



**BOARD OF DIRECTORS
REGULAR MEETING
June 15, 2017 8:45 a.m.
Friday Harbor OPALCO Office**

TRAVEL



Via Island Air
378-2376

To:

Leave Eastsound 7:45 a.m.
Lopez 8:00 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:00 p.m.

Arrive Eastsound 2:15 p.m.
Lopez 2:30 p.m.



Via Ferry:

To:

Leave Lopez 7:10 a.m.
Leave Shaw 7:15 a.m.
Orcas 7:35 a.m.

Arrive FH 7:40 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:20 p.m.

Arrive Orcas 3:10 p.m.
Shaw 3:25 p.m.
Lopez 3:45 p.m.

**Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
Friday Harbor
376-3500
June 15, 2017 8:45 a.m.**

PAGES

WELCOME GUESTS/MEMBERS

- Member Comment Period

ACTION ITEMS

- 3-13** ○ Consent Agenda
- 14-27** ○ Draft Bylaw Amendments (Annual Meeting)
- 28** ○ EGC New Members from District 1
- 29-31** ○ CFC Loan Resolution 2-2017 (Submarine cable contingency funding)

DISCUSSION ITEMS

- 32-35** ○ Member Services Policy 17 Draft Revisions (formerly OPALCO Policy 11)
- 36** ○ June Board Work Session

REPORTS

- 37-40** ○ General Manager

COMMUNICATIONS

- 41-49** ○ News (FY'18 Federal Budget: BPA privatization)

ADJOURNMENT

Executive Session: Legal, personnel and EGC

MEMORANDUM

June 9, 2017

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(s)
- Approval of new members {as required by Bylaws Article I Section 2 (d)}
- Capital Credit payments to estates of deceased members and/or organizations no longer in business
- RUS 219s

Staff requests a motion to approve the Consent Agenda.

Orcas Power & Light Cooperative
Minutes of the Board of Directors Meeting
Thursday, May 18, 2017

President Vince Dauciunas called the meeting to order at 8:00 a.m. at the Lopez Fire Hall. Board members present were Winnie Adams, Randy Cornelius, Jim Lett, Mark Madsen, Brian Silverstein 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 and Executive Assistant Bev Madan (serving as recording secretary). Also present were Rock Island Communications (RIC) EVP Gerry Lawlor, RIC SVP of Finance Chris Schmidt, consultant Jay Kimball and Moss Adams Business Assurance Partner Olga Darlington.

MEMBER/GUESTS

Each member/guest was offered an opportunity to address the board. Present were Rob Thesman and Dwight Lewis.

BOARD OFFICER ELECTIONS

- Motion made to nominate Vince Dauciunas president, Jerry Whitfield vice-president, and Winnie Adams secretary. Motion was seconded and carried by voice vote. The slate of officers remains the same as 2016-17.

ANNUAL MEETING REVIEW

The Board consensus was that the annual meeting went very smoothly. The Board commented that it was “the best annual meeting ever”, “wireless lapel microphone wasn’t great”, “check in process went smoothly”, “extended comment period was good”, “seems like people have changed their minds about management & board direction”, “the Elections and Governance Committee (EGC) worked great for the first year”. The Board requested that the election process should be formalized through the creation of a policy document. The EGC was tasked with drafting an election policy document for consideration and review by the Board. The priorities of the EGC outlined by the Board were board compensation due in August, an election policy document due to Hildreth in September and to the Board in October. Staff was directed to propose bylaw amendments for discussion at the June meeting based on the suggested clarifications from legal counsel due to the procedural changes made leading into the most recent election cycle.

- Motion was made to task the EGC with drafting an election policy document that would clarify and formalize the election process, and provide guidance to the EGC and inform potential candidates. Motion was seconded and carried by voice vote.

CONSENT AGENDA

- Motion was made to accept the Consent Agenda which included the April 20, 2017 minutes, new members (listed below), capital credit payments totaling \$1,889.32 (listed below) and RUS 219s in the amount of \$455,201.07. Motion was seconded and carried by voice vote.

New Members

District 1

Brown, Pearl, Henry, San Juan, Spieden
270 Spring LLC
Anthony, Anna
Archer, Cody
Barfield, Kristen
Briggs, Jim
Caireal, Veaceslav
Galt, Donald A. & Starr, Elizabeth
Giuffre, Lynne
Grifo, Christopher
Haley’s Restaurants LLC
Hoke, Alexander J
Holdaway, Marita
Janson, Kai
Kaukol, Debra
Mayer, Brian

McLeod, Patricia
Moore, Steven & Karen
Neufeld, Ruth
Nord Escapes LLC
Noreau, Troy
Poulos, Gary
Reily, Peggy W. & Kennedy, C. Barrett
Stocksett, Angela
Ward, Jennifer
White, Shannon
Williams, Pamela
Zeiger, Ben

District 2

Armitage, Blakely, Obstruction, Big Double, Little Double, Fawn, Orcas
Andreadis, George & Norma
Beckley, Alexis & Akers, Brant
Biechele, Travis L.
Blumenthal, Sally & McGannon, Michael
Cruz Rodriguez, Idalia

Erazo, Sandra
Gilliland, Paul
Laks, Nicolas & Krauss, Jennifer
McCarville, Douglas & Miriam L
Nusbaum, Jennifer
Peter, Eric & Jennifer
Ruby Point LLC
Russell, Kim
Spindrift LLC
This Must Be The Place LLC
Tilson, Wayne

District 3

Decatur, Center, Charles, Lopez
Askue, Nova
Belanger, Andrew & Karen

Estate of Gene O. Higgins
Kingery, Mary
Maxson, Timothy
Nichols, Andrew & Henderson, Rachel
Ramon, Rebecca
Snapp, Marvin
Tapia, Israel & Cruz, Lorena
Waldron, Darren
Wilson, Janice

District 4

Crane, Canoe, Bell, Shaw
Acton, Tim B & Jen
Almeleh, Lawrence
Lazzeri, Catherine

Capital Credits

John Cook	\$688.39
Marcia Crosetto	\$420.57
Matthew J. Cullen Jr.	\$461.85
Axel A. Jensen	\$318.51

NRECA Voting Delegate

- Motion was made naming Whitfield voting delegate and Hildreth alternate at the WRECA meeting to be held June 19-20 in Walla Walla for the purposes of voting for the NRECA director representing Washington State. Motion was seconded and carried by voice vote.

2016 AUDIT REPORT

Olga Darlington, Business Assurance Partner for Moss Adams LLP, presented and discussed the consolidated 2016 audit process and findings for OPALCO and Island Network LLC dba Rock Island Communications. It was noted that the consolidated financial statements present fairly, in all material respects, the financial position of Orcas Power & Light Cooperative, which represented the highest level of assurance that an entity may achieve during a financial statement audit. Discussion ensued regarding the proper classification of costs and projects between the two organizations, specifically, coding of work orders for OPALCO's communications grid vs. Rock Island's internet services. Olga noted that this was part of the testing processes for the audit and the team found all tested allocations were appropriate. The Board adjourned to Executive Session 8:45 am to discuss some details of the audit as well as internal control related matters. Regular session resumed 9:10 am.

- Motion made to approve OPALCO's Report of Independent Auditors' Report and Consolidated Financial Statements for December 31, 2016 and 2015, as audited by Moss Adams LLP. Motion was seconded and carried by voice vote.

