

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

Thursday, December 17, 2015

Vice-President Bob Myhr chaired the meeting due to President Lett's absence in the room due to illness. Myhr called the meeting to order at 8:30 a.m. at the Eastsound OPALCO office. Board Members present were Winnie Adams, Randy Cornelius, Vince Dauciunas and Jerry Whitfield. President Jim Lett and Mark Madsen attended via telephone. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Assistant Manager of Member Services Jon Blomgren and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Executive Vice President Gerry Lawlor, Accountant Chad Bailey and Vice President of Marketing and Communications Dan Burke. Also present was consultant Jay Kimball.

Bob Myhr thanked the OPALCO crew, staff and everyone involved in the recent outage on Shaw Island. This is Myhr's last meeting as a director; his resignation becomes effective December 31, 2015 when he moves out of the area. He stated that it has been an honor and a privilege to represent the members for the past nearly thirty years. He noted that he is looking forward to the future but leaves with *saudade* – a Brazilian word meaning melancholy, sadness.

Nourdine Jensen Youth Scholarship

The 2015 recipients, Ray Doss, (Orcas Island High School), Seda Guckian (Spring Street International School), Michaëlla Ibambasi (Spring Street International School), Anthony Kaskurs (Orcas Island High School) and Robby Miller (Spring Street International School) reported their experiences at the Idaho Consumer-Owned Utilities (ICUA) Youth Rally and thanked the Board for their sponsorship. Each of the five recipients received an OPALCO \$500 scholarship and an additional awards from the Youth Rally.

Member/Guests

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

Lopez: Lauren Stephens, Dwight Lewis, Steve Ludwig

Orcas: John Fleischer, Tony Ghazel

Comments from members included concern over OPALCO's long-term debt, Rock Island Communications expenditures and the recent survey.

Integrated Resource Plan (IRP)

Hildreth presented an overview of the IRP to date. Now that the IRP has been developed and reviewed, there will be a member feedback period until July 2016. The final plan will be included in the Long-Range Plan that will begin development after July 2016.

Other than BPA, which will continue to be an essential piece of our future as our connection to the mainland, energy efficiency will be the main resource (see Northwest Power Council's Seventh Northwest Power Plan), followed by cost-effective renewable resources. OPALCO's contract with BPA ends in 2028; there is no guaranty OPALCO will be a preferred customer of BPA as we are now and we may have to obtain resources outside of BPA -- and outside the county -- to serve our members. Integrating any renewable resource obtained will require a healthy grid system.

After a lengthy discussion, it was noted that the IRP prepared by EES Consulting is an excellent document that sets the tone for the future.

PNGC Power

One component of the IRP is joining another group(s) on the mainland to manage OPALCO's resources. BPA may not include that piece after 2028. The power industry is changing dramatically, increasing the need for outside resources. Other than PNGC Power, there are only two other groups who provide these resources: NRU and NEMS.

Another option would be to buy resources on the open market; however, OPALCO would be a “small fish in a large pond.” It would take time and expertise to purchase power on the open market. The risks involve negotiating a contract with BPA in 2028 that will give us 100% of the power we need, how much Tier 2 power to secure, and affordability. Can these risks be mitigated by joining PNGC? The 2028 negotiations with BPA are unknown. PNGC is like a mini-BPA—they’ve been in existence a long time and are experienced. PNGC is a risk management option for OPALCO.

PNGC proposed membership in a confidential letter November 3 to OPALCO.

The Board adjourned to Executive Session at 10:30 am. Regular session resumed at 11:30 a.m.

Discussion resumed regarding membership in PNGC Power. Hildreth noted that membership was included in the 2016 budget that was approved at the November meeting.

- **Motion** made by Lett to join PNGC Power as outlined in the confidential letter sent November 3, 2015.
- **Friendly amendment** by Daucinas: In addition, when staff meets with PNGC to formalize the membership, assure that OPALCO is allowed an opt-out clause for capital projects. Lett approved the amendment. Motion was seconded (Cornelius) and carried by voice vote. Myhr noted that he is opposed.

Policy 29 Rate Design

Revisions were presented in November to allow the Board to implement rate increases when necessary and in a manner appropriate to meet revenue requirements. Additionally, permanent revenue decoupling (cost/credit true-up) was discussed. This would allow OPALCO to collect (or return) the exact amount of revenue required to cover expenses and reduce the inherent volatility associated with weather, power cost fluctuations and other variables beyond our control. OPALCO instituted a temporary “true-up” mechanism to collect revenue to meet OPALCO’s 2015 financial obligations. Consensus of the Board was to reconsider making the decoupling true-up permanent if the mechanism is invoked in 2016, or if not invoked in 2016, reconsider making the true-up mechanism permanent during the 2017 budgetary process. The temporary true-up language included in Policy 29 Rate Design is to be brought back to the Board for final consideration at the January 2016 meeting.

Alternative Rate Structures

Alternative rate structures were presented as requested at the prior November Board meeting, including:

- 1 Institute a new demand charge component to all residential bills;
- 2 Increase Winter Block 1 to a maximum threshold of 3500kWh (currently 3000 kWh)
- 3 Increase Winter Block 1 maximum threshold to 4000 kWh (currently 3000 kWh)
- 4 Collapse all energy charges into one block

A chart was included to show the impact of these alternatives on revenue on a month-by-month basis. Discussion included comparison of btus of other fuels and that 3000 kWh was too low a threshold for heat pump users during cold weather. The consensus of the Board was to leave the winter kWh threshold block at 3000.

