



**BOARD OF DIRECTORS  
REGULAR MEETING  
June 21, 2018 8:30 a.m.  
Eastsound OPALCO Office**

**TRAVEL**



***Via Island Air***

378-2376

**To:**

Leave FH 7:45 a.m.

Lopez 8:00 a.m.

Arrive Eastsound 8:15 a.m.

**Return:**

Leave Eastsound 2:00 p.m.

Arrive Lopez 2:15; FH 2:30 p.m.



***Via Ferry:***

**To:**

Leave FH 6:10 a.m.

Lopez 6:55 a.m.

Shaw 7:15 a.m.

Arrive Orcas 7:35 a.m.

**Return:**

Leave Orcas 3:10 p.m.

Arrive Shaw 3:25 p.m.

Lopez 3:45 p.m.

Leave Orcas 4:30 p.m.

FH 5:10 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Board Meeting  
Eastsound OPALCO Office  
June 21, 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.*
- Olga Darlington, Moss Adams LLP
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**ACTION ITEMS**

- 3-6** ○ Consent Agenda
- 7-8** ○ Audit Presentation – Olga Darlington, Moss Adams LLP (subsequent to Review in Executive Session)

**DISCUSSION ITEMS**

- 9** ○ Rates Review: Cost of Service Analysis
- 10-11** ○ Safety: Commitment to Zero Contacts Initiative
- 12** ○ Board Updates:
  - Washington Rural Electric Association (WRECA) Annual Meeting
  - Northwest Public Power Association (NWPPA) Annual Meeting
- 13-18** ○ Background for New Board Members
  - Capital Credits Planning
  - Debt/Equity Strategy
  - Rock Island Loan Guarantee
  - Staff Compensation

**REPORTS**

- 19-21** ○ General Manager

**APPENDIX**

- 22-27** ○ PNGC Newsletter – May

**ADJOURNMENT**

Executive Session: Legal, personnel

MEMORANDUM

June 15, 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:

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June	
Customer #	Amount
32884	\$ 999.86
67114	\$ 1,064.30
83153	\$ 192.79
<b>Total</b>	<b>\$ 2,256.95</b>

- RUS 219s *Inventory of Work Orders* of projects completed from the Construction Work Plan totaling \$187,882.17. These forms are submitted to RUS for approval of loan funds.  
*Inventory 201804 minor projects*

Staff requests a motion to approve the Consent Agenda.

**Orcas Power & Light Cooperative**  
**Minutes of the Board of Directors Meeting**  
**Thursday, May 17, 2018**

President Vince Dauciunas called the meeting to order at 8:50 a.m. at the Friday Harbor OPALCO office. Board members present were Rick Christmas, Peter Garlock, Mark Madsen, Brian Silverstein, Jeff Struthers and Jerry Whitfield. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Head Accountant Travis Neal, Counsel Joel Paisner, Rock Island Communications (RIC) EVP Gerry Lawlor, RIC CFO/SVP of Finance Chris Schmidt, RIC VP of Finance Laura Watson, RIC SVP of Engineering Alan Smith, Consultant Jay Kimball 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**

Christmas and Struthers were welcomed to the Board of Directors.

**OFFICER ELECTIONS**

As required by OPALCO bylaws, officers were elected for the President, Vice President, Secretary, and Treasurer positions. After nominations and voting by ballot, the results were: President Vince Dauciunas, Vice-President Jerry Whitfield and Secretary-Treasurer Brian Silverstein.

**CONSENT AGENDA**

- **Motion** was made and seconded to approve the Consent Agenda, including April 19, 2018 minutes, new members as listed with the Board materials, capital credit payments totaling \$338.31 and RUS 219s totaling \$1,080,295.20. Motion carried by voice vote.

**BYLAW REVISION**

The recommended revisions will allow streamlined conference call and/or email actions by the Board. Any action taken outside a regular Board meeting will be memorialized for the record at the subsequent board meeting.

- **Motion** to approve revisions as presented to Article IV Section 2 *Special Meetings*, Section 3 *Notice* and to delete Article IV Section 6 *Actions by Written Consent and Telephone or Other Electronic Means*. Motion carried by voice vote.

**WASHINGTON DC LEGISLATIVE UPDATE**

Ashley Slater, PNGC VP of Government Affairs, presented an update of legislative action taken recently in Washington DC. HR 3144 language was crafted by Slater and others that will protect access to renewable, clean and reliable federal hydropower while mitigating hydropower impacts and protecting Endangered Species Act listed salmon populations. Board consensus was to support HR 3144; Slater will send language to include in letters of support to the legislators.

**SAN JUAN COUNTY COMPREHENSIVE PLAN**

A workgroup was formed to aid in guiding the San Juan County comprehensive plan update. This workgroup is comprised of individuals and organizations collectively representing thousands of islanders. Several notebooks of reference materials assembled by staff were presented at the Joint Planning Commission and County Council Meeting on May 18<sup>th</sup> on San Juan. Board consensus was to support the effort of the workgroup to help influence the energy related Comprehensive Plan (siting renewable energy projects, electrification of heating and transportation, carbon reduction, increase energy efficiency standards, etc.)

**LOPEZ ISLAND POOL**

Silverstein gave an update on the Lopez Island swimming pool project with a focus on exploring more efficient approaches to heating the building and pools. While there is no OPALCO Energy Savings program specifically for this application, the Board is interested in discussing support for heat pumps as alternatives to propane or other carbon-based fuels.

The engineer for the Lopez pool project, Wardell Architects, will have a conversation with OPALCO staff. Because this is new territory, any support for funding by way of incentives would require a vote by the OPALCO Board.

**ANNUAL MEETING RECAP**

The 2018 annual meeting was held on the interisland ferry with 294 attendees, including 178 members. Cost saving measures included the interisland ferry (no passenger fares), fewer annual reports printed, fewer paper ballots, less time for caterers as they were only on the three ferry docks, no charter boat for the San Juan Island members, no overnight stays for staff, and fewer staff aboard the ferry. Cost savings over 2017 was about \$30,000.

