

MEMORANDUM

Date: December 15, 2014

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2015 Budget Presentation

Please see attached the full 2015 Budget Presentation. This is a challenging budget year as we shift to a new rate structure and make course corrections required to stabilize our revenue stream. Please read the budget rationale and assumptions carefully.

In summary, staff is recommending that our 2015 budget revenue increase from \$22M to \$24.7M to meet our financial and operational commitments. While our revenue is expected to increase by 12%, typical members can expect an increase of 9% in 2015 and 6% between 2016 through 2019.

In particular, please note the following key points containing complexities that may cause confusion:

- In 2014, revenue is down about \$1.4M due to warmer than projected temperatures. This is a major factor that impacts last year's actuals and the 2015 budget – and a flaw in the old rate structure that placed too much fixed cost expense on energy (kWh) charges. The new rate structure starts to correct this vulnerability by placing more of the fixed costs in the facilities charge, which is phased in over time. The 2015 rate increase includes some catch up for the 2014 shortfall and anticipates a continuing trend of warmer temperature days going forward.
- Whereas the 2015 revenue adjustment is up 12%, actual impacts on member bills are less, due to redistribution of costs and member classes in the new Board approved rate structure. For example, the actual impact to a PAL recipient's 2015 bill is projected at 8.4% - while a seasonal member will pay an additional 9.9%. A typical residential member (using 1,000 kWh/month) will see at 9% increase in 2015. See page 13 for a detailed chart.
- Submarine cable replacement is a major upcoming expense (\$15M in 2015-17) and is driving the need to build equity and cash through rates to manage the debt necessary to complete the project. This trend will continue with three additional submarine cable replacements planned over the next 20 years.
- Energy efficiency, conservation and local distributed power continue to be high priorities. However, to meet revenue requirements, the new rate structure and foreseeable rate increases will be limited to the facilities charge and cap conservation and efficiency savings at a \$0.08/kWh rate level for the next five years. Our Energy Savings department, in concert with BPA and the San Juan Islands Conservation District, will continue to fund, promote and reward energy efficiency, conservation and distributed power outside of the rate structure. In addition, OPALCO and community leadership must work together to discover new ways to reward those who help balance financial stability with energy efficiency, conservation and distributed generation goals.
- The rate increases proposed for 2015 are independent of the creation of our new Internet services entity, which will be formally named at a later date and presently referred to as "NewCo." The start-up cost for NewCo is \$7.5M over the next three years. The impact of this debt service on our membership is \$3/member/month for 24 months. NewCo expense is not included in the new rate structure. NewCo is expected to break even and start generating a positive cash flow in 2017. Starting in year 2020, this revenue stream may be used to help the Co-op offset future volatility in electric revenue (i.e. due to weather) and assist with upcoming capital expenses post 2020.

Orcas Power & Light Cooperative 2015 Budget



E26663 Cable crossing sign.



Leot 69

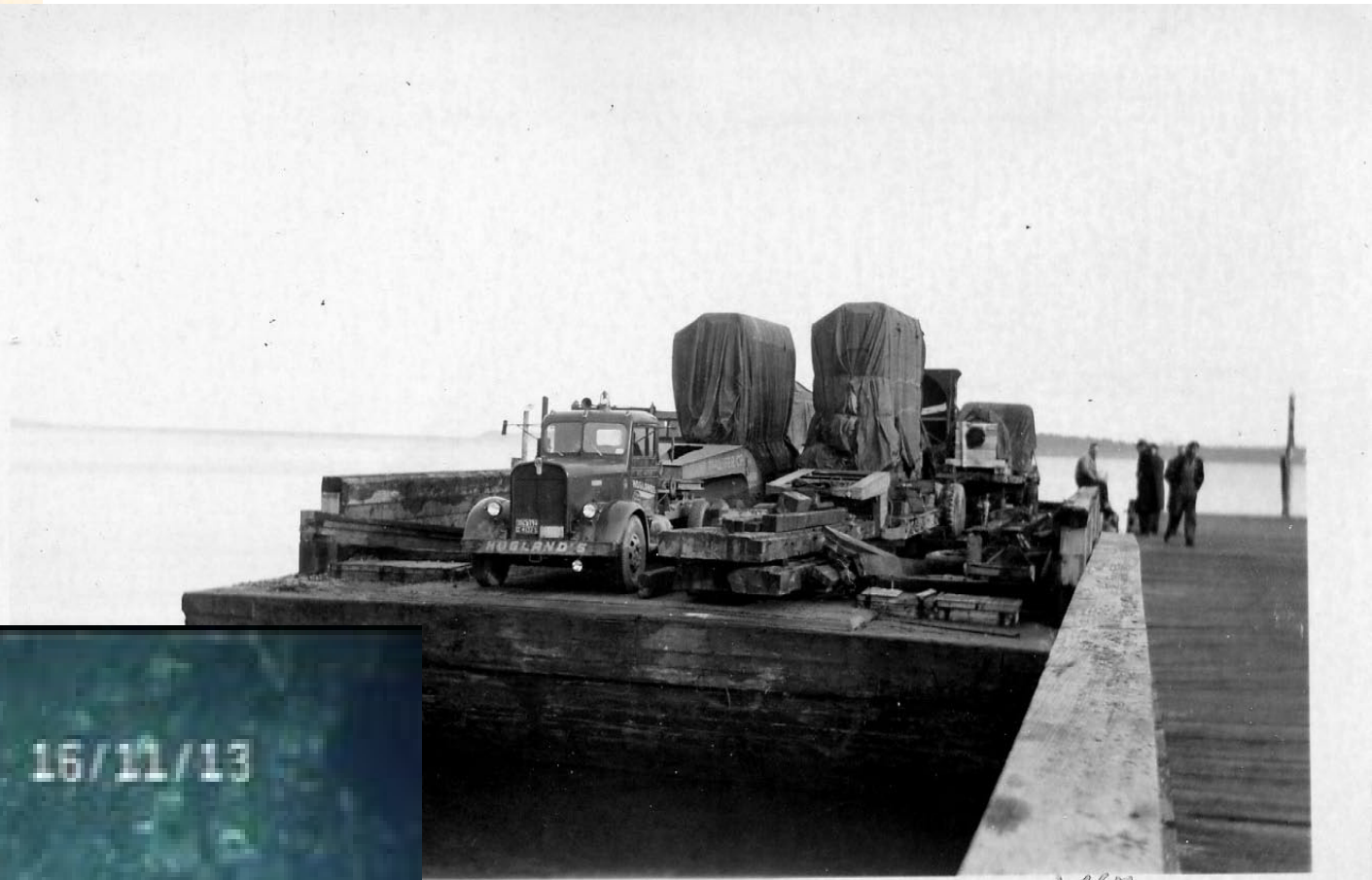




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BUDGET RATIONALE

The following document outlines assumptions and a rate structure carefully designed to keep OPALCO financially solvent during a challenging period of market, climate and cultural paradigm shifts as well as capital system improvements – primarily submarine cable replacements – that are putting pressure on our traditional business model. And, let’s not forget the constant reality that OPALCO provides utility services in the most challenging service territory in the nation: serving 20 islands with 26 submarine cables, eleven substations, three line crews and two administrative offices. The major pressures at this moment are:

