



BOARD OF DIRECTORS REGULAR MEETING

Thursday, December 20, 2018 8:30 a.m.
Friday Harbor OPALCO Office

TRAVEL



Via Island Air

378-2376

To:

Leave Lopez 8:00 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:00 p.m.

Arrive Lopez 2:15 p.m.



Via Ferry:

To:

Leave Lopez 7:10 a.m.

Arrive FH 7:40 a.m.

Shaw 7:15 a.m.

Orcas 7:35 a.m.

Arrive FH 8:15 a.m.

Return:

Leave FH 2:20 p.m.

Arrive Orcas 3:10 p.m.

Shaw 3:25 p.m.

Lopez 3:45 p.m.

SEQUENCE OF EVENTS

- Board Meeting

Orcas Power & Light Cooperative

Board of Directors

Regular Board Meeting

Friday Harbor

December 20, 2018 8:30 A.M.*

**Time is approximate; meetings are scheduled around the ferry schedule; if all Board members are present, the meeting may begin earlier or later than advertised.*

Pages

WELCOME GUESTS/MEMBERS

Member attending the board meeting acknowledge that they may be recorded and the recording posted to OPALCO's website.

- Member Comment Period
 - *Members are expected to conduct themselves with civility and decorum, consistent with Member Service Policy 17. If you would like answers to specific questions, please fill out Q&A card for post-meeting follow-up.*

ACTION ITEMS

- 3-48
- Consent Agenda
 - 2019 Board Meetings
 - Member Service Policy 17 – Member Participation at OPALCO Meetings
 - Energy Assist Forecast
 - Subsidiary Action (Rock Island Communications) **
 - Resolution 5-2018 – Review of Island Network, LLC Business Plan
 - Revision of the OPALCO Strategic Directives
 - Resolution 4-2018 – Authorizing the Amendment to OPALCO CoBank Loan Guarantee
 - 2019-2023 Collective Bargaining Agreement Ratification (after review in Executive Session)
 - Use of Board Restricted Funds - 2018 Decatur Land Acquisition **
 - 2019 Budget Approval
 - Tariffs

DISCUSSION ITEMS

- 49
- Youth Rally Presentation
 - NWPPA Nominations **

REPORTS

- 50-54
- General Manager
 - Rock Island Snapshot

COMMUNICATION

- 54-65
- PNGC Power Pulse – Nov/Dec 2018
 - WRECA 2019 Legislative Objectives, Clean Energy and Carbon Legislations
 - Tom Owens – December 9, 2018 Rate Suggestions

ADJOURNMENT

Executive Session: Legal, personnel

** Additions to the agenda on the day of the meeting.

MEMORANDUM

December 14, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Consent Agenda

All matters listed with the Consent Agenda are considered routine and will be enacted by one motion of the Board with no separate discussion. If separate discussion is desired, that item may be removed from the Consent Agenda and placed as an Action Item by request of a Board member. The minutes will reflect the approved consent agenda.

The Consent Agenda includes:

- **Minutes** of the previous meeting - attached
- **Approval of New Members** - attached {as required by Bylaws Article I Section 2 (d)}
- **Capital Credit** payments to estates of deceased members and/or organizations no longer in business as shown below:

• December	
Customer #	Amount
65042	\$ 2,518.84
66003	702.81
30180	438.22
Total	\$ 3,659.87

- **RUS 219s** *Inventory of Work Orders* of projects completed from the Construction Work Plan totaling \$2,932,718.20. These forms are submitted to RUS for approval of loan funds.
 - Inventory 201810 (~\$1.2M) – Decatur Substation and underground cable replacements
 - Inventory AP1810 (~\$1.7M) – Decatur BPA Tap and Switching Station

Staff requests a motion to approve the Consent Agenda.

Orcas Power & Light Cooperative
Minutes of the Board of Directors Meeting
Thursday, November 15, 2018

President Vince Daucius called the meeting to order at 8:07 a.m. at the Lopez Island Fire Hall. Board members present were Rick Christmas, Brian Silverstein, Jeff Struthers and Jerry Whitfield. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Head Accountant Travis Neal and Public Relations Administrator Suzanne Olson (serving as recording secretary). Consultant Jay Kimball, and members Ray Glaze and Dwight Lewis were also in attendance.

CONSENT AGENDA

- **Motion** was made and seconded to approve the Consent Agenda, including October 18, 2018 minutes, new members as listed with the Board materials, capital credit payments totaling \$5,407.74 and RUS 219s totaling \$471,748.98. Motion carried by voice vote.

EGC COMMITTEE

The Elections & Governance Committee has received an application from a candidate for the open District 4 position. The Board went into Executive Session to review the application and interview the candidate.

- **Motion** was made to approve the application and Ray Glaze of Shaw Island will join the EGC for a term of three years. Motion carried by voice vote.

CAPITAL CREDITS - UNCOLLECTIBLE

Staff requested that ~\$942 of member capital credits be applied to uncollectible accounts. Discussion ensued.

- **Motion** was made to approve the the transfer of ~\$942 in capital credit distributions to pay uncollectible account balances. Motion carried by voice vote.

CAPITAL CREDITS – GENERAL RETIREMENT

Staff requested board approval for the general retirement of capital credits totaling ~1,012k (cash) for the remainder of 1993 and ~31% of 1994. Discussion ensued on smoothing and fluctuations in the margins going forward.

- **Motion** was made to approve the general retirement of capital credits. Motion carried by voice vote.

LOAN DRAW

Staff requested an additional loan draw in the amount of \$2M in order to meet requirements for capital credits and Q4 expense. Factors that contributed to the need for additional funding include warmer weather, capital expenditures in late Q4 2017 and shifting of CWP projects and joint project opportunities. Discussion ensued.

- **Motion** was made and seconded to approve the additional loan draw in the amount of \$2M. Motion carried by voice vote.

STRATEGIC DIRECTIVES

The Board reviewed the updated directives in a second read.

- **Motion** was made to approve the updated strategic directives. Motion carried by voice vote.

2019 BUDGET

Hildreth described the budget as accrual based, and tied directly to our strategic documents: strategic directives, IRP, LRP and CWP. Hildreth credited PNGC with bringing key expertise and sophisticated resources into our load forecasting process for this budget. Discussion ensued on debt, equity, TIER, HDD, labor, capital projects, grid control progress, community solar, energy storage system, capital credits and support for low income households. The proposed 5.2% revenue increase was discussed and dissected including impacts to consumers. The Board went into Executive Session for additional discussion. Staff will present additional information at the December meeting. No action was taken.

POLICY 29: RATE DESIGN

Updates to Policy 29: Rate Design were discussed including the calculation, bill impacts and benefits.

- **Motion** was made and seconded to approve the revisions to Policy 29: Rate Design. Motion carried by voice vote.

POLICY 17: MEMBER CONDUCT AT OPALCO MEETINGS

Revisions to Policy 17 were discussed including clarification on presiding officials and board roles. Various scenarios were discussed with a goal of maintaining a safe workplace for all, including the Board. No action was taken. Staff will bring an updated version to the December meeting.

TARIFFS: FIRST READ

With the proposed revenue increase, all tariffs have been updated. Board reviewed the tariffs and discussion centered on the Energy Conservation Charge (ECC) tariff for the purpose of administering on-bill financing of specific efficiency measures. All tariffs will be reviewed again in December.

Hildreth let the Board know that members have asked about special rates for non-profit organizations and Veterans. For non-profit organizations, the Board decided that these organization should be categorized within their type of service and thus no discounts to rate were approved. For veteran members, Board agreed that the Energy Assist program is in place to help any member who is struggling to pay their bills.

BLOCK ANALYSIS

Hildreth led a discussion about the block structure in rates. Discussion topics included how to encourage efficient use of electricity and discourage wasteful use, relevance to the IRP metrics, how EV owners may be affected and how the Switch it Up campaign fits into the timing of any changes to the block structure. The Board reached consensus that the block structure will stay as is for now, to be revisited in the future. The Board considered a pilot project to test various scenarios.

Q3 FINANCIAL REPORT

Board reviewed the Q3 2018 financial report and discussion ensued.

REPORTS

General Manager

The Board reviewed the GM report and some discussion ensued.

ADJOURNMENT

Meeting adjourned at 1:35 p.m. and the Board went into Executive Session.

Vince Dauciunas, President

Brian Silverstein, Secretary-Treasurer

NEW MEMBERS – November 2018

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

1. Brown, Brandon & Godby, Jennifer
2. Burgess, Peter
3. Carbuccia, Robyn
4. Collins, Norvin
5. Corsi, Sean
6. Fenley, Kate
7. Garber, M L & Lori
8. Green, Philip R
9. Gustafson, Samuel
10. Haines, Susan & Tom
11. Hall, Jay
12. Hamerstrom, Rebecca
13. Keck, Robin
14. Laporte, Richard
15. Lund, Kirsten M
16. Mclean, Ann & Dziubinski, Michael
17. Moss, Matthew C
18. Robison, David F & Kane, Donald S
19. Saladino, Elisabeth
20. Tanner, Randall & Carmel P
21. Turnage, Mason
22. Wilson, Mark & Linda
23. Yates, Valerie

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

24. Arcady LLC
25. Binford, Valerie
26. Chasen, Matthew
27. Fisher, Charles & Pamela S
28. Fowler, Samuel
29. Gustafson, Paula
30. Harris, Alena
31. Leigh, Vicki L
32. McNaughton, Kyle
33. Raymer, Daniel & Broderick, Bridget
34. Teitelbaum, Lila & Noah
35. Wachter, Andreas & Shu-Chih, Lin

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

36. Bird, Adam & Jamie
37. Brentson, Quinn & Dana
38. Breyfogle, Stephanie
39. Greenwood, Roger D
40. Market, Jenny & Brian
41. Messiah Lutheran Church
42. Prince, Jessica
43. S&B Family LLC

District 4 (Shaw, Crane, Canoe, Bell)

44. Wilton, Michael DJR

12/03/2018 1:46:38 pm

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RUS Form 219 Inventory Of Work Orders

Period: OCT 2018

System Designation: WA AH O9

Inventory: 201810

Loan		Work Order		Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
					Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
Project	Year	Construction (1)	Retirement (2)							
501 - 2	2018	2641	2641	1	1,004,339.33	1,598.95	0.00	0.00	0.00	989,709.28
								AFUDC: 16,229.00		
					1,004,339.33	1,598.95	0.00	0.00	0.00	989,709.28
608	2018	2222	2222	1	43,386.45	361.06	0.00	0.00	0.00	43,287.47
								AFUDC: 460.04		
608	2018	2725	2725	1	9,640.75	0.00	0.00	0.00	0.00	9,479.45
								AFUDC: 161.30		
					53,027.20	361.06	0.00	0.00	0.00	52,766.92
608 - 21	2018	2685	2685	1	167,372.29	1,641.97	0.00	0.00	0.00	163,646.33
								AFUDC: 5,367.93		
					167,372.29	1,641.97	0.00	0.00	0.00	163,646.33
Grand Totals:					\$ 1,224,738.82	\$ 3,601.98	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,206,122.53

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RUS Form 219 Inventory Of Work Orders

Page: 5

Period: OCT 2018

System Designation: WA AH O9

Inventory : 201810

Budget

Loan	Project	Amount
1	501 - 2	989,709.28
1	608	52,766.92
1	608 - 21	163,646.33
Total:		1,206,122.53

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

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

INSPECTION PERFORMED BY

FIRM

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

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RUS Form 219 Inventory Of Work Orders

Period: OCT 2018

System Designation: WA AH O9

Inventory: AP1810

Loan		Work Order		Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
					Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
Project	Year	Construction (1)	Retirement (2)							
901	2018 1781			2	1,778,007.43	0.00	0.00	0.00	0.00	1,726,595.67
							AFUDC: 51,411.76			
					1,778,007.43	0.00	0.00	0.00	0.00	1,726,595.67
Grand Totals:					\$ 1,778,007.43	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,726,595.67

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RUS Form 219 Inventory Of Work Orders

Page: 6

Period: OCT 2018

System Designation: WA AH O9

Inventory : AP1810

Budget

Loan	Project	Amount
2	901	1,726,595.67
Total:		1,726,595.67

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER)_____
DATE_____
SIGNATURE (BOARD APPROVAL)_____
DATE**ENGINEERING CERTIFICATION**

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

INSPECTION PERFORMED BY_____
FIRM_____
LICENSE NUMBER_____
DATE_____
SIGNATURE OF LICENSED ENGINEER

MEMORANDUM

December 14, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Board Meetings 2019

Staff is proposing the following dates and location for 2019 Board Meetings:

- January 17 Eastsound
- February 21 Lopez
- March 20 Eastsound (Rock Island Quarterly)
- March 21 Friday Harbor
- April 13 ANNUAL MEETING
- April 25 Eastsound (fourth Thursday due to Annual Meeting)
- May 15 Eastsound (Rock Island Quarterly)
- May 16 Lopez
- June 27 Friday Harbor (fourth Thursday due to no July meeting)
- July NO MEETING
- August 14 Eastsound (Rock Island Quarterly)
- August 15 Eastsound
- September 19 Lopez
- October 17 Friday Harbor
- November 20 Eastsound (Rock Island Quarterly)
- November 21 Eastsound
- December 19 Lopez

Staff recommends the Board make a motion for the approval of the above 2019 Board meeting dates and locations.

