



**BOARD OF DIRECTORS
REGULAR MEETING
Friday, March 17, 2017 8:45 a.m.
Friday Harbor OPALCO Office**

TRAVEL



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

To:

Leave Lopez 7:45 a.m.

Arrive FH 8:00 a.m.

Return:

Leave FH 2:00 p.m.

Arrive Lopez 2:15 p.m.



Via Ferry:

To:

Leave Lopez 7:10 a.m.

Arrive FH 7:40 a.m.

Shaw 7:00 a.m.

Orcas 7:20 a.m.

Arrive FH 8:10 a.m.

Return:

Leave FH 2:05 p.m.

Arrive Orcas 2:55 p.m.

Shaw 3:10 p.m.

Lopez 3:30 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
Friday Harbor OPALCO Office
376-3500
March 17, 2017 8:45 a.m.****

PAGES

****8:45 am PRE-MEETING: Web Portal Tutorial**

9:15 WELCOME GUESTS/MEMBERS

- Member Comment Period

ACTION ITEMS

- 3-12** ○ Consent Agenda
- 13** ○ EGC
- 14** ○ Voting Delegates (CRC, NWPPA)

DISCUSSION ITEMS

- 15-19** ○ 2016 Year-End Financial Review

REPORTS

- 20-22** ○ General Manager

ADJOURNMENT

Executive Session: Legal and personnel

MEMORANDUM

March 10, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Consent Agenda

All matters listed with the Consent Agenda are considered to be routine and will be enacted by one motion of the Board with no separate discussion. If separate discussion is desired, that item may be removed from the Consent Agenda and placed as an Action Item by request of a Board member. The minutes will reflect the approved consent agenda.

The Consent Agenda includes:

- Minutes of the previous meeting(s)
- Approval of new members {as required by Bylaws Article I Section 2 (d)}
- Capital Credit payments to estates of deceased members and/or organizations no longer in business
- RUS 219s

Staff requests a motion to approve the Consent Agenda.

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

Thursday, February 16, 2017

President Vince Dauciunas called the meeting to order at 8:15 am at the Lopez Fire Hall. Board members present were Winnie Adams, Mark Madsen and Brian Silverstein. Randy Cornelius and Jerry Whitfield attended via video Zoom. Jim Lett was absent. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis; and Executive Assistant Bev Madan (serving as recording secretary). Also present were Rock Island Communications (RIC) EVP Gerry Lawlor, RIC SVP of Finance Chris Schmidt and consultant Jay Kimball.

MEMBER/GUESTS

Each member/guest was offered an opportunity to address the board. Present were Dwight Lewis and Steve Ludwig.

CONSENT AGENDA

- **Motion** made to accept the Consent Agenda which consisted of the January 26, 2017 minutes, new members (listed below), and capital credit payments to the estates of deceased members/businesses and to a special request. Motion was seconded and carried by voice vote.

New Members:

DISTRICT 1

San Juan

Adams, Teresa
Brackman, Herb
Cheesecake Café LLC
Cobb, Donald
Dorra, Erin
Cregor, Frank
Deng, Kangming
Friday Harbor Chocolates
Haase, Christina
Jennings, Jeremy & Lauren
Lake, Roland (Peter)
Larson, Charles A
Lomeli, Maricela
Lowry, Desiree
Risenhoover, Susan
Sehgal, Melissa
Sillik, John
Timmons Calstate LLC
Vaught, Raymond & Noel, Anna

DISTRICT 2

Orcas

Axelrod, Keara
Clark, Abraham
Collier, CJ & Rowley, Andrea
Davis, Michael
French, Krysta & Pan, Eric
Gadallah, Janet
Guzman, Carlos
Motch, Arthur III
Nichols, Wendy & Hartkopf, Scott
Nicol, Margaret
Parker, Sandra & Asher, David
Quintero, Laura
Springer, Joseph & Elaine
Waite, James & Dixon, Elizabeth

DISTRICT 3

Center

Hickey, Matt

Lopez

Meilak, Donn & Sutch, Jeannie

DISTRICT 4

Shaw

Graham, Andrew & Stacy

Capital Credits

Kathleen Bacon	\$689.02
Sharron Crinean	\$1,513.10
Dorothy Ganzer	\$349.22
Donald Madsen	\$1,994.49
James Sillik.....	\$98.19
Virginia Van Camp.....	\$1,174.90
Bessie Wright.....	\$1,369.50
Total.....	\$7,188.42

By special request, capital credits were paid to the Power of Attorney of George and Florence Black in the amount of \$1,845.07.

