

## MEMORANDUM

November 11, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2016 3rd Quarter Financial Report

Included in the 2016 3rd Quarter Financial Report are the Statement of Operations (along with a Notable Drivers analysis), Statement of Financial Position, Statement of Cash Flows (GAAP), and the Capital Projects Budget.

In summary, overall Q3 finances are tracking favorably to budget. The total revenue was 1.6% higher (\$288k) than budgeted for Q3, although this was more than offset by the related increase in purchased power (\$374k), which was driven by large demand charges coupled with a BPA power shaping credit charge during 2016. All combined, it resulted in an increased margin of \$261k. Revenue and expenses will continue to be monitored closely.

Please note the following key points for more detail:

- Q3 Heating Degree Days (HDD) are down ~9% below forecasted, although both kilowatt hour purchases and sales are above budgeted amounts. Weather and heating fluctuations are expected to produce dramatic sales revenue volatility, and the budget is based on those assumptions.
- Q3 year-to-date power purchases were up \$374k than budgeted amounts due to higher kWh consumption and the fact that additional demand charges were incurred this year.
- Q3 year-to-date operating expenses were approximately \$198k under budgeted amounts, even though there was an increase in purchased power and acceleration of the brush clearing and Right-of-Way work being performed earlier than usual this year, along with unplanned system maintenance due to storm damage. There remain very few discretionary expenses to cut at this time because most expenses are directly related to service levels and, as previously agreed, safety or the reliability in our system will not be reduced.
- Interest expense was lower by \$135k in 2016 than budgeted amounts due to favorable refinancing of RUS loans.
- During 2016 BPA lowered rebate incentives, coupled with BPA EEI funding running out for rate period resulted in reduced member uptake on energy efficiency rebates lower than projected by Q3, slowing interest in energy Snapshot Assessments, and OPALCO scaling back rebate payouts until the new BPA EEI funding period. All together this resulted in a \$263k decrease in budgeted amounts for the energy services area.
- Rock Island Communications has been charged \$227k by OPALCO for use of the communications backbone, rent, and interest expense in 2016. This was partially offset by \$26k in expense paid to Rock Island Communications for Internet services.





# Orcas Power & Light Cooperative 2016 Q3 Financials

69kV submarine cable installation at Lopez terminal - June 2016



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 9/30/2016	G. Actual Period End 9/30/2016	H. Budget Variance (G - F)	I. Actual Period End 9/30/2015
1 OPERATING REVENUES									
2   Residential	\$ 14,861,010	\$ 15,598,797	\$ 15,913,325	\$ 17,694,706	\$ 17,744,698	\$ 12,568,296	\$ 12,794,148	225,852	\$ 12,349,844
3   Commercial	5,260,451	5,467,588	5,694,901	6,356,143	6,701,511	4,848,110	4,705,567	(142,543)	4,659,720
4   Other	296,764	364,892	420,798	531,069	386,946	282,548	486,866	204,317	354,412
5     Total operating revenue	20,418,225	21,431,278	22,029,025	24,581,918	24,833,155	17,698,955	17,986,581	287,626	17,363,977
6									
7 OPERATING EXPENSES									
8   Cost of power	7,240,696	7,514,128	8,037,428	7,787,142	7,624,980	5,302,102	5,675,960	373,857	5,487,741
9   Transmission	126,986	70,117	92,874	179,264	53,560	28,085	47,787	19,702	26,954
10   Distribution - operations	2,805,586	2,968,003	2,961,250	3,391,150	3,420,263	2,602,799	2,441,628	(161,171)	2,613,609
11   Distribution - maintenance	1,518,742	1,669,524	1,778,516	1,713,924	1,702,147	1,246,904	1,457,133	210,229	1,254,299
12   Consumer accounts	809,149	853,211	898,198	893,766	930,975	693,260	724,862	31,602	690,216
13									
14   General and administration									
15     Administration	2,799,833	2,718,889	2,822,439	2,950,777	3,058,886	2,273,592	2,154,123	(119,469)	2,110,939
16     Energy services	276,269	462,966	373,323	658,939	410,376	280,423	17,466	(262,958)	563,513
17     Subsidiary charges (RIC network mgt services)	-	-	-	29,100	-	-	26,190	26,190	-
18     Total general and administration	3,076,102	3,181,855	3,195,763	3,638,816	3,469,262	2,554,016	2,197,779	(356,237)	2,674,452
19									
20   Depreciation and amortization	2,652,194	2,719,560	2,975,650	3,308,154	3,673,019	2,720,240	2,630,573	(89,667)	2,450,525
21   Taxes	832,220	930,482	961,815	1,046,626	1,028,086	743,399	912,859	169,460	756,514
22									
23     Total operating expenses	19,061,677	19,906,881	20,901,493	21,958,841	21,902,293	15,890,805	16,088,582	197,777	15,954,308
24									
25     Operating margins before fixed charges	1,356,548	1,524,397	1,127,532	2,623,077	2,930,862	1,808,150	1,897,999	89,849	1,409,669
26									
27 FIXED CHARGES									
28   Interest on long-term debt	759,686	786,193	908,934	1,047,248	1,360,588	973,065	837,852	(135,213)	754,249
29   Other Interest	-	-	-	-	-	-	-	-	-
30									
31     Total fixed charges	759,686	786,193	908,934	1,047,248	1,360,588	973,065	837,852	(135,213)	754,249
32									
33     Operating margins after fixed charges	596,861	738,204	218,598	1,575,829	1,570,274	835,085	1,060,147	225,062	655,420
34									
35 PATRONAGE CAPITAL CREDITS	40,416	38,048	67,853	83,608	56,051	37,577	67,239	29,662	56,051
36									
37     Net operating margins	637,277	776,252	286,451	1,659,437	1,626,325	872,661	1,127,386	254,724	711,471
38									
39 NON-OPERATING MARGINS									
40   Interest income	32,228	33,261	32,130	127,804	28,907	21,862	25,922	4,060	21,164
41   Other income	21,995	46,893	23,458	71,081	20,381	18,288	21,038	2,749	9,422
42     Total Opalco non-operating margins	54,222	80,154	55,588	198,886	49,288	40,151	46,960	6,809	30,585
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	227,537	161,141	(66,396)	-
51     Other income (use of OPALCO backbone)	-	-	-	-	-	-	65,905	65,905	-
52     Total non-operating margins from Subsidiary	-	-	-	-	303,383	227,537	227,046	(491)	-
53									
54     Net non-operating margins	177,246	195,265	(164,500)	198,886	352,670	267,688	274,006	6,318	30,585
55									
56 NET MARGINS	\$ 814,524	\$ 971,518	\$ 121,951	\$ 1,858,322	\$ 1,978,995	\$ 1,140,349	\$ 1,401,392	261,043	\$ 742,056
57									
58   TIER	2.07	2.24	1.13	2.51	2.20	1.95	2.38		1.98
59   Equity % of Total Cap	72.1%	69.5%	61.3%	53.3%	45.5%	48.1%	49.7%		55.1%

