BPA Transmission

- Rate Base – as energy (kWh)
- Expenses
  - As resource billing determinants
  - Demand - 12 monthly coincident peaks
  - Energy/customer charge – energy (kWh)

## ■ Transmission

- Rate Base – 12 monthly coincident peaks
- Expenses – as Rate Base

## ■ Distribution

- Rate Base
  - Substation – non-coincident peak primary
  - Poles, lines, transformers – minimum system
  - Meters – number of members
  - Street Lighting – directly assigned
- Expenses – as Rate Base

## OPALCA COSA Methodology (cont'd)

- **Customer/Member Service**
  - Number of meters
- **Administrative & General**
  - As O&M without power supply and A&G
- **Depreciation**
  - As Rate Base
- **Taxes**
  - As Revenue
- **Margin**
  - As Revenue
- **Other Contributions**
  - As O&M without power supply and A&G
- **Other Revenue**
  - As O&M without power supply and A&G, production O&M (Green Power Interconnect)

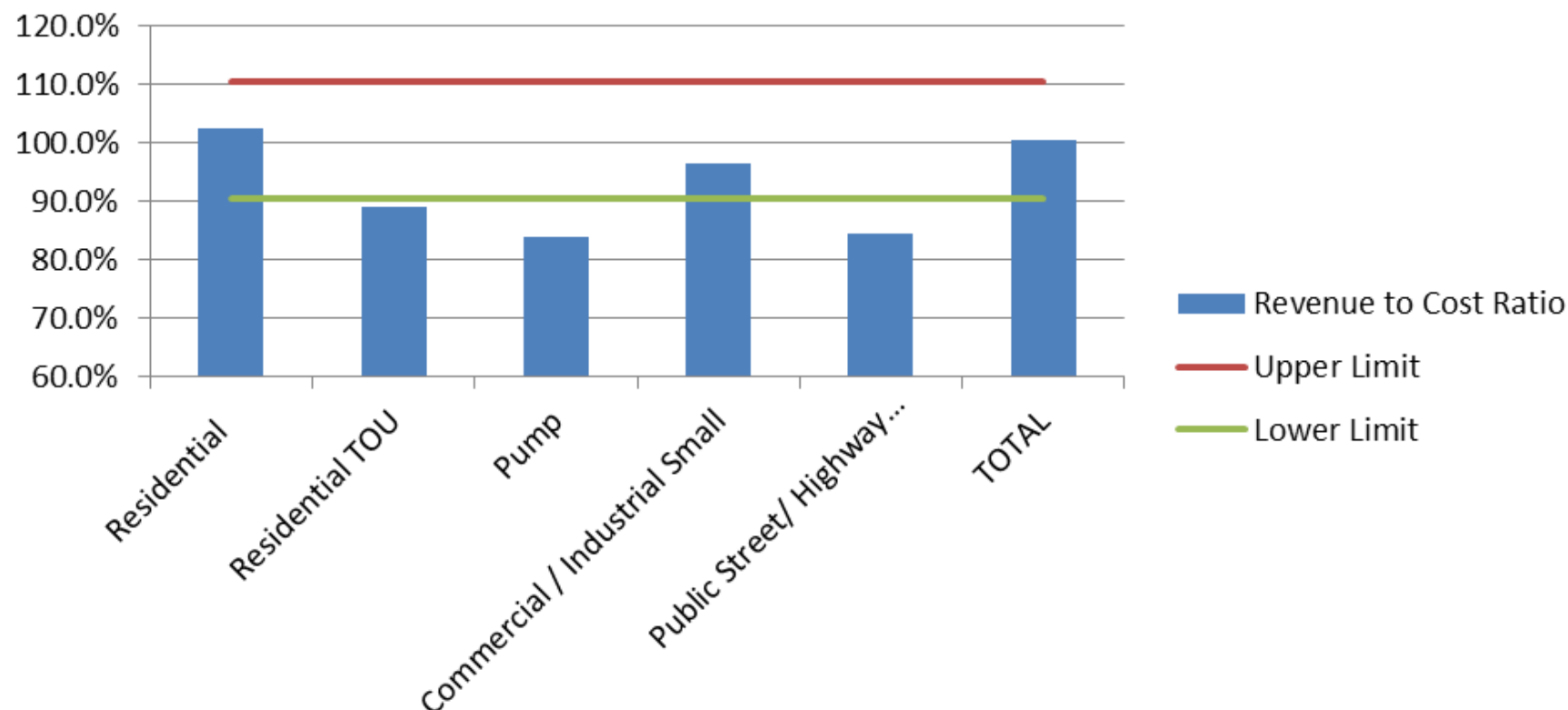
# COSA Results

## Summary by Rate Class

Summary of CY 2014 Cost of Service Analysis				
	Present Rate Revenues	Net Revenue Requirement	Surplus/ (Deficiency) in Present Rates	Revenue to Cost Ratio
Residential	\$16,580,285	\$16,183,057	\$397,229	102.5%
Residential TOU	162,769	182,607	(19,839)	89.1%
Pump	276,720	330,155	(53,435)	83.8%
Commercial / Industrial	6,006,001	6,228,898	(222,896)	96.4%
Public Street/ Highway Lighting	31,108	36,781	(5,673)	84.6%
<b>TOTAL</b>	<b>\$23,056,883</b>	<b>\$22,961,498</b>	<b>\$95,385</b>	<b>100.4%</b>

# COSA Results

## Revenue to Cost Ratios



# COSA Results and Unit Costs

## Residential

Comparison of Rates to Unit Costs Residential		
	Present	Minimum System
Basic Charge (\$/month)	\$28.60	\$39.02
Energy Charge (\$/kWh)		\$0.0772
First 5,000 kWh	\$0.0852	
Over 5,000 kWh	\$0.1006	
<b>Rate Change over Present</b>		<b>(2.40%)</b>

### ■ Considerations

- Within cost of service
- Current base charge could increase slightly
- Provides price signal to members, but differential is small

# COSA Results and Unit Costs

## Commercial

Comparison of Rates to Unit Costs Commercial		
	Present	Minimum System
Basic Charge (\$/day)	\$40.40	\$40.85
Energy Charge (\$/kWh)		\$0.0313
First 5,000 kWh	\$0.0866	
Over 5,000 kWh	\$0.0781	
Demand Charge Over 20 kW (\$/kW)	\$3.15 <sup>1</sup>	\$14.51 <sup>2</sup>
<i>Rate Change over Present</i>		4.18%

1. Over 20 kW only

2. All kW

### ■ Considerations

- Within cost of service
- Declining block to address larger members
- Base charge, right on
- Demand unit costs high

# COSA Results and Unit Costs

## Pump

Comparison of Rates to Unit Costs Pump		
	Present	Minimum System
Basic Charge (\$/month)	\$25.30	\$40.85
Energy Charge (\$/kWh)		\$0.0313
First 370 kWh	\$0.0978	
Next 4,630 kWh	\$0.0752	
Over 5,000 kWh	\$0.0900	
Demand Rate (\$/kW)		\$4.77 <sup>2</sup>
Over 20 kW	\$3.15 <sup>1</sup>	
<b>Rate Change over Present</b>		<b>19.31%</b>

1. Over 20 kW only

2. All kW

### ■ Considerations

- Large variability (low load factor)
- Uncertainty in load data



# Impact on Members

- **Greater than 10% rate increase = Rate Shock**
  - Price Elasticity becomes a factor
- **Changing the rate structure can impact members significantly**
  - I.e. implementing a demand rate, changing block design, etc.
- **Increasing facility charge vs. energy charge effects members differently**
- **Increase in rates + changing rate design = cumulative impacts**

# Rate Design Process

- **Determine Overall Rate Adjustment**
  - Timing?
  - How much?
- **Determine Method for Allocating Rate Increase Across Classes:**
  - Across-the-board
  - COSA
  - Other?
  - What to assume?
- **Develop Proposed Rates**

# ***Rate Design Considerations***

# Distributed Generation = Primarily Solar

- **Growing Member Interest in DG**
  - Economic incentives & potential environmental benefits
- **Since 2008 the cost of the photovoltaic (PV) panels has fallen by 75 percent and solar installations have multiplied tenfold**
- **Net metering policies require utilities to credit members for energy generated in excess of their own needs**
  - When surplus energy is delivered to the grid the member is compensated with a bill credit typically at the same rate the member pays for power
- **Solar Boom**
  - Q3 2013 set a new record for residential PV installations in the US - the amount of additional new capacity is up 35 percent over a year ago.
  - More solar capacity installed in US in 2013 than in Germany, the nation with the most installed solar capacity (and a lot of subsidies)
  - CA: Third party-owned (TPO) system were 2/3 of residential PV over past 2 years

# Distributed Generation = A Bumpy Road

- **CA:** PUC must come up with a new net metering program by 2017 that ensures non-solar customers don't get stuck with an unfair burden of paying for the grid
- **HA:** Hawaiian Electric Company (HECO) says that DG projects are saturating the system and introducing grid instability
  - HECO has halted the interconnection of new solar installations
- **AZ:** Arizona's largest utility received approval from the state commission to charge a monthly grid fee to customers with solar systems
  - Arizona Public Service (APS) asked for a \$50 fixed monthly fee; was granted a \$5 fee by the PUC
- **Both APS and HECO have been viewed unfavorably by the media for their perceived anti-renewable positions.**

# Net Metering

- **Net Metering Members Remain in Current Rate Schedule**
  - Is there a justification for different rates?
- **Rate Design Options**
  - **Energy**
    - Member pays only for net energy requirements (kWh use – kWh export)
    - Member pays for energy use and receives avoided cost as credit for energy exports to the utility system
    - Member pays for all energy use BEFORE generation (including own use), receives avoided cost for all generation
  - **Facility Charge**
    - Increase basic charge, impact on other members
    - Include minimum charge to ensure collection of fixed costs
  - **Demand Charge**
    - Adding a demand charge will impact all members within the rate schedule
  - **Wheeling Charge**
    - On all energy exports

# What is the Impact of Net Metering?

## ■ Consumption

- Based on a sample data set
- Reduction in member energy requirements from the utility equal to 19%

## ■ Power Supply Impacts

- Increased unit cost due to fixed charges and reduced consumption
- Every 2 years power costs are adjusted to account for load changes

## ■ Non-Power Supply Impacts

- Under-recovery of fixed costs included in the variable charge

## ■ Renewable Energy Credits

- A benefit if the utility maintains ownership

# What is the Impact of Net Metering?

- **Cost of net metering**
  - As percentage of Residential class participation

(\$/MWh)	5%	10%	25%	50%
Power Supply	0.0357	0.0723	0.1937	0.4570
All Non-PS	0.3206	0.6498	1.6920	3.6357
RECs (\$10/MWh)	-0.0598	-0.1211	-0.3154	-0.6778
<b>Total Impact</b>	<b>0.2966</b>	<b>0.6010</b>	<b>1.5702</b>	<b>3.4149</b>
Revenue Impact (%)	0.4%	0.7%	2.0%	4.2%