**RATES: LONG-RANGE FINANCIAL PLAN**

In preparation for the work session to take place Friday, May 18, staff presented a high-level summary recap of the long-range planning materials that were presented in March.

**REPORTS**

**2018 Q1 Financials**

Staff presented the Q1 financials. Warmer weather was the primary driver of the overall revenue variance of -5%. This was partially offset by the related decrease in purchased power of 4%, resulting in a decreased margin of (\$317k). RIC Staff presented the 2018 Q1 financials for RIC, outlining lessons learned from the LTE network.

**General Manager**

Hildreth reviewed the General Manager’s Report.

**ADJOURNMENT**

Meeting adjourned at 12:32 p.m.

**RATES: WORK SESSION – MAY 18**

This work session was to discuss long-range financial planning. No meeting minutes were taken.

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Vince Dauciunas, President

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Brian Silverstein, Secretary-Treasurer

## NEW MEMBERS – May 2018

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

1. Angle, Joshua & Haines, Dawn
2. BL Berger LLC
3. Chapman, Chris & Cristi
4. Chedester, Denise & Hughes, Kenneth S
5. Choi-Ray, Stella
6. Gillette, Jeffrey E & Pamela
7. Guerrero, Leonardo & Ward, Alexis
8. Heal, George
9. Heath, Jordan
10. Hoxie Huggins Construction
11. Kane, Kathleen & David
12. King, Jenna
13. Leland, Ryan
14. Nessler, Kaelen
15. Person, Tim
16. Sandmeyer, Matt
17. Steele, Gary
18. Wachholz, Christopher & Sousa Pereiroi,  
Sonia
19. Wynne, Douglas

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

20. Bilokur, Andre & Bittner, Patricia
21. Bouchard, Brad & Alexis
22. Brahce, Brita
23. DDG Properties LLLP
24. Dugan, Nicholas & McCleary, Heather
25. Irwin, Elaine & Rorabaugh, Robert
26. Kruger, Jessica
27. LL Newhall LLC
28. Timmins-Schiffman, Emma & Elad, Ronen
29. Velasquez, Mariebeth

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

30. Blomquist, James
31. Brashers, Bart & Margaret
32. Davis, Krista & Jack
33. Gloria Gardens
34. Killough, T Colleen
35. Meissner, Meike
36. Oles, Douglas & Alida
37. Perkins, Ruth
38. Shaw, Heather
39. Starbuck, John & Martin-Starbuck, Monic

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

40. Johnson, Tracey

## MEMORANDUM

June 15, 2018

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: 2017 Financial Statement Audit Report

Orcas Power & Light Cooperative and Subsidiary Report of Independent Auditors and Financial Statements for December 31, 2017 and 2016, as audited by Moss Adams LLP, will be presented and discussed at the June 21 Board meeting. A draft of the findings will be sent separately from the regular Board packet, with the final report presented at the regular Board meeting in June. Please note the 2017 year-end financial information was previously reviewed at the March 2018 Board meeting no material changes have occurred since the March financial presentation. Once approved by the board, the audit report will be posted in OPALCO's online resource library.

Representatives of Moss Adams were onsite in the Eastsound office the week of March 26-30. Olga Darlington, Business Assurance Partner, will be attending the June 21 board meeting to review the firm's audit findings and answer questions posed by the Board.

### **Understanding the Consolidated Financial Statements vs. OPALCO only:**

Separate company financial statements were presented at the March meeting and the final consolidated audited financial statements are being presented to the Board at the June board meeting. Below is a narrative that describes some of the main comparisons between the OPALCO and Rock Island separate company financial statements and the consolidated statements.

#### Key takeaways:

- OPALCO and Rock Island received an "Unmodified" opinion, which is the highest level of opinion.

#### Consolidation methodology:

- At the March board meeting, OPALCO and RIC presented their year-end financials separately. As OPALCO owns 100% of Rock Island, accounting standards require that our audited financial statements be on a consolidated basis.
  - The first statements presented in audit report (Income Statement, Balance Sheet & Cash Flows) and the associated notes to the financial statements combine both OPALCO and Rock Island.
  - The 'Supplementary Information' section of the statements (starting on page 21 of the audit report) is the consolidation where you can see the companies broken out individually and the related consolidating entries.
  - Note that for 2017 and each year, the margin to be allocated to members is equal to the OPALCO only margin, not the consolidated amount that includes Rock Island.

Upon the conclusion of the audit review and board discussion, staff requests that the board make a motion to approve OPALCO's Independent Auditors' Report and Financial Statements for December 31, 2017 and 2016, as audited by Moss Adams LLP.



## MEMORANDUM

June 15, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Rates Review – Cost of Service Analysis

Staff has selected Guernsey to perform the Cost of Service Analysis and our kickoff meeting is scheduled for next week. Staff is working with our website designer to develop and integrate a high level residential rate calculator on the website. For those members who wish to dive into the details of our residential rate, staff will schedule be holding a detailed residential rate model training session (date to be determined). There will be a presentation for the Cost of Service Study in the August Board Meeting. There is no board action required this month.

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): August 2018
- e. Rate Structure Review that Supports the COSA: September 21, 2018 Work Session
- f. Rate Structure Approval: October 2018

## MEMORANDUM

June 15, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Commitment to Zero Contacts Initiative

OPALCO's commitment to safety is strengthened by the NRECA Zero Contacts Initiative, monthly all-staff safety field days, RESAP (Rural Electric Safety Administration Program) best practices and community outreach.

NRECA and Federated Rural Electric Insurance Exchange introduced the Commitment to Zero Contacts Initiative, providing cooperative CEOs, senior leaders and field personnel with ideas and resources they need to help eliminate injuries by electrical contact. Launched at the 2018 NRECA Safety Leadership Summit in late April, the voluntary initiative targets the alarming rate of serious injuries and fatalities (SIFs) among co-op line workers. A briefing was given at the WRECA annual meeting in Wenatchee this month.

