



ORCAS POWER AND LIGHT COOPERATIVE
2018 Q2 FINANCIALS

MEMORANDUM

August 03, 2018

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2018 Second Quarter Financial Report

Please see attached the full 2018 2nd quarter financial report. Included in the report package are the Statement of Revenues and Margins (along with a notable driver analysis), Balance Sheet, Statement of Cash Flows (GAAP), and capital projects budget tracking.

The warmer weather, and resulting lower kWh sales, experienced through Q2 of 2018 is the primary driver of the overall revenue variance of -5% (\$880k) lower than budgeted. This was partially offset by the related decrease in purchased power of 5% (\$282k). All combined resulted in a decreased margin of (\$375k). No mid-year rate increase required at this time.

For more detail, please note the following key points:

- Through Q2, YTD Heating Degree Days (HDD) were down ~4% below normal budgeted levels (Actual of 819 vs. budget of 856). Actual kWh sales were 5M kWh below budget (111M vs. budget of 116M). We expect weather and heating fluctuations to produce dramatic sales revenue volatility and have budgeted based on those assumptions. We will continue to monitor revenue and expenses closely.
- Q2 YTD power purchases were down \$282k due to lower kWh consumption. Actual kWh purchases were 6M kWh below budget (116M vs. budget of 122M).
- BPA surcharges are offsetting otherwise bill savings from lower kWh purchases. In June 2018 OPALCO paid ~\$12.4K in a '**BPA spill surcharge**' which relates to BPA **recovering costs from being forced to spill** their dam by court order during the spring of 2018. We also paid \$14.5K in '**Oversupply Mgmt Protocol**' which is BPA **recovering costs from having to avoid spilling**, reducing total dissolved gas (TDG) in the water which helps the fish and BPA pay's other non-hydro generators to 'not generate' and they pass that cost down to their members. Both surcharges are expected to remain through September.
- Excluding purchased power, Q2 YTD operating expenses were approximately \$347k under budgeted amounts.
- RUS borrowings were accelerated by \$550K due to the lower revenue experienced through Q2. Outstanding debt balance as of June 30 is also higher due to (a) timing of RUS mortgage payment (not due until Q3) plus (b) RUS advance payments being curtailed vs. budget due to lower revenues and delay in establishing new RUS loan facility.
- Rock Island Communications Q2 Financials included in separate packet.

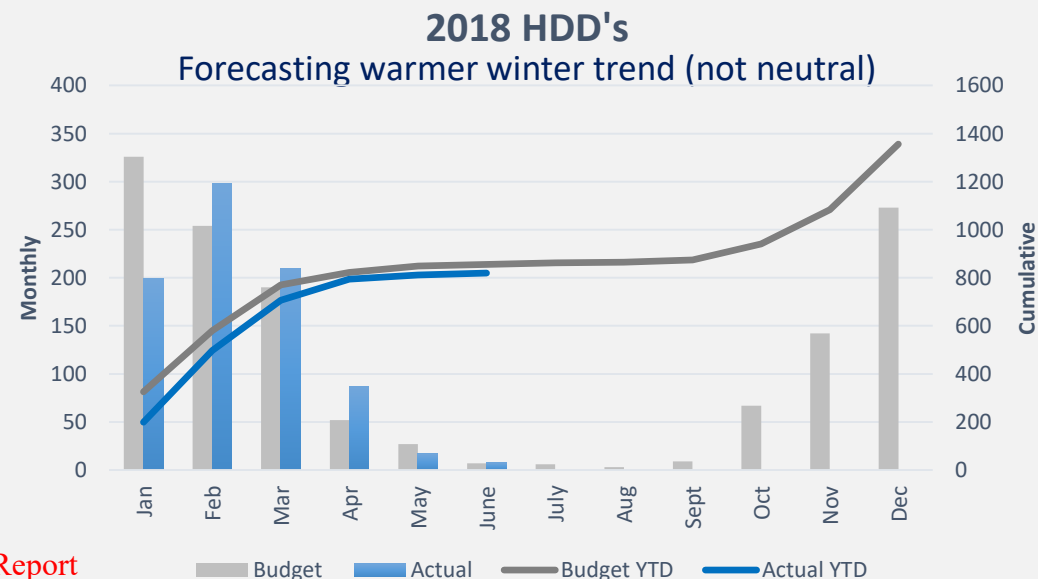
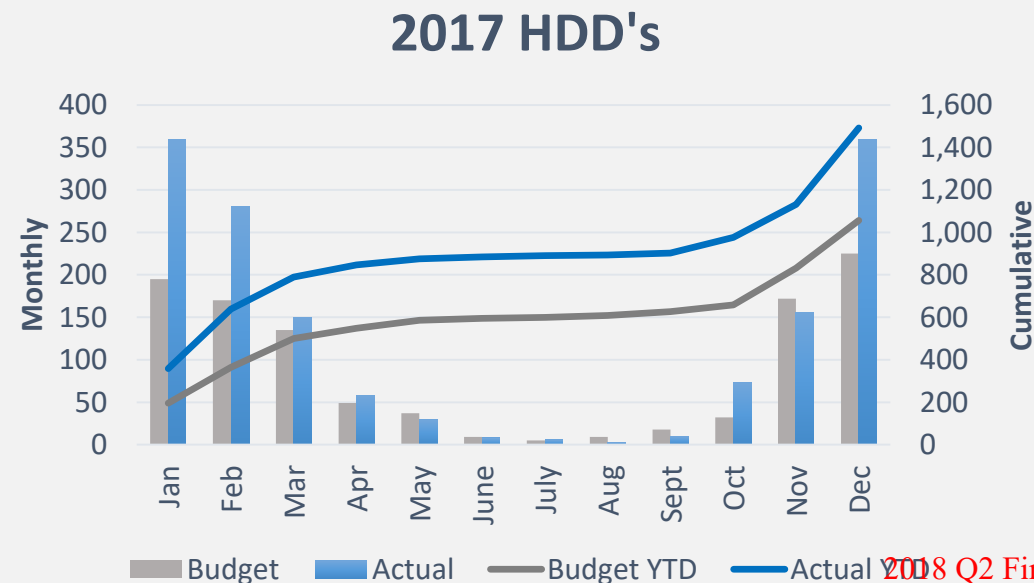
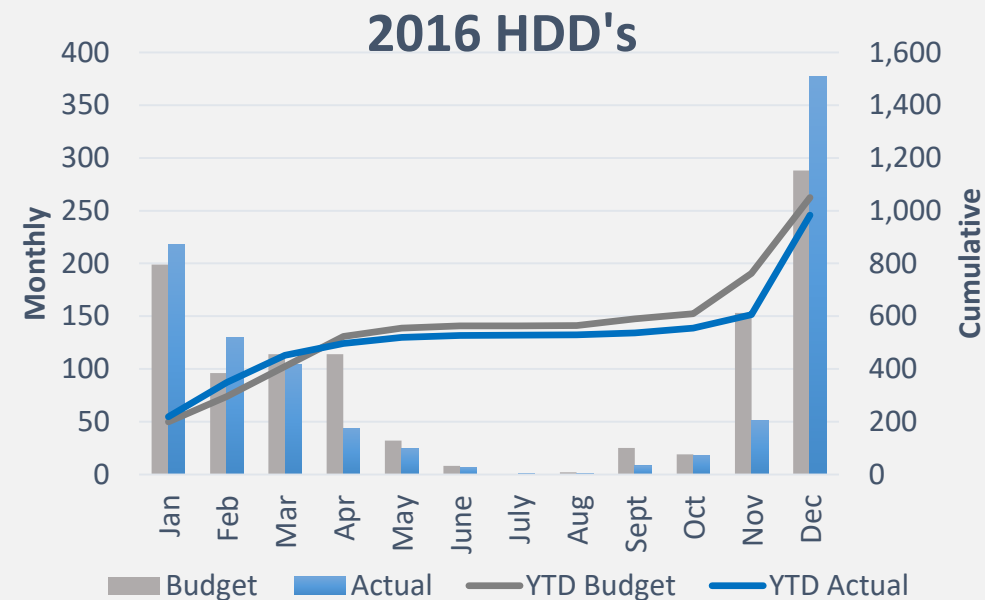
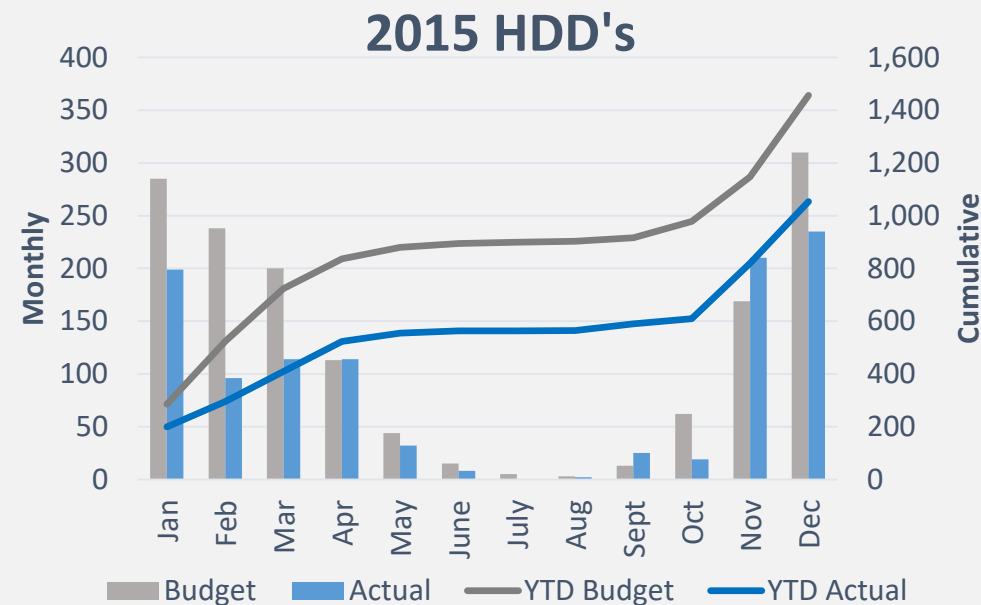
ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS EXECUTIVE SUMMARY

