

ORCAS POWER AND LIGHT COOPERATIVE Q2 FINANCIAL REPORT



MEMORANDUM

August 2, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2019 Second Quarter Financial Report

Please see attached the full 2019 2nd quarter financial report. Included in the report package are the Statement of Revenues and Margins (along with a notable driver analysis), Balance Sheet, Statement of Cash Flows (GAAP), and capital projects budget tracking.

The financial results through the 2nd quarter are good and are aligned with budget expectations. Two of the six months we have experienced La Niña conditions which increased our heating load. Going forward staff expects a stronger than predicted El Niño condition to the end of the year, which we expect to impact our financials through the end of the year. Please note our ECA will partially moderate the lower revenue.

Our average cost of power was lower than budgeted in March and May, causing an Energy Cost Adjustment (ECA) credit in April/June and an overall net credit to the membership of (\$145K) in Q2 from the ECA. YTD the ECA has returned a net \$300K in the form of bill credits which is the primary driver of the operating revenue variance of -1% (\$181k), including non-operating, total revenue is under budget by (\$155K). The revenue variance through Q2 is offset by the related decrease in purchased power of 3% (\$145k). All combined resulted in a decreased margin of \$159k.

Income Statement Summary (in thousands)	June 2019 YTD		
	Budget	Actual	Variance
Gross Revenue	\$ 16,567	\$ 16,712	\$ 145
ECA Surcharge / (Credit)	-	(300)	(300)
Revenue	16,567	16,412	(155)
Expenses			
Cost of Power	5,122	4,977	(145)
Transmission & Distribution Expense	3,169	3,142	(27)
General & Administrative Expense	2,476	2,571	95
Depreciation, Tax, Interest & Other	4,024	4,105	81
Total Expenses	14,791	14,795	4
Margin	\$ 1,776	\$ 1,617	\$ (159)
TIER	2.83	2.66	(0.16)

For more detail, please note the following key points:

- Through Q2, YTD Heating Degree Days (HDD) were up ~41% above normal budgeted levels (Actual of 859 vs. budget of 608), this was primarily in February and March. April, May, and June were strongly in the El Niño category.
- Actual kWh sales were 5.2M kWh above budget (110.8M vs. budget of 105.6M). We expect weather and heating fluctuations to produce dramatic sales revenue volatility and have budgeted based on those assumptions. We will continue to monitor revenue and expenses closely.
- Q2 YTD power purchases were \$145k (2.8%) below budgeted amounts. Actual kWh purchases were 5M kWh above budget (118M vs. budget of 113M).
- Excluding purchased power, Q2 YTD operating expenses were approximately \$149k over budgeted amounts.
- The YTD Energy Cost Adjustment (ECA) through June billing period was a credit to members (and reduction to operating revenue) of \$300,219, or \$15.02 for a member using 1000 kWh/month.

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS EXECUTIVE SUMMARY

		A. Audited Year End 12/31/2017	B. Audited Year End 12/31/2018	C. Budget Period End 6/30/2019	D. Actual Period End 6/30/2019	E. \$ Change (D - C)	F. % Change (D - C)
1	kWh Purchases	229,155,000	217,948,000	112,888,000	117,928,000	5,040,000	4.5%
2	Gross Revenue	28,310,000	29,683,000	16,567,000	16,712,219	145,219	0.9%
3	Energy Charge Adjustment	-	-	-	(300,219)	(300,219)	
4	Operating Revenue	28,310,000	29,683,000	16,567,000	16,412,000	(155,000)	-0.9%
5	Cost of power	8,916,000	9,054,000	5,122,000	4,977,000	(145,000)	-2.8%
6	Operations & G&A	9,971,000	10,181,000	5,645,000	5,713,000	68,000	1.2%
7	Depr, Int & Taxes	6,023,000	7,441,000	4,024,000	4,105,000	81,000	2.0%
8		<u>24,910,000</u>	<u>26,676,000</u>	<u>14,791,000</u>	<u>14,795,000</u>	4,000	0.0%
9	Net Margins	<u>\$ 3,400,000</u>	<u>\$ 3,007,000</u>	<u>\$ 1,776,000</u>	<u>\$ 1,617,000</u>	(159,000)	-9.0%
10	TIER	3.10	2.67	2.83	2.66	(0.16)	
11	Equity % of Total Cap	43.7%	41.0%	41.1%	40.4%	-1%	
12	Equity	39,152,000	38,633,000	39,723,000	39,231,000	(492,000)	-1.2%
13	Total Debt (Note 1)	52,162,000	57,211,000	58,562,000	59,922,000	1,360,000	2.3%
14	Capital Spending (Note 2)	(18,760,000)	(11,181,000)	(1,949,000)	(2,625,704)	(676,704)	34.7%
15	Capital Credit Retirement (net)	(1,102,034)	(1,084,000)	(59,000)	(96,000)	(37,000)	62.7%
16	Annual HDD	1,492	1,190	608	858	250	41.1%

