



# **BOARD OF DIRECTORS REGULAR MEETING March 15, 2018 8:30 a.m.\* Eastsound OPALCO Office**

*\*Time is approximate; meetings are scheduled around the ferry schedule. If all Board members are present, the meeting may begin earlier or later than advertised.*

## **TRAVEL**



***Via Island Air***

378-2376

**NO EARLY FLIGHTS AVAILABLE**



***Via Ferry:***

### **To:**

Leave FH 6:10 a.m.  
Lopez 6:20 a.m.  
Shaw 7:00 a.m.

Arrive Orcas 7:20 a.m.  
Arrive Orcas 6:35 a.m.  
Arrive Orcas 7:20 a.m.

### **Return:**

Leave Orcas 2:55 p.m.  
  
Leave Orcas 4:15 p.m.

Arrive Shaw 3:10 p.m.  
Lopez 3:30 p.m.  
FH 4:55 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Board Meeting  
Eastsound**

**March 15, 2018      8:30 a.m.\***

*\*Time is approximate; meetings are scheduled around the ferry schedule; if all Board members are present, the meeting may begin earlier or later than advertised.*

**PAGES**

**WELCOME GUESTS/MEMBERS**

*Members attending the board meeting acknowledge that they may be recorded and the recording posted to OPALCO's website.*

- Member Comment Period

*Members are expected to conduct themselves with civility & decorum, consistent with Member Services Policy 17. If you would like answers to specific questions, please fill out the Q&A card for post-meeting follow-up.*

**ACTION ITEMS**

- 3-6**      ○ Consent Agenda
- 7-12**      ○ Bylaw Revision: Staggered Board Terms
- 13-15**      ○ MS Policy 18 – Community Solar (2<sup>nd</sup> read)

**DISCUSSION ITEMS**

- 16**      ○ Rates Review: March 16 Work Session Long-Range Capital Projects Plan
- 17**      ○ Industry Conferences and Director Training Opportunities

**REPORTS**

- 18-19**      ○ 2017 Year-End Financials (Unaudited)
- 20-23**      ○ General Manager

**MEMBER COMMUNICATIONS**

- None

**ADJOURNMENT**

Executive Session: Legal, personnel

# MEMORANDUM

March 9, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Consent Agenda

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

The Consent Agenda includes:

- Minutes of the previous meeting
- Approval of new members {as required by Bylaws Article I Section 2 (d)} (see attached)
- Capital Credit payments to estates of deceased members and/or organizations no longer in business as shown below:

<b>March</b>	
<b>Customer #</b>	<b>Amount</b>
5175	\$ 402.02
18190	\$ 1,536.67
30405	\$ 1,407.68
51304	\$ 448.53
65852	\$ 263.90
66498	\$ 267.15
68501	\$ 388.64
<b>Total</b>	<b>\$ 4,714.59</b>

Staff requests a motion to approve the Consent Agenda.

**Orcas Power & Light Cooperative  
Minutes of the Board of Directors Meeting  
Thursday, February 15, 2018**

President Vince Dauciunas called the meeting to order at 8:30 a.m. at the Friday Harbor OPALCO office. Board members present were Winnie Adams, Randy Cornelius, Peter Garlock, Mark Madsen and Brian Silverstein. Jerry Whitfield attended via video. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Assistant Manager of Member Services and Energy Savings Jon Blomgren and Executive Assistant Bev Madan (serving as recording secretary).

President Dauciunas read the following statements to those present: *"Members attending the board meeting acknowledge that they may be recorded, and the recording posted to OPALCO's website. Members are expected to conduct themselves with civility & decorum, consistent with Member Services Policy 17. If you would like answers to specific questions, please fill out the Q&A card for post meeting follow-up."*

**WELCOME**

Board and staff gave introductions to those present. Special guest Steve Collier of Milsoft Utility Solutions was welcomed.

Members in attendance included Dwight Lewis, Bill Severson, Doug Rowen, Jeff Struthers and Rick Christmas.

**CONSENT AGENDA**

- **Motion** was made and seconded to approve the Consent Agenda, including January 19, 2018 minutes, new members (listed below), capital credit payments totaling \$15,557.04 and RUS 219s totaling \$14,622,650.00. Motion carried by voice vote.