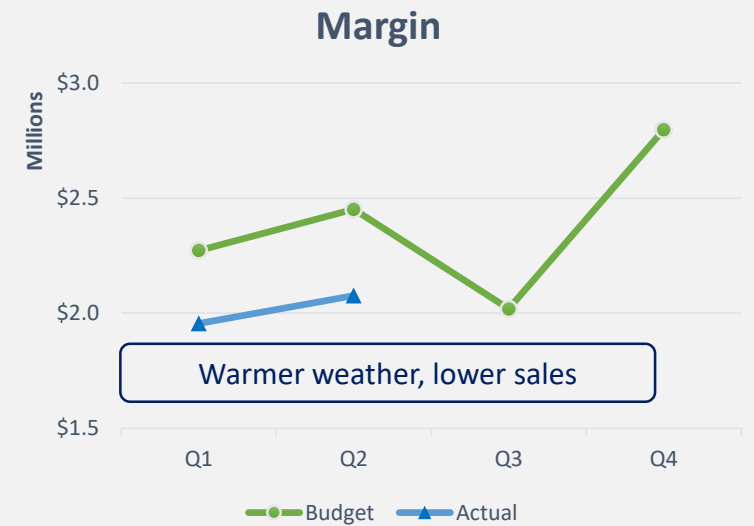
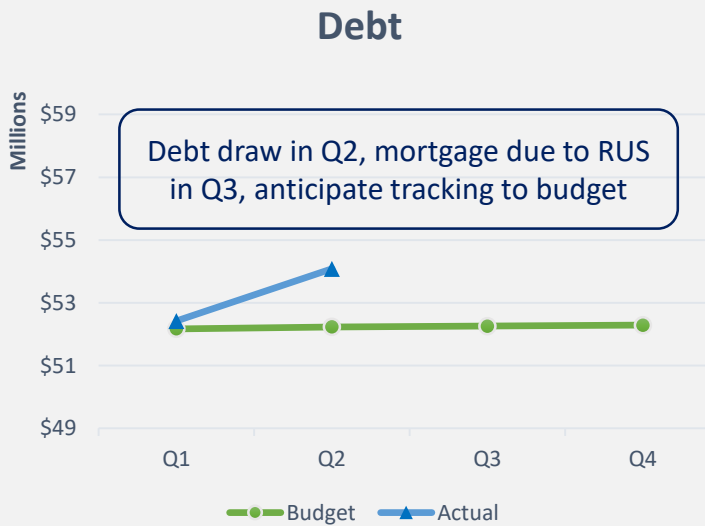
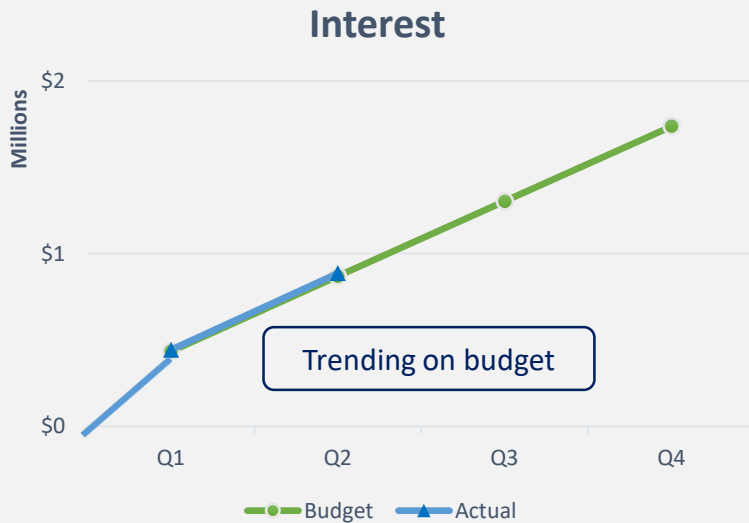
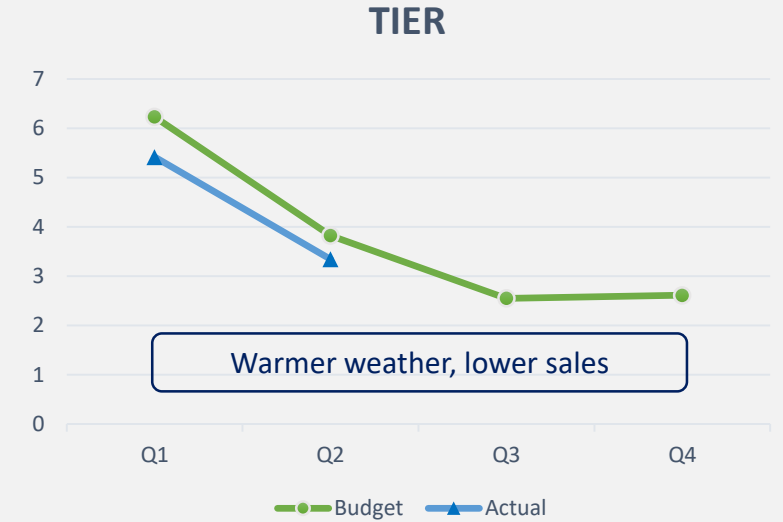
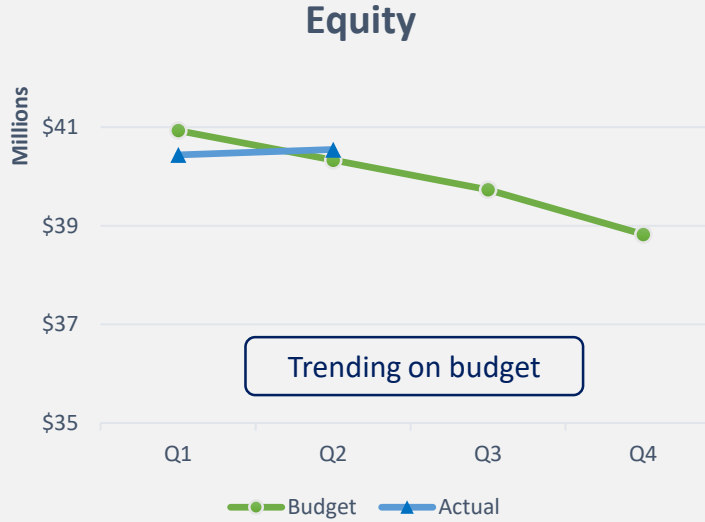
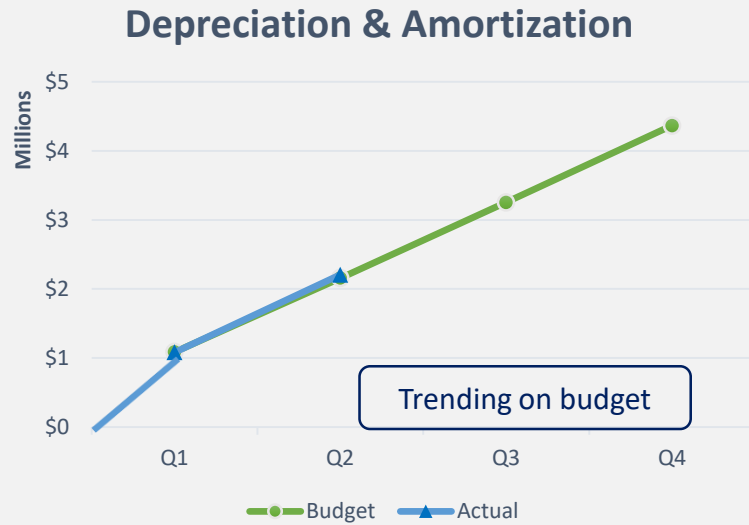
		A. Audited Year End 12/31/2016	B. Audited Year End 12/31/2017	C. Budget Period End 6/30/2018	D. Actual Period End 6/30/2018	E. % Change (D - C)
1	kWh Purchases	208,313,000	229,155,000	121,516,000	115,873,000	-4.6%
2	Total Revenue	25,661,000	28,310,000	16,585,000	15,692,000	-5.4%
3	Cost of power	7,943,000	8,916,000	5,145,000	4,863,000	-5.5%
4	Operations & G&A	8,877,000	9,971,000	5,430,000	5,052,000	-7.0%
5	Depr, Int & Taxes	5,779,000	6,023,000	3,558,000	3,700,000	4.0%
6		<u>22,599,000</u>	<u>24,910,000</u>	<u>14,133,000</u>	<u>13,615,000</u>	-3.7%
7	Net Margins	<u>\$ 3,062,000</u>	<u>\$ 3,400,000</u>	<u>\$ 2,452,000</u>	<u>\$ 2,077,000</u>	-15.3%
8	TIER	3.24	3.10	3.82	3.34	
9	Equity % of Total Cap	49.4%	43.7%	44.3%	43.2%	
10	Equity	39,277,000	39,152,000	40,318,000	39,885,000	-1.1%
11	Total Debt	41,407,000	52,162,000	52,176,000	54,083,000	3.7%
12	Capital Spending	(15,568,000)	(18,760,000)	(5,079,000)	(4,907,000)	-3.4%
13	Capital Credit Retirement (net)	(1,218,000)	(1,102,034)	(59,000)	(62,000)	5.1%
14	Annual HDD	983	1,492	856	819	-4.3%