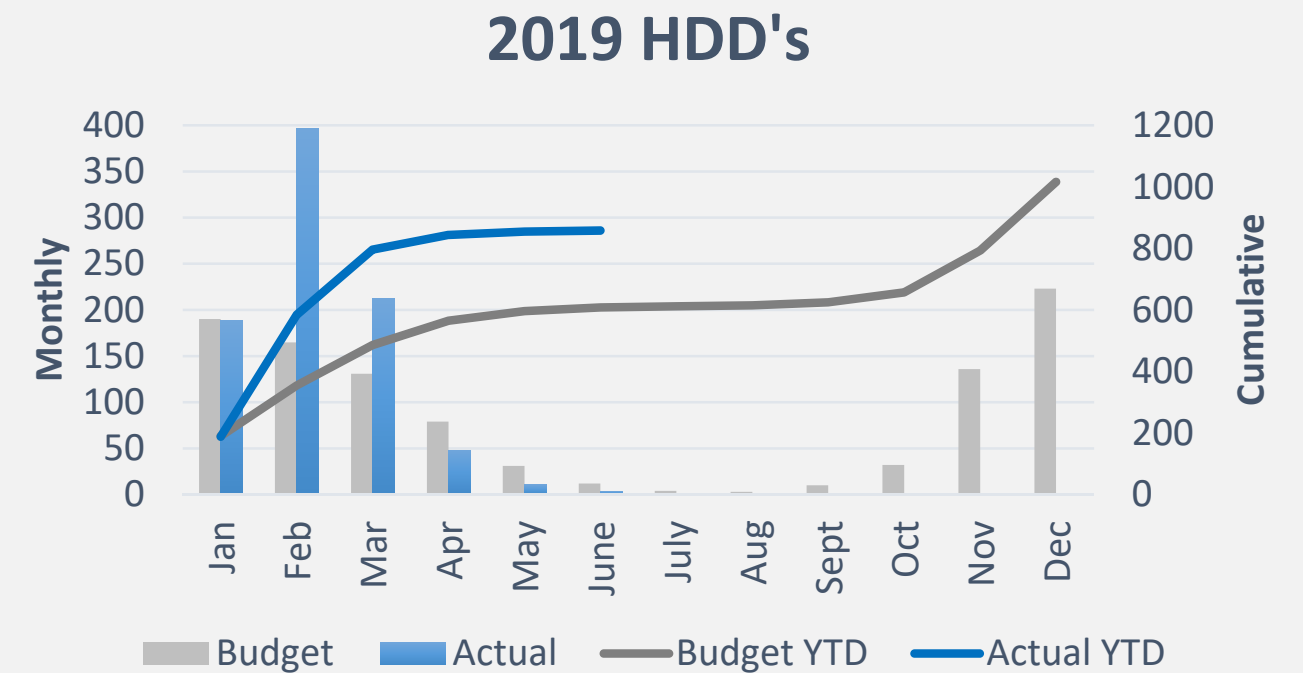
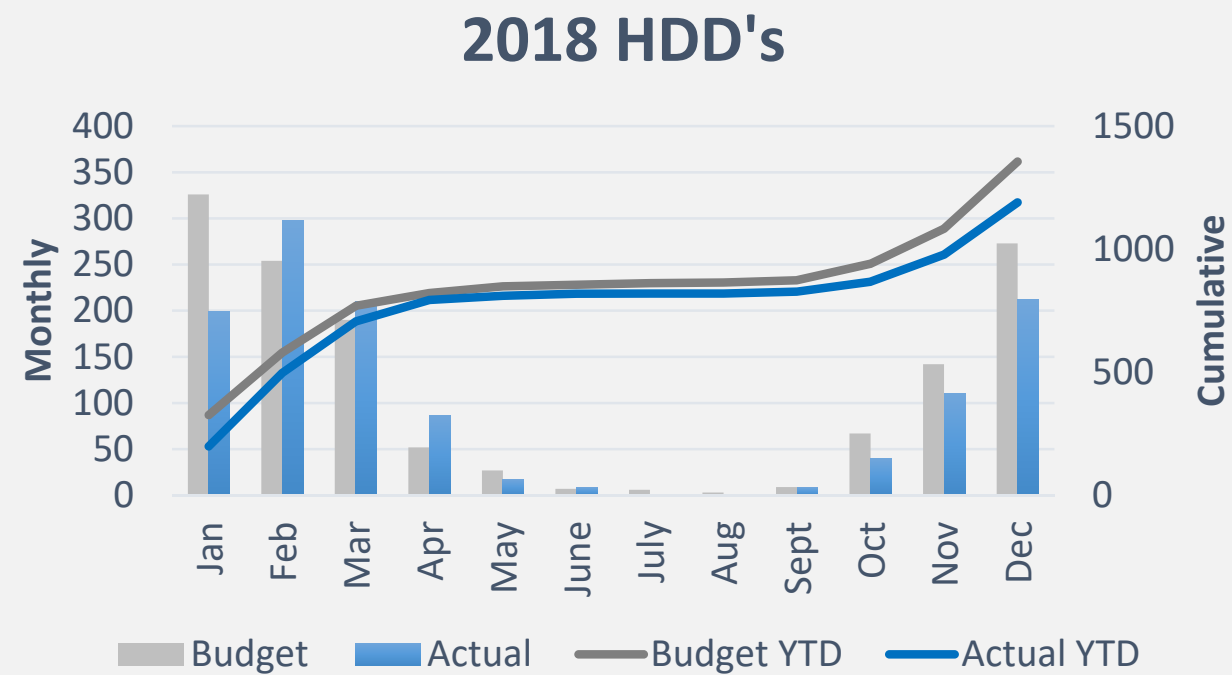
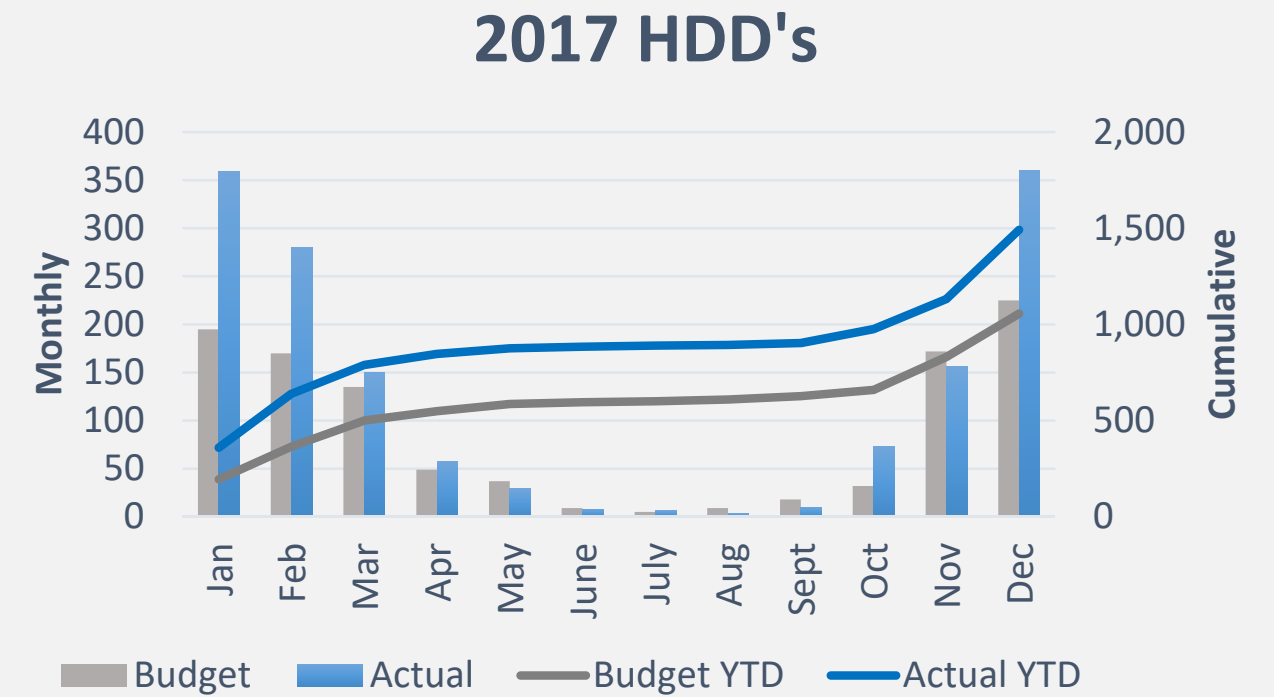
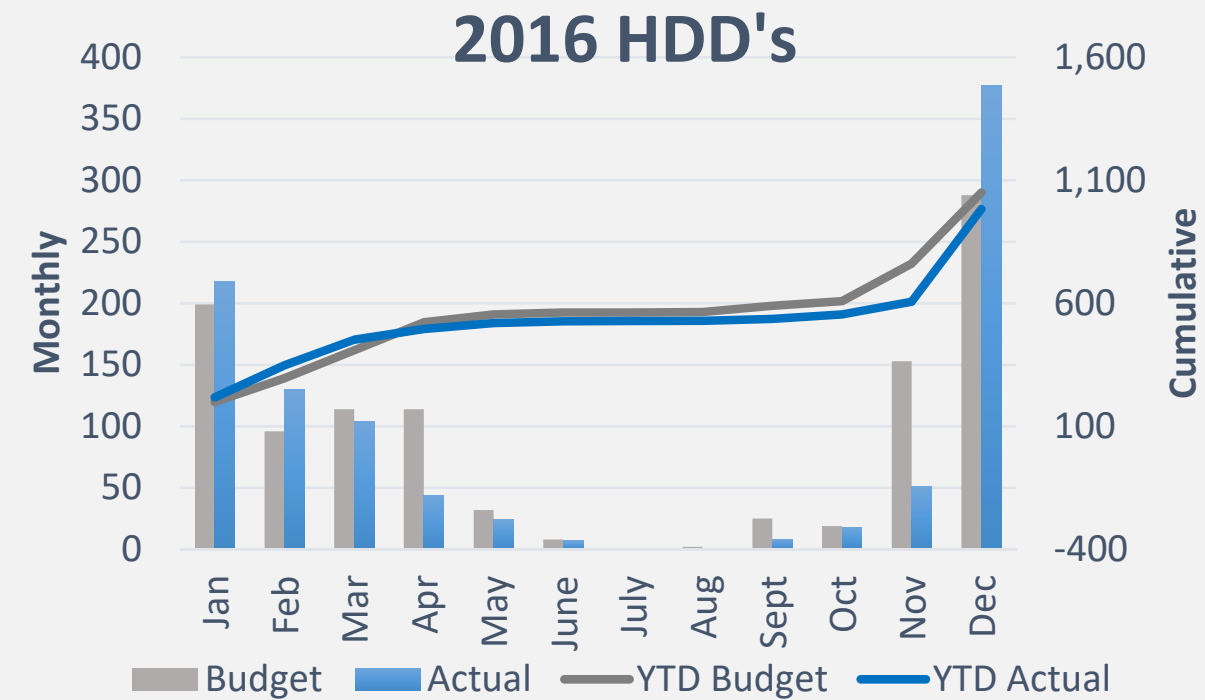
Note 1: Borrowings were accelerated in 2019 due primarily to concerns surrounding the government shutdown December 22, 2018 until January 25, 2019 RUS had been on furlough during this period and upon re-opening for what was known as temporary, OPALCO borrowed \$2.9M to ensure funding if the shutdown continued or occurred later in the year.

