

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, March 19, 2015

President Jim Lett called the meeting to order at 9:00 a.m. at the Eastsound OPALCO office.

Present: Winnie Adams, Vince Dauciunas, Glenna Hall, Jim Lett, Bob Myhr, Chris Thomerson, Jerry Whitfield.

Staff Present: General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, Manager of Member Services and Energy Savings Amy Saxe, and Executive Assistant Bev Madan (serving as recording secretary).

Member/Guests

Each member was offered an opportunity to address the board.

Jay Kimball, consultant; Stephen Ludwig (Lopez) stated his concerns that there were no low income provisions made for member bills compared to other utilities, accusing the Board of "predatory price gauging"; Grant Heitman (Orcas) thanked the Board for their work and said he was impressed with the staff; Ed Sutton (Orcas) is a candidate for District 2 and wanted to observe the meeting as a prospective board member; Tony Ghazel (Orcas) applauded the Board on their broadband efforts thus far and stated his concern for the low income residents who need broadband but cannot afford it; Dwight Lewis (Lopez) again questioned the health insurance premiums paid for board members as they should all be eligible for Medicare, stated his concern for an incident on Lopez related to Rock Island Connections contractors and wanted assurance that Hildreth's salary was paid by RIC when working with them; Fleisher (Orcas) wanted an update on Rock Island Technologies/Island Network and assurance that OPALCO is transparent with the members regarding the purchase of RIC.

February Meeting Minutes

- **Motion** made by Thomerson to accept the February minutes as presented. Motion was seconded (Adams) and carried by voice vote.

New Members

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

Lopez

Adams, Dale & Arlene
Hudson, Archie
Kauffman, Joan & C. Michel Cavallero
Miller, Carsen

Seehof, James & Lisa R
Sleeper, Amy
Surbaugh, Madden

Orcas

Acosta, Kristopher
Billy's Goat, Inc
Boero, Mike
Cordova, Alejandro
Cunard, Geoff
Fox, Dustin
Goetz, Theresa & Knapp, Steven
Hohman, Laura Ann & Stephen
Koch Family Trust of 1982
Leddick, Marie
Marok, Kanwaljit
Peterson, Philip & Janet
Rodriguez, Manuel De Jesus

San Juan

Allen, Robert R & Bernadette
Clover, Helen Mae
Edwards, Brett & Megan
Gunderson, William B & Penney, Katryn
Kitaef, Pema
Munoz, Jena C & Tyler W
Pyramid Financial
Smith III, Edward F
Smith, Graham & McNeill, Dr. Karen A
Staton, Daniel
Unger, Kelley J
Varns, Daniel & McGehee, Emily
Ware, Dwight Jr
Wollisberg Rios, Carmen
Yo Friday Harbor (SJ Florist)

Capital Credits

- **Motion** made by Myhr and seconded (Thomerson) to approve payment of \$10,328.46 in capital credits to the estates of deceased members listed below. Motion carried by voice vote.

Ann Busey \$525.65

Charles B. Butler.....	\$988.42
Agnes B. Forbes.....	\$919.59
David A. Fox.....	\$1,483.68
Frank C. Russell, Jr.	\$1,259.01
Edward F. Smith, Jr.	\$4,499.19
JD White.....	\$652.92

Member Service Policy 3 Technical Provisions

In the event that Bonneville Power Administration (BPA) makes a determination regarding the use of federal resources to energize operations that may be in conflict with state and federal laws, "Section 3.5.9 *Termination of Service* Given that OPALCO's power provider Bonneville Power Administration (BPA is a Federal agency, OPALCO reserves the right to terminate service to any member in the event there is a conflict with federal and state laws and if requested to do so by BPA or other federal agency. (E.g. Marijuana grow operations)" was added.

- **Motion** made by Myhr and seconded (Thomerson) to approve the addition of Section 3.5.9 *Termination of Service* as written. Motion carried by voice vote.

PowerVision Loan / Resolution 7-2015 Authorizing CFC PowerVision Loan

This is a renewal of our "line of credit" with our cooperative financing group CFC. This is used as a contingency fund in cases of emergencies or for unanticipated financial events. As reported in the 2015 budget, a portion of this loan will be used as start-up funding for Rock Island Communications.

- **Motion** made by Whitfield and seconded (Myhr) to approve Resolution 7-2015 *Authorizing CFRC PowerVision Loan* and supporting documents to increase the current PowerVision loan from \$5M to \$10M. Motion carried by voice vote.