ELECTIONS AND GOVERNANCE COMMITTEE

Outreach will continue until all nine positions are filled. Orientation took place February 10 for the existing members of the committee. Candidates for the Board of Directors nominated by the committee must be posted no later than February 25. Candidates by petition have until March 12 to file.

RATES

Hildreth met with Directors Whitfield and Silverstein to outline a rates roadmap and analysis for the Board going forward. Two work sessions will be held: June 16 will include a review of the budget in relation to rates and the September 22 session will focus on the review of alternative rate structures. Staff is working with an outside consultant to assist in the development of a rate design/revenue requirement model which will allow the stakeholders to review and perform financial sensitivity analysis along the way.

TRANSMISSION RIGHT OF WAY / EASEMENTS

After a subsequent storm event at the south end of Lopez in November 2016, the Board requested staff perform a comprehensive review of our existing transmission easements and rights-of-way and report the results at the February 2017 Board meeting. Staff presented a 35-page report on the easement status, their widths, vegetation clearing status, and other relevant factors. Staff informed the Board that a large portion of our overhead transmission and distribution system (easement areas) has been overshadowed in height by the continually growing trees. Staff noted that without expanding our current ROW program, our system will see more outages with longer durations and greater system damage during storm events. Staff will be working with the membership to solidify easements and ROWs. While recognizing the value of trees, the Board concurred with the importance of continued clearing and expansion of the critical easements and performing target area reviews (work with members, survey areas, and consult with arborists) with the intent of expanding easement areas.

REPORTS

- **General Manager** Hildreth reviewed the report, noting that the year-end financials will be presented at the March meeting. The importance of redundancy during the cable replacement project between Lopez and San Juan was discussed.
- **Safety Program** There were no loss time accidents in January 2017; total hours without loss time accident is 54,315.

ADJOURNMENT

Meeting adjourned at 10:30 a.m.

Vince Dauciunas, President

Winnie Adams, Secretary-Treasurer

NEW MEMBERS

February 2017

DISTRICT 1

San Juan

1. Anderson, Todd C
2. Bedient, Michael
3. Betcher, RW & Lee Hope
4. Bielawski, Kurt
5. Bozanich, Patricia A
6. Brouwer, Brook
7. Canniff, William & Janet
8. Carr, James
9. Cavanaugh-Spain, Emily
10. Chenoweth, Amber
11. Colmenares, Lisa & Angel
12. Gallagher, Michael
13. Hillukka, Jason
14. Keene, Stephanie
15. Pannell, Jessica & Miller, Sterling
16. Pennell, Zonna
17. Purdum, Phyllis
18. Rand, Laura
19. Smith, Derek & Landers, Brook
20. Stephens, Rachel
21. The Hemp Seed LLC
22. Williams, Christopher & Susan
23. Wilson, Karissa

DISTRICT 2

Orcas

24. 2BY2 LLC
25. Cade, Celia
26. Casaday, Raelene
27. Eagan, Brendan & McNett, Luanna
28. Nay, Karen
29. Palma, Eric
30. Pozzo, Mark & Lisa
31. Randall, Gary & Diana
32. Rose, Stephanie
33. Sherburne, Alysha & Casey

DISTRICT 3

Lopez

34. Carlson, Christopher
35. Farnsworth, John & Carol F
36. Grant, Rob K
37. Karnes, Erica
38. MacDonald, Ross
39. Sage, Laura
40. Ursa Minor Lopez LLC
41. Zoerb, Andrew S