Note 2: Delayed WA DOC grant draw and increased CenturyLink joint projects

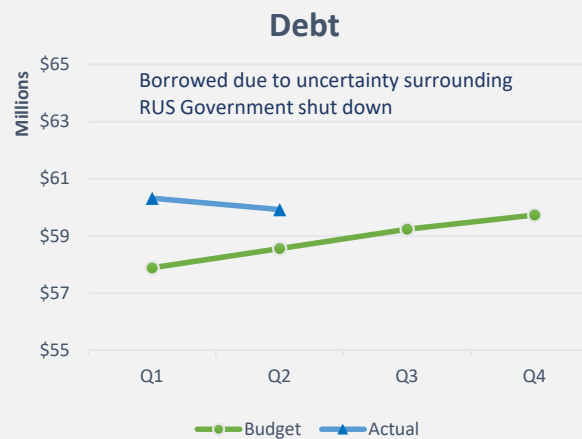
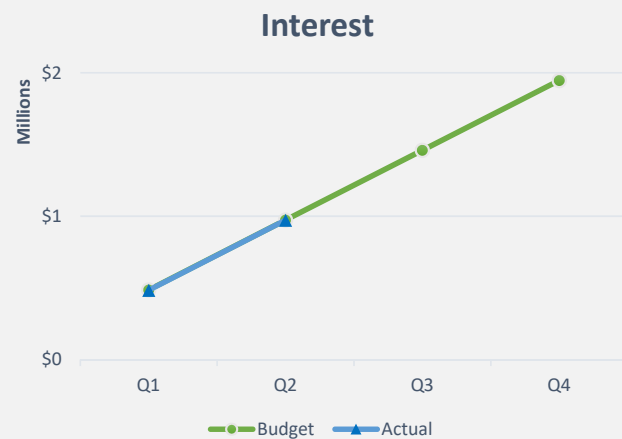
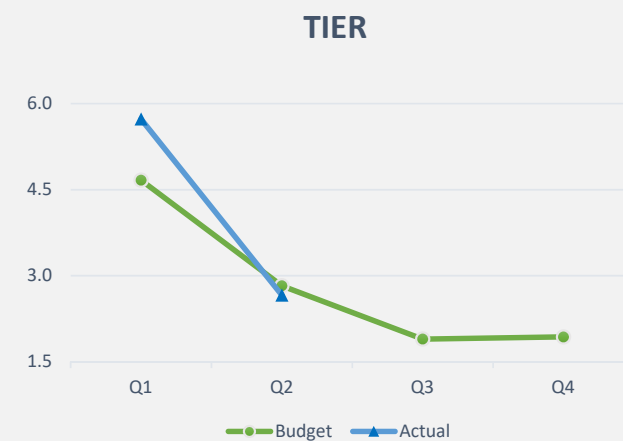
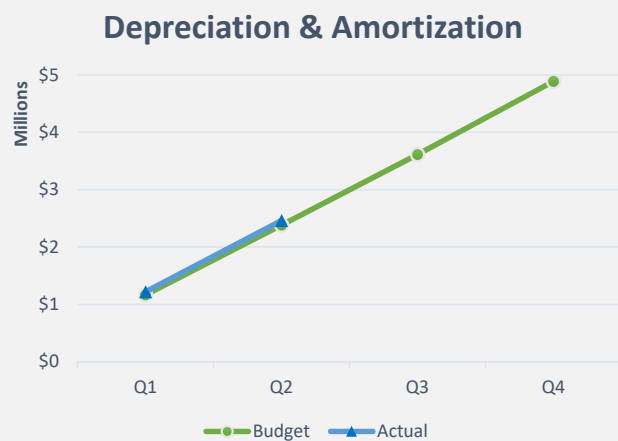