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL  
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A. Budget Period End 9/30/2016	B. Actual Period End 9/30/2016	C. Budget Variance (B - A)	D.
					Comments: Budget To Actual (Column C.)
1	I OPERATING REVENUES	17,698,955	17,986,581	287,626	Increase in income - less than 2% variance within normal expectations
2					
3					
4	II OPERATING EXPENSES	15,890,805	16,088,582	197,777	Overall increase in operating expenses
5					
6	Cost of Power - Line 8	5,302,102	5,675,960	373,858	Increase in expense
7					
8	Purchased Power			373,857	BPA shaping credits charge (\$90k increase) and higher purchases than budgeted
9				373,857	
10					
11	Transmission - Line 9 Detail Breakout:	28,085	47,787	19,702	Increase in expense
12	Misc. Transmission Expense			4,592	Increase in Western Electricity Coordinating Council (WECC) load assessment charges
13	Maint-OH Lines/Transmission			6,660	Replaced aging splicing equipment
14	Multiple Accounts			8,450	Variance among multiple general ledger accounts (6 accounts)
15				19,702	
16					
17	Distribution - Operations - Line 10 Detail Breakout:	2,602,799	2,441,628	(161,171)	Decrease in expense
18	Station Expenses			31,566	Increase due to failed relay and remediation of load tap changer (Orcas)
19	Underground Line Expenses			(24,901)	Labor shifted to unplanned maintenance efforts (partially offset in line 31 below)
20	Meter Expenses			(80,641)	Labor offset due to capitalization of new meters purchased, vacant position (Meter Technician ~\$69K)
21	Misc. Distribution Expenses			(115,367)	Reduction of overall expenses (~\$71K reduction), vacant position (Work Order Clerk filled 06/06/16)
22	Misc. Distribution Expense - Mapping			39,489	Reclass of mapping software and licensing expense from G&A below
23	Misc. Distribution - Fiber Optic			16,107	System planning and engineering for POP transfer
24	Multiple Accounts			(27,424)	Variance among multiple general ledger accounts (13 accounts)
25				(161,171)	
26					
27	Distribution - Maintenance - Line 11 Detail Breakout:	1,246,904	1,457,133	210,229	Increase in expense
28	Maint - Station Equipment			56,883	Replaced three failed reclosures
29	Maint of Overhead Lines/Maint of Underground Lines			116,080	Labor, materials, and fleet expenses for unplanned outages
30	Maint of Street Lite & Signal Expenses			32,709	Town of Friday Harbor street lighting
31	Maintenance of Meters			(9,097)	Reduction in meter work due to vacant position (Meter Technician)
32	Multiple Accounts			13,654	Variance among multiple general ledger accounts (9 accounts)
33				210,229	
34					
35	Consumer accounts - Line 12 Detail Breakout:	693,260	724,862	31,602	Increase in expense
36	Customer Records and Collections			24,859	Shift in labor for meter work and Member Services partially offset in Energy Services (line 57)
37	Multiple Accounts			6,743	Variance among multiple general ledger accounts (2 accounts)
38				31,602	
39					
40	Total General and Administrative (G&A):	2,554,016	2,197,779	(356,237)	Decrease in expense
41					
42	Administration G&A - Line 15 Detail Breakout:	2,273,592	2,154,123	(119,469)	Decrease in expense