**New members:**

**District 1** (San Juan, Pearl, Henry, Brown, Spieden)  
Barnes, Stephanie  
Boyd, Bela  
Browne, Claudia  
Caruso, Alison  
Flach, Brian  
Friday Harbor Trading Post  
Geist, Nancy  
Hakala, Julie  
Hatch, Randall  
Haws, Chase  
Hermosa Hospitality Group  
Lill, Greg  
Luminous Woman Academy  
Massoud, Laura  
Peace Island Herbals  
San Juan Title LLC  
Solis, Sandra  
Strom, Kevin  
Videen, Jacob  
Weiss, Gary & Mary

**District 2** (Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double, Fawn)  
Armas, Andrew  
Lafratte, Anthony & Deborah  
Leone, C C  
Martin, May  
Nelson, Jennifer  
Otten, Tyler & Heidi L  
Shawgo, Karen  
Steele, Ramona  
Walker, Leslie  
Weigel Broadcasting Co  
Wright, Matthew

**District 3** (Lopez, Decatur, Center, Charles)  
Baibak, Kathryn  
Phil, Larry & Michell

**District 4** (Shaw, Crane, Canoe, Bell)  
Allor, Jason & Johansen, Erika  
Neilson, Daniel  
Weese-Young, Julie & Burkhardt, Philip

**Capital Credit Payments:**

<u>Decedent #</u>	<u>Amount</u>
5027	\$ 150.84
25461	\$ 391.65
27100	\$ 665.95
33100	\$7,216.91
60335	\$ 820.06
66114	\$2,107.64
66222	\$1,538.90

<u>Decedent #</u>	<u>Amount</u>
66862	\$ 52.87
66896	\$ 306.03
67653	\$1,299.82
67998	\$ 659.32
90945	\$ 77.80
16840	\$ 269.25

**2018 VOTING DELEGATES**

Organizations request voting delegates and alternates throughout the year for membership meetings. The Board tabled this for future discussion and requested that NRECA Board Credential Training Classes are added to the list.

COMMUNITY SOLAR: MEMBER SERVICES POLICY 18

Member Services Policy 18 was developed in association with OPALCO’s first community solar project on Decatur, expected to be completed in June 2018. The policy was introduced to the Board along with Community Solar Guidelines and Project Specifications for Decatur. After discussion the Board requested that staff limit this policy to OPALCO community solar projects only. This is the first read of the policy.

RATES REVIEW: LONG-RANGE CAPITAL PLAN

Staff presented a high-level review of industry trends for the purposes of long range capital planning. These trends include automation of the grid, microgrid operations, greater incorporation of local resources, and the merging of the electric and communication grids. This long-range planning effort was to inform the rate discussions such that the rates developed can provide for today while having flexibility for tomorrow.

Steve Collier of Milsoft Utility Solutions presented a presentation that gives a perspective on the future of the grid as it merges with the Internet of Things.

Bylaw Revision Article III Section 2 Staggered Board Terms

In November 2016 the Member Election Committee recommended that the Board adopt staggering terms in order to increase member participation throughout the county for each annual election. Staff recommended the following methodology to implement staggered terms:

Election Year	Election District			
	1 – San Juan	2 - Orcas	3 - Lopez	4 - Shaw
2019			3A (3 Year) 3B (2 Year)	4 (3 Year)
2020	1A (3 Year) 1B (2 Year)			
2021*		2A (3 Year) 2B (2 Year)	3B (3 Year)	
2022	1B (3 Year)		3A (3 Year)	4 (3 Year)
2023	1A (3 Year)	2B (3 Year)		
2024		2A (3 Year)	3B (3 Year)	
2025 - repeat	1B (3 Year)		3A (3 Year)	4 (3 Year)

- **Motion** to accept the Member Election Committee’s recommendation to stagger the Board terms was made and seconded. Motion carried by voice vote.
- **Motion** to begin the staggered terms in 2018 was made and seconded. Motion failed 3:4.
- **Motion** to implement staggered terms in 2019 as presented was made and seconded. Motion carried 4:3 by a show of hands.

Staff will bring back suggested bylaw language at the March 2018 Board meeting.

