

# OPALCO

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Board Meeting - March 2017

2016 Year End Financial Report Introduction

# 2016 Year End Results: Summary

*We are heading into a capital intensive year with very healthy financials*

- *TIER continues to be solid at 3.24*
- *Equity % of Total Cap at 49%*
- *Revenue is a up: about \$400,000 above budget*
- *Expenses reduced about \$400,000*
- *Interest Expense lower by \$265,000*
- *Margin improved about \$1 million, to \$3 million*
- *Borrowing reduced to \$8.7M (higher margin, early RIC loan repayment,...)*

# Grid Modernization Results: Summary

*The grid is rapidly becoming more reliable, resilient and future ready*

*~24 miles of power line installed*

*~15 miles of which replaced aging underground conductor*

*~10 miles of fiber optic cable installed*

*~85% complete with our push to expand our communications infrastructure*

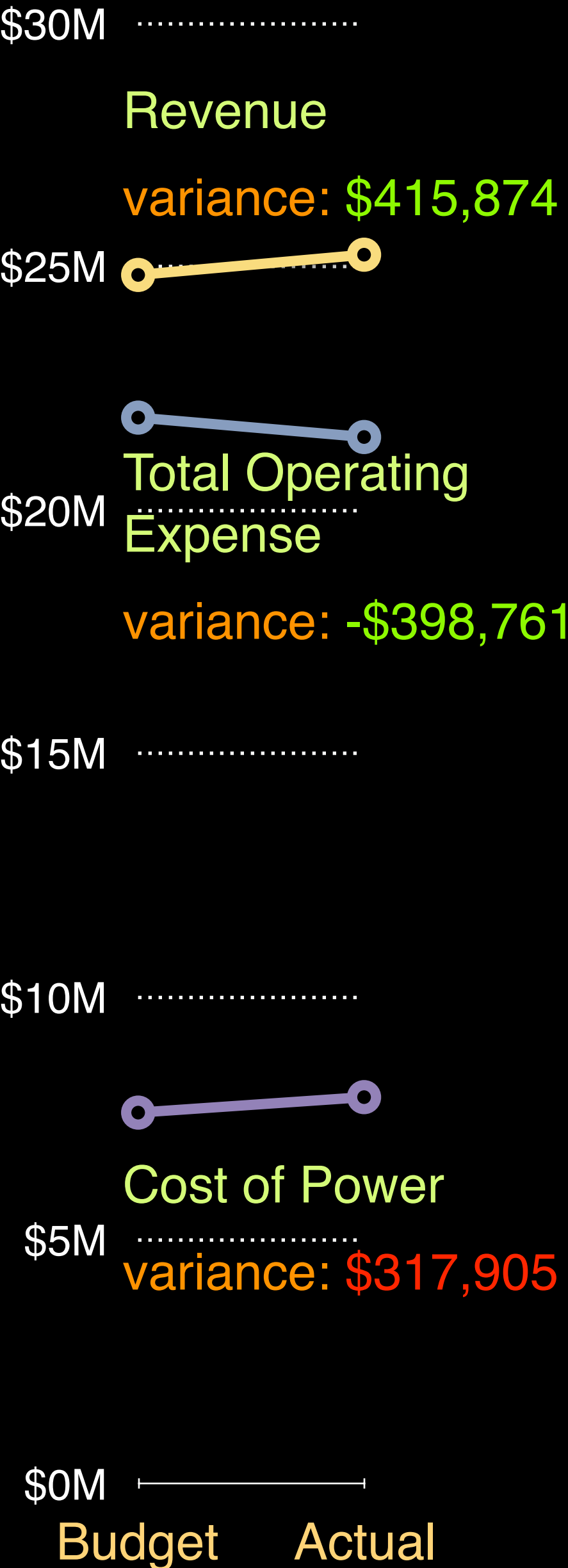
*Lopez/SJI submarine cable progress:*

- ✓ environmental permitting*
- ✓ Lopez boring and land cable*
- ✓ submarine cable manufacturing and certification*



# OPALCO 2016 Year End Results: Statement of Operations

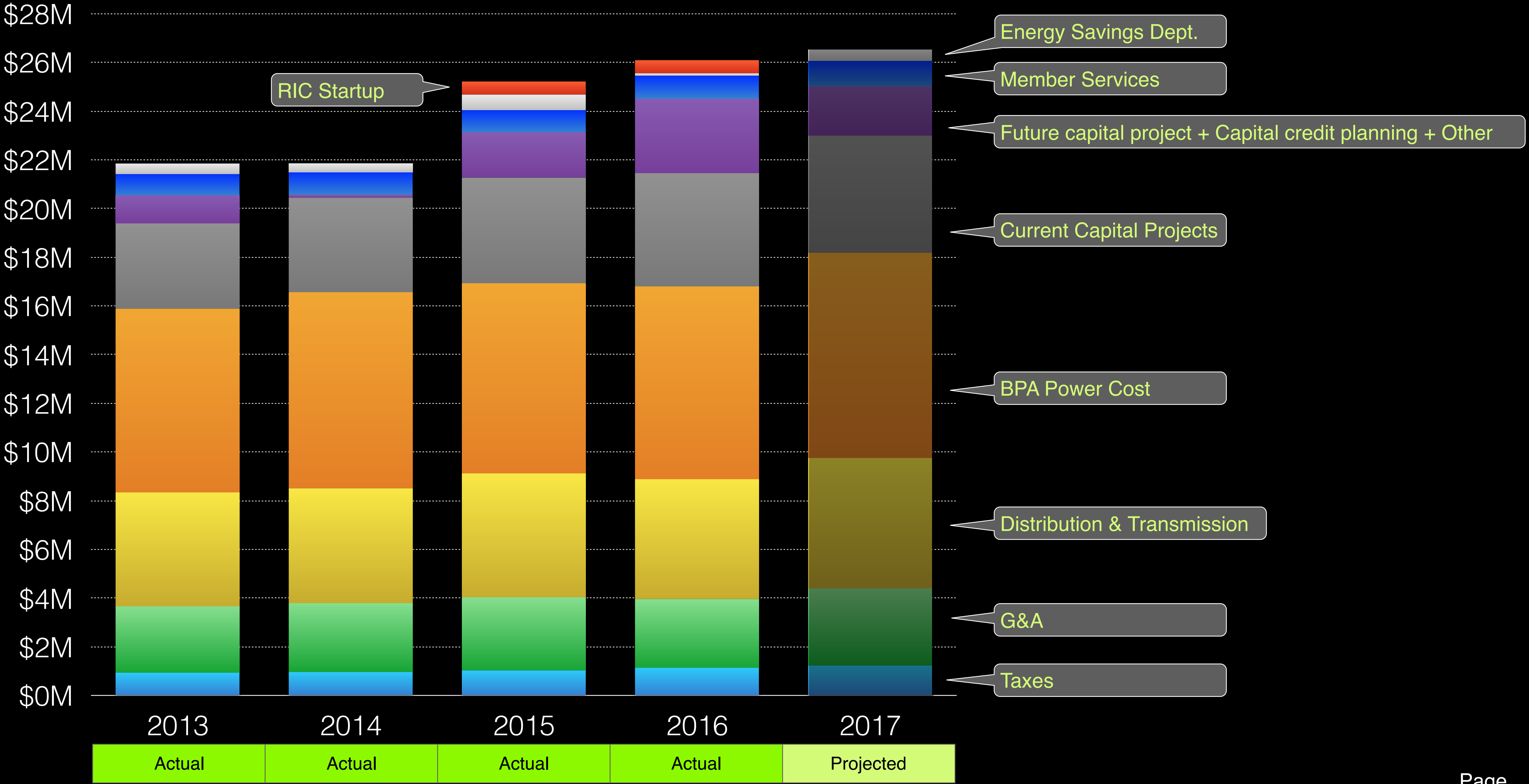
	Actual Year End 12/31/2015	Budget Year End 12/31/2015	Actual Year End 12/31/2014	Budget Year End 12/31/2014	Budget Year End 12/31/2013	Actual Year End 12/31/2013	Actual Year End 12/31/2012
OPERATING REVENUE							
Electricity	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000
Gas	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Water	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Other	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total operating revenue	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000
OPERATING EXPENSES							
Electricity	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000	\$14,861,000
Gas	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Water	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Other	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total operating expenses	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000	\$16,861,000
Operating income before tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total income	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income	\$0	\$0	\$0	\$0	\$0	\$0	\$0



