



ORCAS POWER AND LIGHT COOPERATIVE
2018 Q3 FINANCIALS

MEMORANDUM

November 09, 2018

To: Board of Directors
From: Foster Hildreth, General Manager
Re: OPALCO 2018 Third Quarter Financial Report

Please see attached the full 2018 3rd 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 Q3 of 2018 is the primary driver of the overall revenue variance of 3% (\$685k) lower than budgeted. This was partially offset by the related decrease in purchased power of 2% (\$161k). All combined resulted in a decreased margin of (\$342k).

For more detail, please note the following key points:

- Through Q3, YTD Heating Degree Days (HDD) were down ~5% below normal budgeted levels (Actual of 828 vs. budget of 874). Actual kWh sales were 8.2M kWh below budget (156M vs. budget of 148M). 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.
- Q3 YTD power purchases were down \$161k due to lower kWh consumption. Actual kWh purchases were 7M kWh below budget (156M vs. budget of 163M).
- The cost of purchased power (\$ / kWh) has increased >11% through Q3 2018 vs. 2017.
- Passthrough BPA surcharges are offsetting otherwise bill savings from lower kWh purchases. In the period June-Sept 2018 OPALCO has paid ~\$46K in unbudgeted '**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've also paid \$15K 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 paying other non-hydro generators to 'not generate' in which case they pass that cost down to their members.
- Excluding purchased power, Q3 YTD operating expenses were approximately \$546k under budgeted amounts.
- RUS borrowings were accelerated during the year due to the warmer weather and lower revenue experienced. Outstanding debt balance as of Sept 30th is higher than budget due primarily to (a) RUS advance payments being curtailed in 2018 vs. budget due to lower revenues, delay in establishing new RUS loan facility, and partially accelerated capital spending and (b) timing of RUS mortgage payments (Q3 & Q4 principal payments are due in Q4). Please note that staff will be recommending in the November board materials to borrow additional funds to offset the increased capital spending in Q4 2017 (submarine cable and Decatur tap) and less revenue associated with lower kWh sales in 2018 (weather).

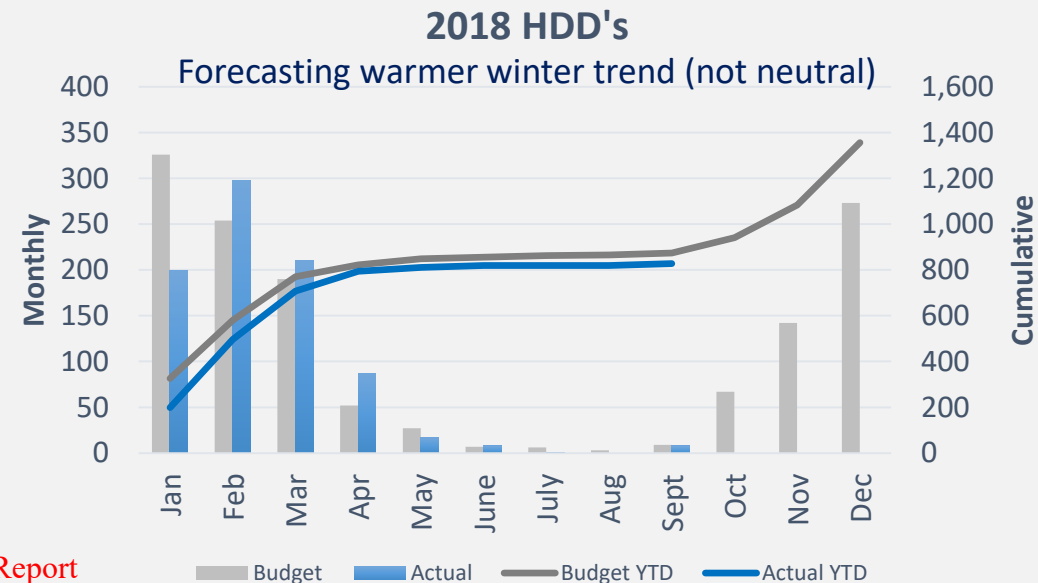
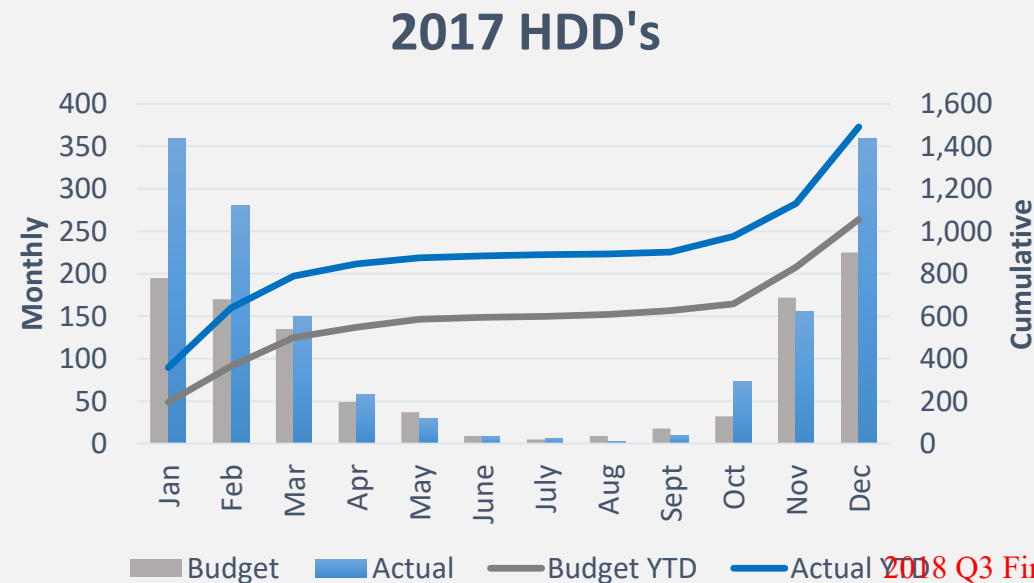
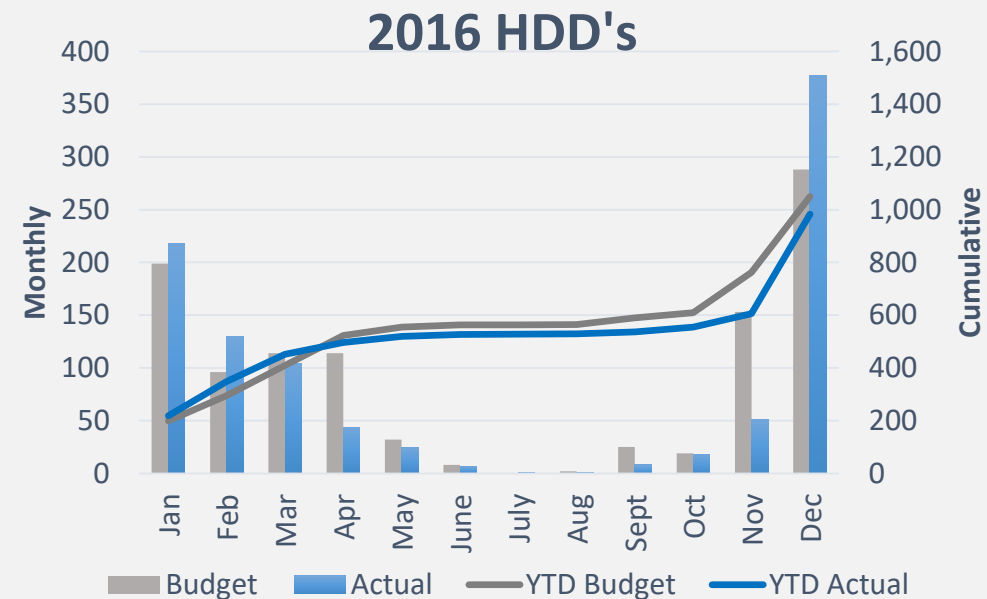
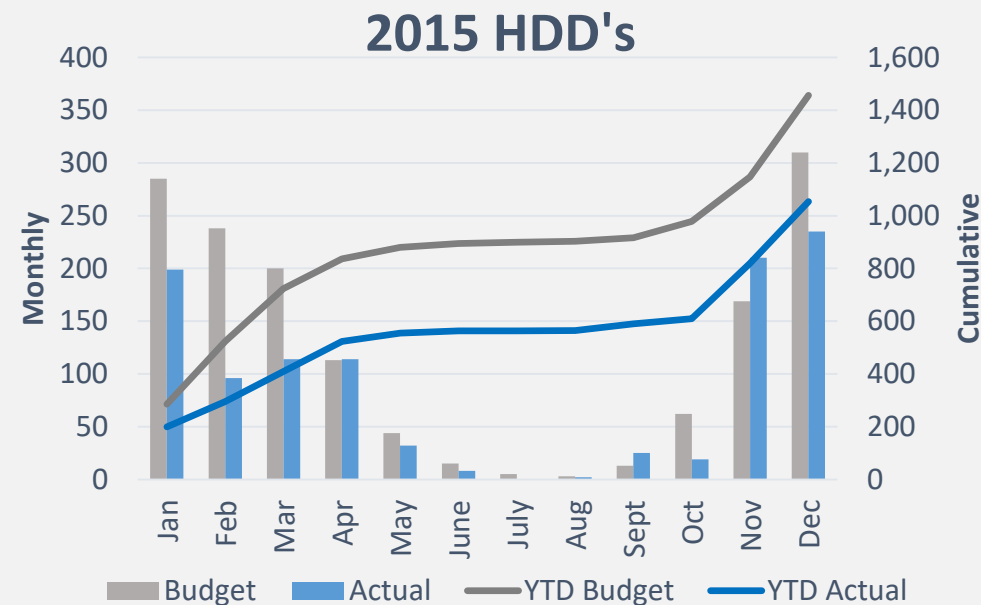
ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS EXECUTIVE SUMMARY

