

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, November 21, 2013

President Chris Thomerson called the meeting to order at 8:40 a.m. at the Friday Harbor OPALCO office. Directors Winnie Adams, Vince Dauciunas, Glenna Hall, Jim Lett and Bob Myhr were present. Also present were General Manager Randy Cornelius, Assistant General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Assistant Manager of Finance and Member Services Nancy Loomis and Executive Assistant Bev Madan, serving as recording secretary.

Member/Guests

Gayle Rollins (San Juan); Victoria Compton (San Juan); L. Dwight Lewis Jr. (Lopez); Mike Greene (San Juan); Mark Henderson (San Juan); Richard Ceville (San Juan); Morgan Meadows (Orcas); Steve Ludwig (Lopez); Jim Hooper (San Juan); Jack W. Cory (San Juan); Wally Gudgell (Orcas); Gray Cope (San Juan); Don Jarrell (San Juan); Stephen Brandli (San Juan); Brad Williamson (San Juan); Marc Forlenza (San Juan); Ellen Roberts (San Juan); Judy Lingerfelt (San Juan); Milene Henley (San Juan); Mark Madsen (San Juan); Sharon Kivisto (San Juan); Lovel Pratt (San Juan); and Steve Wehrly (San Juan).

Due to CenturyLink's fiber optic cable failure that occurred from November 5th through 10th, there was increased member attendance at the Board meeting. The majority of members present expressed their desire for OPALCO to play an expanded role in providing broadband services in San Juan County. Organizations (EDC, County Council, and Realtors Association) were represented as well, thanking OPALCO for their assistance in restoring communications services during the CenturyLink outage and urging the OPALCO Board to "deploy its broadband services throughout the county" and "find ways to work with other providers to provide reliable and up-to-date service to all our residents".

Milene Henley presented a letter signed by each member of the San Juan County Council urging OPALCO to "take a fresh look at deploying your broadband services throughout the County...and find ways to work with other providers to provide reliable and up-to-date service to all our residents."

Only two members, Ludwig and Lewis, expressed their opposition.

The Board discussed the topic at length, which led to the following motion:

Motion made by Hall, seconded by Lett: "Our Island communities are suffering economic damage and safety issues caused directly by inadequate phone and internet infrastructure. Therefore, OPALCO shall accelerate expansion of our local member-owned robust, reliable high-speed data infrastructure to provide internet, phone, and emergency communications services to our members. Deployment will be supported and funded by OPALCO assets, including equity and rates." After a lengthy and thorough discussion, the motion carried unanimously.

Consent Agenda

Motion made by Myhr, seconded by Hall: Accept the Consent Agenda, which includes the October minutes and new members as listed. Motion carried.

Decatur

Razwick, Jeff & Nicholle

Lopez

Bautista, David & Hernandez,
Alejandro
FJM LLC

Fox, Rosa B

Garcia, Jean & Hanenburg, Cheryl
Greer, Marilyn A

Lombard, James

O'Bryant, Nicole

Phillips, Theodore J

Santiago, Celine & Vincent

Taylor, John H & Karen F

Wooldridge, James

Zunser, Bruce

Orcas

342 Deer Harbor Road Trust
Ahrens, John

Aslett, Jennifer	Ellis-Smith, Stephanie & Smith,	Hall, Fred D
Barrientos, Marcela & Andrews,	Douglas	Harrell, Norris Foster
Edward	Landsman, Barton	Hill, Bonney
Bartmasser, Brett	Marl, Brett	Holtman, Frances
Bechiel, Michelle		Jackson, Ray
Buck, Mariah	San Juan	Kliamovich, Howard R & Bergner,
Café Olga	Boysza, Paul	Hannah Martha
Conlan, Edward & Vivien L	Brown, Todd & Mac Clean, James	Love, Stanley G
Davis, Obye	Bush, Christine Marion	Ludwig, Theresa
Duffield, James E & Linda J	Clise, Robert & Susan	M & M Rentals, LLC
Frizzell, Janine & Chandler, Chad	Cook, Nadine Marie	McDowell, Kathy & John
Hookstratten, Jon & Marion	Cortin, Nicholas	McGarry, Janelle
Johnson, Daryl	Cristanto, Catherine	Montana, Laurie
Lucey, Kevin Crossen, Colleen	Davis, Joseph S.	Nelson, Henry & Margaret
Lyons Properties LLC	Dean, Priscilla	Padilla, Dennie
McTavish, Doug	Dodge, George R	Property 1st
Michnich, Marie Luce, Bryan	Dunbar, Cynthia & White, Randy	Radden, Khaili Jolene
Moore, Emelia	Evantage Direct Corp	Reyner, Leonard
Pearson, Brian	FedEx Ground Package System Inc	Riley, Dean & King, Brynlee
Plemmons, Troy & Curran,	Feinson, Diana	Smith, Stacey Lee
Melanie	Friday Harbor Athletic Association	Sound Maintenance
Pollock, Bill	Frymire, Daniel & Graham, Erin C	Spaulding, Laurie
Rook, Jayme N & Glenn	Fuller, Daniel	Thomas, Steven
Smith, Cody	Garcia, Miguel A	Walker, Bret A
Spitalli, Jodi & Marty, Daniel	Gillogley, Nolan H	Woffinden, Dallas & Marie
Tarkington, Amanda	Godby, Jennifer	Yacht Haven Water
Wiley, David & Henriksen,	Gray, Janet	Cooperative
Nicholas	Greenway, John	

Capital Credits

- **Payment to Estates of Deceased Members**

Motion made by Myhr, seconded by Dauciunas: Approve \$4,569.74 in payment of capital credits to the estates of deceased members listed below; the motion carried.