- **Warming temperature trends:** OPALCO’s revenue is down approximately \$1.4M in 2014 due to warmer than projected temperatures. A rate increase of 6% in 2014 was designed to meet revenue projections that are based, in part, on projected average heating degree days. The pressure on OPALCO’s revenue is compounded going into 2015 by lower energy usage (in kilowatt hours - kWh) resulting in lower revenues and by a rate structure that disproportionality depends on energy charges (kWhs) to meet fixed operational costs. Not only did we fall short on our target for 2014, but expect this trend will continue – and potentially worsen – in 2015, compounding our revenue shortage and requiring a greater rate increase to catch up.
- **Submarine Cable Replacements:** The cost of submarine cable replacement has increased tremendously. When OPALCO replaced the last submarine cable in the Lopez to San Juan crossing in 1994, the cost was about \$5M. For the submarine cable replacement in the same crossing that we are currently planning (2015-17), costs have risen to as much as \$15M – and we are facing three additional submarine replacements in the next 20 years. Costs are rising due to increased environmental regulations, archeological constraints and updated construction protocols. For example, in previous years, the old cable would have been left in place. Today, we must remove the old cable at substantial costs and do so in such a way that sensitive marine areas are minimally disturbed.
- **Rising energy costs** and shifting billing components through our power supplier, Bonneville Power Administration (BPA) are significant. BPA has begun to bill us for “demand” on the system when our load goes above a forecasted ceiling. We have not previously passed through these charges onto our members’ bills, but must now transition to meet that requirement. The demand component will be added incrementally as meters are replaced.
- **Energy efficiency, conservation and local renewable power** are all good things that OPALCO has worked hard for decades to promote. And, as more of our membership adopts these behaviors and practices, energy usage goes down and it becomes increasingly challenging to meet financial requirements. This is a paradigm shift that is occurring across the country – not just in San Juan County. Our task now is to find ways to optimize our use of BPA hydro power (with no carbon footprint) while sustaining a financially viable electric cooperative.

In addition to these industry pressures, OPALCO is managing a complex equation of competing priorities including meeting revenue requirements, public safety, affordability, member services, carbon footprint and sustainability of our power supply in the islands. To address these pressures and needs, OPALCO is taking a three-pronged approach:

- 1) **Rates** – how we equitably share costs across the entire membership – each member paying their fair share while protecting affordability for our most vulnerable members;
- 2) **Grid Control Backbone** – member investment in the infrastructure that serves the Cooperative (both in the development and maintenance of our automated electrical distribution system and as the platform of our county-wide communication system) creating savings through efficiencies (energy, technology and staffing) and continual upgrades to industry best practices; and the development of
- 3) **“NewCo”** (new entity formally referred to as Island Network) – a solution that will provide a revenue stream for the Cooperative while delivering essential Internet services to our membership. The membership will invest the start-up costs in NewCo and, after the first five years, may begin to benefit from the steady revenue stream it will provide independent of the most volatile aspects of the electrical business side such as weather, market energy costs and consumer energy habits.

Rates

The new rate structure, approved by the Board in November 2014, puts us on a course of correction to adjust our business model to meet the new paradigms and pressures while managing equity, regaining our financial strength as a cooperative and positioning ourselves to meet our extraordinary capital system improvement needs going forward. Policy 29 and the new rate structure will trend over the next seven years to capture fixed costs in a facilities charge; energy charges (for kWh usage and kW demand) will be passed through at the cost of service (what BPA charges us). The benefits of this policy and structure include:

- Seasonal members pay their fair share of fixed/operational costs year round.
- Low income members, who are traditionally higher energy users (less efficient homes), will see a lower bill increase on average. See Assumptions – Line 22 for more affordability initiatives.

- Very large energy users (such as legal cannabis growers) pay for the infrastructure impact costs of their larger loads through implementation of demand charges.

Due to the inclusion of seasonal blocks (summer vs winter) combined with the revised kWh thresholds of 1,500 kWh and 3,000 kWh respectively (previously 5,000 kWh), additional electric revenue will be generated. In reviewing the member database for kWh usage, we expect to bring in an additional \$650,000 in revenue due to the rate structure change. In addition, staff is recommending implementing the new rate structure in the February billing cycle (traditionally rates have been adjusted in the March billing cycle), which is estimated to increase revenues by \$125k (one additional month at the staff recommended rate increase).

While the revenue increase required for the 2015 budget is 12%, rate impacts will be lower on the typical member because of the way that the new structure realigns member billing with actual impact on the system. The following table demonstrates rate impacts on three types of residential member profiles: average user, low-income/PAL recipient and seasonal occupancy. A detailed chart of each rate class is included on Page 13.

	Average Residential User	PAL Recipient <i>Subset of Residential</i>	Seasonal Occupancy <i>Subset of Residential</i>
Number of services (meter points)	12,600	279	2,526
Average months of usage	12	12	5
Average Usage (kWh) per month	994	1,068	1,053
Average Monthly Bill using Existing Rate (2014)	\$113.84	\$119.59	\$101.92
Average Monthly Bill using Proposed Rate (2015)	\$123.94	\$129.67	112.05
Percentage Increase	8.9%	8.4%	9.9%

Notes: 1) Data period from November 2013 – October 2014.
2) Seasonal occupancy based on greater usage in May through September than rest of the year.
3) PAL accounts based on those in database who received assistance during data period.

Grid Control Backbone

This is OPALCO’s communication infrastructure to serve our electric grid. Capital improvements to the grid control backbone are included in the Construction Work Plan (CWP) and funded by RUS loans (see Assumptions - Line 6 for actual dollar amounts). It is paid for through debt service in member rates over time. The grid control backbone also provides the platform for OPALCO’s member Internet services. As our grid control backbone reaches further to serve the electrical system and crew communications, the infrastructure also reaches more potential end users of member Internet services who pay directly for those “last mile” connections.

“NewCo” Internet Services

All end user connections to OPALCO’s infrastructure for the purpose of Internet services (data, voice, etc.) are provided through a wholly-owned subsidiary temporarily identified as “NewCo.” OPALCO is making a loan to fund the new entity’s start-up costs over the first 36 months at a total of \$7.5M. The amount of start-up operational costs covered by OPALCO as the “parent” organization will be equal to \$3 per member per month over 24 months. In year 2020, NewCo is projected to earn income to repay that start-up loan to OPALCO, then grow at the rate of member demand, paying for itself and potentially creating a new revenue stream for OPALCO that may help to offset projected capital improvement costs in the next 20 years. While NewCo does incur a cost to the membership over the first 24 months until revenue offsets expenses, it is not driving rate increases and is not built into the rate structure. It is a short-term investment in a long-term stable revenue which may benefit the cooperative’s financial health and have a positive impact on member quality of life in San Juan County.

OPALCO must remain financially solvent in order to meet our mission of providing power to the islands and the fixed charge methodology is a critical tool to keep us in balance. We as a group need to continue exploring any and all approaches necessary to balance our conflicting goals of achieving revenue stability and covering our fixed operational costs, while encouraging distributed generation, energy efficiency and conservation. This is a major paradigm shift and no easy task. We will be engaging Co-op leadership and the Co-op membership in discussions to find creative solutions to refine the model as we move forward.

ASSUMPTIONS

General:

1. Approach:

Staff is recommending approval of the 2015 budget, along with forecasting for budget years 2016, 2017, 2018, and 2019.

2. General Inflation Rate:

The general annual inflation rate has been projected at 3% for years 2015 and 4% for years 2016 through 2019.

3. 2015-19 Budget Basis:

The 2015-19 budgetary figures have been forecasted with the use of actual activity from January through September 2014 and adjusted 4th quarter 2013 actuals.

