



## BOARD OF DIRECTORS REGULAR MEETING

**Thursday, February 21, 2019 10:00 a.m.**

**Lopez Fire Hall**

**Board Requests Executive Session 8:00 a.m. to 10:00 a.m.**

### TRAVEL



**Via Island Air  
(378-2376)**

**To:**

Leave	FH	7:30 a.m.	Arrive	Lopez	7:45 a.m.
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**Return:**

Leave	Lopez	2:00 p.m.	Arrive	FH	2:15 p.m.
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**Via Ferry:**

**To:**

Leave	Orcas	7:00 a.m.	Arrive	Lopez	7:45 a.m.
	FH	5:55 a.m.			6:40 a.m.
	Shaw	7:15 a.m.			7:45 a.m.

**Return:**

Leave	Lopez	3:35 p.m.	Arrive	Shaw	3:55 p.m.
		.		Orcas	4:15 p.m.
		.		FH	4:55 p.m.

### **Sequence of Events**

- Board Meeting

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Board Meeting**

**Lopez**

**February 21, 2019 10:00 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**

- 3-19
- Consent Agenda
  - OPALCO Policy 1 – *Functions of Board of Directors* (Second Read)

**DISCUSSION ITEMS**

- 20-35
- Attorney Review (Executive Session)
  - Year in Review (2018)
  - WRECA Update (verbal)
  - Rosario Hydro Generation
  - Spring Street School Request – Equipment Murals
  - Inverter – California Rule 21 – Phase 3

**REPORTS**

- 36-42
- General Manager
  - Rock Island Snapshot

**COMMUNICATION**

- 43-46
- PNGC Power Pulse
  - Member Thank You Note

**ADJOURNMENT**

Executive Session: Legal, personnel

## MEMORANDUM

February 15, 2019

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)}

### NEW MEMBERS – January 2019

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

1. Abe, Nancy M & Brent H
2. Baird Best, Elizabeth & Baird, Richard Jay
3. Bumgarner, Theodore
4. Buterbaugh, Gary R
5. Cropper, Isla & Clor, Carleton
6. Diller, Jesse & Leonora
7. Djarf Family LLC
8. Erickson, Robert E
9. Garcia, Janelly
10. Gladstein, Michael
11. Herbert, Elizabeth
12. Honcoop, Kassi
13. Johnson, Logan & Crawford, Alyssa
14. Kard-Muth, Patricia
15. MacKnight, Valerie & Alex
16. Pratt, Theo
17. Prause, Justin
18. Rutherford, Andrew
19. Howard, Ryan
20. Searles, Carter
21. Sharadin, Jonathan & Root, Kathryn
22. Troncoso Montes, Maria de Lourdes
23. Wilson, Sean

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

24. Ballanger, Barry
25. Diamond, Pamela B
26. Garretson, Nathan
27. Heydron, Mary
28. Landman, Wesley
29. Simpson, Garth
30. Stone, Ashley M

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

31. Cram, Bethany L
32. Eames, Mark
33. Hughes, Monte L
34. Knorr, Karen & Adolph F
35. Mayo, Harold
36. Mehus-Roe, Kristin
37. Phillips, James
38. Ruf, John Austin
39. Soderlind, Kristina E
40. Typee LLC
41. Vaughn, Daniel C

- **Capital Credit** payments to estates of deceased members and/or organizations no longer in business as shown below:

<b>February</b>	
Customer #	Amount
68745	\$ 661.46
50366	844.44
64505	2,411.71
13238	2,213.32
61510	1,231.12
67407	13,521.35
40005	51.18
9520	685.93
51365	92.17
21174	1,304.59
62374	1,188.20
60568	19.41
66174	413.68
65467	2,703.11
4964	3,554.44
63836	4,658.72
18258	140.54
1400	2,127.79
65268	577.72
62379	910.54
7460	2,350.81
<b>Total</b>	<b>\$ 41,662.23</b>

- **RUS 219s** *Inventory of Work Orders* of projects completed from the Construction Work Plan totaling \$2,104,956.63. These forms are submitted to RUS for approval of loan funds.

Inventory 201812 - \$2,069,863.33 for URD replacement and system improvement

Inventory AS1812 - \$35,093.30 for system improvements

Staff requests a motion to approve the Consent Agenda.

**Orcas Power & Light Cooperative**  
**Minutes of the Board of Directors Meeting**  
**Thursday, January 17, 2019**

Acting President Jerry Whitfield called the meeting to order at 8:29 a.m. in the Eastound OPALCO Conference Room. Board members present were Rick Christmas, Brian Silverstein, Mark Madsen, Jeff Struthers and Jerry Whitfield. Board member Peter Garlock attended via 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, Legal Counsel Joel Paisner and Public Relations Administrator Suzanne Olson (serving as recording secretary). Guests in attendance included Mike O’Connell, Dwight Lewis and Peter Guillozet.

**CONSENT AGENDA**

- **Motion** was made and seconded to approve the Consent Agenda, including December 20, 2018 minutes, new members as listed with the Board materials, capital credit payments totaling \$12,705.60 and RUS 219s totaling \$161,920.56. Motion carried by voice vote.

**NWPPA BOARD SEAT**

NWPPA is calling for the State of Washington General Manager seat on the the NWPPA open to a cooperative utility. Board discussed the merits and time requirements and supported Foster Hildreth to submit his name into the election process.

- **Motion** was made to approve Foster Hildreth to participate as a NWPPA Board Member, should he be elected in September. Motion carried by voice vote.

**LONG LIVE THE KINGS SALMON HATCHERY PRESENTATION**

Hatchery Manager Mike O’Connell gave a presentation on the Long Live the Kings salmon hatchery at Youngren’s Pond and answered questions on salmon recovery efforts. In brief, the current push is to get more hatchery salmon into the Salish Sea to feed the whales. O’Connell believes it will take 2-3 years to see results.

**BOARD ROLES**

Attorney Joel Paisner led the Board through a verbal review of board roles, obligations and fiduciary responsibilities. Hot topics industry wide include capital credit accounting, member participation in governance (elections) and management of staff – in OPALCO’s case the General Manager. Paisner gave the Board high marks for all areas and cited examples of the budget process, monthly board materials made available to the public and meeting and exceeding lender requirements (TIER, etc.). Discussion ensued on board self evaluation process, best practices from the co-op bar, and the OPALCO-Rock Island broadband success story.

**POLICY 1: QUALIFICATIONS OF BOARD CANDIDATES**

Staff presented revisions to Policy 1 for a first read – primarily replacing the “Nominations Committee” with the “Elections & Governance Committee” as the body that reviews candidate qualifications. The revised policy also clarifies managerial and operational control of the Co-op’s subsidiary company. Discussion ensued on EGC vs petition nominations process, bylaw implications and clarifying language for how EGC districts are drawn. The Board requested staff improve the language that defines qualifications for board candidates and set clear criteria for the collective skill set that is preferable for the board as a whole. An objective of updating the policy is to ensure that candidates by petition (anyone who would run for a board seat) would be held to the same standard. Staff noted that the EGC are tasked with performing a comprehensive review of OPALCO’s election policies this year, with an objective of final Board approval prior to the start of the 2020 election cycle. Board will revisit in February.

**2019 CALENDAR OF EVENTS**

Changes were made to the board meeting dates in March and August. Board requested staff create an online shared calendar of co-op events. The updated calendar includes the following changes:

- March 20: Board Work Session / RIC Quarterly Update (Eastsound)
- March 21: Regular Board Meeting (Friday Harbor)
- August 8: Board Work Session / RIC Quarterly Update (Eastsound)
- August 9: Regular Board Meeting (Eastsound)

**WSDOT FERRIES**

Staff presented a letter of support for current bills that would fund WSDOT Ferry projects and advocates for an electric ferry on the San Juan Islands route in the next appropriations cycle. Discussion ensued on regional meetings, WSF priorities and timelines, infrastructure required to support electric ferries in OPALCO’s territory, and political advocacy. Board signed advocacy letter to Governor Inslee and requested staff continue their outreach with local and state legislators.

**REPORTS**

**General Manager**

The Board reviewed the GM report and discussion ensued. Board requested that OPALCO and RIC research implementation of a program coined “stop the bleed” in concert with the Fire Department campaign. Staff reported that bids for the energy storage battery project were higher than expected and staff is conducting a full analysis before moving forward. Hildreth pointed to the robust year-end kilowatt sales and discussion ensued on the role of wind as a wild card in forecasting for Heating Degree Days in the budget process and the wisdom of implementing the new true-up mechanism to the rate structure to keep revenue on track.

**RIC Snapshot**

The Board reviewed the monthly snapshot.

**ADJOURNMENT**

Meeting adjourned at 12:40 pm.

