

# OPALCO

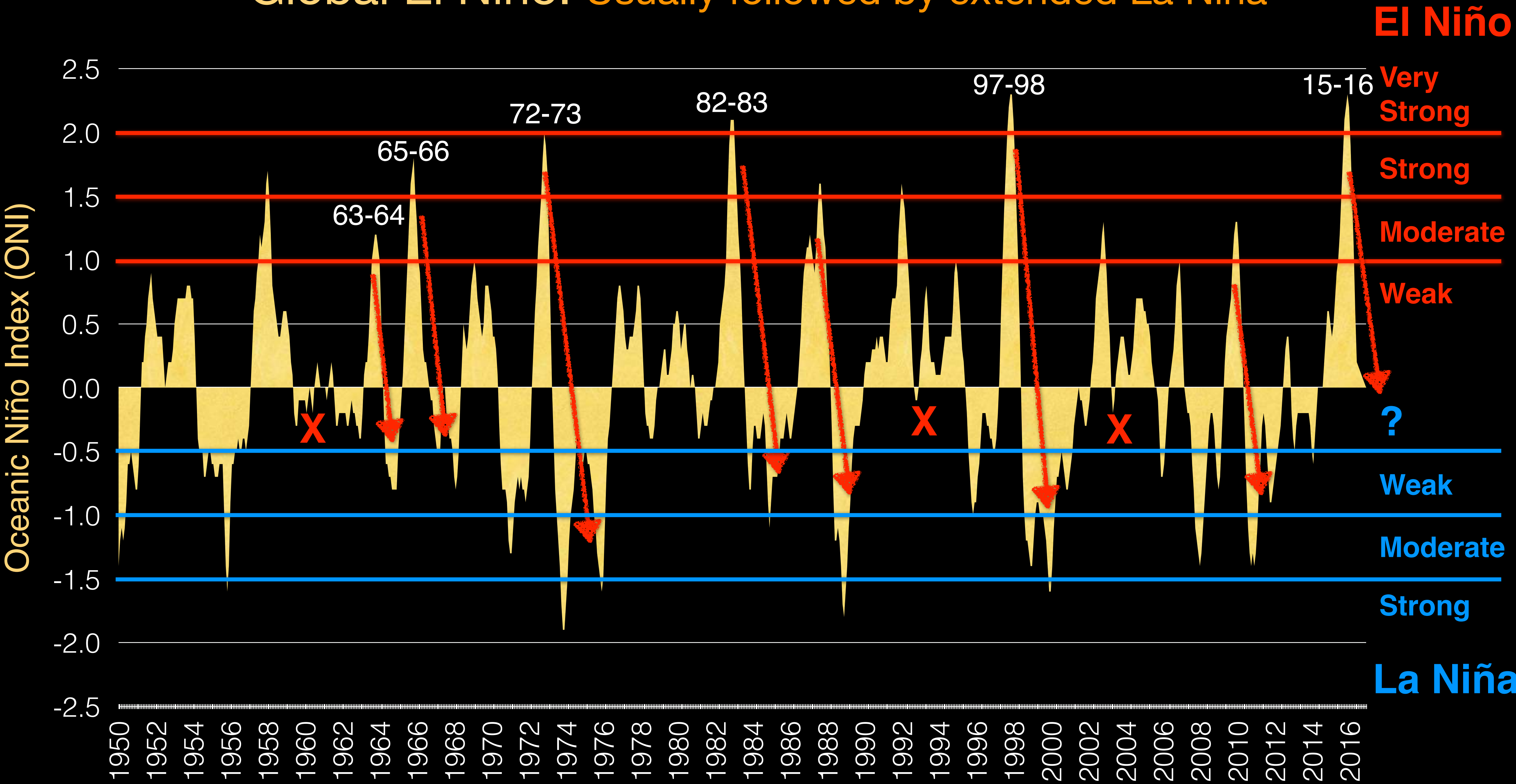
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Board Meeting - May 2017