2019 Q2 Financial Highlights

2019 Budget to Actual: Heating Degree Days



2019 Q2 Budget to Actual: Financial Metrics



2019 Q2 Budget to Actual: Statement of Operations

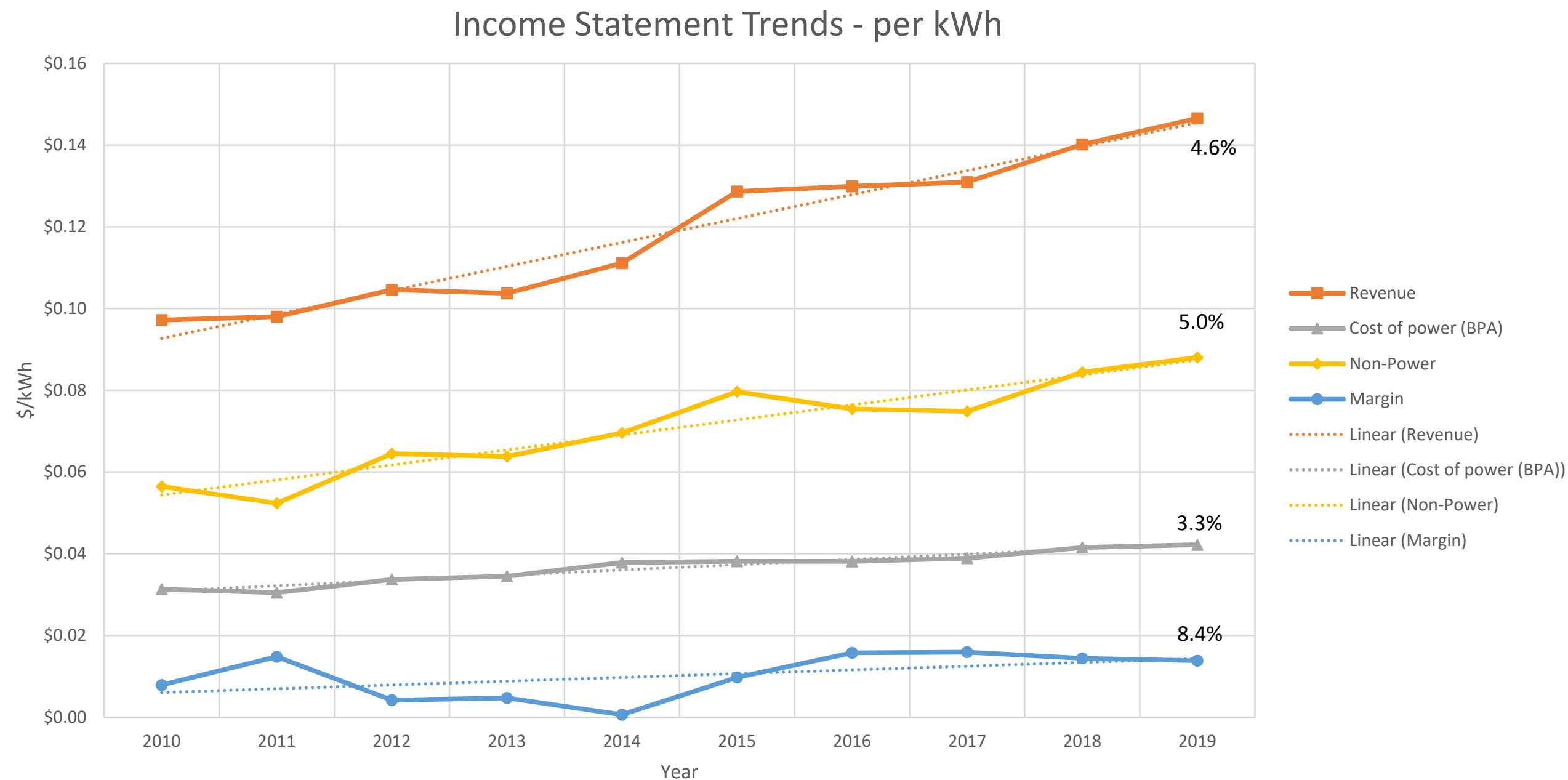
	A. Audited Year End 12/31/2017	B. Audited Year End 12/31/2018	C. Budget Year End 12/31/2019	D. Budget Period End 6/30/2019	E. Actual Period End 6/30/2019	F. Budget Variance (E - D)
1 OPERATING REVENUES						
2 Residential	\$ 20,153,220	\$ 21,373,137	\$ 21,779,381	\$ 11,934,674	\$ 11,982,868	48,194
3 Commercial	7,063,321	7,655,416	7,950,218	4,356,172	4,110,672	(245,500)
4 Other	768,644	234,822	230,536	125,409	142,198	16,788
5 Total operating revenue	27,985,185	29,263,375	29,960,135	16,416,256	16,235,739	(180,517)
6						
7 OPERATING EXPENSES						
8 Cost of power	8,916,059	9,053,663	9,357,588	5,121,812	4,976,997	(144,815)
9 Transmission	210,740	252,433	262,099	94,984	164,181	69,196
10 Distribution - operations	3,617,096	3,365,842	3,665,670	1,967,380	1,908,379	(59,002)
11 Distribution - maintenance	1,767,342	1,945,822	2,197,512	1,106,610	1,069,436	(37,174)
12 Consumer accounts	982,216	1,014,503	1,116,869	579,567	564,670	(14,897)
13						
14 General and administration						
15 Administration	2,957,169	3,191,624	3,355,745	1,738,152	1,763,526	25,373
16 Energy services	401,970	375,582	400,348	140,410	214,439	74,029
17 Subsidiary charges (RIC network mgt services)	34,920	34,920	36,055	18,027	28,845	10,817
18 Total general and administration	3,394,059	3,602,127	3,792,148	1,896,590	2,006,809	110,219
19						
20 Depreciation and amortization	3,699,958	4,528,224	4,887,249	2,381,821	2,460,135	78,315
21 Taxes	1,261,409	1,365,016	1,424,613	757,233	760,860	3,628
22						
23 Total operating expenses	23,848,878	25,127,630	26,703,748	13,905,997	13,911,467	5,470
24						
25 Operating margins before fixed charges	4,136,307	4,135,745	3,256,387	2,510,259	2,324,271	(185,987)
26						
27 FIXED CHARGES						
28 Interest on long-term debt	1,061,579	1,547,868	1,760,491	885,029	884,186	(843)
29						
30 Operating margins after fixed charges	3,074,728	2,587,877	1,495,896	1,625,230	1,440,086	(185,145)
31						
32 PATRONAGE CAPITAL CREDITS	77,586	143,090	90,907	31,817	26,994	(4,823)
33						
34 Net operating margins	3,152,314	2,730,967	1,586,803	1,657,048	1,467,080	(189,968)
35						
36 NON-OPERATING MARGINS						
37 Interest income	144,407	97,091	49,994	24,997	58,242	33,245
38 Other income (loss)	(63,005)	13,812	13,426	9,789	6,124	(3,665)
39 Total Opalco non-operating margins	81,402	110,903	63,420	34,786	64,367	29,581
40						
41 Non-operating margins from Subsidiary						
42 Interest Income (RIC loan)	79,288	79,214	79,214	39,607	39,592	(15)
43 Other income (use of OPALCO backbone)	86,285	86,285	89,785	44,892	44,988	96
44 Total non-operating margins from Subsidiary	165,573	165,499	168,999	84,500	84,580	80
45						
46 Net non-operating margins	246,975	276,402	232,419	119,286	148,946	29,661
47						
48 NET MARGINS	\$ 3,399,289	\$ 3,007,369	\$ 1,819,222	\$ 1,776,333	\$ 1,616,026	(160,307)
49						
50 TIER	3.10	2.67	1.93	2.83	2.66	(0.16)
51 Equity % of Total Cap	43.7%	41.0%	38.8%	41.1%	40.4%	-0.7%



Notes:

- In Q2, we begin to see the impact of the ECA.
- YTD the ECA has returned a net \$300k in the form of bill credits to the membership which is the primary driver of the overall revenue variance of \$181k.
- Net Margin: \$1.6M

Income Statement Trends



ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS

	A. Audited Year End 12/31/2017	B. Audited Year End 12/31/2018	C. Budget Year End 12/31/2019	D. Budget Period End 6/30/2019	E. Actual Period End 6/30/2019	F. Budget Variance (E - D)	G. Actual Period End 6/30/2018
1 OPERATING REVENUES							
2 Residential	\$ 20,153,220	\$ 21,373,137	\$ 21,779,381	\$ 11,934,674	\$ 11,982,868	48,194	\$ 11,459,077
3 Commercial	7,063,321	7,655,416	7,950,218	4,356,172	4,110,672	(245,500)	3,917,482
4 Other	768,644	234,822	230,536	125,409	142,198	16,788	126,877
5 Total operating revenue	27,985,185	29,263,375	29,960,135	16,416,256	16,235,739	(180,517)	15,503,436
6							
7 OPERATING EXPENSES							
8 Cost of power	8,916,059	9,053,663	9,357,588	5,121,812	4,976,997	(144,815)	4,863,009
9 Transmission	210,740	252,433	262,099	94,984	164,181	69,196	48,685
10 Distribution - operations	3,617,096	3,365,842	3,665,670	1,967,380	1,908,379	(59,002)	1,760,546
11 Distribution - maintenance	1,767,342	1,945,822	2,197,512	1,106,610	1,069,436	(37,174)	932,395
12 Consumer accounts	982,216	1,014,503	1,116,869	579,567	564,670	(14,897)	517,188
13							
14 General and administration							
15 Administration	2,957,169	3,191,624	3,355,745	1,738,152	1,763,526	25,373	1,617,650
16 Energy services	401,970	375,582	400,348	140,410	214,439	74,029	157,605
17 Subsidiary charges (RIC network mgt services)	34,920	34,920	36,055	18,027	28,845	10,817	17,460
18 Total general and administration	3,394,059	3,602,127	3,792,148	1,896,590	2,006,809	110,219	1,792,716
19							
20 Depreciation and amortization	3,699,958	4,528,224	4,887,249	2,381,821	2,460,135	78,315	2,206,972
21 Taxes	1,261,409	1,365,016	1,424,613	757,233	760,860	3,628	726,916
22							
23 Total operating expenses	23,848,878	25,127,630	26,703,748	13,905,997	13,911,467	5,470	12,848,426
24							
25 Operating margins before fixed charges	4,136,307	4,135,745	3,256,387	2,510,259	2,324,271	(185,987)	2,655,010
26							
27 FIXED CHARGES							
28 Interest on long-term debt	1,061,579	1,547,868	1,760,491	885,029	884,186	(843)	766,403
29							
30 Operating margins after fixed charges	3,074,728	2,587,877	1,495,896	1,625,230	1,440,086	(185,145)	1,888,607
31							
32 PATRONAGE CAPITAL CREDITS	77,586	143,090	90,907	31,817	26,994	(4,823)	40,055
33							
34 Net operating margins	3,152,314	2,730,967	1,586,803	1,657,048	1,467,080	(189,968)	1,928,662
35							
36 NON-OPERATING MARGINS							
37 Interest income	144,407	97,091	49,994	24,997	58,242	33,245	58,674
38 Other income (loss)	(63,005)	13,812	13,426	9,789	6,124	(3,665)	6,712
39 Total Opalco non-operating margins	81,402	110,903	63,420	34,786	64,367	29,581	65,386
40							
41 Non-operating margins from Subsidiary							
42 Interest Income (RIC loan)	79,288	79,214	79,214	39,607	39,592	(15)	39,605
43 Other income (use of OPALCO backbone)	86,285	86,285	89,785	44,892	44,988	96	43,142
44 Total non-operating margins from Subsidiary	165,573	165,499	168,999	84,500	84,580	80	82,747
45							
46 Net non-operating margins	246,975	276,402	232,419	119,286	148,946	29,661	148,134
47							
48 NET MARGINS	\$ 3,399,289	\$ 3,007,369	\$ 1,819,222	\$ 1,776,333	\$ 1,616,026	(160,307)	\$ 2,076,796
49							
50 TIER	3.10	2.67	1.93	2.83	2.66	(0.16)	3.34
51 Equity % of Total Cap	43.7%	41.0%	38.8%	41.1%	40.4%	-0.7%	42.4%

