

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, January 22, 2015

President Jim Lett called the meeting to order at 8:50 a.m. at the Eastsound OPALCO office. Directors Bob Myhr, Vince Dauciunas, Glenna Hall and Jerry Whitfield were present. Chris Thomerson participated via telephone and Winnie Adams was absent. General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance & Administration Nancy Loomis, Manager of Member Services and Energy Savings Amy Saxe, Manager of Island Network Gerry Lawlor and Executive Assistant Bev Madan (serving as recording secretary) were also present.

Member/Guests

Dwight Lewis (Lopez Island); Steve Ludwig (Lopez Island); John Fleischer (Orcas Island) and John Evans (Orcas Island) were each given the opportunity to address the Board. Ludwig stated that he would like a breakdown of the IRS Form 990 in regards to the amount of the compensation reported. He also noted that there are no numbers entered for Part 7 *Investments and Other Securities* which he felt was sloppy.

Lewis distributed copies of the IRS Form 990 from 2013. He also stated that he was concerned about OPALCO's members footing the bill for Island Network and wondered if there was an exit plan in the event it fails.

Evans stated his concern that the other ISPs in the county might be forced out of business with the formation of Island Network and had additional questions regarding its formation. He stated that members could no longer refer to OPALCO as "occasional power & light" as it has improved so much over the years. He further added that Doe Bay has wireless internet and felt it was better than putting fiber in the ditch but noted it was better to be "hooked up".

December Meeting Minutes

Myhr noted that Strategic Directive #2 *Sustainable Power Supply Strategy* had a correction in the wording: It stated "Investigate and form relationships with alternate suppliers of power" but should read "Investigate possible relationships with alternate suppliers of power."

- **Motion** made by Hall to accept the December minutes as amended. Motion was seconded and carried by voice vote.

New Members

- **Motion** made by Myhr and seconded to accept the new members as listed. Motion carried by voice vote.

Blakely

Warden, Leonard & Stephanie

Lopez

Ashbaugh Island LLC
Dickison, Mark

Matela, Nancy
McLeod, E.J
Nelson, Christina Leigh & Fife, Eric Mitchell
Reece, Ben

Orcas

Blankenship, James
Dolezal, Uva Beatrice & Antilla, Tod C
Ghiz-Sunn, Dylan T
Greenawalt, Philip S
Kitts, Rick
Kurth, Russell
Lemke, Ben & Long, Tom
Leppala, Mike
Martz, Daniel
Morris, Ryan
Robertson, Nora
Rodriguez, Elizabeth & Robert

Smith, Patrick O

Underwood, Eric & Miller, Douglas

San Juan

Altman, Jeff
Butler, Steve & Doug
Colleen Kenimond Atty at Law
Corbin, Doris
Diemoz, Bonita
Dues, Betsy
Gerrish, Steve & Therese
Graham, Erin C
Halverson, Helen K
Hansen, Kraig & Cindy
Hart, Sarah
Hendrick, Glenn
Kochel, Karl M & Kristin L
Marler, Stephanie
Nelson, Tamara
Reff, Alan
Schirmer, Douglas
SJ Essentials
Smith, Stacey
Thompson, Mark A

Capital Credits

- **Motion** made by Myhr and seconded to approve payment of \$12,832.89 in capital credits to the estates of deceased members listed below. Motion carried by voice vote.

Helen J. Arnold.....	\$3,436.52
Ethel M. Baldwin	\$628.47
Francis A. Esposito	\$819.24
Betty S. Gilson	\$1,092.04
Lucile T. Henderson.....	\$1,221.08
Jean F. Kisser	\$91.54
William Lowell	\$809.27
Edith B. Martel.....	\$1,338.94
Donald A. Olson	\$1,066.55
Alice Ostendorff.....	\$405.94
William D. Pollock	\$9.01
Dorothy V. Stuckey	\$316.84
Albin E. Sundstrom	\$1,597.45

Island Network Report

Gerry Lawlor informed the Board on Island Network activities for the past month. His team is working with several homeowners association within the county. Their Eastsound office is now in operation with a plan to open full customer sales and support capability within the first part of 2015.