NRECA AMENDMENTS TO RETIREMENT SECURITY PLAN: RESOLUTION 1-2017

The NRECA Retirement Plans follow a 5-year restatement schedule outlined by the IRS. This requires a board resolution to execute new adoption agreements. These amendments, restatements and continuance of the Retirement Security Plan take effect July 1, 2017. These adoption agreement changes are clerical in nature and do not impact OPALCO's existing plan features.

Motion was made to approve execution of authorization of the amendment and restatement of the Retirement Security and 401(k) Pension plans as stated in Resolution 1-2017. Motion was seconded and carried by voice vote.

Q1 FINANCIALS

Colder weather resulted in total revenue being 15% higher than budgeted. This was partially offset by a related increase in purchased power (11%). The result was an increased margin of ~\$1M.

JUNE WORK SESSION

The Board will meet June 16 to review the budget prior to beginning the rates review. Staff will prepare links to documents that the Board should study in preparation for the full-day session, including the Strategic Directives, Policy 29 *Rate Design*, the Construction Work Plan, etc.

REPORTS

General Manager

Annual meeting statistics were added to the dashboard.
Submarine cable update—CenturyLink is still working on obtaining their permit to install their cable in July. Staff expects to have more clarity at the next meeting.
Community Solar in the development stage. Note the solar survey currently available to members will help inform the solar project rollout.
Safety Program: There were no loss time accidents in April 2017; total hours without loss time accident is 88,380.

ADJOURNMENT

Meeting adjourned to Executive Session at 11:04 a.m. Discussion regarded legal & personnel.
Executive session adjourned at 12:40 p.m.

Vince Dauciunas, President

Winnie Adams, Secretary-Treasurer

NEW MEMBERS

May 2017

DISTRICT 1

Brown, Pearl, Henry, San Juan, Spieden

1. Defreest, Wendy & Hampton, Kathy
2. Fontanilla, Eleanor
3. Garson, Samuel
4. Harrington, Monica
5. Jordan, James
6. Kang, Jane
7. Karl, John & Maureen
8. Kelly, Mark
9. Kittoe, Kyle & Kimberly
10. Kuro, Santana
11. Lucas, Eric
12. Maassen, Jessica & Jadie
13. Newell, Brynn & Izaak
14. Nickerson, Peter
15. Prugar, Mark
16. Rossi, Aaron & Jordan, Amanda
17. Spring Street Deli Inc
18. Sutton, Susan E
19. Tate, Randall & Elizabeth
20. Young, John A
21. Zigzagger, Winter

DISTRICT 2

Armitage, Blakely, Obstruction, Big Double, Little Double, Fawn, Orcas

22. Crane, Annie
23. Janzen, Gary & Claudia
24. King, Whitney
25. Long, Kenneth & Elizabeth
26. Martin, Alex
27. Ostle, Gary
28. Phillips, Olivia
29. Scheidel, Carson & Trygg, Melanie
30. Schifsky-Patten Trust
31. Shook, Frederick S
32. Sreen, Robert & Jeanne
33. Stickney, David
34. Yavercovski, Michel & Debra

DISTRICT 3

Decatur, Center, Charles, Lopez

35. Culver, Michael
36. Cvetkovich, Chris
37. Flynn, Jennifer & TJ
38. Gaffey, Mike & Jodi
39. Hardy, Robert & McDonald, Susie
40. Thompson, Mary
41. Torres, Dulce & Rodriguez, Gabriel
42. Williams, Ashlee & Lubin, Jeremiah

DISTRICT 4

Crane, Canoe, Bell, Shaw

43. Esposito, Juliana & Anthony J
44. Griffing, Lee
45. Smith, William F

MEMORANDUM

June 09, 2017

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: Capital Credits

Staff requests payment of capital credits to the estates of the following deceased members and/or to organizations no longer in business by way of approval of the consent agenda:

Decedent	Amount
Bruce Armstrong	\$282.98
Bill Williams	1,931.36
Richard & Ruby Parker	164.87
Anne V. Chudek	575.21
Malcolm S. Lea	832.02
John & Genevieve Towey	799.57
Request Total	<u>\$4,586.01</u>

MEMORANDUM

June 9, 2017

TO: Board of Directors
FROM: Foster Hildreth, General Manager
RE: RUS Form 219s *Inventory of Work Orders*

Projects completed from the Construction Work Plan:

Inventory AN1704	\$150,054.37
<i>Smart Grid</i>	
Inventory 201704	\$13,669.15
<i>URD Cable Replacement</i>	

Staff requests Board approval to submit the above referenced RUS Form 219s totaling \$163,723.52 by way of approval of the consent agenda.

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05/23/2017 10:33:55 am

RUS Form 219 Inventory Of Work Orders

Page: 3

Period: APR 2017

System Designation: WA AH O9

Inventory: AN1704

Loan		Work Order Construction (1)	Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year			Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
706 - 3	2014	1617 ✓	1	59,476.72	0.00	0.00	0.00	0.00	56,046.99
							AFUDC: 3,429.73		
706 - 3	2014	1918 ✓	1	84,016.71	0.00	0.00	0.00	0.00	81,466.41
							AFUDC: 2,550.30		
706 - 3	2014	2495 ✓ 2495 ✓	1	13,845.50	0.00	1,183.92	0.00	0.00	12,540.97
							AFUDC: 120.61		
				157,338.93	0.00	1,183.92	0.00	0.00	150,054.37
Grand Totals:				\$ 157,338.93	\$ 0.00	\$ 1,183.92	\$ 0.00	\$ 0.00	\$ 150,054.37



EXPIRES 3/14/19

05/23/2017 10:33:55 am

RUS Form 219 Inventory Of Work Orders

Page: 6

Period: APR 2017

System Designation: WA AH O9

Inventory : AN1704

Budget

Loan	Project	Amount
1	706 - 3	150,054.37
Total:		150,054.37

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Mietzner P.E.

INSPECTION PERFORMED BY

OPALCO

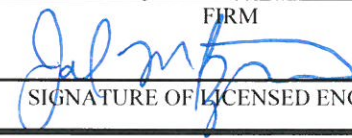
FIRM

42902

LICENSE NUMBER

3/16/19

DATE



SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/19

05/23/2017 10:33:55 am

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: APR 2017

System Designation: WA AH O9

Inventory: 201704

Loan		Work Order Construction (1)	Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
Project	Year			Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
608	2014	2617	1	13,767.98	0.00	0.00	0.00	0.00	13,669.15
							AFUDC: 98.83		
				13,767.98	0.00	0.00	0.00	0.00	13,669.15
Grand Totals:				\$ 13,767.98	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 13,669.15

05/23/2017 10:33:55 am

RUS Form 219 Inventory Of Work Orders

Page: 5

Period: APR 2017

System Designation: WA AH O9

Inventory : 201704

Budget Loan	Project	Amount
1	608	13,669.15
Total:		13,669.15

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

Joel Mietzner P.E.

INSPECTION PERFORMED BY

42902

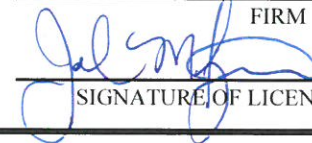
LICENSE NUMBER

3/16/19

DATE

OPALCO

FIRM



SIGNATURE OF LICENSED ENGINEER



EXPIRES 3/16/19

MEMORANDUM

June 9, 2017

TO: Board of Directors
FROM: Foster Hildreth
RE: Draft Bylaw Revisions

The bylaws have been reviewed by legal counsel over the past year. These changes are suggested to help clarify language in Articles I, II and III. The review was prompted due to the major procedural changes to the bylaws that took place as a result of the Member Elections Committee's suggestions.

