

MEMORANDUM

Date: May 19, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2016 1st Quarter Financial Report

Please see attached the full 2016 1st Quarter Financial Report. Included in the report package are the Statement of Operations (along with a Notable Drivers analysis), Statement of Financial Position, Statement of Cash Flows (GAAP), Capital Projects Budget, and the Q1 Rock Island Communications financial report.

In summary, the total revenue was 2.2% higher than budgeted in Q1 (\$163k), although this was more than offset by the related increase in purchased power (\$262k), which was driven by large demand charges coupled with higher BPA power rates during Q1. All combined resulted in a decreased margin of (\$251k). We will continue to monitor revenue and expenses closely.

For more detail, please note the following key points:

- Q1 Heating Degree Days (HDD) are down ~31% below normal, although both kilowatt hour purchases and sales are above budgeted amounts. We expect weather and heating fluctuations to produce dramatic sales revenue volatility, and have budgeted based on those assumptions.
- Q1 power purchases were up (\$262k) due to higher kWh consumption and the fact that we incurred additional demand charges this quarter.
- Q1 expenses were approximately \$427k over budgeted amounts, primarily due to the increase in purchased power. In addition, there were added expenditures to accelerate of brush clearing and Right-of-Way work earlier than usual this year and unplanned system maintenance due to storm damage. There are very few discretionary expenses to cut at this time because most of our expenses are directly related to our service levels and, as previously agreed, we will not reduce safety or the reliability in our system.
- Interest expense is lower by \$27,855 in Q1 due to favorable refinancing of RUS loans.
- Member uptake on energy efficiency rebates was lower than projected in Q1 and interest in Snapshot Assessments are slowing as member adoption nears saturation. Accounts show expense over budget due to a delay in the timing of BPA reimbursement (pending in Q2).
- Rock Island Communications paid \$17,647 to OPALCO for use of the communications backbone in Q1. This was partially offset by \$8,730 in expense paid to Rock Island Communications for Internet services.
- Rock Island Communications Q1 Financials included in separate packet.



2016 Q1 Financials

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Budget Year End 12/31/2016	F. Budget Period End 3/31/2016	G. Actual Period End 3/31/2016	H. Budget Variance (G - F)	I. Actual Period End 3/31/2015
1 OPERATING REVENUES									
2 Residential	\$ 14,861,010	\$ 15,598,797	\$ 15,913,325	\$ 17,694,706	\$ 17,744,698	\$ 5,401,768	\$ 5,493,593	91,825	\$ 4,972,730
3 Commercial	5,260,451	5,467,588	5,694,901	6,356,143	6,701,511	1,828,676	1,788,691	(39,985)	1,652,605
4 Other	296,764	364,892	420,798	531,069	386,946	127,449	238,445	110,996	146,548
5 Total operating revenue	20,418,225	21,431,278	22,029,025	24,581,918	24,833,155	7,357,893	7,520,729	162,837	6,771,883
6									
7 OPERATING EXPENSES									
8 Cost of power	7,240,696	7,514,128	8,037,428	7,787,142	7,624,980	2,195,995	2,458,298	262,303	2,273,893
9 Transmission	126,986	70,117	92,874	179,264	53,560	11,037	16,671	5,634	10,413
10 Distribution - operations	2,805,586	2,968,003	2,961,250	3,391,150	3,420,263	902,646	923,756	21,111	910,439
11 Distribution - maintenance	1,518,742	1,669,524	1,778,516	1,713,924	1,702,147	533,938	644,004	110,066	358,682
12 Consumer accounts	809,149	853,211	898,198	893,766	930,975	243,608	251,222	7,614	250,195
13									
14 General and administration									
15 Administration	2,799,833	2,718,889	2,822,439	2,950,777	3,058,886	789,453	775,972	(13,481)	841,031
16 Energy services	276,269	462,966	373,323	658,939	410,376	(70,046)	(53,594)	16,452	236,808
17 Subsidiary charges (RIC network mgt services)	-	-	-	29,100	-	-	8,730	8,730	-
18 Total general and administration	3,076,102	3,181,855	3,195,763	3,638,816	3,469,262	719,407	731,108	11,701	1,077,839
19									
20 Depreciation and amortization	2,652,194	2,719,560	2,975,650	3,308,154	3,673,019	905,375	870,527	(34,848)	815,443
21 Taxes	832,220	930,482	961,815	1,046,626	1,028,086	280,491	324,637	44,146	285,807
22									
23 Total operating expenses	19,061,677	19,906,881	20,901,493	21,958,841	21,902,293	5,792,495	6,220,223	427,728	5,982,712
24									
25 Operating margins before fixed charges	1,356,548	1,524,397	1,127,532	2,623,077	2,930,862	1,565,398	1,300,507	(264,891)	789,171
26									
27 FIXED CHARGES									
28 Interest on long-term debt	759,686	786,193	908,934	1,047,248	1,360,588	325,413	297,558	(27,855)	236,041
29 Other Interest	-	-	-	-	-	-	-	-	-
30									
31 Total fixed charges	759,686	786,193	908,934	1,047,248	1,360,588	325,413	297,558	(27,855)	236,041
32									
33 Operating margins after fixed charges	596,861	738,204	218,598	1,575,829	1,570,274	1,239,984	1,002,948	(237,036)	553,130
34									
35 PATRONAGE CAPITAL CREDITS	40,416	38,048	67,853	83,608	56,051	26,815	-	(26,815)	39,998
36									
37 Net operating margins	637,277	776,252	286,451	1,659,437	1,626,325	1,266,799	1,002,948	(263,851)	593,128
38									
39 NON-OPERATING MARGINS									
40 Interest income	32,228	33,261	32,130	127,804	28,907	7,394	6,852	(542)	7,158
41 Other income	21,995	46,893	23,458	71,081	20,381	8,782	4,213	(4,569)	6,085
42 Total Opalco non-operating margins	54,222	80,154	55,588	198,886	49,288	16,176	11,065	(5,111)	13,243
43									
44 Fiber Optics Division (Island Network Department)									
45 IN Income	348,119	388,117	519,819	-	-	-	-	-	-
46 IN Expenses	225,095	273,006	739,907	-	-	-	-	-	-
47 Total Fiber Optics Division	123,024	115,111	(220,088)	-	-	-	-	-	-
48									
49 Non-operating margins from Subsidiary									
50 Interest Income (RIC loan)	-	-	-	-	303,383	75,846	76,395	549	-
51 Other income (use of OPALCO backbone)	-	-	-	-	-	-	17,647	17,647	-
52 Total non-operating margins from Subsidiary	-	-	-	-	303,383	75,846	94,042	18,196	-
53									
54 Net non-operating margins	177,246	195,265	(164,500)	198,886	352,670	92,022	105,107	13,086	13,243
55									
56 NET MARGINS	\$ 814,524	\$ 971,518	\$ 121,951	\$ 1,858,322	\$ 1,978,995	\$ 1,358,821	\$ 1,108,056	(250,765)	\$ 606,371
57									
58 TIER	2.07	2.24	1.13	2.51	2.20	4.42	4.35		3.57
59 Equity % of Total Cap	72.1%	69.5%	61.3%	53.3%	45.5%	52.7%	52.3%		58.9%