4. BPA Power Cost Projections:

BPA power costs have been estimated using detailed regression analysis which trends our usage over the last ten years. OPALCO is operating under BPA's "2014 Power Rate Schedules and General Rate Schedule Provisions (FY 2014-2015)." This rate schedule modifies the formulas under which OPALCO is billed for energy drawn from generation sources (more than 90% carbon-free hydro power) under BPA control through September of 2015. The modified rate schedule reflects BPA's need for an even monthly revenue stream by charging for total estimated yearly energy usage evenly distributed over 12 months instead of by energy consumed on a monthly basis. In addition to the change in energy billing methodology, the rate schedule puts a much higher cost on system demand (kW) costs. System demand is the highest hourly power (kW) usage over a monthly period. The billing determinants are extremely sensitive to unpredictable events such as weather patterns or widespread power disruptions.

The proposed BPA Power Rate Schedules and General Rate Schedule Provisions FY 2016-2017 and FY 2018-2019 could potentially raise OPALCO's Tier I rates by 9% if approved as drafted. Proposed drafted contract language continues to place a high cost associated with the energy demand (kW) portion of the contract. The Power Purchase cost does assume that the proposed BPA Power Rate Schedule and General Rate Schedule Provisions for FY 2016-2017 and FY 2018-2019 will be accepted.

5. Load Growth:

Load growth is estimated to be 1% as predicted from January to September 2014. The growth has been largely driven by residential load. However, the predicted addition of more than 35 new residential solar sites per year, which are averaging around 7.5 kW each, may slow this 1% growth trend downward. Commercial load growth has lagged behind predicted growth rates but the potential addition of three new legal cannabis grow operations, which are averaging 100 kW each, may increase Large Commercial usage by 1,000,000 kWh per year.

Grid Control Network:

6. Capital project grid control backbone infrastructure to enhance our crew communications (field and emergency), connect field devices (voltage regulators, protective equipment, etc.) and redundancy began in 2014 with expenditures amounting to \$1.7M. Projected costs going forward are: \$2M in 2015, \$2.3M in 2016, and \$1.1M in 2017. Staff estimates the total cost for grid control infrastructure to equal \$7.5M (through 2017). If utility reliance on the grid control communication system increases and if member demand for Internet services becomes notable, we may wish to explore accelerating the expansion of the grid control infrastructure.

Capital Projects:

7. The capital projects are based on the board approved RUS Construction Work Plan (CWP). The CWP is derived from outage analysis, system monitoring and system modeling based on load growth projections along with current system loading. The goals are to achieve voltage stability, greater system reliability and overall system efficiency.
8. The largest planned capital project is the submarine cable replacement for the Lopez to San Juan Island crossing which will be incrementally installed over a three-year term (2015-2017), delayed due to environmental and funding constraints. Staff will be surveying existing submarine cables via remotely operated vehicles (ROV).
9. Underground distribution replacement will be scheduled with the following criteria: age, cable type, neutral degradation and outage frequency.
10. Distribution submarine cables will be replaced per the schedule based on age, cable type and outage frequency.
11. Environmental costs are increasing due to evolving Federal and State environmental requirements and the recent San Juan County ordinance governing Critical Areas. Please note that half of environmental oversight costs will be capitalized as shown on the Capital Projects Budget (approximately \$75K will be capitalized).
12. RUS and the Cooperative audits have recommended that we implement a program to capitalize a portion of loan interest. An accounting mechanism called “Allowance for Funds Used During Construction” (AFUDC) will be implemented at the beginning of 2015 to add loan interest to capital projects. Loan interest for capital projects in process will be capitalized at OPALCO’s weighted average interest rate.

Labor:

13. Staffing levels are 53 full-time OPALCO employees in 2015 (see organization chart) which includes several shifts in positions due to retirements and promotions. In addition, NewCo has three current employees and is searching for seven new positions.
14. The general wage increase is in accordance with the current Collective Bargaining Agreement, which is based on the CPI index (2% in 2015, estimated at 3% in 2016, and forecasted at 4% for 2016 through 2019).
15. The benefit growth assumptions are in accordance with 2015 NRECA and LineCo rate projections based on the changes to the benefits package.

Energy Efficiency Programs:

16. The BPA Energy Efficiency Incentive funds (EEI) allocated to OPALCO for the 2014/2015 rate period (fiscal basis) were fully distributed by the end of November 2014. In order to utilize the next rate period EEI funds (2016/2017), beginning December 2014, staff will delay submission of rebates to BPA until October 1, 2015 (start of BPAs 2016 fiscal year). PLEASE NOTE: Staff expects to use all 2016/2017 EEI funds by year-end 2015, at which time self-funding through September 2017 will be required.
17. The Energy Savings Education and Outreach budget includes \$200k in funds to continue to contract with the San Juan Islands Conservation District for energy education and outreach, the launch of a Community Solar project, and an expanded scope of work to include MORE Program fundraising and committee coordination as well as the Georgetown University Energy Prize. Other tasks include continued efforts to achieve goals set forth in the County Energy Plan. Staff is also budgeting \$20k for continued development of member education media, including regular energy blog posts, website content development and other member education events.
18. As communicated at the October board meeting on Lopez, we are recommending the addition of one staff member (FTE) for increased activity, including staffing outreach events and supporting higher participation levels of members in commercial and residential rebate programs and community/education/rooftop solar.
19. General Overhead budget for 2015 includes \$25k for energy program evaluation and design services.

Local Power Programs:

20. The Renewable Energy Programs budget includes \$30k for the utility's portion of the 2015 Community Solar project to cover OPALCO's grid interconnection (metering, grid equipment, and coordination costs).
21. Local and State production incentive dollars were capped in 2014, limiting the amount of incentives available for new and existing member generators. Staff continues to participate in workgroup discussions for proposed changes to state legislation for incentive levels. To continue to support local rooftop solar, \$25k has been budgeted to add to the MORE Committee incentive funds. The San Juan Islands Conservation District will work with the MORE Committee to seek further member contribution and other grant funding in 2015. An additional \$20k has been budgeted to support incentives for the Solar for Schools project. Staff has engaged EES Consulting to complete a resource evaluation in 2015 to further explore appropriate levels of local generation and incentive programs.

Low/Fixed Income Programs:

22. Low/Fixed Income program evaluation and development is planned for early 2015, with goals to increase access to electric service and energy efficiency programs for OPALCO low and fixed income members. \$25k has been allocated in the budget to fund the PAL program, which is otherwise fully funded by member contributions. An additional \$50k has been budgeted for low income weatherization projects, energy efficiency education workshops, and reduced or no cost Home Snapshot Energy assessments. Staff plans to continue to partner with BPA, local nonprofits, and other community assistance agencies to take full advantage of available programs.

NewCo (Island Network):

23. Capital project “middle & last mile” infrastructure (NewCo) assumes 1,000 new member Internet connections in 2015 with 70% of these connections in the second half of the year. As the grid control infrastructure construction progresses, staff predicts member access to “last mile” connections will increase and accelerate over time. Any construction costs in excess of the \$1,500 Subscription Incentive per connection will be paid for by each connecting member or out of future NewCo net profits.
24. Any future profits from NewCo will be used to fund future member connection incentives, continued infrastructure expansion and ongoing operations.
25. Pursuant to the Business Plan, NewCo growth scenario assumptions used to determine the financial model and growth strategy are based upon a connection growth to a total of approximately 4,675 connections from Go-Live (January 1st 2015) over 6 years.

