



**BOARD OF DIRECTORS
REGULAR MEETING
Thursday, May 19, 2016 8:45 AM
OPALCO Conference Room (Friday Harbor)**

TRAVEL



Via Island Air
378-2376 / 378-8129 (cell)

To:

Leave Eastsound 7:45 a.m.
Lopez 8:00 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:00 p.m.

Arrive Lopez 2:15
Eastsound 2:30 p.m.



Via Ferry:

To:

Leave Lopez 7:10
Shaw 7:15 a.m.
Orcas 7:35 a.m.

Arrive FH 7:40 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:20 p.m.

Arrive Orcas 3:10 p.m.
Shaw 3:25 p.m.
Lopez 3:45 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
Friday Harbor OPALCO office
317-5156
May 19, 2016 8:45 a.m.**

PAGES

WELCOME GUESTS/MEMBERS

- Member Comment Period
- Olga Darlington, Moss Adams LLC

ACTION ITEMS

- 3-6** ○ Approval of April Minutes
- 7** ○ New Members
- 8** ○ Capital Credits
- 9** ○ Election of Officers
- 10-12** ○ Bylaw Revision "Bona Fide Resident"
- 13** ○ 2015 Audit Report

DISCUSSION ITEMS

- 14** ○ 1st Quarter Financial Review
- 15-17** ○ Weather and Revenue update
- 18** ○ Election Process Outline
- 19-22** ○ Employee Handbook: *Election Neutrality*
- 23-29** ○ RUS 219s – added to April meeting

REPORTS

- 30** ○ Safety
- 31-32** ○ General Manager
- 33-38** ○ Rock Island Communications

INFORMATION ITEMS

- 39-47** ○ Dashboard Charts
- 48-49** ○ Member Correspondence

ADJOURNMENT

Executive Session: RIC; personnel; legal; audit approval

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

Thursday, April 21, 2016

President Jim Lett called the meeting to order at 8:17AM at the Lopez Island Fire Hall. Board Members present were Winnie Adams, Randy Cornelius, Vince Dauciunas and Jerry Whitfield. Mark Madsen attended via telephone conferencing. Staff present included General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Head Accountant Travis Neal, System Engineer Joel Meitzner, Public Relations Administrator Suzanne Olson and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Gerry Lawlor, Dan Burke and Gene Nery. Also present was consultant Jay Kimball.

Member/Guests

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

Present were Chantelle Hildreth, Tracy Cottingham, Rhea Miller, Peggy Means, Gabriel Jacobs, Steve Ludwig, Rob Thesman, Sandy Bishop, Rick Strachan, Larry Eppenbach, Brian Silverstein, Alan McKee, Lauren Stephens, Dwight Lewis, Jim Ghiglione, Caleb Pal. Topics mentioned were better communication with members; cost/benefit of fiber installations in the islands; election process scrutiny; improvement of communications within fire district because of fiber installation.

March 17, 2016 Meeting Minutes

- **Motion** made by Adams to accept the March 17, 2016 minutes as presented. 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 (Dauciunas) and carried by voice vote.

DISTRICT 1 **San Juan**

Bogue, Tabetha
Brooks, Lynn
Bruder, Kim
Buehler, Chad & Robyn
Caldwell-Sanders, Edith
Cartagena, Steven
Draffkorn, Rick
Duquette, Charles R
Farnsworth, Enos
Finn, James
Frentz, Carla
Heflick, Benjamin

Lacerte, Philip
Palmateer, Ryan
Petit, Catherine
Ross, Jason E
Sherry, Christopher
Shlosser, C Mitchell & Tami T
Smith, Patricia
Villers, Christine
Watson, Craig
Westby, Ludie & Gary
Whybren, Stephen W
Wu, Thomas

DISTRICT 2

Orcas

Bradbury, Tim & Susan
Bruene, James & Schultz-Bruene, Kate
Cecil, Jocelyn
James, Deborah
Kasperski, Richard
Marshall, Karen
Martin, Andy & Jablow, Ian
Moos, Daniel C
Naffin, Brandon & Kezia
Sheffield, Harley
Sit Long Talk Much LLC
The Culver Family – Orcas Trust
Wallis, Maxine & Pipher, Michelle

DISTRICT 3

Lopez

Barr, Johnathon
Jacobs, Tim
Larmore, Carla & Connor, Michael
Mackaye Harbor Water District
Rabura, John & Biro-Rabura, Sara
Sorensen, Katherine & Lyn

Center

Maule, James & Judith

DISTRICT 4

Shaw

Arrowsmith, Jeff & Claire
Rook, Mary & Taylor, Debra

Capital Credits

- **Motion** made by Dauciunas to approve payment of \$9,108.76 in capital credits to the estates of deceased members and the organization no longer in business listed below. Motion was seconded (Whitfield) and carried by voice vote.

| | |
|---------------------------|------------|
| Margaret R. Knowles..... | \$2,860.89 |
| Jane McIlroy..... | \$687.62 |
| Edward A. Middleton | \$4,271.83 |
| Marion Slater..... | \$465.95 |
| Sally E. Taylor | \$745.69 |
| Delbert F. Webb | \$76.78 |

RUS 219s

Staff added the March work order close 219s in the amount of \$782,120.95 for the board's approval and will include the March 219s in the May board materials as an informational item.

- **Motion** made by Dauciunas to approve submission of RUS 219s representing projects completed in February and March 2016 from the Construction Work Plan in the amount of \$905,944.67. Motion was seconded (Adams) and carried by voice vote.

Member Information Request / Appeal

Member James Owens requested information about OPALCO's undersea cable system. Hildreth denied the request as the information is not readily available and would raise security concerns.

- **Motion** made by Whitfield and seconded (Adams) to deny the appeal. Motion carried by voice vote.

Bylaw Revision

The terminology of “bona fide resident” was reviewed. After discussion it was decided that staff would rewrite that section of the bylaws and present it at a later board meeting.

CFC Line of Credit / Resolution 2-2016

This line of credit replaces the current Uncommitted Line of Credit that expires in 2016. This new Line of Credit is in the amount of \$10M with National Rural Utilities Cooperative Finance Corporation (CFC).

- **Motion** made by Adams to approve Resolution 2-2016 allowing execution of the necessary documents for the Uncommitted Line of Credit. Motion was seconded (Dauciunas) and carried by voice vote.

Election Neutrality

With President Lett as a candidate for re-election, Dauciunas took the gavel for this part of the meeting. Lett and Whitfield were offered either to recuse themselves from the discussion, the vote or both. Lett recused himself from both; Whitfield recused himself from any voting regarding this process. Dauciunas reviewed the event that occurred the week prior. Mid-day Friday, April 15 Dauciunas was informed that Lawlor had sent an email on Rock Island Communications letterhead effectively endorsing certain candidates for OPALCO Board of Directors. As Vice President, Dauciunas managed the communications with other Board members regarding this event and what role the Board should take. Legal counsel was also consulted to determine what, if any, federal, state or other laws may have been broken. There were none. Hildreth stated that it was an operational issue and took personal responsibility for the inappropriate action as Lawlor reports to him directly. Hildreth apologized to each candidate and the members in attendance. Counsel also conferred with NRECA and spoke with their deputy legal counsel Ty Thompson who advised that the election—and annual meeting—could be delayed, if necessary. All but one candidate agreed that the election should continue on the normal timeframe. Dauciunas researched other cooperatives in the U.S. and discovered their policies ran from prohibiting the use of company time and resources for endorsing candidates to encouraging staff to participate in ACRE fundraising, but not individual endorsement of candidates.

It was determined that a policy should be written that clarifies election neutrality as well as appropriate penalties when the policy is violated.

- **Motion** made by Cornelius to 1) Craft language for a political activity statement for an OPALCO and Rock Island Communications policy that will focus on Board of Director elections initially; and 2) Develop a method by which members can participate in the writing of the policy. Motion was seconded (Madsen) and carried by voice vote. Note: Four votes were required (Lett and Whitfield recused themselves from the vote) for a quorum; the chair voted in favor.

President Lett resumed chairing the meeting.

Submarine Cable Update / Resolution 4-2016 *Contract Amendments 1 and 2*

- Motion made by Cornelius and seconded (Dauciunas) to approve Resolution 4-2016. Motion carried by voice vote.

System Engineer Joel Mietzner gave a progress report on the submarine cable project between Lopez and San Juan islands. The contract amendments are required by RUS in order to increase the length of the cable, even though the price was reduced due to commodity pricing.

Mietzner explained how the CenturyLink cable is laying over the top of the current OPALCO submarine cable. Communication between OPALCO and CenturyLink is at a standstill regarding removal of their cable. If the CenturyLink cable breaks, it will take sixty days to put ours in place, so services will be out for that many days. Rock Island Communications will also lose connectivity. Our legal counsel is working with CenturyLink's representative, who is "moving it up the ladder."

The warranty on the cable starts when the cable is delivered and is insured for the value of the cable, oil spill potential and general liability. Completion of the splice and testing will give OPALCO ownership once energized. Discussion ensued regarding the decommissioning of the Lopez to San Juan Sumitomo cable. The board did not take issue with the plans for decommissioning.

The Board commended Mietzner for the phenomenal job he is doing getting the cable replaced.

Reports

- Safety: The Engineering Department reviewed working with hazardous materials.
- General Manager: Hildreth reported that approximately 3,000 members receive electronic billing. Highlights planned for the annual meeting include more time available for member questions and comments. A survey will be given after the annual meeting to measure member preferences and satisfaction on voting and annual meeting activities.
- Rock Island Communications: LTE poles are being placed throughout the county, improving wireless communication. By the end of April, the entire ferry route will be connected through T-Mobile Wi-Fi and will be at the ferry landings soon.

Adjournment

Regular meeting adjourned to Executive Session at 12:30 p.m. Topics discussed in Executive Session were personnel and legal matters. The executive session ended and meeting was adjourned at 1:50 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

NEW MEMBERS

April 2016

District 1 San Juan

1. Alsdurf, Kristen
2. Bell, Richard & Elizabeth
3. Blum, Joseph & Nancy
4. Cazares, Maria L.
5. Garcia, Erika
6. Higgins, Wynne & Richard
7. Housel, James
8. Jacobs, Jill
9. Kwiatkowski, Marc
10. R&R Accounting LLC
11. Range, Jacob
12. Rennie, Averell
13. Richard, Gail
14. Ross, Caitlin & Scott R.
15. Ryan, Brady
16. Schrock, Ryan
17. Spendiff, Ashley
18. Strachila, Elise
19. Sullivan, Aemi
20. Szeremeta, Bill
21. Trigueiro, Jonathan
22. Venegas, Carmen
23. Wickey, Matthew

District 2 Orcas

24. Andersson, Elyn & Paul
25. Baggott, Daniel
26. Matkovick, Edward
27. Sandison, George
28. Stockwell, Mark

District 3 Lopez

29. Cook, Jennifer
30. Gibson, David & Robin

District 4 Shaw None

MEMORANDUM

May 13, 2016

TO: Board of Directors
FROM: Foster Hildreth, General Manager
RE: Capital Credits

Staff requests a motion to approve payment of capital credits to the estates of the following deceased members and/or to organizations no longer in business:

| | |
|----------------------|-------------------|
| Grant E. Riley | \$982.05 |
| Lynn C. Loring | \$1,142.49 |
| Total | \$2,124.54 |

MEMORANDUM

May 13, 2016

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Board Officer Elections

Bylaws Article V-Officers Section 2 Election and Term of Office *The officers shall be elected by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.*

Staff recommends the Board elect OPALCO Officers for the current year (May 2016 through April 2017) as follows:

Vote/Ballot:

President_____

Vice-President_____

Secretary-Treasurer_____

MEMORANDUM

May 13, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Draft Bylaw Revision re: Bona Fide Resident

The subject of “bona fide resident” comes up almost every year during the election process. Language has been drafted to alleviate the question ‘what is a bona fide resident’ and, in fact, to eliminate that requirement from the bylaws. During the April board meeting it came to our attention that opportunities for ‘gaming’ the election process existed within the proposed language.

