



**BOARD OF DIRECTORS  
REGULAR MEETING & WORK SESSION  
Thursday, June 16, 2016 8:30 a.m.  
OPALCO Conference Room (Eastsound)**

**TRAVEL**



***Via Island Air***

378-2376 / 378-8129 (cell)

**To:**

Leave Friday Harbor 7:30 a.m.

Lopez 7:45 a.m.

Arrive Eastsound 8:15 a.m.

**Return:**

Leave Eastsound 4:00 p.m.

Arrive Lopez 4:15 p.m.

Friday Harbor 4:30 p.m.



***Via Ferry:***

**To:**

Leave FH 6:05 a.m.

Lopez 6:45 a.m.

Shaw 7:00 a.m.

Arrive Orcas 6:55 a.m.

Arrive Orcas 7:10 a.m.

Arrive Orcas 7:10 a.m.

**Return:**

Leave Orcas 3:05 / 6:20 p.m.

Arrive Shaw 3:20 / 6:35 p.m.

Lopez 3:40 / 6:55 p.m.

Orcas 4:25 / 7:40 p.m.

Arrive FH 5:05 / 8:20 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Board Meeting  
Eastsound OPALCO office  
317-5156  
June 16, 2016      8:30 a.m.**

**PAGES**

**WELCOME GUESTS/MEMBERS**

- Member Comment Period
- Introduce New Staff: Michael Bawdin; Becky Griswold; Judy Bossert

**ACTION ITEMS**

- 3-5**      ○ Approval of May 19 Minutes
- 6**      ○ New Members
- 7**      ○ Capital Credits
- 8-12**      ○ RUS 219s
- 13**      ○ July Board Meeting

**DISCUSSION ITEMS**

- 14**      ○ 2016 Budget to Actual Tracking (Status)
- 15**      ○ Board/Staff Expectation Setting Discussion

**REPORTS**

- 16**      ○ Safety
- 17-20**      ○ General Manager
- 21-26**      ○ Rock Island Communications

**INFORMATION ITEMS**

- 27-35**      ○ Dashboard Charts

**ADJOURNMENT**

Executive Session: Legal and personnel

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

Thursday, May 19, 2016

President Jim Lett called the meeting to order at 8:45AM at the Friday Harbor OPALCO office. Board Members present were Winnie Adams, Randy Cornelius, Vince Dauciunas, Mark Madsen, Brian Silverstein and Jerry Whitfield. 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, and Executive Assistant Bev Madan (serving as recording secretary). Rock Island Communications staff present were Dan Burke, Tom Schramm, Chad Bailey and newly hired VP of Finance & Administration, Chris Schmidt. Also present was consultant Jay Kimball.

**Member/Guests**

Each member/guest was offered an opportunity to address the board. Present were Steven Ludwig and Dwight Lewis. Both addressed the board during member comment period.

**April 21, 2016 Meeting Minutes**

- **Motion** made by Madsen to accept the April 21, 2016 minutes as presented. Motion was seconded (Adams) and carried by voice vote. Silverstein abstained as he was not a member of the Board in April.

**New Members**

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

**DISTRICT 1**

**San Juan**

Alsdurf, Kristen  
Bell, Richard & Elizabeth  
Blum, Joseph & Nancy  
Cazares, Maria L.  
Garcia, Erika  
Higgins, Wynne & Richard  
Housel, James  
Jacobs, Jill  
Kwiatkowski, Marc  
R&R Accounting LLC  
Range, Jacob  
Rennie, Averell  
Richard, Gail  
Ross, Caitlin & Scott R.  
Ryan, Brady  
Schrock, Ryan  
Spendiff, Ashloey  
Strachila, Elise  
Sullivan, Aemi

Szeremeta, Bill  
Trigueiro, Jonathan  
Venegas, Carmen  
Wickey, Matthew

**DISTRICT 2**

**Orcas**

Andersson, Elyn & Paul  
Baggott, Daniel  
Matkovick, Edward  
Sandison, George  
Stockwell, Mark

**DISTRICT 3**

**Lopez**

Cook, Jennifer  
Gibson, David & Robin

**DISTRICT 4**

**Shaw**

None

**Capital Credits**

- **Motion** made by Madsen to approve payment of \$2,124.54 in capital credits to the estates of deceased members listed below. Motion was seconded (Dauciunas) and carried by voice vote.

Grant E. Riley..... \$982.05  
Lynn C. Loring..... \$1,142.49

**Election of Officers**

Nominations were made as follows:

President: Dauciunas by Madsen; Board approved  
Vice-President: Whitfield by Adams; Board approved  
Secretary-Treasurer: Adams by Whitfield; Board approved.

### **Bylaw Revision**

Clarifying the term “bona fide resident” resulted in revisions to the bylaws as follows:

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 Districts 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 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.”

- **Motion** made by Dauciunas to accept the revisions to the bylaws as stated above. Motion was seconded (Madsen) and carried by voice vote.

### **2015 Financial Statement Audit Report**

Olga Darlington of Moss Adams LLP presented an unmodified opinion on the consolidated financial statements of OPALCO and Island Network LLC, dba Rock Island Communications. It was noted that the OPALCO staff was knowledgeable, prepared, open and responsive to the audit team during the audit.

*9:45 – 10:10 The Board met in Executive Session to discuss the details of the audit.*

There was discussion of the release of the ‘Communication of internal control related matters’ letter. Darlington recommended that the detailed document remain confidential to management and the board due the risk of exposing vulnerabilities of the organization. After discussion, the Board recommended that a summary of the ‘Communication of internal control related matters’ letter (consisting of specific observations and recommendations related to internal control) be summarized and made available as part of the audit report posted on the website.

- **Motion** made by Whitfield and seconded (Silverstein) to approve the 2015 audited financial statements. The motion carried by voice vote

### **2016 Q1 Financial Report**

Revenue was 2.2% higher than budgeted, but was more than offset by the related increase in purchased power. The increase in purchased power was due to more kWh usage, demand charges, and higher BPA power rates during Q1.

### **Weather / Revenue**

Due to energy (kWh) and heating degree day (HDD) volatility, staff will continue to monitor to determine the need for an energy charge adjustment on members’ bills.

### **Election Process Outline**

A thorough review of the director election/voting process will take place over several months, with anticipated completion by year end. Annual meeting survey results will guide the process which will include a member review mechanism, consolidation of election process materials, work sessions, and the formulation of a political activity statement.

### **Employee Handbook / Election Neutrality**

At the Board’s direction, staff created language for employee policy documents for both OPALCO and Rock Island Communications that institutionalizes election neutrality for all employees.

### **Reports**

- **Safety:** The Safety Committee is investigating an accident involving a lineman receiving flash burns. A full report will be given once the investigation is complete.
- **General Manager:** Hildreth reported about the ongoing situation of the CenturyLink fiber cable laying over the top of OPALCO’s submarine transmission cable that will be replaced. Letters will be sent to CenturyLink and Department of Natural Resources (DNR) regarding removal of the cable.
- **Rock Island Communications:** Staff reviewed the status of RIC projects, including LTE pole placement and challenges of meeting customers’ needs.

### **Adjournment**

Regular meeting adjourned to Executive Session at 1:40 p.m. The executive session ended, items discussed were RIC governance & legal; regular session adjourned at 1:45 p.m.

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Jim Lett, President

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Jerry Whitfield, Secretary-Treasurer

**NEW MEMBERS**  
**May 2016**

**District 1**  
**San Juan**

1. Aldous, Sarah
2. Arnoldy, Matt
3. Bariault, Francois
4. Berryman, Mary Ann
5. Bodamer, Mark D.
6. Broderick, Angela
7. Edwards, Shelli & Romeo, John
8. Guerrero-Hernandez, Maria
9. Hall, John
10. Hardman, JRoc
11. Hawkins, Shannon
12. Hudson Property Management
13. Jennings, Cheryl
14. Mandley, Helen & David
15. Morrison, Austin D.
16. Myers, Jeffrey
17. Peinado, David & Garcia, Fernanda
18. Peterson, Keven
19. Reed, Chris & Alexis
20. Riggs, William J & Caran O.
21. Roller, James
22. Shapiro, Margie
23. Shepard, Phil
24. Wagner, Jacob & White, Heidi
25. Warren, Michael
26. Waxman, Wendy
27. Williams, Kristen
28. Williamson, Collin
29. Yeager, Jessi & Rugge, Ashley

**District 2**  
**Orcas**

30. Bliss, Marshall
31. Comito, Christine & Philip
32. Ferreira, Brandon & Robieson, Amanda
33. Gross, Jason
34. Horn, Gregory
35. Jones, Kenneth & Sahlin, Nina
36. Morris, Roberft & Bonnie
37. Peterson, Brian
38. Prado, Samuel
39. Reel Holdings LLC
40. Ruig, Paul
41. Suarez, Marley & Phillip
42. Vallejos, Emily & Wendy

**District 3**  
**Lopez**

43. Clements, Kimberly & Schneider, Joseph
44. Eslinger, John & Pixie
45. Flint, David & Janice
46. Shelton, James F.
47. Stanley, Kyle

**District 4**  
**Shaw**  
None

MEMORANDUM

June 10, 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:

Grover C. Berryman .....	\$1,218.97
Nedell Lanros-Crawford.....	\$1,445.36
<b>Total .....</b>	<b>\$2,664.33</b>

MEMORANDUM

June 10, 2016

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

Projects completed from the Construction Work Plan:

- Inventory #AM1604 .....\$ 4,137.75 Apply to AM8  
*System improvements*
- Inventory # 201604 .....\$ 205,584.02 Apply to AM8  
*System improvements; shared project(s)*

Staff requests a motion from the Board to approve submittal of RUS Form 219s totaling \$209,721.77.



