



BOARD OF DIRECTORS REGULAR MEETING

**Thursday, November 21, 2019 8:30 a.m.
Eastsound Fire Hall**

TRAVEL

**Via Island Air
378-2376**

**To:
11/20/2019**

Leave	FH	7:30 am	Arrive	Orcas	8:00 am
	LZ	7:45 am			

**Return:
11/21/2019**

Leave	Orcas	3:00 pm	Arrive	LZ	3:15 pm
				FH	3:30 pm

Via Ferry:

**To:
11/20/2019**

Leave	Lopez	6:55 am	Arrive	Orcas	7:15 am
	Shaw	7:15 am			
	FH	6:10 am			7:35 am

**Return:
11/21/2019**

Leave	Orcas	4:30 pm	Arrive	FH	5:10 pm
		3:10 pm			3:25 pm
					3:45 pm

Sequence of Events

November 20, 2019:

- Rock Island Budget review 8:30 a.m. – 2:00 p.m.
- Tour of Eastsound office sewer remodel project 2:00 p.m. – 2:30 p.m.
- Town Hall 5:00 p.m. – 6:30 p.m.

November 21, 2019

- OPALCO Board meeting 8:30 a.m. – 2:00 p.m.

Orcas Power & Light Cooperative

Board of Directors

Regular Board Meeting

Eastsound Fire Station

November 21, 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.*

ACTION ITEMS

- Consent Agenda
- Board Meetings 2020 (updated)
- Elections and Governance (2nd Readings)
 - Election Bylaw Updates
 - Policy 1 Functions of the Board of Directors
 - Policy 7 Elections
 - Policy 23 Conflict of Interest
- Capital Credits
 - Bylaw Update Related to Allocation Basis (One Read Only)
 - Special Retirement to Uncollectible Accounts
 - General Retirement
- OPALCO 2020 Budget

DISCUSSION ITEMS

- OPALCO 2019 Q3 Financials
- OPALCO 2020 Tariffs (1st Reading)
- OPALCO Open House Recap

REPORTS

- General Manager
- Rock Island Snapshot

APPENDIX

- PNGC October Power Pulse

EXECUTIVE SESSION

Legal, Personnel, and Competitive

ADJOURNMENT

MEMORANDUM

November 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Consent Agenda

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

The Consent Agenda includes:

- **Minutes** of the previous meeting – attached.
- **Approval of New Members** – attached {as required by Bylaws Article I Section 2 (d)}

NEW MEMBERS – October 2019

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

1. After Hunts Point LLC
2. Allison, Michael & Susan E
3. Archuleta, Douglas
4. Croonquist, Erik T
5. Foster, Daniel
6. Hancey, Saije
7. Hasting, Christina
8. Johnson, Charlene
9. Kat, Bassam & Gudrun
10. Kringle, Cheryl & William
11. Lawson, Gabriel & Meeker, Kendra
12. Morgan, Riley
13. Muir, Lynn
14. Noonan, Michael
15. Orsi, Carl & Charlene K
16. Peterson, Jeremiah
17. Pitschka, Alex
18. Puga, Francisco
19. Ray, Makayla
20. Richardson, Robin
21. Roberts, Cedar
22. Robertson, Arthur

23. Slyter, Kent & Cynthia
24. Staton, Teric & Jill
25. Thompson, Jessica
26. Tully, Ian & Becky
27. Vital, Abbigail
28. Weaver, John S & Marcia E
29. West, William & English, Dearing
30. Wood, Robert

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

31. Bancroft, Carrie
32. Beck, Randi
33. Boerstler, Philip
34. Corbitt, Shaun
35. Flint, Ryan
36. Gruenkemeier, Jens & Ulrich, Kimberly
37. Halloran, Dave
38. Houck, Jennifer & Sandy
39. Kistler, Elizabeth
40. Kruger Carpentry Inc.
41. Miller, Christopher
42. Moore, Darrell

43. Pytte, Alyson
44. Rahilly, Siobhan & Freeman, Jon
45. Ruffo, Mark & Baeten, Jared
46. Sasan, Shea & Kimberly
47. Stern, Laura
48. Toth Construction Inc.
49. Wanger, Shoko
50. Yamane, Marcus & Linda

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

51. Cantle, Peter & Cindy
52. Cariker, Stephanie

53. Estep, Daniel & Jill
54. French, Staci
55. Ginder, William & Barbara K
56. Harvey, Jerrilyn
57. Johnson, Jacob
58. Moss-Hawkins, Arthur
59. Pinkham, Debra & William
60. R&B Investments Unlimited LLC
61. Roberts Group
62. Szostak, Nicole & Craggs, David

District 4 (Shaw, Crane, Canoe, Bell)

None

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

November	
Customer #	Amount
9710	\$ 5,202.53
70797	642.31
81257	806.63
50505	486.41
Total	\$ 7,137.88

Staff requests a motion to approve the Consent Agenda.

Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting Thursday, October 17, 2019

President Vince Dauciunas called the meeting to order at 8:40 a.m. in the OPALCO Friday Harbor conference room. Board members present were Vince Dauciunas, Mark Madsen, Jeffrey Struthers, Rick Christmas, Jerry Whitfield 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, Public Relations Administrator Suzanne Olson and Executive Assistant Kelly Koral (serving as recording secretary). Legal Counsel Joel Paisner (9:30 a.m.)

Members/Guests

Jay Kimball

MEMBER COMMENTS

- No additional members were present for comment

CONSENT AGENDA

- **Motion** was made and seconded to approve Consent Agenda, including September, 2019 minutes, new members as listed with the Board materials, capital credit payments totaling \$6,468.08 and RUS 219s totaling \$645,914.47. Motion carried by voice vote.

EXECUTIVE SESSION 8:45 a.m.

RETURN TO REGULAR SESSION 8:55 a.m.

- **Motion** was made and seconded to approve the 2018 Form 990. Motion carried by voice vote.

2020 BOARD MEETINGS

The monthly board meeting dates and locations for 2020 were reviewed. Adding addition locations for members to attend electronically was discussed. President agreed to cancel the July 2020 meeting.

- **Motion** was made and seconded to approve the dates and locations as amended.

MEMBER COMMUNICATION

The Board discussed Member Julianne Battalia's request concerning use of radio frequencies. The Board made note that OPALCO and RIC adhere to all federal, state and local safety and health regulations with use of wireless technologies.

ENTERED EXECUTIVE SESSION 9:10 a.m.

SHAKE IT UP DRILL

- At 10:17 a.m. all OPALCO offices participated in the 2019 ShakeOut drill for actions to be taken should an earthquake occur.

RETURNED TO GENERAL SESSION 11:45 a.m.

ELECTION AND GOVERNANCE UPDATES

The Board discussed updates to the first readings for adjustments Bylaws, Policy 1, Policy 7 (new), Policy 23, and Election Guidelines (new) related to elections and governance.

LUNCH BREAK 11:55 a.m. – 12:20

GENERAL MANGER

General Manager's report was reviewed.

EXECUTIVE SESSION 12:15 - 12:45p.m.

ADJOURNMENT

Meeting was adjourned at 12:50 p.m.

Vince Dauciunas, President

Brian Silverstein, Secretary-Treasurer

MEMORANDUM

November 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Board Meetings 2020

Based on the Board discussion at the October meeting and further input from directors, Staff is re-proposing the following dates and locations for 2020 Board Meetings:

- January 23.....Lopez (fourth Thursday)
- February 20Friday Harbor
- ~~March 18~~ **March 25**..... Eastsound (Rock Island Quarterly)
- ~~March 19~~ **March 26**.....Eastsound
- April 18ANNUAL MEETING
- April 23Lopez (fourth Thursday Officer Elections)
- May 14.....Friday Harbor (Rock Island Quarterly)
- May 15.....Friday Harbor
- June 18.....Lopez
- JulyNO MEETING
- ~~August 19~~ **August 12**.. Eastsound (Rock Island Quarterly)
- ~~August 20~~ **August 13**.. Eastsound
- September 17.....Lopez
- October 15.....Friday Harbor
- November 18.....Eastsound (Rock Island Quarterly)
- November 19.....Eastsound
- December 17Lopez

Staff recommends the Board make a motion for the approval of the above updated 2020 Board meeting dates and locations.

MEMORANDUM

November 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Election Bylaws, Policy 1 Functions of the Board of Directors, Policy 7 Elections and Policy 23 Conflict of Interest – Second Read

At the October 2019 Board meeting, Staff presented proposed changes to the current Bylaws and Policies based on recommendations by the EGC and legal counsel. This is a second read for board approval.

The changes related to the following topics in Article III, Section 2 of the Bylaws:

- Board qualifications in general
- Employee (past/present) suitability for board service
- Removal of Board Members

This is the most recent product of a process that began in 2016 with the introduction of a Member Review Committee and has resulted in the formation of the member Elections & Governance Committee and several rounds of bylaw and policy updates on elections, governance and compensation.

Following the October meeting there were two open issues: 1) number of member signatures required for candidacy by petition, and 2) qualification of past employees for board service. Following discussion at the October meeting, the Board and legal counsel have conducted additional research; the following are those findings and subsequent recommendations:

- 1) Signatures for Petition: Legal counsel investigated statistics from other cooperatives and found that there is no consistency in application. The number of member signatures required for nomination by petition for board candidacy in other Co-ops ranges from 0.5% of total members to 2% of members residing in a specific district. Staff recommends no change to the existing Bylaws (20 energy member signatures).
- 2) Employee Qualification for Board Service: board members must hold the good of the Cooperative and their fiduciary responsibilities first and foremost, focusing on the cooperatives policies and direction. Board members must be strategic policy makers and remain independent of operations in order to maintain the chain of command. Staff recommends the Board approve the language as presented in October that disqualifies past employees from board service to protect the Co-op

from potential conflicts of interest and prevent undue influence based on prior relationships, personal issues or individual agendas.

While this round of updates satisfies the Co-op's mission, policy and practice on elections, the bylaws and policies are living documents and will be continually reviewed and updated as needed to keep the Co-op healthy and strong.

Staff recommends the Board accept the Bylaws, Policy 1 Functions of the Board of Directors, Policy 7 Elections and Policy 23 Conflict of Interest as presented. Note, the Election Guidelines do not need Board approval and are incorporated for review purposes only.



BYLAWS

And

ARTICLES OF INCORPORATION

ORCAS POWER & LIGHT COOPERATIVE

183 Mt. Baker Road

Eastsound, Washington 98245

Established 1937

Articles of Incorporation amended March 19, 1998

Bylaws amended ~~May 16, 2019~~ November 21, 2019

STATEMENT OF NONDISCRIMINATION

Orcas Power & Light Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service (RUS), an agency of the US Department of Agriculture, and is subject to the provision of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules and regulations of the US Department of Agriculture. This institution is an equal opportunity provider and employer.

The objective of the ORCAS POWER AND LIGHT COOPERATIVE is to serve San Juan County by providing electrical utility service that is efficient, economical and adequate for our members.

Including amendments adopted by the Board of Directors

~~May 17, 2018~~ November 21, 2019

ARTICLE I - MEMBERS

Section 1.

Any person residing and/or owning, leasing or possessing real property in San Juan County, Washington or other counties in Washington, and desiring to become an ENERGY MEMBER of the Cooperative and receive electrical energy and service from it by connection to its physical system is eligible for energy membership and may apply therefor. Such applicant may become an energy member upon approval of his/her application, agreeing to purchase energy services from the cooperative, and to be bound by the articles of incorporation, bylaws, tariffs and rules of the Cooperative, together with any future amendments thereto, and payment of the current fee fixed by the Board of Directors. Energy members may also purchase and receive communications and other services from the cooperative's communications subsidiary where they are available and the member is connected to the subsidiary's communications system.

Membership in any class may be assigned to another member or reacquired by the Cooperative by following the procedure established by the Board of Directors.

Every member shall be responsible for payment of any and all services received from the cooperative and its communications subsidiary, and failure to pay for any of the services will be grounds for termination of all services received from the cooperative and for termination and/or forfeiture of membership.

No member shall ever become the holder or owner of more than one membership in any class, and memberships held by a member in excess of one shall be redeemed by the Cooperative by repayment of the membership fee.

Section 2. Qualifications and Obligations.

Any person, partnership, corporation or body politic may become an energy member in the Cooperative by:

- a) signing and submitting an application for membership form;
- b) paying the membership fee hereinafter specified or as adopted by the Board of Directors;
- c) agreeing to purchase from the Cooperative electric energy and service as hereinafter specified by the Cooperative; and
- d) agreeing to comply with and be bound by the articles of incorporation, bylaws, tariffs and rules of the Cooperative and any future amendments thereto; provided, however, that no person, partnership, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the Board of Directors. Each member agrees to grant any necessary access to real property in order to allow the cooperative to provide electric energy and its communications subsidiary to provide communications and other services requested by the member and others, and further agrees to provide written easements recorded in favor of the cooperative and its communications subsidiary, as necessary.

Section 3. Membership Fee.

The membership fee shall be set by the Board of Directors. Upon payment of the membership fee and approval of the membership application by the board, the energy member shall be eligible for services. Fees for providing connections shall be established by the regulations adopted by the cooperative that are applicable at the time the connections are made.

Section 4. Purchase of Electric Energy.

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy for use on the premises specified in his or her application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by resolution of the Board of Directors; provided, however, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Directors shall from time to time determine. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of cost of service are furnished by energy members as capital, and each member shall be credited with the capital so furnished as provided by these bylaws. Each member shall pay to the Cooperative a facility charge, which shall be a minimum amount per month as shall be fixed by the Board of Directors from time to time, regardless of the amount of electric energy consumed, but in no case less than said minimum amount. Energy members may also purchase communications and other services from the Cooperative's communications subsidiary where such services are available and the member is connected to the subsidiary's communication system. Members purchasing communications or other services shall pay at rates and on terms and conditions which shall from time to time be fixed by the Cooperative's communications subsidiary. Each member shall pay all obligations that may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable. The Cooperative and its communications subsidiary reserve the right to discontinue any or all service, including but not limited to electric service, to any member who has not paid the amounts owed by the member.

Section 5. Non-Liability for Debts of the Cooperative.

The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 6. Expulsion of Members.