Staff recommends the board make a motion to revise Article III, Section 2 of the bylaws as indicated in yellow below:

Article III – Directors Section 2 Qualifications and Tenure

“The territory served by the Cooperative shall be divided into four districts, and the directors shall be energy member residents of the respective districts, **as evidenced by an OPALCO membership with a residential meter in their name and** as hereafter provided.

District No. 1 shall include all territory lying South and West of a line beginning at the boundary between the United States and Canada, Northeast of Stuart Island; thence running in a Southeasterly direction to the East of Stuart and Spieden Islands through San Juan Channel; thence proceeding Southerly between Cattle and Davis Points through Middle Channel.

District No. 2 shall include all territory lying East and North of a line beginning on the boundary between the United States and Canada Northeast of Stuart Island and running thence Southeasterly to the East of Stuart and Spieden Islands and West of Flattop Island to a point West of Jones Island; thence Easterly to the North of Jones Island through Spring Passage and thence Easterly through North Pass and Pole Pass to the South of Orcas Island through Harney Channel; thence Southeasterly to the West of Blakely Island and through Thatcher Pass to the Skagit County line.

District No. 3 shall include all territory lying West of the Skagit County line and North of the Island County line and East of the East boundary of District No. 1, with the North boundary thereof commencing at the Skagit County line East of Blakely Island and running thence Westerly through Thatcher Pass; thence Northwesterly to the intersection of Harney Channel and Upright Channel North of Upright Head; thence Southwesterly through Upright Channel to its intersection with San Juan Channel.

District No. 4 shall include all territory, which is bounded on the South and West of District No. 1, on the North by District No. 2 and on the Southwest by District No. 3.

Each director shall serve for a term of three years, or until his successor shall have been elected and qualified, subject to the provisions of these bylaws with respect to the removal of directors. The election of directors and their terms of office shall be staggered as follows: ~~upon the expiration of the terms of the present directors, new directors shall be elected who are residents of their districts for three-year terms and shall be elected every third year thereafter (at this time the terms are: District No. 1 Directors, 2 years; District No. 2 Directors, 3 years; District No. 3 Directors, 1 year; and District No. 4 Director, 1 year.).~~ **District 1, District 2 and District 3 & 4 elections are to be rotated and held every third year, respectively. Once a candidate for election, a full three year rotation of the candidate's original District must be completed before a candidate may qualify to run again or re-establish primary residency in any other District, as related to the election.**

Nominations for directors shall be made each year as hereafter provided from persons residing in the respective districts from which directors are to be elected in that year. No energy member shall be eligible to become or remain a director of the Cooperative ~~who is not a bona fide resident in the district of the Cooperative he is to represent, or~~ who is employed by the Cooperative, or who is in any way employed by or financially interested in a competing enterprise or business

~~primarily engaged in selling electrical or plumbing appliances, fixtures, or supplies to members of the Cooperative.~~

When a membership is held jointly by a married couple, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director nor to hold a position of trust in the Cooperative unless both shall meet the qualifications here above set forth. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.”

MEMORANDUM

May 13, 2016

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: 2015 Financial Statement Audit Report

Orcas Power & Light Cooperative and Subsidiary Report of Independent Auditors and Financial Statements for December 31, 2015 and 2014, as audited by Moss Adams LLP, will be presented and discussed at the May Board meeting. A draft of the findings will be sent separately from the regular Board packet, with the final report presented at the May meeting.

Representatives of Moss Adams were onsite in the Eastsound office the week of March 28 through April 1. Olga Darlington, Business Assurance Senior Manager will be attending the May 19th board meeting to review the firm's audit findings and answer questions posed by the board.

Upon the conclusion of the audit review and board discussion, staff requests that the board make a motion to approve the OPALCO's Independent Auditors' Report and Financial Statements for December 31, 2015 and 2014, as audited by Moss Adams LLP.

MEMORANDUM

Date: May 13, 2016

To: Board of Directors

From: Foster Hildreth

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 (included under separate cover).

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, Q1 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:

- As anticipated Q1 Heating Degree Days (HDD) are down ~31% below normal levels, 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 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 (primarily Shaw).
- 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 budgeted in Q1 and interest in Snapshot Assessments are slowing. Related expenses 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. Inter-company charges are in accordance with IRS regulations.

MEMORANDUM

May 13, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Weather and Revenue Update

PURPOSE: Provide the Board with an update on weather trends for 2016 as it relates to budgeted revenue projections and discuss what indicators would cause the energy charge adjustment to be activated.

BUDGET ASSUMPTION: Based on a decreasing percentage of heating degree days expected in 2016, staff is projecting to sell a slightly lower amount of kilowatt-hours than OPALCO did in 2015. After two years of record high temperatures and the resulting declining heating load, our forecasts were intended to be very conservative.

STATUS: The four heating months of January, February, November and December are significant drivers for the year's revenue stream.

We can already see that revenue in April was significantly below budgetary projections, due to warmer temperatures. Power purchased in April 2016 was the lowest on record. Our budget assumptions are based on a changing weather pattern later in 2016 (see NEWS ITEMS below) that is predicted to bring colder temperatures in a La Niña pattern.

It's a calculated risk. We can already see our revenue falling short and are betting on the weather. If the La Niña colder temperatures do not appear by year end, it will be difficult to affect change in time to mitigate a 2016 revenue shortfall.

DISCUSSION: At this point, staff is not making any recommendations to implement the energy charge adjustment at this time, but draws attention to the emerging pattern and will be monitoring it carefully over the coming months.

IN THE NEWS:

<http://money.cnn.com/2016/05/04/news/economy/weather-la-nina-el-nino/>

First the good news: The worst El Niño in two decades is fading after causing billions in losses.

The bad news is that it's likely to be replaced by La Niña, a related weather pattern that can last much longer and do much more damage.

The U.S. National Oceanic and Atmospheric Administration says the conditions are such that La Niña could develop within the next six months. Australia's Bureau of Meteorology puts the chances at 50%.

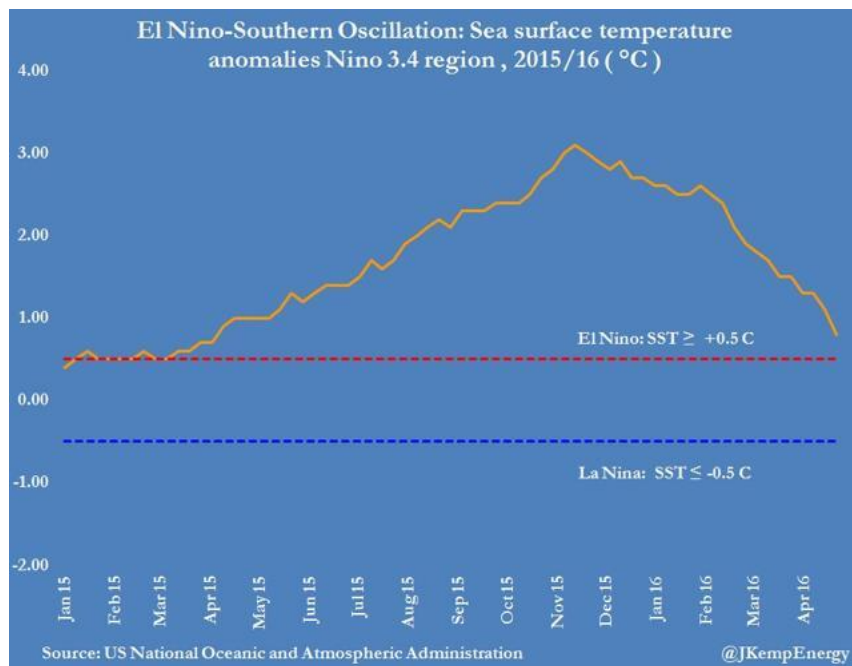
<http://seekingalpha.com/article/3971325-la-nina-coming-natural-gas-daily>

Summary

- El Nino is going away.
- La Nina is almost a certainty.
- Big boost for natural gas this winter.

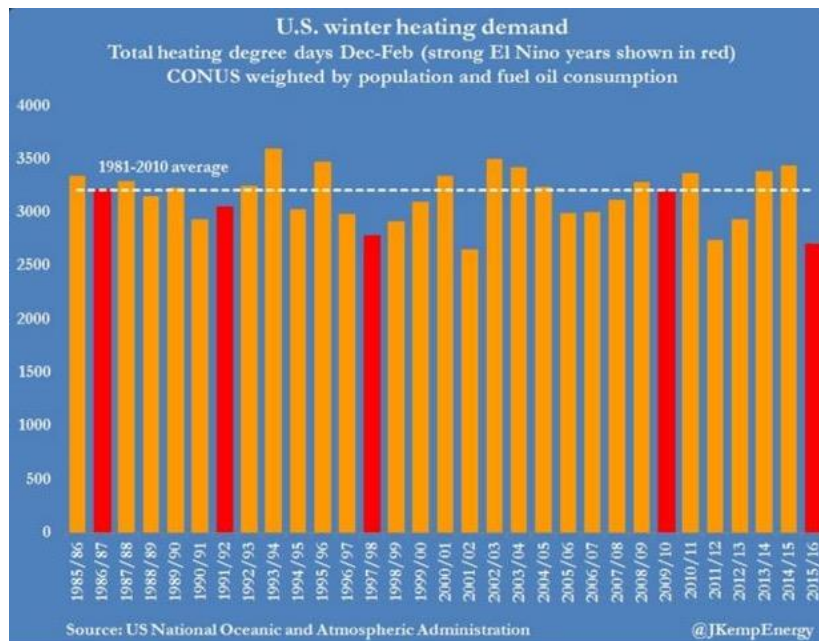
El Nino Is Almost Gone

El Nino-Southern Oscillation, or just warmer than 0.5C + Pacific Ocean surface temperature, is seeing a rapid decline as of the last NOAA update.



Current model trajectory has La Nina taking hold by mid-summer, while previous reports indicated a time frame of around fall. The significance of an "earlier" La Nina is quite

important to the natural gas market. Historically speaking, La Nina creates a colder-than-expected winter. If we look at heating degree days (HDD) over the 2015-16 winter, HDD was substantially lower than average.



Winter heating demand was nearly two standard deviations below the average, and this has a profound effect on the winter of 2016-17. As most market participants price in higher natural gas prices by winter, our analysis of the level of heating demand required is above consensus. We actually believe a winter closer to 2012-13 is expected as La Niña takes hold.

In a La Niña year, there are many variables that must be taken into account. In general, though, La Niña creates a much harsher winter environment in Canada, which could potentially boost AECO prices, and more "volatile" winter weather in the U.S. Northeast is usually colder than normal, while southwest is expected to be drier and warmer than normal. Winter conditions in the U.S. also varies depending on different oscillations that take effect during winter, but a strong La Niña could push more polar vortexes down into the U.S.

MEMORANDUM

May 13, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Election Process Outline

Staff intends to do a thorough review of the election/voting process for the OPALCO Board of Director election process with the goal of finalizing by the October board meeting. We are currently conducting a survey and the results will be used as one of the components in the decision making process. Survey results will be available at the June board meeting. At this meeting, staff would like a general discussion about that process, which broadly includes:

- Review survey results
- Member review mechanism
- Consolidate existing election process materials
- Work sessions
- Formalize Political Activity Statement
- Present proposed election process revision to board

MEMORANDUM

May 13, 2016

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Employee Updates for Election Neutrality

In April, the Board directed staff to create language in employee policy documents for OPALCO and Rock Island Communications that institutionalizes election neutrality for all employees. What follows are excerpts from OPALCO's Employee Handbook and Rock Island Policy 13 – Conflict of Interest with proposed language inserted **in yellow**.