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL  
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A. Budget Period End 9/30/2016	B. Actual Period End 9/30/2016	C. Budget Variance (B - A)	D.
					Comments: Budget To Actual (Column C.)
43	Informational Instruction/Advertising Expense			(27,073)	Less outside services and advertising expense
44	Administrative /General Salary			(45,704)	Decreased training, travel, and overall expenses
45	Legal			12,723	Time spent on employee handbook, member election committee and bylaw amendments
46	Outside Services			(45,978)	Less outside consulting services
47	Union-Labor/Mgmt Costs			9,066	Union business
48	Director's Fee & Expenses			(5,439)	Vacant Board position until May 2016
49	Misc. Gen Expenses/Dues			(7,218)	PNGC dues less than budgeted for 2016 transitional period
50	Misc. BOD Contingency - Industry Groups			(16,649)	Less industry group meeting attendance
51	Misc. Gen Exp/Manager			(15,470)	Less GM training and travel (to increase in Q4 with monthly PNGC meeting attendance)
52	Misc. Gen Exp/Annual Meeting			10,503	Increased expense for candidate forums
53	Multiple Accounts			11,770	Variance among multiple general ledger accounts (10 accounts)
54			Subtotal Administration G&A	(119,469)	
55					
56	Energy Services G&A - Line 16	280,423	17,466	(262,957)	Decrease in expense
57	General Overhead Expenses			(56,150)	Less training, travel, outside consulting, and staff hours. Shift in labor partially offset in Consumer Accounts (line 36)
58	Education and Outreach			(15,660)	Decreased spending on Energy Efficiency & Conservation projects (SJI Conservation District)
59	Renewable Energy Programs			(25,699)	Shifted efforts to Dept. of Commerce battery grant from community solar
60	BPA Commercial Lighting/Programs/Custom Projects			(7,315)	Fewer commercial projects completed
61	BPA Rebates			(101,670)	Scaled back rebate program due to diminishing EEI funding
62	BPA EEI Funding			(5,065)	EEI funding runs out on Oct. 1, 2016. Next round of funding available in October of 2017
63	Energy Snapshot Program Expense			(21,562)	Snapshot take is slowing
64	BPA Low Income Programs			(25,158)	No 2016 contract with the Opportunity Council, contract to be renewed in 2017
65	Multiple Accounts			(4,678)	Variance among multiple general ledger accounts (3 accounts)
66			Subtotal Energy Services G&A	(262,957)	
67					
68	Subsidiary Charges G&A - Line 17	0	26,190	26,190	Increase in expense
69	Fiber Charge - Subsidiary			26,190	Amount represents OPALCO use of RIC's internet services (off set by Other Income on line 98)
70			Subtotal Subsidiary Charges G&A	26,190	
71					
72	Total General and Administrative (G&A)	2,554,015	2,197,779	(356,236)	Overall decrease in expense
73					
74	Deprec. & Amort. - Line 20	2,720,240	2,630,573	(89,667)	Decrease in expense - Due to timing of work order closures and change in depreciable life of communication fiber/conduit
75					
76	Taxes - Line 21	743,399	912,859	169,460	Increase in expense - Utility tax higher due to increase in sales, property tax higher than
77					
78	TOTAL OPERATING EXPENSES	15,890,804	16,088,581	197,777	Overall decrease in expense
79					
80					
81	III FIXED CHARGES - Interest Expense - Line 27	973,065	837,852	(135,213)	Decrease in expense - Interest expense is lower due to refinancing of RUS loans
82					
83	IV PATRONAGE CAPITAL CREDITS - Line 35	37,577	67,239	29,662	Increase in income - CFC patronage capital received in September for twice the amount
84					
85					
86	TOTAL NET OPERATING MARGINS	872,662	1,127,386	254,724	Increase in margin

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL  
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A. Budget Period End 9/30/2016	B. Actual Period End 9/30/2016	C. Budget Variance (B - A)	D. Comments: Budget To Actual (Column C.)
87					
88					
89	V	267,688	274,006	6,318	Increase in margin
90					
91		249,400	187,064	(62,336)	Decrease in income - RIC paid back start up loan earlier than anticipated
92					
93		18,288	86,942	68,654	Increase in income
94				65,905	RIC use of communication backbone (offset by Subsidiary Charges on line 73)
95				2,749	Variance among multiple general ledger accounts (5 accounts)
96				68,654	
97					
98		267,688	274,006	6,318	Increase in margin
99					
100					
101		1,140,350	1,401,392	261,042	Increase in margin