The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who has violated or refused to comply with any of the provisions of the articles of incorporation, the bylaws, the tariffs or any rules or regulations adopted from time to time by the Board of Directors or any future amendments thereto. Any member so expelled may be reinstated as a member by a vote of the energy members at any annual or special meeting of the energy members. The action of the members with respect to any such reinstatement shall be final.

Section 7. Withdrawal of Membership.

Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and its communications subsidiary and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 8. Transfer and Termination of Membership.

- a) Membership in the Cooperative shall not be transferred except as hereinafter otherwise provided; and upon the death, cessation of existence, expulsion or withdrawal of a member, or if a member has received no electrical service for a continuous period of twelve (12) months when it was available to him or her, the membership of such member shall thereupon terminate. Termination of membership shall not release the member or the member's estate from the debts or liabilities of such member to the Cooperative.
- b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by the spouse jointly

with the provisions of subdivisions (b) and (c) of Section 2 of this article. Such transfer shall be made and recorded on the books of the Cooperative.

- c) When a membership is held jointly by a married couple, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to the surviving spouse, as the case may be, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.
- d) One whose membership has been terminated for any reason, but who requires service again, may again become a member by complying with the procedure outlined in Article 1, Section 2. Such a reinstated member, however, shall be required to pay a connection fee equivalent to that required of an existing member, in addition to the membership fee.

Section 9. New Classes of Memberships.

The Board of Directors, by majority vote of a quorum of the board, may adopt, by resolution, additional classes of memberships, together with the rights, responsibilities and duties of such additional classes of members.

ARTICLE II - MEETINGS OF ENERGY MEMBERS

Section 1. Annual Meeting of the Energy Members.

The Annual meeting of the energy members shall be held on the first Saturday of May, or on another date selected by the directors each year, at such place as the directors shall designate, for the purpose of electing directors and transacting such other business as shall come before the meeting. Unless the laws of the State of Washington, the Articles of Incorporation of the Cooperative, or these bylaws provide otherwise, no business requiring a vote of the members shall be acted upon at the Annual meeting unless a clear statement of any resolution and other business to be transacted is provided to members in advance, as well as any properly noticed ballots, all in accordance with notice provisions contained in Article II of these bylaws. If the election of directors is not held at the Annual Meeting, the Board of Directors shall cause the election to be held at a Special meeting of the energy members as soon thereafter as conveniently may be set. Failure to hold the Annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings of the Energy Members.

Special meetings of the energy members may be called by at least three (3) directors or the president, or upon a written request signed by at least 10 percent (10%) of all the energy members entitled to vote, accompanied by a clear written statement of the subject matter of the Special meeting, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as provided in Article II of the bylaws. Any Special meeting where a membership vote is to occur (whether requested by the Board of Directors or by a ten percent (10%) petition of the membership) shall be accompanied by a clear written statement of the matter to be voted upon. The notice provided to the membership shall be consistent with the notice provisions of Article II and ballots shall be provided in advance of the Special meeting. A quorum shall be based upon ballots submitted. The results of the vote shall be ratified at the Special meeting. A Special meeting may be held where no vote is to occur, as long as a clear statement of the subject matter of the meeting is provided to the membership consistent with the notice provisions of Article II. Special meetings of the energy members may be held at any place in the County of San Juan, in the State of Washington, specified in the notice of the special meeting.

Section 3. Notice of System Energy Members' Meetings.

Written notice stating the place, day and hour of an Annual meeting or Special meeting, shall be delivered not less than twenty-one (21) days nor more than fifty (50) days before the date of the Annual or Special

meeting. The meeting notice will be sent either by mail or electronic transmission, and the notice is deemed to be delivered upon it being posted on OPALCO's website. The failure of any energy member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting. Each member shall be responsible to provide advance written notice to the Cooperative of any address change. The purpose of the Special meeting shall be clearly stated in all meeting notices.

Section 4. Quorum.

At all meetings of the energy members, whether at an Annual or Special meeting, a quorum shall be met when at least ten percent (10%) of all energy members have cast their ballots. If less than a quorum has cast ballots, at any meeting, a majority of those present in person may adjourn the meeting, provided that the secretary shall notify any absent energy members of the time and place of such reconvened adjourned meeting, pursuant to Article II of the bylaws, in order to obtain a quorum. At any such reconvened meeting, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Voting.

Each energy member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the energy members at which a quorum is present, all questions shall be decided by a vote of a majority of the energy members voting thereon by ballot, provided all proper notices have been provided pursuant to Article II, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these bylaws. If an energy membership is represented by more than one person, they shall jointly be entitled to only one (1) vote and no more upon each matter submitted to a vote at a meeting of the energy members. Issues submitted to the energy membership for vote will be objectively stated and as free from bias as possible. In addition, a Voting Guide may be prepared and distributed by the Cooperative to include statements for and against any matter placed before the membership for a vote, as well as rebuttal statements.

Section 6. Ballot.

All voting shall be conducted by mail or electronic balloting (Ballot), in advance. Any energy member may vote electronically or by written ballot. At an Annual or Special meeting, only motions regarding procedural matters involving the conduct of the meeting will be properly considered, such as approval of the minutes, and may be made from the floor, and shall be acted upon solely by the energy members in attendance at the meeting.

The secretary shall distribute a notice of meeting and ballot to all energy members in advance of the Annual or Special meeting. The ballot must contain any motions or resolutions to be acted upon. Ballots for the election of directors, shall include a list of all candidates for director provided for in Article III, Section 3 of the Bylaws. The Cooperative shall include written instructions for completing all ballots. A member may elect not to vote on a particular matter, without invalidating the rest of the ballot. Any ballot shall be submitted by such date and hour set by the Board of Directors and described in the written instructions., All ballots must be submitted by noon Pacific Time three (3) calendar days before the Annual or Special meeting. (For example, if the Annual meeting is on Saturday, all ballots are to be submitted by noon on the previous Wednesday.)

Only one ballot shall be returned and counted on behalf of a membership. OPALCO staff shall post balloting information on OPALCO's website. The failure of any energy member to receive a copy by mail or electronically, of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting. In the event electronic voting procedures are adopted, the Board shall provide advance notice of those procedures in the manner provided for in this Article II, and as provided by law.

Section 7. Order of Business.

The order of business at the annual meeting of the energy members, and, so far as possible, at all other meetings of the energy members, shall be essentially as follows:

1. Call of the roll;
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
3. Report of the Elections and Governance Committee and election of directors;
4. Reading of unapproved minutes of previous meetings of the energy members and the taking of necessary action thereon;
5. Presentation and consideration of, and acting upon, reports of officers, directors and committees;
6. Unfinished business;
7. New business. Any new business raised at the annual or special meeting may be continued until the next member meeting set according to these bylaws;
8. Adjournments.

Section 8. Robert's Rules of Order.

The most recent edition of Robert's Rules of Order shall serve as the governing rules for any official meeting of the energy members, unless inconsistent with the bylaws. The Cooperative is not required and has specifically chosen not to follow the Washington State RCW 42.30 *Open Public Meetings Act*.

ARTICLE III - DIRECTORS

Section 1. General Powers.

The business and affairs of the Cooperative shall be managed by a board of seven (7) directors which shall exercise all of the powers of the Cooperative except such as are by law or by the articles of incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members.

It shall be the duty of the Board of Directors to appoint a standing Elections and Governance Committee (EGC), made up of ~~nine (9) members consisting of three (3)~~ energy members from each of the residency districts approved for the election of the San Juan County Council in San Juan County, Washington. No current officer or member of the Board of Directors shall be appointed a member of such committee, although former officers and directors may serve. No employee of the Cooperative or its subsidiaries may serve on the Committee, although the Committee may request that staff support be provided to act under the direction of the Committee. At the request of the Board of Directors, the Committee may also be asked to review bylaws, policies and/or cooperative governance procedures on an as-needed basis. ~~Once the transitional period has concluded, each member of the Committee shall serve a three (3) year term. During the transitional period, the initial terms of the Committee members in each district shall be staggered such that Position A Committee members shall serve a one (1) year term, Position B Committee members shall serve a two (2) year term, and Position C Committee members shall serve a three (3) year term. The reference to Districts 1, 2, and 3 are to the residency districts approved for the election of the San Juan County Council. [relocated from below].~~

Section 2. Qualifications.

Director Districts. The territory served by the Cooperative shall be divided into four districts, and the directors shall be **an energy member, and a Resident** of one district, as evidenced by an OPALCO membership with a residential **service** meter in their name **for which such energy member has financial responsibility**, and as hereafter provided. **For purposes of this Section 2, an energy member shall be a "Resident" of an address in the district where he or she physically resides and is served by an OPALCO residential service for which energy member has financial responsibility.**

District No. 1 shall include all territory lying South and West of a line beginning at the boundary between the United States and Canada, Northeast of Stuart Island; thence running in a Southeasterly direction to the East of Stuart and Spieden Islands through San Juan Channel; thence proceeding Southerly between Cattle and Davis Points through Middle Channel. {San Juan, Pearl, Henry, Brown and Spieden islands}

District No. 2 shall include all territory lying East and North of a line beginning on the boundary between the United States and Canada Northeast of Stuart Island and running thence Southeasterly to the East of Stuart and Spieden Islands and West of Flattop Island to a point West of Jones Island; thence Easterly to the North of Jones Island through Spring Passage and thence Easterly through North Pass and Pole Pass to the South of Orcas Island through Harney Channel; thence Southeasterly to the West of Blakely Island and through Thatcher Pass to the Skagit County line. {Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double and Fawn islands}

District No. 3 shall include all territory lying West of the Skagit County line and North of the Island County line and East of the East boundary of District No.1, with the North boundary thereof commencing at the Skagit County line East of Blakely Island and running thence Westerly through Thatcher Pass; thence Northwesterly to the intersection of Harney Channel and Upright Channel North of Upright Head; thence Southwesterly through Upright Channel to its intersection with San Juan Channel. {Lopez, Decatur, Center and Charles islands}

District No. 4 shall include all territory, which is bounded on the South and West of District No. 1, on the North by District No. 2 and on the Southeast by District No. 3. {Shaw, Crane, Canoe and Bell islands}

For implementation of staggered board terms only:

Beginning with the election year 2019 and continuing through 2021, the **Director C**andidate with the highest number of votes in the election for Districts 1, 2 and 3 shall serve a three-year term (District position A). The **Director C**andidate with the second-highest number of votes in the election for Districts 1, 2 and 3 shall serve a two-year term (District position B). Upon completion of the staggered election cycle in years 2019-2021, and beginning in the election year 2022, the **Director C**andidate with the highest number of votes in the election from each district on the ballot shall serve a term of three years. Thereafter, each director shall serve for a term of three years, or until his successor shall have been elected and qualified, subject to the provisions of these bylaws with respect to the removal of directors. A **D**irector **C**andidate shall be a **part-time or a full-time** resident of the OPALCO District he or she is seeking to represent and shall declare ~~either a home or business~~ **a physical residential address served by an OPALCO residential service in their name** as the primary residence in that District, ~~but not both.~~ **The Director Candidate's selection of his or her primary residence shall be for the remainder of the term the Director will serve, should he or she be elected by the membership, and the Director shall be ineligible to serve as a Director from a different district until the term has been completed.** "Director Candidate" shall mean an energy member seeking to be considered for a director position on the Board of Directors, whether by petition, nomination, or any other means permissible under these bylaws.

The goal of the nominations process is to ~~put forward the best, most qualified and effective candidates for the Board of Directors so that the membership can, in turn, elect board members who are prepared to uphold the mission~~ **of the Cooperative** and practice good stewardship of member resources in service to the Cooperative **by putting forward effective Director Candidates.** ~~In this spirit, conflicts of interest that would disqualify a potential candidate for a board position are herein defined.~~

Conflicts of Interest. Nominations for directors shall be made each year as hereafter provided from persons residing in the respective districts from which directors are to be elected in that year. To be considered ~~for as~~ a Director ~~position (whether by petition, write-in or nomination),~~ **Candidate,** an individual must complete an Independent Director Qualifications form **as provided in the Cooperative's Election Policy,** and ~~will be found ineligible for a board position if any of the following conflict conditions apply, regardless of the method of candidacy:~~ **free of any conflicts of interest.** In addition to other qualifications, the EGC shall evaluate each **Director Candidate to identify potential conflicts of interest with the advice of OPALCO's general counsel,**

who will determine whether a Director Candidate is disqualified based upon the conflicts of interest set forth below in this section.

The members of the board of Directors, and any Director Candidates shall be free of any of the following conflicts of interest:

1. **Cooperative Employment.** No ~~Unless currently serving as a director on the date these bylaw amendments are approved, or reelected to the same position,~~ no energy member or their immediate family member shall be eligible to become or remain a director of the Cooperative who is or has been employed by the Cooperative, a subsidiary or affiliate of the Cooperative ~~within the five (5) years immediately prior to becoming a director.~~ Additionally, ~~prior terminated employees are ineligible as a director candidate;~~
2. **Competing or Supporting Enterprises.** No energy member or their immediate family member shall be eligible to become or remain a director of the Cooperative who; (i) is in any way employed by or has material financial interest in a competing enterprise or business; (ii) is in any way employed by or has a material financial interest in a vendor, consultant or supplier of the Cooperative that is material to the Cooperative (as determined by the Board of Directors); or (iii) is in any way employed by or has a material financial interest in a vendor, consultant or supplier of the Cooperative in which the business performed by or for the Cooperative by such vendor, consultant or supplier is a material part of such vendor, consultant or supplier's business (as determined by the Board of Directors). ~~A member who is in any way employed by or has non de minimis financial interest in a competing or supporting enterprise or business, or whose immediate family member is employed by a competing or supporting enterprise or business of the Cooperative, a subsidiary or affiliate of the Cooperative;~~
3. **Public Office.** No energy member or their immediate family member ~~A member who currently holds public office or serves on a governmental appointment or commission whose charter, duties or scope of influence materially intersects with the business of the Cooperative or its subsidiaries or affiliates, if any. or whose immediate family member holds public office or serves on a governmental appointment or commission whose charter or scope of influence intersects with the business of the Cooperative or its subsidiaries or affiliates;~~
4. **Cooperative Disputes.** A director candidate, **No energy member** or their immediate family member, shall not be **eligible to become** or have **remain a director of the Cooperative who is or has** been a party in a mediation, arbitration, lawsuit, unsuccessful Member Service Policy 9 ruling, or other legal action against or by the Cooperative or a subsidiary or affiliate of the Cooperative; ~~or.~~
5. ~~A member who has been convicted of a felony crime.~~

The following are additional qualifications for serving as a Board of Director and being a Director Candidate:

1. **Felony Crime.** No energy member shall be eligible to become or remain a director of the Cooperative who has been convicted of a felony crime;
2. **Age.** No energy member shall be eligible to become a director of the Cooperative who is below the age of 18 years at the time the election is held;
3. **Good Standing.** No energy member shall be eligible to become or remain director of the Cooperative who is not a member in good standing by having met and adhered to the Cooperative's and its subsidiaries' payment policies, in accordance with credit requirements contained in the Cooperative's Tariffs, as amended from time to time, and any other requirements for membership in good standing established by Board resolution;
4. **Educational Attainment.** No energy member shall be eligible to become a director of the Cooperative who has not earned a high school diploma, or a recognized equivalent;
5. **Residency.** No energy member shall be eligible to become or remain a director of the Cooperative who is not or is no longer a Resident or the applicable OPALCO director district to which he or she was elected, as defined above;

6. Joint Membership. No energy member shall be eligible to become or remain a director or the Cooperative when another member of a joint membership already serves as a director of the Cooperative.