05/17/2016 3:46:00 pm

## RUS Form 219 Inventory Of Work Orders

Page: 6

Period: APR 2016

System Designation: WA AH O9

Inventory : AM1604

Budget			Amount
Loan	Project		
1	1600		4,137.75
<b>Total:</b>			4,137.75



## 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.

Russell Haines Guerry

INSPECTION PERFORMED BY

Orcas Power and Light Cooperative

FIRM

52424 WA

LICENSE NUMBER

6/7/2016

DATE

SIGNATURE OF LICENSED ENGINEER

05/17/2016 3:46:00 pm

## RUS Form 219 Inventory Of Work Orders

Page: 3

Period: APR 2016

System Designation: WA AH O9

Inventory: AM1604

Loan		Work Order Construction (1)		Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year	Retirement (2)	Bdgt (3)	Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	New Construction Or Replacements (6)	Salvage Relating To Retirements Without Replacements (7)		
1600	2015	1855							
		1855	1	4,102.56	77.84	0.00	0.00	0.00	4,137.75
							AFUDC: 42.65		
				4,102.56	77.84	0.00	0.00	0.00	4,137.75
<b>Grand Totals:</b>				\$ 4,102.56	\$ 77.84	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,137.75

Minor Construction Work Orders

Work Order: 1855 - OH SECONDARY TO UG CONVERSION DUE TO CLEARANCE ISSUE. MEMBER PROVIDED TRENCH AND ELECTRICIAN.

05/17/2016 3:46:00 pm

Page: 5

## RUS Form 219 Inventory Of Work Orders

Period: APR 2016

System Designation: WA AH O9

Inventory : 201604

## Budget

Loan	Project	Amount
1	601	7,125.98
1	608	197,268.50
<b>Total:</b>		<b>204,394.48</b>

**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.

Russell Haines Guerry

INSPECTION PERFORMED BY

Orcas Power and Light Cooperative


FIRM

52424 WA

LICENSE NUMBER

6/7/2016

DATE



SIGNATURE OF LICENSED ENGINEER

05/17/2016 3:46:00 pm

## RUS Form 219 Inventory Of Work Orders

Page: 2

Period: APR 2016

System Designation: WA AH O9

Inventory: 201604

Project	Loan	Year	Work Order Construction (1)  Retirement (2)	Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
					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)		
601		2015	2219							
			2219	1	5,675.15	1,519.15	0.00	0.00	0.00	7,125.98
								AFUDC: 68.32		
					5,675.15	1,519.15	0.00	0.00	0.00	7,125.98
608		2014	1725							
			1725	1	164,662.10	1,185.64	0.00	0.00	0.00	161,625.28
								AFUDC: 4,222.46		
608		2015	2279							
			2279	1	14,551.76	851.90	227.19	0.00	0.00	15,024.24
								AFUDC: 152.23		
608		2016	2290							
				1	20,695.01	0.00	0.00	0.00	0.00	20,618.98
								AFUDC: 76.03		
					199,908.87	2,037.54	227.19	0.00	0.00	197,268.50
<b>Grand Totals:</b>					\$ 205,584.02	\$ 3,556.69	\$ 227.19	\$ 0.00	\$ 0.00	\$ 204,394.48

# MEMORANDUM

June 10, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: July board meeting

According to Bylaw Article IV – *Meetings of Directors*, Section 1. *Regular Meetings*, in part, “the President may cancel or change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days’ notice thereof to all Directors”.

Staff would like to request that the President cancel the July meeting in light of scheduling conflicts and the fact that there were two meetings held in April (the regular meeting and the Annual meeting).

# MEMORANDUM

June 10, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2016 budget to actual tracking (status)

At the May board meeting, staff reviewed the Q1 financial packet with the board.

Given the inherent volatile nature of kWh sales (weather predictions), staff continues to track our budget to actual assumptions on a monthly basis. At this point, staff is not making a recommendation to implement an energy charge adjustment, but draws attention to the issue and will be monitoring it carefully over the coming months.

Staff has analyzed actual 2015 results and 2016 budgetary figures for potential excess discretionary expenses to ensure that applicable expenses are cut where possible prior to implementing an upward adjustment to revenue. Staff will be available to discuss further information at the meeting.

Our kWh budget assumptions (sales and purchases) are based on a changing weather pattern later in 2016 that is predicted to bring colder temperatures in a La Niña pattern. 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.

Please note, that the per our RUS loan agreement, the average coverage ratio requirement of TIER in the 2 best years out of the 3 most recent calendar years must not be less than 1.25. Current projection tracking indicates that TIER is trending to remain within acceptable limits through YE 2016.

Staff will be available to discuss updated projections at the meeting.

Please note, RUS covenant requirement: The average coverage ratios achieved by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less than a TIER of 1.25.

See RUS covenant requirement table below.

	OPALCO Annual TIER	RUS Avg. Calculation (Min. TIER = 1.25)
2008	4.91	
2009	5.57	
2010	3.21	5.24
2011	5.27	5.42
2012	2.07	4.24
2013	2.24	3.76
2014	1.13	2.16
2015	2.51	2.38

# MEMORANDUM

June 10, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Board/Staff Expectation Setting Discussion

At the May meeting, there was discussion regarding having a board work session. Staff is proposing to have a work session the Wednesday before the August 18<sup>th</sup> board meeting. At the June board meeting, we would like to have a general discussion of the work session process and topics.

## MEMORANDUM

Date: June 10, 2015  
To: Board of Directors  
From: Foster Hildreth, General Manager  
Subject: Safety Program – May 2016

### **Safety Training**

Jeff Myers conducted training on fire safety and fire extinguishers for all employees. He also included training for the office personnel on ergonomics and back safety.

### **Accidents/Incidents/Near Miss**

Date: April 28, 2016  
Type: Incident  
Description: A bucket truck backed into a utility pole guy-wire when replacing it. The result caused two-phase wire to contact each other and trip an up-line fuse.  
Outcome: There were no injuries or vehicle damages other than replacement of a line fuse. This did cause a minor outage.

Date: May 4, 2016  
Type: Accident  
Description: While removing an elbow from a bushing well insert, the stud that connects the bushing well to the bushing well insert broke. The crew decided to remove the broken stud while energized. During removal, the Allen wrench or hot stick hook arced to a grounded bleeder wire. The resulting arc flash created minor burns to one hand of the lineman trying to remove the stud.  
Outcome: There was an injury to the lineman operating the hot stick. The accident occurred on a Wednesday; the lineman returned on the next Monday. The investigation is ongoing.

	<b>May 2016</b>	<b>YTD (2016)</b>
<b>Near Misses</b>	0	0
<b>Incidents</b>	0	1
<b>Accidents</b>	1	1
<b>Loss Time</b>	0	0

Total Hours Worked without Loss Time Accident: 6,988



## **GENERAL MANAGER'S REPORT**

### **June 16, 2016**

#### **ENGINEERING, OPERATIONS AND TECHNICAL SERVICES**

##### **WIP**

As of 6/10/2016, there are 356 work orders open totaling \$8,593,246. Please note the majority of the increase is associated with the Submarine Cable Project totaling \$4,180,475 to date. Of the total WIP, Operations has completed construction on 60 work orders, totaling \$726,943. The conduit installation for Portland Fair URD replacement is complete in preparation of the county's road resurfacing project. Old Farm Road URD replacement (8500 ft.) on Orcas is to begin in mid-June. Calypso and Melody Lane installation is complete. We are still awaiting final replacement of the damaged CenturyLink infrastructure.

##### **Submarine Cables**

Installation of the conduit systems for the land portion of the submarine cable from Otis Perkins Park to the Lopez West Terminal are installed. The trench remains open as we prepare to remove the existing cable from service. As of June 7, Sumitomo aided in the process of decommissioning of the existing cable. Please note, this submarine cable crossing is no longer have redundancy until the new cable is installed in year-end 2017.

