



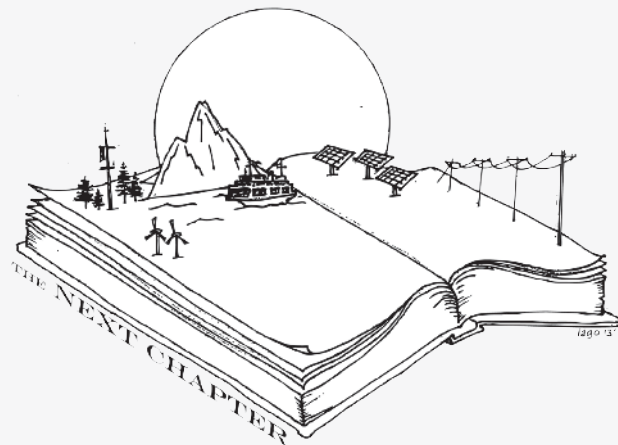
# Building Our Co-op Future Together



OPALCO ANNUAL  
REPORT 2014

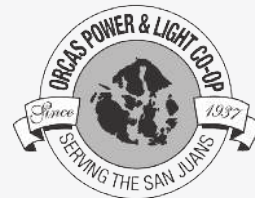
ORCAS POWER & LIGHT COOPERATIVE'S  
**77<sup>TH</sup> ANNUAL MEETING**  
ON THE WASHINGTON STATE FERRY

**SATURDAY, MAY 3<sup>RD</sup> 2014**



## Meeting Highlights

- RECEIVE A \$5.00 CREDIT ON YOUR BILL JUST FOR SHOWING UP!
- GIFTS AND ANNUAL REPORT FOR EACH MEMBER HOUSEHOLD
- ENJOY A CATERED LUNCH
- ELECT THE BOARD OF DIRECTORS; VOTE ON BYLAW AMENDMENTS
- WITNESS THE 77<sup>TH</sup> ANNUAL STATE OF THE CO-OP ADDRESS BY CHRIS THOMERSON, BOARD PRESIDENT
- PARTICIPATE IN A Q&A SESSION WITH OPALCO MANAGERS
- WIN GREAT DOOR PRIZES



**MEETING TIME:**  
**9:45 - 11:15 A.M.**

**Boarding Times**  
San Juan: 7:15 a.m.  
Orcas: 8:45 a.m.  
Shaw: 9:00 a.m.  
Lopez: 9:30 a.m.

ARRIVE EARLY TO REGISTER

FULL TRAVEL INFO:  
[WWW.OPALCO.COM](http://WWW.OPALCO.COM)



CANDIDATE AND  
ELECTION INFO:  
[WWW.OPALCO.COM](http://WWW.OPALCO.COM)

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The mission of Orcas Power & Light Cooperative is to serve our members with safe, reliable, cost-effective and environmentally sensitive electric utility services.

Orcas Power & Light Cooperative  
183 Mt. Baker Road, Eastsound WA 98245  
[www.opalco.com](http://www.opalco.com)

### BOARD OF DIRECTORS

Chris Thomerson, President (Orcas)  
Bob Myhr, Vice President (Lopez)  
Jim Lett, Treasurer/Secretary (Lopez)  
Winnie Adams (Orcas)  
Vince Dauciunas (San Juan)  
Glenna Hall (San Juan)  
Dr. Jerry Whitfield (Shaw)

### MANAGEMENT

Randy J. Cornelius, General Manager  
Foster Hildreth, Assistant General Manager

### ANNUAL REPORT CONTRIBUTORS

Suzanne Olson, Tom Schramm, Jay Kimball



Touchstone Energy<sup>®</sup>  
Cooperatives

*The power of human connections<sup>®</sup>*

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During the last decade, OPALCO has transformed into a modern utility recognized as a leader among rural electric non-profit cooperatives.

OPALCO continues its 76-year tradition. We continue to improve reliability, keeping your heaters, lights and electronics running, through cold and storms, when you need them.

Continuous improvement, the result of painstaking planning, application of knowledge and experience and dedicated

hard work, has led to a comprehensive transformation in all operational, planning and reporting functions. System design and maintenance, management controls and long-range capital project-planning are now carried out to the highest standards. The extent of the improvements are highlighted by external audits. OPALCO now achieves the highest marks in all system audits and overall financial audits that delve deep into every aspect of OPALCO operations.

This transformation is the direct result of deliberate foresight, expert planning and dedication to the long-term health of our non-profit cooperative. The skilled, relentless efforts of our General Manager Randy Cornelius during this decade have ensured that OPALCO ranks with the best in the country. OPALCO is fully prepared for a successful future.

### WHAT OF THE FUTURE?

We are now living in an age of economic, climate and energy-policy uncertainty. Our experienced and forward-thinking board provides the strategic direction, and OPALCO staff take the steps necessary to mitigate the risks associated with these uncertainties.

OPALCO maintains a long-term strategic power resource plan to take advantage of opportunities that arise:

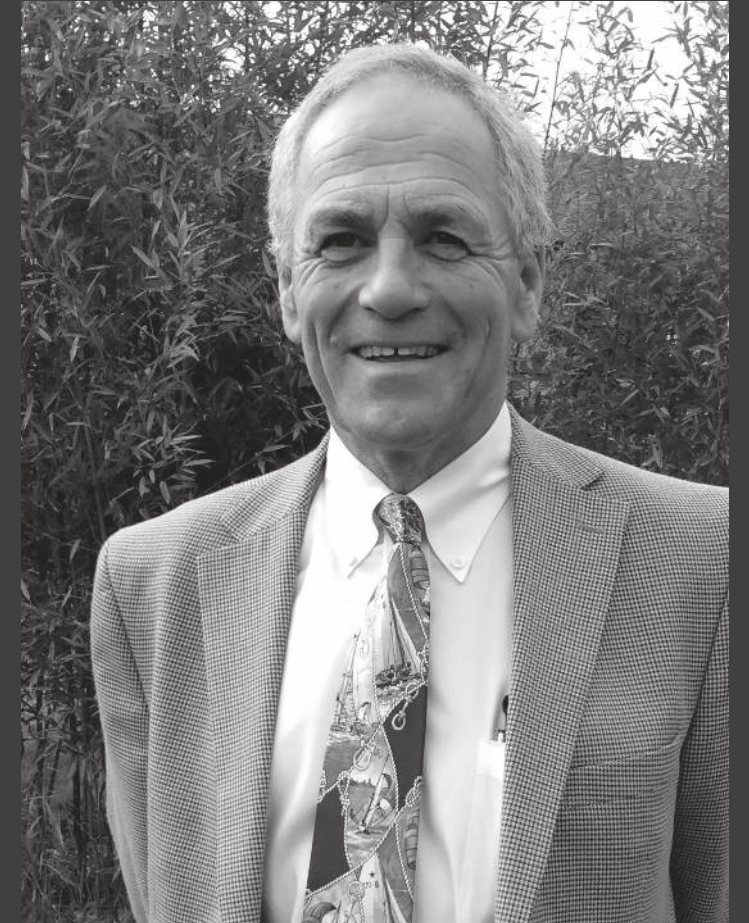
- We are continuing our long-term mutually advantageous relationship with our primary supplier, Bonneville Power Administration.
- We are forming relationships with capable alternative suppliers of clean available energy.
- We have a promising Energy Efficiency and Conservation program working hand-in-hand with local non-profits that are skilled at producing results.
- We have procedures which encourage local distributed generation consistent with our grid operations.
- We are formulating Community Solar programs to allow members to buy shares in OPALCO-managed solar installations.
- We are interlinking our field devices to minimize outages, save energy and protect expensive cables by dynamically adapting the system as loads change.

