

OPALCO ANNUAL REPORT: 2018 Accomplishments



Safety Tips inside

Annual Meeting 2018



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Mission & Values

Mission Statement

Orcas Power & Light Cooperative (OPALCO) serves our members with safe, reliable, cost effective and environmentally sensitive utility services.

Values Statement

The OPALCO Board of Directors and Employees strive for excellence with a passion and determination that is founded on the following values. These values inspire, guide and determine our conduct in carrying out our mission:

- We are dedicated to the 7 Cooperative Principles.
- We are committed to building, nurturing and preserving lasting relationships with our member-owners and among ourselves.
- We hold ourselves accountable to the highest legal and ethical standards.
- We are dedicated to financial and environmental stewardship through sound governance, management and operating practices.
- We are a responsible, member-owned organization.
- We seek and implement innovative solutions.

Board of Directors:

Vince Dauciunas, President (San Juan)
Dr. Jerry Whitfield, Vice President (Shaw)
Brian Silverstein, Secretary/Treasurer (Lopez)
Rick Christmas (Orcas)
Peter Garlock (Lopez)
Mark Madsen (San Juan)
Jeffrey Struthers (Orcas)



OPALCO Management Team:

Foster Hildreth, General Manager
Nancy Loomis, Manager of Finance and Member Services
Russell Guerry, Manager of Engineering and Operations

Rock Island Communications Management Team:

Foster Hildreth, General Manager/President
Alan Smith, Executive Vice President
Chris Schmidt, Chief Financial Officer

Message from the GM: Foster Hildreth

We have a highly qualified team of committed, skillful employees who are willing to go the extra mile – and they’ve been able to step up and do more with less: cutting costs, adopting efficiencies and cooperating to keep our team lean and productive. I am in awe of our dedicated line workers who have built such a reliable system and keep it running to light our way. We have a hard working and dynamic board of directors making thoughtful, well-researched decisions and who have the confidence to stand up for OPALCO’s mission and vision. I’m grateful for the members who have stepped up to serve on the PAL Committee and on the Elections & Governance Committee, rolling up their sleeves to serve their community. We now have the tools and passion to navigate our challenging landscape and are on the path to ensure a sustainable future for the next generations.

OPALCO’s top priorities are safety, reliability and local resilience. In 2018, our team completed our first community solar project, which is also the first step of what

I am so grateful for our co-op family.

will become a network of micro-grids around the County to provide local distributed power and give us our own energy supply in case of emergency. Working with Bonneville Power Administration, we completed a new, redundant path to bring power directly from the mainland onto Orcas Island. Not only will this keep power and essential services up during outages on the main tap, but it allows us to spread out the load and run our distribution system more efficiently. In



November, when the big windstorm hit the islands, our system held up well and our line crews were quick to restore the handful of small outages caused, mostly, by branches in the line. Islanders were able to cook their Thanksgiving turkeys, while many on the mainland were in the dark.

Safety is the primary driver for every decision and project. It’s my job to make sure our team gets home to their families at the end of the day. OPALCO’s excellent safety record is due to a top-notch team aided by the grid improvements we’ve made, built on the communications backbone. The grid

modernization projects we’ve completed have successfully closed

the communications gap in San Juan County. This could not have happened without our subsidiary, Rock Island. I’m grateful for our family members at Rock Island who have worked tirelessly to bring our County out of the dark ages.

When I call our landscape challenging, it’s not just the extra costs and logistics to bring power from the Columbia River Federal Power System all the way to the twenty

Message from the GM: Foster Hildreth

islands we serve. It's housing availability and cost. It's protection of our beautiful and sensitive marine environment. I'm proud of our team's accomplishments in addressing these, and other, key issues for our community. OPALCO's Board supported the successful affordable housing measure in San Juan County and took a stand for clean energy and carbon

struggle to pay to their bills through Project PAL, Energy Assist and LIHEAP. We offer a long list of rebates to help members make their homes and businesses more efficient and reduce their overall energy spending. In 2019, we'll launch an on-bill financing program called Switch it Up! that will help members upgrade to super-efficient Ductless Heat Pumps, Heat Pump Water Heaters and Electric Vehicle charging stations. These projects can be charged to members' power bills and paid for over time.