Director candidates must comply with all other policies regarding qualifications and conflicts of interest which may be established by the Board of Directors from time to time, and complete and sign an Independent Director Qualifications form, consistent with the bylaws and approved by the Board of Directors.

~~When a membership is held jointly, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director nor to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth.~~

Section 3. Nominations and Election of Directors.

Nominations by EGC: The EGC is responsible for selecting candidates and nominating those candidates to stand for election to serve on the Board of Directors as successors or replacements for then-current board members. ~~At the request of the Board of Directors, the Committee may also be asked to review bylaws, policies and/or cooperative governance procedures on an as-needed basis.~~ The committee, if possible, should nominate at least two (2) candidates for a single open position. The Committee **Secretary** shall have prepared and posted on the OPALCO website or in the lobby at the principal office of the Cooperative at least eighty (80) calendar days before the meeting a list of its **EGC candidate** nominations for directors. ~~Any twenty (20) or more may make other nominations of qualified members from the OPALCO district that the Director will be elected from, by petition with their signatures, filed with the General Manager at the principal office of the Cooperative at Eastsound, Washington, not less than fifty-five (55) days prior to the meeting. The secretary shall cause the same to be posted at the place where a list of nominations made by the committee is posted, including electronic postings on the Cooperative's website. The Cooperative shall post the list of director candidates on its website in order to provide the notice required in this section. The committee, if possible, should nominate at least two (2) candidates for a single open position. The secretary shall post on OPALCO's website with the notice of the meeting a statement of the number of directors to be elected from each district all nominations, including those made by petition, if any.~~

~~The EGC is responsible for selecting candidates and nominating those candidates to stand for election to serve on the Board of Directors as successors or replacements for then-current board members. At the request of the Board of Directors, the Committee may also be asked to review bylaws, policies and/or cooperative governance procedures on an as-needed basis [relocated to paragraph above].~~

Nomination by Petition: Any twenty (20) or more energy members may make other nominations of qualified members from the OPALCO district that the Director will be elected from, by petition with their signatures, filed with the General Manager at the principal office of the Cooperative at Eastsound, Washington, not less than fifty-five (55) **days** prior to the meeting. The secretary shall cause the same to be posted at the place where a list of nominations made by the committee is posted, including electronic postings on the Cooperative's website. The Cooperative shall post the list of director candidates on its website in order to provide the notice required in this section.

Annual Meeting Ballot: The secretary shall post on OPALCO's website with the notice of the meeting a statement of the number of directors to be elected from each district all nominations, including those made by petition **and member-initiated amendments (Article XIV, Section 2)**, if any. As provided in Article II of the bylaws, the secretary of the Cooperative shall mail to each energy member a printed ballot marked "Ballot for Directors" containing the names of all nominees for the respective districts to be arranged alphabetically, together with a notice of said meeting, containing appropriate information and instructions relative to voting. The ballot shall indicate thereon the number of directors to be elected from each district. In the alternative, the

Cooperative may provide ballots to each energy member electronically. All voting by each energy member of the Cooperative entitled to cast a vote for the election of directors shall be completed by a ballot, either provided in the mail or electronically by the Cooperative. Voting shall be conducted by the procedures established in Article II.

Each energy member is entitled to vote for each position for which a director is to be elected, and the candidate receiving the most votes in each position is deemed to be elected as outlined in Article III Section 2.

Section 4. Vacancies.

A vacancy occurring in the Board of Directors shall be filled by the election of an energy member resident of the same district as the director whose office is vacated, by a majority vote of the remaining directors, and a director thus elected shall serve for an unexpired portion of the term or until his or her successor shall have been elected and shall have qualified.

Section 5. Compensation.

From time to time director compensation shall be reviewed by the Elections and Governance Committee, and any recommendations regarding director compensation shall be presented to the Board of Directors. The Board of Directors shall either accept or reject the recommendations of the Committee, except that the Board may approve a reduction in the compensation amounts recommended by the Committee. Directors shall not receive any salary for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for serving as a director at meetings on behalf of the Cooperative. Close relatives of a director shall not receive compensation for serving the Cooperative, unless such compensation is recommended by the EGC and approved by the Board of Directors.

Section 6. Removal of Directors and Officers.

There are two ways that Directors and Officers may be removed from the Board of Directors; by action of an energy member in good standing; and/or by action of the Board President, or other board member.

1) Removal by Energy Member

- a) Any energy member may seek removal of a director or officer by bringing written charges of malfeasance or misfeasance against an officer or director by filing them in writing with the secretary. Any filing of written charges shall meet the Notice requirements in Article II of the bylaws, together with a petition signed by ten percent (10%) of the energy members, requesting the removal of the officer or director in question. The secretary shall provide a copy of the charges to the director or officer being charged within five (5) business days of their filing with the secretary. To be considered, the removal request must state sufficient facts in writing to support the charge of malfeasance or misfeasance. The Board of Directors, excluding the director or officer subject to the charges, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges.
- b) In the event all members of the Board of Directors are subject to petitions charging malfeasance or misfeasance at the same time, the President shall appoint an independent committee made up of seven (7) energy members from the Districts established in Article III, Section 2 of these Bylaws, reflecting the same District representation as the then current Board of Directors. The independent committee, with the advice of the cooperative's counsel, shall determine whether the removal request states sufficient facts to support the charges by a majority vote.
- c) A removal request that has been found to be sufficient shall be considered at a Special meeting of the energy members at which a quorum is present. The director or officer against whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity. Following the presentations, all members shall be entitled to vote on the requested removal, based upon the factual allegations in the removal request presented. Voting procedures on the removal petition shall be conducted pursuant to Article II of the bylaws, and notice shall be provided consistent with Article II

of the bylaws. The secretary shall arrange for distribution of ballots to the membership after the presentations at the Special meeting of the energy members, and shall include a transcript of the meeting, written materials from the members charging malfeasance or misfeasance in the removal petition, and the written response from the director or officer who is the subject of the petition. Ballots shall be marked "Yes" or "No" on whether the director or officer shall be removed. Voting shall be concluded thirty (30) days after the date ballots were distributed to the membership. Members may complete ballots either by mailing them to the cooperative or returning them electronically to the cooperative, within the thirty (30) day period set for voting. Votes shall be tabulated by an independently hired accountant selected solely for that purpose, who will certify the results to the Board of Directors. A director will be removed, after a quorum has been established, and a majority of members constituting the quorum vote to remove the director or office.

- d) In the event a director or officer is removed, a replacement director shall be appointed pursuant to Article III, Section 4 to complete any of the removed director's or officer's unexpired term. In the event all directors are removed, the membership shall immediately call for an election of replacement directors, for the remainder of the term each prior director was serving.

2) Removal by Board of Directors

- a) The Board of Directors shall develop a policy regarding conduct of its meeting, decorum and respect each director grants to other directors, staff and members. Such policy shall be reviewed and approved by the Board of Directors from time to time. Such a policy will assist the Board of Directors in its conduct of the Cooperative's business and maintain a collegial approach to governance.
- b) A director who is found to be in violation of the board policy adopted pursuant to Section 1 above, as may be amended may, in addition to any other disciplinary action taken in accordance with these policies, be removed as a Director of the Cooperative following completion of the process set forth in this section, and a majority vote by the Directors for removal as provided herein.
- c) In the event that any member of the board of Directors determines that a sitting director violated any of the above referenced policies, and such violations are serious enough to warrant removal of that individual as a Director of the Cooperative for the good of the Cooperative, and in good faith, he/she may make a motion to consider removal. That motion shall specify the grounds for removal and be given at least 30 days' notice prior to a meeting of the board, at which further action by the Board could be taken. At a subsequent meeting of the board held to take any possible action, the director against whom the motion is directed shall be entitled to be present in person, with counsel of his/her choice and at his/her expense, and to present evidence to the Board of Directors to address, rebut or mitigate the specific charges, and/or to set forth facts against his/her removal. The Director or Directors who have made the motion to consider removal of the Director shall have the opportunity to present additional evidence in support of the original motion for removal. Once the Director against whom the motion has been made and the Director who has made the motion have completed their presentations, the President of the Board shall call for a motion to remove the Director. The Director against whom the motion has been made may not vote on the motion to remove the Director. If at least 2/3 (two-thirds) of the remaining current Directors excluding the Director against whom the motion has been made are in favor of such a motion to remove, then the motion shall be considered approved, the Director's position shall be considered vacant, and the member of the Director's district shall be notified in writing of such removal. Filling the vacant position shall be pursuant to these bylaws.

Section 7. Rules and Regulations.

The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation of the Cooperative or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 8. Accounting System and Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The board shall also, after the close of each fiscal year, cause to be made an audit of the accounts, books, records and the financial condition of the Cooperative. Said audit is to be conducted by a certified public accounting firm that is acceptable to the Rural Utilities Service.

A summary of such audit report shall be submitted to the members at the following annual meeting. Accounts of the Cooperative may be examined by a committee of the Board of Directors at any time it feels it advantageous to do so.

Section 9. Changes in Rates.

Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America within ninety (90) days after board approval of any change in the rates charged by the Cooperative for electric energy.

Section 10. Absences of Directors.

In the event that any director shall miss three (3) consecutive regular meetings without a valid excuse, at the discretion of the remaining directors, the seat of the absent director may be declared vacant and a replacement named by the remaining directors.

ARTICLE IV - MEETINGS OF DIRECTORS

Section 1. Regular Meetings.

A regular meeting of the Board of Directors shall be held without notice other than this bylaw, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in San Juan County, Washington, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof. The President may cancel or change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all Directors.

Section 2. Special Meetings.

Special meetings of the Board of Directors may be called by the president or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them. Any corporate action to be taken at a special meeting of the directors of the Cooperative, may be taken by conference call or other electronic means. This includes any action required or permitted by the Articles of Incorporation, bylaws, or the laws under which this Cooperative is formed. Further, any director may participate in a special meeting by conference call or other electronic means of communication by which all directors participating in the meeting may hear one another's responses (or observe, in the case of an email and/or electronic exchange). Any action taken shall be memorialized in the meeting minutes of the subsequent Board meeting.

Section 3. Notice.

Notice of the date, time and location of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written or electronic notice, delivered to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director to his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. If sent by electronic transmission, the notice is deemed to be delivered when sent, addressed to the director at his or her electronic

transmission address as it appears on the records of the Cooperative. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors provided that, if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The directors present at a duly organized meeting may continue to transact business at such meeting and at any adjournment of such meeting, notwithstanding the withdrawal of enough directors from either meeting to leave less than a quorum.

Section 5. Manner of Acting.

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V - OFFICERS

Section 1. Number.

The officers of the Cooperative shall be a president, vice president, secretary and treasurer, and such other officers as may be determined by the Board of Directors from time to time. The officers of secretary and treasurer may be held by the same person.

Section 2. Election and Term of Office.

The officers shall be elected by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

Section 3. Removal.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in its judgment, the best interests of the Cooperative will be served thereby.

Section 4. Vacancies.

Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President.

The president:

- a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors; and
- b) shall sign with the secretary any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by

these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

- c) in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice President.

In the absence of the president, or in the event of his inability or refusal to act, the vice president shall perform the duties of the president and, when so acting, shall have all the powers of and be subject to all the restrictions upon the president and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Secretary.

The secretary shall:

- a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- b) see that all notices are duly given in accordance with these bylaws or as required by law;
- c) be custodian of the corporate records and of the seal of the Cooperative;
- d) keep a register of the post office address of each member, which shall be
- e) furnished to the secretary by such member;
- f) have general charge of the books of the Cooperative in which a record of the members is kept;
- g) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the bylaws and of all amendments thereto to each member; and
- h) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the Board of Directors;
- i) The secretary or the Board of Directors may delegate to another or others any of the duties hereinbefore assigned to this officer.

Section 8. Treasurer.

The treasurer shall:

- a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- b) in general, perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.
- c) the treasurer or the Board of Directors may delegate to another or others any of the duties hereinbefore assigned to this officer.

Section 9. Manager.

The Board of Directors may appoint a manager who shall serve at the pleasure of the board and who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time vest in him.

Section 10. Bonds of Officers.

The Board of Directors may require any officer, agent or employee of the Cooperative to give bond in such amount and with such surety as the Board of Directors shall determine, the premium for which will be paid by the Cooperative.

Section 11. Compensation.

The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined by the members, as provided elsewhere in these bylaws, and the powers, duties and compensation of any other officer, agents, and employees shall be fixed by the Board of Directors.

Section 12. Reports.

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

Section 13. Indemnification Against Liability.

Each person who, as an officer or director of the Cooperative, is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal or administrative, by reason of the fact that he or she is or was a director or officer of the Cooperative, shall be indemnified and held harmless by the Cooperative to the fullest extent authorized by Washington law as the same exists or may hereafter be amended, against all expense, liability and loss, including but not limited to attorney's fees, judgments, fines, taxes or penalties, or amounts paid in settlement reasonably incurred or suffered by such indemnitees in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's estate, heirs and personal representatives.