## Notes

- Most of year saw unusually warmer months, with budget revenue below norm
- Last quarter, especially December, colder than normal (“coldest winter in a generation” - Cliff Mass)
- Reduced labor expense, due to temporary unfilled positions - meter tech & communications

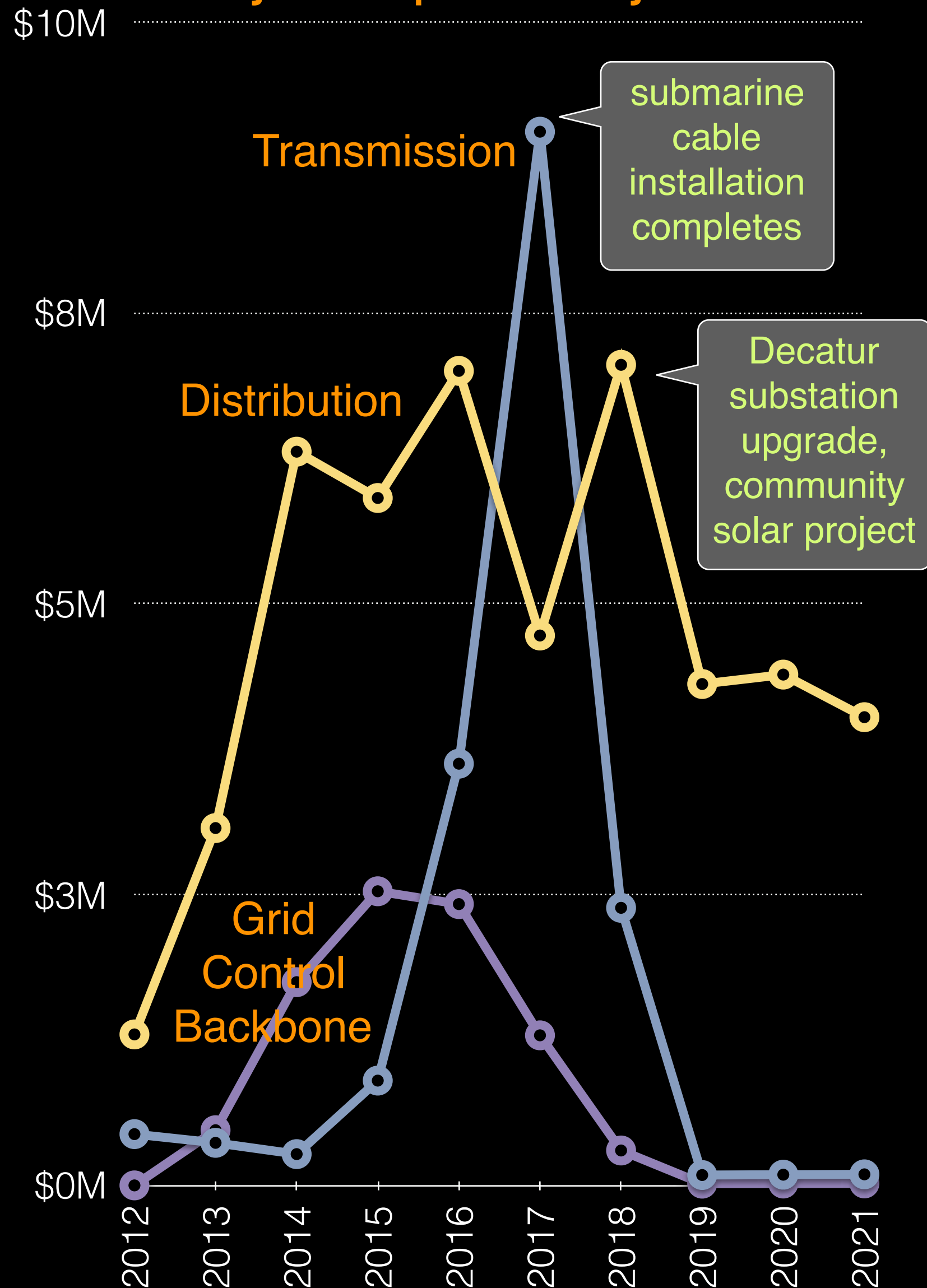