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Vince Dauciunas, President

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Brian Silverstein, Secretary-Treasurer

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## RUS Form 219 Inventory Of Work Orders

Period: DEC 2018

System Designation: WA AH O9

Inventory: 201812

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)							
1011	2018	1810	1810	2	329,151.71	0.00	0.00	0.00	0.00	322,782.03
								AFUDC: 6,369.68		
1011	2018	2724	2724	1	172,657.03	3,951.07	14,952.82	0.00	0.00	159,201.71
								AFUDC: 2,453.57		
					501,808.74	3,951.07	14,952.82	0.00	0.00	481,983.74
301	2018	2698		1	23,404.42	0.00	0.00	0.00	0.00	22,016.59
								AFUDC: 1,387.83		
					23,404.42	0.00	0.00	0.00	0.00	22,016.59
321	2018	2696	2696	1	367,776.70	0.00	0.00	0.00	0.00	366,188.28
								AFUDC: 1,588.42		
					367,776.70	0.00	0.00	0.00	0.00	366,188.28
501 - 2	2018	2641		1	181.93	0.00	0.00	0.00	0.00	181.69
								AFUDC: 0.24		
					181.93	0.00	0.00	0.00	0.00	181.69
601	2018	2988	2988	1	6,218.28	1,667.66	0.00	0.00	0.00	7,810.72
								AFUDC: 75.22		
					6,218.28	1,667.66	0.00	0.00	0.00	7,810.72
608	2018	2397	2397	1	270,896.69	3,996.85	0.00	0.00	0.00	261,631.60
								AFUDC: 13,261.94		
608	2018	2429	2429	1	3,248.87	0.00	169.41	0.00	0.00	2,880.91
								AFUDC: 198.55		
608	2018	2723		1	216,107.70	0.00	0.00	0.00	0.00	212,173.34
								AFUDC: 3,934.36		
608	2018	2898		1	3,243.52	0.00	0.00	0.00	0.00	3,196.77
								AFUDC: 46.75		
608	2018	2901		1	30,624.22	0.00	0.00	0.00	0.00	30,320.65
								AFUDC: 303.57		
608	2018	2958	2958	1	22,682.31	2,232.16	77.00	0.00	0.00	24,705.21
								AFUDC: 132.26		
608	2018	3035	3035	1	11,961.68	840.11	0.00	0.00	0.00	12,686.71
								AFUDC: 115.08		
608	2018	3049		1	15,415.81	0.00	0.00	0.00	0.00	15,328.77
								AFUDC: 87.04		
608	2018	3088		1	25,648.48	0.00	0.00	0.00	0.00	25,535.23

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## RUS Form 219 Inventory Of Work Orders

Period: DEC 2018

System Designation: WA AH O9

Inventory: 201812

Inventory: 201812					Gross Funds Required		Deductions			Loan Funds Subject To Advance By RUS  (9)
Loan		Work Order		Bdgt (3)	Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To		Contrib In Aid Of Constr and Previous Advances (8)	
Project	Year	Construction (1)	Retirement (2)		New Construction Or Replacements (6)	Retirements Without Replacements (7)				
								AFUDC: 113.25		
						599,829.28	7,069.12	246.41	0.00	0.00
608 - 29	2018 1984		1984	1	373,251.47	6,130.23	169.88	0.00	0.00	365,442.98
								AFUDC: 13,768.84		
						373,251.47	6,130.23	169.88	0.00	0.00
706 - 3	2014 1585			1	3,042.09	0.00	0.00	0.00	0.00	3,030.00
								AFUDC: 12.09		
706 - 3	2014 1628			1	1,400.57	0.00	0.00	0.00	0.00	1,395.00
								AFUDC: 5.57		
706 - 3	2018 1605			1	188,161.89	0.00	0.00	0.00	0.00	184,236.47
								AFUDC: 3,925.42		
706 - 3	2018 2476			1	48,845.69	0.00	0.00	0.00	0.00	46,063.67
								AFUDC: 2,782.02		
706 - 3	2018 2780			1	3,067.19	0.00	0.00	0.00	0.00	3,055.00
								AFUDC: 12.19		
						244,517.43	0.00	0.00	0.00	237,780.14
<b>Grand Totals:</b>						\$ 2,116,988.25	\$ 18,818.08	\$ 15,369.11	\$ 0.00	\$ 2,069,863.33



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## RUS Form 219 Inventory Of Work Orders

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Period: DEC 2018

System Designation: WA AH O9

Inventory : 201812

## Budget

Loan	Project	Amount
1	1011	159,201.71
1	301	22,016.59
1	321	366,188.28
1	501 - 2	181.69
1	601	7,810.72
1	608	588,459.19
1	608 - 29	365,442.98
1	706 - 3	237,780.14
2	1011	322,782.03
<b>Total:</b>		2,069,863.33

**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: DEC 2018

System Designation: WA AH O9

Inventory: AS1812

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)							
1600	2018 2979		2979	1	35,249.73	253.49	0.00	0.00	0.00	35,093.30
								AFUDC: 409.92		
					35,249.73	253.49	0.00	0.00	0.00	35,093.30
<b>Grand Totals:</b>					\$ 35,249.73	\$ 253.49	\$ 0.00	\$ 0.00	\$ 0.00	\$ 35,093.30

Minor Construction Work Orders

Work Order: 2979 - SEAGO LLC SYSTEM IMPROVEMENT

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## RUS Form 219 Inventory Of Work Orders

Period: DEC 2018

System Designation: WA AH O9

Inventory : AS1812

## Budget

Loan	Project	Amount
1	1600	35,093.30
<b>Total:</b>		35,093.30

**ENVIRONMENTAL CERTIFICATION**

- 1 ☐ WE CERTIFY THAT CONSTRUCTION REPORTED ON THE LISTED WORK ORDERS (EXCEPT CERTIFICATION "2" BELOW), IS A CATEGORICAL EXCLUSION OF A TYPE DESCRIBED IN 7 CFR 1970 WHICH NORMALLY DOES NOT REQUIRE PREPARATION OF A BORROWER'S ENVIRONMENTAL REPORT.
- 2 ☐ WE CERTIFY THAT CONSTRUCTION REPORTED ON WORK ORDERS \_\_\_\_\_, IS A CATEGORICAL EXCLUSION OF A TYPE THAT NORMALLY REQUIRES A BORROWER'S ENVIRONMENTAL REPORT WHICH IS ATTACHED.

SIGNATURE (MANAGER)

DATE

**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

February 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: OPALCO Policy 1 – *Functions of the Board of Directors* (Second Read)

In the January Board meeting, the Board requested revisions to Policy 1 as presented. The changes requested were:

1. Provide more detailed language on desired board qualifications (see 1.5);
2. Define the EGC committee member districts (1.11); and
3. Clarify the purpose of the Elections & Governance Committee (see 1.11 – 1.11.3)

Attached you will find these changes incorporated.

Please note, the Elections & Governance Committee (EGC) is scheduled to perform an independent review of OPALCO's election policy and processes in 2019, including candidate qualifications. Our goal is to have the EGC provide these modifications for board review on a timeline that allows us to implement them for the 2020 election cycle.

Staff requests a motion for approval of Policy 1 – *Functions of the Board of Directors* as presented.

**ORCAS POWER & LIGHT COOPERATIVE**  
**POLICY 1**  
**FUNCTIONS OF THE BOARD OF DIRECTORS**

**1. BOARD ETHICAL STANDARDS**

***Preamble***

This policy is the responsibility of the Board and it may only be changed or amended by the Board. Board Governance policies are intended to define the Governance activities of the Board of Directors and their functioning within the Organization.

Board-authorized documents such as Mission and Values Statements and Strategic Directives will provide further guidance and instructions to the Organization.

**1.1. BOARD ETHICAL STANDARDS**

The Board may neither cause nor allow any Organizational practice or event that is imprudent or unethical, or that could damage the short-term or long-term viability of OPALCO.

**1.2. CONFIDENTIALITY**

Directors are entitled to reasonable access to Organizational data and information.

Directors are required to keep confidential all matters involving the cooperative that have not been disclosed to the public. Information received by a director shall not be disclosed to any other persons unless the director reasonably believes that he or she must do so to fulfill his fiduciary duty.

**1.3. DIRECTOR CONDUCT**

Regardless of any personal differences, directors are required to:

- 1.3.1. Foster an environment where expression of individual experience, expertise and point of view shall be encouraged where relevant to the discussion at hand.
- 1.3.2. Demonstrate mutual respect and allow opportunity for every other director to be heard on any matter being considered by the Board.
- 1.3.3. Publicly support decisions of the Board except in extraordinary circumstances where the director can demonstrate that a decision or action will bring harm to the cooperative or threaten the cooperative's survival.
- 1.3.4. Refrain from revealing to persons other than directors, the General Manager, or the cooperative's attorney any differences of opinion among directors on matters considered and acted upon by the Board. (This standard does not preclude fair and accurate publication of such differences to the cooperative's members in relation to contests for director elections or other matters to be voted upon by the members. Nor does it impinge upon a director's right to dissent and to have his dissenting vote recorded in the minutes.)
- 1.3.5. Recognize that personal notes taken during meetings are legally discoverable unless intended to be and identified as Attorney/Client Privileged communications.

**1.4. CONFLICT OF INTEREST DISCLOSURE**

Board members are required to disclose any potential conflict of interest with regard to ongoing or specific transactions on any matters before the Board and shall attest that they have no material undisclosed conflict of interest situations in writing annually.

## **1.5. BOARD MEMBER QUALIFICATIONS**

OPALCO strives to cultivate a diverse and well-rounded board of directors and with members who bring expertise in any of the following industries: engineering, utilities, legal, insurance, technology and communications, environmental, financial, outreach and education, community development, natural resources, human resources and construction, among others. In addition:

- 1.5.1. Board members shall be competent to sign legal contracts and shall exercise their best business judgment in performing their duties as Directors.
- 1.5.2. Board members are required to attend Board meetings as specified in other governing documents and to travel and perform other reasonably required duties in a safe and competent manner.
- 1.5.3. Board members are required to complete an initial orientation conducted by the Board President and General Manager within 45 days and are encouraged to achieve NRECA Credentialed Cooperative Director status or equivalent within 24 months of first election to the Board.
- 1.5.4. Board members are required to complete one or more relevant ongoing one day educational sessions during each additional three years of tenure.
- 1.5.5. Board members are encouraged to attend conferences and other activities designed to improve their skills and knowledge. The expenses of enrollment and attendance at Board training programs are paid by the cooperative. Board training programs shall be conducted within the confines of an annual budget established by the Board of Directors for this purpose.