The right to indemnification conferred in this article shall be a contract right and shall include the right to be paid by the Cooperative the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer in which service was or is rendered by such indemnitee, including without limitation service to an employee benefit plan, shall be made only upon delivery to the Cooperative of a written undertaking by or on behalf of such indemnitee to repay all amounts so advanced if it shall ultimately be determined by final judicial decision that such indemnitee is not entitled to be indemnified for such expense by virtue of acts or omissions precluding indemnification as set forth in Section 14 hereafter.

Notwithstanding the above, nothing herein shall eliminate or limit the liability of a director for acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, for conduct violating RCW 23B.08.310, or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

The indemnification provided by this section shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract.

Section 14. Exception.

No person serving as a director or officer shall be indemnified by the Cooperative in any instance in which he shall have been adjudged by final judicial decision to have engaged in intentional misconduct or a knowing violation of law or from or on account of any transaction with respect to which it was determined that such director or officer personally received a benefit in money, property or services to which the director or officer was not legally entitled.

Section 15. Right of Indemnatee to Bring Suit.

If a claim under Section 13 of this Article is not paid in full by the Cooperative pursuant to the Cooperative's determination that indemnification of the director or officer is precluded pursuant to Section 14 of this Article, the indemnitee shall, upon the expiration of sixty (60) days after a written claim has been received by the Cooperative, be entitled to bring suit against the Cooperative to recover the unpaid amount of the claim.

If successful in whole or in part in any such suit, or in a suit brought by the Cooperative to recover advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid the expenses of prosecuting or defending such suit.

Section 16. Insurance.

The Cooperative may maintain insurance at its expense to protect itself and any director, officer, employee or agent of the Cooperative.

Section 17. Indemnification of Employees and Agents.

The Cooperative may, by action of its Board of Directors, provide indemnification, including advance of expenses to an officer, employee or agent of the Cooperative, to the extent that such indemnification is consistent with the laws of the State of Washington.

ARTICLE VI - BOOKS AND RECORDS

Books of Account, Minutes and Member Register.

The Cooperative shall keep at its principal office the following: current articles of incorporation and bylaws; a record of members, including names, addresses and classes of membership, if any; correct and adequate records of accounts and finances; a record of officers' and directors' names and addresses; minutes of the proceedings of the members, if any, the Board of Directors, and any minutes which may be maintained by a committee of the Board of Directors. Records may be written or electronic, if capable of being converted to writing. The records shall be opened at any reasonable time to inspection by any member of more than three (3) months standing or a representative of more than five percent (5%) of the members. Costs of inspecting or copying shall be borne by such member except for costs for copies of articles of incorporation or bylaws. Any such member must have a purpose for inspection reasonably related to membership interests. Use or sale of members' lists by such member, if obtained by inspection, is prohibited.

ARTICLE VII - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts.

Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc.

All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, or employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits.

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

ARTICLE VIII - NONPROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited.

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 2. Members' Patronage Capital in Connection with Furnishing Electric Energy.

Except as provided in Article I, Section 4, in the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy. All such amounts ~~in excess of operating costs and expenses~~ **that represent the annual net margin** at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account **established** for each member, ~~all such amounts in excess of operating costs and expenses~~ **that represent the annual net margin**.

The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each member of the amount of capital so credited to his account. Notwithstanding the patronage capital provisions by these bylaws, any member who fails to remain an active member for twelve consecutive months shall forfeit all rights to patronage capital received or receivable. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuant of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

- a) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of energy members. Thereafter, any payments made on account of property rights of members shall be made to all energy members (including former members) in the proportion which the aggregate patronage of each member bears to the total patronage of all such members. If, at any time prior to the dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to energy members' accounts may be retired in full or in part. Each such retirement of capital shall, in the sole discretion and determination of the Board of Directors, be made pursuant to resolution of general application of the Board of Directors in the following manners:
- b) By payment to members in order of priority according to the year in which the capital was furnished and credited, the first received by the Cooperative being the first retired; or
- c) By payment to all members on the basis of the ratio that the unpaid capital credits standing in the name of each member on the books of the Cooperative bears to the total unpaid capital credits of all members as shown on the books of the Cooperative. No active member who fails by this method to get a check for the minimum amount would have that amount deducted from his capital credit account; or

- d) By discounting of estate payments to dissolved corporations or associations when capital credits are to be retired prior to the time such capital credits would otherwise normally be retired; or
- e) By the Board of Directors determining the method, basis, priority and order of retirement.

Capital credited on the account of each energy member shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in the interest or successors in occupancy in all or a part of such member's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these bylaws, the Board of Directors, at its sole discretion, shall have the power at any time upon the death of any energy member, or upon the dissolution of any corporation or association, to authorize payment of capital credits to the party or parties in title thereto; if the board authorizes payment of capital credits pursuant to this section, the remittance of those credits shall take place in a manner agreed upon by the board of directors and the representative; if the legal representatives of the estate, the dissolved corporation or the association shall request in writing that the capital credited to any such member, corporation or association be retired prior to the time such capital credit would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such member, corporation or association immediately upon such terms and conditions, including such discount as the board shall deem proper, provided, however, that the financial condition of the Cooperative shall not be impaired by the payments herein permitted as determined by the board of directors in its sole discretion.

Section 3. Binding Effect of Articles of Incorporation, Bylaws, Tariffs and Rules of the Cooperative.

All members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation, bylaws, tariffs and rules of the Cooperative and any future amendments thereof, shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and such members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office. As a condition of the membership, each member also agrees to respect and give legal effect to any utility easements for any services offered by the Cooperative and/or its communications subsidiary, and grant any necessary access and easements as necessary to furnish all services offered by the Cooperative and/or its communications subsidiary.

Section 4. Patronage Refunds in Connection with Furnishing Other Services.

All other amounts received by the Cooperative from its operations ~~in excess of costs and expenses~~ **that represent the annual net margin** shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, in the Board's discretion either retained by the Cooperative, or allocated to its members on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided.

Income received from any subsidiary corporation shall not be allocated or assigned to the patrons or members prior to the dissolution of the Cooperative, unless so determined by the Board of Directors.

Section 5. Transfer of Credits or Refunds to "Education and Promotion Fund" or "Retirement and Replacement Fund".

In the event total capital credits or membership fee refund due any active or inactive member is less than \$5.00, or the member has forfeited his rights to capital credits, or in the event the Cooperative is unable to make payment to any active or inactive member of capital credits or membership fee refund due such active or inactive member because of inability to locate the active or inactive member, the incapacity of the active or inactive member to receive the same, or any other cause beyond the control of the Cooperative, then, after

the lapse of a period of two (2) years from the date prescribed for payment or delivery of such capital credit or membership fee refund, such capital credit or membership fee refund shall be transferred by the Cooperative to either a special fund known as the "Education and Promotion Fund" or to a special fund known as the "Retirement and Replacement Fund," as the Board of Directors shall by resolution determine. Each member and each member of the Cooperative hereby grants and gives to the Cooperative as a free and voluntary gift of all such moneys, rights, and interests as of said date of transfer. The moneys transferred to the "Education and Promotion Fund" shall be used by the Cooperative for such research and educational purposes as the Cooperative's Board of Directors may determine to be for the benefit and advance of the industry in cooperation and in the effective use and marketing of electricity. The moneys transferred to the "Retirement and Replacement Fund" shall be used to pay for losses sustained as a result of retirement and replacement.

Section 6. Priority of Cooperative's Claim for Amounts Due from Member.

Nothing contained in this article shall be construed to deprive the Cooperative of its first lien against any capital credits to satisfy any unpaid bill of the energy member. Only that portion of a capital credit or payment which is not needed to satisfy any unpaid bill shall be paid to the energy member, provided that the financial condition of the Cooperative shall not be impaired by the payments herein permitted as determined by the board of directors in its sole discretion.

ARTICLE IX - WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws.

ARTICLE X - DISPOSITION OF PROPERTY

Section 1. Sale or Transfer.

The Cooperative may not sell or transfer or otherwise dispose of any of its property other than property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative system and facility; provided, however, that all sales of such property shall not in any one year exceed in value ten (10%) percent of the value of all the property of the Cooperative.

Section 2. Sales or Encumbrance.

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any property except in the normal course of business of the Cooperative in accordance with sound fiscal judgment so as not to impair the financial condition of the Cooperative.

Section 3. Borrowing Authority.

Notwithstanding the limitations set forth in Sections 1 and 2 above, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or from a national financing institution, organized on a Cooperative plan for the purpose of financing its members' programs, projects and undertakings in which the Cooperative holds membership, and in connection with such borrowing, to authorize the making and issuance of bonds, notes or other evidence of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine. Nothing in this section is to be construed as a limitation upon the Board of Directors to borrow money from such other entities, institutions or sources as may be permissible under the laws of the State of Washington.

ARTICLE XI - FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XII - MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative may become a member of such other organizations as the Board of Directors determine will be beneficial.

ARTICLE XIII - SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Washington."

ARTICLE XIV - AMENDMENTS

Section 1. Board Initiated Amendments.

The power to make, alter, amend, or repeal the bylaws or adopt new bylaws shall be vested in the Board of Directors. Notice of the board's action in making, altering, amending or repealing the bylaws or adopting new bylaws shall be given to the voting members within thirty (30) days of such action.

Section 2. Energy Member Initiated Amendments.

Energy Members may propose changes to the bylaws as follows:

- a) Bylaw Amendments Proposed by Energy Members. Consistent with the Articles of Incorporation and State Law, at least ten percent (10%) of the active Energy Members may propose, in writing, a resolution to make, alter, amend or repeal a bylaw or to adopt new bylaws. Each Energy Member proposed resolution shall be limited to a single subject. Any such proposed resolution must be submitted to the Board of Directors no less than ninety (90) and no greater than one hundred twenty (120) days prior to the date of the next annual meeting of the Energy Members, and consistent with Article II.
- b) Review by Directors. After review by the directors, with the advice of legal counsel, the proposed amendment to the bylaws shall be placed upon the agenda of the annual meeting of the Energy Members, so long as consistent with law or the articles of incorporation, and notice of the proposed amendment shall be provided to the Energy Members in accordance with the notice provisions contained in Article II, Section 3 of the Bylaws.
- c) Voting on Proposed Amendment. Any proposed amendment shall be voted upon at the annual meeting of the Energy Members. Voting shall be in accordance with Article II, Sections 5 and 6 of the Bylaws. Any proposed amendment receiving a simple majority of votes from the Energy Members shall be approved.

ARTICLE XV - GENDER

Whenever masculine, feminine, neuter, singular or plural terms are used in these bylaws, such terms shall be construed to include all persons in whatever form is appropriate to make the bylaws applicable to all members, unless the context of the bylaws clearly indicates otherwise.

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

Preamble

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

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

1.1. BOARD ETHICAL STANDARDS

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

1.2. CONFIDENTIALITY

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

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

1.3. DIRECTOR CONDUCT

Regardless of any personal differences, directors are required to:

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

discrimination in all forms, and providing an atmosphere at board meetings that are free of harassment in any way

1.4. CONFLICT OF INTEREST DISCLOSURE

Board members are required to disclose any potential conflict of interest with regard to ongoing or specific transactions on any matters before the Board and shall attest that they have no material undisclosed conflict of interest situations in writing annually, consistent with the Bylaws and all policies related to conflicts of interest. The Board has established conflict of interest policies in Policy 23.

1.5. BOARD MEMBER QUALIFICATIONS

Board Member Qualifications are defined in Bylaws Article III: Directors, Section 2: Qualifications. Additionally, and consistent with the Bylaws, OPALCO strives to cultivate a diverse and well-rounded board of directors and with members who bring expertise in any of the following industries: engineering, utilities, legal, insurance, technology and communications, environmental, financial, outreach and education, community development, natural resources, human resources and construction, among others. ~~Board members must be energy member residents of one district, as evidenced by an OPALCO membership with a residential meter for which such energy member has financial responsibility. Board Member Qualifications are defined in Bylaws Article III: Directors, Section 2: Qualifications.~~

1.6. BOARD MEMBER DUTIES AND RESPONSIBILITIES

~~Co-op~~ Board service requires a significant commitment of time during and outside of monthly board meetings.

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

1.7. BOARD POLICIES AND STRATEGIC DIRECTIVES

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

1.8. STRATEGIC PLANNING

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

1.9. OVERSIGHT

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

1.10. BOARD INTERACTION WITH AUDITORS

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

- 1.10.1. Requires pre-approval by the Board for all services to be provided by the audit firm.
- 1.10.2. Sets out the scope of the audit, its objective and purposes, and deadlines for work to be performed.
- 1.10.3. Specifies all fees to be paid for all audit, audit-related and tax work provided by the audit firm.
- 1.10.4. If a multi-year agreement, provides for regular rotation of the lead audit partner.

- 1.10.5. Complies with all RUS Policies and/or other applicable regulatory standards on Audits.

1.11. BOARD INTERACTION WITH LEGAL COUNSEL

The Board shall:

- 1.11.1. Make all decisions regarding retaining, employing, and discharging attorneys for the cooperative.
- 1.11.2. Reaffirm that the attorney represents the cooperative and does not represent individual directors, officers, employees, or members or affiliated entities of the cooperative, unless the Board consents to such representation and the attorney has complied with applicable conflict of interest requirements.
- 1.11.3. Require the attorney to keep the Board and the General Manager informed of matters for which the attorney is providing legal services.
- 1.11.4. Require the attorney to report evidence of any actual or intended material violation of law or material breach of duty that would likely cause substantial harm.
- 1.11.5. Oversee the election process on behalf of the Board of Directors consistent with the Bylaws, Policies and adopted Guidelines, and assist management, and the Election Governance Committee as necessary to ensure a full and fair election for board positions and any proposals offered by the membership or otherwise.

1.12. BOARD NOMINATIONS AND THE ELECTIONS & GOVERNANCE COMMITTEE

Nominating the best qualified Directors is essential to OPALCO and its members. To oversee the recruitment of strong Director candidates, the Bylaws have established an independent Elections & Governance Committee (EGC). The EGC serves to independently identify, interview and recommend to the Cooperative's membership high quality candidates to run for election to the Board of Directors. The Bylaws require that the EGC is made up of a representative group of 9 members, preferably three from each of three districts as defined by the San Juan County Council. To foster independence, no current Director or Officer of the Cooperative may serve on the EGC, nor may any current employee of the Cooperative or its subsidiary serve on the EGC. The Board of Directors shall use its best efforts to ensure that the EGC has a full membership each year. This policy does not ~~is intended to provide guidance for the Board and the EGC and in no way overrides nor supersedes~~ supersede any requirement in OPALCO Bylaws or Articles of Incorporation, or other applicable state or federal requirements.