#### **INFORMATION TECHNOLOGY**

Deployment of iPads to the line crews is complete. With the LTE network and Rock Island support, the crews will now have the ability to access maps, outages, service orders, and other real-time reporting functionality. This also provides the dispatchers with locations for safety purposes. This functionality will continue to expand based on future LTE network expansion and software integration.

##### **Dashboards**

We encourage the board use the link below to review the interactive dashboard. The dashboard charts are still included within this report for a transitional time.

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

##### **SCADA**

IT, Engineering, and Operation are working to enhance our SCADA servers to provide more a reliable and secure network and hardware architecture. This enhancement will aid in integration of Outage Management and mobile system awareness.

#### **FINANCE**

##### **2015 Year-End Financial Statement Audit**

Based on the board approval at the May board meeting, staff posted the 2015 year-end audit materials on the OPALCO website on June 13<sup>th</sup>.

##### **General Allocation of the 2015 Margin**

Based on the board approval of the 2015 financial statements, the general capital credit allocation process was run to distribute to the membership the 2015 margin of \$1,858,323. Please note, this is not an actual cash distribution to the membership. Based on our two billing

cycles, notice of each member's amount of the allocation appeared on the end of May and mid-June electric bill.

### **2016 Monthly Budget Tracking**

As the preceding discussion item indicated, revenue is currently predicted to be slightly lower than budgeted (\$29K) and power is predicted to be slightly higher (by \$127k); however, the year-end TIER projection remains within acceptable budget parameters.

### **Clean Energy Grant Award**

OPALCO has received preliminary approval from the Washington State Department of Commerce Clean Energy Fund Program for award of a \$1 million grid modernization grant. This matching grant will be used to fund development of a .5 MW / 2.0 MWh Energy Storage System (ESS) in an innovative configuration to provide four complementary functions that enhance grid efficiency, reliability, operation and community solar array performance, while increasing storage system "capacity factor" and thus maximizing return on investment. The four functions of the ESS include:

1. Community Solar Array Output Conditioning: Condition intermittent solar array output and store energy for later use. This improves array voltage and frequency, and optimizes energy use. This feature is used mostly in summer and during the day, when solar output is at maximum, but peak load may be at other hours.
2. Peak Shaving: This usually happens in winter, during cold snaps, and year-round during restoration of service after system outages. Peak-shaving helps reduce excessive demand charges (currently over \$250,000 per year) levied by BPA. The ESS can be used to "soften" the load as power is restored after a major outage, or during cold snaps where morning load rises quickly, as members turn up the heat upon waking.
3. Load Shifting: OPALCO has a winter peaking and morning and evening peaking load shape. Storage can be used to shift peak loads to hours of reduced demand, such as late at night and mid-day. In addition, solar production peaks mid-day, between the morning and evening load peaks. Storage can be used to "bank" solar production for use during the evening demand peak. This helps flatten the load, improving load factor. and extending cable life.
4. Critical System Backup: The ESS will provide substation and communication hub battery backup during system outages.

In addition to the benefits above, the lessons learned from this initiative will aid in future green energy initiatives. The Dept. of Commerce will meet with staff in June to finalize grant award details. The determination of award will be made in July, and the project is expected to be completed in the 2018/19 timeframe. Staff will be pursuing a RUS program for renewables to fund the balance of this matching grant.

## **COMMUNICATIONS**

### **Annual Meeting Survey**

A member survey targeting members who attended the annual meeting was released on May 2, 2016, and was closed on June 8, 2016. Attendees were contacted via email. A total of 195 members received the survey (out of 261 members who attended, 195 email addresses were available/valid). The final sample size was 90 respondents (46%).

### Takeaways:

1. Members are closely divided about moving to all absentee voting versus the current process (electronic, mail-in, and in-person).
2. The majority support spending more time for 'Q&A Session'.
3. Members were largely satisfied with the 2016 annual meeting.
4. Sound quality issues with the PA system were mentioned as the most important area for improvement.
5. Members were most motivated to attend the annual meeting in order to 'stay informed about issues' and 'participate in co-op governance'.
6. The majority prefer to keep the door prizes and bill credit incentives as they are.
7. Most members reported that they do read the annual report and a slight majority (53%) prefer to read it online.
8. The greatest areas of satisfaction are Q&A, presences of positive discourse, and open discussion about issues and concerns.

The detailed report will be posted to the website.

### **Election Review Process**

The following is an outline of the process and timeline for a comprehensive review of OPALCO's election processes and opportunities for member participation in that process. The plan is to form a member committee, solicit committee feedback and report to the board for approval. The major constraint is time: this review must be complete in time to implement any bylaw or other changes necessary for the 2017 election cycle, which begins in December 2016.

- A. Timeline and approval process
  1. Staff formalize process and timeline: July 1
  2. Solicit members to participate in the Review Committee (Ads): July 7
  3. Member Committee sessions begin: August 1
  4. Member Committee recommendations finalized: September 1
  5. Board discussion of results: September Board Meeting
  6. General Open House Events: Late September
  7. Board enacts policy and bylaw changes: October/November
- B. Processes to review:
  1. Nomination committee
  2. Election details and candidate outreach
  3. Balloting materials
  4. Candidate forums protocol
  5. Voting Process
- C. Member participation in the review process
  1. Determine Staff Role
  2. Member Review Committee selection
  3. Public Feedback Events
  4. Board Meeting Participation

**PERSONNEL**

The recent staff additions were Becky Griswold (Member Services Rep), Mike Bawden (Apprentice Lineman), and Judy Bossert (Work Order Clerk). There is one vacant position, the Meter Technician.

## **Rock Island Communications June 2016 Update**

Currently there are 10 neighborhood/group projects under active construction around the county. We expect to yield over 400 fiber connections upon the completion of these over the coming weeks and months. Further details on each neighborhood can be found below. We are also closing on multiple new neighborhoods and groups, booking our crews well into 2017. The pipeline is growing and the crews are non-stop.

There are 17 of our planned LTE sites online delivering service to many of the hard-to-reach locations and underserved areas. This cutting edge technology is delivering capability far surpassing any other alternative for so many folks with many more to come. We are expecting 6 more sites to be operational by the end of July.

San Juan Island is seeing the bulk of activity over the coming months with major neighborhood projects throughout the island from Roche Harbor area all the way to the Cape. We have been rolling out miles of distribution fiber, along with setting up several key LTE wireless sites that will be coming online this summer.

We've run fiber down Argyle and Cattle Point Road on a project designed to bring fiber all the way to Cape San Juan. As this segment gets lit, it will activate a second, westbound segment with over 18 miles of fiber that was hung last year down Bailer Hill, Douglass and San Juan Valley roads. This will enable over 300 homes within 200 feet the ability to build last mile fiber connections, with many seeing NO upfront cost given our \$1,500 incentive program.

In addition to the many individuals along this route, groups like Garry Oak, Portland Fair and Panorama Place will start to get service. If you have been waiting to get connected, it's time to start thinking about mobilizing your group! Talk to your neighbors and be sure to visit our website to get educated on the process.

### **PROGRESS-TO-PLAN**

We have 415 fiber accounts currently in development, 161 new connections at the end of May, and another 90 booked and waiting to be scheduled for a total of 666 total connections in our committed pipeline for 2016 – surpassing our goals set for the year. In addition, we have delivered or are working on multiple new

ISP and Institutional connections on each of the main islands. We are running a little behind plan, 24 fiber connections at the end of May, but expect to make that up now that many seasonal residents are here and focused on completing connections. As an early indicator, we have already lit 30 new connections in the first two weeks of June.

LTE is right in line with our plan (433 online to 430 planned at the end of May).