	2015	2016	2017	2018	2019	2020
Connections Per Year	1,000	982	1,001	633	508	550

26. Loan Draw will be as follows for NewCo:

	2014/5	2016	2017	Total
Tranche 1				
Sub-Incentive	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 4,500,000
Tranche 2				
Startup/Wk Cap	\$ 1,400,000	\$ 600,000		\$ 2,000,000
Tranche 3				
IN Backbone Ex		\$ 1,000,000		\$ 1,000,000
Total	\$ 2,900,000	\$ 3,100,000	\$ 1,500,000	\$ 7,500,000

Construction costs per year based upon the above connection schedule:

	2015	2016	2017	2018	2019	2020
Total Cost of Construction	\$ 3,522,060	\$ 3,369,100	\$ 3,465,400	\$ 3,023,750	\$ 3,344,665	\$ 3,449,940
Subscription Incentive (recovered via rates)	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ TBD	\$ TBD	\$ TBD
Member Contribution (less subscription incentive)	\$ 2,022,060	\$ 1,869,100	\$ 1,965,400	\$ 3,023,750*	\$ 3,344,665*	\$ 3,449,940*

**Excludes future profit projections to assist with funding growth.*

Rate schedule for residential connections data & voice:

Service Category	Speed / Service	Price Per Month
Data/VoIP (voice)	10Mbps	\$ 95
	25Mbps	\$ 105
	50Mbps	\$ 145
	100Mbps	\$ 195
	1Gbps	\$ 520
Seasonal (reduced rate for 9 months)		\$ 45/\$ Service above
Connection Fee	One-Time	\$ 150
Additional Voice Lines		\$ 15
	One-Time	\$ 30

Overall Summarization:

27. Margins:

Per Staff recommendation, projected margins are as follows: \$170k in 2014 (projected), \$1.1M in 2015 (budget), \$930k in 2016 (forecast), \$2.08M in 2017 (forecast), \$1.4M in 2018, and \$2.1M in 2019.

28. TIER:

Per Staff recommendation, TIER is as follows: 1.22 in 2014 (projected), 2.1 in 2015 (budget), 1.75 in 2016 (forecast), and 2.58 in 2017 (forecast) 1.72 in 2018 and 2.05 in 2019.

29. Equity % of Total Capitalization:

Per Staff recommendation, Equity % of Total Capitalization is as follows: 61.4% in 2014 (projected), 52.7% in 2015 (budget), 46.5% in 2016 (forecast) and 41.7% in 2017 (forecast). 41.7% in 2018, and 42.5% in 2019

30. Debt:

OPALCO is expected to borrow \$10M RUS and \$1.9M CFC (on behalf of NewCo) in 2015, \$8.5M RUS and \$2.6M CFC (on behalf of NewCo) in 2016, \$11M RUS and \$1.5M CFC (on behalf of NewCo) in 2017, \$1.75M RUS in 2018, and \$500k RUS in 2019. All OPALCO RUS borrowing will be to supplement the funding of capital projects. We anticipate using our approved RUS (FFB) loan funds and have estimated interest rates of 3% for 2015 through 2019. The CFC loan that OPALCO will draw on behalf of NewCo has an estimated interest rate of 5.6% for all budget and forecast years. The OPALCO budgetary figures do not include interest rate hedging in future years. NewCo will receive as a loan from OPALCO \$2.9M in 2015 (\$1M OPALCO cash and \$1.9M from the OPALCO loan draw from CFC), \$3.1M in 2016 (\$500k OPALCO cash and \$2.6M from the OPALCO loan draw from CFC), and \$1.5M in 2017 (from the OPALCO loan draw from CFC). For the forecasted years of 2018 and 2019, New Co will self-fund working capital and capital projects. The estimated interest rate for the CFC and OPALCO cash loans is at the rate of 5.6% for all budget and forecast years.

31. Rates:

A 12% revenue increase (facility, energy and demand charges) is recommended for 2015 (9% bill impact on typical member) with 6% thereafter (2016-2019) to maintain our TIER and plan for future capital expenditures. The results of the 2014 cost of service study have been incorporated into the 2015 budgetary figures as follows:

Revenue Increase:		12% Increase	6% Increase	6% Increase	6% Increase	6% Increase
	2014 Existing	2015 Budget	2016 Projected	2017 Projected	2018 Projected ¹	2019 Projected ¹
Residential (12,074 meters)						
Facility Rate (\$/Service/Month) Demand	28.60	\$38.90	\$48.20	\$58.10	\$66.00	\$74.70
Rate (\$/Service/Month)		0.00	1.00	3.00	3.00	3.00
Energy Rates (\$/kWh)						
Block 1 (<5,000 kWh)	\$0.0852					
Block 2 (>5,000 kWh)	\$0.1006					
Summer Block 1 (<1,500 kWh) ²		\$0.0850	\$0.0813	\$0.0780	\$0.0780	\$0.0780
Summer Block 2 (>1,500 kWh)		\$0.0950	\$0.1036	\$0.1085	\$0.1085	\$0.1085
Winter Block 1 (<3,000 kWh) ²		\$0.0850	\$0.0813	\$0.0780	\$0.0780	\$0.0780
Winter Block 2 (>3,000 kWh)		\$0.0950	\$0.1036	\$0.1085	\$0.1085	\$0.1085
Residential TOU (66 meters)						
Facility Rate (\$/Service/Month)	\$32.20	\$43.80	\$54.20	\$65.40	\$74.30	\$84.10
Demand Rate (\$/Service/Month)			\$0.50	\$1.00	\$1.00	\$1.00
Energy Rates (\$/kWh)						
TOU Period 1 (6 am – Noon)	\$0.1294	\$0.1450	\$0.1450	\$0.1450	\$0.1450	\$0.1450
TOU Period 2 (Noon – 10* pm)	\$0.0590	\$0.0900	\$0.0900	\$0.0900	\$0.0900	\$0.0900
TOU Period 3 (10* pm – 6 am)		Noon – 8 pm	Noon – 9 pm	Noon – 10 pm	Noon – 10 pm	Noon – 10 pm
*To be phased in over 3 years	\$0.0507	\$0.0400	\$0.0400	\$0.0400	\$0.0400	\$0.0400

Revenue Increase:		12% Increase	6% Increase	6% Increase	6% Increase	6% Increase
	2014 Existing	2015 Budget	2016 Projected	2017 Projected	2018 Projected ¹	2019 Projected ¹
Small Commercial (<20 kW) (1,321 meters)						
Facility Rate (\$/Service/Month)	\$40.40	\$54.90	\$67.90	\$81.90	\$93.00	\$105.20
Energy Rates (\$/kWh) Block 1						
(<5,000 kWh) Block 2	\$0.0866	\$0.0861	\$0.0861	\$0.0861	\$0.0861	\$0.0861
(>5,000 kWh)	\$0.0781	\$0.0861	\$0.0944	\$0.1059	\$0.1059	\$0.1059
Demand Rate (\$/Service/Month) First						
20 kW (Flat Rate)	\$0.00	\$5.00	\$5.30	\$6.00	\$6.00	\$6.00
Over 20 kW	\$3.15					
Large Commercial (>20kW) (622 meters)						
Facility Rate (\$/Service/Month)	\$40.40	\$54.90	\$67.90	\$81.90	\$93.00	\$105.20
Energy Rates (\$/kWh)						
Block 1 (<5,000 kWh)	\$0.0866	\$0.0775	\$0.0777	\$0.0782	\$0.0782	\$0.0782
Block 2 (>5,000 – 150,000 kWh)	\$0.0781	\$0.0775	\$0.0777	\$0.0782	\$0.0782	\$0.0782
Block 3 (>150,000 kWh)		\$0.1162	\$0.1166	\$0.1173	\$0.1173	\$0.1173
Demand Rates (\$/kW)						
First 20 kW	\$0.00	\$3.15	\$3.15	\$3.15	\$3.15	\$3.15
Over 20 kW	\$3.15	\$4.73	\$4.73	\$4.73	\$4.73	\$4.73
Block 1 (<300 kW)						
Block 2 (>300 kW)						
Pumps (512 meters)						
Facility Rate (\$/Service/Month)	\$25.30	\$34.40	\$42.60	\$51.40	\$58.40	\$66.10
Energy Rates (\$/kWh)						
0-370 kWh	\$0.0978	\$0.0923	\$0.0813	\$0.0771	\$0.0771	\$0.0771
370-5,000 kWh	\$0.0752	\$0.0802	\$0.0813	\$0.0771	\$0.0771	\$0.0771
Over 5,000 kWh	\$0.0900	\$0.0878	\$0.0830	\$0.0771	\$0.0771	\$0.0771
Demand Rate (\$/Service/Month)						
First 20 kW (Flat Rate)	\$0.00	\$0.00	\$1.00	\$2.50	\$2.50	\$2.50
Over 20 kW	\$3.15	\$3.15	\$3.15	\$3.15	\$3.15	\$3.15