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL DETAILED BREAKOUT OF NOTABLE DRIVERS

	A.	B.	C.	D.
	Budget Period End 6/30/2019	Actual Period End 6/30/2019	Budget Variance (B - A)	Comments: Budget To Actual (Column C.)
I OPERATING REVENUES	16,416,256	16,235,739	(180,517)	
				Budget Actual Variance
				HDD 608 858 250
				kWh Sales 105,550 110,770 5,220
TOTAL OPERATING REVENUES	16,416,256	16,235,739	(180,517)	Slightly lower than budget - partially due to ECA adjustment to revenue
II OPERATING EXPENSES	13,905,997	13,911,467	5,470	Overall increase in operating expenses
Cost of Power - Line 8	5,121,812	4,976,997	(144,815)	Decrease in expense - lower cost per kWh than budgeted
				Budget Actual Variance
				kWh Purchases 112,888 117,928 5,040
				(kWh in thousands)
Transmission - Line 9 Detail Breakout:	94,984	164,181	69,196	Increase in expense - right of way maintenance, offset distribution expenses
Distribution - Operations - Line 10 Detail Breakout:	1,967,380	1,908,379	(59,002)	Decrease in expense - offset transmission expense
Distribution - Maintenance - Line 11 Detail Breakout:	1,106,610	1,069,436	(37,174)	Decrease in expense
Maint - Station Equipment / Overhead Lines / Underground Lines			(26,487)	Less storm related outages
Multiple Accounts			(10,687)	Variance among multiple general ledger accounts (7 accounts)
Subtotal Distribution Maintenance			(37,174)	
Consumer accounts - Line 12 Detail Breakout:	579,567	564,670	(14,897)	Decrease in expense
Total General and Administrative (G&A):	1,896,590	2,006,809	110,219	Increase in expense
Administration G&A - Line 15 Detail Breakout:	1,738,152	1,763,526	25,373	Increase in expense
Energy Services G&A - Line 16	140,410	214,439	74,029	Increase in expense
Education and Outreach			7,214	Conservation District pre-spending for future projects
BPA Rebates			(54,546)	Big savings on BPA contract for lighting contractor work
BPA EEI Funding			95,120	Fewer BPA rebates; will catch up through Q3
Other Residential Rebates - self funded			20,244	More heat pump rebates - will expire before year end
Multiple Accounts			5,998	Variance among multiple general ledger accounts (8 accounts)
Subtotal Energy Services G&A			74,029	
Subsidiary Charges G&A - Line 17	18,027	28,845	10,817	Increase in expense
Total General and Administrative (G&A)	1,896,590	2,006,809	110,219	Overall increase in expense
Deprec. & Amort. - Line 20	2,381,821	2,460,135	78,315	Increase in expense

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
 DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.
		Budget	Actual	Budget	
		Period End	Period End	Variance	
		6/30/2019	6/30/2019	(B - A)	Comments: Budget To Actual (Column C.)
43	Taxes - Line 21	757,233	760,860	3,628	Increase in expense
44					
45	TOTAL OPERATING EXPENSES	13,905,997	13,911,467	5,470	Overall increase in expense
46					
47					
48	III FIXED CHARGES - Interest Expense - Line 28	885,029	884,186	(843)	Decrease in expense
49					
50	IV PATRONAGE CAPITAL CREDITS (Income) - Line 32	31,817	26,994	(4,823)	Decrease in income - received from associated cooperatives
51					
52	TOTAL NET OPERATING MARGINS	1,657,048	1,467,080	(189,968)	Decrease in margin
53					
54	V NON-OPERATING MARGINS	119,286	148,946	29,661	Increase in margin
55					
56	Interest and Dividend Income - Line 37 combined with Line 42	64,604	97,834	33,230	Increase in income - investments vs cushion of credit
57					
58	Other Income - Line 38 combined with Line 43	54,682	51,112	(3,569)	Decrease in income
59					
60	TOTAL OPALCO NON-OPERATING MARGINS	119,286	148,946	29,661	Increase in margin
61					
62					
63	TOTAL OPALCO NET MARGIN DETAIL BREAKOUT	1,776,333	1,616,026	(160,307)	Decrease in margin

ORCAS POWER AND LIGHT COOPERATIVE

BALANCE SHEET

	A. Audited Year End 12/31/2017	B. Audited Year End 12/31/2018	C. Actual Period End 6/30/2019	D. Change (C - B)	E. Actual Period End 6/30/2018
1 ASSET S					
2					
3 UTILITY PLANT, at cost					
4 Electric plant in service	\$ 124,265,509	\$ 136,469,139	\$ 140,292,818	\$ 3,823,679	\$ 127,016,642
5 Construction work in progress	10,630,332	6,790,804	5,199,965	(1,590,839)	11,583,420
6					
7	134,895,841	143,259,943	145,492,784	2,232,841	138,600,063
8 Less accumulated depreciation and amortization	45,632,268	49,148,193	51,342,838	2,194,644	47,250,694
9					
10 Net utility plant	89,263,572	94,111,749	94,149,946	38,196	91,349,369
11					
12 Investments in associated organizations					
13 Other (CFC, Federated, PNGC, etc.)	1,654,603	1,737,909	1,746,877	8,968	1,670,235
14 Non-utility investment subsidiary (Note 1)	(4,944,798)	(7,444,503)	(8,362,903)	(918,400)	(6,292,557)
15 Total investments in associated organizations	(3,290,195)	(5,706,594)	(6,616,026)	(909,432)	(4,622,322)
16					
17 Other property and investments	(3,290,195)	(5,706,594)	(6,616,026)	(909,432)	(4,622,322)
18					
19 CURRENT ASSET S					
20 Cash and cash equivalents	3,269,223	2,041,535	6,804,346	4,762,811	3,697,927
21 Cash and cash equivalents - board designated	750,000	530,765	534,264	3,499	751,958
22 Accounts receivable, less doubtful accts allowance	3,136,480	4,501,319	3,014,988	(1,486,331)	2,565,486
23 Interest receivable	13,218	6,316	31,369	25,053	6,417
24 Materials and supplies	3,221,936	3,045,487	3,207,742	162,255	3,464,155
25 Prepaid expenses	343,443	384,379	368,635	(15,744)	325,420
26					
27 Total current assets	10,734,300	10,509,801	13,961,344	3,451,543	10,811,363
28					
29 Total assets	\$ 96,707,676	\$ 98,914,957	\$ 101,495,263	\$ 2,580,306	\$ 97,538,410