With the future firmly in mind, our current General Manager, Randy Cornelius, has worked with the Board to ensure we have the in-depth, top-notch, upper management personnel in place for us to remain an exceptional cooperative. Our next generation of management, led by Foster Hildreth, is successfully transitioning into place, leading us confidently into a positive future.

## DR. JERRY WHITFIELD

was appointed by the Board in March to fill the District 4 board position vacated by John Bogert. Dr. Whitfield and his wife Carol live on Shaw Island and have been **OPALCO members since 1999**. As a Doctorate Aerospace Engineer, Whitfield has served with such companies as Rolls Royce Aero Engines, General Electric Company and The Boeing Company.

An entrepreneur in the renewable energy field since the mid-1980s, Whitfield **invented the wood pellet stove**, built and led a successful manufacturing company and helped pioneer the wood pellet industry across North America. Lately, Whitfield **invented a unique café coffee roaster**, Sonofresco; he and his wife run the business in Burlington, WA. Whitfield is also developing product ideas to simultaneously generate carbon negative energy and biochar from surplus biomass materials.





It is with sadness and excitement that I announce my intentions of retiring at the end of this year. I am excited for a new beginning, yet sad that my time with the OPALCO family is ending. During my 12 years of service, I have seen OPALCO grow as an organization and as a family. I have had the opportunity to know and appreciate many different views of the future of OPALCO. This has not only been a pleasure; it has helped me grow as a manager and as a person.

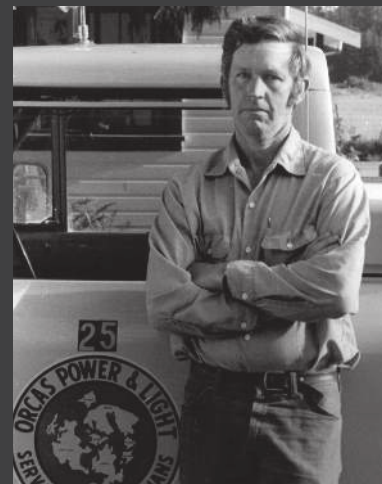
When the board hired me, I made a pledge that I would leave OPALCO in better shape than when I arrived. I sincerely believe this has been accomplished. Audits of our operations and maintenance practices conducted by the Rural Utilities Service (RUS) have risen from scores of 1s and 2s (Corrective Action Needed) to all 3s (Satisfactory – No Action Required at This Time), which we achieved on our last audit. We also passed the RUS audits of our Capital Improvement projects with high marks. This audit tracks the funds we borrow from the time we take the cash in to when we complete a project. Finally, for the past 12 years, we have passed all of our Financial and Internal Control audits. In operating an electric utility, making adjustments for change never ends; likewise, for every adjustment, there are an equal number of opportunities. Therefore, there will still be many challenges for Foster Hildreth, who will be General Manager, and his management team.

Since this is my last annual report as your General Manager, I thought I would briefly share with you some issues OPALCO will be facing in the near future.

Our load growth in energy usage will be at market rates or Tier 2 rates, which are higher rates reflecting the full cost that BPA pays to acquire this additional power. The result will be a long-term upward trend in your energy costs.

To help ensure that our members have a continuous supply of clean, reliable power, at its February retreat the board issued four directives. The first is to treat energy efficiency and conservation as a resource. We are working in collaboration with our local non-profits to make energy efficiency and conservation a county-wide issue, with a goal of helping all of our homes become as energy-efficient as possible. The second directive is to work with our Member Owned Renewable Energy (MORE) committee to take advantage of federal and state tax credits, along with our member-supplied MORE incentive funds, to promote investments in renewable distribution generation. The third is to have a resource evaluation completed by the end of 2015 to identify any cost-effective power generation resources that may be developed within our county or any opportunities for OPALCO to become a member of a Generation/Transmission Cooperative. The final directive is to continue our long-term relationship with our primary supplier, the Bonneville Power Administration (BPA). BPA has supplied us with clean renewable hydropower for decades. Our fuel mix is 98% greenhouse gasses-free.

In closing, I have enjoyed serving the members of OPALCO, and I want to acknowledge the outstanding performance of our employees and directors. Their efforts range from restoring service on stormy nights to approving our policies and directives on the board. Their efforts reflect a high level of dedication to you, our members, so that you can take pride in knowing you are served by a progressive staff and officers committed to meeting your needs.



## THEODORE “VERN” COFFELT

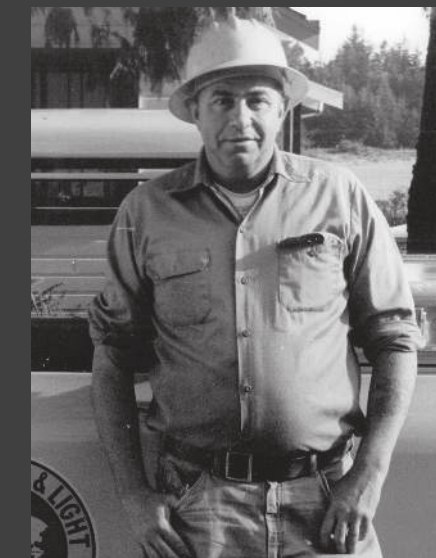
MARCH 20, 1930-SEPTEMBER 5, 2013

Vern retired from OPALCO as Operations Manager after 35 years of service. He kept the lights on for a generation of islanders and played a major role in building our reliable system. Vern's grandfather J.G. Smedberg and father Amos Coffelt were instrumental in the formation of the electric co-op.

