



## BOARD OF DIRECTORS

### REGULAR MEETING

Thursday, November 17, 2016 9:00 a.m.  
Lopez Fire Hall, Fisherman Bay Road, Lopez Island

### TRAVEL



#### ***Via Island Air***

378-2376 / 378-8129 (cell)

#### **To:**

Leave FH 8:00 a.m.

Eastsound 8:15 a.m.

Arrive Lopez 8:45 a.m.

#### **Return:**

Leave Lopez 4:00 p.m.

Arrive Eastsound 4:15 p.m.

FH 4:30 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 3:50 p.m.

Arrive Shaw 4:10 p.m.

Orcas 4:10 p.m.

FH 5:10 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Board Meeting**  
Lopez Fire Hall  
376-3500  
**Thursday, November 17, 2016 9:00 a.m.**

**PAGES**

**WELCOME GUESTS/MEMBERS**

- o Member Comment Period  
*Each member will be allowed 5 minutes to address the Board*

**ACTION ITEMS**

- 3 o Consent Agenda
- 4-6 • Minutes: October 20
- 7 • New Members
- 8 • Capital Credits
- o Capital Credits
- 9 • Uncollectible Accounts
- 10-11 • General Retirement
- 12-24 o Subcommittee Report: Bylaw Revisions
- 25-28 o MS Policy 30 *Political Activity*
- 29 o 2017 Budget

**DISCUSSION ITEMS**

- 30 o Q3 Financials

**REPORTS**

- 31-32 o General Manager

**ADJOURNMENT**

Executive Session: Legal and personnel

## MEMORANDUM

November 10, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Consent Agenda

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

The Consent Agenda includes:

- Minutes of the previous meeting(s)
- Approval of new members {as required by Bylaws Article I Section 2 (d)}
- Capital Credit payments to estates of deceased members

Staff requests a motion to approve the Consent Agenda.

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

Thursday, October 20, 2016

President Vince Dauciunas called the meeting to order at 8:55 am at the Eastsound OPALCO office. Board Members present were Winnie Adams, Randy Cornelius, Jim Lett, Mark Madsen, Brian Silverstein and Jerry Whitfield. Staff present included 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 consultant Jay Kimball and legal counsel Joel Paisner.

**MEMBER/GUESTS**

Each member/guest was offered an opportunity to address the board. Present were the Tom Owens, John Fleisher, Ed Sutton, Dwight Lewis, Steve Ludwig, Gabriel Jacobs, Doug Marshall and Patty Miller.

**CONSENT AGENDA**

- **Motion** made to accept the Consent Agenda which consisted of the September 16 and September 29, 2016 minutes, new members (listed below), and RUS 219s as presented. Motion was seconded and carried by voice vote.

**New Members:**

**DISTRICT 1**

**San Juan**

Binkley, Jennifer  
Chapman, April E  
Crisanti, Joe  
CrisantiGlass  
Danielsen, Maya  
Endter, Stan & Luckie Cynthia  
Folkman, Rachel & Zak  
Howe, Daniel  
Hoyne, James  
James, Lois  
Larson, Steven & Catherine  
McGraw, David  
Melville, Michael  
Mendenhall, Jane  
Miles, James  
Muray, Andrew & Marshall, Kerri  
Nakashima, Melanie & Ronald  
Oliver, MaryAnn P  
Oswald, Libbey  
Peters, Laura  
Pollard, William  
Schmidt's Show & Shine  
Seagrave, Carl & Miller, Teresa  
Silva Martinez, Linda Rosa  
Smith, Corissa & Timothy  
Vojkovich, Jami & George  
Waggoner, Velma  
Wells, Joyce  
Whaley, James  
Williamson, John & Becky

**DISTRICT 2**

**Orcas**

Ashyrov, Begidzhan & Nina  
Balic, Baturay  
Bennett, Erin & Abodon, Emily

Benton, Patricia  
Dunn, Rachael  
Fernquest, Mark  
Garcia, Alenna  
Hwang, Ducksoon & Jenks, Mark  
Hynek, Alia & Stylos, Anastasia  
Kliman, Marilyn J  
Lapuzza, Heidi  
Lechler, Andrew  
Little, Donna & Carl  
Meyer, Anna  
Meyer, Jeremy  
Reimherr, Andrew & Cathy  
Robison, Christopher & Kimberly  
Spinogatti, Jon  
Steele, Monica & Jeffry  
Utter, Jennifer  
Voorhees, Robert E

**DISTRICT 3**

**Center**

Lewis, Lisa & Dan

**Lopez**

Acremant, Karen  
Bowen, Heidi  
Bradley, Philip  
Carroll, Gail & Alexander  
Cattle Pass Group B Water  
Dostert, Grace & Trader, Taylor Hall  
Mason, Mark  
McCloy, Nora J & Larson, Terry Leona  
Roundy, Jessica

**DISTRICT 4**

**Shaw**

Whitford, Lynn & Louis

RUS 219s approved for projects completed from the Construction Work Plan in the amount of \$289,955.14.

Capital Credits

- **Motion** made and seconded to approve payment of capital credits in the amount of \$5,598.00 to the estates of the following members:

Boyd Crumpacker.....	\$190.60
Phillip L. Carter .....	\$2,017.76
Carlene Fitzgerald .....	\$2,988.09
Phyllis E. Houghton .....	\$112.54
Jack Yelverton.....	\$279.01
Total .....	\$5,598.00

WRECA

Kent Lopez, Executive Director of the Washington Rural Electric Cooperative Association, presented thoughts on the upcoming 2017 legislative session. NRECA initiated a campaign to get rural members to vote in elections; the trend with rural voters is 18% lower than the national average. Members are encouraged to visit the following website to track events in the legislature: wreca-action.coop. Lopez was complemented for the work he does, noting that WRECA is a well-run organization.

ANNUAL MEETING 2017

- **Motion** made and seconded to hold the 2017 annual meeting the 2<sup>nd</sup> Saturday in May (May 6, 2017) aboard the Washington State ferry with Joel Paisner as the parliamentarian and Doug Pearson as the Tally Chair. Motion carried by voice vote.

COMPREHENSIVE REVIEW OF ELECTIONS

The Member Review Committee on Elections was thanked for the extensive work they did on the elections review.