DISTRICT 4

Shaw

42. Grant, Robert

MEMORANDUM

March 10, 2017

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Capital Credits

Staff requests payment of capital credits to the estates of the following deceased members and/or to organizations no longer in business by way of approval of the consent agenda:

<u>Decedent</u>	<u>Amount</u>
Tony Bozanich	\$937.36
Estate of James E. Jatho	\$44.62
Katherine Wood	\$977.80
Wayne Suttles	\$824.87
Clemons C Turner	\$2,329.77
Patricia Eden	\$1,166.58
Request Total	\$6,281.00

MEMORANDUM

March 10, 2017

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 #AM1701\$2,094.99 Apply to AM8
 System Improvements (minor projects)
- Inventory 201701\$168,291.94 Apply to AM8
 Pole Replacement, URD Replacement

Staff requests a motion from the Board by way of the consent agenda to approve submittal of RUS Form 219s totaling \$170,386.93.

02/23/2017 4:17:52 pm

RUS Form 219 Inventory Of Work Orders

Page: 3

Period: JAN 2017

System Designation: WA AH O9

Inventory: AM1701

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)							
1600	2014	2465							
		2465	1	710.58	1,395.50	0.00	0.00	0.00	2,094.99
							AFUDC: 11.09		
				710.58	1,395.50	0.00	0.00	0.00	2,094.99
Grand Totals:				\$ 710.58	\$ 1,395.50	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,094.99

Minor Construction Work Orders

Work Order: 2465 - REMOVE 2 POLES & 1 SPAN OF OH SECONDARY

02/23/2017 4:17:52 pm

Page: 6

RUS Form 219 Inventory Of Work Orders

Period: JAN 2017 System Designation: WA AH O9

Inventory : AM1701

Budget		
Loan	Project	Amount
1	1600	2,094.99
Total:		2,094.99



EXPIRES 3/16/17

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.

Joel Mietzner P.E.

INSPECTION PERFORMED BY

#9 42902

LICENSE NUMBER

3/16/17

DATE

FIRM

Joel Mietzner P.E.

SIGNATURE OF LICENSED ENGINEER

02/23/2017 4:17:52 pm

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: JAN 2017 System Designation: WA AH O9

Inventory: 201701

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	2014	2547							
		2547	1	33,261.48	1,393.02	0.00	0.00	0.00	34,402.22
							AFUDC: 252.28		
				33,261.48	1,393.02	0.00	0.00	0.00	34,402.22
608	2014	2349							
		2349	1	18,308.63	0.00	0.00	0.00	0.00	18,182.82
							AFUDC: 125.81		
608	2014	2376							
		2376	1	44,113.08	804.59	0.00	0.00	0.00	44,365.68
							AFUDC: 551.99		
608	2014	2459							
		2459	1	27,526.94	0.00	0.00	0.00	0.00	27,360.39
							AFUDC: 166.55		
608	2016	1891							
			1	44,681.35	0.00	0.00	0.00	0.00	43,980.83
							AFUDC: 700.52		
				134,630.00	804.59	0.00	0.00	0.00	133,889.72
Grand Totals:				\$ 167,891.48	\$ 2,197.61	\$ 0.00	\$ 0.00	\$ 0.00	\$ 168,291.94

02/23/2017 4:17:52 pm

Page: 5

RUS Form 219 Inventory Of Work Orders

Period: JAN 2017

System Designation: WA AH O9

Inventory : 201701

Budget	Loan	Project	Amount
	1	601	34,402.22
	1	608	133,889.72
	Total:		168,291.94



EXPIRES 3/16/17

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.

Joel Mietzner P.E.

INSPECTION PERFORMED BY

42902

3/2/17

LICENSE NUMBER

DATE

OPALCO

FIRM

SIGNATURE OF LICENSED ENGINEER

MEMORANDUM

March 10, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Elections & Governance Committee Update

On February 17, 2017, the Board appointed Howard Barbour to EGC Residency District 2 (Orcas) Position B (a two-year term) via email vote. There are still four open positions on the EGC: three positions in Residency District 1 (San Juan) and one position in Residency District 3 (Shaw and Lopez). As additional EGC applications are received, staff requests the board review and appoint members as they see fit.

