



BOARD OF DIRECTORS REGULAR MEETING

Friday, November 20, 2015 8:45 a.m.

OPALCO Conference Room

1034 Guard Street, Friday Harbor, WA

TRAVEL



Via Island Air

378-2376 / 378-8129 (cell)

From:

Leave Eastsound 8:00 a.m.

Lopez 8:15 a.m.

Arrive FH 8:30 a.m.

Return:

Leave FH 2:00 p.m.

Arrive Eastsound 2:15 p.m.

Lopez 2:30 p.m.



Via Ferry:

From:

Leave Lopez 6:55 a.m.

Shaw 7:15 a.m.

Orcas 7:35 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:20 p.m.

Arrive Orcas 3:10 p.m.

Arrive Shaw 3:25 p.m.

Arrive Lopez 3:45 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
1034 Guard Street, Friday Harbor
376-3549
November 20, 2015 8:45 a.m.**

WELCOME GUESTS/MEMBERS

- Member Comment Period

Please be respectful and keep your comments to five minutes or less

PAGES

ACTION ITEMS

- 3-5** ○ Approval of October 15 Minutes
- 6** ○ Approval of October 29 Minutes (RUS Loan Approval)
- 7** ○ New Members
- Capital Credits
- 8-9** • General Retirement
- 10** • Estates
- 11-13** ○ RUS Loan Refinance / Resolution 11-2015
- 14** ○ 2016 Budget

DISCUSSION ITEMS

- 15-28** ○ 2016 Tariffs (1st Read)
- 29-31** ○ Policy 29 *Rate Design* (1st Read)

REPORTS

- 32** ○ Q3 Financials
- 33-34** ○ Safety
- 35-36** ○ General Manager

INFORMATION ITEMS

- 37-43** ○ Dashboard Charts
- 44-47** ○ Member Correspondence

ADJOURNMENT

Executive Session: PNGC Commitment, Personnel

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

Thursday, October 15, 2015

President Jim Lett called the meeting to order at 8:15 a.m. at Woodmen Hall on Lopez Island. Board Members present were Winnie Adams, Vince Dauciunas, Jim Lett, Mark Madsen, Bob Myhr and Jerry Whitfield. Randy Cornelius was absent. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Administration Nancy Loomis, Assistant Manager of Member Services Jon Blomgren and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Vice-President of Engineering Alan Smith; Vice President of Marketing and Communications Dan Burke. Also present were consultants Jay Kimball and Derek Long.

Introduction

The Board of Directors selected Mark Madsen to represent District 1 and fill the vacancy left when Glenna Hall resigned for health reasons. Mark was welcomed as the newest member of the Board of Directors.

Member/Guests

Each member/guest was offered an opportunity to address the board.
Lopez: Chom Greacen, Chris Greacen, Steve Ludwig, Dwight Lewis, Brian Silverstein, Rob Thesman, Sandy Bishop, Rhea Miller
Orcas: Fred Klein, Ed Sutton (reporting for Orcas Issues)
Comments included Rock Island Communications (RIC) and its structure, recent survey results, attending Board meetings via video conferencing, priorities of URD replacement, challenge of recovering fixed costs with interconnections, and the low income needs assessment.

September Meeting Minutes

- **Motion** made by Myhr to accept the September 23, 2015 minutes. Motion was seconded (Madsen) and carried by voice vote.

New Members

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

DISTRICT 1 Brown Mader, Mark	Winings, Richard	Segalt, Renee Walker, Daniel & Adrienne K. Womack, Noreen
San Juan Argyle Suites LLC Blau, S. Forrest Bourgaize, Bill Brant, Albert & Brown, Holli Christian, Loula Crouch, Deva & Hetrick, Evan Faylor, Candice Fox, Kaitlin L. Griffith, Hal & Joan Hocking, Bert E. Jr Lance, Tim Lewin, Yasuko & David Marino-Wagner, Tracy McLaglen, Josh Michalski, Joshua J Pitchford, Richard Rath Special Family Trust Sadler, Russell Samuelson, Kevin Towle, Bianca Walsh, Shane	DISTRICT 2 Orcas Bayba, Michelle Beadnall, Georgette Boardman, Ethan Carson, Susan Clever Cow Creamery Curtis, Lindsay A. Darvill's Bookstore Inc Dickens, Fisher L. Eisenstein, James Finney, Sonia & Jon Greg Eiford Family LP Keene, Courtney & Murphy, Michael Khoury Leslie Koppana, Paul K. Koser, Arnt J. & Chris Lieberman, Stephen & Diane Macpherson, Charlie Mayr, Teresa Quishenberry, Shannon & Sievers, Ken Ryder, Lillian	DISTRICT 3 Center Williams, Michael Lopez Bott, Chloe Enslow, David Lawrence, Kaycee McCoy, Megan Peterson, Kay Pyne, Larry & Kristi L. Snoer, Benni & Petersen, Lars
		DISTRICT 4 Shaw Oliver, Michelle

Capital Credits

- **Motion** made by Myhr and seconded (Dauciunas) to approve payment of \$13,317.50 in capital credits to the estates of deceased members and closed businesses listed below. Motion carried by voice vote.

Jensen, Marie	\$1,173.52
Moreno, Edelmiro P.	\$256.36
Osborn, Janet M.	\$721.66
Archipelago Properties LLC	\$2,575.52
Snug Harbor Resort LLC	\$8,590.44
Total	\$13,317.50

RUS 219s

The Inventory of Work Orders includes work done on the smart grid, conversions from overhead to underground and minor system improvements.

- **Motion** made by Myhr and seconded (Madsen) to approve submission of the RUS Form 219s totaling \$1,486,846.69. Motion carried by voice vote.

2016 Annual Meeting

- **Motion** made by Myhr and seconded (Whitfield) to hold the annual meeting Saturday, April 30 with 10:00 am April 29 the deadline for absentee ballots; Joel Paisner the parliamentarian and Doug Pearson the tally chair. Motion carried by voice vote.

Low Income Needs Assessment Report

OPALCO committed to compiling the low income needs assessment during the rate design process. A stakeholder engagement process was accomplished in partnership with CLEAResult. Stakeholders included Family Resource Centers, the Housing Bank Commission, the Opportunity Council, Community Foundations, OPAL, SJC Veterans Assistance Program, SJC Health and Community Services and the SJC Council. Topics ranged from housing to utility bills.

Derek Long of CLEAResult presented the findings in their Low Income Assessment and Market Profile report. The Low-Income Needs Assessment tells us that 1,500 households are below 150% of the Federal Poverty Line. The noteworthy high cost components of a low-income budget are costs associated with housing, food, medical, transportation, and other utilities. San Juan County is unique in having a higher median age than Washington State (52 years vs 38 years) and having a very high rate of seasonal occupancy (35% of all housing units vs 3% for Washington State).

Board consensus was to consider the approval of a low income billing rate component during the 2016 Budget process. The methodology discussed was to create an independent low-income rate class, with associated revenue collected as a line item on each member’s bill. The implementation specifics would be determined if/when the low-income rate program is approved by the Board.

CoBank Line of Credit / Resolution 9-2015

Renewal of the existing \$5M unsecured line of credit with CoBank requires approval by the Board. The original line of credit was executed in 2011 for use as capital and/or contingency funding. Resolution 9-2015 allows OPALCO to renew and execute the documents related to the CoBank \$5M line of credit.

- **Motion** made by Dauciunas and seconded (Myhr) to approve Resolution 9-2015 *Authorizing CoBank Loan* which allows OPALCO to renew and execute the documents relating to the CoBank \$5M line of credit. Motion carried by voice vote.

Reports

- **Safety:** Two OPALCO employees (San Juan General Foreman Steve Eyler and Lopez Journeyman Lineman Kai Burleson) have completed inspection training through the Rural Electric Safety Achievement Program (RESAP).
- **General Manager:** The submarine cable project is underway and remains on-schedule and on-budget (boring portion at Otis Perkins Park on Lopez Island).

Staff reviewed a recent outage on Orcas Island that occurred when the neutral eroded on an URD.

- **Rock Island Communications** Staff reported progress made to date. LTE subscribers remains behind schedule from budget. For the fiber connections, more customers are subscribing to faster speeds than predicted. It was observed that the 2015 projects should be considered prototypes and 2016 projects will be based on lessons learned regarding projections and timelines. Congratulations were extended to the Rock Island team, stating their efforts endorse the decision the Board made to do broadband. Staff were encouraged to update the RIC business plan once the 2016 budget is approved.
- Dashboard charts for OPALCO and Rock Island Communications were reviewed. An outage and service level chart for RIC was requested.

The Board convened to Executive Session at 12:40, reconvening at 12:50 p.m.

2014 Federal Tax Return

- **Motion** made by Myhr to approve and submit the 2014 Form 990 *Return of Organization Exempt From Income Tax Return*. Motion was seconded (Adams) and carried by voice vote.

Adjournment

The meeting adjourned at 1:30 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

ORCAS POWER & LIGHT COOPERATIVE
SPECIAL MEETING OF THE
BOARD OF DIRECTORS
Thursday, October 29, 2015 10:00 a.m.

This meeting was held via telephone call-in conference calling. The purpose of the meeting was to obtain necessary Board approvals to execute and submit the RUS Transmission (submarine cable) loan to RUS. OPALCO will be making the first submarine cable payment in December 2015 and hope to draw the necessary funds for this payment from this RUS loan.

President Lett called the meeting to order at 10:02 a.m. Board members calling in were Winnie Adams, Randy Cornelius, Jim Lett, Mark Madsen, Bob Myhr and Jerry Whitfield. Staff members present at the Eastsound OPALCO office were Foster Hildreth, General Manager, Nancy Loomis, Manager of Finance and Member Services and Bev Madan, Executive Assistant. Attorney Joel Paisner participated as a call-in attendee.

Hildreth explained that the initial loan application was filed with Rural Utilities Services (RUS) January 22, 2015. That application included a legal opinion filed by Joel Paisner; these documents require another legal opinion. Once the documents are signed by the President, Vice-President and Secretary, they will be recorded with San Juan County. The purpose of this loan is to pay for the submarine cable replacement and a few other transmission projects.

Typically, funds are drawn down after the Form 219s are submitted. With this loan we are able to drawn down funds upon contract submittal (which has been previously approved by RUS).

- **Motion** made by Myhr and seconded (Adams) to approve Resolution 10-2015 that allows execution of loan documents for RUS loan AP-8 in the amount of \$17.1M. Motion carried by voice vote.