Jeff Meyers, our safety administrator, is integrating the Zero Contacts materials and tool sets into our safety systems, blending the program with our existing RESAP best practices. We are working with OPALCO's Safety Committee to assure the line crews truly adopt the practices.

OPALCO joined the RESAP program in 2014. It is a comprehensive safety program whereby neighboring co-ops provide peer reviews and audit each other's safety programs. OPALCO and Columbia REA have been leading the charge to get more Washington co-ops to embrace the more rigorous safety standards contained in the RESAP program. Our crews hold safety tailgate meetings for each project or restoration mission where multiple line crew members are involved. We are working the Safety Committee to establish written documentation as a more standard practice.

In January of 2018, OPALCO began monthly all-staff safety field day events. In order to include all employees, OPALCO closes its offices for the day (or half-day for those who don't have to travel) and presents various topics related to safety and greater understanding of the full scope of utility operations. For example, in May OPALCO hosted a distracted driving demonstration that included a sobering presentation from the Sauer family who lost an adult daughter to texting while driving. It includes an obstacle course where participants try to text while pedaling adult trikes to demonstrate the potential for harm. This presentation was also shared with three San Juan County high schools along with messages about OPALCO's commitment to safety.

OPALCO linemen take the safety board demonstration to area schools and distribute safety activity books to elementary age students. Safety is the central theme of our County Fair booth and outreach materials. The 2018 fair booth will include the safety board demo, safety gear dress-up station and a safety pledge activity for kids with take-home materials and swag to reinforce the messages.

Watch video "[A Lineman's Call: The Story of Jeremy White](https://youtu.be/TmfZQhY9-Qg)":  
<https://youtu.be/TmfZQhY9-Qg>

Hildreth has made the Zero Contacts pledge and requests the Board make the pledge at the June meeting.

MEMORANDUM

June 15, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Board Updates

NWPPA held its annual meeting in Boise, Idaho May 21-24. Directors Dauciunas, Christmas and Struthers attended.

WRECA held its annual meeting in Wenatchee, WA June 4-6. Directors Christmas, Silverstein, Struthers and Whitfield attended.

Highlights of each of these meetings will be shared by the attendees at the June Board meeting.

# MEMORANDUM

June 15, 2018

TO: Board of Directors  
FROM: Foster Hildreth  
RE: Background for New Board Members

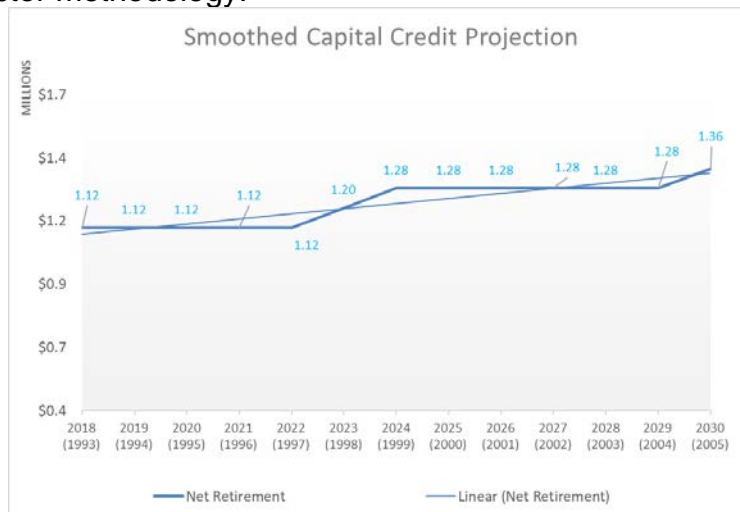
The purpose of this memo is to provide background for new board members, upcoming budget discussions, and address member inquiries. Topics are capital credit planning, debt/equity strategy, and staff compensation philosophy.

## CAPITAL CREDITS PLANNING

The seven cooperative principles that govern co-ops include “Members’ Economic Participation.” Each year, our non-profit member-owned cooperative allocates any margins available at year end to each members’ account to be paid back in the form of capital credits after 25 years. Capital credit allocations represent members’ equity in the Co-op. Every summer, members get a statement in their bill that indicates the amount of capital credits accrued under the account and, the capital credit distributions – actual checks in the mail – are typically made each December, with Board approval based on Co-op finances.

After board approval of the audited financial statements, we allocate OPALCO’s net margin to all members based on their proportion of electric revenue contribution for that year. For example, in 2018 the 2017 margin of \$3,399,289 will be allocated to all member accounts that contributed electric revenue in 2017.