ORCAS POWER AND LIGHT COOPERATIVE

BALANCE SHEET

	A. Audited Year End 12/31/2017	B. Audited Year End 12/31/2018	C. Actual Period End 6/30/2019	D. Change (C - B)	E. Actual Period End 6/30/2018
30					
31 EQUITIES, MARGINS, AND LIABILITIES					
32					
33 EQUITIES AND MARGINS					
34 Memberships	\$ 55,960	\$ 56,580	\$ 56,515	\$ (65)	\$ 56,310
35 Patronage capital - OPALCO	40,181,088	41,668,217	43,080,591	1,412,374	42,120,817
36 Donated and other equities					
37 OPALCO donated & other margins	5,984,621	6,479,465	6,588,522	109,057	6,127,898
38 Subsidiary margins	(7,069,953)	(9,571,004)	(10,494,820)	(923,815)	(8,419,940)
39					
40 Total equities and margins	39,151,716	38,633,257	39,230,808	597,551	39,885,085
41					
42 LONG-TERM DEBT , less current maturities					
43 RUS mortgage notes	41,809,367	47,256,888	49,567,026	2,310,138	44,037,969
44 RUS economic development	3,333	-	-	-	(6,667)
45 CFC mortgage notes	8,561,284	8,300,502	8,166,458	(134,044)	8,432,076
46					
47 Total long-term debt	50,373,984	55,557,390	57,733,484	2,176,094	52,463,378
48					
49 OTHER NONCURRENT LIABILITIES	24,443	-	260,590	260,590	9,777
50					
51 Total long-term liabilities	50,398,427	55,557,390	57,994,074	2,436,684	52,473,155
52					
53 CURRENT LIABILITIES					
54 Accounts payable	2,997,993	1,979,818	1,018,625	(961,193)	1,418,984
55 Customer deposits	87,219	83,857	85,074	1,217	87,466
56 Accrued liabilities	2,032,945	691,055	915,260	224,205	1,773,869
57 Current maturities of long-term debt	1,734,041	1,628,954	1,899,794	270,840	1,580,710
58 Current maturities capital leases	29,332	24,443	27,834	3,391	29,332
59					
60 Total current liabilities	6,881,530	4,408,127	3,946,587	(461,540)	4,890,361
61					
62 DEFERRED CREDITS	276,002	316,182	323,793	7,611	289,808
63					
64 Total equities and liabilities	\$ 96,707,676	\$ 98,914,957	\$ 101,495,263	\$ 2,580,306	\$ 97,538,410
65					

66 Note:

67 1 Investment in subsidiary consists ofOPALCO's invested dollars in Island Network LLC (+\$2,131,917) LESS IN LLC's cumulative net deficit of(\$10,494,820) seen in 'equities & margins'.

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW
 GAAP

	A.	B.	C.
	Audited	Audited	Actual
	Year End	Year End	Period End
	12/31/2017	12/31/2018	6/30/2019
1 CASH FLOWS FROM OPERATING ACTIVITIES			
2 Net margins	\$ 3,399,289	\$ 3,007,369	\$ 1,616,026
3 Adjustments to reconcile net margin to cash			
4 from operating activities			
5 Depreciation and amortization	3,699,958	4,528,224	2,460,135
6 Changes in assets and liabilities			
7 Accounts receivable	474,341	(1,364,839)	1,486,331
8 Interest receivable	(3,832)	6,902	(25,053)
9 Prepaid expenses	6,298	(40,936)	15,744
10 Accounts payable	1,305,014	(1,018,175)	(961,193)
11 Customer deposits	(2,709)	(3,362)	1,217
12 Accrued liabilities	(40,379)	(1,341,890)	224,205
13 Deferred credits	(5,936)	40,180	7,611
14 Net cash from operating activities	8,832,044	3,813,473	4,825,023
15			
16 CASH FLOWS FROM INVESTING ACTIVITIES			
17 Additions to utility plant, net	(19,248,896)	(11,357,751)	(3,081,890)
18 Change in materials and supplies	489,287	176,449	(162,255)
19 (Increase) decrease in investment in Subsidiary	2,555,325	2,499,705	918,400
20 (Increase) decrease in other OPALCO property and investments, net	(529,271)	(83,306)	(8,968)
21			
22 Net cash from investing activities	(16,733,555)	(8,764,903)	(2,334,713)
23			
23 CASH FLOWS FROM FINANCING ACTIVITIES			
24 Payments on long-term debt, net (Note 1 / Note 2)	(1,695,281)	548,984	(189,082)
25 Proceeds from debt	12,450,000	4,500,000	2,900,000
26 Memberships	(945)	620	(65)
27 Retirements of patronage capital, net	(971,738)	(1,025,396)	(94,595)
28 Change in subsidiary equities	(2,552,005)	(2,501,052)	(923,815)
29 Contributions in aid of construction	783,860	1,981,350	583,559
30			
30 Net cash from financing activities	8,013,890	3,504,506	2,276,001
31			
31 NET CHANGE IN CASH	112,379	(1,446,924)	4,766,311
32			
32 CASH AND CASH EQUIVALENTS, beginning of year/period	3,906,844	4,019,223	2,572,299
33			
33 CASH AND CASH EQUIVALENTS, end of year/period	4,019,223	2,572,299	7,338,610
34			
34 SUPPLEMENTAL DISCLOSURES			
35 Cash paid for interest	\$ 1,545,309	\$ 3,083,072	\$ 571,172
36			
36 OUTSTANDING DEBT BALANCE	(52,132,468)	(57,210,787)	(59,921,702)
37			
37 Notes:			
38			
38 1 Offset by RUS Cushion of Credit balance of \$2.3M (2017) & \$0 thereafter			
38 2 There have been modifications to the RUS Cushion of Credit via the President signing the Agriculture Improvement Act of 2018, as such Cooperatives were no longer allowed to make deposits to the RUS Cushion of Credit after 12/20/18 and RUS refunded the balance of the CoC which is included in A/R at year end.			

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW

NON GAAP

Note: All numbers in thousands		A.	B.	C.	D.	E.	F.
		Audited Year-End 12/31/2017	Audited Year-End 12/31/2018	Approved Budget 6/30/2019	Actual 6/30/2019	Variance (D - C)	Comments
1	% Rate Increase	5%	5%	6%	6%		
2	OPERATING ACTIVITIES:						
3	Margins	\$ 3,400	\$ 3,000	\$ 1,800	\$ 1,600	\$ (200)	
4	Plus depreciation/amortization	3,700	4,500	2,400	2,500	100	
5	Cash flow operations	7,100	7,500	4,200	4,100	(100)	Lower margin from sales (ECA impact)
6							
7	PLANT INVESTMENT (NET)						
8	Plant investment (including material inventory)	(18,400)	(10,300)	(1,900)	(2,600)	(700)	Slightly higher capital spending / delay in CIAC from BESS
9	Cash flow from operations and plant investment	(11,300)	(2,800)	2,300	1,500	(800)	
10							
11	CASH FLOWS FROM PATRONAGE CAPITAL	(1,100)	(1,100)	(60)	(100)	(40)	Estate retirements high in Q1 following general retirement
12	Cash flow before borrowings	(12,400)	(3,900)	2,240	1,400	(840)	
13							
14	NET BORROWINGS	10,800	5,000	1,350	2,700	1,350	Borrowings accelerated Q1 - concerns surrounding government shutdown.
15	Cash increase (decrease) after net borrowings	\$ (1,600)	\$ 1,100	\$ 3,590	\$ 4,100	\$ 510	
16							
17							
18	OUTSTANDING DEBT BALANCE	52,200	57,200	58,600	59,900	1,300	
19							
20	EQUITY BALANCE	39,200	38,600	39,700	39,200	(500)	
21							
22	NET UTILITY PLANT	89,300	94,100	95,500	94,200	(1,300)	