## JOHN “JACK” CADDEN

FEBRUARY 9, 1925 – NOVEMBER 8, 2013

Jack served as an OPALCO lineman for 35 years. He saw many a winter storm and worked long hours getting the power back on. Jack's grandson Dan Watters is a Journeyman Lineman and Substation Technician for OPALCO today.







For 76 years, OPALCO has been serving our members with reliable power at the cost of service. It all started in 1937 with neighbors helping neighbors, accepting the challenge to serve our community with electric power. Today, speaking as the architects of the next chapter in our Co-op story, our challenge is to shape a sustainable future in a changing world.

**Safety is our top priority.** Providing our crews in the field with reliable communications is critical to protecting their safety. By expanding our communication facilities, we allow our team to exchange critical real-time information, improving the safety of our crews, our fellow first responders and our membership as a whole.

**We work constantly to improve the reliability and efficiency of our electric service.** The day-to-day work of OPALCO is focused on improving our plant's operational equipment, and it's a never-ending process. We work with the future in mind. When older equipment becomes unreliable, we replace it with modern, more efficient equipment. When new cable is buried, it is placed in conduit to improve its longevity and provide easier maintenance in the future. Where power lines are placed into conduit, if fiber optic cable would help us manage our field devices, it's included. How do we manage this complex effort? Our highly-qualified engineering staff and operations crews develop long-range plans and conduct complex engineering analyses that follow USDA Rural Utility Service guidelines. We create detailed construction work plans that are then carefully reviewed, funded and executed. This is how your cooperative works to improve your electric system's reliability continuously: by managing these ongoing projects, every day of every year.

**Power costs are rising, and new power sources merit evaluation.** Through our contract with Bonneville Power Administration (BPA), we enjoy regional power generated mostly by hydro-electric dams on the Columbia River, priced at low "Tier 1" rates. When our power usage exceeds a certain amount, additional power

must be purchased at more expensive "Tier 2" rates. We employ a three-pronged approach to manage these costs:

1. We strive to minimize our need for Tier 2 power by optimizing the efficiency of our system. Our communication network provides a robust platform that can save us millions of dollars in the coming years by allowing us to monitor and control voltage and power quality dynamically.
2. We work with our membership to use energy more efficiently. With the help of participating members, we are working to increase the energy efficiency of their homes and businesses.
3. We are exploring alternative sources of energy, including locally generated renewables. In 2015, we will have the option of diversifying the sources of our Tier 2 power, and our leadership group is actively investigating alternative sources.

**We are building a dynamic, data-driven system.** Today, the OPALCO communication network improves reliability by allowing us to manage outages and control devices in the field. In the future, this network will save our members' money by allowing us to optimize the efficiency of our energy usage - and as the cost of power increases, the financial savings will be even greater. Our network backbone can also be utilized to connect our members to the Internet. As a cooperative, OPALCO works for the sustainable development of our community, and where member-owned assets can be applied to help our membership, we will make those assets available. To that end, we offer connections to our first responders, as well as to members and ISPs that want to use our network backbone, provided the member is willing to cover all construction and subscription costs required to make that connection.

I am deeply grateful to Randy Cornelius for his leadership of the Co-op since 2002, and especially for his mentorship over the past eight years. When he retires later this year, he will leave us with a safe and reliable electrical distribution system, a robust communication network, a healthy budget and accounting system, and a strong and talented team.

I look forward to working together with you our members as we write our cooperative's next chapter, building a healthy and sustainable future for our community.

# 2013 MAJOR CONSTRUCTION PROJECTS

## 13.5 MILES

Total Underground Residential Distribution Replacement

## 54

New Service Extensions Constructed

## 42

Field Devices Replaced

## URD REPLACEMENT

Victorian Valley Road (Orcas)

## 3 PHASE TIE

Bartel Road (Orcas)

## RE-CONDUCTOR

Ferry Road (Orcas)

## OVERHEAD FIBER

Olga Road (Orcas)

## 25 KV TO 69 KV CONVERSION

Blakely North (Blakely)

## UNDERGROUND CONVERSION

Vista Road (Lopez)

## UNDERGROUND CONVERSION

Lopez Road (Lopez)



Amy Saxe, Assistant Manager of Member and Energy Services. The Energy Savings team is excited to be partnering with local non-profits in a collaborative effort to reduce energy demands. This is part of a long-term vision to preserve energy resources and lighten our impact on our island community.

The San Juan Islands Conservation District will supercharge existing OPALCO programs with efficiency rebates, local distributed power and member education by extending our reach in these three core areas.

The Conservation District will serve as an umbrella organization coordinating the efforts of other nonprofits to complete a range of projects, including retrofitting San Juan County homes for greater energy efficiency, piloting a community solar project and developing additional education and outreach events. The

group has collectively secured matching funds for the \$150,000 grant awarded by OPALCO.

“We are excited to work with OPALCO on this initiative,” said Linda Lyshall, District Manager, San Juan Islands Conservation District. “Through our partnership, we intend to maximize efficiency and conservation gains to slow increases on utility bills, reduce the carbon footprint of the county and serve as a model for other small, rural communities in Washington and elsewhere. This project fits well with the Conservation District’s long-term goals to promote renewable energy and energy efficiency throughout San Juan County.”

Be sure to attend the co-hosted events in 2014:

**Energy Fairs (solar home tours, efficiency and conservation workshops, prizes, and more!)**

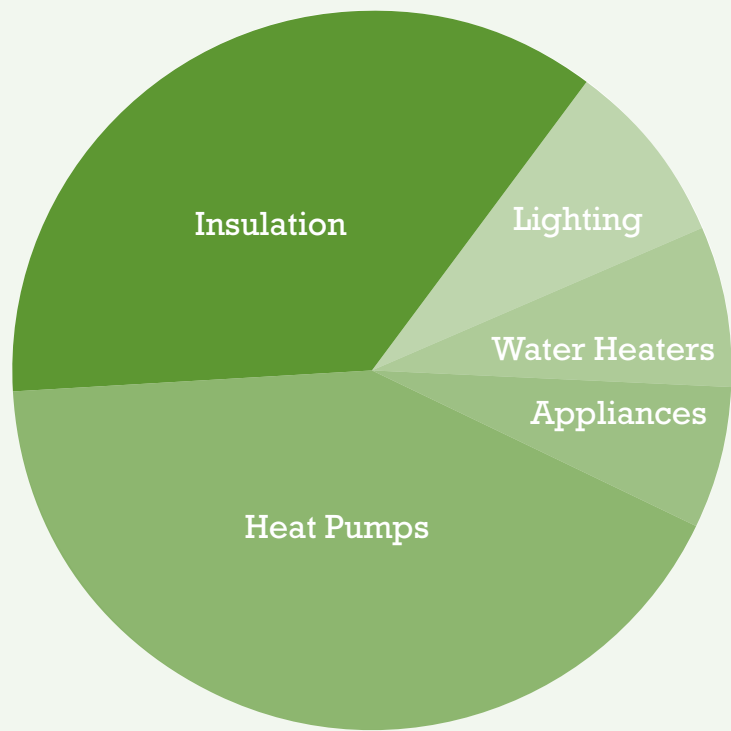
- **May 17th, San Juan Island**
- **May 31st, Lopez Island**
- **June 7th, Orcas Island**



