



**BOARD OF DIRECTORS
REGULAR MEETING
May 18, 2017 8:00 a.m.
Lopez Fire Hall**

TRAVEL



Via Island Air
378-2376

To:

Leave FH 7:30 a.m.
Eastsound 7:40 a.m.

Arrive Lopez 7:50 a.m.

Return:

Leave Lopez 2:00 p.m.

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



Via Ferry:

To:

Leave FH 6:10 a.m.
 Orcas 6:45 a.m.
 Shaw 7:00 a.m.

Arrive Lopez 6:50 a.m.

Arrive Lopez 7:30 a.m.

Return:

Leave Lopez 1:05 p.m. via FH
Leave FH 2:20 pm

Arrive FH 2:00

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

OR Leave Lopez 3:50 p.m.

Arrive Shaw 4:10 p.m.
Orcas 4:30 p.m.
FH 5:10 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
Lopez Firehall
376-3500
May 18, 2017 8:00 a.m.**

PAGES

WELCOME GUESTS/MEMBERS

- Member Comment Period
- Moss Adams – Olga Darlington

ACTION ITEMS

- 3-4** ○ Board of Director Election of Officers
- 5** ○ Annual meeting review
- 6-17** ○ Consent Agenda
- 18** ○ NRECA Voting Delegate: Statewide Annual Meeting
- 19-20** ○ 2016 Audit Report (after Moss Adams presentation)
- 21-22** ○ Standard 5-year NRECA administrative updates to Retirement and 401(k) Plans

DISCUSSION ITEMS

- 23** ○ Q1 Financials
- 24** ○ June Board Work Session

REPORTS

- 25-27** ○ General Manager

MEMBER COMMUNICATION

- 28** ○ Cape San Juan Homeowners Association

ADJOURNMENT

Executive Session: Legal and personnel

MEMORANDUM

May 12, 2017

TO: Board of Directors
FROM: Foster Hildreth
RE: Officer Elections

The purpose of this memo is to formalize the election of officers to the OPALCO board in keeping with our Bylaws and regulatory requirements.

Article V Section 2 of the Bylaws states "*The officers shall be elected by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members.*"

Attached, please find a sample copy of the ballot that will be distributed to the board for voting at the May 18th meeting.

The following board positions are to be elected:

- President
- Vice-President
- Secretary-Treasurer

After votes are tallied, staff recommends the board motion to approve the slate of officers as elected, which becomes effective immediately.

Board Officer Ballot

I hereby vote to elect the following officers to the Board of Directors for the 2017-18 year:

PRESIDENT_____

VICE-PRESIDENT_____

SECRETARY-TREASURER_____

Voting Board Member Signature_____

Date_____

MEMORANDUM

May 12, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Annual Meeting Review

The 80th Annual Meeting was a great success! OPALCO staff did a fantastic job streamlining the event, which allowed for more member interaction. The membership was engaged and asked great questions. Many members shared their positive experiences with Rock Island service and took the opportunity to thank Rock Island staff.

Attendance was slightly lower than 2016, but still satisfactory with 279 total attendees (173 member households represented). In 2016, a total of 374 people attended the meeting (261 member households). However, member participation in the Q&A session and information booths was higher than usual this year.

Member satisfaction appeared higher than last year. The information booths (submarine cable project and Rock Island) were popular with members and staff report positive interactions. Staff will be debriefing in the coming weeks to develop processes to make next year's Annual Meeting an even greater success.

During our annual meeting recap the election process was discussed. We have the opportunity with the new Election Governance Committee (EGC) to formalize this process in a document or handbook as other coops have done. The purpose of this document would be to clarify and formalize the election process, to provide guidance to the EGC and to inform potential candidates. This document will refer to policy and Bylaw requirements but would be maintained and updated by the EGC. Staff recommends the board authorize the EGC to draft such a document.

MEMORANDUM

May 12, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Consent Agenda

All matters listed with the Consent Agenda are considered 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, April 20, 2017

Vice-President Jerry Whitfield called the meeting to order at 8:30 a.m. at the Eastsound OPALCO office in the absence of President Dauciunas. Board members present were Winnie Adams, Jim Lett, Mark Madsen and Brian Silverstein. Randy Cornelius attended via video conference (Zoom). 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 legal counsel Joel Paisner.