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.
		Budget	Actual	Budget	
		Period End	Period End	Variance	
		3/31/2016	3/31/2016	(B - A)	Comments: Budget To Actual (Column C.)
1	I TOTAL OPERATING REVENUES	7,357,893	7,520,729	162,836	Increase in income - 2.2% variance within normal expectations
2					
3	II OPERATING EXPENSES	5,792,495	6,220,223	427,728	Overall increase in operating expenses
4					
5	Cost of Power - Line 8	2,195,995	2,458,298	262,303	Increase in expense - Higher than budgeted demand cost along with increase cost of kWh in Q1
6					
7	Transmission - Line 9 Detail Breakout:	11,037	16,671	5,634	Increase in expense
8	Misc. Transmission Expense			3,557	Increase in Western Electricity Coordinating Council (WECC) load assessment charges
9	Maint-OH Lines/Transmission			2,261	Replaced aging splicing equipment
10	Multiple Accounts			(184)	Variance among multiple general ledger accounts (6 accounts)
11	Subtotal Transmission			5,634	
12					
13	Distribution - Operations - Line 10 Detail Breakout:	902,646	923,756	21,110	Increase in expense
14	Station Expenses			18,579	Increase due to failed relay and remediation of voltage regulator (Orcas)
15	OH Exp - Avian Protection Plan			5,123	Restocking of bird guard inventory
16	Meter Expenses			(18,832)	Higher labor offset due to capitalization of new meters purchased
17	Misc. Engineering Expenses			(28,784)	Decrease due to vacant position (work order clerk)
18	Misc. Distribution Expense - Safety			5,040	Fire retardant clothing
19	Misc. Engineering - Fiber Optic			26,373	Increase in labor coding to fiber for system planning and engineering (in lieu of work orders)
20	Multiple Accounts			13,611	Variance among multiple general ledger accounts (13 accounts)
21	Subtotal Distribution -Operations			21,110	
22					
23	Distribution - Maintenance - Line 11 Detail Breakout:	533,938	644,004	110,066	Increase in expense
24	Maint-Station Equipment			45,590	Increase due to storm damage
25	Maint. Of Overhead Lines/Maint. Of Underground Lines			21,341	Increased fleet expenses for new bucket truck and digger derrick
26	Maint of Overhead Lines - Brush			37,909	Accelerated brush clearing (Shaw)
27	Multiple Accounts			5,226	Variance among multiple general ledger accounts (8 accounts)
28	Subtotal Distribution Maintenance			110,066	
29					
30	Consumer accounts - Line 12 Detail Breakout:	243,608	251,222	7,614	Increase in expense - Variance among multiple general ledger accounts (3 accounts)
31					
32	Total General and Administrative (G&A):	719,407	731,108	11,701	Overall increase in expense
33					
34	Administration G&A - Line 15 Detail Breakout:	789,453	775,972	(13,481)	Decrease in expense - Variance of 1.7% within normal expectations