Elections & Governance Committee Purpose

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

- 1.11.1 Actively cultivate qualified candidates on an ongoing basis to fill upcoming board positions.

- 1.11.2 Review candidate qualifications based on the ideal collective criteria for the Board as a whole (~~see 1.5~~) and consistent with the bylaws.
- 1.11.3. From time to time, at ~~staff~~ Board's request, make recommendations to update elections, Board compensation and governance policy.
- 1.11.4. Work with the General Counsel to determine whether Candidate Applicants satisfy the qualifications to be eligible for election as a director, as established by the Bylaws.
- 1.11.5. Recommend a slate of Qualified Candidate Applicants
- 1.11.6. Announce the election results at the Annual Meeting

1.13. GENERAL MANAGER

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

1.13.1. Board Interaction with General Manager

- 1.13.1.1. The Board will direct the General Manager to achieve specific results within the restraint of specific limitations. He is authorized to make all further decisions, take all actions, and establish all practices to achieve these specified results that do not transgress the limitations imposed.
- 1.13.1.2. The Board may change its policies and thus the expectations or limitations imposed on the General Manager. So long as any particular delegation is in place, the Board members will respect and support the General Manager's choices.
- 1.13.1.3. All Board authority, that is delegable, is delegated through the General Manager. The General Manager is to be considered the only employee of the Board.
- 1.13.1.4. Only decisions of the Board acting as a body are binding upon the General Manager.
- 1.13.1.5. Decisions or instructions of individual Board members, officers, or committees are not binding on the General Manager except in circumstances where the Board has specifically authorized such exercise of authority.
- 1.13.1.6. In the case of Board members requesting information or assistance without Board authorization, the General Manager can refuse such requests that require in his judgment a material amount of staff time or funds or are disruptive.

1.13.2. General Manager Relationship Review

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

1.14. BOARD SELF-EVALUATION

The Board shall complete an annual self-evaluation of its performance and accomplishments in relation to the goals and mission of OPALCO, to confirm its

compliance with all relevant policies and procedures, and to review its working methods and contribution to OPALCO.

1.15. BOARD SUBCOMMITTEES

Due to the size and nature of the Board as stated in the bylaws, subcommittees are to be minimally used.

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

1.16. REMOVAL OF DIRECTORS AND OFFICERS

1.16.1. The Bylaws provide for a process whereby a Board member may be removed in Article III, Section 6(b). The Board may adopt procedures that provide for a fair hearing and review of any allegations brought against a director, as long as such procedures are consistent with the Bylaws.

1.16.2. The Board of Directors may adopt a process that will allow a full and fair discussion of any motion made to remove a sitting director based upon disorderly conduct, harassment of any kind toward other directors, Cooperative staff or members, or actions that will inhibit the orderly conduct of Cooperative business. This process may include adoption of relevant rules from Robert's Rules of Order that the Board may deem applicable, or any other similar process rules that serve to implement the Bylaws as well as provide a fair hearing on the motion to remove.

~~1.16.3. The Board of Directors encourages full and fair debate over all matters brought before it. The Board of Directors acknowledges that differing opinions may be expressed in a courteous manner. Any director who exhibits disorderly conduct, harassment of any kind toward other directors, Cooperative staff or members, or actions that will inhibit the orderly conduct of the Cooperative's business, in addition to any other disciplinary action taken in accordance with these policies, may be removed as a Director of the Cooperative following completion of the process set forth in this section, and a majority vote by the Directors for removal as provided herein consistent with the Bylaws.~~

1.16.4. ~~In the event that the President of the Board of Directors or any member of the Board of Directors determines that a sitting director violated any of the above referenced policies, and such violations are serious enough to warrant removal of that individual as a Director of the Cooperative for the good of the Cooperative, and in good faith, he/she may make a motion to consider removal. That motion shall specify the grounds for removal, and upon adoption of said motion by the Board of Directors, the director against whom such motion has been made shall be informed in writing of the specific grounds for the motion for removal, and be given at least 30 days' notice prior to a meeting of the Board, at which further action by the Board could be taken. At a subsequent meeting of the Board held to take any possible action, the director against whom the motion is directed shall be entitled to be present in person, with counsel of his/her choice and at his/her expense, and to present evidence to the Board of Director to address, rebut or mitigate the specific charges, and/or to set forth facts against his/her removal. The Director or Directors who have made the motion to consider removal of the Director shall have the opportunity to present additional evidence in support of the original motion for removal. Once the Director against whom the motion has been made and the Director who has made the motion have completed their presentations, the President of the Board shall call for a motion to remove the Director. The Director against whom the motion has been made may not vote on the motion to remove. If at least 2/3 (two thirds) of the remaining current Directors excluding the exception of the Director against whom the motion has been made are in favor of such a motion to remove, then the motion shall be considered approved, and the Director's position shall be considered vacant, and the members of the Director's district shall be notified in writing of such removal. Filling the vacant position shall be pursuant to these bylaws.~~

1.17. ~~BYLAWS MANDATED BOARD WORK~~

Annual Meeting

~~Date Selection~~

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

~~Report~~

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

Audit

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

Board of Directors

~~Elections and Governance Committee on Nominations~~

~~The Board appoints a member Elections and Governance Committee on Nominations for each election according to Bylaws, Article III Section 3.~~

Compensation

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

Vacancy Replacements

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

Bylaws

Amendments

~~The Board shall make necessary Bylaws amendments according to Bylaws Article XIV Section 1.~~

Contracts

~~The Board may authorize any officer or agent to enter into contracts on behalf of the Coop in general or in specific instances according to Bylaws Article VII Section 1.~~

Capital Credits

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

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

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

Disposition of Assets

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

Members

Expulsion

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

Membership fee

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

New Members

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

Other Organizations

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

Revision Date November 21, 2019

Foster Hildreth, General Manager

ORCAS POWER AND LIGHT COOPERATIVE

POLICY 7: ELECTIONS

7.1 GOALS AND OBJECTIVES

Orcas Power & Light Cooperative ("OPALCO" or "Cooperative") and its Board of Directors ("Board") recognize that ~~matters put to a vote of Member~~ elections ("OPALCO Elections") are a cornerstone of OPALCO's compliance with the Cooperative Principle of Democratic Member Control.

OPALCO further recognizes that the Internal Revenue Service has identified meaningful democratic member control as a requirement for the tax exemption granted to electric cooperatives such as OPALCO and other cooperatives.

~~It is the~~ The Board's ~~has retained the oversight of~~ responsibility to oversee OPALCO Elections. ~~In furtherance of the Board's oversight of OPALCO Elections, this~~ This Election Policy ("Policy") and accompanying Election Guidelines and Procedures ("Guidelines") are intended to help ensure that OPALCO Elections are conducted in a fashion that maximizes democratic member participation ~~control~~. A copy of this Policy and the Guidelines shall be included in materials made available to persons running in a Director Election ("Candidates").

7.1.1 Scope

OPALCO ~~shall seek~~s to increase voter awareness and turnout in OPALCO Elections through educational efforts, communications, programs and effective use of technology. All OPALCO Elections ~~shall~~ are to be conducted in a manner that is uniform, impartial and fair to all Candidates and positions ~~that are subject to~~ a vote.

The Board recognizes that consistent, credible OPALCO Elections are essential to maintaining Member confidence in OPALCO, and the key vehicle by which Members hold Directors accountable and influence the direction of the Cooperative, both through election of Directors ("Director Election") and elections on issues of importance to the Cooperative ("Non-Director Election"). It is the policy of the Board that OPALCO Elections shall be administered in as impartial a manner as possible, utilizing the services of an independent, third-party ("Election Service Provider") who will certify the accuracy of voting.

OPALCO ~~shall seek~~s to maximize Member involvement and empowerment of Members in the electoral process through direct means, including the use of the Elections & Governance Committee as prescribed by the OPALCO Bylaws. The Cooperative will, through its governing documents, policies and practices, encourage candor and maximum disclosure of actual and potential conflicts of interest by Candidates for OPALCO Director positions, including incumbent Directors. And, as a corollary to its Election policies vigilance, the Cooperative will provide robust Director removal and replacement mechanisms to address breaches of fiduciary duties by Directors, and behavior detrimental to board deliberations and contrary to the Cooperative principals as described in the Bylaws.

7.1.2 Procedure Responsibilities

The **These** procedural policies are delegated by the Board to Staff as detailed in **these polices and** in the "Guidelines," ~~a copy of which is attached.~~

7.1.3 ~~Enforcement~~ Integrity of the Election

The Board is responsible for the oversight of the election, particularly setting policies that comply with the Bylaws. The Board delegates the operational implementation to Staff as defined in the policies and as detailed in the guidelines. The Board delegates to Legal Counsel the final determination on whether Candidates are qualified to become Board members, as defined in the policies.

7.1.4 Superseding Effect

This Policy supersedes all previous policies and memoranda concerning the subject matter, **and to the extent contrary with this Policy.**

7.2 ROLES AND RESPONSIBILITIES

7.2.1 Board of Directors

The Board of Directors will:

- **Exercise oversight of OPALCO Elections to in a fashion that maximizes and exemplify** ~~exemplifies~~ democratic member control **per the Cooperative Principles.**
- Ensure full compliance with OPALCO governing documents and the law
- Determine the location, date, and time of each year's Annual Meeting at or by the August meeting of the Board each year
- Direct the General Counsel to approve any ballot language submitted by either the board or the membership for a non-Director Election, **and oversee the election process as provided in the Bylaws**
- Appoint members to serve on an Elections & Governance Committee
- Call any Special Member Meeting required by the Bylaws for any Election to fill a vacant Board seat or for any other purpose, establish a timeline for nominations, voting and elections for such Special Member Meeting, and make any modifications to these procedures needed to effectuate such an Election
- Review this Election Policy on an annual basis and make recommendations for modifications, if necessary
- Perform any other functions specified by the Board in service to this Policy

7.2.1.1 General Counsel

General Counsel within the Election Policy means the Board of Director's General Counsel whether an employee or outside counsel or their designee.

The General Counsel will:

- Work to ensure OPALCO Elections are conducted consistent with law, OPALCO's Governing Documents, Election Policy and other directives of the Board
- **If an issue arises, m**Make determinations on the conduct of the election and/or candidates, **and advise** ~~presenting issues to~~ the Elections & Governance Committee or the Board of Directors as appropriate

- Apprise the Board of and provide counsel on Election-related issues
- Review and approve each year's Election Timeline
- ~~Make inquiry into the qualifications of~~ **Review** Candidate Applicants (as defined in the Bylaws) for compliance with the Bylaws, this Policy and the approved Guidelines, ~~and recommend qualified Candidates to the Board for inclusion on the Ballot, as such duty is delegated by the OPALCO Board of Directors~~ General Manager
- ~~Craft~~ **Assist the Board with drafting** any proposed Non-Director Election Ballot **initiatives** ~~language as directed by the Board~~
- Review the Election Service Provider contract on an annual basis
- Review this Election Policy on an annual basis and make recommendations for modifications, if necessary
- Perform such other duties related to an Election as the Board may designate

7.2.1.2 Elections & Governance Committee

The volunteer member Elections & Governance Committee is advisory to the Board of the Directors. The Elections & Governance Committee will:

- Identify and cultivate qualified candidates for Board elections
- Work with the General Counsel to determine whether Candidate Applicants satisfy the **Bylaw** qualifications **necessary** to be eligible for election as a director
- Recommend a slate of Qualified Candidate Applicants
- Announce the election results at the Annual Meeting
- From time to time, **at the Board's** ~~or staff's~~ request, make recommendations to update elections, **Board compensation** and governance policy.

~~7.2.1.3 Board Recording Secretary (Executive Assistant)~~

- ~~Serve as staff liaison to Elections & Governance Committee~~
- ~~Receive and maintain all records related to Director qualifications and nominations~~
- ~~Distribute all required Director Election Nomination forms and related materials~~
- ~~Serve as the point of contact (or designate a person) to provide answers to any questions about the Election process from Directors, Candidates, or Members~~

7.3 ELECTION TIMELINE

The election will follow an annual timeline as prescribed by OPALCO Bylaws, United States Department of Agriculture (USDA) Rural Utility Service (RUS) requirements and approved by the Board each year. The timeline is contained in the Election Guidelines implementation document.

Effective Date: **November 21, 2019**

Foster Hildreth, General Manager

POLICY 23

CONFLICT OF INTEREST

23.1 GOALS AND OBJECTIVES

This policy addresses conflict of interest issues relevant to the Board of Directors, Management, and staff of OPALCO.

23.2 DEFINITIONS FOR PURPOSES OF THIS POLICY

As used in this Policy, and unless the context requires otherwise:

23.2.1 Board means the Orcas Power & Light Cooperative Board of Directors.

23.2.2 Business Opportunity means an opportunity to engage in a business activity, other than an opportunity offered to all similarly situated Cooperative members, of which:

- An Official becomes aware in connection with performing Official functions; under circumstances reasonably indicating that the opportunity was expected to be offered to Cooperative or a Subsidiary; or through using Cooperative or Subsidiary information or property if the Official should reasonably expect the opportunity to interest Cooperative or the Subsidiary; or
- An Official becomes aware and knows or is closely related to a business in which Cooperative or a Subsidiary is engaged or expects to engage.

23.2.3 Conflicting Interest Transaction means a transaction or proposed transaction by Cooperative or a Subsidiary, other than the payment of Official compensation or provision of Official benefits, and other than a transaction offered to all similarly situated Cooperative members:

- To which an Official is a party; or
- For which, at the time the Board considers the transaction, or at the time Cooperative or the Subsidiary becomes legally obligated regarding the transaction, an Official had knowledge and a Material Financial Interest known to the Official; or an Official knew that a Related Person was a party or had a Material Financial Interest.