MEMBER/GUESTS

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

CONSENT AGENDA

- **Motion** made to accept the Consent Agenda which consisted of the March 17, 2017 minutes, new members (listed below) and capital credit payments totaling \$4,206.10 (listed below). Motion was seconded and carried by voice vote.

New Members:

DISTRICT 1

San Juan

589 Cessna Avenue LLC & Hayes,
Daniel

Aguilera, Cesar

Connally, Lee & Engel, Doug

DSI Restaurant LLC

Frazer, Richard & Eileen

Germain, Stacey

Han, Hee S

Ives, Dorothy P

Kilpatrick, Adrien

Maya's Legacy Whale Watch

Miller, PW Robert & Eason, Linda H

O'Neil, Steve

Perry, Megan

Pierce, Nathan & Montgomery, Tiffany

Shatuck, Larry & Carlson, Kim

SJC Public Hospital District #1

Smith, Kendra

Strange, Robert

The Shaque LLC

Vert-Triplett, Kimberly

Fowler, Dan

Galey, Cassandra

Hagel, Mallory

Hancock, Bill

Janko, Kristina

Johnson, Catherine G

Lopez, Graciela

Nelson, Devon A & Betts, Dillon

Nelson, John & Natalee

Nichols, Mark & Tessa

Rehn, Chris

Retief, Jacques

Rooster Investments LLC

Tarkan, Stephen & Lenna

DISTRICT 3

Lopez

Dunlap, Susannah & Walker, Suzanne

Euerle, Constance

Kelly, Varyl

Lynch, Theresa

Phelps, Lisa & Richard

Trust of Ward G Henderson

Zautke, Casey & Ana Marie

DISTRICT 2

Orcas

Braun, Alesandra & Stratton

Cepeda, Gustavo

Christiansen, Judy & Winston

DISTRICT 4

Shaw

Smith, Lynne

Capital Credits

Lorraine Gislason \$350.20

Edwin Lee \$1,265.76

Howard Schonberger..... \$1,864.08

Paul Schwedler..... \$35.89

Anne Williams \$690.17

MEMBER INFORMATION REQUEST APPEAL

The Board considered an appeal to Member Stephen Ludwig's request for information: "The amount of OPALCO and Rock Island funds paid to Brian Torma in 2015 and 2016 and OPALCO

& Rock Island funds paid to West Sound Construction in 2015 & 2016.” General Manager Hildreth denied the request pursuant to Member Service Policy 16 4.1 “Limitations on Release of Records, Documents containing matters the knowledge of which would clearly have an adverse effect on the Cooperative’s finances”; Section 4.2.3 Any other persons’ file or record to the extent that such disclosure would violate or would otherwise be an invasion of such person’s privacy; Section 4.9 Documents which have been classified by management as confidential”. The Board concurred that West Sound Utility Construction (Brian Torma) is characterized as:

- 1. An outside contractor from inception
 - 2. Never been on the payroll of OPALCO or Rock Island
 - 3. Never been in charge of reviewing or awarding contractor bids
 - 4. Not been in charge of determining unit based pricing
 - 5. All decisions on contract awards and pricing are made by either an OPALCO and/or RIC senior manager
 - 6. Bids on jobs the same as other contractors
- **Motion** made and seconded to sustain the denial of Ludwig’s Information Request; motion carried by voice vote.

ANNUAL MEETING: Renewing Our Co-Op Vows

The first week of voting is on par with 2016 for number of votes received to date.

OPALCO will be celebrating its 80th anniversary with prizes reflective of our 80th year as well as promoting conservation and energy efficiency.

BOARD COMMUNICATION TOOLS

The Board consensus was that T-Mobile cell phones should be available to directors who want them and will be considered a business tool allowing the directors connectivity on a day-to-day basis and during emergency situations.