2018 Second Quarter Financial Highlights

2018 Second Quarter Budget to Actual: Heating Degree Days

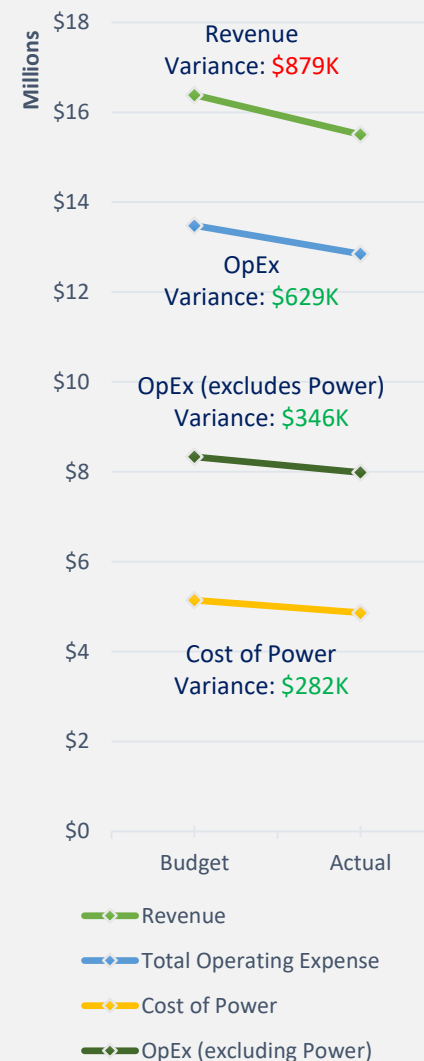


2018 Second Quarter Budget to Actual: Financial Metrics



2018 Second Quarter Budget to Actual: Statement of Operations

	A. Audited Year End 12/31/2016	B. Audited Year End 12/31/2017	C. Budget Year End 12/31/2018	D. Budget Period End 6/30/2018	E. Actual Period End 6/30/2018	F. Budget Variance (E - D)
1 OPERATING REVENUES						
2 Residential	\$ 18,104,756	\$ 20,153,220	\$ 20,942,108	\$ 11,726,771	\$ 11,218,310	(508,460)
3 Commercial	6,463,561	7,063,321	7,548,978	4,229,301	3,917,482	(311,820)
4 Other	680,713	768,644	749,965	427,016	367,644	(59,372)
5 Total operating revenue	25,249,029	27,985,185	29,241,051	16,383,088	15,503,436	(879,652)
6						
7 OPERATING EXPENSES						
8 Cost of power	7,942,885	8,916,059	9,188,856	5,144,955	4,863,009	(281,946)
9 Transmission	94,462	210,740	159,989	86,695	48,685	(38,011)
10 Distribution - operations	3,215,893	3,617,096	3,813,151	2,018,502	1,760,546	(257,956)
11 Distribution - maintenance	1,692,345	1,767,342	1,712,581	756,220	932,395	176,175
12 Consumer accounts	947,326	982,216	1,064,826	564,710	517,188	(47,522)
13						
14 General and administration						
15 Administration	2,787,995	2,957,169	3,384,697	1,764,003	1,617,650	(146,353)
16 Energy services	103,671	401,970	506,939	222,159	157,605	(64,554)
17 Subsidiary charges (RIC network mgt services)	34,920	34,920	36,055	18,027	17,460	(567)
18 Total general and administration	2,926,586	3,394,059	3,927,691	2,004,190	1,792,716	(211,474)
19						
20 Depreciation and amortization	3,546,977	3,699,958	4,368,126	2,159,208	2,206,972	47,764
21 Taxes	1,137,058	1,261,409	1,352,517	742,713	726,916	(15,797)
22						
23 Total operating expenses	21,503,532	23,848,878	25,587,737	13,477,192	12,848,426	(628,766)
24						
25 Operating margins before fixed charges	3,745,497	4,136,307	3,653,314	2,905,896	2,655,010	(250,886)
26						
27 FIXED CHARGES						
28 Interest on long-term debt	1,095,316	1,061,579	1,278,462	656,484	766,403	109,919
29						
30 Operating margins after fixed charges	2,650,181	3,074,728	2,374,852	2,249,412	1,888,607	(360,805)
31						
32 PATRONAGE CAPITAL CREDITS	81,361	77,586	77,627	27,169	40,055	12,886
33						
34 Net operating margins	2,731,543	3,152,314	2,452,479	2,276,582	1,928,662	(347,919)
35						
36 NON-OPERATING MARGINS						
37 Interest income	36,286	144,407	159,194	79,597	58,674	(20,923)
38 Other income (loss)	25,084	(63,005)	19,895	11,990	6,712	(5,278)
39 Total Opalco non-operating margins	61,370	81,402	179,089	91,587	65,386	(26,201)
40						
41 Non-operating margins from Subsidiary						
42 Interest Income (RIC loan)	181,471	79,288	79,291	39,645	39,605	(40)
43 Other income (use of OPALCO backbone)	87,873	86,285	86,944	43,472	43,142	(330)
44 Total non-operating margins from Subsidiary	269,344	165,573	166,235	83,117	82,747	(370)
45						
46 Net non-operating margins	330,715	246,975	345,324	174,705	148,134	(26,571)
47						
48 NET MARGINS	\$ 3,062,257	\$ 3,399,289	\$ 2,797,803	\$ 2,451,286	\$ 2,076,796	(374,490)
49						
50 TIER	3.24	3.10	2.61	3.82	3.34	(0.48)
51 Equity % of Total Cap	49.4%	43.7%	43.4%	44.3%	43.6%	-0.7%