# Net Metering Considerations

## Residential

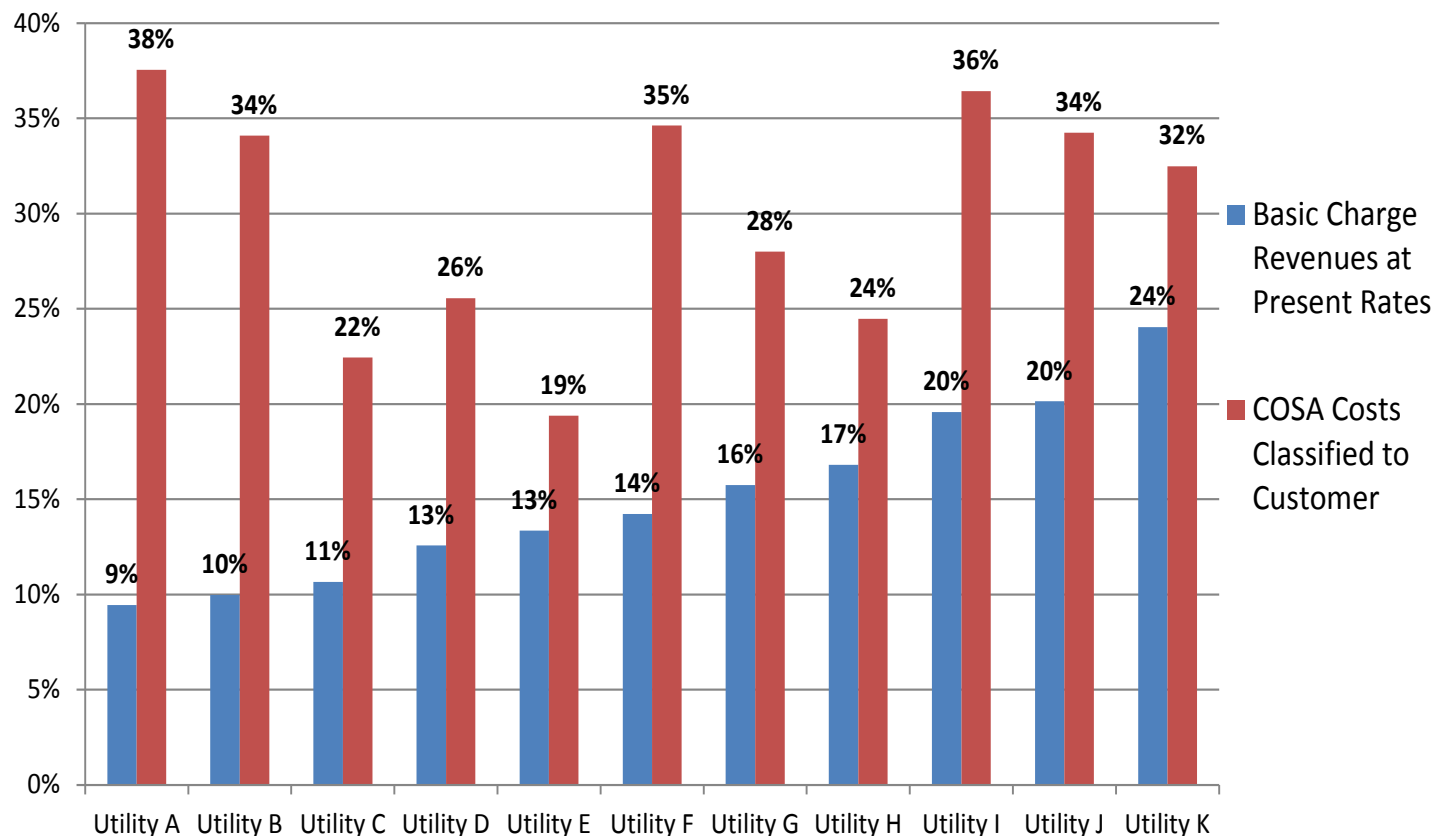
Comparison of Rates to Unit Costs Residential			
	Present	Minimum System	Fixed/Variable
Basic Charge (\$/month)	\$28.60	\$39.02	\$78.33
Energy Charge (\$/kWh)		\$0.0772	\$0.0370
First 5,000 kWh	\$0.0852		
Over 5,000 kWh	\$0.1006		
<b><i>Rate Change over Present</i></b>		<b><i>(2.40%)</i></b>	<b><i>(2.40%)</i></b>

### ■ Considerations

- All power-related costs in energy charge (includes A&G)
- All non-power supply in basic charge
- Don't forget impact on low users/fixed income members

# Cost of Service Study Results – Classification of Costs vs. Actual Revenues

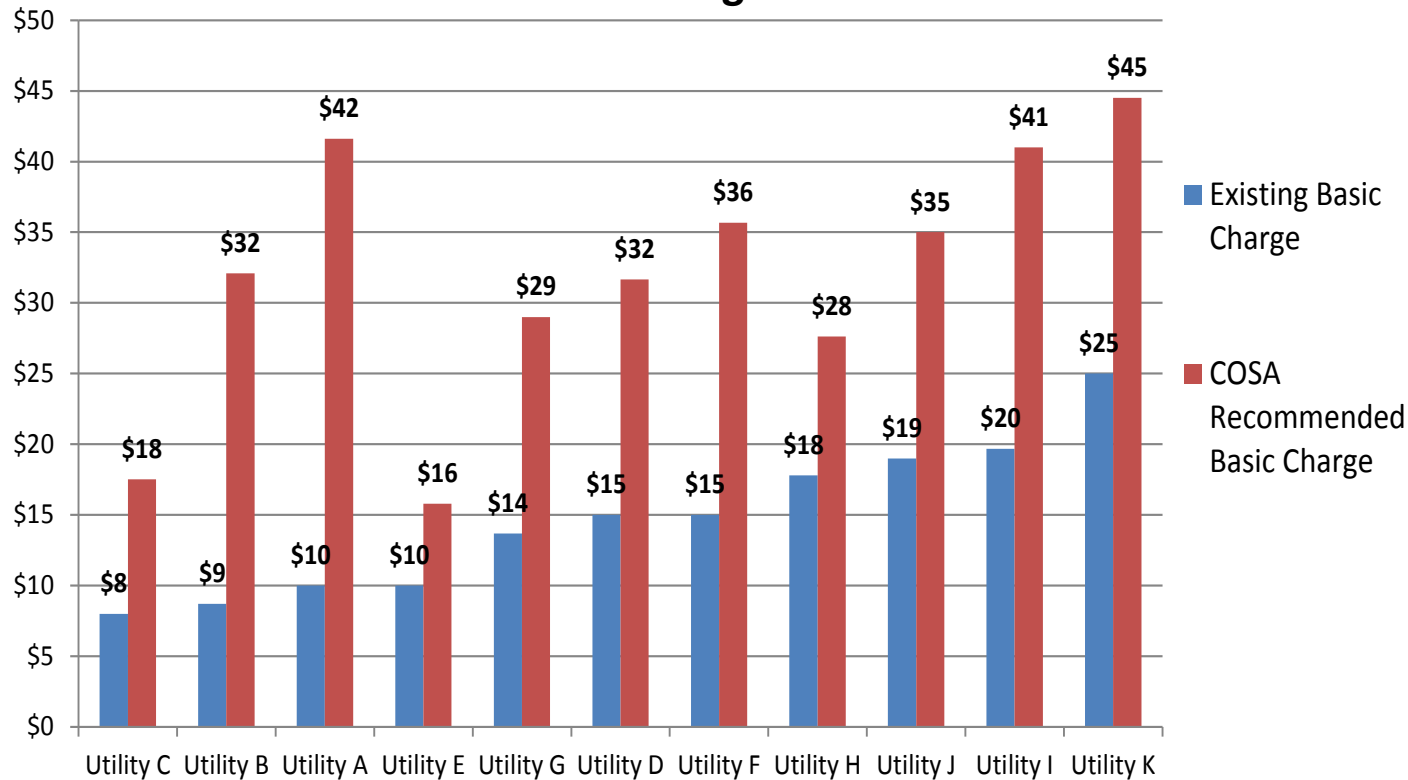
**Percent of Revenues Collected via Basic Charges vs.  
Percent of Revenues COSA Classifies as Customer-Related**



- Costs that end up in the “customer” bucket in the classification step not being collected via basic charges
- Best case (utility K): 74% of fixed costs collected via fixed charge
- Worst case (utility A): 25% of fixed costs collected via fixed charge
- BPA customer charges in the “energy” bucket in COSAs

# Cost of Service Study Results: COSA-Recommended Basic Charges vs. Actual Rates

Existing Basic Charges vs. COSA Recommended Basic Charges



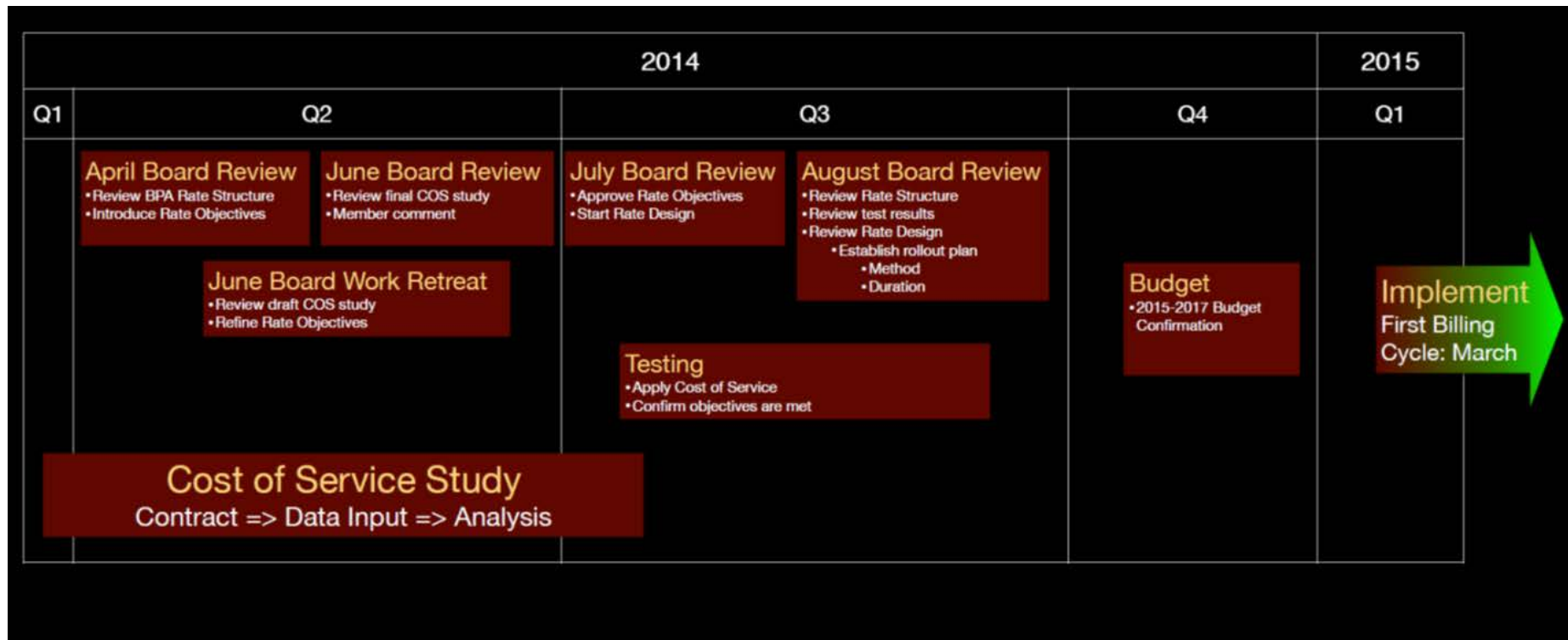
- Take-away: basic charges not nearly as high as COSA indicates they should be
- Best case (utility E): basic charge needs 58% increase
- Worst case (utility A): basic charge needs 316% increase

Source: Actual cost of service studies performed by EES Consulting over past two years.

