



**BOARD OF DIRECTORS
BOARD MEETING 9:00 a.m.
OPALCO Board Room
183 Mt Baker Road, Eastsound
Thursday, October 16, 2014**

TRAVEL



Via Island Air

378-2376 / 378-8129 (cell)

From:

Leave Eastsound 3:00 p.m.

Arrive Lopez 3:15 p.m.

FH 3:30 p.m.



Via Ferry:

To:

Leave FH 6:10 a.m.

Arrive Orcas 7:35 a.m.

From:

Leave Orcas 3:10 p.m.

Arrive Shaw 3:25 p.m.

Lopez 3:45 p.m.

Leave Orcas 4:30 p.m.

Arrive FH 5:10 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Monthly Meeting
183 Mt Baker Road, Eastsound, WA 9:00 am
October 16, 2014**

PAGES

WELCOME GUESTS/MEMBERS

Nourdine Jensen Scholarship Winners Presentation
Anne Falcon, EES Consulting

ACTION ITEMS

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| 8 | ○ Capital Credits |
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| 15 | ○ Island Network Business Plan |
| 16-30 | ○ CWP Amendment #4 Submarine Cable Replacement Increased Cost |
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ADJOURNMENT

ACTION ITEMS

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

Thursday, September 18, 2014

President Jim Lett called the meeting to order at 8:45 a.m. at the Friday Harbor OPALCO office. Directors Winnie Adams, Vince Dauciunas, Glenna Hall, Bob Myhr, Chris Thomerson and Jerry Whitfield were present. Also present were General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance Nancy Loomis, Manager of Member Services and Energy Services Amy Saxe, and Executive Assistant Bev Madan, serving as recording secretary.

Member/Guests

Kent Lopez, WRECA; Anne Falcon, EES Consulting; Jay Kimball; Brent Snow; Mike Greene; John Boyd; Kurt McMillen; Jim Hooper; Gray Cope; Steve Ludwig; Dwight Lewis; Gabriel Jacobs and Rob Nou.

Each member was given the opportunity to speak. Snow, Greene, Boyd, McMillen, Hooper and Nou spoke in favor of OPALCO moving forward with providing broadband to members. Cope had questions about the grid control / Island Network status update that is on the agenda to be discussed; Jacobs commented on the Member Information Request submitted by Alex MacLeod and the letter to the editor in The Guardian.

Consent Agenda

After discussion, it was the consensus of the Board to omit the Consent Agenda as an agenda item and to handle the items separately as Action Items.

August 20 Minutes

- **Motion** made by Myhr and seconded to approve the August 20, 2014 minutes. Motion carried by voice vote.

August 21 Minutes

In the paragraph regarding the “Board Response to Member Comments”, Whitfield corrected the draft minutes: “Whitfield requested that the record show that although he **facilitated** ~~took part in~~ the discussion and ~~writing statement~~ **in order to elicit a response from the Board to recent criticism,** **but** during the period in question he was not on the Board nor was he present during any of the events mentioned.”

- **Motion** made by Hall to approve the August 21 minutes as amended. Motion was seconded and carried by voice vote.

New Members

- **Motion** made by Myhr and seconded to accept the new members as listed. Motion carried by voice vote.

Lopez

Baron, Paul & Wilson, Paula
Eguia, David
Patrick, Jessie & Shane
Rendon, Arturo
Rybka, Tim & Elizabeth

Orcas

Donnelly, Sara
Evans, Ashley
Island Ridge Properties LLC
Julian, Vanessa
Lippmann, Sharilyn
Mamchur, Yuri
McAbee, Felicia & J Clark
Orcas Is Park & Rec District
Schumacher, Andrea & Long, David

San Juan

Allen, Joseph & Laura
Bateman, Josh
Becker, Wayne
Bell, Robert G
Cameron, Kari & Rieger, Joseph
Carter, Brandon & Leslie
Casey, Timothy
Cole, Benny Jeffrey
Dixon, Courtney
Dodd, Kyle
Elsenbast, Thomas
Gutierrez, Cynthia & Andy
Hemphill, Paige
Hendricks, Shawn
Hiebert, Timothy H
Hobson, Keith D & Lisa M
Johnson, Jennifer Z

Keane, Merry-Ann & Liam
Kurnaidi, Ade
Lavendera Massage LLC
Leiker, Jacob & Kropp, Anne
Lowe, Sandra
Lundin, Karen
Martinez-Black, Yolanda & Kelly
Mc Cravey, Lee O
Meyer, Anna
Moalli, John & Allison
OJC Properties
Rainey, Gagerick John
Rasmussen, Robert
Smith, Alison J & Moss, Matthew
Todd, Nicholas
Wojciechowski, Bambi & Michael
Zee, Amara

Capital Credits

- **Motion** made by Myhr to approve payment of capital credits totaling \$4,869.42 to the estates of deceased members listed below. Motion was seconded and carried by voice vote.

David B. Casey \$63.19

Marjorie Judd.....	\$854.13
Rob Roy McGregor.....	\$2,301.09
Catherine E. Murray	\$1,251.51
John C. Smith	\$399.50

RUS 219s

- **Motion** made by Myhr and seconded to approve submission of RUS Form 219s that include projects completed in July from the Construction Work Plan totaling \$730,568.30. Motion carried by voice vote.

Voting Delegates

Federated Insurance and CFC will hold member meetings during the NRECA regional meeting in October in Omaha. Delegates will elect two members to fill vacancies on the Federated Insurance Board of Directors and will elect a Nominating Committee for CFC. While no one is planning on attending the meeting, Hildreth will vote by mail or by proxy (if possible).

- **Motion** made by Thomerson to appoint Foster Hildreth as voting delegate, with Thomerson as the alternate. Motion was seconded and carried by voice vote.

Member Service Policy 14 *Interconnection of Member Generators*

Minor edits were made to accommodate growing Member Generator system capacity, including clarification of incentive pools. These revisions were also reviewed at the August Board meeting.

- **Motion** made by Myhr to approve revisions to MS Policy 14 as presented; motion was seconded and carried by voice vote.

OPALCO Policy 19 *Family Leave*

Revisions incorporate workplace breastfeeding as required by law. This policy was reviewed at the August Board meeting.

- **Motion** made by Myhr to approve the revisions to Policy 19; motion was seconded and carried by voice vote.

EEl Funding Request

It is anticipated that Bonneville Power Administration (BPA) Energy Efficiency Incentive (EEI) funds awarded for FY 2013-15 (\$481,580) will be depleted by the end of September 2014. In order to continue with the incentives through the end of this calendar year, \$150,000 is needed. An allocation of \$20,000 will be made from the general manager’s discretionary fund, leaving \$130,000 unfunded. Additional funds for 2015 will be requested through the normal budgeting process.

- **Motion** made by Thomerson to fund \$130,000 for this important program; motion was seconded and carried by voice vote.

WRECA

Kent Lopez updated the Board on important legislative issues coming up in the 2015 session.

Grid Control Budget Advance

Extensive lead times are required for purchasing equipment to construct the grid control backbone. Fiber optic communications switches are available at half price if fifty switches are ordered at this time. As clarified by staff, the grid control infrastructure will use a portion of all 50 of the switches. The same switches will also be used in supporting Island Network member connections. The 2014 budget does not include this expenditure as it is included the projected expenditures for 2015 and are part of the approved existing RUS loan.

- **Motion** made by Adams to approve an advance of capital budget funding in the amount of \$400,000 for purchase of the fiber optic communications switches. Motion was seconded and carried by voice vote.

Strategic Directive: Rate Structure

Strategic Directive: Member Programs

Thomerson submitted suggested wording for two new Strategic Directives regarding rate structure and member programs. After thorough discussion it was determined that Hildreth would rewrite the Strategic Directives and present them to the Board for review at a later date (after the 2015 Budget is approved by the board).

Policy 29 *Energy Rate Design*

It was determined that Hildreth will rewrite this policy based on Board discussion at the September meeting and present it to the Board for review at the October meeting.

Proposed Rate Design

Anne Falcon of EES was present to further discuss rate designs along with member comment. Rate structures were presented for the next three years (2015, 2016, and 2017) and are the first stage of a progression to Policy 29 *Rate Design*. The first reading of the proposed rate structure will take place in October with final board approval in November. Subsequent actual rate increases will be recommended by staff during the annual budgeting process in November/December of each year.

Board Topics

Board protocol was clarified. Board consensus was that longer meetings should occur in order to finish the agenda. Meeting rotation was discussed; it was determined that the rotating schedule would continue.

Agenda items would be presented to Board President Lett and GM Hildreth.

The Policy Committee was discussed after Myhr read a report from the Policy Subcommittee.

- **Motion** was made by Hall to suspend the Policy Committee and transfer the duties of the committee to the whole board. The motion was seconded and carried by voice vote.

After discussion it was determined that Hildreth will set up a timeline for the annual review dates of the auditor, attorney, general manager and the Board (self-evaluation).

Grid Control and Island Network Status Update

The next step in implementing the November 2013 Broadband Directives will continue during a work session on October 15 and during the Board meeting on October 16. The Island Network Business Plan will be reviewed during both sessions. The October 15 work session will be closed to members due to confidentiality issues (existing nondisclosure agreements).

A report on the overhead fiber build-out was presented showing that 40% of the Orcas overhead is complete; Lopez and San Juan work will begin during the 4th quarter of 2014.

The 700MHz will be in operation by year-end 2014 at Cattle Point – Cape Drive; Doe Bay – Burl Hall; Deer Harbor – both marinas; Eastsound and South Lopez.

2nd Quarter Financials

Hildreth presented the 2nd Quarter Financials, including the Statement of Operations, Balance Sheet, Statement of Cash Flow (Non-GAAP, GAAP and a comparison between the two formats), Capital Projects Budget, Island Network Financial Tracking Tool and the 2014 Draft RUS Form 7. Due to the warm weather, revenue is projected to be below our 2014 year-end budget by \$830k.

Outages

There were 14 outages during August with a total duration of 88 hours and 901 members affected.

Safety

One near-miss, two accidents and one loss-time accident occurred during August. The goal is to have zero incidents.

General Manager

Hildreth reviewed the General Manager's report. Adams gave a brief update on the Georgetown Energy Prize application process. Through OPALCO's partnership with the SJ Conservation District, a countywide energy conservation strategy is being developed.

Hildreth discussed the latest information about OPALCO's rate period high water mark (RHW). The San Juan to Henry Island submarine cable project is costing considerably more than budgeted. Due to cultural sensitivity of the area (former site of a Lummi Indian village) and state and local rules on shoreline and eel grass disturbance, the cable will require installation in a bored conduit path in the ground under the seafloor as opposed to laying the cable directly on the sea floor. The project was budgeted for \$400k; however the revised estimated cost is \$1.5M (due to environmental issues requiring boring under the seafloor). Hildreth does not anticipate the need to increase the total 2015 capital project budget at this time.

