



BOARD OF DIRECTORS REGULAR MEETING

Thursday, September 19, 2019 8:30 a.m.

Lopez Firehall

TRAVEL

Via Island Air (378-2376)

To:

Leave	FH	7:45 a.m.	Arrive	LZ	8:00 a.m.
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Return:

Leave	LZ	3:00 p.m.	Arrive	FH	3:15 p.m.
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Via Ferry:

To:

Leave	FH	6:05 a.m.	Arrive	Lopez	7:30 a.m.
	Orcas	6:55 a.m.			
	Shaw	7:10 a.m.			

Return:

Leave	Lopez	3:45 p.m.	Arrive	Shaw	4:05 p.m.
				Orcas	4:25 p.m.
				FH	5:05 p.m.

Sequence of Events

- Board Meeting

Orcas Power & Light Cooperative
Board of Directors
Regular Board Meeting
Lopez Firehall
September 19, 2019 8:30 A.M.*

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

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.*
- Kent Lopez – General Manager, WRECA
- Ashley Slater – Vice President of Government Affairs & Policy, PNGC Power
- Greg Mendonca – Vice President of Power Supply, PNGC Power

ACTION ITEMS

- Consent Agenda
- NRECA Region 9 Voting Delegate
- Resolution 2-2019 – Support of Federal Power System and Snake River Dams
- RESP Loan – Member On-Bill Financing
 - Resolution 3-2019 – RUS RESP 2.0 Program
 - Resolution 4-2019 – Corporate Debt Limit Increase
- Easement Relinquishment
- Integrated Resource Plan (IRP)

DISCUSSION ITEMS

- Clean Energy Transformation Act (CETA) SB 5116 Update – Kent, Ashley, and Greg
- Election & Governance Committee (EGC) Review of Director Qualifications

REPORTS

- General Manager
- Rock Island Snapshot

EXECUTIVE SESSION

Legal, Personnel, and Competitive

ADJOURNMENT

MEMORANDUM

September 13, 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 – August 2019

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

1. August, Jennifer
2. Baker, Keith E
3. Chipchase, Lukas
4. Cohen, Celilia
5. Cook, Nancy
6. Crown Castle Fiber LLC
7. Cumberland, Rachael
8. Froyland, Zoe
9. Gloria H Upper Estate
10. Haws, Jill
11. Jag Auto LLC
12. Kelly, Michael
13. Kwan Lamah III LLC
14. Lamar, Maureen
15. Palmer, Jonathan
16. Perkins, Marcus
17. Rosemund, Scott & Helen
18. San Juan Lost Treasure
19. Shulze, Heather
20. Skully, Carol
21. Sluis, Scott & Valerie
22. Stults, Kenneth

23. Telles, Jason Jr & Hannah

24. Van Camp, Joellen

25. Willows, Dennis

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

26. Anderson, James & Gina
27. Baker, Rose
28. Bell, Brian
29. Bowen, George W & Jan L
30. Chudy, John & Bowers, Susan
31. Coneybeer, Robert
32. Crescent Service Center LLC
33. Evenson, Robert & Kathleen
34. Galeotti, Lauren
35. Gellner, Carol
36. Henderson, Gerald & Anderson, Holly
37. Hunt, Suzanne
38. Jawson, Jacob
39. Johns, Alicia & Trent
40. Johnston, Jennifer & Donald

41. Mahoney, Shawn
42. Mitchell, Emily
43. Moran-Hodge, Melissa
44. Orcas Biomass LLC
45. Pelfrey, Sara & McCune, Clint
46. Pickett Perch LLC
47. Prince, Deanna
48. Sherman, Janet S
49. Stoltz, Victor & Woodruff, Jackie
50. Willingham, Marcia R

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

51. Bookman, Charles

52. Champion, Dawn
53. Fischer, Leo
54. Kimmich, Russ
55. Kortge, Kenneth L
56. McClain, Rebecca
57. Notaro, Jessica
58. Steven Greenstein Revoc Trust
59. Susser, Kristina
60. Townley, Elizabeth & Skeet

District 4 (Shaw, Crane, Canoe, Bell)

61. Whitaker, Mari & Norman

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

September	
Customer #	Amount
84705	\$ 87.66
63514	1,041.85
82044	20.01
64246	1,149.36
74094	248.02
63899	2,383.84
65033	401.17
70358	317.22
81498	1,735.05
Total	\$ 7,384.18

- **RUS 219s** *Inventory of Work Orders* of projects completed from the Construction Work Plan totaling \$363,731.42. These forms are submitted to RUS for approval of loan funds.

Inventory 201907 - \$363,731.42 for projects associated with pole replacements, transclosure replacements, URD replacements, and installation of regulators.
 Inventory AS1907 – Installation of conduit for future use.

Staff requests a motion to approve the Consent Agenda.

Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting Thursday, August 8, 2019

President Vince Dauciunas called the meeting to order at 8:30 a.m. in the OPALCO Eastsound conference room. Board members present were Vince Dauciunas, Mark Madsen, Jerry Whitfield, Jeffrey Struthers, Rick Christmas, Peter Garlock and Brian Silverstein. 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 Executive Assistant Kelly Koral (serving as recording secretary).

Members/Guests

Bruce Nyden

MEMBER COMMENTS

No member comments

CONSENT AGENDA

- **Motion** was made and seconded to approve Consent Agenda, including June 27, 2019 minutes, new members as listed with the Board materials, capital credit payments totaling \$18,919.94 and RUS 219s totaling \$100,880.93. Motion carried by voice vote.

2020 ANNUAL MEETING

Staff requested the 2020 Annual Meeting be held April 18, 2020 aboard the inter-island ferry and to appoint Joel Paisner as Parliamentarian.

- **Motion** was made and seconded. Motion carried by voice vote.

DISCUSSION ITEMS:

Resolution re: Support of the Federal Columbia River Power System

Staff distributed a resolution requested by Kent Lopez of WRECA in support of the Federal Columbia River Power System and the four Lower Snake River dams. Discussion was held. Staff will revise the resolution and bring to the September meeting.

2019 Q2 Financial Report

Staff reviewed the second quarter financials with the Board and noted that the results were aligned with 2019 budget expectations.

IRP Review

Slide presentation was reviewed and discussed. Staff to amend language and bring to the September meeting.

EXECUTIVE SESSION 10:40 a.m. to 12:38 p.m.

GENERAL MANGER

General Manager's report was reviewed.

EXECUTIVE SESSION 10:40 a.m. to 12:38 p.m.

EXCESS LIABILITY INSURANCE

- **MOTION** was made to increase the excess liability coverage. Motion was made and seconded. Motion carried by voice vote.

2019 FINANCIAL STATEMENT AUDITOR SELECTION

- **MOTION** was made to engage Moss Adams for the 2019 audit and tax returns and for Staff to execute the engagement letter. Motion was seconded and carried by voice vote.

ADJOURNMENT

Meeting was adjourned at 1:15 p.m.

Vince Dauciunas, President

Brian Silverstein, Secretary-Treasurer

08/16/2019 11:18:41 am

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: JUL 2019

System Designation: WA AH O9

Inventory: 201907

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)							
601	2018 3197			1	4,011.60	0.00	0.00	0.00	0.00	3,995.91
								AFUDC: 15.69		
					4,011.60	0.00	0.00	0.00	0.00	3,995.91
604 - 6	2018 2966			1	57,872.00	0.00	0.00	0.00	0.00	55,941.75
								AFUDC: 1,930.25		
					57,872.00	0.00	0.00	0.00	0.00	55,941.75
606	2018 3092			1	6,615.75	0.00	0.00	0.00	0.00	6,563.35
								AFUDC: 52.40		
606	2018 3185		3185	1	30,662.65	4,255.44	0.00	0.00	0.00	34,571.81
								AFUDC: 346.28		
606	2018 3213		3213	1	10,440.63	0.00	0.00	0.00	0.00	10,406.48
								AFUDC: 34.15		
606	2018 3247		3247	1	64,813.17	0.00	0.00	0.00	0.00	64,559.69
								AFUDC: 253.48		
					112,532.20	4,255.44	0.00	0.00	0.00	116,101.33
608 - 2	2018 2654		2654	1	61,370.18	387.50	0.00	0.00	0.00	61,378.61
								AFUDC: 379.07		
					61,370.18	387.50	0.00	0.00	0.00	61,378.61
608 - 3	2018 3111			1	42,702.97	0.00	0.00	0.00	0.00	42,160.90
								AFUDC: 542.07		
					42,702.97	0.00	0.00	0.00	0.00	42,160.90
705 - 2	2018 2805			1	85,539.64	0.00	0.00	0.00	0.00	84,152.92
								AFUDC: 1,386.72		
					85,539.64	0.00	0.00	0.00	0.00	84,152.92
Grand Totals:					\$ 364,028.59	\$ 4,642.94	\$ 0.00	\$ 0.00	\$ 0.00	\$ 363,731.42

08/16/2019 11:18:41 am

RUS Form 219 Inventory Of Work Orders

Page: 5

Period: JUL 2019

System Designation: WA AH O9

Inventory : 201907

Budget

Loan	Project	Amount
1	601	3,995.91
1	604 - 6	55,941.75
1	606	116,101.33
1	608 - 2	61,378.61
1	608 - 3	42,160.90
1	705 - 2	84,152.92
Total:		363,731.42

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

08/16/2019 11:18:41 am

Page: 3

RUS Form 219 Inventory Of Work Orders

Period: JUL 2019 System Designation: WA AH O9

Inventory: AS1907

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 2997			1	82,529.39	0.00	0.00	0.00	0.00	80,886.84
								AFUDC: 1,642.55		
					82,529.39	0.00	0.00	0.00	0.00	80,886.84
Grand Totals:					\$ 82,529.39	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 80,886.84

Minor Construction Work Orders

Work Order: 2997 - INSTALL 2" CONDUIT IN SHARED OPEN TRENCH DOLPHIN BAY/MCNALLIE TO LOCA 2155119

08/16/2019 11:18:41 am

Page: 6

RUS Form 219 Inventory Of Work Orders

Period: JUL 2019

System Designation: WA AH O9

Inventory : AS1907

Budget

Loan	Project	Amount
1	1600	80,886.84
Total:		80,886.84

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

September 13, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: NRECA Region 9 Voting Delegate

NRECA is holding their Region 9 meeting on September 24th to 26th in Spokane, WA and has asked us to provide an official voting delegate and an alternate. On August 28th, there was an email to the Board to request approval of Foster Hildreth as voting delegate and Rick Christmas as the alternate. The Board approved this request via email. The bylaws require all email actions be memorialized at the subsequent Board meeting.

No further action is required.

MEMORANDUM

September 13, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Resolution re: Support of the Federal Columbia River Power System and the Four Lower Snake River Dams

WRECA is requesting their members adopt a resolution in support of continued operation of the four Lower Snake River dams and opposing removal or breach and the spending of taxpayer funds on duplicative and unnecessary studies. Other cooperatives have done so including Parkland and Benton REA.