## Take-Aways (cont'd)

- **The following strategies can help your utility thrive under changing electricity use profiles:**
  - Continue to promote/fund energy efficiency
  - Providing resources to members interested in distributed generation and net metering
  - Conduct cost of service studies to understand cost causation
  - Implement small rate changes that reflect the cost of providing electric service
  - Increase facility charges when necessary to bridge the gap between existing facility charges and cost of service recommended rates
  - Educate members on rate components and why rates are changing
  - Take care of vulnerable customers (low and fixed income) by providing access to resources that will allow them to participate in energy efficiency programs
  - Don't forget about commercial members

# Next Steps



# Questions / Answers

## MEMORANDUM

Date: June 10, 2014

To: Board of Directors

From: Randy Cornelius, General Manager

Re: 2014 First Quarter Financials

The 2014 first quarter financial results are being sent as a separate file for review prior to the Board meeting. Included in the report are the Balance Sheet, Statement of Operations (along with a Notable Drivers analysis), Statement of Cash Flow (abbreviated), Island Network Financial Tracking Tool, Capital Projects Budget, and the 2014 Draft RUS Form 7.

Staff will be available to discuss the information in detail during the June 19th Board meeting.

Orcas Power and Light Cooperative  
Cash Recap  
May 31, 2014

	Rate	Term	Due Date	Amount	Total Balance
GENERAL FUNDS:					
Cash on Hand				600	
Cash in Checking - Key Bank				79,440	
Cash in Checking/MMDA/Construction - Islanders Bank				1,018,421	
Cash in Checking/Savings/Payroll - Wells Fargo				272,933	
SUBTOTAL GENERAL FUNDS					1,371,393
CASH RESERVE FUND:					
CFC Commercial Paper	0.12%	29	6/6/14	400,060	
CFC Commercial Paper	0.15%	65	6/13/14	250,058	
CFC Commercial Paper	0.15%	51	6/20/14	250,059	
CFC Commercial Paper	0.13%	28	6/27/14	250,101	
CFC Commercial Paper	0.18%	91	6/30/14	184,103	
SUBTOTAL CASH RESERVE FUND					1,334,381
RESTRICTED FUND:					
CFC Select Notes	0.2200%	31	6/27/14	279,542	
CFC Select Notes	0.2200%	37	6/27/14	353,285	
CFC Select Notes	0.3600%	159	7/14/14	200,324	
CFC Select Notes	0.3500%	160	7/14/14	350,568	
CFC Select Notes	0.3700%	158	8/29/14	352,091	
CoBank - AIM				151,635	
Home Street Bank	0.3490%	547	4/29/15	105,049	
Washington Federal Savings	0.4000%	395	12/29/14	107,890	
Washington Federal Savings	0.4000%	395	6/19/15	109,031	
SUBTOTAL RESTRICTED FUNDS					2,009,415
GRAND TOTAL FUND ENDING BALANCE 5/31/14					<u>4,715,189</u>
Project PAL: Islanders Bank				16,919	
MORE Program: Islanders Bank				168,327	
RUS Cushion of Credit *	5.000%			730,744	

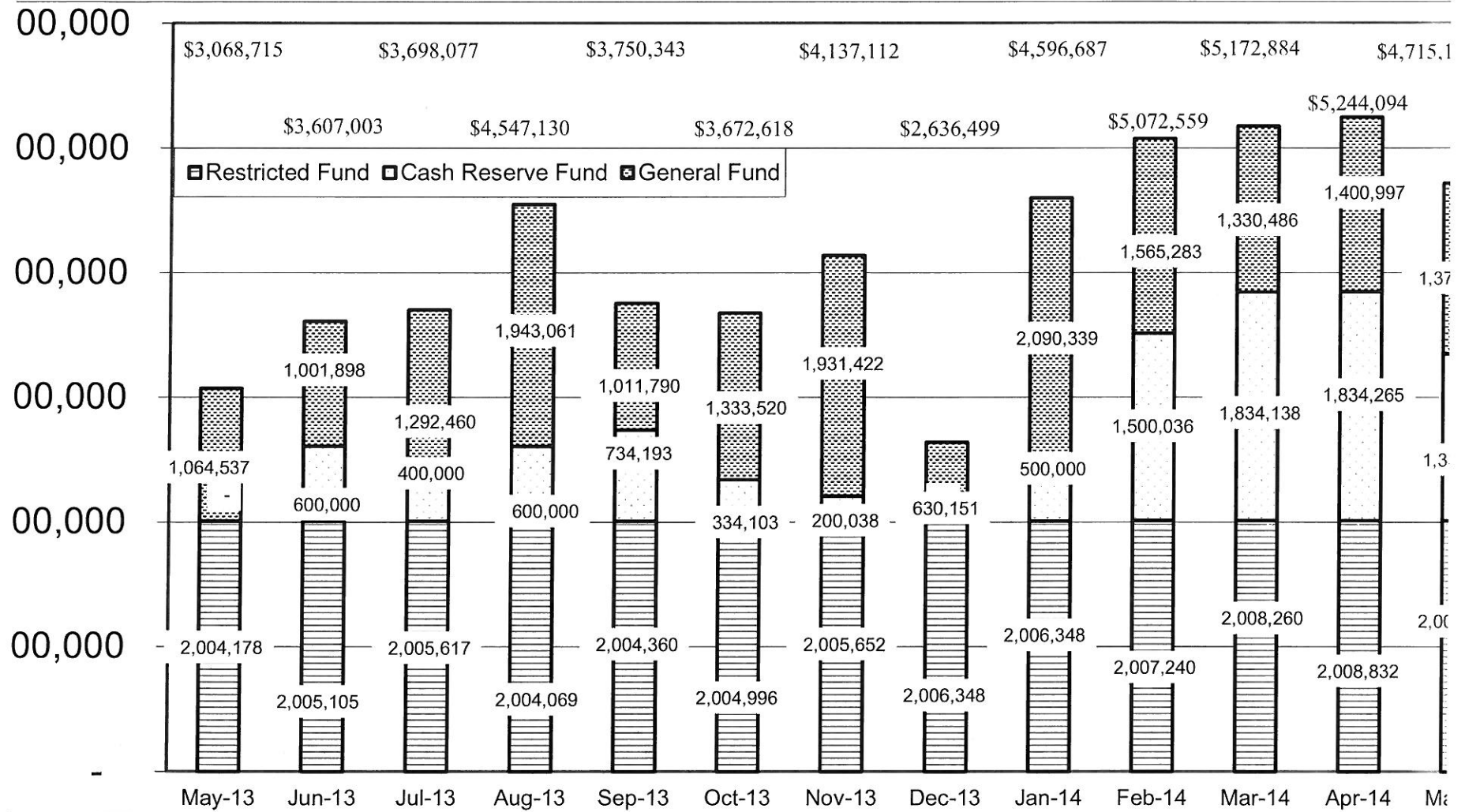
CASH PROJECTION:  
June 30, 2014

GENERAL FUNDS:					
Beginning Cash 5/31/14			1,371,393		
Estimated Revenue (based on 95% of billing)			1,569,935		
Estimated Other Revenue			20,000		
Transfer From Restricted Fund for Asset Purchase			500,000		
Estimated Transfer From Reserve Fund			67,000		
Estimated Transfer From RUS Cushion of Credit			233,000		
Subtotal Cash/Revenue				3,761,328	
Estimated Accounts Payable		(1,100,000)			
Estimated Payroll and Benefits		(645,500)			
Estimated RUS and CFC Principal and Interest Payment		(300,000)			
Transfer to RUS Cushion of Credit		(500,000)			
Federated Insurance Premium (annual)		(171,170)			
Power and Transmission Bill (May bill)		(473,739)			
Subtotal Expenses				(3,190,409)	
Projected Ending Balance 6/30/14					570,919
CASH RESERVE FUND:					
Beginning Cash 5/31/14			1,334,381		
Estimated Transfer To General Fund			(67,000)		
Projected Ending Balance 6/30/14					1,267,381
RESTRICTED FUND:					
Beginning Cash 5/31/14			2,009,415		
Transfer To General Fund for Asset Purchase			(500,000)		
Projected Ending Balance 6/30/14					1,509,415
PROJECTED GRAND TOTAL FUND ENDING BALANCE 6/30/14					<u>3,347,714</u>
PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 6/30/14					<u>(1,367,474)</u>
RUS CUSHION OF CREDIT*:					
Beginning Balance 5/31/14			730,744		
Transfer From General Fund			500,000		
Estimated Transfer To General Fund			(233,000)		
Projected Ending Balance 6/30/14					<u>997,744</u>

\* represents advance payments unapplied for RUS long term debt



# TOTAL FUND BALANCE

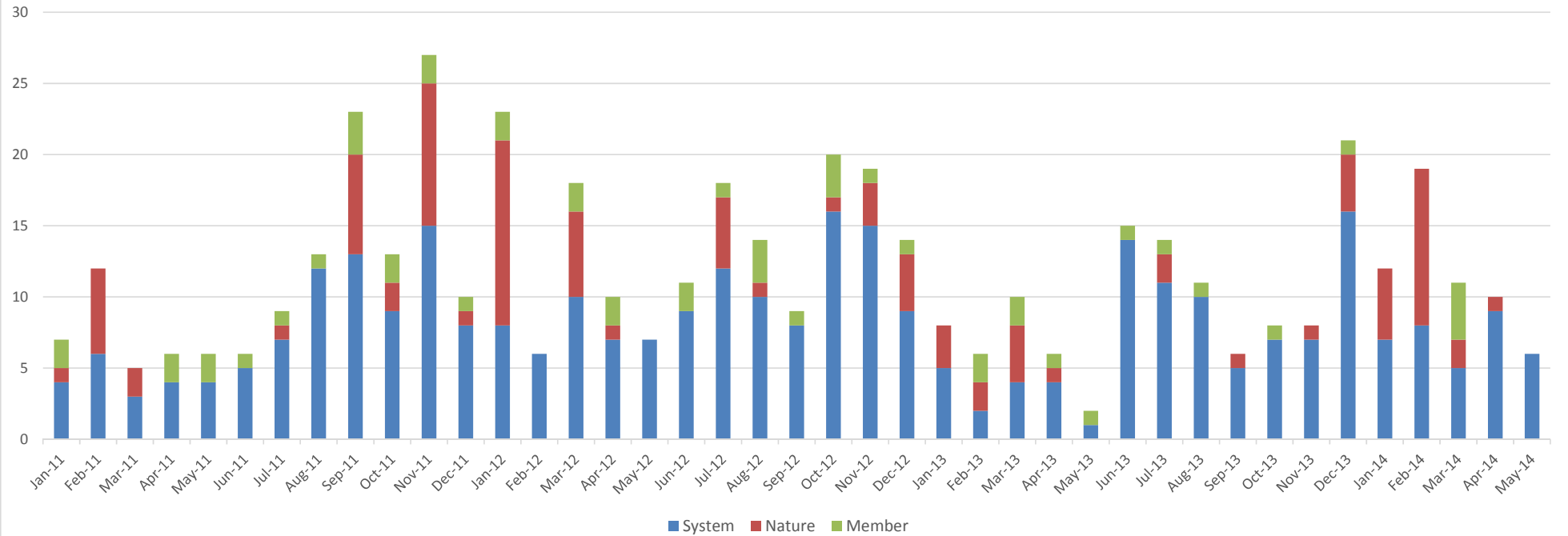


## Notes:

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. 2014 - RUS loan draw \$1.22M @ 3.456% (January 2014)
3. 2014 - RUS loan draw \$878k @ 3.479% (January 2014)