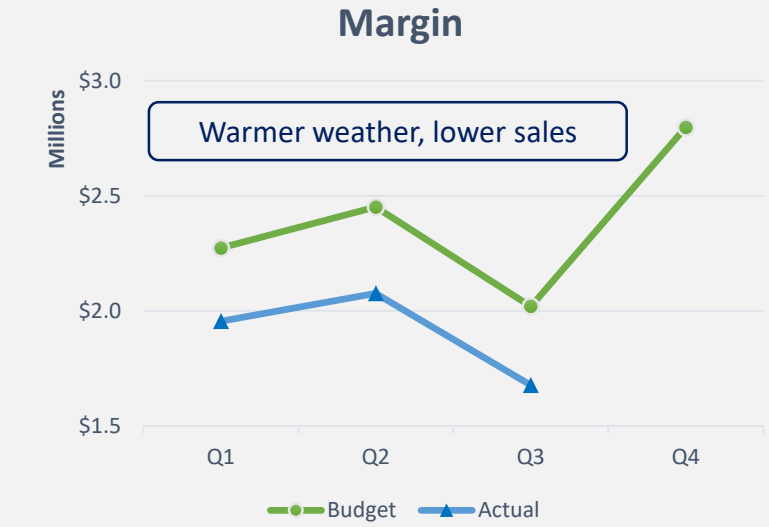
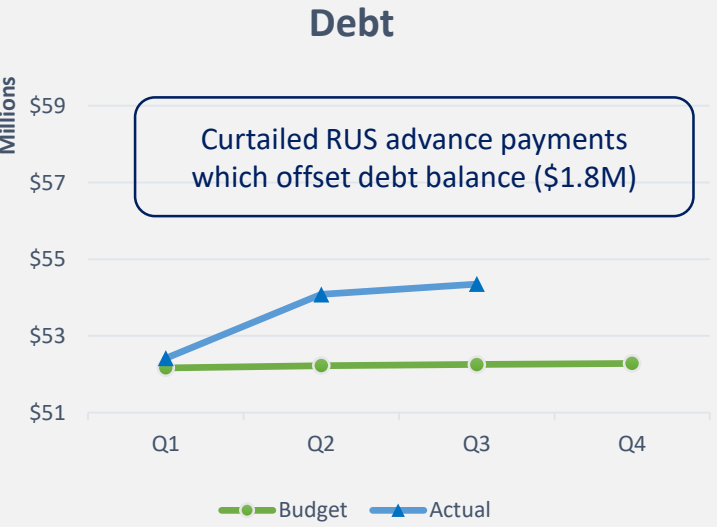
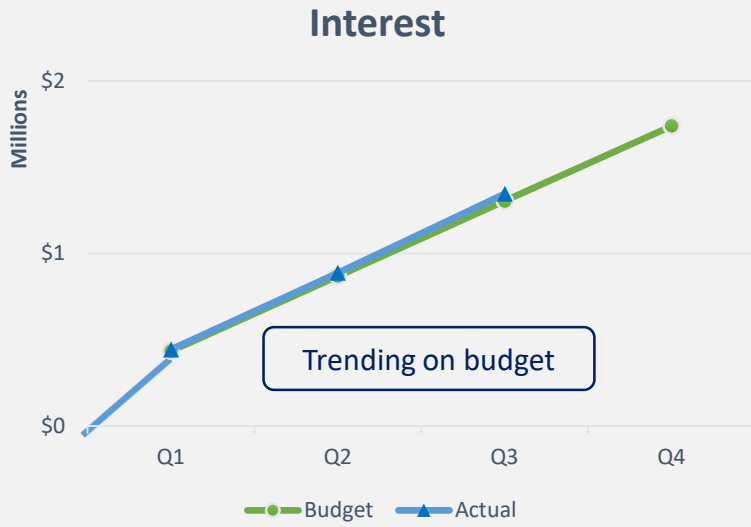
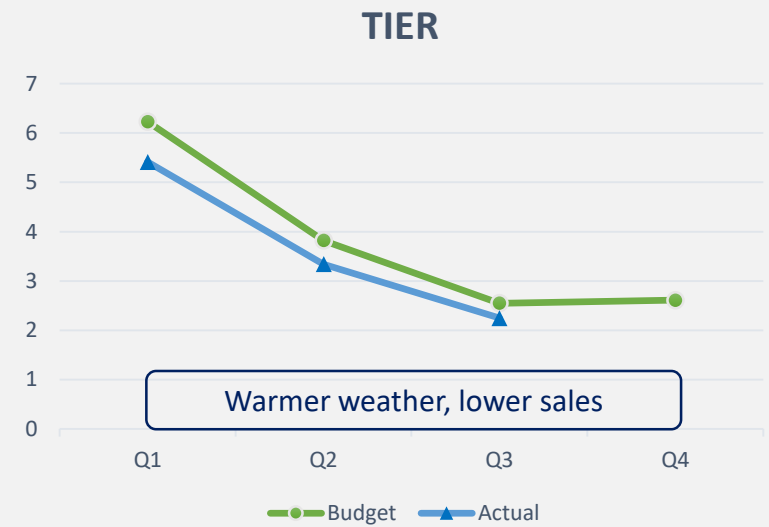
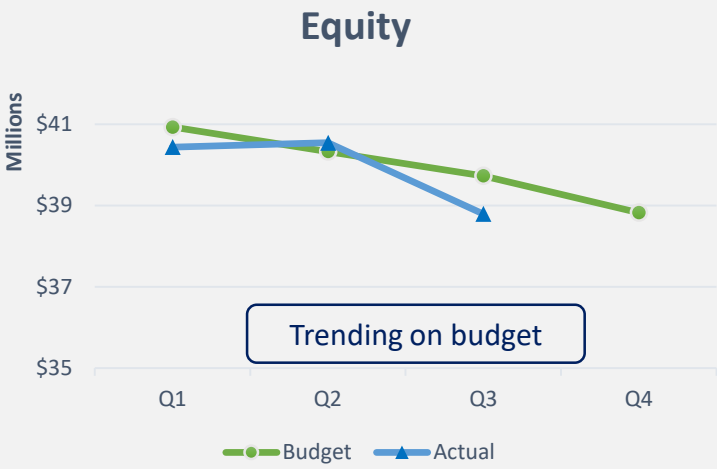
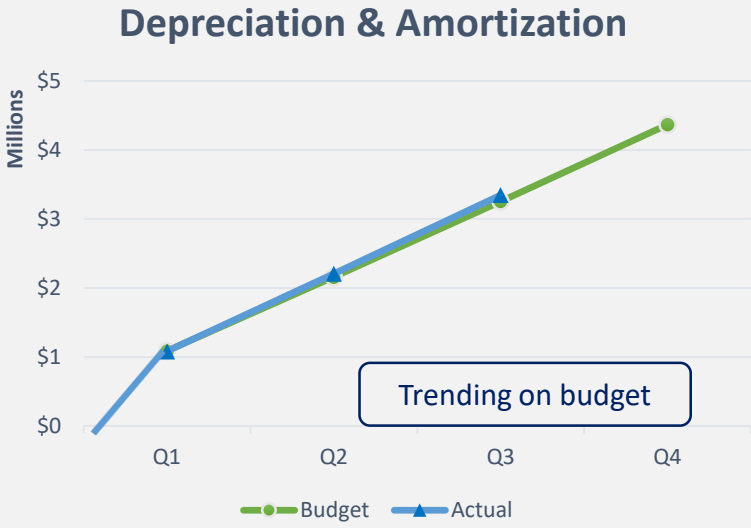
		A. Audited Year End 12/31/2016	B. Audited Year End 12/31/2017	C. Budget Period End 9/30/2018	D. Actual Period End 9/30/2018	E. % Change (D - C)
1	kWh Purchases	208,313,000	229,155,000	162,745,000	155,645,000	-4.4%
2	Total Revenue	25,661,000	28,310,000	22,229,000	21,527,000	-3.2%
3	Cost of power	7,943,000	8,916,000	6,893,000	6,732,000	-2.3%
4	Operations & G&A	8,877,000	9,971,000	8,062,000	7,597,000	-5.8%
5	Depr, Int & Taxes	5,779,000	6,023,000	5,255,000	5,520,000	5.0%
6		<u>22,599,000</u>	<u>24,910,000</u>	<u>20,210,000</u>	<u>19,849,000</u>	-1.8%
7	Net Margins	<u><u>\$ 3,062,000</u></u>	<u><u>\$ 3,400,000</u></u>	<u><u>\$ 2,019,000</u></u>	<u><u>\$ 1,678,000</u></u>	-16.9%
8	TIER	3.24	3.10	2.55	2.25	
9	Equity % of Total Cap	49.4%	43.7%	43.8%	42.5%	
10	Equity	39,277,000	39,152,000	39,422,000	38,799,000	-1.6%
11	Total Debt	41,407,000	52,162,000	52,184,000	54,352,000	4.2%
12	Capital Spending	(15,568,000)	(18,760,000)	(7,577,000)	(7,794,000)	2.9%
13	Capital Credit Retirement (net)	(1,218,000)	(1,102,034)	(88,688)	(79,000)	-10.9%
14	Annual HDD	983	1,492	874	828	-5.3%