This is the first step in a larger process to scrutinize OPALCO's entire election process, in the bylaws, policies and in practice. Staff is intending to perform a comprehensive review of the entire election process (with member input) later this fall. At the May board meeting, staff wishes to discuss with the Board a general "roadmap" of the process moving forward.

OPALCO EMPLOYEE HANDBOOK

There are four instances of changes (indicated **in yellow**) to the Employee Handbook under **Section VII: Standards of Conduct** as it relates to election neutrality:

1. Business Ethics
2. Use of Company Resources
3. Internet, E-mail, and Telephone Use
4. Social Media Guiding Principle

VII: Business Ethics

All employees must exercise the highest levels of integrity, ethics and objectivity in actions and relations that may affect OPALCO, including circumstances where the employee represents or negotiates on behalf of OPALCO. Employees must not misuse the authority of their positions in dealing with employees or any third parties.

- Employees are expected to be courteous and thoughtful with all members, co-workers, business contacts and competitors.
- Employees must disclose any conflict of interest that may influence, affect, or have the appearance of affecting, their decisions with respect to OPALCO. An employee has a conflict of interest when he or she has a direct or indirect interest in the outcome of a transaction, policy or decision due to the existence of a financial, romantic, familial, or close personal relationship.

- **Employees may not use their official capacity to advocate for or endorse candidates or issues related to any OPALCO election.**

- Employees may not solicit, request or accept any gratuity, kickback or special favors from customers, vendors, agencies, suppliers or contractors of OPALCO.
- Employees may not utilize for personal use any vehicles, premises or facilities owned or supplied by customers, vendors, suppliers or contractors of OPALCO.
- Entertainment of and/or gifts to customers or vendors should always be in good taste, modest and not of a character or amount that can influence the independent decision-making process.
- Discussions, meetings or arrangements with competitors on any subject that could possibly be in violation of antitrust laws are prohibited.
- All information contained within any internal memoranda and management reports must be true and correct to the best knowledge of the person preparing the memorandum or report.

Any violation of this policy should be brought to the attention of Administration or the General Manager as soon as is practicable.

VII: Use of Company Resources. Government Standards and Practices prohibit employees from using their official positions to obtain financial benefit or avoid financial detriment if the opportunity to do so arises only because of the holding of the position. Consequently, OPALCO resources, including computers, materials, services, and supplies, are to be used for OPALCO business. **Use of company resources to advocate for or endorse candidates or issues related to OPALCO elections is strictly forbidden.** While incidental use of our computers and telephones (other than long distance) is not forbidden, the use of OPALCO equipment and facilities for any personal use is discouraged, and you should seek alternate commercially available resources. If you have a personal need to use OPALCO resources, prior authorization must be obtained from your supervisor or department manager.

VII: Internet, E-mail, and Telephone Use

Access to the Internet, both web and e-mail, and the use of any telephone device is provided to OPALCO employees for the benefit of the Cooperative. Employees accessing these services could be seen as representing OPALCO and are responsible for ensuring that these services are used in an effective, ethical and lawful manner to conduct OPALCO business.

Ethical Use

- Employees utilizing the Internet, e-mail, or telephony devices are responsible for all content including text, audio, images, or voice they place or send over OPALCO electronic resources.

- Harassment of any kind is prohibited, including downloading, sending, storing or printing files, messages or images that are profane or obscene, or that use language that offends or degrades others.
- Messages with derogatory or inflammatory remarks about the race, color, sex, age, national origin, religion, marital status, sexual orientation, disability, or veteran status or any individual or group are prohibited.
- Uses of the internet, e-mail, and telephone devices that are prohibited include:
 - Personal activities that cause OPALCO to incur additional costs;
 - Personal activities that interfere with work performance;
 - Personal profit-making ventures;
 - Personal political activity;
 - **Advocacy for or endorsement of candidates or issues related to OPALCO elections;**
 - Unlawful activities, including installation, sending or receiving copyrighted materials in violation of copyright laws or license agreements;
 - Sending or posting OPALCO confidential materials or communications, or confidential materials of a third party, to anyone not entitled to have knowledge of or possess these materials;
 - Sending or posting chain letters or making threats to any individual.

VII: Social Media Guiding Principle

If you are creating or contributing to blogs, wikis, social networks, or any other kind of social media, these rules apply to you. If you are at work, you should not be using work time to access social media sites such as Facebook, Twitter, etc. In addition, OPALCO's access to the Internet is exclusively for business purposes. Employees may not use OPALCO's Internet access to make or view personal posts to social media sites, regardless of whether you are on working or non-working time.

OPALCO takes no position on an employee's decision to start or maintain an internet social media page on his/her own time and equipment. However, it is the right and duty of the Cooperative and a requirement that all OPALCO employees protect against unauthorized disclosure of confidential and propriety information.

- Using internet social media sites to post or communicate information regarding a member's account or person **or to advocate for or endorse candidates or issues related to OPALCO elections** is strictly prohibited and a violation of this policy. Employees who violate these requirements are subject to disciplinary action up to and including discharge.

- OPALCO respects the rights of employees to use internet social media as a medium of self-expression, public conversation and discussion of personal interests and affiliations or other lawful purposes, including but not limited to rights under Section 7 of the National Labor Relations Act.

ROCK ISLAND POLICY 13 – CONFLICT OF INTEREST

Language clarifying election neutrality is proposed **in yellow** as follows:

No employee of the Company shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation with a Company vendor, consultant, lender or contractor. Each individual shall disclose to both the SVP of Operations and EVP any personal interest that he or she may have in any matter pending before engagement and shall refrain from participation in any decision on such matter.

No employee of the Company shall participate in any discussion or vote on any matter in which he or she or a member of his or her immediate family has potential conflict of interest due to having material economic involvement regarding the matter being discussed. When such a situation presents itself, the employee must announce his or her potential conflict, disqualify himself or herself, and be excused from the meeting, if applicable, until discussion is over on the matter involved. The SVP's and EVP are expected to make inquiry if such conflict appears to exist and the employee has not made it known.

No employee of the Company shall use their official capacity to advocate for or endorse candidates or issues related to OPALCO elections.

Every employee shall refrain from obtaining any list of clients for personal or private solicitation purposes at any time during the term of their affiliation.

MEMORANDUM

May 13, 2016

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

At the April board meeting staff included the March work order close 219s for board approval. These were completed after the initial board packet went out. Staff is including the March 219s in the May board materials for informational purposes.

04/20/2016 3:30:56 pm

RUS Form 219 Inventory Of Work Orders

Period: MAR 2016 System Designation: WA AH O9

Page: 6

Inventory : 201603

Budget

| Loan | Project | Amount |
|---------------|---------|------------|
| 1 | 601 | 11,439.44 |
| 1 | 604.1 | 23,912.59 |
| 1 | 606 | 47,239.49 |
| 1 | 608 | 334,660.72 |
| Total: | | 417,252.24 |

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

04/20/2016 3:30:56 pm

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: MAR 2016

System Designation: WA AH O9

Inventory: 201603

| 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) | | | | | | | |
| 601 | 2013 | 1365 1365 | 1 | 2,332.42 | 536.04 | 0.00 | 0.00 AFUDC: 15.30 | 0.00 | 2,853.16 |
| 601 | 2014 | 2055 2055 | 1 | 8,236.22 | 430.39 | 0.00 | 0.00 AFUDC: 80.33 | 0.00 | 8,586.28 |
| | | | | 10,568.64 | 966.43 | 0.00 | 0.00 | 0.00 | 11,439.44 |
| 604.1 | 2013 | 1535 | 1 | 23,964.39 | 0.00 | 0.00 | 0.00 AFUDC: 51.80 | 0.00 | 23,912.59 |
| | | | | 23,964.39 | 0.00 | 0.00 | 0.00 | 0.00 | 23,912.59 |
| 606 | 2014 | 1661 1661 | 1 | 46,665.22 | 1,306.27 | 61.80 | 0.00 AFUDC: 670.20 | 0.00 | 47,239.49 |
| | | | | 46,665.22 | 1,306.27 | 61.80 | 0.00 | 0.00 | 47,239.49 |
| 608 | 2014 | 2225 2225 | 1 | 49,707.79 | 757.46 | 57.19 | 0.00 AFUDC: 232.58 | 0.00 | 50,175.48 |
| 608 | 2015 | 1819 1819 | 1 | 290,471.53 | 2,061.56 | 0.00 | 0.00 AFUDC: 8,047.85 | 0.00 | 284,485.24 |
| | | | | 340,179.32 | 2,819.02 | 57.19 | 0.00 | 0.00 | 334,660.72 |
| Grand Totals: | | | | \$ 421,377.57 | \$ 5,091.72 | \$ 118.99 | \$ 0.00 | \$ 0.00 | \$ 417,252.24 |

04/20/2016 3:30:56 pm

Page: 7

RUS Form 219 Inventory Of Work Orders

Period: MAR 2016

System Designation: WA AH O9

Inventory : AM1603

Budget

| Loan | Project | Amount |
|---------------|---------|----------|
| 1 | 1600 | 7,729.87 |
| Total: | | 7,729.87 |

ENVIRONMENTAL CERTIFICATION

- 1 ☐ WE CERTIFY THAT CONSTRUCTION REPORTED ON THE LISTED WORK ORDERS (EXCEPT CERTIFICATION "2" BELOW), IS A CATEGORICAL EXCLUSION OF A TYPE DESCRIBED IN 7 CFR 1794.31 (b) WHICH NORMALLY DOES NOT REQUIRE PREPARATION OF A BORROWER'S ENVIRONMENTAL REPORT.
- 2 ☐ WE CERTIFY THAT CONSTRUCTION REPORTED ON WORK ORDERS _____, IS A CATEGORICAL EXCLUSION OF A TYPE THAT NORMALLY REQUIRES A BORROWER'S ENVIRONMENTAL REPORT WHICH IS ATTACHED.

SIGNATURE (MANAGER)

DATE

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

04/20/2016 3:30:56 pm

Page: 3

RUS Form 219 Inventory Of Work Orders

Period: MAR 2016

System Designation: WA AH O9

Inventory: AM1603

| 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) | | |
| 1600 | 2015 | 2266 | | | | | | | |
| | | 2266 | 1 | 6,145.24 | 1,621.76 | 0.00 | 0.00 | 0.00 | 7,729.87 |
| | | | | | | | AFUDC: 37.13 | | |
| | | | | 6,145.24 | 1,621.76 | 0.00 | 0.00 | 0.00 | 7,729.87 |
| Grand Totals: | | | | \$ 6,145.24 | \$ 1,621.76 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 7,729.87 |

Minor Construction Work Orders

Work Order: 2266 - MINOR PROJECTS / CONVERSION

04/20/2016 3:30:56 pm

RUS Form 219 Inventory Of Work Orders

Page: 8

Period: MAR 2016

System Designation: WA AH O9

Inventory : AN1603

Budget

| Loan | Project | Amount |
|---------------|---------|------------|
| 1 | 706 - 3 | 480,962.56 |
| Total: | | 480,962.56 |