On February 21, 2017, the EGC interviewed four candidates for the two Board of Directors positions open for District 1 and forwarded their approved list of three candidates to staff for posting, per bylaws. The EGC-nominated candidates are Vince Dauciunas, Mark Madsen and William (Bill) Severson. Please note, members from District 1 have until March 12 to submit for candidacy via petition (see opalco.com/elections).

As adopted in our bylaws, the EGC may review other governance topics as directed by the Board, such as Board compensation. This topic is also on the Board's annual calendar for review each March. Compensation has not been reviewed since 2013 (Policy 13 *Directors' Stipend, Reimbursement and Benefits*).

Staff recommends the Board request the EGC review Policy 13 and provide analysis and recommendations regarding Board compensation.

MEMORANDUM

March 10, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: 2017 Voting Delegate

NWPPA will hold its 2017 Annual Business Meeting in Sun River, Oregon May 7-10, 2017, with the business session to be held on Tuesday, May 9.

The Cooperative Response Center (CRC) Annual Membership Meeting will be held in San Antonio June 12, 2017 in conjunction with the NRUCFC Forum.

Staff requests that the Board designate, in the form of a motion, an official voting delegate and an alternate for both the NWPPA and CRC 2017 annual meetings.

MEMORANDUM

Date: March 10, 2017

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2016 Year-end Financial Review

In March of each year, we review the prior year financials. We ended 2016 in great shape, well within our loan covenants and having accomplished our mission statement of providing safe, reliable, cost effective, and environmentally sensitive utility services while reducing overall expense.

A full summary of our positive financial position at year end with budget to actual follows and here is a brief snapshot of our year-end results compared to budget:

- Revenue up 1.6%
- Overall expense down ~1.5%
- Margin \$3.1M
- TIER 3.24
- Equity as a % of total capitalization: 48.7%
- Borrowing reduced to \$8.7M because of early RIC loan repayment

We achieved progress in completing significant grid modernization projects to prepare us for the future, making prudent use of member resources and making smart decisions today to position our Co-op for a sustainable and efficient tomorrow. A snapshot of capital projects completed:

- ~24 miles of power line installed
- ~15 miles of which replaced aging underground conductor
- ~10 miles of fiber optic cable installed
- ~85% complete with our push to expand our communications infrastructure

We are happy to report that our actual 2016 year-end results produce an even more positive position for our 2017 OPALCO budget.

Executive Summary

The 2016 budget was designed to follow our primary mission statement of providing safe, reliable, cost effective and environmentally sensitive utility services. Our secondary mission is to continue to modernize the grid where prudent and make smart decisions today to position our Co-op for a more sustainable and affordable tomorrow. The result of the 2016 year-end review illustrates our reliable operation of a system in one of the more challenging marine environment while maintaining our grid, undergoing planning effort for installation of a \$15M submarine cable, and forecasting energy usage patterns during transitional weather period.