REPORTS

**General Manager:** Hildreth reviewed the report, giving specifics on the recent outages.

ADJOURNMENT

Meeting adjourned at 9:50 am. 12:05 p.m.

Vince Dauciunas, President

Winnie Adams, Secretary-Treasurer

## **NEW MEMBERS – February 2018**

### **District 1** (San Juan, Pearl, Henry, Brown, Spieden)

1. Ayers, Justin & Nicole
2. Brahic, Anne & Kusner, Jon
3. Dancing Seeds Farm LLC
4. Depamphius, Donna
5. Duke, David J & Lisa A
6. Hall, Nina
7. Herring, Nathaniel
8. Joyner, Kimberly
9. Liptack, Michael
10. Mangin, Thomas
11. Newley, Christopher & Jessica
12. Paul, Brett
13. Ray, Robert C
14. SJ Vineyard LLC
15. Strider Construction Inc
16. Taylor, Ali
17. Team PB LLC
18. Thomson, Tate
19. Wagner, Curt & Toy, Suzanne
20. Wu, Meng Chuan

### **District 4** (Shaw, Crane, Canoe, Bell)

39. Brooks, Eli
40. Frankham, David
41. Lockhart, Megan

### **District 2** (Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double, Fawn)

21. Cody, Casey
22. Cox, Justin & Bianca
23. Haberna, Bernadeta
24. Loock, Julia & Ken
25. Meneley, Scott
26. Nigretto, Tyler
27. Raisters, Eric H & Inese V
28. Schilling, Matt
29. Tobens, Carla
30. Virginia L Wood Estate
31. Viscofsky, Nancy A & Khodaverdian, Mohama
32. Whitley, Katherine & Packer, Jason

### **District 3** (Lopez, Decatur, Center, Charles)

33. Cardenas, Alec
34. Dahl, Jonathan & Palmisani, Nicole
35. Garvey, Luann & Jenkins, Dennis
36. Glover, Jonah & Zengota, Mishawn
37. Neidermeyer, Justin & Perkins, Melissa
38. Quetin, Langdon B & Ross-Quetin, Robin M

# MEMORANDUM

February 9, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Bylaw Revisions Article III Section 2– Implementation of Staggered Board Terms

At the February Board meeting, the Board voted to implement staggered board terms in 2019 and have staff return with revised bylaw language.

This will create the following sequence:

Election Year	Election District			
	1 – San Juan	2 - Orcas	3 - Lopez	4 - Shaw
2019			3A (3 Year) 3B (2 Year)	4 (3 Year)
2020	1A (3 Year) 1B (2 Year)			
2021*		2A (3 Year) 2B (2 Year)	3B (3 Year)	
2022	1B (3 Year)		3A (3 Year)	4 (3 Year)
2023	1A (3 Year)	2B (3 Year)		
2024		2A (3 Year)	3B (3 Year)	
2025 - repeat	1B (3 Year)		3A (3 Year)	4 (3 Year)

*\*2021 is final transition year*

**Bylaw Revision Language attached.**

Staff requests the board to make a motion to approve the attached bylaw revisions.



## **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 August 17, 2017 **March 15, 2018***



## 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*

~~August 17, 2017~~ **March 15, 2018**

## ARTICLE III - DIRECTORS

### Section 1. General Powers.

*NO CHANGE*

### Section 2. Qualifications.

The territory served by the Cooperative shall be divided into four districts, and the directors shall be energy member residents of one district, 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. {San Juan, Pearl, Henry, Brown and Speiden islands}

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. {Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double and Fawn islands}

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. {Lopez, Decatur, Center and Charles islands}

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. {Shaw, Crane, Canoe and Bell islands}

**For implementation of staggered board terms only:**

Beginning with the election year 2019 and continuing through 2021, the candidate with the highest number of votes in the election for Districts 1, 2 and 3 shall serve a three-year term (District position A). The candidate with the second-highest number of votes in the election for Districts 1, 2 and 3 shall serve a two-year term (District position B). Upon completion of the staggered election cycle in years 2019-2021, and beginning in the election year 2022, the candidate with the highest number of votes in the election from each district on the ballot shall serve a term of three years. Thereafter, 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 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 goal of the nominations process is to put forward the best, most qualified and effective candidates for the Board of Directors so that the membership can, in turn, elect board members who are prepared to uphold the mission and practice good stewardship of member resources in service to the Cooperative. In this spirit, conflicts of interest that would disqualify a potential candidate for a board position are herein defined.