MEMORANDUM

December 14, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Policy 17 – *Member Participation at OPALCO Meetings* (Second Reading)

At the November Board Meeting, the Board requested staff bring back revisions to Member Service Policy (MSP) 17 – *Member Participation at OPALCO Meetings*.

Member participation in the affairs of OPALCO is both expected and encouraged. The purpose of this policy is to establish guidelines, help foster attendance at OPALCO meetings, and establish respectful communication and decorum among all attendees.

In summary, Board requested that there be a modification that included the creation of structure related to the Board administration of the policy, which would allow the Board to determine a corrective action (if necessary).

Staff recommends the Board make a motion for the approval of MSP Policy 17 – *Member Participation at OPALCO Meetings* as modified.

ORCAS POWER AND LIGHT COOPERATIVE

MEMBER SERVICE POLICY 17

MEMBER PARTICIPATION AT OPALCO MEETINGS

17.1 GOALS AND OBJECTIVES

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

17.2 OPALCO BOARD MEETINGS

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

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

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

17.3 OTHER MEETINGS

Other meetings held on behalf of OPALCO (committee or special) shall be noticed pursuant to Bylaws Articles II & IV.

17.4 VIDEO RECORDING AT MEETINGS

The intent is to video record regular board meetings (and other meetings as determined by the Board), for those members who are not in attendance, making it more accessible for the entire membership to review the governance of OPALCO. OPALCO will include video recordings when practical and cost effective, as follows:

- 17.4.1.1 Video recording will utilize existing video equipment that OPALCO already uses for operational purpose.
- 17.4.1.2 Recordings will be a static, non-interactive, not live, unedited feed and made available through the OPALCO website. Recordings will be available on OPALCO's website for a rolling period of 12 months.
- 17.4.1.3 Due to rotation of meetings, equipment may not be available in all meeting locations.
- 17.4.1.4 The recordings' intended use is for the OPALCO membership and not for commercial purposes.
- 17.4.1.5 Members attending the board meeting acknowledge that they may be recorded.

17.5 RESPONSIBILITY

- 17.5.1 The General Manager shall ensure that all OPALCO meetings that are open to the membership receive proper notice on the OPALCO website so that members are aware of when and where meetings are scheduled.
- 17.5.2 The Board President, presiding director, **General Manager** or their designee shall ensure that conduct is respectful and orderly and shall preserve decorum at any meeting of the Cooperative. ~~Each director~~ All meeting participants shall cooperate with the President, **presiding official, General Manager or their designee** in ensuring that meetings are conducted in a respectful and orderly fashion. Interrupting or disturbing any person while speaking is contrary to this policy.
- 17.5.3 Any behavior that is deemed to be disruptive, distracting or threatens the physical safety of a meeting participant or property of the Cooperative may lead to such participant being required to leave the premises where the meeting **or function** is occurring. The Board President, presiding director, **General Manager** or their designee shall make such determination. **If the nature or severity of the violation warrants, the General Manager will put the violation on the agenda for the next Board meeting.**
- 17.5.4 At the next meeting of the Board of Directors, the Board will discuss the violation and determine a period of exclusion from OPALCO meetings. Depending on the nature and severity of the violation, the period of exclusion may range from 90-180 days or result in permanent prohibition from attending OPALCO meetings and functions.**
- 17.5.4.1 Upon repeated violations of this policy, the ~~President, presiding director or any designee~~ **Board may take formal action** to prohibit that individual from attending future **Co-op** meetings ~~of the Cooperative, whether a formal meeting or other Co-op~~ **and functions**. The duration of this prohibition shall be ~~a maximum of three (3) months at the discretion of the President, presiding director or any designee~~ **Board of Directors** based upon the nature and severity of the violation.
- 17.5.4.2 Any member who has been cited with three violations will not be eligible for any OPALCO position including serving on a Cooperative committee or the board of directors. The barred member may send written comments to the General Manager which may be presented during the subsequent Board meeting.

Foster Hildreth, General Manager

Board Approved: December 20, 2018

MEMORANDUM

December 14, 2018

TO: Board of Directors

FROM: Foster Hildreth

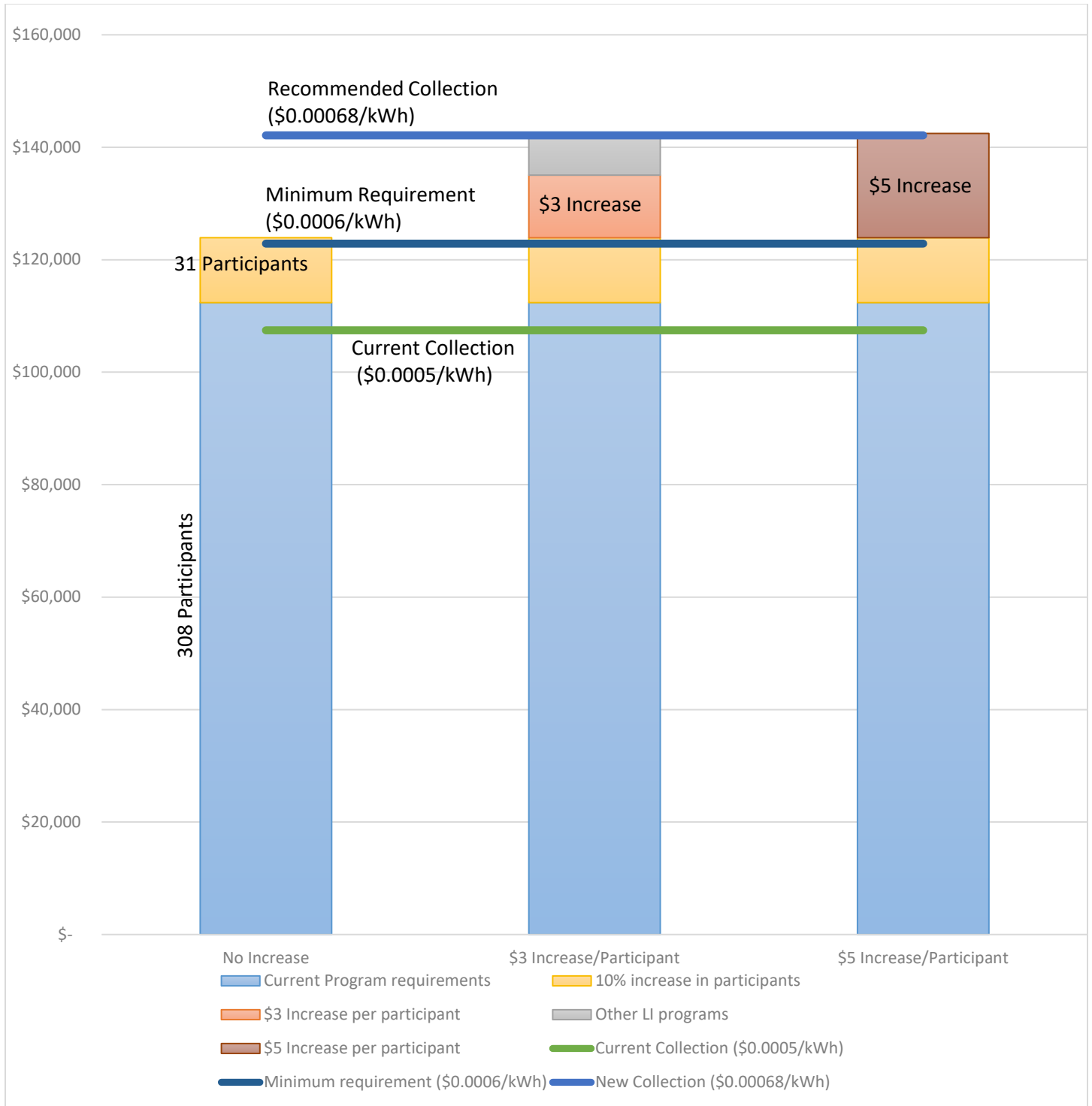
RE: Energy Assist Forecast

At the November Board Meeting, staff recommended as part of the 2019 Budget to include an increase in EAP collection from 0.0005 \$/kWh to 0.0006 \$/kWh in order to keep the current program fully funded based on the current payout schedule.

The Board requested staff assess the financial impact of an increase of individual EAP payouts for participants to aid as a offset to the 2019 rate increases. Provided that the Board's intention remains to increase the EAP participant payouts, staff recommends an additional increase of EAP collection rate from 0.0005 \$/kWh to 0.00068 \$/kWh, along with an increase to monthly payouts by \$3 per participant. As indicated below in the table and chart, the increase in the rate would provide an appropriate level of funding for the increase in participant payouts and further fund other low-income (LI) programs such as On-bill Finance Programs, energy efficiency programs, or fuel switching programs. The recommended changes have been reflected in the tariff schedules provided in this month's Board report.

Staff recommends the Board make a motion for the increase in EAP collection tariff to 0.00068 \$/kWh along with an increase of \$3/participant/month in payouts.

	No Increase	\$3 Increase per Participant	\$5 Increase per Participant
<i>Current Program requirements</i>	\$ 112,374	\$ 112,374	\$ 112,374
<i>\$3 Increase per participant</i>	\$ -	\$ 11,124	-
<i>\$5 Increase per participant</i>	\$ -	\$ -	\$ 18,540
<i>Other LI programs</i>		\$ 7,500	
<i>10% increase in participants</i>	\$ 11,548	\$ 11,548	\$ 11,548
<i>Current Collection (\$0.0005/kWh)</i>	\$ 107,452.30	\$ 107,452.30	\$ 107,452.30
<i>Min. requirement to sustain (\$0.0006/kWh)</i>	\$ 122,861.10	\$ 122,861.10	\$ 122,861.10
<i>New Collection (\$0.00068/kWh)</i>	\$ 142,122.10	\$ 142,122.10	\$ 142,122.10
<i>Community Solar credit</i>	\$ 11,147	\$ 11,147	\$ 11,147



MEMORANDUM

December 20, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Resolution 5-2018 – Review of Island Network, LLC Business Plan

At the Special Board Meeting on December 19, 2019, the Board requested a resolution to memorialize the review of the 2019 Island Network, LLC Business Plan and allow for authorizing the General Manager to execute the loan documentation.

Staff recommends the Board make a motion to approve Resolution 5-2018.



ORCAS POWER & LIGHT COOPERATIVE

BOARD OF DIRECTORS RESOLUTION 5-2018 REVIEW OF ISLAND NETWORK, LLC BUSINESS PLAN

At a special meeting of the Board of Directors of Orcas Power & Light Cooperative (the “Board”) held on December 19, 2018, was held at the offices of Orcas Power & Light Cooperative at Mt. Baker Road Eastsound, Washington, and proper notice was duly given. In attendance were Vince Dauciunas, President, Jerry Whitfield, Vice President, Brian Silverstein, Secretary-Treasurer, Mark Madsen, Rick Christmas, Jeffrey Struthers, and Peter Garlock, by video conference, constituting all members of the Board. A quorum was present throughout the meeting.

RESOLVED, that the Board met to review the Business and Financial Plans of its wholly-owned subsidiary Island, Network LLC (a.k.a. and hereinafter “Rock Island Communications”) and to consider Rock Island Communications’ request for supplemental loans covering the subsidiary’s planned additional borrowings to meet its business plans and goals for 2019.

RESOLVED, that the Board met with the senior staff of Rock Island Communications on this date and at an earlier special meeting specifically to examine the subsidiary’s history, achievements, plans, proposals, alternatives, strategies, partnerships, needs, risks, costs, and opportunities. This process included presentations by staff of its 2019 budget details and financial plans, an in-depth exploration of several alternative scenarios, and extensive discussions among board members and staff, and between the members of the Board; and,

RESOLVED, that OPALCO, as sole owner and parent corporation, reviewed Rock Island Communication’s 2019 budget dated December 14, 2018 and its request to increase the additional amount of \$4 million, which is comprised of an increase of \$3.5 million to the term note and an increase to the Line of Credit in the amount of \$500,000.