The Board deliberated on each recommendation and determined:

1. **Encourage More Member Interest** *The consensus of the Board was to hold at least two member meetings per year, informally (such as the Tea Talks held in 2016) with more added if needed. These would be separate from the Candidate Forums. The Annual Meeting will not include balloting and would be for cooperative business with substantive member discussion*
2. **Elect Five (5) Directors “by district” and 2 “at large” Staggered Terms:** *While the Board embraced the idea of staggered terms, transitioning would have to be carefully thought out. A sub-committee\* will review the process for transitioning.*  
**Full Membership Voting** *The Board agreed that members should vote for all districts.*
3. **Standing Nominations Committee (coined Elections and Governance Committee)** *The Board agreed that a nine-member Elections and Governance Committee should be named to solicit candidates as well as work on other governance topics. A sub-committee will review and write up a description of committee expectations.*
4. **Timelines** *The elections timeline will be adjusted to provide more time for nominating directors by petition and will update the required number of petition signers from the current 15 to 20.*
5. **Select Additional Directors for their Expertise** *The consensus was not to implement this recommendation, rather hiring consultants or having special presentations was preferred.*
6. **Director Compensation** *The Elections and Governance Committee (EGC) may be tasked with reviewing director compensation. A sub-committee will review and make recommendation(s) to the Board.*

**7. Bylaw Revisions** *The bylaws that will invoke the above recommendations will be reviewed and presented at the November or December Board meeting.*

- \* The Board formed a sub-committee (made up of Brian Silverstein, Mark Madsen and Winnie Adams) to review and recommend associated bylaw revisions and EGC formation materials.

**COMMUNITY SOLAR SITING**

The Board reviewed the potential property sites that would be sufficient for solar panels to be placed in conjunction with the \$1M grant approved by the WA Department of Commerce. The Board concurred to siting the solar and battery bank on OPALCO's 3.8 acre parcel known as the Decatur substation. It is anticipated that the solar/battery bank installation on Decatur Island could be in place by the end of 2018.

**POLICY 30 Political Activity DRAFT (first read)**

The first draft of a newly prepared policy on Political Activity was presented. It will be presented in its final form at the November or December Board meeting.

**REPORTS**

- **General Manager**

The Board questioned whether resources should be provided to increase publicizing the funds available in the **Energy Assist Program**. Staff will reach out to the local Family Resource Centers.

**Safety Program** continues to improve with good communication among the crews. There were no accidents, incidents or near misses in September. Year to date there was one incident and one accident. Total hours worked without loss time due to accidents is 30,242.

*Adjourned to Executive Session: 12:15 pm*

*Returned to Regular Session: 12:53 pm*

- **Motion** made and seconded to approve submission of the 2015 IRS Form 990 and 990-T; motion carried by voice vote.

**ADJOURNMENT**

Meeting was adjourned at 1:00 pm.

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Vince Dauciunas, President

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Winnie Adams, Secretary-Treasurer

**NEW MEMBERS**  
**October 2016**

**DISTRICT 1**

**Henry**

1. Stewart, Marion

**San Juan**

2. Atwell, Kenneth
3. Bitz, Anthony
4. Briney, Marjorie J.
5. Bruce, Mary
6. Capron Johnston, Albin
7. Carr, Christene
8. Cherney, Debra
9. Dahlquist, Mallory
10. Dawson, Debra
11. Dietz, Flash
12. Dunayski, Qili & Morrison, Nicholas
13. Field, Michael
14. Garner, Daniel & Kimberly
15. Goodrich, Ellyn
16. Goodrich, Travis
17. Grotle, Del & Kimberly
18. Hubber, Stephanie
19. Huitema, Christian & Gil, Neige
20. JAC Star Store LLC
21. Johnson, Luz & Hall, Mary
22. Knowles, Laurie
23. Kobrick, Robert & Amy
24. Melendez, Humberto
25. Michaelson, Maria
26. Mosier, Chris
27. Murphy, Ken & Rypkema, Gwenn
28. Norman, Charlotte & James
29. Pedersen, Brandyn & Lawrence, Natalia
30. Rementeria, Richard L & Marily
31. Roge, Claude & Shelley
32. Sawyer, Mary
33. Schwartz, Kathleen & Daniel
34. Sheilds, Monika & Jason
35. Stewart, Audrey
36. Tracey, Wade
37. Walwick, Luke
38. Woodside, Timothy

**DISTRICT 2**

**Orcas**

39. Billingslea, Jody
40. Clift, Steve
41. Filippello, Tony
42. Hirschler, Gerald & Lena
43. Jackson, Donita
44. Kent, John C
45. Krauss, Adriana
46. Moran, Maureen & Johnston, Jim
47. Quigley, Tracy
48. Ramirez, Verence S.
49. Sapp, W. Stephen & Cynthia
50. Smith, Donald & Cole, Rochelle
51. Yarbrow, Caroline & Rast, Richard

**DISTRICT 3**

**Lopez**

52. Collyer, Michelle & Havner, J
53. Jewitt, John & Karin
54. Madamba, Megan
55. Olsen, Kent
56. Rick, Brian
57. Sela, Laura
58. Shipley, Thomas
59. Tarrant, Craig
60. Taylor, Rebecca & Barber, Bradley
61. Volk, Carol & Smolinski, Adam

**DISTRICT 4**

**Shaw**

62. Mix, Robert W

MEMORANDUM

November 11, 2016

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Capital Credits

Staff requests a motion to approve payment of capital credits to the estates of the following deceased members and/or to organizations no longer in business:

Harold Berner .....	\$717.12
Mary E. Harris.....	\$1,425.80
Elizabeth T. Gunther.....	\$3,100.71
Elizabeth L. Bliven .....	\$1,433.48
Base Canard LTD.....	\$1,703.99
<b>Total .....</b>	<b>\$8,381.10</b>



# MEMORANDUM

November 11, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Applying Member Capital Credits to Associated Uncollectable Accounts

Staff has transferred delinquent inactive accounts to an uncollectable account (UA) status. The next step in this process is to proportionately apply previously allocated member capital credits to UA balances.

It is important to note that our billing software 'flags' accounts and associated capital credit payment processes when member accounts are transferred to the status of uncollectable. When staff processes the year-end check run to pay allocated member capital credits, our software will first pay uncollectable account balances before issuing a capital credit check for any remaining balance.

Staff is requesting that \$6,317 of member capital credits be applied to UA balances. The member capital credit allocation transfers are as follows:

Capital Credits Applied to UA Balance	\$6,317
Discounted Capital Credits Transferred to OPALCO Equity	26,472
<b>Total Capital Credits Retired</b>	<b>\$32,789</b>

Staff recommends the board make a motion to approve the use of member allocated capital credits to reduce and/or offset individual member delinquent UA balances as referenced in the Capital Credit /Bad Debt Payment Program report.

## MEMORANDUM

November 11, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Capital Credit General Retirement

As budgeted in the 2016 cash planning efforts, we have set aside the funds necessary to repay both the scheduled 1991 and the remaining 50% of 1990 capital credit allocations.

The purpose of this memorandum is to obtain Board approval to fund the general retirement of capital credits covering the year 1991 and the remaining 50% unretired from 1990. This will continue our 25-year retirement rotation, which is to retire older years first.