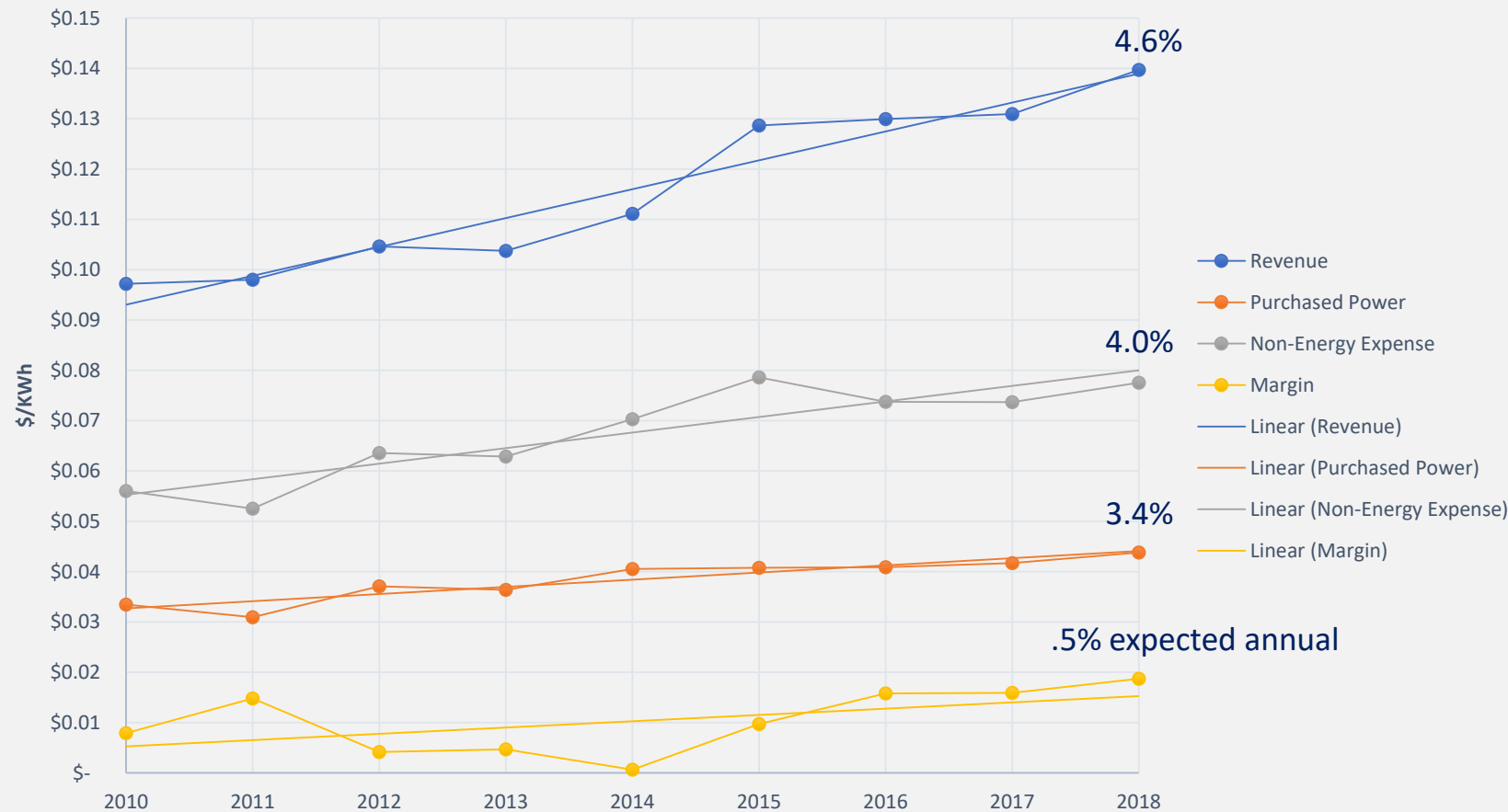


Notes:

- First two months and last two months of the year are usually our coldest, largest revenue months.
- All major expenses less than budget, corresponding to lower revenues.
- Net Margin: \$2.08M

Revenue and Expenses: Per kWh Sold

Trends in OPALCO Cost of Electricity

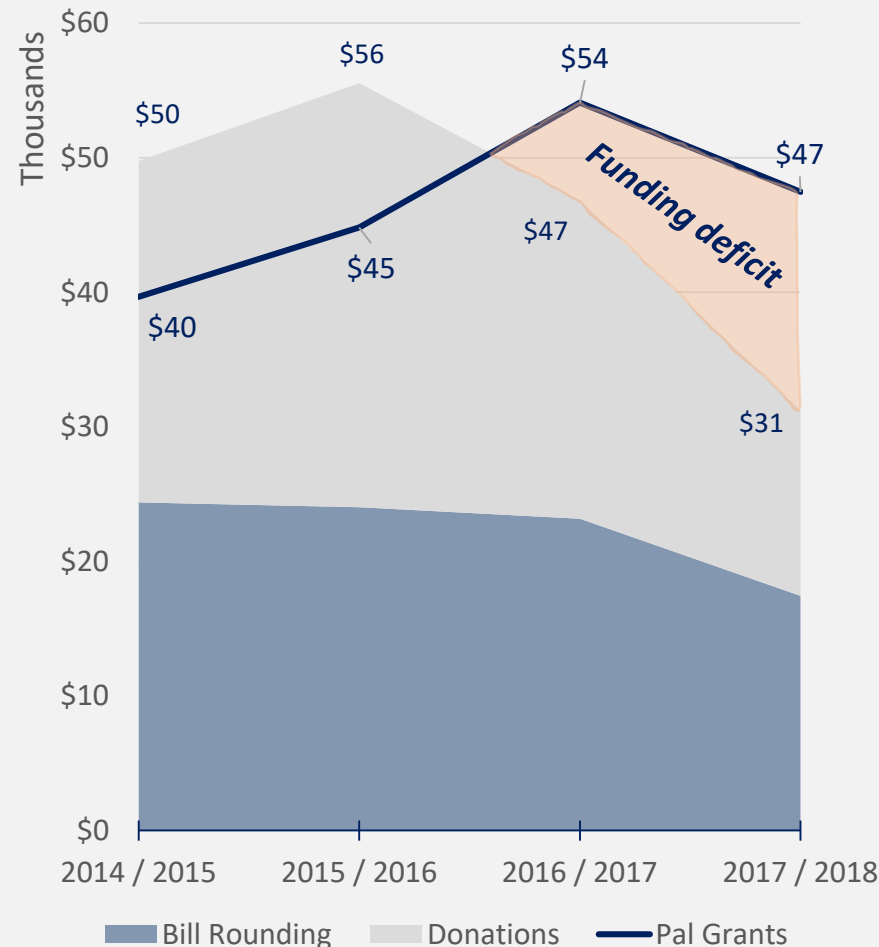


Notes:

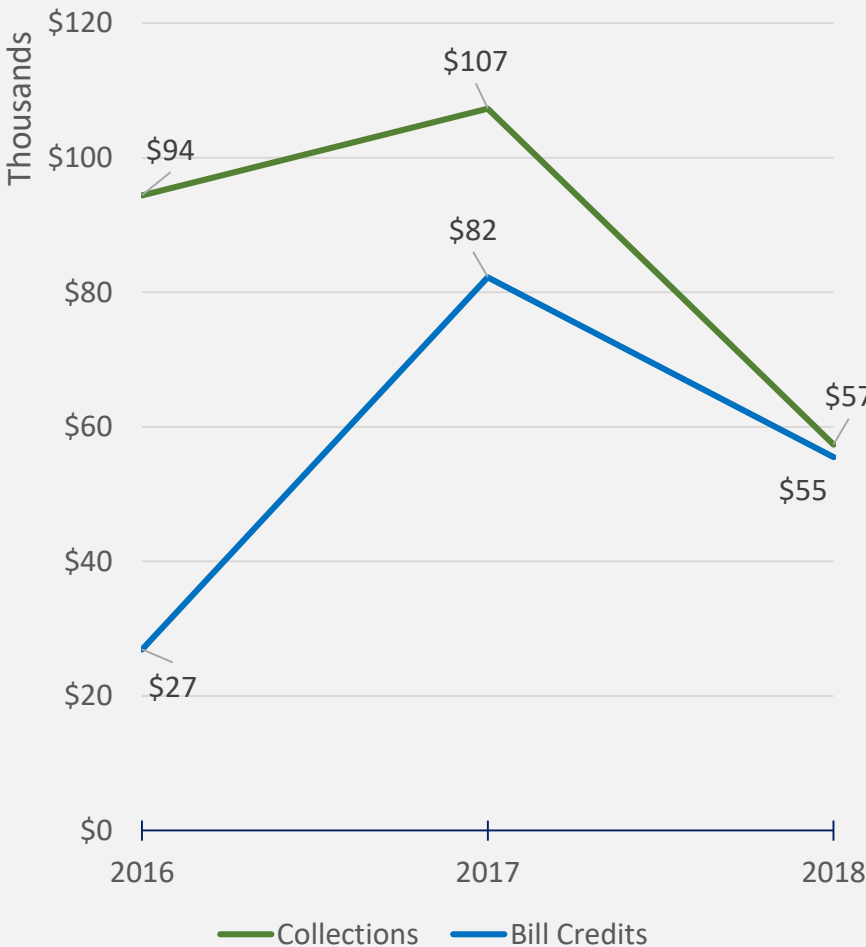
- Historical years use annual values, 2018 uses Q1-Q2 actuals only
- Trend percentages are based on 2010-2018 average change
- Non-energy includes interest & non-operating

Low Income Programs

Project PAL Overview



Energy Assist Program Overview



Notes:

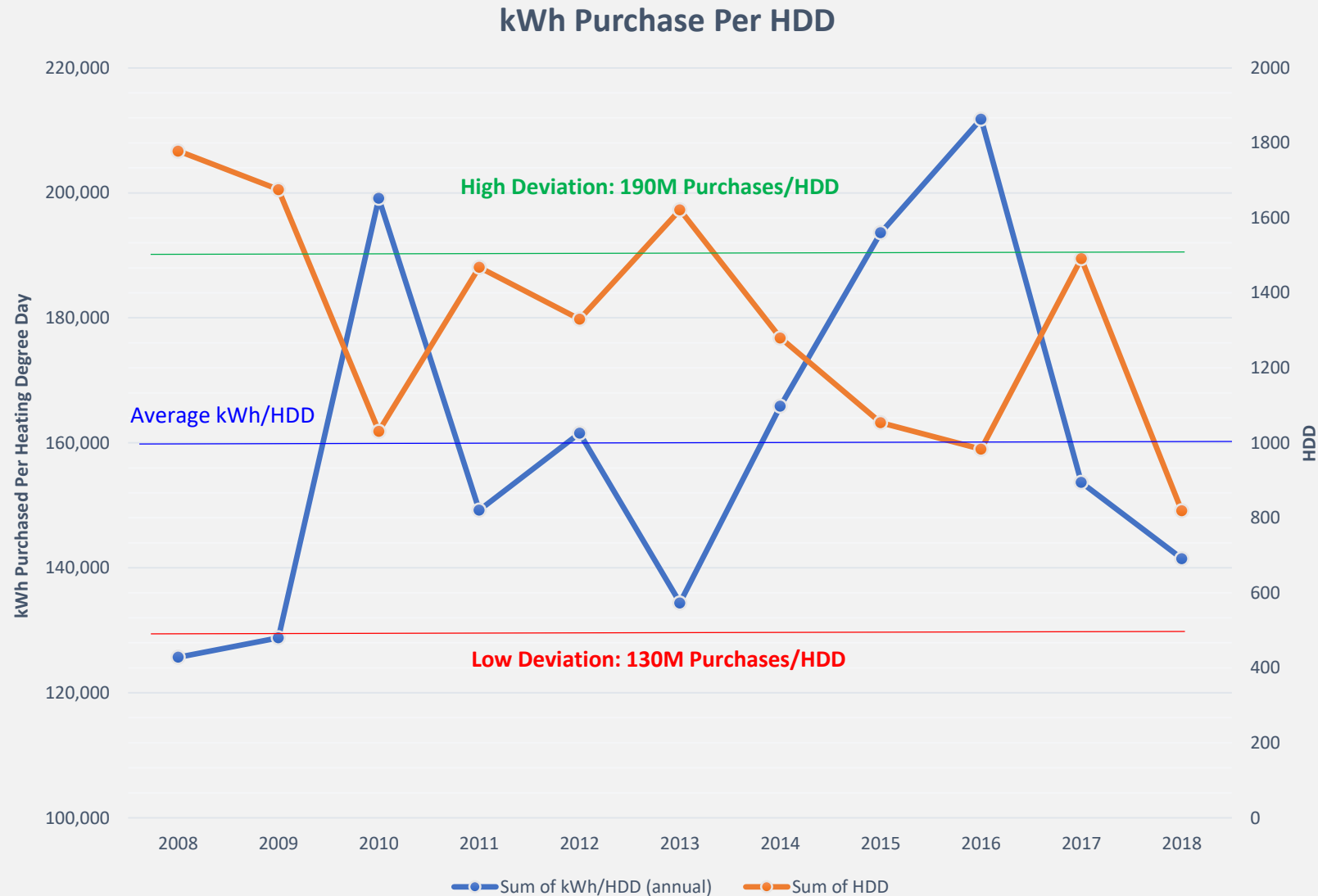
PAL

- Running a deficit for two consecutive seasons
- Avg. PAL bill credit was ~\$175 in 2017/2018 winter season (~4 months facility charges)

EAP

- 2018 collections are tied to kWh sales (lower sales = lower funding)
- Program is healthy (in large part from 2016/2017)
- Funds over 300 members an average of \$353 annually (8 months of no facility charge).

Relationship: Consumption → Heating Degree Days (HDD)



Notes:

- On average, OPALCO will purchase 160,000 kWh for each HDD in any year
- There is a 30K kWh standard deviation to the average
- Takeaway: HDD's are a good indicator, but is only one driver impacting kWh purchases/sales.

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS

	A. Audited Year End 12/31/2016	B. Audited Year End 12/31/2017	C. Budget Year End 12/31/2018	D. Budget Period End 6/30/2018	E. Actual Period End 6/30/2018	F. Budget Variance (E - D)	G. Audited Period End 6/30/2017
1 OPERATING REVENUES							
2 Residential	\$ 18,104,756	\$ 20,153,220	\$ 20,942,108	\$ 11,726,771	\$ 11,218,310	(508,460)	\$ 11,285,288
3 Commercial	6,463,561	7,063,321	7,548,978	4,229,301	3,917,482	(311,820)	3,771,932
4 Other	680,713	768,644	749,965	427,016	367,644	(59,372)	437,669
5 Total operating revenue	25,249,029	27,985,185	29,241,051	16,383,088	15,503,436	(879,652)	15,494,889
6							
7 OPERATING EXPENSES							
8 Cost of power	7,942,885	8,916,059	9,188,856	5,144,955	4,863,009	(281,946)	4,777,889
9 Transmission	94,462	210,740	159,989	86,695	48,685	(38,011)	122,353
10 Distribution - operations	3,215,893	3,617,096	3,813,151	2,018,502	1,760,546	(257,956)	1,826,928
11 Distribution - maintenance	1,692,345	1,767,342	1,712,581	756,220	932,395	176,175	970,363
12 Consumer accounts	947,326	982,216	1,064,826	564,710	517,188	(47,522)	520,987
13							
14 General and administration							
15 Administration	2,787,995	2,957,169	3,384,697	1,764,003	1,617,650	(146,353)	1,520,249
16 Energy services	103,671	401,970	506,939	222,159	157,605	(64,554)	202,382
17 Subsidiary charges (RIC network mgt services)	34,920	34,920	36,055	18,027	17,460	(567)	17,460
18 Total general and administration	2,926,586	3,394,059	3,927,691	2,004,190	1,792,716	(211,474)	1,740,091
19							
20 Depreciation and amortization	3,546,977	3,699,958	4,368,126	2,159,208	2,206,972	47,764	1,827,646
21 Taxes	1,137,058	1,261,409	1,352,517	742,713	726,916	(15,797)	692,292
22							
23 Total operating expenses	21,503,532	23,848,878	25,587,737	13,477,192	12,848,426	(628,766)	12,478,549
24							
25 Operating margins before fixed charges	3,745,497	4,136,307	3,653,314	2,905,896	2,655,010	(250,886)	3,016,340
26							
27 FIXED CHARGES							
28 Interest on long-term debt	1,095,316	1,061,579	1,278,462	656,484	766,403	109,919	500,434
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30 Operating margins after fixed charges	2,650,181	3,074,728	2,374,852	2,249,412	1,888,607	(360,805)	2,515,906
31							
32 PATRONAGE CAPITAL CREDITS	81,361	77,586	77,627	27,169	40,055	12,886	28,851
33							
34 Net operating margins	2,731,543	3,152,314	2,452,479	2,276,582	1,928,662	(347,919)	2,544,757
35							
36 NON-OPERATING MARGINS							
37 Interest income	36,286	144,407	159,194	79,597	58,674	(20,923)	61,493
38 Other income (loss)	25,084	(63,005)	19,895	11,990	6,712	(5,278)	(53,707)
39 Total Opalco non-operating margins	61,370	81,402	179,089	91,587	65,386	(26,201)	7,786
40							
41 Non-operating margins from Subsidiary							
42 Interest Income (RIC loan)	181,471	79,288	79,291	39,645	39,605	(40)	39,684
43 Other income (use of OPALCO backbone)	87,873	86,285	86,944	43,472	43,142	(330)	43,142
44 Total non-operating margins from Subsidiary	269,344	165,573	166,235	83,117	82,747	(370)	82,827
45							
46 Net non-operating margins	330,715	246,975	345,324	174,705	148,134	(26,571)	90,612
47							
48 NET MARGINS	\$ 3,062,257	\$ 3,399,289	\$ 2,797,803	\$ 2,451,286	\$ 2,076,796	(374,490)	\$ 2,635,369
49							
50 TIER	3.24	3.10	2.61	3.82	3.34	(0.48)	4.48
51 Equity % of Total Cap	49.4%	43.7%	43.4%	44.3%	43.2%	-1.1%	48.2%

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.		
		Budget	Actual	Budget			
		Period End	Period End	Variance			
		6/30/2018	6/30/2018	(B - A)	Comments: Budget To Actual (Column C.)		
1	I OPERATING REVENUES	16,383,088	15,503,436	(879,652)			
2					Budget	Actual	Variance
3					HDD	856	37
4					kWh Sales	115,823	4,860
5	Operating Revenue - Line 5 Detail Breakout:				(kWh in thousands)		
6	Residential Sales			(508,460)			
7	Commercial Sales			(311,820)			
8	Other Operating Revenue			(59,372)			
9							
10	TOTAL OPERATING REVENUES	16,383,088	15,503,436	(879,652)	Slightly lower than budget		
11							
12							
13	II OPERATING EXPENSES	13,477,192	12,848,426	(628,766)	Overall decrease in operating expenses		
14							
15	Cost of Power - Line 8	5,144,955	4,863,009	(281,946)	Decrease in expense - warmer weather		
16					Budget	Actual	Variance
17					kWh Purchases	121,516	5,643
18					(kWh in thousands)		
19	Transmission - Line 9 Detail Breakout:	86,695	48,685	(38,011)	Decrease in expense		
20							
21	Distribution - Operations - Line 10 Detail Breakout:	2,018,502	1,760,546	(257,956)	Decrease in expense		
22	Station / Overhead Lines / Underground Lines / Meter Expense			(132,436)	Labor shift to Distribution Maintenance line 28		
23	Misc Distribution Expenses			(107,257)	Vacant Engineering positions		
24	Multiple Accounts			(18,262)	Variance among multiple general ledger accounts (5 accounts)		
25	Subtotal Distribution - Operations			(257,956)			
26							
27	Distribution - Maintenance - Line 11 Detail Breakout:	756,220	932,395	176,175	Increase in expense		
28	Maint - Station Equipment / Overhead Lines / Underground Lines			186,442	Accelerated ROW clearing in Q2 + storm outages Jan-Feb '18 and an increase in maintenance (labor shift from line 22)		
29	Multiple Accounts			(10,267)	Variance among multiple general ledger accounts (7 accounts)		
30	Subtotal Distribution Maintenance			176,175			
31							
32	Consumer accounts - Line 12 Detail Breakout:	564,710	517,188	(47,522)	Decrease in expense		
33							
34	Total General and Administrative (G&A):	2,004,190	1,792,716	(211,474)	Decrease in expense		
35							
36	Administration G&A - Line 15 Detail Breakout:	1,764,003	1,617,650	(146,353)	Decrease in expense		
37	Outside Services			(26,506)	Less outside consulting Q2		
38	Informational/Instruct Adv Ex			(29,137)	Less spending on Community Solar		
39	Maintenance of General Plant			(13,918)	Delayed building maintenance to future quarters		