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

04/20/2016 3:30:56 pm

Page: 4

RUS Form 219 Inventory Of Work Orders

Period: MAR 2016

System Designation: WA AH O9

Inventory: AN1603

| Loan | | Work Order Construction (1) | Bdgt (3) | Gross Funds Required | | Deductions | | | 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) | Contrib In Aid Of Constr and Previous Advances (8) | |
| 706 - 3 | 2014 | 1591 | 1 | 112,547.11 | 0.00 | 0.00 | 0.00 | 0.00 | 109,601.66 |
| | | | | | | | AFUDC: 2,945.45 | | |
| 706 - 3 | 2014 | 1610 | 1 | 34,957.78 | 0.00 | 0.00 | 0.00 | 0.00 | 34,535.61 |
| | | | | | | | AFUDC: 422.17 | | |
| 706 - 3 | 2014 | 1618 | 1 | 90,695.30 | 0.00 | 0.00 | 0.00 | 0.00 | 86,558.17 |
| | | | | | | | AFUDC: 4,137.13 | | |
| 706 - 3 | 2014 | 1628 | 1 | 52,205.18 | 0.00 | 0.00 | 0.00 | 0.00 | 51,229.29 |
| | | | | | | | AFUDC: 975.89 | | |
| 706 - 3 | 2014 | 2047 | 1 | 96,677.55 | 0.00 | 0.00 | 0.00 | 0.00 | 95,313.76 |
| | | | | | | | AFUDC: 1,363.79 | | |
| 706 - 3 | 2014 | 2052 | 1 | 9,660.87 | 0.00 | 0.00 | 0.00 | 0.00 | 9,493.84 |
| | | | | | | | AFUDC: 167.03 | | |
| 706 - 3 | 2014 | 2089 | 1 | 35,120.89 | 0.00 | 0.00 | 0.00 | 0.00 | 34,507.21 |
| | | | | | | | AFUDC: 613.68 | | |
| 706 - 3 | 2014 | 2269 | 1 | 30,925.75 | 0.00 | 0.00 | 0.00 | 0.00 | 30,771.29 |
| | | | | | | | AFUDC: 154.46 | | |
| 706 - 3 | 2014 | 2314 | 1 | 29,192.83 | 0.00 | 0.00 | 0.00 | 0.00 | 28,951.73 |
| | | | | | | | AFUDC: 241.10 | | |
| | | | | 491,983.26 | 0.00 | 0.00 | 0.00 | 0.00 | 480,962.56 |
| Grand Totals: | | | | \$ 491,983.26 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 480,962.56 |

MEMORANDUM

Date: May 13, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Subject: Safety Program – April 2016

Safety Training

Jeff Myers and Fred Naught, WA LNI High Voltage Consultant, conducted training on switching procedures. He also inspected the facilities and made recommendations to the safety manual and switching procedures documents. The safety committee will be reviewing all findings for follow-up.

There was an accident involving a lineman on May 4th. The safety committee is investigating. The lineman injured is back to full duties with no restrictions. There will be further information available during the board meeting and accounted for in the June board meeting materials.

Accidents/Incidents/Near Miss

None

| | April 2016 | YTD (2016) |
|--------------------|-------------------|-------------------|
| Near Misses | 0 | 0 |
| Incidents | 0 | 0 |
| Accidents | 0 | 0 |
| Loss Time | 0 | 0 |

Total Hours Worked without Loss Time Accident: 44,891

GENERAL MANAGER'S REPORT

May 13, 2016

ENGINEERING, OPERATIONS AND TECHNICAL SERVICES

WIP

As of 5/12/2016, there are 350 work orders open totaling \$4,142,943. Of those, Operations has completed construction on 72 work orders, totaling \$951,537. Portland Fair URD replacement project started early this month with hopes to complete all conduit work prior to the county's resurfacing project. Michel's is conducting work on Tucker and Guard Streets for a Town of Friday Harbor Project and also on Pear Point Road.

Submarine Cables

Contractors will begin trenching for the installation of the vault and conduit system from Otis Perkins Park to the Lopez Submarine Cable Terminal in anticipation for the installation of this portion of the cable in June.

FINANCE

2015 Year-End Audited Consolidated Financial Statements

Moss Adams' representative, Olga Darlington, will be attending the May board meeting to present and answer any questions related to the content of the finalized 2015 audited financial statements.

2016 1st Quarter Financial Results Statements and Capital Projects

Staff will be presenting the 2016 1st quarter financial results and analysis for discussion with the board at the May board meeting.

MEMBER SERVICES and ENERGY SAVINGS

Staff is working to schedule training on various subjects to enhance the skills and knowledgebase of Member Services. Staff is also interviewing candidates for a full-time Member Services Representative position to fill a vacancy in Eastsound.

Energy Savings

Staff has calculated kWh production incentives to Member Generators for net energy supplied to OPALCO, and paid \$1,797.70 to members the first week of May for their annual production (less annual usage). Of all the interconnected members (209 as of 04/30/16), 45 produced over 37,000 kWh more than they consumed throughout the year. In July OPALCO will be calculating the WA State tax incentives to participating interconnect members for the total energy produced.

ANNUAL MEETING

Results

District 3 Vote Counts

Silverstein – 1,422

Lett – 1,100

Lewis – 989

Stephens – 750

District 4 Vote Counts

Whitfield – 1,207

Jacobs – 1,013

Member-Initiated Bylaw Amendment*

Against – 1,301

For – 863

Annual Meeting Links

Media releases went out and results are posted on our website:

<https://www.opalco.com/newsroom/>.

Vince's talk on grid modernization is also posted online in a video form (<https://www.youtube.com/watch?v=YhLhcgNjD64&feature=youtu.be>) and as a transcript (<https://www.opalco.com/wp-content/uploads/2016/05/Vince-Dauciunas-2016-Grid-Modernization-Text.pdf>) on our "Modernization" page under Power + Safety.

Member feedback on the 2016 Annual Report has been positive. Limited copies of the print publication are available in OPALCO offices and the full annual report is posted online: <https://www.opalco.com/annualreport/>.

Member Survey on Annual Meeting & Election

The member survey went out to about 200 members (those with email addresses) who attended the annual meeting. In the first 24 hours, 53.6% opened the survey and began to click through the 9 questions. Please take the survey, if you haven't already: www.opalco.com/annualmeetingsurvey. The deadline for survey participation is May 27th. Results will be posted online and shared in the June board materials.

Rock Island Communications May 2016 Update

Quick Summary

Major fiber construction projects continue 11 separate projects underway during April. We added 23 new Fiber Connections during the month. We are currently running 12 connections YTD behind plan. The End of March and April saw a majority of contractor time devoted to backbone construction as the county has started releasing segment permits at a few per week. Given this backlog we pulled some contractors from neighborhoods to focus on getting critical segments advancing. This will significantly boost our ability to deliver service to neighborhoods in the pipeline as well as Individual Connections along the backbone, particularly on San Juan Island.

17 LTE Fixed Wireless sites are active and we added 65 new LTE customers. We are running 39 ahead of YTD plan. We are expecting our next major round of LTE sites to come online in June and July as we move towards our year end goals. Some adjustments are being made in the design to improve coverage as we learn how each site is performing.

Since Jan 1st we have averaged 5.6 new Fiber/LTE connections each working day

Major Projects Summary

CAPE SAN JUAN (Phase 2): 55% of Total Project Complete

- Multiple last miles under way
- Middle mile 98% complete
- Communications to residence have been going out and will continue with the help of FGOs Jim Hooper and Kurt McMillen
- Backhaul via fiber has begun

WHISKEY HILL: 55% of Total Project Complete

- 21 of 57 connected
- Middle mile construction 100%, fiber and splicing complete
- Middle mile cost came in under budget!
- Last mile digs continue

SALMON POINT: 45% of Total Project Complete

- Middle Mile 100% complete
- Last Miles being dug
- Backbone dependent; no lit fiber until the fall

CAYOU VALLEY: 50% of Total Project Complete

- Middle Mile 100% complete
- Paperwork in process on 14 homes
- Last Mile digs ready for 2 residences

MATIA VIEW: 45% of Total Project Complete

- All Last Miles are complete
- Backbone and active site dependent
- Final Installs will begin once backbone is lit

ROCHE HARBOR HOA: 10% of Total Project Complete

- Conduit proofed and vaulted

BROWN ISLAND: 40% of Total Project Complete

- Middle Mile excavation is complete
- Last Miles are ready to begin
- Radio backhaul (air fiber) is being built next week

MORLEY DRIVE (4): 45% of Total Project Complete

- Joint water project
- Middle Mile currently underway

KAREN LN ON ORCAS ISLAND (7): 5% of Total Project Complete

- Joint water project
- Middle Mile underway

WALKER DRIVE (5): 5% of Total Project Complete

- Middle Mile underway

INDIAN POINT ON ORCAS ISLAND: 45% of Total Project Complete

- Middle Mile 90% complete
- 1G circuit connection

COMPLETED PROJECTS

- Eagle Lake on Orcas Island
- Alder Cottages on Orcas Island
- Alder Forest on Orcas Island
- Seattle Pacific University on Blakely Island
- Mineral Heights on San Juan Island
- Mineral Point on San Juan Island
- The Highlands on San Juan Island
- Cape San Juan Part 1 on San Juan Island
- Morning Light on Orcas Island
- Spring Point on Orcas Island
- LCLT Tuatara Rd on Lopez Island
- The Hamlet on Lopez Island

MAJOR PROJECTS UNDERWAY

- Guard Tucker Rebuild (Downtown Friday Harbor street scape)
- Pear Point to Argyle Under build (2.5 miles of under build on San Juan)
- Moran State Backbone fiber extension Loop
- Little Rd to Cape SJ

INDIVIDUALS

Continued push for individual connections all over the county. Contractor resources is becoming stretched in getting to all locations to complete tasks.

- 100 Individual connections are in the construction and near term pipeline with more on the way
- New routes for Individual Connections will roll out as they as backbone fiber segment are completed.

VoiP Rollout

- We continue to roll out VoiP to existing customers. We are connecting multiple people each day with a total of 100+ Ooma Telo's online.
- UPS battery backups going out with VoiP-enabled modems, continued delay due to manufacture issue on the cable. Deployment to begin in June
- Business customers now have to ability to receive a unique functionality set within the OOMA platform.
- Rock Island now carries the full suite of Ooma accessories in both retail stores

LTE Rollout Project

- 17 poles are up, commissioned and lit and all have more customers coming online on a daily basis
- Customer response continues to be beyond our expectations
- Next sites to be lit will be West Valley/Boyce
- Construction of the remaining 14 poles in the ground begins in 6 weeks
- Our largest outstanding LTE issue is being handled now with Salesforce and our new billing system Zuora. Outside of that is the reliability of our wireless backhaul at the Cape
- We are working on completing locations for the remaining sites as we bridge coverage gaps in the network

Fiber Sales Pipeline

- Commitments, many with final designs and payment. This represent more than 250 upcoming fiberhood connections:
 - Harney View on Orcas (35+)

- Garry Oak on San Juan (12)
 - Portland Fair Area on San Juan (35)
 - Panorama Place on San Juan (12)
 - Humphrey Head on Lopez (2)
 - Ruggles on Lopez (3)
 - Eastsound Village (30*)
 - Geisers Way (14)
 - Rosario Group A (12)
 - Hilltop on Lopez (40)
 - Calypso/Melody Ln
 - Otter's Pond on Orcas Island (7)
 - Sea Ranch on Lopez Island (20)
- Actively in discussion with 25 other communities
 - Dozens more behind them

Operational Software Support

We continue to roll out new software to support our team with the goals ahead. This new software suite will deliver operational efficiencies, give us new and deeper reporting functionality, along with business accountability far beyond our current state. Best of all, we will be able to catch, track and manage inbound calls and email inquiries. Software rollout included:

- Service Order (CIAC) generation and automation
- Fiber manager/Arc GIS (working with OPALCO)
- Customer management and NEW billing system
- Customer support and ticketing system
- Customer onboarding and registration for FTTH & LTE customers
- Remote management for LTE devices