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STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.
		Budget	Actual	Budget	
		Period End	Period End	Variance	
		3/31/2016	3/31/2016	(B - A)	Comments: Budget To Actual (Column C.)
35					
36	Energy Services G&A - Line 16	(70,046)	(53,594)	16,452	Increase in expense
37	Education and Outreach			(25,717)	Waiting on invoice from San Juan Island Conservation District
38	Renewable Energy Programs			(7,188)	Fewer interconnects than anticipated
39	BPA Commercial Lighting/BPA Commercial Programs			(26,458)	Timing of commercial project completion. Expect to catch up by Q2
40	BPA Custom Projects			(3,311)	Fewer custom projects completed
41	BPA Window Upgrade/Insulation/Air Sealing Rebates			(14,368)	Pending projects not yet completed
42	BPA EEI Funding			112,796	Timing of BPA reimbursement delayed plus fewer rebates received
43	BPA Heat Pump Rebates			(26,023)	Fewer heat pump rebates
44	Energy Snapshot Program Expense			(5,993)	Fewer snapshots completed in Q1
45	Multiple Accounts			12,714	Variance among multiple general ledger accounts (5 accounts)
46	Subtotal Energy Services G&A			16,452	
47					
48	Subsidiary Charges G&A - Line 17	0	8,730	8,730	Increase in expense
49	Fiber Charge - Subsidiary			8,730	Amount represents OPALCO use of RIC's internet services (off set by Other Income on line 74)
50	Subtotal Subsidiary Charges G&A			8,730	
51					
52	Total General and Administrative (G&A)	719,407	731,108	11,701	Overall increase in expense
53					
54	Deprec. & Amort. - Line 20	905,375	870,527	(34,848)	Decrease in expense - Due to timing of work order closures
55					
56	Taxes - Line 21	280,491	324,637	44,146	Increase in expense - Utility tax higher due to increase in sales and property tax higher than anticipated
57					
58	TOTAL OPERATING EXPENSES	5,792,497	6,220,223	427,726	Overall increase in expense
59					
60					
61	III FIXED CHARGES - Interest Expense - Line 28	325,413	297,558	(27,855)	Decrease in expense - Interest expense is lower due to refinancing of RUS loans
62					
63	IV PATRONAGE CAPITAL CREDITS - Line 35	26,815	0	(26,815)	Decrease in income - Federated patronage allocation not received in Q1 as budgeted
64					
65					
66	TOTAL NET OPERATING MARGINS	1,266,800	1,002,948	(263,852)	Decrease in margin
67					
68					
69	V NON-OPERATING MARGINS	92,022	105,107	13,085	Increase in margin
70					

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STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.
		Budget	Actual	Budget	
		Period End	Period End	Variance	
		3/31/2016	3/31/2016	(B - A)	Comments: Budget To Actual (Column C.)
71	Interest and Dividend Income - Line 40 combined with Line 50	83,240	83,247	7	Increase in income - Variance within expectations
72					
73	Other Income - Line 41 combined with Line 51	8,782	21,860	13,078	Increase in income
74	Non Oper Income - RIC Backbone Use			17,647	RIC use of communication backbone (offset by Subsidiary Charges on line 49)
75	Multiple Accounts			(4,569)	Variance among multiple general ledger accounts (5 accounts)
76				13,078	
77					
78	TOTAL OPALCO NON-OPERATING MARGINS	92,022	105,107	13,085	Increase in margin
79					
80					
81	TOTAL OPALCO NET MARGIN DETAIL BREAKOUT	1,358,822	1,108,055	(250,767)	Decrease in margin

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BALANCE SHEET

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Actual Period End 3/31/2016	F. Change (E - D)	G. Actual Period End 3/31/2015
1 ASSETS							
2							
3 UTILITY PLANT, at cost							
4 Electric plant in service	\$ 82,840,443	\$ 86,319,230	\$ 91,153,200	\$ 100,576,686	\$ 102,423,671	\$ 1,846,985	\$ 93,144,543
5 Construction work in progress	1,438,043	2,456,829	5,696,090	3,434,810	3,601,233	166,423	5,382,186
6							
7	84,278,486	88,776,059	96,849,290	104,011,496	106,024,903	2,013,407	98,526,729
8 Less accumulated depreciation and amortization	34,068,592	36,237,594	38,650,755	41,160,577	41,960,587	800,010	39,241,901
9							
10 Net utility plant	50,209,894	52,538,465	58,198,535	62,850,919	64,064,316	1,213,397	59,284,829
11							
12 OTHER PROPERTY AND INVESTMENT, at cost							
13							
14 Island Network (department only) (Note 1)	252,854	426,272	74,891	-	-	-	(418,139)
15 Opalco non-utility property	-	-	-	-	-	-	9,994
16							
17	252,854	426,272	74,891	-	-	-	(428,133)
18 Investments in associated organizations							
19 Other	929,141	941,203	1,063,004	1,093,965	1,078,192	(15,773)	2,174,969
20 Non-utility investment subsidiary (Note 2 & 3)	-	-	-	5,249,879	5,991,571	741,692	-
21 Total investments in associated organizations	929,141	941,203	1,063,004	6,343,844	7,069,763	725,918	2,174,969
22							
23 Other property and investments	1,181,995	1,367,476	1,137,895	6,343,844	7,069,763	725,918	1,746,835
24							
25 CURRENT ASSETS							
26 Cash and cash equivalents	2,091,466	797,873	2,254,475	1,697,386	2,849,617	1,152,231	3,410,787
27 Cash and cash equivalents - board designated	2,002,236	2,006,348	1,279,616	-	-	-	474,802
28 Accounts receivable, less doubtful accts allowance	2,388,170	3,146,966	3,036,986	3,558,213	3,087,673	(470,540)	3,690,360
29 Interest receivable	6,848	7,394	6,330	6,140	12,346	6,206	12,214
30 Materials and supplies	1,502,931	2,141,563	2,720,342	3,341,939	3,330,417	(11,522)	3,430,923
31 Prepaid expenses	115,232	122,451	586,081	311,801	121,379	(190,422)	245,066
32							
33 Total current assets	8,106,884	8,222,594	9,883,830	8,915,479	9,401,432	485,953	11,264,152
34							
35 DEFERRED CHARGES	-	-	50,371	-	-	-	-
36							
37 Total assets	\$ 59,498,772	\$ 62,128,535	\$ 69,270,631	\$ 78,110,242	\$ 80,535,511	\$ 2,425,269	\$ 72,295,816