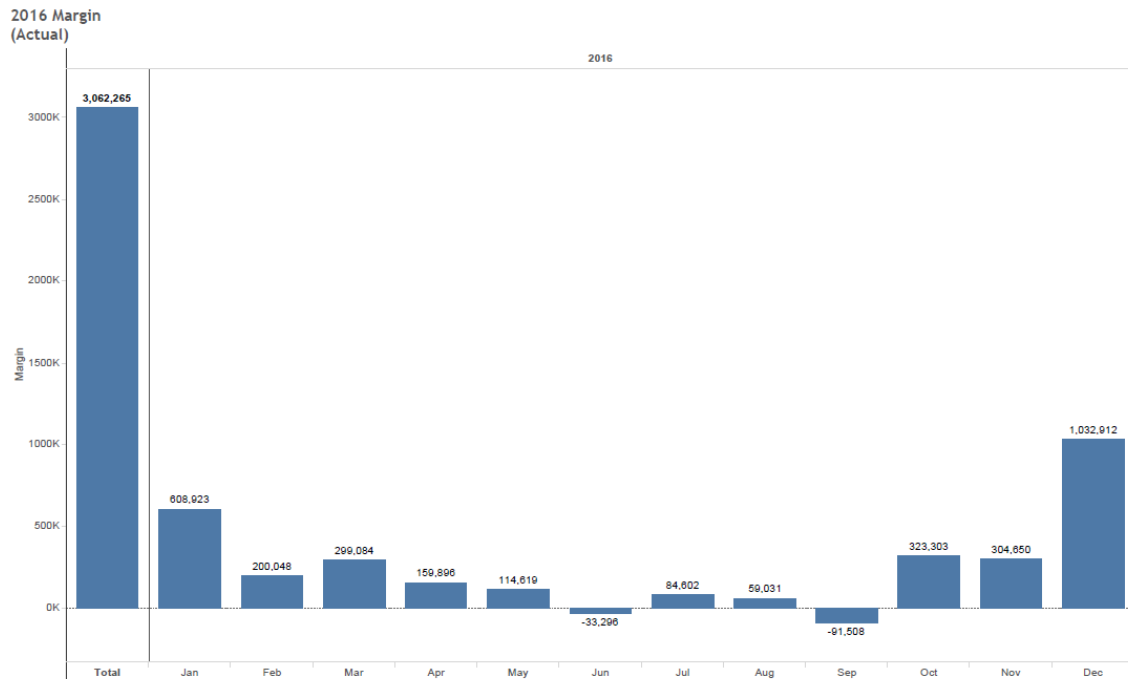
Full financial details are included in the attached 2016 Year-End Financial Report.

Key Highlights:

- **Overall:** 2016 was a financially positive and productive year for OPALCO, ending with healthy sales, margin, equity and TIER measures. We maintained service levels while reducing expense and achieving significant progress on our long-term goals. Financial budget targets tracked very closely across the board and due to some favorable circumstances (such as a more predictable weather, low interest rate refinancing and cost reductions through competitive bidding negotiations) we were able to cut more costs.
- **Load Forecast:** Despite the unpredictability of weather, our energy usage projections were as budgeted. Our load peaks in the winter, and our projections depend on cold temperatures at year-end. Unlike the previous two record warm winters, we saw very cold temperatures in October and December. This marked a swing from an El Niño pattern to a La Niña pattern. Based on this pattern shift late in the year, we saw greater sales yet the annual heating degree days (HDDs) measure was lower than anticipated.

	Energy Sales (MWh)	Heating Degree Days (HDD)
Budget	24,403	1050
Actual	24,534	983
Variance (Actual-Budget)	131	(67)

Below please find the cumulative margin. It is interesting to note the impact of the winter months (Q4) on the final margin.



- **Revenue:** Budgeted revenue 1.6% higher due to the weather pattern shift that began in December.

	Revenue (thousands)
Budget	24,833
Actual	25,249
Variance (Actual-Budget)	416

- **Power Cost:** Based on expectations of lower demand charges due to the fewer temperature extremes, we predicted our power costs to slightly drop. The cost of power actually increased slightly for an overall budget variance of ~4%. The primary factor (half of the total variance) was high kWh consumption in December 2016.

	Energy Purchases (MWh)	Power Cost (thousands)
Budget	200,136	\$ 7,625
Actual	208,313	7,943
Variance (Actual-Budget)	8,177	318

- **Capital Projects:** Approximately 24 miles of power line was installed in 2016, 15 of which was replacement of aging underground conductor. Approximately 10

miles of fiber optic cable was installed as a part of our Smart Grid expansion efforts. There are various reasons construction costs may fluctuate, but these are balanced throughout the year and, without including the submarine cable variance (see footnote 2), our capital projects spending variance was \$300K or a very reasonable 3% over budget for the year.