## **1.6. BOARD POLICIES AND STRATEGIC DIRECTIVES**

- 1.6.1. The Board shall whenever possible formally and explicitly express the Board's expectations and standards regarding General Manager, Board, and Organizational performance.
- 1.6.2. Board Policies shall address matters that are expected to be permanent and pervasive in nature and define the limitations imposed on the General Manager and the Cooperative.
- 1.6.3. Board Strategic Directives shall address matters that may be impermanent in nature, address specific circumstances, may terminate when complete or rendered obsolete by changing circumstance and provide guidance in addressing the goals and objectives of the Cooperative.
- 1.6.4. Any Board member may propose a new policy or amendment to a current policy.
- 1.6.5. All Board Policies and Strategic Directives shall be maintained up-to-date in a format that is available to every Board member,
- 1.6.6. The Board shall review its own Policies and Strategic Directives for relevance, appropriateness and benefit to OPALCO at least annually.

## **1.7. STRATEGIC PLANNING**

The Board shall set the Cooperative's mission and purposes, engage in strategic planning on a regular basis and produce Strategic Directives, to be reviewed and updated at least annually.

## **1.8. OVERSIGHT**

The Board shall provide oversight including the adoption of policies and monitoring for compliance with legal and regulatory requirements as well as the adequacy of internal controls, primarily through appropriate use of Auditors and Legal Counsel. The Board shall also oversee any subsidiaries of the Cooperative. Such oversight shall include regular updates from the General Manager, financial performance review, business plan and strategy review, review and approve debt increases, and consistency with overall Strategic Directives.

## **1.9. BOARD INTERACTION WITH AUDITORS**

The Board shall approve an engagement agreement for annual audit services to be provided to the cooperative that:

- 1.9.1. Requires pre-approval by the Board for all services to be provided by the audit firm.
- 1.9.2. Sets out the scope of the audit, its objective and purposes, and deadlines for work to be performed.
- 1.9.3. Specifies all fees to be paid for all audit, audit-related and tax work provided by the audit firm.
- 1.9.4. If a multi-year agreement, provides for regular rotation of the lead audit partner.
- 1.9.5. Complies with all RUS Policies and/or other applicable regulatory standards on Audits.

## **1.10. BOARD INTERACTION WITH LEGAL COUNSEL**

The Board shall:

- 1.10.1. Make all decisions regarding retaining, employing, and discharging attorneys for the cooperative.
- 1.10.2. Reaffirm that the attorney represents the cooperative and does not represent individual directors, officers, employees, or members or affiliated entities of the cooperative, unless the Board consents to such representation and the attorney has complied with applicable conflict of interest requirements.
- 1.10.3. Require the attorney to keep the Board and the General Manager informed of matters for which the attorney is providing legal services.
- 1.10.4. Require the attorney to report evidence of any actual or intended material violation of law or material breach of duty that would likely cause substantial harm.

## **1.11. BOARD NOMINATIONS AND THE ELECTIONS & GOVERNANCE COMMITTEE ~~BOARD INTERACTION WITH THE COMMITTEE ON NOMINATIONS~~**

Nominating the best qualified Directors is essential to OPALCO and its members. To oversee the recruitment of strong Director candidates, the Bylaws have established an independent Elections & Governance Committee (EGC). The EGC serves to independently identify,

interview and recommend to the Cooperative's membership high quality candidates to run for election to the Board of Directors. The Bylaws require that the EGC is made up of a representative group of 9 members, three from each of three districts as defined by the San Juan County Council. To foster independence, no current Director or Officer of the Cooperative may serve on the EGC, nor may any current employee of the Cooperative or its subsidiary serve on the EGC. The Board of Directors shall use its best efforts to ensure that the EGC has a full membership each year. This policy is intended to provide guidance for the Board and the EGC and in no way overrides nor supersedes any requirement in OPALCO Bylaws or Articles of Incorporation, or other applicable state or federal requirements.

#### **Elections & Governance Committee Purpose** ~~Committee on Nominations Purpose~~

To facilitate the ability of the membership to elect board members who are most qualified and appropriate to serve in the best interests of OPALCO as a member-owned non-profit cooperative. The EGC will:

- 1.11.1 Actively cultivate qualified candidates on an ongoing basis to fill upcoming board positions.
- 1.11.2. Review candidate qualifications based on the ideal collective criteria for the Board as a whole (see 1.5) and consistent with the bylaws.
- 1.11.3 From time to time, at staff's request, make recommendations to update elections and governance policy.

~~To both recruit members who are competent, willing and able to commit to serve on the OPALCO board if elected.~~

~~1.11.1 The Board will act to minimize conflict of interest exposure of staff in the Board election process.~~

#### ~~1.11.2 Committee on Nominations Appointment~~

~~The OPALCO Board as a whole will propose and consider suitable qualified members from the Voting District and will appoint the members of each Committee on Nominations.~~

#### ~~1.11.3 Committee on Nominations Preparation~~

~~The Board will instruct members of the Committee on Nominations to meet with OPALCO staff for a Board approved orientation.~~

#### ~~1.11.4 Election Notifications~~

~~The Board will direct the General Manager to have notices placed on appropriate visible public bulletin boards, newspapers, websites, and other appropriate media as soon as practicable after the Committee on Nominations appointment. These notices will serve to attract and facilitate interested candidates to contact the Committee on Nominations.~~

## **1.12. GENERAL MANAGER**

The Board selects the General Manager, and regularly evaluates performance, and sets his compensation.

### **1.12.1. Board Interaction with General Manager**

- 1.12.1.1. The Board will direct the General Manager to achieve specific results within the restraint of specific limitations. He is authorized to make all further decisions, take all actions, and establish all practices to achieve these specified results that do not transgress the limitations imposed.



- 1.12.1.2. The Board may change its policies and thus the expectations or limitations imposed on the General Manager. So long as any particular delegation is in place the Board members will respect and support the General Manager's choices.
- 1.12.1.3. All Board authority is delegated through the General Manager. The General Manager is to be considered the only employee of the Board.
- 1.12.1.4. Only decisions of the Board acting as a body are binding upon the General Manager.
- 1.12.1.5. Decisions or instructions of individual Board members, officers, or committees are not binding on the General Manager except in circumstances where the Board has specifically authorized such exercise of authority.
- 1.12.1.6. In the case of Board members requesting information or assistance without Board authorization, the General Manager can refuse such requests that require in his judgment a material amount of staff time or funds or are disruptive.
- 1.12.2. General Manager Relationship Review

The Board shall ensure that the General Manager knows and understands the expectations and limitations it has placed on discretionary decision making. These expectations and limitations shall be identified in approved policies or directives. Such policies and directives shall be used as the foundation for the annual appraisal of the General Manager's performance.

### **1.13. BOARD SELF-EVALUATION**

The Board shall complete an annual self-evaluation of its performance and accomplishments in relation to the goals and mission of OPALCO, to confirm its compliance with all relevant policies and procedures, and to review its working methods and contribution to OPALCO.

### **1.14. BOARD SUBCOMMITTEES**

- 1.14.1. Board subcommittees will be formed, defined, controlled, and dissolved by action of the Board;
- 1.14.2. Authority of any subcommittee will be limited to reporting findings to the Board, unless specifically authorized by the Board. No action may be taken by a subcommittee unless authorized specifically or in general by the Board;
- 1.14.3. Board member participation in any subcommittee will be determined and controlled by the Board. There will be no more than three Board members on any subcommittee;
- 1.14.4. Employee involvement with a subcommittee will only be with the agreement of the General Manager;
- 1.14.5. The General Manager shall be kept informed of the work of the subcommittee;
- 1.14.6. Communications with employees will be copied to the General Manager.
- 1.14.7. Purpose may include a review of methods, plans, or results, propose solutions, strategic directives;
- 1.14.8. Duration of the subcommittee shall be at the pleasure of the Board.

## **APPENDIX 1**

### **BYLAWS MANDATED BOARD WORK**

#### Annual Meeting

##### Date Selection

The Board selects the date for Annual Meeting according to Bylaws, Article II Section1.

##### Report

The Officers report the condition of the cooperative at the Annual Meeting according to Bylaws, Article V Section12.

#### Audit

The Board provides for an annual audit. The Officers present an audit summary at the next annual meeting which follows after completion of each audit according to Bylaws Article III Section 7.

#### Board of Directors

##### Committee on Nominations

The Board appoints a Committee on Nominations for each election according to Bylaws, Article III Section 3.

##### Compensation

The Board sets a fixed sum and expenses for attendance of meetings on behalf of the Coop. according to Bylaws Article III Section 5.

##### Vacancy Replacements

The Board fills vacancies according to Bylaws, Article III Section 4.

#### Bylaws

##### Amendments

The Board shall make necessary Bylaws amendments according to Bylaws Article XIV Section1.

#### Contracts

The Board may authorize any officer or agent to enter into contracts on behalf of the Coop in general or in specific instances according to Bylaws Article VII Section1.

#### Capital Credits

The Board shall be responsible for establishing policies for the retirement of capital credits and shall review and approve the payout of retired capital credits.

At the Board's discretion, discounted rate retirements may be used to reduce outstanding or delinquent billing amounts. Board approval is required for retirement payments according to Bylaws Article VIII Section 2.