## Outage Report: Trending + YTD Summary

### Outage Occurrence Trending



### YTD Summary

Category Description	Group Description	May 2014			YTD 2014			YTD 2013		
		Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)
System	Scheduled	0	0	0	0	0	0	0	0	0
System	Faulty Equipment or Installation	0	0	0	6	183	23.5	0	0	0
System	System Issue	0	0	0	4	33	8	4	1188	3.5
System	Age or Deterioration (Failed URD)	4	1111	11.5	15	1396	105	8	1437	36.75
System	Right-of-way	1	3	10	1	3	10	2	27	3
System	Secondary	0	0	0	7	9	17.5	1	3	2.5
System	Unknown	1	24	3	2	36	3.5	1	556	3.33
Nature	Weather	0	0	0	18	1108	47.5	7	1269	10.44
Nature	Animal	0	0	0	1	10	1	3	118	5
Member	Member/Public	0	0	0	4	133	9	6	62	20.25
<b>Totals</b>		<b>6</b>	<b>1138</b>	<b>24.5</b>	<b>58</b>	<b>2911</b>	<b>225</b>	<b>32</b>	<b>4660</b>	<b>84.77</b>

Date: June 9, 2014  
To: Randy Cornelius, General Manager  
From: Russell Guerry, Manager of Engineering & Operations  
Subject: Safety Program – April and May 2014

Jeff Myers conducted fire safety and the use of fire extinguishers during our April safety meeting. He conducted training on heat stress during our May safety meeting.

OSHA has recently passed new rules for Arc Flash Protection and Fall Protection. We are formalizing plans to handle the changes in employer provided equipment. These OSHA changes will be official in June. Washington State will have 6 months to alter their rule set for compliance. We will have 6 months to comply once Washington has adopted a rule set.

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

**Date:** March 28, 2014\*

**Type:** Incident

**Description:** When relocating a large pad mounted transformer, the pallet beneath broke allowing the transformer to fall. No one was injured.

**Action Taken:** Discussed at safety meeting which included load placement when using forklift.

**Date:** May 29, 2014

**Type:** Near Miss

**Description:** An electric arc occurred while connecting secondary to a transformer for a new service. Upon investigation, the electrician connected the service improperly.

**Action Taken:** Crews were instructed to test connections prior to connecting.

	<b>April &amp; May 2014</b>	<b>YTD (2014)</b>
<b>Near Misses</b>	1	1
<b>Incidents</b>	0	1
<b>Accidents</b>	0	0
<b>Loss Time</b>	0	0

Total Hours Worked without Loss Time Accident: 58,066

\*Not previously reported

## **General Manager's Report June 2014**

### **FINANCE**

#### **2013 Year End Reporting**

Staff continues to work on 2013 year end reporting by the preparation and filing of the Annual Electric Power Industry Report Form EIA-861, whose filing has been delayed in order to incorporate revisions made by the US Energy Information Administration. The revised filing due date will be August 5, 2014.

#### **2014 First Quarter Financial Statement Analysis**

Staff will present and discuss the 2014 1<sup>st</sup> Quarter financial statements and capital projects at the June board meeting, based on the documents provided under a separate cover of the June board packet.

#### **2013 Form 990 Exempt Organization Return**

Staff will provide Moss Adams their requested information for the preparation of the draft 2013 Form 990 Exempt Organization Return, currently extended until August 15, 2014. As part of the preparation process, staff will present, during an executive session of a future board meeting (date to be determined), the draft return filing for board discussion and approval.

### **MEMBER AND ENERGY SERVICES**

#### **Rebates/EEI Funding**

For the period 10/1/13 - 5/31/14, the Energy Savings team has submitted 1,632 rebate measures totaling \$268,478 and a reported 940,826 in kWh savings. This represents 100% of the annual EEI funding for the period ending 9/30/14 and 15% for funds allocated to FY2015. Staff estimates that self-funding will be necessary by late summer.

#### **Nonprofit Partnership/Islands Energy**

Three local Energy Fairs (San Juan, Lopez, and Orcas) concluded on Saturday, June 7. Over 500 guests attended to learn more about energy efficiency, conservation, and renewable energy. The Energy Savings staff signed up 18 members for energy audits. The MORE Committee recruited 15 members to contribute Green Blocks and 1 member for the All Green program. Results from a survey conducted will be available next month, but the general feedback was overwhelmingly positive from attending members.

Other projects underway include the Georgetown Energy Prize application (due end of June), and a community solar for schools project, expected to be installed in November.

Future outreach events include Farmer's Market booths, the County Fair, a Climate Speaker series, and an "energy detective" program with the Youth Conservation Corps on Orcas and Lopez Islands.

#### **SmartHub/Wi-Fi Update**

Since April 16, Member Services staff has enrolled an average of eight members per day in SmartHub for a total of 446 members, or 39% of total membership. An additional 472 members are eligible for free Wi-Fi. A call campaign for existing SmartHub members who still receive a paper bill is planned for July.

### **Members Services Staffing**

Ella Thomas was hired through Aerotek Staffing Services as a temporary resource in Eastsound to cover for a Member Services Rep out on medical leave. Ella lives on Orcas Island.

### **Project PAL**

The PAL season ended in April with a total of \$36,519 in grants awarded. Doe Bay Café on Orcas is hosting a pizza night benefit every Thursday in June as part of our ongoing Business PALs partnership program. There is also a spaghetti dinner benefit planned for Lopez Island this summer. This benefit is being organized by a former PAL recipient to express her gratitude for assistance.

## **ENGINEERING & OPERATIONS**

### **Work In Progress**

As of June 2, there are 296 work orders open totaling \$2,545,366. Operations has completed construction on 65 of those work orders, totaling \$1,037,163. Transmission construction on Blair Street will be conducted in coordination with the Town of Friday Harbor Blair Street Project. Cattle Point Road Re-conductor road bores are ongoing and the walkthrough was conducted on June 12.

### **BPA Planned Outage - May**

The maintenance planned and performed during the BPA outage in May was successful. Although the restoration was not optimal, we were able to exercise our emergency procedures. Equipment failures during the restoration have been identified, repaired, and tested.

### **Accident Investigation**

L&I investigation is ongoing.

### **Submarine Cables**

Lopez to San Juan: We are finalizing environmental reporting, starting the permitting process, and starting the loan application process. The request for bids are out for cable supply and installation.

San Juan to Henry Island: Permitting is complete and a contractor has been selected.

## **INFORMATION SERVICES**

### **Staffing**

We are moving forward filling the vacant positions within Information Services.

1. The Software Specialist position is still "open until filled". Our first round of interviews for the position produced one qualified candidate to which we made an offer. Unfortunately, the candidate was unable to accept the offer, citing relocation difficulties.
2. The Network Engineer position description (delayed for additional edits) will be submitted for approval this week. We should be advertising for this position beginning this month.

### **Communication Backbone Design**

The communication backbone design project is underway to improve safety communications and connect electric field devices. Vantage Point has completed staking the installation and is in the

process of providing results. OPALCO IS and Engineering resources are moving forward with permitting, environmental requirements, and planning material resource lead times. In addition, material is being ordered and contracts are going out this month to begin work on the overhead fiber installations.

### **Island Network Website - Requests for New Service**

The Island Network Website continues to process member requests for new broadband services at a growing pace. Since launching on March 15, the website has processed 275 member requests. A growing number of requests (12 to date) are for neighborhood connections that range from 6 to 100 per request.

### **Island Network New Services**

The number of member subscribers on Island Network continues to grow. We now have 43 members with a total of 83 connections. We have two additional members in the construction process and 14 more in various stages of the application process.

### **Island Network Broadband Cost of Service Study**

We are working with the vendor EES Consulting to develop our Cost of Service study. A service/cost matrix has been developed through which OPALCO can work with the vendor to identify the costs associated with providing Broadband services. The study is proceeding on schedule for completion at the end of this month.

### **Wi-Fi Hotspots at Interisland Ferry Terminals**

On May 5, the OPALCO Wi-Fi system was expanded to enable member access to the Internet at the interisland ferry terminals. Members who are signed up for SmartHub (eBill) and Paperless Billing were granted free access to the Wi-Fi system through the OPALCOcares network. In the first week of operation, nearly 200 member devices were authorized for Internet access through the Wi-Fi system. Member participation in this service is growing daily. To date, there have been 395 users accessing the system using 570 devices.

### **May 9 Power Outage**

The Information Services team developed a plan for maintaining network operations during the May 9 power outage. The plan included adding/upgrading uninterruptible power supplies (UPS) where necessary and dispatching personnel to back up critical systems with portable generators. During the outage, all protected systems remained online and network operations continued as expected. After the outage, a few non-critical systems that were powered down required manual startup procedure in order to bring them back on line.