2018 Third Quarter Financial Highlights

2018 Third Quarter Budget to Actual: Heating Degree Days

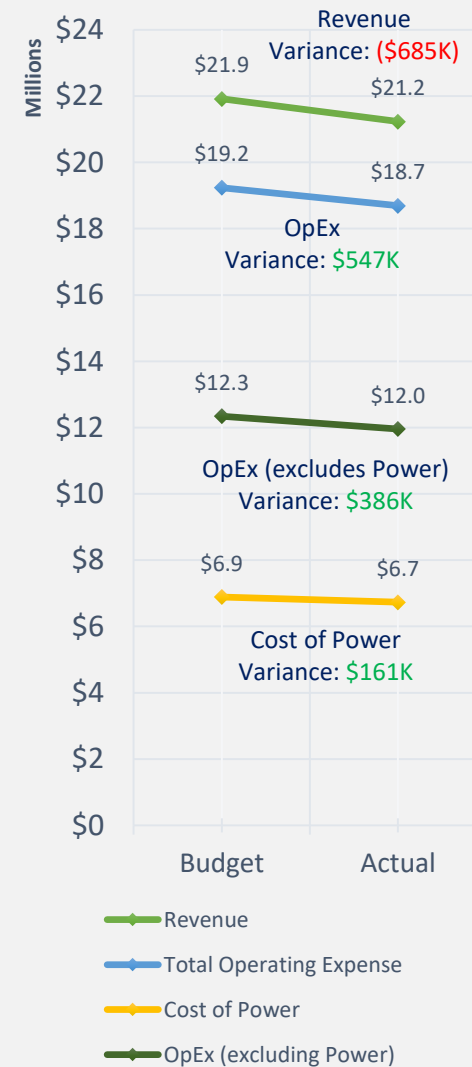


2018 Third Quarter Budget to Actual: Financial Metrics



2018 Third 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 9/30/2018	E. Actual Period End 9/30/2018	F. Budget Variance (E-D)	G. Audited Period End 9/30/2017
1 OPERATING REVENUES							
2 Residential	\$ 18,104,756	\$ 20,153,220	\$ 20,942,108	\$ 15,706,979	\$ 15,185,361	(521,619)	\$ 14,996,066
3 Commercial	6,463,561	7,063,321	7,548,978	5,663,234	5,622,844	(40,390)	5,400,426
4 Other	680,713	768,644	749,965	544,662	421,295	(123,368)	558,005
5 Total operating revenue	25,249,029	27,985,185	29,241,051	21,914,876	21,229,499	(685,376)	20,954,497
6							
7 OPERATING EXPENSES							
8 Cost of power	7,942,885	8,916,059	9,188,856	6,892,612	6,731,845	(160,767)	6,399,836
9 Transmission	94,462	210,740	159,989	118,148	199,211	81,064	133,890
10 Distribution - operations	3,215,893	3,617,096	3,813,151	2,916,981	2,473,329	(443,652)	2,693,001
11 Distribution - maintenance	1,692,345	1,767,342	1,712,581	1,301,086	1,439,083	137,996	1,316,155
12 Consumer accounts	947,326	982,216	1,064,826	812,628	769,808	(42,821)	750,485
13							
14 General and administration							
15 Administration	2,787,995	2,957,169	3,384,697	2,556,194	2,422,005	(134,189)	2,227,743
16 Energy services	103,671	401,970	506,939	329,587	267,582	(62,005)	328,159
17 Subsidiary charges (RIC network mgt services)	34,920	34,920	36,055	27,041	26,190	(851)	26,190
18 Total general and administration	2,926,586	3,394,059	3,927,691	2,912,822	2,715,777	(197,044)	2,582,093
19							
20 Depreciation and amortization	3,546,977	3,699,958	4,368,126	3,254,872	3,347,092	92,221	2,755,931
21 Taxes	1,137,058	1,261,409	1,352,517	1,028,876	1,015,339	(13,537)	959,474
22							
23 Total operating expenses	21,503,532	23,848,878	25,587,737	19,238,024	18,691,484	(546,541)	17,590,866
24							
25 Operating margins before fixed charges	3,745,497	4,136,307	3,653,314	2,676,851	2,538,015	(138,836)	3,363,630
26							
27 FIXED CHARGES							
28 Interest on long-term debt	1,095,316	1,061,579	1,278,462	971,466	1,157,777	186,312	773,305
29							
30 Operating margins after fixed charges	2,650,181	3,074,728	2,374,852	1,705,386	1,380,238	(325,148)	2,590,326
31							
32 PATRONAGE CAPITAL CREDITS	81,361	77,586	77,627	54,339	75,178	20,839	64,505
33							
34 Net operating margins	2,731,543	3,152,314	2,452,479	1,759,725	1,455,416	(304,308)	2,654,830
35							
36 NON-OPERATING MARGINS							
37 Interest income	36,286	144,407	159,194	119,396	84,905	(34,490)	100,632
38 Other income (loss)	25,084	(63,005)	19,895	15,518	12,926	(2,593)	(55,475)
39 Total Opalco non-operating margins	61,370	81,402	179,089	134,914	97,831	(37,083)	45,156
40							
41 Non-operating margins from Subsidiary							
42 Interest Income (RIC loan)	181,471	79,288	79,291	59,468	59,412	(56)	59,487
43 Other income (use of OPALCO backbone)	87,873	86,285	86,944	65,208	64,713	(495)	64,713
44 Total non-operating margins from Subsidiary	269,344	165,573	166,235	124,676	124,125	(551)	124,200
45							
46 Net non-operating margins	330,715	246,975	345,324	259,590	221,956	(37,634)	169,356
47							
48 NET MARGINS	\$ 3,062,257	\$ 3,399,289	\$ 2,797,803	\$ 2,019,315	\$ 1,677,372	(341,942)	\$ 2,824,186
49							
50 TIER	3.24	3.10	2.61	2.55	2.25	(0.30)	3.40
51 Equity % of Total Cap	49.4%	43.7%	43.4%	43.8%	42.5%	-1.3%	46.0%