Adjournment

The meeting adjourned at 2:50 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

New Members September 2014

Blakely

1. Doughty, Stephen & Amy

Lopez

2. Coward, Susan
3. Harry, Ben A & Kris
4. McKenzie, Sandi & Redmayne, Peter
5. Miller, Mary & Steve
6. Morgan, David
7. Nationstar Mortgage LLC
8. Waite, Leslie A & Nancy J
9. Wilburn, Randall & Karen

Orcas

10. Aldort, Yonatan
11. Avondet, Jeremy
12. Bowen, Cheryl J
13. Brewer, Thomas & Virginia
14. Culley, Matthew A
15. Dahl Electric Inc
16. DiCaprio, Tamara
17. Fisher, Lisa-Dawn & James
18. Goodrich, Elaine
19. Hamui, Marcelo
20. Hickey, John
21. Johnson, Tiffany A & James C
22. Kaulakis, Michael & Sharon
23. Keeny, Christy V
24. Lehwalder, Nancy
25. Lever, Mark Alexander & Eisner, Rivka
26. Moore, Lana Fay ch
27. Ransome, Jack
28. Schumacher, Andrea & Long, David
29. Schwitters, Karen & Roy F
30. Shunk, Edward
31. Stefaniak, David & Carolyn
32. Turner, Jacob

San Juan

33. Beachem, Lee
34. Blackmon, Will
35. Burch, Angela
36. Cator, Scott & Sehgal, Melissa
37. Chaffee, Frank
38. Charlesbois, Diane
39. Community Treasures
40. Design Solutions
41. Duck Soup Inn
42. Edmondson, Linda
43. Friday Harbor Skin Care & Facial
Aesthetics
44. Grace, Patricia Ann
45. Hamilton, Hayden
46. Hansen, Michael J & Jan K
47. Henderson, Nicholas
48. Huenefeld, Joan
49. JMG Constructors LLC
50. Judd, David S
51. Keane, Tina
52. Klein, Kevin & Telford, Victoria
53. Lawson II, Jimmie
54. Lembcke, Susan
55. Mathis, Shelley
56. Maynard, Debra & Michael
57. Mc Gregor, Theodora
58. Murphy, Melinda
59. Nippolt, Candace C & John C
60. Noreau, Pete & Nancy
61. Rice, Mark D & Perkins, Sara K
62. Rice, Richard
63. Risenhoover, Kevin
64. Seipp, Edwin A & Barbara G
65. Semprebon, Collin C
66. Shearer, Keith
67. Sigafoos, Maria
68. Smith, Tony
69. Tanis, Anthony J
70. Teixeira, Joshua M
71. Telegraph LLC
72. Wainwright, Daniel
73. Webb, Nancy M
74. Wilcox, Ellen K & Lane, Peter
75. Zwiers, Terry

CAPITAL CREDITS

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

Ben Alvey	\$669.52
Total.....	\$669.52

MEMORANDUM

October 7, 2014

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

August projects completed from the Construction Work Plan:

- Inventory # 201408..... \$1,122,367.28
Lopez Road loop conduit;
URD replacements: Victorian Valley Rd (and upgrade); Sunrise Road; San Juan County Solid Waste
Pole replacements: West Sound; Blair Street (transmission); Pole Pass
- Inventory # AN1408..... \$58,380.26
Mt. Constitution UG fiber and fiber extension

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$1,180,747.54.

10/06/2014 2:47:32 pm

RUS Form 219 Inventory Of Work Orders

Page: 6

Period: AUG 2014

System Designation: WA AH O9

Inventory : AN1408

Budget Loan	Project	Amount
1	706 - 3	58,380.26
Total:		58,380.26

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER)_____
DATE_____
SIGNATURE (BOARD APPROVAL)_____
DATE**ENGINEERING CERTIFICATION**

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

INSPECTION PERFORMED BY_____
FIRM_____
LICENSE NUMBER_____
DATE_____
SIGNATURE OF LICENSED ENGINEER

10/06/2014 2:47:32 pm

Page: 3

RUS Form 219 Inventory Of Work Orders

Period: AUG 2014

System Designation: WA AH O9

Inventory: AN1408

Loan		Work Order Construction (1)	Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year			Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
		Retirement (2)							
706 - 3	2013	1494							
			1	33,420.57	0.00	0.00	0.00	0.00	33,420.57
706 - 3	2014	1649							
			1	24,959.69	0.00	0.00	0.00	0.00	24,959.69
				58,380.26	0.00	0.00	0.00	0.00	58,380.26
Grand Totals:				\$ 58,380.26	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 58,380.26

10/06/2014 2:47:32 pm

RUS Form 219 Inventory Of Work Orders

Page: 5

Period: AUG 2014

System Designation: WA AH O9

Inventory : 201408

Budget

Loan	Project	Amount
1	204	487,732.21
1	318	449,759.81
1	606	10,730.20
1	608	34,029.20
2	606	140,115.86
Total:		1,122,367.28

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER)_____
DATE_____
SIGNATURE (BOARD APPROVAL)_____
DATE**ENGINEERING CERTIFICATION**

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

INSPECTION PERFORMED BY_____
FIRM_____
LICENSE NUMBER_____
DATE_____
SIGNATURE OF LICENSED ENGINEER

10/06/2014 2:47:32 pm

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: AUG 2014

System Designation: WA AH O9

Inventory: 201408

Loan		Work Order Construction (1)		Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year	Retirement (2)	Bdgt (3)	Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
204	2011	1175							
		1175	1	515,304.69	4,008.62	30.35	0.00	31,550.75	487,732.21
				515,304.69	4,008.62	30.35	0.00	31,550.75	487,732.21
318	2011	1193							
		1193	1	450,174.02	3,123.96	0.00	0.00	3,538.17	449,759.81
				450,174.02	3,123.96	0.00	0.00	3,538.17	449,759.81
606	2013	1547							
		1547	1	4,840.07	577.85	0.00	0.00	0.00	5,417.92
606	2014	1568							
		1568	2	139,011.50	2,696.61	1,592.25	0.00	0.00	140,115.86
606	2014	1679							
			1	5,312.28	0.00	0.00	0.00	0.00	5,312.28
				149,163.85	3,274.46	1,592.25	0.00	0.00	150,846.06
608	2014	1633							
			1	9,548.93	0.00	0.00	0.00	0.00	9,548.93
608	2014	1675							
			1	24,480.27	0.00	0.00	0.00	0.00	24,480.27
				34,029.20	0.00	0.00	0.00	0.00	34,029.20
Grand Totals:				\$ 1,148,671.76	\$ 10,407.04	\$ 1,622.60	\$ 0.00	\$ 35,088.92	\$ 1,122,367.28

MEMORANDUM

October 9, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: 2013 Form 990 and Form 990T

The draft 2013 Form 990 *Return of Organization Exempt From Income Tax* and the 2013 Form 990-T *Exempt Organization Business Tax Return* will be reviewed during Executive Session.

The 2013 returns are consistent with last year's filings and are based on the 2013 audited and Board of Director approved financial statements.

Upon review and concurrence, staff requests the Board make a motion to approve and allow staff to submit the 2013 Forms 990 and 990-T.

MEMORANDUM

October 10, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: Island Network Business Plan

The Board and staff will be having an all-day work session on Wednesday, October 15 to discuss the IN strategic aspects of moving forward (Business Plan, Directives, Organizational Chart and funding sources).

The results will be posted to the website prior to the October 16 Board meeting.

MEMORANDUM

October 9, 2014

TO: Board of Directors

FROM: Foster Hildreth

RE: Resolution 9-2014 *Amendment #4 to the Construction Work Plan*

This amendment to the 2013-16 Construction Work Plan (CWP) includes increased costs of replacing the submarine cable between Lopez and San Juan islands.

RUS requires a Board Resolution to amend the current CWP. Staff requests that the Board make a motion to approve Resolution 9-2014 which allows amendment #4 to the CWP.

ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



Eastsound Office
183 Mount Baker Road
Eastsound, WA 98245-9413
p:(360) 376-3500 f:(360) 376-3505
www.opalco.com

BOARD OF DIRECTORS RESOLUTION 9-2014 APPROVING AMENDMENT #4 TO THE 2013-2016 CONSTRUCTION WORK PLAN

WHEREAS, the Board of Directors has approved the 2013-2016 Construction Work Plan (CWP); and,

WHEREAS, Amendment #4 is necessary to increase the cost of replacing submarine cable between Lopez and San Juan from \$3 million to \$12 million; and

WHEREAS, the Board considers the amendment to the CWP to be a reasonable estimate for the corresponding capital project.

NOW, THEREFORE, BE IT RESOLVED THAT THE Board of Directors of Orcas Power and Light Cooperative accepts and approves Amendment #4 to the CWP upon the recommendation of the Engineering and Operations Manager at a regular meeting held on October 16, 2014 and directs the General Manager to process CWP Amendment #4 as required by the Rural Utility Services.

CERTIFICATE OF SECRETARY

I, Jerry Whitfield, certify that I am the Secretary of Orcas Power and Light Cooperative and that the above and foregoing is a true excerpt from the minutes of a meeting of the Board of Directors on the 16th day of October, 2014, at which a quorum was present, and that the above portion of the minutes have not been modified or rescinded.

Jerry Whitfield, Secretary

October 16, 2014

Date



**Amendment To Currently Approved
Construction Work Plan
Amendment # 4 Borrower Designation WA-09**

LOPEZ TO SAN JUAN SUBMARINE CABLE REPLACEMENT PROJECT COST AMENDMENT- Project #1001

Work Plan Period 2013-2016

LOPEZ ISLAND - SAN JUAN ISLAND SUBMARINE CABLE REPLACEMENT PROJECT – PROJECT #1001

740C Code 1001

Change(s) Proposed

In 2012 the projected cost for the Lopez Island – San Juan Island Submarine Cable Replacement Project was estimated at 3 million dollars (\$3,000,000). The purpose of this amendment is to adjust the original estimated project cost to 12 million dollars (\$12,000,000).

Reason(s) for Change(s)

Reasons for the increased change in cost of project are as follows:

- 1) The original assumption was that the existing Sumitomo submarine cable could be purged of oil and abandon in place. Discussions with the cable manufactures and Regulatory agencies have concluded that we would not be able to remove a sufficient amount of oil from this cable to guaranty that oil would not be leaked out into the environment at some time in the future. Removal and disposal of the existing 14,000 feet of oil filed cable is now required as part of the permitting process. Cost \$1,500,000.
- 2) The original project assumption was that OPALCO would dig over the top of the existing Sumitomo cable from 100 feet from shore out to Low Low tide point and lay the new cable in this manner. Due to environmental issues (Eel grass) and Archaeological deposits in this area, regulatory agencies are requesting that OPALCO consider boring a 800 feet, 14 inch path under the sensitive areas. Cost \$2,500,000.
- 3) Past projects have been engineered using the UBC seismic zone 3 design criteria. Recent County code changes now require that OPALCO use 2012 IBC seismic design criteria for this region. Cost \$ 1,500,000.
- 4) Original project's submarine cable costs were estimate at around \$1,000,000 for a total cable length of 13,000. Manufactures pre-bid cost estimate are 4 times this estimated cost and the length of the cable, based on recent survey, will be 14,000. We have been informed that the cost of submarine cables have increased dramatically over the past 3 years due to off shore wind farm installations. Additional cost \$3,500,000.

Due to unforeseen and changing Regulatory, Environmental and Archaeological requirements, the Lopez to San Juan submarine cable replacement project has increased by \$9,000,000 from the initial estimate of \$3,000,000 to \$12,000,000.

Method of Financing

Loan Funds X

General Funds

Contributions in Aid

Status of Borrowers Environmental Report: For compliance with NEPA, this project is NOT categorical excluded and requires an ER under 7 CFR 1794.21 (b)(4) and (5). See attached ER.