23.2.4 Cooperative means Orcas Power & Light Cooperative

23.2.5 Director means a member of the Board.

23.2.6 Disinterested Director means a Director who, at the time the Board acts regarding income, employment, competition, a Conflicting Interest Transaction, or a Business Opportunity:

- Is not associated with the income, employment, or compensation; is not engaged in the Transaction; and is not taking advantage of the Opportunity; and
- Does not have a relationship with an Official associated with the income, employment, or compensation; engaged in the Transaction; or taking advantage of the Opportunity, which relationship would reasonably be expected to impair the objectivity of the Director's judgment regarding the income, employment, competition, Transaction, or Opportunity.

23.2.7 Key Employee means a Cooperative employee, other than a Director or Officer, who:

- Receives more than \$150,000 in compensation reported to the Internal Revenue Service on Form W-2;
- Has responsibilities, powers, or influence over Cooperative similar to a Director or Officer; manages a segment or activity of Cooperative representing ten percent or more of Cooperative's activities, assets, income, or expenses; or has or shares authority to control or determine ten percent or more of Cooperative's capital expenditures, operating budget, or employee compensation; and
- Is one of the twenty employees with the highest compensation reported to the Internal Revenue Service on Form W-2.

23.2.8 Manager means the individual with ultimate responsibility for implementing the Board's decisions or supervising Cooperative's management, administration, or operation, regardless of job title.

23.2.9 Material Financial Interest means a financial interest in a transaction reasonably expected to impair the objectivity of an Official's judgment regarding the transaction.

23.2.10 Officer means an individual:

- Appointed by the Board, or by another Officer authorized by the Board or by Cooperative's articles of incorporation or bylaws; and

- Serving as a chief executive, operating, financial, legal, or accounting officer; being in charge of a principal business unit; or performing a major policymaking function.

An Officer includes the Manager and the individual with ultimate responsibility for managing Cooperative's finances.

23.2.11 Official means a Director, Officer, or Key Employee.

23.2.12 President means a Director who is Chair of the Board.

23.2.13 Policy means Orcas Power & Light Cooperative's Conflict of Interest Policy.

23.2.14 Related Entity means an entity, other than Cooperative, a Subsidiary, or an entity of which Cooperative is a member:

- Controlled by an Official or an Official's Related Individual;
- In which an Official owns more than ten percent of the entity's shares or interests;
- For which an Official is a member of the governing body;
- For which an Official is a trustee, guardian, personal representative, or similar fiduciary;
- Employing an Official; or
- Controlled by an entity employing an Official.

23.2.15 Related Individual or person means an individual or person:

- Who is the spouse of an Official;
- Who is **an immediate family member** ~~or is the spouse of, a child, stepchild, grandchild, parent, step parent, grandparent, sibling, step sibling, half sibling, aunt, uncle, niece, or nephew of an Official or the Official's spouse;~~
- Residing with an Official;
- For whom an Official is a trustee, guardian, personal representative, or similar fiduciary; or
- Employing an Official.

23.2.16 Subsidiary means an entity Controlled by Cooperative.

23.3 EMPLOYMENT AND INCOME

~~A Director may not be employed by the Cooperative or subsidiary. Unless an Official discloses income or employment to the Board and a majority of Disinterested Directors authorizes or ratifies the income or employment, the Official:~~

- 23.3.1 ~~Other than Compensation. Director compensation, including retirement or insurance income from Cooperative are not considered employment income or compensation for purposes of this Policy., and other than Director or employment compensation from Cooperative, may not directly or indirectly receive more than ten percent of the Official's annual gross income from Cooperative, a Subsidiary, or a Cooperative or Subsidiary employee;~~
- 23.3.2 A Director may not directly or indirectly receive more than twenty-five percent of the Official's annual gross income from another Official; and
- 23.3.3 May not have a Related Individual employed by the Cooperative or a Subsidiary.

23.4 COMPETITION

An Official may not advance the Official's pecuniary interests, or have a Related Person that advances the Related Person's pecuniary interests, by competing with Cooperative or a Subsidiary, is employed by a competing business, has a material financial interest in such competing business, or has a material financial interest in a vendor, consultant, or supplier of the Cooperative that is material to the Cooperative or the financial interest held is significant and material to the vendor, consultant or supplier, unless:

- 23.4.1 The Board of Directors determines that it would be in the Cooperative's best interest for a Director or a Related Person to continue in such position; and there is no reasonably foreseeable harm to Cooperative or the Subsidiary from the competition;
- 23.4.2 Any benefit that the Cooperative or the Subsidiary may reasonably expect to derive from the competition outweighs any reasonably foreseeable harm to Cooperative or the Subsidiary from the competition; or
- 23.4.3 The Official discloses the competition to the Board and a majority of Disinterested Directors authorizes or ratifies the competition.

23.5 CONFLICTING INTEREST TRANSACTION

An Official may not engage in a Conflicting Interest Transaction unless:

- 23.5.1 To the extent unknown by Disinterested Directors, the Official discloses the existence and nature of the Official's conflicting interest and all facts known to the Official regarding the Transaction that a Disinterested Director would reasonably believe to be material in acting regarding the Transaction; Disinterested Directors deliberate and vote regarding the Transaction outside the presence of, and without participation by, the Official; and a majority of Disinterested Directors, but not less than two, authorizes the Transaction; or
- 23.5.2 According to the circumstances at the time the Board considers the Transaction, or at the time Cooperative or the Subsidiary becomes legally obligated regarding the Transaction, the Transaction, as a whole, benefits Cooperative or the Subsidiary, considering, as appropriate, whether the Transaction was fair in terms of the Official's dealings with Cooperative or the Subsidiary and whether the Transaction was comparable to what might have been obtained in an arm's length transaction, given the consideration paid or received by Cooperative or Subsidiary.

23.6 BUSINESS OPPORTUNITY

An Official may not directly or indirectly take advantage of a Business Opportunity unless, before the Official becomes legally obligated regarding the Opportunity:

- 23.6.1 The Official informs the Cooperative or Subsidiary of the Opportunity; and
- 23.6.1.1 To the extent unknown by Disinterested Directors, the Official discloses the existence and nature of the Opportunity and all facts known to the Official regarding the Opportunity that a Disinterested Director would reasonably believe to be material in acting regarding the Opportunity; Disinterested Directors deliberate and vote regarding the Opportunity outside the presence of, and without participation by, the Official; and a majority of Disinterested Directors, but not less than two, disclaims interest in the Opportunity.

23.7 INSIDER PECUNIARY BENEFIT

An Official may not use Cooperative or Subsidiary property, material private information, or position to secure pecuniary benefit unless:

- 23.7.1 Value is given for the use and assuming the use is a Conflicting Interest Transaction, the Official could engage in the Transaction under this Policy;
- 23.7.2 The use is payment of compensation or provision of benefits;

- 23.7.3 The use is of information only and the use is not connected with trading securities, is not a use of proprietary information, and does not harm Cooperative or Subsidiary;
- 23.7.4 Assuming the use is a Conflicting Interest Transaction, a majority of Disinterested Directors authorizes the Transaction under this Policy; or
- 23.7.5 The benefit is received as a Cooperative member; made available to all other similarly situated Cooperative members; and lawful.

23.8 PUBLIC OFFICE

Any director shall be ineligible to remain a director of the Cooperative who currently holds public office or serves on a governmental appointment or commission whose charter, duties, or scope of influence intersects with the business of the Cooperative or its subsidiaries or affiliates, or whose immediate family member holds public office or serves on a governmental appointment or commission whose charter or scope of influence materially intersects with the business of the Cooperative or its subsidiaries unless the Board of Directors determines that it would be in the Cooperative's best interest for such Director or his or her family member to continue to serve in public office, and the Board determines that there is no reasonably foreseeable harm to Cooperative or the Subsidiary from such service, or there is a benefit to the Cooperative.

23.9 COMPLIANCE AND ENFORCEMENT

The Board interprets and enforces this Policy. Cooperative's legal counsel must annually review this Policy with all Officials. The minutes of all Board meetings should record all disclosures, votes, authorizations, and other actions taken under this Policy. Each Official must annually complete and sign the Conflict of Interest Certification and Disclosure Form attached to this Policy and deliver the completed and signed Form to President or Manager. If an Official discovers any information or fact that could impact another Official's compliance with this Policy, then the Official must disclose the information or fact to President or Manager immediately.

The If Manager or President receives a Form disclosing any information or fact that could impact an Official's compliance with this Policy, then, respectively, Manager must deliver the Form to President and President must distribute the Form to the Board. If Manager or President receives or discovers any other information or fact that could impact any Official's compliance with this Policy, then, respectively, Manager must disclose this information or fact to President and President must disclose this information or fact to the Board, **and may seek the advice of legal counsel.**

Upon receiving or discovering any information or fact that could impact a Director's compliance with this Policy, the Board must:

- Provide the Director an opportunity to comment orally and in writing regarding the information or fact, and an opportunity to be represented by legal counsel; and
- Determine whether the Director complies with this Policy.

If the Board determines that a Director does not comply with this Policy, then:

- The Board must provide the Director an opportunity to comply with this Policy within thirty days; and
- If the Director does not comply with this Policy within thirty days, then, as allowed by law, the Board must sanction, disqualify, and/or remove the Director.
- To the extent a Director may seek to remove another Director, the policy and procedure in Policy 1, Section 1.16 and the Bylaws shall be used to determine the proper enforcement procedures.

Upon receiving or discovering any information or fact that could impact any other Official's compliance with this Policy, the Board must act as appropriate or authorize the Manager to act as appropriate.

RESPONSIBILITY

It shall be the responsibility of the general manager and his staff to implement this policy. Deviations there from shall be reported to the Board of Directors.

Foster Hildreth, General Manager Revision Date November 21, 2019

OPALCO Power & Light Cooperative Election Guidelines & Procedures

Effective Date: November 21, 2019

1 Introduction

This Elections Procedures and Guidelines document is an implementation manual for OPALCO elections covering the scope of the events from nominations to announcement of election results. These Guidelines outline the election process and function as a reference tool for the membership, Board Candidates and OPALCO.

2 Roles and Responsibilities

Board of Directors:

- Ensure full compliance with the OPALCO governing documents and the law
- Determine the location, date, and time of each year's Annual Meeting (which drives the election timeline)
- Appoints members to the Elections & Governance Committee
- Review and approve the slate of candidates recommended by the EGC and General Counsel
- Review and modify OPALCO Bylaws and Policies as needed

General Counsel

- Ensure OPALCO Elections are conducted consistent with law and all OPALCO guiding documents
- Make determinations on the conduct of the election and candidates
- Review qualifications of Candidates and provide support to the Election & Governance Committee as needed to provide any necessary background checks, and related review to ensure compliance with the Bylaws and conflict of interest provisions as provided in the Bylaws and Policies
- The Board delegates to Legal Counsel the final determination on whether Candidates are qualified to become Board members, as defined in the policies
- Serves as Parliamentarian at the Annual Meeting

Elections and Governance Committee

- Identify and cultivate qualified candidates for Board elections
- Interview Candidate Applicants
- Work with General Counsel to allow for a review of the proposed Candidate Applicants.
- Announce election results at the Annual Meeting

Election Service Provider:

Staff is to select an independent election vendor to coordinate the following election services including but not limited to:

- Manage the on-line election process
- Print, distribute, and collect both digital and mail-in ballots
- Tabulate and certify the election results
- Archive and manage all election materials, including destruction of materials from previous elections, according to terms of its contract with OPALCO

Board Recording Secretary (Executive Assistant):

- Serve as staff liaison to the Elections & Governance Committee
- Receive and maintain all records related to Director qualifications and nominations
- Distribute all required Director Election Nomination forms and related materials
- Serve as the point of contact (or designate a person) to provide answers to any questions about the Election process from Directors, Candidates, or Members

Staff:

- Develop and manage election timeline
- Implement outreach activities to engage members, encourage voting and provide full information on the election
- Coordinate Candidate Forum/s, as necessary and Annual Meeting events
- Serve as point of contact for Election Service Provider
- Provide media relations, and necessary press outreach
- Confirm membership status for all Candidate Applicants and petition signors
- Manage member database
- Provide member lists to Election Service Provider

3 Establishing Annual Meeting Date, Time, and Location and Election Timeline

The Board will set the date, time and location of the Annual Meeting at the August regular meeting of the Board each year (OPALCO Policy 7: Elections). This date provides the framework for the election timeline, as prescribed by the Bylaws and RUS requirements. Staff will publish the meeting date, time and location on the website and build an election timeline for review by the Board and General Counsel.

Once the timeline is established, Staff will convene a Coordination Meeting to set the process in motion.

4 Selection of Election Service Provider

At or before the October Regular Board meeting each year, Staff, in coordination with the General Counsel, will select an Election Service Provider. Any such contract may be implemented without competitive procurement.

Criteria for selection of an Election Service Provider will include: experience, technical capability, past performance, understanding of and ability to comply with OPALCO Bylaws, policies and procedures, capability to integrate with OPALCO IT infrastructure, and ability to preserve and enhance the credibility of the Election process. Any prospective Election Service Provider must meet the technical and security qualifications established by OPALCO. Any such vendor shall establish its

qualifications in this regard by providing detailed descriptions of demonstrated performance in quality-control methods and testing, system security specifications, and policies regarding storage, transmittal, access to and retention of Member information and voting data.

The selected Election Service Provider agree in writing not to share with any person not employed by the Election Service Provider partial or complete voting results before the final tabulated and public announcement by the Election Service Provider at a meeting of Members; provided, however, the Election Service Provider may periodically provide the vote information agreed upon in the contract.

5 Preparation and Approval of Ballot

5.1 Non-Director Ballot Measures

The Board may, from time-to-time, submit ballot proposals to a vote of the Members. The vote in any such Non-Director Election may be (1) advisory only, or (2) where a vote of Members is required by law or the OPALCO Bylaws. No later than 120 days prior to an Annual Meeting, the Board will direct the General Counsel to prepare proposed Ballot wording for any items to be put to a vote in a Non-Director Election. Any such matters will be drafted in plain English by the General Counsel to assist Member understanding of such measures.

Per Bylaws (Article XIV, Section 1), Energy Members may propose a “Member Initiated Bylaw Amendment.” Member Initiated Bylaw Amendments must meet the requirements detailed in the Bylaws (Article XIV, Section 2) and must be submitted to the Board between 90-120 days before an Annual Meeting.