The remaining capital credit allocation for 1990 is currently \$551,886 and for 1991 equals \$1,085,862. OPALCO will only be able to track down a portion of the total 1990-91 members' capital credit allocations. Using an average of prior years as a gauge, we expect approximately 69% of the allocation will generate a check, for a total of \$1,136,610, with eventually 90% actually being cashed, for a total of \$1,020,955. Therefore, we will set aside \$1,150,000 from cash for this expenditure. See the attached chart for the for capital credit history to date.

Staff is requesting a motion to approve the payment and retirement of capital credits representing the years 1990 and 1991.

# ORCAS POWER AND LIGHT COOPERATIVE

## CAPITAL CREDIT PAYMENT PROJECTIONS (Based on historical payout figures)

	A.	B.	C.	D.	E.	F.
	General Retirement					
	Year	Patronage Capital Margin	Un-Retired Patronage Allocations	Expected Payout Year (25 year cycle)	Projected Check Run 69%	Projected Cashed 90%
1	1990	1,271,253	551,886	<b>2015</b>	383,013	344,040
2	1991	1,240,179	1,085,862	<b>2016</b>	753,596	676,915
3	1992	678,952	597,938	<b>2017</b>	414,974	372,748
4	1993	1,794,893	1,592,263	<b>2018</b>	1,105,043	992,600
5	1994	1,626,404	1,453,415	<b>2019</b>	1,008,682	906,044
6	1995	673,206	604,341	<b>2020</b>	419,417	376,740
7	1996	1,668,737	1,510,739	<b>2021</b>	1,048,465	941,779
8	1997	1,592,023	1,444,086	<b>2022</b>	1,002,207	900,228
9	1998	1,795,597	1,635,751	<b>2023</b>	1,135,224	1,019,710
10	1999	1,709,360	1,568,094	<b>2024</b>	1,088,270	977,534
11	2000	2,071,885	1,910,947	<b>2025</b>	1,326,212	1,191,265
12	2001	1,268,440	1,171,454	<b>2026</b>	812,998	730,272
13	2002	1,525,044	1,413,660	<b>2027</b>	981,091	881,261
14	2003	750,133	696,777	<b>2028</b>	483,568	434,363
15	2004	2,050,235	1,913,433	<b>2029</b>	1,327,937	1,192,814
16	2005	2,135,355	2,002,176	<b>2030</b>	1,389,526	1,248,136
17	2006	1,958,505	1,844,341	<b>2031</b>	1,279,987	1,149,743
18	2007	1,847,878	1,743,529	<b>2032</b>	1,210,023	1,086,898
19	2008	1,670,066	1,584,064	<b>2033</b>	1,099,353	987,489
20	2009	2,847,589	2,714,569	<b>2034</b>	1,883,932	1,692,234
21	2010	1,429,392	1,369,441	<b>2035</b>	950,403	853,695
22	2011	2,935,232	2,843,120	<b>2036</b>	1,973,147	1,772,371
23	2012	814,524	796,813	<b>2037</b>	552,994	496,725
24	2013	971,517	956,719	<b>2038</b>	663,970	596,408
25	2014	121,951	121,311	<b>2039</b>	84,190	75,624
26	2015	1,858,323	1,857,023	<b>2040</b>	1,288,788	1,157,648
27						
	Total	\$ 40,306,672	\$ 36,983,752		\$ 25,667,010	\$ 23,055,284

## MEMORANDUM

November 11, 2016

TO: Board of Directors

FROM: Subcommittee on Elections Process  
(Brian Silverstein, Mark Madsen, Winnie Adams)

RE: Draft Bylaw Revisions Review

At the October board meeting, the recommendations of the Member Review Committee on Elections were discussed and a sub-committee formed to review some of the recommendations in greater detail. The Board tasked the sub-committee with reviewing the draft revisions to the bylaws that would be required to implement changes to the election process that were approved at the October meeting. OPALCO's legal counsel has reviewed the draft revisions.

The following is a brief summary of the approved changes, rationale for board approval and references to related bylaw sections requiring adjustment. Board approval will be based on the proposed bylaw changes (attached).

### Recommendation #1

- Board approved: Institute more regular member information meetings during the year, but not including the Candidate Forums, which will be held as a part of the annual election process.
- Rationale: Members have appreciated the Tea Talks and Open House events this year – more information and opportunity to engage is a good thing.
- Bylaw changes: none

### Recommendation #2

- Board approved: Staggered terms for board positions.
- Rationale: This would engage more members in voting and encourage greater participation in co-op governance.
- Bylaw changes: Article III – Directors Section 2.
  - *Directors represent a District in which they live.*
  - *Director positions shall have staggered board terms.*
  - *Conflicts of interest terms, including subsidiaries.*

### Recommendation #3

- Board approved: adopt a standing nominating member committee with staggered and rotating three-year terms. In addition to board nominations, this committee would serve as an ongoing member review committee on other topics such as board compensation, bylaw and policy review and other cooperative governance review as requested by the Board.
- Rationale: Greater continuity and the longer timeline will allow for cultivation of the best possible board candidates.
- Bylaw changes: Article III Section 3 a) *Nominations*:
  - *Nine (9) member committee on elections (Elections and Governance Committee) serving a three (3) year term.*
  - *Committee makes candidate recommendations to the Board of Directors; may also be asked to evaluate election procedures, review other governance issues on an as-needed basis.*

### Recommendation #4

- Board approved: Adjust the elections timeline to provide more time for nominating directors by petition (and update the required number of petition signers from 15 to 20); close voting earlier and allow only electronic (online) and mail-in ballots to create more time at the annual meeting for substantive discussion and activities.
- Rationale: Members have asked for more time for nominations by petition and more opportunities to engage in substantive ways.
- Bylaw changes:
  - Article III – Directors Section 2.
    - *20 signatures for a candidate by petition, not less than fifty-five (55) days prior to the meeting.*
  - Article III – Directors Section 6. Voting by Absentee Ballot.
    - *All voting by mail or electronic balloting – no more voting the day of the annual meeting.*
    - *Election closes no later than two (2) days before the Annual or Special meeting.*

### Recommendation #6

- Board approved: Expand the role of the Election and Governance Committee, to review other topics, such as director compensation, bylaw and policy review and other cooperative governance topics as requested by the Board.
- Rationale: In order to continue to attract the best possible board candidates, compensation should be reviewed by an independent group using industry research on a regular basis. Additionally, the member committee brought up other governance topics that will benefit an independent review.

- Bylaw changes:
  - Article III Section 3 *Election and Governance Committee may to evaluate election procedures, review other governance issues.*
  - Article III Section 5 *Director compensation shall be reviewed and set by the Elections and Governance Committee.*

#### **Recommendation #7**

- Board approved: Clean up bylaws where inconsistencies exist, information is outdated or timeline references conflict.
- Rationale: This maintenance is long overdue.
- Bylaw changes: See attached detailed bylaw change document for a full list of housekeeping changes to the bylaws.