In consultation with the Department of Archaeology & Historic Preservation (SHPO) for Section 106 of the NHPA, the project has been given a determination of "No Historic Properties Affected" to historic properties.

Under Section 7 of the ESA, the project's Environmental Report (ER) based on the Biological Report (BA) has given a determination of: "May Affect, Not Likely to Adversely Affect (NLAA)" this project is presently being reviewed by RUS Environmental Protection Specialist, WDFW and USFW for compliance with ESA.

Estimated Project Cost: \$12,000,000

2013-2016 AMENDED CONSTRUCTION WORK PLAN COST FOR THE
LOPEZ ISLAND – SAN JUAN ISLAND SUBMARINE CABLE REPLACEMENT PROJECT

Amendment #4

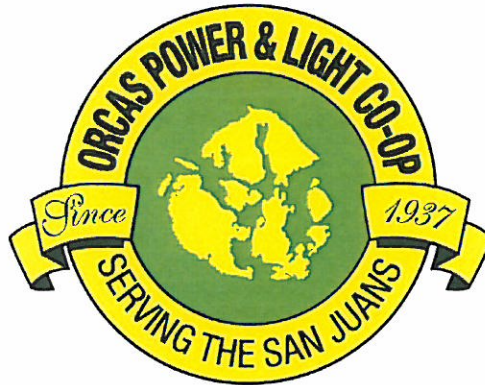
PROJECT: 1001

ENVIRONMENTAL REPORT

FOR ORCAS POWER & LIGHT COOPERATIVE

WASHINGTON, SAN JUAN

EASTSOUND, WASHINGTON 98245



ORCAS POWER & LIGHT COOPERATIVE

JOEL MIETZNER, P.E.

SYSTEM ENGINEER

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ATTACHMENTS:	
1) Biological Evaluation Lopez Island – San Juan Island Submarine Cable Replacement Project prepared by Jen-Jey, Inc.	
2) Cultural Resources Report An Archaeological Survey for the OPALCO Lopez Island – San Juan Island Submarine Cable Replacement Project, San Juan County, Washington.	

PROJECT OVERVIEW

Lopez Island – San Juan Island Submarine Cable replacement Project – #1001

The Orcas Power and Light Cooperative (OPALCO) is proposing to replace the older of two redundant 69-kilovolt (kV) oil-filled submarine cables which lie on top of the sea floor between Lopez Island and San Juan Island in San Juan Channel. The San Juan Island archipelago is located off the northwest coast of Washington state in the United States of America. Both of these submarine cables originate from a submarine cable terminal on Lopez Island and traverse San Juan Channel to a submarine cable terminal at Pear Point on San Juan Island.

Waterways surrounding San Juan Island are extremely sensitive in nature and OPALCO foresees the need to replace these oil filled submarine cables to preempt catastrophic failure of the cables. This project comprises the steps needed to replace the oldest and most vulnerable of these cables. The total distance between the submarine cable terminals is approximately 2.9 miles.

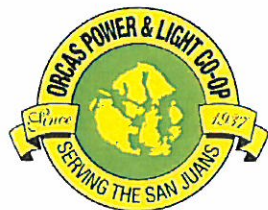
A channel with deep water habitat, near shore habitat, intertidal marine habitat, and adjacent terrestrial habitats on Lopez Island and San Juan Island compose this project's action area. Efforts will be made to avoid or minimize any potential impacts to the environment. Cultural and Environmental evaluations will be used to guide the design and implementation of this project.

PROJECT DESCRIPTION

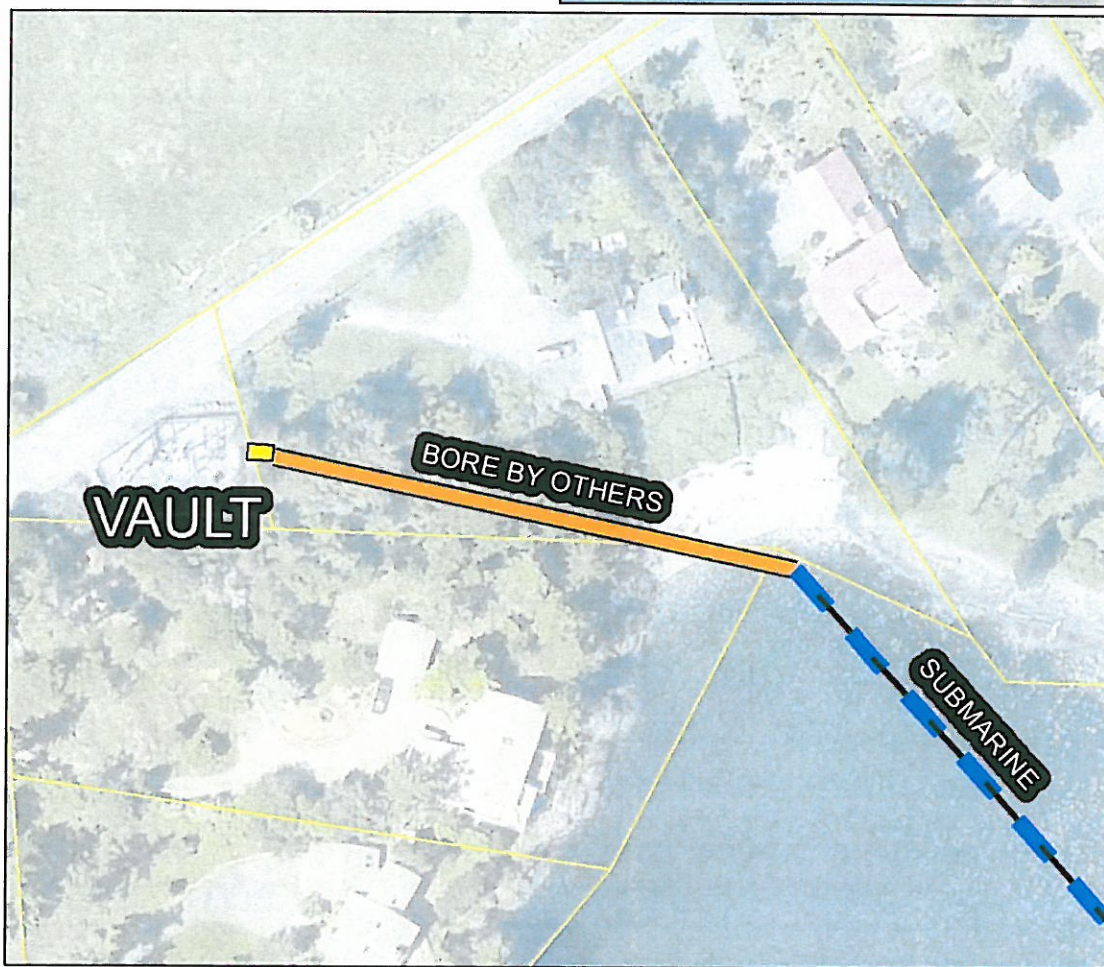
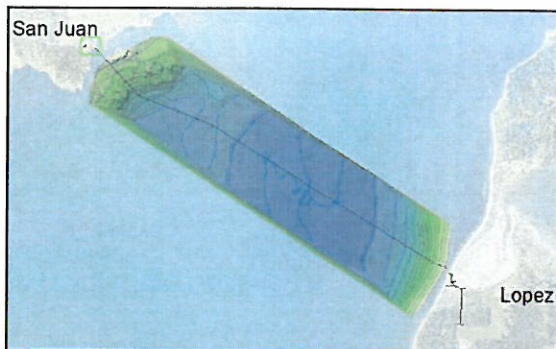
The scope of this project is to remove a deteriorating 69-kV, dielectric oil-filled Sumitomo (1977) submarine cable from the marine environment and to replace this cable with a new dielectric cable. The new dielectric cable will be an armored cable from the submarine terminal at Pear Point on San Juan Island to the splice pit on Lopez Island. At the splice pit, the cable will be spliced to a lighter, unarmored, 1,300-foot length of cable that will be pulled through buried conduit to the submarine terminal on Lopez Island.

Trenching will occur within the existing terrestrial cable route where the deteriorating Sumitomo cable was directly buried. Conduit will be placed in these previously disturbed trenches. Installation of conduit will prevent future need to excavate should a cable fail or need maintenance. On Lopez Island, there will be horizontal directional-drilled conduit water-ward from the trench terminus (splice pit) out to -30' MLLW (Mean Lower Low Water), which is approximately 50' beyond the water-ward edge of a known eelgrass bed. Soft shore bank stabilization techniques will be used on the steep embankment at Pear Point on the San Juan Island side to protect the conduit from exposure and reduce potential erosion.

The major portion of the cable installation will occur across San Juan Channel. Installation across the channel will be accomplished using a barge equipped specifically for cable laying. The majority of the cable in the marine portion of the project will lie directly on the seabed.

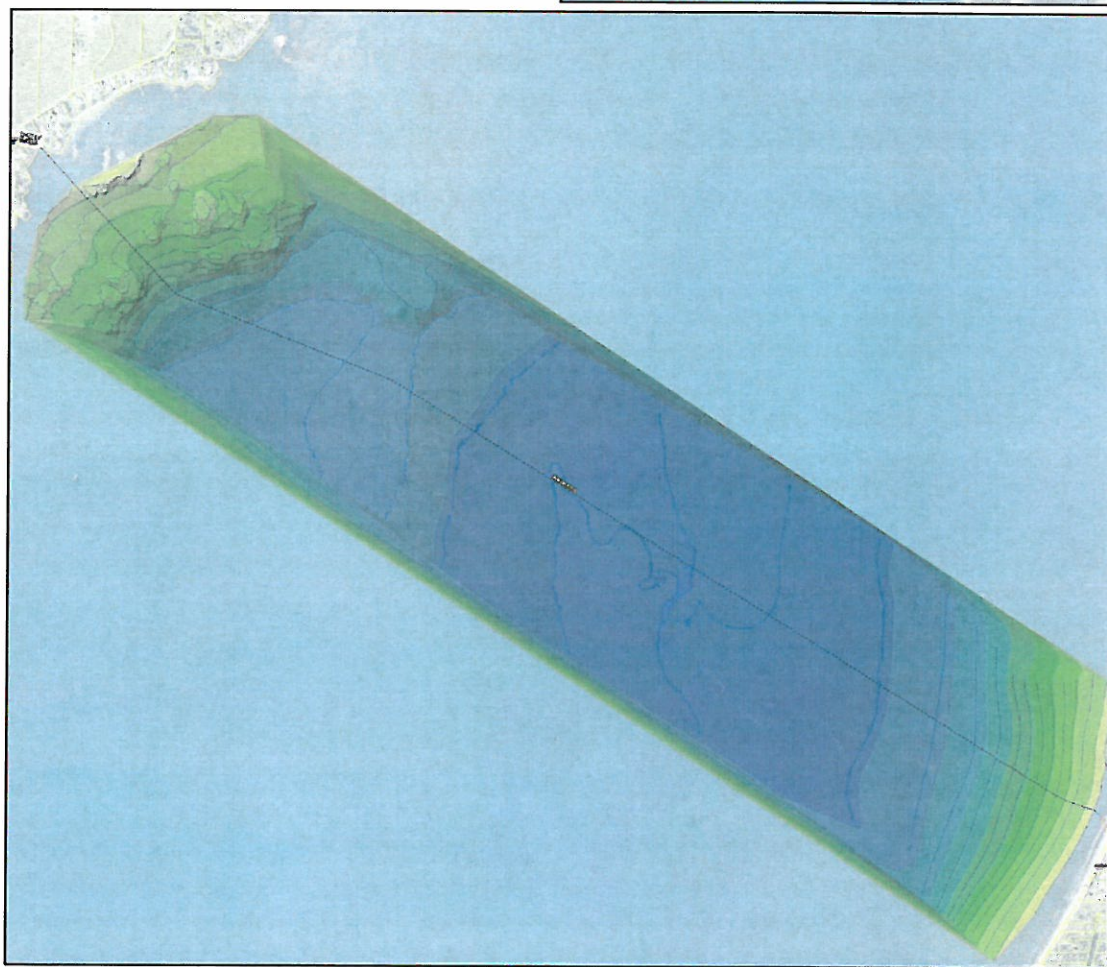
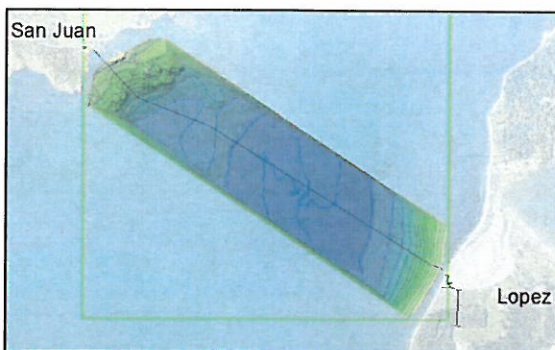