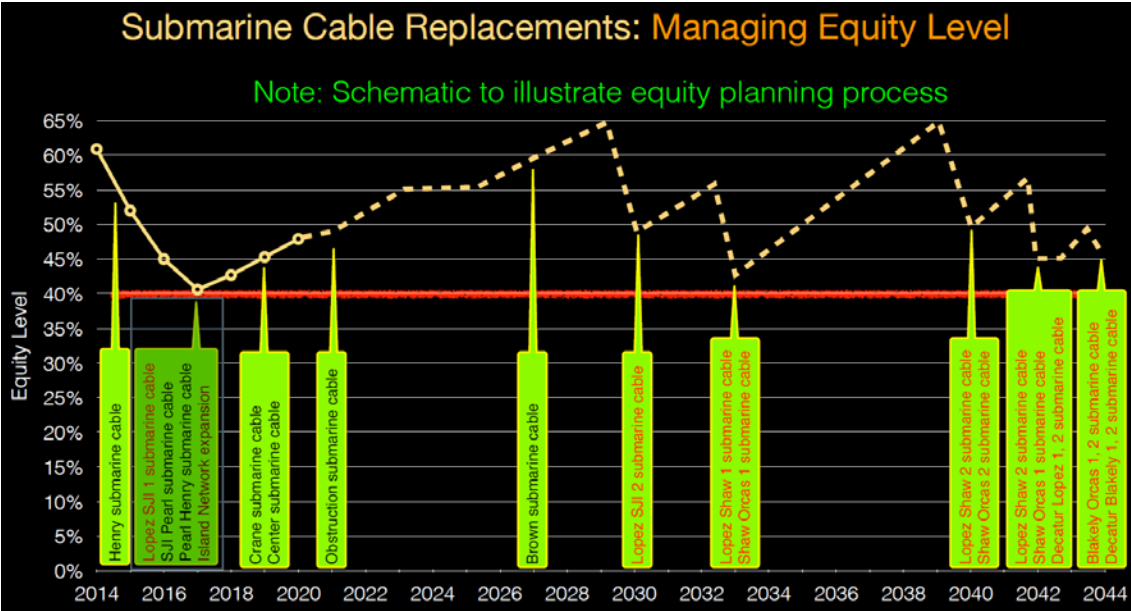
In November 2017, the board updated the recommended retirement methodology to smooth the retirements such that we not only stay ahead of the 25-year retirement schedule, but also avoid such volatile fluctuations in margins, cash and equity stemming from capital credit retirements. The below graph presents the projected retirements using the smoothing factor methodology.



# DEBT/EQUITY STRATEGY

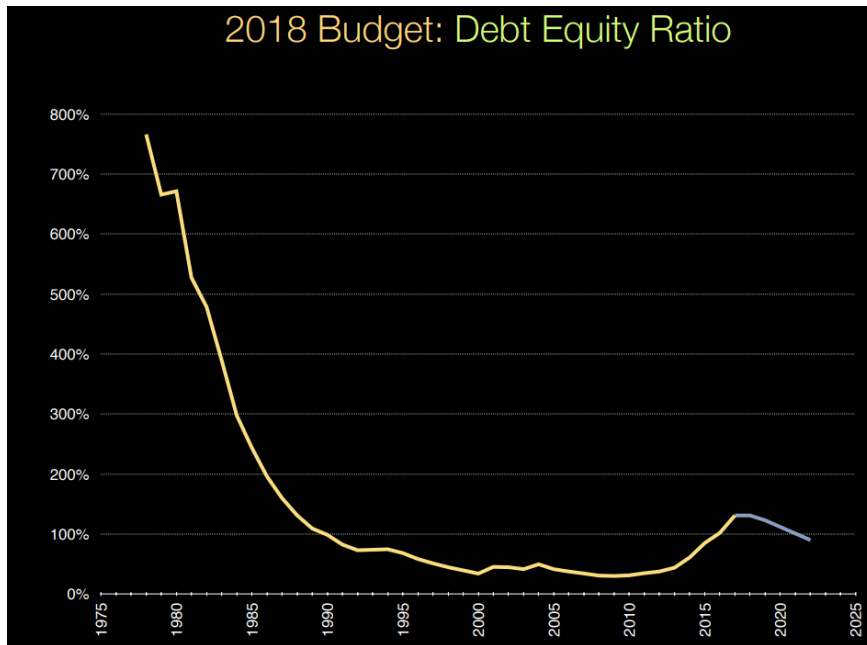
As a part of OPALCO’s long-range planning process, we conduct a comprehensive review and forecast of debt, equity and cash balances to fund all of our capital project needs. The Board of Directors reviews the status of this plan on a quarterly basis.

There is a very consistent rise and fall pattern of debt and equity throughout OPALCO’s history and that is typical among rural cooperative utilities: 1) rising equity to build toward major capital expenses – particularly submarine cable projects – during which the debt ratio falls; 2) a cycle of rising debt as each project gets funded with loans, built and capitalized – during which the equity ratio falls; and 3) followed by a recovery period of rising equity ratio and falling debt ratio as we prepare for the future capital projects. See slide below for a conceptual snapshot of our equity as a % of capitalization.

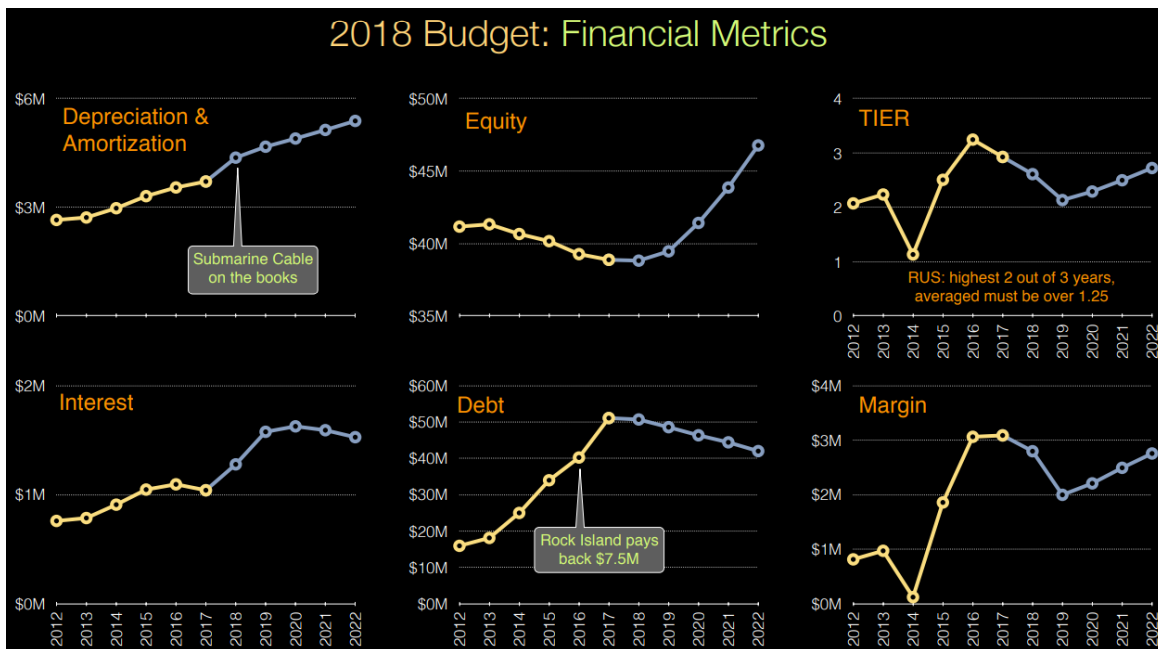


OPALCO’s ability to borrow funds for capital projects is based on its TIER (times interest earned ratio), which is closely monitored by OPALCO’s primary lender, the USDA/Rural Utilities Service (RUS). RUS consistently finds OPALCO’s TIER to be acceptable and healthy.