### **Neighborhood/Group Details**

#### **CAPE SAN JUAN (145) (Phase 2): 75% of Total Project Complete**

- Multiple last miles under way at the moment
- Middle mile 100% complete

#### **SALMON POINT (17): 50% of Total Project Complete**

- Middle Mile 100% complete
- Backbone dependent; no online until the fall
- Last Miles currently being evaluated

#### **CAYOU VALLEY (19): 50% of Total Project Complete**

- Middle Mile 100% complete
- Last Mile digs have begun

#### **MATIA VIEW (19): 90% of Total Project Complete**

- Middle Mile 100% complete
- All Last Miles 100% complete
- Backbone and active site dependent
- Final Installs will begin once backbone is connected

#### **ROCHE HARBOR HOA (29): 30% of Total Project Complete**

- Existing Conduit system undergoing retrofit
- Fiber has been pulled into conduit

#### **BROWN ISLAND (39): 75% of Total Project Complete**

- Radio backhaul (air fiber) has been built and connected
- Middle Mile 100% complete
- Last Miles are underway with 6 homes online

#### **WALKER DRIVE (7): 8% of Total Project Complete**

- Middle Mile about to kick off

**KAREN LN ON ORCAS ISLAND (7): 30% of Total Project Complete**

- Middle Mile underway
- Conduit and vaults has been set

**HARNEY VIEW PARK (41): 10% of Total Project Complete**

- Middle Mile underway

**ELDERBERRY (3): 95% of Total Project Complete**

- Middle Mile 100% complete
- All Last Mile 100% complete
- Backbone and active site dependent
- Final Installs with begin once backbone are online

**HILLTOP/SEA RANCH (28): 55% of Total Project Complete**

- Middle Mile 100% complete
- Last Miles underway

**PORTLAND FAIR AREA (31): 15% of Total Project Complete**

- Middle Mile 15% complete and ongoing
- Backbone to be connected

**DOWNTOWN EASTSOUND (30): 15% of Total Project Complete**

- Three phase deployment plan in place
- Phase 1 underway

**Completed Neighborhoods/Groups**

- 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
- Whiskey Hill HOA
- Morley Drive

- Indian Point On Orcas Island

### **Major System Wide Projects Underway**

- Guard St./Tucker Rd. Rebuild (downtown Friday Harbor streetscape)
- Pear Point to Argyle Under build starts on 6/20 (2.5 miles of under build on San Juan Island)
- Moran State Park Backbone fiber extension loop
- Roche Harbor Resort Wi-Fi project nearing completion and is wildly successful thus far. Resort customers seeing 50Mbps speeds beyond the breakwater

### **Individuals**

Contractor resources are becoming stretched countywide due to the summer season influx. Given the amount of new fiber coming online this pipeline of work will be very busy through 2017.

- Over 100 Individual connections in construction and near term pipeline
- New routes for Individual Connections will roll out as backbone fiber segments become available

### **VoIP Rollout**

- We continue to roll out VoIP to existing customers each day with a total of 108 Ooma Telo's now online, and 97 VoIP customers on Clearly (205 total)
- UPS battery backups are going out with VoIP-enabled modems, but there are continued delays for Ooma backups due to product selection and testing
- Business customers now have the ability to receive a unique functionality set within the OOMA business platform with added feature set
- 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 with 433 customers currently online
- Next 6 sites are planned to be complete and active by the end of July
- Customer response continues to be beyond our expectations
- We are working on completing locations for the remaining sites as we bridge coverage gaps in the network
- Ol Fire & Rescue testing unique in-vehicle routers with the goal of providing island wide coverage for their staff



### **Operational Projects**

- We rolled out significant software features over the last few months designed to enable our team to more effectively communicate and support our growing customer base. This new software suite will deliver operational efficiencies, give us new and deeper reporting functionality, along with business accountability far beyond our current state of legacy systems
- During May we completely replaced our entire billing and account management systems. This critical new platform will enable our growth and reporting capabilities and support our full product line from prospecting to on-going subscriptions
- A major project designed to catch, track and manage inbound calls and email inquiries has been implemented and is rolling out now!
- New “Projects” feature is being rolled out this month to tie inventory, work hours and projects together for 100% accountability across the full fiber project lifecycle

# Rock Island Communications Monthly Dashboard

2015	2016												2016 Period to Date	Life-to-Date Totals
	January	February	March	April	May	June	July	August	September	October	November	December		
<b><u>Fiber</u></b>														
<b>Revenue (\$)</b>														
Budget	73,030	73,030	73,030	85,427	85,427	85,427	99,227	99,227	99,227	112,313	112,313	112,313	389,943	
Actual	59,545	72,644	73,986	68,371	70,844								345,389	
Over (under) budget	(13,485)	(386)	956	(17,056)	(14,583)								(44,554)	
<b>ARPU (\$)</b>														
Budget					92	92	92	92	92	92	92	92		
Actual					89									
Over (under) budget					(4)									
<b>Subscribers (#)</b>														
Budget	500	35	35	35	40	40	40	55	55	55	45	45	45	185
Actual	489	29	35	46	23	28								161
Over (under) budget	(11)	(6)	-	11	(17)	(12)								(24)
														(35)
<b><u>LTE</u></b>														
<b>Revenue (\$)</b>														
Budget	6,300	6,300	6,300	25,725	25,725	25,725	51,975	51,975	51,975	75,600	75,600	75,600	70,350	
Actual	4,972	7,230	16,481	22,074	30,436								81,193	
Over (under) budget	(1,328)	930	10,181	(3,651)	4,711								10,843	
<b>ARPU (\$)</b>														
Budget					70	70	70	70	70	70	70	70		
Actual					69									
Over (under) budget					(1)									
<b>Subscribers (#)</b>														
Sub Budget	608	60	60	60	125	125	125	125	125	75	75	75	430	1,038
Sub Actual	39	39	115	125	65	89							433	472
Over (under) budget	(569)	(21)	55	65	(60)	(36)							3	(566)
<b><u>Other Revenues (\$)</u></b>														
DSL/Canopy Budget	66,333	66,333	66,333	63,333	63,333	63,333	60,000	60,000	60,000	56,667	56,667	56,667	325,667	
DSL/Canopy Actual	72,308	71,342	70,140	69,121	69,419								352,330	
Over (under) budget	5,975	5,009	3,807	5,788	6,086								26,663	
IT Services Budget	21,069	21,069	21,069	24,878	24,878	24,878	34,402	34,402	34,402	25,744	25,744	25,744	112,962	
IT Services Actual	22,993	33,274	18,596	27,052	19,097								121,013	
Over (under) budget	1,924	12,205	(2,473)	2,174	(5,781)								8,051	
<b><u>Overall Revenues</u></b>														
Budget	166,732	166,732	166,732	199,363	199,363	199,363	245,604	245,604	245,604	270,324	270,324	270,324	898,922	
Actual	160,532	185,858	180,951	188,495	191,651	-	-	-	-	-	-	-	907,487	
Over (under) budget	(6,200)	19,126	14,219	(10,868)	(7,712)								8,565	

## MEMORANDUM





































June 10, 2016

To: Board of Directors

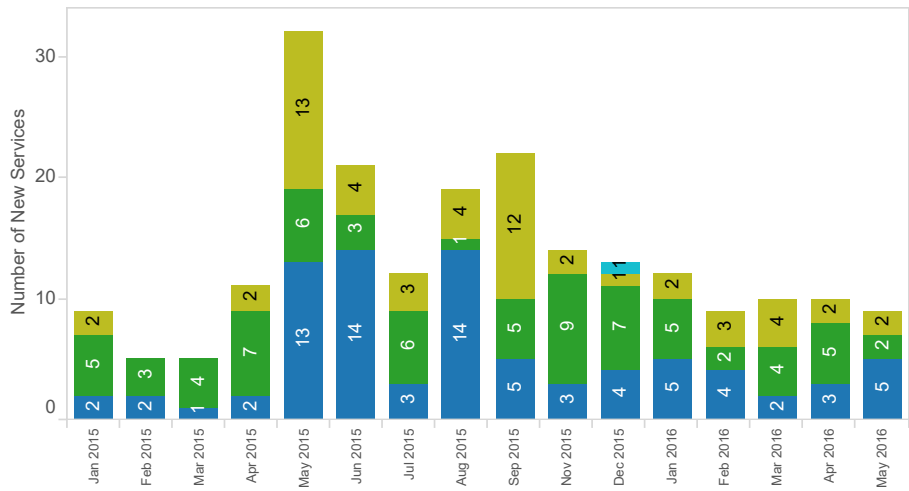
From: Foster Hildreth, General Manager

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.

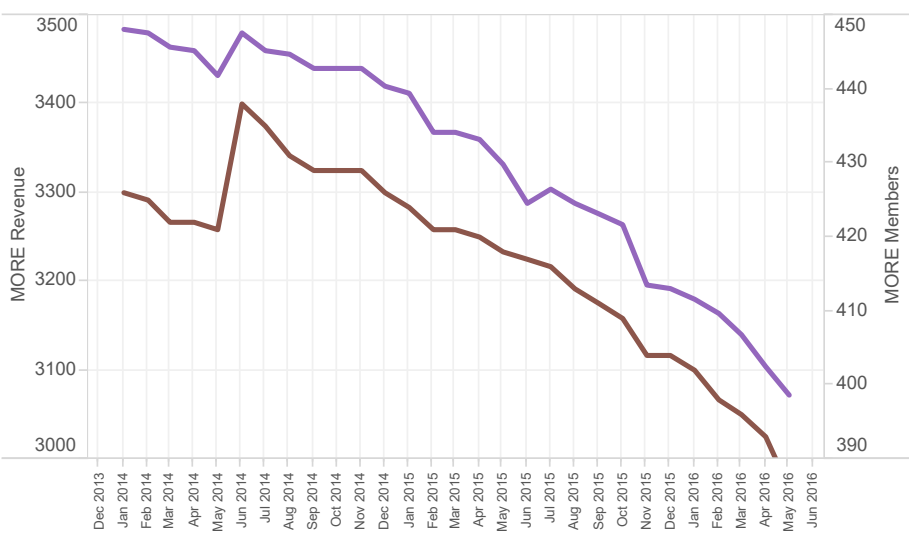
Title	Status			Comment
Service Additions by Board District				Continued new services
PAL and Energy Assist. Prog.				Funding through the tariffs will help
MORE/All Green				Continued decline in participation
Cash				Pursuant to Board Directives
Revenue				Pursuant to Board Directives/budget
Margins				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)