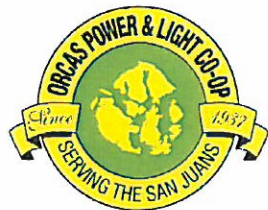
Lopez Island to San Juan Island
Submarine Cable Crossing



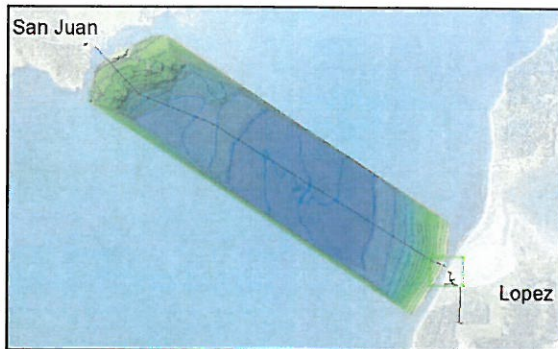


Lopez Island to San Juan Island
Submarine Cable Crossing



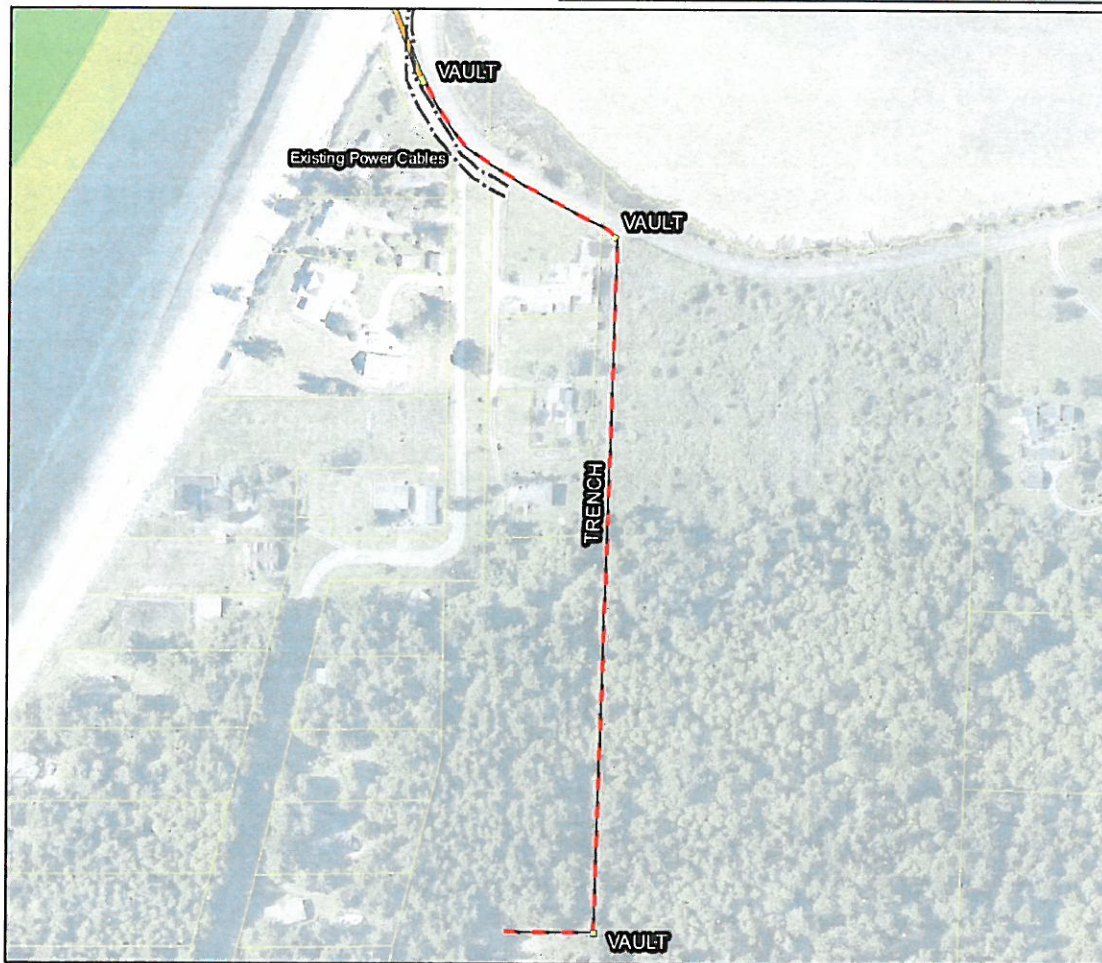
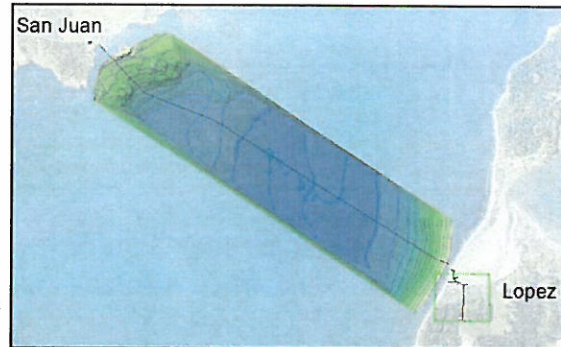


Lopez Island to San Juan Island
Submarine Cable Crossing





Lopez Island to San Juan Island
Submarine Cable Crossing



NEED FOR PROJECT

The existing 69-kV, oil-filled Sumitomo (1977) submarine cable (Sumitomo) has been on the San Juan Channel seabed for thirty-seven years. OPALCO views this project as a proactive effort to avoid oil spills related to the deteriorating existing oil-filled cable. OPALCO is proposing to replace the existing deteriorating oil-filled dielectric Sumitomo submarine cable with a solid plastic dielectric submarine cable removing the threat of an oil spill. The two redundant cables provide the sole power supply to San Juan Island and subsequently to Henry, Brown, Pearl and Spieden Islands. This proposed project will provide a reliable, environmentally safe, electrical system and meet current and future demands for the end users. This project will also reduce potential environmental impacts resulting from cable failure. In addition, the economic impacts associated with cable breakage and failure for the San Juan island archipelago will be avoided. Acknowledging the sensitive nature of the waterways within San Juan County, OPALCO is proactive with its view that the replacement of the oil-filled Sumitomo cable, which is showing signs of deterioration, is high priority.

ALTERNATIVES TO PROJECT

Alternatives to this project are:

- 1) Do nothing until existing submarine cable fails
- 2) Attempt to remove oil from cable and abandon cable at its present location and except the risk of supplying 6500 members with a single submarine cable.

IMPACTS OF THE PROPOSED PROJECTS ON THE ENVIRONMENT

1. Land Use- Present Land Use designation is Forest Resource (FO) along part of the submarine cable path. OPALCO is working with San Juan County to ensure that the existing Land use rules are all complied with.
2. Floodplains –The proposed submarine cable replacement project is intended to be installed in the water way between Lopez and San Juan Islands. The cable and shore side conduit paths are constructed to be submerged in 10 feet of water. Flooding over the cable installation will not cause any disruptions or damage to the cable installation due to the cables being rated for a depth of 300 feet.
3. Wetlands – The proposed submarine cable replacement path is located along an existing county road easement(s) and do not encroach upon any regulated wet land areas.
4. Cultural Resources –Cascadia Archaeology has been hired to Survey the proposed submarine cable path. The proposed submarine cable replacement path's Recommendation of Effects by Cascadia Archaeology, LLC has recommended that a finding of NO Historic Properties Affected be made for the project (see attached Cultural Resources Report "An Archaeological Survey for the OPALCO Lopez Island – Sand Juan Island Submarine Cable Replacement Project, San Juan County,

Washington". During the disturbance of any soil, OPALCO will follow the mitigation plans developed by Cascadia Archaeology.

5. Threaten and Endangered Species – This site has been surveyed to locate any threaten or endangered species. See section 5 Federally Listed Species & Critical Habitat within the Action Area in the attached Biological Evaluation.
6. Fish and Wildlife Resources- Construction activities will be minimized such that nesting birds and other animals will not be disturbed. Work will begin in September to minimize wildlife disturbance.
7. Vegetation- See the attached Biological Evaluation by Jen-Jay, Inc.
8. Coastal Zones –The location of the replacement submarine cable project is considered to be within Washington State's coastal zone because of its distance from the coast line. Federal, State and County permits are being applied for to assure all rules and issues associated with working in the Coastal Zone are strictly being followed.
9. Air Quality – The proposed replacement submarine cable project will not impact air quality in this area.
10. Water Quality – Any trenching to remove the existing oil-filled cable will be done during the "dry season". All water runoff in the excavated trench will be properly managed as dictated by the County Water Drainage permit.
11. Aesthetics – The proposed cable replacement project is buried approximately 42" below the earth's surface and will not be visible. Site restoration of disturbed area's will be restored to same or better.
12. Transportation – The construction/installation of the proposed submarine cable replacement project will not have an effect on transportation in this area. The construction schedule for this project will be approximately 1 month and will be largely accomplished from barges in the water between Lopez and San Juan.
13. Noise, Radio and Television Interference - The proposed submarine cable replacement project will not cause any noise, radio or television interference.
14. Human health and Safety - The proposed submarine cable replacement project will enhance public health and safety by reliably and efficiently delivering energy to the surrounding area.
15. Socioeconomic and Community Resources- The proposed non-oil filled cable will enhance the socioeconomic and community resources by improving the management and reliability of the energy flowing to 6500 members.

MITIGATION AND MONITORING

Orcas Power and Light Cooperative will monitor all operations of their crews and any Contractors, with special emphasis on minimizing soil disturbance and restoring vegetation in the vicinity of watercourses and wetlands. Any vegetation removed in the process of moving personnel and equipment on to a site will be restored to like or better condition.