Bylaw Revisions

Revisions were made to the bylaws in December 2014 that inadvertently made the time between the candidates named by committee and the nominations made by petition very short (5 days). The duration between the two nomination processes was increased by 10 days in this revision. The revision reads:

*"a) Nominations: It shall be the duty of the Board of Directors to appoint, not less than one hundred (100) days before the date of a meeting of the energy members at which directors are to be elected, a committee on nominations consisting of not less than three (3) nor more than five (5) energy members from each of the voting districts for which a director is to be elected. No officer or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post in the lobby at the principal office of the cooperative at least **seventy (70)** calendar days before the meeting a list of its nominations for directors. Any fifteen (15) or more members may make other nominations from their particular district by petition with their signatures, filed with the board of directors at the principal office of the cooperative at Eastsound, Washington, not less than fifty-five (55) calendar days prior to the meeting. The secretary shall cause the same to be posted at the place where a list of nominations made by the committee is posted, including electronic postings on the cooperative's website. The secretary shall publish a legal notice in the local newspaper(s) which carries legal notices, said notice to announce names of director candidates. The notice must be submitted to the newspaper(s) within three working days of the posting of nominations. The cooperative, in the alternative, may post the list of director candidates on its website in order to provide the notice required in this section. The committee, if possible, should nominate at least two (2) candidates for each open position, one of whom shall be an incumbent director, unless such director does not wish to be considered for reelection. The secretary shall mail with the notice of the meeting a statement of the number of directors to be elected from each district and showing separately the nominations made by petition, if any, or in the alternative, the cooperative shall provide such notice electronically."*

- **Motion** made by Myhr and seconded (Thomerson) to approve the amendment to Article III Directors Section 3 Nominations as presented. Motion carried by voice vote.

2014 Year-End Financials

Hildreth presented the unaudited financial results for 2014 that include the Statement of Operations, Balance Sheet, Statement of Cash Flow (GAAP), Capital Projects Budget, Island Network Financial Tracking Tool and the draft 2014 RUS Form 7 *Financial and Operating Report Electrical Distribution*. The financials show that our TIER is 1.13 and equity is 61.3%.

Kimball presented a slideshow indicating the debt to equity ratio over the past showing, particularly in the 1960s, that the debt was higher than the assets. Whitfield presented a handout with three graphs showing OPALCO Revenue and Cost of Electricity, Total Non-Energy Expenses and the Net Margin 2010 – 2014. Revenue increased at a rate of 3.3% per year while BPA expenses increased at a rate of 5.6% per year.

As discussed throughout the year and in detail during the budgeting process, the year ended with a revenue shortfall of \$1.4M, primarily driven by less kWh sales (due to warmer weather). RUS loan covenants require a minimum TIER of 1.25%; OPALCO is in the process of submitting a corrective action plan (CAP) to RUS that will indicate the factors that led to the lower TIER as well as the steps being taken to ensure that all mortgage covenants are met in the future. These include a 12% revenue increase for 2015 beginning with the February billing period; comprehensive rate restructuring to reduce revenue volatility by applying future budget increases to the facility charge; and implementing a cost recovery charge component to our member billing to collect revenue shortfalls (or return revenue) on a monthly basis.

The Board complimented the Accounting Department for their diligent work. Moss Adams (auditors) will be onsite the week of March 30-April 3 to do field work and plan to present their findings at the April board meeting.

Policy 29 Energy Services Rate Design

Section 29.2.2.8 *Cost Recovery Charge* was intended to stabilize revenue due to weather and load uncertainty. The mechanics of this charge are being developed and are extremely complicated. Guerry distributed a draft of the cost recovery differential that led to active discussion of the options. Staff will revisit the mechanism based on kWh sold with a 2-month lag and present additional options at the April board meeting.

Reports

The **Cash Recap** shows a projected ending balance of \$3,829,302 as of February 28, 2015.

The **Safety** report indicated no accidents, incidents or near misses for February.

Hildreth reviewed the **General Manager's** report.

Rock Island Communications Update

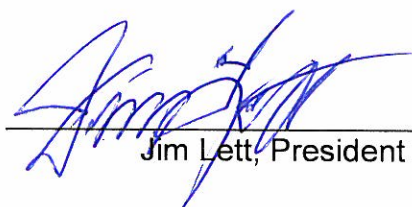
Interest continues among county neighborhoods. The challenge is to find affordable ways to bring broadband into areas without a homeowners association and for those unable to afford the cost.

PNGC Power

John Prescott, Dave Sabala and Dan James presented the benefits of membership in PNGC Power, a Generation & Transmission Cooperative based in Portland, OR.

Adjournment

The meeting adjourned to an Executive Session at 1:15 p.m. Executive Session adjourned at 2:11 pm.



Jim Lett, President

Jerry Whitfield, Secretary-Treasurer