Our current forecast (2018 Budget Executive Summary) shows equity trending upward and borrowing slowed (2018-2022) as we prepare for the next submarine cable replacement project post 2030. The chart below shows our debt to equity ratio since 1975.



Note the 2018 budget financial metrics below (as well as the recently completed 20-year long-range financial plan) forecasts debt decreasing in upcoming years as we build equity in preparation for our future major capital expenditures (i.e. local generation resources, submarine cables).



For more detailed information, please review the following links:

- OPALCO 2018 Budget Report
  - [www.opalco.com/wp-content/uploads/2017/11/2018-Budget-Report.pdf](http://www.opalco.com/wp-content/uploads/2017/11/2018-Budget-Report.pdf)
- OPALCO 2018 Budget Summary Presentation
  - [www.opalco.com/wp-content/uploads/2017/11/2018-Budget-Presentation.pdf](http://www.opalco.com/wp-content/uploads/2017/11/2018-Budget-Presentation.pdf)
- OPALCO 2017 Budget Report

- [www.opalco.com/wp-content/uploads/2018/05/2017-Budget-Report\\_Updated-Rate-Chart.pdf](http://www.opalco.com/wp-content/uploads/2018/05/2017-Budget-Report_Updated-Rate-Chart.pdf)
- OPALCO Budget Insights Presentation
  - [www.opalco.com/wp-content/uploads/2016/12/2017-Budget-Insights\\_Budget-Forecast-2.pdf](http://www.opalco.com/wp-content/uploads/2016/12/2017-Budget-Insights_Budget-Forecast-2.pdf)

## ROCK ISLAND LOAN GUARANTEE

In 2016, Rock Island was able to prove their viability with a conservative business plan which allowed them to refinance the start-up loan from OPALCO through a third-party lender. Rock Island is an independent, for-profit wholly owned subsidiary of Orcas Power and Light Cooperative. Rock Island capital investment and operational start-up funding comes from a separate lender. The electric rates of the cooperative membership do not and will not support Rock Island operations and/or capital investment from this point forward.

OPALCO did place a guarantee on this new RIC debt, and has guaranteed much of the debt taken by Rock Island up to this point. It is very important to note that Rock Island is an investment by OPALCO, and the debt required to establish the start-up also comes with a revenue stream that is sufficient to pay the related principal and interest.

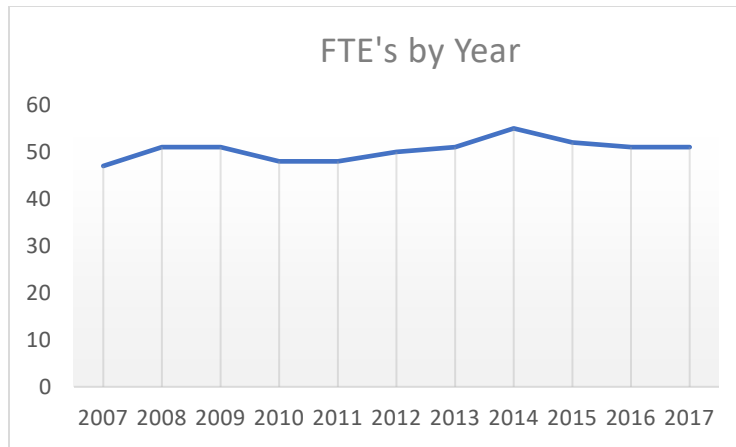
Rock Island anticipates seeing its first months operating at a cash positive by year-end 2018, breakeven through 2020, and profitability from 2021 and beyond. Starting in 2021, the OPALCO Board will have the opportunity to redirect RIC profits back to the Co-op or reinvest RIC profits by connecting more members with fiber to the home.

## STAFF COMPENSATION

OPALCO's wage philosophy is directly in line with our national network of electric cooperatives. OPALCO wages and salaries are industry standard, yet our cost of living is dramatically higher than most areas in the Pacific Northwest. OPALCO wage rates are on average ~1% lower than the industry rates in our region.

The electric utility industry is in the process of rapid transformation as grid modernization is required for integrating increasing amounts of intermittent renewable energy and innovative technologies to manage and balance changing loads. Utilizing technology and retaining highly talented personnel allows us to keep staffing levels flat/lower by doing more with less, we have remained at an average of 50 full time employees (FTE's) over the last 10 years and this level of staffing to remain consistent in the upcoming years.





This exciting period in the electric industry demands that we attract highly qualified, talented and dedicated personnel. OPALCO is committed to paying the staff competitive industry wages and recognizes how valuable it is to attract and hold excellent talent. OPALCO has been fortunate to attract and hire a very talented new generation of staff in key positions and must remain competitive to retain them in an environment where utilities nationwide are scrambling to find qualified employees.

OPALCO conducts comprehensive salary reviews each year, comparing salaries with peers in WA, Oregon, and PNW utilities to ensure they are consistent with industry standards.

As an example, here's the process the OPALCO Board goes through for evaluating the performance of our General Manager and determine his compensation:

#### PERFORMANCE REVIEW

The OPALCO GM is responsible for managing both OPALCO and OPALCO's subsidiary, Rock Island Communications. Our Board has chosen to have OPALCO's GM manage both operations and by performing dual management functions allows us to keep our collective costs down and provide mission critical continuity.