Strikethroughs indicate items that will be deleted; yellow highlights indicate newly added verbiage.

Bylaws may be revised by the Board without a second read. Staff recommends a motion to approve the bylaw revisions as presented.



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 January 26, 2017~~

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
~~January 26, 2017~~*

ARTICLE I – MEMBERS

Section 1.

Any person residing and/or owning, leasing or possessing real property in San Juan County, Washington or other counties in Washington, and desiring to become an ENERGY MEMBER of the Cooperative and receive electrical energy and service from it by connection to its physical system is eligible for energy membership and may apply therefor. Such applicant may become an energy member upon approval of his/her application, agreeing to purchase energy services from the cooperative, and to be bound by the articles of incorporation, bylaws, tariffs and rules of the Cooperative, together with any future amendments thereto, and payment of the current fee fixed by the Board of Directors. Energy members may also purchase and receive communications and other services from the cooperative's communications subsidiary where they are available and the member is connected to the subsidiary's communications system.

Membership in any class may be assigned to another member or reacquired by the Cooperative by following the procedure established by the Board of Directors.

Every member shall be responsible for payment of any and all services received from the cooperative and its communications subsidiary, and failure to pay for any of the services will be grounds for termination of all services received from the cooperative and for termination and/or forfeiture of membership.

No member shall ever become the holder or owner of more than one membership in any class, and memberships held by a member in excess of one shall be redeemed by the Cooperative by repayment of the membership fee.

Section 2. Qualifications and Obligations.

Any person, partnership, corporation or body politic may become an energy member in the Cooperative by:

- a) signing and submitting an application for membership form;
- b) paying the membership fee hereinafter specified or as adopted by the Board of Directors;
- c) agreeing to purchase from the Cooperative electric energy and service as hereinafter specified by the Cooperative; and
- d) agreeing to comply with and be bound by the articles of incorporation, bylaws, tariffs and rules of the Cooperative and any future amendments thereto; provided, however, that no person, partnership, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the Board of Directors. Each member agrees to grant any necessary access to real property in order to allow the cooperative to provide electric energy and its communications subsidiary to provide communications and other services requested by the member and others, and further agrees to provide written easements recorded in favor of the cooperative and its communications subsidiary, as necessary.

Section 3. Membership Fee.

The membership fee shall be set by the Board of Directors. Upon payment of the membership fee and approval of the membership application by the board, the member shall be eligible for services. Fees for providing connections shall be established by the regulations adopted by the cooperative that are applicable at the time the connections are made.

Section 4. Purchase of Electric Energy.

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy for use on the premises specified in his or her application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by resolution of the Board of Directors; provided, however, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Directors shall from time to time determine. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of cost of service are furnished by energy members as capital, and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to the Cooperative a facility charge, which shall be a minimum amount per month as shall be fixed by the Board of Directors from time to time, regardless of the amount of electric energy consumed, but in no case less than said minimum amount. Energy members may also purchase communications and other services from the Cooperative's communications subsidiary where such services are available and the member is connected to the subsidiary's communication system. Members purchasing communications or other services shall pay at rates and on terms and conditions which shall from time to time be fixed by the Cooperative's communications subsidiary. Each member shall pay all obligations that may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable. The Cooperative and its communications subsidiary reserve the right to discontinue any or all service, including but not limited to electric service, to any member who has not paid the amounts owed by the member.

Section 5. Non-Liability for Debts of the Cooperative.

The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 6. Expulsion of Members.

The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who has violated or refused to comply with any of the provisions of the articles of incorporation, the bylaws, the tariffs or any rules or regulations adopted from time to time by the Board of Directors or any future amendments thereto. Any member so expelled may be reinstated as a member by a vote of the energy members at any annual or special meeting of the energy members. The action of the members with respect to any such reinstatement shall be final.

Section 7. Withdrawal of Membership.

Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and its communications subsidiary and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 8. Transfer and Termination of Membership.

- a) Membership in the Cooperative shall not be transferred except as hereinafter otherwise provided; and upon the death, cessation of existence, expulsion or withdrawal of a member, or if a member has received no electrical service for a continuous period of twelve (12) months when it was available to him or her, the membership of such member shall thereupon terminate. Termination of membership shall not release the member or the member's estate from the debts or liabilities of such member to the Cooperative.

- b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by the spouse jointly with the provisions of subdivisions (b) and (c) of Section 2 of this article. Such transfer shall be made and recorded on the books of the Cooperative.
- c) When a membership is held jointly by a married couple, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to the surviving spouse, as the case may be, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.
- d) One whose membership has been terminated for any reason, but who requires service again, may again become a member by complying with the procedure outlined in Article 1, Section 2. Such a reinstated member, however, shall be required to pay a connection fee equivalent to that required of an existing member, in addition to the membership fee.

Section 9. New Classes of Memberships.

The Board of Directors, by majority vote of a quorum of the board, may adopt, by resolution, additional classes of memberships, together with the rights, responsibilities and duties of such additional classes of members.

Section 10. Removal of Directors and Officers. MOVED TO ARTICLE III

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

~~a quorum has been established, and a majority of members constituting the quorum vote to remove the director or office. In the event a director or officer is removed, a replacement director shall be appointed pursuant to Article III, Section 4 to complete any of the removed director's or officer's unexpired term. In the event all directors are removed, the membership shall immediately call for an election of replacement directors, for the remainder of the term each prior director was serving.~~

ARTICLE II - MEETING OF ENERGY MEMBERS

Section 1. Annual Meeting of the Energy Members.

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

Section 2. Special Meetings of the Energy Members.

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

Section 3. Notice of System Energy Members' Meetings. ~~A. Meeting Notice.~~

Written notice stating the place, day and hour of an Annual meeting or Special meeting, shall be delivered not less than twenty-one (21) days nor more than fifty (50) days before the date of the Annual or Special meeting. The meeting notice will be sent either by mail or electronic transmission, and the notice is deemed to be delivered upon it being posted on OPALCO's website. The failure of any energy member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting. Each member shall be responsible to provide advance written notice to the Cooperative of any address change. The purpose of the Special meeting shall be clearly stated in all meeting notices.

Section 4. Quorum.

At all meetings of the energy members, whether at an Annual or Special meeting, a quorum shall be met when at least ten percent (10%) of all energy members have casting their ballots. ~~shall constitute a quorum for the transaction of business at all meetings of the energy members, whether at the Annual or Special meeting.~~ If less than a quorum has cast ballots, is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided that the secretary shall notify any absent energy members of the time and place of such reconvened adjourned meeting, pursuant to Article II of the bylaws, in order to obtain a quorum. At any such reconvened meeting following a meeting where a quorum was present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Voting.

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

Section 6. Ballot.

All voting shall be conducted by mail or electronic balloting (Ballot), in advance. Any energy member may vote electronically or by written ballot. At an Annual or Special meeting, only motions regarding procedural matters involving the conduct of the meeting will be properly considered, such as approval of the minutes, and may be made from the floor, and shall be acted upon solely by the energy members in attendance at the meeting.

The secretary shall enclose with the notice of such meeting a ballot containing an exact copy of all motions or resolutions to be acted upon at the Annual or Special meeting. In the event of an Ballots for the election of directors, the ballot shall include a list of all candidates for director provided for in Article III, Section 3 of the bylaws. An energy member shall express his or her vote by either voting electronically following the written instructions provided by the Cooperative, or by writing "Yes" or "No" on each such motion or resolution in the space provided therefore on the ballot. A member may elect not to vote on a particular matter, without invalidating the rest of the ballot. Any ballot shall be submitted by such date and hour as may be fixed set by the Board of Directors and described in the written instructions, but in no event shall the date for ballot submittal be less later than two (2) days before the Annual or Special meeting.