ORCAS POWER AND LIGHT COOPERATIVE

BALANCE SHEET

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Actual Period End 3/31/2016	F. Change (E - D)	G. Actual Period End 3/31/2015
38							
39	EQUITIES, MARGINS, AND LIABILITIES						
40							
41	EQUITIES AND MARGINS						
42	Memberships	\$ 54,800	\$ 55,655	\$ 56,880	\$ 56,395	\$ 60	\$ 55,810
43	Patronage capital - OPALCO	37,473,607	37,250,119	36,348,023	37,130,221	1,053,227	36,662,438
44	Patronage capital - Island Network department (Note 4)	-	-	(220,088)	-	-	(208,045)
45	Donated and other equities						
46	OPALCO donated & other margins	3,643,203	4,024,439	4,477,375	4,763,939	28,220	4,497,997
47	Subsidiary margins	-	-	-	(1,780,113)	(605,270)	-
48							
49	Total equities and margins	41,171,610	41,330,213	40,662,189	40,170,442	476,237	41,008,199
50							
51	LONG-TERM DEBT, less current maturities						
52	RUS mortgage notes	12,769,260	14,982,671	22,446,072	25,094,574	1,904,317	22,424,592
53	RUS economic development	-	-	72,663	64,659	(2,001)	70,662
54	CFC mortgage notes	2,693,103	2,575,694	2,468,531	8,821,516	(184,692)	5,058,751
55							
56	Total long-term liabilities	15,462,363	17,558,365	24,987,266	33,980,749	1,717,624	27,554,005
57							
58	CURRENT LIABILITIES						
59	Accounts payable	1,297,200	1,732,736	1,931,399	1,765,437	(17,836)	1,728,123
60	Customer deposits	77,002	86,161	91,717	82,377	2,885	89,685
61	Accrued liabilities	854,196	696,741	751,049	712,118	80,036	668,389
62	Current maturities of long-term debt	479,289	555,793	663,885	1,181,603	134,813	1,043,373
63							
64	Total current liabilities	2,707,686	3,071,431	3,438,051	3,741,535	199,898	3,529,569
65							
66	DEFERRED CREDITS						
67		157,113	168,527	183,124	217,517	31,510	204,042
68	Total equities and liabilities	\$ 59,498,772	\$ 62,128,535	\$ 69,270,631	\$ 78,110,242	\$ 2,425,269	\$ 72,295,816
69							

70 Note:

- 71
- 1 Combination of all balance sheet accounts for Island Network (department only).
- 72
- 2 Investment in subsidiary consists of: (1) Amounts due to OPALCO: \$2,112,828 from IN LLC (pre-RIC), (2) \$6,264,126 due from Rock Island, and (3) subsidiary accumulated deficit of (\$2,385,383). (1)+(2)+(3) = \$5,991,571
- 73
- 3 Rock Island start-up funding through 2015 + 2016 budget lending: \$4,917,165 (2015) + \$2,600,000 = \$7,517,165 (03/31 BALANCE is \$6,264,126)
- 74
- 4 Balance was transitioned to the subsidiary in 2015, accumulated subsidiary equity(deficit) of (\$2,385,383) now reflected in 'Non-utility investment' & 'donated & other margins'.

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STATEMENT OF CASH FLOW
GAAP

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Actual Period End 3/31/2016
1 CASH FLOWS FROM OPERATING ACTIVITIES					
2 Net margins	\$ 814,524	\$ 971,520	\$ 121,951	\$ 1,858,322	\$ 1,108,056
3 Adjustments to reconcile net margin to cash					
4 from operating activities					
5 Depreciation and amortization	2,652,194	2,719,561	2,975,650	3,308,154	870,527
6 Changes in assets and liabilities					
7 Accounts receivable	(2,388,170)	(758,796)	109,980	(521,227)	470,540
8 Interest receivable	(6,848)	(546)	1,064	190	(6,206)
9 Prepaid expenses	(115,232)	(7,219)	(463,630)	274,279	190,423
10 Accounts payable	1,297,200	435,535	198,663	(165,962)	(17,836)
11 Customer deposits	77,002	9,160	5,557	(9,340)	2,885
12 Accrued liabilities	854,196	(157,453)	54,308	(38,931)	80,036
13 Deferred credits	157,113	11,414	14,598	34,392	31,510
14					
15 Net cash from operating activities	3,341,977	3,223,176	3,018,141	4,739,878	2,729,933
16					
17 CASH FLOWS FROM INVESTING ACTIVITIES					
18 Additions to utility plant, net	(53,183,803)	(5,632,016)	(9,831,711)	(8,597,475)	(2,246,640)
19 Reduction to non-utility plant (Island Network transition) (Note 1)	(252,854)	(173,419)	351,381	74,891	-
20 Change in materials and supplies	(1,502,931)	(638,632)	(578,779)	(621,597)	11,522
21 Increase in investment in Subsidiary	-	-	-	(5,249,879)	(741,691)
22 Increase in other OPALCO property and investments, net	(929,141)	(12,063)	(121,801)	(30,961)	15,773
23					
24 Net cash from investing activities	(55,868,728)	(6,456,130)	(10,180,909)	(14,425,021)	(2,961,036)
25					
26 CASH FLOWS FROM FINANCING ACTIVITIES					
27 Payments on long-term debt (Note 2)	14,441,652	(1,027,495)	156,993	(4,347,789)	(447,563)
28 Proceeds from debt	1,500,000	3,200,000	7,380,000	13,858,989	2,300,000
29 Memberships	54,805	855	1,225	(485)	60
30 Retirements of patronage capital, net	40,302,281	(813,770)	(791,199)	(2,349,585)	(26,609)
31 Change in subsidiary equities	-	-	-	-	(605,270)
32 Contributions in aid of construction	321,715	583,883	1,145,619	687,308	162,716
33 Other changes in equities	-	-	-	-	-
34					
35 Net cash from financing activities	56,620,453	1,943,473	7,892,638	7,848,438	1,383,334
36					
37 NET CHANGE IN CASH	4,093,702	(1,289,481)	729,870	(1,836,705)	1,152,231
38					
39 CASH AND CASH EQUIVALENTS, beginning of year/period	2,478,787	6,572,489	5,283,008	6,012,878	4,176,173
40					
41 CASH AND CASH EQUIVALENTS, end of year/period	6,572,489	5,283,008	6,012,878	4,176,173	5,328,404
42					
43 SUPPLEMENTAL DISCLOSURES					
44 Cash paid for interest	\$ 759,686	\$ 786,193	\$ 908,934	\$ 1,234,621	\$ 330,572
45 OUTSTANDING DEBT BALANCE	(15,941,652)	(18,114,158)	(25,651,151)	(35,162,351)	(37,014,788)
46 Notes:					
47 1 IN department assets, liabilities & equity fully transferred to Rock Island in 2015					
46 2 Includes Economic Development loan from RUS and is offset by RUS Cushion of Credit balance of 2014: \$235k, 2015: \$127k, 03/31/16: \$230k					

