

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

Thursday, June 18, 2015

President Jim Lett called the meeting to order at 8:00 a.m. at the Lopez Islander Resort. Board Members Present: Winnie Adams, Randy Cornelius, Vince Dauciunas, Glenna Hall, Jim Lett, Bob Myhr, Jerry Whitfield.

Staff Present: General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, System Engineer Joel Mietzner and Executive Assistant Bev Madan (serving as recording secretary).

**Member/Guests**

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

EES Consultant Anne Falcon; EES Consultant Steve Anderson; consultant Jay Kimball; Lopez: Dwight Lewis; Brian Silverstein; Steve Ludwig, Rob Thesman, Chom Greacen, Chris Greacen, Sandy Bishop, Ruby Hampton

Orcas: John Fleischer

San Juan: Gray Cope

Shaw: Gabriel Jacobs

Comments ranged from concern about broadband to dissatisfaction with the Recovery Adjustment charge proposed.

**April Meeting Minutes**

- **Motion** made by Hall to accept the April minutes as presented. Motion was seconded (Myhr) and carried by voice vote.

**May Meeting Minutes**

- **Motion** made by Adams to accept the May minutes with the addition of noting that Whitfield proposed the Variable Cost of Service Rate. Motion was seconded (Hall) and carried by voice vote.

**New Members**

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

**Blakely**

Escobar, Carlos Romero

**Decatur**

Thomas, Scott Bernard

**Lopez**

Aufderhar, Glenn & Barbara  
Contreras, Jennifer  
Goodlad, Stephen & Nakamura, Lynne  
Red Penny LLC, DBA Haven  
Scherer, William J & Migael  
Schilling, Carol  
Smith, Barbara W  
Webb, Michael C. & Roxanne A.

**Orcas**

Adams, Eric  
Berlin, Griffin  
Brayer Insurance Services LLC  
Coldspring Resource Mgmt  
Coleman, Stacey A & Kimball, Shelley  
Crispe, Ian N & Tolle, Kristin M  
Darby, Robert & Wendy  
Drake, Victoria  
Gaible, Katherine & David  
Genther, Cindy  
Goodrich, Nicholas  
Hartley, Stacie & Cheryl

Inman, Michael & Ashley  
Jacobs, Brian  
Kuntsman, Marc & Nancy  
Lerner, Thomas & Erickson, Kirsten  
Lindberg, Heidi  
McIlvaine, Phelps & Amy  
Mount, Mary Jo  
Neubauer, Erin & Tom  
Nunea-Marquez, Santiago & Arcadio  
Raha, Arun & Colleen  
Rawson, Tom  
Rose, Barry & Janice  
Ruby Point, LLC  
Sands, M. Alexandra  
Semiahmoo Services LLC  
Sheplor, Madeline & Jabbora, Charlie  
Simpson, Scott m & Yu, May C  
Timmins, Jennifer & Patrick  
Torma, Brian  
Vis, Michel & Cowles, Meliss  
Watson, Michael

**San Juan**

AMN Healthcare Services LLC  
Akin, Zebidiah L.  
Ames, Jean A.  
Amaro, Rami  
Bell, Elizabeth Jean  
Bircher, Andrea

Borowicz, Alex  
 Brown, Mallory  
 Bryan, Marianne & Brent  
 Burns, Kerry E.  
 Cavallo, Mark  
 Cavanaugh-Spain, James  
 Cave, Brenda K  
 Chaussee, Stuart & Linda  
 Christensen, Heather  
 Conway, Gabrielle  
 Cosecha Textiles  
 Dance, Andrew  
 David, Lori Ann  
 Dayton-Ricks, Mona  
 Dehner, Shawn & Purnell, Jamie  
 Dowhower, Wendy & Curt  
 DuVall, Cris  
 Estate of Agnes May Murray  
 Falls, Christian  
 Ford, Shawna  
 Frazel, Miles & Elaine  
 Gossom, John  
 Green, Marta  
 Griffin, Mary Louise  
 Gutierrez, Jason A  
 Guzman, Joe  
 H & B Bob LLC  
 Hanson, Teresa & Knowle  
 Harrell, Anthony J  
 Heacox, Mark & Nancy  
 Hilton, Edward & Nancy  
 Hines, Aaron  
 Jameson, Auralee  
 Johnson, David R.  
 Kesling-Wood, Patricia F  
 Krumenacker, Carl & Rebecca

Kucur, Kristie  
 Logsdon, Frederick Dean  
 Lounibos, Jules  
 MacGillivray, Angela  
 Mattson, Kent S  
 Mayes, Jeannette  
 Mc Gehee III, Fielding M & Moore, Rebecca  
 Mitchell, Brian  
 Mosquito Fleet Mercantile  
 Mountford, David & Jamie  
 Nydegger, Matthew  
 Peon, Raymond  
 Pontius, John Clark & Suzanne  
 Popovich, Andrew S & Elizabeth T  
 Ramirez, Marcella & Ramirez-Mena, Pedro  
 Reid, Samuel Tad & Madonna  
 Reimer, Zachary  
 Richard, Normand  
 Scribner, Brandon  
 SJC Economic Development Council  
 Sievert, Mike  
 Sutliff, Jean P  
 Thompson, Deborah  
 Thornton, Cheryl & Tom  
 Trudell, Vicki  
 Tung, Joseph  
 Twice New  
 Vincent, Brian  
 Williams, Shirley & Gary  
 Wilson, Teri  
 Wisen, Craig  
 York, Ranae

**Shaw**  
 Linzer, Richard & Anna

**Capital Credits**

- **Motion** made by Myhr and seconded (Hall) to approve payment of \$29,612.85 in capital credits to the estates of deceased members and businesses listed below. Motion carried by voice vote.