The recent news release outlines the changes to be adopted by the Board or reviewed by the subcommittee

<https://www.opalco.com/not-changes-opalco-election-process-approved/2016/10/>

Elections Review Committee presentation:

<https://www.opalco.com/wp-content/uploads/2016/09/OPALCO-board-presentation-FINAL.pdf>

October Board materials:

<https://www.opalco.com/wp-content/uploads/2016/10/October-2016-Board-Materials2.pdf>



## **BYLAWS**

**And**

## **ARTICLES OF INCORPORATION**

### **ORCAS POWER & LIGHT COOPERATIVE**

183 Mt. Baker Road

Eastsound, Washington 98245

*Established 1937*

*Articles of Incorporation amended March 19, 1998*

*Bylaws amended May 19, 2016*

## STATEMENT OF NONDISCRIMINATION

Orcas Power & Light Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the US Department of Agriculture, and is subject to the provision of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules and regulations of the US Department of Agriculture.

This institution is an equal opportunity provider and employer.

The objective of the ORCAS POWER AND LIGHT COOPERATIVE is to serve San Juan County by providing electrical utility service that is efficient, economical and adequate for our members.

*Including amendments adopted by the Board of Directors at the Board Meeting held May 19, 2016*



## ARTICLE I - MEMBERS

**Section 1.** *No change*

**Section 2. Qualifications and Obligations.** *No change*

**Section 3. Membership Fee.** *No change*

**Section 4. Purchase of Electric Energy.** *No change*

**Section 5. Non Liability for Debts of the Cooperative.** *No change*

**Section 6. Expulsion of Members.** *No change*

**Section 7. Withdrawal of Membership.** *No change*

**Section 8. Transfer and Termination of Membership.** *No change*

**Section 9. New Classes of Memberships.** *No change*

**Section 10. Removal of Directors and Officers.** Any energy member may seek removal of a director or officer by bringing written charges of malfeasance or misfeasance against an officer or director by filing them in writing with the secretary, **The filing of written charges shall meet the Notice requirements in Article II of the bylaws** at least 30 days prior to any annual or special meeting of the energy members of the cooperative, together with a petition signed by ten percent (10%) of the energy members, requesting the removal of the officer or director in question. The secretary shall provide a copy of the charges to the director or officer being charged within five (5) business days of their filing with the secretary. To be considered, the removal request must state sufficient facts in writing to support the charge of malfeasance or misfeasance. The Board of Directors, excluding the director or officer subject to the charges, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges. In the event all members of the Board of Directors are subject to petitions charging malfeasance or misfeasance at the same time, the President shall appoint an independent committee made up of seven (7) energy members from the Districts established in Article III, Section 2 of these Bylaws, reflecting the same District representation as the then current Board of Directors. The independent committee, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges by a majority vote. A removal request that has been found to be sufficient shall be considered at **a the next regular or Special meeting of the energy members at which a quorum is present**. The director or officer against whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity. Following the presentations, all members shall be entitled to vote on the requested removal, based upon the factual allegations in the removal request presented. The vote on the removal petition shall be **by mail and/or electronic transmission conducted pursuant to Article II of the bylaws, and notice shall be provided consistent with Article II of the bylaws.** The secretary shall arrange for distribution of absentee ballots to the membership electronically after the presentations at the regular or Special meeting of the energy members, and shall include a transcript of the meeting, written materials from the members charging malfeasance or misfeasance in the removal petition, and the written response from the director or officer who is the subject of the petition. Absentee Ballots shall be marked "Yes" or "No" on whether the director or officer shall be removed. Voting shall be concluded thirty (30) days after the date ballots were electronically distributed to the membership. Members may complete ballots either by mailing them to the cooperative or returning them electronically to the cooperative, within the thirty (30) day period set for voting. Votes shall be tabulated by an independently hired accountant selected solely for that purpose, who will certify the results to the Board of Directors. **A director will be removed, after a quorum has been established, and if a majority of members**

constituting the quorum vote to remove the director or officer. ~~Such vote shall be made up of a majority of the quorum submitting absentee ballots following proper notice after the Special meeting for removal of the director or officer.~~ In the event a director or officer is removed, a replacement director shall be appointed pursuant to Article III, Section 4 to complete any of the removed director's or officer's unexpired term. In the event all directors are removed, the membership shall immediately call for an election of replacement directors, for the remainder of the term each prior director was serving.

## ARTICLE II - MEETINGS OF ENERGY MEMBERS

**Section 1. Annual Meeting of the Energy Members.** The annual meeting of the energy members shall be held on ~~the first Saturday of May, or on another~~ date selected by the directors each year, at such place as the directors shall designate, for the purpose of electing directors and transacting such other business as shall come before the meeting. Unless the laws of the State of Washington, the Articles of Incorporation of the Cooperative, or the bylaws provide otherwise, ~~no~~ all business requiring a vote of the members shall be acted upon at such ~~the Annual meeting unless~~ with all properly noticed ballots, and a clear statement of any resolutions are provided and any other proper notice of the business to be transacted has been provided to members in accordance with notice provisions contained in Article II, ~~Section 3~~ of these bylaws. If the election of directors shall not be held on the day designated herein for such Annual Meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a Special meeting of the energy members as soon thereafter as conveniently may be set. Failure to hold the Annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**Section 2. Special Meetings of the Energy Members.** Special meetings of the energy members may be called by at least three (3) directors or the president, or upon a written request signed by at least 10 percent (10%) of all the energy members entitled to vote, accompanied by a clear written statement of the subject matter of the Special meeting, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided in Article II of the bylaws. Any Special meeting where a membership vote is to occur (whether requested by the Board of Directors or by a ten percent (10%) petition of the membership) shall be accompanied by a clear written statement of the matter to be voted upon. The notice provided to the membership shall be consistent with the notice provisions of Article II and ballots shall be provided in advance of the Special meeting. A quorum shall be based upon absentee ballots submitted. The results of the absentee vote shall be ratified at the Special meeting. A Special meeting may be held where no vote is to occur, as long as a clear statement of the subject matter of the meeting is provided to the membership consistent with the notice provisions of Article II. Special meetings of the energy members may be held at any place in the County of San Juan, in the State of Washington, specified in the notice of the special meeting.