## CONSERVATION DISTRICT GRANT AWARD

Caption Nullam luctus lacinia purus quis dictum. Praesent sagittis et lectus id lacinia. Aenean consectetur fermentum velit, eu consequat odio vestibulum ut. Sed dapibus molestie lacus. (left to right) Amy Saxe, Linda Lyshall, Name of Person, Name of Person

## HOME ENERGY EFFICIENCY POTENTIAL



Caption Nullam luctus lacinia purus quis dictum. Praesent sagittis et lectus id lacinia. Aenean consectetur fermentum velit, eu consequat odio vestibulum ut. Sed dapibus molestie lacus. Nullam luctus lacinia purus quis dictum.

## OPALCO LEARNS FROM CONSERVATION POTENTIAL ASSESSMENT

Hardly a day goes by without a news story about how the world is hungry for energy. The demand for energy has been growing exponentially. What is less well-known is that most of the increase in energy demand can be met by improving the energy efficiency of our homes and businesses. In fact, the Northwest Power and Conservation Council estimates that, over the next 20 years, 85% of new energy demand could be met through energy efficiency.

Last year, through our energy efficiency and rebate programs, **OPALCO members saved 1,708,309 kilowatt hours and received \$412,354 in energy rebates.** We at OPALCO believe there is a lot of potential for additional savings for our members. OPALCO recently conducted a Conservation Potential Assessment to better understand just how much energy the homes and businesses in the San Juans could save.

For homes, we found that the biggest potential for energy savings comes from upgrading old heaters to modern heat pumps. Big savings also come from improving insulation in attics, walls and crawlspaces, weatherstripping old doors, and air-sealing leaky homes.

Little things add up, too: replacing old-fashioned light bulbs with super energy-efficient LED lighting can make a big difference. Insulating your water heater—or replacing it with a state-of-the-art heat pump water heater—creates significant savings. And replacing old appliances such as refrigerators, washers and dryers with new EnergyStar-certified appliances pays dividends, too.

Energy efficiency helps us live more comfortably, waste less energy and save money. Call OPALCO to discover the potential savings waiting to make your home and business more cost- and energy-efficient.



Member Meichelle Roberts of San Juan Island noticed her high electric bills and knew it was time to take action. She called OPALCO to learn more about efficiency rebate incentives to help offset the cost of the home improvements she was considering. The payback was huge! Meichelle upgraded insulation, replaced windows and installed a ductless heat pump.

This made her home significantly more efficient, and Meichelle received checks from OPALCO totaling \$6,163. To further reduce her out-of-pocket costs, Meichelle joined the Opportunity Council's Community Energy Challenge and received an additional 30% off the cost of these upgrades. The estimated energy savings for these upgrades totaled 17,871 kWhs.

Meichelle is very happy with the final outcome.

**“Through the collaboration of OPALCO and the Community Energy Challenge, these improvements to my home were affordable and reduced my long-term utility expenses. I am absolutely satisfied with the results. The program process was also very easy.”**

When asked why energy efficiency is important to her, Meichelle responded “Everyone should take an active role to participate in conserving energy. I liked doing my piece as a part of the big-picture goal. Saving resources is always important. It's more than avoiding waste; it is a financial responsibility as well.”

**Join Meichelle in the effort to reduce energy waste. To claim your incentives while making your home more energy-efficient, call the OPALCO Energy Savings team at 376-3586.**



**Meichelle's energy savings upgrades included the following rebates and kilowatt hour savings: windows – total rebate amount \$ 3,689.30 / 10,871.20 kWh savings; and insulation – total rebate amount \$ 973.28 / 3,183.70 kWh savings.**



## UNDERSTANDING LOCAL DISTRIBUTED POWER

Would you like to join your neighbors in helping to diversify our pool of future energy resources? Are you curious about how some individuals are able to produce their own energy right here in San Juan County? Call us to learn about how the MORE Program supports members in their efforts to produce local distributed power.

Join the growing community of Member Generators! Members who wish to generate their own electric energy can install a grid-connected system. In 2013, there were 133 Member Generators interconnected to the OPALCO grid. This may not be possible for all members, but everyone can still choose to support local distributed power:

- Opt to buy “green energy blocks” at \$4 per billing cycle.
- Opt for full participation and purchase all green energy at an additional \$0.04/kWh for all energy consumed.
- Designate a higher monthly donation amount.
- Make a one-time donation to the MORE program.

**FOR MORE INFORMATION:  
VISIT [WWW.OPALCO.COM](http://WWW.OPALCO.COM) OR CALL US AT 376-3500.**



## 2013 MORE SUMMARY

**133**

Total Interconnected Renewable Installations

**742.85 kW**

Total Renewable Capacity of Interconnected Member Generators

**80.25 kW**

Micro-Hydro

**643.60 kW**

Solar

**19.0 kW**

Wind

2013 MORE Incentives Paid: \$45,719.13 was paid out in July to 54 MORE producers\* with a total combined capacity of 313.53 kW, producing a total of 214,390 kWh.

\*Note: “MORE producers” are those who have interconnected since the MORE Program was launched in July 2010. The total number of interconnected renewable generators includes those who have participated since the green power program began in 1988.



In the 76-year history of our Co-op, no one has a longer tenure—or possibly a bigger footprint—on our story and the legacy of reliable power in the San Juan Islands than **Crew Foreman Rex Guard**.