MANAGER'S STATEMENT

I have reviewed this Environmental Report and to the best of my knowledge, it accurately describes the project, associated environmental impacts, and reasonable alternatives. Orcas Power and Light Cooperative intends to carry out the environmental commitments, mitigation measures and monitoring efforts presented in the Environmental Report. Our personnel and those of any involved independent contractor will be made aware of such environmental commitments before the initiation of construction. If any information relevant to the environmental effects of the proposed project comes to our attention subsequent to the submission of this report, such material will be provided promptly to RUS.

Manager

2015 Annual Meeting

- I. Set date
Suggested date: May 2
- II. Establish deadline for absentee ballots
- III. Appoint Parliamentarian
- IV. Appoint Tally Chair

MEMORANDUM

October 10, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: Federated Insurance – Increase of General Liability Insurance

Jim Lett and I met with Monty Rehar of Federated Insurance for the annual review of OPALCO's insurance policies. During that meeting, we concurred that OPALCO's umbrella insurance coverage should be increased by \$5M (from \$25M to \$30M). The premium for just the additional \$5M coverage for SOMPO is \$10,000.

Attached is the policy proposal.

Staff recommends a motion to approve an increase in insurance coverage from \$25M to \$30M.

Orcas Power & Light Cooperative

Policy Term:
10/01/14 – 6/01/15

Presented By:
Judy Williams, CIC

THE ATTACHED PROPOSAL IS A PREMIUM INDICATION ONLY BASED ON INFORMATION YOU PROVIDED. PLEASE REFER TO THE POLICY(IES) FOR ALL TERMS, CONDITIONS, LIMITATIONS AND EXCLUSIONS. IF THERE IS ANY CONFLICT BETWEEN THE COVERAGE STATEMENTS WITHIN THIS PROPOSAL AND THE ACTUAL INSURANCE, POLICY, POLICY PROVISIONS WILL PREVAIL.

Schifman Remley Associates
5201 Johnson Drive
Suite 500
Mission, KS. 66205
913-831-1777 – Phone
913-831-4730 - Fax

Policy Term: 10/01/2014-06/01/2015

EXCESS UMBRELLA LIABILITY

Sompo

Liability Limit	\$ 5,000,000 Each Occurrence*
	\$ 5,000,000 Aggregate
Excess of: Federated Rural Electric/ Travelers	\$25,000,000

*See note on summary page

RATING BASIS: Flat – Except for Acquisitions

TERMS & CONDITIONS: Follow Form Exclusions apply;

- Asbestos Exclusion
- Nuclear Energy Exclusion
- Total Pollution Exclusion
- Fungi or Bacteria Exclusion
- Exterior Insulation and Finish Systems Exclusion
- Employment Related Practices Exclusion
- Aircraft Products and Grounding Exclusion
- Aircraft Liability Exclusion
- Cross Suits Exclusion (Named Insured)
- Discrimination Exclusion
- SEC Liability Exclusion
- Recording and Distribution of Materials Exclusion
- War Liability Exclusion
- Silica Exclusion
- Lead Exclusion
- Motor Carrier Act Exclusion
- Damage to Real and Personal Property (Applies to Care/Custody & Control) Exclusion
- Erisa Exclusion
- Subsidence Exclusion (Movement of Land)
- Residential Contracting Exclusion
- Contractors Limitation Endorsement
- Residential Contracting Exclusion
- Electromagnetic Radiation Exclusion
- Failure to Supply Exclusion
- Professional Services Exclusion
- Underinsured/Uninsured Motorist Exclusion
- WA State Required Endorsement
- 25% Minimum Earned Premium/Minimum Premium.

DISCUSSION ITEMS

MEMORANDUM

October 10, 2014

TO: Board of Directors

FROM: Foster Hildreth

RE: Rate Design

This is the fifth step (E) in the process of designing new rate structures.

The full sequence of events for the new design of the rate structure is as follows:

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

During the September Board Meeting, the Board requested that staff make revisions to OPALCO's rate policy #29 that reflect the discussions over the duration of the rate design process.

The driving goal of this rate structure process is to produce rate structures which fairly allocate the expenses of OPALCO in relation to a member's use of the grid system and impact on the cooperative's operations. In doing so, staff is striving to reduce revenue volatility so OPALCO will be better positioned to meet its financial and service level commitments to our membership. To achieve these goals, staff is recommending rate structures (attached) with the following notable changes:

1. Align the fixed expense components of operating OPALCO to be included in the facility charge (base rate)
2. Slowly introduce a "demand" billing component to coincide with how OPALCO purchases power from BPA
3. Transition the residential rate structure to differentiate summer versus winter usage
4. Reinstitute a time-of-use (TOU) rate
5. Separate small (<20kW) versus large (>20kW) commercial services
6. Introduce a new block rate for high usage commercial services (>150,000 kWh)
7. Pump rate to be more aligned with the cost of service

Additionally, in order to avoid rate shock, Staff's intention is to progressively increase the above rate structures overtime.

This is the culmination of the efforts of the last eight months to develop rates that better align the Cooperative with its members and how the system costs are allocated to them. This structure is based on 2014 revenue requirements for all year. The revenue requirements for each of the years presented will be determined through the annual budget process. Also attached is the latest revision of Policy 29 *Rate Design*. This reflects the framework outlined above.

Staff requests a motion to:

- Approve Policy 29 *Rate Design* as presented; and
- Approve the recommended Rate Structure as presented.

ORCAS POWER AND LIGHT COOPERATIVE

RECOMMENDED RATE STRUCTURE

	A.	B.	C.	D.	E.
		Present Rates	2015 Structure (0% Increase)*	2016 Structure (0% Increase)*	2017 Structure (0% Increase)*
1	Residential				
2	Facility Rate (\$/Service/Month)	\$28.60	\$28.60	\$28.69	\$28.87
3	Demand Rate (\$/Service/Month)		\$0.00	\$1.00	\$3.00
4	Energy Rates (\$/kWh)				
5	Block 1 (< 5,000 kWh)	\$0.0852			
6	Block 2 (> 5,000 kWh)	\$0.1006			
7	Summer Block 1 (< 1,500 kWh)		\$0.0850	\$0.0813	\$0.0780
8	Summer Block 2 (> 1,500 kWh)		\$0.0950	\$0.1036	\$0.1085
9	Winter Block 1 (< 3,000 kWh)		\$0.0850	\$0.0813	\$0.0780
10	Winter Block 2 (> 3,000 kWh)		\$0.0950	\$0.1036	\$0.1085
11					
12	Residential TOU				
13	Facility Rate (\$/Service/Month)	\$32.20	\$32.20	\$32.30	\$32.40
14	Demand Rate (\$/kW)			\$0.50	\$1.00
15	Energy Rates (\$/kWh)				
16	TOU Period 1 (6 AM - Noon)	\$0.1294	\$0.1450	\$0.1450	\$0.1450
17	TOU Period 2 (Noon - 6 PM)	\$0.0590	\$0.0900	\$0.0900	\$0.0900
18	TOU Period 3 (6 PM - 6 AM)	\$0.0507	\$0.0400	\$0.0400	\$0.0400
19					
20	Small Commercial (<20 kW)				
21	Facility Rate (\$/Service/Month)	\$40.40	\$40.40	\$40.60	\$41.07
22	Energy Rates (\$/kWh)				
23	Block 1 (< 5,000 kWh)	\$0.0866	\$0.0861	\$0.0861	\$0.0861
24	Block 2 (> 5,000 kWh)	\$0.0781	\$0.0861	\$0.0944	\$0.1059
25	Demand Rates (\$/kW)				
26	First 20 kW (Flat Rate)	\$0.00	\$5.00	\$5.30	\$6.00
27	Over 20 kW	\$3.15			
28					
29	Large Commercial (> 20kW)				
30	Facility Rate (\$/Service/Month)	\$40.40	\$40.40	\$40.60	\$41.07
31	Energy Rates (\$/kWh)				
32	Block 1 (< 5,000 kWh)	\$0.0866	\$0.0775	\$0.0777	\$0.0782
33	Block 2 (5,000-150,000 kWh)	\$0.0781	\$0.0775	\$0.0777	\$0.0782
34	Block 3 (>150,000 kWh)		\$0.1162	\$0.1166	\$0.1173
35	Demand Rates (\$/kW)				
36	First 20 kW	\$0.00			
37	Over 20 kW	\$3.15			
38	Block 1 (< 300 kW)		\$3.15	\$3.15	\$3.15
39	Block 2 (> 300 kW)		\$4.73	\$4.73	\$4.73
40					
41	Pumps				
42	Facility Rate (\$/Service/Month)	\$25.30	\$25.47	\$26.79	\$27.12
43	Energy Rates (\$/kWh)				
44	0 - 370 kWh	\$0.0978	\$0.0923	\$0.0813	\$0.0771
45	370-5,000 kWh	\$0.0752	\$0.0802	\$0.0813	\$0.0771
46	Over 5,000 kWh	\$0.0900	\$0.0878	\$0.0830	\$0.0771
47	Demand Rates (\$/kW)				
48	First 20 kW (Flat Rate)	\$0.00	\$0.00	\$1.00	\$2.50
49	Over 20 kW	\$3.15	\$3.15	\$3.15	\$3.15

* For comparative purposes only, the above is assuming a 0% increase to revenue requirements. Revenue Requirements and associated rates will be determined during the annual budget process.

ORCAS POWER AND LIGHT COOPERATIVE
POLICY 29
ENERGY RATE DESIGN

Draft 10/10/14

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

29.2.2.2.3 **Facility**: Utilize a fixed cost methodology to ensure the facility charge collects for costs associated with the Cooperatives' fixed costs allowing for revenue and margin stability;

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

29.2.2.2.5 **Energy**: Implement a variable mechanism that recovers the costs associated with energy usage;

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

29.2.2.4 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 should 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: _____

General Guideline

Items for Annual Review by Board of Directors

JANUARY	Tariffs (1 st reading) Strategic Directives Attorney Review (Interim only)
FEBRUARY	Tariffs (2 nd reading) GM Review (Interim 2015 only)
MARCH	Year-End Financials
APRIL	Audit Report Load Forecast
MAY	ANNUAL MEETING
JUNE	Annual Auditor Review (and engagement contract) 1 st Quarter Financials
JULY	Annual Attorney Review (and engagement contract)
AUGUST	Board Self-Evaluation & Director Compensation (Policies 1 and 16) 2 nd Quarter Financials
SEPTEMBER	GM Annual Review
OCTOBER	Annual Meeting Planning Conflict of Interest Form Signed by BoD Tax Return
NOVEMBER	Annual Budget – 1 st Read 3 rd Quarter Financials Capital Credits General Retirement Resource Planning (biennially—beginning in 2014)
DECEMBER	Annual Budget – 2 nd Read

To be determined:

OPALCO Policies
MS Policies
By-laws

MEMORANDUM

October 9, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: Resource Evaluation

Staff is initiating the resource evaluation process. The goal is to provide "Safe, reliable, cost effective and environmentally sensitive" power to our members.

- Resource Evaluation Study (2014/2015)
- Develop suite of cost effective and environmentally sensitive resource and efficiency options applicable to OPALCO
- Develop Strategy for future resource and efficiency acquisitions

Similar to the rate design process, resource evaluation will occur over the course of several months as indicated below.