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. To be considered for a Director position (whether by petition, write-in or nomination), an individual must complete an Independent Director Qualifications form and will be found ineligible for a board position if any of the following conflict conditions apply, regardless of the method of candidacy:

1. Unless currently serving as a director on the date these bylaw amendments are approved, or reelected to the same position, no energy member or their immediate family 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 within the five (5) years immediately prior to becoming a director. Additionally, prior terminated employees are ineligible as a director candidate;
2. A member who is in any way employed by or has non de minimis financial interest in a competing or supporting enterprise or business, or whose immediate family member is employed by a competing or supporting enterprise or business of the Cooperative, a subsidiary or affiliate of the Cooperative;
3. A member who currently holds public office or serves on a governmental appointment or commission whose charter or scope of influence intersects with the business of the Cooperative or its subsidiaries or affiliates, or whose immediate family member holds public office or serves on a governmental appointment or commission whose charter or scope of influence intersects with the business of the Cooperative or its subsidiaries or affiliates;
4. A director candidate, or their immediate family member, shall not be or have been a party in a mediation, arbitration, lawsuit, unsuccessful Member Service Policy 9 ruling, or other legal action against or by the Cooperative or a subsidiary or affiliate of the Cooperative; or
5. A member who has been convicted of a felony crime.

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, and complete and sign an Independent Director Qualifications form, consistent with the bylaws and approved by the Board of Directors.

When a membership is held jointly, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director nor to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth.

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

**Nominations:** It shall be the duty of the Board of Directors to appoint a standing Elections and Governance Committee (EGC), made up of nine (9) members consisting of three (3) energy members from each of the residency districts approved for the election of the San Juan County Council in San Juan County, Washington. 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.

- a) The Committee shall have prepared and posted on the OPALCO website or in the lobby at the principal office of the Cooperative at least eighty (80) calendar days before the meeting a list of its nominations for directors. Any twenty (20) or more members may make other nominations of qualified members

from the OPALCO district that the Director will be elected from, by petition with their signatures, filed with the 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 Cooperative 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 a single open position. The secretary shall post on OPALCO's website with the notice of the meeting a statement of the number of directors to be elected from each district all nominations, including those made by petition, if any.

- b) The EGC is responsible for selecting candidates and nominating those candidates to stand for election to serve 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.
- c) 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. The ballot shall indicate thereon the number of directors to be elected from each district. In the alternative, the Cooperative may provide ballots to each energy member electronically. All voting by each energy member of the Cooperative entitled to cast a vote for the election of directors shall be completed by a ballot, either provided in the mail or electronically by the Cooperative. Voting shall be conducted by the procedures established in Article II.
- d) 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 ~~as outlined in Article III Section II. 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.~~

## MEMORANDUM

March 9, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Community Solar Policy 18

At the February meeting, the board considered Member Services Policy 18 to formalize OPALCO's first Community Solar project. Staff has revised certain sections of the drafted policy after receiving direction to separate internal and external (3<sup>rd</sup> party) projects, and to clarify some of the language. The changes are attached.

Please note, staff expects this policy to be refined as the community solar project develops. Any suggested changes will be presented to the Board.

This is the second reading of the revised policy. Staff requests the board motion to approve the drafted MS Policy 18 – Community Solar.

**ORCAS POWER & LIGHT COOPERATIVE  
MEMBER SERVICE POLICY 18  
COMMUNITY SOLAR**

**18.COMMUNITY SOLAR**

**18.1. OVERVIEW**

- 18.1.1. Projects consist of solar Photovoltaic (PV) arrays, in which the energy produced by the array at one location is virtually distributed proportionately to participants at a different location.
- 18.1.2. Program means a Community Solar array interconnected with, and administered by, OPALCO.