5.2 Director Elections

5.2.1 Nominations

The Board Recording Secretary will convene the Elections & Governance Committee at least two months before nominations are due (see timeline) and provide support for their work on cultivating nominations.

Ballot Materials and Application

Staff will ensure that the following items are made available to OPALCO Members on the OPALCO website and in OPALCO offices:

- Nominations Application
- Information on Nominations by Petition
- Director District Description(s)
- Election Timeline
- OPALCO Bylaws
- OPALCO Conflict of Interest Policy

- Conflict of Interest Form
- OPALCO Election Policy and Guidelines

Conflict of Interest Form

The application form for Board candidacy will include a waiver of claims and hold harmless in favor of OPALCO and its directors, officers and agents, which all persons seeking nomination must execute that authorizes OPALCO or its agent to perform background checks and make any and all necessary inquiries to verify the Candidate Applicant meets the Bylaw qualifications to serve as Director.

Biographical and Platform Materials

Candidate Applicants must provide biographical material in electronic format to the Board Recording Secretary as part of the application. Bios are limited to 800 words containing personal background information and the Candidate's stance on matters of importance to OPALCO and its Members. Staff can provide an example upon request. If the bio submitted exceeds 800 words, the Board Recording Secretary will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to biographical materials until the deadline for submission of application materials.

Each Candidate Applicant is solely responsible for the content of his or her submitted biographical materials (including photo quality, grammar, spelling and punctuation) and OPALCO staff will not proofread, edit or otherwise alter any biographical materials, other than to truncate any biographical materials exceeding 800 words. OPALCO will publish Candidate bios and photographs in the Voter's Guide that is distributed to all voting members.

Candidate photos must be submitted electronically and must meet the following criteria: headshot only, color print quality and the file type must be .jpg, or .png.

Candidate Q&A Form - Candidate Applicants are expected to complete a standard series of candidate questions designed to help inform the membership of candidate experience and their vision for the Co-op. Each Candidate Applicant is solely responsible for the content of his or her submitted questionnaire materials (including grammar, spelling and punctuation) and OPALCO staff will not proofread, edit or otherwise alter any Candidate Q&A materials, other than to truncate any materials. OPALCO will publish the candidate questionnaires on the website.

Petition Process

To be nominated by petition and included on the Ballot for a Director Election, a Candidate Applicant must submit verifiable signatures of at least twenty (20) OPALCO Members with Voting Residence (as defined in the Bylaws) within the Director District for which the Candidate Applicant is seeking nomination, along with a conflict-of-interest certification and disclosure form as required by the Bylaws. All information submitted by Candidates may be posted on the website (with any confidential information redacted). Any signatures submitted by a Candidate Applicant must be originals, not copies, submitted on the petition form circulated by the Cooperative during the year in which the election is held, or a copy of such a form.

No membership listing will be provided in order to protect members private information.

No Candidate Applicant will be given access to a nomination petition form before such time as those forms are made available to all Members on the OPALCO website and at OPALCO offices. A Member may sign the petition of more than one Candidate Applicant. For Joint Memberships, as that term is defined in the Bylaws, either spouse may sign a petition, but only one signature from any joint membership will be counted for any Candidate Applicant. Any person listed in OPALCO's records as authorized to act on behalf of an entity Member, may sign a petition on behalf of that entity Member. Petition forms will include spaces for the printed name, signature, address and membership account number to assist in verification of signatures.

The Record Date for a Member to be eligible to sign a nomination petition is the date of the verification of the signatures by OPALCO, meaning that a signature will be counted only if the signer is a Member on the date of verification. This provision shall not prevent reverification of a signature on a subsequent day, if a signer becomes a Member before the deadline for signature verification, as allowed by these procedures.

Confidentiality

All signer-specific information on nomination petitions submitted to OPALCO by a Candidate Applicant is private Member information, not subject to disclosure under the voluntary Cooperative Open Records Policy.

Directors may not seek or be provided access to Candidate Information by OPALCO employees, other than Directors' usual access to confidential Cooperative information, except as necessary for such Directors to perform duties mandated by law, OPALCO Governing Documents or this Policy.

Deadline for Candidate Application by Petition (see timeline)

To be considered for inclusion on the Ballot for election as a Director, a Candidate Applicant by petition must deliver by hand or certified, trackable

delivery method with signature required, a completed original application and petitions to the Board Recording Secretary at OPALCO Headquarters in Eastsound, WA, no later than 4:30 p.m. on the petition deadline (see timeline). Delivery to an alternate OPALCO address, delivery after the deadline, or mailing an item with a postmark before the deadline will not satisfy this requirement and will result in the application's rejection.

Signature Verification

Staff will verify the signatures on petitions by Candidate Applicants. A signature will be accepted as valid if the signer is identified in OPALCO account records as a voting member with residence within the district for which election is being sought. Signatures that cannot be identified because they are illegible or cannot be matched to an active OPALCO Member will not be counted as verifiable signatures

Staff will verify signatures in the order they are presented on petitions and will stop the verification process once 20 signatures have been verified, or when the list of signatures is exhausted without having reached the qualifying number. Members Services will notify the General Counsel and the Board Recording Secretary and provide a written summary of findings regarding signature verification.

Verification of Qualification Requirements

General Counsel reviews Candidate Applicants eligibility per OPALCO Bylaws.

For candidate applications by petition, the General Counsel will determine whether the Candidate Applicant has submitted required verified signatures and completed the conflict-of-interest certification and disclosure form required by the Bylaws before attempting to verify the substantive qualifications described in the Bylaws and below. In all matters, the General Counsel shall assume the truth of matters asserted by Candidate Applicants, and act accordingly, unless they have identified a reasonable and specific basis for acting otherwise. The General Counsel will retain an independent third-party background verification firm ("Background Verifier") in their review.

Notification of Candidate Eligibility

The Board Recording Secretary or General Counsel will notify each Candidate Applicant of their eligibility status.

Candidate Slate

At least 80 days prior to an election, the slate will be published.

6 Voting and Processes During Election Period

6.1 Withdrawal from Election

At any time, a Candidate may withdraw from a Director Election by notifying the Board Recording Secretary in writing of his or her withdrawal. The Cooperative

will use reasonable methods to advise the Membership of the withdrawal. If time allows, the withdrawn Candidate's name will be removed from the ballot. If time does not allow removal from the ballot, the name will remain on the ballot, and the election website will not be altered to remove the Candidate's name. Any votes for a Candidate who has withdrawn will not be counted.

6.2 Communications Plan

At or before the January Regular Board Meeting, the OPALCO Communications Staff will present to the Board an Election Communications Plan ("Communications Plan"), outlining the communications efforts that will be employed to inform OPALCO members about the Election and provide contact information for Members who have questions about the election process. The plan should utilize available channels.

6.3 Preparation and Distribution of Ballots

6.3.1 Ballot Materials

The ballot package prepared by the Election Service Provider will be approved by Staff in consultation with General Counsel. The ballot package will include the ballot, voter's guide with clear information on how to vote, candidate bios and photos, and (if a paper ballot) the necessary envelopes. Candidate names will appear on the ballot materials in alphabetical order. If the election includes a non-director issue, that measure will be described and pro- and con- statements included.

Distribution of Ballot Materials

As specified in the contract, the Election Service Provider will give members an opportunity to choose an electronic or paper ballot in advance of the election.

On the first day of the election, the Election Service Provider will send emails to all Members who have selected an electronic ballot to include election information, voting credentials, and a direct link that allow Members to access the voting website. The Election Service Provider will send follow-up emails according to the election timeline. Members who have opted-out of receiving communications from OPALCO will not receive these email notifications.

Paper ballot packages will be mailed to members who have opted out of the electronic ballot.

Voting and Receipt of Ballots

Only the Election Service Provider shall accept ballots. Ballots are not to be accepted on OPALCO Premises or by OPALCO Employees, Directors or Candidates.

6.3.2 Website

The Election Service Provider will, at the time of mailing, make available on the Internet a secure website for online voting, including biographical material and

videos of Candidates recorded by OPALCO.

6.4 Candidate Forums

Within 10-14 days previous to the date that the election opens, Staff will coordinate at least one candidate forum event; this forum could be a live or web-based event. The candidate forum will be facilitated by an independent moderator, following the format prescribed by the League of Women's Voters whereby candidate remarks and question and answer sessions have specific time limits. Depending on the number of Candidates and ferry schedule constraints, the amount of time allowed may be adjusted. If any Candidate is absent from a candidate forum, that Candidate may submit their own video recorded statement to be played.

6.5 Campaigning on OPALCO Premises

Members may not engage in Campaigning (as that term is defined herein) on OPALCO premises or OPALCO events, except at OPALCO-sanctioned Candidate events. OPALCO premises include parking lots, the exterior and interior of OPALCO-operated facilities or those same areas of any facility where a Member Meeting or Board Meeting is conducted. Campaign materials may not be posted on any OPALCO property including power poles and equipment.

"Campaigning" is: the distribution of materials designed to influence the outcome of a Cooperative election; direct communications to Members designed to influence the outcome of a Cooperative election, including gathering of signatures on petitions; displays of placards, bumper stickers, signs or other campaign promotional material, other than those displayed on vehicles or on wearing apparel or accessories.

6.6 Access to Vote Information: Updates on Voter Turnout

No OPALCO employee, Director, Candidate or person acting on their behalf, except as described in this Section, shall seek or accept from the Election Service Provider access to information about details of votes cast by a OPALCO Member or Members, other than aggregated information about voting turnout or voting methodology across the entire Cooperative, as described in this section.

OPALCO Employees – Only OPALCO employees who are designated IT staff responsible for developing and testing registration software for use at OPALCO's Annual Meeting shall have access to data indicating if a member has voted or not voted and the method by which their vote was submitted. This data shall not contain any member's individual voting selection(s).

Once weekly after Ballots are initially mailed, the Recording Secretary or designee will post voting updates on the website. Those updates will be based on information transmitted by the Election Service Provider and will include the aggregate number of Ballots cast. Those updates shall not include the specific

number of votes cast for any particular Candidate or issue in a Non-Director Election.

6.7 Quality Control

The Election Service Provider shall provide OPALCO a list of quality-control steps to be taken to verify the accuracy of Election results before such results are announced at the Annual Meeting (Quality Control Report).

Pre-Annual Meeting Quality Control shall include, but not be limited to, the following steps:

- Verify the previous removal or remove from the voting database the votes of any person or entity that was not an OPALCO Member when the election opens.
- Verify that the OPALCO voter registration system is loaded with the list of OPALCO Members as of the record date.
- Verify all paper and electronic votes have been counted.
- Remove from the voting database the votes of any Member that has "double voted," by submitting a paper Ballot received by the Election Service Provider after that same Member has electronically voted.
- Verify all votes for eligibility against the member database.
- Certify in writing that each step has been completed upon delivery of election results.

Before the Annual Meeting, the Board Recording Secretary will prepare a certificate affirming that quorum (10% of the voting membership) was satisfied for filing with the official records of the Cooperative.

7 Annual Meeting and Tabulation of Votes

7.1 One Member-One Vote

Each Member shall be entitled to one vote upon each matter submitted to a vote at a Member Meeting. Any officer of an entity Member, or any person listed in OPALCO's records as authorized to act on behalf of an entity Member, may cast a vote on behalf of that entity Member.

The Record Date for a Member to cast a Ballot in a Director Election is the close of business three days before the opening date of the election, meaning that only parties that are Members at the close of that Record Date will be eligible to have their Ballot counted, and to be counted toward the Member Quorum for that Member Meeting.

7.2 Write in Candidates

No write in candidates will be recognized.

7.3 Voting at the Annual Meeting

Voting will close three business days before the annual meeting. No voting is allowed at the annual meeting.

7.4 Proxies Prohibited

Except in instances specifically mandated by law or OPALCO Governing Documents a Member may not appoint another individual person to vote on any matter for the Member.

7.5 Tabulation

The Election Service Provider will tabulate results in accordance with the contract approved by General Counsel. The first vote of a Member received by the Election Service Provider will be counted as the vote cast by that Member, and Members will not be allowed to change previously cast votes.

Paper ballots must be received by mail at the Election Service Provider before the close of business at the location and time zone of the Election Service Provider when the election closes three days in advance of the Annual Meeting.

Paper votes will be scanned electronically by the Election Service Provider into a data record as they are received, with questionable and zero-vote Ballots pulled, hand counted and entered into the data. Online votes will have been recorded in a data record as they were cast, with multiple levels of verification and security. Duplicate Ballots cast by Members who have already previously voted online will be removed before tabulation.

The Election Service Provider shall prevent any ballot from being cast electronically after the deadline for advance voting specified in the Bylaws.

7.6 Process if Member Disputes Having Cast Vote

If a Member disputes a record showing they have previously cast a Ballot, a new Ballot may be cast by the Member and counted only upon a written affirmation signed by the Member that he or she has not previously voted. For any Joint Membership, such a written affirmation must be signed by both Joint Members to be effective.

7.7 Determination of Outcome/Winner

7.7.1 Non-Director Election

Members shall be deemed to have approved an option in a Non-Director Election if: (1) a Member Quorum, as defined in the Bylaws, is present, and (2) the Non-Director Election option receives the highest number of votes.

7.7.2 Director Election

The Candidate for each Director Position receiving the highest number of votes

shall be elected, unless the Candidate receiving the highest number of votes is a Withdrawn Candidate, in which case the non-withdrawn Candidate receiving the highest number of votes shall be elected. In the event of a tie, the winner shall be determined by a drawing by lot to be conducted by the Election Service Provider. In the event of a tie in a Director Election, in conducting a drawing by lot, General Counsel will place in a box as many slips of paper as there are nominees in the tie, with a single slip marked "elected" and the remaining slips marked "not elected." In alphabetical order by last name, each of the Director Candidates in the tie shall blindly draw one (1) slip from the box. The Director Candidate drawing the slip marked "elected" shall be elected to the Director position in question.

7.8 Staggered Terms

Per OPALCO Bylaws, if more than one position is up for election in any District, the Candidate receiving the greatest number of votes will serve the longer term; the Candidate with the lesser number of votes will serve the shorter term.

7.9 Pre-Announcement Quality Control

After tabulation, and before the results are announced, the Election Service Provider must certify in writing all Quality Control steps were taken. The Election Service Provider will send this certification and election results by overnight delivery service so that it will be in OPALCO's hands two days (or no less than one day) before the Annual Meeting.