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 9/30/2016	F. Change (E - D)	G. Actual Period End 9/30/2015
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	\$ 104,560,675	\$ 3,983,989	\$ 96,969,660
5     Construction work in progress	1,438,043	2,456,829	5,696,090	3,434,810	10,916,850	7,482,040	5,519,155
6							
7	84,278,486	88,776,059	96,849,290	104,011,496	115,477,525	11,466,029	102,488,815
8     Less accumulated depreciation and amortization	34,068,592	36,237,594	38,650,755	41,160,577	43,747,089	2,586,512	40,657,427
9							
10       Net utility plant	50,209,894	52,538,465	58,198,535	62,850,919	71,730,436	8,879,517	61,831,388
11							
12 OTHER PROPERTY AND INVESTMENT, at cost							
13							
14     Island Network (department only) (Note 1)	252,854	426,272	74,891	-	-	-	(1,481,460)
15     Opalco non-utility property	-	-	-	-	-	-	9,994
16							
17	252,854	426,272	74,891	-	-	-	(1,491,454)
18     Investments in associated organizations							
19       Other	929,141	941,203	1,063,004	1,093,965	1,120,939	26,974	2,172,995
20       Non-utility investment subsidiary	-	-	-	5,249,879	(1,750,866)	(7,000,745)	-
21       Total investments in associated organizations	929,141	941,203	1,063,004	6,343,844	(629,927)	(6,973,771)	2,172,995
22							
23     Other property and investments	1,181,995	1,367,476	1,137,895	6,343,844	(629,927)	(6,973,771)	681,541
24							
25 CURRENT ASSETS							
26     Cash and cash equivalents	2,091,466	797,873	2,254,475	1,697,386	4,506,717	2,809,331	2,125,698
27     Cash and cash equivalents - board designated	2,002,236	2,006,348	1,279,616	-	-	-	-
28     Accounts receivable, less doubtful accts allowance	2,388,170	3,146,966	3,036,986	3,558,213	2,125,918	(1,432,296)	4,804,339
29     Interest receivable	6,848	7,394	6,330	6,140	13,936	7,796	12,523
30     Materials and supplies	1,502,931	2,141,563	2,720,342	3,341,939	3,358,005	16,066	4,717,851
31     Prepaid expenses	115,232	122,451	586,081	311,801	277,762	(34,039)	226,970
32							
33       Total current assets	8,106,884	8,222,594	9,883,830	8,915,479	10,282,337	1,366,858	11,887,381
34							
35 DEFERRED CHARGES	-	-	50,371	-	-	-	-
36							
37     Total assets	\$ 59,498,772	\$ 62,128,535	\$ 69,270,631	\$ 78,110,242	\$ 81,382,846	\$ 3,272,604	\$ 74,400,310

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 9/30/2016	F. Change (E - D)	G. Actual Period End 9/30/2015
38							
39	EQUITIES, MARGINS, AND LIABILITIES						
40							
41	EQUITIES AND MARGINS						
42	Memberships	\$ 54,800	\$ 55,655	\$ 56,880	\$ 56,775	\$ 380	\$ 56,210
43	Patronage capital - OPALCO	37,473,607	37,250,119	36,348,023	38,401,871	1,271,651	36,627,690
44	Patronage capital - Island Network department	-	-	(220,088)	-	-	(1,491,454)
45	Donated and other equities						
46	OPALCO donated & other margins	3,643,203	4,024,439	4,477,375	4,975,916	211,976	4,604,234
47	Subsidiary margins	-	-	-	(3,982,918)	(2,202,805)	-
48							
49	Total equities and margins	41,171,610	41,330,213	40,662,189	39,451,644	(718,798)	39,796,680
50							
51	LONG-TERM DEBT, less current maturities						
52	RUS mortgage notes	12,769,260	14,982,671	22,446,072	30,106,176	5,011,603	26,480,521
53	RUS economic development	-	-	72,663	58,656	(6,003)	66,660
54	CFC mortgage notes	2,693,103	2,575,694	2,468,531	8,874,049	52,533	4,824,453
55							
56	Total long-term liabilities	15,462,363	17,558,365	24,987,266	39,038,882	5,058,133	31,371,634
57							
58	CURRENT LIABILITIES						
59	Accounts payable	1,297,200	1,732,736	1,931,399	1,249,553	(515,884)	1,467,610
60	Customer deposits	77,002	86,161	91,717	87,554	5,177	84,043
61	Accrued liabilities	854,196	696,741	751,049	437,406	(274,712)	440,737
62	Current maturities of long-term debt	479,289	555,793	663,885	867,486	(314,117)	1,050,216
63							
64	Total current liabilities	2,707,686	3,071,431	3,438,051	2,641,999	(1,099,536)	3,042,606
65							
66	DEFERRED CREDITS						
67		157,113	168,527	183,124	250,321	32,804	189,391
68	Total equities and liabilities	\$ 59,498,772	\$ 62,128,535	\$ 69,270,631	\$ 81,382,846	\$ 3,272,604	\$ 74,400,310
69							
70	Note:						
71	1 Combination of all balance sheet accounts for Island Network (department only).						