Only one ballot shall be returned and counted on behalf of a membership. OPALCO staff shall post balloting information on OPALCO's website. The failure of any such energy member to receive a copy by mail or electronically, of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting. In the event electronic voting procedures are adopted, the Board shall provide advance notice of those procedures in the manner provided for in this Article II, and as provided by law.

Section 7. Order of Business.

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

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

Section 8. Robert's Rules of Order.

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

ARTICLE III – DIRECTORS

Section 1. General Powers.

The business and affairs of the Cooperative shall be managed by a board of seven (7) directors which shall exercise all of the powers of the Cooperative except such as are by law or by the articles of incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members.

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}

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; provided, where two directors are to be elected for a particular district, the two persons receiving the greatest number of votes shall be deemed elected.

Section 4. Vacancies.

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

Section 5. Compensation.

From time to time director compensation shall be reviewed by the Elections and Governance Committee, and any recommendations regarding director compensation shall be presented to the Board of Directors. The Board of Directors shall either accept or reject the recommendations of the Committee, except that the Board may approve a reduction in the compensation amounts recommended by the Committee. Directors shall not receive any salary for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for serving as a director at meetings on behalf of the Cooperative. Close relatives of a director shall not receive compensation for serving the Cooperative, unless such compensation is recommended by the EGC and approved by the Board of Directors.

Section 6. **Removal of Directors and Officers. MOVED FROM ARTICLE I**

Any energy member may seek removal of a director or officer by bringing written charges of malfeasance or misfeasance against an officer or director by filing them in writing with the secretary. **The Any** filing of written charges shall meet the Notice requirements in Article II of the bylaws, together with a petition signed by ten percent (10%) of the energy members, requesting the removal of the officer or director in question. The secretary shall provide a copy of the charges to the director or officer being charged within five (5) business days of their filing with the secretary. To be considered, the removal request must state sufficient facts in writing to support the charge of malfeasance or misfeasance. The Board of Directors, excluding the director or officer subject to the charges, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges. In the event all members of the Board of Directors are subject to petitions charging malfeasance or misfeasance at the same time, the President shall appoint an independent committee made up of seven (7) energy members from the Districts established in Article III, Section 2 of these Bylaws, reflecting the same District representation as the then current Board of Directors. The independent committee, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges by a majority vote. A removal request that has been found to be sufficient shall be considered at a Special meeting of the energy members at which a quorum is present. The director or officer against whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity. Following the presentations, all members shall be entitled to vote on the requested removal, based upon the factual allegations in the removal request presented. **The vote Voting procedures** on the removal petition shall be conducted pursuant to Article II of the bylaws, and notice shall be provided consistent with Article II of the bylaws. The secretary shall arrange for distribution of ballots to the membership after the presentations at the Special meeting of the energy members, and shall include a transcript of the meeting, written materials from the members charging malfeasance or misfeasance in the removal petition, and the written response from the director or officer who is the subject of the petition. Ballots shall be marked "Yes" or "No" on whether the director or officer shall be removed. Voting shall be concluded thirty (30) days after the date ballots were distributed to the membership. Members may complete ballots either by mailing them to the cooperative or returning them electronically to the cooperative, within the thirty (30) day period set for voting. Votes shall be tabulated by an independently hired accountant selected solely for that purpose, who will certify the results to the Board of Directors. A director will be removed, after a quorum has been established, and a majority of members constituting the quorum vote to remove the director or office. In the event a director or officer is removed, a replacement director shall be appointed pursuant to Article III, Section 4 to complete any of the removed director's or

officer's unexpired term. In the event all directors are removed, the membership shall immediately call for an election of replacement directors, for the remainder of the term each prior director was serving.

Section 7. Rules and Regulations.

The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation of the Cooperative or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 78. Accounting System and Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The board shall also, after the close of each fiscal year, cause to be made an audit of the accounts, books, records and the financial condition of the Cooperative. Said audit is to be conducted by a certified public accounting firm that is acceptable to the Rural Utilities Service.

A summary of such audit report shall be submitted to the members at the following annual meeting. Accounts of the Cooperative may be examined by a committee of the Board of Directors at any time it feels it advantageous to do so.

Section 89. Changes in Rates.

Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America within ninety (90) days after board approval of any change in the rates charged by the Cooperative for electric energy.

Section 910. Absences of Directors.

In the event that any director shall miss three (3) consecutive regular meetings without a valid excuse, at the discretion of the remaining directors, the seat of the absent director may be declared vacant and a replacement named by the remaining directors.

ARTICLE IV - MEETINGS OF DIRECTORS

ARTICLE V - OFFICERS

ARTICLE VI - BOOKS AND RECORDS

ARTICLE VII - CONTRACTS, CHECKS AND DEPOSITS

ARTICLE VIII - NONPROFIT OPERATION

ARTICLE IX - WAIVER OF NOTICE

ARTICLE X - DISPOSITION OF PROPERTY

ARTICLE XI - FISCAL YEAR

ARTICLE XII - MEMBERSHIP IN OTHER ORGANIZATIONS

ARTICLE XIII - SEAL

ARTICLE XIV - AMENDMENTS

ARTICLE XV - GENDER

DRAFT

MEMORANDUM

June 9, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Elections & Governance Committee

There are still four open positions on the EGC: three positions in Residency District 1 (San Juan) and one position in Residency District 3 (Shaw and Lopez). As additional EGC applications are received, staff requests the board review and appoint members as they see fit.

Staff recommends the Board review the EGC candidate applications in Executive Session and then determine whether the candidates are qualified, and determine their term positions (A = 1 year, B = 2 years, and C = 3 years) to represent Residency District 1.

MEMORANDUM

June 09, 2017

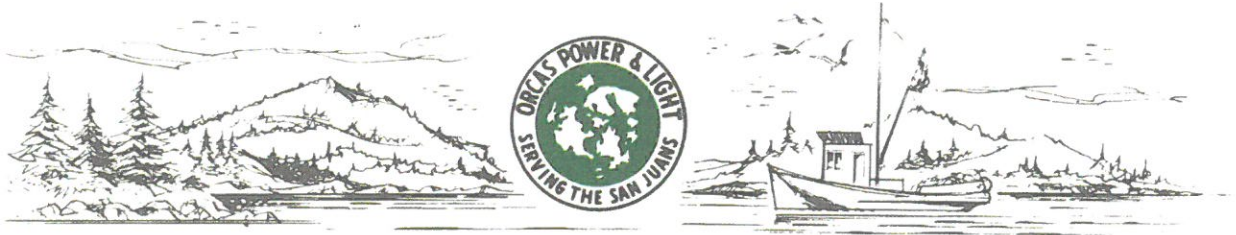
To: Board of Directors

From: Foster Hildreth, General Manager

Re: Resolution: CFC Facility - \$10M line of credit

During our last submarine cable update, there was discussion regarding contingency funding for unforeseen circumstances, primarily related to the submarine cable installation. This resolution is the first step in executing a \$10M line of credit facility in order to secure access to additional contingency funds. This facility effectively replaces and increases a previous CFC line of credit to \$10M. Note that there is no cost to carry the facility until such time that the funds are drawn on the line.

Staff will be bringing the proposed loan documents and board resolutions to the June board meeting for board discussion and approval. Staff recommends the board approve the execution of the resolution 02-2017 and associated required CFC loan documentation.