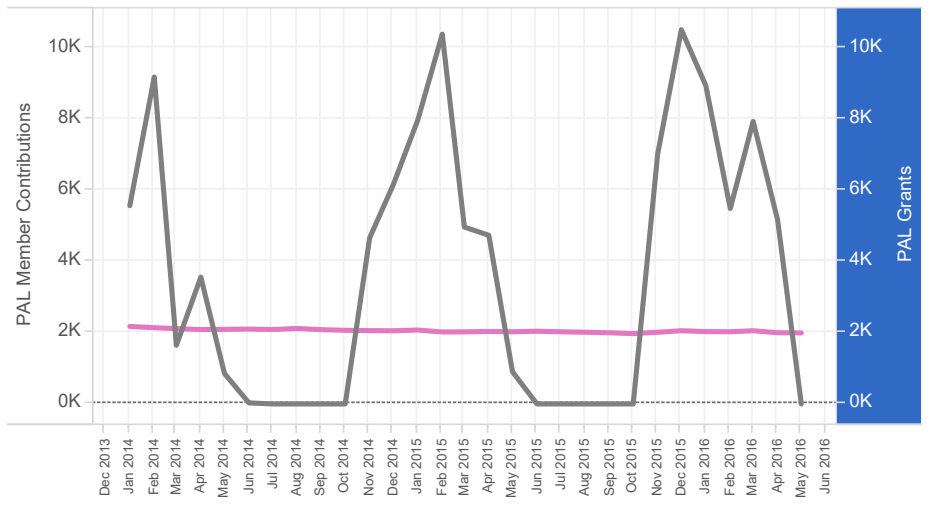
- District 4 - Shaw, Bell, Canoe, and Crane
- District 3 - Lopez, Decatur, Center, and Charles
- District 2 - Orcas, Blakely, Obstruction, Armitage, Bid Double, Little Double, and Fawn
- District 1 - San Juan, Brown, Henry, Pearl, and Spieden