# OPALCO Grid Control / Communication Infrastructure Update

June 12, 2014

## 700 MHz Spectrum

- Received FCC Approval June 9th
- Issuing Joint Press Release (Vulcan Wireless currently editing)
- Currently Evaluating Technical Design, Vendors, and Equipment Options

## Grid Control Backbone Expansion (Fiber)

- Design (Installation Planning Complete)
- Construction Packages/ Staking Sheets (In-process)
- Bid Packages for Overhead Fiber Installations (Sent out)
- Developing Construction Bid Packages for Underground Fiber Installations (In-process)
- Material Acquisitions (In-process)
- Construction Sequence Planning (In-process)

## Wireless Infrastructure

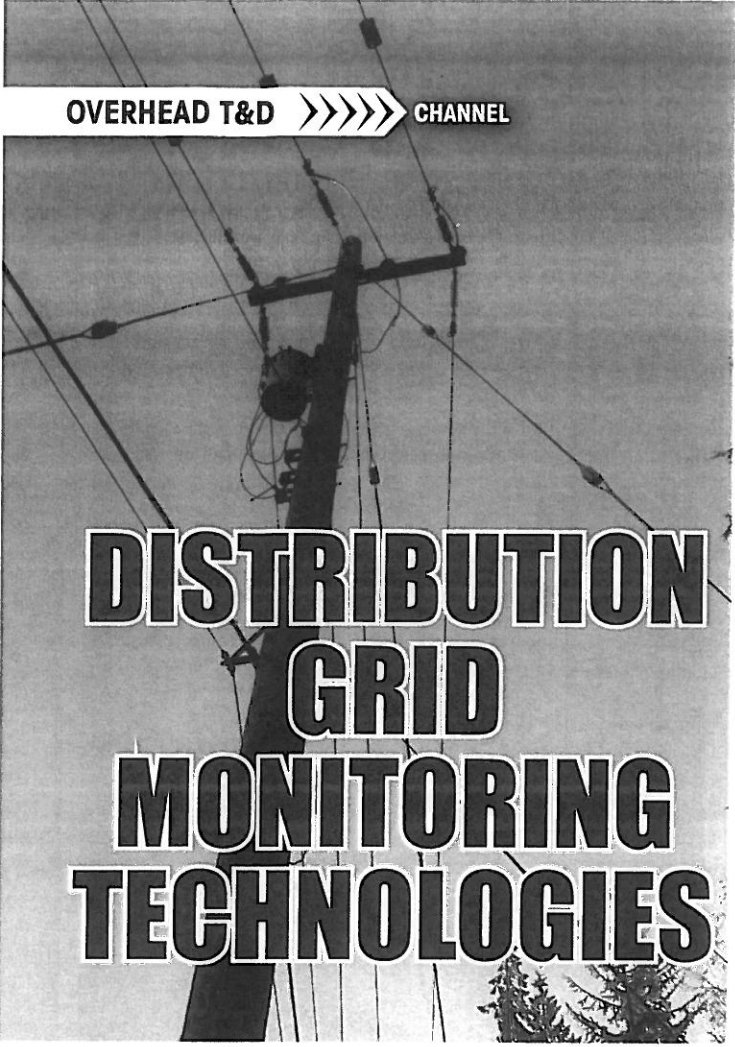
- Emergency Communications (2-way) Upgrade (In-process)
- Field Communications (700 MHz) Design (Technical and Equipment Specifications) (Initiating)
- Construction Planning for 17-Site Installations Underway (In-process)

## Island Network

- Member Connections Growing (From 28 to 43 Members / 54 to 83 Connections)
- Cost of Service Study Underway (Board Review @ July Board Meeting)
- Business Plan RFP (In-process)
- Budget and Staffing Processes (Initiating)

## Timeline

Project (All Phases)	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	--> 2017
<b>700 MHz Spectrum</b>								
Grid Control Backbone Expansion								
Design								
Bid Packages								
Construction								
<b>Wireless Infrastructure</b>								
2-Way (Crew Comm)								
700 MHz (17-Site Field Comm)								
<b>Island Network</b>								
Cost of Service Study								
Business Plan								
Budget and Staffing								



# DISTRIBUTION GRID MONITORING TECHNOLOGIES

## How to improve situational awareness of grid operations

BY MARK FEDERLE, QinetiQ North America

The adoption of Smart Grid technology in recent years has accelerated the modernization of the electric utility grid. This is a positive development given that the grid infrastructure in North America is, on average, close to 50 years old. Notably, staying on pace with modernization trends evident in other major industries such as automotive, semiconductors, and telecommunications has not been a priority for the electric utility industry. In fact, if Thomas Edison time warped to present day, there would be very little in the current underlying grid architecture and technology that he would not recognize. Broad adoption of advanced metering infrastructures and other Smart Grid technology is finally leading to significant change.

Electric utilities are on the cusp of major changes, pressed by the impacts of a combination of aging infrastructure as well as the increasing use of distributed generation and renewable power. New technology for monitoring distribution systems offers utilities the means to manage their networks more effectively with enhanced real-time visibility of network conditions, while having an immediate, positive effect on operating expenses and customer satisfaction.

### TRADITIONAL VERSUS MODERN GRID MONITORING SYSTEMS

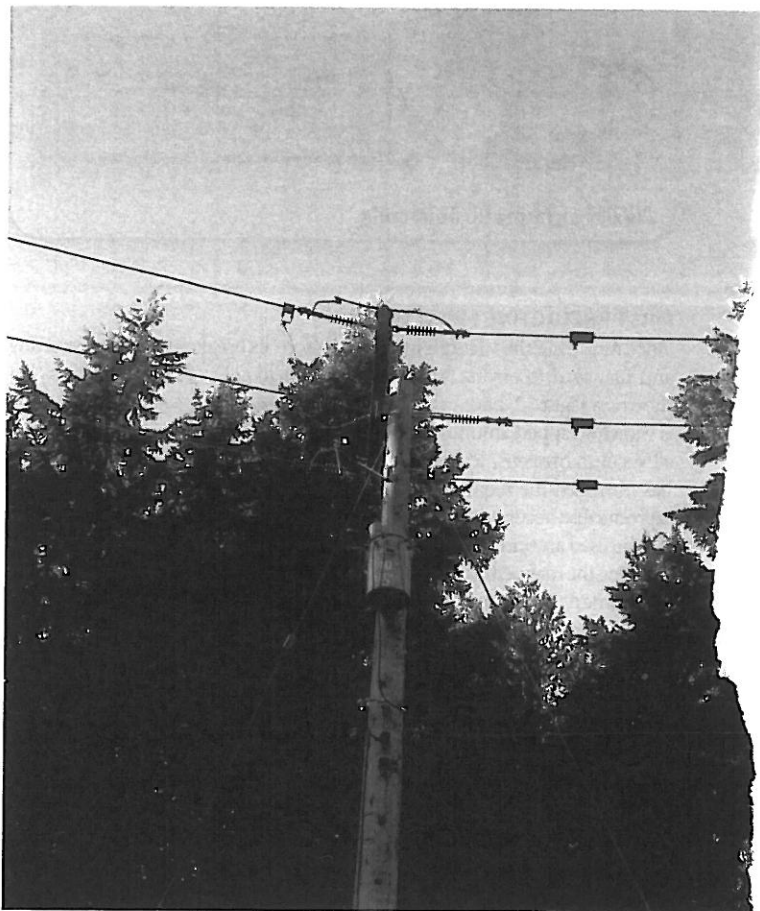
New monitoring technologies tend to be physically smaller and much simpler to install, requiring only equipment typically carried by line crews. These new devices can be placed directly on power lines with a hot stick and be operational within minutes. Traditional systems, on the other hand, use voltage and current transformers, where installation may possibly take longer than a day and often requires the addition of new support structures. Some new monitoring devices sense voltage with no phase-to-phase or phase-to-neutral connection, and only require placement on the line being monitored to function.

Many differences exist between systems currently available on the market. Some devices strictly measure current; these are inexpensive and easy to install, but are limited to providing current monitoring. Other devices can provide current and voltage monitoring, but when higher accuracy is needed for collecting grid data, many of these systems require a neutral connection. This obstacle adds more installation complexity and ongoing safety concerns that many utilities would rather avoid.

Utilities can benefit from new systems that provide near revenue grade data accuracy, which can offer a significant business advantage. These systems integrate hardware and software, collecting measurements and calculating a variety of parameters including power factor, amp hours, and kilowatt-hours, depending on the exact information a utility needs.

Some issues remain. Installing new sensors on distribution grids, even relatively inexpensive devices, still requires time and capital outlay. Conversely, while there is an upfront cost associated with installing new technologies, utilities can generally make the business case for their deployment when compared to older grid management approaches.

In addition, utilities must determine how to manage the volume of new data generated by the broad deployment of power line sensing and monitoring systems. This is a classic "big data" challenge that utilities will need to address with focused programs and data analysis capability to prove the value of deployment to their ratepayers and their local public utility commissions. How-





ever, a growing vendor and service sector is providing advice and enterprise analytic and management tools to help utilities operate their data networks and power grids more efficiently.

### REPLACING AGING INFRASTRUCTURE WITH AUTOMATION

A number of applications exist for distribution grid monitoring technology. Examples to consider include:

#### Loss Detection

Distribution grid technology can locate power losses on a utility's network. This operation is performed through an energy balancing exercise, where smart meters measure consumption at the end user site, while the distribution grid sensors, strategically placed on the network, measure how much power is flowing between those two points. Subsequently, software tools conduct an energy balancing analysis to locate any losses or discrepancies on the lines between the two points, which allows the utility to locate where the power losses are occurring.

#### Grid Automation

Grid automation allows newly installed systems on the power grid to operate and report data automatically rather than manually. For example, capacitor bank monitors integrated with sensors can measure voltage and power factor and, based on programmable operating parameters, automatically connect and disconnect the capacitor banks to stabilize the grid.

#### Asset Management

Since the average age of North America's power grid is close to 50 years old, utilities invest a significant portion of their capital budgets in maintenance upgrades. Decisions to replace or upgrade transformers, conductors, and other equipment are based on rated equipment capacity and asset utilization models that are often dated or, at best, based on educated estimates of multiple variables. The capital expenditure decision about which equipment to replace or upgrade relative to other similarly aged assets represents tens or even hundreds of millions of dollars in annual capital expenditures.

Healthier major component replacement decisions can be made using grid monitoring systems to provide a more informed picture of the actual operating conditions on distribution lines, based on real data rather than models and estimates.

#### Volt/VAR Controls

Maintaining grid efficiency is another application for the technology and can be accomplished with Volt/VAR controls. The goal is to maintain regulated operating conditions. Sensors on the lines can inform utilities if they are meeting their goals and can provide more control over the actual distribution grid conditions.

#### Fault Detection

Sensing technology can be used to notify utilities of faults and, depending on how densely the sensors are deployed on the grid, provide relatively accurate information on the fault location. Improved fault location allows faster restoration of service and fewer truck rolls than traditional methods, such as models based on customer outage phone calls.

Utilities may also have insufficient data regarding when and where power is restored, which often requires more truck rolls to patrol outage areas. Fewer truck rolls

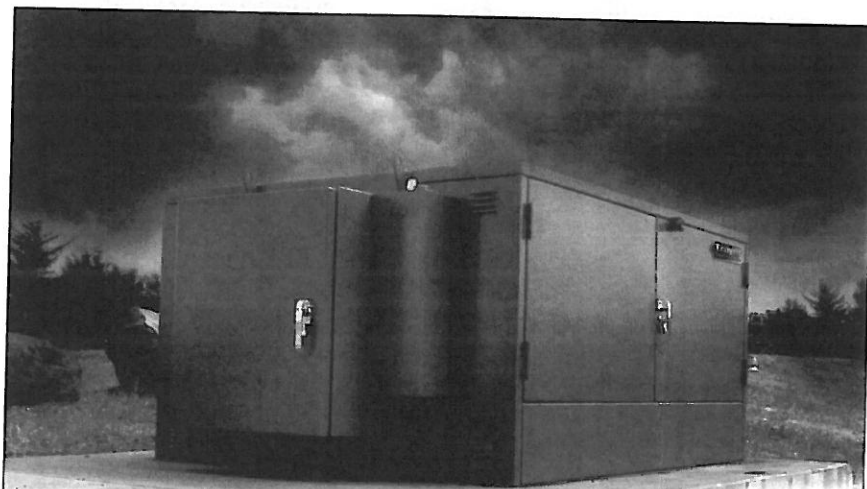
dispatched for fewer hours at \$500 or more per hour is a quantifiable metric for operational budgets and the benefits of distributed grid monitoring systems. **ET**

*Mark Federle is the commercial lead of the utility practice and power line sensor business for QinetiQ North America's Technology Solutions business unit.*



*This article is an abbreviated version of a longer, more technical piece that can be found in our expanded digital edition.*

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Grid Smart. Grid Tough.

