

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

Thursday, May 28, 2015

President Jim Lett called the meeting to order at 9:40 a.m. at the Eastsound OPALCO office after a fog delay.

Board Members Present: Winnie Adams, Randy Cornelius, Vince Dauciunas, Glenna Hall, Bob Myhr and 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; Vice-President of Rock Island Communications, Gerry Lawlor; Public Relations Administrator, Suzanne Olson; Communication Specialist, Theresa Haynie, and Executive Assistant Bev Madan (serving as recording secretary).

Consultants: EES Consulting, Anne Falcon; Mountain Cedar, Jay Kimball.

### Member/Guests

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

Shaw members: Gabriel Jacobs

Lopez members: L. Dwight Lewis; Chom Greacen; Chris Greacen; Brian Silverstein Sandy Bishop; Joyce Renfrow; Steve Ludwig; Rick Strachan

Orcas: Michael Riordan; Fred Klein; John Fleischer; Wally Gudgell; Arthur Winer; Robin DiGeorgio; Angela Saxe; Rex Chadwell; Barbara Bedell; Jim McCullough; David Alexander; Jan MacFarland

San Juan: Gray Cope

Several members addressed the Board, some expressing dissatisfaction with the revenue shortfall and requesting the Board to have two-way dialogue with members, consider a rate structure that promotes conservation, develop a plan for low income members, have more transparency, and include members in discussion groups. Other members expressed appreciation for broadband.

### WRECA

A new representative is needed at the WRECA Board of Directors meetings.

- **Motion** made by Myhr and seconded to appoint Randy Cornelius the OPALCO representative to the WRECA Board with Foster Hildreth the alternate. Motion carried by voice vote.

### REVENUE SHORTFALL

Lett noted that during his attendance at the Northwest Public Power Association's (NWPPA) annual meeting the week of May 18, revenue shortfall was a common thread among the other utilities. He noted that the Board has a fiduciary responsibility to solve the problem beginning with the July billing.

Hildreth summarized the annual budgeting process that includes reviewing the rate structure each year. The 2015 budget included revenue projections that are not being achieved due to under-forecasted electric demand due to warmer weather and shifting energy usage patterns attributed to conservation, energy efficiency measures by members and more solar generation. As a point of reference, heating degree days (HDD) are down 36% below normal. Revenue has grown at 3.1% annually, while energy expense has risen 5.7% and operating expense has risen 6.1%. Consumption of energy is down 13% from normal through April 2015. OPALCO has charged members less than the "cost of service" during this period because actual load was less than forecasted, leading to the revenue shortfall. OPALCO must collect revenues that reflect a true cost of service as mandated by the cooperative business model. The projected billing revenue shortfall through the first half of the year is approximately \$600,000.

Anne Falcon, EES Consulting reviewed the following revenue recovery options:

1. General rate increase
2. Developing a cost adjustment charge (expense based)

3. Revenue adjustment charge (kWh)

4. Variable cost of service rate (Minimum bill) - Introduced by Whitfield

The Minimum Bill (option four above) was discussed in length, which decouples revenue from actual load and eliminates the facility charge (see Meeting Board Materials). This rate design will eliminate all future revenue shortfalls. While details and rate nuances needed to be studied, it was supported in concept by the Board, Management and Anne Falcon.

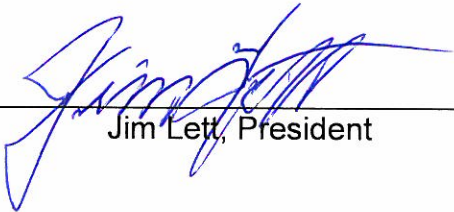
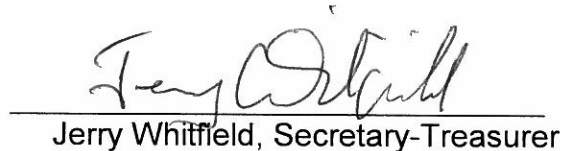
As an immediate action, Board, Management and Falcon supported implementing the third corrective measure above in the July billing period to address the current 2015 shortfall and as a temporary 2015 corrective measure.

Leading up to the June Board meeting, staff will continue to review year-to-date budget to actual expenses (along with confirmation of year-to-date revenue) and revise year-end financial projections. First quarter financials will also be reviewed at the June Board meeting. Staff will continue to explore expense cutting measures.

After discussion, the Board consensus was to have staff update budget to actual financial projections (revenue and expense) through year-end for further review and discussion at the June Board meeting, finalize a revenue adjustment charge/credit (item #3 above) as a separate line item on member bills (kWh based), implement the revenue adjustment charge/credit in the July billing period, continue to review and consider rate structure alternatives for implementation in January 2016.

#### **Adjournment**

The meeting adjourned at 12:30 p.m.

  
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Jim Lett, President  
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Jerry Whitfield, Secretary-Treasurer