Warren Argetsinger.....	\$139.70
Tom Ashe.....	\$361.82
Dorthea Ellen Augusztiny.....	\$1,534.85
A.L. and Hope Aydelott.....	\$115.00
Inez Browne.....	\$892.77
Ragnar J. Dahl.....	\$381.76
Julia A. Elliott.....	\$128.81
Thomas E. Evans.....	\$1,444.50
Deborah Falls.....	\$303.73
Art Griffin.....	\$1,537.77
Marsha Harris.....	\$2,793.66
Donald E. Kauffman.....	\$1,147.39
Agnes Murray.....	\$655.14
Ralph Nichols.....	\$122.56
Victor Prescott.....	\$1,043.65
Ivan and June Scherer.....	\$1,230.11
Don Shuff.....	\$30.18
James R. Sisley.....	\$77.75
Clyde Stromberg.....	\$834.37
Willard M. Sutliff.....	\$1,240.17
Polly White.....	\$504.03
Luxel Corporation.....	\$12,969.72
Seafood Northwest LLC.....	\$123.41

## **RUS 219s**

The Inventory of Work Orders includes conversions to underground at Vista Road and White Point; URD replacement at Henry Island, Blanchard Road, Fagerholm and Swal'Lech Lane as well as a gigabit radio secondary for grid control.

- **Motion** made by Myhr and seconded (Adams) to approve submission of the RUS Form 219s that total \$660,200.67. Motion carried by voice vote.

## **MS Policy 11 Capital Credits**

Suggested revisions to Member Service Policy 11 were reviewed at the April Board meeting. Revisions were made to allow for voluntary assignment of capital credits to member programs. The Board questioned the effectiveness of a 25-year payout for the donations; staff will research the possibility of early retirements for donation purposes.

- **Motion** made by Whitfield and seconded (Myhr) to approve the revisions to MS Policy 11 as presented. Motion carried by voice vote.

## **Annual Report / Treasure Hunt Drawing**

The 2015 annual report encouraged members to read through the report and take a quiz. Member Dwight Lewis (Lopez) drew a name from those completing the quiz – Leonard Shifter was the winner and will receive a \$50 credit on his bill.

## **NRECA Voting Delegate**

The 2015 Regional meeting will be held September 30-October 1 in Salt Lake City.

- **Motion** made by Myhr and seconded (Hall) to appoint Foster Hildreth the voting delegate with Jim Lett as the alternate. Motion carried by voice vote.

## **Member Information Request ~ Appeal**

Lopez Member Chris Greacen requested an accounting of OPALCO's investment in fiber optic equipment pursuant to Member Service Policy 16. Hildreth denied the request on the basis that the information is readily available on OPALCO's website. Greacen requested that the Board override the denial.

Greacen handed out a template for communication and fiber optics projects billed as grid control for all projects over \$50k, stating staff could just "fill in the blanks".

The Board thoroughly discussed other options for providing information regarding the grid control as requested, such as providing information for a higher threshold. It was suggested that the Construction Work Plan (CWP) be put on the website with a geographic desegregation map included. It was pointed out that the 2015 budget introduction states clearly what the grid control backbone will do.

- **Motion** made by Myhr and seconded (Adams) to support the denial of the Member Information Request. Motion carried by voice vote, with Whitfield voting no and Adams abstaining.

Further discussion included alternatives for Greacen to get the information requested. Hildreth stated that the CWP will be posted to the website.

## **Member Information Request ~ Appeal**

Lopez members Chris Greacen and Brian Silverstein requested "12 calendar months of recent anonymous data on monthly electrical consumption by OPALCO members, broken down by customer class." Hildreth denied the request based on Policy 16.3.1.1 that the information is not 'readily available', would require an inordinate amount of staff resources (Policy 16.3.1.1.4) and is potentially adverse due to providing member information.

Hildreth noted that, other than confidential matters, members are given access to the same level of information as the Board via OPALCO's website.

- **Motion** made by Myhr and seconded (Hall) to deny the appeal based on the Board's thorough discussion. Motion carried by voice vote.

It was suggested that Greacen and Silverstein could amend their request and ask for a larger minimum aggregate to ensure members' privacy.

- **Motion** made by Myhr and seconded (Hall) to have staff provide follow-up with Greacen and Silverstein provided the information is easy to access, readily available and protects privacy. Motion carried by voice vote.