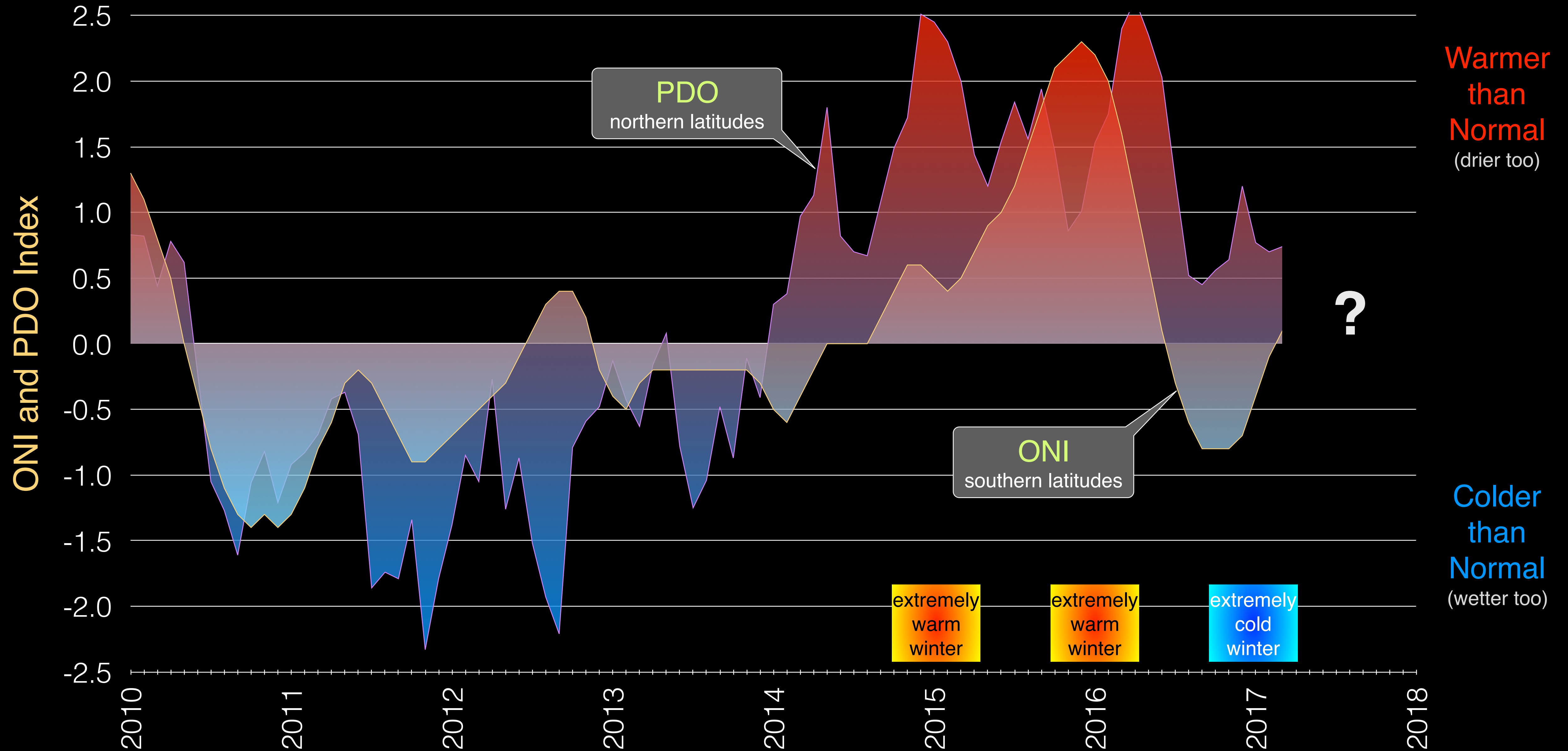
2017 Q1 Update

# Weather Update

# Global El Niño: Usually followed by extended La Niña

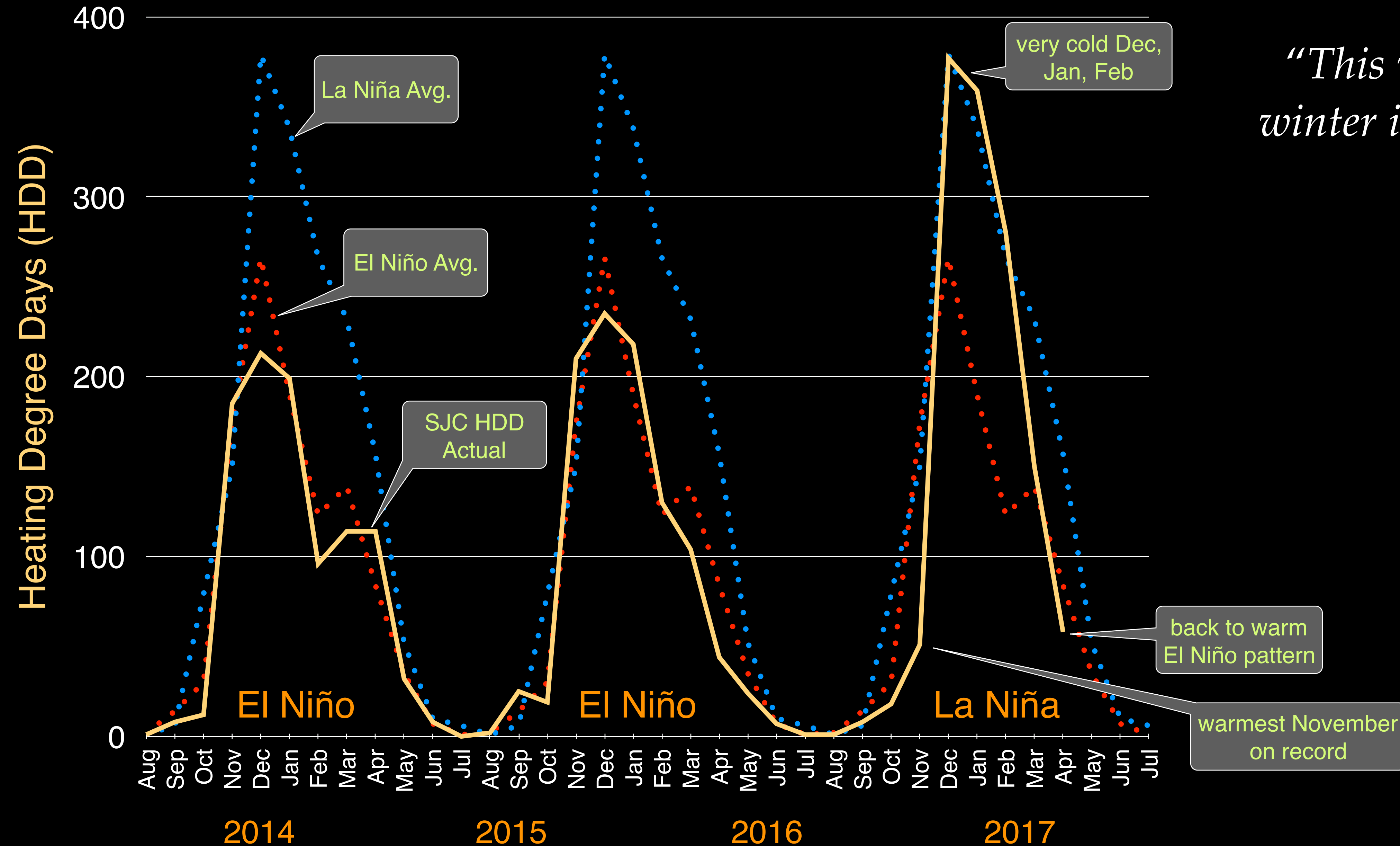


# Oceanic Niño Index and Pacific Decadal Oscillation



# HDD Update

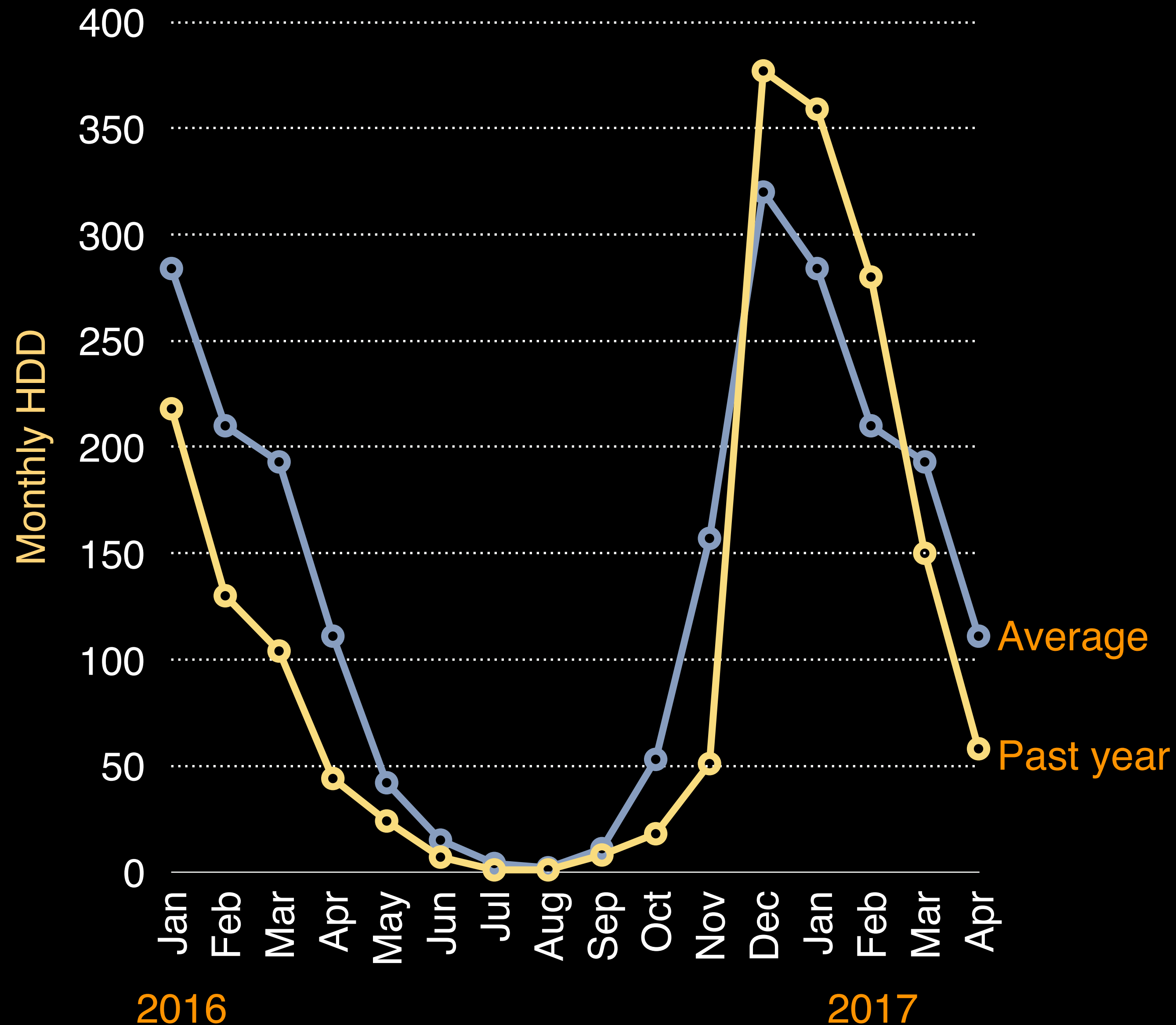
# Current Winter Was Much Colder Than Previous Two Winters