The Board may distribute forfeit capital credits to the "Education and Promotion Fund" or the "Retirement and Replacement Fund" according to Bylaws Article VIII Section 5.

### Disposition of Assets

The Board may dispose of unnecessary property not exceeding 10% of the value of all property of the Cooperative according to Bylaws Article X Section 1.

### Members

#### Expulsion

The Board shall expel any member according to Bylaws Article I Section 6.

#### Membership fee

The Board sets the initial membership fee according to Bylaws Article I Section 3.

#### New Members

The Board approves new memberships according to Bylaws Article I Section 2

### Other Organizations

The Board shall authorize membership in other organizations according to Bylaws Article XII.

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Revision Date February 21, 2019

Vince Dauciunas, Board President

## MEMORANDUM

February 15, 2019

TO: Board of Directors  
FROM: Foster Hildreth  
RE: Year in Review (2018)

Our OPALCO team is very proud of many major accomplishments achieved during 2018. Attached is a list of some of the successes that were experienced throughout the year. Although the summary is organized by department, most efforts spanned over multiple staff throughout the Company, which truly demonstrates the “cooperative” spirit of the OPALCO team.

# **2018 Year in Review**

## **OPALCO and Rock Island Communications**

### **OPALCO Team Accomplishments**

#### **Engineering, Operations & Information Technology:**

- Average service availability rate of 99.98% for the year.
- Constructed and energized Community Solar site.
- Completed construction and energized Decatur 69 kV Tap and Substation.
- Decommissioned Submarine cables feeding Decatur from Lopez (circa 1951 and 1952).
- Replaced 66,800 feet of aging and failing underground cable (mixture of three phase and single phase).
- Decommissioned overhead conductors feeding Mt. Constitution.
- Replaced conductor and poles on Crescent Beach Road.
- Completed construction on Blakely Substation.
- 60% complete on SCADA network security segregation.
- Disaster recovery site operational.
- Phone system upgrades and outage automation.
- Replaced 34 transmission poles.
- Purchased two parcels of land on Decatur, in order to expand critical ROW on the transmission lines, expansion of local renewables and battery storage, and ownership of the submarine cable as it transitions to the water.

#### **Finance & Accounting:**

- Unqualified opinion of Financial Audit.
- No audit comments related to internal control matters.
- Secured RESP contract with RUS for \$5.8M of 0% funds to finance energy efficiency projects throughout the County.
- Developed OPALCO's first on-bill financing (OBF) program in order to distribute RESP funds. Set up as a member opt-in tariff, it will be the only OBF program of its kind in WA State.
- Secured new CWP loan availability, AS8, through RUS in the amount of \$18.195M for current and future work plan construction.
- Obtained additional solar grant funding reducing project cost by ~\$247,000.00.
- Distributed rebate checks totaling ~\$145,000.00 to community solar participants.
- Applied for a \$2.4M Clean Energy Fund III grant for a micro grid project on Lopez; application advanced to second round full technical review.
- Conducted a full Cost of Service Study and Rate Design Review to provide greater clarity and equity among rate classes.
- Completed Long Range Capital and Financial Plan, providing staff and Board greater insight and guidance in planning for energy and financial certainty as industry evolves to a greener future.

- Staff renewed the CoBank \$5M Line of Credit (LOC) (\$2M committed/\$3M uncommitted) for zero fees. The undrawn LOC would be used for emergency purposes.
- Developed Tariff ECA (energy charge adjustment) to help mitigate monthly fluctuations in power cost compared to budget, returning a credit or adding a marginal charge monthly - to be implemented in 2019.
- Continued capital credit smoothing methodology for the second year, retiring \$1.3M in capital credits back to the membership in 2018.

### **Management and Human Resources:**

- Successfully negotiated a five year (2019 thru 2023) Collective Bargaining Agreement with IBEW Local 77.
- Hired a new Journeyman Lineman, Staking Technician, Member Service Supervisor, System Engineer, Executive Assistant, and three apprentices (succession planning): one for each of the OPALCO districts.

### **Energy Savings: Rebates, Electric Vehicles & Renewables**

- Rebate dollars awarded to members through December: \$209,736.51
- Energy saved by members through BPA/PNGC rebates: 1.01M kilowatt hours
- Total interconnected members generating renewable power: 305 with 42 new in 2018.
- Supported 45 members in beneficial electrification measures – switching from carbon fuel sources to high-efficiency ductless heat pumps with an estimated \$39,000.00 in member savings during their first year.
- Incentivized the installation of 22 EV charging stations for homes and businesses.
- Decatur Community Solar project:
  1. was fully subscribed with 272 members participating
  2. was certified under new WA State incentive program
  3. produced 144k kWh between energization on July 31 and Dec 31, 2018
  4. distributed \$13,000.00 through production credits on subscribers' bills and an additional \$1,380.00 as donations to low income programs

### **Member Services**

- Member Services Representatives handled more than 14,083 calls from members
- Billed members ~\$28.9M for energy usage of ~208M kWh
- Minimal bad debt (collections) in 2018
- Coordinated Project PAL member committee who gave \$45,000.00 in grants to 13 OPALCO households in need during the heating season (October – April)
- Boosted Energy Assist participation with 444 households receiving monthly bill credits totaling \$111,000.00.
- Low income programs equate to about 8 months of no facility charge. Note: the 2019 service access charge increase by ~\$4.50 and the EAP credits increased by \$5.

### **Communications**

- Engaged more than 1,000 members in a survey on satisfaction; results showed 83% were satisfied and very satisfied with their Co-op.
- Launched a Digital 'New Member Experience' online to engage new members in the co-op culture and familiarize them from the start with available resources and tools.

- Hosted 10 Staff Field Day events as a pilot project, offering safety training, team building and staff appreciation.
- Shifted the Annual Meeting to the Interisland Ferry and saved thousands of dollars.
- Launched the new Choose EV toolkit on our website, supporting member interest in electric vehicles with comparison and savings calculators
- Publicly supported two initiatives that impact our membership: WA I-1631 on carbon pollution and SJC Affordable Housing bill.
- Coordinated legislative visits in Olympia and with Governor Jay Inslee.
- Produced a short film on the submarine cable project: “Meet George the Submarine Cable”, which premiered at the Friday Harbor Film Festival.
- Built an online rate calculator to help members ‘Understand Power Costs’ and rate trade-offs.
- Promoted the Decatur Community Solar and reached subscriber goals within six weeks.
- Built a production meter online to monitor the Decatur Community Solar generation.
- Recognized by the Northwest Public Power Association’s Excellence in Communication Awards for our Community Solar advertising campaign (first place) and Meet George film (third place).
- Cultivated five Nourdine Jensen Cooperative Youth Scholars, attended the ICUA Youth Rally at the College of Idaho, and mentored the youth to make a presentation to the Board.
- Promoted safety with a booth at the San Juan County Fair and reached thousands of fair goers with messages of safety, efficiency and cooperation.
- Hosted moderated Candidate Forums (spring) and Town Hall ‘listening’ meetings (fall) on all ferry served islands.
- Staff met with 242 members through speaking engagements at civic, community, HOA and service groups, as well as visiting all three senior centers.
- Staff presented SmartHub workshops at senior centers, working with members one on one to help them learn how to make the most of their SmartHub account with an emphasis on signing up for outage notifications.

# Rock Island Team Accomplishments

## Management and Human Resources:

- Successfully transitioned the management team from the original group to the current leadership
- Reduced budgeted operating expenses for 2019
- Successfully transitioned to a new accounting system enabling better billing methods and access to a more user-friendly customer portal
- Revamped and upgraded our company safety program

## Plant

- Grew the fiber plant total to over 520 miles in San Juan County
- Added 3 new LTE sites and 2 new small cell sites to increase our service offering.
- Completed 2 new redundant fiber backbone paths to increase redundancy and reliability in county
- Secured contracts for off-island transport to provide additional mainland redundancy
- Began productive discussions with City of Anacortes to solve Fidalgo Island redundancy issues in 2019

## Sales and Onboarding:

- Connected over 570 homes and businesses to our fiber network in 2018
- Signed up 1,343 new wireless customers (gross ads) in 2018
- Signed up almost 1,800 new T-Mobile phone subscribers in 2018
- Launched our Business Services group and closed a series of significant business accounts for both connectivity and add-on products and services
- Sold on average 26 LTE modems a week, every week, for three years straight
- Beat our combined subscription goal for fiber and wireless
- Captured 39% of the total internet subscriber market in the county
- Hit a milestone threshold of achieving over 3,000 wireless customers
- Hit a milestone threshold of demising DSL customers from 1,200 in 2015 to under 500 in 2018
- Developed system generated call list protocols to obtain sales leads and called every one of our DSL and Canopy customers to convert to LTE
- Launched a new fiber rate card and upgraded customers to our new fiber rate plans

## Tech Support:

- Extended tech support hours from a standard 5-day, 9am-to-5pm business week to a reliable 24/7/365 service for the benefit of our customers
- Navigated an email host change that resulted in over 8,000 inbound calls
- Handled over 1,600 inbound email calls in one day
- Supported the company through 2 major power and fiber outages as a series of smaller network outages throughout the year.
- Closed over 12,000 tech support cases over the course of the year
- Answered over 50,000 inbound calls, or roughly 12,000 calls per Tech Support employee



MEMORANDUM

February 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: WRECA Update

Jerry Whitfield and Foster Hildreth will be at the Board Meeting to discuss legislative updates from WRECA and answer any questions.