DASHBOARD: ROCK ISLAND COMMUNICATIONS

SUBSCRIBERS

| Business Plan Subscribers | 2015 | 2016 Business Plan Subscribers | | | | | | | | | | | | 2016 | 2016 |
|---------------------------|------|--------------------------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------------------------|------------------------|
| | | January | February | March | April | May | June | July | August | September | October | November | December | Period End (Apr) Business Plan | Year End Business Plan |
| Fiber | 500 | 35 | 35 | 35 | 40 | 40 | 40 | 55 | 55 | 55 | 45 | 45 | 45 | 145 | 1,025 |
| LTE | 608 | 60 | 60 | 60 | 125 | 125 | 125 | 125 | 125 | 125 | 75 | 75 | 75 | 305 | 1,155 |
| Total | | 95 | 95 | 95 | 165 | 165 | 165 | 180 | 180 | 180 | 120 | 120 | 120 | 450 | 2,180 |

| ACTUAL Subscribers | 2015 | 2016 Actual Subscribers | | | | | | | | | | | | 2016 | 2016 |
|--------------------|------|-------------------------|------------|------------|-----------|----------|----------|----------|----------|-----------|----------|----------|----------|-------------------------|-----------------|
| | | January | February | March | April | May | June | July | August | September | October | November | December | Period End (Apr) Actual | Year End Actual |
| Fiber | 489 | 29 | 35 | 46 | 23 | - | - | - | - | - | - | - | - | 133 | 622 |
| LTE | - | 39 | 115 | 125 | 65 | - | - | - | - | - | - | - | - | 344 | 344 |
| Total | | 68 | 150 | 171 | 88 | - | - | - | - | - | - | - | - | 477 | 966 |

| VARIANCE Subscribers | 2015 | 2016 Variance Subscribers | | | | | | | | | | | | 2016 | 2016 |
|--|--------------|---------------------------|-----------|-----------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------------|-------------------|
| | | January | February | March | April | May | June | July | August | September | October | November | December | Period End (Apr) Variance | Year End Variance |
| Fiber | (11) | (6) | - | 11 | (17) | (40) | (40) | (55) | (55) | (55) | (45) | (45) | (45) | (12) | (392) |
| LTE | (608) | (21) | 55 | 65 | (60) | (125) | (125) | (125) | (125) | (125) | (75) | (75) | (75) | 39 | (811) |
| Total Variance (Actual - Business Plan) | (619) | (27) | 55 | 76 | (77) | (165) | (165) | (180) | (180) | (180) | (120) | (120) | (120) | 27 | (1,203) |

REVENUE

| Business Plan Revenue | | 2016 Business Plan Revenue | | | | | | | | | | | | 2016 | 2016 |
|-----------------------|--|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------------------|------------------------|
| | | January | February | March | April | May | June | July | August | September | October | November | December | Period End (Apr) Business Plan | Year End Business Plan |
| Subscribers | | | | | | | | | | | | | | | |
| Fiber | | 73,030 | 73,030 | 73,030 | 85,427 | 85,427 | 85,427 | 99,227 | 99,227 | 99,227 | 112,313 | 112,313 | 112,313 | 304,517 | 1,109,990 |
| LTE | | 6,300 | 6,300 | 6,300 | 25,725 | 25,725 | 25,725 | 51,975 | 51,975 | 51,975 | 75,600 | 75,600 | 75,600 | 44,625 | 478,800 |
| DSL/Canopy | | 66,333 | 66,333 | 66,333 | 63,333 | 63,333 | 63,333 | 60,000 | 60,000 | 60,000 | 56,667 | 56,667 | 56,667 | 262,333 | 739,000 |
| IT Services | | 21,069 | 21,069 | 21,069 | 24,878 | 24,878 | 24,878 | 34,402 | 34,402 | 34,402 | 25,744 | 25,744 | 25,744 | 88,084 | 318,278 |
| Total | | \$166,732 | \$166,732 | \$166,732 | \$199,363 | \$199,363 | \$199,363 | \$245,604 | \$245,604 | \$245,604 | \$270,324 | \$270,324 | \$270,324 | \$699,559 | \$2,646,068 |

| ACTUAL Revenue | Current | 2016 Actual Revenue | | | | | | | | | | | | 2016 | 2016 |
|----------------|---------|---------------------|------------------|------------------|------------------|------------|------------|------------|------------|------------------------|------------|------------|------------|-------------------------|-----------------|
| | ARPU | January | February | March | April | May | June | July | August | September ⁴ | October | November | December | Period End (Apr) Actual | Year End Actual |
| Fiber | \$ 90 | 59,545 | 72,644 | 73,986 | 68,371 | - | - | - | - | - | - | - | - | 274,546 | 274,546 |
| LTE | \$ 50 | 4,972 | 7,230 | 16,481 | 22,074 | - | - | - | - | - | - | - | - | 50,757 | 50,757 |
| Voip | | 714 | 1,368 | 1,748 | 1,877 | - | - | - | - | - | - | - | - | 5,708 | 5,708 |
| DSL/Canopy | | 72,308 | 71,342 | 70,140 | 69,121 | - | - | - | - | - | - | - | - | 282,911 | 282,911 |
| IT Services | | 22,993 | 33,274 | 18,596 | 27,052 | - | - | - | - | - | - | - | - | 101,915 | 101,915 |
| Total | | \$160,532 | \$185,858 | \$180,951 | \$188,496 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$715,837 | 715,837 |

| VARIANCE Revenue | | 2016 Variance Revenue | | | | | | | | | | | | 2016 | 2016 |
|--|--|-----------------------|---------------|---------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|-------------------|
| | | January | February | March | April | May | June | July | August | September | October | November | December | Period End (Apr) Variance | Year End Variance |
| Subscribers | | | | | | | | | | | | | | | |
| Fiber | | (13,485) | (386) | 956 | (17,056) | (85,427) | (85,427) | (99,227) | (99,227) | (99,227) | (112,313) | (112,313) | (112,313) | \$ (29,971) | \$ (13,871) |
| LTE | | (1,328) | 930 | 10,181 | (3,651) | (25,725) | (25,725) | (51,975) | (51,975) | (51,975) | (75,600) | (75,600) | (75,600) | \$ 6,132 | \$ (398) |
| Voip | | 714 | 1,368 | 1,748 | 1,877 | - | - | - | - | - | - | - | - | \$ 5,708 | \$ 2,082 |
| DSL/Canopy | | 5,975 | 5,009 | 3,807 | 5,788 | (63,333) | (63,333) | (60,000) | (60,000) | (60,000) | (56,667) | (56,667) | (56,667) | \$ 20,578 | \$ 10,983 |
| IT Services | | 1,924 | 12,205 | (2,473) | 2,174 | (24,878) | (24,878) | (34,402) | (34,402) | (34,402) | (25,744) | (25,744) | (25,744) | \$ 13,831 | \$ 14,130 |
| Total Variance (Actual - Business Plan) | | (6,200) | 19,126 | 14,219 | (10,867) | (199,363) | (199,363) | (245,604) | (245,604) | (245,604) | (270,324) | (270,324) | (270,324) | 16,278 | 12,926 |
| Variance % | | -3.7% | 11.5% | 8.5% | -5.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 2.3% | 0.5% |

MEMORANDUM





































May 13, 2016

To: Board of Directors

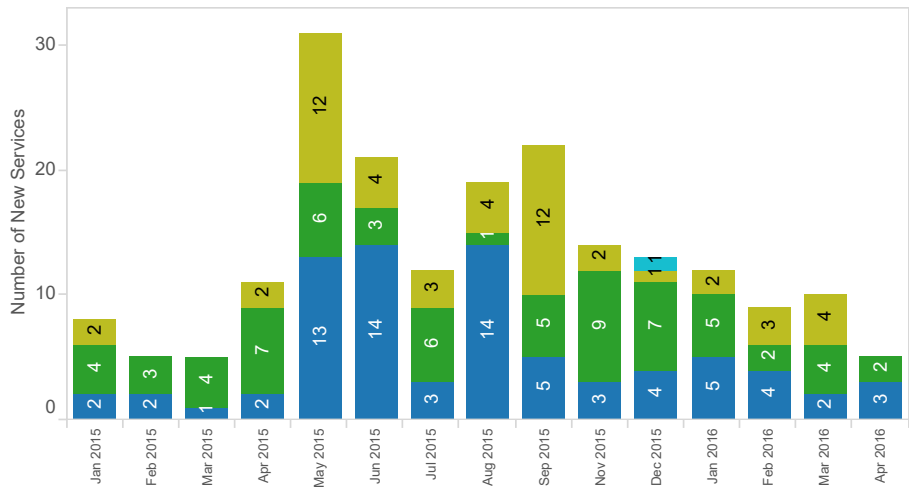
From: Foster Hildreth, General Manager

Subject: Dashboard

Attached please find the latest version of our dashboard charts. Please remember these charts are a work in progress that will evolve over the coming months. The chart listed below indicates their status.

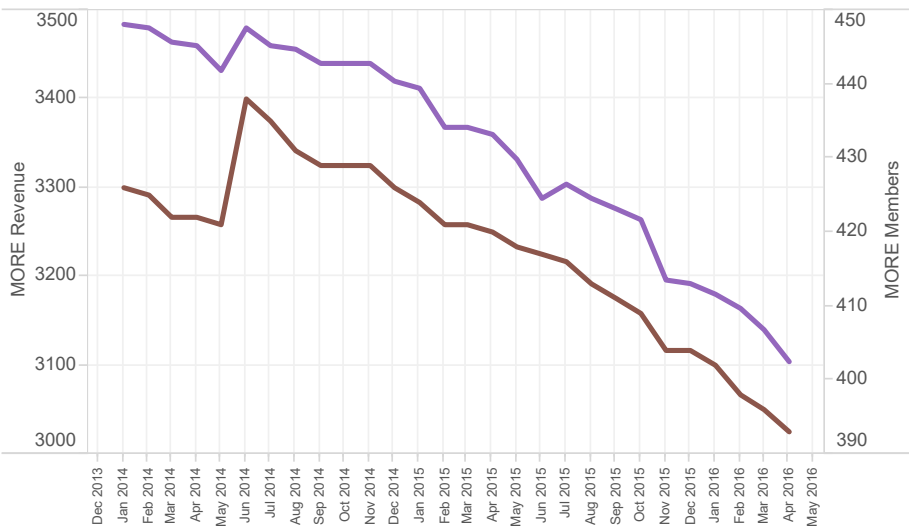
| Title | Status | | | Comment |
|-------------------------------------|---|---|---|---------------------------------------|
| Service Additions by Board District |  |  |  | Continued new services |
| PAL and Energy Assist. Prog. |  |  |  | Funding through the tariffs will help |
| MORE/All Green |  |  |  | Continued decline in participation |
| Cash |  |  |  | Pursuant to Board Directives |
| Revenue |  |  |  | Pursuant to Board Directives/budget |
| Margins |  |  |  | Pursuant to Board Directives/budget |
| TIER |  |  |  | Stable due to CRC |
| Equity |  |  |  | Pursuant to Board Directives/budget |
| Debt |  |  |  | Pursuant to Board Directives/budget |
| Outage Summary |  |  |  | Trending is level |
| Outage Statistics |  |  |  | Durations above Industry Trends |
| Power Cost |  |  |  | Below budget |

Services Additions by Board District
(excluding transfers)



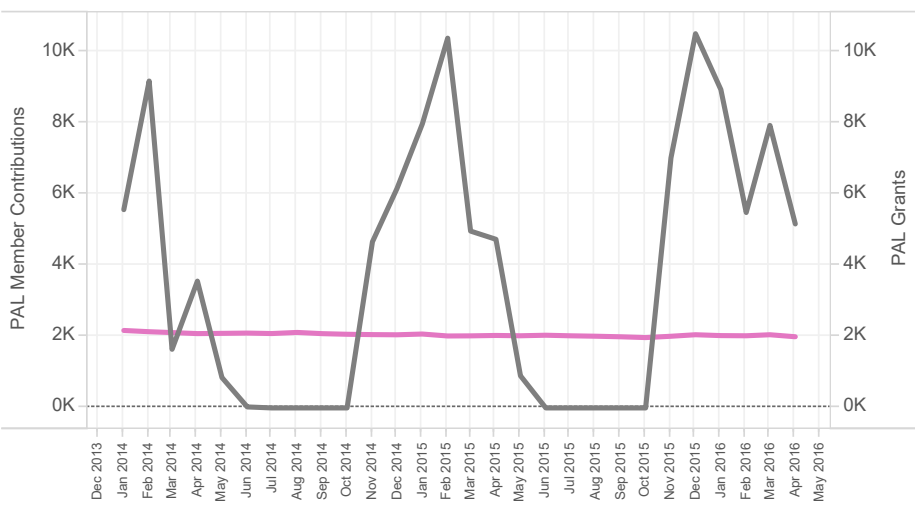
- District 4 - Shaw, Bell, Canoe, and Crane
- District 3 - Lopez, Decatur, Center, and Charles
- District 2 - Orcas, Blakely, Obstruction, Armitage, Bid Double, Little Double, and Fawn
- District 1 - San Juan, Brown, Henry, Pearl, and Spieden