The attached is a resolution that gives us a voice in the issue. The language of our resolution is slightly different than that of WRECA and other cooperatives due to our location in the heart of the Salish Sea and the interdependence of the issues at stake with our daily lives. We cannot tolerate any further decline of our sensitive marine environs or risk the survival of any part of the complex food chain that supports our orca whales.

OPALCO supports the whales and our federal hydro system. We oppose the removal of the dams because we don't believe it will solve the problem for our fish and the food chain and may worsen the situation. We believe the National Environmental Policy Act (NEPA) study (already funded and underway) will provide the science necessary to understand the full web of interdependent issues at play, including water temperatures, ocean acidification, pollution and climate change. We believe we can build a successful future for our fish and wildlife, clean air and water, while keeping our power carbon free with the Federal Columbia River Power System (FCRPS).

Staff requests the Board approve and adopt the attached resolution in support of the continued operation of the Lower Snake River dams.



**BOARD OF DIRECTORS
RESOLUTION 2-2019**

**SUPPORTING THE FEDERAL COLUMBIA RIVER POWER SYSTEM,
RECOGNIZING ITS ROLE IN ENVIRONMENTAL STEWARDSHIP, AND
OPPOSING REMOVAL OF THE LOWER SNAKE RIVER DAMS**

Orcas Power & Light Cooperative (OPALCO) is a member owned electric cooperative providing electric services in San Juan County, Washington, and is a full requirement utility, with all of the electricity it delivers to its members (other than a small amount of local distributed power) coming from the Bonneville Power Administration (BPA) and is generated by the Federal Columbia River Power System (FCRPS).

The FCRPS is in large part responsible for the clean air, water and lands enjoyed by millions in the Pacific Northwest. The dams on the Columbia and Snake Rivers provide navigable waters, irrigation, flood control, recreation and the FCRPS provides a reliable source of clean energy for millions of residents of Washington State and the Pacific Northwest.

Hydropower produces no emissions, making the Pacific Northwest's carbon footprint from energy production nearly half that of the other parts of the country and because hydropower output can be quickly increased or reduced, it is an excellent back-up for intermittent wind or solar generation.

Industries and businesses, representing hundreds of thousands of jobs, rely on low-cost hydropower to stay in business and prosper and high technology firms have located facilities in the Pacific Northwest because of the availability of reliable, carbon free hydropower, creating jobs and boosting local economies.

The clean and renewable energy generated by the FCRPS has made Washington State a national and world leader in responsible environmental stewardship and implementation of the FCRPS BiOp has successfully improved overall fish runs by 97 percent, proving that dams and fish can coexist. Consequently, there are more total fish in the Columbia River than at any time since the first lower mainstream dam was built at Bonneville in 1938.

To facilitate this remarkable achievement, BPA has spent nearly \$17 billion on infrastructure and fish mitigation projects since 1978 representing from one-quarter to one-third of the BPA's total costs. Because of these efforts, for the foreseeable future, salmon and steelhead mitigation in the Northwest will continue to be one of the largest wildlife recovery efforts in history.

The four Lower Snake River dams enable irrigation for over seven million acres of farmland producing \$8 billion annually in agricultural income, barging of approximately nine million tons of cargo valued at over \$3 billion annually, and annually produce 1,000 aMW of emissions-free power, enough to serve nearly half a million Northwest businesses, industries and households. BPA has identified the four Lower Snake River Dams as critical components of the FCRPS mission of supporting peak power generation and removing over 2,000 megawatts of firm winter capacity generated by the four Lower Snake River Dams would add to a forecasted Northwest shortfall in energy capacity.

Despite the significant value the dams provide, and the success of the current FCRPS BiOp, there continues to be movement to have the four Lower Snake River dams removed. In March 2017, the United States District Court for the District of Oregon directed the federal agencies to undertake a

comprehensive review of hydro operations under the National Environmental Policy Act (NEPA) and urged the federal agencies to include analysis of the removal, bypass or breaching one or more of the four Lower Snake River dams. Additionally, Washington State is funding a study on the associated economic and social impacts of the potential breaching or removal of the four Lower Snake River dams which duplicates the same effort that is several years underway by the federal agencies in the Columbia River Systems Operations Environmental Impact Statement, making the study an unnecessary and wasteful use of taxpayers' money.

There is inaccurate information about the four Lower Snake River dams being spread in an effort to undermine the value of the FCRPS and create public support for the removal or breaching of the four Lower Snake River dams with no regards to science-based facts. However, the FCRPS and the four Lower Snake River dams have been, are and will continue to be a critical component of life in the Pacific Northwest.

OPALCO supports the whales and our federal hydro system. We oppose the removal of the dams because we don't believe it will solve the problem for our fish and the food chain and may worsen the situation. We believe the NEPA study will provide the science necessary to understand the full web of interdependent issues at play, including water temperatures, ocean acidification, pollution and climate change. We believe we can build a successful future for our fish and wildlife, clean air and water, while keeping our power carbon free with the FCRPS.

NOW, THEREFORE, the Board of Directors of Orcas Power & Light Cooperative resolves to support the continued operation of the FCRPS including the four Lower Snake River dams for the many benefits they provide including emissions-free, renewable, reliable, low-cost energy; and

Further resolve to oppose spending taxpayer money on a duplicative and unnecessary study of such removal or breaching; and

Further resolve to support effective actions to restore salmon runs as determined from existing and future BiOps; and

Further resolve to support effective actions to save the resident orcas in the Salish Sea.

CERTIFICATION OF SECRETARY

I, Brian Silverstein, Secretary of Orcas Power and Light Cooperative, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Trustees of the Orcas Power and Light Cooperative, held on the 19th day of September 2019 at which meeting a quorum was present.

SEAL

Brian Silverstein, Secretary

MEMORANDUM

September 13, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: USDA Rural Energy Saving Program (RESP) Loan Application

One of OPALCO's main goals is to assist our members keep their total energy costs down and lower our collective carbon footprint along the way. We have begun to do this successfully using the RUS RESP funds for our Switch-It-Up! on-bill financing program (Program) we launched earlier this year. In just over four (4) months since the Program launch in April we have financed ~\$445K energy efficiency measures in members' homes, comprised of 37 ductless heat pumps (10 of which were fuel switching) and 4 heat pump water heaters. We have another 34 projects, or \$265K worth, at various stages in the pipeline.

We are now pursuing a second round of this 0% loan funding from RUS to expand the programs offerings and begin implementing additional energy independence measures identified in our Integrated Resource Plan (IRP).

The Program strives to accomplish these goals in three ways:

1. energy efficiency and conservation,
2. fuel switching away from other forms of energy like gasoline and other carbon-based fuels and
3. preparing our system for cost effective local, renewable energy generation and battery storage.

Staff is excited for the opportunity to obtain additional 0% interest RUS funding to support member energy savings and efficiency through our re-lending program. In August 2019, staff received an 'Invitation to Proceed with Loan Application' from RUS. Our intent is that the funds of \$15M will be used to expand our comprehensive energy savings and renewable re-lending program for years to come.

Please note, the implementation plan and actual loan disbursements can be adjusted to suit the annual budgetary goals and the total number of members benefiting from this program. Additionally, the plan can be adjusted over the loan horizon to accommodate unforeseen challenges, lessons learned, regulatory changes, and feedback from members.

The RUS application requires:

- A. Board Resolution approving and establishing the energy savings financing program,
- B. high-level Implementation Work Plan (IWP) for the program and
- C. long range financial forecast (LRFF).

These documents are to be approved by the Board as part of the application packet prior to loan submittal.

Full draft of the LRFF and IWP have been distributed to the Board in executive session materials.

1 – Board Resolution:

See attached resolution action item.

2 - Implementation Work Plan:

The IWP serves as a living document which outlines the overarching program goals and includes a timeline, sources & uses of funds, staffing plan, marketing plan, operations plan, risk analysis, and quality assurance plan.

3 – Long Range Financial Forecast:

The LRFF follows the RUS standard Form 325 forecast model which prescribes a format as well as several key assumptions. This forecast is to be used for the RUS loan application process only, as there are several key assumptions prescribed by RUS within the LRFF that differ from the assumptions used in OPALCO's budgeting for operations (i.e. RUS requires the assumption 5.5% interest on future borrowings which dramatically effects TIER targets and General Funds accumulation levels in any given year). These prescribed assumptions result in a LRFF that is highly conservative which allows RUS to gauge a borrower's credit worthiness and anticipated borrowing levels.

Once the loan application is submitted, RUS will review the application documents and, if approved, will issue a conditional commitment letter to OPALCO.

Upon review, staff recommends a motion to execute the RESP resolution and approve both the LRFF and IWP.



**BOARD OF DIRECTORS
RESOLUTION 3-2019
ESTABLISHING THE RURAL ENERGY SAVINGS PROGRAM (RESP)**

WHEREAS, Orcas Power & Light Cooperative has developed the Switch It Up! On-Bill Financing Program for the rural areas in its service territory intended to be funded with the proceeds from the United States Department of Agriculture's Rural Energy Savings Program (RESP); and

WHEREAS, Orcas Power & Light Cooperative through RESP will offer energy savings project financing; and

WHEREAS, Orcas Power & Light Cooperative has developed a comprehensive implementation work plan and financial forecast for RESP; and

WHEREAS, Orcas Power & Light Cooperative has developed a comprehensive measurement and verification program in connection with RESP; and

WHEREAS, the financial forecast, the implementation work plan and the measurement and verification program, and related documents will be considered by the Rural Utilities Service, an agency of the United States Department of Agriculture, in making a determination to make a financially feasible and adequately secure loan to Orcas Power & Light Cooperative; and

WHEREAS, Orcas Power & Light Cooperative intends to submit a loan application under the Rural Energy Savings Program Loan as prescribed in the Notice of Funding Availability (NOFA) published in the Federal Register, Vol. 83, No. 151 on August 06, 2018.

NOW THEREFORE BE IT RESOLVED, that Orcas Power & Light Cooperative approves the implementation work plan, the financial forecast and related documents in connection to the RESP;

BE IT ALSO RESOLVED, that Orcas Power & Light Cooperative's officers, managers, and staff are authorized to carry out all necessary actions, including but not limited to, the executing and attesting all necessary documentation in connection with the loan application and to participate in the Rural Energy Savings Program as provided in the NOSA;

BE IT FURTHER RESOLVED that Orcas Power & Light Cooperative's officers are authorized to apply and take a loan in the amount of \$15M to carry out RESP;

BE IT ALSO RESOLVED, that the loan shall bear a maturity date to cover twenty years.

CERTIFICATION OF SECRETARY

I, Brian Silverstein, Secretary of Orcas Power & Light Cooperative do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Orcas Power & Light Cooperative on September 19, 2019, at which a quorum was present and voted.