REPORTS

- **General Manager** System Engineer Joel Mietzner provided an overview of the submarine cable project to date as well as the timeline for the rest of 2017.
Discussion ensued regarding unbudgeted net margin at year’s end; options are to assure funds are available to cover any unforeseen submarine cable expenses, replenish the reserves, and return to members as a bill credit.
PAL funds got a boost of \$18,000 bequeathed by former director Alice Cook, District 1 director 1999-2005.
- **Safety Program** There were no loss time accidents in March 2017; total hours without loss time accident is 81,155.

ADJOURNMENT

Meeting adjourned to Executive Session at 10:37 a.m. Discussion regarded legal & personnel. Executive session adjourned at 12:50 p.m.

<hr/> <div>Jerry Whitfield, Vice-President</div>	<hr/> <div>Winnie Adams, Secretary-Treasurer</div>
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NEW MEMBERS

April 2017

DISTRICT 1

Brown, Pearl, Henry, San Juan, Spieden

1. 270 Spring LLC
2. Anthony, Anna
3. Archer, Cody
4. Barfield, Kristen
5. Briggs, Jim
6. Caireal, Veaceslav
7. Galt, Donald A. & Starr, Elizabeth
8. Giuffre, Lynne
9. Grifo, Christopher
10. Haley's Restaurants LLC
11. Hoke, Alexander J
12. Holdaway, Marita
13. Janson, Kai
14. Kaukol, Debra
15. Mayer, Brian
16. McLeod, Patricia
17. Moore, Steven & Karen
18. Neufeld, Ruth
19. Nord Escapes LLC
20. Noreau, Troy
21. Poulos, Gary
22. Reily, Peggy W. & Kennedy, C. Barrett
23. Stocksett, Angela
24. Ward, Jennifer
25. White, Shannon
26. Williams, Pamela
27. Zeiger, Ben

DISTRICT 2

Armitage, Blakely, Obstruction, Big Double, Little Double, Fawn, Orcas

28. Andreadis, George & Norma
29. Beckley, Alexis & Akers, Brant
30. Biechele, Travis L.
31. Blumenthal, Sally & McGannon, Michael
32. Cruz Rodriguez, Idalia
33. Erazo, Sandra
34. Gilliland, Paul
35. Laks, Nicolas & Krauss, Jennifer
36. McCarville, Douglas & Miriam L
37. Nusbaum, Jennifer
38. Peter, Eric & Jennifer
39. Ruby Point LLC
40. Russell, Kim
41. Spindrift LLC
42. This Must Be The Place LLC
43. Tilson, Wayne

DISTRICT 3

Decatur, Center, Charles, Lopez

44. Askue, Nova
45. Belanger, Andrew & Karen
46. Estate of Gene O. Higgins
47. Kingery, Mary
48. Maxson, Timothy
49. Nichols, Andrew & Henderson, Rachel
50. Ramon, Rebecca
51. Snapp, Marvin
52. Tapia, Israel & Cruz, Lorena
53. Waldron, Darren
54. Wilson, Janice

DISTRICT 4

Crane, Canoe, Bell, Shaw

55. Acton, Tim B & Jen
56. Almeleh, Lawrence
57. Lazzeri, Catherine

MEMORANDUM

May 12, 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>
Marcia Crosetto	\$ 420.57
Axel A. Jensen	318.51
John Cook	688.39
Matthew J. Cullen Jr.	461.85
Request Total	<u>\$ 1,889.32</u>

MEMORANDUM

May 12, 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 201703\$274,980.25 Apply to AM8
Transformers, meters, URD replacement
- Inventory AM1703.....\$15,023.55 Apply to AM8
Overhead to Underground conversion
- Inventory AN1703\$165,197.27 Apply to AN8
Active Site installation; backbone fiber installation

Staff requests Board approval to submit the above referenced RUS Form 219s totaling \$455,201.07 by way of approval of the consent agenda.