*"This was the coldest winter in a generation."*

Cliff Mass

# Monthly HDD: Past Year Compared To 2007 - 2015 Average

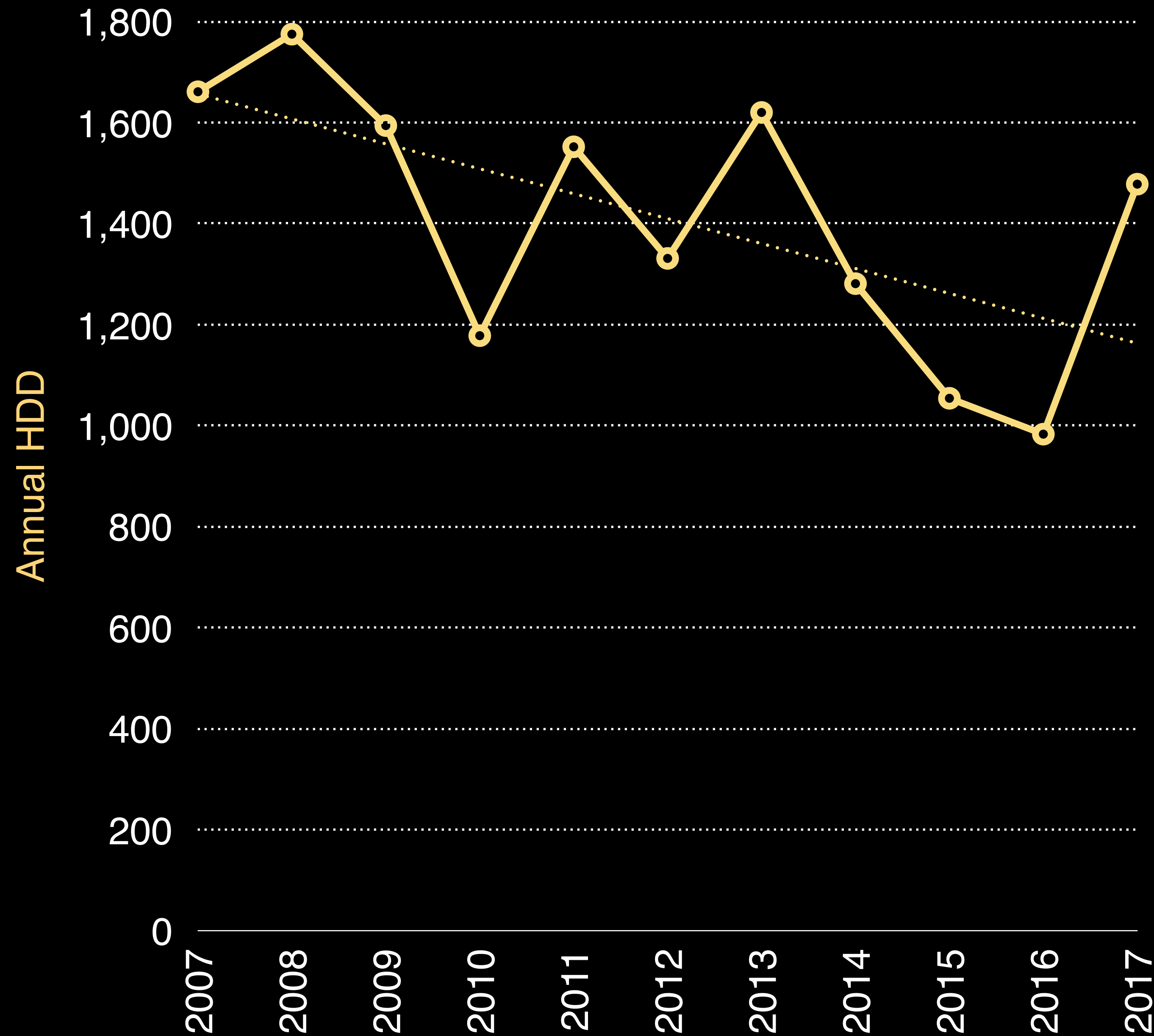


## Notes

- HDD = Heating Degree Days at KFHR weather station in Friday Harbor, with 50° base temperature.



# SJC Annual HDD

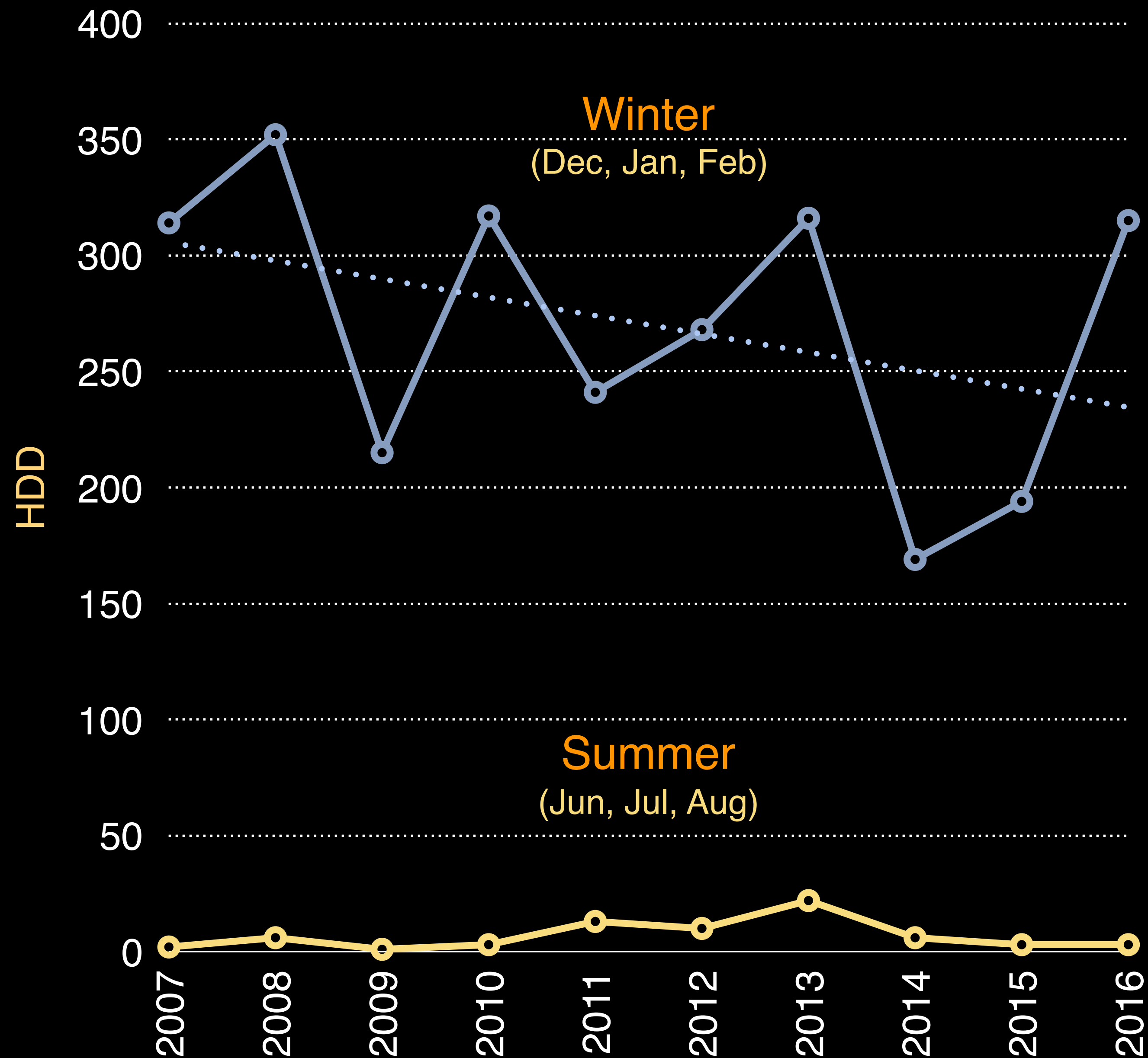


## Notes

- Total January through December
- 2017: January actual, February through December average 2007 through 2016



# Average Seasonal HDD: Summer, Winter



## Notes

- Summer: Jun, Jul, Aug
- Winter: Dec, Jan, Feb
- Winter is December of indicated year, and January/February of following year

What's the forecast for the rest of the year?