1. Same Rate Structure as 2017; requires new Cost of Service Study
2. Summer Block: May-September; Winter Block: October-April

Distribution and Impact of Rate Increases on Member Classes

	Average Monthly Bill per Rate Class										Average Usage kWh	
	2014	2015		2016		2017		2018		2019		
Revenue Increase %	3% (projected)	12% (budgeted)		6% (forecasted)		6% (forecasted)		6% (forecasted)		6% (forecasted)		
Rate (# of members)		\$	% Increase	\$	% Increase	\$	% Increase	\$	% Increase	\$	% Increase	
Residential (14,052)	113.84	123.94	8.9%	130.54	5.3%	139.14	6.6%	147.04	5.7%	155.74	5.9%	1001
Small Commercial (1,190)	112.45	131.54	17.0%	144.84	10.1%	159.54	10.1%	170.64	7.0%	182.84	7.1%	832
Large Commercial (660)	695.35	710.25	2.1%	724.62	2.0%	742.06	2.4%	753.16	1.5%	765.36	1.6%	6879
Pump (576)	51.37	59.00	14.9%	64.27	8.9%	71.95	11.9%	78.95	9.7%	86.65	9.8%	267
Seasonal Residential (2,753)	101.92	112.05	9.9%	119.16	6.4%	128.22	7.6%	136.12	6.2%	144.82	6.4%	861
PAL Residential (279)	119.59	129.67	8.4%	136.02	4.9%	144.40	6.2%	152.30	5.5%	161.00	5.7%	1068

ORCAS POWER AND LIGHT COOPERATIVE

OPALCO STATEMENT OF OPERATIONS

	A. Audited Year End 12/31/2011	B. Audited Year End 12/31/2012	C. Audited Year End 12/31/2013	D. Approved Budget 12/31/2014	E. Projected Year End 12/31/2014	F. Proposed Budget 12/31/2015	G. % Change (F - E)	H. Forecast 12/31/2016	I. Forecast 12/31/2017	J. Forecast 12/31/2018	K. Forecast 12/31/2019
1 OPERATING REVENUES											
2 % Revenue Increase	13%	-4%	5%	9%	3%	12%		6%	6%	6%	6%
3 Residential	\$ 15,759,594	\$ 14,861,010	\$ 15,598,797	\$ 16,991,310	\$ 15,833,441	\$ 17,885,711	13%	\$ 19,039,582	\$ 20,386,208	\$ 21,697,682	\$ 23,137,333
4 Commercial	5,092,396	5,260,451	5,467,588	6,055,958	5,826,760	6,351,244	9%	6,651,134	6,833,679	7,156,021	7,439,716
5 Other	317,208	296,764	364,892	374,551	418,555	460,186	10%	490,502	524,450	555,236	593,199
6 Total operating revenue	21,169,199	20,418,225	21,431,278	23,421,819	22,078,756	24,697,141	12%	26,181,218	27,744,337	29,408,939	31,170,248
7											
8 OPERATING EXPENSES											
9 Cost of power	6,680,856	7,240,696	7,514,128	7,920,131	8,313,852	8,452,880	2%	8,894,979	8,769,632	8,887,057	9,327,726
10 Transmission	51,964	126,986	70,117	77,111	87,162	95,459	10%	105,134	110,515	116,402	122,656
11 Distribution - operations	2,348,360	2,805,586	2,968,003	3,246,251	3,046,821	3,462,037	14%	3,598,602	3,806,712	4,036,854	4,283,200
12 Distribution - maintenance	1,417,386	1,518,742	1,669,524	1,896,364	1,706,651	1,862,557	9%	1,865,353	1,955,223	2,053,657	2,157,849
13 Consumer accounts	835,247	809,149	853,211	899,085	907,607	1,000,006	10%	1,049,303	1,107,032	1,170,557	1,238,356
14											
15 General and administration											
16 Administration G&A	2,385,483	2,799,833	2,718,889	3,056,579	2,839,107	3,060,993	8%	3,309,982	3,480,211	3,665,671	3,862,700
17 Energy services G&A	219,929	276,269	462,966	620,345	293,061	743,548	154%	1,177,695	837,496	1,287,486	953,954
18 Total general and administration	2,605,412	3,076,102	3,181,855	3,676,924	3,132,168	3,804,540	21%	4,487,677	4,317,707	4,953,157	4,816,654
19											
20 Depreciation and amortization	2,507,468	2,652,194	2,719,560	2,889,271	2,925,669	3,166,399	8%	3,376,772	3,634,029	3,911,866	4,211,930
21 Taxes	869,518	832,220	930,482	948,050	972,986	1,038,446	7%	1,096,784	1,155,455	1,224,473	1,293,852
22											
23 Total operating expenses	17,316,211	19,061,677	19,906,881	21,553,187	21,092,917	22,882,324	8%	24,474,603	24,856,305	26,354,023	27,452,221
24											
25 Operating margins before fixed charges	3,852,988	1,356,548	1,524,397	1,868,632	985,838	1,814,817	84%	1,706,616	2,888,033	3,054,916	3,718,026
26											
27 FIXED CHARGES											
28 Interest on long-term debt	733,675	759,686	786,193	915,599	768,907	1,003,025	30%	1,233,221	1,311,788	2,030,361	2,007,004
29 Other Interest	227,223	-	-	-	-	-		-	-	-	-
30											
31 Total fixed charges	960,898	759,686	786,193	915,599	768,907	1,003,025	30%	1,233,221	1,311,788	2,030,361	2,007,004
32											
33 Operating margins after fixed charges	2,892,090	596,861	738,204	953,033	216,931	811,792	274%	473,394	1,576,245	1,024,555	1,711,022
34											
35 PATRONAGE CAPITAL CREDITS	42,563	40,416	38,048	50,507	67,853	56,472	-17%	58,731	61,080	63,524	66,064
36											
37 Net operating margins	2,934,652	637,277	776,252	1,003,539	284,784	868,265	205%	532,125	1,637,325	1,088,079	1,777,086
38											
39 NON-OPERATING MARGINS											
40 Interest income	33,196	32,228	33,261	34,568	33,170	208,165	528%	374,803	414,514	358,035	298,138
41 Other income	32,609	21,995	46,893	79,138	21,303	21,933	3%	22,798	23,698	24,634	25,607
42 Fiber Optics Division	134,199	123,024	115,111	4,752	(169,466)	-		-	-	-	-
43											
44 Net non-operating margins	200,004	177,246	195,265	118,459	(114,993)	230,098	-300%	397,601	438,212	382,669	323,746
45											
46 NET MARGINS	\$ 3,134,656	\$ 814,524	\$ 971,518	\$ 1,121,998	\$ 169,790	\$ 1,098,363	547%	\$ 929,726	\$ 2,075,537	\$ 1,470,748	\$ 2,100,832
47											
48 OPALCO TIER	5.27	2.07	2.24	2.23	1.22	2.10	72%	1.75	2.58	1.72	2.05
49 OPALCO Equity % of Total Cap	73.5%	72.1%	69.5%	62.2%	61.4%	52.7%	-14%	46.5%	41.7%	41.75%	42.5%
50 NewCo											
51 NON-OPERATING MARGINS											
52 NewCo Revenue						1,171,650		2,781,413	3,822,902	4,557,577	5,674,131
53 NewCo Expenses						2,420,250		2,855,431	3,725,813	3,860,096	4,328,336
54 Net non-operating margin						(1,248,600)		(74,018)	97,089	697,481	1,345,795
55											
56 NewCo TIER						(6.18)		0.78	1.26	3.18	6.21
57 Consolidated Equity: Opalco + NewCo (not reported in official financial statements)						50.1%		42.8%	38.3%	38.9%	40.4%