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS SUMMARY

			A.	B.	C.	D.	E.	F.	G.
			Unaudited	Budget	Budget	Actual	Budget	Actual	
			Year End	Year End	Period End	Period End	Variance	Period End	
			12/31/2018	12/31/2019	6/30/2019	6/30/2019	(D- C)	6/30/2018	Comments
1	DISTRIBUTION								
2	100	New Services	\$ 397,842	\$ 372,000	\$ 186,000	\$ 173,499	\$ (12,501)	\$ 154,269	
3	200	New Tie Lines	3,147		-	153	153	2,989	
4	300	Conversions and Line Changes	754,232	750,000	475,000	405,146	(69,854)	110,869	San Juan Valley Rd, Cattle Point Rd
5	400	New Substations, switching station, metering point, etc.	-		-	-	-	-	
6	500	Substation, Switching Station, Metering Point Changes	1,502,357	2,306,000	380,000	251,646	(128,354)	693,686	Anticipated battery design milestone to be completed
7	600	Miscellaneous Distribution Equipment							
8	601	Transformers & Meters	801,046	600,000	200,000	321,080	121,080	429,650	Transformer lead times less than anticipated
9	602	Sets of Service Wires to increase Capacity	-		-	-	-	-	
10	603	Sectionalizing Equipment	1,063	300,000	50,000	656	(49,344)	480	Delay all projects until coordination study is complete
11	604	Regulators	114,440	127,000	-	1,542	1,542	112,849	
12	605	Capacitors	-	-	-	-	-	-	
13	606	Ordinary Replacements	146,639	127,000	100,000	153,336	53,336	96,860	Greater pole replacements than anticipated
14	608	Underground Dist. Cable Replacement	1,679,837	1,414,000	700,000	1,049,995	349,995	1,191,747	Joint CenturyLink projects
15	700	Other Distribution Items							
16	701	Engineering Fees	-		-	-	-	-	
17	704	LMS & SCADA	139,991	116,000	60,000	81,752	21,752	30,604	SCADA network segregation switch purchases
18	705	AMR	232,872		-	32,697	32,697	133,137	Olga Substation AMR completed in January
19	706	Communications							
20	706.0	Island Network	-	-	-	-	-	-	
21	706.1	Fiber/Microwave Infrastructure	534,627	150,000	140,000	90,649	(49,351)	203,580	Less expenditures than anticipated due to joint project with water utility
22	TRANSMISSION								
23	800	New Tie Line	-	-	-	-	-	-	
24	900	New Substations, switching station, metering point, etc.	526,038	-	-	40,960	40,960	332,522	Foundation repairs to North Shaw Submarine Cable Terminal
25	1000	Line and Station Changes	2,672,572	120,000	75,000	67,509	(7,491)	489,908	
26	1100	Other Transmission	-	-	-	-	-	-	
27	GENERATION								
28	1200	Generation	-	-	-	-	-	-	
29	OTHER								
30	1300	Headquarters Facilities	77,349	630,000	75,000	45,155	(29,845)	59,015	Eastsound bathroom project awaiting bids
31	1400	Acquisitions	219,235	-	-	-	-	-	
32	1500	All Other (Transportation, Etc.)							
33	1501	Transportation/Equipment/Tools/Radios	612,005	593,000	95,000	134,449	39,449	243,491	Vehicle purchase delivery in Q3
34	1502	Office Equipment/Furniture/Etc.	9,746	22,000	-	1,171	1,171	-	
35	1503	Computer/Servers/Software	264,369	293,500	200,000	217,790	17,790	242,449	Accelerated failover server purchases
36	1504	Electrical Infrastructure to Support Community Solar	984,612	-	-	7,623	7,623	948,800	
37	1600	Minor Projects	605,704	175,000	90,000	132,454	42,454	139,628	Greater joint project than anticipated
38	RUS CWP SUBTOTAL		12,279,724	8,095,500	2,826,000	3,209,263	383,263	5,616,534	
39	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)								
40		New Services	(448,823)	(350,000)	(175,000)	(207,890)	(32,890)	(209,971)	More new services requests than anticipated
41		Meters and Transformers	(273,110)	(288,000)	(144,000)	(155,762)	(11,762)	(140,632)	More new services requests than anticipated
42		Joint Projects	(94,806)	(296,000)	(148,000)	(219,279)	(71,279)	(21,677)	More joint work than anticipated. Line offset to line 14
43		Island Network Department	-		-	-	-	-	
44		WA DOC Grant Funding	(180,000)	(820,000)	(410,000)	-	410,000	-	Anticipated battery design milestone to be completed
45		Community Solar Member Contributions	(984,612)		-	(627)	(627)	(891,750)	
46	CIAC SUBTOTAL		(1,981,350)	(1,754,000)	(877,000)	(583,559)	293,441	(1,264,030)	
47									
48	RUS CWP NET TOTAL		10,298,373	6,341,500	1,949,000	2,625,704	676,704	4,352,505	
49									
50	Notes:								
51	1	\$88,731 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.							
52	2	\$110,602 in Environmental Consultants. This cost is embedded in the associated projects listed above for capitalization purposes.							

ORCAS POWER AND LIGHT COOPERATIVE

SALES AND USAGE REPORT

		A. Year to Date Total	B. January	C. February	D. March	E. April	F. May	G. June	H. July	I. August	J. September	K. October	L. November	M. December	N. Total
1	HEATING DEGREE DAYS (HDD)														
2	Budget HDD	608	190	165	131	79	31	12	4	3	10	32	136	223	1,016
3	Actual HDD	858	188	396	212	48	11	3							858
4	Variance	250	(2)	231	81	(31)	(20)	(9)							250
5															
6	ENERGY USAGE (kWh)														
7	Residential														
8	Budget	77,334,416	15,946,696	14,535,483	14,817,725	11,995,301	10,866,333	9,172,878	9,455,120	9,172,878	9,172,878	10,584,090	11,995,301	13,406,519	141,121,202
9	Actual	80,071,385	16,109,015	19,286,456	20,103,492	8,494,510	8,887,162	7,190,750							80,071,385
10	Variance (Budget to Actual)	2,736,969	162,319	4,750,973	5,285,767	(3,500,791)	(1,979,171)	(1,982,128)	-	-	-	-	-	-	2,736,969
11															
12	Commercial														
13	Budget	28,215,862	5,818,234	5,303,347	5,406,324	4,376,548	3,964,637	3,346,772	3,449,750	3,346,772	3,346,772	3,861,660	4,376,548	4,891,433	51,488,798
14	Actual	30,698,193	5,719,175	6,201,470	6,507,666	4,149,607	4,210,926	3,909,349							30,698,193
15	Variance (Budget to Actual)	2,482,331	(99,059)	898,123	1,101,342	(226,941)	246,289	562,577	-	-	-	-	-	-	2,482,331
16															
17	Combined Energy Usage (kWh)														
18	Budget	105,550,278	21,764,930	19,838,830	20,224,049	16,371,849	14,830,970	12,519,650	12,904,870	12,519,650	12,519,650	14,445,750	16,371,849	18,297,952	192,610,000
19	Actual	110,769,578	21,828,190	25,487,926	26,611,158	12,644,117	13,098,088	11,100,099	-	-	-	-	-	-	110,769,578
20	Variance (Budget to Actual)	5,219,300	63,260	5,649,096	6,387,109	(3,727,732)	(1,732,882)	(1,419,551)	-	-	-	-	-	-	5,219,300
21															
22	SALES REVENUE (kWh based)														
23	Residential														
24	Budget	11,925,728	2,459,137	2,241,515	2,285,039	1,849,794	1,675,695	1,414,548	1,458,073	1,414,548	1,414,548	1,632,171	1,849,794	2,067,416	21,762,277
25	Actual	11,974,344	2,481,051	2,280,418	3,022,915	1,254,770	1,710,616	1,224,574	-	-	-	-	-	-	11,974,344
26	Variance (Budget to Actual)	48,616	21,914	38,904	737,875	(595,023)	34,921	(189,974)	-	-	-	-	-	-	48,616
27															
28	Commercial														
29	Budget	4,351,163	897,229	817,828	833,708	674,907	611,386	516,105	531,985	516,105	516,105	595,506	674,907	754,308	7,940,079
30	Actual	4,105,794	777,162	707,092	934,924	509,471	670,666	506,478	-	-	-	-	-	-	4,105,794
31	Variance (Budget to Actual)	(245,370)	(120,067)	(110,736)	101,216	(165,435)	59,280	(9,627)	-	-	-	-	-	-	(245,370)
32															
33	Combined kWh Sales Revenue														
34	Budget	16,276,891	3,356,366	3,059,343	3,118,747	2,524,700	2,287,081	1,930,653	1,990,058	1,930,653	1,930,653	2,227,677	2,524,700	2,821,724	29,702,356
35	Actual	16,080,138	3,258,213	2,987,511	3,957,839	1,764,241	2,381,282	1,731,052	-	-	-	-	-	-	16,080,138
36	Variance (Budget to Actual)	(196,753)	(98,153)	(71,832)	839,091	(760,459)	94,201	(199,601)	-	-	-	-	-	-	(196,753)
37	NOTE: Excluded Other Revenue and Revenues that are not usage based.														
38															
39	POWER COST														
40	Budget	5,121,812	1,053,484	961,215	979,669	795,130	721,722	610,591	629,045	610,591	610,591	702,914	795,183	887,452	9,357,588
41	Actual	4,976,329	899,802	1,232,811	972,870	716,007	568,530	586,309							4,976,329
42	Variance (Budget to Actual)	(145,483)	(153,682)	271,596	(6,799)	(79,123)	(153,192)	(24,282)	-	-	-	-	-	-	(145,483)