MORE



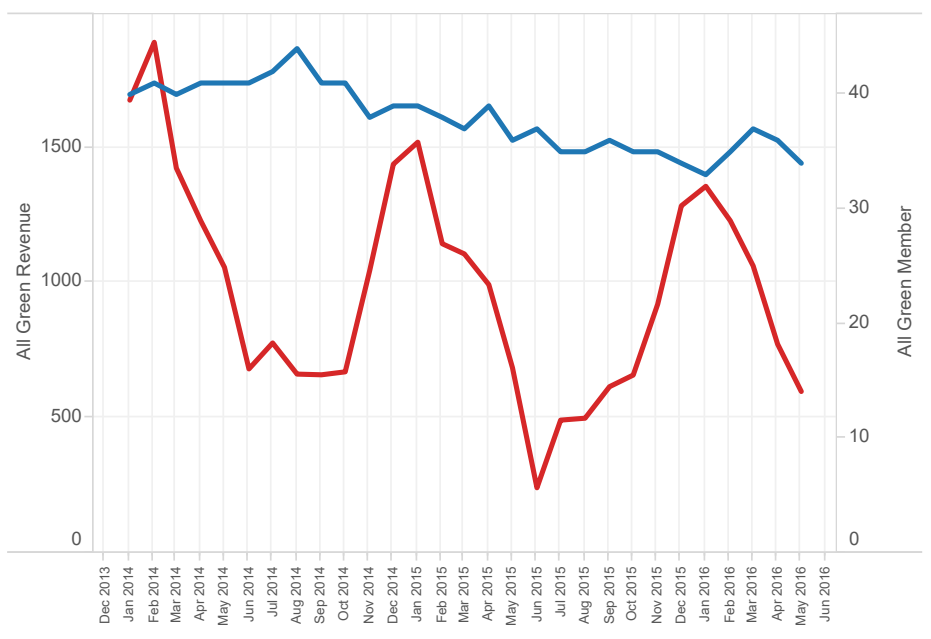
- MORE Members
- MORE Revenue

PAL

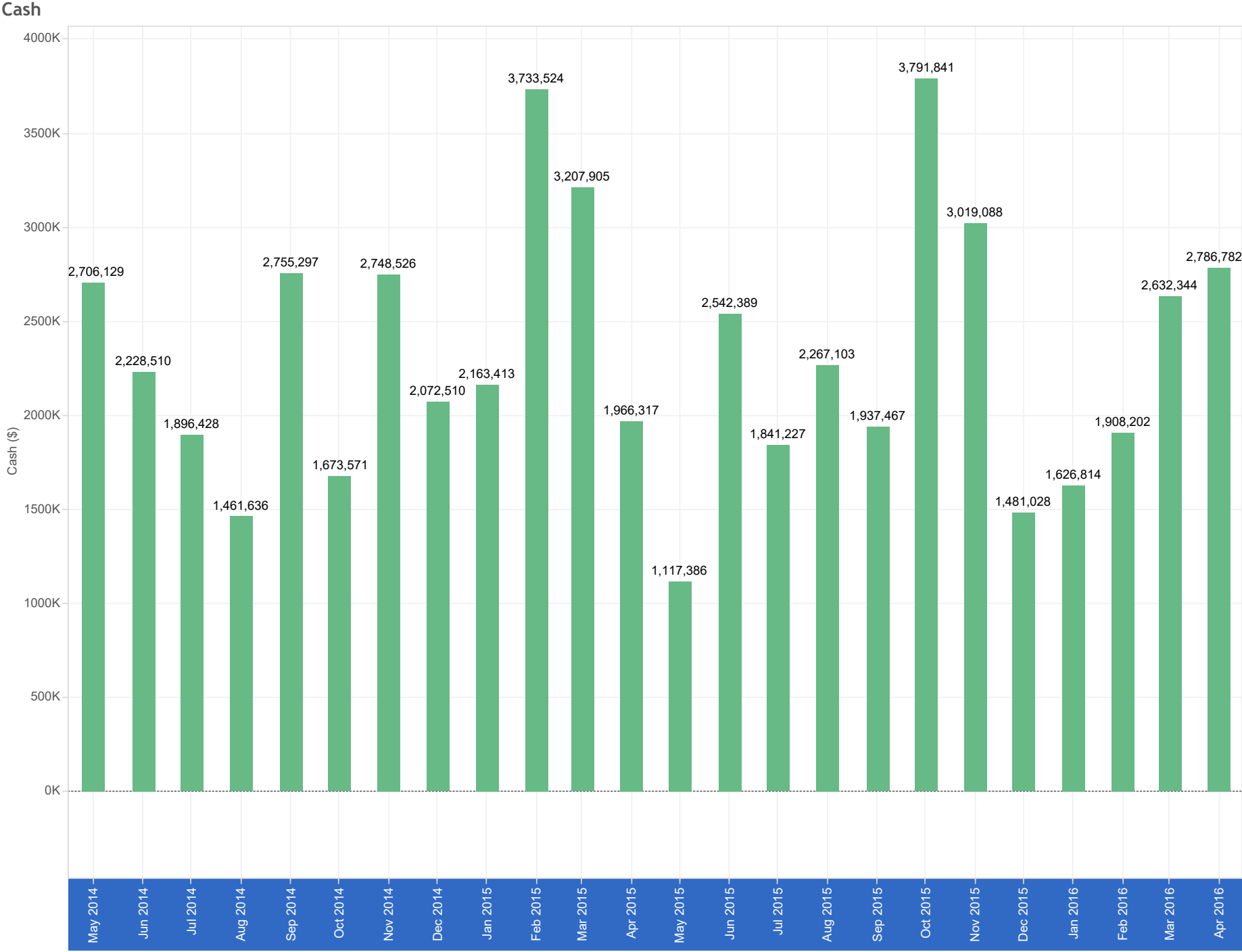


- PAL Grants
- PAL Member Contributions

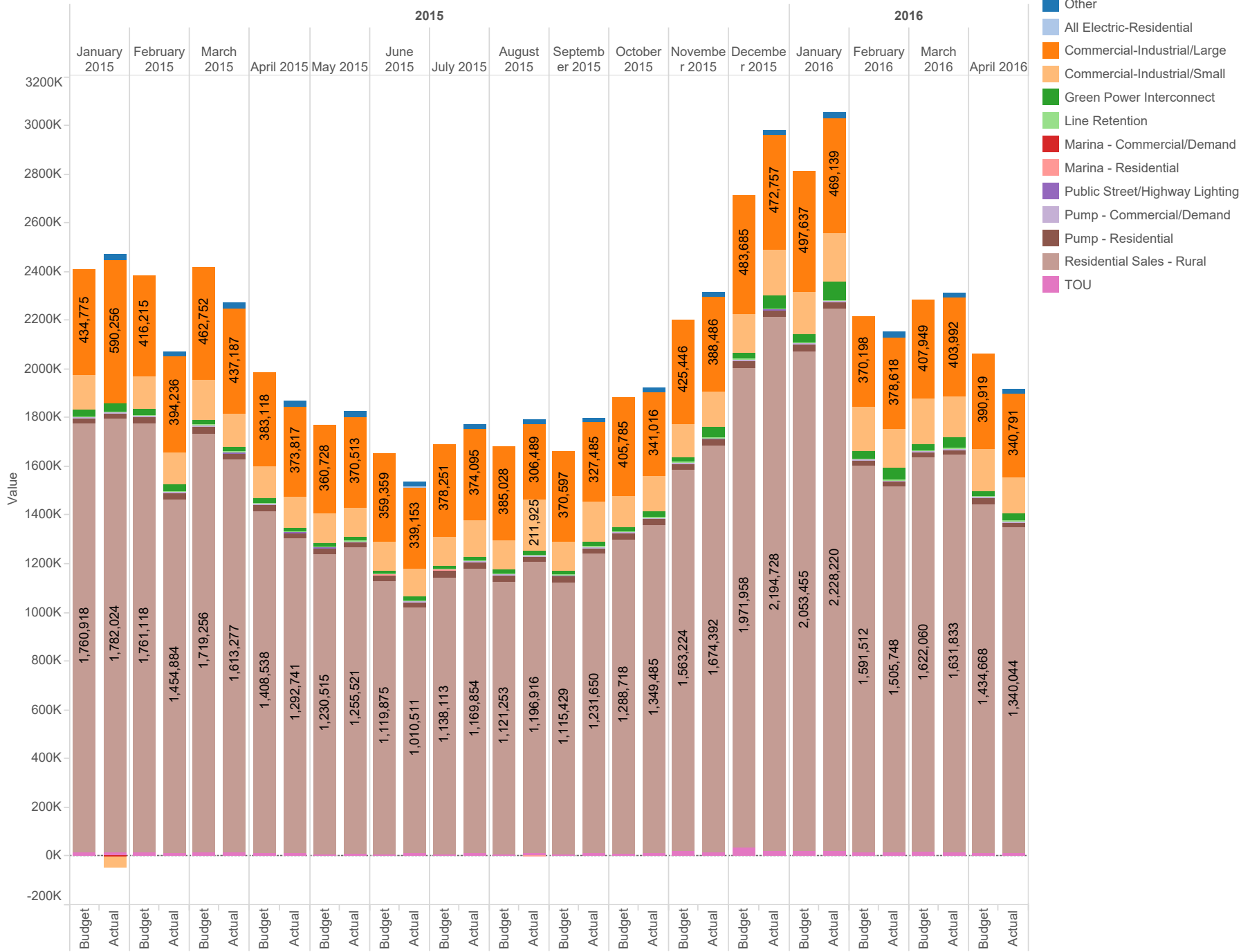
All Green