Rex was two weeks out of high school, sitting with his father in the family pickup outside of King’s Market in June, 1978, when George Goff walked over from the OPALCO office across the street and offered him a job on the tree-trimming crew. At the time, Rex had committed to fishing on a local purse seiner that summer, and had set his sights on seeing the world. He went to the Goff home, talked it over with George and soon began working seven days a week: four days for OPALCO earning \$5.00/hr, and three days of fishing all that summer. Early mornings and each night, there were livestock to feed, farm chores to get done and machinery to grease or repair before getting a few hours of sleep and starting all over again. This was good practice for the pattern his life would take: work, family, farm. More than 35 years later, he’s still burning the candle at both ends and enjoying the life he has built.

Growing up on a family farm on San Juan Island, the third generation on that land, Rex has strong ties to the land and community. He was taught to respect the privilege of electricity. His mother always kept a kerosene lamp at the ready and reminded her children that electricity was a luxury, not a necessity.

Although his first assignment was a six-month temporary position on the tree-trimming crew, he was immediately put to work setting transformers and hanging wire with the line crew (Bronc Starr, Herbie Hammond, Mac McElhanie and Lowell Sundstrom), learning on the job. “There weren’t many rules and standards back then – we were ‘gloving it,’ we just did what needed to be done,” said Rex. “George Goff took me under his wing and became a second father to me – especially after my own father passed away when I was just 22.” Working with the A&W contract crew on the transmission line from the Terminal to Tucker brought him into contact with Archie Morrow, who became his mentor in line work. Rex remembers Archie’s constant reminder: “Always look up.” In 1985, Rex became a lineman and later tested into the Journeyman Lineman program of the IBEW.

Also in 1985, Rex married Lisa Crosby; their two sons Brandon and Blake soon came along. In those days, islanders called the linemen directly to report outages, so Lisa found herself fielding phone calls, caring for the kids and keeping the farm running smoothly while Rex was away at work. Back then, sometimes folks who called in a trouble ticket from the more remote corners of the Island would also add a request for packages from town - which the crews would often bring out.

Rex found the utility work a good fit with his farming know-how. “There was a lot of improvisation on the farm and in the early days of line work, before we had all the tools and equipment that we have today,” said Rex. “Building line is a lot like building fence.” He enjoys the construction aspects of the job, feels at home operating equipment, and likes the responsibility and appreciation that come with keeping the lights on for family, friends and neighbors. “It is very gratifying to be of service to the community.”

Rex has worked for five General Managers so far and has seen significant changes as the Co-op has grown and evolved. The challenges have been consistent: leadership changes in philosophy take getting used to, and exhaustion is an ever-present danger - especially for the likes of Rex, Jack Cadden and Vern Coffelt, all linemen and farmer-ranchers who have had to respond to outages after long days of double duty.

The mission has also always been the same: keeping the power on for our community. That is what Rex is most proud of in his long career. “The storm abatement program that began in 1989 made a big difference for system reliability and cut down on overtime dramatically. We undergrounded a lot of areas that were causing us trouble—limbs coming down on the lines and open exposures to high winds. That was good work and really helped us to do a better job of keeping the lights on.” Working on the submarine cable lays in the 1980s was another highlight.

Today, Rex’s sons are launched into their own productive lives; Lisa and Rex continue to run the farm. “People ask us why we do it,” Rex explains. “It’s our way of life to steward this land. This is not a money-making enterprise and we are grateful to OPALCO for affording us a way to keep at it.”



Blake Guard will be married to Melissa Markel in the summer of 2015. He plans to come back to the island to serve as the fourth generation of his family to steward the land. He is in his first year of a PhD program at Texas A&M in Bio-Medical Science, and is planning a career in veterinarian science. Brandon Guard earned his degree in Mechanical Engineering at Duke University and is working at Boeing as he pursues a Masters degree at the University of Washington.

As for the Co-op, Rex hopes we will continually upgrade our system and build in redundancies to preserve the continuity of power that the people of San Juan County have entrusted us with. “This is our mission and my job,” says Rex, and he expects to be around a while longer to see that it gets done.



COMBINED BALANCE SHEETS

FOR YEARS ENDING DECEMBER 31, 2013 AND 2012

ASSETS		
Utility Plant	88,741,57	84,278,486
Less accumulated depreciation & amortization	36,237,594	34,068,592
Net electric plant	52,503,977	50,209,894
OTHER PROPERTY AND INVESTMENTS - AT COST		
Non-utility property (net)	426,272	252,854
Investments in associated organizations	941,203	929,141
Net Non-Utility Property	1,367,475	1,181,995
CURRENT ASSETS		
Cash and cash equivalents	2,804,221	4,093,702
Accounts receivable	3,146,966	2,388,170
Materials and supplies	2,141,563	1,502,931
Other current & accrued assets	129,845	122,081
Total current assets	8,222,595	8,106,883
DEFERRED CHARGES	34,488	-
TOTAL ASSETS	\$62,128,535	\$59,498,772

EQUITIES & MARGINS		
Memberships	\$55,655	\$54,800
Other equities	4,024,439	3,643,203
Patronage capital	37,250,119	37,473,607
Equity & Margins	41,330,213	41,171,610
LONG-TERM DEBT		
RUS mortgage note	14,978,874	12,769,260
CFC mortgage notes	2,577,675	2,693,103
Long Term Debt	17,556,548	15,462,363
CURRENT LIABILITIES		
Accounts payable	1,732,736	1,297,200
Customer deposits	86,161	77,002
Accrued liabilities	696,741	854,196
Current maturities of long-term debt	557,610	479,289
Total Current Liabilities	3,073,248	2,707,686
DEFERRED CREDITS	168,527	157,113

