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.

EEI 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 (RHWM). 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