ORCAS POWER AND LIGHT COOPERATIVE

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 9/30/2016
1 CASH FLOWS FROM OPERATING ACTIVITIES					
2 Net margins	\$ 814,524	\$ 971,520	\$ 121,951	\$ 1,858,322	\$ 1,401,392
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	2,630,573
6 Changes in assets and liabilities					
7 Accounts receivable	302,378	(758,796)	109,980	(521,227)	1,432,295
8 Interest receivable	(354)	(546)	1,064	190	(7,796)
9 Prepaid expenses	(11,583)	(7,219)	(463,630)	274,279	34,040
10 Accounts payable	(251,253)	435,535	198,663	(165,962)	(515,884)
11 Customer deposits	9,080	9,160	5,557	(9,340)	5,177
12 Accrued liabilities	(83,731)	(157,453)	54,308	(38,931)	(274,712)
13 Deferred credits	32,073	11,414	14,598	34,392	32,804
14					
15 Net cash from operating activities	3,463,329	3,223,176	3,018,141	4,739,878	4,737,889
16					
17 CASH FLOWS FROM INVESTING ACTIVITIES					
18 Additions to utility plant, net	(3,930,981)	(5,632,016)	(9,831,711)	(8,597,475)	(12,151,977)
19 Reduction to non-utility plant (Island Network transition)	(58,452)	(173,419)	351,381	74,891	-
20 Change in materials and supplies	(169,273)	(638,632)	(578,779)	(621,597)	(16,066)
21 (Increase) decrease in investment in Subsidiary	-	-	-	(5,249,879)	7,000,746
22 (Increase) decrease in other OPALCO property and investments, net	(20,950)	(12,063)	(121,801)	(30,961)	(26,975)
23					
24 Net cash from investing activities	(4,179,656)	(6,456,130)	(10,180,909)	(14,425,021)	(5,194,271)
25					
26 CASH FLOWS FROM FINANCING ACTIVITIES					
27 Payments on long-term debt (Note 1)	(368,319)	(1,027,495)	156,993	(4,347,789)	(2,497,984)
28 Proceeds from debt	1,500,000	3,200,000	7,380,000	13,858,989	7,242,000
29 Memberships	(5,705)	855	1,225	(485)	380
30 Retirements of patronage capital, net	(692,057)	(813,770)	(791,199)	(2,349,585)	82,235
31 Change in subsidiary equities	-	-	-	-	(2,202,805)
32 Contributions in aid of construction	321,715	583,883	1,145,619	687,308	641,886
33 Other changes in equities	-	-	-	-	-
34					
35 Net cash from financing activities	755,634	1,943,473	7,892,638	7,848,438	3,265,713
36					
37 NET CHANGE IN CASH	39,307	(1,289,481)	729,870	(1,836,705)	2,809,331
38					
39 CASH AND CASH EQUIVALENTS, beginning of year/period	4,054,395	4,093,702	2,804,221	3,534,091	1,697,386
40					
41 CASH AND CASH EQUIVALENTS, end of year/period	4,093,702	2,804,221	3,534,091	1,697,386	4,506,717
42					
43 SUPPLEMENTAL DISCLOSURES					
44 Cash paid for interest	\$ 759,686	\$ 786,193	\$ 908,934	\$ 1,234,621	\$ 1,013,483
45 OUTSTANDING DEBT BALANCE	(15,941,652)	(18,114,158)	(25,651,151)	(35,162,351)	(39,906,368)
46 Notes:					
47 1 Includes Economic Development loan from RUS and is offset by RUS Cushion of Credit balance of 2014: \$235k, 2015: \$127k, 09/30/16: \$1.7M					

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW

NON GAAP

Note: All numbers in (1000s)		A. Audited Year-End 12/31/2015	B. Approved Budget 12/31/2016	C. Budget 9/30/2016	D. Actual 9/30/2016	E. Variance
1	% Rate Increase		5%			
2	OPERATING ACTIVITIES:					
3	Margins	\$ 1,900	\$ 2,000	\$ 1,100	\$ 1,400	\$ 300
4	Plus depreciation/amortization	3,300	3,700	2,700	2,600	(100)
5	Cash flow operations	5,200	5,700	3,800	4,000	200
6						
7	PLANT INVESTMENT (NET)					
8	Plant investment (including material inventory)	(12,800)	(12,800)	(10,300)	(11,600)	(1,300)
9	Cash flow from operations and plant investment	(7,600)	(7,100)	(6,500)	(7,600)	(1,100)
10						
11	CASH FLOWS FROM PATRONAGE CAPITAL	(500)	(800)	(100)	(100)	-
12	Cash flow before borrowings	(8,100)	(7,900)	(6,600)	(7,700)	(1,100)
13						
14	NET BORROWINGS	12,700	11,600	8,700	4,700	(4,000)
15	RIC repayment of start-up loan	-	-	-	7,200	7,200
16	Cash increase (decrease) after net borrowings	\$ 4,600	\$ 3,700	\$ 2,100	\$ 4,200	\$ 2,100
17						
18						
19	OUTSTANDING DEBT BALANCE	(38,400)	(50,000)	(43,900)	(39,900)	4,000
20						
21	EQUITY BALANCE	40,900	41,900	39,500	39,500	-
22						
23	NET UTILITY PLANT	67,100	75,800	67,500	71,700	4,200
24						
25	CFC		2,600	2,600	-	(2,600)
26	RUS		10,600	8,000	7,200	(800)
27	Total New Borrowing		13,200	10,600	7,200	(3,400)