# Segmentation Update

Presented to the NRU Board of Directors

April 30, 2014

## BPA Segmentation Process

- FERC approval of BP-14 rates: segmentation is outside scope of its authority
- BPA one-on-one meetings with customers to discuss proposals
- Segmentation Workshops
- BPA Industry Scan
- Final Segmentation Principles

# BPA Final Segmentation Principles

## **1. Consistent with statutory requirements**

- a. Full and timely cost recovery
- b. BPA's rates are based on total system costs
- c. Equitable cost allocation between federal and non-federal uses of the Transmission system
- d. Encourages the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles

## **2. Consistent with rate making principles**

- a. Cost causation
- b. Simplicity, understandability, public acceptance and feasibility of application
- c. Avoidance of rate shock
- d. Rate stability from rate period to rate period

## **3. Considers a regional perspective**

- a. Alternatives include how costs are allocated and recovered
- b. BPA asks that proponents of alternatives explain how the region benefits from the alternative compared to the status quo
- c. Historically BPA has applied uniform rates to achieve widest possible diversified use

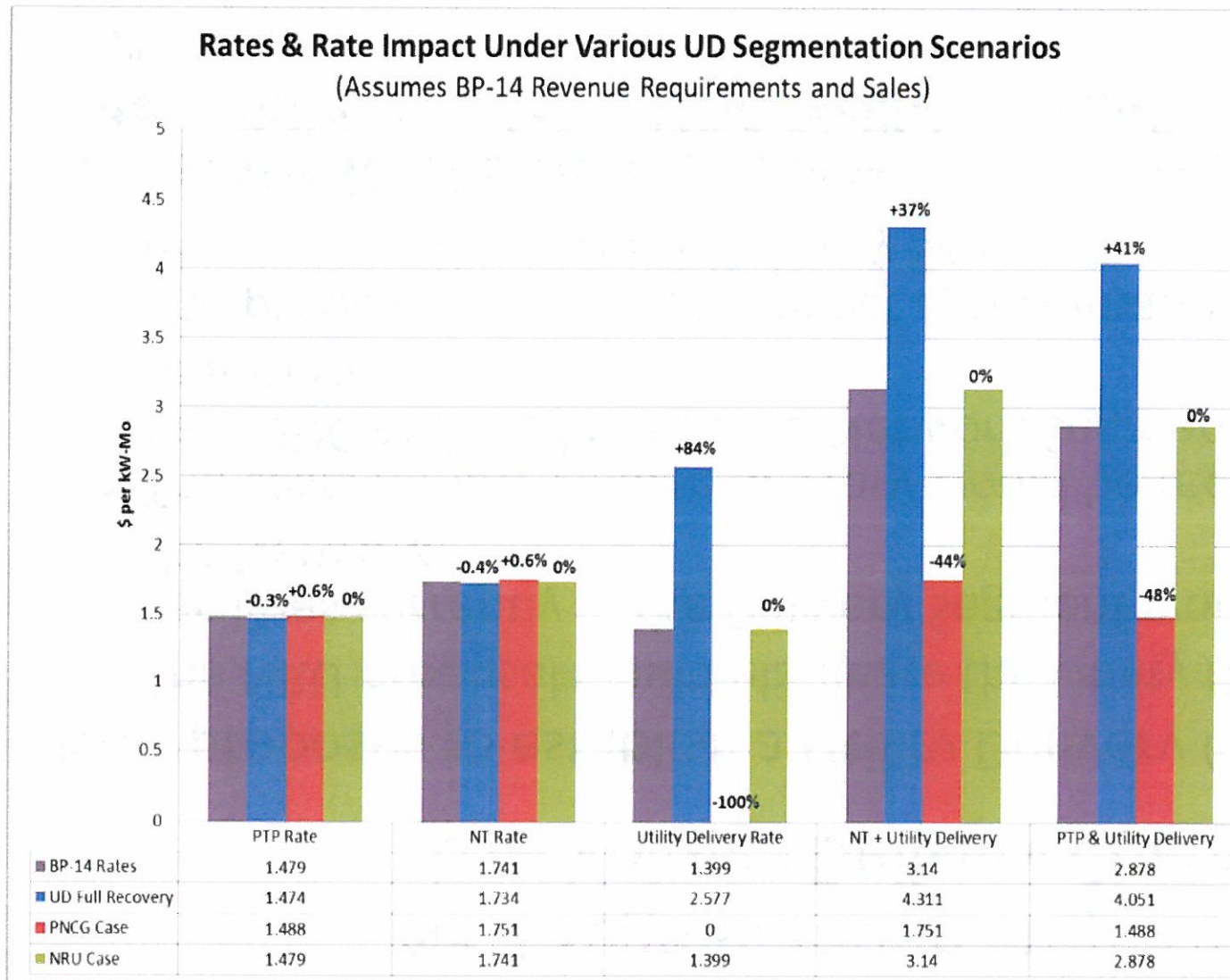
## PNGC Segmentation Proposal—Roll in Delivery

- PNGC proposes to roll all Utility Delivery Segment facilities into the Integrated Network and eliminate the Delivery Charge
- BPA estimates that the proposal would add \$3.73 million to Network rates, resulting in a 0.6% increase
- However, BPA has indicated that they would likely treat DSI Delivery in the same way. This would add an additional \$2.63 million to Network Rates

## NRU Segmentation Proposal— Low Voltage Delivery Charge

- NRU proposes to establish a Utility Delivery Charge (UDC)
  - The NRU proposal would eliminate the Utility Delivery Segment
  - Facilities currently in the Delivery Segment would be included in the Network
  - The costs for low voltage delivery would be recovered through the new UDC and credited to the Network Segment revenue requirement.
  - The proposed UDC would collect approximately the same revenues as the current Delivery Segment
- **Under the NRU proposal, there is no increase to Network rates while remaining UDC facilities avoid an additional 84% increase**
  - Could be implemented if the status quo segmentation methodology is preserved

# BPA Rate Impact Analysis of PNGC and NRU Proposals



Source: BPA presentation at Segmentation Workshop, April 16<sup>th</sup>, 2014

## Bottom Line:

- **PNGC:** 0.6%+ increase for Network & PTP Rates
- **NRU:** No increase to Network or PTP Rates; Avoids 84% rate increase to Delivery



# Snohomish PUD Segmentation Proposal— Radial Segment

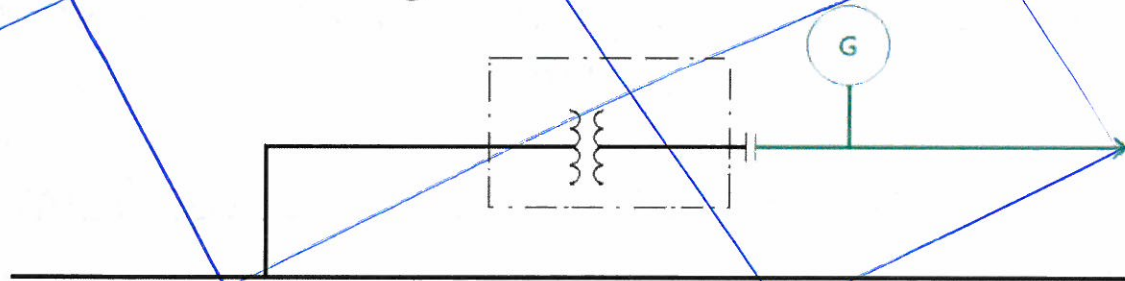
- Snohomish PUD (SnoPUD) is proposing a radial transmission segment to recover costs from BPA's radial facilities.
- This is different from SnoPUD's BP-14 rate case proposal, which also included Local Networks and Load Serving Networks.
- The following steps would be necessary for BPA to implement the proposal:
  - Define & Determine radial facilities.
  - Develop revenue requirement for the radial segment that is separate from the Network.
  - Develop billing determinants for customers served by the Radial segment.
- SnoPUD's proposal would allocate costs on a per kWh basis to all customers in the Radial customer class.
  - This would result in double charge for loads served off BPA radial facilities (Network and Radial segment charge)



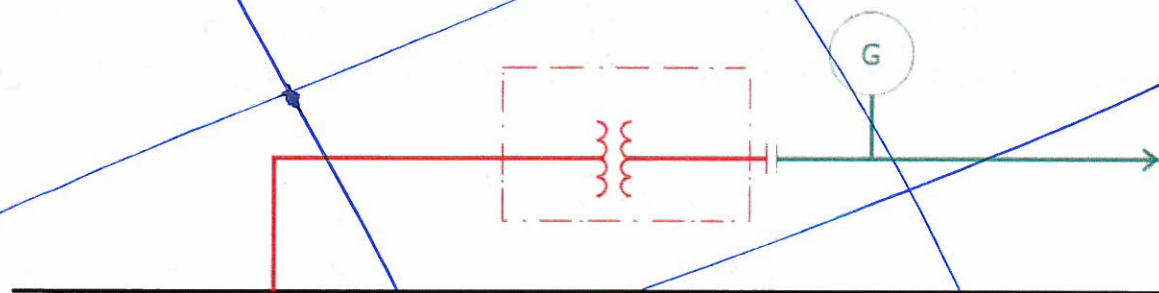
# Snohomish PUD Segmentation Proposal— Examples of Radial Facilities

## What Constitutes Radial Service (5)

- Ex: Non-federal generation—wheeled+scheduled = NO



- Ex: Non-federal generation—consumed locally = YES





**Washington Rural Electric  
Cooperative Association**

# Update

**To: WRECA Members**

**May 14, 2014**

**From: Kent Lopez, General Manager**

**Registrations for the 2014 WRECA Annual Meeting continue to arrive** – and there is still time to get your registrations sent in for the meeting which is June 10 & 11 at the Marcus Whitman Hotel in Walla Walla.

We've confirmed all of the speakers who are (June 10) State Senator Mike Hewitt, NRECA President Curtis Nolan, Touchstone Energy CEO Denise Aranoff-Brown, NRECA VP for Regulation Jay Morrison and NRU Executive Director John Saven, and (June 11) State Representatives Terry Nealey and Maureen Walsh, NW RiverPartners Executive Director Terry Flores, and BPA's newly-appointed Chief Operating Officer Claudia Andrews.

Don't forget the events associated with the Annual Meeting such as the WECPAC Golf Tournament, which is June 9 at the Wine Valley Golf Club. (There is still room for more players.) And don't forget the live auction on Tuesday evening to raise money for WECPAC (and we need a lot of money this year). Bring your finest contributions for the auction (and your checkbooks as well).

Finally, we have the Touchstone Energy balloon scheduled for Monday. We'll send a schedule of ballooning events in a week or two, but we're planning for at least one appearance to be at the Wine Valley Golf Club at tee-off time on Monday.

If you need registration forms for the Annual Meeting or golf tournament sign-up sheets, go to [www.wreca.coop](http://www.wreca.coop) and select the Meetings page.