ORCAS POWER AND LIGHT COOPERATIVE

EXECUTIVE SUMMARY

Notable Drivers		A.	B.	C.	D.	E.	F.	G.	H.	I.	J.
		Audited Year End 12/31/2013	Approved Budget 12/31/2014	Projected Year End 12/31/2014	Proposed Budget 12/31/2015	Increase/Decrease Over Projected (D - C) 12/31/2014	Forecast 12/31/2016	Forecast 12/31/2017	Forecast 12/31/2018	Forecast 12/31/2019	Comments
1	Annual Comparison with Recommended Budget										
2	% Revenue Increase	5%	9%	3%	12%		6%	6%	6%	6%	
3	Revenue	\$ 21,431,278	\$ 23,421,819	\$ 22,078,756	\$ 24,697,141	\$ 2,618,386	\$ 26,181,218	\$ 27,744,337	\$ 29,408,939	\$ 31,170,248	As recommended on the Rate Sensitivity sheet as Option B.
4	Expenses										
5	BPA power cost	7,514,128	7,920,131	8,313,852	8,452,880	139,028	8,894,979	8,769,632	8,887,057	9,327,726	Heating Degree Days (HDD) consistent with 2014.
6	Depreciation Expense	2,719,560	2,889,271	2,925,669	3,166,399	240,730	3,376,772	3,634,029	3,911,866	4,211,930	Increasing level of utility plant investment.
7	Distribution										
8	Maintenance	1,669,524	1,896,364	1,706,651	1,862,557	155,905	1,865,353	1,955,223	2,053,657	2,157,849	Right of way clearing and underground maintenance.
9	Permitting/Environmental	107,596	160,442	89,923	186,151	96,228	193,499	202,220	211,485	221,225	Additional \$75k for environmental issues is coded to capital projects.
10	Grid Control Communication Design	176,385	284,128	360,119	472,946	112,828	522,616	548,719	577,159	607,321	
11	Consumer Accounts	853,211	899,085	907,607	1,000,006	92,399	1,049,303	1,107,032	1,170,557	1,238,356	Department head upgrade and full year of member services supervisor.
12	Member Communications	66,499	100,933	100,124	166,127	66,004	172,726	179,833	187,268	195,022	Member communications/website expenses.
13	Legal	68,475	100,000	114,620	165,799	51,179	172,431	179,328	186,502	193,962	Increase in legal.
14	General & Administration	2,583,916	2,855,645	2,624,363	2,729,066	104,703	2,964,825	3,121,049	3,291,901	3,473,716	
15	Energy Savings										
16	Decrease in EEI funding	(368,919)	(210,432)	(481,580)	(393,270)	88,310	-	(393,270)	-	(393,270)	
17	Energy Programs	831,885	830,777	774,641	1,136,818	362,177	1,177,695	1,230,766	1,287,486	1,347,224	Increase for energy efficiency, conservation, MORE and PAL programs and one new full time employee.
18	All Other Accounts	3,684,621	3,826,842	3,656,927	3,936,844	279,917	4,084,404	4,321,743	4,589,086	4,871,162	Normal inflation factor.
19	Total Operating Expenses	\$ 19,906,881	\$ 21,553,187	\$ 21,092,917	\$ 22,882,324	\$ 1,789,407	\$ 24,474,603	\$ 24,856,305	\$ 26,354,023	\$ 27,452,221	
20	Fixed Charges										
21	Interest Expense	786,193	915,599	768,907	1,003,025	234,117	1,233,221	1,311,788	2,030,361	2,007,004	Increase in RUS & CFC loans required for capital projects.
22	Patronage Capital Credits ¹										
	Other CC & Pat Cap Allocation	38,048	50,507	67,853	56,472	(11,381)	58,731	61,080	63,524	66,064	
23	Non-Operating Margins										
24	Island Network	115,111	4,752	(169,466)	-	(169,466)	-	-	-	-	New entity accounted for as a separate subsidiary.
25	Interest Income	33,261	34,568	33,170	208,165	174,995	374,803	414,514	358,035	298,138	New entity payment of CFC interest (pass thru).
26	Other Income	46,893	79,138	21,303	21,933	630	22,798	23,698	24,634	25,607	
27	Total Net Non-Operating Margins	\$ 195,265	\$ 118,459	\$ (114,993)	\$ 230,098	\$ 345,092	\$ 397,601	\$ 438,212	\$ 382,669	\$ 323,746	
28	Net Margin	\$ 971,518	\$ 1,121,998	\$ 169,790	\$ 1,098,363	928,572	\$ 929,726	\$ 2,075,537	\$ 1,470,748	\$ 2,100,832	
29	OPALCO TIER	2.24	2.23	1.22	2.10		1.75	2.58	1.72	2.05	
30	OPALCO Equity % of Total Cap	69.5%	62.2%	61.4%	52.7%		46.5%	41.7%	41.7%	42.5%	
31	Consolidated Equity: Opalco + NewCo				50.1%		42.8%	38.3%	38.9%	40.4%	Not reported in official financial statements per RUS and Moss Adams.