**18.2. PROJECT AVAILABILITY**

- 18.2.1 Projects are considered for interconnection and distribution if:
  - 18.2.1.1 Projects must be consistent with all OPALCO agreements including but not limited to Pacific Northwest Generating Cooperative (PNGC), Bonneville Power Administration (BPA), and other regulatory agencies.
  - 18.2.1.2 Projects must have a signed interconnection agreement with OPALCO, including Power Purchase Agreement (PPA).

**18.3 MEMBER PARTICIPATION**

- 18.3.1 Projects must be approved and in line with the most recent version of the Community Solar Guidelines available from OPALCO.
- 18.3.2 Any active member of OPALCO in good standing can opt in to participate in the Program.
- 18.3.3 Members must sign a Community Solar Participation Agreement (PA) prior to receiving any incentives, or billing energy credits, if available.
- 18.3.4 Oversubscription to an OPALCO program will be handled with a maximum investment to be determined based on overall member interest and consideration for maximum member participation.
- 18.3.5 Existing members, or non-members, may invest and assign a subscription to the program in order to benefit a separate existing member. The beneficiary will be bound by the same guidelines outlined in the PA.
- 18.3.6 Members participating in the program that become inactive before the program term expires may transfer the benefits of the program to another active member, within the guidelines of the PA. If no eligible account is specified when the existing account becomes inactive, the subscription will be reassigned to the OPALCO Energy Assist Program.
- 18.3.7 In addition to the Participation Agreement, each member's participation must also follow the Community Solar Guidelines and respective Project Outline and Specifications.

## **18.4 GENERATION**

**18.4.1** OPALCO reserves the right to use any generated energy produced by the Community Solar Array in any method reasonable as deemed by OPALCO.

## **18.5 METERING AND DISTRIBUTION**

**18.5.1** OPALCO will monitor and record energy generated on an electric production meter.

**18.5.2** The production meter is considered the point of generation.

**18.5.3** The energy produced will be distributed to each participant based on their proportionate contribution to the project.

**18.5.4** Production units will be posted in whole kilowatt hours (kWh) monthly, and rounded production will be credited on the following billing period.

## **18.6 ENERGY CREDIT RATE**

**18.6.1** The Energy Credit Rate means a billing credit the Participant is eligible to receive on their electric bill based on the amount of electric energy produced by that portion of the Project selected by the Participant.

**18.6.2** The Energy Credit Rate will be determined in advance by the Board of Directors.

## MEMORANDUM

March 9, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Rates Review - Long Range Plan

To realize OPALCO's mission, vision, and strategic directives, the Board adopted the Integrated Resource Plan (IRP), which was completed in 2015. Our strategic vision will be detailed through the development of our 2020-2040 Long Range Plan (LRP). The LRP is a 20-year planning document forecasting loads and capital expenditures. This will give us the tools to plan for future equity, cash and debt requirements. With this information, the Board can develop a rate structure to help us navigate through the coming decades as our energy industry evolves and members take on a more interactive role in managing their power usage – and local distributed generation.

It will be helpful for the Board to review the following documents in preparation:

- Integrated Resource Plan (IRP) – *most important*  
<https://www.opalco.com/wp-content/uploads/2015/12/Integrated-Resource-Plan-IRP.pdf>
- Mission Statement  
<https://www.opalco.com/about-us/mission-and-values/>
- Strategic Directives  
<https://www.opalco.com/wp-content/uploads/2015/12/board-strategic-directives-jan-2015.pdf>

The following is a summary timeline of the steps necessary to the future rate planning:

- a. ✓ Strategic Long Range Vision: February 2018
- b. ✓ Long-Range Capital Projects Plan: March 2018 Work Session (March 16<sup>th</sup>)
- c. Long-Range Financial Plan (Equity, Cash, Debt): May 2018
- d. Cost of Service Analysis (COSA): June/August 2018
- e. Rate Structure Review that Supports the COSA: September 21, 2018 Work Session
- f. Rate Structure Approval: October 2018

To help facilitate our Strategic Long-Range Vision discussion, staff will present a long-term perspective on grid automation, local distributed generation, to maintain our complex infrastructure going forward, and keep costs as low as possible well into the future.



## MEMORANDUM

March 9, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Industry Conferences and Director Training Opportunities

As a follow up to our February Board meeting, the Board requested staff to add director training opportunities to the list of industry conferences.