### **Submarine Cable Bid**

System Engineer Joel Mietzner presented the process required to replace the submarine cable between Lopez and San Juan islands. Permitting is required from county (shoreline permit), state (Department of Fisheries, 4 departments within the Department of Natural Resources) and federal government (Corp of Engineers, Fish & Wildlife, Department of Ecology and National Oceanographic and Atmospheric Administration) as well as the Lummi Nation (cultural resource study). In all, eleven different agencies are required to allow the replacement. On both sides there is eel grass and on the Lopez side there are two archeological sites as well.

It is now a requirement to remove the existing oil-filled cable. Another issue is that the CenturyLink cable has moved over the top of our existing cable and will need to be moved prior to replacement. It has been a challenge working with CenturyLink.

*11:55 a.m. The meeting adjourned to Executive Session to discuss details of the submarine cable bids and a short lunch break.*

*12:50 p.m. Meeting resumed*

### **Q1 Financials**

Lawlor reviewed the first quarter financial report for Rock Island Communications with assistance from Don Nicholson and Stephanie Karp of the accounting firm Nth Degree. The merging of Rock Island Technology Solutions and Island Network dominated the first quarter. Milestones achieved during the first quarter include establishing corporate headquarters in Eastsound; developing a new brand, website and social media presence; field testing of specialty construction capabilities; key hiring of personnel; achieving commitments from nine homeowners associations for fiber build out; signing an agreement to provide hosted VoIP; finalizing the loan program with Islanders Bank; beginning of in-depth analysis of county-wide emergency communications network; and the beginning of an in-depth analysis to provide high speed wireless service for users of the ferry system throughout the county and at the Anacortes ferry terminal.

Revenues came in \$11,696 below budget at \$326,279 and operating expenses were \$81,879 lower than budgeted at \$410,655.

Hildreth reviewed the OPALCO Q1 financials. While there was a predicted revenue shortfall in the first quarter, OPALCO in turn received a lower power bill from BPA due to lower kWh sales. Revenue during Q1 was \$505k less than budgeted, power costs were \$310k less and the savings in expenses resulted in a decreased margin of \$158k. Of note during Q1 were HDD (Heating Degree Days) were down @ 42% below normal; energy demand was over-forecasted; power purchases were down by \$310,247; expenses were reduced by approximately \$40k due to delayed hiring of budgeted positions; members were billed less than the "cost of service". A corrective action plan to meet RUS financial loan covenants for TIER was also developed.

### **Revenue Adjustment**

Staff has analyzed information and trends in order to project the 2015 year-end margin shortfall. The result is a recommendation of a temporary Revenue Adjustment to members' bills in the amount of \$0.01/kWh for residential and \$0.0056/kWh for commercial. This line item on members' bills will begin with the July billing and end with the December 2015 billing.

Commercial members have already been paying rates closer to the cost of service so their increase is less than residential members. The Revenue Adjustment is a stop gap measure for 2015; the Integrated Resource Plan will assist with the 2016 budget.

- **Motion** made by Myhr and seconded (Whitfield) to approve the 2015 temporary Revenue Adjustment of \$0.01/kWh to the residential rate schedules; \$0.0056/kWh to the commercial rate schedules for the July to December 2015 billing periods and an additional block of 6 p.m. to 8 p.m. in the amount of \$0.1450/kWh to the Time of Use (TOU) Tariff. Motion carried by voice vote.

### **Integrated Resource Evaluation**

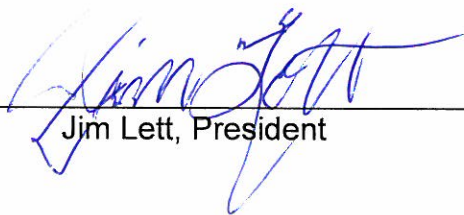
EES consultants Anne Falcon and Steve Anderson reviewed the evaluation to date. After discussion at the April board meeting, the focus now is to determine clear options for balancing resources. Studies show that conventional heating is the biggest single use of energy

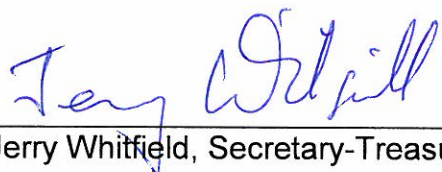
**Corrective Action Plan**

RUS requires a corrective action plan for meeting our TIER in 2015. OPALCO's TIER ratio was 1.13 in 2014; a ratio of 1.25 is required. The corrective action plan includes significant adjustments to the 2015 budget, including a revenue increase through rates; a Cost of Service and Rate Study initiated in April 2014 and completed in January 2015 which identified the need for a comprehensive rate restructuring (resulting in Policy 29); a rate increase implemented in February 2015; a revenue recovery charge component in member billings to be implemented in July 2015; and a wholly owned subsidiary to provide member Internet that will provide debt service payments as cash flow allows (anticipated in 2017).

**Adjournment**

The meeting adjourned at 3:50 p.m.

  
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Jim Lett, President

  
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Jerry Whitfield, Secretary-Treasurer