Note:

 1 Updated 12/17/14 - added line 22 for Patronage Capital

ORCAS POWER AND LIGHT COOPERATIVE

EXECUTIVE SUMMARY

		A.	B.	C.	D.	E.	F.
Rate Sensitivity		Proposed					
		Budget	Forecast	Forecast	Forecast	Forecast	Total
		12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	
31	BASE LINE: (Not Financially Viable)						
32	% Revenue Increase	0%	0%	0%	0%	0%	
33	Incremental Debt	\$ 11,200,000	\$ 10,300,000	\$ 11,500,000	\$ 500,000	\$ (800,000)	\$ 32,700,000
34	Margin	\$ (535,857)	\$ (2,349,555)	\$ (2,950,841)	\$ (5,001,238)	\$ (5,930,364)	\$ (16,767,855)
35	Equity % of Total Capital	51.7%	43.3%	35.5%	31.0%	35.2%	
36	TIER	0.5	(0.9)	(1.2)	(1.5)	(2.0)	
37	Incremental Cash Flow (consolidated)	\$ 537,000	\$ (2,505,000)	\$ (4,330,000)	\$ (6,031,000)	\$ (7,519,000)	\$ (19,848,000)
38	OPTION A:						
39	% Revenue Increase	12%	6%	4%	8%	6%	
40	Incremental Debt	\$ 11,200,000	\$ 10,300,000	\$ 11,500,000	\$ 500,000	\$ (800,000)	\$ 32,700,000
41	Margin	\$ 1,098,363	\$ 929,726	\$ 1,561,042	\$ 1,457,692	\$ 2,089,493	\$ 7,136,316
42	Equity % of Total Capital	52.7%	46.5%	41.4%	41.5%	42.2%	
43	TIER	2.1	1.8	2.2	1.7	2.0	
44	Incremental Cash flow (consolidated)	\$ 2,171,000	\$ 775,000	\$ 182,000	\$ 428,000	\$ 500,000	\$ 4,056,000
45	OPTION B: Recommended						
46	% Revenue Increase	12%	6%	6%	6%	6%	
47	Incremental Debt	\$ 11,200,000	\$ 10,300,000	\$ 11,500,000	\$ 500,000	\$ (800,000)	\$ 32,700,000
48	Margin	\$ 1,098,363	\$ 929,726	\$ 2,075,537	\$ 1,470,748	\$ 2,100,832	\$ 7,675,206
49	Equity % of Total Capital	52.7%	46.5%	41.7%	41.7%	42.5%	
50	TIER	2.1	1.8	2.6	1.7	2.0	
51	Incremental Cash Flow (consolidated)	\$ 2,171,000	\$ 775,000	\$ 697,000	\$ 441,000	\$ 512,000	\$ 4,596,000
52	OPTION C:						
53	% Revenue Increase	10%	8%	8%	8%	8%	
54	Incremental Debt	\$ 11,200,000	\$ 10,300,000	\$ 11,500,000	\$ 500,000	\$ (800,000)	\$ 32,700,000
55	Margin	\$ 655,206	\$ 940,901	\$ 2,613,358	\$ 2,604,307	\$ 3,907,914	\$ 10,721,686
56	Equity % of Total Capital	52.4%	46.2%	41.8%	42.5%	44.1%	
57	TIER	1.7	1.8	3.0	2.3	2.9	
58	Incremental Cash Flow (consolidated)	\$ 1,728,000	\$ 786,000	\$ 1,234,000	\$ 1,574,000	\$ 2,319,000	\$ 7,641,000
59	OPTION D:						
60	% Revenue Increase	10%	8%	8%	6%	6%	
61	Incremental Debt	\$ 11,200,000	\$ 10,300,000	\$ 11,500,000	\$ 500,000	\$ (800,000)	\$ 32,700,000
62	Margin	\$ 655,206	\$ 940,901	\$ 2,613,358	\$ 2,039,459	\$ 2,705,599	\$ 8,954,523
63	Equity % of Total Capital	52.4%	46.2%	41.8%	42.1%	43.2%	
64	TIER	1.7	1.8	3.0	2.0	2.3	
65	Incremental Cash Flow (consolidated)	\$ 1,728,000	\$ 786,000	\$ 1,234,000	\$ 1,009,000	\$ 1,117,000	\$ 5,874,000
66	OPTION E:						
67	% Revenue Increase	8%	8%	8%	8%	8%	
68	Incremental Debt	\$ 11,200,000	\$ 10,300,000	\$ 11,500,000	\$ 500,000	\$ (800,000)	\$ 32,700,000
69	Margin	\$ 224,502	\$ 468,117	\$ 2,105,369	\$ 2,045,000	\$ 3,308,698	\$ 8,151,686
70	Equity % of Total Capital	52.1%	45.7%	41.0%	41.4%	42.8%	
71	TIER	1.2	1.4	2.6	2.0	2.6	
72	Incremental Cash Flow (consolidated)	\$ 1,298,000	\$ 313,000	\$ 726,000	\$ 1,015,000	\$ 1,720,000	\$ 5,072,000

ORCAS POWER AND LIGHT COOPERATIVE

OPALCO AND NEWCO
STATEMENT OF CASH FLOW

NON GAAP

	A. Projected Year End 12/31/2014	B. Proposed Budget 12/31/2015	C. Forecast 12/31/2016	D. Forecast 12/31/2017	E. Forecast 12/31/2018	F. Forecast 12/31/2019
¹ OPERATING ACTIVITIES:						
² Opalco Margin	\$ 170,000	\$ 1,098,000	\$ 930,000	\$ 2,076,000	\$ 1,471,000	\$ 2,101,000
³ NewCo Margin		(1,249,000)	(74,000)	97,000	697,000	1,346,000
⁴ Opalco Depreciation/Amortization	2,926,000	3,166,000	3,377,000	3,634,000	3,912,000	4,212,000
⁵ NewCo Depreciation/Amortization		207,000	404,000	529,000	520,000	507,000
⁶ Cash Flow Operations	3,096,000	3,222,000	4,637,000	6,336,000	6,600,000	8,166,000
⁷						
⁸ PLANT INVESTMENT (NET)						
⁹ Opalco	(8,402,000)	(9,423,000)	(11,724,000)	(14,679,000)	(3,752,000)	(3,821,000)
¹⁰ NewCo		(2,050,000)	(1,600,000)	(1,600,000)	(2,025,000)	(2,150,000)
¹¹ Cash Flow From Operations and Plant Investment:	(5,306,000)	(8,251,000)	(8,687,000)	(9,943,000)	823,000	2,195,000
¹²						
¹³ OPALCO CASH FLOW FROM PATRONAGE CAPITAL	(706,000)	(745,000)	(864,000)	(852,000)	(900,000)	(925,000)
¹⁴ NEWCO CASH FLOW FROM DIVIDEND		-	-	-	-	-
¹⁵ Cash Flow Before Borrowing	(6,012,000)	(8,996,000)	(9,551,000)	(10,795,000)	(77,000)	1,270,000
¹⁶						
¹⁷ NET BORROWING						
¹⁸ Opalco	7,465,000	11,167,000	10,326,000	11,492,000	518,000	(758,000)
¹⁹ NewCo		2,787,000	2,869,000	1,218,000	(302,000)	(307,000)
²⁰ Cash Increase (decrease) After Net Borrowing	1,453,000	2,171,000	775,000	697,000	441,000	512,000
²¹						
²² OPALCO OUTSTANDING DEBT BALANCE	(25,579,000)	(36,746,000)	(47,072,000)	(58,564,000)	(59,082,000)	(58,324,000)
²³ NEWCO OUTSTANDING DEBT BALANCE		(2,787,000)	(5,655,000)	(6,873,000)	(6,571,000)	(6,265,000)
²⁴ TOTAL OUTSTANDING DEBT BALANCE	(25,579,000)	(36,746,000)	(47,072,000)	(58,564,000)	(59,082,000)	(58,324,000)
²⁵						
²⁶ OPALCO EQUITY BALANCE	40,728,000	40,916,000	40,845,000	41,884,000	42,340,000	43,043,000
²⁷ NEWCO EQUITY BALANCE		(1,249,000)	(1,323,000)	(1,226,000)	(528,000)	818,000
²⁸ TOTAL EQUITY BALANCE	40,728,000	39,667,000	39,522,000	40,658,000	41,812,000	43,861,000
²⁹						
³⁰ OPALCO NET UTILITY PLANT	58,166,000	66,183,000	75,421,000	87,436,000	88,213,000	89,534,000
³¹ NEWCO NET UTILITY PLANT		2,299,000	3,635,000	4,865,000	5,395,000	6,420,000
³² TOTAL NET UTILITY PLANT	58,166,000	68,482,000	79,056,000	92,301,000	93,608,000	95,954,000