**Northwest RiverPartners won a national award for the CleanHydro campaign** – from the National Hydropower Association (NHA). The award was one of six national Outstanding Stewards of America's Waters (OSAW) Awards for RiverPartners' CleanHydro public education campaign



Several WRECA members stop for a picture on the east side of the US Capitol with NRECA President Curtis Nolan and his wife Julie. President Nolan will be the keynote speaker for the 2014 WRECA Annual Meeting next month. Pictured left to right – Curtis and Julie Nolan; Elaine Walter, Parkland L&W; Steve Walter, Tanner EC; Gary Hauenstein, Parkland L&W; and Mark Johnson, Parkland L&W.

which was designed to educate the public about the multiple benefits and tremendous value of hydropower. WRECA is a member of NW RiverPartners and contributed to the funding of the campaign.

NWRP's public education campaign featured visually compelling TV ads, print ads and a website to educate more than seven million residents in the Pacific Northwest about clean, renewable hydropower. The campaign reached more than three million households, and subsequent public opinion polling showed up to 9 percent in support for hydropower among various target audiences.

Award winners were chosen based on the project or program's initial challenge, innovation, collaboration with stakeholders, and results. Five other organizations received OSAW awards, including Grant County Public Utility District, Tacoma Power, Georgia Power and Portland General Electric. For more information about Northwest RiverPartners and the CleanHydro Campaign, visit [www.cleanhydro.com](http://www.cleanhydro.com)

## The Other Washington

**Last week, 11 WRECA representatives from five member cooperatives visited with the Washington Congressional Delegation in Washington DC** – during the NRECA Legislative Conference. Representatives from Benton REA, Big Bend EC, Inland Power, Parkland L&W, and Tanner EC were among the more than 2,500 cooperative leaders from across the nation who attended the conference.

Before visiting with members of the Congressional Delegation, we met with representatives from the Oregon co-ops to be briefed on regional issues and to coordinate our visits with legislators.

The national issues that we talked about were:

Water Heaters. We asked our Senator to support either the Shaheen-Portman energy efficiency bill (which includes our water heater fix) or the stand-alone legislation fixing the water heater issue.

Reform of the Endangered Species Act (ESA). We asked for support of the four bills that had been introduced in the House and talked with our Senators about the need to update the ESA.

Federal Energy Management Administration (FEMA). We reported on the experiences that co-ops in Iowa had



Left to right – Kent Lopez, WRECA; Kristina Bahr, Inland P&L; Sen. Maria Cantwell; Elaine Walter Parkland L&W; Gary Hauenstein, Parkland L&W.



Left to right – Mark Johnson, Parkland L&W; Curtis Dahl, Big Bend EC; Rep. David Reichert (R-8<sup>th</sup> Dist.); Gary Hauenstein, Parkland L&W; Elaine Walter, Parkland L&W; Steve Walter, Tanner EC.



and asked our members of Congress to help to keep FEMA following the rules.

The Electrify Africa Act. We asked for support of this bill which provides greater focus at US AID to engage in projects to bring electricity to sub-Saharan Africa. NRECA's International Program is ready and willing to help, as we bring electricity to over 100 million people worldwide.

The regional issues we discussed:

BPA Agency Independence. We thanked the delegation for its support and the letter that all the delegation members signed that outlining some of the concerns over DOE's actions at BPA.

The Supplemental BiOP. We reported that we were pleased with the latest iteration of the Federal Columbia River Power System Biological Opinion (FCRPS BiOp), and noted that the updated salmon plan continues to employ the best available science to protect listed species.



Washington co-op representatives joined counterparts from Oregon for a briefing on regional issues from several DC-based individuals including Sonya Baskerville (left) from BPA's Washington DC office.

Columbia River Treaty. We express our concern that the current treaty is grossly imbalanced, with Canada receiving ten times the benefits that Northwest interests receive from coordinated system operations. We thanked the delegation members for signing the letter to the President regarding the need for the State Department to *expedite* review of the Columbia River Treaty.

Integrating Variable Generation. We expressed concern that BPA policies on intermittent generation equitably allocate costs and benefits.

Overall, our messages were well received and we thank the WRECA representatives who made the trip on behalf of all of the co-op members in Washington.

**The good news is that the Electrify Africa Act passed the U.S. House soon after our visits –** and all 10 of Washington's members of the House of Representatives voted for the bill. Now it is on to the Senate. During our visits last week, we told our senators that the bill was on its way and encouraged them to support its passage.

**The bad news is that the Senate failed to invoke cloture (to bring a bill to a final vote) on the Shaheen-Portman energy efficiency bill –** that includes our water heater fix for those co-ops using large electric-resistance water heaters in demand response programs. The vote was 55-36, but Majority Leader Reid voted "no" for procedural reasons. (Being on the losing side of a vote gives a Senator the status to call for reconsideration of the vote – so he is leaving the option open of another vote in the future if the Senate can come up with a plan acceptable to enough Senators.) That vote also ended prospects of a Senate vote on the Keystone XL Pipeline for the year (or until the Senate can figure out an alternative path forward). It's a big mess in the Senate right now, but we will keep pushing for either the Shaheen-Portman bill or stand-alone legislation to address the water heater issue.

**Important dates** – please put the following on your calendars:

May 18-21 – NWPPA Annual Meeting, Billings, MT  
June 9 – WECAPAC Annual Golf Tournament, Walla Walla WA  
June 9 – WRECA Board of Directors, Walla Walla, WA  
June 10-11 – WRECA Annual Meeting, Walla Walla, WA  
August 12 – WRECA Board of Directors, Ellensburg, WA  
October 8 – WRECA Board of Directors, Richland, WA  
October 14-16 – NRECA Region 9 Meeting, Omaha, NE

Please let me know if you have any questions – Kent

## NEW SERVICES

April 2014

	Orcas	San Juan	Lopez	Center/ Decatur	Blakely/Obstruction /Crane/Shaw	Total
Residential		2	1			3
Commercial		7				7
Line Retention						0
Other - OPALCO						0
Total*	0	9	1	0	0	10
2014 YTD	13	19	3	0	1	36
2013 YTD	7	18	2		1	28
2012 YTD	5	18	6		1	30
2011 YTD	6	16	7		3	32
2010 YTD	21	31	10		2	64

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

## NEW SERVICES

May 2014

	Orcas	San Juan	Lopez	Center/ Decatur	Blakely/Obstruction /Crane/Shaw	Total
Residential	1	3	2			6
Commercial		3				3
Line Retention						0
Other - OPALCO						0
Total*	1	6	2	0	0	9
2014 YTD	14	25	5	0	1	45
2013 YTD	9	22	3		1	35
2012 YTD	14	26	8	2	2	52
2011 YTD	13	26	7		3	49
2010 YTD	22	34	12		2	70

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

**OPALCO**  
**Historical MORE Revenue**  
**(All Green kWh and MORE Blocks)**  
**For Years 2012 - 2014 YTD**

Month	2012 YTD						
	All Green			MORE Blocks			Total Revenue
	#	kWh	Revenue	#	#	Block Revenue	
	Members	kWh	Revenue	Members	Blocks	Revenue	
			\$ 0.04			\$ 4	
Jan	44	47,428	1,897	454	970	3,880	5,777
Feb	43	37,664	1,507	452	962	3,848	5,355
Mar	42	37,682	1,507	449	953	3,812	5,319
Apr	42	27,636	1,105	449	953	3,812	4,917
May	42	21,993	880	448	952	3,808	4,688
Jun	43	20,335	813	448	952	3,808	4,621
Jul	43	19,649	786	449	953	3,812	4,598
Aug	43	22,457	898	446	948	3,792	4,690
Sep	42	13,136	525	443	947	2,530	3,055
Oct	42	21,162	846	443	947	3,788	4,634
Nov	44	30,335	1,213	438	943	3,772	4,985
Dec	43	43,849	1,754	437	929	3,716	5,470
<b>Total</b>	<b>43</b>	<b>343,326</b>	<b>\$ 13,733</b>	<b>446</b>	<b>11,409</b>	<b>\$ 44,378</b>	<b>\$ 58,111</b>

2013 YTD						
All Green			MORE Blocks			Total Revenue
#	kWh	Revenue	#	#	Block Revenue	
Members	kWh	Revenue	Members	Blocks	Revenue	
		\$ 0.04			\$ 4	
43	54,479	2,179	433	921	3,684	5,863
43	50,927	2,037	432	918	3,672	5,709
42	42,787	1,711	429	915	3,660	5,371
42	31,063	1,243	427	904	3,616	4,859
41	21,699	868	426	897	3,588	4,456
41	20,336	813	426	897	3,588	4,401
43	17,756	710	425	895	3,580	4,290
42	18,716	749	421	893	3,572	4,321
42	18,786	751	418	890	3,560	4,311
43	23,882	955	415	887	3,548	4,503
44	31,535	1,261	414	881	3,524	4,785
44	47,347	1,894	412	879	3,516	5,410
<b>43</b>	<b>379,313</b>	<b>\$ 15,173</b>	<b>423</b>	<b>10,777</b>	<b>\$ 43,108</b>	<b>\$ 58,281</b>

2014 YTD						
All Green			MORE Blocks			Total Revenue
#	kWh	Revenue	#	#	Block Revenue	
Members	kWh	Revenue	Members	Blocks	Revenue	
		\$ 0.04			\$ 4	
44	41,878	1,675	411	871	3,484	5,159
44	47,227	1,889	410	870	3,480	5,369
44	35,590	1,424	408	866	3,464	4,888
44	30,702	1,228	408	865	3,460	4,688
44	26,412	1,056	408	858	3,432	4,488
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>44</b>	<b>181,809</b>	<b>\$ 7,272</b>	<b>409</b>	<b>4,330</b>	<b>\$ 17,320</b>	<b>\$ 24,592</b>

Notes: 2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.  
Beginning June 2011, report reflects combined data for the former Green Power program and MORE.  
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	2010	2011	2012	2013	2014	Average
January	\$ 2,091,129	\$ 2,266,724	\$ 2,203,319	\$ 2,354,732	\$ 2,294,020	\$ 2,241,985
February	1,684,100	2,018,866	1,980,380	2,190,659	2,469,527	2,068,706
March	1,693,238	2,100,947	2,080,586	2,031,007	2,165,897	2,014,335
April	1,659,771	1,803,095	1,733,543	1,803,826	1,930,658	1,786,179
May	1,453,989	1,634,542	1,536,601	1,580,671	1,652,563	1,571,673
June	1,409,557	1,383,932	1,419,883	1,450,461		1,415,958
July	1,300,950	1,302,528	1,380,472	1,423,753		1,351,926
August	1,342,739	1,360,611	1,450,397	1,448,015		1,400,440
September*	1,297,936	1,421,174	1,005,902	1,458,553		1,295,891
October	1,389,529	1,483,658	1,499,863	1,636,955		1,502,501
November	1,584,909	1,977,782	1,779,353	1,923,857		1,816,475
December	2,123,602	2,375,284	2,085,584	2,480,061		2,266,133
Total**	\$ 19,031,449	\$ 21,129,143	\$ 20,155,885	\$ 21,782,552	\$ 10,512,664	\$ 20,732,204