# OPALCO Revenue Allocation





# 2017 Budget: Capital Projects

## Major Capital Projects



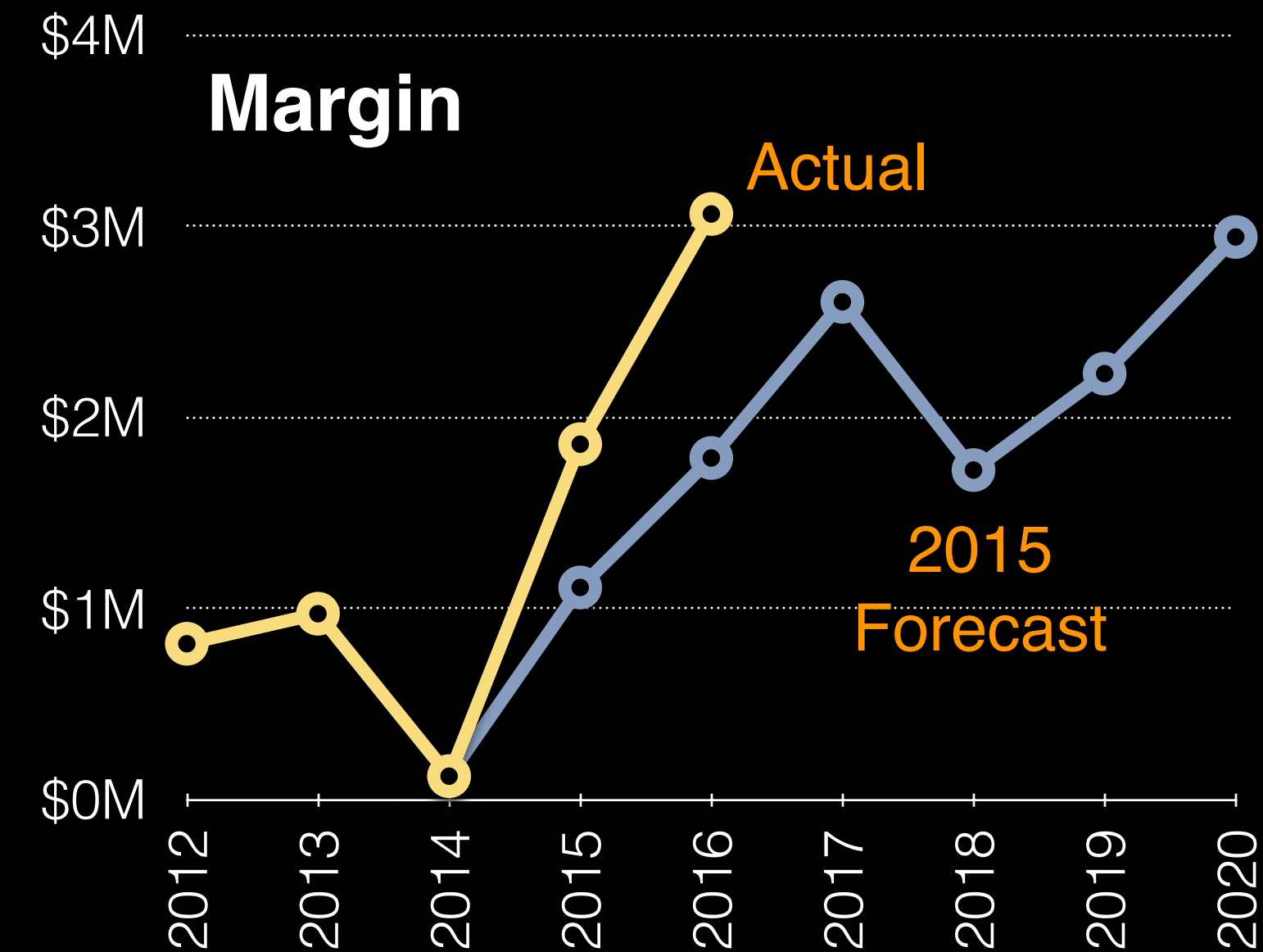
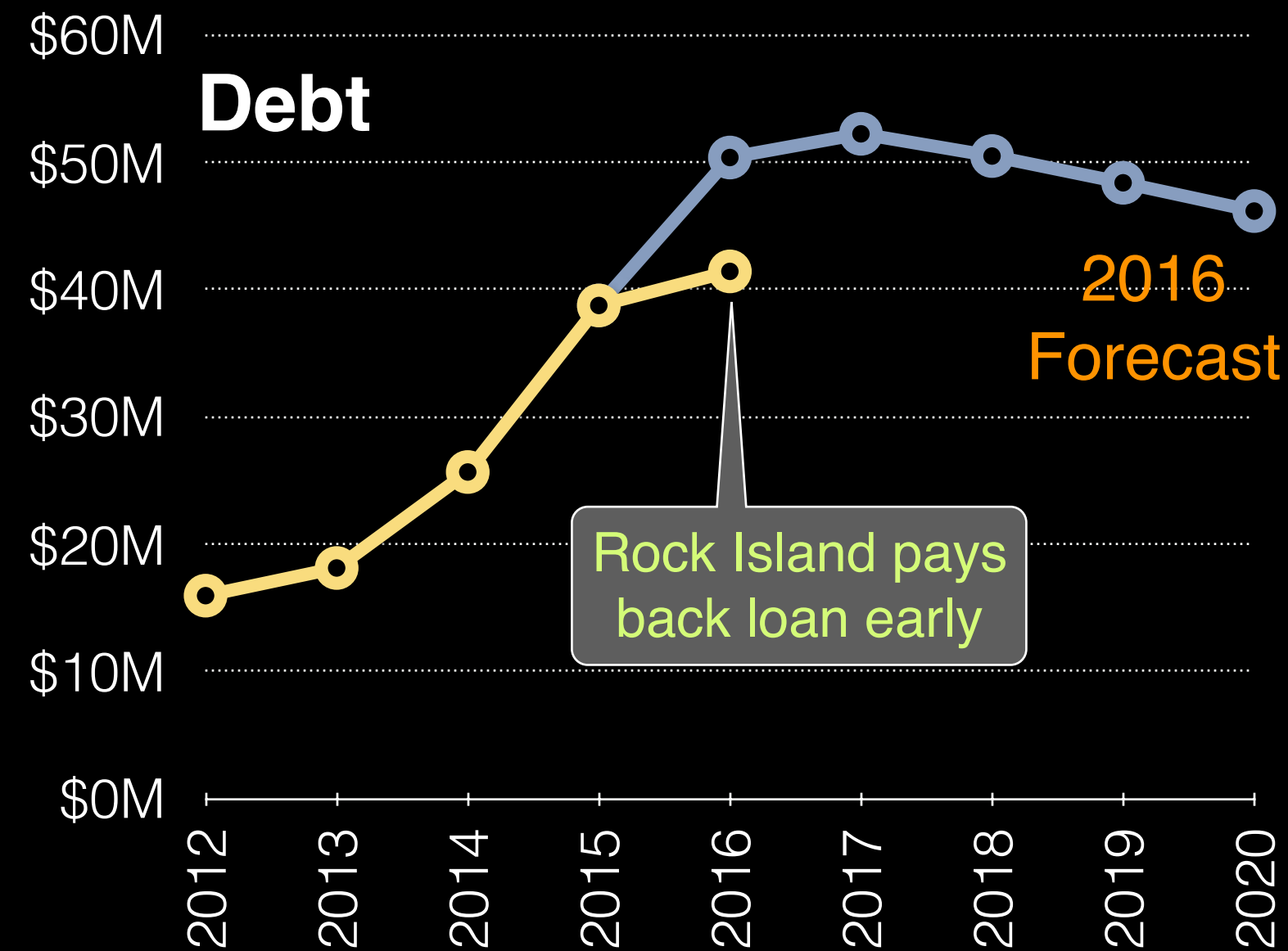