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.
		Budget	Actual	Budget	
		Period End	Period End	Variance	
		6/30/2018	6/30/2018	(B - A)	Comments: Budget To Actual (Column C.)
40	Misc General Expenses			(49,946)	Less expenses Q2 including \$27k savings on Annual Meeting
41	Multiple Accounts			(26,846)	Variance among multiple general ledger accounts (13 accounts)
42	Subtotal Administration G&A			(146,353)	
43					
44	Energy Services G&A - Line 16	222,159	157,605	(64,554)	Decrease in expense
45	Education and Outreach			(11,732)	Activity by SJI Conservation District to pick up Q3 and Q4
46	BPA Rebates			21,070	More heat pump upgrades submitted and Town of Friday Harbor rebates completed
47	BPA EEI Funding			(45,687)	Received EEI funding in Q1 for Q4 '17 rebates
48	Multiple Accounts			(28,205)	Variance among multiple general ledger accounts (8 accounts)
49	Subtotal Energy Services G&A			(64,554)	
50					
51	Subsidiary Charges G&A - Line 17	18,027	17,460	(567)	Decrease in expense
52					
53	Total General and Administrative (G&A)	2,004,190	1,792,716	(211,474)	Overall decrease in expense
54					
55	Deprec. & Amort. - Line 20	2,159,208	2,206,972	47,764	Increase in expense
56					
57	Taxes - Line 21	742,713	726,916	(15,797)	Decrease in expense - lower sales result in lower utility tax
58					
59	TOTAL OPERATING EXPENSES	13,477,192	12,848,426	(628,766)	Overall decrease in expense
60					
61					
62	III FIXED CHARGES - Interest Expense - Line 28	656,484	766,403	109,919	Increase in expense - less interest capitalized due to early completion / capitalization of "George" in Dec'17 (\$92K)
63					
64	IV PATRONAGE CAPITAL CREDITS (Income) - Line 32	27,169	40,055	12,886	Increase in income - received from associated cooperatives
65					
66	TOTAL NET OPERATING MARGINS	2,276,582	1,928,662	(347,919)	Decrease in margin
67					
68	V NON-OPERATING MARGINS	174,705	148,134	(26,571)	Decrease in margin
69					
70	Interest and Dividend Income - Line 37 combined with Line 42	119,243	98,280	(20,963)	Decrease in income - interest from RUS advance payments (cushion of credit)
71					
72	Other Income - Line 38 combined with Line 43	55,462	49,854	(5,608)	Decrease in income
73					
74	TOTAL OPALCO NON-OPERATING MARGINS	174,705	148,134	(26,571)	Decrease in margin
75					
76					
77	TOTAL OPALCO NET MARGIN DETAIL BREAKOUT	2,451,286	2,076,796	(374,490)	Decrease in margin - lower revenue offset by lower power costs

ORCAS POWER AND LIGHT COOPERATIVE

BALANCE SHEET

	A. Audited Year End 12/31/2016	B. Audited Year End 12/31/2017	C. Actual Period End 6/30/2018	D. Change (C - B)
1 ASSET S				
2				
3 UTILITY PLANT, at cost				
4 Electric plant in service	\$ 105,702,896	\$ 124,265,509	\$ 127,016,642	\$ 2,751,134
5 Construction work in progress	12,489,462	10,630,332	11,583,420	953,088
6				
7	118,192,358	134,895,841	138,600,063	3,704,222
8 Less accumulated depreciation and amortization	44,622,436	45,632,268	47,250,694	1,618,426
9				
10 Net utility plant	73,569,921	89,263,572	91,349,369	2,085,796
11				
12 Investments in associated organizations				
13 Other (CFC, Federated, PNGC, etc.)	1,125,332	1,654,603	1,670,235	15,632
14 Non-utility investment subsidiary (Note 2)	(2,389,473)	(4,944,798)	(6,292,557)	(1,347,759)
15 Total investments in associated organizations	(1,264,141)	(3,290,195)	(4,622,322)	(1,332,127)
16				
17 Other property and investments	(1,264,141)	(3,290,195)	(4,622,322)	(1,332,127)
18				
19 CURRENT ASSET S				
20 Cash and cash equivalents	3,906,844	3,269,223	3,697,927	428,704
21 Cash and cash equivalents - board designated	-	750,000	751,958	1,958
22 Accounts receivable, less doubtful accts allowance	3,610,821	3,136,480	2,565,486	(570,994)
23 Interest receivable	9,386	13,218	6,417	(6,801)
24 Materials and supplies	3,711,223	3,221,936	3,464,155	242,219
25 Prepaid expenses	349,741	343,443	325,420	(18,023)
26				
27 Total current assets	11,588,015	10,734,300	10,811,363	77,063
28				
29 Total assets	\$ 83,893,795	\$ 96,707,676	\$ 97,538,409	\$ 830,733

ORCAS POWER AND LIGHT COOPERATIVE

BALANCE SHEET

	A. Audited Year End 12/31/2016	B. Audited Year End 12/31/2017	C. Actual Period End 6/30/2018	D. Change (C - B)	
30					
31	EQUITIES, MARGINS, AND LIABILITIES				
32					
33	EQUITIES AND MARGINS				
34	Memberships	\$ 56,905	\$ 55,960	\$ 56,310	\$ 350
35	Patronage capital - OPALCO	38,334,633	40,181,088	42,120,817	1,939,729
36	Donated and other equities				
37	OPALCO donated & other margins	5,403,526	5,984,621	6,127,898	143,277
38	Subsidiary margins	(4,517,947)	(7,069,953)	(8,419,940)	(1,349,987)
39					
40	Total equities and margins	39,277,116	39,151,716	39,885,085	733,369
41					
42	LONG-TERM DEBT, less current maturities				
43	RUS mortgage notes	31,370,096	41,809,367	44,037,968	2,228,601
44	RUS economic development	48,651	3,333	(6,667)	(10,000)
45	CFC mortgage notes	8,812,642	8,561,284	8,432,076	(129,208)
46					
47	Total long-term debt	40,231,389	50,373,984	52,463,377	2,089,393
48					
49	OTHER NONCURRENT LIABILITIES				
50		53,775	24,443	9,777	(14,666)
51	Total long-term liabilities	40,285,163	50,398,427	52,473,154	2,074,727
52					
53	CURRENT LIABILITIES				
54	Accounts payable	1,692,979	2,997,993	1,418,984	(1,579,009)
55	Customer deposits	89,928	87,219	87,466	247
56	Accrued liabilities	1,144,751	2,032,945	1,773,869	(259,076)
57	Current maturities of long-term debt	1,092,588	1,734,041	1,580,710	(153,331)
58	Current maturities capital leases	29,332	29,332	29,332	-
59					
60	Total current liabilities	4,049,578	6,881,530	4,890,361	(1,991,169)
61					
62	DEFERRED CREDITS				
63		281,938	276,002	289,809	13,807
64	Total equities and liabilities	\$ 83,893,795	\$ 96,707,676	\$ 97,538,409	\$ 830,733

66 Note:

67 1 Combination of all balance sheet accounts for Island Network(department only).

68 2 Investment in subsidiary consists of OPALCO's invested dollars in Island Network LLC (+\$2,127,383) LESS IN LLC's cumulative net deficit of (\$8,419,940) seen in 'equities & margins'.