Meeting adjourned at 10:15 a.m.

Jim Lett, President

Jerry Whitfield, Secretary

New Members October 2015

DISTRICT 1

Brown

1. Smith, Lucian & Kelly

San Juan

2. Acs, Thomas
3. Belcovson, Joe & Jill
4. Black, Coral
5. Borland, Christopher & Linda
6. Broxon, Cass
7. Cull, Robert
8. Dutra, Pamela & Bill
9. Flynn, Catherine
10. Guerrero, Martin
11. Johnston-Lohrey, Alison
12. Kaplan, Al
13. Keith, Cathy
14. Malcolm Street Properties
15. Mar, David
16. O'day-Strom, Kelsey
17. Olson, Kim
18. Platman, Lauren
19. Smith, Kathleen
20. Vittinghoff, Eric
21. Waldron, Ben & Michelle
22. Webb, Nancy
23. Worcester, Stacy

DISTRICT 2

Orcas

24. Abrahamson, Cindy
25. Arnold, Thomas
26. Barron, Rachel
27. Beach, Carl
28. Becker, Barrie
29. Blackhurst, Anne & Walsh, Joseph
30. Blackwell, Burt
31. Coulombe, Lisa & Frerichs, Leland
32. Gehl, Barry & Joyce
33. Helm, Cheryl
34. Perthou, Morley
35. Tokarchuk, Jessica
36. Transue, Garry & Scharaga, Deborah
37. Wild, Erin
38. Williams, Nicholas & Crosby, Elizabeth

DISTRICT 3

Lopez

39. Christensen, Donald & Mary
40. Hancock, Audrey
41. Handshue, Daniel S
42. Highland Water Users Association
43. Lopez Animal Protection Society
44. Miller, Mason
45. Stone, Anita
46. Westman, Steve

DISTRICT 4

Crane

47. Mahlum, Paul E.

Shaw

48. Larson, E Chris

MEMORANDUM

Date: November 13, 2015

To: Board of Directors

From: Foster Hildreth
General Manager

Re: Capital Credit General Retirement

The purpose of this memorandum is to obtain Board approval to fund the general retirement of capital credits covering the year 1990. This will continue our 25-year retirement rotation, which is to retire older years first.

The remaining capital credit allocation for 1990 equals \$1,111,134, due to member relocations and incomplete estate information. OPALCO will only be able to track down a portion of the total 1990 member's capital credit allocations. Using last year as a gauge, we expect approximately 70.53% of the allocation will generate a check for a total of \$783,682, with eventually 90.28% actually be cashed, for a total of \$707,534. We will set aside \$700,000 from cash for this expenditure. See attached for capital credit history to date.

Staff is requesting that the board approve the payment and retirement of capital credits representing the year 1990.

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL CREDIT PAYMENT PROJECTIONS (Based on historical payout figures)

	A.	B.	C.	D.	E.	F.
	General Retirement					
	Year	Patronage Capital Margin	Un-Retired Patronage Allocations	Expected Payout Year (25 year cycle)	Projected Check Run 70.53%	Projected Cashed 90.28%
1	1990	1,271,253	1,111,134	2015	783,682	707,534
2	1991	1,240,179	1,108,375	2016	781,736	705,778
3	1992	678,952	610,114	2017	430,313	388,501
4	1993	1,794,893	1,622,420	2018	1,144,292	1,033,105
5	1994	1,626,404	1,479,454	2019	1,043,458	942,069
6	1995	673,206	615,243	2020	433,931	391,767
7	1996	1,668,737	1,538,053	2021	1,084,788	979,383
8	1997	1,592,023	1,468,380	2022	1,035,648	935,018
9	1998	1,795,597	1,662,422	2023	1,172,505	1,058,577
10	1999	1,709,360	1,593,452	2024	1,123,861	1,014,659
11	2000	2,071,885	1,940,566	2025	1,368,680	1,235,690
12	2001	1,268,440	1,188,797	2026	838,458	756,988
13	2002	1,525,044	1,434,649	2027	1,011,858	913,539
14	2003	750,133	708,260	2028	499,536	450,998
15	2004	2,050,235	1,945,224	2029	1,371,966	1,238,656
16	2005	2,135,355	2,035,598	2030	1,435,706	1,296,204
17	2006	1,958,505	1,874,050	2031	1,321,767	1,193,335
18	2007	1,847,878	1,768,605	2032	1,247,396	1,126,191
19	2008	1,670,066	1,603,764	2033	1,131,134	1,021,225
20	2009	2,847,589	2,748,719	2034	1,938,671	1,750,297
21	2010	1,429,392	1,387,200	2035	978,392	883,325
22	2011	2,935,232	2,879,446	2036	2,030,872	1,833,539
23	2012	814,524	805,934	2037	568,425	513,193
24	2013	971,517	969,907	2038	684,075	617,606
25	2014	121,951	121,605	2039		
26						
	Total	\$ 38,448,350	\$ 36,221,370		\$ 25,461,151	\$ 22,987,176

CAPITAL CREDITS

Approval is requested for payment of capital credits to the estates of the following deceased members and to organizations no longer in business:

Sidonia Barker	\$1,568.21
Janet Maas	\$598.97
Twila Stephens	\$293.07
Roy C. Toole.....	\$230.30

Total.....	\$2,690.55
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MEMORANDUM

November 13, 2015

To: Board of Directors

From: Foster Hildreth
General Manager

Re: Refinance of RUS Loans

Staff is working with CFC to refinance OPALCO's current 5% RUS Hardship loans (\$3.3M). Staff expects to save ~\$800k in interest (~4.2% interest rate) over the remaining 27 year RUS loan term. Staff will be bringing the proposed loan documents and board resolutions to the November board meeting for board discussion and approval.

Although there are other RUS loans that are near the 5% rate range, they are FFB loans that require an extensive RUS refinancing process, which includes a substantial prepayment penalty. The RUS Hardship loans that staff is recommending OPALCO refinance, do not contain an extensive RUS refinancing process or prepayment penalty provision.

**BOARD OF DIRECTORS
RESOLUTION 11-2015**

AUTHORIZING NRU CFC BORROWING

I, Jerry Whitfield, do hereby certify that (1) I am the Secretary of Orcas Power and Light Cooperative (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Cooperative at a meeting held on Friday, November 20, 2015; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the Board of Directors to be executed; (vi) none of the following resolutions have been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation ("CFC") from time to time as determined by the persons designated by the Board of Directors of the Cooperative, an aggregate amount not to exceed \$3,400,000.00, as set forth in the loan agreement with CFC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement");

RESOLVED, that the proceeds of this loan be used to refinance certain of the Cooperative's existing indebtedness with its other lenders;

RESOLVED, that the individuals listed below are hereby authorized to execute and deliver to CFC the following documents:

- a) As many counterparts as shall be deemed advisable of the Loan Agreement;
- b) One or more secured promissory notes payable to the order of CFC, which in the aggregate shall not exceed the principal amount of \$3,400,000.00, substantially in the form of the note(s) presented to this meeting; and
- c) If required by CFC, an amended, restated or supplemental mortgage, security agreement and financing statement with JCFC and the United States of America as mortgagees for purposes of securing the loan provided for herein, substantially in the

mortgagees for purposes of securing the loan provided for herein, substantially in the form of the mortgage presented to this meeting.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

Title or Office	Name (typed or printed)
President	James Lett
Vice-President	Robert Myhr
Secretary-Treasurer	Dr. Jerry Whitfield

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 20th day of November, 2015.

Secretary

S E A L

MEMORANDUM

November 13, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: 2016 Budget Approval

After review and discussion of the 2016 Budget presentation materials, Staff requests the Board make a motion to approve:

1. Rock Island Communication's accelerated 2015 borrowings to \$4.977M thru year-end 2015
2. OPALCO's 2016 Budget as recommended
3. RIC's remaining startup loan borrowings for 2016 for \$2.6M (total startup funding of \$7.5M)
4. Approve OPALCO joining PNGC as a voting member and authorize me to execute a membership Letter of Intent with PNGC as outlined in Executive Session.

MEMORANDUM

November 13, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Tariff Revisions – Draft Proposal

The staff-recommended rates listed below are necessary to meet our 2016 revenue requirements as follows:

- A 5% rate increase is recommended across all billing components and rate classes.
- A newly added line item “Energy Assistance Program” rate is to be added to all rate classes.
- The “demand” billing component has been added to the residential rate class (as recommended in the 2015 budget report).

In order to apply the recommended rates, Policy 29 will need to be updated. Currently Policy 29 requires that all rate increases to meet revenue requirements are to be applied only to the facility charge and not the kWh billing component.

This is the first reading of the proposed changes. No action is necessary at this time.

A. Residential	B. Present Rates	C. 2016 Proposed 5% Increase to All Rate Components
Facility Rate (\$/Service/Month)	\$38.90	\$40.52
Demand Rate (\$/Service/Month)		\$1.00
Energy Assistance Program (\$/kWh)		\$0.0010
Energy Rates (\$/kWh)		
Summer Block 1 (< 1,500 kWh)	\$0.0855	\$0.0881
Summer Block 2 (1,500 kWh to 3000 kWh)	\$0.0970	\$0.1001
Summer Block 3 (> 3,000 kWh)	\$0.1150	\$0.1188
Winter Block 1 (< 3,000 kWh)	\$0.0855	\$0.0881
Winter Block 2 (3,000 kWh to 5,000 kWh)	\$0.0970	\$0.1001
Winter Block 3 (> 5,000 kWh)	\$0.1150	\$0.1188

Residential TOU	Present Rates	2016 Proposed 5% Increase to All Rate Components
Facility Rate (\$/Service/Month)	\$43.80	\$45.99
Demand Rate (\$/Service/Month)		\$0.50
Energy Assistance Program (\$/kWh)		\$0.0010
Energy Rates (\$/kWh)		
TOU Period 1 (6 AM - Noon)	\$0.1450	\$0.1513
TOU Period 2 (Noon - 6 PM)	\$0.0900	\$0.0935
TOU Period 3 (6 PM - 8 PM)	\$0.1450	\$0.1513
TOU Period 3 (8 PM - 6 AM)	\$0.0400	\$0.0410