**Section 3. Notice of System Energy Members' Meetings. A. Meeting Notice.** Written notice stating the place, day and hour of the ~~an Annual meeting or Special meeting~~, and, ~~in case of a special meeting, the purpose or purposes for which the meeting is called,~~ shall be delivered not less than ten (10) ~~twenty-one (21)~~ days nor more than fifty (50) days before the date of the Annual or Special meeting, ~~either personally, by electronic transmission, or by mail, by or at the direction of the secretary, or by the persons calling the meeting, to each energy member provided, however, that with respect to all meetings at which directors are to be elected, such notice shall be so delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting. Such~~ The Meeting Notice will ~~may be transmitted sent either~~ by mail or electronic transmission, and the notice is deemed to be delivered upon it being posted on OPALCO's website. ~~If mailed, such notice shall be deemed delivered when deposited in the United States mail, addressed to the energy member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. If sent by electronic transmission, the notice is deemed to be delivered when sent, addressed to the member or shareholder at his or her electronic transmission address as it appears on the records of the Cooperative. The failure of any energy member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting. Each member and director~~

shall be responsible to provide advance written notice to the Cooperative of any address change. The purpose of the Special meeting shall be clearly stated in all Meeting Notices.

**Section 4. Quorum.** At least 400 ten percent (10%) of energy members present in person casting absentee ballots shall constitute a quorum for the transaction of business at all meetings of the energy members, whether at the Annual or Special meeting. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided that the secretary shall notify any absent energy members of the time and place of such reconvened adjourned meeting, pursuant to Article II of the bylaws, in order to obtain a quorum. At such any reconvened meeting at the original of which following a meeting where a quorum shall have been was present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The energy members present at a duly organized meeting may continue to transact business at such meeting and at any adjournment of such meeting (unless a new record date is or must be set for the adjourned meeting), notwithstanding the withdrawal of enough energy members from either meeting to leave less than a quorum.

**Section 5. Voting.** Each energy member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the energy members at which a quorum is present, all questions shall be decided by a vote of a majority of the energy members voting thereon in person or by absentee ballot, provided all proper notices have been provided pursuant to Article II, that the proposition submitted is exactly the same as the measure voted on at the meeting, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these bylaws. If an energy married couple hold a joint membership is represented by more than one person, they shall jointly be entitled to only one (1) vote and no more upon each matter submitted to a vote at a meeting of the energy members. Issues submitted to the energy membership for vote will be objectively stated and as free from bias as possible. In addition, a Voting Guide may be prepared and distributed by the Cooperative to include statements for and against any matter placed before the membership for a vote, as well as rebuttal statements.

**Section 6. Voting by Absentee Ballot.** All voting shall be conducted by absentee voting mail or electronic balloting (Ballot). The Board of Directors shall determine in advance of any meeting of the membership whether it will be a vote by all electronic ballots. Any energy member who is absent from any annual or special meeting of the energy members may vote electronically or by written absentee ballot, upon any motion or resolution to be acted upon at any such meeting, except that At an Annual or Special meeting, motions regarding procedural matters involving the conduct of the meeting will be properly considered, such as approval of the minutes, and may be made from the floor, and shall be acted upon solely by the energy members in attendance at the meeting.

The secretary shall enclose with the notice of such meeting an absentee ballot containing an exact copy of all motions or resolutions to be acted upon at the Annual or Special meeting. In the event of an election of directors, the notice absentee ballot shall include a list of all candidates by position for director provided for in according to Article III, Section 3 of the bylaws that have been predetermined to be acted upon. Such absentee An energy member shall express his or her vote thereon by either voting electronically following the written instructions provided by the Cooperative, or by writing "Yes" or "No" on each such motion or resolution in the space provided therefore on the absentee ballot, and enclose each such ballot so marked in a sealed envelope marked "Ballot" and then place said envelope in another envelope addressed to the Orcas Power & Light Cooperative at Eastsound, Washington, and print or type his or her name and affix a signature to the outside thereof, and cause the same to be delivered by mail, electronically or otherwise to the Orcas Power & Light Cooperative at Eastsound, Washington. A member may elect not to vote on a particular matter, without invalidating the rest of the ballot. Any ballot shall be submitted by such time date and hour as may be fixed by the Board of Directors and described in the written instructions, but in no event later than the two (2) days before the Annual or Special meeting.

When such written absentee ballot is enclosed and received from any absent energy member, it shall be accepted and counted as a vote of such absent energy member at the meeting. Only one absentee ballot

shall be returned and counted on behalf of a membership. If a married couple holds a joint membership and are absent from any annual or special meeting of the members, they shall jointly be entitled to vote by absentee ballot, whether provided in the mail or electronically by the Cooperative, as provided in this section. OPALCO staff shall post balloting information on OPALCO's website. The failure of any such absentee-energy member to receive a copy by mail or electronically, of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting. The Board may adopt voting procedures to facilitate an all-electronic absentee voting process. In the event electronic voting procedures are adopted, the Board shall provide advance notice of those procedures in the manner provided for in this Article II, and as provided by law.

**Section 7. Order of Business.** The order of business at the annual meeting of the energy members, and, so far as possible, at all other meetings of the energy members, shall be essentially as follows:

1. Call of the roll;
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
3. Report of the Elections and Governance Committee and election of directors; Reading of unapproved minutes of previous meetings of the energy members and the taking of necessary action thereon;
4. Reading of unapproved minutes of previous meetings of the energy members and the taking of necessary action thereon; Presentation and consideration of, and acting upon, reports of officers, directors and committees;
5. Presentation and consideration of, and acting upon, reports of officers, directors and committees; Election of directors;
6. Unfinished business;
7. New business. Any new business raised at the annual or special meeting may be continued until the next member meeting set according to these bylaws;
8. Adjournments.

**Section 8. Robert's Rules of Order.** The most recent edition of Robert's Rules of Order shall serve as the governing rules for any official meeting of the energy members, unless inconsistent with the bylaws.

## ARTICLE III - DIRECTORS

**Section 1. General Powers.** *No change*

**Section 2. Qualifications and Tenure.** The territory served by the Cooperative shall be divided into four districts, and the directors shall be energy member residents of one the respective districts, as evidenced by an OPALCO membership with a residential meter in their name and as hereafter provided.

District No. 1 shall include all territory lying South and West of a line beginning at the boundary between the United States and Canada, Northeast of Stuart Island; thence running in a Southeasterly direction to the East of Stuart and Spieden Islands through San Juan Channel; thence proceeding Southerly between Cattle and Davis Points through Middle Channel.

District No. 2 shall include all territory lying East and North of a line beginning on the boundary between the United States and Canada Northeast of Stuart Island and running thence Southeasterly to the East of Stuart and Spieden Islands and West of Flattop Island to a point West of Jones Island; thence Easterly to the North of Jones Island through Spring Passage and thence Easterly through North Pass and Pole Pass to the South of Orcas Island through Harney Channel; thence Southeasterly to the West of Blakely Island and through Thatcher Pass to the Skagit County line.