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW
 GAAP

	A.	B.	C.
	Audited	Audited	Actual
	Year End	Year End	Period End
	12/31/2016	12/31/2017	6/30/2018
1 CASH FLOWS FROM OPERATING ACTIVITIES			
2 Net margins	\$ 3,062,257	\$ 3,399,289	\$ 2,076,796
3 Adjustments to reconcile net margin to cash			
4 from operating activities			
5 Depreciation and amortization	3,546,977	3,699,958	2,206,972
6 Changes in assets and liabilities			
7 Accounts receivable	(52,608)	474,341	570,994
8 Interest receivable	(3,245)	(3,832)	6,801
9 Prepaid expenses	(37,939)	6,298	18,023
10 Accounts payable	(72,458)	1,305,014	(1,579,009)
11 Customer deposits	7,551	(2,709)	247
12 Accrued liabilities	432,633	(40,379)	(259,076)
13 Deferred credits	64,421	(5,936)	13,807
14			
15 Net cash from operating activities	6,947,587	8,832,044	3,055,555
16			
17 CASH FLOWS FROM INVESTING ACTIVITIES			
18 Additions to utility plant, net	(15,199,049)	(19,248,896)	(4,665,048)
19 Reduction to non-utility plant (Island Network transition)	-	-	-
20 Change in materials and supplies	(369,284)	489,287	(242,219)
21 (Increase) decrease in investment in Subsidiary	7,639,352	2,555,325	1,347,759
22 (Increase) decrease in other OPALCO property and investments, net	(31,367)	(529,271)	(15,632)
23			
24 Net cash from investing activities	(7,960,347)	(16,733,555)	(3,575,140)
25			
26 CASH FLOWS FROM FINANCING ACTIVITIES			
27 Payments on long-term debt (Note 1)	(2,497,268)	(1,695,281)	121,394
28 Proceeds from debt	8,742,000	12,450,000	1,800,000
29 Memberships	510	(945)	350
30 Retirements of patronage capital, net	(1,218,259)	(971,738)	6,210
31 Change in subsidiary equities	(2,737,834)	(2,552,005)	(1,349,987)
32 Contributions in aid of construction	933,069	783,860	372,280
33			
34 Net cash from financing activities	3,222,218	8,013,890	950,247
35			
36 NET CHANGE IN CASH	2,209,458	112,379	430,662
37			
38 CASH AND CASH EQUIVALENTS, beginning of year/period	1,697,386	3,906,844	4,019,223
39			
40 CASH AND CASH EQUIVALENTS, end of year/period	3,906,844	4,019,223	4,449,885
41			
42 SUPPLEMENTAL DISCLOSURES			
43 Cash paid for interest	\$ 1,085,134	\$ 1,545,309	\$ 884,001
44 OUTSTANDING DEBT BALANCE	(41,377,751)	(52,132,468)	(54,083,196)
45 Notes:			
46 1 Includes Economic Development loan from RUS and is offset by RUS Cushion of Credit balance of \$127k (2015), \$1.7M (2016), \$2.3M (2017), \$1.5M (Q2 2018)			

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW

NON GAAP

Note: All numbers in thousands					
	A. Audited Year-End 12/31/2017	B. Approved Budget 6/30/2018	C. Actual 6/30/2018	D. Variance (c - b)	Comments
1 % Rate Increase		5%			
2 OPERATING ACTIVITIES:					
3 Margins	\$ 3,400	\$ 2,500	\$ 2,100	\$ (400)	
4 Plus depreciation/amortization	3,700	2,200	2,200	-	
5 Cash flow operations	7,100	4,700	4,300	(400)	Slightly lower margin
6					
7 PLANT INVESTMENT (NET)					
8 Plant investment (including material inventory)	(18,400)	(5,000)	(4,400)	600	Capital Spending slightly lower
9 Cash flow from operations and plant investment	(11,300)	(300)	(100)	200	
10					
11 CASH FLOWS FROM PATRONAGE CAPITAL	(1,100)	(60)	(60)	-	
12 Cash flow before borrowings	(12,400)	(360)	(160)	200	
13					
14 NET BORROWINGS (Note 1)	10,800	20	1,900	1,880	Timing of funding RUS advance payments
15 RIC repayment of start-up loan	-	-	-	-	
16 Cash increase (decrease) after net borrowings	<u>\$ (1,600)</u>	<u>\$ (340)</u>	<u>\$ 1,740</u>	<u>\$ 2,080</u>	
17					
18					
19 OUTSTANDING DEBT BALANCE	<u>52,200</u>	<u>52,200</u>	<u>54,100</u>	<u>1,900</u>	
20					
21 EQUITY BALANCE	<u>39,200</u>	<u>40,300</u>	<u>39,900</u>	<u>(400)</u>	
22					
23 NET UTILITY PLANT	<u>89,300</u>	<u>90,900</u>	<u>91,300</u>	<u>400</u>	
24					
25 Note 1: Accelerated borrowings of \$550K (vs. equal qareterly draws), RUS Q2 payment not due until Q3 ~\$320K, less CoC funding ~\$1M, holding cash due to RUS loan delay					

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS SUMMARY

			A.	B.	C.	D.	E.	F.	G.
			Audited	Budget	Budget	Actual	Budget	Actual	
			Year End	Year End	Period End	Period End	Variance	Period End	
			12/31/2017	12/31/2018	6/31/2018	6/31/2018	(D- C)	6/31/2017	Comments
1	RUS CWP DESCRIPTION								
2	DISTRIBUTION								
3	100	New Services	\$ 348,971	\$ 361,000	\$ 181,000	\$ 154,269	\$ (26,731)	\$ 206,184	Less service connections then projected
4	200	New Tie Lines	596	-	-	2,989	2,989	202	
5	300	Conversions and Line Changes	1,381,722	410,000	130,000	110,869	(19,131)	476,264	
6	400	New Substations, switching station, metering point, etc.	-	-	-	-	-	-	
7	500	Substation, Switching Station, Metering Point Changes	677,046	2,450,000	800,000	693,686	(106,314)	120,609	Blakely Substation delayed
8	600	Miscellaneous Distribution Equipment							
9	601	Transformers & Meters	569,966	545,000	400,000	429,650	29,650	229,411	
10	602	Sets of Service Wires to increase Capacity	-	-	-	-	-	-	
11	603	Sectionalizing Equipment	266,215	440,000	10,000	480	(9,520)	169,294	
12	604	Regulators	26,429	150,000	150,000	112,849	(37,152)	4,999	Delays in Blakely Regulator installation
13	605	Capacitors	-	-	-	-	-	-	
14	606	Ordinary Replacements	78,098	123,000	92,000	96,860	4,860	10,065	
15	608	Underground Dist. Cable Replacement	2,506,256	1,712,000	1,200,000	1,191,747	(8,253)	1,021,563	
16	700	Other Distribution Items							
17	701	Engineering Fees	-	-	-	-	-	-	
18	704	LMS & SCADA	77,985	162,000	30,000	30,604	604	50,018	
19	705	AMR	-	270,000	200,000	133,137	(66,863)	-	Delay in Blakely/Olga AMR installations
20	706	Communications							
21	706.0	Island Network	-	-	-	-	-	-	
22	706.1	Fiber/Microwave Infrastructure	2,425,185	538,000	140,000	203,580	63,580	1,411,024	
23	TRANSMISSION								
24	800	New Tie Line	-	-	-	-	-	-	
25	900	New Substations, switching station, metering point, etc.	1,373,235	-	-	332,522	332,522	65,538	Timing of Decatur Tap shifted from Q4 2017 to 2018
26	1000	Line and Station Changes	8,463,865	1,730,000	500,000	489,908	(10,092)	2,869,410	Submarine Cable Project close out pending
27	1100	Other Transmission	-	-	-	-	-	-	
28	GENERATION								
29	1200	Generation	-	-	-	-	-	-	
30	OTHER								
31	1300	Headquarters Facilities	100,451	675,000	70,000	59,015	(10,985)	81,491	
32	1400	Acquisitions	-	-	-	-	-	-	
33	1500	All Other (Transportation, Etc.)							
34	1501	Transportation/Equipment/Tools/Radios	477,967	613,000	240,000	243,491	3,491	95,479	
35	1502	Office Equipment/Furniture/Etc.	24,769	41,000	-	-	-	10,845	
36	1503	Computer/Servers/Software	286,305	274,000	240,000	242,449	2,449	173,418	
37	1504	Electrical Infrastructure to Support Community Solar	-	900,000	900,000	948,800	48,800	-	Offset by line 45
38	1600	Minor Projects	295,589	170,000	80,000	139,628	59,628	97,851	
39	RUS CWP SUBTOTAL		19,380,653	11,564,000	5,363,000	5,616,534	253,534	7,093,664	
40	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)								
41		New Services	(231,464)	(307,000)	(154,000)	(209,971)	(55,971)	(123,127)	
42		Meters and Transformers	(243,750)	(304,000)	(152,000)	(140,632)	11,368	(138,781)	
43		Joint Projects	(308,646)	(287,000)	(40,000)	(21,677)	18,323	(5,693)	
44		WA DOC Grant Funding	-	(1,000,000)	-	-	-	-	
45		Community Solar Member Contributions	-	(900,000)	-	(891,750)	(891,750)	-	Offset by line 36
46	CIAC SUBTOTAL		(783,860)	(2,798,000)	(346,000)	(1,264,030)	(918,030)	(267,600)	
47	RUS CWP NET TOTAL		18,596,794	8,766,000	5,017,000	4,352,505	(664,495)	6,826,064	
48									
49	Notes:								
50	1	\$120,875 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.							
51	2	\$31,702 in Environmental Consultants. This cost is embedded in the associated projects listed above for capitalization purposes.							