Safety is the primary driver for every decision and project.

reduction with WA I-1631. OPALCO attended the Governor's Task Force on Southern Killer Whale Survival and advocated for measures to help save our whales. Staff worked with diverse stakeholders to create a vision of energy resilience in the San Juan County Comprehensive Plan. And, OPALCO has taken the lead in advocating for improvements to our ferry system including electric ferries on San Juan Islands routes on an accelerated timeline.

And I'm grateful for you, the consumers and member-owners of OPALCO. Years ago, we set out to create a culture of listening so that your input and wisdom could help steer the boat. It took some time, but today most of you are engaged: subscribed to our co-op newsletter, responding to member surveys, attending co-op meetings, voting and participating with us on social media. Thank you!

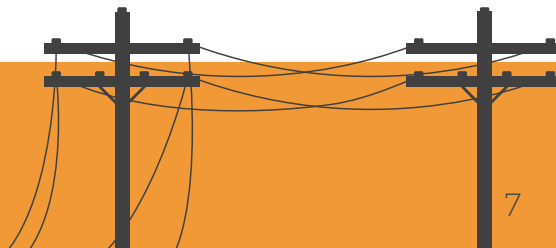
OPALCO is more than your power provider; we have an 82-year history of making significant contributions to the quality of life for all who live in and visit our beautiful area.

*As we've said since 1937:
we get our power from
you!*

It's a challenge to keep energy affordable for all of our members. Guided by our co-op values of fairness and concern for community, we work with the Family Resources Centers to help members who

Safety Tip:

Never go near a downed power line.
Call (360) 376-3500 to report.



2018 Accomplishments

Engineering & Operations

Capital projects, maintenance and system replacement are planned in four-year increments (see Construction Work Plan link below). Projects are prioritized based on incidents of failure and age of equipment.

Average service availability rate: members had power 99.98% of the time!

Transmission pole replacements: 34

Replacement of aging underground cables: 66,800 feet

Constructed and energized Decatur Island Community Solar site

Rebuilt the Decatur Substation (circa 1951)

Constructed and energized a new 69 kV feeder (tap) direct from BPA at the Decatur substation creating a redundant feed to Eastsound.



Decommissioned and undergrounded conductors feeding Mt. Constitution

Replaced poles and upgraded conductor on Crescent Beach Road to complete new power path to Eastsound

Completed new substation on Blakely Island

Safety Tip:

Call before you dig!

Always call 811 before any project.



2018 Accomplishments

Energy Savings, Rebates and Renewables

We are dedicated to helping you save energy and money through our efficiency programs. Check out the full menu of rebates available now: www.opalco.com/rebates.

Rebate dollars awarded to members through December 2018: \$209,737

Energy saved by members through BPA/PNGC rebates: 1.01M kilowatt hours

45 members got fuel switching rebates, trading high-carbon fuel source heating for Ductless Heat Pumps with an estimated \$39k in first-year savings on their bills.

22 Electric Vehicle charging stations were installed & over \$11K rebated.

305 interconnected members generating local renewable power

272 members participated in Community Solar - producing 144k kWh between July 31 - December 31. Production credits: \$13,000 including \$1,380 donated to the low income program.



2018 Accomplishments



Member Services & Energy Assistance

Our team is here to help you pay your bill, answer questions and connect you with energy assistance resources when you need them.

Member Services Representatives (six people on two islands) handled more than 14K calls from members

Members were billed ~\$28.9M for energy usage of ~208M kWh

Project PAL distributed \$45k in grants

Energy Assist distributed \$111k to 444 households

2018 Accomplishments

Finance

Our highly qualified finance team includes two Certified Public Accountants to manage our \$30M company. In addition to accounting functions, our finance team takes the lead in long-range capital planning, has garnered millions of dollars in grants for Co-op and coordinates independent reviews of long-range planning documents and an annual financial audit.