SEAL

Brian Silverstein, Secretary

MEMORANDUM

September 13, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Corporate Debt Limit

Staff continues to work with RUS to finalize the next Rural Energy Savings Program (RESP).

RUS is requiring OPALCO to update our corporate debt limit to accommodate the additional RESP loan funds. Staff is proposing to raise OPALCO's corporate debt limit to accommodate the new debt facility, currently set at \$120M, to \$135M.

RUS defines the maximum debt limit to be the face value of all original loan facilities (all lenders), regardless of the current loan balances. The corporate debt limit does not include any short-term lines of credit or loan guarantees. Also note that, over time, the face values of the original loan facilities were adjusted for amounts not drawn before the expiration of the facility.

The RUS corporate debt limit is viewed to be the maximum amount that the Board of Directors believes is advisable to finance the construction, acquisition and operation of electric transmission, distribution, and service facilities.

<u>Lender</u>	<u>Original Loan Facility</u>	<u>Current Loan Balance</u>	<u>RUS Maximum Debt Limit</u>
CFC	\$23.4M	\$8.4M	
RUS	88.9M	50.9M	
RUS RESP 1.0	5.8M	.2M	
Subtotal	\$118.1M	\$59.5M	\$120M
<u>New Loan:</u>			
RUS RESP 2.0	15M	-	
Total	\$133.1M	\$59.5M	\$135M

Staff requests a motion to approve Resolution Number 4-2019 *Corporate Debt Limit* which will raise the current limit of \$120M to \$135M.



**BOARD OF DIRECTORS
RESOLUTION 4-2019
CORPORATE DEBT LIMIT**

WHEREAS, it has been determined that an increase in the debt limit of the cooperative is required to permit additional borrowings to finance the expansion of the Switch It Up! On-Bill Financing Program;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of Orcas Power and Light Cooperative is authorized, on behalf of the Cooperative, to borrow from time to time additional sums from the United States of America pursuant to the provisions of the Rural Electrification Act of 1936, as from time to time amended, and such sums as it may deem advisable from the National Rural Utilities Cooperative Finance Corporation and other lending agencies or lending corporations; and to incur indebtedness from time to time by the assumption of indebtedness of third parties to United States of America, to National Rural Utilities Cooperative Finance Corporation or to other lending agencies or lending corporations, such loans and such assumptions of indebtedness to be in such amounts and upon such terms as the Board of Directors shall deem advisable to finance the construction, acquisition and operation of such electric generating, transmission, distribution and service facilities as the Board of Directors shall from time to time determine upon; provided, however, that the aggregate amount of such loans, together with the aggregate amount of such indebtedness so assumed and the aggregate amount of loans heretofore made to the Cooperative shall not exceed \$135,000,000 at any one time outstanding.

CERTIFICATION OF SECRETARY

I, Brian Silverstein, Secretary of Orcas Power and Light Cooperative, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Trustees of the Orcas Power and Light Cooperative, held on the 19th day of September 2019 at which meeting a quorum was present.

SEAL

Brian Silverstein, Secretary

MEMORANDUM

September 13, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Easement Relinquishment - Johnson

Jeffrey and Angela Johnson have requested that OPALCO relinquish an old easement across their Orcas Road area property on tax parcel number 260411003000. This relinquishment is due to the relocation of poles based on the San Juan County road realignment project.

The subject easement AFN 74349 which was for an underground/overhead transmission and distribution lines was granted in 1970. OPALCO's rebuilt overhead transmission and distribution lines are on the opposite side of Orcas Road from the subject easement and there are no plans to expand our system onto the Johnson parcel.

The Staff see no reasonable future use of this easement and the Staff are recommending that we relinquish all rights to easement AFN 74349 as it pertains to tax parcel # 260411003000.

The Staff are including the following items for review and action to be enclosed in the directors' board packets:

1. Copy of OPALCO Easement AFN 74349 to be relinquished.
2. Drawings showing lot lines, easements, OPALCO facilities and other improvements.
3. Copy of Signed Contract Agreement with the Johnsons.
4. Easement Relinquishment Documents.

Staff recommends the Board make a motion to relinquish the above-mentioned easement.

74349

EASEMENT.

THE GRANTORS, Carl J. N. Nordstrom and Annie M. Nordstrom, husband and wife, for good and valuable consideration, receipt of which is hereby acknowledged, do hereby grant and convey to the Grantee, ORCAS POWER & LIGHT COMPANY, its successors and assigns, an easement for the installation and continued operation, maintenance, repair and replacement of an overhead or underground electric transmission or distribution line, with all necessary wires and fixtures thereon, together with the right to cut, trim, control and remove trees, brush and other obstructions which may interfere with the Grantee's proper use of this easement and the right to permit the joint use of the line or system by others for electrical, telephone, or TV cable purposes, over, under and across the following described property in San Juan County, Washington, to-wit:

An easement 50 feet in width laying 50 feet West of the following described center-line; beginning at the NE corner Section 4, T36N, R2 WWM; thence due South 2640 feet, more or less, to the point of ending.

Received for record at 11:24 AM SEP 28 1970
 at request of ORCAS POWER & LIGHT
Marjorie C. Bergman, Auditor, San Juan Co., Wash.
Deputy

All facilities installed by Grantee on said lands shall remain its property and may be removed by it at any time.

DATED this 14th day of September, 1970.

Carl J. N. Nordstrom

Annie M. Nordstrom

STATE OF WASHINGTON

COUNTY OF San Juan

ss.

On this day personally appeared before me Carl J. N. Nordstrom to me known to be

and Annie M. Nordstrom

the individual described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14th day of September, 1970.



Walter Brown
 NOTARY PUBLIC in and for the State of
 Washington,
 residing at Orcas

260411003
9.78 Ac

GL-1

Ez # 74349

O.S.O.S
260411004
45.10 Ac

HOME SITE
M/V ON
260411004

SE-NE

SCHAEFER'S STRETCH

NORTH

DISCLAIMER
Maps for assessment purposes
only. Not a substitute for
a recorded survey.

26032

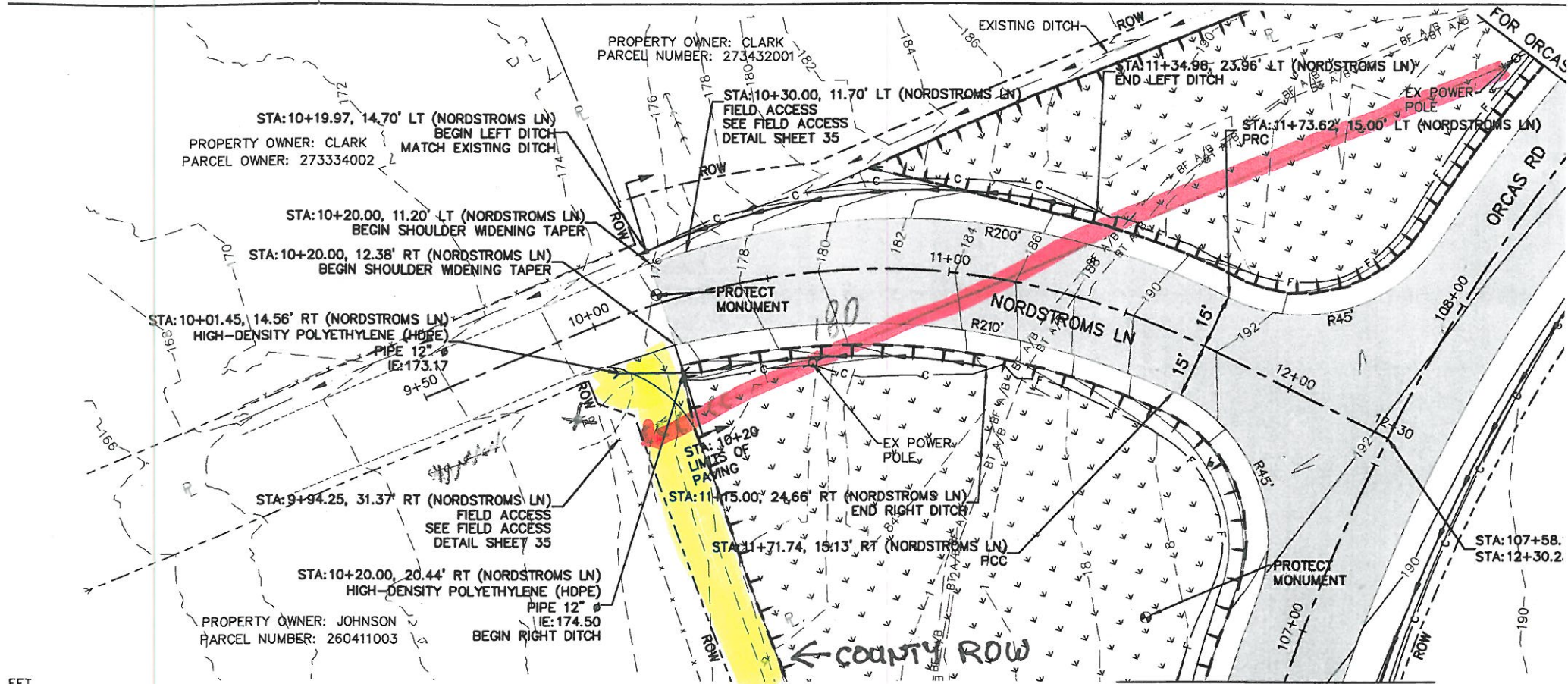
NE 1/4 SEC 4 TWP 36 N R 2 W, W.M.