ORCAS POWER & LIGHT COOPERATIVE

BOARD OF DIRECTORS

RESOLUTION 2-2017

National Rural Utilities Cooperative Finance Corporation Power Vision Loan

CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, Winnie Adams do hereby certify that (i) I am the Secretary of Orcas Power and Light Cooperative (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on June 15, 2017; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the State of Washington and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the board of directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation ("CFC"), from time to time as determined by the persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed \$10,000,000.00 as set forth in the loan agreement with CFC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement");

RESOLVED, that the proceeds of this loan be used for the purpose set forth in the Loan Agreement;

RESOLVED, that the individuals listed below are hereby authorized to execute and deliver to CFC the following documents (including as many counterparts as may be required):

- (a) the Loan Agreement;
- (b) one or more secured promissory notes payable to the order of CFC, which in the aggregate shall not exceed the principal amount of \$10,000,000.00, substantially in the form of the note(s) presented to this meeting; and

CFC INCUMB
WA009-V-9026(BURDICM)
216770-1

www.opalco.com

Eastsound Headquarters
183 Mt Baker Road
Eastsound WA 98245-9413
phone: 360-376-3500
fax: 360-376-3505

Friday Harbor Office
1034 Guard Street
Friday Harbor, WA 98250-9240
phone: 360-376-3550
fax: 360-376-3548

- (c) if required by CFC, as many counterparts as shall be deemed advisable of a mortgage and security agreement with CFC and the United States of America as mortgagee, for purposes of securing the loan provided for herein, substantially in the form of the mortgage presented to this meeting.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Title or Office</u>	<u>Name (typed or printed)</u>
President	Vincent Daucius
Vice President	Dr. Jerry Whitfield
Secretary/Treasurer	Winnie Adams
General Manager	J. Foster Hildreth

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 15th day of June 2017.

Secretary

(SEAL)

MEMORANDUM

June 9, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Draft Revisions to Member Services Policy 17 - *Member Participation at OPALCO Open Meetings* (formerly OPALCO Policy 11)

This policy revision is to convert the existing OPALCO Policy 11 to a new Member Service Policy 17, addressing member attendance and decorum at OPALCO meetings. Our goal is to promote harmony with and participation from all members.

In summary, MS Policy 17 encourages and welcomes member attendance at open meetings and clarifies a code of conduct to protect the efficiency and decorum of those meetings. Our co-op model is built on member participation and OPALCO posts board materials and rotates meeting locations to encourage member participation.

This is the first read; no action is necessary at this time.

**ORCAS POWER AND LIGHT COOPERATIVE
MEMBER SERVICES POLICY 17
MEMBER PARTICIPATION AT
OPALCO OPEN MEETINGS
DRAFT**

17.1 GOALS AND OBJECTIVES

As a member-owned electric cooperative, member participation in the affairs of OPALCO is both expected and encouraged. The purpose of this policy is to establish guidelines, help foster attendance at OPALCO open meetings, and establish respectful communication among members, including the Board of Directors. OPALCO encourages member interest in the governance of its cooperative and welcomes member attendance at all open OPALCO meetings.

17.2 OPALCO OPEN MEETINGS

OPALCO's meetings of the Board of Directors are conducted in accordance with the current edition of *Robert's Rules of Order Newly Revised*. Meetings of the Board of Directors are held on the three main ferry-served islands (San Juan, Orcas and Lopez) on a rotating basis to maximize member attendance. By rotating the meeting locations, the Board of Directors intent is to maximize member ability to participate.

- 17.2.1 All meeting materials are posted on the OPALCO website in advance of the monthly meeting, including the minutes once approved.
- 17.2.2 At each regular monthly meeting of the Board of Directors, members will be offered an opportunity to address the Board at the beginning of each meeting with the following criteria:
 - 11.2.2.1 Members will state their name and island of residence;
 - 11.2.2.2 Members will identify the topic they wish to address;
 - 11.2.2.3 Members will have 5 minutes to voice their comments.
- 17.2.3 Members are expected to act with civility and maintain decorum:
 - 17.2.3.1 Any comments must be respectful and not be personal in nature, including those made to other members, cooperative staff and directors;
 - 17.2.3.2 If a member is representing a group of members, one representative is encouraged to speak on behalf of the group or organization, in the interest of time;
 - 17.2.3.3 Meeting participants shall refrain from disruptive or distracting behavior. Unruly behavior, (including but not limited to applause, booing or hissing, interruption or harassing remarks) is prohibited. Participants shall respect individual physical and personal space and refrain from any form of physical or verbal intimidation or abuse.

- 17.2.3.4 The Board may allow member participation during discussion of an item at the Board President's (or presiding director's) discretion, providing that such participation does not unnecessarily slow board deliberations and ensuring that member participation does not interfere with the conduct of Cooperative business.
- 17.2.4 Subject to the approval of the Board President or presiding director, any member may request permission to address the Board of Directors outside the initial opening of each meeting. If the request is approved by the Board President or presiding director and is received at least ten business days prior to a board meeting, that person's name and topic will normally appear on the agenda.
- 17.2.5 Communication in writing may be distributed to the Board of Directors prior to any meeting or may be included with the board materials, subject to approval by the General Manager.
- 17.2.6 Member attendance at Board committee meetings will be at the discretion of the chairperson of the committee.

17.3 RESPONSIBILITY

- 17.3.1 The General Manager shall ensure that all open OPALCO meetings receive proper notice on the OPALCO website so that members are aware of when and where meetings are scheduled.
- 17.3.2 The Board President, presiding director, or any designee shall ensure that conduct at open meetings is respectful, orderly and shall preserve decorum at any meeting of the Cooperative. Each director shall cooperate with the President in ensuring that meetings are conducted in a respectful and orderly fashion. Interrupting or disturbing any person while speaking is contrary to this policy.
- 17.3.3 Any behavior that is severe or threatens the physical safety of a meeting participant, or property of the Cooperative, may lead to such participant being required to leave the premises where the meeting is occurring. The President, presiding Director or designee shall make such determination.
- 17.3.4 Upon repeated violations of this policy, the President, presiding director or any designee may prohibit that individual from attending future meetings of the Cooperative, whether a formal meeting or other Co-op function. The duration of this prohibition shall be at the discretion of the President, presiding director or any designee based upon the severity and nature of the violation.

Foster Hildreth, General Manager

Effective Date: _____

ORCAS POWER AND LIGHT COOPERATIVE

OPALCO POLICY 11

MEMBER ATTENDANCE AT BOARD OF DIRECTORS MEETINGS AND BOARD COMMITTEE MEETINGS

11.1 GOALS AND OBJECTIVES

To establish consistent rules regarding attendance at board of directors meetings and board committee meetings.

11.2 POLICY

11.2.1 It shall be the policy of OPALCO to encourage maximum member attendance at all board of directors meetings.

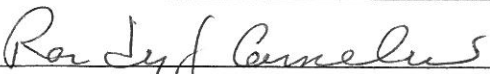
The board may allow member participation during discussion of an item provided such participation does not unnecessarily slow board deliberations.

11.2.2 Member attendance at board committee meetings will be at the discretion of the chairperson of the committee.

11.3 RESPONSIBILITY

11.3.1 The general manager shall ensure that all board of directors meetings receive proper notice so that members are aware of when and where meetings are scheduled.

11.3.2 Any member may request permission to address the board of directors. If the request is received at least ten days prior to a board meeting, that person's name will normally appear on the agenda.