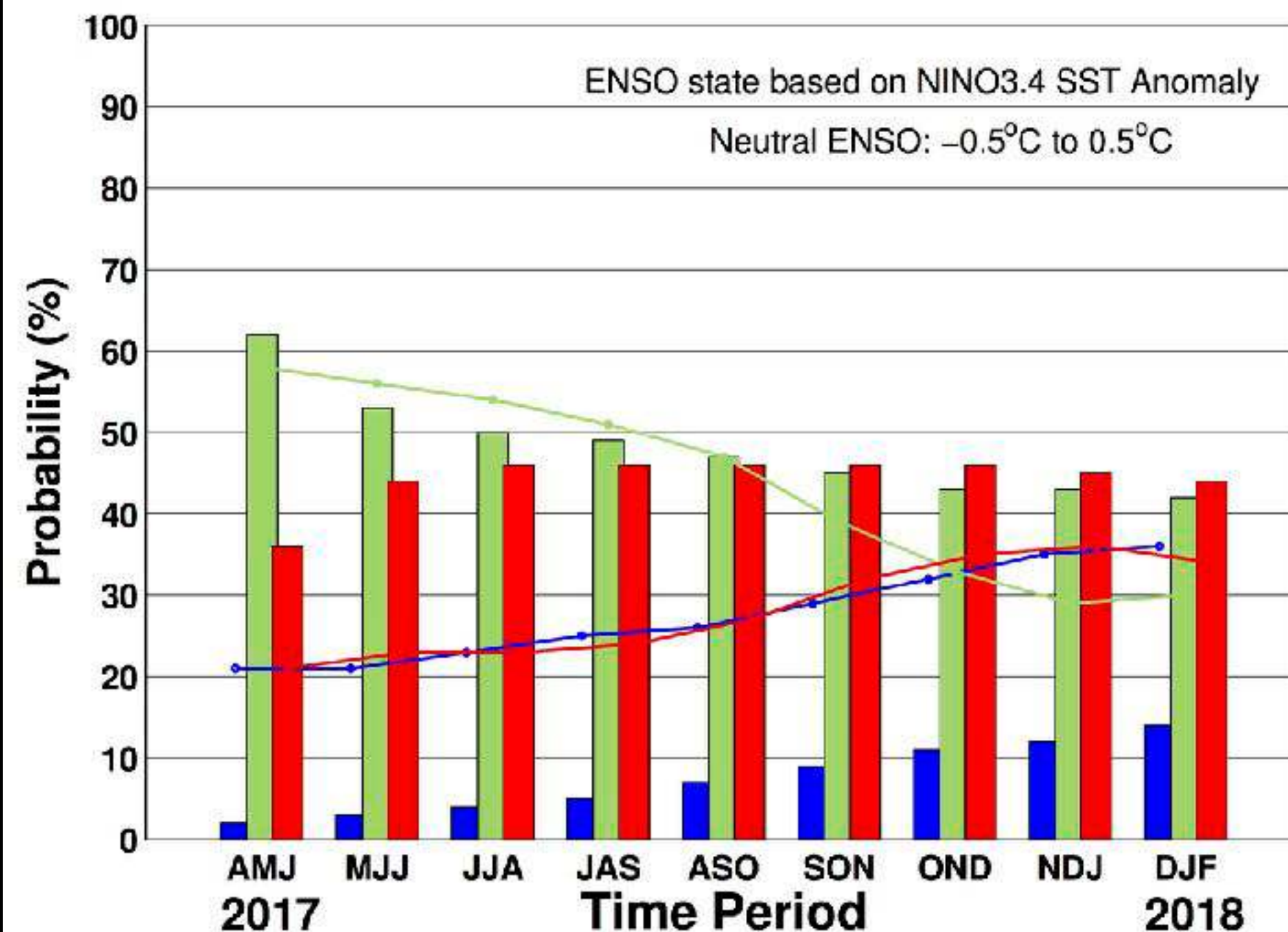


# El Niño Watch: NOAA Update

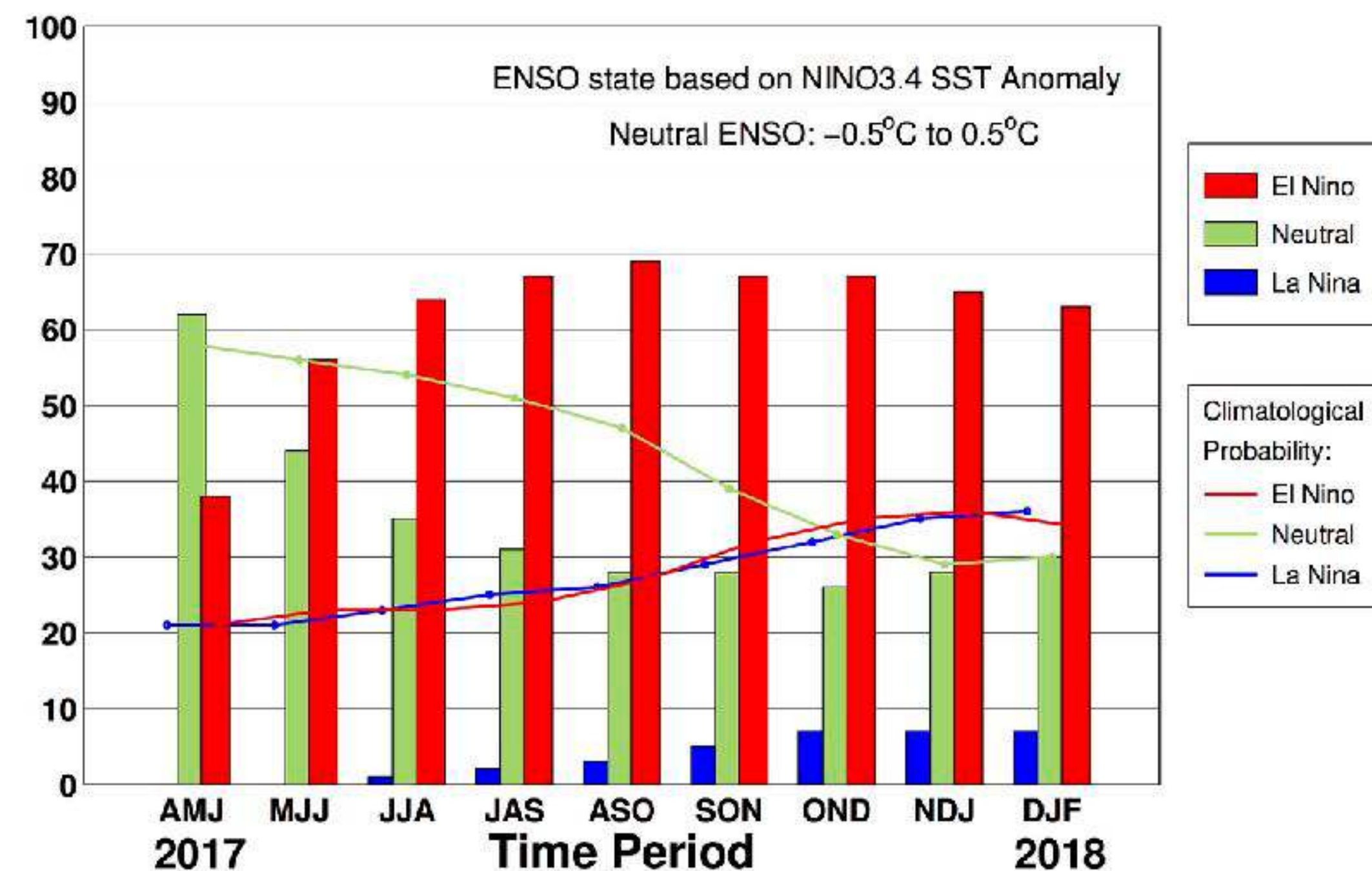
## ENSO QUICK LOOK May 18, 2017 A monthly summary of the status of El Niño, La Niña and the Southern Oscillation, or “ENSO”, based on NINO3.4 index (120-170W, 5S-5N)