SAN JUAN COUNTY, WASHINGTON

260411003
6.93 Ac

AS ISLAND

1" = 200'



LEFT

1/4	3/4
107+96.14, 18.22' LT (ORCAS RD)	108+11.61, 15.00' LT (ORCAS RD)
192.96	193.04 PRC

FINISHED GRADE

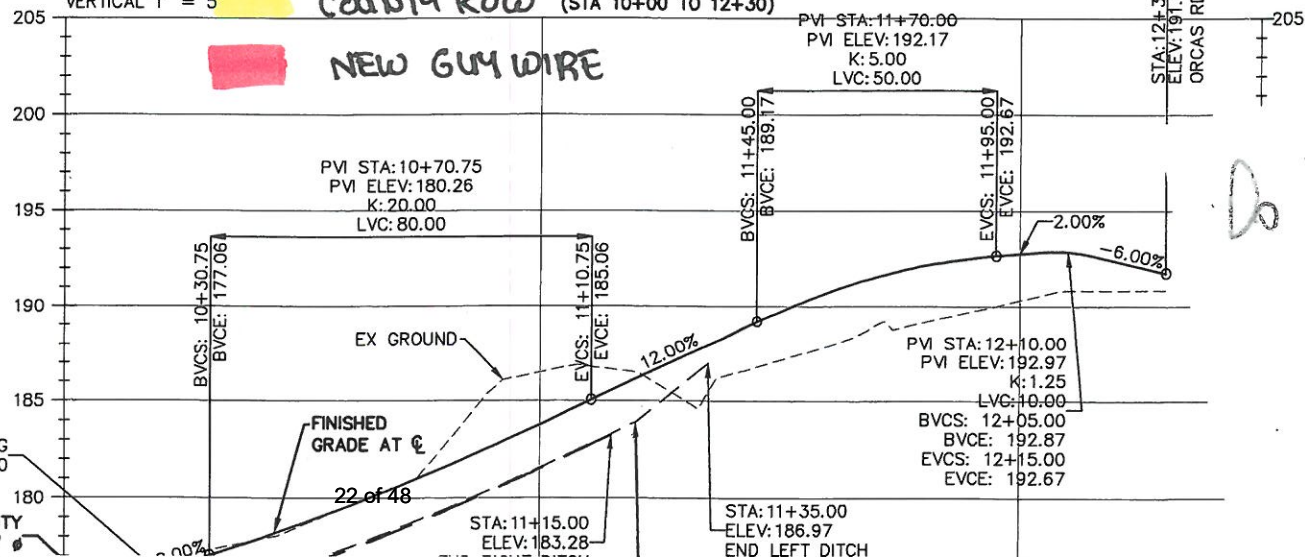
RIGHT

1/4	3/4
108' LT	108' LT

18 LF OF HIGH-DENSITY POLYETHYLENE (HDPE) PIPE 12"

SCALE (FULL SCALE)
HORIZONTAL 1" = 20'
VERTICAL 1" = 5'

NORDSTROMS LANE PROFILE



SEE SHEET 18
FOR ORCAS RD PLAN AND PROFILE

Do by

CONTRACT (AGREEMENT)

This Contract/Agreement is entered into this 7 day of December, 2018 by and between Orcas Power & Light Cooperative (OPALCO) and JEFFREY A JOHNSON & ANGELA C JOHNSON regarding the moving and reconstruction of OPALCO's overhead electric transmission and distribution line, and the granting and disposition of associated easements, on and in the vicinity of the JOHNSON property as described (PROJECT).

RECITAL

OPALCO is a Washington State cooperative corporation organized pursuant to the Miscellaneous and Mutual Corporations Act of the State of Washington Chapter 24.06 RCW; and Jeffrey A. Johnson and Angela C Johnson, State of Washington residents, owners of that particular real property described in Exhibit "A" – Legal Description (SUBJECT PARCEL) of Attachment "A" EASEMENT RELINQUISHMENT.

AGREEMENT

OPALCO and JOHNSON have agreed that for the consideration of the mutual benefits derived, receipt of which is hereby acknowledged, that OPALCO will fully execute the attached Utility Easement Relinquishment and Quit Claim Deed (RELINQUISHMENT; see Attachment "B"), all located within SUBJECT PARCEL.

The parties to this agreement also acknowledge that all work associated with the PROJECT upon the SUBJECT PARCEL will be undertaken as described below.

The parties acknowledge that this Agreement is subject to the following agreements, covenants, stipulations and commitments:

- 1) JOHNSON grants permission for OPALCO to install guy wires and anchors in the field adjacent to the gate at the northeast corner of parcel TPN 260411003000. OPALCO agrees to install yellow guy protectors for increased visibility. OPALCO agrees to mark guys and anchors if necessary to increase protection and visibility. OPALCO agrees to assist with gate or fence relocation or repair as necessary while anchors are in the field.
- 2) OPALCO agrees to remove guy wires and anchors from the field prior to October 1, 2019. OPALCO agrees to install seed and mulch as required to restore field to preinstallation condition.
- 3) Timing of removal is subject to completion of the County road project and can be adjusted if necessary upon agreement of both parties.
- 4) OPALCO shall replant in native pasture grass.
- 5) OPALCO shall repair and replant to native pasture grass any portion of SUBJECT PARCEL disturbed by staging, clearing, transportation, access or any other activity undertaken by OPALCO or its Contractors.
- 6) OPALCO agrees to stack project removed power poles on JOHNSON property in locations as directed.

- 7) OPALCO shall record a RELINQUISHMENT of the existing 50-foot easement adjacent to Orcas Road with San Juan County upon relocation of the guy wires and anchors.
- 8) The parties hereto expect the PROJECT to occur in 2018-19.
- 9) This Agreement constitutes the entire and exclusive agreement between the parties hereto with respect to the PROJECT, and no modification or change in or waiver of any of the terms and conditions thereof shall be valid unless made in writing and executed by the parties hereto. The waiver by either party of any failure on the part of the other party to perform any of its obligations under this Agreement shall not be construed as a waiver of any future or continuing failure or failures, whether similar or dissimilar thereto.
- 10) The agreements, covenants, stipulations and commitments made in this Agreement shall survive the execution and recording of the Relinquishment and shall not be merged therein.
- 11) The terms, conditions, and covenants contained in this Agreement shall be binding upon and shall inure to the benefit of the parties' successors.


HOLD HARMLESS AND INDEMNIFICATION

OPALCO hereby agrees to defend (with counsel reasonably acceptable to JOHNSON), indemnify and hold JOHNSON harmless against any claim for loss of use, revenue, or profit, or for cost of capital or of substitute use or performance or for any incidental, indirect, punitive, exemplary, special or consequential damages, or for any other loss or cost of similar type, and for claims, liabilities, damages, losses or expenses, by another party, arising from or in any way relating to the PROJECT.

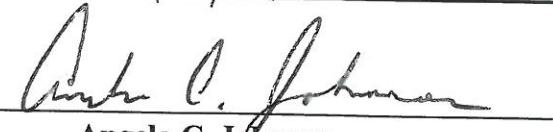
OPALCO:

By 
Russell H. Guerry, OPALCO

Date: 12/2/2018


Jeffrey A. Johnson

Date: 12/18/18


Angela C. Johnson

Date: 12/18/18

After Recording Return to:
ORCAS POWER & LIGHT COOPERATIVE
183 MT. BAKER RD.
EASTSOUND, WA 98245

THE GRANTOR, Orcas Power and Light Cooperative, for title clearing purposes only, does hereby relinquish, convey, and quit claim to **the GRANTEEES, Jeffrey A. Johnson and Angela C. Johnson**, being the owner(s) of that particular parcel described herein (**Tax Parcel #260411003000**), and to all heirs, successors, future owners and assigns of said property, any and all rights, title and interest in said property, including as granted in **that particular easement dated September 14, 1970, executed by Carl J. N. Nordstrom and Annie M. Nordstrom, and recorded on September 28th, 1970, in Volume 17, at page 51, under Auditors File No. 74349**, together with all after acquired title of the Grantor therein, subject only to the exception set forth below:

Foster Hildreth - General Manager
Orcas Power and Light Cooperative

I certify that I know or have satisfactory evidence that Foster Hildreth, known to me to be the General Manager of Orcas Power and Light Cooperative, signed this instrument and acknowledged it to be the duly authorized, free and voluntary act of said corporation for the uses and purposes mentioned in this instrument.

My appointment expires: _____.

TPN: 260411003000

THAT PORTION OF TAX PARCEL NUMBER 260411004 (AFN 2015-0603001) LYING IN THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER AND GOVERNMENT LOT 1 OF SECTION 4, TOWNSHIP 36 NORTH, RANGE 2 WEST, W.M., SAN JUAN COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

ALL PORTIONS OF SAID DESCRIBED PARCEL LYING SOUTH OF THE FOLLOWING DESCRIBED LINE: BEGINNING AT THE SOUTHWEST CORNER OF SAID GOVERNMENT LOT 1, ACCORDING TO BOOK 13 OF SURVEYS, PAGE 55, RECORDS OF SAN JUAN COUNTY WASHINGTON; THENCE ALONG THE SOUTH LINE OF SAID GOVERNMENT LOT 1, SOUTH 88° 07' 54" EAST, 439.35 FEET, THENCE LEAVING SAID SOUTH LINE NORTH 01° 52' 06" EAST 100.00 FEET; THENCE SOUTH 88° 07' 54" EAST, 219.90 FEET; THENCE SOUTH 01° 52' 06" WEST, 120.00 FEET; THENCE SOUTH 88° 07' 54" EAST, 665.50 FEET TO THE TERMINUS POINT OF SAID LINE, SAID TERMINUS POINT BEING SOUTH 02° 04' 51" WEST, 20.00 FEET FROM THE SOUTHEAST CORNERS OF SAID GOVERNMENT LOT 1, ACCORDING TO AFORMENTIONED SURVEY.

THE DESCRIBED AREA IS 17.3 ACRES MORE OR LESS.

MEMORANDUM

September 13, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Update to IRP

This update to the Integrated Resource Plan (IRP) is driven by commentary from the Board, PNGC and key changes in the power industry and region.

Find it the IRP here: <https://www.opalco.com/wp-content/uploads/2019/09/OPALCO-2020-2040-IRP.pdf>.

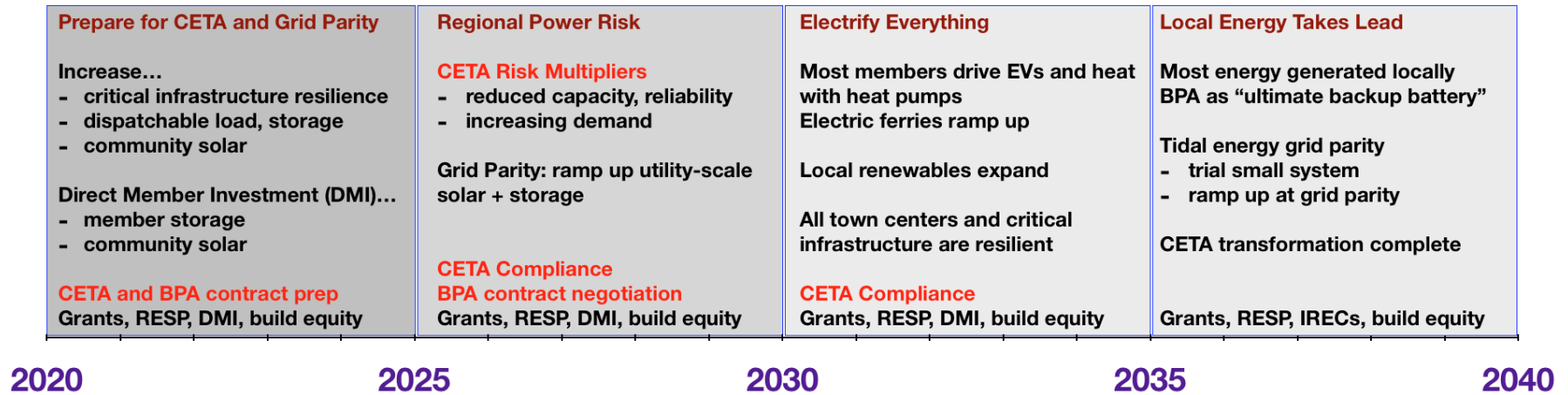
The IRP is a dynamic energy roadmap for the next 20 years. It builds on the document OPALCO developed in 2014. It explores where our energy will come from in the future (it's changing rapidly), how members will use that energy (that's changing, too), and the investments needed to ensure safe, reliable, affordable and sustainable service well into the future.