MEMORANDUM

February 21, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Rosario Hydro

On February 6, 2019 Russel Barsh sent an email questioning OPALCO's involvement with Rosario Resort's hydro generation facility. Attached please find the following three communications concerning this matter:

1. Russel Barsh Concerns about Rosario Hydro – item #1 email
2. OPALCO Response to Russel Barsh – item #2 letter
3. Russel Barsh response to OPALCO letter – item #3 email

**From:** Russel Barsh  
**Date:** February 6, 2019 at 8:58:35 AM PST  
**To:** Brian Silverstein  
**Subject:** Opalco environmental issue

Brian --

I wanted to alert you to an environmental issue that should be on Opalco's radar. My lab has been documenting freshwater fish in the islands since the 'aughties, working in partnership with the Wild Fish Conservancy and state agencies, and I was directly involved in studying native Coastal Cutthroat Trout and Coho in the Mountain Lake-Cascade watershed on Orcas Island. My work led to Washington Water Trust's acquisition of a water right for fish there. Unfortunately, the Resort at Rosario has recently elected to assert its senior water right to the maximum extent, which is resulting in seasonally de-watering the spawning channel used by Coho and Cutthroat, endangering these two salmonid populations.

Opalco has been purchasing the power generated by the Resort using its water right, as part of the Green Energy program. This means that Opalco is exposed to liability -- or at the very least, public embarrassment -- for buying local power that kills salmon.

This issue came to my attention during recent Clean Water Utility consultations with fishery experts, prioritizing streams and fish populations in the islands for protection and restoration. The sense of our group of experts was that Rosario Resort be urged to switch to other means of generating "green power" for sale, and perhaps state salmon funding could be used to purchase or lease the extra water needed by fish in the lower Cascade channel. Our best estimate is that a minimum of 2-3 cfs should be flowing in the stream in late summer to fall when Coho are trying to ascend the channel from Buck Bay for spawning--and more would be better.

I believe that Kim Sundberg of our advisory group has contacted Opalco staff about this issue, and it is likely to come up for consideration in the near future. Jenny de Groot and Mike O'Connell have been monitoring the fish in Cascade for the past few years and are dependable sources of information; also Steve Boessow of WDFW, and Jamie Glasgow of the Wild Fish Conservancy. I can get you relevant technical reports on the fish and stream flows if you wish!

Best wishes for the new year, and hope you can help sort this out!

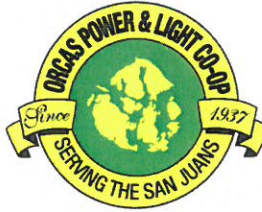
Russel.

--

Russel Barsh  
Director, KWIAHT  
PO Box 415, Lopez Island WA 98261  
<http://www.kwiaht.org>

# ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



Eastsound Office  
183 Mount Baker Road  
Eastsound, WA 98245-9413  
p:(360) 376-3500 f:(360) 376-3505  
www.opalco.com

February 9, 2019

Russel Barsh  
Director, KWIAHT  
PO Box 415  
Lopez Island, WA 98261

Via email: [rlbarsh@gmail.com](mailto:rlbarsh@gmail.com)

Russel –

Brian Silverstein has shared your concerns regarding the Resort at Rosario hydro generation facility (email attached). We appreciate the heads up. As you may know OPALCO supports Governor Inslee's Southern Resident Orcas Whale Recovery plan. At the January OPALCO Board meeting we were briefed by Mike O'Connell of Long Live the Kings, Peter Guillozet from the San Juan County Land Bank also attended.

We have done an in-depth investigation and have reach the following conclusions:

- OPALCO does not purchase power generated by the Rosario hydro generation facility
- There is no Power Purchase Agreement in place between Rosario and OPALCO.
- There is no net metering agreement in place between Rosario and OPALCO.
- Rosario's electrical consumption is consistently greater than the capacity of Rosario's hydro system.
- Rosario is connected to our grid system per OPALCO's technical specifications.

In summary, not only is OPALCO not purchasing power from Rosario as part of the Green Energy program, OPALCO does not have the metering infrastructure in place to do so. Also note that OPALCO requires members to follow our technical specifications when connecting to our grid; we do not regulate the generation resources that occur behind a members meter.

For some reason several non-governmental organizations believe that OPALCO is involved in the Rosario generation. We would appreciate your help in correcting this misunderstanding.



We understand the concerns about the impact of water withdrawals from Cascade Creed on Orcas Island Coho. We are open to a dialog with the State, NGOs and the Rosario Resort on how OPALCO could be part of a solution.



Foster Hildreth  
General Manager

Cc: Christopher Peacock, Rosario Resort  
Brian Silverstein, OPALCO Board

**From:** Russel Barsh

**Date:** February 8, 2019 at 4:44:49 PM PST

**To:** Kelly Koral

**Cc:** Brian L Silverstein, Foster Hildreth, Christopher Peacock

**Subject:** Re: Response to query regarding Rosario hydro generation and OPALCO

Kelly --

I appreciate Foster Hildreth's prompt response and clarifications. As an OPALCO customer as well as a local fishery scientist, I am relieved that OPALCO is not encouraging or participating in Rosario Resort's use of Mountain Lake-Cascade draw downs for hydro power. I gather from your letter that the Resort is an OPALCO customer, but not a net producer or exporter of electricity. Naturally if that is so, the Resort is using Cascade stream flows to reduce the cost of its power purchases from OPALCO. I wonder whether the reported observations of severely reduced stream flows in the past year or two are correlated with a significant reduction in the Resort's draw of kilowatts from OPALCO.

One way or the other, I believe we share an interest in ensuring that making further progress on sustainable power generation in the islands, is not at the expense of biodiversity generally or particular sensitive species such as Coastal Cutthroat Trout and Coho Salmon. It would be helpful if OPALCO, as a community owned power utility, were to express this publicly and forcefully as policy. And share it with our elected state representatives, who may soon be seized of the question of buying or leasing a substantial portion of the Resort's water right to address the urgent need for adequate spawning conditions next fall in Cascade Creek.

Thank you for taking this seriously, and I trust you will keep me and my lab informed of any further developments.

Russel.

MEMORANDUM

February 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Spring Street School Request – Equipment Mural

Students from Spring Street International School submitted a proposal for painting a mural on the equipment located in front of their school on San Juan Island. Staff would like to discuss the pros and cons of allowing such an effort.



January 29th, 2019

Yutong Du  
Rain Gao  
505 Spring St  
Friday Harbor, WA  
Tel (949) 6566373  
(360) 8908055  
ydu@springstreet.org  
rgao@springstreet.org

To the Friday Harbor Art Commission:

Greetings. This is Yutong and Rain from Spring Street International School. We are two advanced art student at our school, and our artworks were recently exhibited in SJIMA.

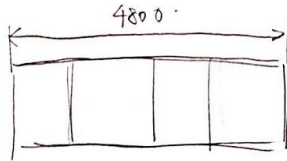
Under the supervision of our art teacher Taylor Bruce, we would like to offer you a proposal for a project involving the painting of the big metal electrical box outside of our school:



We believe this project will enhance the view of the street and make the town of Friday Harbor more vibrant. Below are some of our concept sketches regarding the layout of the painting.

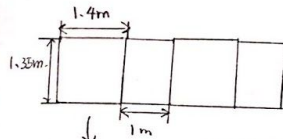


Wide - 1.4 m  
length - 1 m  
Height - 1.35 m.



2400 x 675  
4800 x 1350

1.4



Side facing the road.

Components:

- whale
- light house
- seal
- "Friday Harbor"
- Snow mountain
- Ocean.
- Hikers
- Ice cream?



The panel with "Friday Harbor" will be facing the street.

We request a budget of approximately \$400 which will be used to purchase the following supplies:

- For preparation (cleaning the box etc):
  - Sponge
  - Towels
  - Cleaning spray
  
- For painting:
  - Brayer roller
  - Exterior primer
  - Exterior paint
  - Paintbrushes
  - Artist tape
  - Water buckets
  - Gloves
  - Color palette

If the price goes above the estimated amount, we will submit a new proposal to cover any additional unforeseen cost.

We look forward to working with the city and the school to beautify the street with our art. We would like to hear back from you before March, so we can prepare materials and start painting. This project is expected to be completed by May. If you have any questions, please do not hesitate to contact us via email or text.

Sincerely,

Yutong and Rain

## MEMORANDUM

February 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Inverter – California Rule 21 Phase 3

Earlier in the month a Board Member brought up the topic of grid integrated inverters and when it is time to adjust our specifications to allow for member owned solar facilities to interoperate with the grid. The industry is rapidly evolving, and standards are still in development. Currently the market has very few inverters with Phase 3 capability. Staff is monitoring as these standards are developed and once these become a formally adopted in California or other states we will develop interconnection policies to adopt. Staff will be available at the meeting to discuss and strategize OPALCO's next steps.

## GENERAL MANAGER'S REPORT

### February 2019

#### **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 February 14, there are 349 work orders open totaling \$6.91M. Operations has completed construction on 99 work orders, totaling \$2.79M.



##### **Safety**

John Spain, from CREA, conducted lockout/tagout training. This training is a review of procedures for work on or downline of switching equipment. Lost time without an accident: 129,259 hours

##### **RUS Field Visit**

Over the past two days, OPALCO had the pleasure of an on-site visit from Rodney Peach, Supervisory General Field Representative, from the USDA Rural Development Rural Utility Services Electric Program.

Our RUS Field Representative met with staff and the topics of discussion were: 1) Historical loan refinancing to lower interest rates, 2) Construction Work Plan loans (current and future), and 3) RESP loan draw status (On-bill financing).