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	9/30/2016	9/30/2016	(D- C)	9/30/2015	Comments
1	DISTRIBUTION								
2	100	New Services	\$ 221,770	\$ 170,000	\$ 130,000	\$ 222,148	\$ 92,148	\$ 133,177	More new services than anticipated
3	200	New Tie Lines	147,776	-	-	1,001	1,001	75,309	
4	300	Conversions and Line Changes	528,776	975,000	731,250	479,967	(251,283)	430,223	Delay in Buck Mountain conversion
5	400	New Substations, switching station, metering point, etc.	-	-	-	-	-	-	
6	500	Substation, Switching Station, Metering Point Changes	145	-	-	2,443	2,443	145	
7	600	Miscellaneous Distribution Equipment							
8	601	Transformers & Meters	627,342	500,000	400,000	459,490	59,490	496,250	Large transformer to be returned
9	602	Sets of Service Wires to increase Capacity	-	-	-	-	-	-	
10	603	Sectionalizing Equipment	101,557	255,000	65,000	(57,382)	(122,382)	97,068	Delay in Cattle Point sectionalizing (expected completion Q4)
11	604	Regulators	15,911	325,000	10,000	(1,561)	(11,561)	4,235	
12	605	Capacitors	-	-	-	-	-	-	
13	606	Ordinary Replacements	170,439	275,000	250,000	258,519	8,519	143,827	
14	608	Underground Dist. Cable Replacement	2,127,270	2,285,000	2,000,000	2,543,911	543,911	1,834,191	State Parks released permit for Olga/Orcas tie. Higher rock excavation pricing than anticipated
15	700	Other Distribution Items							
16	701	Engineering Fees	-	-	-	-	-	-	
17	704	LMS & SCADA	32,715	45,000	45,000	76,026	31,026	29,000	
18	705	AMR	-	-	-	-	-	-	
19	706	Communications							
20	706.0	Island Network	-	-	-	-	-	-	
21	706.1	Fiber/Microwave Infrastructure	2,528,428	2,400,000	2,000,000	2,018,139	18,139	1,701,014	
22	TRANSMISSION								
23	800	New Tie Line	-	-	-	-	-	-	
24	900	New Substations, switching station, metering point, etc.	443	600,000	10,000	25,427	15,427	337	Engineering for LZ to SJ terminal and North Shaw Terminal design
25	1000	Line and Station Changes	900,338	3,025,000	3,025,000	5,088,884	2,063,884	537,563	Delayed payments to cable manufacturer from 2015 expended in 2016
26	1100	Other Transmission	-	-	-	-	-	-	
27	GENERATION								
28	1200	Generation	-	-	-	-	-	-	
29	OTHER								
30	1300	Headquarters Facilities	409,976	124,000	110,000	132,229	22,229	394,055	Additional funds approved by board in February for security
31	1400	Acquisitions	-	-	-	-	-	-	
32	1500	All Other (Transportation, Etc.)							
33	1501	Transportation/Equipment/Tools/Radios	335,842	463,000	460,000	563,860	103,860	126,112	Purchase of service truck due to failure
34	1502	Office Equipment/Furniture/Etc.	70,727	30,000	22,500	20,741	(1,759)	54,465	
35	1503	Computer/Servers/Software	283,254	262,000	250,000	211,684	(38,316)	253,703	Delay database upgrade for future year
36	1504	Electrical Infrastructure to Support Community Solar	-	300,000	225,000	-	(225,000)	-	Delay for Energy Storage System Grant
37	1600	Minor Projects	94,343	90,000	85,000	222,694	137,694	50,068	Deer Harbor bridge conversion and joint projects
38	RUS CWP SUBTOTAL		8,597,052	12,124,000	9,818,750	12,268,219	2,449,469	6,360,743	
39	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)								
40		New Services	(181,922)	(170,000)	(130,000)	(333,294)	(203,294)	(78,226)	More than anticipated
41		Meters and Transformers	(176,241)	(100,000)	(75,000)	(218,486)	(143,486)	(124,321)	"
42		Joint Projects	(329,145)	(48,000)	(36,000)	(90,107)	(54,107)	(74,354)	"
43		Community Solar		(300,000)	(225,000)	-	225,000	-	Delay for Energy Storage System Grant
44	RUS CWP NET TOTAL		7,909,744	11,506,000	9,352,750	11,626,333	2,273,583	6,083,842	
45									
46	Notes:								
47	1	\$175,629 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.							
48	2	\$62,706 in Environmental Consultants. 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 Total	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	HEATING DEGREE DAYS (HDD)													
2	Budget HDD	590	199	96	114	114	32	8	-	2	25	19	153	288
3	Actual HDD	537	218	130	104	44	24	7	1	1	8			537
4	Variance	(53)	19	34	(10)	(70)	(8)	(1)	1	(1)	(17)	-	-	(53)
5														
6	ENERGY USAGE (kWh)													
7	Residential													
8	Budget	93,546,781	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	16,509,618
9	Actual	94,763,837	20,153,166	12,531,268	13,050,227	10,191,860	7,299,162	7,710,604	8,330,361	7,495,237	8,001,952			94,763,837
10	Variance (Budget to Actual)	1,217,056	3,882,449	(64,737)	286,915	(966,311)	(1,525,091)	305,069	423,179	(525,863)	(598,553)	-	-	-
11														