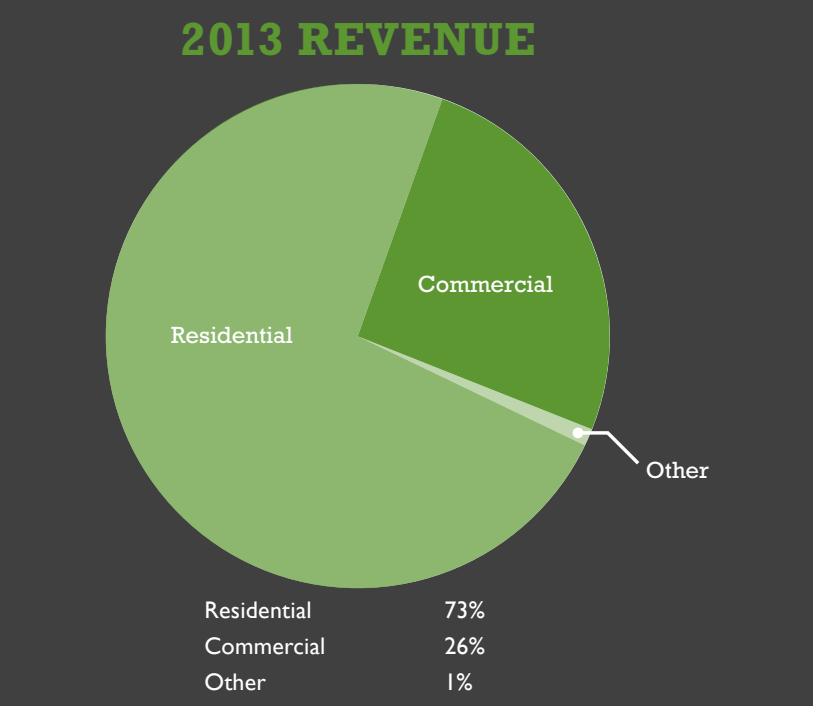
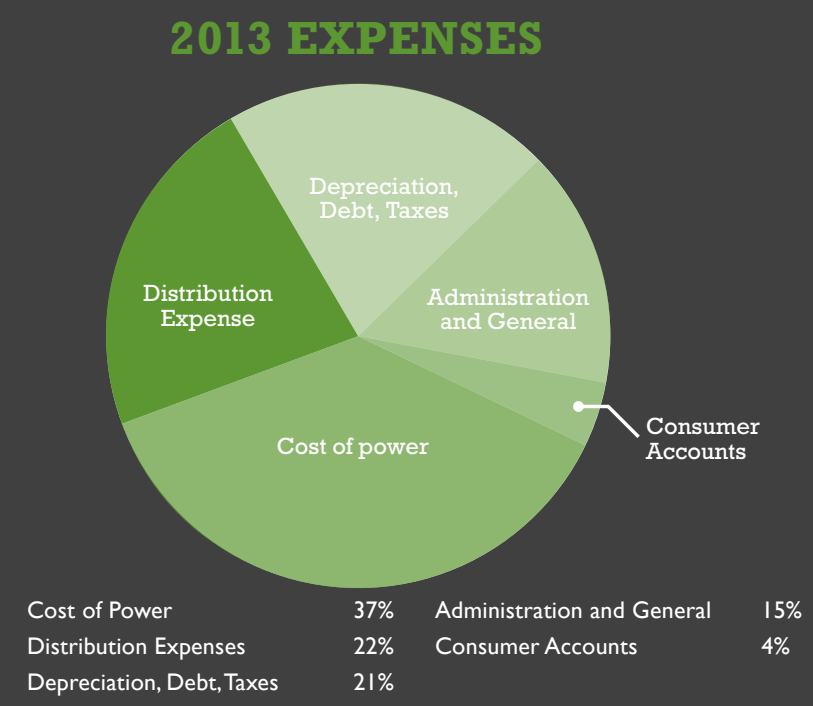
EQUITIES, MARGINS, AND LIABILITIES	\$62,128,535	\$59,498,772
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STATEMENTS OF OPERATIONS

FOR YEARS ENDING DECEMBER 31, 2013 AND 2012

	2013 unaudited	2012 audited
OPERATING REVENUES	\$21,431,278	\$20,418,225
OPERATING EXPENSES		
Cost of purchased power	7,584,245	7,367,683
Distribution expense	4,637,527	4,324,328
Consumer accounts	853,211	809,149
Administrative and general	3,181,855	3,076,102
Depreciation and amortization	2,719,560	2,652,194
Taxes	930,482	832,220
Interest expense - other	-	-
Interest on long-term debt	786,193	759,686
Total Operating Expenses	20,693,073	19,821,363
Operating margins	738,205	596,861
Non-operating margins	195,265	177,246
Patronage capital credits	38,048	40,416

NET MARGINS	\$971,518	\$814,524
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## WELCOME TO THE TEAM

Please join us in welcoming the following new team members to the Co-op family.



### MADELINE DANIELSON Member Services Representative Eastsound

Madeline joined the Member Services team in April 2013. She is a long-time Orcas Island resident with close ties to the community. Madeline previously worked as a loan coordinator at Washington Federal. Her passion is helping members of the community, and she continues in that role at OPALCO as the Project PAL coordinator.



### JOHN GRAMINSKI Manager of Information Services Eastsound

John Graminski comes to us from Pacific Gas & Electric Company in Northern California with more than 20 years' experience in the electric utility industry. John has spent much of his career working with electric cooperatives to develop innovative solutions for information and communication technology initiatives. His expertise

is in IT management, managing real-time energy management systems, designing and administering large-scale data communications networks, developing multi-layered designs for comprehensive systems security, and managing teams of highly-successful technology professionals. He holds an MBA in Technology Management from the University of Phoenix and is completing his Doctor of Management degree in Organizational Leadership. He and his wife Peggi have been visiting the Islands for years and look forward to putting down roots.



### DAN VEKVED Field Design Engineer Eastsound

Dan is a seasoned engineer who comes to us from the San Juan County Public Works department. With more than 25 years of experience with civil, municipal and utility project planning and management, Dan will be a tremendous asset to our engineering team. His expertise is in project planning, permitting, design, compliance and

construction management. He holds a B.S. in Civil Engineering from Washington State University. He and his wife Michel have lived on Orcas Island since 2005.

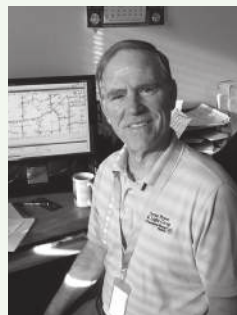
## RETIRED FROM THE TEAM

The Co-op family thanks Jim and Rex for their service to our engineering department.



### JIM "JIMBO" SCHUBERT Member Services Engineer Friday Harbor

Jimbo retired in January 2014 after ten years of service, which he spent working with new members to get power to their properties and contributing to a number of system improvement projects. Jim was a vital part of the San Juan staff and a very helpful voice in member relationships and support.



### REX STICKLE Work Order Clerk Friday Harbor

Rex retired in March 2014 after nine years of service. His best-loved contribution may have been keeping a smile on everyone's face, thanks to his keen sense of humor. He was instrumental in helping the engineering staff manage all of the loose ends involved in completing

projects and getting our new members connected.

## KEVIN ZOERB UPDATE

Lopez Island Journeyman Lineman Kevin Zoerb was injured on September 20, 2013 when he came into contact with a high voltage line. Fellow Journeyman Lineman Tim Savage immediately called for help and began CPR, saving Kevin's life. Tim learned CPR as a boy scout and has kept his training current throughout his life. This was the first time he had to use it.