As part of his review of recent capital projects, he toured the substation and tap projects on both Decatur and Blakely Islands. Additionally, he spent time reviewing the Form 219 detailed support documents related to the various construction projects. He had the following observations:

- “Both substations look to be in great order along with the 219’s for funding.”
- “Your process for posting work orders has checks and balances to make sure RUS Projects are properly coded and posted to the appropriate accounts for reimbursement.”
- “Any information that I have asked for has been provided and your team is in compliance with our regulations to the best of my knowledge.”



In addition to touring some examples of the fiber communication infrastructure, we also visited with key Rock Island staff to review joint projects. Peach concluded that both organizations processes have the needed controls and applauded that there are two CPAs on staff in each organization. In closing, he stated “You have a unique area that you serve and there can be very complex situations, but your team has been able to navigate it while pushing forward to provide great service to the community.”



### **Grid Modernization Projects**

- 1) **Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization**  
Bids have been submitted from 3 bidders. OPALCO and consulting team are reviewing for selection recommendation. Due to the nature of this process, staff will have further discussion in executive session.
- 2) **Lopez Microgrid – WA DOC CEF3 Grid Modernization**  
Staff is awaiting the selection results.

### **Redundant Feed to Eastsound Village**

- 1) **Decatur Tap and Substation – 100%**
- 2) **Blakely Substation – 100%**



- 3) **Olga Substation and Feeder Upgrades to Eastsound – 99%**

Transformer test results were within nominal operational standards such that operations energized the transformer. While energized current transformers connected to the metering equipment for that substation area failed. Staff is working to find replacements by contacting vendors and other utilities in the state. Once replaced the substation will be operational.

## **FINANCE**

### **USDA REAP Energy Audit Grant**

Staff submitted a grant to the USDA under the Rural Energy for America Program (REAP) requesting \$100K for commercial energy audits in San Juan County. If awarded, OPALCO will partner with Sustainable Connections and Spark NW to perform the energy audits for businesses across the county. These funds would supplement the commercial side of the 2019 Switch It Up initiative which is focused on on-bill financing for energy efficiency measures and rebates.

### **Federal Government Re-opens**

#### **RUS AS8 Loan Draw (Construction Work Plan)**

The federal government has re-opened for the time being. OPALCO has now received our budgeted loan draw of ~\$2.9M tie to our AS8 loan facility.

#### **RUS RESP Loan Draw (On-Bill Financing)**

No funds have been received to date: Staff has initiated our first loan draw to RUS in the amount of ~\$232k. Please note, the program is on hold until the monies are received.

## **MEMBER SERVICES**

### **Energy Charge Adjustment**

The new line item for the Energy Charge Adjustment will appear on member bills in February. The calculated amount for this month is a **credit** for \$-0.012667 per kWh. On average members will see an approx. \$20 reduction on their bills for this month.

### **Energy Assistance**

During January 2019, 317 members received ~\$11.4k from the Energy Assist program, compared to 295 members receiving ~\$9.3k worth of assistance in January 2018. In January 2019 there were 42 members that received \$9.3k in PAL awards, compared to 58 members and \$~11.4k in January 2018.

### **Energy Savings**

Staff has been developing the Switch It Up program administration and held a meeting January 16, 2019 with 10+ local contractors to get feedback and insight on the best methods for a successful program implementation. The discussion was largely positive, and staff is considering the comments made.

Members applied for 26 rebates and received \$31.8k in incentives in January '19, which includes 1 rebate for beneficial electrification projects totaling \$500.

### **Community Solar**

During the January 2019 billing cycle, the Decatur Community Solar array produced 5,540 kWh, and 1 kWh per solar unit was credited to member participants. A total of ~\$670 was distributed to 272 accounts (average credit \$2.46), including an additional \$69 for the PAL and Energy Assist programs. The monthly winter production has fallen below projections due to shading on the southeast corner of the array. Staff are working to reduce the shading to the impacted area.

## **COMMUNICATIONS**

### **Elections / Nominations**

February 13th was the deadline for candidates by petition. The following are the candidates for the 2019 OPALCO Board of Directors election:

- District 3 (two positions open): Peter Garlock and Brian Silverstein
- District 4 (one position open): Peter Hawkes and Dr. Jerry Whitfield

Note: there was one candidate by petition for District 3 which was disqualified by OPALCO legal counsel according to Bylaw Article III, Section 2 – *Qualifications*.

Moderated candidate forums are scheduled:

- March 4: Woodmen Hall on Lopez – 5-6:30pm
- March 5: Grange in Friday Harbor – 5-6:30pm
- March 6: Senior Center on Orcas – 5-6:30pm
- March 7: Community Center on Shaw – 1:30-3pm

Voter materials will be sent out on March 11th, when the election opens; ballots are due online or by mail by 10am PT on 4/10/19. Information on how to vote is clearly stated on the voter materials each member receives and is available online: <https://www.opalco.com/election-process-for-directors/how-to-vote/>.

### **Annual Meeting**

The theme for OPALCO's annual meeting on Saturday, April 13th is Safety. The meeting will be held on the interisland ferry again, with lunch served to members at ferry landings as they register. A postcard will be sent to all members in late March with a bar code for express registration. The San Juan Islands Conservation District and Rock Island Communications will be on board with information and giveaways. Travel schedule will be posted in March.

### **Legislative Outreach**

Foster Hildreth met with Representative Jeff Morris and Representative Jake Fey in Olympia to discuss a number of bills and to advocate for WSDOT Ferries funding. Due to inclement weather, meetings with other legislators were canceled. Staff continue to track relevant bills at play this session.

### **Rebates / Switch it Up**

2019 is the "year of the rebate" and OPALCO has published an updated guide to available incentives: <http://energysavings.opalco.com/2019/01/2019-rebates-made-easy/>. Staff held a meeting in January to familiarize HVAC/Plumbing/Electrical contractors with the program and get feedback before program materials are finalized. There was good attendance and high enthusiasm for the program. Project launch is still set for April 13<sup>th</sup> provided we have received our first loan draw.

### **Storm Recap: Our System and Line Crew Rock!**

A major windstorm and cold snap hit the islands on Sunday, February 3rd – bringing winds of 40+ mph with gusts measured up to 90 mph (Rosario Strait per WSF) and temperatures in the low 20's. OPALCO's line crew managed a cascade of small outages from about 9:30pm on Sunday to about 6:00pm on Monday – mainly on the east side of Orcas, with smaller incidents on San Juan. On Orcas, several trees came down on to the lines, blocking roads, breaking cross arms and insulators, taking power and fiber out. The crew went straight from one outage to the next, restoring power, rebuilding poles and clearing the roads. The Lopez crew traveled to Orcas on Monday to assist with clean up on the east end of Orcas and a limb on the line near the Shaw Island school. OPALCO members flooded social media with gratitude and appreciation for their Co-op and crew – most members got through the storm with their power intact.