Lawlor left the meeting after his report

Tariff Revisions

Revisions were made to the tariffs presented at the December meeting to confirm the effectiveness of the rate design proposed. The resulting calculations predicted a 10.4% increase in revenue for 2015; kWh charges were adjusted for Residential, Pumps, Small Commercial and Large Commercial in order to reach the targeted revenue increase of 12% that was approved in the 2015 budget at December's meeting.

- **Motion** to approve Tariff revisions as presented in the Rate Detail table to be effective with the February billing cycle made by Myhr and seconded. Motion carried by voice vote.

RUS Loan AP8

Application with RUS for a Guaranteed Federal Financing Bank loan (AP8) will be made as a follow-up to the existing AM8 loan. The transmission portion of the Construction Work Plan was omitted in the AM8 loan request due to environmental delays. Included with the loan submittal documentation are:

Resolution 1-2015 Requesting Guaranteed Federal Financing Bank (FFB) "AP8" Loan Application in the amount of \$17.1M

Resolution 2-2015 Updated, Abbreviated 2014-2029 Load Forecast

Resolution 3-2015 Approval of Ten-Year Financial Forecast

Resolution 5-2015 Approving Amendment #5 to the 2013-2016 Construction Work Plan

- **Motion** to approve the submittal of the FFB Loan AP8, corresponding board resolutions and loan submittal documentation was made by Myhr and seconded. Motion carried by voice vote.

2015 Committee on Nominations

Members of District 2 (Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double and Fawn Islands) Douglas Ellis, Anne Marie Shanks and David Sarver have agreed to serve on the 2015 Committee on Nominations. An orientation will be held with Hildreth following their appointment.

- **Motion** to approve Ellis, Shanks and Sarver to serve on the 2015 Committee on Nominations was made by Myhr, seconded and approved by voice vote.

Resource Evaluation Timeline

Hildreth reviewed the Resource Evaluation Timeline. Staff will submit scenarios of load forecasts and BPA Power Supply modeling during the second quarter of 2015.

Additional Board Meeting Time

Saving a date to review board materials was discussed. The consensus was that if needed, the "overflow" meeting should be the day after the regularly scheduled meeting and be held in the same location as the Board meeting.

Reports

The **Cash Recap** shows an ending balance of \$3,351,771 as of December 31, 2014.

The **Outage** chart was reviewed and showed an increase in weather-related outages.

The **Safety** report indicated no accidents, incidents or near misses for December. The safety consultant, Jeff Meyer of Columbia REA, will facilitate the RESAP program, including the reporting.

The **General Manager's** report was reviewed. Cash needs are being evaluated; under consideration is an increase to the available balance of CFC Power Vision short term facilities instrument as a vehicle to fund NewCo formation and start-up.

The nonprofit Roundtable energy group met and was briefed on the new rate design and revenue requirements. Messaging of the rate design was discussed, noting that members should be informed of the dollar amount they are supporting energy efficiency, the total cost or percentage should be shown on member's bills, and there should be clear talking points stating the benefits of energy efficiency.

San Juan County was one of fifty communities nationwide to advance to the semifinal round of the Georgetown University Energy Prize.

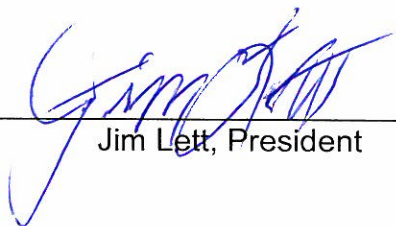
The Orcas Island Montessori School issued a final report on their Renewable Energy and Efficiency projects. The school installed a 9.2 kW PV array in 2013, replaced an oil boiler with ductless heat pumps, upgraded insulation and implemented curriculum. The curriculum is in partnership with the Funhouse Commons on Orcas.

Hildreth reported that he will pursue additional services through WRECA's Grant Nelson to research the tax incentives for fiber, ask for a tax exemption for the submarine cable and other communication topics.

Communication and messaging was discussed in depth. It was agreed that there is not just one way to get the message across, that many types need to be utilized, including social media.

Adjournment

The meeting adjourned to an Executive Session at 12:02 p.m.