Staff is requesting which of the Board members will be attending the following meetings and to name voting delegates and alternates. If there is no interest, staff requests the Board name Foster Hildreth as the voting delegate. As registration materials arrive, staff will ask Board officers to sign authorizations accordingly.

Meeting	Date	Location	Delegate	Alternate	Participate
Director Conf*	Mar 25-28	Las Vegas, NV			
NWPPA	May 20-23	Boise, ID	Dauciunas		
WRECA	June 5-6	Wenatchee, WA	Silverstein		
CFC Forum	June 10-13	Indianapolis, IN			
CRC	June 11	Indianapolis, IN			
NRECA Summer*	June 22-27	Coeur d'Alene			
NRECA Regional*	Sept 25-27	Anchorage, AK	Madsen		
NRECA Winter*	Nov 30-Dec 5	Nashville, TN			
CoBank		Mail-in			

\*Includes Director training opportunities

Other Board training opportunities can be found at the following link.  
(<https://www.cooperative.com/conferences-education/certificates/Pages/default.aspx>)

Staff requests a motion to name voting delegates for the meetings listed above.

## MEMORANDUM

March 09, 2018

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2017 Year End Unaudited Financial Report

Please see attached the 2017 Year End Unaudited Financial Report. Included in the report package are the Statement of Operations (along with a Notable Drivers analysis), Statement of Financial Position, Statement of Cash Flows (GAAP), Capital Projects Budget, and the Draft 2017 RUS Financial and Operating Report Electrical Distribution Form 7.

In summary, overall 2017 finances tracked favorably to budget. The total revenue was \$1.57M or 6.0% higher than budgeted, although this was offset by the related increase in purchased power of \$514k. All combined, 2017 resulted in a margin of \$3.4M which is approximately \$1.4M greater than budgeted. This favorable margin variance is primarily the result of colder weather generating higher revenues than budgeted as well as various cost reductions across various operating and non-operating accounts.

Please note the following key points for more detail:

### **Income Statement:**

- Heating Degree Days (HDD) for 2017 were 41% above forecasted for the year, resulting in both kilowatt hour purchases and sales above budget. Weather and heating fluctuations are expected to produce dramatic sales revenue volatility, and the budget is based on those assumptions.
- 2017 power purchases were up \$514k over budgeted amounts due to higher kWh consumption resulting from colder weather.
- 2017 operating expenses, excluding Power Purchases, were approximately \$350k under budgeted amounts. Please note, we were still able to maintain service levels, safety and the reliability in our system.
- TIER ended the year at a healthy 3.10. OPALCO is well above the RUS covenant requirement of 1.25 measured as the average best two out of the three most recent years. OPALCO's current average for the RUS covenant is 2.95.

### **Capital projects:**

OPALCO initiated several critical projects to position the cooperative for reliable infrastructure. These projects will aid in modernizing our grid for the automation needed to increase reliability and provide long lasting assets with the flexibility to mold our system to the needs of the future. The major 2017 projects include:

- Successfully energized one of our most challenging submarine cable crossings (Lopez to San Juan) (8-year planning process)

- Navigated through a catastrophic failure of aging submarine cables from Lopez to Decatur and kept the power on for remote areas - Decatur, Blakely, Olga
- Initiated installation of second Bonneville delivery point (tap) on Decatur Island, which will provide us with a redundant path from Decatur to Orcas (10-year planning process)
- Completion of majority of fiber backbone installation, which serves as a basis for connecting remote devices throughout the grid for monitoring, controlling and automating
- Along the way, leveraged joint utility projects and fiber optic backbone installation to replace aging, open-concentric cables

From a financial perspective, a shifting of capital expenditure has occurred to handle system failure and to leverage joint installation opportunities. This amounts to a shift of ~\$1.8M. The increased construction within the county from joint utilities provided the opportunity (open trenches) to install conduit and replace conductors, which amounts to \$500k. The catastrophic failure of the Lopez to Decatur cable and the acceleration of the second Bonneville tap shifted \$1.3M to 2017 from future years.