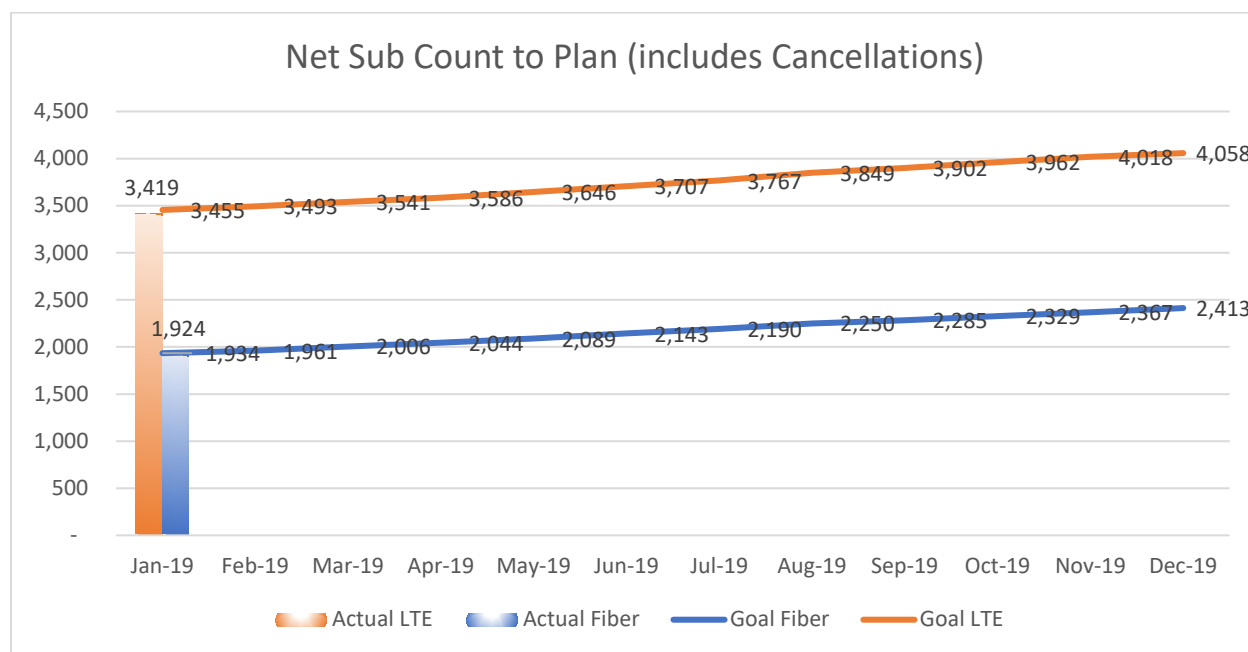




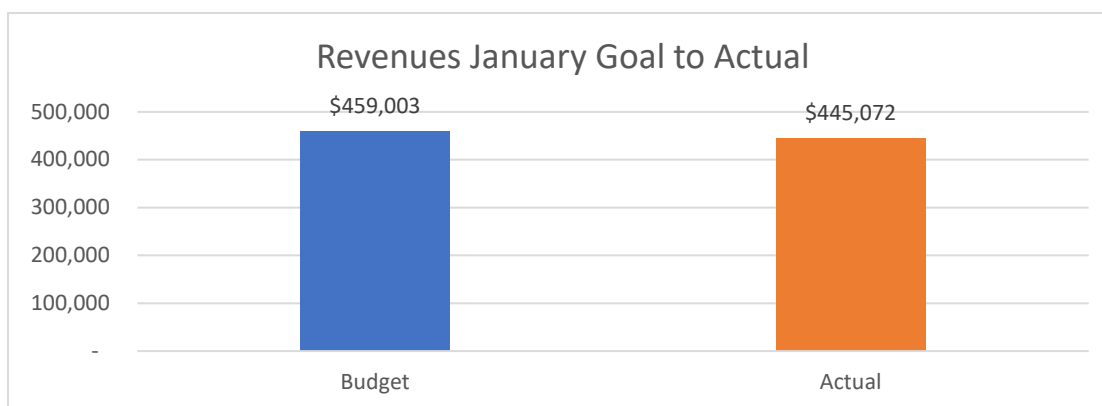
## Summary

Rock Island is tracking to our business plan and maintains a healthy pipeline as expected. With the winter storm abating, we look forward to beginning our major Town of Friday Harbor build the week of Feb 18<sup>th</sup>. Multiple MDU projects and individual fiber projects commence concurrently with the first phase of fiber construction. Rock Island will have constructed over 3.5 miles of new fiber within the Town of Friday Harbor limits in the next 30 days alone.

## Net Subscribers Jan 2019

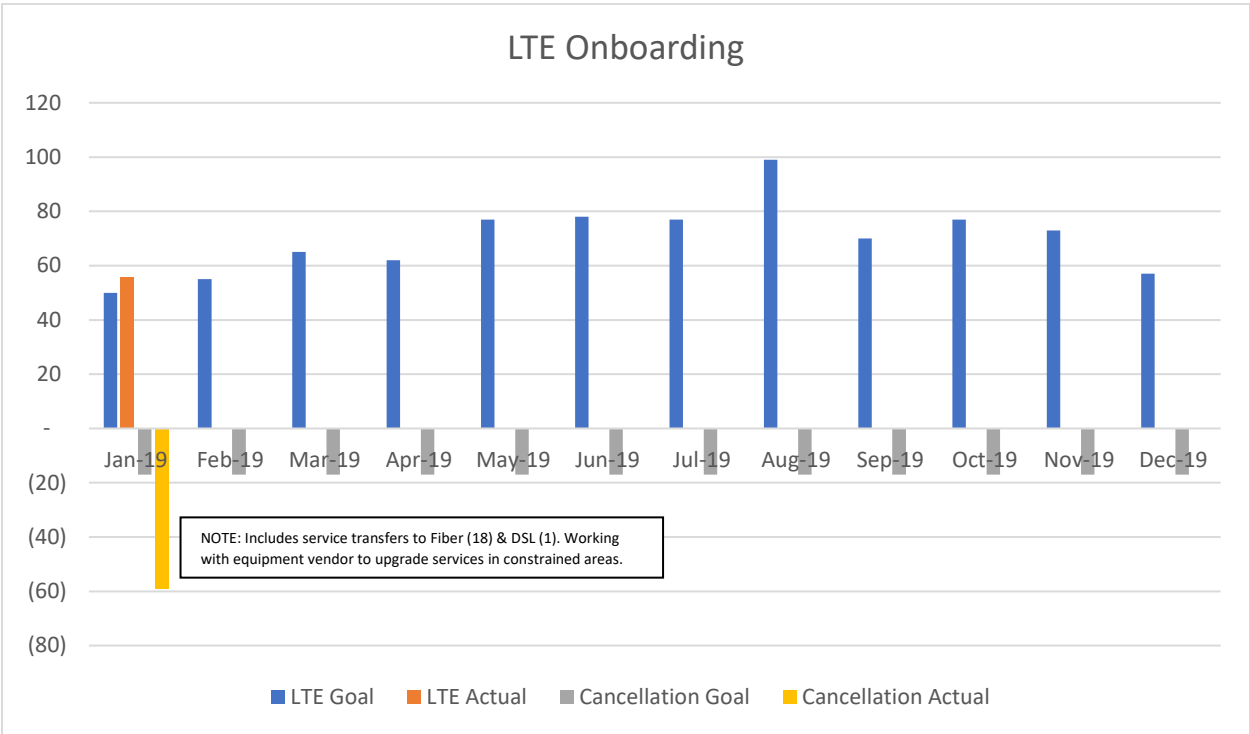
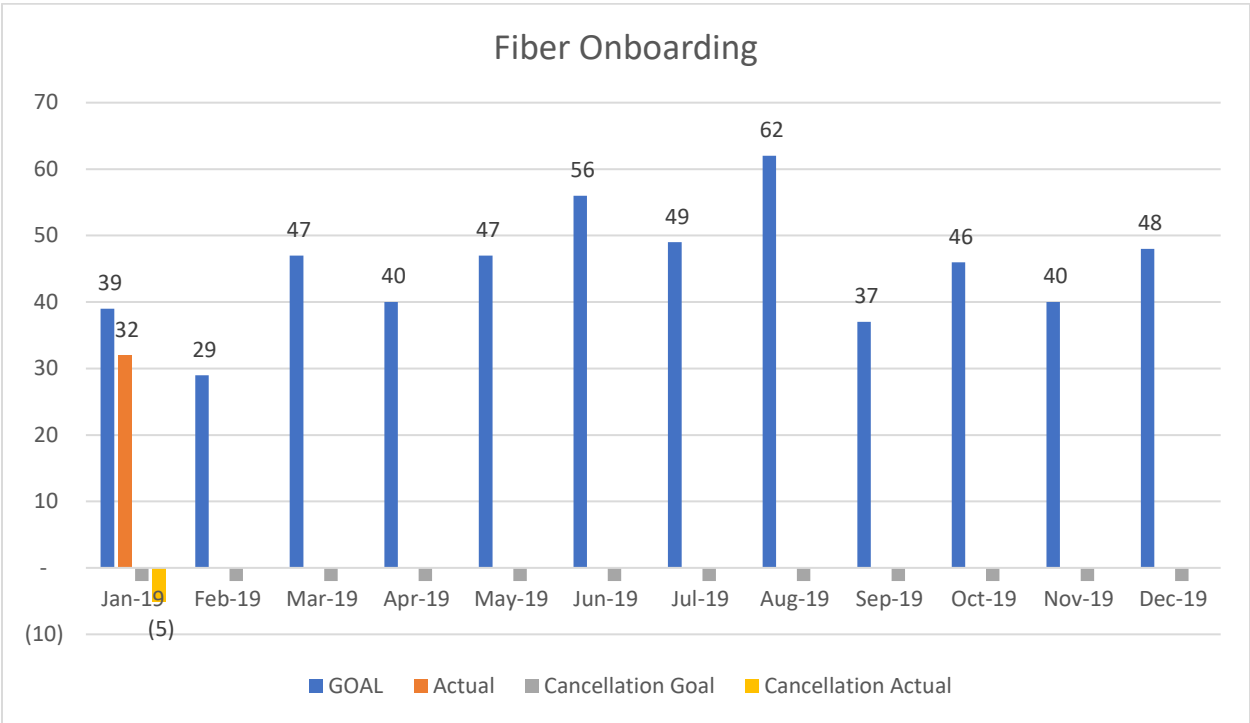


## Revenues



Note: T-Mobile has restructured their residual payments for retail phone sales. This will affect revenue by roughly \$13k a month. Staff is investigating this revenue drop with T-Mobile. In lieu of these changes, we are evaluating how we manage our store.

# Gross Subscribers Jan 2019



# PNGC Power Pulse

January 2019

## Inside This Issue

- 1 Message from the New CEO
- 2 New Board Members
- 2 PNGC Peak
- 2 Mid-C Pricing
- 3 BPA Happenings
- 3 Upcoming PNGC Events

## Message from the New CEO

Abraham Lincoln said, *"A compass, I learnt when I was surveying, it'll point you True North from where you are standing, but it's got no advice about the swamps and deserts and chasms you'll encounter along the way. If in pursuit of your destination you plunge ahead heedless of obstacles and achieve nothing more than to sink in a swamp, what's the use of knowing True North."* I love Lincoln's metaphor because it reminds us that vision about our destination without judgment and wisdom about how to reach that destination is not enough.

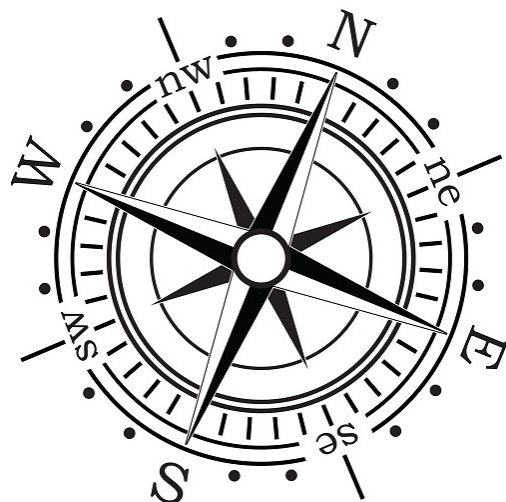
Our purpose at PNGC Power is to help our Members find and reach their True North for power supply needs while avoiding the swamps and deserts along the way. The power supply industry landscape continues to change and the horizon is not always clear. Certainly, the past few decades indicate that the road can be difficult with unforeseen twists and changing rules.