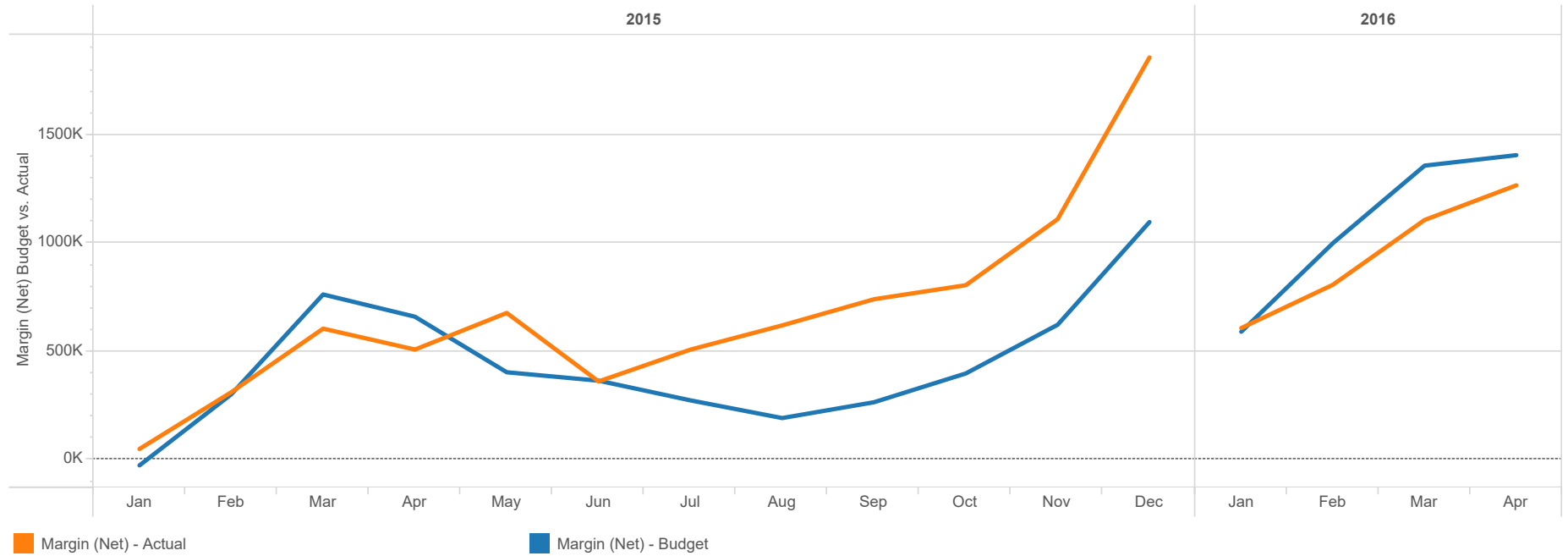
- All Green Member
- All Green Revenue



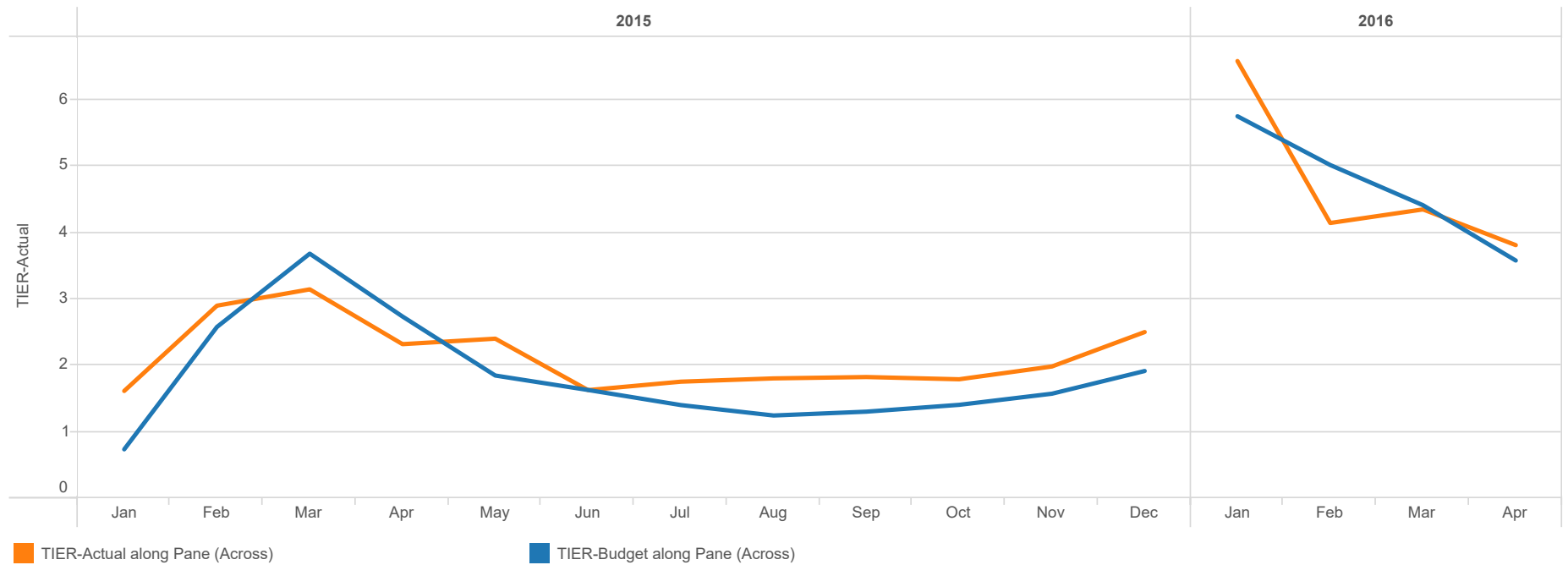
Revenue by Rate

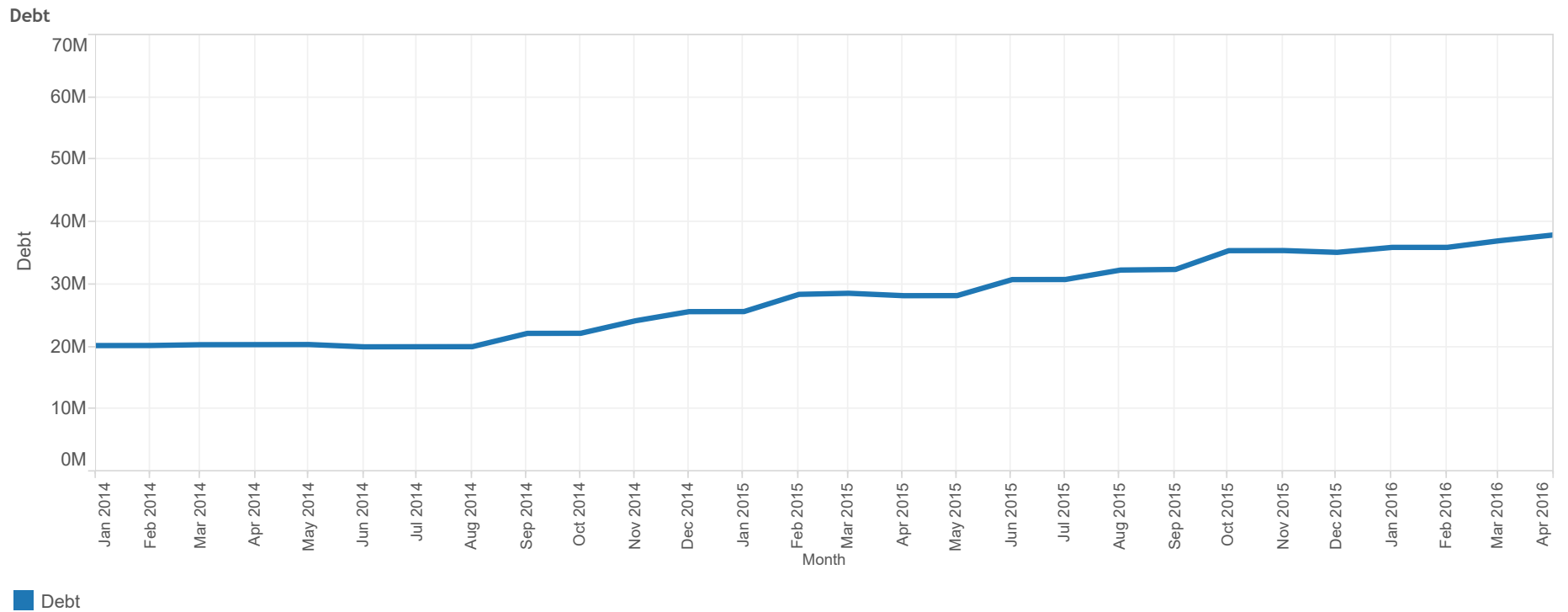
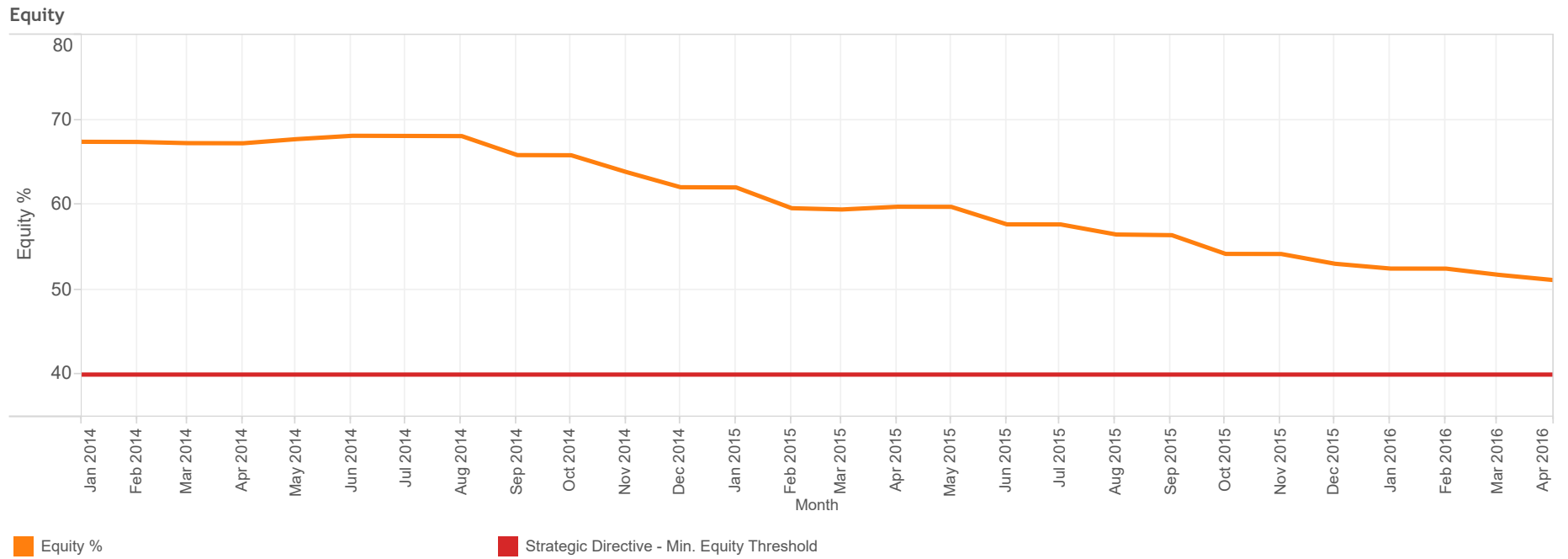