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS BUDGET

			A.	B.	C.	D.	E.	F.	G.
			Audited	Budget	Budget	Actual	Budget	Actual	
			Year End	Year End	Period End	Period End	Variance	Period End	
			12/31/2015	12/31/2016	3/31/2016	3/31/2016	(D- C)	3/31/2015	Comments
	RUS CWP DESCRIPTION								
1	DISTRIBUTION								
2	100	New Services	\$ 221,770	\$ 170,000	\$ 42,500	\$ 45,940	\$ 3,440	\$ 29,464	
3	200	New Tie Lines	147,776	-	-	639	639	13,171	
4	300	Conversions and Line Changes	528,776	975,000	10,000	5,468	(4,532)	136,477	
5	400	New Substations, Switching Station, Metering Point, etc.	-	-	-	-	-	-	
6	500	Substation, Switching Station, Metering Point Changes	145	-	-	-	-	145	
7	600	Miscellaneous Distribution Equipment							
8	601	Transformers & Meters	627,342	500,000	190,000	198,079	8,079	220,560	
9	602	Sets of Service Wires to Increase Capacity	-	-	-	-	-	-	
10	603	Sectionalizing Equipment	101,557	255,000	30,000	23,038	(6,962)	8,095	
11	604	Regulators	15,911	325,000	10,000	5,805	(4,195)	1,325	
12	605	Capacitors	-	-	-	-	-	-	
13	606	Ordinary Replacements	170,439	275,000	20,000	22,745	2,745	45,781	
14	608	Underground Dist. Cable Replacement	2,127,270	2,285,000	760,000	817,790	57,790	464,694	RIC joint projects ahead of projections.
15	700	Other Distribution Items							
16	701	Engineering Fees	-	-	-	-	-	-	
17	704	LMS & SCADA	32,715	45,000	5,000	6,128	1,128	7,649	
18	705	AMR	-	-	-	-	-	-	
19	706	Communications							
20	706.0	Island Network	-	-	-	-	-	-	
21	706.1	Fiber/Microwave Infrastructure	2,528,428	2,400,000	600,000	602,871	2,871	609,176	
22	TRANSMISSION								
23	800	New Tie Line	-	-	-	-	-	-	
24	900	New Substations, Switching Station, Metering Point, etc.	443	600,000	-	-	-	114	
25	1000	Line and Station Changes	900,338	3,025,000	-	103	103	111,760	
26	1100	Other Transmission	-	-	-	-	-	-	
27	GENERATION								
28	1200	Generation	-	-	-	-	-	-	
29	OTHER								
30	1300	Headquarters Facilities	409,976	124,000	10,000	17,679	7,679	292,434	Additional budgetary funds approved by board in January.
31	1400	Acquisitions	-	-	-	-	-	-	
32	1500	All Other (Transportation, Etc.)							
33	1501	Transportation/Equipment/Tools/Radios	335,842	463,000	400,000	425,220	25,220	49,268	Accelerated purchase of service truck due to failure.
34	1502	Office Equipment/Furniture/Etc.	70,727	30,000	7,500	5,978	(1,522)	12,897	
35	1503	Computer/Servers/Software	283,254	262,000	65,500	80,754	15,254	16,100	Accelerated replacement of failing office network switches.
36	1504	Electrical Infrastructure to Support Community Solar	-	300,000	-	-	-	-	
37	1600	Minor Projects	94,343	90,000	30,000	58,941	28,941	31,274	Joint project, conversion of overhead.
38	RUS CWP SUBTOTAL		8,597,052	12,124,000	2,180,500	2,317,177	136,677	2,050,385	
39	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)								
40		New Services	(181,922)	(170,000)	(42,500)	(78,072)	(35,572)	(20,808)	
41		Meters and Transformers	(176,241)	(100,000)	(25,000)	(20,691)	4,309	(20,644)	
42		Joint Projects	(329,145)	(48,000)	(12,000)	(63,953)	(51,953)	(15,374)	
43		Community Solar		(300,000)	-	-	-	-	
44	RUS CWP NET TOTAL		7,909,744	11,506,000	2,101,000	2,154,461	53,461	1,993,559	
45	Notes:								
46	1	\$33,013 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.							
47	2	\$9,858.10 in Environmental Consultant. This cost is embedded in the associated projects listed above for capitalization purposes.							