The IRP is a living document and 2020 will be a year of several action items to position OPALCO for a sustainable energy future.

	Date	Activity
✓	February 2018	Strategic Long-Range Vision
✓	March 2018	Long-Range Capital Projects Work Session
✓	May 2018	Long-Range Financial Work Session (equity, cash, debt)
✓	August 2018	Cost of Service Analysis (COSA)
✓	September 2018	Rate Structure Review (supporting COSA)
✓	October 2018	Rate Structure Approval
✓	Q2 – Q3 2019	Update Integrated Resource Plan (IRP) to 2020 - 2040
✓	August 2019	Review draft IRP
✓	September 2019	Approve final IRP
	Q1 2020	Review final Long Range Capital Plan (LRCP)
	Q2 2020	Review Long Range Financial Plan (LRFP)
	Q3 2020	Review Long Range Member Communications Plan (LRMCP)

Staff requests a motion to approve this IRP.

IRP Themes



Changes to August Draft Version

Executive Summary

- Steady gradual incremental change - an ounce of prevention is worth a pound of cure. Page 3
- We are at a tipping point - increasing risk. Page 2
- Demand will exceed supply. Page 3
- Town centers and critical infrastructure. Page 3
- Mainland power is essential vital resource now and into the foreseeable future. Page 3
- Added discussion about direct member investment in local energy resources. Page 4, 5 (table)
- Balancing exchange authority linking together BPA, PNGC, OPALCO utility scale, members energy resources, leading with lowest cost local when possible, using mainland power as ultimate backup battery. Page 4
- Efficiency, importance of OPALCO broadband, and IoT. Page 4
- Added strategic partnerships bullet, with focus on PNGC and CETA. Page 5
- Added IRP themes chart. Page 6
- Updated timeline. Page 8

Load

- Update composite load chart to emphasize things that reduce load. Page 36
- EVs and PHEVs added to EV overview. Page 39

Energy Resources

- Deepen Fast Follower strategy discussion and benefits. Page 51
- Deepened CETA discussion and added NW capacity shortfall chart. Page 55
- Additional grid parity chart showing cost savings. Page 64
- Grid parity calculus is about more than just LCoE – CETA penalties too. Page 66
- Added new chart and narrative showing home energy storage trends. Page 77
- Added more material on dispatchable storage case study, and info on Virtual Peaker for distributed resource dispatch. Page 79
- Added Anacortes manufacturing potential for Euro-tidal systems. Page 83
- Added Biomass section. Page 84

Partners

- Add PNGC edits. Highlight CETA assistance, helping offload OPALCO staff time to navigate CETA requirements, rules and regulations. Page 111

MEMORANDUM

September 13, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Clean Energy Transformation Act (CETA) Update

WRECA conducted a workshop to discuss CETA on September 9th at Tanner Electric Cooperative's facilities. PNGC was present at this workshop to ensure coordination between organizations.

PNGC is committed to assisting member cooperatives through legislative issues within their individual states and to help manage these issues to optimize as a whole. PNGC will be working with WRECA in this process.

CETA will have a significant financial impact on OPALCO; the 2020 budget will begin the planning process to meet this new paradigm. The Federal Columbia River Power System (FCRPS) is already nearing capacity and the new regulations will further pressure supply as larger customers shift their load away from carbon resources such as coal. Puget Sound Energy alone currently relies on coal for 40% of their generation.

Kent Lopez (WRECA), Ashley Slater (PNGC) and Greg Mendonca (PNGC) will be present at the September Board meeting to provide the board with an update on legislative issues related to power supply.

Attached, please find the following relevant CETA related information staff has compiled since the last meeting:

Attachments

- WA DOC – Implementation Plan – Clean Energy Transformation Act Rulemaking (Appendix)

Links

- [WA DOC CETA Website](#)
- [Incremental hydro and RECs WAC 194-37-120 130 and vintage definition](#)
- [Social cost of carbon – background and discussion draft rules](#)



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE
1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • 360-725-4000
www.commerce.wa.gov

Implementation Plan – Clean Energy Transformation Act Rulemaking

August 27, 2019

The Washington State Department of Commerce (Commerce) is developing administrative rules to support the Clean Energy Transformation Act (CETA, Chapter 288, Laws of 2019) – Washington’s 100% clean electricity legislation. The rulemaking requirements of this legislation are significant, and this implementation plan provides stakeholders with guidance on the expected scope and timing of the agency’s work.

CETA took effect immediately when it was signed by Governor Inslee on May 7, 2019. Commerce initiated the rulemaking process in July 2019 by issuing a preproposal notice of inquiry (CR-101).¹ Commerce convened two initial workshops on July 30 and August 1 to provide stakeholders with an opportunity to offer feedback on their issues and priorities. The comments and discussion at these workshops were very helpful to the agency in preparing this implementation plan.

The implementation plan also reflects the efforts of various state agencies to coordinate and support their responsibilities in implementing CETA. In particular, Commerce has worked closely with the Washington Utilities and Transportation Commission (UTC) in developing coordinated implementation plans.

Commerce may revise its plan depending on changing circumstances, including staffing resources, workload not associated with the rulemaking, changes in law or any other unforeseen circumstances.

Stakeholders are encouraged to use the agency’s CETA web page (commerce.wa.gov/ceta) to learn more about this work and find details on specific workshops and comment opportunities as they become available. Sign up for email updates when you visit the page to receive notifications about the rulemaking work.

¹ Washington State Register 19-14-050. A copy of the notice is available on Commerce’s CETA web page: commerce.wa.gov/ceta.

Phase I: July 2019 – December 2020

Project	Scope ²	Timing
Low-income Energy Burden, Energy Assistance and the Equitable Distribution of Energy Benefits	Sections 1.6, 4.8, 6.1.c, 12, 14.1.k, 24 Develop guidelines for data collection	Initial workshop August 1, 2019. Workgroup meetings through 2020. Develop guidelines for Sec. 12 data collection and definitions by January 2020. Sec. 12 data collection begins July 2020.
Energy Independence Act (EIA) Rulemaking	Sections 28 and 29, amending Chapter 194-37 WAC. <ul style="list-style-type: none"> • Federal incremental hydro • Updated REC language • Other issues stakeholders may identify 	Initial workshop August 22, 2019. Comments on draft rules due September 6, 2019. Conclude 4Q2019.
Social Cost of Greenhouse Gas Emissions	Section 14(3). <i>Note: The scope of this project is limited to establishing the cost values. Any issues regarding methodology to incorporate costs in planning or evaluation would be addressed with other planning requirements.</i>	Initial workshop August 22, 2019. Comments on draft rules due September 6, 2019.

² Section references in this table are to E2SSB 5116 (Chapter 288, Laws of 2019), unless otherwise noted. Subsection references use the format of 6.1.a instead of 6(1)(a).

Project	Scope ²	Timing
		Conclude 4Q2019.
Department of Health Work Group	Cumulative Impact Analysis (Sec. 24) Participate in the Department of Health's work group on cumulative impact analysis.	Started 3Q2019
Markets Workgroup (with UTC)	Section 13: With UTC, initiate a Carbon and Electricity Markets Workgroup for regular discussions to inform Phase II rulemaking.	Start 3Q2019
Planning Requirements	Section 6 (Clean Energy Implementation Plan), Section 14 (Integrated Resource Plans and Resource Plans) <ul style="list-style-type: none"> • Interim targets (6.2) • Demonstration of progress toward GHG Neutral and 100% standards (6.2) • Methodology for incorporating social cost of GHG emissions (6.3) • Methodologies and standards (14.1) • Clean energy action plan (14.1) • Action plan for small or full requirements utilities (14.5) • Interval for developing resource plans and IRPs (Sec. 14.8) <i>Note: This is a pre-workshop list of issues and may be incomplete. Commerce has not determined that rules are required on any of these topics.</i>	Initial workshop September 18, 2019. Complete 4Q2020.
Reporting and Demonstration of Compliance	<ul style="list-style-type: none"> • Documentation of nonemitting electric generation (4.1) • Demonstration that electricity is used and delivered to retail electric customers (multiple references) • REC documentation and retirement (4.1) • Greenhouse gas emission reporting (7.1) • Compliance reporting (10.4)³ • Submission of clean energy implementation plan (6.2) 	Initial workshop October 21, 2019. Complete 4Q2020.

³ Section 10.4 requires that Commerce adopt rules establishing reporting requirements for all electric utilities to demonstrate compliance with CETA. Commerce will coordinate with UTC in developing these rules.

Project	Scope ²	Timing
	<ul style="list-style-type: none"> Compliance requirements for interim targets (6.2) Temporary exemption, demonstration of plan to achieve full compliance (9.5) <p><i>Note: This is a pre-workshop list of issues and may be incomplete. Commerce has not determined that rules are required on any of these topics.</i></p>	
Energy Transformation Projects (Ecology)	Sections 4.2, 10.7 Participate in and consult with the Department of Ecology's rulemaking on energy transformation projects. Consider whether to adopt Commerce rules.	Expected Start 4Q2019
Emissions Factors (Ecology)	Sections 2.22, 7 Emissions factors for greenhouse gas content calculation	Expected Start 4Q2019
Streamline EIA and CETA Requirements	Section 10.1 Coordinate with UTC in developing rules related to process, timelines, and documentation.	Initial workshop August 22, 2019. Complete 4Q2020.
Cost Methodology for Rate Impact Provision	Sections 6.4, 6.5	Start 1Q2020, complete 4Q2020
Thermal Renewable Energy Credits (T-RECS)	Section 10.8. Compare to Appendix G, WREGIS Operating Rules .	Start 2Q2020, complete 4Q2020

Phase II: January 2021 – June 30, 2022

Phase II includes rulemakings required by E2SSB 5116 with deadlines after January 1, 2021.

Project	Scope	Timing
Cumulative Impact Analysis Rulemaking ⁴	Section 14.11 Amending WAC 194-40 (new CETA rules) adopted earlier for integrated resource planning.	Complete 4Q2021
Carbon and Electricity Markets Rulemaking ⁵	Chapter 13 Establish eligibility and verification requirements for load met with market purchases. Adopt provisions to prevent double-counting of nonpower attributes of unbundled RECs used for GHG Neutral compliance.	Complete 2Q2022

⁴ This rulemaking will rely on a cumulative impact analysis developed by the Department of Health. The deadline for the cumulative impact analysis is December 31, 2020 (SB 5116, Sec. 24). We assume here that the rulemaking will commence after January 1, 2021.