Small Commercial (<20 kW)	Present Rates	2016 Proposed 5% Increase to All Rate Components
Facility Rate (\$/Service/Month)	\$54.90	\$57.65
Energy Assistance Program (\$/kWh)		\$0.0010
Energy Rates (\$/kWh)		
Block 1 (< 5,000 kWh)	\$0.0870	\$0.0904
Block 2 (> 5,000 kWh)	\$0.0970	\$0.1009
Demand Rates (\$/kW)		
First 20 kW (Flat Rate)	\$5.00	\$5.25

Large Commercial (> 20kW)	Present Rates	2016 Proposed 5% Increase to All Rate Components
Facility Rate (\$/Service/Month)	\$54.90	\$57.65
Energy Assistance Program (\$/kWh)		\$0.0010
Energy Rates (\$/kWh)		
Block 1 (< 5,000 kWh)	\$0.0790	\$0.0820
Block 2 (5,000-150,000 kWh)	\$0.0873	\$0.0907
Block 3 (>150,000 kWh)	\$0.1162	\$0.1211
Demand Rates (\$/kW)		
Block 1 (< 300 kW)	3.15	\$3.31
Block 2 (> 300 kW)	4.73	\$4.97

Pumps	Present Rates	2016 Proposed 5% Increase to All Rate Components
Facility Rate (\$/Service/Month)	\$34.40	\$36.12
Energy Assistance Program (\$/kWh)		\$0.0010
Energy Rates (\$/kWh)		
0 - 370 kWh	\$0.0923	\$0.0960
370-5,000 kwh	\$0.0802	\$0.0833
Over 5,000 kWh	\$0.0900	\$0.0935
Demand Rates (\$/kW)		
First 20 kW (Flat Rate)	\$0.00	\$1.00
Over 20 kW	\$3.15	\$3.31

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF R – 15 16

RESIDENTIAL SERVICE

SEVENTEENTH EIGHTEENTH REVISION – REPLACING SIXTEENTH SEVENTEENTH REVISION

AVAILABILITY

Available to all small farm and home members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

Service for home and farm uses, such as cooking, lighting, heating, private docks not used for commercial purposes, etc. Residences qualifying as “cottage industries” by San Juan County shall be served under this tariff.

FACILITY CHARGE ~~\$38.90~~ \$40.52

ENERGY ASSISTANCE CHARGE \$0.0010 per kWh

DEMAND CHARGE *To be introduced in 2016* \$1.00

ENERGY CHARGE

Summer Block 1 ($\leq 1,500$ kWh) ~~\$0.0855~~ \$0.0881 per kWh

Summer Block 2 (1,501 – 3,000 kWh) ~~\$0.0970~~ \$0.1001 per kWh

Summer Block 3 ($> 3,000$ kWh) ~~\$0.1150~~ \$0.1188 per kWh

Winter Block 1 ($\leq 3,000$ kWh) ~~\$0.0855~~ \$0.0881 per kWh

Winter Block 2 (3,001 – 5,000 kWh) ~~\$0.0970~~ \$0.1001 per kWh

Winter Block 3 ($> 5,000$ kWh) ~~\$0.1150~~ \$0.1188 per kWh

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$38.90~~ \$40.52 per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.

- Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
- 3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on line simultaneously.
- 4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
- 5. See Member Service Policy 3 *Technical Provisions* for additional requirements.
- 6. Bed and breakfast establishments will be served under this rate if the owner or manager lives in a building served by this meter.
- 7. Summer Block is defined as May billing cycle through September billing cycle; Winter Block is defined as October billing cycle through April billing cycle.

Foster Hildreth, General Manager

Effective Date: January 2016 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF TOU- 15 16
RESIDENTIAL TIME OF USE RATE**

(Formerly known as "ESR-08 Energy Saving Rate")

SEVENTEENTH **EIGHTEENTH** REVISION – REPLACING SIXTEENTH **SEVENTEENTH** REVISION

AVAILABILITY

Available to all small farm and home members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage. Equipment subject to automatic load management controls.

APPLICATION

Service for small farms, homes, pools, greenhouses and other non-essential loads. Limited to single phase loads.

FACILITY CHARGE: \$43.80 **\$45.99**

DEMAND RATE: ~~To be introduced in 2016~~ **\$0.50**

ENERGY ASSISTANCE PROGRAM \$0.0010 per kWh

ENERGY CHARGE:

TOU Period 1 (6 a.m. - noon) –\$0.1450 **\$0.1513** per kWh

TOU Period 2 (noon - 6 p.m.) –\$0.0900 **\$0.0935** per kWh

TOU Period 3 (6 p.m. - 8 p.m.) - \$0.1450 **\$0.1513** per kWh

TOU Period 4 (8 p.m. - 6 a.m.)–\$0.0400 **\$0.0410** per kWh

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$43.80 **\$45.99** per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. The rated capacity of any motor served under this tariff shall be as follows:

- Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on line simultaneously.
 4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
 5. Loads served under this tariff shall not be capable of being switched to another meter served under a different tariff.
 6. See Member Services Policy 3 *Technical Provisions* for additional requirements.

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF SCS – 15 16
SMALL COMMERCIAL SERVICE**

~~EIGHTEENTH NINETEENTH REVISION – REPLACING SEVENTEENTH EIGHTEENTH REVISION~~

AVAILABILITY

Available to all non-residential members using less than 20 kW in all of the preceding twelve (12) months, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase or three phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

General Service for heating, lighting, etc., for marinas for commercial use, and non-residential members.

FACILITY CHARGE ~~\$54.90~~ **\$57.65**

ENERGY ASSISTANCE PROGRAM \$0.0010 per kWh

ENERGY CHARGE Block 1 (< 5,000 kWh) @ ~~\$-.0870~~ **\$0.0904** per kWh
Block 2 (>-5,000 kWh) @ ~~\$-.0970~~ **\$0.1009** per kWh

DEMAND CHARGE \$5 **\$5.25** per month

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$54.90~~ **\$57.65** per month or prorated if service is provided for less than a full month.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the member for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

Demand charges may be adjusted to correct for average power factors lower than 95%. Such adjustments will be made by increasing the measured demand 1% for each 1% by which the average power factor is less than 95% lagging.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. Except for bed and breakfast establishments, service under this rate shall not be provided to locations with occupied residential facilities unless such facilities are insignificant with respect to the business operations at the location.
3. Bed and breakfast establishments will be served under this rate tariff if the owner or manager does not live in a building served by this meter.
4. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP (single phase) are subject to requirements in Member Service Policy 3-Technical Provisions.
5. No single resistive 3-phase loads (examples: ovens, heaters, kilns) of over 45kW shall come on line simultaneously.
6. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
7. See Member Service Policy 3-*Technical Provisions* for additional requirements.

_____ Foster Hildreth, General Manager	Effective Date January 2016 Billing Period _____
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ORCAS POWER AND LIGHT COOPERATIVE
TARIFF LCS –15-16
LARGE COMMERCIAL SERVICE

EIGHTEENTH **NINETEENTH** REVISION – REPLACING SEVENTEENTH **EIGHTEENTH** REVISION

AVAILABILITY

Available to all non-residential members using more than 20 kW in any one or more of the preceding twelve (12) months, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase or three phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

General Service for heating, lighting, etc., for marinas for commercial use, and non-residential members.

FACILITY CHARGE ~~\$54.90~~ **\$57.65**

ENERGY ASSISTANCE PROGRAM \$0.0010 per kWh

ENERGY CHARGE Block 1 ($\leq 5,000$ kWh) @ ~~\$0.0790~~ **\$0.0820** per kWh
Block 2 ($> 5,000$ kWh) @ ~~\$0.0873~~ **\$0.0907** per kWh
Block 3 ($> 150,000$ kWh) @ ~~\$0.1162~~ **\$0.1211** per kWh

DEMAND CHARGE Block 1 (≤ 300 kW) ~~\$3.15~~ **\$3.31** per kW
Block 2 (> 300 kW) ~~\$4.73~~ **\$4.97** per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$54.90~~ **\$57.65** per month or prorated if service is provided for less than a full month.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the member for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered as indicated or recorded by a demand meter and adjusted for power factor as provided below.

POWER FACTOR ADJUSTMENT

Demand charges may be adjusted to correct for average power factors lower than 95%.

Such adjustments will be made by increasing the measured demand 1% for each 1% by which the average power factor is less than 95% lagging.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. Except for bed and breakfast establishments, service under this rate shall not be provided to locations with occupied residential facilities unless such facilities are insignificant with respect to the business operations at the location.
3. Bed and breakfast establishments will be served under this rate tariff if the owner or manager does not live in a building served by this meter.
4. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP (single phase) are subject to requirements in Member Service Policy 3-Technical Provisions.
5. No single resistive 3-phase loads (examples: ovens, heaters, kilns) of over 45kW shall come on line simultaneously.
6. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
7. See Member Service Policy 3-*Technical Provisions* for additional requirements.

Effective Date January 2016 Billing Period	Foster Hildreth, General Manager
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**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF P- 15 16
PUMP SERVICE**

~~EIGHTEENTH~~ **NINETEENTH** REVISION – REPLACING SEVENTEENTH **EIGHTEENTH** REVISION

AVAILABILITY

Available to all members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

Service for pumping water for domestic use and/or irrigation.

FACILITY CHARGE ~~\$34.40~~ **\$36.12**

ENERGY ASSISTANCE PROGRAM \$0.0010 per kWh

ENERGY CHARGE 0-370 kWh @ ~~\$0.0923~~ **\$0.0960** per kWh
371-5,000 kWh @ ~~\$0.0802~~ **\$0.0833** per kWh
Over 5,000 kWh @ ~~\$0.0900~~ **\$0.0935** per kWh

DEMAND CHARGE First 20 kW @ ~~\$0.00~~ **\$1.00**
Over 20 kW @ ~~3.45~~ **\$3.31** per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$34.40~~ **\$36.12** per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. All pumps served under this tariff shall be metered separately.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
3. See Member Service Policy 3-Technical Provisions for additional requirements.

Foster Hildreth, General Manager

Effective Date: **January 2016** Billing Period

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF LR – 15 16

LINE RETENTION

SIXTEENTH SEVENTEENTH REVISION – REPLACING **FIFTEENTH SIXTEENTH** REVISION

AVAILABILITY

Available for individual residential, marina, and general service accounts where the primary and transformer only serve one member and the removal of the equipment will not affect the service to other members, and/or no service has been taken for a period of twelve (12) months.

TYPE OF SERVICE

Single-phase, 7200 GrdY primary or 120/240 secondary voltage.