12	Commercial													
13	Budget	39,824,506	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	5,310,059
14	Actual	41,329,839	6,407,197	4,905,285	5,052,663	4,170,302	3,830,784	3,912,262	4,405,675	4,535,466	4,110,205			41,329,839
15	Variance (Budget to Actual)	1,505,333	1,336,916	683,693	478,390	(314,580)	(269,784)	(119,026)	(93,537)	1,068	(197,807)			
16														
17	Energy Usage (kWh)													
18	Budget	133,371,287	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	21,819,678
19	Actual	136,093,676	26,560,363	17,436,553	18,102,890	14,362,162	11,129,946	11,622,866	12,736,036	12,030,703	12,112,157	-	-	-
20	Variance (Budget to Actual)	2,722,389	5,219,365	618,956	765,304	(1,280,890)	(1,794,875)	186,042	329,642	(524,794)	(796,360)	-	-	-
21														
22	SALES REVENUE (kWh)													
23	Residential													
24	Budget	12,568,296	2,105,403	1,631,551	1,664,814	1,475,985	1,199,190	1,036,031	1,122,313	1,138,969	1,194,039	1,287,253	1,744,054	2,138,790
25	Actual	12,794,148	2,277,656	1,542,829	1,673,108	1,375,086	1,179,664	1,154,384	1,241,857	1,181,509	1,168,055			
26	Variance (Budget to Actual)	225,852	172,253	(88,722)	8,294	(100,900)	(19,526)	118,353	119,543	42,540	(25,983)			
27														
28	Commercial													
29	Budget	4,814,388	668,811	554,405	593,938	564,720	486,925	457,533	498,458	499,839	489,759	522,128	629,290	698,475
30	Actual	4,678,121	669,195	535,977	572,936	489,039	467,062	430,925	494,084	539,148	479,754			
31	Variance (Budget to Actual)	(136,267)	385	(18,429)	(21,002)	(75,682)	(19,864)	(26,608)	(4,373)	39,309	(10,004)			
32														
33	Combined kWh Sales Revenue													
34	Budget	17,382,684	2,774,214	2,185,956	2,258,752	2,040,706	1,686,116	1,493,564	1,620,771	1,638,808	1,683,797	1,809,381	2,373,344	2,837,265
35	Actual	17,472,269	2,946,852	2,078,805	2,246,045	1,864,124	1,646,726	1,585,309	1,735,941	1,720,657	1,647,810	-	-	-
36	Variance (Budget to Actual)	89,584	172,638	(107,151)	(12,708)	(176,582)	(39,390)	91,745	115,170	81,849	(35,988)	-	-	-
37														
38	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  <b>FINANCIAL AND STATISTICAL REPORT</b>		BORROWER DESIGNATION WA0009		
		BORROWER NAME AND ADDRESS Orcas Power & Light Cooperative		
INSTRUCTIONS-For detailed instructions, see RUS Bulletin 1717B-2		PERIOD ENDED		
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.		Sep-16		
<b>CERTIFICATION</b>  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.....	17,363,977	17,986,581	17,698,955	1,691,990
2. Power Production Expense.....	-	-	-	-
3. Cost of Purchased Power.....	5,487,741	5,675,960	5,302,102	601,973
4. Transmission Expense.....	26,954	47,787	28,085	2,411
5. Regional Market Expense.....			-	-
6. Distribution Expense-Operation.....	2,613,609	2,441,628	2,602,799	254,426
7. Distribution Expense-Maintenance.....	1,254,299	1,457,133	1,246,904	150,405
8. Consumer Accounts Expense.....	690,216	724,862	693,260	83,417
9. Customer Service and Informational Expense.....	623,294	67,829	340,605	46,060
10. Sales Expense.....	34,548	26,727	40,288	1,580
11. Administrative and General Expense.....	2,016,530	2,103,224	2,173,037	206,796
12. Total Operation and Maintenance Expense (2 thru 11).....	12,747,189	12,545,150	12,427,082	1,347,067
13. Depreciation and Amortization Expense.....	2,450,525	2,630,573	2,720,240	293,506
14. Tax Expense - Property and Gross Receipts.....	142,866	180,170	147,152	20,608
15. Tax Expense - Other.....	613,648	732,689	596,247	147,621
16. Interest on Long-Term Debt.....	896,347	1,013,483	1,195,723	91,657
17. Interest Charged to Construction - Credit.....	(142,098)	(175,631)	(222,658)	(31,603)
18. Interest Expense - Other.....	-	-		-
19. Other Deductions.....	80	-	85	-
20. Total Cost of Electric Service (12 thru 19).....	16,708,557	16,926,434	16,863,870	1,868,856
21. Patronage Capital and Operating Margins (1 minus 20).....	655,420	1,060,147	835,085	(176,865)
22. Non Operating Margins - Interest.....	21,164	187,064	249,400	11,513
23. Allowance for Funds Used During Construction.....	-	-	-	-
24. Income (Loss) from Equity Investments.....	-	-	-	-
25. Non Operating Margins - Other.....	(1,482,033)	86,942	18,288	6,598
26. Generation and Transmission Capital Credits.....	-	-	-	-
27. Other Capital Credits and Patronage Dividends.....	56,051	67,239	37,577	67,239
28. Extraordinary Items.....	-	-	-	-
29. Patronage Capital or Margins (21 thru 28).....	(749,398)	1,401,392	1,140,349	(91,516)