MORE



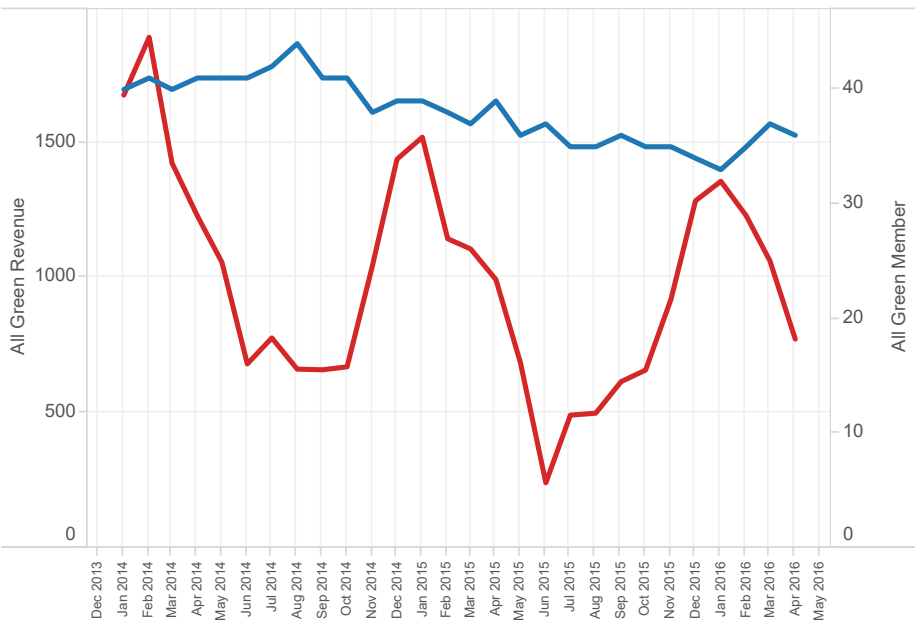
- MORE Members
- MORE Revenue

PAL

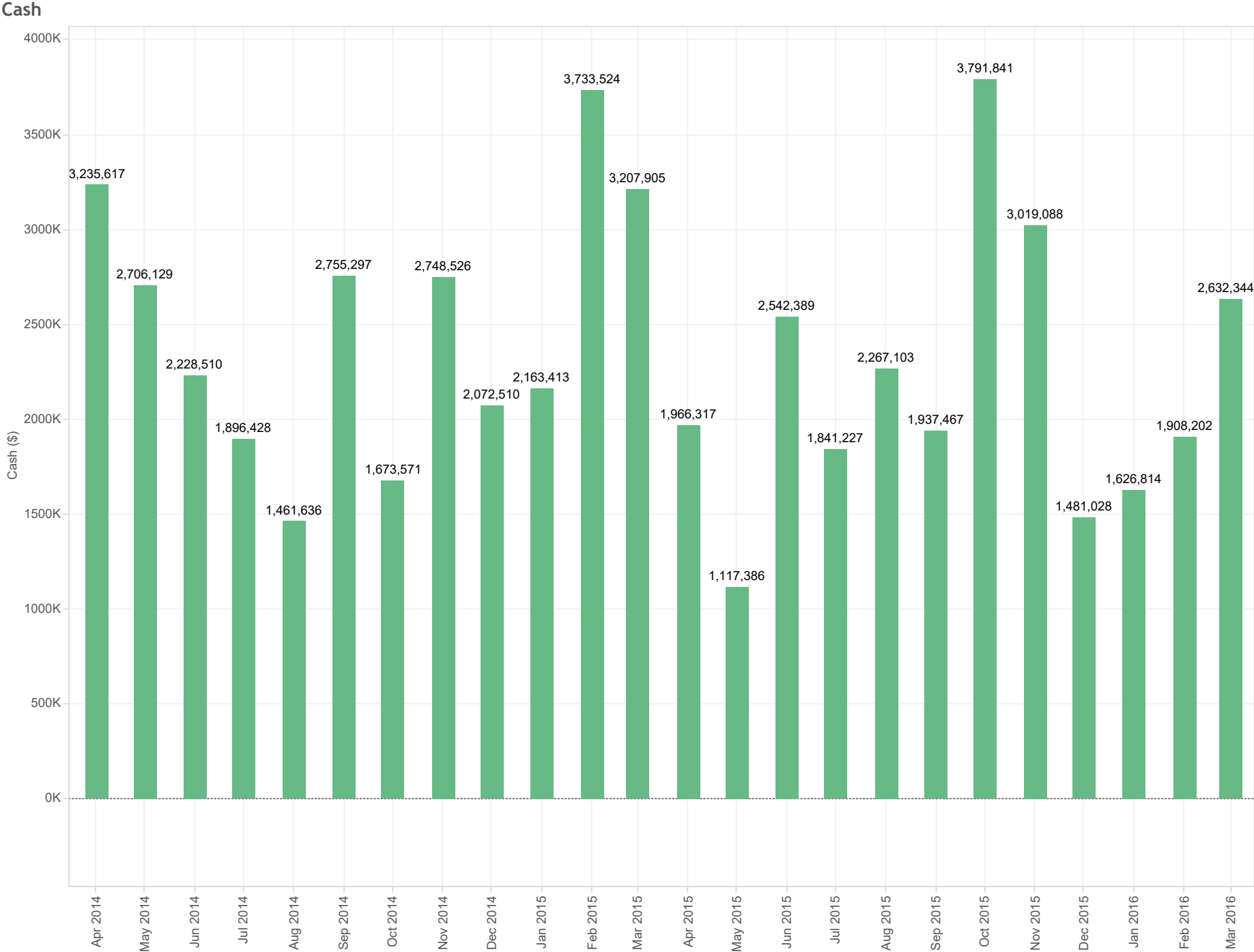


- PAL Grants
- PAL Member Contributions

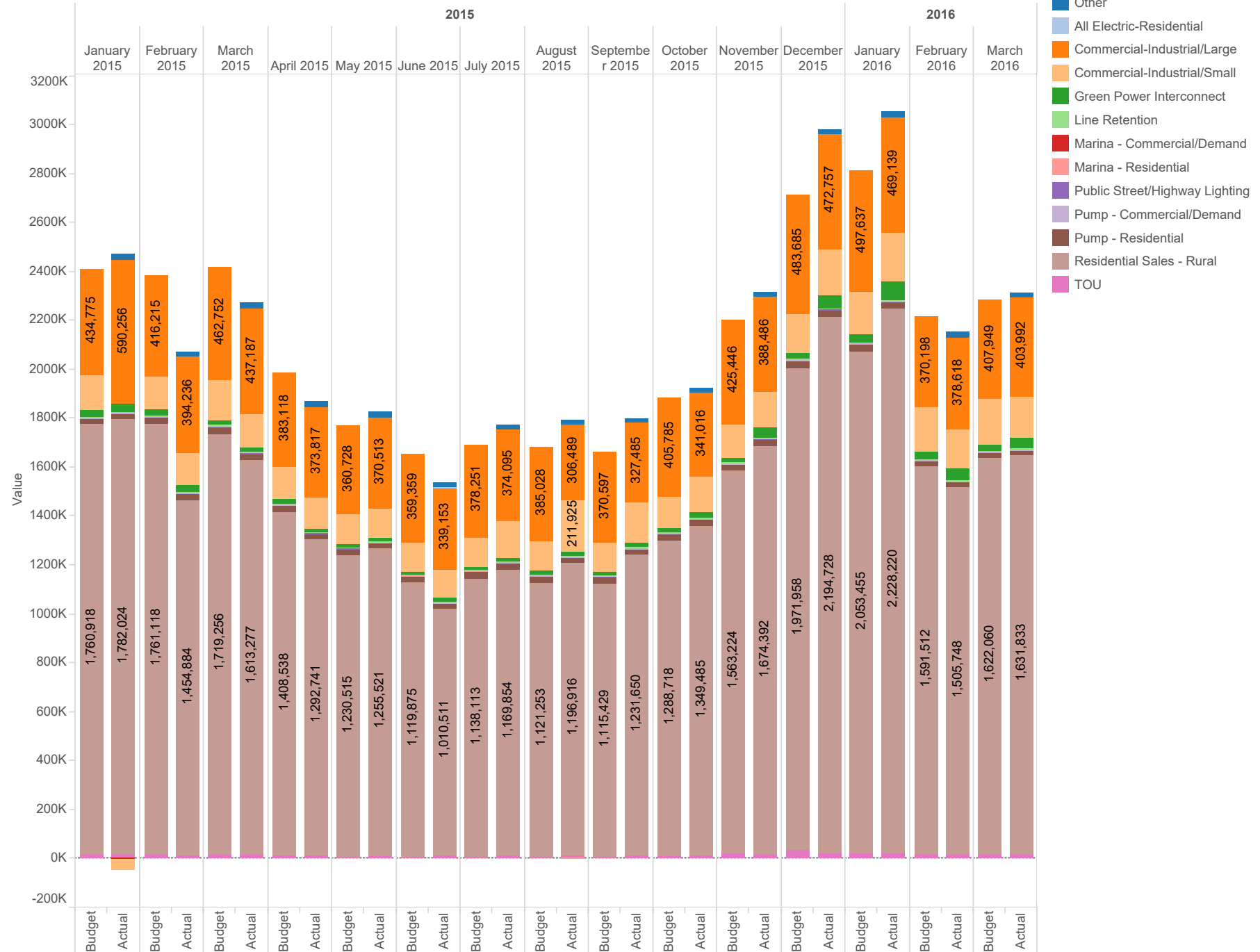
All Green