ORCAS POWER AND LIGHT COOPERATIVE

SALES AND USAGE REPORT

	A.	B.	C.	D.	E.	F.	G.	H.	I.	J.	K.	L.	M.	N.
	Year to Date	January	February	March	April	May	June	July	August	September	October	November	December	Total
	Total													
1	HEATING DEGREE DAYS (HDD)													
2	5 Year Average HDD	655	266	223	166	112	40	21	5	4	15	44	187	1,351
3	Actual HDD	452	218	130	104									452
4	Variance	(203)	(48)	(93)	(62)	-	-	-	-	-	-	-	-	(203)
5														
6	ENERGY USAGE (kWh)													
7	Residential													
8	Budget	41,630,034	16,270,717	12,596,005	12,763,312	11,158,171	8,824,253	7,405,535	7,907,182	8,021,100	8,600,505	9,411,926	13,202,247	132,670,573
9	Actual	45,734,661	20,153,166	12,531,268	13,050,227									45,734,661
10	Variance (Budget to Actual)	4,104,627	3,882,449	(64,737)	286,915	-	-	-	-	-	-	-	-	4,104,627
11														
12	Commercial													
13	Budget	13,866,147	5,070,281	4,221,592	4,574,273	4,484,882	4,100,568	4,031,288	4,499,212	4,534,398	4,308,012	4,453,835	5,013,388	54,601,789
14	Actual	16,365,145	6,407,197	4,905,285	5,052,663									16,365,145
15	Variance (Budget to Actual)	2,498,998	1,336,916	683,693	478,390									2,498,998
16														
17	Total Energy Usage (kWh)													
18	Budget	55,496,181	21,340,998	16,817,597	17,337,586	15,643,052	12,924,821	11,436,824	12,406,394	12,555,497	12,908,517	13,865,762	18,215,636	187,272,362
19	Actual	62,099,806	26,560,363	17,436,553	18,102,890	-	-	-	-	-	-	-	-	62,099,806
20	Variance (Budget to Actual)	6,603,625	5,219,365	618,956	765,304	-	-	-	-	-	-	-	-	6,603,625
21														
22	REVENUE													
23	Residential													
24	Budget	5,483,844	2,138,780	1,658,094	1,686,969	1,493,257	1,213,445	1,047,080	1,133,710	1,151,944	1,208,467	1,302,031	1,767,133	17,973,001
25	Actual	5,493,593	2,277,656	1,542,829	1,673,108									5,493,593
26	Variance (Budget to Actual)	9,750	138,876	(115,265)	(13,861)									9,750
27														
28	Commercial													
29	Budget	1,817,154	668,811	554,405	593,938	564,720	486,925	457,533	498,458	499,839	489,759	522,128	629,290	6,664,281
30	Actual	1,778,108	669,195	535,977	572,936									1,778,108
31	Variance (Budget to Actual)	(39,046)	(385)	18,429	21,002									39,046
32														
33	Total Revenue													
34	Budget	7,300,998	2,807,591	2,212,499	2,280,908	2,057,977	1,700,371	1,504,612	1,632,167	1,651,783	1,698,226	1,824,160	2,396,423	24,637,282
35	Actual	7,271,702	2,946,852	2,078,805	2,246,045	-	-	-	-	-	-	-	-	7,271,702
36	Variance (Budget to Actual)	(29,296)	138,491	(96,836)	7,141	-	-	-	-	-	-	-	-	48,796
37														
38														
39	NOTE: Excluded Other Revenue and Revenues that are not usage based.													

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7
STATEMENT OF OPERATIONS

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION
WA0009

BORROWER NAME AND ADDRESS
Orcas Power & Light Cooperative

INSTRUCTIONS-For detailed instructions, see RUS Bulletin 1717B-2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C 901 et. Seq.) and may be confidential.

PERIOD ENDED
Mar-16

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

_____ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

_____ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

SIGNATURE OF MANAGER

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	6,771,883	7,520,729	7,357,893	2,314,675
2. Power Production Expense.....	-	-	-	-
3. Cost of Purchased Power.....	2,273,893	2,458,298	2,195,995	703,103
4. Transmission Expense.....	10,413	16,671	11,037	5,506
5. Regional Market Expense.....	-	-	-	-
6. Distribution Expense-Operation.....	910,439	923,756	902,646	268,461
7. Distribution Expense-Maintenance.....	358,682	644,004	533,938	298,020
8. Consumer Accounts Expense.....	250,195	251,222	243,608	83,962
9. Customer Service and Informational Expense.....	260,047	(35,408)	(48,890)	36,405
10. Sales Expense.....	7,610	10,482	8,875	1,451
11. Administrative and General Expense.....	810,181	756,034	759,422	208,619
12. Total Operation and Maintenance Expense (2 thru 11).....	4,881,461	5,025,059	4,606,630	1,605,528
13. Depreciation and Amortization Expense.....	815,443	870,527	905,375	285,106
14. Tax Expense - Property and Gross Receipts.....	51,017	56,523	52,548	20,608
15. Tax Expense - Other.....	234,790	268,113	227,943	79,462
16. Interest on Long-Term Debt.....	282,275	330,572	397,859	73,572
17. Interest Charged to Construction - Credit.....	(46,234)	(33,013)	(72,446)	(11,870)
18. Interest Expense - Other.....	-	-	-	-
19. Other Deductions.....	-	-	-	-
20. Total Cost of Electric Service (12 thru 19).....	6,218,753	6,517,781	6,117,908	2,052,406
21. Patronage Capital and Operating Margins (1 minus 20).....	553,130	1,002,948	1,239,984	262,269
22. Non Operating Margins - Interest.....	7,158	83,247	83,240	29,510
23. Allowance for Funds Used During Construction.....	-	-	-	-
24. Income (Loss) from Equity Investments.....	-	-	-	-
25. Non Operating Margins - Other.....	(201,961)	21,860	8,782	7,306
26. Generation and Transmission Capital Credits.....	-	-	-	-
27. Other Capital Credits and Patronage Dividends.....	39,998	-	26,815	-
28. Extraordinary Items.....	-	-	-	-
29. Patronage Capital or Margins (21 thru 28).....	398,325	1,108,056	1,358,821	299,084