The following is a summary timeline of the mitigation of the failures in the Lopez to Decatur crossing:

- March: Decatur to Lopez cable failure #1: unbudgeted short-term cable repair
- May: Decatur to Lopez cable failure #2
- June: Board discussed accelerating new BPA tap and substation rebuild to increase capacity for winter load. Was budgeted for 2018-19.
- August: "Construction began on the Decatur Tap and Substation Project in late July."
- December: Spending of \$1.2M on equipment procurement and ~50% of substation construction for Decatur substation and tap. Note: Upgrades to substations on Blakely and Olga will be constructed in 2018 (accelerated from 2019) to reroute a redundant feed all the way from Decatur to Eastsound.

The remainder of the budget to actual overage (~\$1.5M) is attributed to the reduction of scope of the joint utility installations in correlation to fiber optic backbone projects, acceleration of fiber optic backbone projects, and county joint projects. Additionally, the environmental permitting costs of our projects increased dramatically due to regulatory changes and heightened oversight (~\$200k).

Please note, staff is still working on closing out our submarine cable project with Sumitomo for the marine installation process. We expect contract labor overages associated with the land portion of the cable equating to ~8%. We will have further clarity once the Sumitomo contract is closed (anticipated Q2 2018).

Loan draws were necessarily accelerated for projects that shifted to 2017. As a result, we anticipate higher borrowing in 2018 may be required as other CWP projects shift to take their place, we will have a better read on this by Q3 as we see how 2018 weather patterns play out.

## GENERAL MANAGER'S REPORT

### March 2018

#### **DASHBOARDS**

Please review the dashboards at <https://www.opalco.com/dashboards/>. Note that all the dashboards are within board approved strategic parameters.

#### **ENGINEERING, OPERATIONS, AND TECHNICAL SERVICES**

##### **WIP**

As of 3/8/2018 there are 325 work orders open totaling \$10.4M. The breakout of these projects can be found in the table below. We expect WIP to be in normalized levels before year end.

Member Projects	(113,699)
Feeder Ties	8,873
Conversions and Line Changes	1,360,156
Substations	769,210
Transformers and Meters	10,163
Sectionalizing	62,403
Voltage Regulators	43,300
Pole Replacements	287,404
URD	2,945,940
SCADA	124,273
AMR	67,650
Fiber	1,542,955
Decatur Tap	1,812,322
Transmission	1,021,651
Headquarters	171,955
Radios	55,773
Minor Projects	226,073
Total	10,396,402

##### **Safety**

Jeff Myers conducted training on Lockout/Tagout Procedures and Rules. This training included safe operations of, labeling of and communications about switching equipment. The total hours worked without a loss time accident is 50,416.

##### **Decatur Tap and Substation Update**

This series projects have been shifted from 2018-2020 to mitigate the failure of the Lopez to Decatur leased cables (1951 and 1952). Staff has been working with BPA since 2008 to request this delivery point. Currently the foundations and structures are installed. The remainder of the grounding and cabling are to be completed in the next two weeks. We are working with BPA to complete the protection schemes and relay programming.

#### **FINANCE**

##### **2018 Budget Tracking**

Through February 2018, preliminary results are showing that year-to-date power sales were under budgeted amounts by approximately ~\$300k, which will be partially offset by

the corresponding reduction in purchased power costs resulting in a net revenue variance of ~\$150k under budget. We experienced less heating degree days (HDD) year to date, as of February 28<sup>th</sup>, 2018, than predicted (497 HDD actual compared to 533 HDD forecast). As a point of comparison, last year the HDDs were 638 through February 2017 year-to-date. No mitigation action is required at this time.

#### **2017 Year-End**

Staff will be presenting the unaudited 2017 financial statements and analysis for board review and discussion at the March Board meeting.

#### **2017 Year-End Audit**

Staff is currently preparing information to be provided to Moss Adams, who will be conducting the onsite fieldwork portion of the consolidated year-end 2017 audit the week of March 26<sup>th</sup> – 30<sup>th</sup>. Note the audit is on a consolidated basis (OPALCO and Island Network LLC).

#### **2017 Annual Filings**

Preparation is currently underway to submit annual filings for 2017, including the RUS Form 7 (end of March) and other filings (prior to the end of April).