Randy Cornelius, General Manager

Effective Date: August 16, 1990

MEMORANDUM

June 9, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Rate Structure Work Session: Budgetary Review

OPALCO will be initiating a comprehensive rate structure review starting with a work session on June 16th and leading to an update of our cost of service study at the beginning of 2018, with final rate structure(s) approved by the Board by year-end 2018. The June 16 work session agenda is to review budgetary items.

This is an open work session meeting, with the exception of legal and personnel matters which will be discussed in confidential breakouts. In preparation for our June work session, please take time to review the following documents (links to files in our Resource Library). *Note: you may need to cut and paste the link:*

Strategic Directives (2015):

www.opalco.com/wp-content/uploads/2015/12/board-strategic-directives-jan-2015.pdf

Integrated Resource Plan (IRP):

www.opalco.com/wp-content/uploads/2016/08/IRP-Final-Dec-2015.pdf

Construction Work Plan (CWP):

www.opalco.com/wp-content/uploads/2017/06/OPALCO-2017-2020-CWP.pdf

2017 Budget:

www.opalco.com/wp-content/uploads/2016/12/2017-Budget-Report_Updated-Rate-Chart.pdf

2016 Year-End Financials:

www.opalco.com/wp-content/uploads/2017/03/2016-OPALCO-Year-End-Unaudited-Financial-Report.pdf

EES Rate Study (2014):

www.opalco.com/wp-content/uploads/2015/04/Rate-Design-COSA.pdf

Policy 29: Rate Design:

www.opalco.com/wp-content/uploads/2016/02/Policy-29-Rate-Design.pdf

KRTA (2015):

www.opalco.com/wp-content/uploads/2017/05/2015-CFC-KRTA-Report-1.pdf

Dashboards: www.opalco.com/dashboards/

The goal of this budgetary review is to set expectations for the 2018-19 budget processes.

Additional presentation materials will be reviewed at the work session meeting.

GENERAL MANAGER'S REPORT

June 2017

DASHBOARDS

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

ENGINEERING AND OPERATIONS

Work in Process (WIP)

As of June 9, there are 398 work orders open totaling \$16,994,902. Six of these are associated with the submarine cable project totaling \$8,804,940. Operations has completed construction on 51 work orders, totaling \$1,339,257.

Safety

Jeff Myers conducted training on Hazard Recognition to all OPALCO employees. This training is to review areas where all employees should be aware of various hazards. This includes hazards within the workplace and within our infrastructure.

The total hours worked without a loss time accident is 96,310.

Submarine Cable Update

- **CenturyLink**

The Army Corps of Engineering has issued all the required permits to remove and install CenturyLink submarine cable(s). With OPALCO's input and support, the permitting agencies (DNR, NMF, Corps) have allowed CenturyLink to start their work on June 16th (one month earlier than OPALCO begins). Shore work on the San Juan Island side for CenturyLink will start June 23 with favorable tides; work on the Lopez side is scheduled for July 13 – August 12. There is a reasonable probability that CenturyLink's existing fiber optic cable may break during the installation of their new fiber optic cable. Beginning on June 23, we are on standby for the potential of data/phone outages during CenturyLink's fiber optic cable replacement effort. Please note that service to our Rock Island customers on San Juan Island travels over the CenturyLink cable until such time that OPALCO's new submarine cable in this crossing is installed.

- **OPALCO**

San Juan terminal submarine cable vault and conduit have been installed. Lopez submarine cable terminal is under construction. Cement footings for the breaker, termination structure, communication cabinet, cathodic protection, battery cabinet and station service have been installed and equipment set in place. In mid-June, the battery system for the relays will be onsite for installation and commissioning and Sumitomo technicians will be onsite to install the station terminators, this work will take approximately seven days.

Otis Perkins Park - Installation of submarine cable mounting structures inside splice vault will start in late June.

The submarine cable installation work window commences early September.

BPA – Decatur tap

The Decatur tap, which routes power directly from BPA's cable on Decatur through Blakely to Orcas, has become a higher priority. The power was previously being routed to Decatur from Lopez via two old BPA cables, both of which contain conductors that have failed. We have options to address some of the power quality issues when feeding Decatur, Blakely and the Olga area from the Eastsound Substation; the best option is to push for a direct tap off BPA's main feeder cable on Decatur.

While we still have coordination issues to address with BPA, OPALCO has purchased the substation transformer for Decatur and Blakely and the steel structures for Decatur are being manufactured.

Please note that after the tap is completed, additional upgrades will be required on the Blakely and Olga substations in order to convert them from 25 kV to 69 kV, as seen in the Construction Work Plan (CWP).

FINANCE

2016 Year-End Financial Statement Audit

Based on the board approval at the May board meeting, staff has posted the 2016 year-end audit materials on the OPALCO website and has distributed the reports to the various lenders and BPA.

BPA Cost Recovery Adjustment Clause (CRAC)

In July 2017, OPALCO will be notified from BPA of a CRAC to meet their financial reserve requirements. The CRAC would be implemented at the beginning of their FY'18 on Oct 1st and would span the first 12 months of the two-year rate period. PNGC has estimated that there is a 20% probability of a \$20M CRAC assessed to power purchasers. This increase translates to approximately a 1% increase in addition to budgeted amounts.

General Allocation of the 2016 Margin

Based on Board approval of the 2016 financial statements, the capital credit allocation process was run to notify the membership of their individual portion of the 2016 margin of \$3,062,256.77. Please note, this is not an actual cash distribution to the membership and will be distributed in 25 years (2041) upon Board approval. Notice of each member's amount of the allocation will appear on members' June electric bills.

Rural Energy Savings Program Loan (RESP)

In August of 2016, staff submitted a "letter of intent" (LOI) with RUS as step one in the loan application process for a RESP loan. This loan is to carry out a revolving/relending program to implement energy efficiency measures to qualified consumers within San Juan County. In June 2017, staff received notice from our RUS general field representative that our \$5.5M LOI will soon progress to the second phase of the approval process, the loan application. While the use of the proceeds has yet to be detailed, our intent is that they will be used to implement a comprehensive energy efficiency and renewable energy program.

Year-end Margin Projection

Staff tracks year-end financial projections on a monthly basis, see below for an excerpt of actuals through May.

2017 Income Statement (in thousands)	Through May 2017		
	YTD Actual	YTD Budget	Variance
Operating Revenue	\$ 13,802	\$ 12,167	\$ 1,635
Cost of Purchased Power	\$ 4,270	\$ 3,882	\$ 388
Net margin (through April)	\$ 2,554	\$ 1,295	\$ 1,259
HDD	876	586	290
kWh Purchased from BPA	110,402	93,120	17,282

MEMBER SERVICES

The volume of calls handled by the Member Service team in May was ~1,900+, consistent with the same period of the previous year.

ENERGY SAVINGS

Community Solar Outreach

Staff has been meeting with stakeholders on the Community Solar project for the preliminary planning stages. Outreach continues to educate and engage members about our Community Solar project. An article ran in local papers, FAQ was updated on the website and social media links shared. In addition, a two-page spread will appear in the Friends of the San Juans summer newsletter with info on Community Solar and a call to action to get involved. Planning is underway for member activities and displays at the County Fair to further engage members and get more feedback to include in findings at the Open House events.

Community Solar Survey

The community solar survey deadline was extended to June 23rd. Staff incorporated Board comments from the May meeting into the communications about the solar program. The number of participants (as of June 2) was about 900. We are conducting additional outreach to achieve at least 1,000 responses. Results will be shared with the Board at the August meeting and reported out to the membership on our website in August, at the County Fair, and Open House events in September.