Tariff Revisions

Effective with the January 2016 billing:

- All rate classes and billing components will have a 5% rate increase;
- A new line item “Energy Assistance Charge” is added to all rate classes that have kWh charges;
- The “demand” billing component is introduced to the residential rate class as recommended in the 2015 budget report; however no charge is implemented at this time.

- **Motion** made by Whitfield and seconded (Lett) to approve the revisions to all tariffs as presented. Motion carried by voice vote with Cornelius opposing.

November 17 Meeting Minutes

The minutes presented were amended: "Capital projects: ~~were discussed, including the possibility of eliminating \$1M from the undergrounding cable portion of the proposed budget was discussed.~~"

- **Motion** made by Adams to accept the November 17, 2015 minutes as amended. Motion was seconded (Dauciunas) and carried by voice vote.

New Members

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

DISTRICT 1

San Juan

Bailey, Chad & Dee
Boyko, Edward
Clark, Maurine
Edwards, Joan
Fite, Tate
Hambleden, Lesley J & Ruud, Olav
Harpham, Kari
Hasty, Chase
Havel, Chris
Jewett, Carolyn
Jordan, Forest
Marschner, Thomas
Schubert, Wilson & Lydia
Taylor, Mike
Vowell, Kimberly
Walters, L. Ashley
York, Susan
Zemalkowski, Gregory & Watson,
Christinea
Zimmerman, Steve

DISTRICT 2

Orcas

81 Hope Lane LLC
Berends, Johannes G.
Bowman, Annette
Bradshaw, Burke
Chapman, Doug & King, Karol

Cohn, H Philip & Cara
De Marval, Valerie
Dekker, David & Mary L
Field, James & Jennifer
Gray, Jane & Woods, Emmet
Heyn, April & Eric
Jones, Yian
Knight, Bonnie
Meador, Robert & Bellwood, Willo
Menta, Denyse
Orcas Machine Quilting
Petro, Kelly
Petty, Cory & Shannon
Sabino, Nan & Christensen, Sara
Webber, Randall
Wyckoff, William & Brashier, Joseph

DISTRICT 3

Decatur

Wade, John & Christina

Lopez

Constable, Scott
Cook, Johnathan
Donnelly, Nathan & Alina
McElroy, Sandi
Orrell, Pat & Jim
Stephenson, Wendy
Vickers, Linda

Capital Credits

- **Motion** made by Lett to approve payment of \$3,728.68 in capital credits to the estates of deceased members listed below. Motion was seconded (Adams) and carried by voice vote.

Sally W. Bryan.....	\$2,167.00
Faith Deeds.....	\$1,046.27
Virginia H. Smith.....	\$515.41

RUS 219s

- **Motion** made by Lett to approve submission of RUS 219s representing projects completed in October 2015 from the Construction Work Plan in the amount of \$237,361.04. Motion was seconded (Whitfield) and carried by voice vote.

NRECA Voting Delegate

The 2016 annual meeting will be held in New Orleans, LA February 15-17, 2016. No one plans to attend at this time.

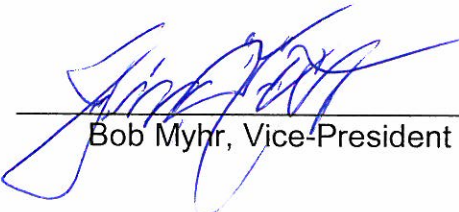
- **Motion** made by Lett and seconded (Dauciunas) appointing Hildreth the voting delegate for the 2016 NRECA Annual Meeting. Motion carried by voice vote.

Reports

- **Safety:** The Safety Committee approved the Safety Manual to be in effect January 1, 2016. The Safety Committee is also working on the Safety Improvement Plan and expects completion by year-end.
- **General Manager:** The Board was reminded to form Nominating Committees by January 2, 2016 for Districts 3 and 4. Board appointment will be ratified via email vote.
The Board determined that Myhr's position will be filled during the normal election process and no Board appointment would be made.
Processing of the RUS loan is nearing completion. Funds should be available by year-end.
December 6 the Lopez transmission line relay detected a three-phase fault on Shaw Island. A 120-foot tree fell on to the overhead transmission line on Parkway Road, Shaw Island. Seven transmission poles from the County Park to the Shaw South Submarine Cable Terminal broke as a result. The outage lasted about 30 hours. Pole replacement, right-of-way clearing, redundancy and undergrounding were discussed.
The RUS hardship loan has been refinanced with CFC at 4.21% interest.
Hildreth also reported that the PAL Committee is not interested in administering the Energy Assistance Program (financed through a line-item on members' bills).
- **Rock Island Communications (RIC):** Lawlor reported that projects continue throughout the county in the areas of Spring Point, Mineral Point, Cape San Juan, Whiskey Hill and Suncrest.
More LTE sites are active. They will interact with each other and are equipped with fixed wireless and T-Mobile equipment. RIC will inform members about T-Mobile in April 2016 when the LTE sites are completed.
Hildreth noted that Island Network policies will be presented at the February 2016 board meeting.

Adjournment

The meeting adjourned at 1:30 p.m.



Bob Myhr, Vice-President

Jerry Whitfield, Secretary-Treasurer