Resource Evaluation Summary Timeline

- A. Staff kick-off meeting: November
- B. Development of Load forecast scenarios: November - January
- C. Development of BPA Power Supply modeling: November - January
- D. Present Load-Resource Balance and scenarios to Board: January
- E. Research resource and efficiency options applicable to OPALCO: February - April
- F. Evaluate strategic alliances with other utilities: February - April
- G. Present options and considerations to OPALCO Board: April
- H. Develop benefit/cost analysis of identified resource and efficiency options: May - June
- I. Develop risk analysis: May - June
- J. Draft Report: July - August
- K. Present Evaluation results and strategic options for the future: July - August
- L. Present Analysis of strategic alliances: July - August
- M. Finalize Report: August

REPORTS

Orcas Power and Light Cooperative
Cash Recap
September 30, 2014

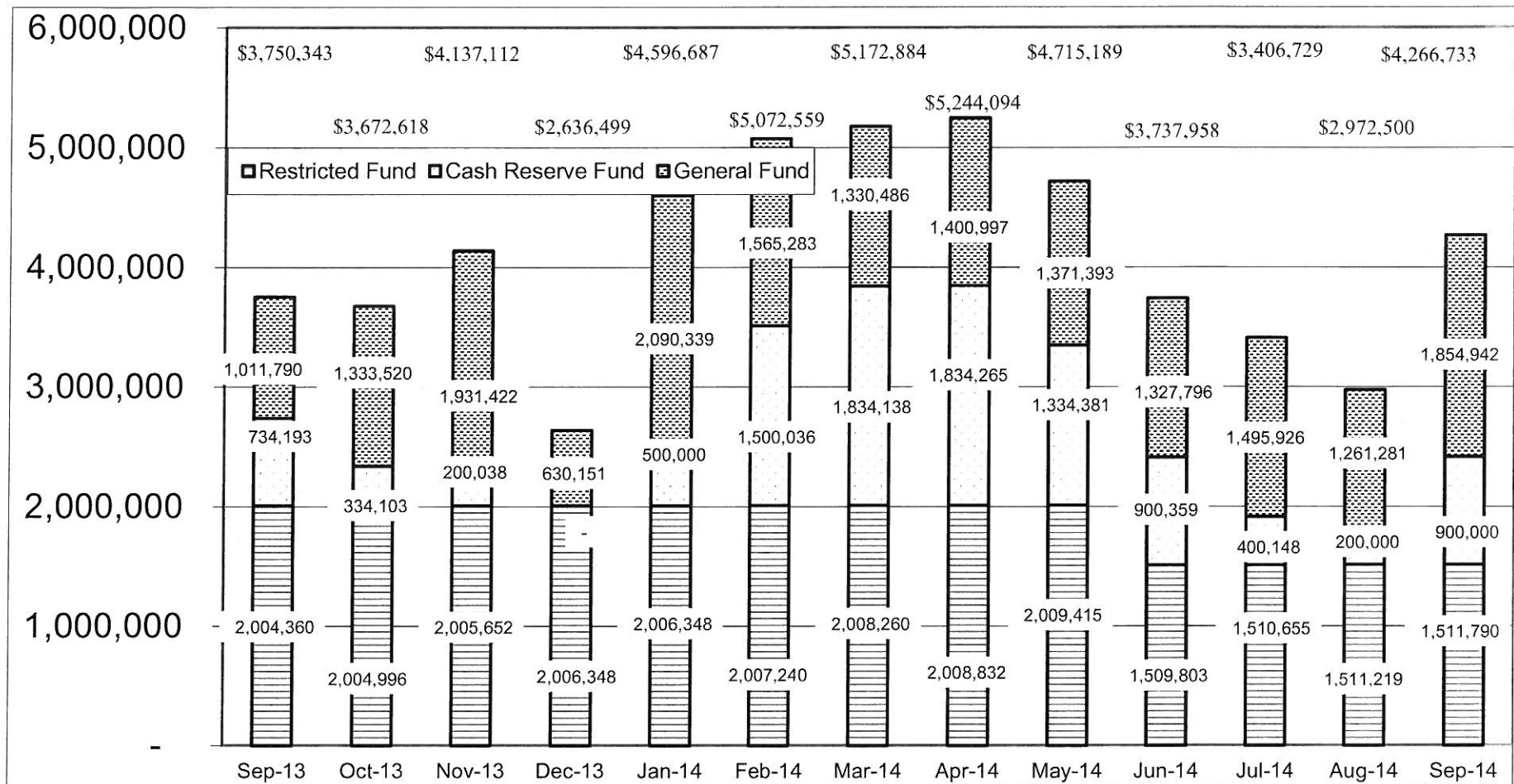
	Rate	Term	Due Date	Amount	Total Balance
GENERAL FUNDS:					
Cash on Hand				600	
Cash in Checking - Key Bank				95,251	
Cash in Checking/MMDA/Construction - Islanders Bank				1,276,394	
Cash in Checking/Savings/Payroll - Wells Fargo				482,698	
SUBTOTAL GENERAL FUNDS					1,854,942
CASH RESERVE FUND:					
CFC Commercial Paper	0.13%	32	10/17/14	200,000	
CFC Commercial Paper	0.15%	46	10/31/14	200,000	
CFC Commercial Paper	0.15%	60	11/14/14	200,000	
CFC Commercial Paper	0.15%	67	11/21/14	200,000	
CFC Commercial Paper	0.15%	80	12/4/14	100,000	
SUBTOTAL CASH RESERVE FUND					900,000
RESTRICTED FUND:					
CFC Select Notes	0.2500%	62	10/30/14	352,655	
CFC Select Notes	0.3800%	160	12/4/14	132,958	
CFC Select Notes	0.2500%	85	12/19/14	552,000	
CoBank - AIM				151,646	
Home Street Bank	0.3490%	547	4/29/15	105,233	
Washington Federal Savings	0.4000%	395	12/29/14	108,107	
Washington Federal Savings	0.4000%	395	6/19/15	109,192	
SUBTOTAL RESTRICTED FUNDS					1,511,790
GRAND TOTAL FUND ENDING BALANCE 9/30/14					4,266,733
Project PAL: Islanders Bank				25,954	
MORE Program: Islanders Bank				126,517	
RUS Cushion of Credit *				616,308	

CASH PROJECTION:
October 31, 2014

GENERAL FUNDS:					
Beginning Cash 9/30/14			1,854,942		
Estimated Revenue (based on 95% of billing)			1,413,123		
Estimated Other Revenue			20,000		
Estimated Transfer From Restricted Fund			0		
Estimated Transfer From Reserve Fund			0		
Estimated Transfer From RUS Cushion of Credit			19,129		
Subtotal Cash/Revenue				3,307,194	
Estimated Accounts Payable		(1,300,000)			
Estimated Payroll and Benefits		(503,500)			
Estimated RUS Principal and Interest Payment		(19,129)			
Property Tax (2nd half)		(102,000)			
Power and Transmission Bill (September bill)		(495,416)			
Subtotal Expenses				(2,420,045)	
Projected Ending Balance 10/31/14					887,149
CASH RESERVE FUND:					
Beginning Cash 9/30/14			900,000		
Estimated Transfer To General Fund			0		
Projected Ending Balance 10/31/14					900,000
RESTRICTED FUND:					
Beginning Cash 9/30/14			1,511,790		
Transfer From General Fund			0		
Projected Ending Balance 10/31/14					1,511,790
PROJECTED GRAND TOTAL FUND ENDING BALANCE 10/31/14					3,298,940
PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 10/31/14					(967,793)
RUS CUSHION OF CREDIT*:					
Beginning Balance 9/30/14			616,308		
Transfer From General Fund			0		
Estimated Transfer To General Fund			(19,129)		
Projected Ending Balance 10/31/14					597,179

* represents advance payments unapplied for RUS long term debt

TOTAL FUND BALANCE

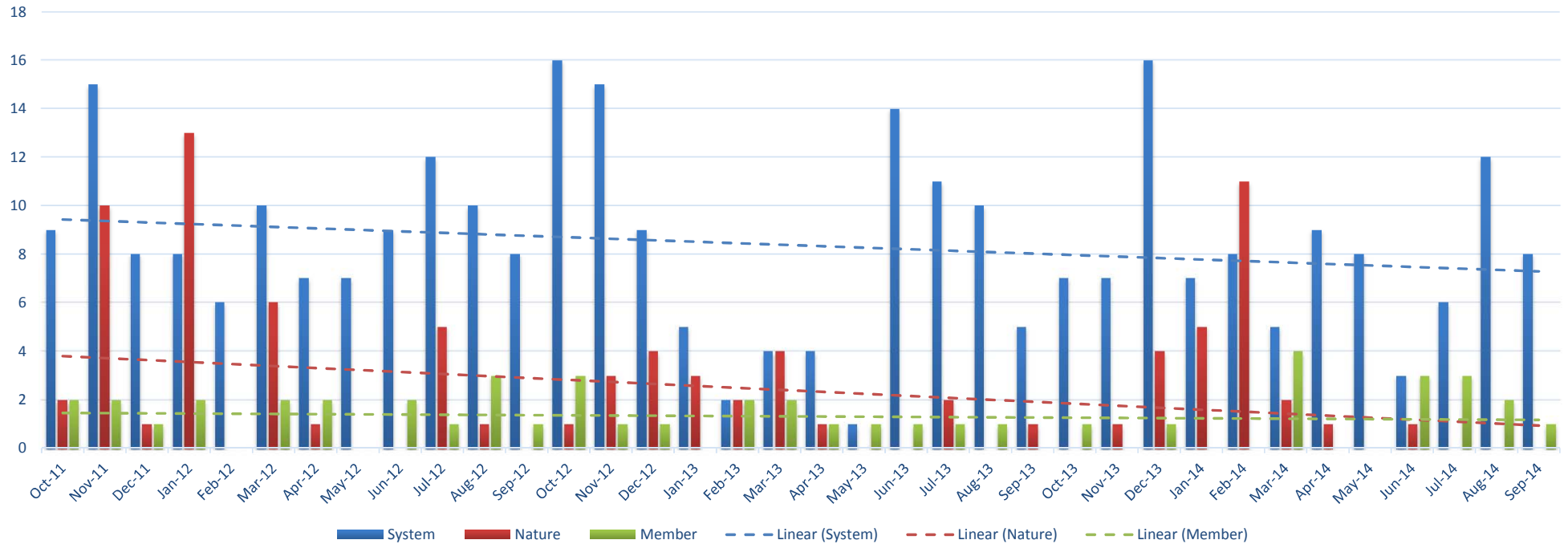


Notes:

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. 2014 - RUS loan draw \$1.22M @ 3.456% (January 2014)
3. 2014 - RUS loan draw \$878k @ 3.479% (January 2014)
4. 2014 - RUS Loan Draw \$2M @ 3% (September 2014)

Outage Report: Trending + YTD Summary

Outage Occurrence Trending



YTD Summary

Category Description	Group Description	September 2014			YTD 2014			YTD 2013		
		Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)
System	Scheduled	0	0	0	0	0	0	0	0	0
System	Faulty Equipment or Installation	2	4	0.5	11	254	30.1	6	829	13.766
System	System Issue	0	0	0	5	34	23	5	1193	4
System	Age or Deterioration (Failed URD)	5	58	20	36	1988	235.5	34	3107	167.25
System	Right-of-way	0	0	0	3	415	19.5	4	49	6.75
System	Secondary	0	0	0	7	9	17.5	3	5	4.5
System	Unknown	1	235	2.5	4	272	7	4	670	10.83
Nature	Weather	0	0	0	19	1136	50.25	8	1306	11.94
Nature	Animal	0	0	0	1	10	1	5	124	8
Member	Member/Public	1	14	1.5	13	1841	28	9	105	22.5
Totals		9	311	24.5	99	5959	411.85	78	7388	249.536

MEMORANDUM

Date: October 8, 2014
To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Safety Program – September 2014

Safety Training

Jeff Myers conducted pole top rescue training. In preparation for the new safety standards for fall arrest, the crews tried using several of the fall-arrest systems. We will be purchasing and requiring use of these fall-arrest systems for all of the linemen per the new standards by January 2015.