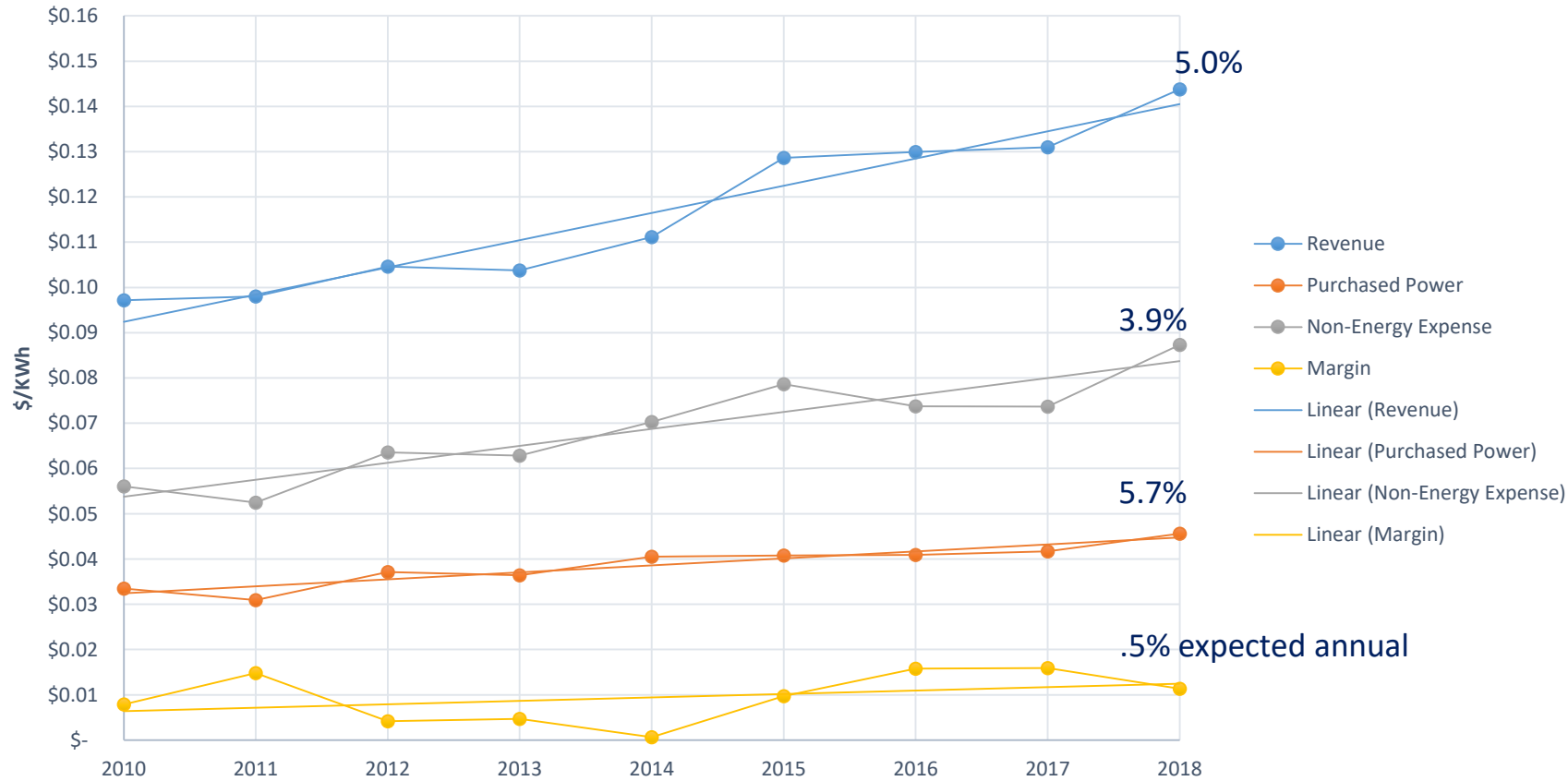


Notes:

- First two months and last two months of the year are usually our coldest, largest revenue months.
- All major expenses less than budget, corresponding with lower revenues.
- Net Margin: \$1.67M

Revenue and Expenses: Per kWh Sold

Trends in OPALCO Cost of Electricity

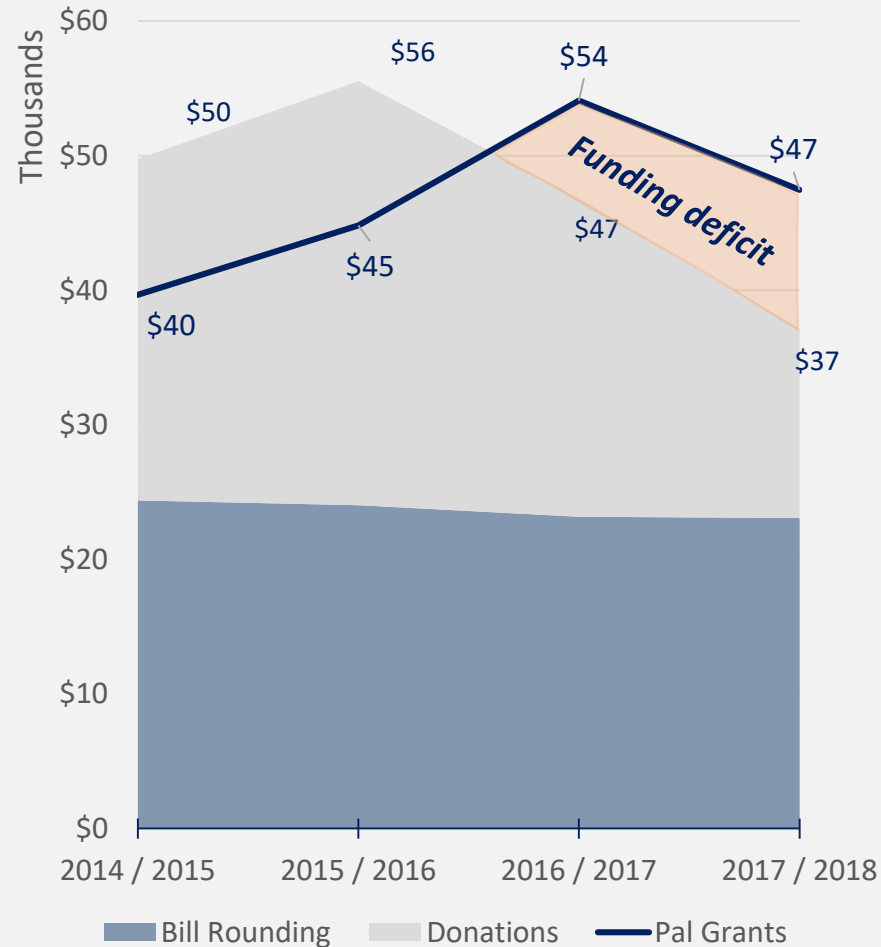


Notes:

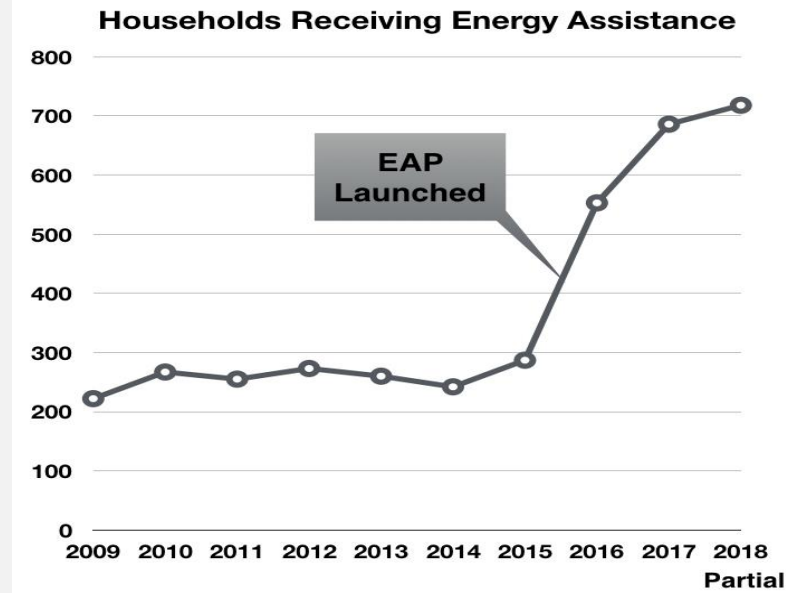
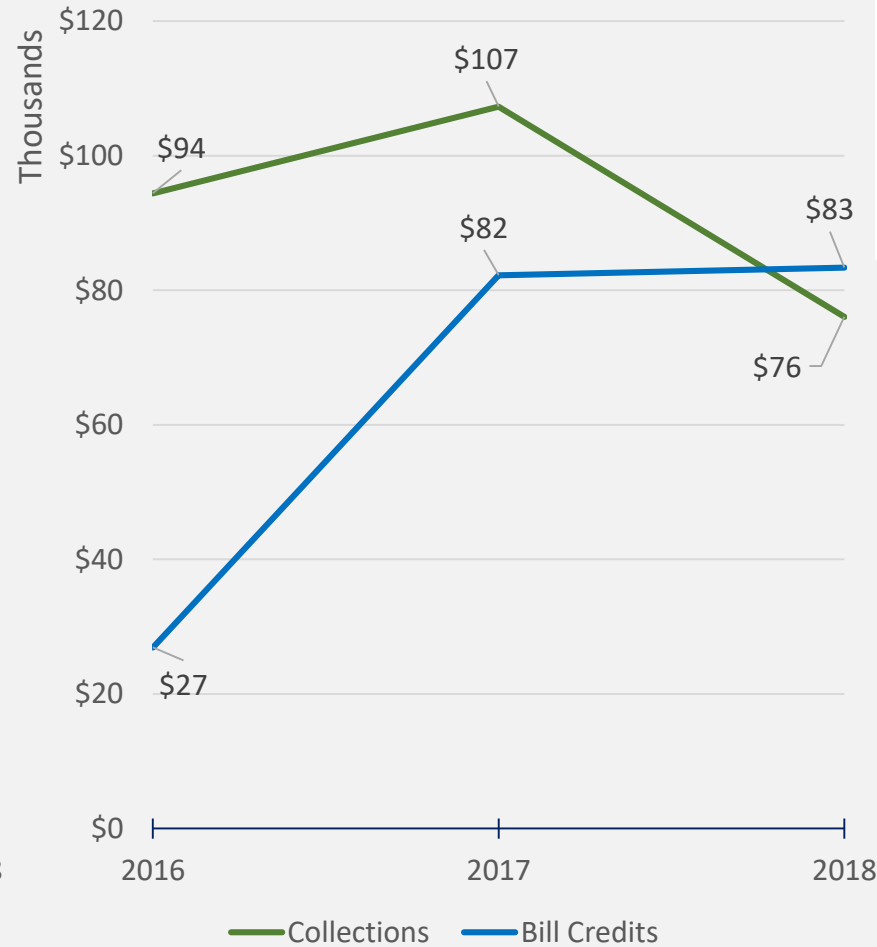
- Historical years use annual values, 2018 uses Q1-Q3 actuals only
- Trend percentages are based on 2010-2018 average change
- Non-energy includes interest & non-operating
- The cost per kWh purchased of power has increased by >11% from 2017 to 2018.

Low Income Programs

Project PAL Overview



Energy Assist Program Overview



Notes:

PAL

- 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)
- Funds over 300 members an average of \$353 annually (8 months of no facility charge).

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 9/30/2018	E. Actual Period End 9/30/2018	F. Budget Variance (E - D)	G. Audited Period End 9/30/2017
1 OPERATING REVENUES							
2 Residential	\$ 18,104,756	\$ 20,153,220	\$ 20,942,108	\$ 15,706,979	\$ 15,185,361	(521,619)	\$ 14,996,066
3 Commercial	6,463,561	7,063,321	7,548,978	5,663,234	5,622,844	(40,390)	5,400,426
4 Other	680,713	768,644	749,965	544,662	421,295	(123,368)	558,005
5 Total operating revenue	25,249,029	27,985,185	29,241,051	21,914,876	21,229,499	(685,376)	20,954,497
6							
7 OPERATING EXPENSES							
8 Cost of power	7,942,885	8,916,059	9,188,856	6,892,612	6,731,845	(160,767)	6,399,836
9 Transmission	94,462	210,740	159,989	118,148	199,211	81,064	133,890
10 Distribution - operations	3,215,893	3,617,096	3,813,151	2,916,981	2,473,329	(443,652)	2,693,001
11 Distribution - maintenance	1,692,345	1,767,342	1,712,581	1,301,086	1,439,083	137,996	1,316,155
12 Consumer accounts	947,326	982,216	1,064,826	812,628	769,808	(42,821)	750,485
13							
14 General and administration							
15 Administration	2,787,995	2,957,169	3,384,697	2,556,194	2,422,005	(134,189)	2,227,743
16 Energy services	103,671	401,970	506,939	329,587	267,582	(62,005)	328,159
17 Subsidiary charges (RIC network mgt services)	34,920	34,920	36,055	27,041	26,190	(851)	26,190
18 Total general and administration	2,926,586	3,394,059	3,927,691	2,912,822	2,715,777	(197,044)	2,582,093
19							
20 Depreciation and amortization	3,546,977	3,699,958	4,368,126	3,254,872	3,347,092	92,221	2,755,931
21 Taxes	1,137,058	1,261,409	1,352,517	1,028,876	1,015,339	(13,537)	959,474
22							
23 Total operating expenses	21,503,532	23,848,878	25,587,737	19,238,024	18,691,484	(546,541)	17,590,866
24							
25 Operating margins before fixed charges	3,745,497	4,136,307	3,653,314	2,676,851	2,538,015	(138,836)	3,363,630
26							
27 FIXED CHARGES							
28 Interest on long-term debt	1,095,316	1,061,579	1,278,462	971,466	1,157,777	186,312	773,305
29							
30 Operating margins after fixed charges	2,650,181	3,074,728	2,374,852	1,705,386	1,380,238	(325,148)	2,590,326
31							
32 PATRONAGE CAPITAL CREDITS	81,361	77,586	77,627	54,339	75,178	20,839	64,505
33							
34 Net operating margins	2,731,543	3,152,314	2,452,479	1,759,725	1,455,416	(304,308)	2,654,830
35							
36 NON-OPERATING MARGINS							
37 Interest income	36,286	144,407	159,194	119,396	84,905	(34,490)	100,632
38 Other income (loss)	25,084	(63,005)	19,895	15,518	12,926	(2,593)	(55,475)
39 Total Opalco non-operating margins	61,370	81,402	179,089	134,914	97,831	(37,083)	45,156
40							
41 Non-operating margins from Subsidiary							
42 Interest Income (RIC loan)	181,471	79,288	79,291	59,468	59,412	(56)	59,487
43 Other income (use of OPALCO backbone)	87,873	86,285	86,944	65,208	64,713	(495)	64,713
44 Total non-operating margins from Subsidiary	269,344	165,573	166,235	124,676	124,125	(551)	124,200
45							
46 Net non-operating margins	330,715	246,975	345,324	259,590	221,956	(37,634)	169,356
47							
48 NET MARGINS	\$ 3,062,257	\$ 3,399,289	\$ 2,797,803	\$ 2,019,315	\$ 1,677,372	(341,942)	\$ 2,824,186
49							
50 TIER	3.24	3.10	2.61	2.55	2.25	(0.30)	3.40
51 Equity % of Total Cap	49.4%	43.7%	43.4%	43.8%	42.5%	-1.3%	46.0%

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.		
		Budget Period End 9/30/2018	Actual Period End 9/30/2018	Budget Variance (B - A)	Comments: Budget To Actual (Column C.)		
1	I OPERATING REVENUES	21,914,876	21,229,499	(685,376)			
2					Budget	Actual	Variance
3					HDD	874	46
4					kWh Sales	155,890	8,211
5	Operating Revenue - Line 5 Detail Breakout:				(kWh in thousands)		
6	Residential Sales			(521,619)			
7	Commercial Sales			(40,390)			
8	Other Operating Revenue			(123,368)			
9							
10	TOTAL OPERATING REVENUES	21,914,876	21,229,499	(685,376)	Slightly lower than budget		
11							
12							
13	II OPERATING EXPENSES	19,238,024	18,691,484	(546,541)	Overall decrease in operating expenses		
14							
15	Cost of Power - Line 8	6,892,612	6,731,845	(160,767)	Decrease in expense - warmer weather		
16					Budget	Actual	Variance
17					kWh Purchases	162,745	7,100
18					(kWh in thousands)		
19	Transmission - Line 9 Detail Breakout:	118,148	199,211	81,064	Increase in expense - transmission lines ROW clearing		
20							
21	Distribution - Operations - Line 10 Detail Breakout:	2,916,981	2,473,329	(443,652)	Decrease in expense		
22	Station / Overhead Lines / Underground Lines / Meter Expense			(179,018)	Labor shift to Distribution Maintenance line 28		
23	Misc Distribution Expenses			(250,039)	Vacant Engineering positions		
24	Multiple Accounts			(14,595)	Variance among multiple general ledger accounts (5 accounts)		
25	Subtotal Distribution - Operations			(443,652)			
26							
27	Distribution - Maintenance - Line 11 Detail Breakout:	1,301,086	1,439,083	137,996	Increase in expense		
28	Maint - Station Equipment / Overhead Lines / Underground Lines			147,794	Increase in Q1 storm outages Jan-Feb '18 and an increase in maintenance (labor shift from line 22)		
29	Multiple Accounts			(9,798)	Variance among multiple general ledger accounts (7 accounts)		
30	Subtotal Distribution Maintenance			137,996			
31							
32	Consumer accounts - Line 12 Detail Breakout:	812,628	769,808	(42,821)	Decrease in expense		
33							
34	Total General and Administrative (G&A):	2,912,822	2,715,777	(197,044)	Decrease in expense		
35							
36	Administration G&A - Line 15 Detail Breakout:	2,556,194	2,422,005	(134,189)	Decrease in expense		
37	Informational/Instruct Adv Ex			(31,098)	Less spending on Community Solar; Switch it Up project delayed to 2019		
38	Maintenance of General Plant			(9,249)	Delayed building maintenance to future quarters		
39	Misc General Expenses			(63,260)	Less expenses Q3 including \$27k savings on Annual Meeting		