By mid-May 2017, the tropical Pacific remained in an ENSO-neutral state, with above-average SSTs present in the eastern tropical Pacific Ocean, and near-average SSTs across the central and east-central part of the basin. The collection of ENSO prediction models indicates increasing chances of El Niño into the summer and fall of 2017.

Early-May CPC/IRI Official Forecast<sup>1</sup>



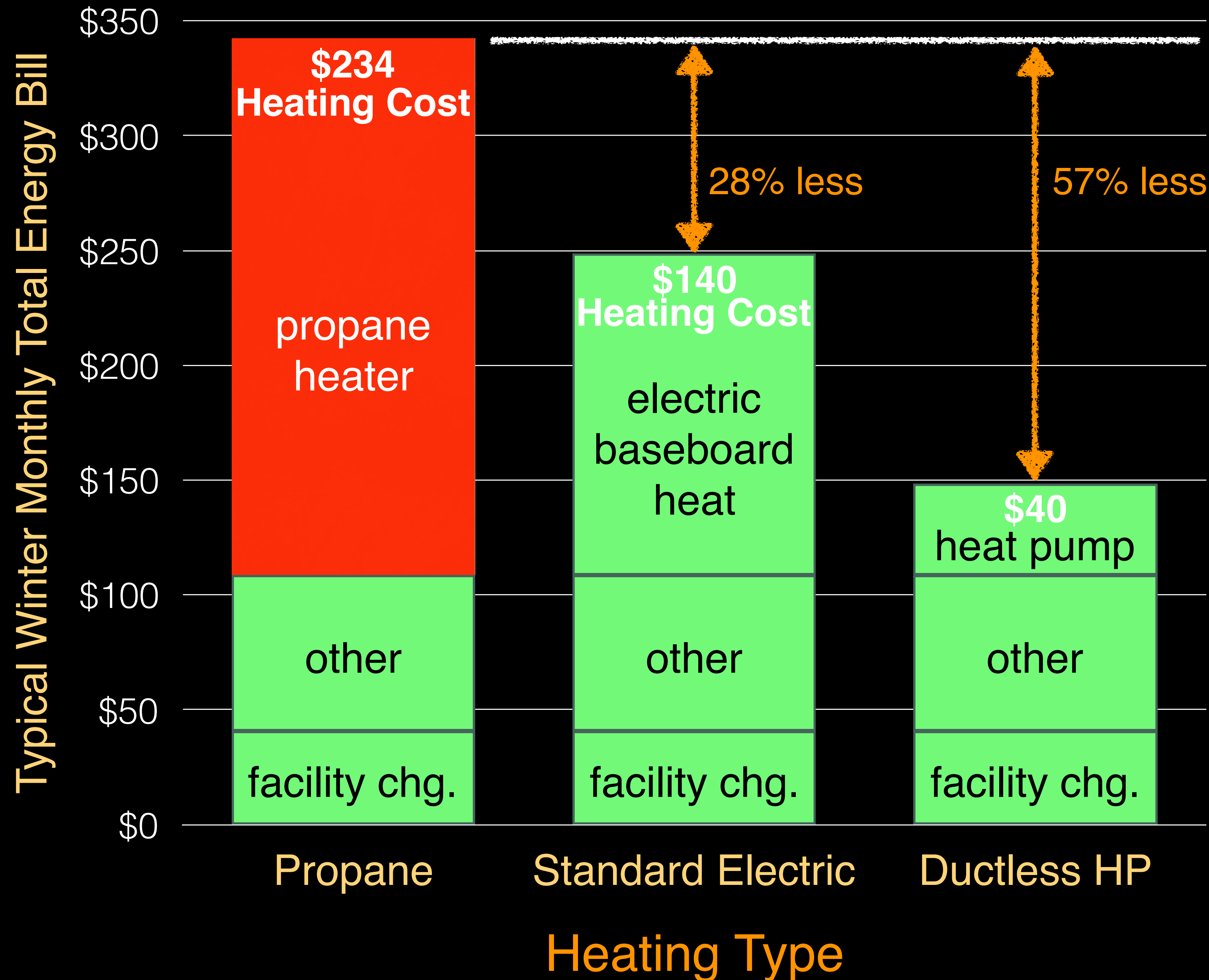
Mid-Apr IRI/CPC Model-Based Forecast<sup>2</sup>