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7
STATEMENT OF OPERATIONS

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION

BORROWER DESIGNATION

WA0009

PERIOD ENDED

June '19

BORROWER NAME

Orcas Power & Light Cooperative

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

☐

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

☐

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Date

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	15,503,436	16,235,739	16,416,256	1,757,535
2. Power Production Expense	-	-	-	-
3. Cost of Purchased Power	4,863,009	4,976,997	5,121,812	586,309
4. Transmission Expense	48,685	164,181	94,984	43,681
5. Regional Market Expense	-	-	-	-
6. Distribution Expense - Operation	1,760,546	1,908,379	1,967,380	294,020
7. Distribution Expense - Maintenance	932,395	1,069,436	1,106,610	110,233
8. Customer Accounts Expense	517,188	564,670	579,567	97,554
9. Customer Service and Informational Expense	213,846	269,540	254,937	43,224
10. Sales Expense	22,986	25,957	24,864	3,572
11. Administrative and General Expense	1,555,884	1,703,812	1,616,789	271,325
12. Total Operation & Maintenance Expense (2 thru 11)	9,914,538	10,682,971	10,766,944	1,449,919
13. Depreciation and Amortization Expense	2,206,972	2,460,135	2,381,821	418,251
14. Tax Expense - Property & Gross Receipts	157,836	173,528	181,512	28,919
15. Tax Expense - Other	569,079	587,333	575,721	73,178
16. Interest on Long-Term Debt	887,277	973,023	973,324	158,671
17. Interest Charged to Construction - Credit	(120,875)	(88,837)	(88,295)	(12,098)
18. Interest Expense - Other	-	-	-	-
19. Other Deductions	-	7,500	-	-
20. Total Cost of Electric Service (12 thru 19)	13,614,828	14,795,653	14,791,026	2,116,840
21. Patronage Capital & Operating Margins (1 minus 20)	1,888,607	1,440,086	1,625,230	(359,305)
22. Non Operating Margins - Interest	98,280	97,834	64,604	21,520
23. Allowance for Funds Used During Construction	-	-	-	-
24. Income (Loss) from Equity Investments	-	-	-	-
25. Non Operating Margins - Other	49,854	51,112	54,682	8,096
26. Generation and Transmission Capital Credits	-	-	-	-
27. Other Capital Credits and Patronage Dividends	40,055	26,994	31,817	-
28. Extraordinary Items	-	-	-	-
29. Patronage Capital or Margins (21 thru 28)	2,076,796	1,616,026	1,776,333	(329,690)

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

ORCAS POWER AND LIGHT COOPERATIVE

RUS FORM 7
BALANCE SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION		
			WA0009		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED		
			June '19		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	132	84	5. Miles Transmission	42.65	42.65
2. Services Retired	48	81	6. Miles Distribution – Overhead	154.15	153.04
3. Total Services in Place	15,092	15,145	7. Miles Distribution - Underground	1,054.99	1,055.46
4. Idle Services (Exclude Seasonals)	822	738	8. Total Miles Energized (5 + 6 + 7)	1,251.79	1,251.15
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	140,292,818		30. Memberships	56,515	
2. Construction Work in Progress	5,168,969		31. Patronage Capital	41,464,565	
3. Total Utility Plant (1 + 2)	145,461,787		32. Operating Margins - Prior Years	-	
4. Accum. Provision for Depreciation and Amort.	51,311,842		33. Operating Margins - Current Year	1,564,914	
5. Net Utility Plant (3 - 4)	94,149,946		34. Non-Operating Margins	51,112	
6. Non-Utility Property (Net)	-		35. Other Margins and Equities	(3,906,297)	
7. Investments in Subsidiary Companies	(8,362,903)		36. Total Margins & Equities (30 thru 35)	39,230,808	
8. Invest. in Assoc. Org. - Patronage Capital	1,177,163		37. Long-Term Debt - RUS (Net)	-	
9. Invest. in Assoc. Org. - Other - General Funds	10,300		38. Long-Term Debt - FFB - RUS Guaranteed	51,201,202	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	558,274		39. Long-Term Debt - Other - RUS Guaranteed	-	
11. Investments in Economic Development Projects	-		40. Long-Term Debt Other (Net)	8,664,076	
12. Other Investments	1,140		41. Long-Term Debt - RUS - Econ. Devel. (Net)	-	
13. Special Funds	707,899		42. Payments – Unapplied	-	
14. Total Other Property & Investments (6 thru 13)	(5,908,127)		43. Total Long-Term Debt (37 thru 41 - 42)	59,865,278	
15. Cash - General Funds	3,286,319		44. Obligations Under Capital Leases - Noncurrent	28,590	
16. Cash - Construction Funds - Trustee	37,962		45. Accumulated Operating Provisions and Asset Retirement Obligations	-	
17. Special Deposits	-		46. Total Other Noncurrent Liabilities (44 + 45)	28,590	
18. Temporary Investments	3,357,967		47. Notes Payable	-	
19. Notes Receivable (Net)	268,802		48. Accounts Payable	1,018,625	
20. Accounts Receivable - Sales of Energy (Net)	1,719,114		49. Consumers Deposits	85,074	
21. Accounts Receivable - Other (Net)	183,902		50. Current Maturities Long-Term Debt	-	
22. Renewable Energy Credits	-		51. Current Maturities Long-Term Debt - Economic Development	-	
23. Materials and Supplies - Electric & Other	3,207,742		52. Current Maturities Capital Leases	27,834	
24. Prepayments	368,635		53. Other Current and Accrued Liabilities	915,260	
25. Other Current and Accrued Assets	823,001		54. Total Current & Accrued Liabilities	2,046,793	
26. Total Current and Accrued Assets	13,253,444		55. Regulatory Liabilities	-	
27. Regulatory Assets	-		56. Other Deferred Credits	323,793	
28. Other Deferred Debits	-		57. Total Liabilities and Other Credits	101,495,263	
29. Total Assets and Other Debits	101,495,263				