	Distribution¹ (thousands)	Transmission² (thousands)	Other³ (thousands)	Total (thousands)
Budget	\$ 7,002	\$ 3,625	\$ 879	\$ 11,506
Actual	7,021	6,298	1,167	14,486
Variance (Actual-Budget)	19	2,673	288	2,980

1. Minor Projects and CIAC categories are combined in the Distribution category due to the nature of these projects.
 2. Due to contractual delays, progress payments to Sumitomo were paid in 2016 in lieu of Nov & Dec 2015, resulting in a ~\$3M variance for both years expenditures. We are pleased to say the project is moving along on schedule.
 3. Board approved (February 2016) up to \$100k in additional budget funding for security measures to the Eastsound Office. There was also an unexpected service truck replacement required.
- **Energy Savings:** Energy rebate programs were scaled back compared to our initial budget due to slower member submittals than anticipated, as well as uncertainty about the availability of BPA EEI funding. Community solar marketing costs were also delayed to 2017 in order to focus on the submarine cable replacement project, and the Opportunity Council delayed their low-income program contract to 2017.
 - **General Inflation:** Budgeted at 3% for 2016. Per the Bureau of Labor Statistics January 2017 release, the inflation rate for 'all items less food and energy' started the year with 2.8% and ended the year at 3.1%.
 - **Labor:** The general wage increase was budgeted in line with the Collective Bargaining Agreement. Actual wage increase was right on budget at +2%. We ended 2016 with 50 FTEs (full-time employees) versus our budget of 51 due to several partial-year vacancies.
 - **Margin, TIER, & Equity:**
 - **Margin:** 2016 margin was \$3.1M versus the budgeted \$2.0M. Primary factors included: higher sales than budgeted (see above); lower interest expense due to refinancing & reduced borrowings; lower depreciation; retooled our energy savings programs in line with our IRP (see above), and lower overall G&A costs.
 - **TIER:** TIER was 3.24 versus budget of 2.18. This was due to a higher margin (described above) and favorable loan interest rates.

- **Equity:** Our equity as a % of total capitalization ended at 48.7% versus the budget of 45.5%. The favorable variance comes from reduced budget borrowings, primarily due to RIC refinancing debt earlier than budgeted, and a higher margin.

	Margin (thousands)	TIER	Equity (%)
Budget	1,979	2.20	45.5
Actual	3,062	3.24	48.7
Variance (Actual-Budget)	1,083		

- **Debt:** In 2016, the total year-end debt is lower than budgeted at \$41.4M. As a result of the early loan repayment (RIC), overall borrowings were reduced by \$4.5M in 2016; note that \$3M was used to pay for the scheduling shift in submarine cable payment (see Capital Projects Summary). RUS rates were also favorable, averaging around 2.5% rather than the budgeted 3%. Several RUS loans were refinanced to CFC in Dec 2015 (after 2016 budget was set) which when combined with the reduced borrowings resulted in lower interest expense (\$265k) than budgeted. This item drives much of the favorable variances we saw in TIER, equity % and margin for 2016.

	2016 Borrowings (thousands)
Budget	13,200
Actual	8,700
Variance (Actual-Budget)	(4,500)

Looking Forward to 2017 and beyond:

The OPALCO 2017 Budget was based on the first three quarters of 2016 actual results, along with a projection of the 2016 fourth quarter. Our projected 2016 year-end revenues were lower by less than 1% and year-end operating expenditures were lower by ~1.5% of the 2016 actual results, even though we experienced a much colder fourth quarter. The actual year-end results produce an even more positive position for our 2017 OPALCO Budget.

	Projected (thousands)	Actual (thousands)	Variance (thousands)
Revenue	25,268	25,249	(19)
Expense/Other	22,530	22,187	343
Margin	2,738	3,062	324

GENERAL MANAGER'S REPORT

March 2017

DASHBOARDS

Please review the dashboards at <https://www.opalco.com/dashboards/>. Note that all the dashboards are within board strategic parameters. The outage dashboard is still a work-in-progress due to conversion of outage management systems.