OPALCO presented Tim with the Touchstone Energy Cooperative "Power & Hope Award" for his skillful rescue, and he will be recognized at the Annual Meeting on May 3, 2014. Tim is not particularly comfortable with the recognition, but says: "I would just like to see everyone learn and stay up to date with CPR, so that we are all ready to respond in the event of an emergency."

Dubbed the "Miracle Man" by doctors at Harborview Medical Center, Kevin is recovering well from a succession of surgeries. He continues physical therapy to regain strength in his repaired hand and shoulder and looks forward to returning to work. Kevin and his wife Caroline send their heartfelt thanks to all who have offered their kindness and support during this difficult time.

Safety is the number one priority at OPALCO, and communication gaps are a major barrier in San Juan County. In Kevin's case, it was a perfect storm of lucky circum-

stances that allowed Tim to put a mayday call out over the radio and contact 911 on a cell phone in an area notorious for poor coverage. We are working to improve communication in the field by expanding our infrastructure to ensure that we can respond quickly when our linemen need us. OPALCO is also participating in the NRECA (National Rural Electric Cooperative Association) safety achievement program to strengthen our culture of safety and look for program and practice improvements.





OPALCO established the Nourdine Jensen Cooperative Youth Scholarship Program in 2010 to honor long-time Co-op board member Nourdine Jensen. The program is open to sophomores and juniors of OPALCO member households. The award includes a \$500 OPALCO scholarship, an all-expenses-paid trip to the Youth Rally Co-op leadership camp in Idaho, and the chance to compete for additional scholarship awards at the Rally.

Three students were selected as award winners of the Nourdine Jensen Cooperative Youth Scholarship in 2012: Brodie Miller (Spring Street International School), Bree Swanson (Lopez High School) and Maya Burt-Kidwell (Orcas High School). Cameron Schuh of Orcas High School returned as a Youth Director for the Rally.

**“My sense of the world was changed by coming to the Youth Rally,” said Brodie Miller. “I met so many interesting people. I enjoyed learning about electricity and participating in all of the other activities. What surprised me most was realizing how many different jobs there are in the utilities industry—not just power line repair and accounting, but jobs in finance, engineering, public relations and energy efficiency.”**



The students participated in forums with regional leaders from the power industry, learned the basics of electricity, discovered how Co-ops work from the grassroots up, worked through a simulation of the challenges of serving (and trying to get re-elected) as a freshman Congressman – and then put their knowledge to work in team-building exercises and games. The classroom time was balanced with

fun summer camp activities such as bowling, roller skating, social dances and a day at a water park.



**CHECK OUT A SLIDESHOW OF THE 2013 YOUTH RALLY ON THE OPALCO WEBSITE:**  
[www.opalco.com/programs/youth-rally-scholarships/](http://www.opalco.com/programs/youth-rally-scholarships/)

Maya Burt-Kidwell of Orcas High School was elected by her peers to return as a Youth Director for the 2013 Youth Rally Program and will accompany the next round of students. The 2014 scholarship winners will be announced at the annual meeting on May 3rd.



The Member Services team remains dedicated to assisting members with questions and empowering them to manage account and usage information efficiently. In late 2013, SmartHub was launched, proving a significant upgrade to the online billing service.

SmartHub combines the ease of online and mobile account access with the ability to track daily energy consumption, view and pay bills, contact our offices and receive timely alerts. Members can set efficiency goals and follow their daily consumption to measure their success.

Electronic billing and payment also saves resources and costs by conserving paper, postage, and processing time, which constitutes a huge benefit to the entire membership.

Member Services is constantly evaluating the efficacy of these improvements to simplify service delivery. Stay tuned in 2014 to learn more about the benefits of enrolling in electronic billing.

**PLEASE LET YOUR MEMBER SERVICES TEAM WORK FOR YOU!**

**To sign up for SmartHub or request more information about any of our account services, go to our website at [www.opalco.com](http://www.opalco.com) or call 376-3500 today.**





## HELP KEEP EVERYONE WARM FOR ONLY \$6 A YEAR



**P**roject PAL helps OPALCO members with low incomes pay their winter heating bills. PAL is funded through voluntary member contributions, by rounding up bills to the next whole dollar, or by direct one-time donations. An independent volunteer council comprised of OPALCO members meets to evaluate applications and awards grants by unanimous vote.

Half of the funds that PAL distributes are designated for seniors and disabled persons of low income; the remainder is available to members who meet income guidelines and are approved by the council.

During the 2012-2013 heating season, an average of 3,130 members rounded up their bills each month for a total of \$14,856. An additional \$5,211 was received from members in monthly and one-time gifts. PAL grants totaling \$32,700 were awarded to 219 Co-op members in need. Of the grants awarded, \$19,500 went to seniors or members with disabilities.

## PROJECT PAL GETS A BOOST FROM NEW BUSINESS PALS

OPALCO is excited to launch an extension of PAL in 2013 with our new Business PAL Partners program. Local businesses can make cash donations and help promote Project PAL to their customers.

On behalf of the OPALCO Co-op family, we thank the following Business PALs for their generosity and support:

- Washington Federal Bank
- Islanders Bank
- Key Bank
- Orcas Island Community Foundation
- Doe Bay Resort, Orcas Island
- Country Corner, Orcas Island

“I am so grateful to you, Madeline and others at OPALCO, for your very generous financial assistance to meet my monthly bill. Please accept my appreciation, and if you require a volunteer for your office, call me.”

– PAL Award Recipient

“Dear Anonymous Donor: THANK YOU! Please accept my heartfelt thanks for your very generous gift of power. You have my word that I am a frugal user of electricity and will continue to do all that I can to keep my power usage low, thereby stretching your gifted funds as far as possible. I remain genuinely appreciative of your generous gesture on my behalf. One more time, thank you very much!”

– Gift of Power Recipient

PLEASE CALL **376-3500** TO SIGN UP FOR PAL,  
OR TO BECOME A BUSINESS PAL PARTNER!





Island Network, established 2000, is a division of OPALCO that offers reliable, high-speed broadband service to Co-op members in supported locations. This service utilizes the OPALCO data communications network, which has been created to manage our electric system. OPALCO is expanding its network backbone to improve crew safety in the field and connect more devices in our electric grid. As the system reaches further, Island Network will be able to make connections available to more members – including residential and business members.