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04/20/2017 10:07:10 am

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: MAR 2017 System Designation: WA AH O9

Preliminary

Inventory: 201703

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	2508							
			1	7,045.33	0.00	0.00	0.00	1,627.10	5,362.97
							AFUDC: 55.26		
				7,045.33	0.00	0.00	0.00	1,627.10	5,362.97
608	2014	1572							
		1572	1	110,892.72	2,057.35	0.00	0.00	0.00	109,667.36
							AFUDC: 3,282.71		
608	2014	2268							
		2268	1	144,935.53	2,746.76	417.88	0.00	0.00	142,956.12
							AFUDC: 4,308.29		
608	2016	2218							
			1	17,437.76	0.00	0.00	0.00	0.00	16,993.80
							AFUDC: 443.96		
				273,266.01	4,804.11	417.88	0.00	0.00	269,617.28
Grand Totals:				\$ 280,311.34	\$ 4,804.11	\$ 417.88	\$ 0.00	\$ 1,627.10	\$ 274,980.25

04/20/2017 10:07:10 am

Page: 6

RUS Form 219 Inventory Of Work Orders

Period: MAR 2017 System Designation: WA AH O9

Preliminary

Inventory : 201703

Budget		
Loan	Project	Amount
1	601	5,362.97
1	608	269,617.28
Total:		274,980.25



EXPIRES 5/16/2019

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.

OPALCO

INSPECTION PERFORMED BY

FIRM

42902

3/16/2019

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

04/20/2017 10:07:10 am

Page: 3

RUS Form 219 Inventory Of Work Orders
Period: MAR 2017 **System Designation: WA AH O9**
Preliminary

Inventory: AM1703

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)	New Construction Or Replacements (6)	Salvage Relating To Retirements Without Replacements (7)		
		Retirement (2)							
1600	2014	1812							
		1812	1	15,056.83	441.33	0.00	0.00	0.00	15,023.55
							AFUDC: 474.61		
				15,056.83	441.33	0.00	0.00	0.00	15,023.55
Grand Totals:				\$ 15,056.83	\$ 441.33	\$ 0.00	\$ 0.00	\$ 0.00	\$ 15,023.55

Minor Construction Work Orders

Work Order: 1812 - A MEMBER IS DIGGING NEW WATER LINE AND RE-DOING THE SEWER LINE. THIS WOULD BE A GREAT OPPORTUNITY TO REMOVE EXISTING OVERHEAD LINE AND CONVERT TO UNDERGROUND. THIS IS THE LAST SPAN OF OVERHEAD IN THIS AREA AND HAS BEEN KNOWN AS PROBLEMATIC IN THE PAST.

04/20/2017 10:07:10 am

Page: 7

RUS Form 219 Inventory Of Work Orders

Period: MAR 2017 System Designation: WA AH O9

Preliminary

Inventory : AM1703

Budget		
Loan	Project	Amount
1	1600	15,023.55
Total:		15,023.55

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

42902

LICENSE NUMBER

3/16/2019

DATE

FIRM

SIGNATURE OF LICENSED ENGINEER



04/20/2017 10:07:10 am

Page: 4

RUS Form 219 Inventory Of Work Orders
Period: MAR 2017 **System Designation: WA AH O9**
Preliminary

Inventory: AN1703

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	Retirement (2)		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)		
706 - 3	2014	1952	1	32,750.95	0.00	0.00	0.00	0.00	31,542.81
							AFUDC: 1,208.14		
706 - 3	2014	2494	1	69,409.19	0.00	0.00	0.00	0.00	68,463.01
		2494					AFUDC: 946.18		
706 - 3	2014	2525	1	66,130.17	0.00	0.00	0.00	0.00	65,191.45
							AFUDC: 938.72		
				168,290.31	0.00	0.00	0.00	0.00	165,197.27
Grand Totals:				\$ 168,290.31	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 165,197.27

04/20/2017 10:07:10 am

Page: 8

RUS Form 219 Inventory Of Work Orders

Period: MAR 2017 System Designation: WA AH O9

Preliminary

Inventory : AN1703

Budget		
Loan	Project	Amount
1	706 - 3	165,197.27
Total:		165,197.27



EXPIRES 3/16/2019

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.