APPLICATION

Payment of the line retention rate will ensure that the facilities remain in place for future use.

FACILITY CHARGE \$21.20 \$22.26

ENERGY CHARGE

No energy may be used under this rate.

MINIMUM MONTHLY CHARGE

The monthly charge, under the above rate, shall be \$21.20 \$22.26 per month or prorated if service is provided for less than a full month.

GENERAL PROVISIONS FOR MEMBERS ON LINE RETENTION

1. The above rate is not available where energy is being used or where a meter is installed.
2. OPALCO normally retires and/or removes facilities that have not been used for twelve (12) months. Payment of the line retention rate will ensure that the facilities remain in place for future use. If OPALCO removes any equipment and the member wants it reinstalled, the member shall be required to apply for a new service or line extension in accordance with the current member service policy.
3. Members who have discontinued service for a period of twelve (12) months or have made a formal request for service and have not connected to the system after a period of twelve (12) months are subject to the line retention rate, provided that OPALCO has determined that the facilities are causing ongoing expenses, such as line losses or line maintenance to the system.

Foster Hildreth, General Manager

Effective Date: January 2016 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE
TARIFF NM- 14- 16
UNMETERED SERVICE
~~NINTH~~ **TENTH** REVISION – REPLACING ~~EIGHTH~~ **NINTH** REVISION

AVAILABILITY

Available to small fixed loads such as cable television amplifiers.

TYPE OF SERVICE

Single-phase, 60 cycles, 120 volts, 20 amps or less.

APPLICATION

For electrical loads that are unchanging during the day and operate at 120 volts with 20 amps or less.

FACILITY CHARGE: ~~\$33.30~~ **\$34.97**

ENERGY ASSISTANCE PROGRAM \$0.0010 per kWh

ENERGY CHARGE: All kWh @ ~~\$0.0769~~ **\$0.0807**

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$33.30~~ **\$34.97** per month or prorated if service is provided for less than a full month.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power or transmission charged by the Bonneville Power Administration.

GENERAL PROVISIONS

1. The member must install a disconnect switch that can be locked by OPALCO.
2. The member must provide suitable fusing to protect their equipment.
3. Kilowatt hour usage shall be calculated based on the device drawing rated current (as determined by the manufacturer's recommended fuse size) at 120 volts at unity power factor for 720 hours per month.

Effective Date: **January 2016** Billing Period

Foster Hildreth, General Manager

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF POL – 15 16

PRIVATE OUTDOOR LIGHTING

~~EIGHTEENTH~~ **NINETEENTH** REVISION – REPLACING ~~SEVENTEENTH~~ **EIGHTEENTH** REVISION

AVAILABILITY

New service under this tariff is not available after March 1, 1998. Those members receiving service under this tariff prior to March 1, 1998 may continue to do so.

TYPE OF SERVICE

OPALCO will own, maintain and operate suitable fixtures on brackets, with refractors and controls, and supply energy for sodium vapor lamps at locations agreed upon with the member, the service distance not to exceed 150 feet/2 wire, or 300 feet/3 wire.

APPLICATION

Non-metered or metered street, yard or security lighting service.

BILLING CHARGE * ~~\$2.31~~ **\$2.43** per month

FIXTURE CHARGE ~~\$9.88~~ **\$10.37** per month

ENERGY CHARGE ** 100 Watts ~~\$3.97~~ **\$4.17** per month

200 Watts ~~\$8.07~~ **\$8.47** per month

* Applies only when not included on a bill for other energy usage.

** Applies only when energy is not metered.

WHOLESALE POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power based on the rates charged by Bonneville Power Administration.

GENERAL PROVISIONS

1. All lamp replacements and other maintenance will be provided by OPALCO, except that lamps and fixtures broken by vandalism will be charged to the member.
2. The member shall notify OPALCO if a lamp does not operate. OPALCO agrees to repair lamps as soon as possible, but, in any event, within five (5) working days.
3. A timing device and/or photo electric cell may be installed by OPALCO in order to limit the time interval that the lamp is turned on each night.
4. During the periods of energy shortage, lamps may be disconnected by request of either the cooperative or member, with no charge to member. The member will not be charged for the period the light has been disconnected.

Foster Hildreth, General Manager

Effective Date: **January 2016** Billing Period

MEMORANDUM

November 13, 2015

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Policy 29 *Rate Design* Draft Changes

Sections 29.2.2.3 and 29.2.2.4 include draft revisions that allow the Board to implement rate increases when necessary and in a manner appropriate to meet revenue requirements.

This is the first reading of the proposed changes. No action is necessary at this time. Staff will present the final proposal at the December Board meeting.

ORCAS POWER AND LIGHT COOPERATIVE

POLICY 29

ENERGY SERVICES RATE DESIGN

DRAFT REVISIONS

29.1 PURPOSE

To set forth policy relating to the development and implementation of electric rates that follows the strategic objectives of the Cooperative.

29.2 POLICY

29.2.1 Commitment to Rate Design

It is the policy of the Board of Directors of the Cooperative to develop electric rates that allow the Cooperative to provide electricity that is reliable, cost-based, considerate of the environment and maintains the Cooperative's financial strength at the Cooperative's lowest cost. The Cooperative's Rate Structures shall meet revenue requirements, fairly allocate the Cooperative's expenses in relation to each members' use of and impact on the system, reduce the effects of weather, market and other volatility and promote stability in the Cooperative's ongoing financial position as indicated through equity and TIER.

29.2.2 Basic Fundamentals

29.2.2.1 The Cooperative will periodically perform cost of service studies to inform whether existing rate structures are meeting the goals of this policy.

29.2.2.2 Rates will be developed and implemented that:

29.2.2.2.1 Meet revenue requirements and are cost-based;

29.2.2.2.2 Are implemented over time when dramatic rate changes occur;

29.2.2.2.3 Generate margins which meet long-term financial objectives and lender requirements and as per the Cooperative's strategic directives;

29.2.2.2.4 Decrease revenue volatility to counter warming temperature trends and reduction in energy usage.

29.2.2.2.5 **Facility**: Utilize a fixed cost methodology whereby the facility charge collects the Cooperatives' fixed expenses;

29.2.2.2.6 **Demand**: Implement a demand element which reflects the costs associated with variable need for system capacity for all member classes as the phase out/replacement of existing meters progresses;

29.2.2.2.7 **Energy**: Implement a variable mechanism that passes energy costs to members based on their usage;

29.2.2.2.8 **Cost Recovery Charge**: Implement a Cost Recovery Charge (CRC) on member bills to recoup lost revenues that are caused by fluctuations in energy consumption.

29.2.2.3 Rates will incorporate a mechanism for ensuring any **member's energy usage** above the Cooperative's power provider's base load rates (BPA Tier 1) will be charged for those costs.

~~29.2.2.4~~ Rate increases necessary to meet budgetary revenue requirements are to be applied ~~to the facility charge component of member bills until 29.2.2.2.5 is achieved~~ **per Board-approved methodology**.

29.2.2.5 Rates shall be independent of OPALCO approved member programs for energy conservation, energy assistance (PAL), member owned renewal energy (MORE), etc. The determination of the funding of these programs will be through Board action as laid out during the budgeting process.

29.2.3 Management Responsibility

29.2.3.1 Management will be held accountable for implementing rates as approved by the Board of Directors and routinely report to the Board of Directors as to the need to adjust rates to account for changes in cost or strategic initiatives.

J. Foster Hildreth, General Manager

Effective Date: ~~11/20/2014~~ 12/17/2016

MEMORANDUM

November 12, 2015

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2015 Third Quarter Financial Report

Please see attached the 2015 Third Quarter Financial Report. Revenue remains below budget at the end of Q3, as expected, the overall margin shortfall is expected to catch up to budgeted levels by year-end. The overall net margin shows a healthy increase and is greater than budgeted due to decreased expense and the effect of the revenue recovery add-on that began in Q2.

In summary, revenue is down compared to budget (Q1 + Q2 + Q3) \$475k and is more than offset by reductions in budgeted operating expense (\$1.07M). Lower power purchases contributed to expense reduction and the balance comes from cuts, deliberately delayed projects, hiring delays and capitalized construction expense (as mandated by RUS). The El Niño warming trend we have been experiencing is expected to strengthen and continue to exceed historical records through the latter part of 2016.

For more detail, please note the following key points for Q3:

- Heating Degree Days (HDD) were down 22% below normal (YTD) – showing some improvement over the first two quarters due to predictably stable summer patterns. Energy / kWh sales are down by 5.3% of budget. Weather and usage fluctuations are expected to continue through the end of the year.
- Year-end kWh sales projections were lowered from 200M to 191M kilowatt hours at the end of Q3 based on performance to date and adjusted forecasts. With Q3 actuals, the projection has been adjusted to 187M kilowatt hours.
- BPA Power purchases were down by \$387k due to lower kWh consumption, in keeping with the trend.
- Energy Savings showed significant decrease in expense (\$256k) through increased efficiencies, the absence of budgeted County Fair expenditures and changes in BPA's weatherization rebate offerings. In Q4, Conservation District invoices will bring savings down to approximately \$200k.
- Please note that some deferred expense in hiring may appear by year-end as we continue to search for a new MS Supervisor.
- The revenue recovery add-on is proving an effective tool in catching up to budgeted margin targets by year-end.
- OPALCO continues to be in compliance with RUS loan covenants.
- Rock Island Communications Third Quarter Financials included on pages 16 through 18.

MEMORANDUM

November 13, 2015

To: Board of Directors
From: Foster Hildreth, General Manager
RE: Safety Program – October 2015

Safety Training

Jeff Myers conducted training on CPR, AED, and First Aid.

Safety Manual

The new company Safety Manual has been under development for the last year. The final draft has been presented to the Safety Committee for review and should be published and in effect by December.

RESAP

The Safety Committee is in development of the Safety Improvement Plan with a target completion of end of year.

Please see the attached letter from Federated Insurance regarding their recent visit as part of the RESAP team.

Accidents/Incidents/Near Miss

Date: October 2015 **Type:** Accident

Description: A lineman strained his back while prying a conduit to re-plumb a vault. The employee missed one day of work and is back to full duty.

Date: October 2015 **Type:** Accident

Description: A lineman tripped on barbed wire while crossing a ditch to access a pole. The employee received injuries to his hand and has not been released for duty as of yet.