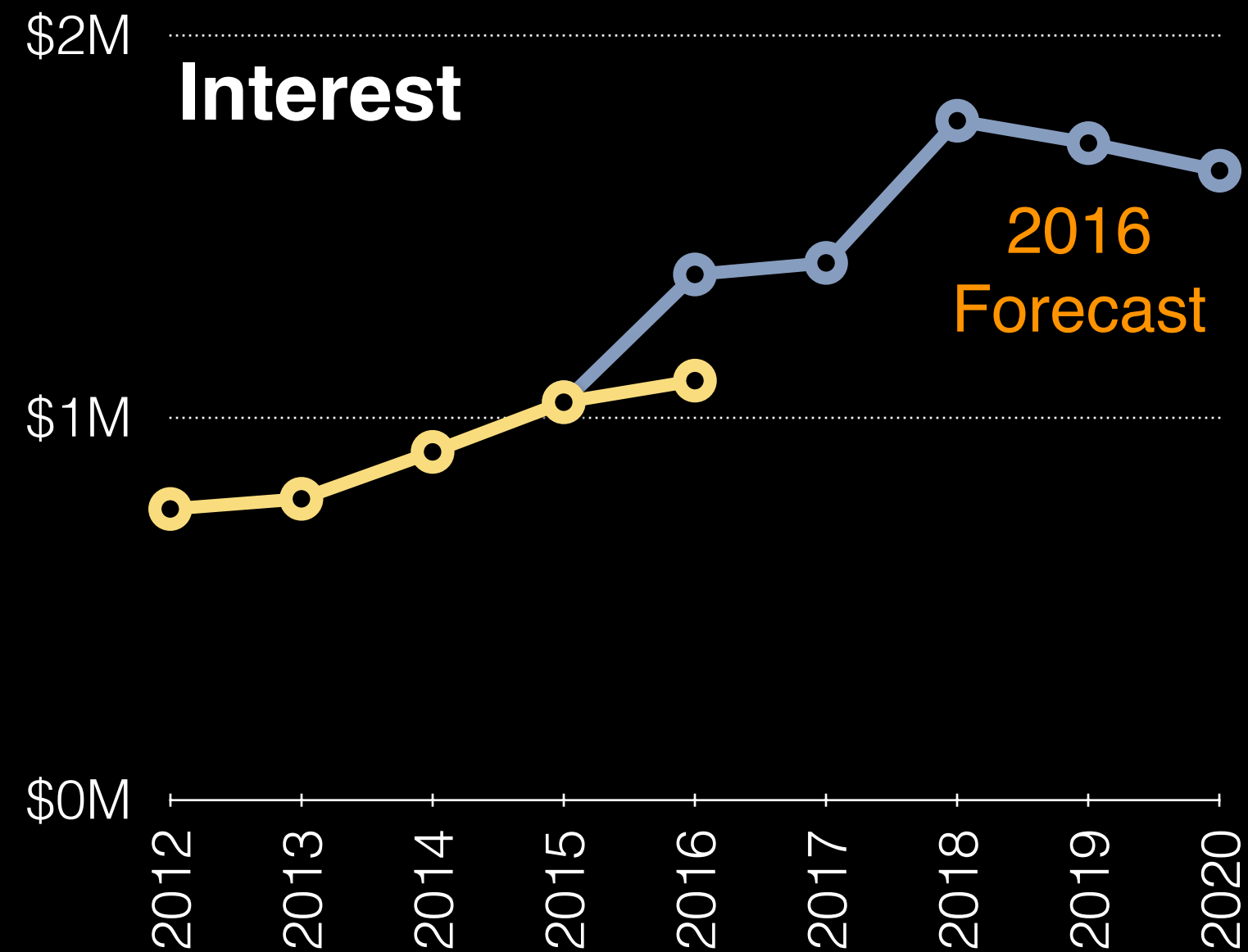
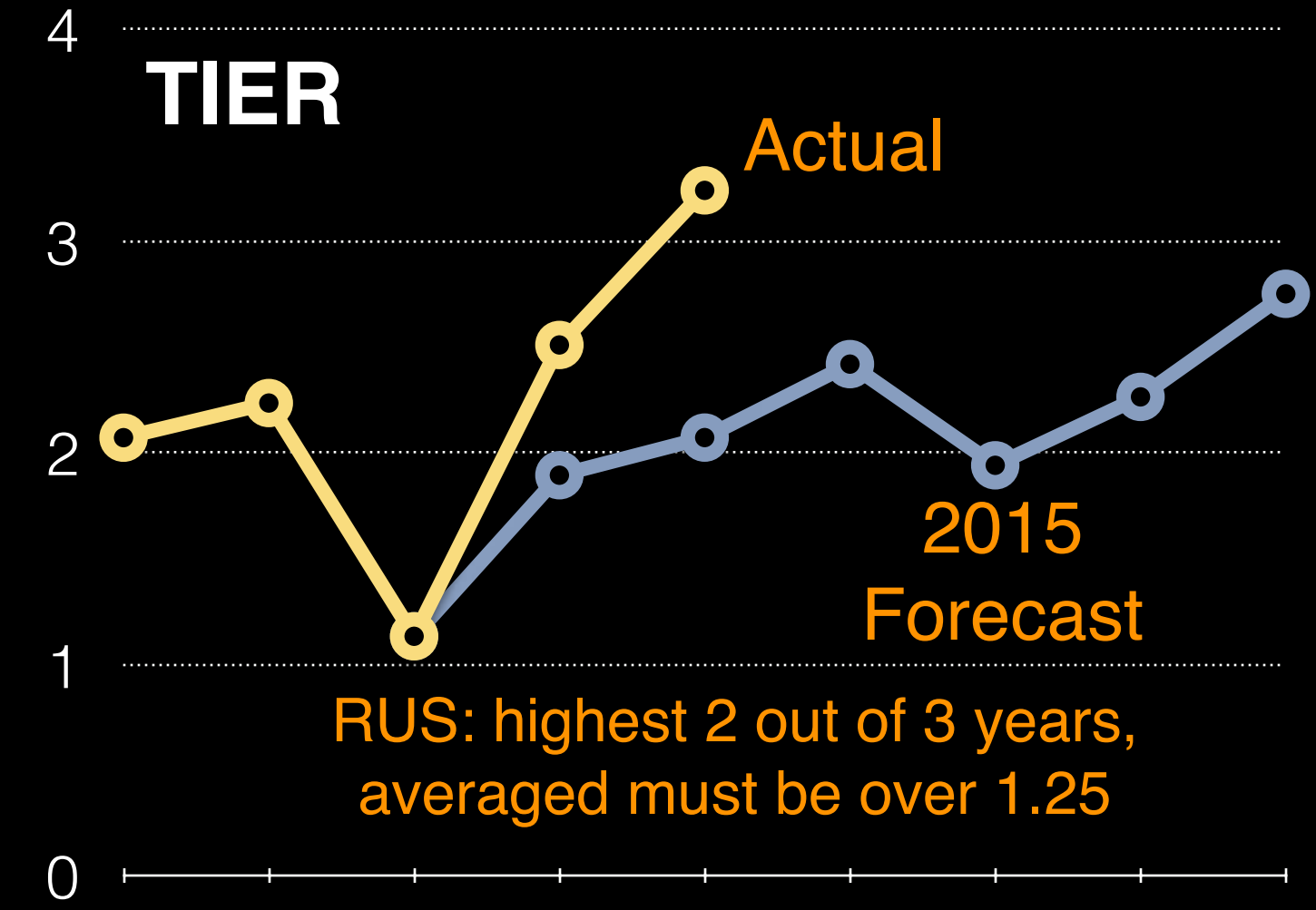
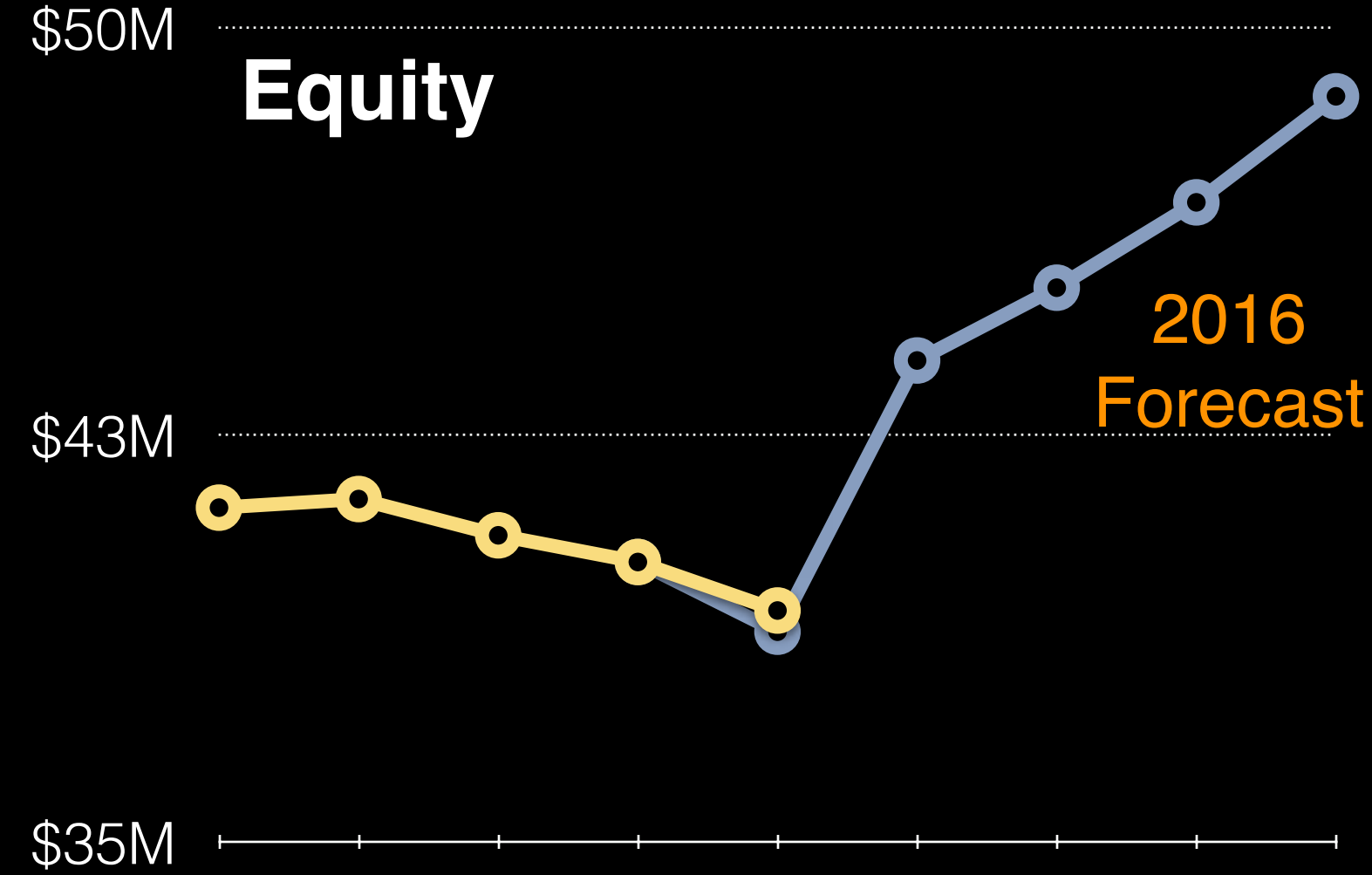
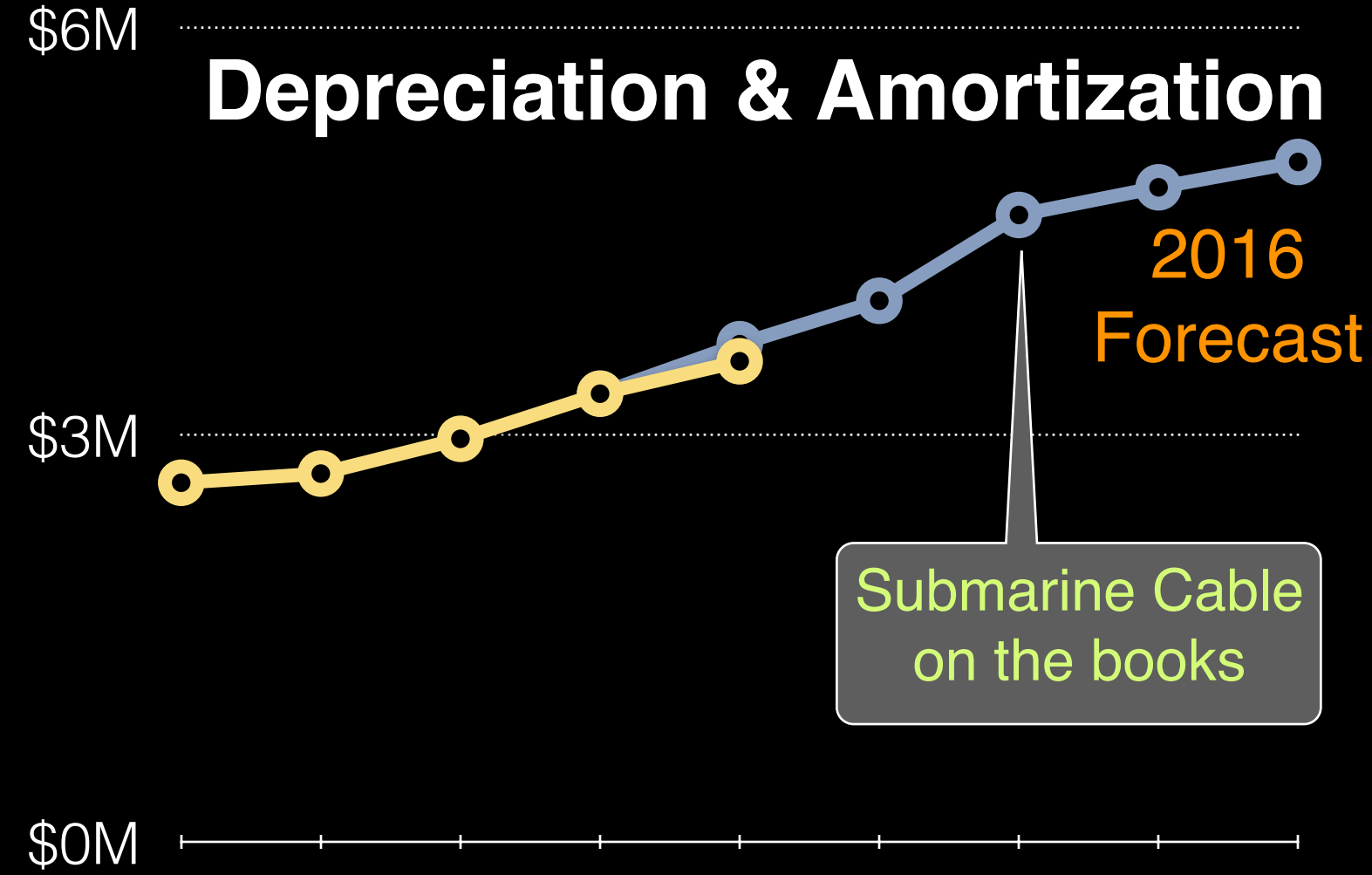
## Total Capital Projects