# Heating Cost Comparisons



# Comparing Monthly Heating Costs: Propane, Electric Baseboard, Electric Ductless Heat Pump

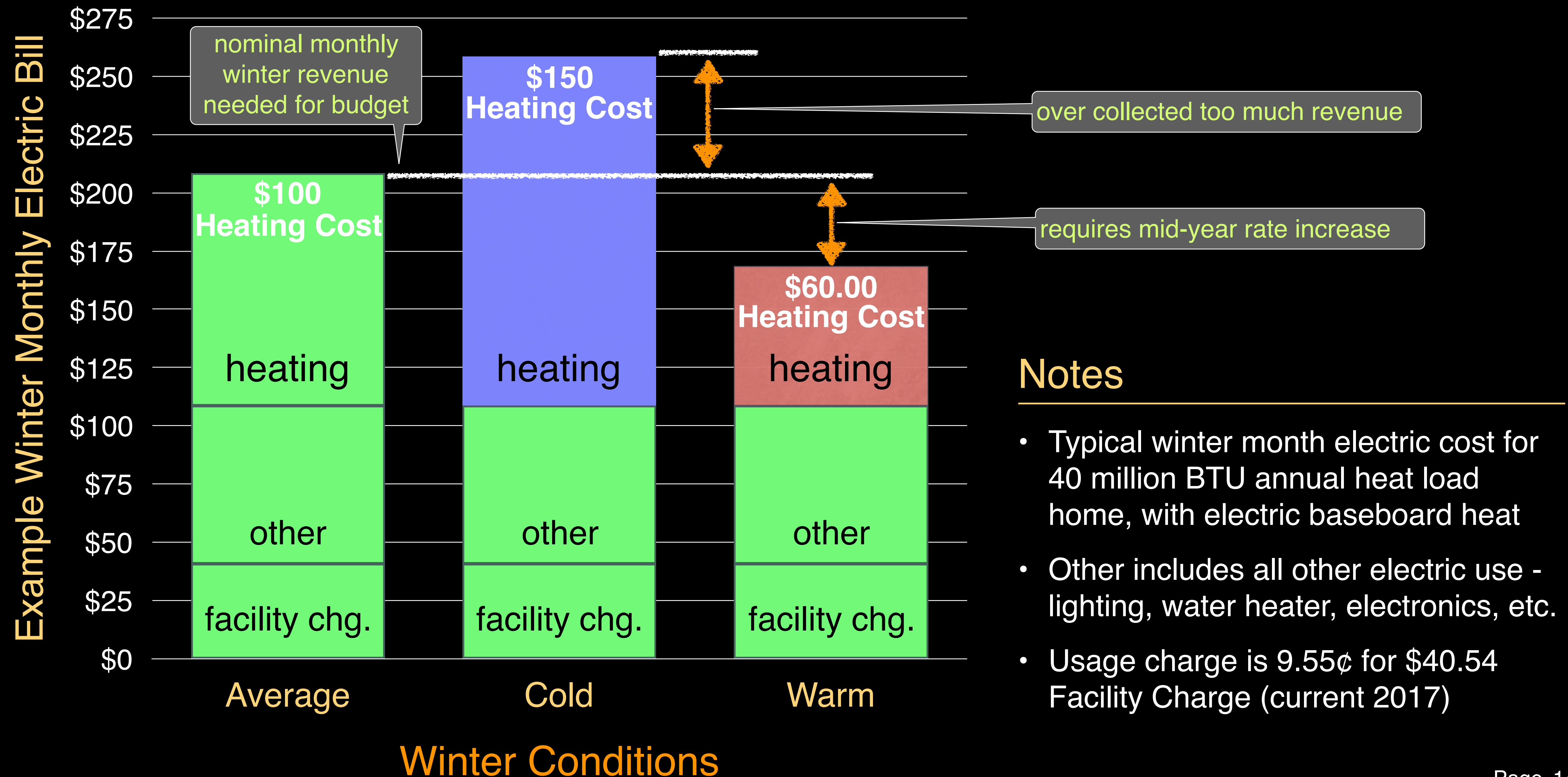


## Notes

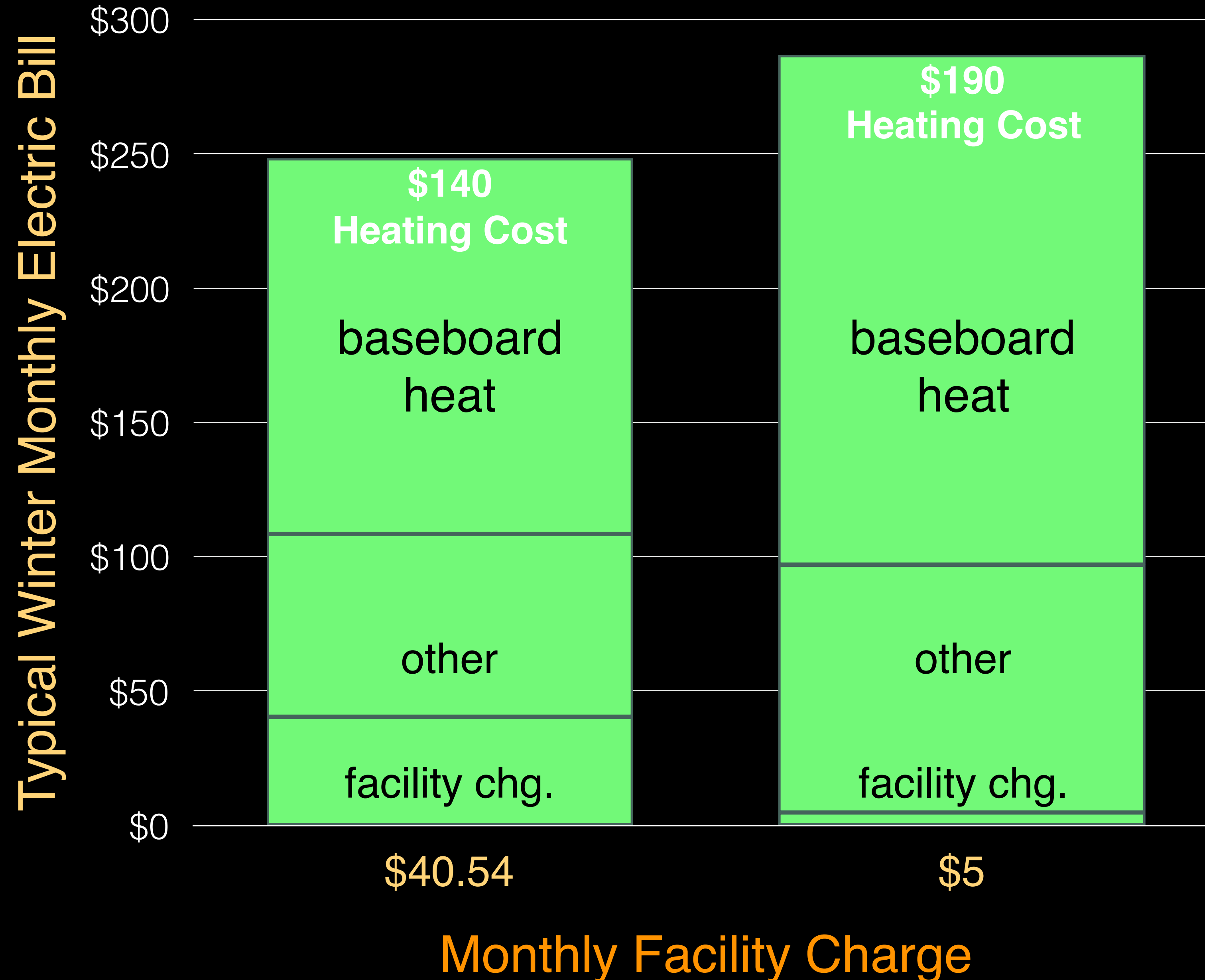
- Typical winter month cost (Dec, Jan, Feb)
- 40 million BTU annual heat load home
- *Other* includes all other electric use - lighting, water heater, electronics, etc.
- Propane heater is typical furnace or stove - 80% efficient. Cost could be higher due to lower efficiency.
- Baseboard is 100% efficient
- Ductless heat pump is about three to four times more efficient than baseboard and propane heaters
- Propane is a fossil fuel with much higher carbon footprint

# Facility Charge and Revenue Volatility

When facility charge is less than actual cost, revenue has weather dependent volatility