District No. 3 shall include all territory lying West of the Skagit County line and North of the Island County line and East of the East boundary of District No.1, with the North boundary thereof commencing at the Skagit County line East of Blakely Island and running thence Westerly through Thatcher Pass; thence Northwesterly to the intersection of Harney Channel and Upright Channel North of Upright Head; thence Southwesterly



through Upright Channel to its intersection with San Juan Channel.

District No. 4 shall include all territory, which is bounded on the South and West of District No. 1, on the North by District No. 2 and on the Southeast by District No. 3.

Each director shall serve for a term of three years, or until his successor shall have been elected and qualified, subject to the provisions of these bylaws with respect to the removal of directors. The election of directors and their terms of office shall be staggered ~~as follows~~ for three year terms: District 1, District 2 and Districts 3 and 4 elections are to be rotated and held every third year, respectively. A director candidate shall be a resident of the OPALCO District he or she is seeking to represent, and shall declare either a home or business as the primary residence in that District, but not both. The intent of the bylaws is to have directors represent a District in which they live. Once a candidate for election, a full three-year rotation of the candidate's original District must be completed before a candidate may qualify to run again or re-establish residency in any other District, as related to the election. Director positions shall have staggered board terms such that there are representatives from more than one district on the ballot in each membership-wide vote. (Please note, the transitional aspects of staggering board terms shall be developed by the current board.)

Nominations for directors shall be made each year as hereafter provided from persons residing in the respective districts from which directors are to be elected in that year. No energy member shall be eligible to become or remain a director of the Cooperative who is employed by the Cooperative, a subsidiary or affiliate of the Cooperative, or who is in any way employed by or financially interested in a competing enterprise or business. Directors and director candidates must comply with all other policies regarding qualifications and conflicts of interest which may be established by the Board of Directors from time to time.

When a membership is held jointly ~~by a husband and wife~~, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth. ~~Nothing in this section contained shall, or shall be construed to, affect, in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.~~

### **Section 3. Nominations and Election of Directors.**

- a) **Nominations:** It shall be the duty of the Board of Directors to appoint a standing Elections and Governance Committee (EGC), ~~not less than one hundred and ten (100-110) calendar days before the date of a~~ the Annual meeting of the energy members at which directors are to be elected, made up of a nine (9) member's committee on elections (the Elections and Governance Committee) ~~nominations consisting of not less than three (3) nor more than five (5) energy members from each of the voting residency districts approved for the election of the San Juan County Council in San Juan County, Washington. for which a director is to be elected.~~ No current officer or member of the Board of Directors shall be appointed a member of such committee, although former officers and directors may serve. No employee of the Cooperative or its subsidiaries may serve on the Committee, although the Committee may request that staff support be provided to act under the direction of the Committee. Once the transitional period has concluded, each member of the Committee shall serve a three (3) year term. During the transitional period, the initial terms of the Committee members in each district shall be staggered such that Position A Committee members shall serve a one (1) year term, Position B Committee members shall serve a two (2) year term, and Position C Committee members shall serve a three (3) year term. The reference to Districts 1, 2, and 3 are to the residency districts approved for the election of the San Juan County Council.

The Committee shall have prepared d and posted on the OPALCO website or in the lobby at the principal office of the Cooperative at least ~~seventy (70)~~ eighty (80) calendar days before the meeting a list of its nominations for directors. Any ~~fifteen (15)~~ twenty (20) or more members may make other nominations of qualified members from their particular OPALCO district that the Director will be elected from, by

petition with their signatures, filed with the ~~Board of Directors~~ **General Manager** at the principal office of the Cooperative at Eastsound, Washington, not less than fifty-five (55) days prior to the meeting. The secretary shall cause the same to be posted at the place where a list of nominations made by the committee is posted, including electronic postings on the Cooperative's website. ~~The secretary shall publish a legal notice in the local newspaper(s) which carries legal notices, said notice to announce names of director candidates. The notice must be submitted to the newspaper(s) within three (3) working days of the posting of nominations.~~ The Cooperative, ~~in the alternative, may~~ **shall** post the list of director candidates on its website in order to provide the notice required in this section. The committee, if possible, should nominate at least **four (4) candidates when there are two open positions within a district** and two (2) candidates for each **a single** open position, ~~one of whom shall be the incumbent director, unless such director does not wish to be considered for re-election.~~ The secretary shall **post on OPALCO's website** mail with the notice of the meeting a statement of the number of directors to be elected from each district ~~and showing separately the~~ **all** nominations, **including those** made by petition, if any, ~~or in the alternative, the Cooperative shall provide such notice electronically.~~

**The Committee EGC is responsible for selecting candidates and nominating those candidates to stand for election to serve on shall make recommendations to the Board of Directors regarding suitable candidates within each District to nominate for positions on the Board of Directors, as successors or replacements for then current board members. At the request of the Board of Directors, the Committee may also be asked to review bylaws, policies and/or cooperative governance procedures on an as-needed basis.**

- b) **Election of Directors.** ~~Not less than ten (10) nor more than thirty-five (35) days before an annual or special meeting of the energy members at which directors are to be elected,~~ **As provided in Article II of the bylaws**, the secretary of the Cooperative shall mail to each energy member a printed ballot marked "Ballot for Directors" containing the names of all nominees for the respective districts to be arranged alphabetically, together with a notice of said meeting, containing appropriate information and instructions relative to voting ~~by absentee ballot or at the meeting.~~ The ballot shall indicate thereon the number of directors to be elected from each district ~~and shall also show separately nominations made by the nominating committee and the nominations made by petition.~~ In the alternative, the Cooperative may provide ballots to each energy member electronically. **All voting by** ~~Each energy member of the Cooperative present at the meeting shall be entitled to cast a vote for the election of directors unless voting previously had been~~ **shall be** completed by an absentee ballot, **either provided in the mail or electronically by the Cooperative.** Absentee Voting shall be conducted by the procedures established in Article II, ~~Section 6.~~

- a) Each energy member is entitled to vote for each position for which a director is to be elected, and the candidate receiving the most votes in each position is deemed to be elected; provided, where two directors are to be elected for a particular district, the two persons receiving the greatest number of votes shall be deemed elected.

**Section 4. Vacancies.** A vacancy occurring in the Board of Directors shall be filled by the election of an energy member resident of the same district as the director whose office is vacated, by a majority vote of the remaining directors, and a director thus elected shall serve for an unexpired portion of the term or tell his or her successor shall have been elected and shall have qualified.