Date: October 2015 **Type:** Accident

Description: An employee was moving boxes for shredding and received some cuts. The cuts became infected and the employee missed several days of work.


	October 2015	YTD (2015)
Near Misses	0	1
Incidents	0	1
Accidents	3	4

Total Hours Worked without Loss Time Accident: 0



FEDERATED RURAL ELECTRIC
INSURANCE EXCHANGE

A reciprocal exchange managed by Federated Rural Electric Management Corp.

A Touchstone Energy[®] Cooperative 

October 07, 2015

Mr. Foster Hildreth, General Manager
Orcas Power and Light Cooperative
183 Mt. Baker Road
Eastsound, Washington 98245

RE: 9/02/2015 Safety and Loss Prevention Assessment

Dear Mr. Hildreth:

Thank you for the cooperation and assistance extended by your staff during my recent visit. The primary purpose of my visit was to be part of a RESAP team while making a safety and loss prevention assessment of your operations and system.

A review of Orcas P&L's loss history from 8/28/2012 to 8/29/2015 shows only three claims, two with no losses and one in an open status so it will not be addressed at this time. Orcas P&L is to be commended on your fine loss prevention efforts.

My observation at this time is that Orcas has safety programs in place with others in the works for addressing safety and loss prevention. There were several recommendations left by the RESAP team and I encourage you and your staff to address them.

The goal of Federated's Safety and Loss Prevention Department is to provide you and your staff with information and assistance to help in the reduction of losses. If I can be of assistance, or if there are any questions, please contact me at (800)356-8360 ext. 175, or by email at wcullinane@federatedrural.com.

Sincerely,



William Cullinane, CLCP
Safety and Loss Prevention Consultant

Federated's system reviews are not made to evaluate your compliance with federal, state, or local occupational, environmental and safety laws or regulations. Therefore, Federated makes no representations or guarantees that any corrective action you may take in reliance on Federated's recommendations will ensure compliance with these laws.

GENERAL MANAGER'S REPORT

ENGINEERING AND OPERATIONS

WIP

As of 10/06/2015, there are 315 work orders open totaling \$5,171,969. Of those, Operations has completed construction on 66 work orders, totaling \$1,241,210. RIC WIP figures are not covered in the preceding figures.

Continuation of our multi-year construction through Moran State Park is scheduled to start in early 4th quarter.

Engineering and Operations are working to reconstruct the Calypso Lane and Melody Lane areas.

Submarine Cables

The bore at Otis Perkins Park, Lopez Island is complete. We are finalizing the contract for manufacturing, laying of the new cable, and removal of the existing cable with Sumitomo. The transmission loan processing has been submitted to RUS for final approval. Depending on the timing of RUS setting up our transmission loan for payment, we expect to draw down funds in early December.

FINANCE

Transition of the Rock Island Communications (RIC)

Staff continues to work closely with the RIC team to transition the Island Network Department to the separate legal entity ledger before year-end.

Loan Position

Staff is working with CFC to refinance OPALCO's current 5% RUS Hardship loans (\$3.3M). Staff expects to save ~\$800k in interest (~4.2% interest rate) over the 27-year RUS loan term. Staff will be bringing the proposed loan documents and board resolutions to the November board meeting for board discussion.

2015 3rd Quarter Financial Statements

Staff will be presenting for board discussion the 2015 3rd quarter financials at the November board meeting.

2016 Budget Process

Staff will be presenting for board discussion and approval the 2016 budget, which includes a projection to 2020, at the November board meeting.

1990 Capital Credit General Retirement

Staff will present and make a request for board approval of the 1990 capital credit general retirement process to be performed in December (under separate cover).

MEMBER SERVICES

Staff is looking to fill a vacant Member Service Supervisor position in the Eastsound office while working to make sure all crucial deadlines are met. We are continuing to work to tighten

processes and procedures, and are reviewing potential future projects to increase efficiencies and reinforce service levels.

The Project PAL Committee had its first meeting of the season in November, and granted \$7,000.00 to 35 qualifying households. Staff reviewed our energy assistance proposal with the PAL Committee and received their support to implement a separate rate class.

Energy Savings Rebates

Pending rebate applications continue to be processed, and there was a significant decrease in applications during October after BPA reduced incentives for weatherization measures. If this trend continues, Energy Efficiency Incentive funding may be available to spend on other measures through the second quarter 2016 before self-funding is necessary.

COMMUNICATIONS

Member Survey

Cameron Madill of PixelSpoke will present the full survey results with demographic correlations at the November board meeting. A brief summary of Preliminary Results is included below for the Board's review:

1. Should OPALCO increase rates to fund efficiency and conservation?
 - More than 80% say we should put efficiency programs on hold until BPA funding is available again.
2. Should OPALCO provide incentives for fuel switching (electric cars and propane heat)?
 - About half are in favor of some kind of fuel switching incentive
3. How should OPALCO support those who generate renewable power?
 - More than 70% said voluntary donations only (as is)
4. About 25% of respondents participated in SJI Conservation District events, primarily Energy Fairs
5. In comparing rate structure options (higher base + lower Kwh vs lower base + higher Kwh), most would like OPALCO to choose a structure somewhere in the middle
6. Top priorities for funding OPALCO programs (in rank order):
 - 1) Rate Relief for qualified seniors / low-income
 - 2) Energy Efficiency & Conservation
 - 3) MORE (distant third place)

New Website Launch

Staff testing and content finalization are in process with a soft launch planned at the end of November. Member outreach about the new site will take place in December, once any bugs are worked out.

MEMORANDUM































November 13, 2015

To: Board of Directors

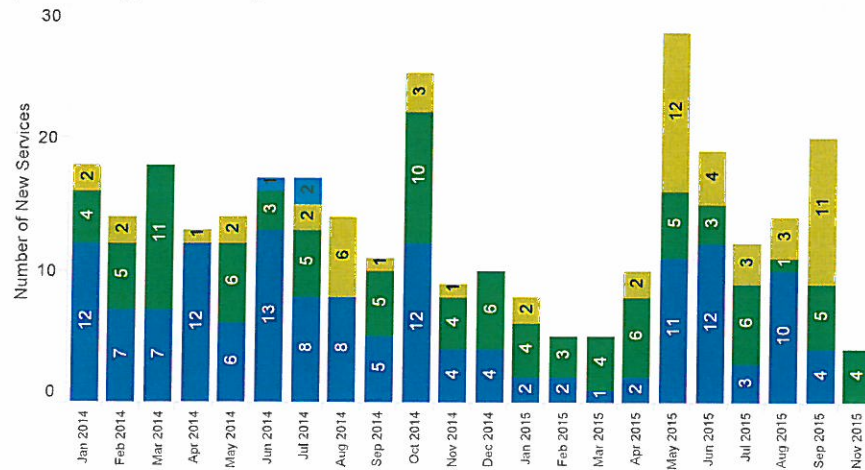
From: Foster Hildreth, General Manager

Subject: Dashboard

Attached please find the latest version of our dashboard charts. Please remember these charts are a work in progress that will evolve over the coming months. The chart listed below indicates their status.

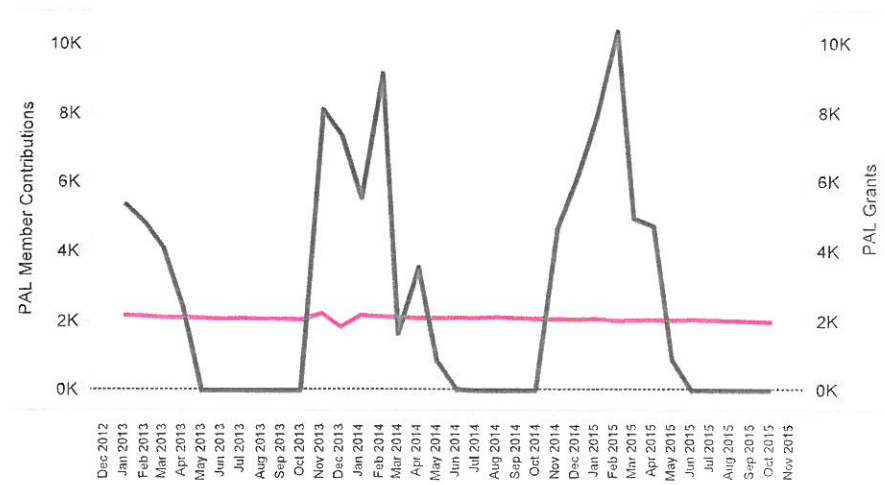
Title	Status			Comment
Service Additions by Board District				Continued new services
PAL				Additional funding required to sustain
MORE/All Green				Continued decline in participation
Cash				Pursuant to Board Directives
TIER				Stable due to CRC
Equity				Pursuant to Board Directives/budget
Debt				Pursuant to Board Directives/budget
Outage Summary				Trending is level
Outage Statistics				Durations above Industry Trends
Power Cost				Below budget

Services Additions by Board District (excluding transfers)



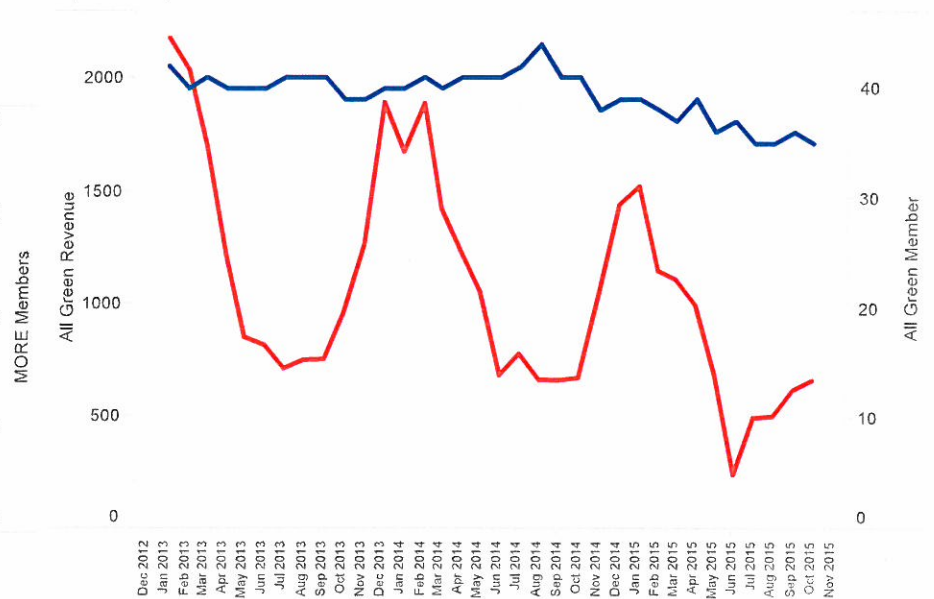
- District 4 - Shaw, Bell, Canoe, and Crane
- District 3 - Lopez, Decatur, Center, and Charles
- District 2 - Orcas, Blakely, Obstruction, Armitage, Bid Double, Little Double, and Fawn
- District 1 - San Juan, Brown, Henry, Pearl, and Spieden