Unmodified (clean) opinion of financial audit

Secured Rural Energy Savings Program (RESP) contract with Rural Utilities Services (RUS) for \$5.8M of 0% funds to finance energy efficiency projects throughout the County

Developed OPALCO's first on-bill financing (OBF) program in order to distribute RESP funds. Set up as a member opt-in tariff, it will be the only OBF program of its kind in WA State

Obtained additional grant funding for the Decatur solar project, reducing cost by ~\$247k

Distributed rebate checks totaling ~\$145k to community solar participants

Continued capital credit smoothing methodology for the second year, retiring \$1.3M in capital credits back to the membership in 2018.

Safety Tip:

Stay away from electrical substations - never fly kites, drones, or metallic balloons and don't let children play on or around the fences.



Co-op Financial Report - unaudited

OPALCO ended 2018 in good financial health. Operating revenues were right on track and expenses came in under budget. The margin increased by \$209k.

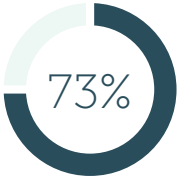
OPALCO's full financial reports are available online at www.opalco.com in the Document Library.

	2018	2017
kWh Purchases	217,948	229,155
Total Revenue	29,683	28,310
Cost of Power	9,054	8,916
Operations & G&A	10,181	9,971
Depr, Int & Taxes	7,441	6,023
Total Expense	26,676	24,910
Net Margins	\$3,007	\$3,400
Tier	2.67	3.10
Equity % of Total Cap	41.0%	43.7%
Equity	38,680	39,152
Total Debt	57,211	52,285
Capital Spending	(11,181)	(18,760)
Capital Credit Retirement (net)	(1,051)	(1,102)

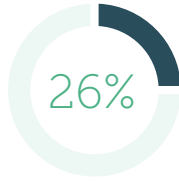
Note: Numbers are in thousands

Co-op Financial Report - unaudited

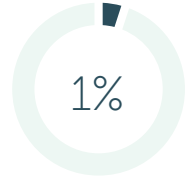
2018 Revenue



Residential
21,373,137



Commercial
7,655,416

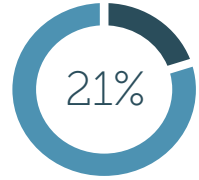


Other
234,822

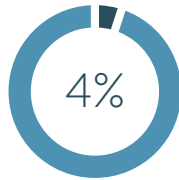
2018 Expenses



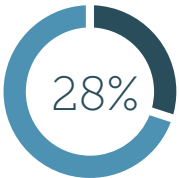
Cost of Power
\$9,054,000



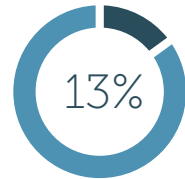
Distribution
\$5,564,000



Consumer Accounts
\$1,015,000



Depreciation,
Interest, Taxes
\$7,441,000



Administration &
General
\$3,602,000

Safety Tip:

DO NOT use an extension cord or power strip with heaters and fans. This could cause the cord to overheat and result in a fire.



This Electric Life

SWITCH IT UP!

This Electric Life.

Save \$\$\$ when you switch to electricity
for heating and transportation



OPALCO will provide on-bill financing for qualified projects to help you save **thousands \$\$\$ on your total energy spending!**

Eligible measures include:

Ductless Heat Pumps (up to \$15,000 over 10 years)
Heat Pump Water Heaters (up to \$3,500 over 5 years)
Electric Vehicle Chargers (up to \$2,500 over 3 years)

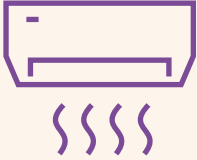
Members can do multiple projects up to a cap of \$15,000 per meter, as long as funding is available. To qualify, a member must be in good standing with OPALCO and measures must meet qualifications standards.