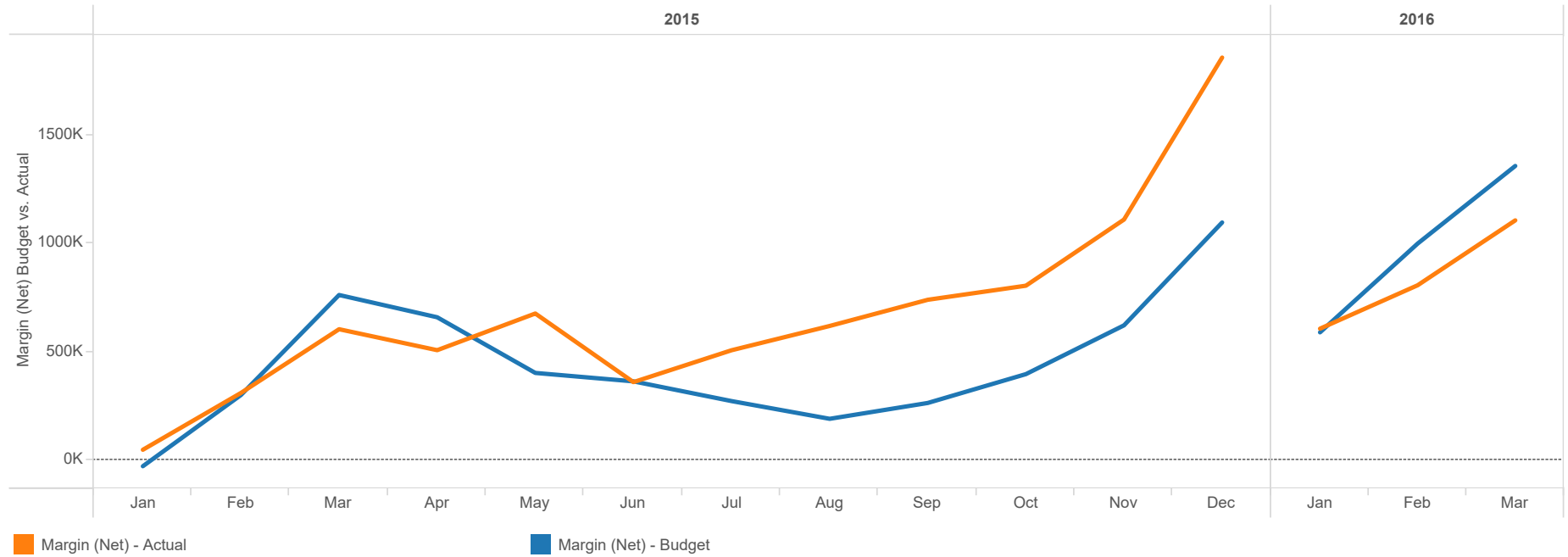
- All Green Member
- All Green Revenue



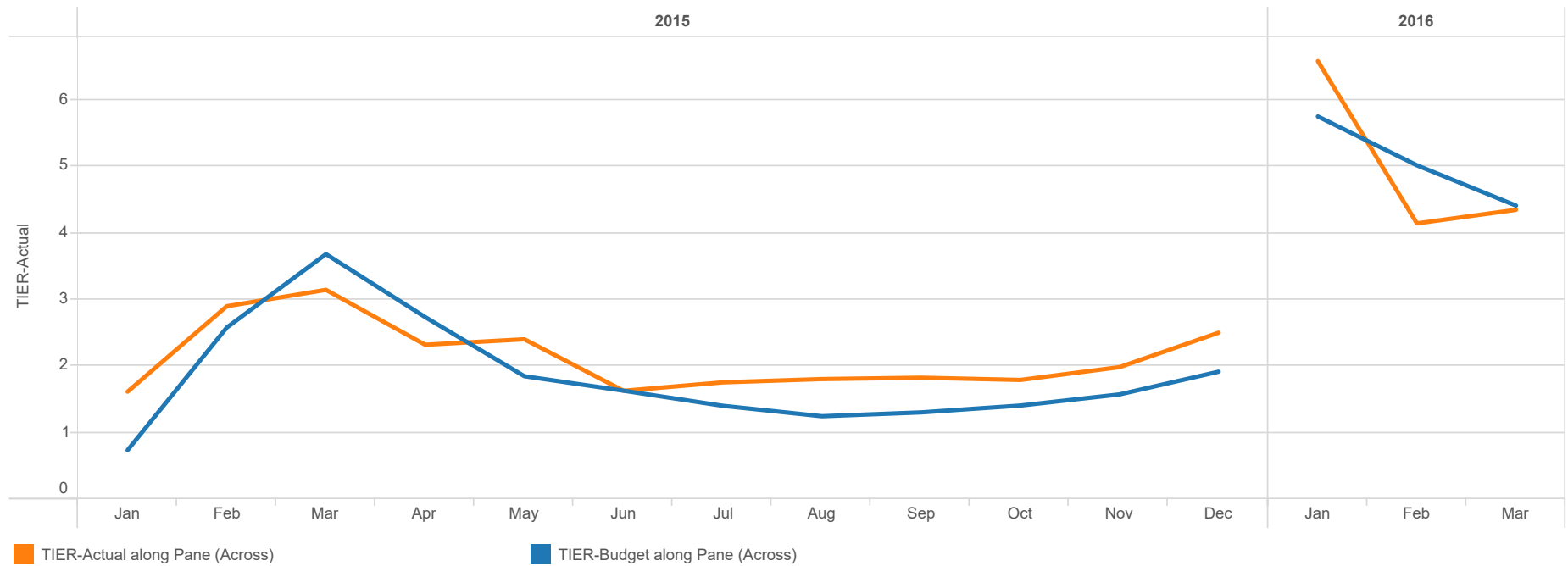
Revenue by Rate

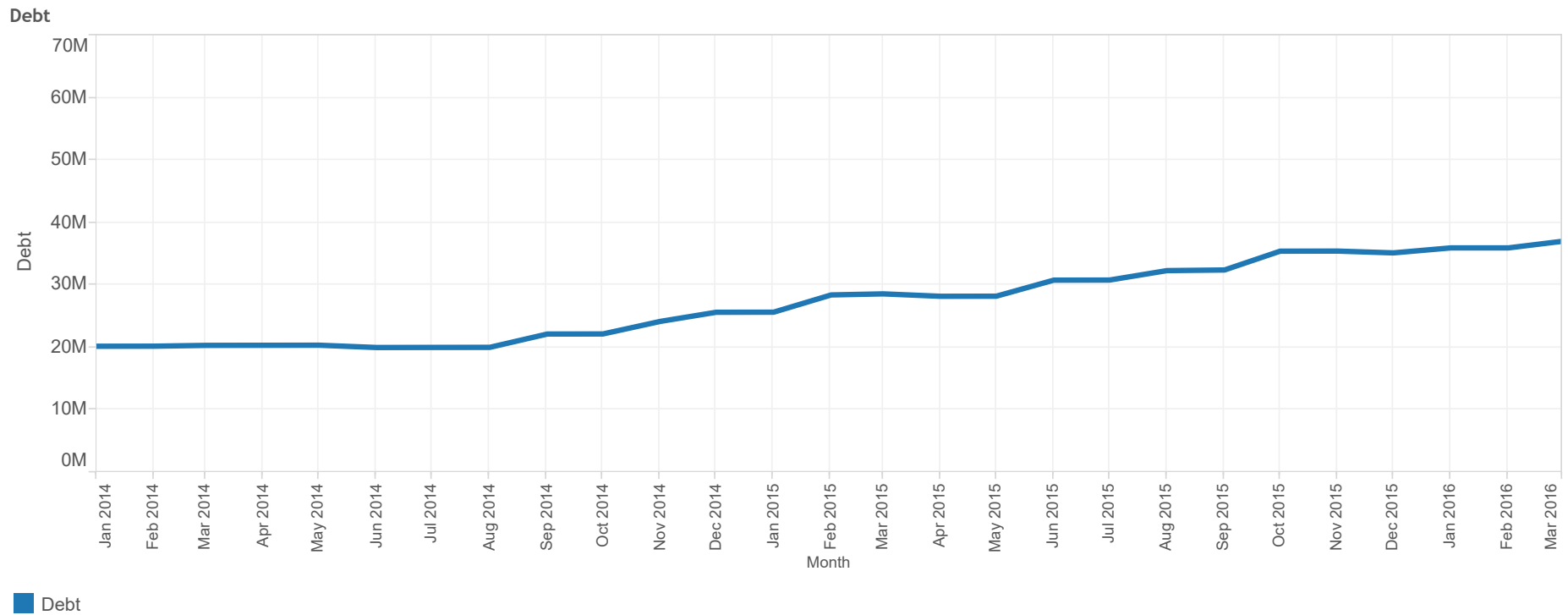
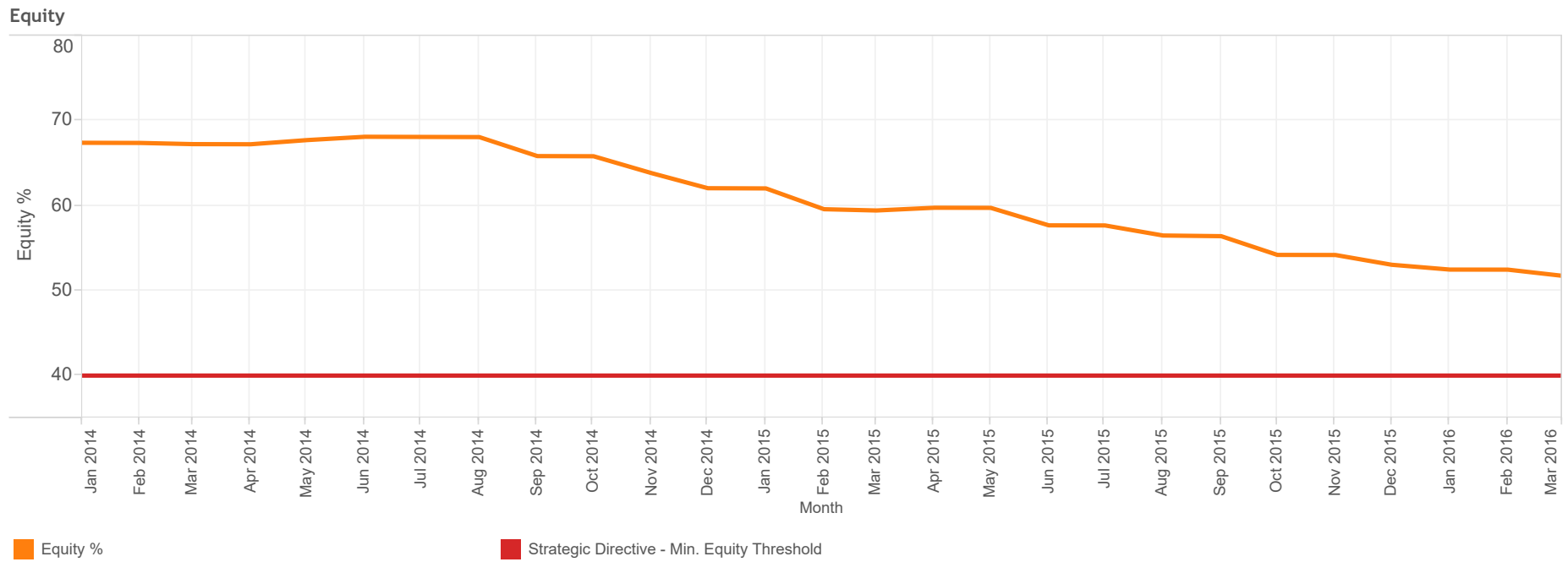