OPALCO

INSPECTION PERFORMED BY

FIRM

42902

3/16/2019

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

MEMORANDUM

May 12, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: NRECA Statewide Annual Meeting Voting Delegate

The NRECA Director representing Washington State will be elected at the June 19 & 20 WRECA annual meeting in Walla Walla.

To date, Jerry Whitfield, Jim Lett and I plan to attend. Note Whitfield is positioned to assume the role of President of the WRECA board.

Staff recommends a motion to appoint Jerry Whitfield voting delegate and myself alternate voting delegate for the purposes of voting for the NRECA director representing Washington State.

MEMORANDUM

May 12, 2017

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: 2016 Financial Statement Audit Report

Orcas Power & Light Cooperative and Subsidiary Report of Independent Auditors and Financial Statements for December 31, 2016 and 2015, as audited by Moss Adams LLP, will be presented and discussed at the May 18th Board meeting. A draft of the findings will be sent separately from the regular Board packet, with the final report presented at the regular Board meeting in May. Please note the financial information contained in the audit report was previously reviewed at the March 2017 Board meeting during the 2016 year-end financial review and no material changes have occurred since the March financial presentation. Once approved by the board, the audit report will be posted in OPALCO's online resource library.

Representatives of Moss Adams were onsite in the Eastsound office the week of March 27-31. Olga Darlington, Business Assurance Partner, will be attending the May 18th board meeting to review the firm's audit findings and answer questions posed by the board.

Understanding the Consolidated Financial Statements vs. OPALCO only:

Separate company financial statements were presented at the March meeting and the final consolidated audited financial statements are being presented to the Board at the May board meeting. Below is a narrative that describes some of the main comparisons between the OPALCO and Rock Island separate company financial statements and the consolidated statements.

Key takeaways:

- OPALCO and Rock Island received an "Unmodified" opinion, which is the highest level of opinion.
- There were no booked adjustments to either the Rock Island or OPALCO year-end numbers from the amounts that were reported at the March board meeting.

Consolidation methodology:

- At the March board meeting, OPALCO and RIC presented their year-end financials separately. As OPALCO owns 100% of Rock Island, accounting standards require that our audited financial statements be on a consolidated basis.
 - The first statements presented in audit report (Income Statement, Balance Sheet & Cash Flows) and the associated notes to the financial statements combine both OPALCO and Rock Island.

- The 'Supplementary Information' section of the statements (starting on page 21 of the audit report) is the consolidation where you can see the companies broken out individually and the related consolidating entries.
- Note that for 2016 and each year, the margin to be allocated to members is equal to the OPALCO only margin, not the consolidated amount that includes Rock Island.
- The table below details the inter-company transactions during 2016. Note that while these amounts are eliminated for consolidation, they represent actual cash flows for each company.

2016 Inter-Company Charges - Eliminated on Consolidation

OPALCO paid to Rock Island

Internet services \$ 34,921

Rock Island paid to OPALCO

	Power	31,822
Rent - Fiber Backbone, yard & poles		84,873
	Interest ¹	181,471
Total paid to OPALCO		298,166
Net cash paid to OPALCO		\$ 263,245

¹ Interest charged on RIC start up loan Jan-May = ~\$101k;
interest on original IN LLC assets transferred = ~\$80k.

Audit Report Note 5 – Related Party Transactions:

- Island Network purchased Rock Island for \$1M in 2015 as the note describes. As previously communicated please note that part of acquisition was an asset of 'cash' of ~\$375K and a note receivable for \$192K that was paid off immediately following the acquisition. The net cash outflow from the acquisition was ~\$433K.

Audit Report Note 9 – Income Taxes:

- This note relates 100% to Rock Island. OPALCO is exempt from income taxes as a 501(c)(12) not for profit. Also note that any net operating losses (NOL) should be considered an asset that will offset future years' tax liabilities.

Upon the conclusion of the audit review and board discussion, staff requests that the board make a motion to approve OPALCO's Independent Auditors' Report and Financial Statements for December 31, 2016 and 2015, as audited by Moss Adams LLP.