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS BUDGET

			A.	B.	C.	D.	E.	F.	G.	H.	I.	J.
			Actual	Actual	Actual	Budget	Projected Year End	Proposed Budget	Forecast	Forecast	Forecast	Forecast
OPALCO	RUS CWP DESCRIPTION		12/31/2011	12/31/2012	12/31/2013	2014	2014	2015	2016	2017	2018	2019
1	DISTRIBUTION											
2	100	New Services	\$ 251,011	\$ 148,472	\$ 125,675	\$ 160,000	\$ 162,445	\$ 164,800	\$ 135,000	\$ 140,000	\$ 145,000	\$ 150,000
3	200	New Tie Lines	-	173,133	319,404	215,000	301,287	130,000	120,000	-	120,000	-
4	300	Conversions and Line Changes	795,360	640,135	692,238	1,661,750	1,199,962	968,000	898,000	460,000	400,000	200,000
5	400	New Substations, switching station, metering point, etc.	-	-	-	-	-	-	600,000	600,000	75,000	-
6	500	Substation, Switching Station, Metering Point Changes	24,894	9,107	123,386	20,000	22,058	-	600,000	600,000	75,000	-
7	600	Miscellaneous Distribution Equipment										
8	601	Transformers & Meters	1,108,802	342,325	372,396	310,000	548,456	379,300	390,679	303,000	313,000	323,000
9	602	Sets of Service Wires to increase Capacity	-	-	-	-	-	-	-	-	-	-
10	603	Sectionalizing Equipment	292,607	57,055	68,473	235,000	432,078	140,000	365,000	390,000	340,000	255,000
11	604	Regulators	119,157	-	156,491	110,000	67,961	-	190,000	-	80,000	395,000
12	605	Capacitors	-	-	-	-	-	-	-	-	-	-
13	606	Ordinary Replacements	20,865	119,430	236,490	240,000	218,250	247,200	254,616	180,000	186,000	192,000
14	608	Underground Dist. Cable Replacement	746,521	657,710	924,947	1,554,000	2,901,209	1,168,020	1,503,061	1,049,000	1,081,000	1,114,000
15	700	Other Distribution Items										
16	701	Engineering Fees	-	-	-	-	-	-	-	-	-	-
17	701.1	Environmental Consultant (asset portion only)						75,000	75,000	75,000	75,000	75,000
18	701.2	AFUDC - Interest Capitalization					125,446	192,570	342,846	630,107	134,418	145,077
19	704	LMS & SCADA	96,983	118,155	52,327	90,000	1,805	-	-	-	-	-
20	705	AMR	42,848	27,454	-	-	-	-	-	-	-	-
21	706	Communications										
22	706.0	Island Network	13,083	94,107	322,418	443,000	342,904	-	-	-	-	-
23	706.1	Fiber/Microwave Infrastructure	-	-	474,460	1,775,000	1,668,056	1,930,000	2,300,000	1,095,000	-	-
24	TRANSMISSION											
25	800	New Tie Line	-	-	-	-	-	-	-	-	-	-
26	900	New Substations, switching station, metering point, etc.	-	-	-	-	4,785	-	-	-	-	-
27	1000	Line and Station Changes	39,911	440,705	365,876	240,000	165,404	3,000,000	2,800,000	8,525,000	75,000	300,000
28	1100	Other Transmission	-	-	-	-	-	-	-	-	-	-
29	GENERATION											
30	1200	Generation	-	-	-	-	-	-	-	-	-	-
31	OTHER											
32	1300	Headquarters Facilities	32,823	330,178	249,280	462,000	127,551	150,000	250,000	-	-	-
33	1400	Acquisitions	159,686	-	-	-	-	-	-	-	-	-
34	1500	All Other (Transportation, Etc.)										
35	1501	Transportation/Equipment/Tools/Radios		313,695	448,241	646,000	340,301	565,380	582,341	350,000	361,000	372,000
36	1502	Office Equipment/Furniture/Etc.			4,601	50,000	18,276	51,500	53,045	10,000	11,000	12,000
37	1503	Computer/Servers/Software			358,351	271,000	120,149	206,500	212,695	220,000	227,000	234,000
38	1504	Electrical Infrastructure to Support Community Solar						50,000	50,000	50,000	50,000	50,000
39	1600	Minor Projects	1,371,759	635,294	549,042	30,000	340,227	90,000	92,700	96,000	99,000	102,000
40	RUS CWP SUBTOTAL		5,116,310	4,106,955	5,844,096	8,512,750	9,108,609	9,508,270	11,814,983	14,773,107	3,847,418	3,919,077
41	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)											
42	New Services, Transformers, Meters		(419,851)	(293,000)	(293,000)	(721,868)	(867,108)	(252,434)	(256,851)	(265,000)	(273,000)	(282,000)
43	RUS CWP NET TOTAL		4,696,459	3,813,955	5,551,096	7,790,882	8,241,502	9,255,836	11,558,132	14,508,107	3,574,418	3,637,077
NEWCO	NEWCO (Island Network)											
45	700	Distribution										
46	706	New Service (Member Last Mile)			-	-	-	2,000,000	2,000,000	2,000,000	1,500,000	1,000,000
47	706	Middle Mile and Other						2,050,000	1,600,000	1,600,000	2,025,000	2,150,000
48		CIAC						(2,000,000)	(2,000,000)	(2,000,000)	(1,500,000)	(1,000,000)
49	NEWCO NET TOTAL				-	-	-	2,050,000	1,600,000	1,600,000	2,025,000	2,150,000
50												
51	TOTAL OPALCO + NEWCO CAPITAL PROJECTS		\$ 4,696,459	\$ 3,813,955	\$ 5,551,096	\$ 7,790,882	\$ 8,241,502	\$ 11,305,836	\$ 13,158,132	\$ 16,108,107	\$ 5,599,418	\$ 5,787,077

ORCAS POWER AND LIGHT COOPERATIVE

2015 BUDGETED STAFFING LEVELS

	A.	B.	C.	D.	COMMENTS
		ACTUAL	APPROVED BUDGET	PROPOSED	
	DEPARTMENT	# EMPLOYEES 2014	# EMPLOYEES 2014	# EMPLOYEES 2015	
1	Operations ¹	19.5	19.5	22.5	Two Communication Technicians (one transferred from Technical Services, one new), one new Apprentice (San Juan)
2	Engineering ¹	9.5	11	9.5	Delay second System Engineer position to future and .5 Work Order Clerk not to be filled
3	General Management	4	4	4	
4	Technical Services	3	6	3	Relocate one Communication Technician to Operations, transfer two Information Services positions to NewCo
5	Member Services ²	6.5	6.5	6.5	
6	Administration	4	5	5	
7	Energy Savings ²	1.5	1.5	2.5	One new Energy Savings position
8	NewCo	3		3	Filled Manager, Lead Project Manager, and Operations Manager positions, seven unfilled positions
9	Total	51	53.5	56	

Notes:

- 1 Engineering & Operations Manager split between departments
- 2 Member & Energy Services Manager split between departments

OPALCO ORGANIZATIONAL CHART— BUDGET 2015