FURTHER RESOLVED, the Board, has given the General Manager of the subsidiary, Rock Island Communications (also the General Manager of OPALCO) authorization to implement the 2019 Rock Island Communications Business Plan targets as summarized:

2019 Year-end Subscribers	~5,276
2019 Year-end Revenue	~\$6,174,964
2019 Year-end Expenses	~\$7,867,426
2019 Year-end Cumulative Outstanding Long-term Debt	~\$25,515,556

I FURTHER CERTIFY THAT the Board of Directors of OPALCO authorizes the General Manager of the subsidiary to execute all loan documentation required for additional guarantees of \$4 million for 2019 to an additional term note of \$3.5 million and an increase to the subsidiary's current Line of Credit.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 20 day of December 2018.

Secretary

MEMORANDUM

December 20, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Revision of the OPALCO Strategic Directives

At the Special Meeting held on December 19th to review the 2019 Rock Island Communications Business Plan, the Board expressed an interest to revise OPALCO's Strategic Directives Item #11 only as follows:

"11. Rock Island Communications

Manage OPALCO's wholly-owned subsidiary to provide our membership high quality, reliable internet, voice and communications services. Prioritize communications to emergency responders and fiber ~~to the home~~ deployment while continually improving wireless services and maintaining key partnerships."

Staff requests a motion and approval of the revised OPALCO Strategic Directives item #11, which were enhanced to incorporate the Rock Island adjustments.

MEMORANDUM

December 20, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Resolution 4-2018 – Amendment to OPALCO CoBank Loan Guarantee

During the December 19, 2018 Special Board meeting the OPALCO Board of Directors agreed to an amendment to the CoBank Master Loan Agreement by increasing the OPALCO Loan Guarantee by \$4M. The Board requested staff to prepare a resolution for approval in the December 20th regular Board meeting to document the Loan Guarantee increase approval.

Staff recommends the Board make a motion for the approval for the increase of the OPALCO Loan Guarantee with CoBank on behalf of Island Network, LLC.



ORCAS POWER & LIGHT COOPERATIVE

BOARD OF DIRECTORS RESOLUTION 4-2018 AUTHORIZING AMENDMENT TO GUARANTEE

I, Brian Silverstein, do hereby certify that (i) I am the Secretary of Orcas Power and Light Cooperative (hereinafter called the "Cooperative"); (ii) herein are true and correct copies of resolutions duly adopted by the Board of Directors of the Cooperative at a meeting held on the 19th day, December, 2018; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state if its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the Amended and Restated Guarantee of Payment Limited, Amendments to the CoBank Revolving Credit Promissory Note and Multiple Advance Term Promissory Notes and other amendments further defined as the "Loan Agreement" in the Amended and Restated Guarantee of Payment Limited, and were authorized by the Board of Directors to be executed; (vi) none of the following resolutions have been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the agreements.

RESOLVED, that Island Network, LLC ("Island Network"), the Cooperative's wholly owned subsidiary, has arranged a loan with CoBank, ACB ("CoBank"), and as part of the loan agreements, the Cooperative is being requested to execute certain agreements, and this Resolution authorizes certain actions in support of Island Network's loan with CoBank;

RESOLVED, that attached is a true and correct copy of the Incumbency of the current officers of the Cooperative;

RESOLVED, that the Board of Directors has reviewed forms of the unsecured Guarantee, Amendment to the CoBank Master Loan Agreement with CoBank, all of the foregoing were presented to the Board of Directors on December 19, 2018;

RESOLVED; J. Foster Hildreth, General Manager of the Cooperative, is hereby authorized to execute and deliver to CoBank: Amended and Restated Guarantee of Payment Limited.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 19 day of December 2018.

Secretary

MEMORANDUM

December 14, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: 2019-2023 Collective Bargaining Agreement Ratification (after review in Executive Session)

Staff has tentatively agreed to revisions to the current Collective Bargaining Agreement (CBA) for the upcoming timeframe of January 1, 2019 through December 31, 2023. The revisions will be discussed in executive session.

Upon completion of discussion in executive session, staff recommends the board make a motion for the ratification of the 2019-2023 CBA.

MEMORANDUM

December 20, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Funds Used for the 2018 Decatur Land Acquisition

Staff is proposing that for transaction documentation purposes the Board memorialize in the OPALCO December 2018 meeting minutes, the Board's intended approval for the use of restricted funds to purchase the unbudgeted land parcels on Decatur Island, for which the acquisition was discussed during the Executive Session and subsequently approved during the General session held on Friday, August 10, 2018.

Staff recommends the Board make a motion for memorializing their intended approval for the use of restricted funds for the Decatur 2018 land acquisition as reference in the executive session discussion during the August 10 2018 meeting.

Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting

Friday, August 10, 2018

President Vince Dauciunas called the meeting to order at 8:16 a.m. at the Lopez Fire Hall. Board members present were Rick Christmas, Peter Garlock, Brian Silverstein, and Jeff Struthers. Mark Madsen and Jerry Whitfield attended via video "Zoom". Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis, Head Accountant Travis Neal, Rock Island Communications (RIC) EVP Alan Smith, RIC CFO/SVP of Finance Chris Schmidt, and Executive Assistant Bev Madan (serving as recording secretary). Note, there were technical issues during the meeting not allowing for video recording.

Members in attendance were Dwight Lewis, Sandy Bishop, Rick Hoffman, Rick Strachan, Larry Eppenbach, Chom Greacen and Chris Greacen. Each was given the opportunity to address the Board.

Mike Searcy, Consultant from Guernsey, was welcomed.

CONSENT AGENDA

- **Motion** was made and seconded to approve the Consent Agenda, including June 21, 2018 minutes, new members as listed with the Board materials, capital credit payments totaling \$9,633.90 and RUS 219s totaling \$666,588.37. Motion carried by voice vote.

AUDITOR SELECTION

The Board convened to Executive Session for discussion.

- **Motion** was made and seconded to execute the Moss Adams LLP 2018 engagement letter. Motion carried by voice vote.

LEONE EASEMENT RELINQUISHMENT

Public Works is moving a stretch of roadway along Orcas Road which fronts ~2600 feet of the Carolyn C. Leone property. Once this easement is relinquished, a new easement will be executed.

- **Motion** was made and seconded to approve relinquishment of Easement #AFN 82447. Motion carried by voice vote.

WILLIAMS EASEMENT RELINQUISHMENT

At the request of members Erland and Mara Williams, OPALCO seeks to relinquish an old private property easement across their Deer Harbor property in favor of a new easement.

- **Motion** was made and seconded to relinquish Easement AFN 82447. Motion carried by voice vote.

RATES REVIEW: COST OF SERVICE ANALYSIS (COSA)

Mike Searcy of Guernsey presented the COSA, findings and conclusions followed by a robust discussion. First noted was Guernsey's experience as co-authors of the 2017 NRECA Rate Guide (OPALCO was a main contributor as well) as well as performing COSA's for Electric Cooperatives across the country. Mike highlighted that the OPALCO COSA was prepared in accordance with regulatory standards. COSA conclusions showed that there are indeed areas of OPALCO's rate structure that may be tweaked to more equitably collect revenues from the various rate classes. Several 'commonly used' and 'strongly cost of service' rate designs were presented, discussed ensued regarding possibilities given OPALCO's current meter technology vs. what could be done in the future with more advanced meters. The Board thanked Mike for his insights, noting they look forward to his specific rate design recommendations at the September rates work session. This information will be used to assist in determining an equitable allocation to each rate class when 2019 rates are determined later this year.

MEMBER SATISFACTION SURVEY

The survey was launched at the annual meeting in late April to measure awareness and satisfaction, establish a snapshot of the current membership and adjust efforts to improve members' experience and make best use of member resources. The sample size was 1,080 respondents, approximately 10% of the OPALCO membership and indicates that 88% of OPALCO respondents are happy with overall member service.

2018 SECOND QUARTER FINANCIAL REPORT

The primary driver of the overall revenue variance of ~5% (\$880k) lower than budgeted is the warmer weather and resulting lower kWh sales. Heating Degree Days (HDD) were a big impact on Q2. While we project the year-end margin to be lower than budget, staff does not anticipate the need for a mid-year rate increase at this time.

REPORTS

General Manager

Hildreth reviewed the General Manager’s report. Highlights included a trip to Washington DC to meet with RUS management in an effort to get our loan applications expedited.

Staff outlined the progress made to date on the redundant feed to Orcas via the Decatur Tap and substation, with improvements to the Blakely substation and the Olga Substation.

OPALCO is developing on-bill financing in anticipation of the RESP loan.

Community Solar was energized July 31, 2018. Participating members will receive energy credits beginning with the September billing cycle that will include the energy produced between July 31-mid-September.

An application to RUS submitted in March 2018 for a Rural Development grant “Rural Energy for America Program” cleared the first round of unrestricted grant funding competition. The grant covers 25% of the project costs of the Community Solar project (~\$207k). Funds should be received by the end of Q3 2018. Community Solar participants will receive a rebate of approximately \$25 per unit.

LAND ACQUISITION

The Board convened to Executive Session for discussion

- **Motion** was made and seconded to purchase the two parcels of land as outlined in Executive Session and authorizes the General Manager to execute all documents necessary for purchase. Motion carried by voice vote.

ADJOURNMENT

Meeting adjourned at 1:15 p.m.

Vince Dauciunas, President

Brian Silverstein, Secretary-Treasurer

MEMORANDUM

November 9, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: 2019 Budget Approval

At the November Board Meeting, the Board requested staff to run additional rate sensitivity options (see page 15 of the 2019 Budget Report). At this point, the Board need to concentrate on rate sensitivity options 3 and 4. Staffs conclusions are as follows:

Option 3 – Recommended

Revenue Increases: 5.2% (2019), 6.5% (2020), 6.5% (2021), 6.4% (2022), 6.4% (2023)

STAFF OBSERVATION: This option allows for rate stability and adequate equity increases in future years. Please note we will be revisiting these rate increases annually.

	A. Budget 12/31/2019	B. Forecast 12/31/2020	C. Forecast 12/31/2021	D. Forecast 12/31/2022	E. Forecast 12/31/2023	F. Total
kWh Purchases	206,000,000	208,060,000	210,141,000	212,242,000	214,364,000	
% Avg. Residential Rate Increase	6.0%	6.0%	6.0%	6.0%	6.0%	
% Revenue Increase	5.2%	6.5%	6.5%	6.4%	6.4%	
Incremental Debt	\$ 4,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,500,000	\$ 16,500,000
Margin	\$ 1,819,222	\$ 1,795,117	\$ 2,490,703	\$ 2,996,158	\$ 3,455,535	
Equity % of Total Capital	38.8%	37.9%	37.8%	38.6%	39.9%	
TIER	1.93	1.88	2.18	2.40	2.53	
Incremental Cash flow	\$ 2,100,000	\$ 1,458,000	\$ 1,817,000	\$ 2,170,000	\$ 1,879,000	\$ 9,424,000

Option 4

Revenue Increases: 4.2% (2019), 6.5% (2020), 6.5% (2021), 6.4% (2022), 6.4% (2023)

STAFF OBSERVATION: This option, while feasible, pushes rate pressure to future years, and when margin is net with capital credit retirements, provides very minimal addition to equity.

	A. Budget 12/31/2019	B. Forecast 12/31/2020	C. Forecast 12/31/2021	D. Forecast 12/31/2022	E. Forecast 12/31/2023	F. Total
kWh Purchases	206,000,000	208,060,000	210,141,000	212,242,000	214,364,000	
% Avg. Residential Rate Increase	5.0%	6.0%	6.0%	6.0%	6.0%	
% Revenue Increase	4.2%	6.5%	6.5%	6.4%	6.4%	
Incremental Debt	\$ 4,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,500,000	\$ 16,500,000
Margin	\$ 1,541,704	\$ 1,499,202	\$ 2,175,324	\$ 2,660,180	\$ 3,097,754	
Equity % of Total Capital	38.6%	37.5%	37.2%	37.8%	39.0%	
TIER	1.79	1.73	2.03	2.24	2.37	
Incremental Cash flow	\$ 1,823,000	\$ 1,162,000	\$ 1,501,000	\$ 1,834,000	\$ 1,521,000	\$ 7,841,000

Staff recommends the Board make a motion for the approval of the 2019 Budget with a 5.2% revenue increase for 2019 as outlined in Option 3.