Net Margins

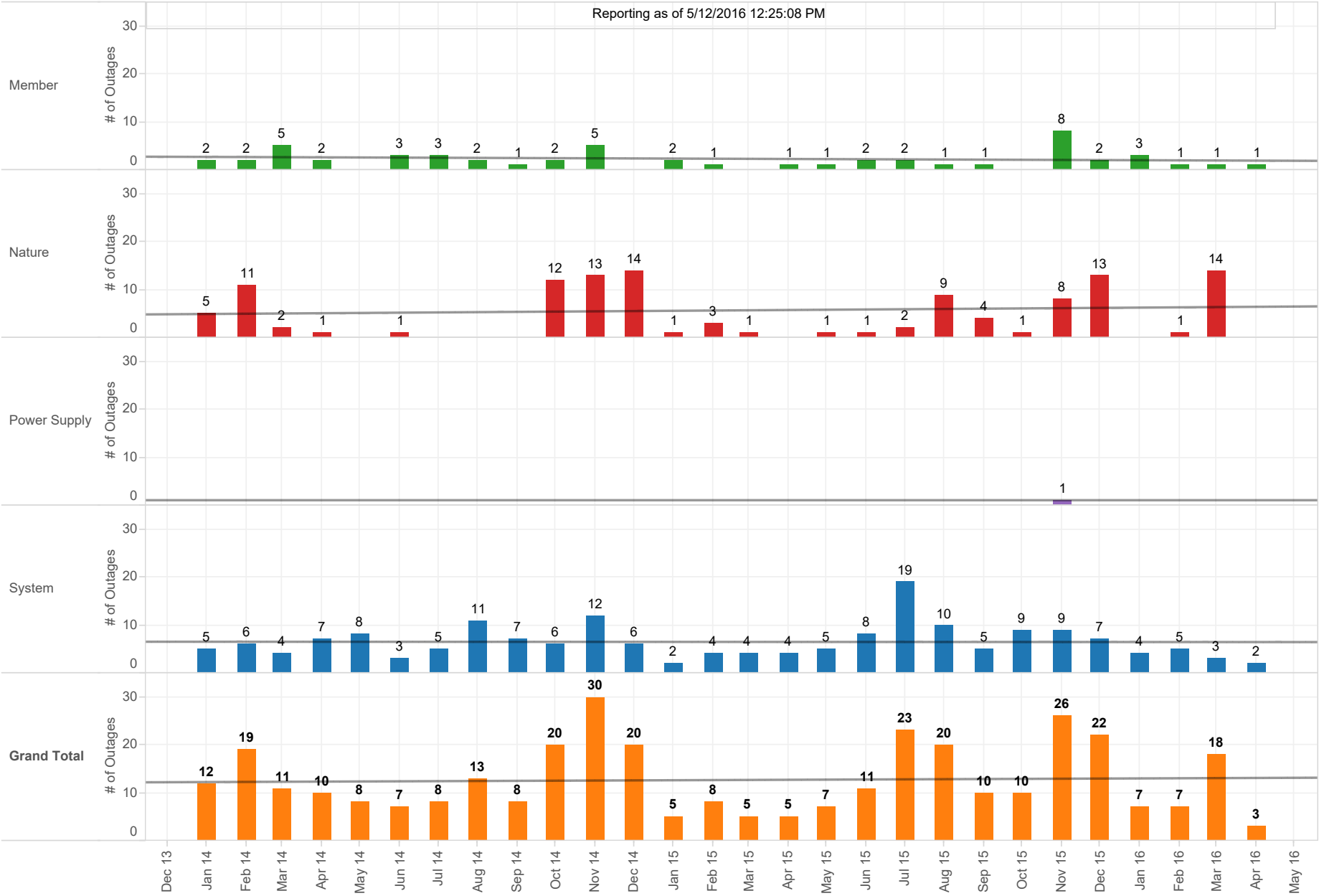


TIER





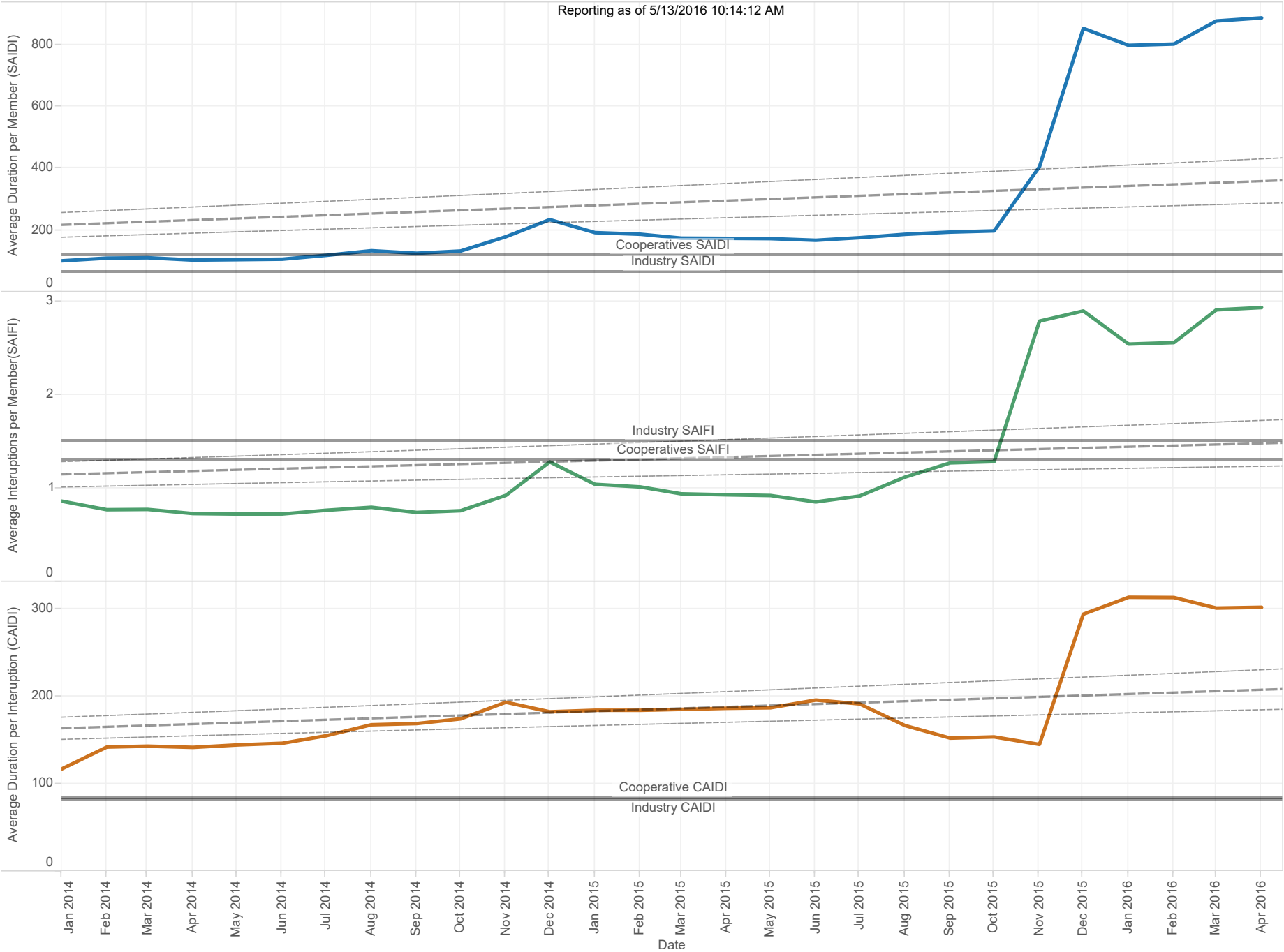
Outage Summary



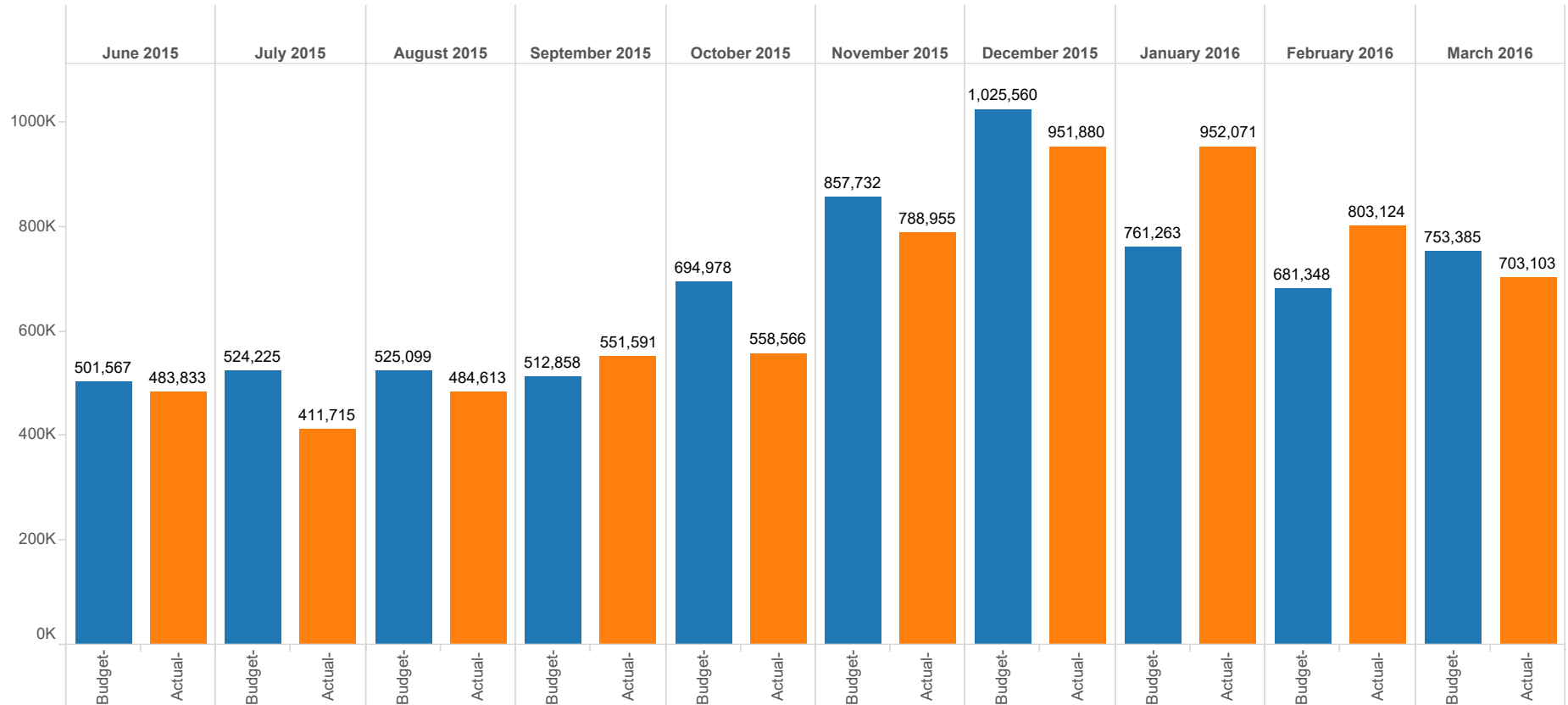
Category Description

Member Nature Power Supply System Grand Total

Outage Statistics



Power Cost



Prior Rolling 12 Months

| | Budget- | Actual- | Variance |
|----------------|-----------|-----------|----------|
| April 2014 | 763,902 | 713,126 | -50,776 |
| May 2014 | 487,679 | 475,013 | -12,666 |
| June 2014 | 502,284 | 473,272 | -29,012 |
| July 2014 | 431,674 | 421,778 | -9,896 |
| August 2014 | 496,352 | 481,176 | -15,177 |
| September 2014 | 568,008 | 494,856 | -73,152 |
| October 2014 | 638,675 | 564,620 | -74,055 |
| November 2014 | 691,774 | 800,125 | 108,351 |
| December 2014 | 849,214 | 963,917 | 114,703 |
| January 2015 | 957,138 | 784,070 | -173,068 |
| February 2015 | 817,940 | 713,631 | -104,309 |
| March 2015 | 809,062 | 776,192 | -32,870 |
| Grand Total | 8,013,701 | 7,661,776 | -351,925 |

Current Rolling 12 Months

| | Budget- | Actual- | Variance |
|----------------|-----------|-----------|----------|
| April 2015 | 668,629 | 782,297 | 113,668 |
| May 2015 | 558,093 | 499,799 | -58,294 |
| June 2015 | 501,567 | 483,833 | -17,734 |
| July 2015 | 524,225 | 411,715 | -112,510 |
| August 2015 | 525,099 | 484,613 | -40,487 |
| September 2015 | 512,858 | 551,591 | 38,733 |
| October 2015 | 694,978 | 558,566 | -136,412 |
| November 2015 | 857,732 | 788,955 | -68,777 |
| December 2015 | 1,025,560 | 951,880 | -73,680 |
| January 2016 | 761,263 | 952,071 | 190,808 |
| February 2016 | 681,348 | 803,124 | 121,776 |
| March 2016 | 753,385 | 703,103 | -50,282 |
| Grand Total | 8,064,735 | 7,971,547 | -93,188 |

MEMORANDUM

May 13, 2016

TO: Board of Directors
FROM: Foster Hildreth
RE: Member Communication(s)

TOPIC:

NAME:

1. Annual Meeting Thank You!

Mary Jane & Jay Dwight (Brown Island)

Hellas Bev,

This was our first OPALCO annual meeting and it was quite an adventure! We met many very interesting people and learned a lot. You all were very well organized and we thought the business and questions were handled in a professional manner. We are on Brown Island and await our fiber optics coming soon. Thank you so much

Maya and Jay Dwight

43 Brown Island

P.S. I won the KRVS electric kettle ^{my} Thanks to the company!!