# Comparing Facility Charge: Typical Winter Month

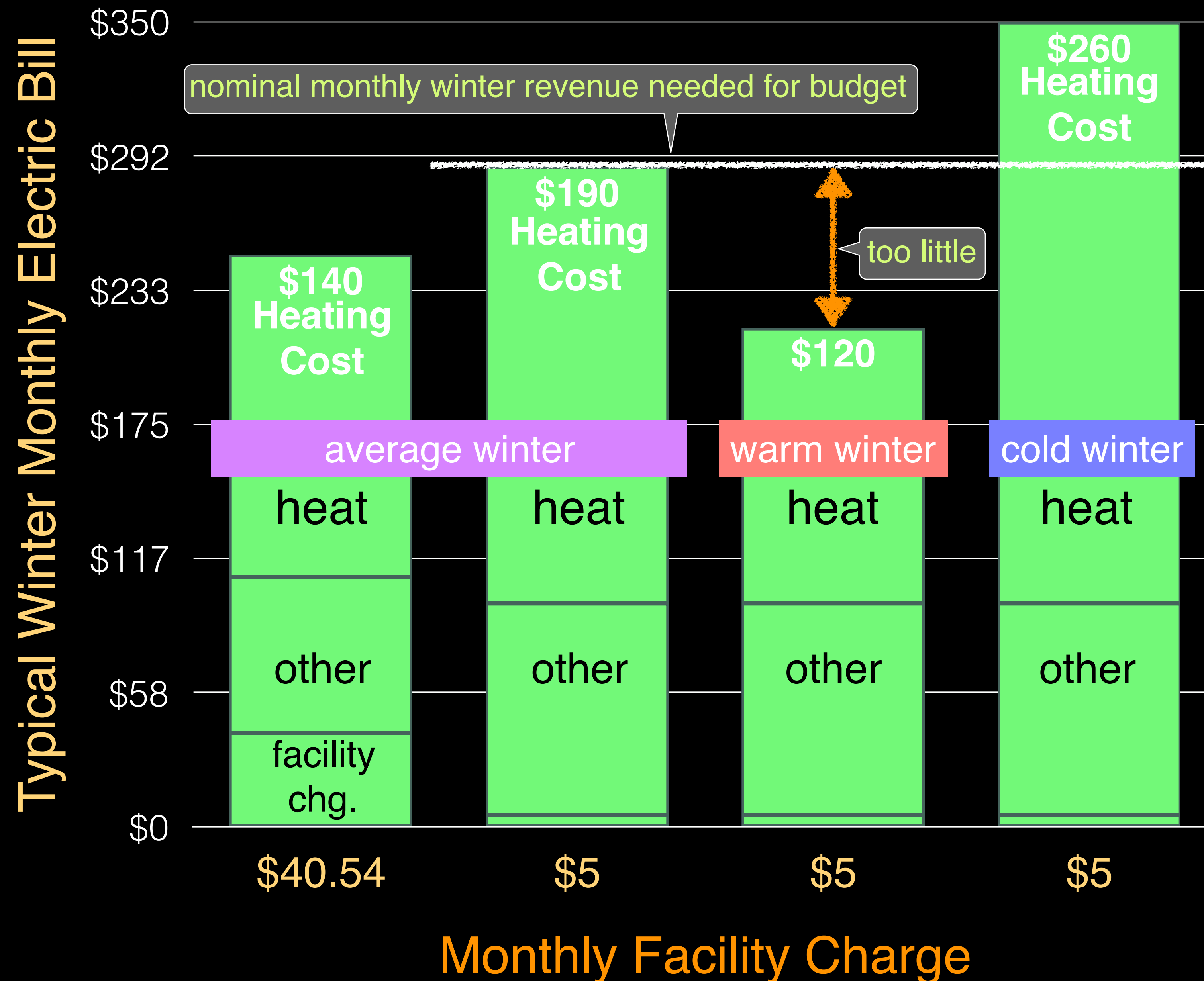


## Notes

- Typical winter month cost
- 40 million BTU annual heat load home
- Other includes all other electric use - lighting, water heater, electronics, etc.
- Usage charge is 9.55¢ for \$40.54 Facility Charge (current 2017)
- Usage charge is 12.96¢ for \$5 Facility Charge to produce same revenue



# Comparing Facility Charge: Typical winter month and weather revenue volatility

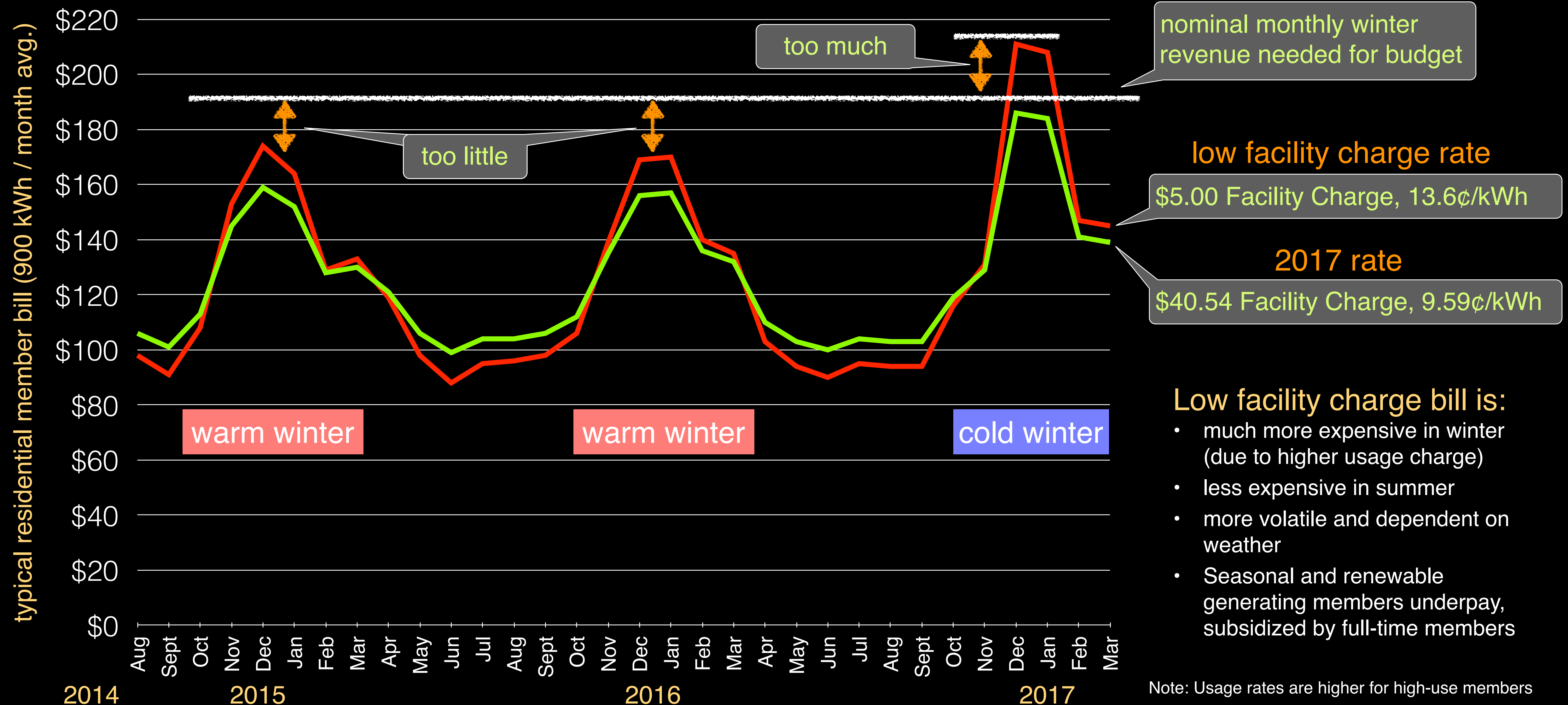


## Notes

- Typical winter month cost
- 40 million BTU annual heat load home
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- Usage charge is 9.59¢ for \$40.54 Facility Charge (current 2017)
- Usage charge is 12.96¢ for \$5 Facility Charge to produce same revenue

# Comparing Rate Structures: Low and medium facility charge

Both rates produce the same average residential monthly bill of \$127 across period