MEMORANDUM

December 14, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: Tariff Revisions (Second Read)

At the November Board Meeting, the Board reviewed a comprehensive set of rate options (see November Board Packet). Further, the Board requested staff return with options that align with rate sensitivity option 3 and 4 in the 2019 Budget Report. The tariffs have been edited to include the revenue increases to meet the revenue requirements as proposed in the 2019 budget. This is second read, and if approved, staff will implementing the tariffs in the January billing period.

- R-19 Residential
- TOU-19 Time-of-Use Residential
- SCS-19 Small Commercial
- LCS-19 Large Commercial
- P-19 Pump
- EAP-19 Energy Assistance Program
- EC-19 Energy Conservation (NEW)
- ECA-19 Energy Adjustment Charge (NEW)
- POL-19 Private Outdoor Lighting
- LR-19 Line Retention
- NM-18 Unmetered Service (RETIRE)

Please note that the EAP-19 tariff includes an updated collection amount of 0.00068 \$/kWh based off analysis of the Energy Assist Program forecast also in this packet. If approved the Energy Assistance Program charge on all associated tariffs will be updated.

Staff recommends the Board make a motion for the approval of the tariffs associated with the approved 2019 Budget.

ORCAS POWER AND LIGHT COOPERATIVE

RECOMMENDED RATE STRUCTURE

	A.	B.	C.	D.
1	Residential	Present Rates	Recommended Rate Sensitivity Option 3 (Includes first phase of COSA balance)	Rate Sensitivity Option 4 (Includes first phase of COSA balance)
2	Service Access Rate (\$/Service/Month)	\$42.57	\$47.00	\$46.56
3	Energy Assistance Program (\$/kWh)	\$0.0005	\$0.0006	\$0.00068
4	Energy Rates (\$/kWh)			
5	Summer Block 1 (≤ 2,000 kWh)	\$0.1007	\$0.1057	\$0.1047
6	Summer Block 2 (2,000 kWh to 3000 kWh)	\$0.1141	\$0.1198	\$0.1187
7	Summer Block 3 (> 3,000 kWh)	\$0.1353	\$0.1421	\$0.1408
8	Winter Block 1 (≤ 4,000 kWh)	\$0.1007	\$0.1057	\$0.1047
9	Winter Block 2 (4,000 kWh to 5,000 kWh)	\$0.1141	\$0.1198	\$0.1187
10	Winter Block 3 (> 5,000 kWh)	\$0.1353	\$0.1421	\$0.1408
11				
12	Residential TOU	Present Rates	Recommended Rate Sensitivity Option 3 (Includes first phase of COSA balance)	Rate Sensitivity Option 4 (Includes first phase of COSA balance)
13	Service Access Rate (\$/Service/Month)	\$48.29	\$56.50	\$55.97
14	Energy Assistance Program (\$/kWh)	\$0.0005	\$0.0006	\$0.00068
15	Energy Rates (\$/kWh)			
16	TOU Period 1 (6 AM - Noon)	\$0.1690	\$0.1752	\$0.1735
17	TOU Period 2 (Noon - 6 PM)	\$0.1045	\$0.1083	\$0.1073
18	TOU Period 3 (6 PM - 8 PM)	\$0.1690	\$0.1752	\$0.1735
19	TOU Period 3 (8 PM - 6 AM)	\$0.0458	\$0.0475	\$0.0471
20				
21	Small Commercial (<20 kW)	Present Rates	Recommended Rate Sensitivity Option 3 (Includes first phase of COSA balance)	Rate Sensitivity Option 4 (Includes first phase of COSA balance)
22	Service Access Rate (\$/Service/Month)	\$60.53	\$65.60	\$64.98
23	Energy Assistance Program (\$/kWh)	\$0.0005	\$0.0006	\$0.00068
24	Energy Rates (\$/kWh)			
25	Block 1 (≤ 5,000 kWh)	\$0.1025	\$0.1074	\$0.1064
26	Block 2 (> 5,000 kWh)	\$0.1145	\$0.1199	\$0.1188
27	Demand Rates (\$/kW)			
28	First 20 kW (Flat Rate)	\$5.94	\$6.22	\$6.16
29				
30	Large Commercial (> 20kW)	Present Rates	Recommended Rate Sensitivity Option 3 (Includes first phase of COSA balance)	Increase to Energy Charge Only
31	Service Access Rate (\$/Service/Month)	\$60.53	\$65.60	\$64.98
32	Energy Assistance Program (\$/kWh)	\$0.0005	\$0.0006	\$0.00068
33	Energy Rates (\$/kWh)			
34	Block 1 (≤ 5,000 kWh)	\$0.0907	\$0.0946	\$0.0937
35	Block 2 (5,000-150,000 kWh)	\$0.1005	\$0.1049	\$0.1039
36	Block 3 (>150,000 kWh)	\$0.1341	\$0.1399	\$0.1386
37	Demand Rates (\$/kW)			
38	Block 1 (≤ 300 kW)	\$3.66	\$3.82	\$3.78
39	Block 2 (> 300 kW)	\$5.50	\$5.74	\$5.69
40				
41	Pumps	Present Rates	Recommended Rate Sensitivity Option 3 (Includes first phase of COSA balance)	Rate Sensitivity Option 4 (Includes first phase of COSA balance)
42	Service Access Rate (\$/Service/Month)	\$39.83	\$42.22	\$41.82
43	Energy Assistance Program (\$/kWh)	\$0.0005	\$0.0006	\$0.00068
44	Energy Rates (\$/kWh)			
45	0 - 370 kWh	\$0.1059	\$0.1123	\$0.1112
46	370 - 5,000 kWh	\$0.0919	\$0.0900	\$0.0892
47	Over 5,000 kWh	\$0.1031	\$0.1093	\$0.1083
48	Demand Rates (\$/kW)			
49	First 20 kW (Flat Rate)	\$1.10	\$1.17	\$1.16
50	Over 20 kW	\$3.65	\$3.87	\$3.83
51				
52	Private Outdoor Lighting	Present Rates	Recommended 6% Increase	5% Increase
53	Billing Charge (\$/Service/Month)	\$2.55	\$2.71	\$2.66
54	Fixture Charge (\$/Service/Month)	\$11.54	\$12.24	\$12.01
55	Energy Rates (\$/kWh)			
56	100 Watt Lights	\$4.38	\$4.65	\$4.56
57	200 Watt Lights	\$9.42	\$9.99	\$9.80
58				
59	Line Retention	Present Rates	Recommended 6% Increase	5% Increase
60	Service Access Rate (\$/Service/Month)	\$23.37	\$24.78	\$24.31

- 1) Any per energy charge (\$ per kWh) above \$0.125 may induce fuel switching to propane, at today's San
- 2) Assumes Block changes from Recommended Residential Scenario (Column C) to all rate periods in year
- 3) Columns C through E produce revenues equal to the Recommended Budget Option.

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF R – 19
RESIDENTIAL SERVICE**

TWENTIETH REVISION – REPLACING NINETEENTH REVISION

AVAILABILITY

Available to all small farm and home members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

Service for home and farm uses, such as cooking, lighting, heating, private docks not used for commercial purposes, etc. Primary residential end-use shall be served under this tariff.

SERVICE ACCESS CHARGE \$47.00

ENERGY ASSISTANCE CHARGE \$0.0006 per kWh

ENERGY CHARGE

	Summer		Winter
Block 1	≤ 2,000 kWh \$0.1057 per kWh		≤4,000 kWh \$0.1057 per kWh
Block 2	2,001 - 3,000 kWh \$0.1198 per kWh		4,001 - 5,000 kWh \$0.1198 per kWh
Block 3	> 3,000 kWh \$0.1421 per kWh		>5,000 kWh \$0.1421 per kWh

DEMAND CHARGE \$0.00

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$47.00 per billing period or prorated if service is provided for less than a full billing period.

POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the cost of power subject to Member Services Policy 29 – *Rate Design*.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3 *Technical Provisions*.

3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on line simultaneously.
4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
5. See Member Service Policy 3 *Technical Provisions* for additional requirements.
6. Primary end-use for residential purposes shall be served under this tariff.
7. Summer Block is defined as May billing period through September billing period; Winter Block is defined as October billing period through April billing period.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE TARIFF TOU – 19

RESIDENTIAL TIME OF USE RATE

TWENTY-FIRST REVISION – REPLACING TWENTIETH REVISION

AVAILABILITY

Available to all small farm and home members otherwise served under the standard residential rate, and subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage. Equipment subject to automatic load management controls.

APPLICATION

Service for small farms, homes, pools, greenhouses and other non-essential loads. Limited to single phase loads.

SERVICE ACCESS CHARGE: \$56.50

ENERGY ASSISTANCE PROGRAM \$0.0006 per kWh

ENERGY CHARGE:

Period	Time	
1	6:00 am – Noon	\$0.1752 per kWh
2	Noon – 6:00 pm	\$0.1083 per kWh
3	6:00 pm – 8:00 pm	\$0.1752 per kWh
4	8:00 pm – 6:00 am	\$0.0475 per kWh

DEMAND CHARGE: \$0.00

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$56.50 per month or prorated if service is provided for less than a full billing period.

POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power subject to Member Services Policy 29 – *Rate Design*.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.

2. The rated capacity of any motor served under this tariff shall be as follows:
 - i. Motors up to 2 HP can operate at 115 volts.
 - ii. Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on line simultaneously.
4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
5. Loads served under this tariff shall not be capable of being switched to another meter served under a different tariff.
6. Member agrees to be billed on this rate for a minimum of 12 billing periods.
7. See Member Services Policy 3 *Technical Provisions* for additional requirements.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF SCS – 19
SMALL COMMERCIAL SERVICE**

TWENTIETH REVISION – REPLACING NINETEENTH REVISION

AVAILABILITY

Available to all non-residential members using less than 20 kW in all of the preceding twelve (12) months, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase or three-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

General Service for heating, lighting, etc., for non-residential primary end-use.

SERVICE ACCESS CHARGE \$65.60

ENERGY ASSISTANCE PROGRAM \$0.0006 per kWh

ENERGY CHARGE Block 1 $\leq 5,000$ kWh \$0.1074 per kWh
Block 2 $> 5,000$ kWh \$0.1199 per kWh

DEMAND CHARGE \$6.22 per billing period (flat rate)

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$65.60 per billing period or prorated if service is provided for less than a full billing period.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt (kW) demand established by the member for any period of fifteen (15) consecutive minutes during the period for which the bill is rendered as indicated or recorded by a demand meter.

POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the cost of power, subject to Member Services Policy 29 – *Rate Design*.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. Primary end-use for commercial purposes shall be served by this tariff.

3. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP (single phase) are subject to requirements in Member Service Policy 3-Technical Provisions.
4. No single resistive 3-phase loads (examples: ovens, heaters, kilns) of over 45kW shall come on line simultaneously.
5. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
6. See Member Service Policy 3-Technical Provisions for additional requirements.

Foster Hildreth, General Manager

Effective Date January 2019 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF LCS – 19
LARGE COMMERCIAL SERVICE**

TWENTY-SECOND REVISION – REPLACING TWENTY-FIRST REVISION

AVAILABILITY

Available to all non-residential members using more than 20 kW in any one or more of the preceding twelve (12) months, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase or three-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

General Service for heating, lighting, etc., for non-residential primary end-use.

SERVICE ACCESS CHARGE \$65.60

ENERGY ASSISTANCE PROGRAM \$0.0006 per kWh

ENERGY CHARGE Block 1 ($\leq 5,000$ kWh) \$0.0946 per kWh
Block 2 ($> 5,000 - 150,000$ kWh) \$0.1049 per kWh
Block 3 ($> 150,000$ kWh) \$0.1399 per kWh

DEMAND CHARGE Block 1 (≤ 300 kW) \$3.82 per kW
Block 2 (> 300 kW) \$5.74 per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$65.60 per month or prorated if service is provided for less than a full month.

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt (kW) demand established by the member for any period of fifteen (15) consecutive minutes during the period for which the bill is rendered as indicated or recorded by a demand meter.

POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the cost of power, subject to Member Services Policy 29 – *Rate Design*.

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. Primary end-use for commercial purposes shall be served by this tariff.

3. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP (single phase) are subject to requirements in Member Service Policy 3 *Technical Provisions*.
4. No single resistive 3-phase loads (examples: ovens, heaters, kilns) of over 45kW shall come on line simultaneously.
5. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
6. See Member Service Policy 3-*Technical Provisions* for additional requirements.