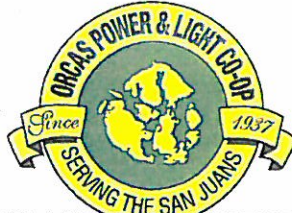


Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



BOARD OF DIRECTORS

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RESOLUTION 1-2015 REQUESTING GUARANTEED FEDERAL FINANCING BANK (FFB) "AP8" LOAN APPLICATION

WHEREAS, it has been determined on the basis of the current 2013-2016 Construction Work Plan that financing is needed for transmission facilities as shown on RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

RUS Guaranteed Federal Financing Bank (FFB) "AP8" Loan Application \$ 17,100,000

NOW THEREFORE BE IT RESOLVED that Orcas Power & Light Cooperative makes application to the Rural Utilities Service pursuant to 7 CFR Part 1710 for total guaranteed FFB financing in the approximate total amount of \$17,100,000 with loan terms to be used in accordance with the provisions of 7 CFR Part 1710 to finance the above mentioned facilities.

BE IT ALSO RESOLVED that the RUS guaranteed "AP8" FFB note shall bear a maturity date to cover an approximate period of 30 years.

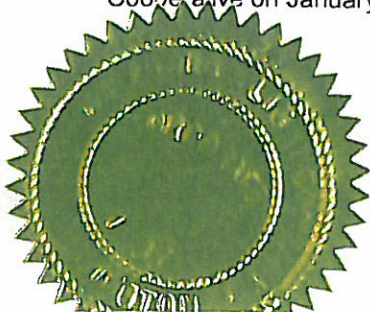
BE IT ALSO RESOLVED that the Board of Directors of Orcas Power & Light Cooperative authorizes its officers to execute and attest all necessary papers, documents, and applications related to the foregoing.

BE IT FURTHER RESOLVED that the President, Vice President, Secretary-Treasurer, and General Manager are authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

BE IT FURTHER RESOLVED that Orcas Power & Light Cooperative hereby authorizes the RUS to release appropriate information and data relating to the application to the FFB and any existing supplemental lenders.

CERTIFICATION OF SECRETARY

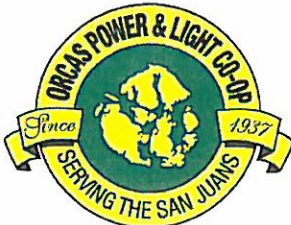
I, Jerry Whitfield, Secretary of Orcas Power & Light Cooperative, do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Orcas Power & Light Cooperative on January 22, 2015, at which a quorum was present and voted.



Jerry Whitfield, Secretary

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BOARD OF DIRECTORS

RESOLUTION 2-2015

Updated, Abbreviated 2014-2029 Load Forecast

WHEREAS, Joel Mietzner, System Engineer of Orcas Power and Light Cooperative, has identified minor revisions to the 2014 - 2029 Electric Load Forecast, which was previously approved by the board on July 17, 2014, and by RUS on July 25, 2014; and

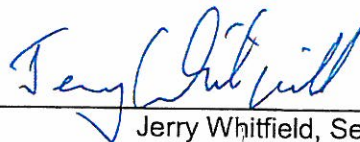
WHEREAS, these revisions to the 2014-2029 Electric Load Forecast, are identified in the Updated, Abbreviated 2014-2029 Load Forecast, dated January 22, 2015, which is recommended for board acceptance at this time by Joel Mietzner, System Engineer; and

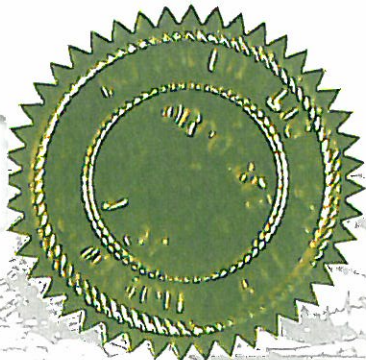
WHEREAS, the Board of Directors has reviewed the data for this Updated Load Forecast and finds that it meets the needs of Orcas Power and Light Cooperative for projection in a Ten-Year Financial Forecast in support of the "AP8" Loan Application.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of Orcas Power & Light Cooperative accepts and approves the Updated, Abbreviated 2014-2029 Load Forecast upon recommendation of the System Engineer at a regular meeting held on January 22, 2015 and directs the General Manager to submit this study for the review and acceptance by the Rural Utilities Service (RUS).