⁵ This project will begin with a stakeholder work group in 2019, in cooperation with the Utilities and Transportation Commission. UTC will be conducting a concurrent rulemaking on the same topic. We assume the rulemaking will begin after January 1, 2021.

MEMORANDUM

September 13, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Election & Governance Committee (EGC) Review of Director Qualifications

The Election & Governance Committee (EGC) was formed in 2015 to represent members in each of their respective districts. The Board assigns tasks to the EGC to review and provide member perspective.

At the February 21, 2019 board meeting, the board requested the EGC review the current bylaws and policies for consistency with the election process.

Over the course of three months, the EGC met to discuss election policies involving candidate qualifications. OPALCO's legal team facilitated this effort to aid in compliance with other bylaws and policies. The Chair of the EGC, Bill Severson, will be at this meeting to present the findings of this effort. Attached, please find counsel's summary of this review.

At this meeting, the board will review the results of the EGC deliberations regarding candidate qualifications. In October, staff and legal counsel will provide the Board with specific election bylaw revisions which will take the EGC suggestions into account.

Staff requests discussion and feedback from the Board on the committee's suggestions.



MEMORANDUM

CONFIDENTIAL ATTORNEY COMMUNICATION

TO: Vince Dauciunas, President, Board of Directors
Orcas Power & Light Cooperative

Foster Hildreth, General Manager,
Orcas Power & Light Cooperative

FROM: Bryce Counts and Joel Paisner, Ascent Law Partners, LLP

DATE: September 16, 2019

RE: Summary - Election Governance Commission (EGC) Review of Director Qualifications

The EGC held a series of meetings over the summer to discuss proposed bylaw changes for director qualifications and selection. This memorandum provides a background summary of those recommended changes to the director qualification provisions found in Article III, Section 2 of the OPALCO Bylaws. At the October Board meeting, staff and legal counsel will provide the Board with specific election bylaw revisions which will take the EGC suggestions into account.

Initially, the EGC struggled to find unanimity over the issue of whether a write-in candidate should be allowed. It was proposed that even if a director candidate was disqualified under the bylaws, they be allowed to be "written in" on a ballot. The rationale offered was that state election law allowed a write-in candidate. It was explained that no write-in ballot has been provided in prior elections and allowing a write-in would circumvent the conflict of interest review process. After much discussion, this was ultimately rejected by the group.

The following changes are summarized below and were agreed to after deliberation and discussion by the EGC.

Director Districts. The EGC considered what it means to be a "resident" of a district. This included discussions about (i) whether full-time residency should be required, (ii) how to address OPALCO members who may reside in more than one district, (iii) tenants or members whose meters might not be registered in their name, and (iv) whether OPALCO members with commercial meters may serve on the Board of Directors.

- “Resident” should be broad and include OPALCO members that might have non-traditional living arrangements, and to not require full-time residency.
- Whomever is “financially responsible” for the meter is eligible to serve on the OPALCO board. For example, a tenant whose meter is registered in the landlord’s name but is “financially responsible” for the meter would be eligible to serve.
- The EGC rejected a “full-time” residency requirement in a district, and agreed that a director candidate or a director should only be able to claim residency in one district. This did not result in any recommended bylaw changes.
- The EGC determined that in keeping with OPALCO’s past practices, only members with residential meters shall be entitled to serve on the Board of Directors.

Conflicts of Interest. In evaluating potential conflict of interest issues for directors and director candidates for the Board of Directors of OPALCO, the EGC identified five primary areas to be addressed in the bylaws: (i) current or recent employment by OPALCO; (ii) for cause termination from employment with OPALCO; (iii) a financial interest in a business that competes with OPALCO or supports OPALCO (contractor or vendor); (iv) holding public office or serving on a governmental appointment or commission; and (v) having a dispute with OPALCO resulting in a mediation, arbitration, lawsuit, or a Member Service Policy 9 final ruling.

- *Current or recent Employment by OPALCO:* The EGC considered at length whether current or recent employment by OPALCO should be disqualifying for any director or director candidate. It determined that a three-year waiting period is the appropriate length of time. This differs from most recent board changes establishing a five-year prohibition.
- *Termination of Employment:* The EGC decided in the case of OPALCO employees terminated for cause, a permanent bar on participation on the OPALCO Board of Directors was appropriate.
- *Competing and Supporting Enterprises:* The EGC focused on three areas that present potential conflicts that could be material: (i) directors and director candidates who are employed by or have a material financial interest in an enterprise that competes with OPALCO; (ii) directors and director candidates who are employed by or have a material financial interest in an enterprise that is a vendor, consultant or supplier of OPALCO that is material to OPALCO (e.g., a vendor or supplier that provides services that are critical to OPALCO); and (iii) directors or director candidates who are employed by or have a financial interest in a vendor, consultant or supplier of OPALCO in which the volume of business performed by such vendor, consultant, or supplier for the benefit of OPALCO is material to such vendor, consultant, or supplier.
- *Waiver.* The EGC also considered there could be situations where it is in OPALCO’s best interests for a member of the Board of Directors to serve on the board of directors of another entity that is a competitor, or a material vendor, consultant, or supplier of OPALCO. If so, the EGC recommended a policy be developed to provide for a waiver by the Board of Directors of the potential conflict.

Public Office: The EGC determined that holding public office, or serving on a governmental appointment or commission, should not on its face be disqualifying, and that holders of public

office or those serving on a governmental appointment or commission could be good candidates for service on the Board of Directors. Rather than recommending a blanket prohibition, the EGC sought to limit the prohibition only to those offices, appointments and commissions whose duties or scope of influence intersect with the business of OPALCO. Additionally, similar to competing enterprises, the EGC determined that it cannot foresee all facts and circumstances that may arise in the future, and recommended developing a policy where the Board of Directors could determine whether such service would be prohibited.

This differs from the current bylaws. Currently, a public official is prohibited from being a candidate for the Board of Directors.

Cooperative Disputes: The EGC ultimately agreed with the current bylaw provision preventing service on the Board of Directors where the person has disputes with OPALCO resulting in litigation, mediation, or arbitration, or Member Service Policy 9.

Additional Qualifications. The EGC recommended six additional minimum qualifications for all director candidates and those serving on the Board of Directors, these include:

- no history of felony criminal convictions;
- being 21 years-old;
- being a member of OPALCO in good standing;
- attaining at least a high school diploma (or its recognized equivalent);
- being a resident of the district they represent on the Board of Directors; and
- only one member of a joint OPALCO membership being eligible to serve on the Board of Directors at any given time.

These proposed bylaw changes would only apply to Board candidates prior to holding a Board seat. The EGC also recommended that preparation of election and governance policies would provide more of a process and spell out certain requirements with more specifics.

GENERAL MANAGER'S REPORT

September 2019

DASHBOARDS

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

Finance

Budget Variance
Cash
Power Cost
TIER/Margin
Debt/Equity
Capital
WIP
Expense
Capital Projects

Member Services

Disconnects
ECA
PAL
Energy Assist
Community Solar
Service Additions
Member Generation

Outage

Historical SAIDI - Graph
Historical SAIDI - Figures
Outage Stats – Monthly
Outage Stats – Rolling 12 Mth
SAIDI by Category
Outage Summary
Outage Summary - Monthly

ENGINEERING, OPERATIONS, AND INFORMATION TECHNOLOGIES

WIP

As of September 12, 2019, there are 352 work orders open totaling \$5.54M. Operations has completed construction on 112 work orders, totaling \$1.64M.

Safety

John Spain, Safety Coordinator of Columbia REA, conducted hearing protection and emergency action plan training. This was an all staff event which included disaster drill training for earthquakes, fires, etc. The total hours worked without a loss time accident: 181,515 hours (as of September 6, 2019).

Grid Modernization Projects

- 1) **Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization (~\$1M Grant)** – The team anticipates site work to begin in October, the battery system manufacturing to be complete in early November, and commissioning to be in early February.
- 2) **Lopez Microgrid – WA DOC CEF3 Grid Modernization (Grant \$ Amount TBD)** – WA DOC has awarded the grant funds and staff anticipates completing the contract with WA DOC by end of Q4.

FINANCE

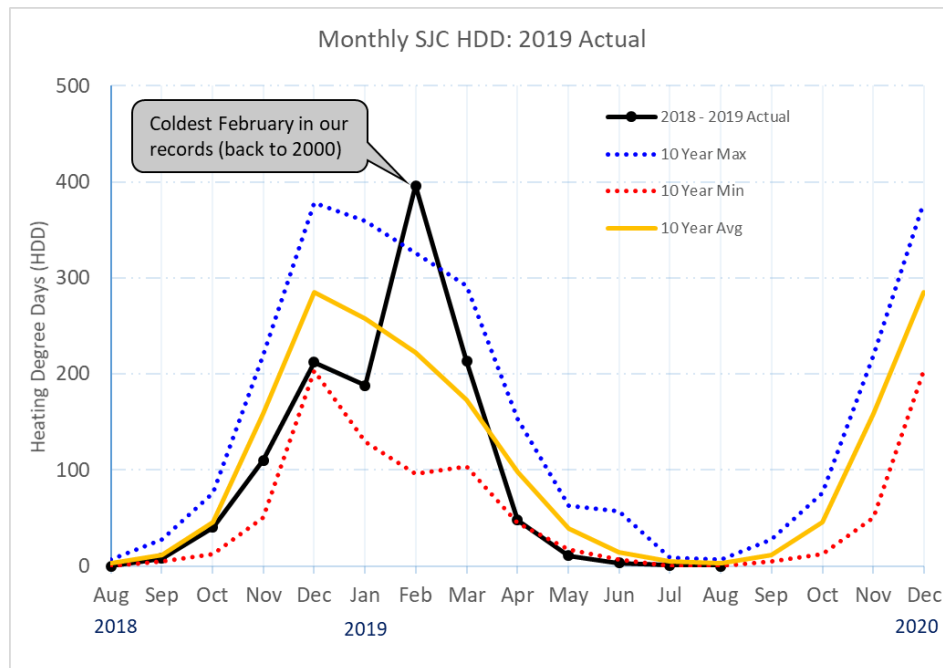
2019 Budget Tracking

Energy (kWh) purchases, sales were slightly higher than budgeted through August 2019.