OPALCO's Board determines the Strategic Directives that provides the GM with the guidance, goals and objectives of how to manage OPALCO.

Each year, Board members fill out individual forms evaluating the effectiveness of the GM's performance based on the Strategic Directives, the most current being: safety, sustainability of power supply, reliability of electric services, member satisfaction, financial management (cash/asset availability, access to debt funding, equity as a % of capitalization), organizational culture (personnel, training and succession planning), completion of fiber/wireless backbone, and the operations of OPALCO's internet subsidiary, Rock Island Communications.

In January 2018, the Board went through the detailed review process and gave the GM high marks for successfully managing both OPALCO and Rock Island.

## COMPENSATION PACKAGE

With a successful performance evaluation complete, the Board concentrates on the GM's compensation. Actual GM compensation is based on comparisons to electric utility cooperatives of similar size located in the Pacific Northwest. The fact that OPALCO provides both electric and broadband services is also taken into account. In 2018, the Board reviewed GM compensation data from over 22 cooperatives (IRS Form 990 cooperative tax filings), and a publication listing 83 Northwest electric utilities. The Board also commissioned an independent wage analysis by a compensation consultant. All three independent wage efforts concluded that the GM's compensation falls well within the range of competitive market practices for GMs in organizations that are both similar and similarly situated to OPALCO in the Pacific Northwest.

After a thorough discussion of all related materials, the Board agreed and approved the GM's compensation.

All management staff go through similar annual performance reviews and industry wage comparison processes, as appropriate for their positions, to evaluate and determine their wage or salary. The wage rates of our union represented employees follow a collective bargaining agreement, which goes through its own prescribed comparison process every time our collective bargaining agreement is renewed.

## GENERAL MANAGER'S REPORT June 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 6/15/2018, there are 357 work orders open totaling \$11.4M. Operations has completed construction on 106 work orders, totaling \$1.8M.

#### **Safety**

Jeff Myers conducted the required annual training on substation safety. This training includes a review of hazards throughout the substation and the maintenance involved in continued safety within the substation fence. The total hours worked without a loss time accident is 72,538.

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

Initial testing on the breakers and transformer has been completed. Crew are completing the final steel and bus work. BPA is scheduling the end-to-end protection scheme for early July with energization shortly after.

### **FINANCE**

#### **2017 Year-End Audited Consolidated Financial Statements**

Moss Adams' representative Olga Darlington will be attending the June board meeting to present and answer any questions related to the content of the finalized 2017 audited financial statements. Once the Board has formally approved the final consolidated audit report, the 2017 audit report will be available on the website and the margin allocation process will be performed, with the notification to the membership on the June 30 and July 15 electric bills.

### **MEMBER SERVICES**

Staff will be welcoming a new Member Services Supervisor, Joseph (Joey) Brashier, who will be introduced to the Board during the June Board meeting.

#### **Project PAL**

Project PAL 2018-2019 award distribution season will begin during October 2018. Although ~\$2k of member support was collected during the month of May, bringing the total fund balance to ~\$21k, the total fund balance is ~\$10k lower than the same timeframe in 2017. The lower fund balance is primarily due to a combination of higher award amounts during the 2017-2018 season and lower member contributions.

#### **Energy Assistance**

During May 2018, 301 members received Energy Assist credits totaling ~\$9k, compared to 263 members totaling ~\$6.7k the same time last year. This equates to ~\$358 annually per participant or ~8 months of no facility charge (\$42.57).

### **ENERGY SERVICES**

#### **BPA Rebates**

In May there were 32 BPA rebates totaling \$16.5k paid to members, which includes seven rebates for fuel-switching (beneficial electrification) projects.

## **EV Charging Stations**

Staff is in the process of replacing the public EV charging stations in Eastsound (located at the Island Market parking lot) and Friday Harbor (located at the Key Bank parking lot). The new Clipper Creek charging station units will have two free Level 2 charging ports each, which will be easier to use than the previous ChargePoint units.

If members inquire about additional EV charging stations throughout our service area, please let them know that staff will be compiling an EV charging station rollout plan during the 2019 budgeting process.

## **Lopez Pool**

Staff is working with their engineer for the Lopez Pool available rebate for proposed heating systems.

## **Community Solar**

Community Solar participation fees were included in the month of May 2018 member billing cycle. As of June 15<sup>th</sup>, 211 members have paid for their subscriptions requests totaling \$722,100, with the remaining 60 members (representing ~\$176k of the total subscribed) who will most likely pay before the before the billing due date of June 19<sup>th</sup>. Additionally, OPALCO and the Bonneville Environmental Foundation will be contributing a total of \$100,800 for the low-income portion of the project, and the remaining number of Solar Units will be re-distributed to interested members after the allocated revenue is collected. Please note we expect production to begin in July and billing credits will be posted to member accounts in September, (retroactive to the construction completion date).

## **COMMUNICATIONS**

### **Member Satisfaction Survey**

More than 1,000 members have completed the online survey (350 required for a valid sample). The deadline was extended to June 15<sup>th</sup>. Results will be shared at the August board meeting. The survey addressed general member satisfaction and included questions to measure member readiness to support renewable power through rates.

### **Website Updates**

- Rate Tool - Staff are developing a rate calculator tool to give members the opportunity to explore the balance between the two components of their power bills: facilities charge and energy (kWh) charges. The new tool, along with some information to help members understand their power costs, will launch in time for budget discussions.
- Resource Library – the ‘find documents’ Resource Library has a new index view under development to give members a redundant search tool to quickly find documents in our growing collection.
- “This Electric Life” – Staff are developing an outreach campaign and tools to encourage members to “switch it up” from propane (and other carbon fuels) to electricity. The website will have a prominent landing page with a savings comparison tool and blog, as well as resources to inspire members to begin fuel switching projects. The RESP loan program will be branded “This Electric Life” and is expected to launch in Q4.
- Community Solar – a production meter is under development to show members how our Community Solar array is working and is expected to launch by September.