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	
		9/30/2018	9/30/2018	(B - A)	Comments: Budget To Actual (Column C.)
40	Multiple Accounts			(30,582)	Variance among multiple general ledger accounts (15 accounts)
41	Subtotal Administration G&A			(134,189)	
42					
43	Energy Services G&A - Line 16	329,587	267,582	(62,005)	Decrease in expense
44	Education and Outreach			(24,008)	Activity by SJI Conservation District to pick up Q4
45	BPA Rebates			(3,789)	Fewer rebates than anticipated
46	BPA EEI Funding			680	On target for 2018
47	Multiple Accounts			(34,888)	Variance among multiple general ledger accounts (8 accounts)
48	Subtotal Energy Services G&A			(62,005)	
49					
50	Subsidiary Charges G&A - Line 17	27,041	26,190	(851)	Decrease in expense
51					
52	Total General and Administrative (G&A)	2,912,822	2,715,777	(197,044)	Overall decrease in expense
53					
54	Deprec. & Amort. - Line 20	3,254,872	3,347,092	92,221	Increase in expense
55					
56	Taxes - Line 21	1,028,876	1,015,339	(13,537)	Decrease in expense - lower sales result in lower utility tax
57					
58	TOTAL OPERATING EXPENSES	19,238,024	18,691,484	(546,541)	Overall decrease in expense
59					
60					
61	III FIXED CHARGES - Interest Expense - Line 28	971,466	1,157,777	186,312	Increase in expense - less interest capitalized due to early completion / capitalization of "George" in Dec '17
62					
63	IV PATRONAGE CAPITAL CREDITS (Income) - Line 32	54,339	75,178	20,839	Increase in income - received from associated cooperatives
64					
65	TOTAL NET OPERATING MARGINS	1,759,725	1,455,416	(304,308)	Decrease in margin
66					
67	V NON-OPERATING MARGINS	259,590	221,956	(37,634)	Decrease in margin
68					
69	Interest and Dividend Income - Line 37 combined with Line 42	178,864	144,317	(34,547)	Decrease in income - interest from RUS advance payments (cushion of credit)
70					
71	Other Income - Line 38 combined with Line 43	80,726	77,639	(3,087)	Decrease in income
72					
73	TOTAL OPALCO NON-OPERATING MARGINS	259,590	221,956	(37,634)	Decrease in margin
74					
75					
76	TOTAL OPALCO NET MARGIN DETAIL BREAKOUT	2,019,315	1,677,372	(341,942)	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 9/30/2018	D. Change (C - B)
1 ASSET S				
2				
3 UTILITY PLANT, at cost				
4 Electric plant in service	\$ 105,702,896	\$ 124,265,509	\$ 131,067,769	\$ 6,802,260
5 Construction work in progress	12,489,462	10,630,332	9,985,066	(645,266)
6				
7	118,192,358	134,895,841	141,052,835	6,156,994
8 Less accumulated depreciation and amortization	44,622,436	45,632,268	48,337,044	2,704,776
9				
10 Net utility plant	73,569,921	89,263,572	92,715,791	3,452,219
11				
12 Investments in associated organizations				
13 Other (CFC, Federated, PNGC, etc.)	1,125,332	1,654,603	1,683,055	28,451
14 Non-utility investment subsidiary (Note 1)	(2,389,473)	(4,944,798)	(6,968,896)	(2,024,098)
15 Total investments in associated organizations	(1,264,141)	(3,290,195)	(5,285,841)	(1,995,647)
16				
17 Other property and investments	(1,264,141)	(3,290,195)	(5,285,841)	(1,995,647)
18				
19 CURRENT ASSET S				
20 Cash and cash equivalents	3,906,844	3,269,223	1,174,955	(2,094,268)
21 Cash and cash equivalents - board designated	-	750,000	754,019	4,019
22 Accounts receivable, less doubtful accts allowance	3,610,821	3,136,480	2,567,724	(568,756)
23 Interest receivable	9,386	13,218	12,317	(901)
24 Materials and supplies	3,711,223	3,221,936	3,508,097	286,161
25 Prepaid expenses	349,741	343,443	421,307	77,864
26				
27 Total current assets	11,588,015	10,734,300	8,438,419	(2,295,881)
28				
29 Total assets	\$ 83,893,795	\$ 96,707,676	\$ 95,868,367	\$ (839,309)

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 9/30/2018	D. Change (C - B)
30				
31 EQUITIES, MARGINS, AND LIABILITIES				
32				
33 EQUITIES AND MARGINS				
34 Memberships	\$ 56,905	\$ 55,960	\$ 56,500	\$ 540
35 Patronage capital - OPALCO	38,334,633	40,181,088	41,672,721	1,491,633
36 Donated and other equities				
37 OPALCO donated & other margins	5,403,526	5,984,621	6,159,591	174,970
38 Subsidiary margins	(4,517,947)	(7,069,953)	(9,094,940)	(2,024,987)
39				
40 Total equities and margins	39,277,116	39,151,716	38,793,872	(357,844)
41				
42 LONG-TERM DEBT , less current maturities				
43 RUS mortgage notes	31,370,096	41,809,367	44,145,188	2,335,821
44 RUS economic development	48,651	3,333	(11,667)	(15,000)
45 CFC mortgage notes	8,812,642	8,561,284	8,366,540	(194,743)
46				
47 Total long-term debt	40,231,389	50,373,984	52,500,062	2,126,078
48				
49 OTHER NONCURRENT LIABILITIES	53,775	24,443	2,436	(22,007)
50				
51 Total long-term liabilities	40,285,163	50,398,427	52,502,498	2,104,071
52				
53 CURRENT LIABILITIES				
54 Accounts payable	1,692,979	2,997,993	1,425,535	(1,572,458)
55 Customer deposits	89,928	87,219	85,650	(1,569)
56 Accrued liabilities	1,144,751	2,032,945	915,158	(1,117,787)
57 Current maturities of long-term debt	1,092,588	1,734,041	1,820,217	86,176
58 Current maturities capital leases	29,332	29,332	29,332	-
59				
60 Total current liabilities	4,049,578	6,881,530	4,275,892	(2,605,638)
61				
62 DEFERRED CREDIT S	281,938	276,002	296,104	20,102
63				
64 Total equities and liabilities	\$ 83,893,795	\$ 96,707,676	\$ 95,868,367	\$ (839,309)
65				