ORCAS POWER AND LIGHT COOPERATIVE

SALES AND USAGE REPORT

	A.	B.	C.	D.	E.	F.	G.	H.	I.	J.	K.	L.	M.	N.
	Year to Date Total	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	HEATING DEGREE DAYS (HDD)													
2	Budget HDD	856	326	254	190	52	27	7	6	3	9	67	142	273
3	Actual HDD	819	199	298	210	87	17	8						819
4	Variance	(37)	(127)	44	20	35	(10)	1	0	0	0	0	0	(37)
5														
6	ENERGY USAGE (kWh)													
7	Residential													
8	Budget	86,274,187	19,908,359	15,299,767	17,108,041	12,314,447	11,568,117	10,075,457	9,329,126	9,329,126	9,702,292	12,314,447	13,433,942	151,951,238
9	Actual	80,211,581	20,208,179	14,625,448	17,872,650	12,276,608	8,263,017	6,965,679						80,211,581
10	Variance (Budget to Actual)	(6,062,606)	299,820	(674,319)	764,609	(37,839)	(3,305,100)	(3,109,778)	-	-	-	-	-	(6,062,606)
11														
12	Commercial													
13	Budget	31,048,730	7,164,707	5,506,147	6,156,916	4,431,777	4,163,184	3,625,999	3,357,407	3,357,407	3,491,703	4,431,777	4,834,666	54,684,873
14	Actual	30,751,286	6,425,701	5,377,022	6,004,535	5,072,539	4,017,661	3,853,828						30,751,286
15	Variance (Budget to Actual)	(297,444)	(739,006)	(129,125)	(152,381)	640,762	(145,523)	227,829	-	-	-	-	-	(297,444)
16														
17	Combined Energy Usage (kWh)													
18	Budget	117,322,918	27,073,066	20,805,914	23,264,957	16,746,224	15,731,301	13,701,456	12,686,533	12,686,533	13,193,994	16,746,224	18,268,608	206,636,111
19	Actual	110,962,867	26,633,880	20,002,470	23,877,185	17,349,147	12,280,678	10,819,507	-	-	-	-	-	110,962,867
20	Variance (Budget to Actual)	(6,360,050)	(439,186)	(803,444)	612,228	602,923	(3,450,623)	(2,881,949)	-	-	-	-	-	(6,360,050)
21														
22	SALES REVENUE (kWh based)													
23	Residential													
24	Budget	11,909,851	2,671,176	2,183,207	2,236,043	1,752,857	1,639,550	1,427,017	1,323,208	1,323,530	1,374,904	1,756,130	1,915,882	21,262,871
25	Actual	11,358,598	2,619,278	1,966,021	2,367,427	1,789,282	1,842,278	774,312	-	-	-	-	-	11,358,598
26	Variance (Budget to Actual)	(551,253)	(51,898)	(217,186)	131,384	36,425	202,728	(652,706)	-	-	-	-	-	(551,253)
27														
28	Commercial													
29	Budget	4,329,147	974,526	794,483	813,543	636,678	593,562	516,355	479,094	479,435	497,612	638,642	696,825	7,726,840
30	Actual	4,004,194	809,830	675,752	755,229	664,468	573,170	525,745	-	-	-	-	-	4,004,194
31	Variance (Budget to Actual)	(324,953)	(164,696)	(118,731)	(58,314)	27,791	(20,393)	9,389	-	-	-	-	-	(324,953)
32														
33	Combined kWh Sales Revenue													
34	Budget	16,238,998	3,645,702	2,977,690	3,049,586	2,389,534	2,233,113	1,943,373	1,802,301	1,802,966	1,872,515	2,394,773	2,612,707	28,989,711
35	Actual	15,362,792	3,429,108	2,641,773	3,122,656	2,453,750	2,415,448	1,300,056	-	-	-	-	-	15,362,792
36	Variance (Budget to Actual)	(876,206)	(216,594)	(335,917)	73,070	64,216	182,335	(643,317)	-	-	-	-	-	(876,206)
37														
38	NOTE: Excluded Other Revenue and Revenues that are not usage based.													

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7
STATEMENT OF OPERATIONS

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.				
UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION WA0009		
		PERIOD ENDED June '18		
		BORROWER NAME Orcas Power & Light Cooperative		
INSTRUCTIONS - See help in the online application.				
This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)				
CERTIFICATION We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001. We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII <i>(check one of the following)</i>				
<div><input type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.</div> <div><input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.</div> <div>_____ Date _____</div>				
PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	15,494,889	15,503,436	16,383,088	1,324,064
2. Power Production Expense	-	-	-	-
3. Cost of Purchased Power	4,777,889	4,863,009	5,144,955	622,666
4. Transmission Expense	122,353	48,684	86,695	4,805
5. Regional Market Expense			-	
6. Distribution Expense - Operation	1,826,928	1,760,546	2,018,502	246,902
7. Distribution Expense - Maintenance	970,363	932,395	756,220	138,856
8. Customer Accounts Expense	520,987	517,188	564,710	82,556
9. Customer Service and Informational Expense	265,010	213,846	312,019	51,989
10. Sales Expense	14,981	22,986	18,503	2,270
11. Administrative and General Expense	1,460,100	1,555,884	1,673,668	248,943
12. Total Operation & Maintenance Expense (2 thru 11)	9,958,611	9,914,538	10,575,271	1,398,988
13. Depreciation and Amortization Expense	1,827,646	2,206,972	2,159,208	376,851
14. Tax Expense - Property & Gross Receipts	136,409	157,836	143,230	26,306
15. Tax Expense - Other	555,883	569,079	599,483	82,011
16. Interest on Long-Term Debt	757,379	887,277	869,114	149,228
17. Interest Charged to Construction - Credit	(256,945)	(120,875)	(212,630)	(15,173)
18. Interest Expense - Other	-	-		-
19. Other Deductions	-	-	-	-
20. Total Cost of Electric Service (12 thru 19)	12,978,984	13,614,828	14,133,676	2,018,210
21. Patronage Capital & Operating Margins (1 minus 20)	2,515,906	1,888,608	2,249,412	(694,146)
22. Non Operating Margins - Interest	101,177	98,280	119,243	24,480
23. Allowance for Funds Used During Construction	-	-	-	-
24. Income (Loss) from Equity Investments	-	-	-	-
25. Non Operating Margins - Other	(10,565)	49,854	55,462	9,888
26. Generation and Transmission Capital Credits	-	-	-	-
27. Other Capital Credits and Patronage Dividends	28,851	40,055	27,169	-
28. Extraordinary Items	-	-	-	-
29. Patronage Capital or Margins (21 thru 28)	2,635,369	2,076,796	2,451,286	(659,778)

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7
BALANCE SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION WA0009		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED June '18		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	93	132	5. Miles Transmission	42.65	42.65
2. Services Retired	-	48	6. Miles Distribution – Overhead	154.40	154.15
3. Total Services in Place	15,257	15,092	7. Miles Distribution - Underground	1,147.03	1,054.99
4. Idle Services (Exclude Seasonals)	1,192	822	8. Total Miles Energized (5 + 6 + 7)	1,344.08	1,251.79
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	127,016,642		30. Memberships	56,310	
2. Construction Work in Progress	11,538,840		31. Patronage Capital	40,044,021	
3. Total Utility Plant (1 + 2)	138,555,482		32. Operating Margins - Prior Years	-	
4. Accum. Provision for Depreciation and Amort.	47,206,114		33. Operating Margins - Current Year	2,026,942	
5. Net Utility Plant (3 - 4)	91,349,368		34. Non-Operating Margins	49,854	
6. Non-Utility Property (Net)	-		35. Other Margins and Equities	(2,292,042)	
7. Investments in Subsidiary Companies	(6,292,557)		36. Total Margins & Equities (30 thru 35)	39,885,085	
8. Invest. in Assoc. Org. - Patronage Capital	1,086,984		37. Long-Term Debt - RUS (Net)	-	
9. Invest. in Assoc. Org. - Other - General Funds	10,300		38. Long-Term Debt - FFB - RUS Guaranteed	46,830,724	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	558,274		39. Long-Term Debt - Other - RUS Guaranteed	-	
11. Investments in Economic Development Projects	13,333		40. Long-Term Debt Other (Net)	8,688,109	
12. Other Investments	1,344		41. Long-Term Debt - RUS - Econ. Devel. (Net)	13,333	
13. Special Funds	947,347		42. Payments – Unapplied	(1,488,078)	
14. Total Other Property & Investments (6 thru 13)	(3,674,975)		43. Total Long-Term Debt (37 thru 41 - 42)	54,044,088	
15. Cash - General Funds	1,060,708		44. Obligations Under Capital Leases - Noncurrent	9,777	
16. Cash - Construction Funds - Trustee	38,037		45. Accumulated Operating Provisions and Asset Retirement Obligations	-	
17. Special Deposits	-		46. Total Other Noncurrent Liabilities (44 + 45)	9,777	
18. Temporary Investments	2,449,151		47. Notes Payable	-	
19. Notes Receivable (Net)	-		48. Accounts Payable	1,418,984	
20. Accounts Receivable - Sales of Energy (Net)	1,620,040		49. Consumers Deposits	87,466	
21. Accounts Receivable - Other (Net)	59,166		50. Current Maturities Long-Term Debt	-	
22. Renewable Energy Credits	-		51. Current Maturities Long-Term Debt - Economic Development	-	
23. Materials and Supplies - Electric & Other	3,464,155		52. Current Maturities Capital Leases	29,332	
24. Prepayments	325,420		53. Other Current and Accrued Liabilities	1,773,869	
25. Other Current and Accrued Assets	847,339		54. Total Current & Accrued Liabilities	3,309,651	
26. Total Current and Accrued Assets	9,864,016		55. Regulatory Liabilities	-	
27. Regulatory Assets	-		56. Other Deferred Credits	289,808	
28. Other Deferred Debits	-		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	97,538,409	
29. Total Assets and Other Debits (5+14+26 thru 28)	97,538,409				