# Q1 Financials

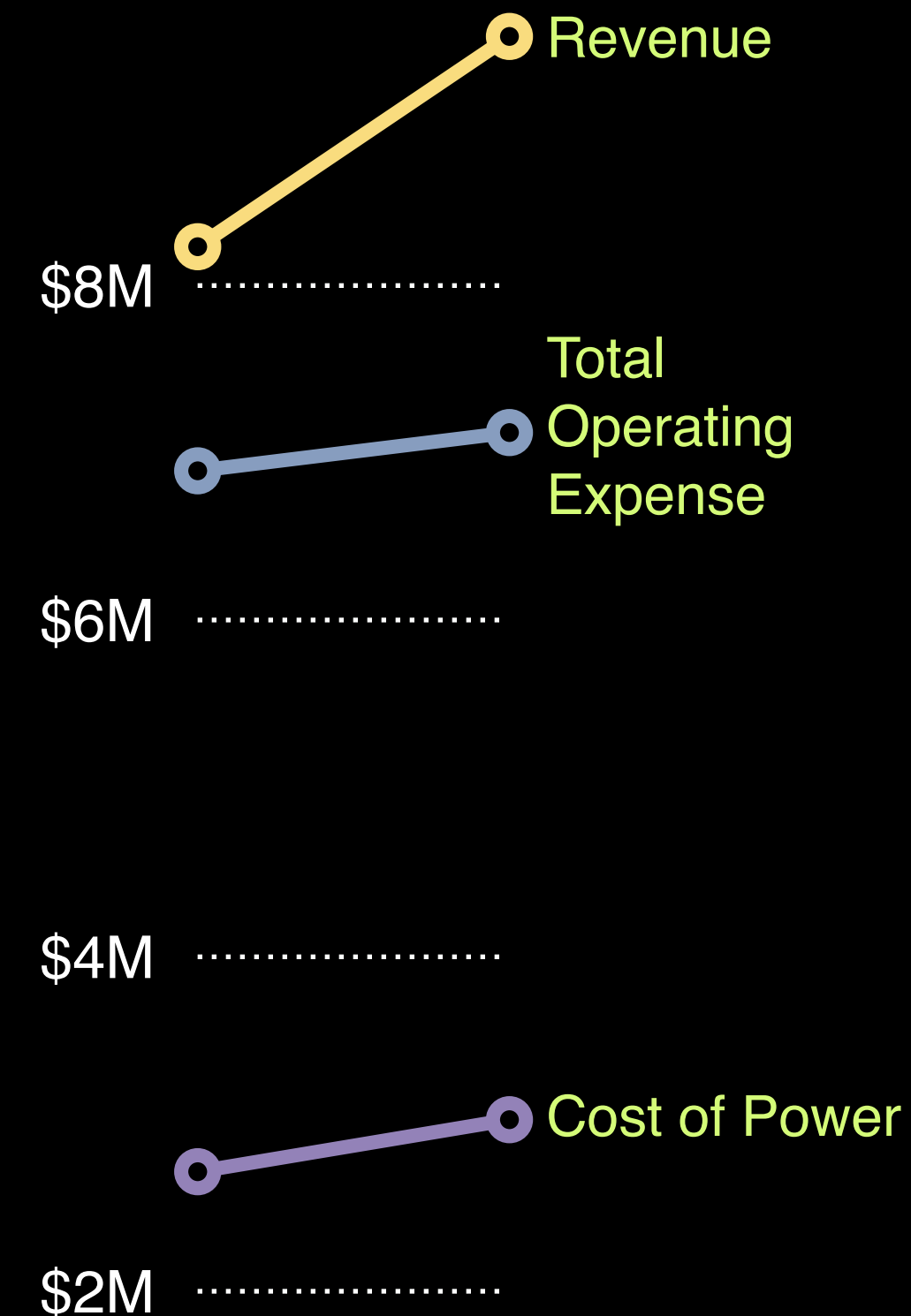


# OPALCO 2017 Q1 Results: Statement of Operations

	D. Audited Year End 12/31/2016	E. Budget Year End 12/31/2017	F. Budget Period End 3/31/2017	G. Actual Period End 3/31/2017	H. Budget Variance (G - F)	I. Audited Period End 3/31/2016
1 OPERATING REVENUES						
2 Residential	\$ 18,104,756	\$ 18,910,272	\$ 5,894,401	\$ 7,012,988	1,118,587	\$ 5,493,593
3 Commercial	6,463,561	6,851,153	2,133,643	2,180,743	47,100	1,788,691
4 Other	680,713	648,188	199,412	286,822	87,410	238,445
5 Total operating revenue	25,249,029	26,409,613	8,227,456	9,480,552	1,253,096	7,520,729
6						
7 OPERATING EXPENSES						
8 Cost of power	7,942,885	8,402,223	2,715,290	3,025,251	309,961	2,458,298
9 Transmission	94,462	177,500	27,194	80,874	53,680	16,671
10 Distribution - operations	3,215,893	3,514,721	1,013,646	975,792	(37,855)	923,756
11 Distribution - maintenance	1,692,345	1,851,312	642,871	607,328	(35,543)	644,004
12 Consumer accounts	947,326	1,045,340	277,177	272,178	(4,999)	251,222
13						
14 General and administration						
15 Administration	2,787,995	3,110,220	822,630	750,353	(72,277)	775,972
16 Energy services	103,671	491,931	94,074	68,807	(25,267)	(53,594)
17 Subsidiary charges (RIC network mgt services)	34,920	69,720	17,430	17,460	30	8,730
18 Total general and administration	2,926,586	3,671,871	934,134	836,620	(97,514)	731,108
19						
20 Depreciation and amortization	3,546,977	3,801,831	932,991	921,218	(11,773)	870,527
21 Taxes	1,137,058	1,220,252	348,759	400,788	52,029	324,637
22						
23 Total operating expenses	21,503,532	23,685,051	6,892,062	7,120,047	227,985	6,220,223
24						
25 Operating margins before fixed charges	3,745,497	2,724,563	1,335,394	2,360,505	1,025,111	1,300,507
26						
27 FIXED CHARGES						
28 Interest on long-term debt	1,095,316	1,019,178	242,160	236,642	(5,517)	297,558
29						
30 Operating margins after fixed charges	2,650,181	1,705,384	1,093,234	2,123,863	1,030,628	1,002,948
31						
32 PATRONAGE CAPITAL CREDITS	81,361	79,323	27,763	28,851	1,088	-
33						
34 Net operating margins	2,731,543	1,784,707	1,120,997	2,152,714	1,031,716	1,002,948
35						
36 NON-OPERATING MARGINS						
37 Interest income	217,758	36,146	6,826	10,822	3,996	6,852
38 Other income	112,957	25,163	6,319	2,556	(3,764)	4,213
39 Total Opalco non-operating margins	330,715	61,309	13,145	13,377	232	11,065
40						
41 Fiber Optics Division (Island Network Department)						
42 IN Income	-	-	-	-	-	-
43 IN Expenses	-	-	-	-	-	-
44 Total Fiber Optics Division	-	-	-	-	-	-
45						
46 Non-operating margins from Subsidiary						
47 Interest Income (RIC loan)	-	76,211	19,053	19,875	822	76,395
48 Other income (use of OPALCO backbone)	-	87,873	17,647	21,968	4,321	17,647
49 Total non-operating margins from Subsidiary	-	164,084	36,700	41,843	5,143	94,042
50						
51 Net non-operating margins	330,715	225,393	49,845	55,220	5,375	105,107
52						
53 NET MARGINS	\$ 3,062,257	\$ 2,010,100	\$ 1,170,842	\$ 2,207,934	1,037,091	\$ 1,108,056
54						
55 TIER	3.24	2.36	4.28	7.20	2.92	4.35
56 Equity % of Total Cap	48.7%	42.9%	44.9%	48.4%	3.5%	52.2%

\$12M .....

\$10M .....



\$2M .....

\$0M .....

Budget Actual

## Notes

- This winter was colder than normal, especially December, January ("coldest winter in a generation" - Cliff Mass)

Net Margin: \$1,108,056

*Thank You*