66 Note:

67 1 Investment in subsidiary consists of OPALCO's invested dollars in Island Network LLC (+\$2,126,044) LESS IN LLC's cumulative net deficit of (\$9,094,940) 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	9/30/2018
1 CASH FLOWS FROM OPERATING ACTIVITIES			
2 Net margins	\$ 3,062,257	\$ 3,399,289	\$ 1,677,372
3 Adjustments to reconcile net margin to cash			
4 from operating activities			
5 Depreciation and amortization	3,546,977	3,699,958	3,347,092
6 Changes in assets and liabilities			
7 Accounts receivable	(52,608)	474,341	568,756
8 Interest receivable	(3,245)	(3,832)	901
9 Prepaid expenses	(37,939)	6,298	(77,864)
10 Accounts payable	(72,458)	1,305,014	(1,572,458)
11 Customer deposits	7,551	(2,709)	(1,569)
12 Accrued liabilities	432,633	(40,379)	(1,117,787)
13 Deferred credits	64,421	(5,936)	20,102
14			
15 Net cash from operating activities	6,947,587	8,832,044	2,844,545
16			
17 CASH FLOWS FROM INVESTING ACTIVITIES			
18 Additions to utility plant, net	(15,199,049)	(19,248,896)	(7,507,783)
19 Reduction to non-utility plant (Island Network transition)	-	-	-
20 Change in materials and supplies	(369,284)	489,287	(286,161)
21 (Increase) decrease in investment in Subsidiary	7,639,352	2,555,325	2,024,098
22 (Increase) decrease in other OPALCO property and investments, net	(31,367)	(529,271)	(28,451)
23			
24 Net cash from investing activities	(7,960,347)	(16,733,555)	(5,798,297)
25			
26 CASH FLOWS FROM FINANCING ACTIVITIES			
27 Payments on long-term debt (Note 1)	(2,497,268)	(1,695,281)	390,245
28 Proceeds from debt	8,742,000	12,450,000	1,800,000
29 Memberships	510	(945)	540
30 Retirements of patronage capital, net	(1,218,259)	(971,738)	(10,769)
31 Change in subsidiary equities	(2,737,834)	(2,552,005)	(2,024,987)
32 Contributions in aid of construction	933,069	783,860	708,472
33			
34 Net cash from financing activities	3,222,218	8,013,890	863,501
35			
36 NET CHANGE IN CASH	2,209,458	112,379	(2,090,251)
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	1,928,972
41			
42 SUPPLEMENTAL DISCLOSURES			
43 Cash paid for interest	\$ 1,085,134	\$ 1,545,309	\$ 2,256,575
44 OUTSTANDING DEBT BALANCE	(41,377,751)	(52,132,468)	(54,352,046)
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), \$848k (Q3 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 9/30/2018	C. Actual 9/30/2018	D. Variance (c - b)	Comments
1	% Rate Increase		5%			
2	OPERATING ACTIVITIES:					
3	Margins	\$ 3,400	\$ 2,000	\$ 1,700	\$ (300)	
4	Plus depreciation/amortization	3,700	3,300	3,300	-	
5	Cash flow operations	7,100	5,300	5,000	(300)	Slightly lower margin
6						
7	PLANT INVESTMENT (NET)					
8	Plant investment (including material inventory)	(18,400)	(7,500)	(7,800)	(300)	Capital spending slightly higher
9	Cash flow from operations and plant investment	(11,300)	(2,200)	(2,800)	(600)	
10						
11	CASH FLOWS FROM PATRONAGE CAPITAL	(1,100)	(90)	(80)	10	
12	Cash flow before borrowings	(12,400)	(2,290)	(2,880)	(590)	
13						
14	NET BORROWINGS (Note 1)	10,800	20	2,200	2,180	Curtailed RUS advance payments (offset debt)
15	RIC repayment of start-up loan	-	-	-	-	
16	Cash increase (decrease) after net borrowings	\$ (1,600)	\$ (2,270)	\$ (680)	\$ 1,590	
17						
18						
19	OUTSTANDING DEBT BALANCE	52,200	52,200	54,400	2,200	
20						
21	EQUITY BALANCE	39,200	39,400	38,800	(600)	
22						
23	NET UTILITY PLANT	89,300	94,100	92,700	(1,400)	
24						
25	Note 1: RUS Q3 payment not due until Q4 ~\$320K, less CoC funding ~\$1.8M, holding cash due to RUS loan delay & Q4'17 accelerated capital projects					

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	9/31/2018	9/31/2018	(D- C)	9/31/2017	Comments
1	RUS CWP DESCRIPTION								
2	DISTRIBUTION								
3	100	New Services	\$ 348,971	\$ 361,000	\$ 270,000	\$ 249,931	\$ (20,069)	\$ 296,601	Less service connections then projected
4	200	New Tie Lines	596	-	-	3,068	3,068	541	
5	300	Conversions and Line Changes	1,381,722	410,000	410,000	692,759	282,759	1,120,807	County and RIC Joint Opportunities
6	400	New Substations, switching station, metering point, etc.	-	-	-	-	-	-	
7	500	Substation, Switching Station, Metering Point Changes	677,046	2,450,000	1,100,000	957,726	(142,274)	228,237	Blakely Substation delayed
8	600	Miscellaneous Distribution Equipment							
9	601	Transformers & Meters	569,966	545,000	545,000	760,416	215,416	439,877	Replenishment of transformer stock
10	602	Sets of Service Wires to increase Capacity	-	-	-	-	-	-	
11	603	Sectionalizing Equipment	266,215	440,000	300,000	726	(299,274)	263,090	On hold until Engineering completes sectionalizing study
12	604	Regulators	26,429	150,000	150,000	113,649	(36,351)	5,170	Delays in Blakely Regulator installation
13	605	Capacitors	-	-	-	-	-	-	
14	606	Ordinary Replacements	78,098	123,000	123,000	141,602	18,602	41,789	
15	608	Underground Dist. Cable Replacement	2,506,256	1,712,000	1,500,000	1,487,886	(12,114)	1,591,204	
16	700	Other Distribution Items							
17	701	Engineering Fees	-	-	-	-	-	-	
18	704	LMS & SCADA	77,985	162,000	122,000	49,056	(72,944)	64,952	
19	705	AMR	-	270,000	220,000	197,203	(22,797)	172	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	410,000	258,137	(151,863)	2,001,770	Delay in generator deployment
23	TRANSMISSION								
24	800	New Tie Line	-	-	-	-	-	-	
25	900	New Substations, switching station, metering point, etc.	1,373,235	-	-	357,964	357,964	370,379	Timing of Decatur Tap shifted from Q4 2017 to 2018
26	1000	Line and Station Changes	8,463,865	1,730,000	1,730,000	2,186,408	456,408	5,065,498	Submarine Cable Project close out
27	1100	Other Transmission	-	-	-	-	-	-	
28	GENERATION								
29	1200	Generation	-	-	-	-	-	-	
30	OTHER								
31	1300	Headquarters Facilities	100,451	675,000	500,000	73,630	(426,370)	96,448	Eastsound headquarters bathroom delayed
32	1400	Acquisitions	-	-	-	219,235	219,235	-	Decatur properties
33	1500	All Other (Transportation, Etc.)							
34	1501	Transportation/Equipment/Tools/Radios	477,967	613,000	240,000	251,326	11,326	70,150	Vehicle deliveries in Q4
35	1502	Office Equipment/Furniture/Etc.	24,769	41,000	-	-	-	10,845	
36	1503	Computer/Servers/Software	286,305	274,000	250,000	246,677	(3,323)	205,909	
37	1504	Electrical Infrastructure to Support Community Solar	-	900,000	900,000	984,846	84,846	-	Offset by line 45
38	1600	Minor Projects	295,589	170,000	160,000	138,312	(21,688)	247,333	
39	RUS CWP SUBTOTAL		19,380,653	11,564,000	8,930,000	9,370,557	440,557	12,120,773	
40	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)								
41		New Services	(231,464)	(307,000)	(154,000)	(343,125)	(189,125)	(180,000)	
42		Meters and Transformers	(243,750)	(304,000)	(152,000)	(229,014)	(77,014)	(192,812)	
43		Joint Projects	(308,646)	(287,000)	(40,000)	(86,333)	(46,333)	(210,425)	
44		Island Network Department	-	-	-	-	-	-	
45		WA DOC Grant Funding	-	(1,000,000)	(200,000)	(50,000)	150,000	-	
46		Community Solar Member Contributions	-	(900,000)	(900,000)	(906,300)	(6,300)	-	Offset by line 36
47	CIAC SUBTOTAL		(783,860)	(2,798,000)	(1,446,000)	(1,614,772)	(168,772)	(583,237)	
48	RUS CWP NET TOTAL		18,596,794	8,766,000	7,484,000	7,755,785	271,785	11,537,536	
49									
50	Notes:								
51	1	\$187,887 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.							
52	2	\$45,086 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. Year to Date Total	B. January	C. February	D. March	E. April	F. May	G. June	H. July	I. August	J. September	K. October	L. November	M. December	N. Total
1	HEATING DEGREE DAYS (HDD)														
2	Budget HDD	874	326	254	190	52	27	7	6	3	9	67	142	273	1,356
3	Actual HDD	828	199	298	210	87	17	8	1	0	8				828
4	Variance	(46)	(127)	44	20	35	(10)	1	(5)	(3)	(1)				(46)
5															
6	ENERGY USAGE (kWh)														
7	Residential														
8	Budget	114,634,732	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	11,568,117	151,951,238
9	Actual	103,992,293	20,208,179	14,625,448	17,872,650	12,276,608	8,263,017	6,965,679	8,277,325	7,344,047	8,159,340				103,992,293
10	Variance (Budget to Actual)	(10,642,439)	299,820	(674,319)	764,609	(37,839)	(3,305,100)	(3,109,778)	(1,051,801)	(1,985,079)	(1,542,952)	-	-	-	(10,642,439)
11															
12	Commercial														
13	Budget	41,255,247	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	4,163,184	54,684,873
14	Actual	43,686,471	6,425,701	5,377,022	6,004,535	5,072,539	4,017,661	3,853,828	4,452,506	4,419,329	4,063,350				43,686,471
15	Variance (Budget to Actual)	2,431,224	(739,006)	(129,125)	(152,381)	640,762	(145,523)	227,829	1,095,099	1,061,922	571,647	-	-	-	2,431,224
16															
17	Combined Energy Usage (kWh)														
18	Budget	155,889,978	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	15,731,301	206,636,111
19	Actual	147,678,764	26,633,880	20,002,470	23,877,185	17,349,147	12,280,678	10,819,507	12,729,831	11,763,376	12,222,690	-	-	-	147,678,764
20	Variance (Budget to Actual)	(8,211,214)	(439,186)	(803,444)	612,228	602,923	(3,450,623)	(2,881,949)	43,298	(923,157)	(971,304)	-	-	-	(8,211,214)
21															
22	SALES REVENUE (kWh based)														
23	Residential														
24	Budget	15,931,492	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	1,659,366	21,262,871
25	Actual	15,321,590	2,619,278	1,966,021	2,367,427	1,789,282	1,842,278	774,312	1,381,934	1,272,103	1,308,954	-	-	-	15,321,590
26	Variance (Budget to Actual)	(609,903)	(51,898)	(217,186)	131,384	36,425	202,728	(652,706)	58,727	(51,427)	(65,950)	-	-	-	(609,903)
27															
28	Commercial														
29	Budget	5,785,288	974,526	794,483	813,543	636,678	593,562	516,355	479,094	479,435	497,612	638,642	696,825	606,085	7,726,840
30	Actual	5,707,153	809,830	675,752	755,229	664,468	573,170	525,745	573,523	587,128	542,309	-	-	-	5,707,153
31	Variance (Budget to Actual)	(78,134)	(164,696)	(118,731)	(58,314)	27,791	(20,393)	9,389	94,430	107,692	44,697	-	-	-	(78,134)
32															
33	Combined kWh Sales Revenue														
34	Budget	21,716,780	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	2,265,451	28,989,711
35	Actual	21,028,743	3,429,108	2,641,773	3,122,656	2,453,750	2,415,448	1,300,056	1,955,458	1,859,230	1,851,263	-	-	-	21,028,743
36	Variance (Budget to Actual)	(688,037)	(216,594)	(335,917)	73,070	64,216	182,335	(643,317)	153,156	56,265	(21,252)	-	-	-	(688,037)
37	NOTE: Excluded Other Revenue and Revenues that are not usage based.														
38															
39	POWER COST														
40	Budget	6,892,612	1,147,078	941,103	963,989	758,013	714,076	620,696	574,924	574,924	597,810	757,786	826,445	712,014	9,188,856
41	Actual	6,731,971	931,282	1,106,601	878,065	790,463	533,932	622,666	618,731	612,811	637,420				6,731,971
42	Variance (Budget to Actual)	(160,640)	(215,796)	165,498	(85,924)	32,450	(180,144)	1,970	43,807	37,888	39,610	-	-	-	(160,640)