MEMORANDUM

May 12, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Standard 5-year NRECA Administrative Updates to Retirement and 401(k) Plans

The NRECA Retirement Plans follow a 5-year restatement schedule outlined by the IRS, which keeps the plans up to date and ensures that they remain compliant with all applicable regulations. This requires OPALCO to pass a board resolution and execute new adoption agreements. An amendment, restatement and continuance of the Retirement Security Plan will take effect July 1, 2017.

The adoption agreement changes are clerical in nature, not material, and do not impact OPALCO's existing plan features.

Staff requests a motion to approve execution of authorization of the amendment and restatement of the Retirement Security and 401(k) Pension plans as stated in Resolution 1-2017.

**Board of Directors
Resolution 1-2017
Authorizing the Amendment
and Restatement of the Retirement Security
and/or 401(K) Pension Plan**

WHEREAS, the Board of Directors of Orcas Power & Light Cooperative is aware that the Plan(s) must periodically be amended to comply with new or changed regulations, rulings, legislation and plan operations, and that this restatement will be effective July 1, 2017.

THEREFORE, BE IT RESOLVED, that this Board authorizes the July 1, 2017 amendment, restatement and continuance of the Plan(s) to conform in their entirety with all the provisions of the governing plan documents of the Plans, through the execution of the Adoption Agreements, which include all of the provisions of the Cooperative's most recently executed Adoption Agreements and any compliance clarifications needed to conform with plan operations; and

BE IT FURTHER RESOLVED, in the event that the timing of the restatement does not correspond with regularly scheduled meetings of the Board of Directors, the Board does hereby authorize and direct Foster Hildreth, General Manager, to execute all necessary documents and to take any and all further actions necessary to carry out the July 1, 2017 amendment and restatement of the Plans.

CERTIFICATION

I, _____, certify that I am Secretary of Orcas Power and Light Cooperative Board of Directors. I further certify that the above is a true excerpt from the minutes of a board meeting of this Board of Directors on the 18th day of May, 2017, at which a quorum was present and that the above portion of the minutes has not been modified or rescinded.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Orcas Power & Light Cooperative this 18th day of May 2017.

S E A L

Secretary Signature
REA 48009-001 & 48009-002

MEMORANDUM

Date: May 12, 2017

To: Board of Directors

From: Foster Hildreth

Re: 2017 1st Quarter Financial Report

Please see attached the full 2017 1st quarter financial report. Included in the report package are the Statement of Revenues and Margins (along with a notable driver analysis), Balance Sheet, Statement of Cash Flows (GAAP), and capital projects budget tracking.

The cold weather experienced in Q1 of 2017 resulted in total revenue being 15% (\$1.25M) higher than budgeted. This was partially offset by the related increase in purchased power of 11% (\$310k), though there were not significant peak charges from BPA in Q1. All combined resulted in an increased margin of ~\$1M.

For more detail, please note the following key points:

- Q1 Heating Degree Days (HDD) were up ~58% above normal budgeted levels (Actual of 789 vs. budget of 500). Actual kWh sales were 14.2M kWh above budget (73.1M vs. budget of 58.9M). We expect weather and heating fluctuations to produce dramatic sales revenue volatility, and have budgeted based on those assumptions. We will continue to monitor revenue and expenses closely.
- Q1 power purchases were up (\$310k) due to higher kWh consumption. Actual kWh purchases were 14.7M kWh above budget (77.7M vs. budget of 63M).
- Q1 operating expenses were approximately \$228k over budgeted amounts, primarily due to the increase in purchased power and taxes as a result of higher power sales.
- Rock Island Communications paid \$22k to OPALCO for use of the communications backbone in Q1. This was partially offset by \$17k in expense paid to Rock Island Communications for Internet & network operations services.
- Rock Island Communications Q1 Financials included in separate packet.

MEMORANDUM

May 12, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Rate Structure Work Session: Budgetary Review

As requested by the Board in January of this year, OPALCO will be initiating a comprehensive rate structure review starting with a work session on June 16th and leading to an update of our cost of service study at the beginning of 2018, with final rate structure(s) approved by the Board by year-end 2018. The purpose of this first May 18 discussion is to set expectations moving forward, with specific focus on setting the June 16 work session agenda.