ENGINEERING AND OPERATIONS

WIP

As of March 9, 2017, there are 400 work orders open totaling \$15,957,667. Six of these projects are associated with the submarine cable project totaling \$8,663,813. Operations has completed construction on 56 work orders, totaling \$825,379.

Safety

Jeff Myers conducted training for qualified electrical workers on job briefings. This training was a review of the WAC requirements, standard practices, and importance of job briefings. He also conducted additional Mayday training for inside staff. The total time worked without a loss time accident is 72,951 hours.

Submarine Cable Update

Staff is coordinating the preparation for the Pear Point Terminal on San Juan Island. Contractors will begin clearing the right-of-way from the Terminal Station toward the shore. This will include removal of rock, installation of vaults, and relocating the wireless communications equipment. Mineral oil (non-hazardous) extraction continues on the decommissioned 1977 cable.

CenturyLink has communicated that they are initiating site preparation efforts and remain on schedule to start fiber optic submarine cable installation in July 2017.

FINANCE AND MEMBER SERVICES

Finance

Preliminary results are showing that year-to-date (February 2016) power sales were up by 11.7M kWh, with a net revenue (revenue minus power cost) of \$697k versus budget. We experienced more heating degree days (HDD) year to date, as of February 28th, 2017, than predicted (639 HDD actual compared to 533 HDD BPA forecast). As a point of comparison, last year the HDDs were 348 through February 2016 year-to-date.

2016 Year-End

Staff will be presenting the unaudited 2016 financial statements and analysis for board review and discussion at the March Board meeting.

2016 Year-End Audit

Staff is currently preparing information to be provided to Moss Adams, who will be conducting the onsite fieldwork portion of the consolidated year-end 2016 audit the week of March 27th to March 31st. The fieldwork segment of the audit will also include an onsite review of the Island Network LLC (dba Rock Island Communications) 2016 activity.

2016 Annual Filings

Preparation is currently underway to submit annual filings, including the RUS Form 7. These filings are based on the year-end reporting and are due prior to the end of April.

Member Services

Staff continues to respond to member questions on topics ranging from high bills to the new OPALCO incentive programs. Member Services staff handled more than 1,800 calls in February, which is slightly higher than the same period of the previous year.

- **PAL** By the end of February, 210 PAL grants were awarded, totaling \$42.3k, compared to 192 grants, totaling \$31.7k, from the same period last year.
- **The Energy Assist Program** has increased by 24 new applications in February, bringing the total program participants to 283 members, who have received \$13.1k in Energy Assist credits on their bills.

Energy Savings

The Energy Savings team continued to process BPA rebates during February, which included members who took advantage of the new OPALCO rebates related to fuel switching for EV charging stations (2 out of 30 budgeted) and ductless heat pumps (1 out of 20 budgeted). Staff is developing a project plan (including policy, legal, tariffs, construction and outreach) for the Community Solar Program to be commissioned in 2018.

COMMUNICATIONS

Candidate Forums

The Candidate Forums will take place March 28 (Lopez), March 29 (Friday Harbor), March 30 (Orcas) and March 31 (Shaw). Steve Bowman of Friday Harbor will again serve as independent moderator. In advance of the forums, candidates will have an opportunity to answer questions pre-established in collaboration with the EGC. Those questions and responses will be available on the website and at the forums. At the candidate forums, each candidate will have 3 minutes to introduce themselves and then the audience will have the opportunity to ask questions. Advertising for the forums will begin the week of March 13th and the dates are already published on our website.

Please note that all candidates will be invited to participate in an individual video session to capture their platform (2-4 minutes) on Wednesday, March 29th before the candidate forum in Friday Harbor. These videos will be included online with the candidate bios. In addition, the Friday Harbor forum will be videotaped and published online for those who cannot attend a forum in person.

These events will be focused on the election and will not include time for general OPALCO Q&A; however, some staff will be available to answer questions as much as time allows. There will be expanded time for member Q&A at the annual meeting and open house events for broad member Q&A will be scheduled again in the fall.