RESAP (Rural Electric Safety Accreditation Program)

RESAP is in its infancy at OPALCO. We are compiling historical records for our personnel and vehicle safety programs. Next step is defining an organizational structure for implementation and continuance of this program.

Accidents/Incidents/Near Miss

None.

	September 2014	YTD (2014)
Near Misses	0	3
Incidents	0	1
Accidents	0	4
Loss Time	0	1

Total Hours Worked without Loss Time Accident: 13,553

General Manager's Report October 2014

FINANCE

2013 Form 990 Exempt Organization Return

Staff is anticipating the receipt of a draft copy of 2013 Form 990 Exempt Organization Return from Moss Adams for Board of Director review and discussion during an executive session portion of the October board meeting. Approval will be recommended once the meeting is reconvened back into the open meeting.

NRECA Participant Review

Staff was previously notified by NRECA that OPALCO's 401(k) Pension Plan, Retirement Security (RS) Plan, and Medical Plan, are required to be formally reviewed to ensure that eligible participants are properly enrolled in the OPALCO benefit plans. The process was considered a routine review that will take place every four years for every NRECA participant. Since OPALCO is a cooperative with more than 26 employees, we were required to engage an independent accounting firm to conduct the NRECA Agreed-Upon Procedures. Staff engaged Moss Adams to conduct the required procedures, which took place during the week of September 2nd thru September 5th. Although Moss Adams has informally communicated that the review results were positive, staff is awaiting the official formal report, scheduled to be submitted to NRECA before October 31, 2014.

2014 3rd Quarter Financial Statement and 2015 Budget Process

Staff efforts are in full swing for the preparation and review of the 2014 3rd quarter financial statements and the 2015 budget, which will be presented to the board during the November board meeting.

MEMBER SERVICES and ENERGY SAVINGS

Rebates/EEI Funding Balance

Rebates continue to fund at the expected rate. Between 10/1/13 and 9/30/14, the Energy Savings team issued members 2,388 rebates totaling \$347,739 with an associated kWh savings of 1,341,135. Commercial and Low Income projects are expected to fund in October to fully allocate BPA EEI funds of \$481,580.

The Energy Savings team is working on a local retail partnership for LED lighting sales as well as a free low flow showerhead giveaway to further capture residential lighting and water heating savings potential.

Nonprofit Partnership/Islands Energy

Further progress on drafting the County Energy Plan was made in September. This Plan provides a strategic, collaborative approach to engage the entire community and supports the Georgetown University Energy Prize application, due in October. Overarching goals include reducing energy use through efficiency and conservation, educating community and students, increasing access to local renewable generation and reducing carbon footprint from transportation. The Energy Prize competition phase begins 1/1/2015 and ends 12/31/16.

Outreach also continues for the Solar for Schools project, including curriculum design for K-12 students, community presentations, and planned socials on Orcas, Lopez, and San Juan in October.

Energy Efficiency Educational Grants

The Funhouse Commons on Orcas Island received a \$15,000 grant in January to support their solar education curriculum. The installation of a small PV array, in collaboration with the Bonneville Environmental Foundation, is nearly complete. OPALCO will be issuing a news release about the project this month.

ENGINEERING & OPERATIONS

Work In Progress (WIP)

As of 10/08/2014, there were 325 work orders open totaling \$2,745,001. Operations has completed construction on 85 of those work orders, totaling \$889,249. Henry Island Submarine Crossing construction is underway. Deer Harbor Road overhead fiber construction is underway. We expect to begin the construction of fiber to the Sperry Road area in October.

Accident Investigation

Lopez L&I investigation is ongoing. The case is currently under review of the Assistant Attorney General.

San Juan L&I Investigation is ongoing. We are currently working with the Investigator in his process.

Submarine Cables

Lopez to San Juan: RUS Environmental group is unresponsive. Our area GFR is in transition from position which further complicates our efforts to continue in the loan process and complete environmental efforts. We are awaiting contact from RUS as to who will become our GFR.

San Juan to Henry Island: Construction began on October 6th. We expect this construction to conclude by early November.

Northwest Requirements Utilities (NRU)

BPA is still holding meetings to discuss the Rate Period High Water Marks (RHWM) for FY 2016-2017. BPA has decided to accept recommendations to a change in Bi-Op related assumptions which increases the projected figure by 37.5 aMW, yet there is still an expectation of an overall reduction of 135 aMW as compared to FY 2014-2015. BPA has delayed contact deadlines which depend on the final RHWM determinations and has yet to establish a final date.

Headquarters

Eastsound office expansion/warehouse renovation has been delayed to reduce scope. We expect commencement of construction in mid-November.

INFORMATION SERVICES

700 MHz LTE Test and Pilot Projects

The LTE core and radio equipment is on schedule to arrive shortly. The team is preparing the first pilot sites at Cattle Point/Cape San Juan and Eagle Lake/Doe Bay. Member interest for participating in the pilot is high in these communities.

Island Network Website - Requests for New Service

The Island Network Website continues to receive member requests for new broadband services at a growing pace. The total number of member requests via the Website is 442. The rate of new requests has seen a significant increase particularly in the Cattle Point, Mineral Heights and Eagle Lake areas. This increase correlates directly with contractor Gerry Lawlor's recent community meetings.

Island Network New Services

There are 54 members with a total of 95 connections. There are 21 members in the construction process. In addition, 29 members are in various stages of the application process.

PERSONNEL

The OPALCO website includes postings of all open employment positions.

Bob Belcher is expected to return to work in mid-November.

MEETING NOTES

WRECA Meeting Held October 7 --by Chris Thomerson

WRECA participating in several legislative committees and work groups on Carbon Reduction strategies. Jake Fey workgroup is recommending a version of Jeff Morris' proposal to the Governor, who favors a cap and trade no matter the recommendation.

Much solar discussion, WRECA is not anti-choice for customers. Benton REA has a member solar education bringing reality to the economics, since they were being blamed when vendor claims of economic benefit proved fictional.

May 3-6, 2015 NRECA legislative rally in DC.

Benton REA is eliminating nominating committees as it moves to mail-in ballots. Elmhurst RE has a resurgence of significant copper theft creating dangerous situations and significant equipment damage.

Connect with the World -The benefits of publicly owned broadband infrastructure- Meeting Held October 9, hosted by the City of Mount Vernon--Tom Schramm

Mt. Vernon, a city of 32,000 in a rural area with a primarily agricultural economic base, is building out a publicly-owned fiber optic network. Their focus is on economic development and education (which they pointed out also directly influences economic development). Similar efforts in other municipalities were mentioned, including Longmont CO, Sandy OR, and Chattanooga TN. Some are pure municipal efforts, others public/private partnerships, and they are funded through a variety of taxes, debt, and creative management of budgets.

The key message of the conference:

Communities, especially smaller ones, must create and own their own fiber optic infrastructure, not rely on telecommunications companies. This fact is being increasingly recognized worldwide, from rural co-operatives such as CO-MO in Missouri, to Mount Vernon, to the City of London, England.

Renowned technology expert Mark Anderson pointed out that the entire incentive structure of TELCOs is diametrically opposed to what communities need – TELCO management is compensated on their ability to minimize expense and return value to shareholders, while what communities need is a large investment in new, fiber-optic infrastructure right now. This critically important investment will never happen unless these communities take charge for themselves.

Anderson, who lives on San Juan Island, described the CenturyLink cable failure of November 2013 as a horrific example of how TELCOs fail to serve us. He also recognized OPALCO as a community-based co-op that is working hard and creatively to help the community take charge of its own destiny.

INFORMATION ITEMS

NEW SERVICES
September 2014

	Orcas	San Juan	Lopez	Center/ Decatur	Blakely/Obstruction/ Crane/Shaw	Total
Residential	3	4		2		9
Commercial						0
Line Retention						0
Other - OPALCO						0
Total*	3	4	0	2	0	9
2014 YTD	28	47	15	2	5	97
2013 YTD	20	32	13		1	66
2012 YTD	16	35	12	2	2	67
2011 YTD	19	34	9		4	66
2010 YTD	38	46	17		3	104

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

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

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

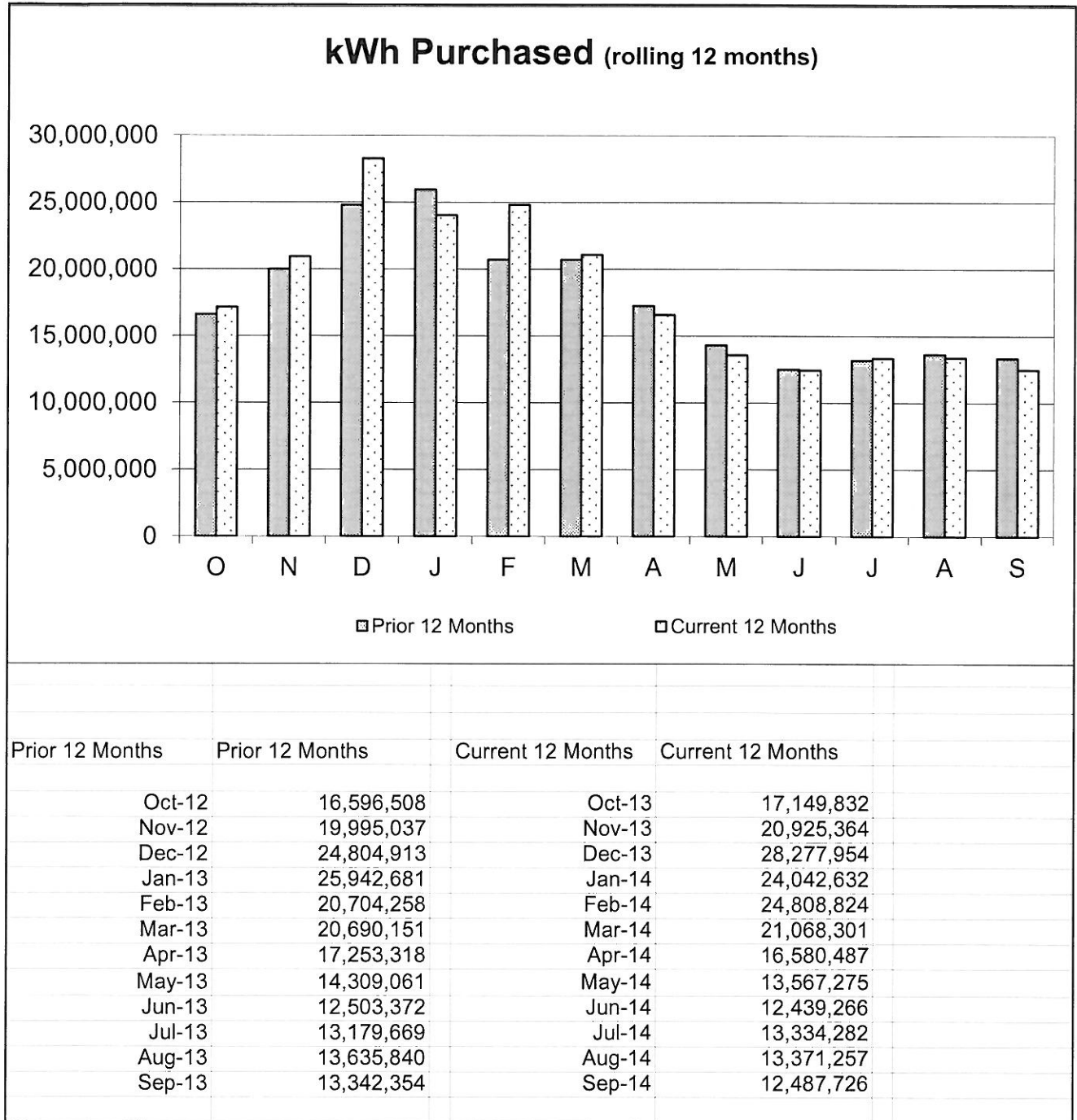
2013 YTD							
All Green			MORE Blocks			Total	
#	kWh	Revenue	#	#	Block Revenue		
Members	kWh	Revenue	Members	Blocks	Revenue	Revenue	Revenue
		\$	0.04			\$	4
43	54,479	2,179	433	921	3,684		5,863
43	50,927	2,037	432	918	3,672		5,709
42	42,787	1,711	429	915	3,660		5,371
42	31,063	1,243	427	904	3,616	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