June 16th board work session - Budgetary Review: At the June meeting, staff would like to have an expectation discussion to confirm:

1. Sufficiency of our rate structure revenue model
2. Data/information availability
3. Confirm member service levels
4. Future budgetary expectations (associated service levels above)
5. Meeting logistics (location, attendees and potential facilitation)

Notable dates:

- September 22nd board work session – rate structure alternatives
- September 25 – 29th (save the dates): Member open house events

GENERAL MANAGER'S REPORT

May 2017

DASHBOARDS

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

ENGINEERING AND OPERATIONS

WIP

As of May 10, there are 399 work orders open totaling \$16,851,675. Six of these are associated with the submarine cable project and total \$8,773,502. Operations has completed construction on 52 work orders, totaling \$1,342,982.

Safety

Jeff Myers conducted training for the entire staff on fire safety and right-to-know training. These are both required annual trainings for our staff. The fire safety training includes safe use of fire extinguishers and general fire safety. The right-to-know training included safety and hazards associated with chemicals in the workplace.

The total hours worked without a loss time accident is 88,380.

Submarine Cable Update

Construction on the San Juan bank at Pear Point is on time and on budget. Work continues with the installation of the cable vault, removal of a portion of the submarine cable near the terminal, trench route verification, and relocation of the microwave communications infrastructure. Contractor will be installing foundations in this terminal station over the next month.

On Lopez, foundations for terminal station equipment were completed. Within the next month, Sumitomo will arrive to terminate the land portion of the cable at terminal station.

As previously noted (over the past three years), our largest project schedule concern continues to relate to CenturyLink and their removal of their underwater fiber optic cable which has broken free of its anchors and drifted over the top of OPALCO's soon to be replaced submarine cable. At this stage, CenturyLink has yet to obtain final work permits for their underwater fiber optic cable removal/replacement effort. For the record, this is the same CenturyLink cable that broke in November of 2013 and caused an extended county-wide communication outage. Assuming CenturyLink removes their cable(s) from current trespass conditions, OPALCO remains on-schedule to initiate our water portion of the cable project the first week of September. At this stage, we have regular project coordination meetings/conversations with CenturyLink's permitting contractor and are assisting them with their permitting process where possible.

A new webpage was launched in April to educate and engage members in the submarine cable project: <https://www.opalco.com/power-system/submarine-cable-project/>. A "golden ticket" contest was launched, inviting members to name the submarine cable. The winner and seven runners up will have the opportunity to go out on the water in a charter boat to see the cable

installation up close in September. Contest ends after the County Fair, where we will promote it. See details at: www.opalco.com/MYsubmarinecable.

FINANCE AND MEMBER SERVICES

Finance

2016 Year-End Audited Consolidated Financial Statements

Moss Adams' representative, Olga Darlington, will be attending the May board meeting to present and answer any questions related to the content of the finalized 2016 audited financial statements.

2017 1st Quarter Financial Results Statements and Capital Projects

Staff will be presenting the 2017 1st quarter financial results and analysis for discussion with the board at the May board meeting.

Rate Structure Review

As requested by the Board in January of this year, OPALCO will be initiating a comprehensive rate structure review. The review process includes a June 16th work session (budgetary review), September 22nd work session (rate structure alternatives), September 25-29th (member open house events), followed by an update of our cost of service study at the beginning of 2018. Final rate structure(s) will be approved by the Board during the budgetary process in 2018. At the May 18th meeting, staff will be having an expectation setting discussion in preparation for the June work session.

Member Services

The volume of calls handled by the Member Service team in April was ~1,500+, which was consistent with the same period of the previous year.

The PAL season wrapped up during April. PAL grants awarded this season were 263, totaling \$53.7k, compared to 255 grants, totaling \$44.8k from the same period last year.