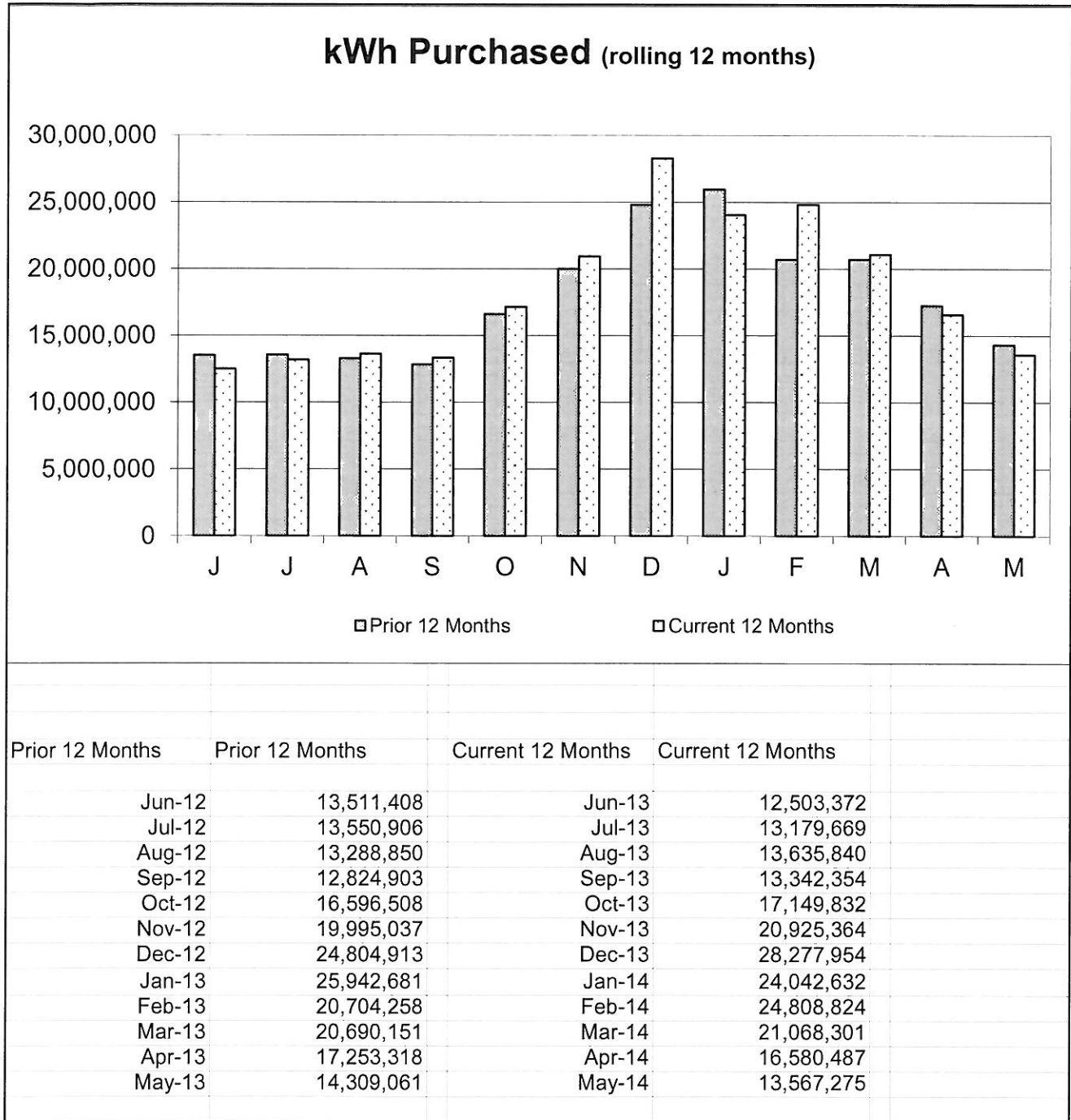
Notes:

\* September 2012 excluded - 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.

\*\*Totals include Island Network billing

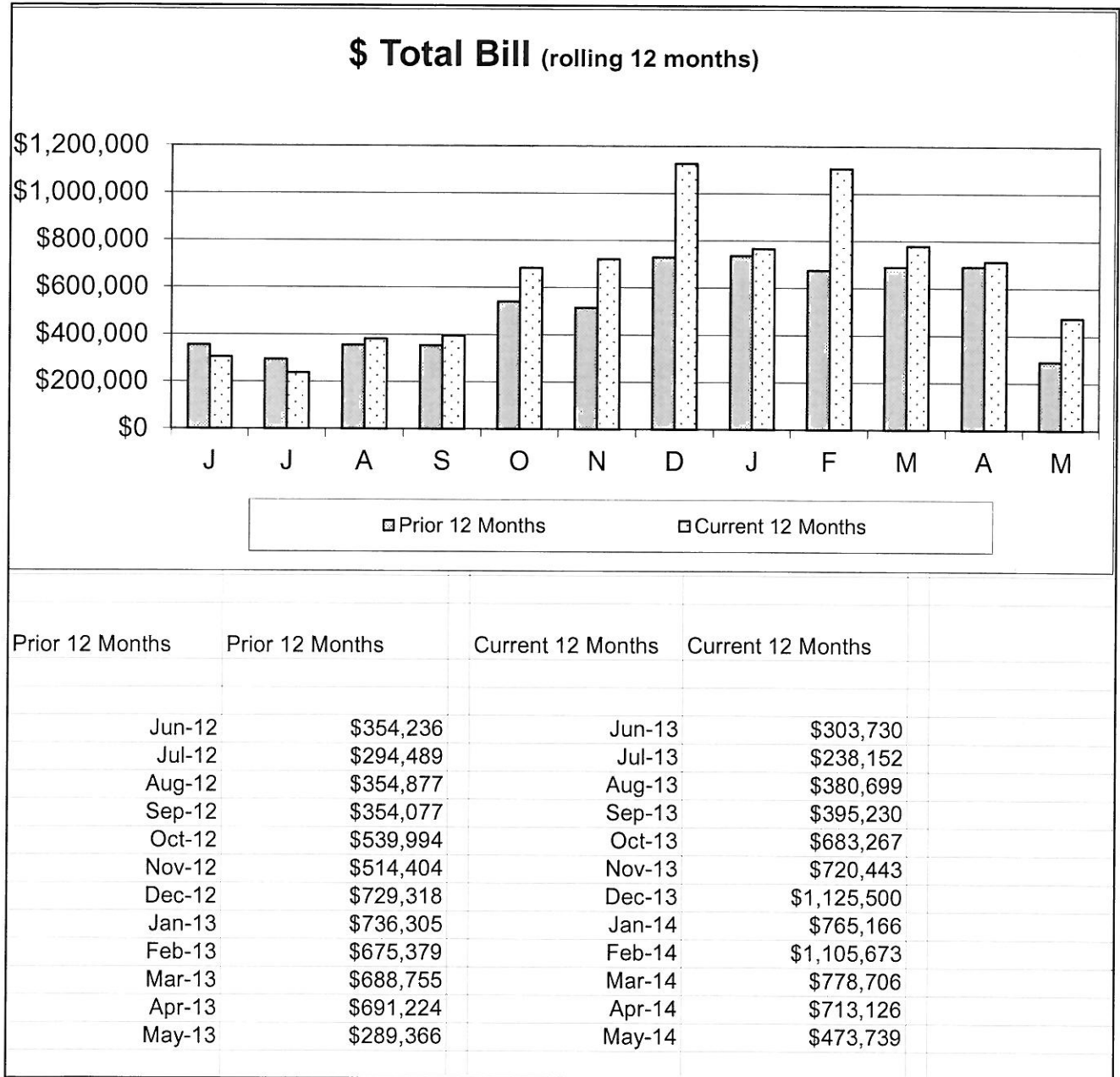
# BPA Consumption Summary

Through  
May 2014



# BPA Consumption Summary

Through  
May 2014



*Below is an email written by Gordon Crawford in January 2014, I spoke with the member today, June 10, 2014 and he has requested his concerns and ideas be escalated up the chain and provided to the Board of Directors. – Patty Kelly*

Gordon Crawford  
Lopez

If you reviewed my account, you have also discovered that I may have gotten into the disconnect phase of opalco's structure, but that simply could perhaps be avoided in another solution. I find OPALCO basic fee for zero use is extraordinary. Puget power has a minimum fee of about \$5-\$7 per mo. Seattle city light applies basic service to the first few hundred KW and then that drops down the more used. Please see that my use is not much more than a refrigerator and a couple of lights. The use is bare minimal, bare bones that you can know and respect this about in this instance from your research.

Our community needs to tighten up and that's part of the energy cost problem. Please revisit this at your meeting and help with a viable solution. Energy keeps going up, cost of living keeps going up at about five times the rate the government responds with SSI increase. I want to help you do a good job offering assistance to folks without the unnecessary posturing of stress. So, please may I offer a possible solution? We could propose a basic rate fee credit for folks who make ACH or automatic payments and receive e-bills to save mailing and those resources. If OPALCO pulls my meter, how can it expect to get anything at all?

My meter sits adjacent to 8 other meters. That saves our group 8 x \$28 per month! Could you mention this proposal to your people on behalf of our small land trust collective? Why don't we go through a main meter and our group can tally up what each sub meter usage costs and perhaps also we could do estimated billing using the higher end usage and then refund credit at years end if any? There are several other suggestions I can offer. The thing that really sticks out in your email is the basic fee amount. That's over \$300.00 per year X 9 (over \$2700.00/ yr.) to mail out 100 billings and maintain the service line to one transformer.

Perhaps also we can purchase the transformer and insure its maintenance privately. OPALCO could seek to contract a percentage of its global community maintenance and save the expensive heavy horsepower for the important repairs that require heavy horsepower. Why pay an aviation qualified mechanic to change the oil in your car? That is what I see is going on right now with OPALCO costing it's cooperative customers and it holds down a few too many high end high pay scale job descriptions that appear far overqualified for what is actual present needs. People should do their days work efficiently and go home to their families earlier and forget about Christmas shopping for a couple of years until our local economy can thrive again. Everybody thinks they are entitled to a new truck or car every year, status seeking etc. We have many social reforms that are well in the realm of a democratic capitalism. Now we have legalized recreational marijuana. Now our CEO's and law enforcement and social leaders are suddenly either coming out of the closet or they are sudden newbies? Just look at the over eating and obesity of folks and you'll see the increase of the not- so - subtle reality. People

have really got the munchies and getting greedier than ever. Am I the only who recognizes what is happening here? This is a very obvious fact. Now I have offered you some real tangible stuff. OPALCO could trim the fat and start working with the federal government for solutions that are contemporary rather than directing its good workers to lay stress on folks.

I need some specific answer to this conversation. I also need you to provide me with the name of a person in the executive office, so I can make an appointment to discuss the ideas that I offered.

I am paying too much just to run a refrigerator. My social security payment does not cover the increases. I wrote several letters asking for an appointment to meet or discuss. In the meantime the game plan seems to be that opalco sends a disconnect and threatens. I have sent opalco monies and emails for assistance, however I just keep getting rederick from opalco and there has not been one piece of solution about this, so please help  
How's that for now?

Best regards,  
Gordon