Thomas E. Branch.....	\$644.96
Nova B. Brown.....	\$1,586.64
Ernest R. Pugh	\$1,241.20
Helen C. Rogers	\$1,096.94

- **Uncollectable Accounts**

Motion made by Adams, seconded by Myhr: “Approve the use of member allocated capital credits to reduce and/or offset individual member delinquent uncollectable account (UA) balances in the amount of \$42,206 (\$6,487 capital credits applied to UA balance and \$35,719 discounted capital credits transferred to OPALCO equity account).” Motion carried.

- **General Retirement**

Motion made by Myhr, seconded by Adams: “Approve payment and retirement of capital credits representing the year 1988 in the amount of \$893,487”. Motion carried.

RUS 219

Motion made by Lett, seconded by Adams: “Approve submittal of RUS Form 219 representing projects completed through September 2013 in the amount of \$25,840.81.” Motion carried.

Policy 7 Employee Expense Reimbursements

This was a “first-read” of changes to Policy 7, made necessary by revised language in the new collective bargaining unit contract effective January 1, 2014. The policy will be presented at the December Board meeting for approval.

Policy 16 Directors’ Stipend, Reimbursements and Benefits

This was a “first-read” of changes to Policy 16. Meal reimbursements must either be per diem or by receipts. The policy will be presented at the December Board meeting for approval.

Ratification of Email Vote

In response to the CenturyLink cable failure, Hildreth sent an email on November 7 to the Board of Directors requesting the Board to authorize staff to expend an unbudgeted amount not to exceed \$10,000 in order to deliver temporary internet solutions to our membership.
Board members responded with five “yea” votes (note, Hall was unable to access email during this time).

Motion made by Myhr, seconded by Daucinas: “Ratify the email vote of November 7”. The motion carried.

CenturyLink Cable Break

Hildreth reported that CenturyLink requested OPALCO’s assistance when their submarine cable failed between Lopez and San Juan Island early on November 5. The first priority was to get the 9-1-1 system back up and was accomplished within 2 days through a bypass created by splicing CenturyLink’s central office connection into OPALCO’s fiber and microwave repeaters. By November 15, the repair was complete and CenturyLink was rerouted away from our system.

Motion made by Daucinas, seconded by Hall: “To recognize the hard work, efforts and contributions of OPALCO staff, the Board officially thanks and commends staff and management of OPALCO for their herculean efforts in stepping up to the plate cheerfully and energetically during the CenturyLink outage.” The motion carried.

Mission Statement Revision

The Board will hold a retreat in February 2014 to discuss revisions to the Mission Statement.

Third Quarter Financials

Hildreth presented the 3rd quarter financial report.

2014 Budget

Hildreth presented the 2014 budget:

Revenues	
Operating	23,472,326
Island Network	397,106
Other Non-Operating	<u>126,633</u>
Total Revenues	\$23,996,065
Expenses	
Operating	7,920,131
Cost of purchased power	2,889,271
Depreciation	
Distribution expense	1,896,364
Maintenance	160,442
Permitting/Environmental	284,128
Communication Design	2,801,681
Operations	77,111
Transmission	3,676,924
Administrative and general	948,050
Taxes	<u>899,085</u>
Other	21,553,187
Total Operating Expenses	
Fixed Charges – Interest	915,599
Island Network Expense	392,354
Other Non-Operating Expenses	<u>12,926</u>

Total Expenses	22,874,067
Net Margins	<u>\$1,121,998</u>
Capital Projects	
Distribution	
Conversions and line changes	1,661,750
Underground Distribution Cable Replacement	1,775,000
Fiber/Microwave Infrastructure	1,775,000
Other	1,823,000
Transmission	240,000
Other	1,459,000
Contribution in Aid of Construction	<u>(721,868)</u>
Capital Projects Total	<u>\$7,790,882</u>
Total Expenses	22,874,067
Total Capital Project Expenses	<u>7,790,882</u>
TOTAL 2014 BUDGET	<u>\$30,664,949</u>

Across-the-board rate increases are included at 6% retail (basic, energy and demand charges) for 2014 to maintain our TIER and plan for future capital expenditures. The increases will take effect with the March 2014 billing period.

Motion by Myhr, seconded by Lett: "Approve the 2014 Budget as presented."
Motion carried.

After further discussion,
Motion made by Adams, seconded by Daucinas: "Rescind the Island Network new connections moratorium and allow staff to commence prudent connections at their discretion." Motion carried.

Manager's Report

Cornelius reported that the Department of Energy is now running BPA due to recent problems with hiring practices within BPA.

Another issue of concern is the proposed segmentation of the BPA transmission system. If larger utilities are successful with their proposals, OPALCO's rate increase could be as high as 619% in one year. Hearings will begin in January 2014.

Adjournment

The meeting adjourned at 1:40 p.m.


Chris Thomerson, President


Jim Lett, Secretary-Treasurer