The number of members in our Energy Assist Program (EAP) decreased slightly this month due to EAP members leaving our service territory (members not having active meters), or by not renewing their EAP application(s). We had 250 EAP participants at the end of April. We are reaching out to prior participants and expect program participants to reach prior levels (300+) later this fall. In April, EAP program members have received \$6.6k in assistance, bringing the annual payments for the program to \$26k in Energy Assist credits on member bills.

Beginning June 15th, OPALCO will no longer accept CenturyLink bill payments. CenturyLink informed OPALCO that administration for this bill collection was no longer cost-effective for their company and would require additional fees be collected from their customers (our members) for this service. Members are being notified through media releases, signage at drop box locations, and online.

Energy Savings

Staff has begun the preparation for the annual WA State incentive process by corresponding with our member generators. The Energy Savings team continued to pay out rebates during April, which included members who took advantage of the new OPALCO rebates related to EV charging stations and ductless heat pumps. The OPALCO rebate countdown on the OPALCO

website indicates the remaining number of ductless heat pump (currently 13) and EV charging station (currently 22) rebates.

COMMUNICATIONS

Election

The 2017 election process was smooth and there were no formal complaints with the shift away from voting on the ferry boat. Member comments will be collected from the ballots and more detail will be provided next month. Results were announced at the annual meeting, posted online and on social media as well as released to the local papers: Dauciunas 1,467 (74%); Madsen 1,339 (67%); Severson 901 (45%).

Nourdine Jensen Scholarship Awards

The 2017 awards were presented at the annual meeting to the following five scholars: Haley Moss and Joanne Mietzner of Orcas High School; Jonathan Doherty of Lopez High School; Zach Fincher and Jayna Ott of Friday Harbor High School (FHHS). Tenley Nelsen of FHHS will return as a youth director, elected by her peers. The ICUA Youth Rally takes place July 10-15 this year at the College of Idaho.

Community Solar

An online member survey dedicated to community solar has launched to measure member interest in the project and collect input for the planning phase of the project this year: www.opalco.com/survey. The survey closes June 2nd. Results will be shared online, in the local media and at the county fair where members will have a chance to comment. The survey results and member comments from the fair will be consolidated into a report that will be shared at open house events this fall. Member comments on the report will be incorporated into the budget planning process for the project.

Fall Open House Events

As previously discussed, staff will be hosting open houses on the ferry served islands later this fall. We are looking forward to continuing member discussions related to “all things OPALCO,” including community solar, rate structure review, future power supply, energy assist programs and Rock Island, etc. Please save the dates: September 25-29 for our fall open house events.

PERSONNEL

Staff is pleased to announce Krista Bouchey as our new Communication Specialist. As budgeted, this position will allow us to increase member education and engagement efforts while decreasing reliance on outside contractors. Krista is a long-time Orcas islander who is currently serving as the Executive Director of the Funhouse. Her start date is Tuesday, May 30th.

FACILITIES

Eastsound Headquarters

Staff is in the process of obtaining estimates for further discussion for the June 15th Board meeting.

CAPE SAN JUAN HOMEOWNERS ASSOCIATION

P.O. Box 1825, Friday Harbor, WA 98250
360-378-2206 • capesanjuan@rockisland.com
www.capesanjuan.org



April 20, 2017

Foster Hildreth, General Manager
OPALCO
183 Mount Baker Road
Eastsound, WA 98250-9413

45

Dear Foster,

The Cape San Juan Homeowners Association expresses our thanks and appreciation to OPALCO and to Rock Island Communications for your outstanding partnership in the deployment of high speed Internet services to our community and to our County.

We believe that, without OPALCO's commitment to improving broadband services in San Juan County, we would still be languishing with poor and, in some cases unavailable, broadband services. Instead, those of us in our community now have access to state of the art broadband.

We feel that we are already seeing the benefit, with community home sales improving and part-time owners choosing to spend more of their time on island because of the availability of improved broadband.

The road has not been smooth, but we are very appreciative to you and your team for the dedication and perseverance that have resulted in the success we have today.

Sincerely,

Jim Hooper, President
Cape San Juan Homeowners Association
K9QJS@iCloud.com

cc: Kurt McMillen, Cattle Point Estates Owners Association