PAL



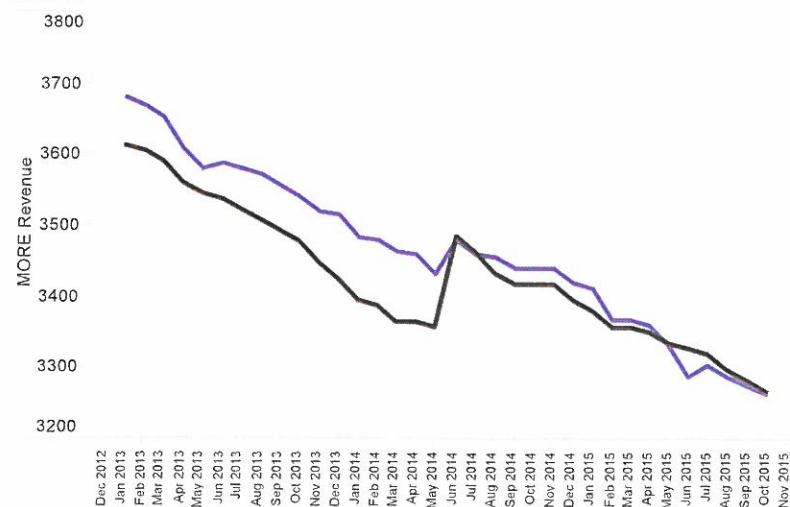
- PAL Grants
- PAL Member Contributions

All Green



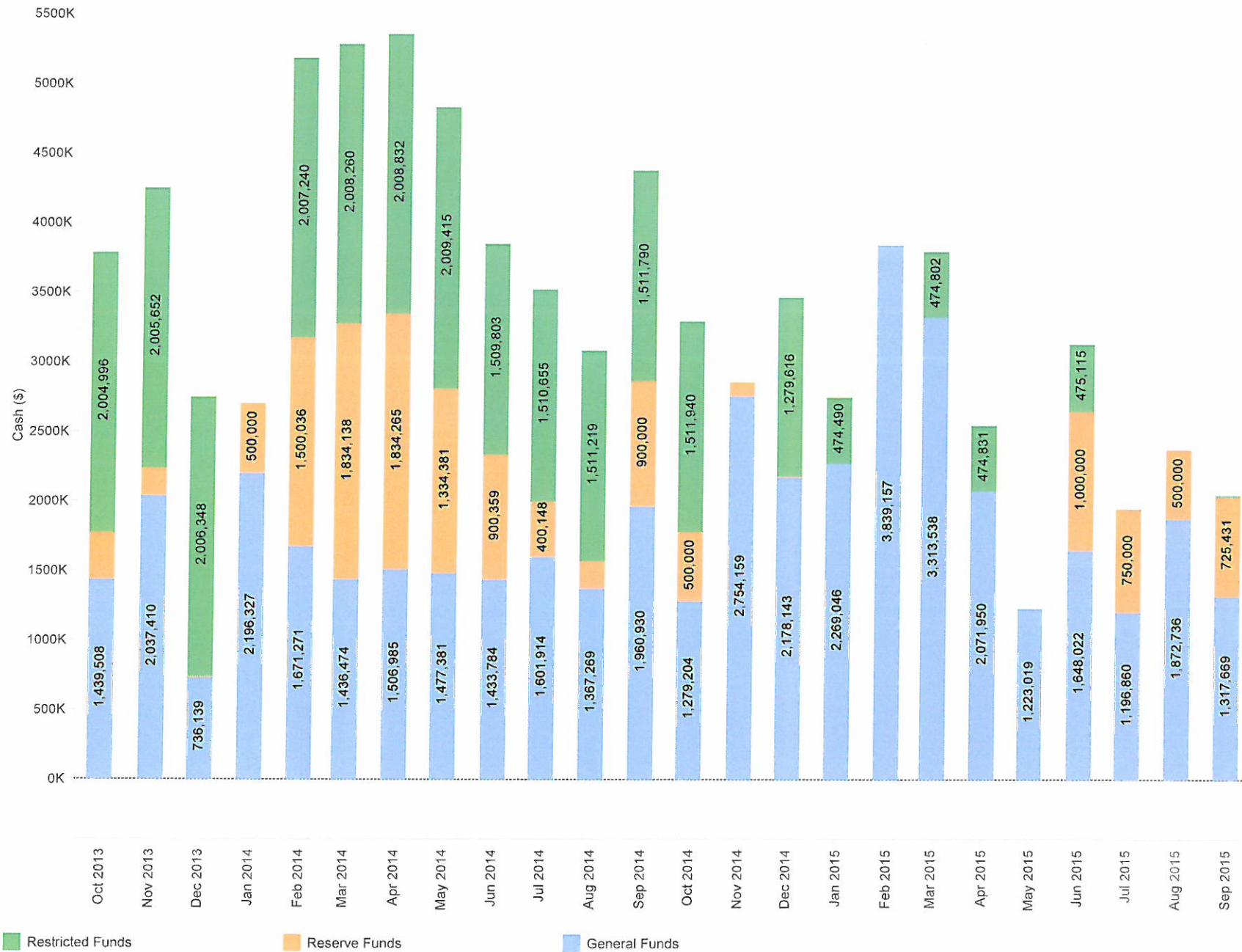
- All Green Member
- All Green Revenue

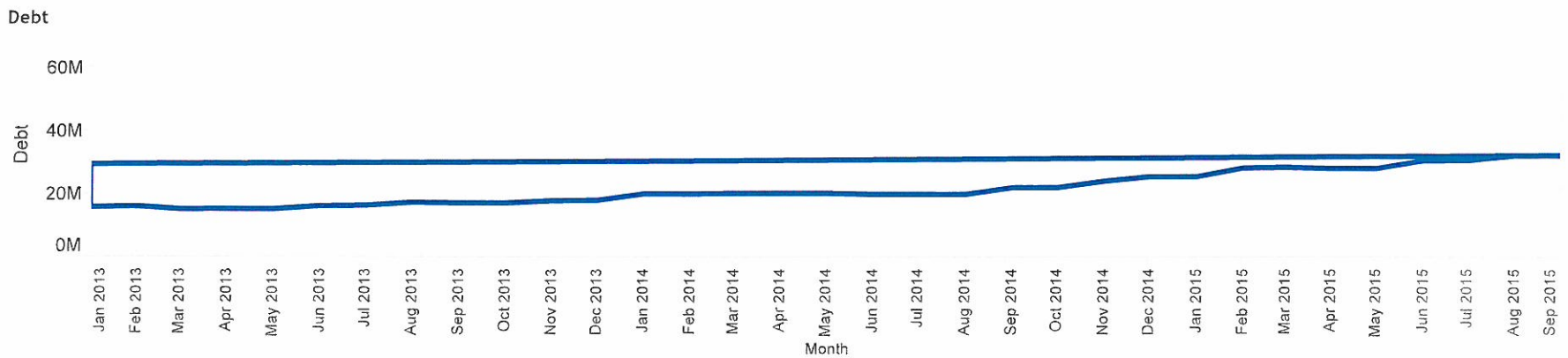
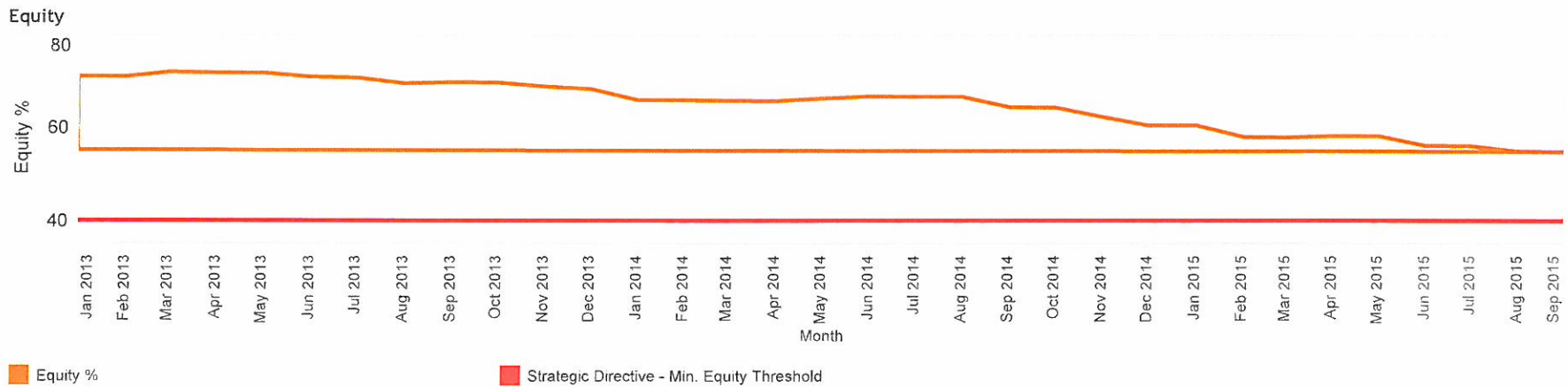
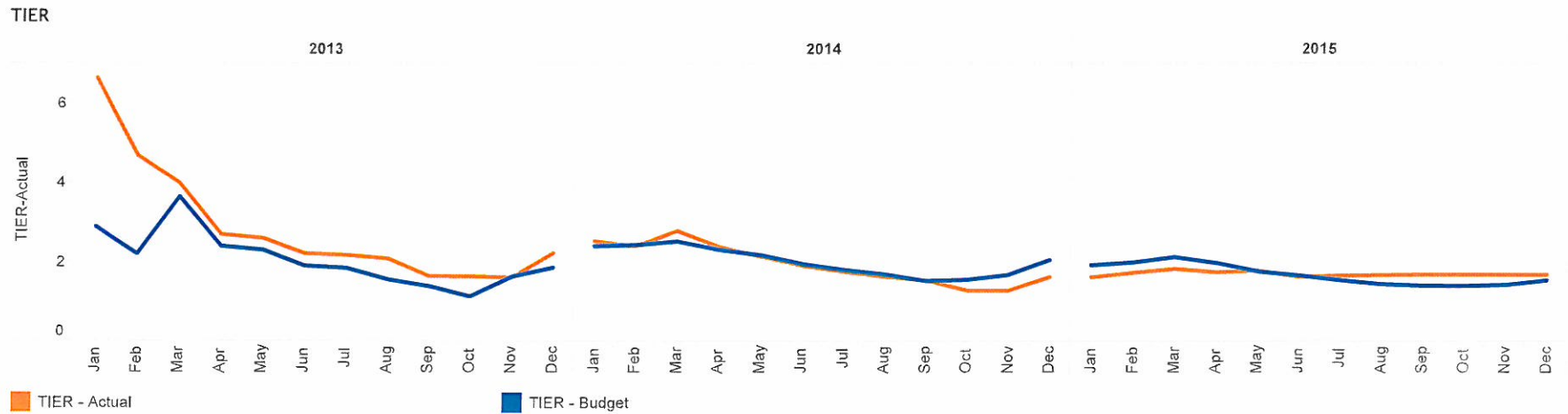
MORE