John Graminski started work in February 2014 (see bio on page 16) as the Manager of Information Services. He is leading the effort to get the design, pricing and construction timeline clearly defined. The effort includes a cost-of-service study (early 2014) to make sure each member pays their fair share, with each connection priced at the cost of service, just like on the electric side. Connection and subscription costs for new and existing members will follow.

The plan for expansion is to incorporate fiber optic equipment into some of our upcoming electrical system construction projects, financed with the government-backed USDA Rural Utilities Service loans, which fund our annual construction work plan. The Fiber Extension Map (direct to map) shows the preliminary plan for fiber construction.

New connections to Island Network broadband service are established the same way as new connections to the OPALCO electric system. To begin service, the connecting member pays a one-time “Connection Cost,” which allows us to extend the network to the customer’s location from the closest fiber optic access point. This cost varies depending on the customer’s location. Recent connections made near fiber access points have cost approximately \$5,000 - \$7,000. Islanders Bank offers financing for the connection cost at a low interest rate for a reasonable monthly spread. Once connected, the member pays for the service monthly, at the cost of service, to be determined by the cost-of-service study.

Island Network connections are available in locations close to the OPALCO fiber optic infrastructure. Currently, this includes most of Friday Harbor, Eastsound and Lopez Village, and a few other areas close to existing fiber optic splice points.

Visit [www.opalco.com/IslandNetwork](http://www.opalco.com/IslandNetwork) to learn more.

## CURRENT ISLAND NETWORK SYSTEM

- **About 75 miles of a high-speed data communications backbone**
- **28 members connected to the communication network, including 54 locations:**
  - **22** businesses
  - **8** schools and libraries
  - **3** Internet service providers
  - **5** governmental organizations
  - **5** cell sites
  - **3** fire districts
  - **6** medical facilities
  - **2** pharmacies

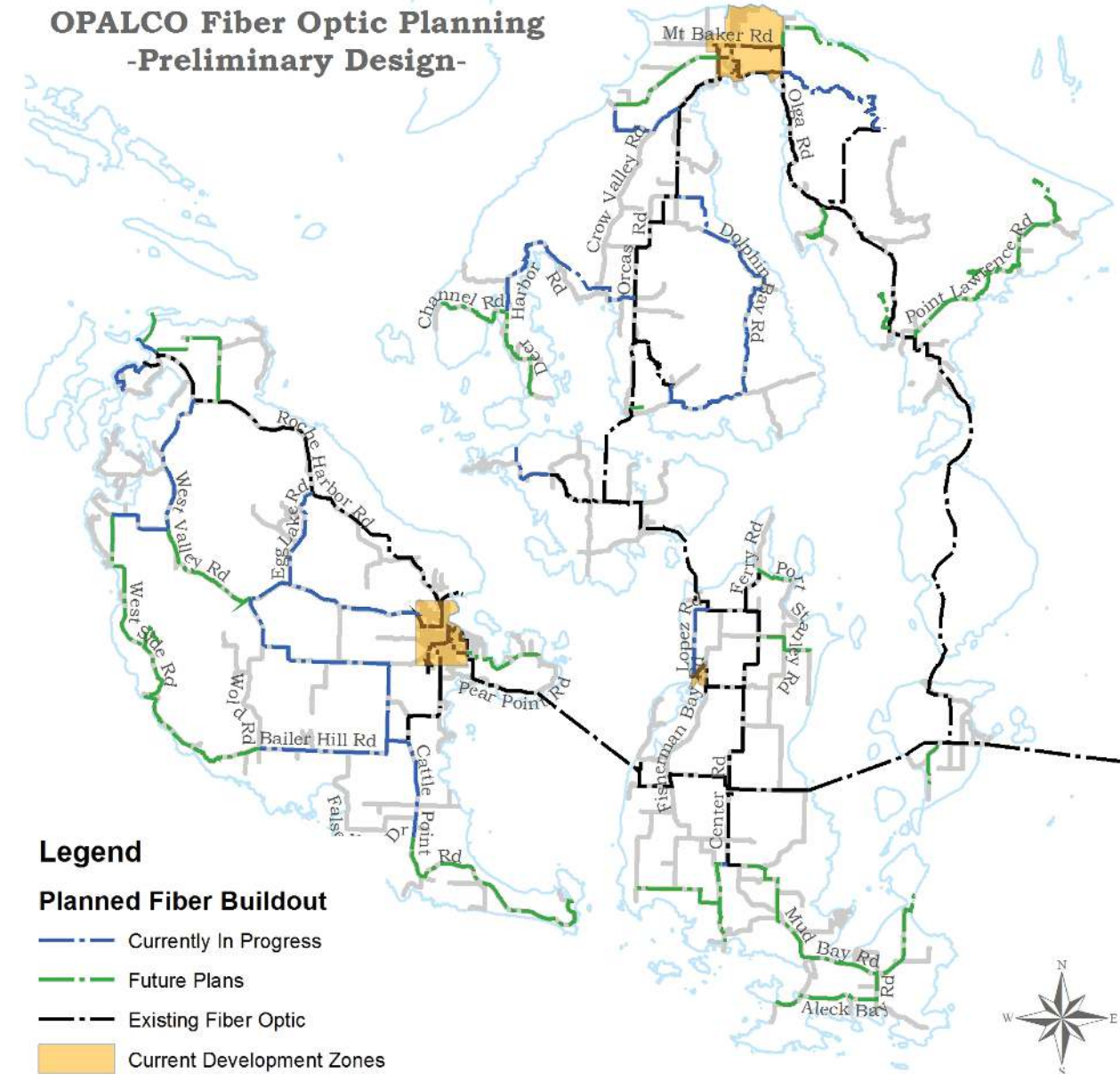
## CONNECTION TIMELINE

- Detailed engineering design for backbone expansion: **Underway**
- Start of new connections to existing access points: **March 2014**
- Start of construction on expansion projects: **Q4 2014**



ISLAND NETWORK | BROADBAND  
Cooperation...Connection

### OPALCO Fiber Optic Planning -Preliminary Design-



# CO-OP MEMBER SATISFACTION SURVEY

PLEASE TAKE A FEW MINUTES TO TELL US WHAT YOU THINK!

**It's our mission to serve you; please help us understand what works best for you, what doesn't and what our Co-op can do to bring value to your quality of life in San Juan County.**

**This online survey will take fewer than 10 minutes.**

**Results will be presented back to the membership on our website and at the County Fair.**



**OPALCO is offering a \$5 bill credit to each member (one per membership) who completes the survey.**

**Go to [www.opalco.com/survey](http://www.opalco.com/survey) to get started - and thank you for your cooperation!**