## Net Margins



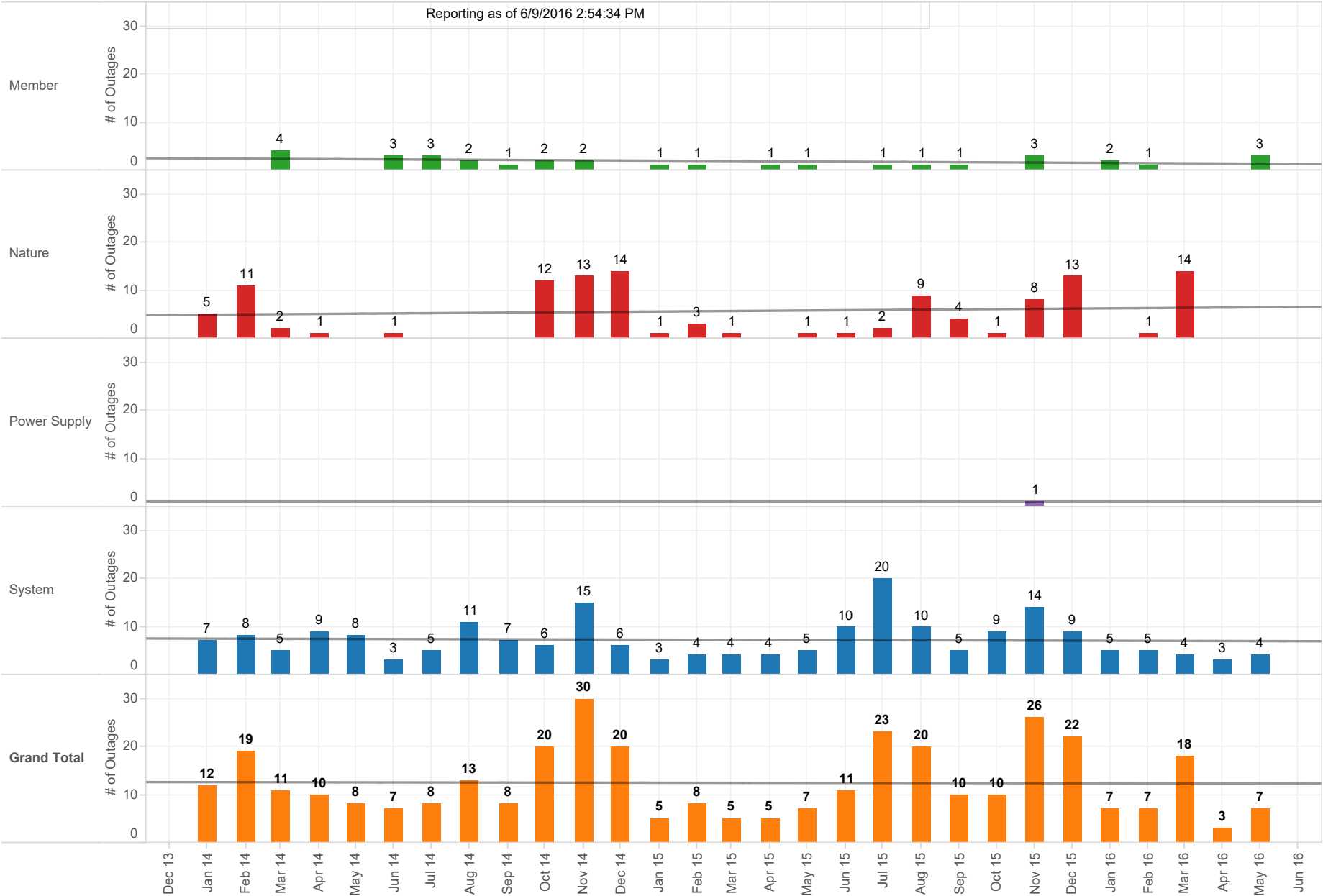
## TIER







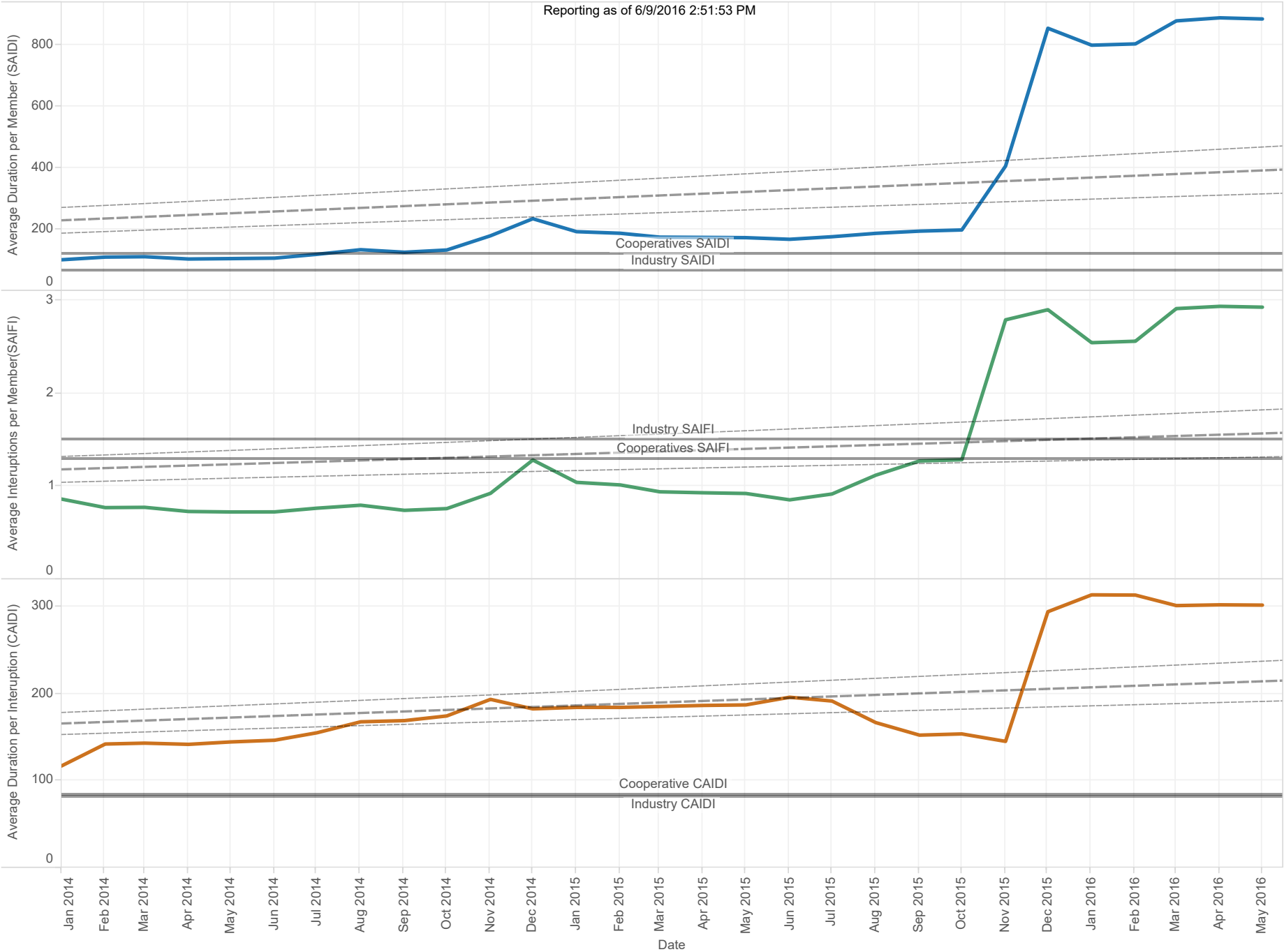
Outage Summary



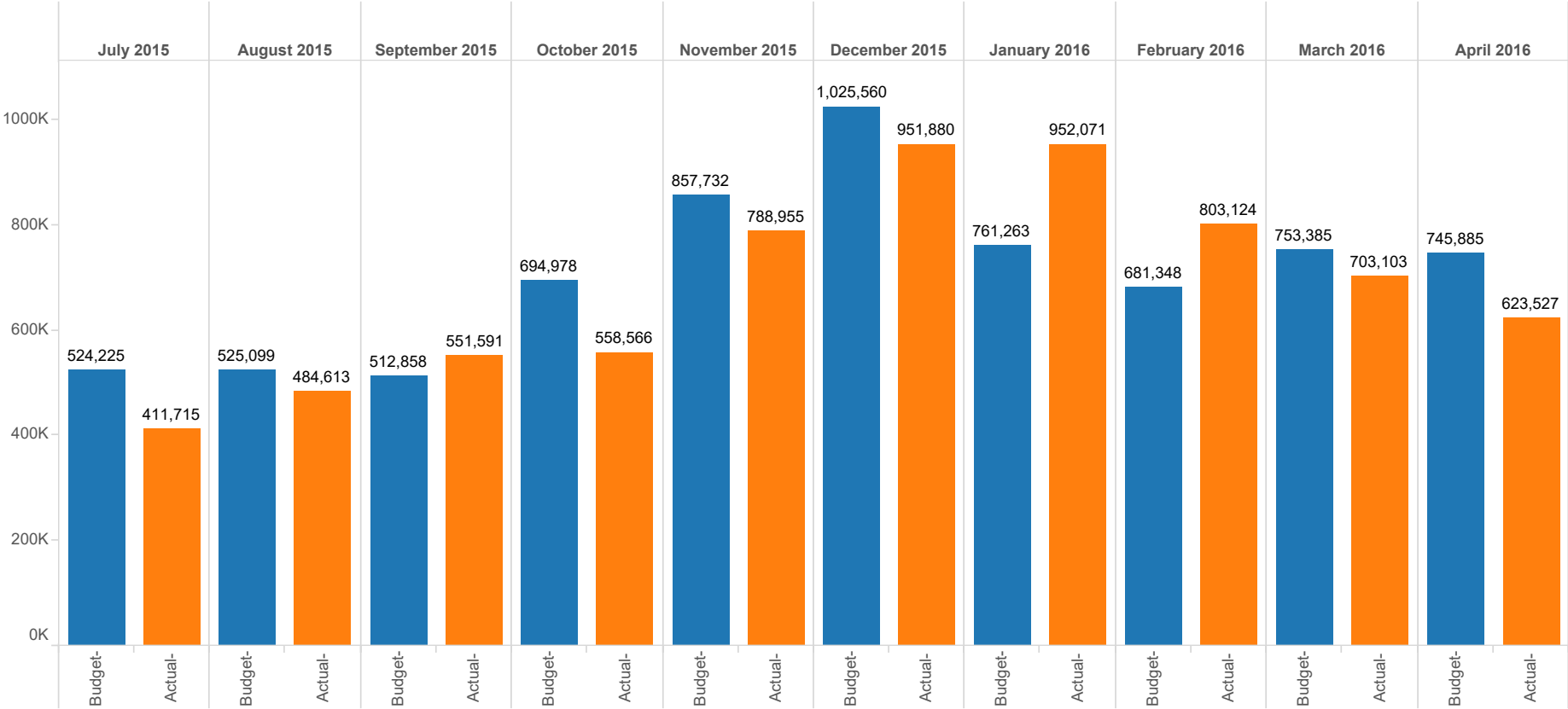
Category Description

Member Nature Power Supply System Grand Total

Outage Statistics



Power Cost



Prior Rolling 12 Months

	Budget-	Actual-	Variance
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
April 2015	668,629	782,297	113,668
Grand Total	7,918,428	7,730,947	-187,481

Current Rolling 12 Months

	Budget-	Actual-	Variance
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
April 2016	745,885	623,527	-122,358
Grand Total	8,141,990	7,812,776	-329,214