Rebates

In May, there were 16 BPA rebates approved totaling approximately \$14k. The rebate countdown on the OPALCO website indicates the remaining number of rebates for ductless heat pumps (currently 10) and EV charging stations (currently 20).

San Juan County Comprehensive Plan Status

OPALCO staff is meeting with county officials to update the utility & transportation portions of San Juan County's comprehensive plan. Vince Dauciunas spoke at the June 5th County Council meeting. Please follow the link below and click on the 9:39 Discussion item 1: County Sustainable Energy.

<http://media.avcaptureall.com/session.html?sessionid=843252fc-3c7b-4096-97b3-bda613ee8ef4&prefilter=30,5838>

FACILITIES

Eastsound Headquarters

As previously noted, the sewer lines in the Eastsound office have degraded to a level requiring replacement. Staff is in the process of obtaining estimates for the bathroom remodel. Rather than having a budget increase request in 2017, staff will conduct all pre-planning and engineering efforts this year and perform construction in 2018.

COMMUNICATIONS

Buyer Beware - Arcadia Power

Energy consumers in the region have received marketing materials from for-profit corporations offering “renewable energy” as an alternative to their regular power company’s services. Buyer beware! These companies are acting as middle men, buying RECs (Renewable Energy Credits) from investors in solar, wind, tidal, etc. and then re-selling those RECs to consumers at, typically, ten times their cost.

For people who live in dirty energy areas – without access to clean, low-cost hydro and/or local distributed renewable power – this offering provides a “feel good” opportunity to participate in renewable power. In the Pacific Northwest, with the clean, green and low-cost power we have, the RECs have no value – there is no offset of carbon and no cost savings.

In addition to a fuel mix that is 85-95% clean, green hydro power, OPALCO will build its first Community Solar project in 2018, giving co-op members a way to invest in a specific and real local renewable energy resource tied into our member-owned and operated Co-op electric grid. Learn more about Community Solar and get on the list to receive project updates.

Link to the full article: <https://www.opalco.com/newsroom/>

Save the Dates

Check out the OPALCO events calendar on our website: <https://www.opalco.com/calendar/>

BPA News

The Federal FY18 Budget proposes to divest the transmission assets of BPA. OPALCO sees this as a risk for future years power cost and will be proactive with the assistance with NRECA, Northwest River Partners, PNGC, and most importantly political officials in opposing this. Attached are several communications received concerning this matter.

MEMORANDUM

June 9, 2017

TO: Board of Directors

FROM: Foster Hildreth

RE: Notable News Articles

The Federal FY18 Budget proposes to divest the transmission assets of BPA. OPALCO sees this as a risk for future years power cost and will be proactive with the assistance with NRECA, Northwest River Partners, PNGC, and most importantly political officials in opposing this. Attached are several communications received concerning this matter.

- Public Power Council Press Release
- Seattle Times Article
- American Public Power Association / NRECA Joint letter to The Honorable Rick Perry
- United States Senate letter to The Honorable Rick Perry



FOR IMMEDIATE RELEASE
May 23, 2017

Contact: Scott Corwin
Phone: (503) 595-9775
Email: scorwin@ppcpdx.org

PUBLIC POWER COUNCIL OPPOSES ADMINISTRATION BUDGET PROPOSAL TO DIVEST BPA TRANSMISSION SYSTEM

PORTLAND, OR — The Public Power Council stated its opposition to a proposal in the Administration's Budget released today that would divest the electricity transmission system of the Bonneville Power Administration (BPA). BPA is a power marketing agency created to sell and deliver electricity from the federal Columbia River power system "at cost" to citizens of the Northwest. It operates 15,000 miles of transmission lines, all of the costs of which are paid for through the rates charged to its customers.

"We'll want the details, but the effect appears to be a transfer of value from the people of the Northwest to the U.S. Treasury," said PPC Executive Director, Scott Corwin. "Electricity consumers in the West have paid to construct and maintain a system that would be sold off to fund the federal government."

PPC staff will be analyzing specifics of the proposal if and when they become available. Today's budget summary documents show almost \$5 billion attributed to divesting the BPA transmission assets between 2018 and 2027, with almost \$1.8 billion of that amount collected in fiscal year 2019.

"Electric utilities here are already working with BPA toward evolution and modernization of the transmission system," Corwin said. "These efforts are best handled in-region where the expertise lies with the parties who pay for the system."

At first look, the proposal raises several potential concerns including: (1) loss of regional control and value; (2) risk of increased costs to consumers; (3) potential for remote areas of the system to be neglected, harming rural communities; and, (4) impacts to reliability of what is currently a complex and integrated system.

###

About PPC—The Public Power Council is a not for profit association that represents about 100 consumer-owned electric utilities in the Pacific Northwest on issues regarding the Federal Columbia River Power System, and is a forum to discuss and build consensus around energy and utility issues. For more information, please see: www.ppcpdx.org

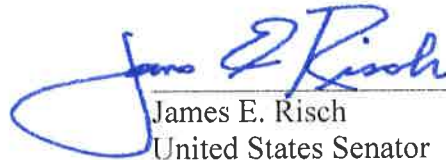
Sale of the PMAs transmission facilities would not advance the President's infrastructure objectives. In fact, privatization of existing assets could affect opportunities for new infrastructure investments. Moreover, any private entity buying PMA assets will want to recover their investment. The resulting rate increases would take money out of the pockets of consumers and businesses in our states.

There are improvements that can and should be made to the operations of some PMAs, but the dismantling of them is simply not sound governmental policy. Instead, we look forward to working with you to make needed investments in PMA infrastructure and ensuring the future value of this important federal asset.

Sincerely,



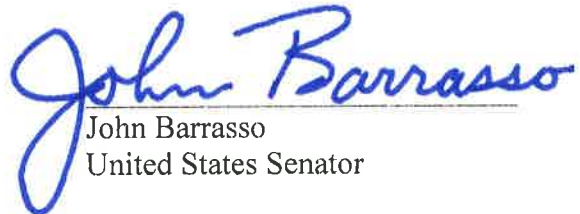
Maria Cantwell
United States Senator



James E. Risch
United States Senator



Ron Wyden
United States Senator



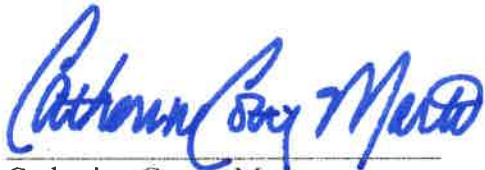
John Barrasso
United States Senator



Michael F. Bennet
United States Senator



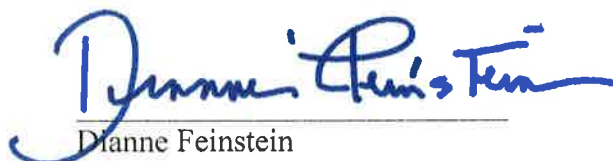
Mike Crapo
United States Senator



Catherine Cortez Masto
United States Senator



Steve Daines
United States Senator



Dianne Feinstein
United States Senator



John Hoeven
United States Senator



Al Franken
United States Senator



M. Michael Rounds
United States Senator



Martin Heinrich
United States Senator



John Boozman
United States Senator



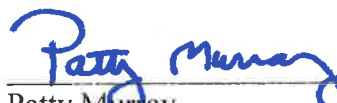
Heidi Heitkamp
United States Senator



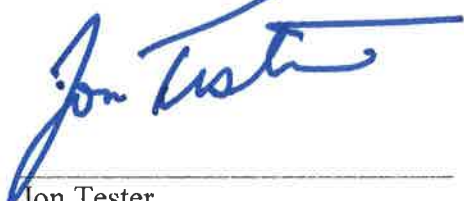
Claire McCaskill
United States Senator



Jeffrey A. Merkley
United States Senator




Patty Murray
United States Senator



Jon Tester
United States Senator



Amy Klobuchar
United States Senator



Kamala D. Harris
United States Senator

By [Seattle Times staff](#)

The Trump administration's proposal to sell off the Pacific Northwest's Bonneville Power Administration transmission grid is meeting bipartisan resistance from 21 Republican and Democratic senators who sent a [letter on Wednesday](#) to the Energy Department.