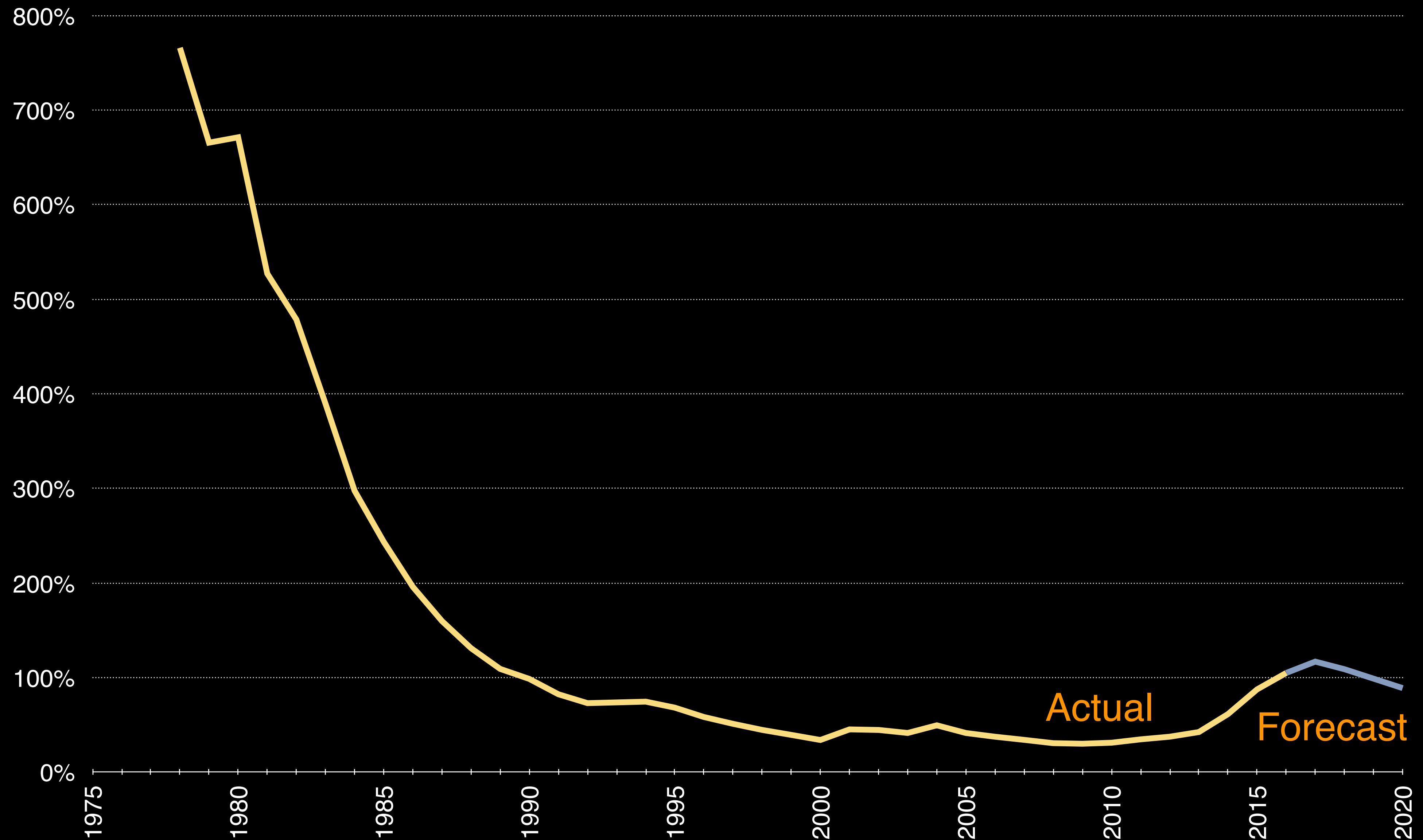
## Headline

- Transmission: peak is Lopez San Juan submarine cable
- Distribution: Normal undergrounding to improve reliability, Decatur substation upgrade, community solar project
- Grid Control Backbone: Expansion to improve
  - reliability
  - field communications
  - preparing for intermittent local renewable energy resources

# 2016 Actual and Forecast: Financial Metrics

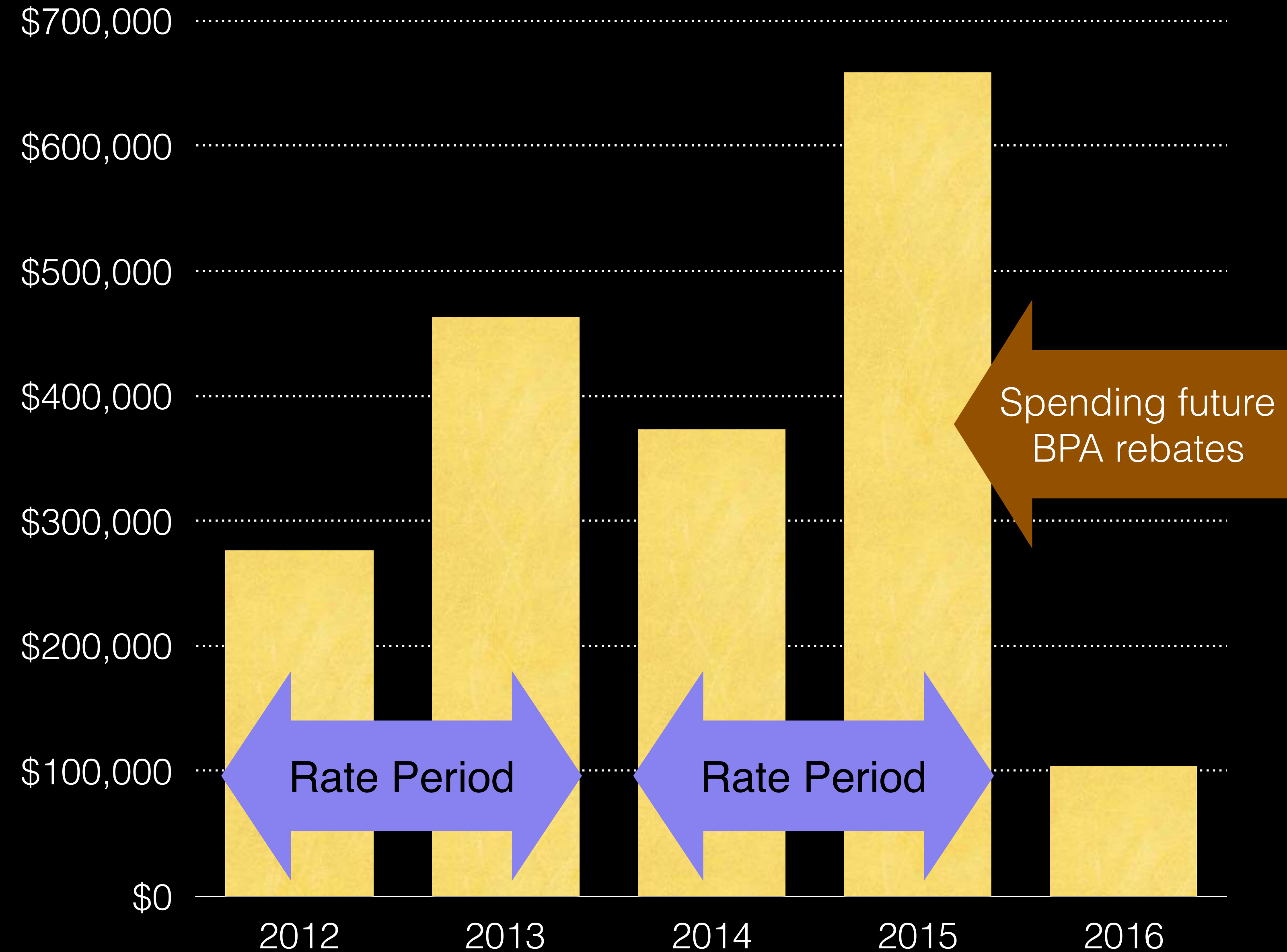


# Debt Equity Ratio





# Energy Savings Department Expense



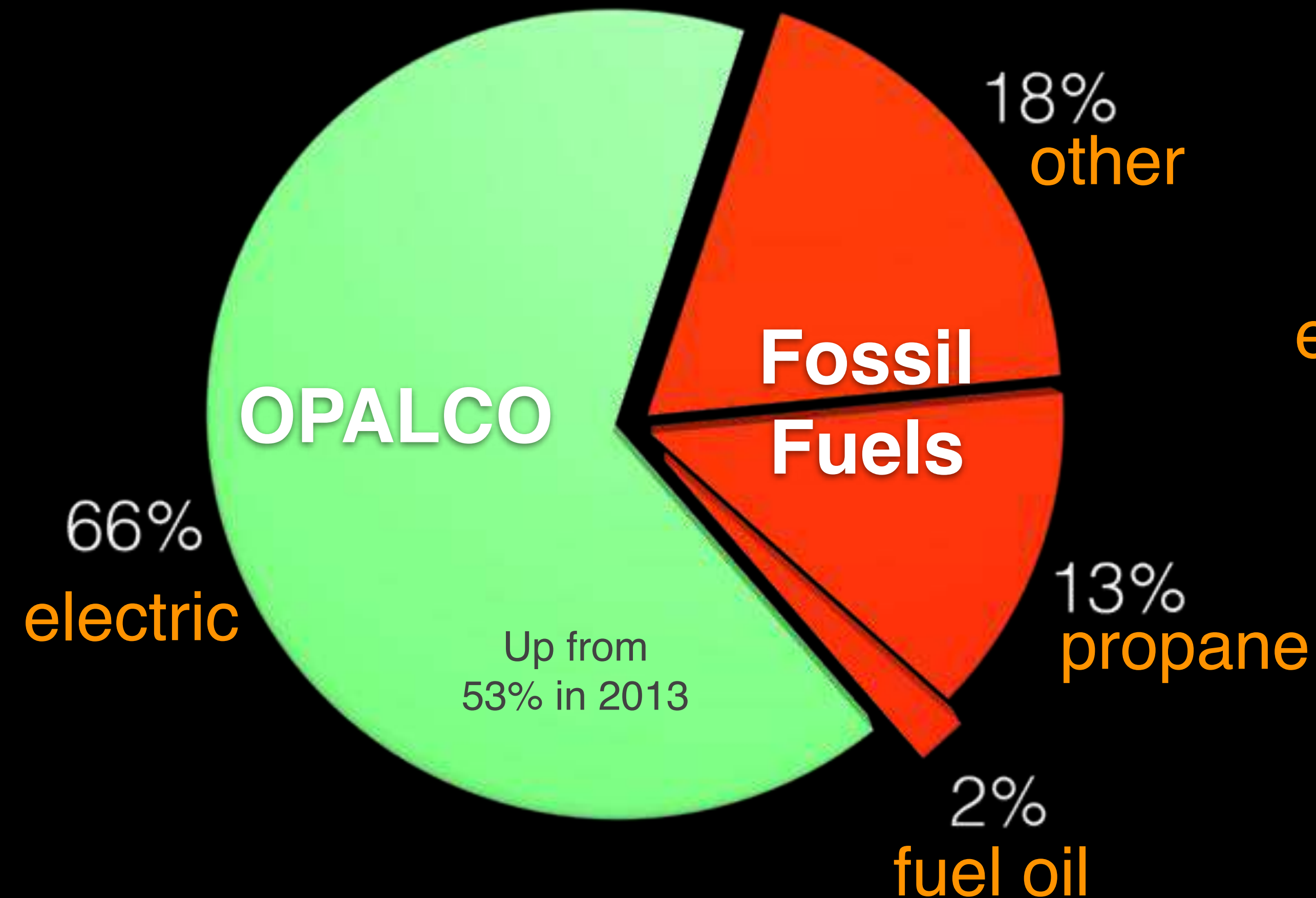
## Notes:

- OPALCO rebate programs continue to be very popular and successful.
- Two year rate period.
- Stockpiled 2013 and submitted in 2014.
- In 2015, we rebated two years of rebates in one year, so BPA EEI funding for 2016 is completely spent.
- For 2016, according to BPA, we went through our allocation faster than most other utilities.
- For 2017, as with 2013, we will start stockpiling again until the next allocation of EEI funds.

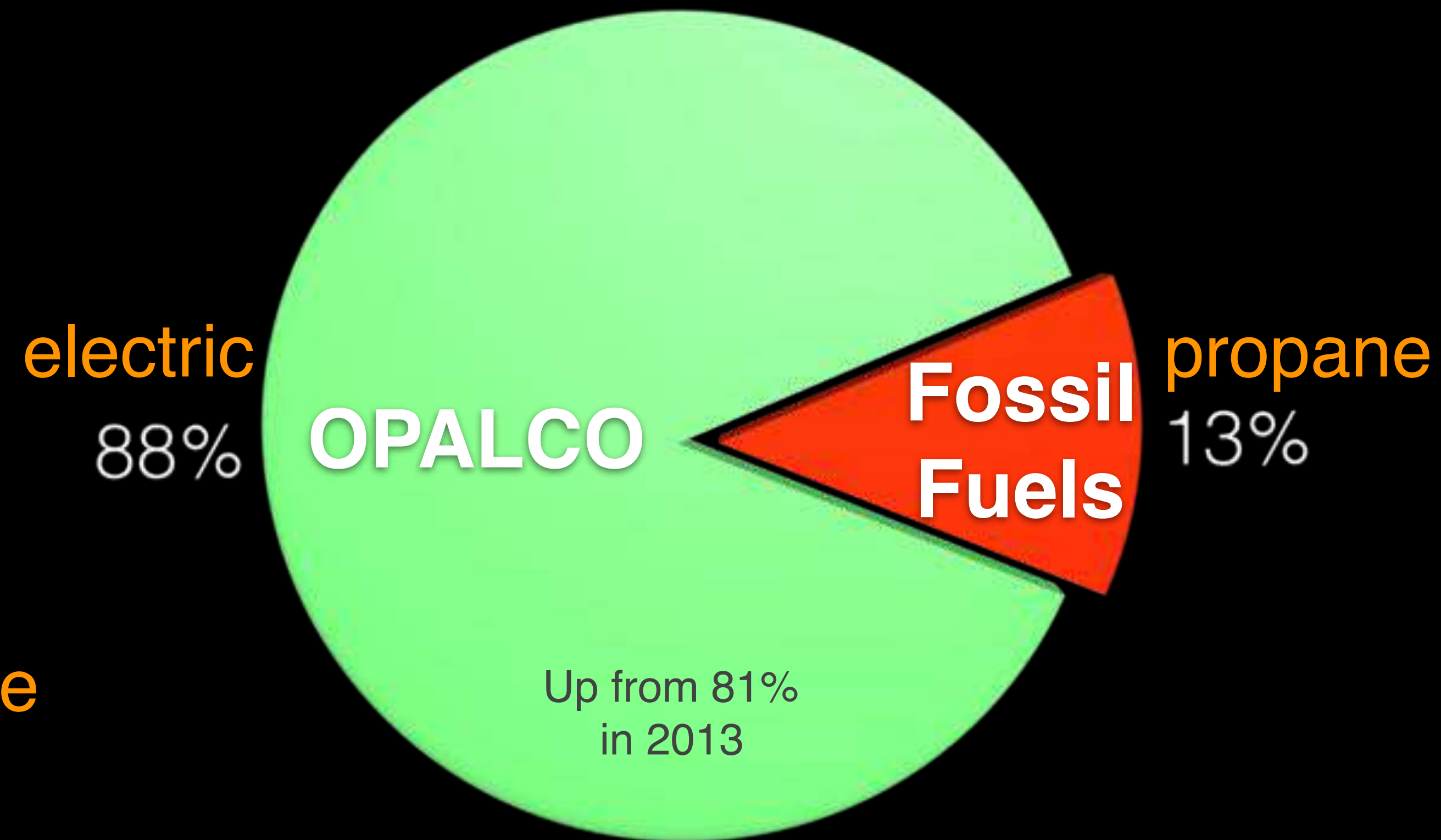
# San Juan County Heating Fuels Market Share

*fossil fuels are losing market share due to their higher cost and carbon footprint*