Foster Hildreth, General Manager

Effective Date January 2019 Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF P – 19
PUMP SERVICE**

TWENTY-SECOND REVISION – REPLACING TWENTY-FIRST REVISION

AVAILABILITY

Available to all members, subject to the General Provisions hereunder.

TYPE OF SERVICE

Single-phase, 60 cycles, at available secondary voltage, equipment subject to automatic load management controls.

APPLICATION

Service for exclusively pumping water for domestic use and/or irrigation.

SERVICE ACCESS CHARGE \$42.22

ENERGY ASSISTANCE PROGRAM \$0.0006 per kWh

ENERGY CHARGE	Block 1 0-370 kWh	\$0.1123 per kWh
	Block 2 371-5,000 kWh	\$0.0900 per kWh
	Block 3 Over 5,000 kWh	\$0.1093 per kWh

DEMAND CHARGE	First 20 kW (flat rate) \$1.17
	Over 20 kW \$3.87 per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$42.22 per billing period or prorated if service is provided for less than a full billing period.

POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the cost of power, subject to Member Services Policy 29 – *Rate Design*.

GENERAL PROVISIONS

1. All pumps served under this tariff shall be metered separately.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.
 - Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3-Technical Provisions.
3. See Member Service Policy 3-Technical Provisions for additional requirements.

Effective Date: <u>January 2019 Billing Period</u>	Foster Hildreth, General Manager
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ORCAS POWER AND LIGHT COOPERATIVE

TARIFF EAP – 19

ENERGY ASSIST PROGRAM

SECOND REVISION – REPLACING FIRST VERSION

AVAILABILITY

Available to low-income members, subject to the General Provisions hereunder, served under the current Tariff R *Residential Service*, and the provisions therein.

TYPE OF SERVICE

Electric service under the current Tariff R *Residential Service*.

APPLICATION

Residential homes with year-round low-income occupants being served by a standard residential service.

ENERGY ASSISTANCE CHARGE \$0.0068 per kWh

ENERGY ASSIST CREDIT

Household Size	Monthly Credit
1	(\$28.00)
2	(\$34.00)
3	(\$40.00)
4	(\$46.00)
5	(\$52.00)
6+	(\$58.00)

MINIMUM MONTHLY CREDIT

The minimum monthly credit, under the above rate, shall be (\$28.00). No refunds, or bills under \$0.00, will be issued based on participation in the Energy Assist Program.

SUBJECT TO AVAILABLE FUNDING

The Energy Assist Credit is pending available funding through the Energy Assist Charge in each related tariff, and other funding sources as approved by the Board of Directors.

GENERAL PROVISIONS

1. Active eligible members must complete and sign an Energy Assist Application, and provide documentation that the low-income household member has been qualified for, and has recently received, benefits under another endorsed low-income program.
2. Reapplication will be required annually.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE TARIFF RIDER – EC ENERGY CONSERVATION CHARGE

AVAILABILITY

Service under this Rider shall be available in all territory served by the cooperative (OPALCO) and shall be subject to OPALCO's established tariffs and policies. This Rider is an optional and voluntary tariff available to members who take service under any rate schedule for eligible energy efficiency improvements (upgrades) within the OPALCO service territory. It shall not be a requirement that the structure be all-electric. Projects that address upgrades to existing buildings deemed unlikely to be habitable or to serve their intended purpose for duration of service charges will not be approved unless other funding can affect necessary repairs.

APPLICATION

A monthly Energy Conservation (EC) charge will be assigned to any meter located where upgrades are installed. Members occupying the location of the meter shall pay the EC charge until all OPALCO costs have been recovered. OPALCO will recover the costs of its investments, including any fees allowed, in this tariff. Charges will be set for a duration not to exceed the estimated life of the pre-approved upgrades or the length of a full parts and labor warranty, whichever is less and in no case longer than ten (10) years. The EC charge and duration of payments will be included in the Efficiency Conservation Agreement between OPALCO and the member.

GENERAL PROVISIONS

ENERGY CONSERVATION AGREEMENT TERMS

1. No up-front payment is required by participating members. The initial cost of approved energy efficiency measures will be paid by OPALCO, up to the maximum amount established for each EC measure.
2. The repayment obligation shall be assigned to the meter at the premises and will survive changes in ownership and/or tenancy.
3. Until cost recovery for upgrades at a meter location is complete, the terms of this tariff shall be binding on the metered structure and any future member who shall receive service at that location.
4. Program costs shall be recovered through a monthly EC charge on the utility bill.
5. Without regard to any other OPALCO rules or policies, the EC charge shall be considered as an essential part of the members bill for electric service, and OPALCO may disconnect the associated electric meter for non-payment of EC charge under the same provisions as for any other electric service.
6. OPALCO may make an incentive payment for program participation that is less than or equal to the value of the upgrades to the Cooperative.
7. A member's and landlord's (if applicable) signature on the EC Agreement shall indicate acceptance of this tariff.
8. OPALCO will be responsible for estimating resource savings and developing a Conservation Plan upon which the EC charge will be based, detailed in this tariff.
9. Once OPALCO's costs for upgrades at a specified location have been recovered, the monthly charge shall no longer be billed.

CONSERVATION PLAN

The Conservation Plan (the Plan) will be developed by OPALCO and specify measures installed by OPALCO to the prospective member. The Plan includes:

- Estimated Resource Savings — The modeled change(s) in costs of resources consumed at the premise attributable to the efficiency measure(s) proposed. The Cooperative will be solely responsible for savings estimates.
- EC Charge — The charge to be included on Member's utility bill will be based on the actual cost of the proposed measure(s). The Cooperative will be solely responsible for calculating the EC charge utilizing its standard economic model of discounted cash flows. To the extent applicable, OPALCO will incorporate rebates/discounts into the calculation of the EC charge.
- The annual interest rate used to calculate the EC charge shall be no more than two percent (2%).
- Administration Fee — Applicants (members or landlords) will be charged a \$50.00 Administration Fee for completed project measure installations. This fee may be included in the Project Cost.
- Number of Payments — The number of monthly periods for which the EC charge will apply at the premises. Unless otherwise specified, the EC charge shall not exceed the estimated life of the measure or ten (10) years, whichever is less.
- Project Cost - the total actual cost of the energy conservation project being financed, for the purpose of calculating the EC charge. Project cost will include (1) the final amount billed by the contractor, and paid by OPALCO, subject to the terms of this policy and the EC Agreement, (2) the administration fee, (3) applicable county filing fees and (4) optional decommissioning of a fossil fuel system. Energy snapshot fees may not be included in the Project Cost.

APPROVED CONTRACTOR

Should the member determine to proceed with implementing the Plan, OPALCO shall determine the appropriate monthly Charge as described above. The member shall sign the EC Agreement and select a certified contractor.

QUALITY ASSURANCE

When the energy efficiency upgrades are completed, the contractor shall be paid by OPALCO, following on-site, telephone, or written report inspection and approval of the installation by the member and cooperative. OPALCO does not guarantee the performance of the upgrade appliance or the quality of work of any contractor.

UNECONOMIC MEASURES

A member may elect to "buy down" the cost of implementing an efficiency measure so that the EC charge will be less than the average estimated monthly savings. In this case OPALCO must be notified in advance of the payment to appropriately process the payment.

NEW AND EXISTING STRUCTURES

A member may utilize this Rider to install high efficiency equipment or measures in new structures. At its sole discretion, OPALCO may determine a property is not eligible for the program and does not qualify for this Rider if:

- The structure has an expected life shorter than the payback period, or
- The structure does not meet applicable public safety or health codes.

RESPONSIBILITIES

Responsibilities, understandings, and authorizations of members, OPALCO, landlord (if applicable) and Participating Contractor shall be outlined in written agreements, notifications and disclosures/consents.

TRANSITION IN ROLES

Payments due pursuant to an Energy Conservation Agreement are based upon the meter serving each property participating under this tariff. All responsibility for outstanding EC obligations and payments belong to the member or any successor party to the member, landlord or tenant change, including any subsequent owner, tenant, or otherwise. Note, to the extent necessary, each member maintains all disclosure obligations. For example: If a person sells a home, they are required to notify the purchaser of the tariff obligation. Failure to provide such notification shall not affect the cooperative's ability to continue billing pursuant to this tariff.

OTHER

1. This Rider only applies to measures permanently installed as fixtures at the premises. Portable efficiency products do not qualify under this Rider. OPALCO will solely determine eligibility of measures or products.
2. Premises in which the measures will be installed must be permanently anchored to a foundation.
3. At its sole discretion, OPALCO may determine the maximum program investment in any year.
4. OPALCO will determine the eligibility of a member based under the member's bill payment history with the cooperative, projected energy savings and program capacity.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF – ECA

ENERGY CHARGE ADJUSTMENTS

ENERGY CHARGE ADJUSTMENTS (ECA)

A variable true-up adjustment (surcharge or credit) will be appear as a line item on member bills to reflect increases or decreases in the power sales due to weather. The adjustment amount will be solely based on power costs and calculated by comparing budgeted vs. actual power cost per kWh sold. The purpose of the ECA is address the lack of predictability in weather forecasting for kWh sales and revenue as power costs represent between 25% to 30% of annual revenue requirements. The ECA includes two adjustment mechanisms:

- 1) An automated monthly reoccurring true-up (surcharge or credit) to be applied to each member billing on a kWh basis, which adjusts for increases or decreases in the cost of power purchased as compared to the budgeted vs. actual cost per kWh sold (see below for calculation); and
- 2) On an as-needed basis and subject to board approval, a variable mechanism that balances the fluctuation in revenues to meet strategic directives.

For the purposes of calculating the ECA, Total Purchase Power Cost shall mean power purchases and credits from all power suppliers; excluding credits or purchases from all suppliers that may be applied directly to particular Members; including all power supply related costs but not limited to: monthly fixed charges, electric power production costs, fuel costs, market power purchases, transmission costs, substation costs, costs for any facilities that will be billed to the Cooperative by power suppliers, power supplier surcharges for programs such as, but not limited to, energy efficiency and demand response programs, other power supply related costs.

The Budget Cost of Power shall equal the total projected future cost of power at the time the current Cooperative rates were established (power cost embedded within current rates) divided by the total projected future kWh sales at the time the current Cooperative rates were established (kWh sales used to develop current rates).

Monthly ECA Factor

The automated monthly charges on member bills shall be increased or decreased on a uniform per-kWh basis computed monthly as follows:

$$ECA = \frac{\text{Actual Power Cost}}{kWh_{sold}} - \frac{\text{Budgeted Power Cost}}{kWh_{sold}} + \frac{\text{Prior Month Uncollected}}{kWh_{sold}}$$

The figures for the above variables can be found in financial statements on the Sales and Usage Report

Where:

ECA	Energy Cost Adjustment (\$/kWh) to be applied to energy sales for the billing period.
kWh_{sold}	Total estimated energy sales for the billing period (excluding kWh sales associated with direct recovery of power cost charges or credits).
Actual Power Cost	Total purchased power cost from all suppliers for the billing

	period as defined above.
Budgeted Power Cost	Total estimated purchased electricity costs included in the Cooperative's base rates.
Prior Month Uncollected	Difference in the total ECA revenue collected from the prior month and the total ECA calculated collection for the prior month.

Discretionary Adjustment

On an as-needed basis and subject to board approval, a variable (kWh) ECA adjustment that balances the fluctuation in revenues to meet strategic directives.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF POL – 19

PRIVATE OUTDOOR LIGHTING

TWENTY-FIRST REVISION – REPLACING TWENTIETH REVISION

AVAILABILITY

New service under this tariff is not available after March 1, 1998. Those members receiving service under this tariff prior to March 1, 1998 may continue to do so.

TYPE OF SERVICE

OPALCO will own, maintain and operate suitable fixtures on brackets, with refractors and controls, and supply energy for sodium vapor lamps at locations agreed upon with the member, the service distance not to exceed 150 feet/2 wire, or 300 feet/3 wire.

APPLICATION

Non-metered or metered street, yard or security lighting service.

BILLING CHARGE *\$2.70 per month

FIXTURE CHARGE \$11.54 per month

ENERGY CHARGE ** 100 Watts \$4.64 per month
 200 Watts \$9.42 per month

*Applies only when not included on a bill for other energy usage.

**Applies only when energy is not metered.

POWER COST ADJUSTMENT

A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power, subject to Member Services Policy 29 – *Rate Design*.