### **Phone System – Local Musicians**

Staff put a call out for local musicians willing to share their music on our new phone system. We’ve had a great response and will be featuring a different local member musician each month – you can hear

them on hold – or by following their link as we feature them on our *This Electric Life* newsletter and on the website. We have wonderful local talent!

### County Fair

Staff are developing materials and activities for a booth at the County Fair. We will highlight energy efficiency and the launch of our “This Electric Life” fuel switching campaign to include electric use for heating and transportation. We’ll also celebrate the Community Solar project and have survey results available.

### Staff Field Day

Staff gathered at the Eastsound office for a safety meeting and presentation on distracted driving. The Sauer family of Idaho visited OPALCO to share their personal story of loss due to texting and driving and to inspire safe driving practices. In addition to a sobering and inspirational presentation, staff got the chance to see for themselves how texting effected their driving skills – on an obstacle course while pedaling an adult sized trike. OPALCO hosted this same presentation for three high schools: Lopez, Friday Harbor and Orcas. OPALCO’s commitment to safety was emphasized. The June field day is scheduled for June 29<sup>th</sup> in Friday Harbor.



# APPENDIX: PNGC Newsletter



# PNGC Power Pulse

May 2018

## Inside This Issue

- 1 Big Incentives to Save
- 2 That Dam Legislation
- 2 Employee Spotlight: Brandy Neff
- 3 BPA Happenings
- 3 May 2018 Agenda
- 4 PNGC Peak
- 4 Mid C Pricing
- 5 Upcoming PNGC Events

## Big Incentives to Save

On May 3 Umatilla Electric Cooperative (UEC) presented Lamb Weston an incentive check for \$500,000 for completing one of the Northwest’s largest industrial energy savings projects in the past decade. The check was given for the Boardman West Refrigeration Project that Lamb Weston implemented in two phases over a 16-month period. The project will save the company an estimated 12,975,327 kilowatt-hours annually.

UEC has worked with Lamb Weston on multiple energy efficiency projects since 2010, and has saved a total of 34,734,000 kilowatt-hours, which is enough to offset the consumption of 3,100 single family homes. That’s a substantial amount of energy savings.

“Your impressive commitment to saving energy has far-reaching benefits,” UEC General Manager Robert Echenrode told Lamb Weston officials at the check presentation ceremony. “Saving energy frees up

UEC Board and staff, as well as staff from BPA, Lamb Weston, and PNGC, mark the completion of one of the Northwest’s largest energy savings projects.



capacity on the UEC system for Lamb Weston and other companies to grow, and it reduces the need for Northwest ratepayers to pay for new generation and transmission.”

“This project is a great example of PNGC member’s efforts to utilize cost-effective energy efficiency to meet energy needs in the future,” said Greg Mendonca, PNGC Vice President of Power Supply. He went on to say, “Investments like this contribute to PNGC’s nearly carbon-free portfolio of resources to meet our member’s requirements.”

The Lamb Weston project at Boardman represents the largest energy savings for any Bonneville Power Administration’s Energy Smart Industrial (ESI) refrigeration project to date, and the third largest energy savings for all ESI project categories.

## That Dam Legislation

Following the successful, bipartisan passage of H.R. 3144 in the House of Representatives on April 25, the bill’s sponsors are actively pursuing next steps. Specifically, they are executing a dual-track strategy to codify the effort to block any additional spill pursued by Plaintiff groups over the next four years.

The first track encourages the introduction of a stand-alone version of H.R. 3144 in the Senate. The second track pursues a one-year timeout on *additional* spill via an appropriations policy rider. The policy rider would essentially pre-empt, for only one year, any *additional* spill ordered by the court in fiscal year 2019.

For both tracks (the stand-alone and the appropriations policy rider), the next critical



Bonneville Dam

step is building support and identifying a champion in the Senate. This means identifying a Senator or Senators who are willing to push this concept in a place that requires 60 votes to get most things done. In order for the language to be signed into law, both the House and the Senate must act. PNGC will keep you posted.

## Employee Spotlight: Brandy Neff

Brandy Neff has been with PNGC Power since 2006. Starting in the accounting department, Brandy has been an Accounting Technician, Accountant, and Accounting Analyst before moving into her role as the Conservation Services Coordinator.

Neff sees her role as the Conservation Services Coordinator as providing energy efficiency services to our members by being the BPA liaison, facilitating member projects, and meeting the needs of the Energy Efficiency Collaborative (the group of energy efficiency experts from each of PNGC’s cooperatives, formerly known as the Conservation Committee.)



Neff is proudest of the Energy Efficiency Incentive Tracker that PNGC developed as an input tool for billing and data collection. In the void of a BPA solution, PNGC created a system that its members can use to collect this important information, and also smoothly make reimbursements for energy efficiency projects.

Looking ahead, Neff said, "The future of energy efficiency will be technology based," listing demand response, smart controls, and web-based monitoring that allows for data analysis as areas of growth. "It's a fast changing environment and we want to be aware of the innovative edges."

Neff earned a Bachelor of Science in Accounting from Linfield College. An Oregon native, she now lives in Vancouver, Washington with her two children, Kayla and Keymani, and their two spoiled cats.