#### **MEMBER SERVICES**

Staff has been working with Tech Services to implement a more versatile, efficient, and reliable phone system, especially during outages. In the first 4 working days of operation, we experienced a major outage in our San Juan District (2/23-2/28). Member Services responded to 279 phone calls, and have been soliciting members for feedback to help refine the system configuration.

#### **PAL and EAP**

There were \$7.2k in PAL awards given to 38 members in February compared to \$4.7k for 20 members the same time last year. There were 314 Energy Assist recipients, totaling \$9.3k. Program funding continues to be stable.

#### **ENERGY SERVICES**

Staff has been working with Washington State University (WSU) on program changes for the Washington State Renewable System Production Incentive program after changes in the State legislation last year. The Community Solar project on Decatur was Pre-Certified by WSU to receive incentives when the array comes online, which will be passed on to participants. During the past month, there were 11 rebates (Island Market lighting project, EV charging station, heat pumps, etc.) paid out to members totaling \$23k.

#### **COMMUNICATIONS**

##### **Election 2018**

The nominations process closed with two candidates for two positions in District 2. Because the election is uncontested, the Candidate Forum schedule was scaled down to just one forum on Orcas Island: **Thursday, March 15, 6-7:30, Oddfellows Hall**. This is a cost savings of ~\$9k. Members in any location can participate by submitting questions

for the candidates (by March 15<sup>th</sup>) and through Facebook live streaming of the event. In addition, the forum will be video recorded and posted on OPALCO's website, along with individual candidate statements on video. We are also encouraging our Board candidates to have informal member conversations in our other districts (without staff resources or moderator).

### Annual Meeting – Saturday, April 21

Planning is underway for the annual meeting on the interisland ferry. A request for catering bids was advertised in February and no bids have been received to date. Please help to spread the word to caterers on Orcas, San Juan and Lopez. The task is much simplified this year: lunch will be served at each ferry landing and the caterer does NOT have to board the ferry. Catering bid info: <https://www.opalco.com/wp-content/uploads/2018/02/Catering-Bid.pdf>. Annual meeting travel schedule: <https://www.opalco.com/wp-content/uploads/2018/02/2018-Travel-Schedule.pdf>.

Please note, we are attempting to minimize printing costs by providing the annual report via website.

### Website – New EV Tools

Please visit our website to check out our new EV tools. In collaboration with ChooseEV, OPALCO's website now includes comparison tools and calculators to help members measure savings and make an educated EV choice. New tools include:

- [Calculate savings](#)
- [Compare EV models](#)
- [Compare Emissions](#)
- [EV Incentives](#)
- [EV Promo](#)

### Calculate your Savings Potential

How far does **\$3.60** drive your car?

**Understanding your savings potential.**  
The pre-set values below are an approximation of today's electricity and gasoline rates. Customize the inputs to see what kind of benefits you might get when you switch from a gasoline powered car to an electric vehicle (EV).

EV gets you this many more miles for the price you pay for a gallon of gasoline.

**81 mi**

Gas **19 miles**

Electricity **100 miles**

Local gasoline price/gallon.	Estimated MPG of gas vehicle.		Estimated kWh/mile for EV.	Utility kWh rate.
\$ <b>3.60</b>	<b>19.00</b>	RESET ALL	<b>0.299</b>	\$ <b>0.120</b>
	2000		2017	
	Volvo		Nissan	
	V70 AWD - Automatic 4-spt		Leaf (0.299887kwh/mi)	

### Staff Field Day

February's Field Day event was held at the Eastsound warehouse. Some the group toured the Orcas Historical Museum and others stayed for a demonstration of how our linemen restore power following an outage. Years of service jackets were awarded to Luke Furber, Bev Madan and Suzanne Olson, each celebrating ten years at OPALCO. Cake was served to bid farewell to Anne Huhndorf who is moving back to Alaska to be closer to family.



### **Legislative Affairs**

Foster Hildreth and EGC member Bill Severson met with Senator Ranker, Rep. Lytton and Rep. Morris in February and Governor Inslee in March. Foster advocated for OPALCO and San Juan County as well as gave input on a number of bills related to energy, broadband and carbon. Thanks to Bill Severson for setting up the meeting with Gov. Inslee.