CERTIFICATION OF SECRETARY

I, Jerry Whitfield, Secretary of Orcas Power & Light Cooperative, do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Orcas Power & Light Cooperative on January 22, 2015, at which a quorum was present and voted.


Jerry Whitfield, Secretary



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BOARD OF DIRECTORS

RESOLUTION 3-2015

APPROVAL OF TEN-YEAR FINANCIAL FORECAST

WHEREAS, The Ten (10) Year Financial Forecast for the period of 2014 through 2023 as prepared and included with the Federal Financing Bank (FBB) loan application is an acceptable projection of the financial trend and conditions of Orcas Power & Light Cooperative; and

WHEREAS, the Board of Directors of Orcas Power & Light Cooperative has reviewed the attached Long Range Financial Forecast prepared by the Cooperative's staff; and

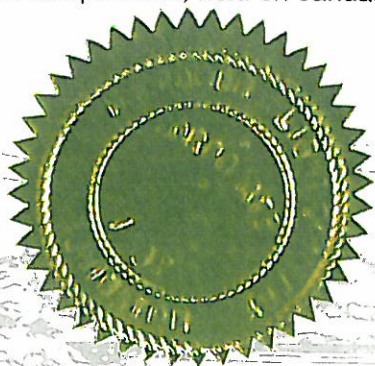
WHEREAS, the Financial Forecast includes estimates taken from a Board approved Load Forecast Study, which is being submitted for approval by Rural Utilities Service (RUS), Four-Year Construction Work Plan dated 2013-2016 with Amendments #2, #3 and #4, which have been previously approved by RUS, as well as Amendment #5 submitted for approval by RUS at this time; and

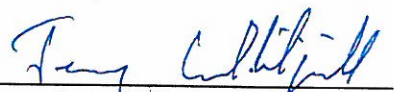
WHEREAS, the Long Range Financial Forecast is based upon Board approved policies, operating rules and plans and sets forth appropriate management goals, all of which are acceptable to the Board of Directors as an overall plan of operations.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Orcas Power & Light Cooperative hereby approves and accepts the Ten-Year Long Range Financial Forecast as proposed, as a plan of operations, and has reviewed the projected rates which are included in the Forecast and is committed to take whatever action may be necessary to implement such rate changes as may be required on a timely basis to achieve the goals outlined therein.

CERTIFICATION OF SECRETARY

I, Jerry Whitfield, Secretary of Orcas Power & Light Cooperative do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of Orcas Power & Light Cooperative, held on January 22, 2015, at which meeting a quorum was present.

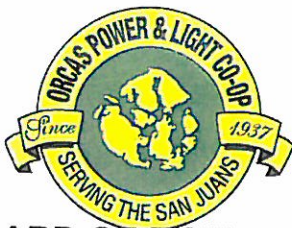



Jerry Whitfield, Secretary



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BOARD OF DIRECTORS RESOLUTION 5-2015 APPROVING AMENDMENT #5 TO THE 2013-2016 CONSTRUCTION WORK PLAN

WHEREAS, the Board of Directors has approved the 2013-2016 Construction Work Plan (CWP); and,

WHEREAS, Amendment #4 was necessary to increase the cost of replacing submarine cable between Lopez and San Juan from \$3 million to \$12 million; and

WHEREAS, Amendment #5 is necessary to increase the cost of replacing the submarine cable between Lopez and San Juan from \$12 million to \$15 million and adding other Transmission Projects totaling \$2.1 million; and

WHEREAS, the Board considers the amendment to the CWP to be the current estimate for these capital projects.

NOW, THEREFORE, BE IT RESOLVED THAT THE Board of Directors of Orcas Power and Light Cooperative accepts and approves Amendment #5 to the CWP upon the recommendation of the Engineering and Operations Manager at a regular meeting held on January 22, 2015 and directs the General Manager to process CWP Amendment #5 as required by the Rural Utilities Service.

CERTIFICATE OF SECRETARY

I, Jerry Whitfield, certify that I am the Secretary of Orcas Power and Light Cooperative and that the above and foregoing is a true excerpt from the minutes of a meeting of the Board of Directors on the 22nd day of January, 2015, at which a quorum was present, and that the above portion of the minutes have not been modified or rescinded.


Jerry Whitfield, Secretary

January 22, 2015
Date