The sale of [BPA](#) and other federal power-transmission assets would result in higher electricity rates that would "take money out of the pockets of consumers and businesses in our states," the letter states. Those who signed the letter included Washington Democratic Sens. Maria Cantwell and Patty Murray.

BPA is a self-funded nonprofit that markets wholesale power from 31 federal hydroelectric projects in the Northwest, as well as the Columbia Generating Station nuclear-power plant near Richland. It operates almost 75 percent of the high-voltage transmission in its service area that includes Oregon, Washington and Montana.

BPA is an important supplier of electricity to Washington's utilities, including Seattle City Light, Tacoma Power and the Snohomish County Public Utility District.

The Trump Administration, in its 2018 budget proposal released last month, called for the federal Energy Department to auction off the transmission assets, which the senators in their letter called "the backbone of the electric grid in their states."

The senators said in their letter that any private group buying federal assets would want to recover their investment by raising rates.

Related

Other transmission assets proposed for sale are the Southeastern Power Administration, the Southwestern Power Administration and the Western Area Power Administration.



June 6, 2017

The Honorable Rick Perry
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Dear Secretary Perry:

On behalf of the American Public Power Association (APPA) and the National Rural Electric Cooperative Association (NRECA), we are writing to express our strong opposition to the proposal in President Trump's Fiscal Year 2018 budget request to sell the transmission assets of three federal Power Marketing Administrations (PMAs).

APPA is the national service organization for the not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities account for over 15 percent of all kilowatt-hour sales to over 49 million customers in every state but Hawaii. NRECA is the national service organization representing the national interests of cooperative electric utilities and the consumers they serve. More than 900 not-for-profit rural electric utilities provide electric energy to over 42 million people in 47 states, or 12 percent of electric customers nationwide.

Approximately 1,200 public power utilities and rural electric cooperatives in 34 states purchase cost-based power produced at federal hydropower projects from the PMAs. Through long-term contracts, PMA customers have repaid all power program expenses, plus the interest on any capital projects, and have ensured continued investment in the federal infrastructure. For many decades, this arrangement has been a win-win for the federal government and for public power and rural electric cooperative utilities, their retail customers and their communities.

Given the long and productive history between the PMAs and their customers, we were very disappointed to see the Administration's FY 2018 budget request proposal to divest the transmission assets of the Bonneville Power Administration (BPA), Southwestern Power Administration (SWPA), and Western Area Power Administration (WAPA). We strongly disagree with the rationale provided in the proposal that "ownership of transmission is best carried out by the private sector where there are appropriate market and regulatory incentives" and that increasing "the private sector's role would encourage a more efficient allocation of economic resources and mitigate risk to taxpayers." As stated previously, PMA costs are paid by customers and not the federal government; none of the costs are borne by taxpayers.

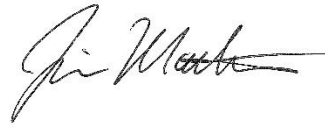
Furthermore, there is no factual evidence that selling the transmission assets of the PMAs would result in a more efficient allocation of resources. Rather, it is much more likely that any sale of these assets to private entities would result in attempts by the new owners to charge substantially increased transmission rates to the PMA customers for the same service they have historically received. These arguments are merely a pretext for actions that would raise electricity costs for millions of people and businesses.

History has demonstrated that initiatives to privatize all or part of the PMAs do not have strong support in Congress because they are both economically unjustified and politically unpopular. We respectfully urge you to reconsider this proposal.

Sincerely,



Sue Kelly
President & CEO
American Public Power Association



Jim Matheson
CEO
National Rural Electric Cooperative Association

cc:

The Honorable Lisa Murkowski
Chairman, U.S. Senate Committee on Energy & Natural Resources

The Honorable Maria Cantwell
Ranking Member, U.S. Senate Committee on Energy & Natural Resources

The Honorable Jeff Flake
Chairman, Subcommittee on Water & Power, U.S. Senate Committee on Energy & Natural Resources

The Honorable Angus King
Ranking Member, Subcommittee on Water & Power, U.S. Senate Committee on Energy & Natural Resources

The Honorable Rob Bishop
Chairman, U.S. House of Representatives Committee on Natural Resources

The Honorable Raul Grijalva
Ranking Member, U.S. House of Representatives Committee on Natural Resources

The Honorable Tom Lamborn
Chairman, Subcommittee on Water, Power and Oceans, U.S. House of Representatives Committee on Natural Resources

The Honorable Jared Huffman
Ranking Member, Subcommittee on Water, Power and Oceans, U.S. House of Representatives Committee on Natural Resources

The Honorable Harold Rogers
Chairman, U.S. House of Representatives Committee on Appropriations

The Honorable Nita Lowey
Ranking Member, U.S. House of Representatives Committee on Appropriations

The Honorable Mike Simpson
Chairman, Subcommittee on Energy & Water Development, U.S. House of Representatives Committee
on Appropriations

The Honorable Marcy Kaptur
Ranking Member, Subcommittee on Energy & Water Development, U.S. House of Representatives
Committee on Appropriations

United States Senate
WASHINGTON, DC 20510

June 7, 2017

The Honorable Rick Perry
Secretary
U.S. Department of Energy
1000 Independence Avenue SW
Washington, D.C. 20585

Dear Secretary Perry:

We are writing in opposition to a provision in the President's FY 2018 Budget to auction-off the transmission assets of the Department of Energy's Power Marketing Administrations (PMAs). This is not the first time this short-sighted proposal has come up and, as usual, it is being opposed on a bipartisan basis.

The PMAs -- the Southeastern Power Administration, the Southwestern Power Administration, the Western Area Power Administration and the Bonneville Power Administration -- market and transmit power generated at federal hydropower dams primarily to rural electric cooperatives and public power utilities serving consumers in 34 states. They have provided reliable and affordable electric service and are crucially important to rural communities in our states.

Federal power marketing is one of the few federal programs that not only fully pays its way, but actually provides benefits to the Federal government's balance sheet. PMA power rates are set to fully recover -- with interest -- taxpayers' investments in the hydropower capability of the dams. In addition, federal power rates also financially support the flood control, navigation, irrigation, water supply, wildlife enhancement, recreation and salinity control functions at these multipurpose federal dams. In many cases, Federal water projects would not have been built but for the anticipated revenue associated with the sale of the power that is generated.

The PMAs, except for the Southeastern Power Administration, also own and operate thousands of miles of high-voltage transmission lines. These transmission facilities, in large part, were built and are operated to deliver the hydropower generated at Federal water projects to the PMA customers. They serve as a backbone of the electric grid in our states. The sale of these PMA transmission assets would threaten the integration of these facilities with the PMAs' power marketing responsibilities, raising rates and impairing grid reliability.