Learn more, calculate your savings and apply:
www.opalco.com/switchitup

This Electric Life

Switch It Up! Projects:

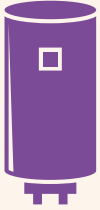
On Bill Financing available for:



Ductless Heat Pump

Super efficient ductless systems are two-way heat pumps that transfer heat between outdoor and indoor air to create a comfortable temperature in your home.

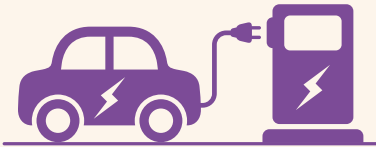
Cuts heating bill spending in half!



Heat pump water heaters

Use 60% less energy, moving heat rather than generating it for substantial savings on your monthly energy bill.

Save ~\$300/year!



Electric Vehicle Charger

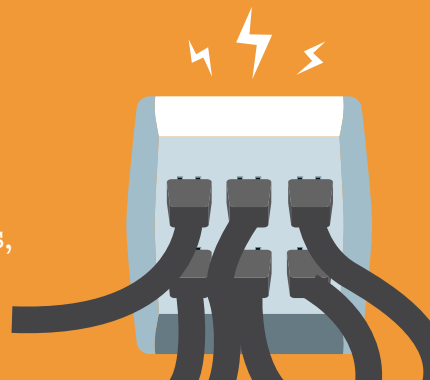
Install a Level 2 - 240 volt charger in your home or business.

Save \$1000 or more/year when you go EV!

Safety Tip:

Know the warning signs of overloaded outlets:

- Flickering/blinking lights
- Warm or discolored wall plates
- Burning odor from receptacles
- Mild shock or tingle from appliances, receptacles or switches
- Frequently tripped circuit breakers



Subsidiary Accomplishments

Rock Island Communications

OPALCO and its wholly-owned subsidiary Rock Island Communications have built a hybrid fiber and LTE wireless network that, as of year-end 2018, has more than 5,000 subscribers to internet services, which represents 40% of the total market. This communications system solves a number of critical problems for the utility and its members: public safety, controlling system maintenance and outage costs, connection to critical resources and the greater world.

Grew the fiber plant total to over 520 miles in San Juan County

Added 3 new LTE sites and 2 new small cell sites to increase service availability for a total of 36 LTE sites

Completed 2 new redundant fiber backbone paths to increase redundancy and reliability in county

Signed up 1,343 new wireless customers in 2018

Signed up almost 1,800 new T-Mobile phone subscribers in 2018

Launched new services for business – Rock Island wants to be your IT Department!

Extended tech support hours to 24/7/365 service for the benefit of our customers

Answered over 50,000 inbound calls, or roughly 12,000 calls per Tech Support employee



Safety Tip:

NEVER use water to extinguish an electrical fire. Use a fire extinguisher or baking soda instead.



Blakely Island

Meet the Team



Meet the Team

New Team Members:

The OPALCO team of dedicated, talented staff is the Co-op's most valuable asset. Since our last report, we welcomed the following staff to the team:

Glenn Brozio, Staking Technician

Glenn joined the OPALCO team in April, 2018 all the way from Lubbock, Texas. He completed his BS in GIS (Geographic Information Systems) and completed the Electrical Lineworker Program through Northwest Lineman College.



Joey Brashier, Member Services Supervisor

Joey is well known to many from his tenure at Rosario Resort. He joined the team in June, 2018 and has lived on Orcas for almost 4 years with his long-time partner and two four-legged children

Kelly Koral, Executive Assistant

Kelly is a long-time Orcas Islander and business owner with a background in real estate. She raised two children on Orcas where she lives with her husband and small menagerie.





Orcas Power & Light Co-op
183 Mount Baker Road
Eastsound, WA 98245
(360) 376-3500
www.opalco.com