GENERAL PROVISIONS

1. All lamp replacements and other maintenance will be provided by OPALCO, except that lamps and fixtures broken by vandalism will be charged to the member.
2. The member shall notify OPALCO if a lamp does not operate. OPALCO agrees to repair lamps as soon as possible, but, in any event, within five (5) working days.
3. A timing device and/or photo electric cell may be installed by OPALCO in order to limit the time interval that the lamp is turned on each night.
4. During the periods of energy shortage, lamps may be disconnected by request of either the cooperative or member, with no charge to member. The member will not be charged for the period the light has been disconnected.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF LR – 19

LINE RETENTION

NINETEENTH REVISION – REPLACING EIGHTEENTH REVISION

AVAILABILITY

Available for individual residential, marina, and general service accounts where the primary and transformer only serve one member and the removal of the equipment will not affect the service to other members, and/or no service has been taken for a period of twelve (12) months.

TYPE OF SERVICE

Single-phase, 7200 GrdY primary or 120/240 secondary voltage.

APPLICATION

Payment of the line retention rate will ensure that the facilities remain in place for future use.

SERVICE ACCESS CHARGE \$24.77

ENERGY CHARGE

No energy may be used under this rate.

MINIMUM MONTHLY CHARGE

The monthly charge, under the above rate, shall be \$24.77 per billing period or prorated if service is provided for less than a full billing period.

GENERAL PROVISIONS FOR MEMBERS ON LINE RETENTION

1. The above rate is not available where energy is being used or where a meter is installed.
2. OPALCO normally retires and/or removes facilities that have not been used for twelve (12) months. Payment of the line retention rate will ensure that the facilities remain in place for future use. If OPALCO removes any equipment and the member wants it reinstalled, the member shall be required to apply for a new service or line extension in accordance with the current member service policy.
3. Members who have discontinued service for a period of twelve (12) months or have made a formal request for service and have not connected to the system after a period of twelve (12) months are subject to the line retention rate, provided that OPALCO has determined that the facilities are causing ongoing expenses, such as line losses or line maintenance to the system.

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

~~TARIFF NM- 18~~
~~UNMETERED SERVICE~~
~~ELEVENTH REVISION — REPLACING TENTH REVISION~~

~~Available to small fixed loads such as cable television amplifiers.~~

~~Single-phase, 60 cycles, 120 volts, 20 amps or less.~~

~~For electrical loads that are unchanging during the day and operate at 120 volts with 20 amps or less.~~

~~**FACILITY CHARGE:** \$42.57~~

~~ENERGY ASSISTANCE PROGRAM~~ \$0.0005 per kWh

ENERGY CHARGE: All kWh @ \$0.1007

~~The minimum monthly charge, under the above rate, shall be \$42.57 per month or prorated if service is provided for less than a full month.~~

~~A surcharge or credit may be applied to each billing for service under this tariff to reflect increases or decreases in the wholesale cost of power or transmission charged by the Bonneville Power Administration.~~

- ~~1. The member must install a disconnect switch that can be locked by OPALCO.~~
- ~~2. The member must provide suitable fusing to protect their equipment.~~
- ~~3. Kilowatt hour usage shall be calculated based on the device drawing rated current (as determined by the manufacturer's recommended fuse size) at 120 volts at unity power factor for 720 hours per month.~~

Effective Date: January 2018 Billing Period
Foster Hildreth, General Manager

MEMORANDUM

December 20, 2018

TO: Board of Directors

FROM: Foster Hildreth

RE: NWPPA Action Items

NWPPA is calling for nominations for an open seat on their Board for a Cooperative Director. If any OPALCO Director is interested in applying, please notify the Recording Secretary for support in submitting the correct forms. The deadline is January 31, 2019.

In addition, NWPPA is seeking guidance on its legislative work for 2019 and accepting award nominations. Please see the attached pages for more information.

This information was received too late to include in the board materials.

GENERAL MANAGER'S REPORT

December 2018

DASHBOARDS

Please review the dashboards at <https://www.opalco.com/dashboards>. Note that all the dashboards are within board approved strategic parameters.

ENGINEERING, OPERATIONS, AND TECHNICAL SERVICES

WIP

As of December 14, there are 360 work orders open totaling \$7.95M. Operations has completed construction on 111 work orders, totaling \$2.96M.

Safety

John Spain with Columbia REA conducted the Forklift and Defensive Driving Training. The total hours worked without a loss time accident is 115,632.

Grid Modernization Projects

1) Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization

The RFP has been transmitted. There are currently five vendors who intend to submit a bid in January.

2) Community Vehicle-to-Grid (VTG) – WA DOC CEF3 RD&D

Staff was informed that this project was not selected to move forward in the CEF3 RD&D Program.

3) Lopez Microgrid – WA DOC CEF3 Grid Modernization

Based on OPALCO's phase one submittal for CEF3 Grid Mod, WA DOC is allowing OPALCO to proceed with the next phase two application for matching grant funds.

Redundant Feed to Eastsound Village

1) Decatur Tap and Substation

COMPLETE. The 1951 submarine cable leased from BPA has been taken out of service along with the Lopez stepdown transformer feeding it. These facilities will be decommissioned in 2019.

2) Blakely Substation

Project schedule delayed due to barge availability and equipment issues. Contractors are completing commissioning. The substation transformer bushing failed commission testing. Engineering is working on a remedy.



3) Olga Substation and Feeder Upgrades to Eastsound

Olga Substation is being reconfigured to accept 69 kV. Crescent Beach re-conductor projects have been completed.

FINANCE

Capital Credit Retirement

As was approved during the November board meeting, the capital credit General Retirement process was run, representing the remainder of margins from 1993 and a portion of 1994, resulting in 5,225 checks, to be distributed to the active and inactive members mid-to-late December, totaling ~\$1M.

YE Financial Projection

Staff tracks year-end financial projections on an ongoing basis; see below for an updated year-end projection of key metrics.

Projected Income Statement (in thousands)	2018 Full Year		
	Budget	Projected	Variance
Operating Revenue	\$ 29,241	\$ 28,288	\$ (953)
Expenses:			
Cost of Purchased Power	\$ 9,189	\$ 8,760	\$ (429)
Transmission & Distribution Expense	5,686	5,448	(237)
General & Administrative Expense	4,993	4,638	(354)
Depreciation, Tax, Interest & Other	6,999	7,381	382
Total Expenses	26,866	26,228	(638)
Non-op rev (Int, Patronage, other)	423	355	(68)
Net Margin	2,798	2,414	(383)
TIER	2.61	2.35	(0.26)
HDD	1,356	1,251	(105)
kWh Purchases	216,993	209,506	(7,487)
kWh Sales	202,985	196,992	(5,993)
Capital Expenditures	8,766	9,500	734

While weather is the primary driver of decreased revenue in the amount of ~\$953k, we have also experienced ~\$429K of reduced power costs. Staff has taken steps to reduce operating expense where practicable, which is partially offset by an increase in fixed expenses for an overall reduction in expenses of (\$638k).

Overages in capital expenditures include the Lopez to San Juan Submarine Cable (~\$250k), Decatur Substation (~\$400k) and Board approved Decatur Acquisition (~\$220k).

MEMBER SERVICES

Energy Assistance

During November 2018, 308 members received ~\$9.1k from the Energy Assist program, compared to 280 members receiving ~\$7.3k worth of assistance in November 2017. In November 2018 there were 41 members that received ~\$5.8k in PAL awards, compared to 66 members and ~\$8k in November 2018.

Energy Savings

Members applied for 33 rebates and received \$29.7k in incentives in November, which includes 10 rebates for beneficial electrification projects totaling ~\$11k. Staff has been wrapping up the end of this year and planning projects for 2019, keeping in mind that BPA/PNGC's rate period will be ending in September 2019.

Community Solar

During the November billing cycle, the Decatur Community Solar array produced 19,280 kWh, and 3 kWh per solar unit was credited to member participants. A total of ~\$2k was distributed to 272 accounts, including an additional \$208 for the PAL and Energy Assist programs. The array production is in line with kWh projections for this time of year.

COMMUNICATIONS

Elections / Nominations

Staff met with the EGC to help coordinate the nominations process. Ads, bill inserts and articles have been published/distributed to let members know about the nominations process and important election dates. No applications for board positions have been submitted to date. Please mark your calendars for the week of March 4-8th for Candidate Forums.

Website Improvements

Production metrics for the Decatur Community Solar project are posted online: <http://energysavings.opalco.com/energy-savings/renewable-generation/community-solar/decat-ur-community-solar-project/>.

Staff Field Day

On November 30th, OPALCO staff had safety meetings and then celebrated three significant staff anniversaries over a lively holiday meal. Rex Guard (40), Steve Dengler (35) and Jay Fowler (25) told stories about the good old days.

Town Hall Meetings

Attendance was low at the November town hall meetings on four islands. Shaw and Lopez had the best attendance. Here are some lessons learned:

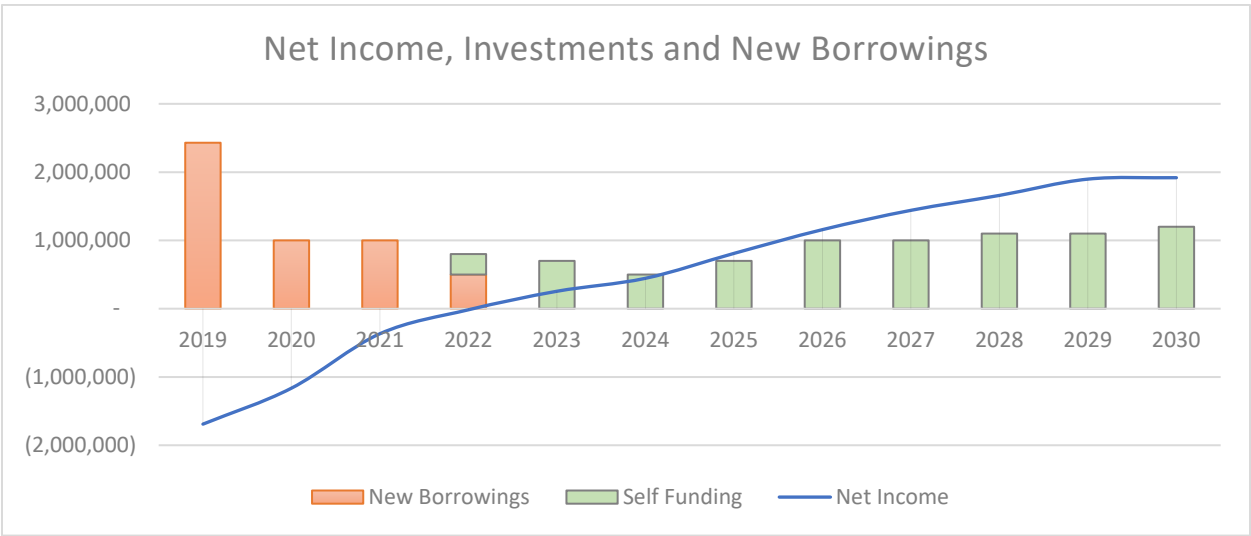
- Members who attended for the most part had a specific thing they wanted to share with OPALCO - either a complaint or an idea.
- Facebook Live was well received and worth investigating how to get better equipment to record with.
- Have 2-3 key messages to focus on. Move slower through the slides. Information too dense.
- Inclusive environment where information is presented in a more accessible way and refer people for a later time if they want to get into the more data heavy information.
- Host listening sessions that involve more festive environment to appeal to a broader audience and the ability to have more one-on-one discussions with members and board members or staff. An example from NRECA is hosting a "Brats and Kilowatts" session.

Switch it Up

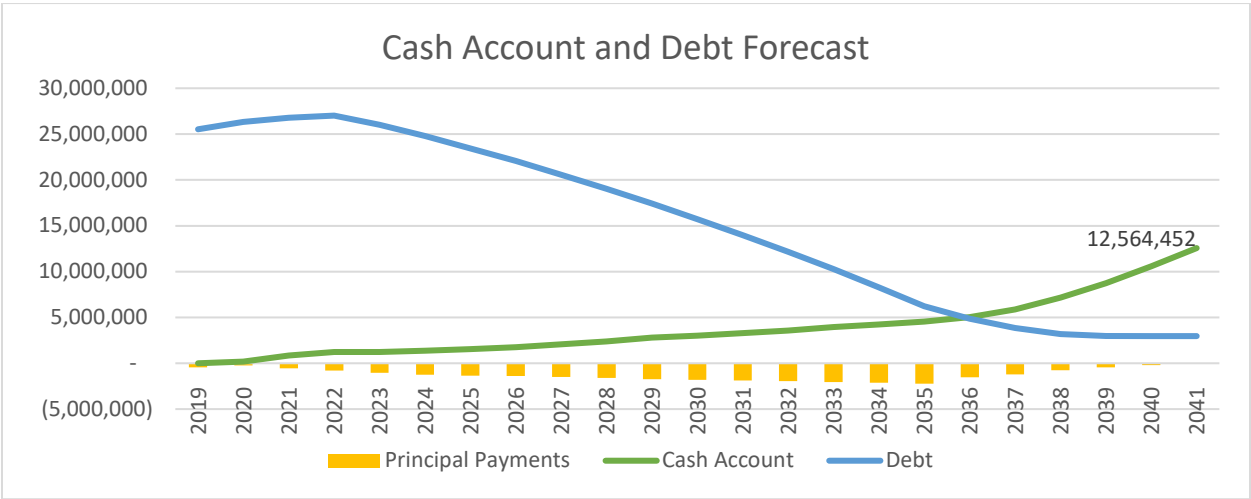
The first glimpse of our Switch it Up campaign for fuel switching/beneficial electrification will be a car wrap on OPALCO's new all-electric Chevy Bolt. The colors, graphics and messages are intentionally bold and will reinforce the Switch it Up campaign when it launches in early 2019. The Bolt is primarily used as a Member Service car on San Juan Island but will move around the islands.