- MORE Members
- MORE Revenue

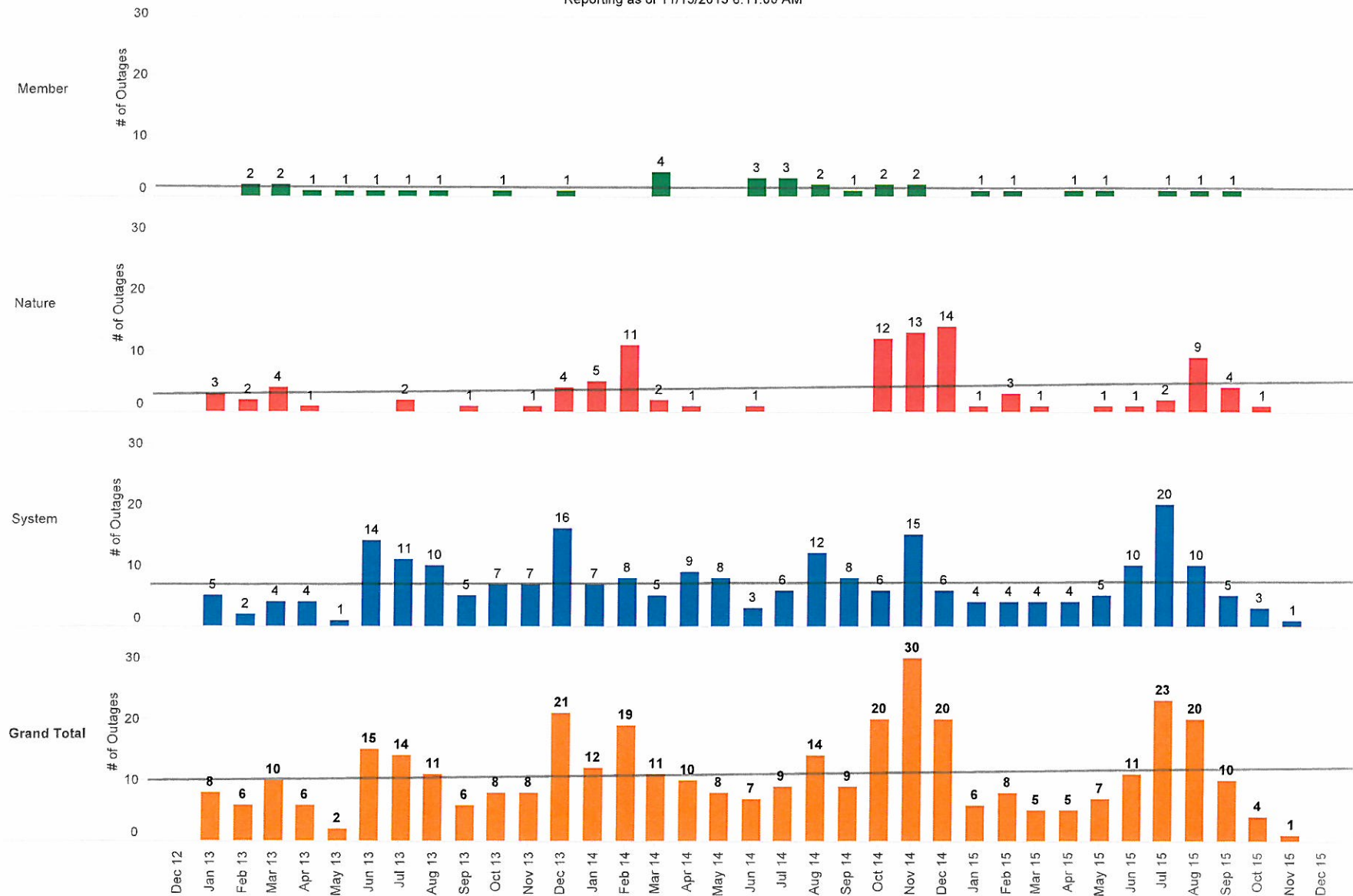
Cash





Outage Summary

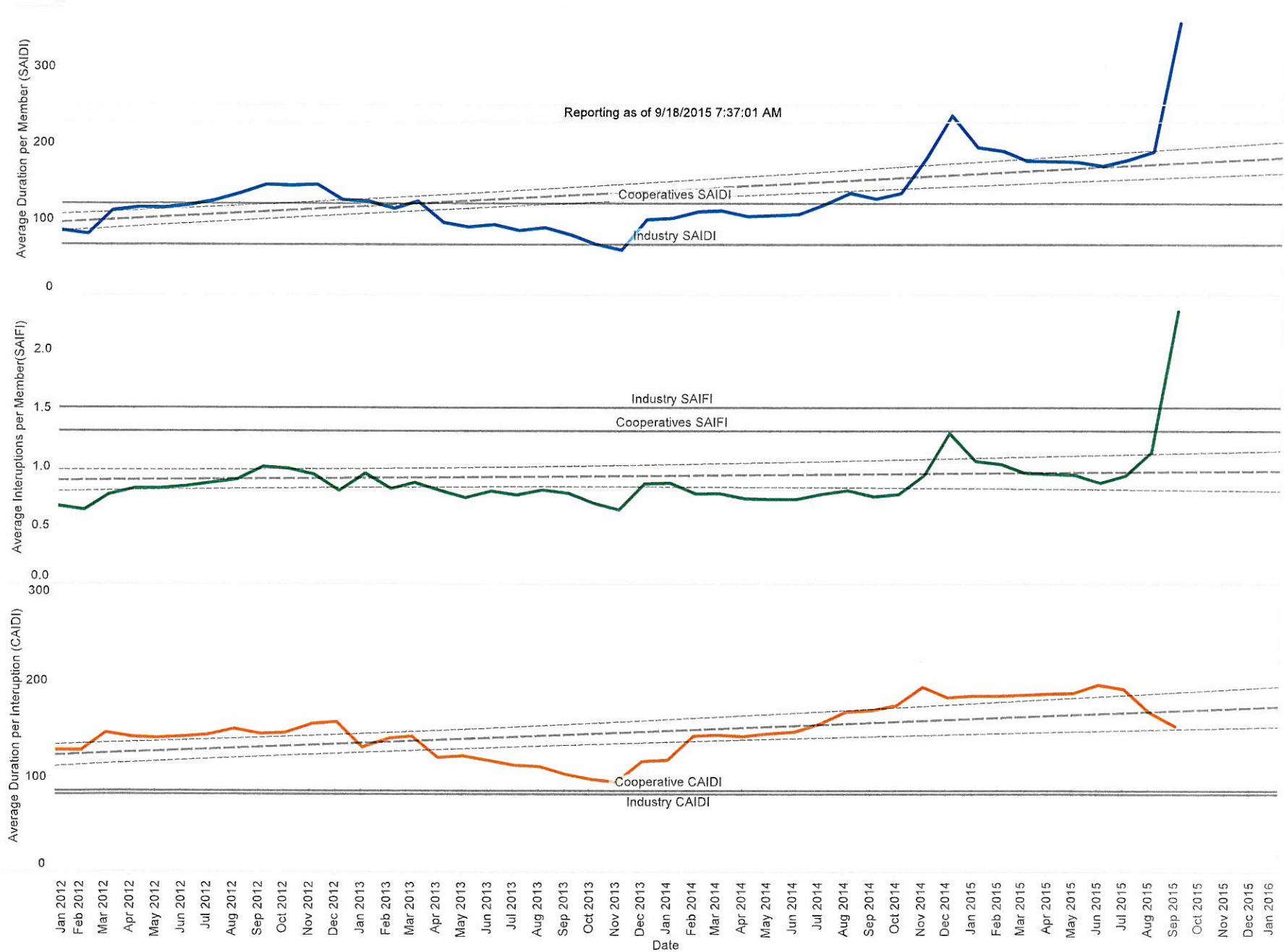
Reporting as of 11/13/2015 8:11:00 AM



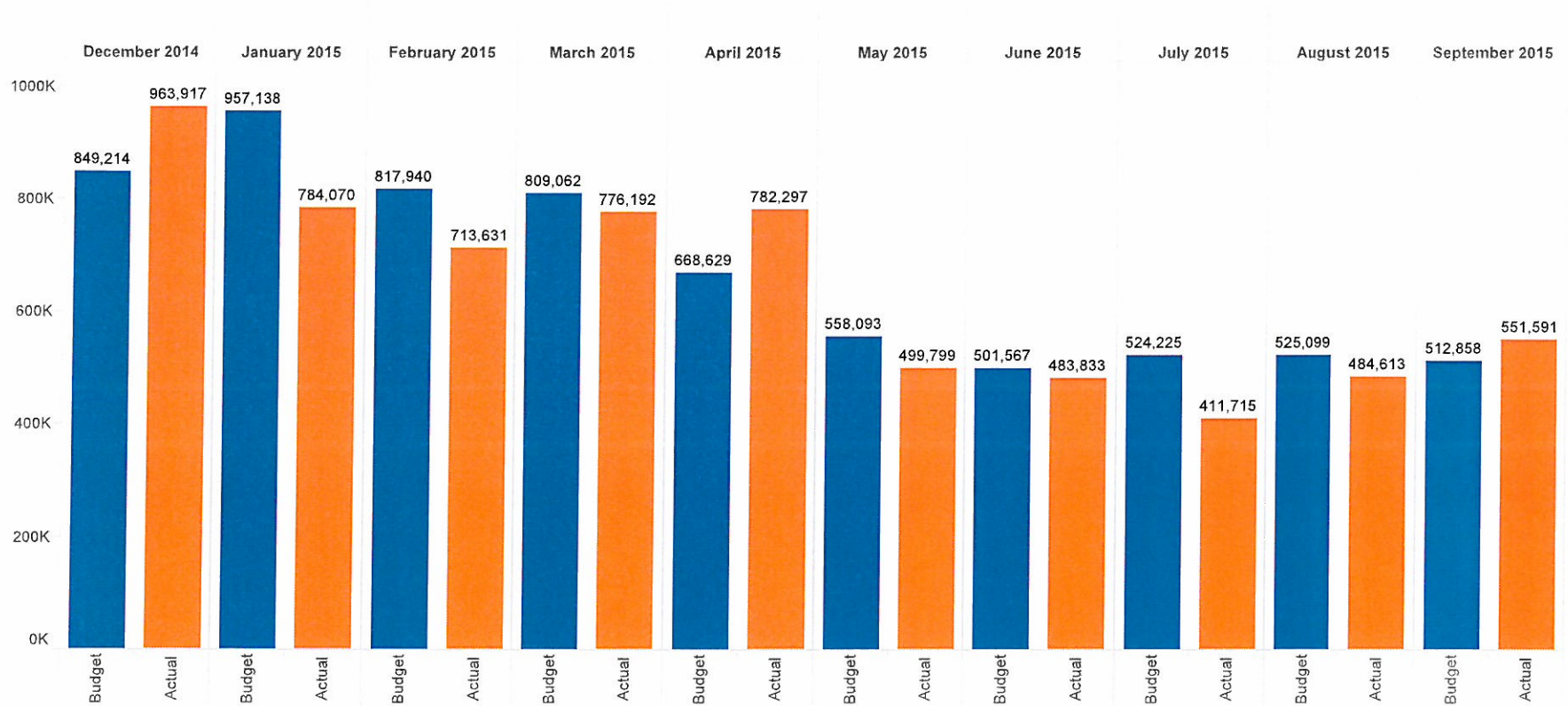
Category Description

■ Member
 ■ Nature
 ■ System
 ■ Grand Total

Outage Statistics



Power Cost



Prior Rolling 12 Months

	Budget	Actual	Variance
October 2013	630,777	683,267	52,490
November 2013	629,849	720,443	90,594
December 2013	864,907	1,125,500	260,593
January 2014	866,852	765,166	-101,686
February 2014	850,331	1,105,673	255,343
March 2014	773,388	778,706	5,318
April 2014	763,902	713,126	-50,776
May 2014	487,679	475,013	-12,666
June 2014	502,284	473,272	-29,012
July 2014	431,674	421,778	-9,896
August 2014	496,352	481,176	-15,177
September 2014	568,008	494,856	-73,152
Grand Total	7,866,001	8,237,976	371,975

Current Rolling 12 Months

	Budget	Actual	Variance
October 2014	638,675	564,620	-74,055
November 2014	691,774	800,125	108,351
December 2014	849,214	963,917	114,703
January 2015	957,138	784,070	-173,068
February 2015	817,940	713,631	-104,309
March 2015	809,062	776,192	-32,870
April 2015	668,629	782,297	113,668
May 2015	558,093	499,799	-58,294
June 2015	501,567	483,833	-17,734
July 2015	524,225	411,715	-112,510
August 2015	525,099	484,613	-40,487
September 2015	512,858	551,591	38,733
Grand Total	8,054,273	7,816,403	-237,871

MEMORANDUM

November 19, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Member Comments for Board Information

The following were received from members:

<u>Topic</u>	<u>Member</u>
1. Rock Island Communications	Scott Heisinger
2. Climate Change	Mike Cohen
3. Rock Island Communications	Anne Marie and Bern Shanks

October 14, 2015

Dear Dan,

This letter is being written out of gratitude for all that you and the team members with whom you work (Gerry, Ali and Alan) have done for me in getting set up with Rock Island's LTE network.

It wasn't but a number of weeks ago that I remember being called by Rock Island (on behalf of Alan's urging) to see if I'd like to try out the new LTE network. Little did I know that Dan and Gerry were all too willing and eager to see if my house's location would be able to capture the signal. They showed up that same night, after my workday ended (~ 5:30 p.m.) and stayed for ~ 60 minutes to set up the new modem and test speeds and stability. We ended up trying 3 different locations until we found the best one.

When there was a problem with the modem, I got to know Ali on the phone while attempting to contact you Dan. Her voice is the proverbial calm before the storm, and I knew that I could trust that she would do everything in her power to relay my concerns and difficulties to the right people. Professionally, I appreciated her candor and calls back with updates. That forged more trust that you all are doing this build up the right way!

With the problem quickly identified and solved, I moved forward with my plan of getting rid of CenturyTel/Century Link. We were paying them \$61.00/month and receiving a max of 1.5 MB. Now with Rock Island, we are paying \$14.00/month more and getting upwards of 8 xs or faster speed. A true bargain, something rare to find on the islands, when often used goods cost more than the mainland.

I have been so pleased and happy with this team, the transition and outstanding support, that I have fully recommended neighbors and friends to look into this. I have also felt that this technology is stable enough for the long term that I have built out my house's wired network by running Cat5 wiring to/from this modem and router. There is no looking back, only forward!

Thank you to you and everyone you work with. You are bringing a much-needed service to this island and our homes. Despite the naysayers out there and the people who disagree with what is going on, I say keep going! You have done more for Internet service, speed and reliability in such a very short period of time that CenturyTel/Century Link was ever able to do in the decades that they have been 'serving' our island home.

With Gratitude and Thanks,

Scott Heisinger

Member Communication #2

Dear Foster,

Below is an extended copy of a letter I sent to Daniel Kammen with regard to his excellent presentation and my questions to him. I believe they also apply to bringing life into balance on the San Juan Islands. I say this because at the present time, we need at least three more Planet Earth's plugged into the life of our Planet to meet our presently excessive resource demands in the USA. Nobody knows where we will find these additional planets or how to attach them to Earth. Also seemingly unknown is why we are increasingly excessive and why we don't apply the readily available remedy for this dilemma.