Brandy Neff

## BPA Happenings

May 22	Strengthening Financial Health: Capital Financing Workshop
May 29	2018 PFGA-Tariff Customer Meeting
May 30	BP-20 Rate Case Workshop
May 31	TC-20 Tariff Customer Workshop
June 13	2018 South of Allston Bilateral Pilot Workshop
June 18-21	2018 Integrated Program Review Workshop

## May 2018 Board Agenda

The following topics were covered during our May 1, 2018 Board meeting:

Information Session:

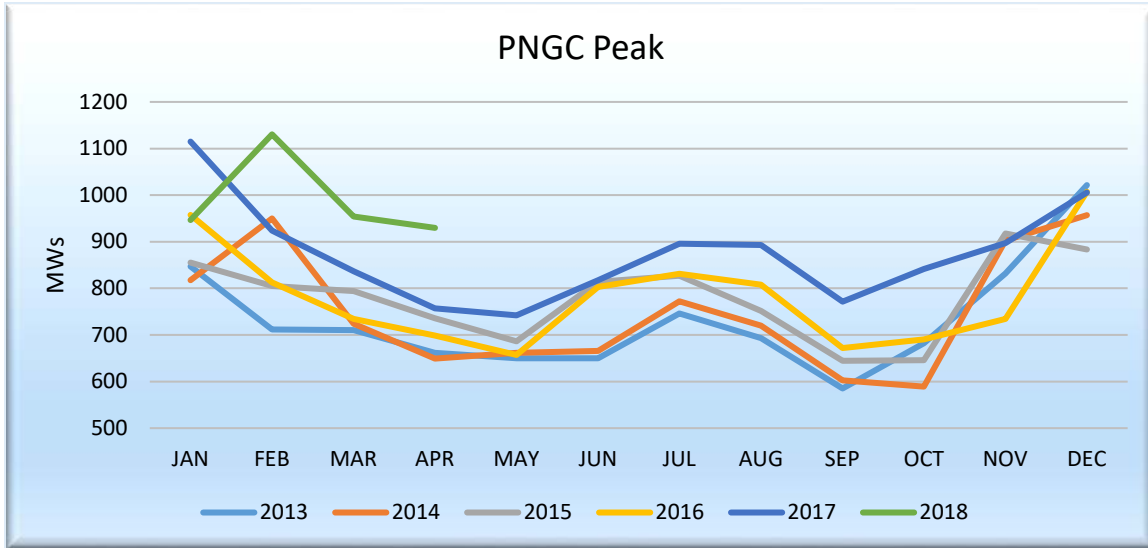
- Open Floor
- Guest Speakers: Mark Schwirtz – CEO, Golden Spread Electric Cooperative (G&T): "Transitioning to a New Business Model"

Staff Reports:

- Coffin Butte Quarterly Operations Report
- FY20-24 Draft Resource Purchasing Strategy
- Internal Considerations
- PPC Forum Presentation
- Transmission Update
- Government Affairs Update
- CEO Report
- Carve Out Risk and Benefit Summary

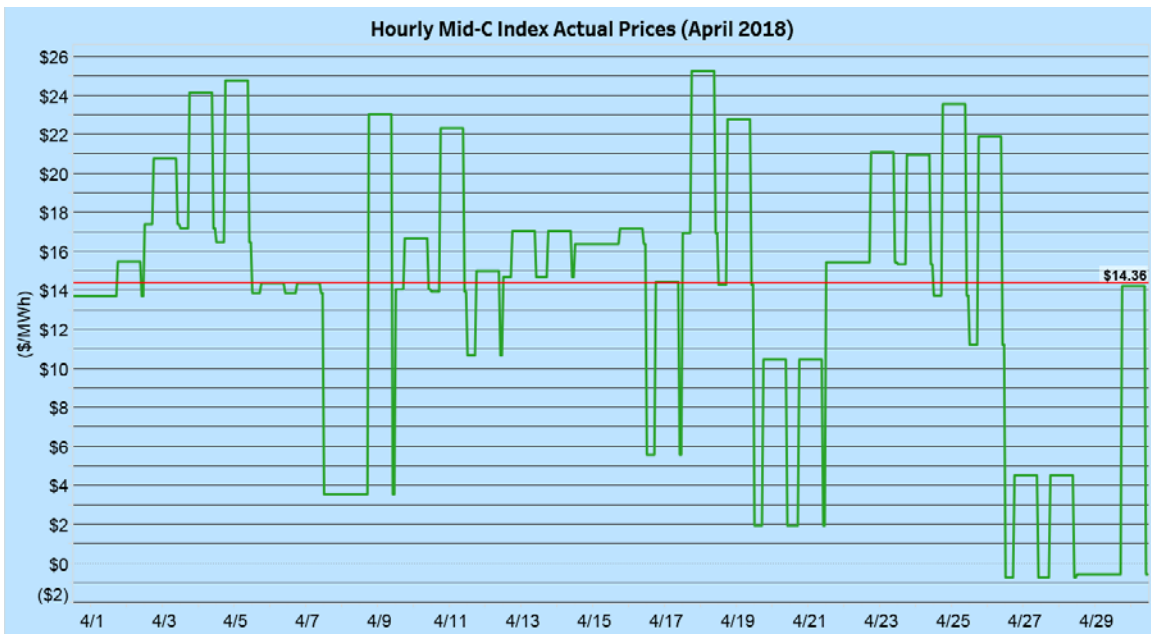
## PNGC Peak by Month & Year

The graph below compares PNGC Power's peak demand by month for the last 5 years.



## Mid-C Pricing

The graph below shows Mid-C Pricing for the month of April 2018



## Upcoming PNGC Events

May 21-23	NWPPA Annual Meeting (Boise, ID)
May 28	Memorial Day – PNGC Offices Closed
June 4-6	PNGC Strategic Planning
June 5-6	WRECA Annual Meeting (Wenatchee, WA)
June 10-13	CFC Forum (Indianapolis, IN)
June 16	Fall River Annual Meeting
June 21	Coos-Curry Annual Meeting



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### *About PNGC Power*

*PNGC Power is a Portland-based electric generation and transmission (G & T) cooperative owned by 15 Northwest electric distribution cooperative utilities with service territory in seven western states (Oregon, Washington, Idaho, Montana, Utah, Nevada and Wyoming). The company creates value for its member systems by providing power supply, transmission, and other management services. PNGC Power is an aggregator of geographically diverse loads in the region.*