Income Statement Summary (in thousands)		August 2019 YTD		
		Budget	Actual	Variance
	Gross Revenue	\$ 20,566	\$ 20,946	\$ 380
	ECA Surcharge / (Credit)	-	(209)	(209)
	Revenue	20,566	20,737	171
Expenses				
	Cost of Power	6,361	6,180	(181)
	Transmission & Distribution Expense	4,062	4,216	154
	General & Administrative Expense	3,317	3,322	5
	Depreciation, Tax, Interest & Other	5,326	5,435	109
	Total Expenses	19,066	19,153	87
Margin		\$ 1,500	\$ 1,584	\$ 84
TIER		2.16	2.22	0.06
HDD		615	860	245
kWh Purchases		140,080	144,029	3,949
kWh Sales		130,975	134,808	3,833

Heating Degree Days (HDD)

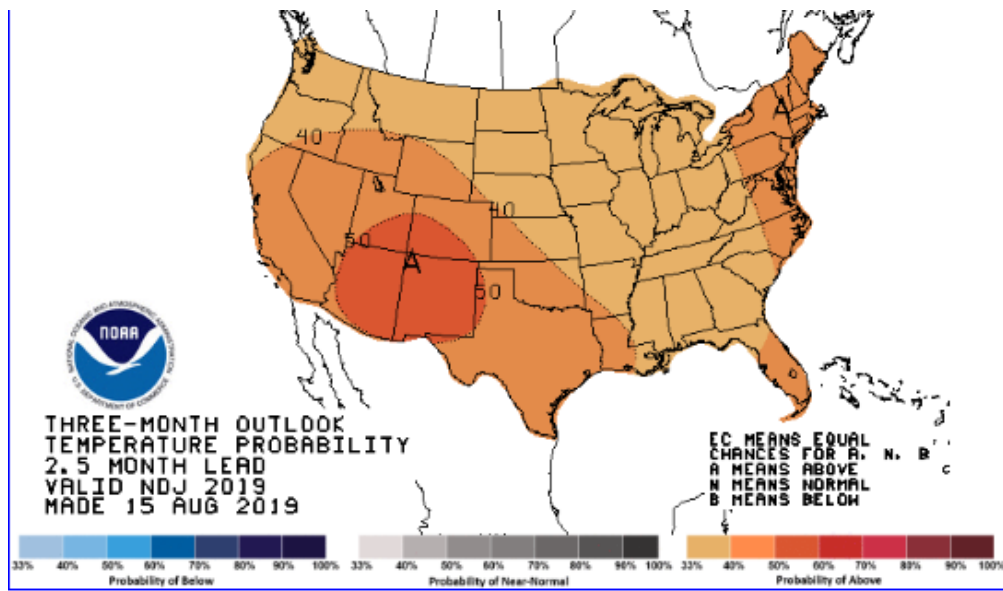
This winter HDD trended towards the warmer El Niño cycle temperatures, driven by prevailing winds from the south. Then February surprised us with extreme cold as the wind and weather shifted, coming from the northeast. April through July have returned to the warmer El Niño pattern.



*10-year max, min, avg is 2009-2018

Weather Forecast

The current NOAA '3-month outlook temperature probability' for Nov-Dec-Jan 2019-20 has shifted to a 33-40% probability of 'above normal' temperatures in our region for the upcoming winter. We continue to monitor these predictors on a monthly basis.



Source: NOAA National Weather Service

Monthly ECA

The calculated amount for the Aug ECA was a surcharge of +\$0.003490 per kWh which collected \$41,318 in August, or \$3.49 per 1,000 kWh. The YTD ECA through the August billing period is a credit to members (and reduction to operating revenue) of \$209,360, or \$7.29 for a member using 1000 kWh/month. The September billing period ECA will be a bill credit of (\$.000633) per kWh.

RURAL Act HB-2147 and SB-1032

US Congress inadvertently caused a problem when the 2017 tax bill was passed, which included a provision that would count federal, state and local grants to co-ops as non-member income. In the past, these types of grants had been defined as capital. Co-ops must receive 85% of all income from consumer-members in order to keep their tax-exempt status under federal law. If grants are now counted as non-member income, it will make it much harder for co-ops to meet the federal requirement. As far as OPALCO is concerned the grant funds received from the WA DOC for the battery project would not be affected because the money received will be used for the installation of a capital asset. As far as the OPALCO RESP program, only the portion collected as an administrative fee will be reportable as unrelated business income, which to date is nominal. However, other co-ops in our region (Douglas Electric) are affected by the tax bill because FEMA funds were collected due to last year's snowstorms, which under current law would be subject to the new reporting requirements. NRECA has been closely following the bipartisan legislation introduced in April in both the House and Senate which would retroactively restore the characterization of the grants received as capital. NRECA has urged co-ops and their boards to demonstrate a strong voice urging the US Congress to pass the RURAL Act. To date, no WA representatives from either the House or Senate have endorsed the proposed legislation. Below is a link to the tracking of the representatives who have endorsed it in both the House and Senate.

<https://www.congress.gov/bill/116th-congress/house-bill/2147/cosponsors>

<https://www.congress.gov/bill/116th-congress/senate-bill/1032/cosponsors>

MEMBER SERVICES

Energy Assistance

During August 2019, 317 members received \$~10.9k from the Energy Assist program, up 17 participants from the July '19, and down 2 participants compared to August '18. Staff did outreach on three islands to bolster program participation, bringing numbers back in line with expectations.

Energy Savings

In August 2019 members applied for 19 rebates totaling \$~11.9k. There were zero beneficial electrification (fuel-switching) rebates submitted this month for ductless heat pumps or EV charging stations. Staff has communicated with local contractors that we are accepting applications to be placed on a waitlist pending 2020 budget approval.

Staff was also present at the second annual Lopez Island Airport day promoting energy efficiency, beneficial electrification, and celebrating improvements made by the Port of Lopez. The Port has decreased their electric use by 75% over the last 2 years by switching to LED lighting, and produces enough energy annually to power 27 SJC homes for a month with their 24kW solar array.

Save \$\$\$ and Energy

The infographic is a vertical stack of five colored boxes (green, teal, light green, green, and light green) each containing a numbered tip, an icon, and a website link. The tips are: 1. Switch to LED lighting! (lightbulb icon, www.opalco.com/led), 2. Utilize OPALCO rebates! (appliances icon, www.opalco.com/rebates), 3. Support solar energy! (solar panel icon, www.opalco.com/solar), 4. Switch It Up! (ductless heat pump icon, www.opalco.com/switchitup), and 5. OPALCO loves Electric Vehicles! (EV icon, www.opalco.com/evs). The EV tip also includes a comparison of gas vs. EV costs and a QR code.

-  **1** Switch to LED lighting! The Port of Lopez has reduced their electrical consumption by 75% after switching their lightbulbs. 
www.opalco.com/led
-  **2** Utilize OPALCO rebates! Including appliances, power strips, weatherization projects and more. 
www.opalco.com/rebates
- 3** Support solar energy! OPALCO and the Port of Lopez have solar arrays. In 2018, the Port of Lopez produced more than 27,000 kWh (more than enough to power 27 average homes in San Juan County for a month). 
www.opalco.com/solar
- 4** Switch It Up! Find out about OPALCO's on-bill financing programs for ductless heat pumps, heat pump water heaters and EV home charging stations. 
www.opalco.com/switchitup
-  **5** OPALCO loves Electric Vehicles! Calculate the savings with our website tools. 
\$4.50*  29 miles with gas
171 miles with EV 
www.opalco.com/evs

Community Solar

During the August 2019 billing cycle the Decatur Community Solar array produced 79,520 kWh, and 12 kWh per solar unit was credited to member participants. A total of ~\$8.1k was distributed to 276 accounts, including an additional \$~833 for the PAL and Energy Assist programs.

COMMUNICATIONS

Switch it Up!

There are now 75 projects in various stages of participation for a total of ~\$710k in play. 41 projects are complete and billing.

Earthquake Preparedness Drill

Staff are coordinating an earthquake practice drill as part of the state's "Shake Out" campaign on October 17th. Talking points will be distributed in early October and safety tips for home and work will be handed out after the drill. OPALCO includes disaster preparedness in its regularly scheduled safety training and has policy in place through our Emergency Response Plan

(ERP) which is updated regularly and includes practice sessions.

Field Day: Staff Picnic

For our third quarter field day, OPALCO closed its doors and invited staff and their families to Shaw County Park for an old-fashioned picnic. Despite a rainy morning, more than 75 people attended, including 20 kids!



County Fair

OPALCO had good participation and attendance at their booth at the County Fair. The safety demonstration was most popular, followed by the chance to spin the wheel for prizes. Conversations with members were predominantly about Switch it Up! on-bill financing and rebates, with interest in community solar and electric vehicles. Member feedback was very positive, with many stopping by the booth just to say thanks.



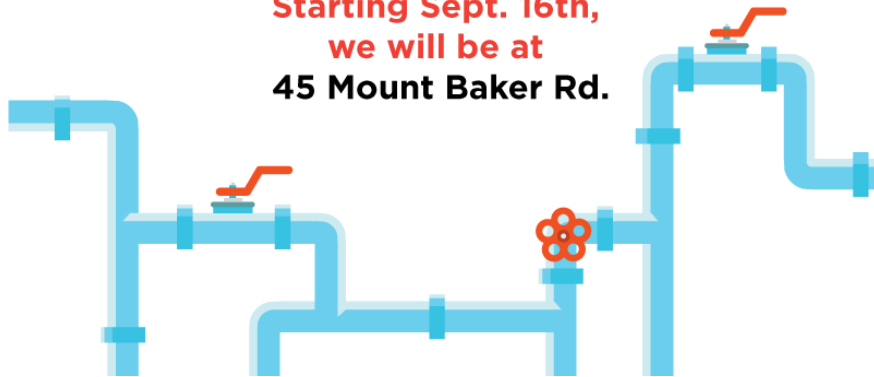
Eastsound Office Temporary Move

Members were informed about the temporary office relocation with several layers of messaging and outreach including: a counter card in the Eastsound office, website banner, ads in local papers and news blogs, email newsletter, social media and signage in the Eastsound office. Signage going up includes – for 183 Mt. Baker Rd: an outside banner, sandwich boards at each driveway, papering and signage on front doors and windows; and for 45 Mt. Baker Rd: sandwich board at the drive, signs on the building and vinyl clings on the entry windows (general and ADA accessible). The OPALCO mailing address will remain the same.



OPALCO Eastsound's office is temporarily moving!

Starting Sept. 16th,
we will be at
45 Mount Baker Rd.