**Section 5. Compensation.** **From time to time Director compensation shall be reviewed and set by the Elections and Governance Committee, and any recommendations regarding director compensation shall be presented to the Board of Directors. The Board of Directors shall either accept or reject the recommendations of the committee, except that the Board may approve a reduction in the compensation amounts recommended**

**by the committee.** Directors shall not receive any salary for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for serving as a director at meetings on behalf of the Cooperative. Close relatives of a director shall not receive compensation for serving the Cooperative, unless such compensation **is recommended by the EGC and approved by the Board of Directors.** ~~shall be specifically authorized by a vote of the members.~~

**Section 6. Rules and Regulations. No change**

**Section 7. Accounting System and Reports. No change**

**Section 8. Changes in Rates. No change**

**Section 9. Absences of Directors. No change**

**ARTICLE IV - MEETINGS OF DIRECTORS**

**Section 1. Regular Meetings. No change**

**Section 2. Special Meetings. No change**

**Section 3. Notice. No change**

**Section 4. Quorum. No change**

**Section 5. Manner of Acting. No change**

**Section 6. Actions by Written Consent and Telephone or Other Electronic Means. No change**

**ARTICLE V - OFFICERS**

*No change*

**ARTICLE VI - BOOKS AND RECORDS**

*No change*

**ARTICLE VII - CONTRACTS, CHECKS AND DEPOSITS**

*No change*

**ARTICLE VIII - NONPROFIT OPERATION**

*No change*

**ARTICLE IX - WAIVER OF NOTICE**

*No change*

**ARTICLE X - DISPOSITION OF PROPERTY**

*No change*

## ARTICLE XI - FISCAL YEAR

*No change*

## ARTICLE XII - MEMBERSHIP IN OTHER ORGANIZATIONS

*No change*

## ARTICLE XIII - SEAL

*No change*

## ARTICLE XIV - AMENDMENTS

**Section 1. Board Initiated Amendments.** *No change*

**Section 2. Member Initiated Amendments.** Voting members may propose changes to the bylaws as follows:

- a) Bylaw Amendments Proposed by Members. Any group of fifty (50) or more voting members may propose, in writing, a resolution to make, alter, amend or repeal a bylaw or to adopt new bylaws. Any such proposed resolution must be submitted to the Board of Directors no less than ninety (90) and no greater than one hundred twenty (120) days prior to the date of the next annual meeting of the members, and consistent with as described in Article II, Section 1 of the Bylaws.
- b) Review by Directors. After review by the directors with the advice of legal counsel, the proposed amendment to the bylaws shall be placed upon the agenda of the annual meeting of the energy members, and notice of the proposed amendment shall be provided to the energy members in accordance with the notice provisions contained in Article II, Section 3 of the Bylaws.
- c) Voting on Proposed Amendment. Any proposed amendment shall be voted upon at the annual meeting of the energy members. Voting shall be in accordance with Article II, Sections 5 and 6 of the Bylaws. Any proposed amendment receiving a simple majority of votes from the energy members shall be approved.

## ARTICLE XV - GENDER

*No change*



MEMORANDUM

November 10, 2016

TO: Board of Directors

FROM: Foster Hildreth

RE: Policy 30 *Political Activity* – Second Read

The Board directed staff to draft a political activity policy at the April and May 2016 Board meetings. The draft was presented at the October Board meeting. Legal counsel has reviewed and provided edits to the draft policy.

Staff recommends a motion to approve Policy 30 *Political Activity* as presented.

# **ORCAS POWER AND LIGHT COOPERATIVE**

## **POLICY 30**

### **Political Activity**

#### **30.1 PURPOSE**

The purpose of this policy is to establish guidelines for Board of Directors, management and employee political activity.

#### **30.2 POLICY**

Orcas Power & Light Cooperative (OPALCO) serves our members with safe, reliable, cost effective, sustainable and environmentally sensitive utility services.

The impact that government and politics have on Washington's rural electric cooperatives is significant. Our Federal, State and County elected officials affect every aspect of our business - including regulations on safety practices, environmental standards, mandates on power plant fuel sources, carbon taxes, renewable energy incentives, and healthcare.

##### **30.2.1 Cooperative Political Activity**

OPALCO is a strong advocate for the interests of the Co-op Cooperative and its members. OPALCO ensures that the voice of electric cooperatives remains strong in our nation's capital, state legislature and local government.

30.2.1.1 OPALCO actively supports elected officials who are concerned about our community and the interests of cooperative and its members. We encourage our entire membership to join us as a grassroots proponent of cooperative energy policy and the Bonneville Power Association's federal hydropower system.

30.2.1.2 We monitor and influence lobbying for regulatory developments to ensure that local, state and federal laws and rules are not detrimental to the energy interests of our members.

30.2.1.3 OPALCO is committed to engaging appropriately in the political process in a manner that informs and affects the issues related to our electric cooperative and internet subsidiary. We strive to engage on issues in the most responsible and ethical way. OPALCO complies with all applicable laws and regulations in connection with the Cooperative's political activities. Any political activities in which OPALCO engages are based solely upon the best interests of the Co-op and are made without regard to the private political preferences of its officers and/or directors. OPALCO will annually disclose political positions on its website, including political contributions (if any).

On an as-needed basis, the Board of Directors, through OPALCO's general manager and organizations such as NRECA, PNGC, WRECA, etc., will review relevant issues and candidates to form and support political positions and direction for OPALCO to follow.

### 30.2.2 Subsidiary Political Activity

OPALCO subsidiaries, its management, and employees will refrain from political activity related to election of OPALCO's Board of Directors or issues related to any OPALCO election. Further, employees may not use their official capacity or company resources to advocate for or endorse candidates or issues related to any OPALCO election.

### 30.2.3 Personal Political Activity

Board members and employees of the Cooperative and its subsidiaries are encouraged to stay well informed on local, state, and national affairs. Board members and employees are encouraged to support political candidates of their choice by active support, as well as by voting. All such activities must be on the board member's or employee's own time outside the Cooperative and subsidiary facilities. The board member or employee is not authorized to individually represent or act on behalf of the Cooperative. The exception would be an event hosted and sanctioned by the Cooperative's Board or General Manager, consistent with this policy.

30.2.3.1 All Cooperative members are encouraged to take part in all member-related activities to the fullest extent possible. However, because employees who are members may be perceived as official representatives of OPALCO or its subsidiaries, employees shall not use their status as an OPALCO employee to advocate and/or support positions or candidates.

30.2.3.2 Because employees have access to Cooperative facilities, equipment, material and time and these assets belong to all members of the Cooperative, some of whom may not agree with an individual employee regarding Cooperative issues, it is necessary to assure the membership that these assets are precluded from use to support an individual employee's position. The following rules apply to employee/member Cooperative or internet subsidiary "political" activities:

30.2.3.2.1 Personal political activities shall not be conducted during work hours including Cooperative, local, state and federal elections.

30.2.3.2.2. No political electioneering material shall be posted on company facilities or equipment.

30.2.3.2.3. No Cooperative equipment, material or time shall be used to generate electioneering information to reflect an individual's position regarding politics, including local, state, federal and Cooperative politics.