However, after approaching nearly two score of experience in this industry, I have come to appreciate that we cannot predict the future and that flexibility and adaptability are essential strategies. In order to be successful we will rely on our rock-solid foundation built on the Cooperative Principles that have served us well. And we'll use the knowledge, judgement, and expertise of the PNGC Board and staff to navigate our way forward.

PNGC Power's mission remains the same as it always has: to meet the collective power supply and transmission needs of its Members that we are privileged to serve. A significant part of our foundation today is built upon our BPA contract, and we will work diligently to preserve the benefits of the carbon-free federal hydropower system. However, we need to position ourselves for additional options for power supply and resources—in a future that promises to include more innovation and transforming ideas about energy—so that we can meet the changing needs of our Members in a landscape that continues to evolve.

We have our compass in hand. We're mindful of the obstacles that may be in our path, and we know we have the ability to overcome them and move into the future. Now, on to True North!

-Roger Gray  
President & CEO, PNGC Power



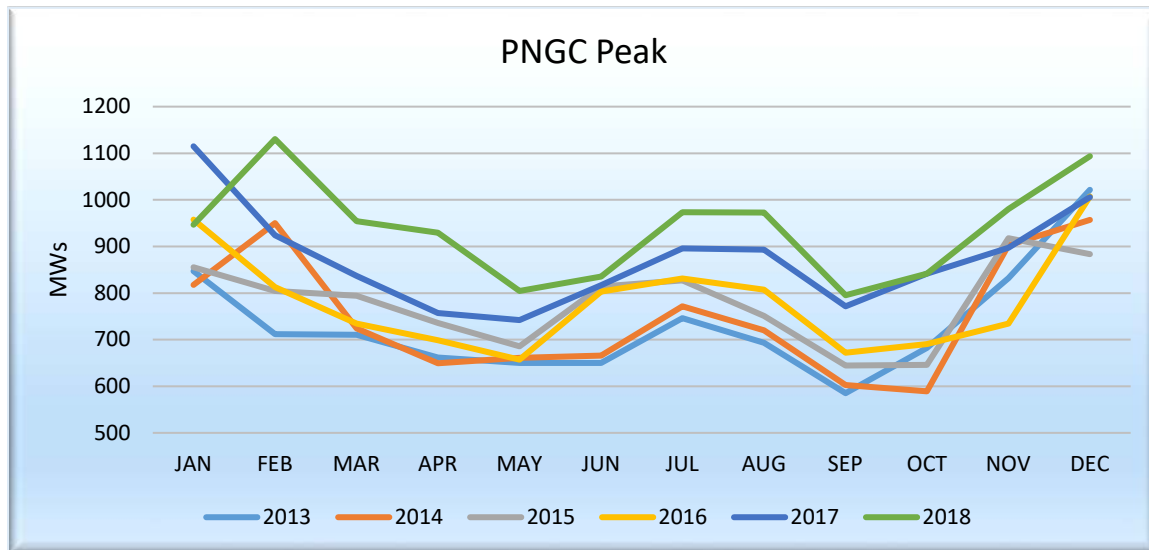
## New Board Members

2018 brought some retirements, and 2019 brought some new Board Members to the PNGC Power Board. In January, Brent Bischoff replaced Roger Meader as the General Manager of Coos-Curry Electric, and Greg Gardner took over for Joe Jarvis at Blachly-Lane Electric.

In February, the Board will welcome Debi Wilson, who is taking over as Acting General Manager at Lane Electric.

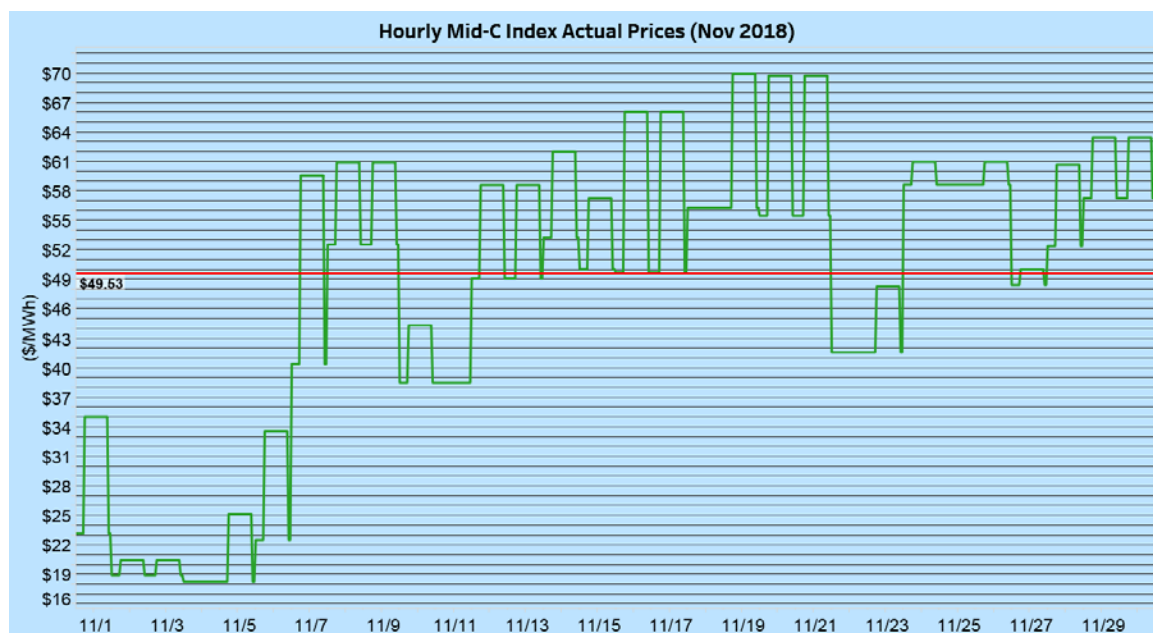
## PNGC Peak

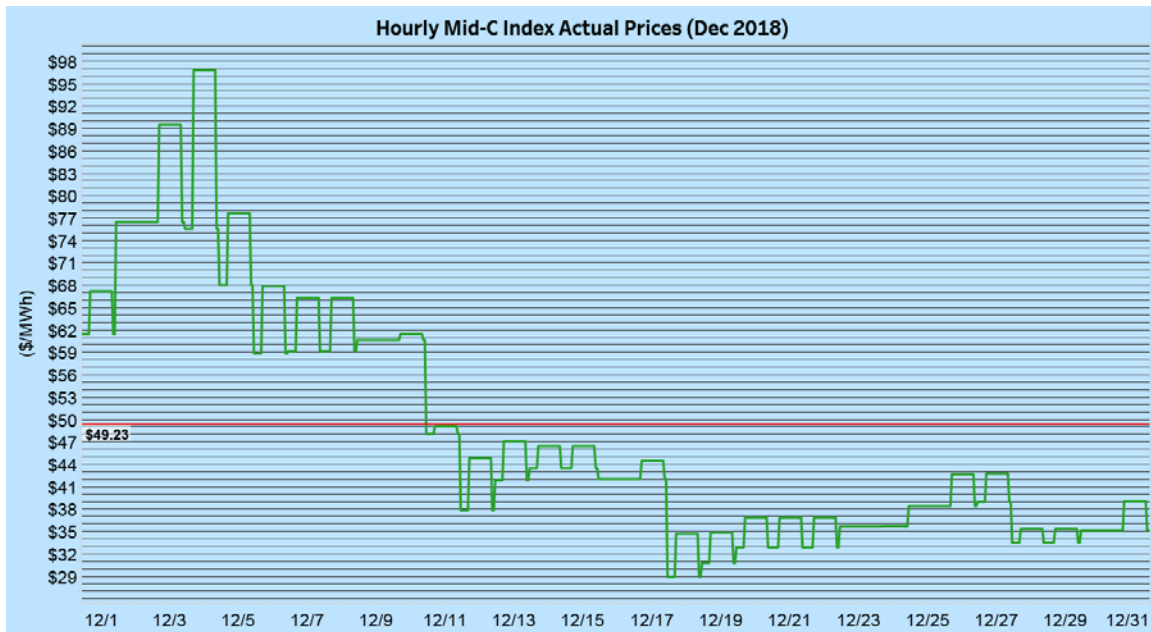
The graph below shows PNGC Peak for the past 5 years



## Mid-C Pricing

The graph below shows Mid-C Pricing for the months of November and December 2018





## BPA Happenings

Jan. 24	Energy Efficiency 2020-21 Implementation Plan Workshop
Jan 31.	Proposed TC-20 Settlement Update
March 1	BP-20 Rate Case Participant Comment Period Ends

## Upcoming PNGC Events

Jan. 23	Utility Sounding Board Meeting at PNGC Power
Feb. 5	PNGC Board Meeting
Feb. 19	Low Income Working Group Meeting at PNGC Power



### 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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January 20, 2019

To the Wonderful People  
of OPALCO —

Thank you so very  
much for the \$150<sup>00</sup>  
grant you gave me. I am  
so appreciative that you  
awarded that to me. It

will definitely help with  
my meager budget.

And I plan on signing  
up for the PAL Program.

Thanks again —

Sincerely,

Lynne [REDACTED]

[REDACTED]