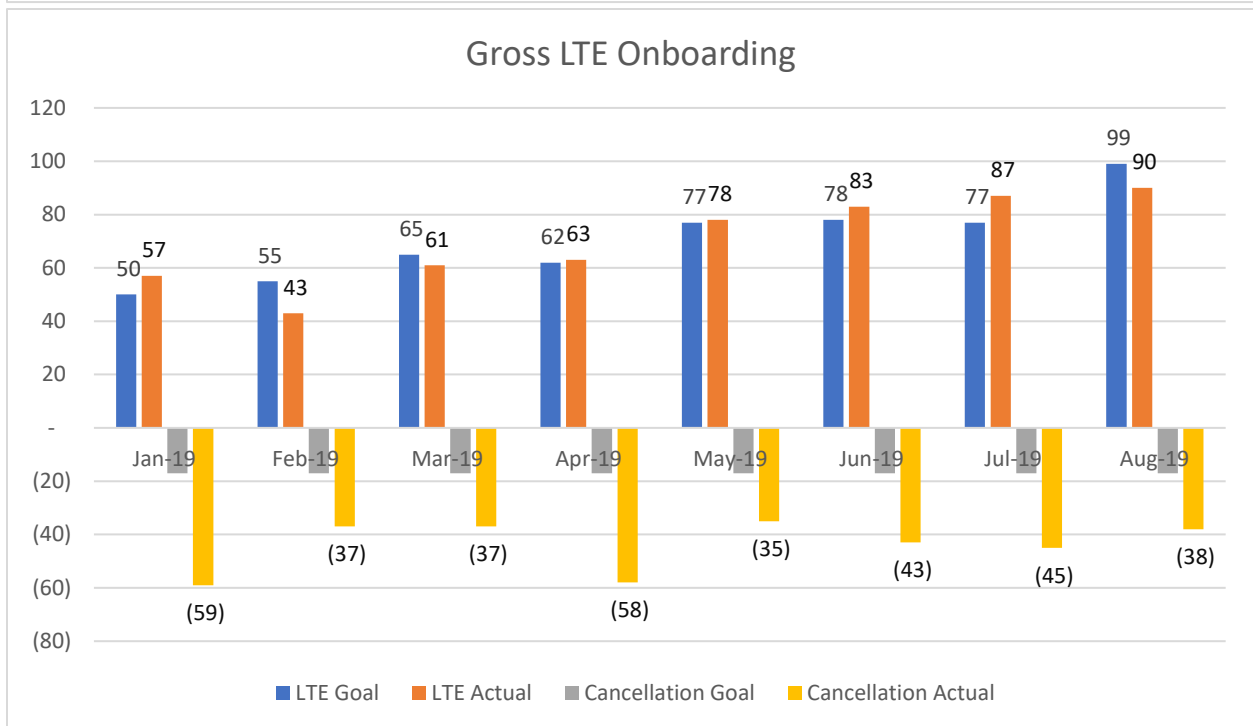
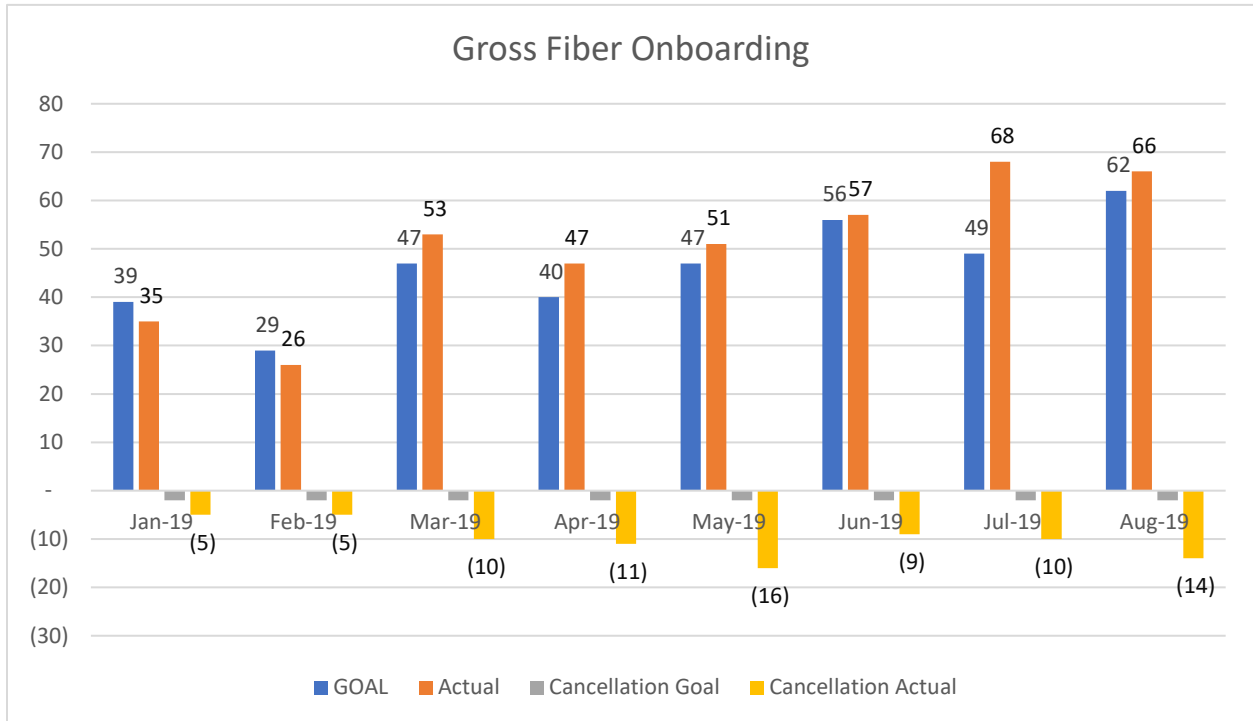


Soon to be ADA Bathrooms

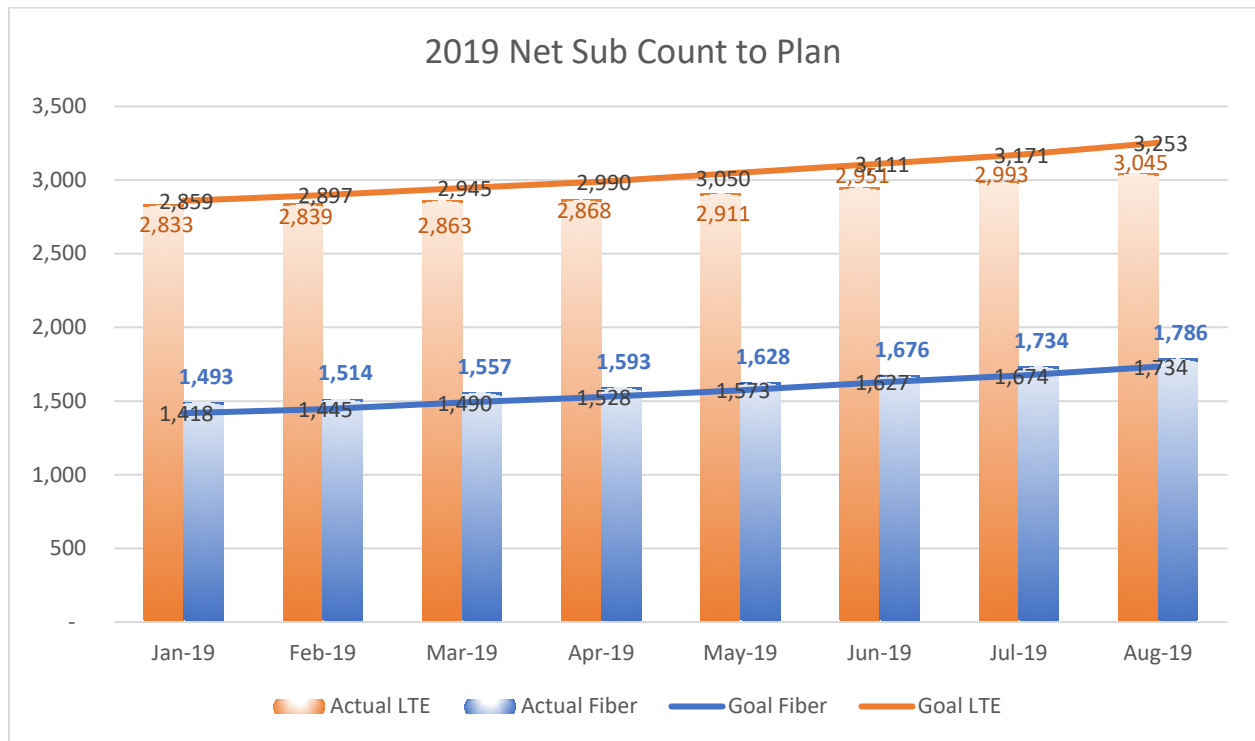


Snapshot September 2019

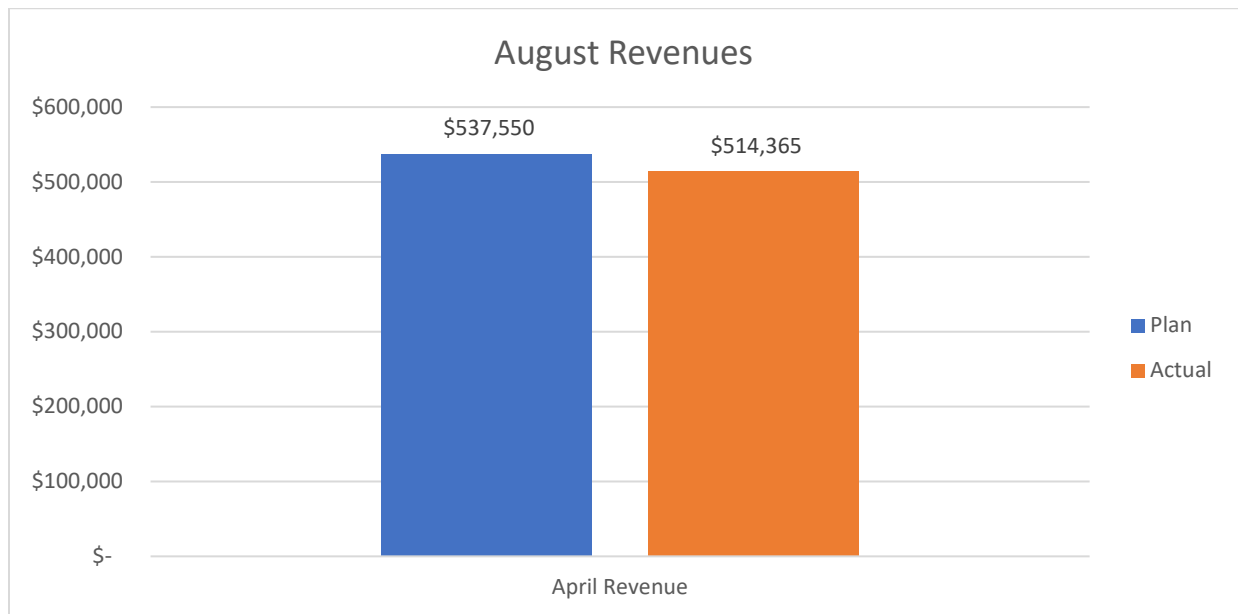
Gross Subscriber Onboarding as of August 31st, 2019



Net Subscribers as of August 31st, 2019



Gross Revenues August 2019



❖ We estimate that additional revenue still being accounted for in closeout will bring the actual in line with plan.