RUS Form 7

1st Quarter Financials
Page 12 of 17

Updated 5/11/2016

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7
BALANCE SHEET

USDA - RUS FINANCIAL AND STATISTICAL REPORT				BORROWER DESIGNATION PERIOD ENDED Mar-16			
INSTRUCTIONS - See RUS Bulletin 1717B-2							
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT							
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)		
1. New Services Connected	16	35	5. Miles Transmission	42.65			42.65
2. Services Retired	-	-	6. Miles Distribution-Overhead	156.61			155.78
3. Total Services in Place	14,880	15,044	7. Miles Distribution-Underground	1,139.73			1,143.01
4. Idle Services (Exclude Seasonal)	1,154	1,192	8.Total Miles Energized (5 + 6 + 7)	1,338.99			1,341.44
PART C. BALANCE SHEET							
ASSETS AND OTHER DEBITS				LIABILITIES AND OTHER CREDITS			
1. Total Utility Plant in Service.....	102,423,671		30. Memberships.....	56,455			
2. Construction Work in Progress.....	3,589,108		31. Patronage Capital.....	35,217,070			
3. Total Utility Plant (1 + 2).....	106,012,779		32. Operating Margins - Prior Years.....	1,858,322			
4. Accum. Provision for Depreciation and Amort.....	41,948,463		33. Operating Margins - Current Year.....	1,086,196			
5. Net Utility Plant (3 - 4).....	64,064,316		34. Non-Operating Margins.....	21,860			
6. Non-Utility Property - Net.....	-		35. Other Margins and Equities.....	2,406,776			
7. Investments In Subsidiary Companies.....	5,991,571		36. Total Margins and Equities (30 thru 35).....	40,646,679			
8. Invest. In Assoc. Org. - Patronage Capital.....	454,585		37. Long-Term Debt - RUS (Net).....	-			
9. Invest. In Assoc. Org. - Other - General Funds.....	7,000		38. Long-Term Debt - FFB - RUS Guaranteed.....	27,826,290			
10. Invest. In Assoc. Org. - Other -Nongeneral Funds.....	558,274		39. Long-Term Debt - Other - RUS Guaranteed.....	-			
11. Investments In Economic Development Projects.....	58,333		40. Long-Term Debt - Other (Net).....	9,356,133			
12. Other Investments.....	-		41. Long-Term Debt - RUS - Econ. Devel. (Net).....	62,658			
13. Special Funds.....	217,628		42. Payments-Unapplied.....	(230,292)			
14. Total Other Property and Investments (6 thru 13).....	7,287,391		43. Total Long-Term Debt (37 thru 41-42).....	37,014,788			
15. Cash - General Funds.....	1,625,197		44. Obligations Under Capital Leases-Noncurrent.....	-			
16. Cash - Construction Fund - Trustee.....	30,707		45. Accumulated Operating Provisions and Asset Retirement Obligations.....	-			
17. Special Deposits.....	-		46. Total Other Noncurrent Liabilities (44+45).....	-			
18. Temporary Investments.....	976,086		47. Notes Payable.....	-			
19. Notes Receivable (Net).....	-		48. Accounts Payable.....	1,747,601			
20. Accounts Receivable - Sales of Energy (Net).....	1,962,676		49. Consumers Deposits.....	85,262			
21. Accounts Receivable - Other (Net).....	194,773		50. Current Maturities Long-Term Debt.....	-			
22. Renewable Energy Credits.....	-		51. Current Maturities Long-Term Debt-Ec.Dev.....	-			
23. Materials and Supplies - Electric and Other.....	3,330,417		52. Current Maturities Capital Leases.....	-			
24. Prepayments.....	121,379		53. Other Current and Accrued Liabilities.....	792,154			
25. Other Current and Accrued Assets.....	942,570		54. Total Current and Accrued Liabilities (47 thru 53).....	2,625,018			
26. Total Current and Accrued Assets (15 thru 25).....	9,183,804		55. Regulatory Liabilities.....	-			
27. Regulatory Assets.....	-		56. Other Deferred Credits.....	249,026			
28. Other Deferred Debits.....	-		57. Total Liabilites and Other Credits.....	80,535,511			
29. Total Assets and Other Debits (5+14+26 thru 28).....	80,535,511		(36+43+46+54 thru 56).....	80,535,511			
PART D. NOTES TO FINANCIAL STATEMENTS							
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS. (A SEPARATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)							