## Heating



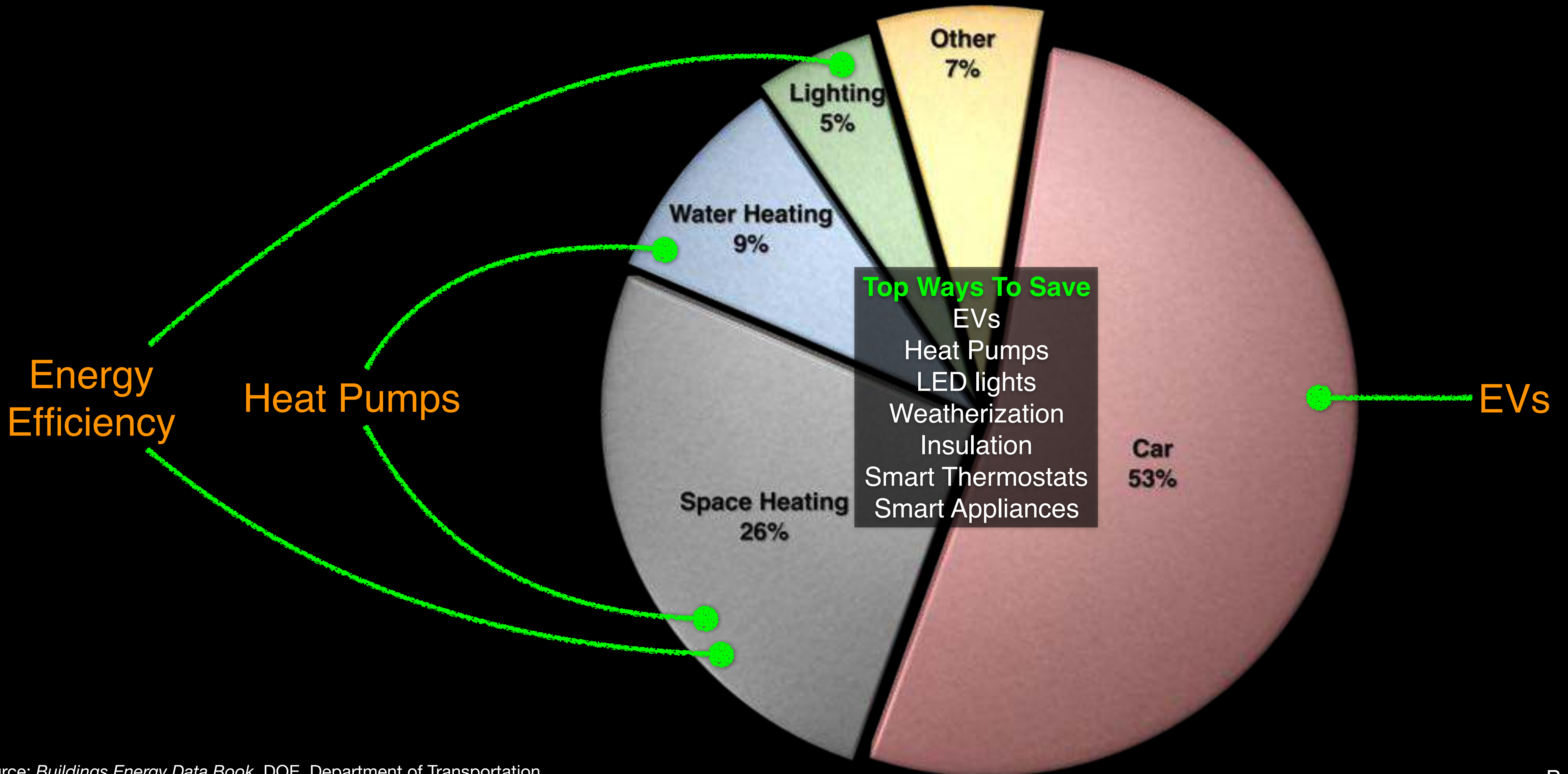
## Water Heaters





# Avg. San Juan County Residential Primary Energy End-Use

*Top 4 = 93% of home energy use*



# Two Sides of the Same Coin

## Fuel Switching

switching from fossil fuels to  
electric heat and transportation

reducing energy waste

## Energy Efficiency

*In cold years, excess revenue finances future efficiency programs, reducing energy waste (and revenue).*

*In warm years, invest in fuel switching to keep revenues healthy and reduce carbon footprint.*

Each feeds and necessitates  
the other...

	Co-op Revenue	Co-op Benefit	Co-op Member Total Energy Bill	Co-op Member Carbon Footprint
Fuel Switching	Increases	finances efficiency programs	much smaller	much smaller
Energy Efficiency	Decreases	reduces need for additional power resources	smaller	smaller



# OPALCO Electricity: Lowest Cost, Cleanest, Most Sustainable

	Annual Heating Cost	Annual Driving Cost	Low Carbon	Local Sustainable Options	Energy Efficiency Programs	Energy Assistance Programs	Co-op Nonprofit
OPALCO	\$527 (ductless HP)	\$260 (Nissan Leaf EV)	✓	Solar, Tidal, Wind, Micro-hydro	✓	✓	✓
Propane	\$3,278 (furnace)		✗	✗	✗	✗	✗
Fuel Oil	\$2,320 (furnace)		✗	✗	✗	✗	✗
Gasoline		\$1,346 (26 MPG car)	✗	✗	✗	✗	✗

Assumptions

Cost

Electricity 9.55¢ / kWh; Propane \$3 / gallon; Fuel Oil \$3 per gallon; Gasoline \$3.50 per gallon

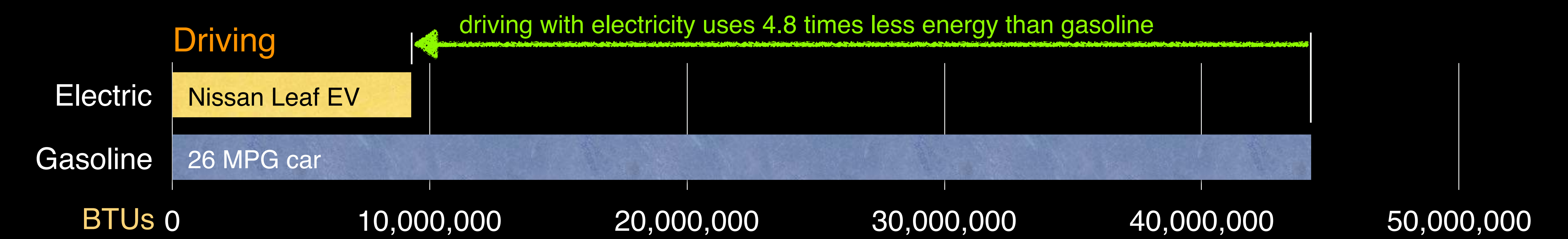
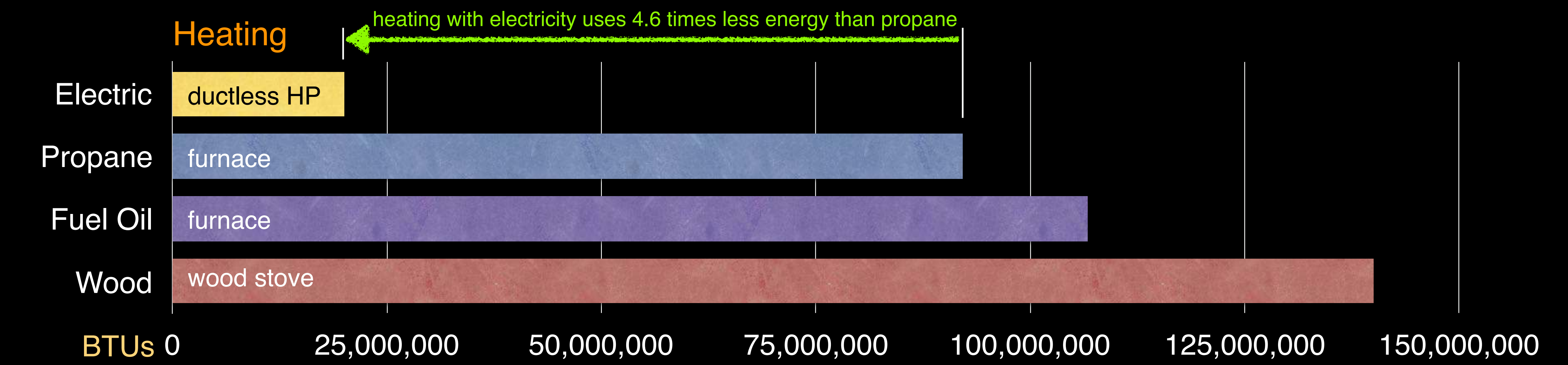
Heating

70 million BTU per year; Electric Ductless Heat Pump 350% eff.; Propane Furnace 95% eff.; Fuel Oil Furnace 82% eff.

Driving

10,000 miles per year; Electric 4 MPkWh EV; Gasoline 26 MPG car (US national average)

**Total** Efficiency Comparison: *Fuel Switching to Electricity uses over 4 times less energy for heating and driving*



**Efficiency** convert all fuels to BTU to compare fuel required for given heat load or driving distance

**Assumptions**

**Heating** 70 million BTU per year; Electric Ductless Heat Pump 350% eff.; Propane Furnace 95% eff.; Fuel Oil Furnace 82% eff.

**Driving** 10,000 miles per year; Electric 4 MPkWh EV; Gasoline 26 MPG car (US national average)

*Thank You*