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

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

(check one of the following)

☐

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐

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.

Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	20,954,497	21,229,499	21,914,876	1,870,166
2. Power Production Expense	-	-	-	-
3. Cost of Purchased Power	6,399,836	6,731,845	6,892,612	637,294
4. Transmission Expense	133,890	199,211	118,148	77,545
5. Regional Market Expense			-	
6. Distribution Expense - Operation	2,693,001	2,473,329	2,916,981	237,542
7. Distribution Expense - Maintenance	1,316,155	1,439,083	1,301,086	168,923
8. Customer Accounts Expense	750,485	769,808	812,628	79,943
9. Customer Service and Informational Expense	437,155	369,695	465,382	37,834
10. Sales Expense	21,943	29,685	27,101	1,116
11. Administrative and General Expense	2,122,995	2,316,397	2,420,339	254,920
12. Total Operation & Maintenance Expense (2 thru 11)	13,875,461	14,329,053	14,954,277	1,495,117
13. Depreciation and Amortization Expense	2,755,931	3,347,092	3,254,872	382,830
14. Tax Expense - Property & Gross Receipts	205,890	236,754	216,185	26,306
15. Tax Expense - Other	753,584	778,584	812,691	71,659
16. Interest on Long-Term Debt	1,174,746	1,345,757	1,303,671	158,480
17. Interest Charged to Construction - Credit	(401,441)	(187,980)	(332,205)	(12,563)
18. Interest Expense - Other	-	-	-	-
19. Other Deductions	-	-	-	-
20. Total Cost of Electric Service (12 thru 19)	18,364,171	19,849,261	20,209,490	2,121,829
21. Patronage Capital & Operating Margins (1 minus 20)	2,590,326	1,380,238	1,705,386	(251,663)
22. Non Operating Margins - Interest	160,118	144,317	178,864	21,904
23. Allowance for Funds Used During Construction	-	-	-	-
24. Income (Loss) from Equity Investments	-	-	-	-
25. Non Operating Margins - Other	9,238	77,639	80,726	10,968
26. Generation and Transmission Capital Credits	-	-	-	-
27. Other Capital Credits and Patronage Dividends	64,505	75,178	54,339	861
28. Extraordinary Items	-	-	-	-
29. Patronage Capital or Margins (21 thru 28)	2,824,186	1,677,372	2,019,315	(217,930)

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 September '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	119	169	5. Miles Transmission	42.65	42.65
2. Services Retired	-	48	6. Miles Distribution – Overhead	153.60	152.81
3. Total Services in Place	15,128	15,129	7. Miles Distribution - Underground	1,150.07	1,058.16
4. Idle Services (Exclude Seasonals)	1,192	816	8. Total Miles Energized (5 + 6 + 7)	1,346.32	1,253.62
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	131,067,769		30. Memberships	56,500	
2. Construction Work in Progress	9,935,904		31. Patronage Capital	39,995,349	
3. Total Utility Plant (1 + 2)	141,003,673		32. Operating Margins - Prior Years	-	
4. Accum. Provision for Depreciation and Amort.	48,287,881		33. Operating Margins - Current Year	1,599,733	
5. Net Utility Plant (3 - 4)	92,715,792		34. Non-Operating Margins	77,639	
6. Non-Utility Property (Net)	-		35. Other Margins and Equities	(2,935,349)	
7. Investments in Subsidiary Companies	(6,968,896)		36. Total Margins & Equities (30 thru 35)	38,793,872	
8. Invest. in Assoc. Org. - Patronage Capital	1,104,804		37. Long-Term Debt - RUS (Net)	-	
9. Invest. in Assoc. Org. - Other - General Funds	10,300		38. Long-Term Debt - FFB - RUS Guaranteed	46,535,170	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	558,274		39. Long-Term Debt - Other - RUS Guaranteed	-	
11. Investments in Economic Development Projects	8,333		40. Long-Term Debt Other (Net)	8,624,970	
12. Other Investments	1,344		41. Long-Term Debt - RUS - Econ. Devel. (Net)	8,333	
13. Special Funds	964,892		42. Payments – Unapplied	(848,195)	
14. Total Other Property & Investments (6 thru 13)	(4,320,949)		43. Total Long-Term Debt (37 thru 41 - 42)	54,320,278	
15. Cash - General Funds	964,403		44. Obligations Under Capital Leases - Noncurrent	2,436	
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)	2,436	
18. Temporary Investments	-		47. Notes Payable	-	
19. Notes Receivable (Net)	-		48. Accounts Payable	1,425,535	
20. Accounts Receivable - Sales of Energy (Net)	1,647,160		49. Consumers Deposits	85,650	
21. Accounts Receivable - Other (Net)	162,817		50. Current Maturities Long-Term Debt	-	
22. Renewable Energy Credits	-		51. Current Maturities Long-Term Debt - Economic Development	-	
23. Materials and Supplies - Electric & Other	3,508,097		52. Current Maturities Capital Leases	29,332	
24. Prepayments	421,307		53. Other Current and Accrued Liabilities	915,158	
25. Other Current and Accrued Assets	731,704		54. Total Current & Accrued Liabilities	2,455,676	
26. Total Current and Accrued Assets	7,473,524		55. Regulatory Liabilities	-	
27. Regulatory Assets	-		56. Other Deferred Credits	296,104	
28. Other Deferred Debits	-		57. Total Liabilities and Other Credits	95,868,367	
29. Total Assets and Other Debits	95,868,367				