## 30.3 RESPONSIBILITY

The General Manager of the Cooperative shall be responsible for administering this policy. Violation of this policy will constitute disciplinary action up to and including termination.

This policy acknowledges the unique position a Director may be in when in a board election, and in that circumstance. The policies regarding director elections in Policy 1 shall apply.

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Foster Hildreth, General Manager

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November 17, 2016  
Effective Date

## MEMORANDUM

Date: November 11, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2017 Budget Presentation

Attached please find our 2017 budget presentation. Consistent with last year's projections, staff is recommending a 5% rate increase for the 2017 budget year only. The projected figures for years 2018 thru 2021 are for reference only, as future years will be reviewed annually during our normal budgeting process.

The 2017 budget continues to align our operations to the mission statement of providing safe, reliable, cost effective, and environmentally sensitive utility services. This budget prepares us for the future, making prudent use of member resources and making smart decisions today to position our Co-op for a sustainable and efficient tomorrow.

The 2017 Budget tackles some big projects, such as completing our submarine cable replacement project, ongoing underground cable replacement and the final stage of fiber build-out to complete the budgeted expansion of our electric distribution grid. As we all know, providing utility services to a 20-island community is challenging on both operational and financial fronts. A budget narrative is provided detailing the basis, assumptions and notable drivers.

Staff is recommending that our 2017 budget revenue increase from \$25.3M (projected 2016) to \$26.4M to meet our financial and operational commitments. This will be the Board's first reading of the rates, which will be brought back to the Board in December for their approval.

Staff will recommend a motion for Board approval of this budget at the November 2016 board meeting after review and discussion.

## MEMORANDUM

November 11, 2016

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2016 3rd Quarter Financial Report

Included in the 2016 3rd Quarter Financial Report are the Statement of Operations (along with a Notable Drivers analysis), Statement of Financial Position, Statement of Cash Flows (GAAP), and Capital Projects Budget.

In summary, overall Q3 finances are tracking favorably to budget. The total revenue was 1.6% higher (\$288k) than budgeted for Q3, although this was more than offset by the related increase in purchased power (\$374k), which was driven by large demand charges coupled with a BPA power shaping credit charge during 2016. All combined, it resulted in an increased margin of \$261k. Revenue and expenses will continue to be monitored closely.

Please note the following key points for more detail:

- Q3 Heating Degree Days (HDD) are down ~9% below forecasted, although both kilowatt hour purchases and sales are above budgeted amounts. Weather and heating fluctuations are expected to produce dramatic sales revenue volatility, and the budget is based on those assumptions.
- Q3 year-to-date power purchases were up \$374k than budgeted amounts due to higher kWh consumption and the fact that additional demand charges were incurred this year.
- Q3 year-to-date operating expenses were approximately \$198k under budgeted amounts, even though there was an increase in purchased power and acceleration of the brush clearing and Right-of-Way work being performed earlier than usual this year, along with unplanned system maintenance due to storm damage. There remain very few discretionary expenses to cut at this time because most expenses are directly related to service levels and, as previously agreed, safety or the reliability in our system will not be reduced.
- Interest expense was lower by \$135k in 2016 than budgeted amounts due to favorable refinancing of RUS loans.
- During 2016 BPA lowered rebate incentives, coupled with BPA EEI funding running out for rate period resulted in reduced member uptake on energy efficiency rebates lower than projected by Q3, slowing interest in energy Snapshot Assessments, and OPALCO scaling back rebate payouts until the new BPA EEI funding period. All together this resulted in a \$263k decrease in budgeted amounts for the energy services area.
- Rock Island Communications has been charged \$227k by OPALCO for use of the communications backbone, rent, and interest expense in 2016. This was partially offset by \$26k in expense paid to Rock Island Communications for Internet services.

## GENERAL MANAGER'S REPORT

### November 2016

#### **DASHBOARDS**

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

#### **ENGINEERING AND OPERATIONS**

##### **Safety**

Jeff Myers conducted annual training on first aid and CPR. This training was offered to all staff.

There was one near miss and one incident to report for October:

- Incident occurred while backing up between a fence and a small (8") tree, resulting in a bent rear bumper. The truck is still serviceable. Using this as a reminder to pay closer attention to both mirrors while backing up and to be more aware of surroundings.
- Near miss occurred after a member changed out a 200 amp meter base with a 400 amp meter base. Neither the member nor the crew saw the meter ring on top of the lugs. Sparks from the meter base occurred when the bayonet fuse was installed to check the voltage. The bayonet was immediately removed and the ring was found. The cover was removed and inspected; service was completed as designed. There was a slight burn on one lug. Crew will open all covers and inspect for problems before servicing meter bases in the future.

	October 2016	YTD (2016)
Near Misses	1	1
Incidents	1	2
Accidents	0	1
Loss Time	0	0

The total hours worked without a loss time accident is 44,864.

#### **COMMUNICATIONS**

##### **Web Analytics**

The report on how our website is performing – measuring results for Q1-Q3 2016 along with a comparison to the same period in 2015 and a look at trends over the past three years—can be found in the Resource Library at:

<https://www.opalco.com/wp-content/uploads/2016/11/OPALCO-2016-Web-Analytics.pdf>

In summary:

- Web **traffic has remained steady** over the last three years.
- While overall traffic is down in 2016 (likely due to fewer job openings), traffic from our **membership base (Washington) has increased about 20%** and engagement levels have increased significantly since the December 2015 website redesign.

- **Returning visitors are up** in 2016: 48.9% vs 37.5% in 2015. Our members are using the website as their consistent go to source of information.
- **Mobile device usage continues to rise** (now 36% of all traffic – up from 22%); the redesigned website is responsive – the pages adjust seamlessly to any device.
- **Top referrals** to our website come through the local news sites where we advertise: sanjuanislander.com and orcasissues.com. The next most robust referrals come from Twitter (outage info), directvote.net (election info) and ibew77.com (jobs).
- **Top content viewed** this year includes bill pay, outages, careers and Resource Library. The Newsroom, added in the redesign, made the top 10 (was ranked 30 in 2015).
- **Our “Sharing the Load” blog** moved to the top 2 most viewed pages in the Energy Savings section of the website with increased presence in the new design. Rebates continue to be the top viewed content in Energy Savings.
- **Top PDF downloads** are rebate forms, employment application and Interconnect packet.
- **Top searched for items include:** 1) board materials, 2) solar, 3) Rock Island and 4) vote. We enhanced the search tool with the redesign, however less than 2% of visitors use the in-site search tool, in keeping with industry norms for a non-ecommerce or reference specific site (i.e. libraries).

### **Website Work in Progress (2017)**

- New Member Experience (Packet)
- Annual Report
- Member Satisfaction Survey
- Staff training, user testing and content audit practices
- Fillable forms (mostly Energy Savings)