Business Snapshot 10 Year- December 2018

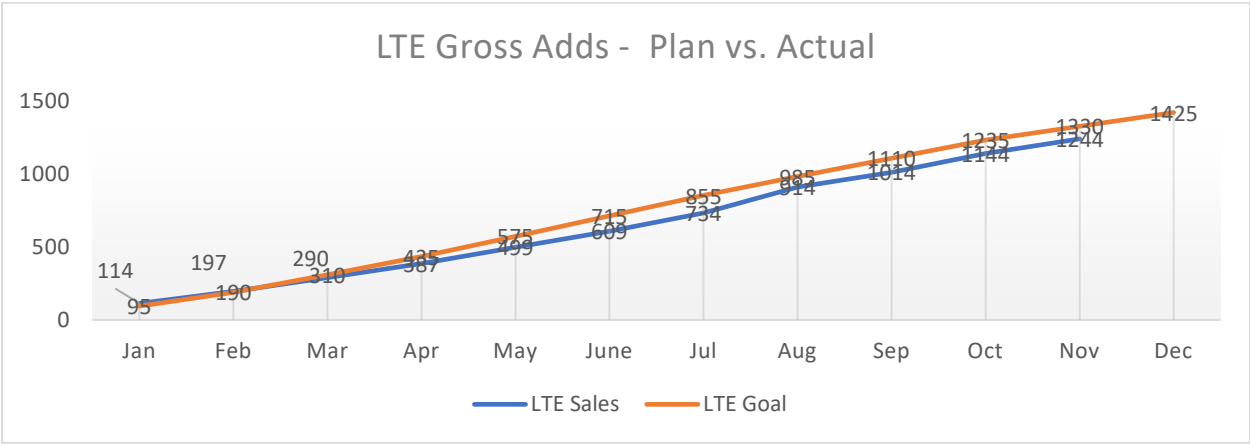
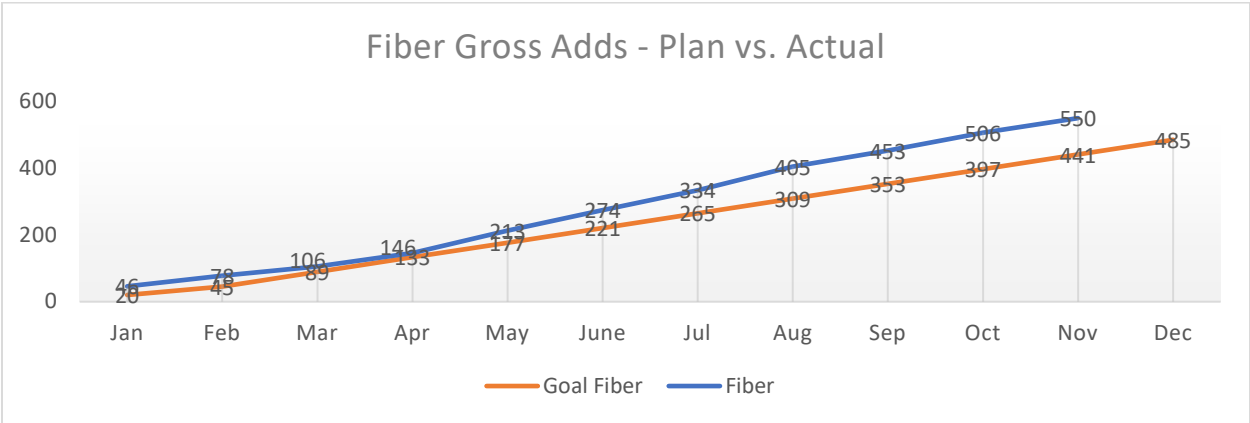
Rock Island remains on track to meet the business plan goals of operational cash flow positive in 2019 and business break even in 2021.



Rock Island needs to grow subscriber count to 6,102 to achieve business break even by Q4 2021.



Sales Performance 2018 YTD



Current sales trends put us right on target for our YE goal of 1910 total gross sub additions.

PNGC Power Pulse

November/December
2018

Inside This Issue

- 1 New CEO Announced
- 1 Merry & Bright
- 2 A Season to Give
- 2 Employee Spotlight: Alissa Jackson
- 3 PNGC Peak
- 4 Mid-C Pricing
- 4 BPA Happenings
- 4 Upcoming PNGC Events

New CEO Announced

PNGC Power announced Roger Gray as its new CEO. "PNGC is pleased to welcome Roger Gray as our new CEO," said Roman Gillen, PNGC Power Board Chair. "Roger comes to PNGC with extensive experience in the power industry, and he's a highly regarded leader in Northwest public power. His unique insight and guidance will be invaluable to both PNGC and the entire public power community as we all prepare for a myriad of industry challenges and opportunities in the next few years."

Gray has extensive experience in the electric, water, and telecommunications industry. Currently, Gray is the Chief Executive Officer for Northwest Requirements Utilities (NRU), and prior to that

Gray was the General Manager/CEO of Eugene Water and Electric Board. Regionally, Gray has served on numerous boards and committees, including Public Power Council (PPC), Northwest RiverPartners, PNUCC, and the Oregon Governor's 10 year Energy Plan taskforce.

"I look forward to working with my new team at PNGC Power, and to help them meet the opportunities and challenges that our cooperatives face in a changing industry," said Gray.



Roger Gray

Gray has degrees in Electrical Engineering-Power Systems and Computer Science from the University of California at Berkeley. He and his wife, Susan, enjoy kayaking and other outdoor activities and spending time with family, friends, and volunteering in the community.

Gray will start with PNGC Power in early January 2019. Greg Delwiche, PNGC's Interim CEO, will remain through the end of this year.

Merry & Bright

On December 4 PNGC Power will host, along with other public power and investor owned utilities, the 2018 Northwest Utilities Holiday Reception. It's a yearly event we sponsor as part of a Northwest utilities group, held in Washington, D.C.

"This annual event in our national's capital is a terrific opportunity to come together as a Northwest utility industry family to honor and celebrate the contributions of our bipartisan congressional delegation," said Ashley Slater, PNGC Power's Vice President of Government Affairs and Policy. "Events like this provide an opportunity to put politics aside and appreciate the common ground we share as cheerleaders for our region's unique energy policy interests, and lets us end the year in the spirit of comradery."

Other event sponsors include Puget Sound Energy, PPC, Pacific Power, Rocky Mountain Power, Snohomish County PUD, Idaho Power, and others.

A Season to Give

Every holiday season PNGC employees choose a charity to support as a group. For the past six years, PNGC has supported A Village for One. A Village for One is a Portland based not-for-profit organization that developed to serve children who have experienced commercial sexual exploitation. The number of youth in Portland and surrounding areas who have experienced this global crime against children is shocking.

The aim for a Village for One is to bring community together to create an opportunity to serve each child that has been impacted by sexual exploitation in the local community. The community provides these youths with homes, nourishment, education, holistic healing, and mentorship.



"It's a hard topic to discuss—the sexual exploitation of children," said Teresa Skreen, PNGC Power's Vice President of Administration, and Village for One volunteer. "But it's a hard fact. And A Village for One has been working diligently to help these children once they're saved from trafficking." Over the years PNGC has "adopted a family," purchased for specific needs, or pooled money to make a cash donation. "This is a great way to help a population that truly needs our support and compassion," Teresa said. "I love that we keep stepping up every year."

In 2015, A Village for One opened their first outpatient mental health clinic location in Clackamas County, Oregon. Recently they opened their second outpatient clinic in Marion County, Oregon, and they are now raising money for their first therapeutic residence.

Employee Spotlight: Alissa Jackson

Alissa Jackson is the Accounting Manager at PNGC Power. She's been with the company for 13 years, starting first as an Accounting Analyst, and then Financial Analyst. In her current position she provides rate models for Member forecasting, produces the Member monthly billing, performs credit metrics oversight, prepares financial statements, and handles the debits and credits of the business.

"PNGC is like a family," Alissa said. "The people, the teamwork, the benefits. It's a great place to work." Alissa went on to describe working in a changing industry. "The energy industry is constantly evolving—there's new technologies we're integrating, new ways of looking at things, new challenges popping up. I like that we take all of this into account as we help our rural cooperatives keep the lights on."

Alissa was born in Colorado, spent time in Santa Barbara, and moved to the Northwest in 1995. She earned two degrees from Western Washington University—a BA in Accounting and a BA in Finance with a minor in Business Administration—before eventually moving to Portland in 2005, the city she'd grown up visiting when she'd come to stay with her Grandma Shirley.

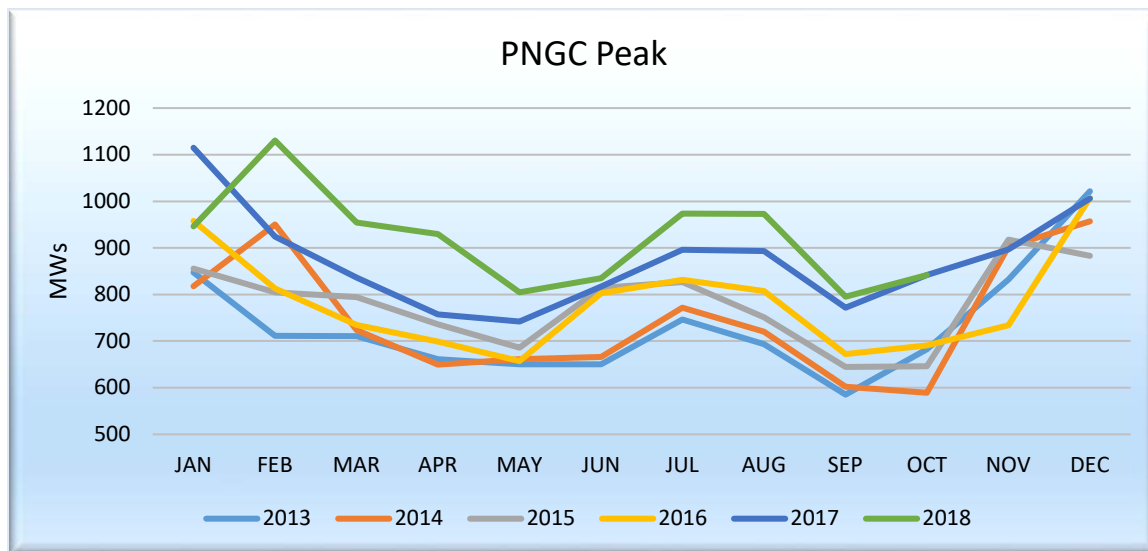


Alissa and Megan

When she isn't balancing the books for PNGC, Alissa is an active hiker, traveler, and live-music enthusiast. She and her wife, Megan, live in NE Portland, with two of the oldest, sweetest cats in the world, and a big, loveable dog named Moby.