I hope you will pass this email on to the Board of OPALCO and those interested in reducing climate change

Member Letter to Daniel Kammen

"Dear Daniel,

Being a lover of applied science since childhood, I much appreciate the rationale of your Energy and Climate Change solutions that you presented at Friday Harbor. It was good speaking with you.

I felt embarrassed for you when questions came up about how you deal with our total global excessiveness. Many folks recognize that even if renewable energy holds Planet temperature and sea level down, if the presently available answer to the already identified addictive source of our resource excessiveness is not recognized and used, the motivation and means in renewable energy and most other sustainability efforts will not be enough to bring us into the balance we must establish.

Effective education, methods and materials in the Organic Psychology remedy for our destructive emotional attachments are continually missing in energy summits and conferences, no less put into practice by industry. Is making and saving money the goal of your work or is it for the world to come into balance? How do you put into practice the suggestions of the Pope when folks are addicted to our disastrous ways, (see Earth Misery Day,) and not being treated for the addiction when its antidote is available?

Just say no is not enough and prayer alone has helped bring us to where we are.

The problem you must address is that our materialistic society works with objects via objective science and thinking while we are dealing a whole-life problem. Our troubles result from our objectivity omitting the self-evident "human energy" facts of "subjective" 54 sense, phenomenological evidence. The latter fuels the whole life art and science of Educating, Counseling and Healing with Nature(ECHN). You should include ECHN in your renewable energy efforts to succeed or even be reasonable. After all, there are no undeniable facts that show Planet Earth is dead while a preponderance of evidence beyond reasonable doubt establishes Earth to be a living organism. ECHN enables anybody to create moments that let the wisdom of the life of Earth teach us what we must recycle and transform in its life as us if we are to stop the catastrophe that has already started.

How could Earth not be alive if the essence of all things are identical in each moment of the Universe as it makes itself into its own new time and space. You know you and I are alive in these moments. This means Planet Earth and the Universe, being identical to us, are also alive.

Being the only organism of its kind, Earth should be protected under the Endangered Species Act. The would make it illegal to be detrimentally excessive as demonstrated by Earth Misery Day. At this late date we still give Nature and Earth no legal rights or standing.

It makes sense for you to add ECHN to your work. I can help you accomplish this when you are so inclined and have included some attachments that may contribute to further understanding of the whole life problem we face and its solution.

Please see <http://www.ecopsych.com/journalechnstory.html> and <http://www.SaneEarth.com> for details. Please contact me at 360-378-6313 and together lets help the world recover from humanity's detrimental separation from the sane and intelligent life of its planetary home. Our Orientation Program will be of service in this regard.

Owls and Howls,

Mike Cohen, Ph.D.
Director, Project NatureConnect.

Attached:

<http://www.ecopsych.com/journalgrange.html>
<http://www.ecopsych.com/earthalive.html> "

Member Communication: #3

From: Anne Marie and Bern Shanks <no-reply@opalco.com>

Date: November 11, 2015 at 1:15:00 PM PST

To: fhildreth@opalco.com

Subject: New submission from Main Contact Form

Recipient
Foster Hildreth, General Manager
Name
Anne Marie and Bern Shanks
Comment
<p>Best new service in the San Juan Islands, Rock Island Communications. It is a real treat to work with our very own start-up internet/phone company.</p> <p>We now have high speed internet at our home. No more spinning wheels, and streaming doesn't stop. Who would have thought it possible?</p> <p>The staff at Rock Island Communications is professional, technically knowledgable, friendly, enthusiastic and passionate about delivering high quality service. Whether it is Alan or Ali, Gerry or Dan, Justin or Brian or the many other staff who think 'outside' the box, to bring real fiber optic to the San Juan Islands, you are appreciated.</p> <p>A special thank you to the OPALCO Board of Directors, current and past, for having the foresight and perserverance to make Rock Island Communications happen.</p> <p>Bern and Anne Marie Shanks, Deer Harbor</p>