Rock Island Communications

First Quarter Financial Statements



Balance Sheet

	A. Audited IN Department 12/31/14	B. Audited 12/31/2015	C. Actual 3/31/2016
ASSETS			
Current Assets			
Cash	-	225,976	\$ 151,447
Accounts Receivable	45,473	89,876	92,524
Inventory	-	1,642,206	1,544,062
Prepaid And Other Current Assets	5,512	9,583	9,623
Total Current Assets	50,985	1,967,641	1,797,656
PROPERTY, PLANT, AND EQUIPMENT			
Fixed Assets	165,436	3,564,229	4,912,789
Construction Work in Process	-	1,635,742	1,270,636
Accumulated Depreciation	(90,545)	(1,262,651)	(1,317,010)
Total Property & Equipment	74,891	3,937,320	4,866,415
OTHER NONCURRENT ASSETS			
Other assets	-	3,600	3,642
Goodwill	-	282,257	274,488
Total Assets	125,876	6,190,817	6,942,201
CURRENT LIABILITIES			
Accounts Payable	-	287,298	441,017
Other Payables	2,667	117,384	25,223
Current maturities of long-term debt	-	205,708	207,465
Total Current Liabilities	2,667	610,390	673,705
NONCURRENT LIABILITIES			
Capital Lease Liability	-	330,547	276,924
Long-term Debt Startup Capital (OPALCO)	343,297	7,029,993	8,376,954
Total Liabilities	345,964	7,970,930	9,327,583
EQUITIES AND MARGINS			
Retained Earnings	(220,088)	-	(1,780,113)
Net Income (Loss)		(1,780,113)	(605,269)
Total Equity	(220,088)	(1,780,113)	(2,385,382)
Total Liabilities and Equity	125,876	6,190,817	\$ 6,942,201



Income Statement

	A.	B.	C.	D.
	Business Plan	Actual	Variance	
	Period End	Period End		
	3/31/2016	3/31/2016	(B-A)	Comments
I OPERATING REVENUES				
Fiber Res/SB	111,090	196,679	85,589	New Billing platform will provide this breakout in the 2nd Qtr
Fiber Int/ISP	108,000	-	(108,000)	New Billing platform will provide this breakout in the 2nd Qtr
LTE	18,900	28,683	9,783	LTE deployment ahead of schedule
Voip	3,086	3,830	744	
DSL	199,000	212,185	13,185	DSL drop continues at slower pace to plan
IT Services	63,206	85,964	22,758	
TOTAL OPERATING REVENUES	503,282	527,341	24,059	
II OPERATING EXPENSES				
Fiber Transport	58,500	59,843	1,343	
Voip	9,000	8,490	(510)	
LTE	-	12,766	12,766	
DSL Transport	69,650	61,438	(8,212)	
IT Services	35,000	26,416	(8,584)	
ISP Other (Merch Fees, Backup)	13,000	14,537	1,537	
Payroll	359,093	355,338	(3,755)	
Contractor Wages	17,000	46,762	29,762	Planned scope of contractor work was less than needed currently
Depreciation/Amortization	46,000	62,127	16,127	Projected \$2M added to plant for year and actual \$1.2 M in the 1st Qtr
Professional Fees	90,000	143,163	53,163	Q1 outages resulted in increased NOC hours in addition to systems development, consultant scope increased.
Rent	33,000	31,796	(1,204)	
Utilities	3,000	7,757	4,757	
Equipment Rental	72,000	70,365	(1,635)	
Other (R&M, T&E., Ins., Office)	50,000	101,283	51,283	LTE Advertising (outsourced labor), Small tools for const., Auto Repairs, Startup mobile phone data packages, Non-capitalized retail store equip. (non permanent fixtures)
Licenses, Permits, Dues & Subs.	25,000	16,810	(8,190)	
TOTAL OPERATING EXPENSES	880,243	1,018,891	138,648	
TOTAL NET OPERATING MARGINS	(376,961)	(491,550)	(114,589)	
III OTHER INCOME (EXPENSE)				
Other Income (Expense)	100	8,406	8,306	
Taxes: State & Local Use Tax	(10,000)	(36,814)	(26,814)	Out of State, Country vendors primarily for Modems (causing pymt of State of Wa. Use tax)
Other Income (Expense) - Parent	(8,500)	(8,917)	(417)	
Interest Income (Expense)	100	-	(100)	
Interest Expense - Parent	(74,558)	(76,395)	(1,837)	
TOTAL OTHER INCOME	(92,858)	(113,720)	(20,862)	
Federal Income Tax Expense	-	-	-	
GRAND TOTAL NET MARGIN DETAIL BREAKOUT	(469,819)	(605,270)	(135,451)	



Statement of Cash Flows

Period Ended
March 31, 2016

Cash Flows from Operating Activities:		
1	Net income (loss)	(605,269)
2	Adjustments to reconcile net income (loss) to net cash	
3	provided by (used in) operating activities	
4	Depreciation/Amortization	62,128
5	Changes in assets and liabilities:	
6	Accounts receivable	(2,648)
7	Prepaid and other assets	(82)
8	Accounts payable	153,719
9	Accrued and other liabilities	(92,161)
10		
11	Net cash provided by (used in) operations:	(484,313)
12		
13	Cash Flows from Investing Activities:	
14	Additions to property and equipment, net	(1,235,269)
15	Additions in Inventory	98,144
16		
17	Net cash provided by (used in) investing activities:	(1,137,125)
18		
19	Cash Flows from Financing Activities:	
20	Contributions in aid of construction	251,815
21	Proceeds from debt (OPALCO), net	1,295,095
22	Net cash provided by (used in) financing activities:	1,546,910
23		
24	Net change in cash	(74,529)
25		
26	Cash and cash equivalents, beginning of period	225,976
27	Cash and cash equivalents, end of period	151,447