2014 YTD							
All Green			MORE Blocks			Total	
#	kWh	Revenue	#	#	Block Revenue		
Members	kWh	Revenue	Members	Blocks	Revenue	Revenue	Revenue
		\$	0.04			\$	4
44	41,878	1,675	411	871	3,484		5,159
44	47,227	1,889	410	870	3,480		5,369
44	35,590	1,424	408	866	3,464		4,888
44	30,702	1,228	408	865	3,460		4,688
44	26,412	1,056	408	858	3,432		4,488
45	17,020	681	418	870	3,480		4,161
44	19,421	777	416	865	3,460		4,237
44	16,540	662	415	864	3,456		4,118
44	16,477	659	414	860	3,440		4,099
-	-	-	-	-	-		-
-	-	-	-	-	-		-
-	-	-	-	-	-		-
44	251,267	\$ 10,051	412	7,789	\$ 31,156	\$	41,207

Notes: 2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.
Average kWh per month usage for All Green members is 750 kWh (below average for residential)
Beginning June 2011, report reflects combined data for the former Green Power program and MORE.
Beginning September 2012, half of the members were transitioned to a mid-month billing cycle; these members were billed for 15 days of consumption, a prorated basic charge, and prorated MORE blocks on 9/14/12.

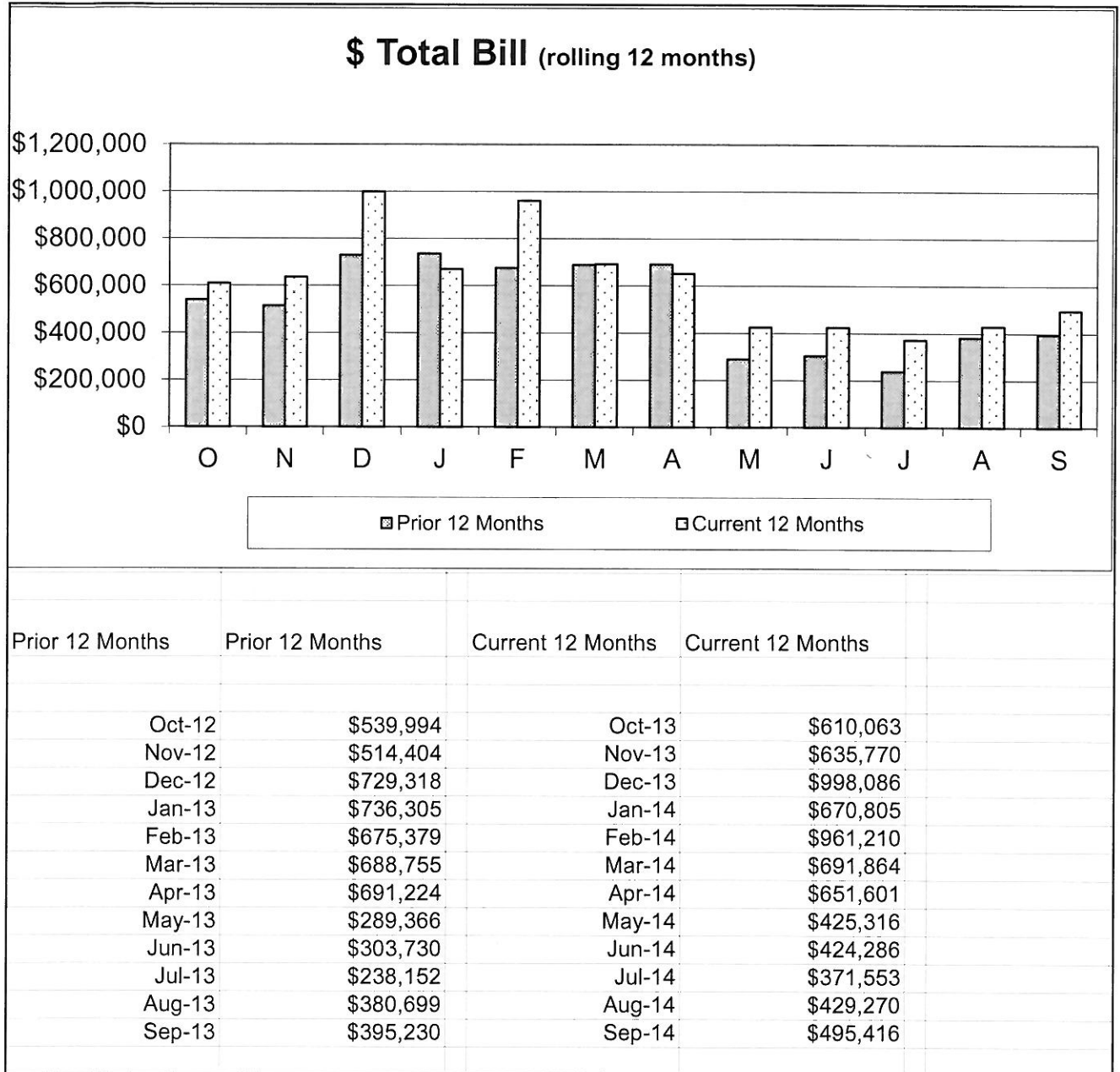
BPA Consumption Summary

Through
September 2014



BPA Consumption Summary

Through
September 2014





**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

September 26, 2014

Mr. J. Foster Hildreth
General Manager
Orcas Power and Light Cooperative
183 Mt. Baker Road
Eastsound, WA 98245-9413

Dear Foster,

I am delighted to provide you with your system's 2014 patronage capital allocation of \$13,386.45 and retirement of \$6,693.23*.

The retirement amount represents your system's share of CFC's total fiscal year 2014 patronage capital distribution. Included with this packet is a summary report of how your patronage capital amount was calculated.

If you have any questions concerning your system's patronage capital allocation or retirement please contact your regional vice president or your associate vice president.

CFC's patronage capital retirements help lower your cost of borrowing and remind us all about the value of the cooperative business model. I'm proud to say that, including this year's retirement, we have returned \$1.5 billion to our member-owners since 1980.

Your continued patronage is what keeps CFC strong and vibrant. As the only lender created and owned by America's electric cooperative network, our focus on electric cooperatives permeates everything we do. We value your loyalty in choosing CFC to meet your financing needs.

Sincerely,

Sheldon C. Petersen
CEO

**If you are receiving your funds in the form of a check, then you will find the check enclosed in this packet. If you chose to have your funds arrive via a wire transfer, then the retirement amount listed above is being wired to your bank. Those members who invested their funds will receive not only their patronage capital retirement amount but also the interest accrued when the investment matures.*

Patronage Capital Account Information

Co-op ID	WA009	Co-op Name	Orcas Power and Light Cooperative			
Year	Certificate Number	Original Allocation	Retirement Factor	Retirements		Unretired
				Current Amount	Prior Amount	
1994	16252	22,473.12		0.00	11,236.59	11,236.53
1995	17757	39,999.12		0.00	27,999.42	11,999.70
1996	18638	40,932.27		0.00	28,652.61	12,279.66
1997	19624	43,282.32		0.00	30,297.62	12,984.70
1998	20817	42,149.46		0.00	29,504.62	12,644.84
1999	22822	42,183.59		0.00	29,528.51	12,655.08
2000	23820	44,676.02		0.00	31,273.21	13,402.81
2001	24814	66,322.63		0.00	46,425.84	19,896.79
2002	25794	60,175.53		0.00	42,122.87	18,052.66
2003	26790	28,777.06		0.00	20,143.94	8,633.12
2004	27788	28,656.78		0.00	20,059.75	8,597.03
2005	28787	32,467.92		0.00	22,727.54	9,740.38
2006	29789	43,616.62		0.00	30,531.63	13,084.99
2007	30790	41,312.64		0.00	28,918.85	12,393.79
2008	31785	28,398.36		0.00	19,878.85	8,519.51
2009	32791	9,263.00		0.00	4,631.50	4,631.50
2010	33783	13,522.05		0.00	6,761.03	6,761.02
2011	34775	17,476.36		0.00	8,738.18	8,738.18
2012	35780	13,619.58		0.00	6,809.79	6,809.79
2013	36803	15,013.33		0.00	7,506.67	7,506.66
2014	37804	13,386.45	50.0000%	6,693.23	0.00	6,693.22
		687,704.21		6,693.23	453,749.02	227,261.96

Your authorized Integrity Fund Contribution	0.00
Check Amount	6,693.23
Total	6,693.23

7 October 2014

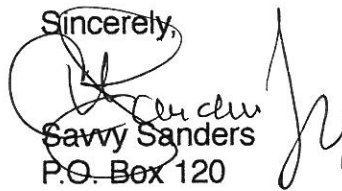
From: Savvy Sanders

To: OPALCO Board of Directors

Subj: Member Satisfaction Survey Results 3 May - 20 June 2014

1. The results of the recent survey were included with my October statement. Your stated results indicate that 91% of the OPALCO membership are satisfied or very satisfied with OPALCO.
2. The survey was completed by only 20% of the membership (2,172). The 91% of the 2,172 who took the survey equates to 1,977 which is only 18% of the total OPALCO membership. Consequently, only 18% of the OPALCO membership are satisfied or very satisfied with OPALCO. 80% of the OPALCO membership have not expressed an opinion.
3. It appears that the figures are being manipulated to present a favorable position. This supports the old adage that "liars figure and figures lie". I suggest you publish a correction to your survey results as the current results are incorrect.

Sincerely,



Savvy Sanders
P.O. Box 120
Orcas, WA 98280
376-4334