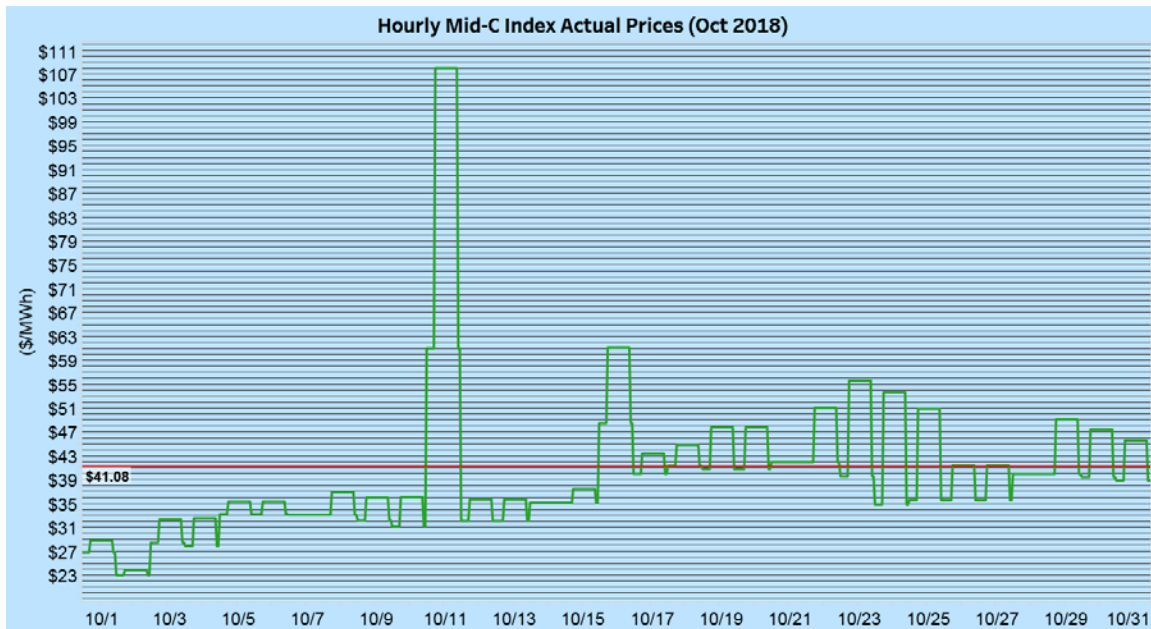
PNGC Peak

The graph below shows PNGC Peak for the past 5 years



Mid-C Pricing

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



BPA Happenings

Dec. 5	2018 South of Allston Bilateral Redispatch Pilot Review
Dec. 13	Cost Verification Process Public Comment Period Closes
Dec. 18	Energy Imbalance Market Stakeholder Meeting

Upcoming PNGC Events

Dec. 4	PNGC Board Meeting & Board Holiday Dinner
Dec. 4	2018 Northwest Utilities Holiday Reception (Wash., D.C.)
Dec. 7	PNGC Staff Holiday Lunch (office closes early)
Dec. 24, 25	Office closed for Christmas



About PNGC Power:

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

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2019 Legislative Objectives

1. WRECA supports a Washington State energy policy that:
 - recognizes the value of the Northwest's clean and predominantly carbon-free electricity resources,
 - avoids shifting the costs of carbon pollution mitigation to cooperatives that do not use carbon emitting resources, and
 - supports carbon mitigation policies which do not adversely impact jobs in Washington State or place our businesses at a competitive disadvantage.
2. Concerning the Renewable Portfolio Standard (RCW 19.285), WRECA:
 - supports amendments to allow incremental power generated as a result of efficiency improvements at federal hydro facilities to count towards a utility's RPS requirements, and
 - opposes increases in RPS standards, or utility inclusion requirements.
3. WRECA supports the coordination of danger tree removal permissions and liability with the Department of Natural Resources (Utilities must have the right to proactively manage trees that are outside of standard Rights-of-Way or a waiver from liability if access permissions are not granted.)
4. WRECA supports the electric cooperatives' rights to determine the appropriate permitting, safe placement, permitting and rates for pole attachments. Due to safety and cybersecurity concerns, WRECA opposes third party access to any utility infrastructure.
5. WRECA is a strong advocate for the propagation of rural broadband and realizes the successful build-out must be safe, environmentally sensitive, aesthetically acceptable and economically sustainable.
6. WRECA supports the electric cooperatives' right to eminent domain
7. WRECA does not support any amendments to the state's net metering statute unless utilities are allowed to establish rates and fees to prevent to shifting the costs of serving net metered consumers to the consumers who are not net metered.
8. WRECA supports allowing easements on state-owned land for locating renewable generation in perpetuity at no cost.
9. WRECA supports state energy policy that ensures the reliability of the electric transmission and distribution systems.

2019 Legislative Principles

- 1.** Washington electric co-ops, as consumer-owned utilities, are regulated by local boards and are well governed by those who own them. Cooperatives should remain independent of the Washington Utilities and Transportation Commission's jurisdiction. Cooperatives have the highest customer satisfaction in the state.
- 2.** The Legislature must consider the impacts of policy decisions on the energy costs for Washington's rural families and businesses, and maximize the opportunities to utilize Washington's abundant and inexpensive electric energy.
- 3.** WRECA seeks legislative and regulatory provisions that provide small utilities with exemptions or more cost-effective compliance alternatives. We define small utilities as those with two percent or less of the state's total number of electric consumers as reported by the most recent data from the U.S. Energy Information Administration (EIA).
- 4.** To avoid duplicative and costly regulations that can harm Washington's competitiveness, WRECA prefers a national effort as the best approach to limiting greenhouse gas (GHG) emissions.



WRECA Clean Energy Legislation Statement

The Washington Rural Electric Cooperative Association (WRECA) and its member-owned electric cooperatives seek to collaborate with legislators and stakeholders to shape energy policy so that it recognizes the value of the Northwest's clean and predominantly carbon-free electricity resources and avoids all unnecessary costs as well as avoiding any negative impacts to the reliability of the electric generation, transmission and distribution systems in Washington. WRECA does not believe that a mandated clean energy standard is needed and will only support clean energy policies which ensure the reliability of the electric system and do not adversely impact rural electric cooperative jobs in Washington State or place our businesses at a competitive disadvantage.

The WRECA members have identified specific principles that any clean energy legislation must address:

1. Clean energy legislation should recognize and capitalize on the non-emitting generation resources already producing electric energy for use in Washington.
2. Clean energy legislation and regulations should be complementary with the existing state energy policy and should not add additional regulatory oversight or reporting burdens that simply add to the cost of providing electric energy.
3. Electric system reliability must be the cornerstone of any clean energy legislation.
4. Clean energy legislation should provide "off-ramps" to exempt the purchase and/or delivery of electric generation from emitting resources that are required to maintain the safety and reliability of the transmission and distribution systems.
5. Clean energy legislation should be technology neutral and provide compliance flexibility for utilities.
6. Clean energy legislation should provide that the timing and scale of investments in new resources and technologies are aligned with each utility's needs for resources.
7. Clean energy legislation should exempt power purchases from the Bonneville Power Administration (BPA) since the electric cooperatives and mutual electric companies have no control over the power resources that BPA uses to fulfill its wholesale power requirements. In any given year, less than seven percent of the average electric cooperative and mutual electric company generation portfolio includes resources that emit carbon. If the goal is to reduce carbon emissions, then it is counterproductive to impose a penalty on a utility that cannot do anything about carbon emissions associated with its wholesale power portfolio.

For more information, contact Kent Lopez, 360-357-6048, klopez@wreca.coop.



WRECA Carbon Legislation Statement

WRECA and its member-owned electric cooperatives seek to collaborate with legislators and stakeholders to shape energy policy so that it recognizes the value of the Northwest's clean and predominantly carbon-free electricity resources and avoid shifting the costs of carbon pollution mitigation to cooperatives that do not use carbon emitting resources. WRECA will only support carbon mitigation policies which do not adversely impact rural electric cooperative jobs in Washington State or place our businesses at a competitive disadvantage.

WRECA members assume that:

1. Carbon legislation would accelerate new kWh sales via the electrification of space heating and transportation sectors.
2. Our environment benefits from dramatically less carbon in the atmosphere.
3. Our cooperative members benefit because electricity is more efficient than fossil fuels and will decrease their total energy expense.

The WRECA members have identified specific principles that any carbon mitigation legislation must address:

1. Policies and regulations should be complementary, across all sectors, toward achieving the primary goal of carbon reduction, which in turn will promote new renewable resources, energy efficiency, and new energy technologies.
2. Electric system reliability must be the cornerstone of any carbon mitigation policy.
3. The timing and scale of investments in new resources and technologies should be aligned with each utility's needs for resources.
4. State policies should regulate carbon uniformly at the broadest scale possible and be technology neutral while providing compliance flexibility for utilities that pursue cross-sector carbon reductions.
5. State policies should allocate allowances or distribute revenues associated with carbon regulation in a way that fairly allocates costs and distributes benefits to the areas with the most needs and sustainability; specifically, back to utilities for renewable development, beneficial electrification of transportation sector and to rural communities for broadband expansion.

As carbon mitigation legislation is developed, WRECA members believe that to meet the principles listed above, the legislation must meet the following requirements:

1. Focus on the transportation sector since it is responsible for the largest percentage of carbon emissions in Washington. According to the U.S. Energy Information Administration, the transportation sector accounted for over 50 percent of the carbon emissions in Washington.
2. Exempt power purchases from the Bonneville Power Administration since the electric cooperatives and mutual electric companies have no control over the power resources that BPA uses to fulfill its wholesale power requirements. In any given year, less than seven percent of the average electric cooperative and mutual electric company generation portfolio includes resources that emit carbon. If the goal is to reduce carbon emissions, then it is counterproductive to exact a payment from a utility that cannot do anything about carbon emissions associated with its wholesale power portfolio. The costs would simply be passed on to the retail consumers.
3. Include a cap on the price of carbon to provide economic certainty to the sectors of the economy that would be subject to a carbon pricing mechanism.
4. Provide “off-ramps” to exempt the purchase and/or delivery of electric generation from emitting resources that is required to maintain the safety and reliability of the transmission and distribution systems.
5. If there is a carbon price levied on the sale of electricity by the electric cooperatives and mutual electric companies, then the utility should have the option to retain 100% of the funds collected to be used at its discretion on carbon mitigation measures by the utility and its member/ratepayers.
6. Funds generated from carbon legislation support further carbon reduction efforts and/or assist reaching carbon reduction goals of our lower income members.

For more information, contact Kent Lopez, 360-357-6048, klopez@wreca.coop.

MEMORANDUM

December 14, 2018

TO: Board of Directors
FROM: Foster Hildreth
RE: Tom Owens – December 9, 2018 Rate Suggestions

Member Tom Owens sent this communication to the Board on December 9th, 2018.

From: Suzanne Olson <SOlson@opalco.com>
Date: Thursday, December 13, 2018 at 4:09 PM
To: Tom Owens <svlandsend@yahoo.com>
Subject: Re: Rate Suggestions

Tom:

Just wanted to let you know that the budget the Board will review next week includes a scenario at 2%. That rate scenario is challenging to our Co-op finances, but it's there to explore.

On the Rock Island front, you can see in our financial statements that Rock Island is already returning ~\$350K per year to the parent Co-op for debt service on the Island Network assets we transferred to them, power and use of the fiber backbone. On the members' investment of ~\$1M (\$3/month x 24 months), that equates to about a 37% return on investment already – even before financial break even.

Lastly, if you are having difficulty paying your OPALCO bill, have you considered the Energy Assist program? It provides a monthly bill credit of \$25-\$55/month depending on household size. If you already receive the senior property tax discount, you're automatically qualified. Call us to learn more or go to www.opalco.com/energyassist.

Best,

Suzanne

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Suzanne Olson
Public Relations Administrator
360-317-7203

From: Tom Owens <svlandsend@yahoo.com>
Reply-To: Tom Owens <svlandsend@yahoo.com>
Date: Sunday, December 9, 2018 at 6:12 AM
To: ContactTheBoard <ContactTheBoard@opalco.com>
Subject: Rate Suggestions

Comments for the OPALCO Board - 2019 Rate Increase

12/9/2018

OPALCO Board Members

As you deliberate your new proposed 2019 budget, please give some consideration to the two ideas below.

First, a 4% increase will make things LESS affordable in San Juan County. I measure this by noting that my social security check only went up 2% (which was mostly eliminated by increases in Medicare part B charges). So 4% is too much. Why not go for 2%.

Second, is OPALCO charging Rock Island Communications a fair price for the use of the OPALCO fiber backbone? I understand the IRS is happy with the price (they would be because the lower the price the more taxes RI would have to pay). I understand that the OPALCO lawyer approved the price (well, he gets paid to make things go the way OPALCO management wants). Neither of these things make the price fair. If you have not already done so, why not transfer the \$20MM plus debt incurred for the OPALCO fiber project to RI and then have OPALCO pay RI the "dark fiber" rate for OPALCO's limited usage? If it is fair one way, would it not be fair the other way? This might help reduce the OPALCO rate increase quite a bit and place the cost burden of the backbone fiber where the benefits are going.

Thanks.

Tom Owens