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7  
BALANCE SHEET

USDA - RUS FINANCIAL AND STATISTICAL REPORT				BORROWER DESIGNATION PERIOD ENDED Sep-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)			LAST YEAR (a)		THIS YEAR (b)
1. New Services Connected	99		5. Miles Transmission	42.65		42.65
2. Services Retired	-		6. Miles Distribution-Overhead	156.97		153.60
3. Total Services in Place	14,969		7. Miles Distribution-Underground	1,139.03		1,150.07
4. Idle Services (Exclude Seasonal)	1,129		8.Total Miles Energized (5 + 6 + 7)	1,338.65		1,346.32
PART C. BALANCE SHEET						
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS			
1. Total Utility Plant in Service.....	104,560,675		30. Memberships.....	56,775		
2. Construction Work in Progress.....	10,867,939		31. Patronage Capital.....	37,000,479		
3. Total Utility Plant (1 + 2).....	115,428,614		32. Operating Margins - Prior Years.....	-		
4. Accum. Provision for Depreciation and Amort.....	43,698,178		33. Operating Margins - Current Year.....	1,314,450		
5. Net Utility Plant (3 - 4).....	71,730,436		34. Non-Operating Margins.....	86,942		
6. Non-Utility Property - Net.....	-		35. Other Margins and Equities.....	992,997		
7. Investments In Subsidiary Companies.....	(1,750,866)		36. Total Margins and Equities (30 thru 35).....	39,451,644		
8. Invest. In Assoc. Org. - Patronage Capital.....	507,333		37. Long-Term Debt - RUS (Net).....	-		
9. Invest. In Assoc. Org. - Other - General Funds.....	7,000		38. Long-Term Debt - FFB - RUS Guaranteed.....	32,413,325		
10. Invest. In Assoc. Org. - Other -Nongeneral Funds.....	558,274		39. Long-Term Debt - Other - RUS Guaranteed.....	-		
11. Investments In Economic Development Projects.....	48,333		40. Long-Term Debt - Other (Net).....	9,114,379		
12. Other Investments.....	-		41. Long-Term Debt - RUS - Econ. Devel. (Net).....	58,656		
13. Special Funds.....	193,555		42. Payments-Unapplied	(1,679,992)		
14. Total Other Property and Investments (6 thru 13).....	(436,372)		43. Total Long-Term Debt (37 thru 41-42).....	39,906,368		
15. Cash - General Funds.....	2,233,292		44. Obligations Under Capital Leases-Noncurrent.....	-		
16. Cash - Construction Fund - Trustee.....	30,677		45. Accumulated Operating Provisions and Asset Retirement Obligations.....	-		
17. Special Deposits.....	-		46. Total Other Noncurrent Liabilities (44+45).....	-		
18. Temporary Investments.....	2,049,193		47. Notes Payable.....	-		
19. Notes Receivable (Net).....	-		48. Accounts Payable.....	1,249,553		
20. Accounts Receivable - Sales of Energy (Net).....	1,431,969		49. Consumers Deposits.....	87,554		
21. Accounts Receivable - Other (Net).....	40,483		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.....	3,358,005		52. Current Maturities Capital Leases.....	-		
24. Prepayments.....	277,762		53. Other Current and Accrued Liabilities.....	437,406		
25. Other Current and Accrued Assets.....	667,402		54. Total Current and Accrued Liabilities (47 thru 53).....	1,774,513		
26. Total Current and Accrued Assets (15 thru 25).....	10,088,782		55. Regulatory Liabilities.....	-		
27. Regulatory Assets.....	-		56. Other Deferred Credits.....	250,321		
28. Other Deferred Debits.....	-		57. Total Liabilites and Other Credits (36+43+46+54 thru 56).....	81,382,846		
29. Total Assets and Other Debits (5+14+26 thru 28).....	81,382,846					
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.)						

RUS Form 7