7.10 Announcement and Certification

Two copies of the certified results in sealed envelopes are sent overnight mail from the Election Service Provider to the Recording Board Secretary. In addition, a secure electronic file is available to the IT Manager. In the event that hard copies are delayed or unavailable, the IT Manager may make the results available for the Annual Meeting.

The EGC representative (or their designee) will announce the results at the Annual Meeting and will provide the written certification of the results to the Board Recording Secretary for inclusion in the Minutes of the Annual Meeting. If any Candidate is a Withdrawn Candidate, the EGC Representative shall announce that that Candidate is a Withdrawn Candidate and that that Candidate is ineligible to be elected.

7.11 Post-Election Director Acknowledgments

At the meeting following the Annual Meeting, all elected Directors must execute and deliver to the Board Recording Secretary a signed conflict of interest form.

7.12 Election Contests

The General Counsel shall be the arbiter of any issue related to OPALCO Elections, subject to appeal to the Elections and Governance Committee. Any challenge to the election must be filed at the OPALCO Headquarters, located in Eastsound, WA by 5pm on the third business day following the Annual Meeting.

8 Actions after Annual Meeting

8.1 District-by-District Results

Within five business days of the Annual Meeting, the Election Service Provider will provide to OPALCO a breakdown of voting results by district, showing the total number of Members from each district that voted, the total number from each district voting for each Candidate or Non- Director Election Ballot item, and the total number from each district that voted but did not cast a vote in a race or Non-Director Election matter.

8.2 Post-Election Analysis

Within two months after the Annual Meeting, the General Counsel will conduct a review of all facets of the OPALCO Elections and will present to the Board any recommended modification to OPALCO Election Policy or Procedures.

9 Disclaimer

These guidelines do not supersede any OPALCO bylaw or policy. The guidelines are an implementation tool that do not require Board review or approval.

Appendix: Election Timeline

Item	By Whom	By When (Approximate)
Establish Annual Meeting Date and Location	<i>BOARD OF DIRECTORS (BOD)</i>	At or before the August Regular Board Meeting
Directors appoint/replace EGC members	<i>BOD / BOARD RECORDING SECRETARY (BRS)</i>	At or before the August Regular Board Meeting (ongoing)
Contract with Election Service Provider	<i>STAFF / GENERAL COUNSEL (GC)</i>	At or before the October Regular Board meeting
Present Election Timeline	<i>STAFF / GC</i>	At least 60 days prior to Nominations deadline
Convene Elections & Governance Committee	<i>BOARD RECORDING SECRETARY (Executive Asst)</i>	At least 60 days prior to Nominations deadline
General Counsel to prepare Board proposed Non-Director Election items, if required	<i>BOD/GC</i>	Between 120-150 days prior to the Annual Meeting
Legal Notices (Board Positions, Annual Meeting Date)	<i>STAFF</i>	Thirty days before nominations
Post Nomination Info and Application online, including Candidate Applicant Q&A Form	<i>Communications Team</i>	At least 110 days prior to the Annual Meeting
General Counsel to review any Member Initiated Bylaw Amendments	<i>BRS/GC</i>	Member Initiated Bylaw Amendments are due between 90-120 days before the Annual Meeting
Conduct Internal Coordination Meeting	<i>STAFF</i>	Prior to the January Regular Board Meeting
Communications Plan presented to the Board of Directors	<i>Communications Team</i>	At or before the January Regular Board Meeting
Schedule Candidate Forums	<i>Communications Team</i>	At or before the January Regular Board Meeting
Prepare Ballot Materials	<i>Communications Team</i>	Complete at least 55 days before open of election
Candidate Applications due to the Board Recording Secretary at OPALCO Headquarters in Eastsound WA	<i>Candidate Applicant/BRS/EGC</i>	No later than 4:30 p.m. on the last business day falling 87 days or more before the date of the Annual Meeting
EGC conducts interviews with candidate applicants; GC determines eligibility	<i>Candidate Applicant/BRS/EGC/GC</i>	Between 87-81 days before the date of the Annual Meeting
EGC slate of candidates posted	<i>EGC/STAFF</i>	No later than 80 days before the date of the Annual Meeting

Candidate Applications BY PETITION due to the BRS at OPALCO Headquarters in Eastsound WA	<i>Candidate Applicant/BRS</i>	No later than 60 days before the date of the Annual Meeting
Candidate Bios and Photos Due to BRS	<i>Candidate Applicant(s)/STAFF</i>	No later than 60 days before the date of the Annual Meeting
GC determines eligibility of candidate applicants by petition	<i>STAFF/GC</i>	No later than 56 days before the date of the Annual Meeting
Eligible Candidates by Petition posted	<i>EGC/STAFF</i>	No later than 55 days before the date of the Annual Meeting
Election withdrawal deadline for removal from Ballot	<i>Candidate Applicant</i>	No later than 55 days before the date of the Annual Meeting
Candidate Forum Event/s	<i>Candidates/STAFF/Moderator</i>	Between 10-14 days before election opens
FINAL Member List provided to Election Service Provider	<i>IT/Elections Service Provider</i>	Two days before the Election opens
Ballot materials and information sent to members by email and mail; online voting site goes live	<i>Election Service Provider</i>	Between 50-21 days before the Annual Meeting
Update on voter turnout	<i>Election Service Provider/STAFF</i>	Once weekly after Ballots are initially mailed
Reminder voting emails	<i>Election Service Provider</i>	Dates to be determined each year when timeline presented to the Board of Directors
Election closes	<i>Election Service Provider / IT</i>	10 AM Pacific Time three business days before Annual Meeting
Certification prepared on number of votes cast and quorum verification for use at Annual Meeting	<i>RBS/GC</i>	Between 1-3 days before the Annual Meeting
Election Service Provider sends secure results and certification of quality control to OPALCO	<i>Election Service Provider/IT/BRS/EGC</i>	12 PM Pacific Time two days before the Annual Meeting
Announcement of Results	<i>EGC</i>	At the Annual Meeting
Results are posted	<i>STAFF</i>	The business day following the Annual Meeting
District-by-District Results	<i>Election Service Provider</i>	Within five business days of the Annual Meeting
Post-Election Analysis	<i>GC</i>	Within one month after the Annual Meeting
Post-Election Director Acknowledgments	<i>BOD/BRS/GC</i>	At the next regular Board Meeting following the Annual Meeting

MEMORANDUM

November 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Bylaw Update Related to Capital Credit Allocation Basis

As supported by legal counsel, Staff is proposing to clean up discrepancies in the language contained in the Bylaws Article VIII versus Member Services Policy 11. The change is related to capital credit allocation basis described in Article VIII.

In the current Bylaws the language used is that “the Cooperative is obligated to pay by credits to a capital account for each member all amounts in excess of operating costs and expenses.” The Staff wishes to make it clear that the margin will be allocated to the member based on the bottom-line net margin as follows (see yellow highlight below):

ARTICLE VIII - NONPROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited.

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 2. Members' Patronage Capital in Connection with Furnishing Electric Energy.

Except as provided in Article I, Section 4, in the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy. All such amounts ~~in excess of operating costs and expenses~~ **that represent the annual net margin** at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account **established** for each member, ~~all such amounts in excess of operating costs and expenses~~ **that represent the annual net margin**.

Section 4. Patronage Refunds in Connection with Furnishing Other Services.

All other amounts received by the Cooperative from its operations ~~in excess of costs and expenses~~ that represent the annual net margin shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, in the Board's discretion either retained by the Cooperative, or allocated to its members on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided.

Income received from any subsidiary corporation shall not be allocated or assigned to the patrons or members prior to the dissolution of the Cooperative, unless so determined by the Board of Directors.

Staff recommends the Board accept these recommendations as presented.

MEMORANDUM

November 15, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Applying Capital Credits to Associated Uncollectable Accounts

Staff has transferred delinquent inactive accounts to an uncollectable account (UA) status. The next step in this process is to proportionately apply previously allocated member capital credits to UA balances.

It is important to note that our billing software 'flags' accounts and associated capital credit payment processes when member accounts are transferred to the status of uncollectable. When staff processes the year-end check run to pay allocated member capital credits, our software will first pay uncollectable account balances before issuing a capital credit check for any remaining balance.

Staff is requesting that ~\$4,624 of member capital credits be applied to UA balances. The member capital credit allocation transfers are as follows:

Capital Credits Applied to UA Balance	\$4,624
Discounted Capital Credits Remain in Patronage Capital	34,326
Total Capital Credits Retired	\$38,950

Staff recommends the board make a motion to approve the use of member allocated capital credits to reduce and/or offset individual member delinquent UA balances as referenced in the Capital Credit /Bad Debt Payment Program report.

MEMORANDUM

November 15, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: Capital Credit General Retirement

The purpose of this memorandum is to obtain Board approval to fund the general retirement of capital credits. Please note staff is continuing with the concept of smoothing, whereby we fund the remaining unretired balance from 1994 and a portion of 1995 as follows.

Year (% of unretired)	Retirement	Projected Checks
1994 (~100%)	\$974,644	~\$757,000
1995 (~56%)	\$325,356	~\$253,000
Total	\$1,300,000	~\$1,010,000

Please note, the difference between the Retirement and Projected Checks above are individual members who in most cases have inactive accounts, moved out of the service territory and have not updated their contact information.

This will continue our 25-year retirement rotation and capital credit retirement smoothing methodology established by the board in December 2017. As a reminder, smoothing the annual general retirements produces a predictable schedule that will allow us to not only stay ahead of the 25-year retirement schedule, but also avoid fluctuations in margins, cash and equity stemming from capital credits.

Staff is requesting a motion to approve the payment and retirement of capital credits for the remainder of 1994 and a portion of 1995, as outlined above.

MEMORANDUM

Date: November 15, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2020 Budget Presentation

Attached please find our 2020 Budget Presentation. Consistent with last year's projections, staff is recommending a 3.0% rate increase (4.0% operating revenue increase) for the 2020 budget year only. Staff is recommending that our 2020 budget revenue increase from \$30.6M (projected 2019) to \$31.9M to meet our financial, operational and capital project commitments. The projected figures for years 2021 thru 2024 are for reference only, as future years will be reviewed annually during our normal budgeting process.

OPALCO is strategically positioned to address the future power needs of our membership and sustain our island communities through the escalating costs and challenges of the carbon economy. With Washington's Clean Energy Transformation Act (CETA), the clock is now ticking. OPALCO has the expertise in its Board, management and team to get the job done; and, thanks to the foresight of recent past boards, we have built the foundation - a modern grid and communication infrastructure - required to succeed. In 2019, OPALCO completed an update to the Integrated Resource Plan (IRP) that contains the vision for our future power. 2020 will be a year of telling the story of OPALCO's vision, bringing members into their part of the story, and hunkering down between major projects to take a budgetary breath before embarking on the equity building that will be required next.

There are very few discretionary expenses. The Co-op budget is tightly constrained: one-third for power costs; one-third for labor (bargaining unit and competitive wage rates) and most of the final third in fixed costs such as plant, mortgage and operations; discretionary expenses are largely limited to member facing programs. In order to minimize rate increases in 2020, the following programs have been reduced: County Fair (canceled), Youth Scholarship Program (scaled back), Education and Outreach (scaled back). Capital projects that could be delayed have been shifted to future years: two major transformer repairs and upgrades and a resource study. The challenge of 2020 is to find ways to demonstrate OPALCO's vision for the future while keeping members more engaged than ever in the programs - like Switch it Up, Community Solar

and Energy Efficiency and Fuel Switching Rebates - that will help position them and the Co-op for sustainability going forward.

With the high cost of living in the islands, OPALCO is strengthening its commitment to bill paying assistance for member households of low and fixed income. Project PAL has been restructured and will be administered through the three island family resource centers. Energy Assist Credit will, once again, be adjusted to offset the service access charge increase.

The 2020 budget continues to align our operations to the mission statement of providing safe, reliable, cost effective, and environmentally sensitive utility services. This budget prepares OPALCO to meet the marks set out in our energy road map:

TODAY: Make the most of our available resources. Reduce members' total energy bills through electrification of transportation and heating while continuing to modernize the grid to meet future needs. Leverage grants, state and federal programs to help members increase efficiency and position themselves for sustainability in the coming carbon economy.

TOMORROW: Increase local resilience. Bring more local renewables on, leveraging our dynamic grid and building emergency back-up power for emergency services. Prepare for grid parity when renewables (local and regional) will be less expensive than our mainland power provider.

FUTURE: Give members more control. In the coming "transactive" energy world, members will dynamically buy and sell local power, make decisions about their power usage in response to real time price signals and integrate energy storage (EVs, batteries...) into the Co-op grid. To give members access to this dynamic power world, OPALCO must begin to upgrade transformers and other equipment to provide the capacity necessary to manage the number of EVs, local distributed power generators and battery storage units that will be commonplace in member homes – as well as smart appliances and individual devices.

The 2020 Budget includes completion of the first energy storage (battery) project on Decatur, the next Community Solar project (on Lopez) and an increased scope and funding for Switch it Up, the on-bill finance program to encourage members to make wise use of electricity and increase the efficiency of their homes and businesses. Operations will replace 20 miles of URD and connect generators to existing active sites for power back-up and reliability, as well as routine replacement of transmission poles and upgrades to our switching between BPA feeds to improve reliability in the event of a BPA outage between Anacortes and Lopez.

Staff recommends Board make a motion to approve the 2020 budget as submitted.

BUDGET NARRATIVE

Mission:

OPALCO serves our members with safe, reliable, cost effective and environmentally sensitive utility services. Our mission drives our budget in the following ways:

✓ Safety – OPALCO has a rigorous safety program for all employees and provides safety information to members through classroom visits, demonstrations, field assistance and the website. The right-of-way (tree trimming and brush clearing) program is key for system reliability and fire safety. OPALCO depends on member cooperation to address right-of-way issues in a timely manner. The Co-op is committed to continually improving and fortifying our safety programs. OPALCO's grid is critical for the safety of our community and especially our crew members in the field. OPALCO's grid connects the County to real-world services for education, economic development and quality of life.

✓ Reliability – OPALCO's system provides power 99.8% of the time to its members. This is a reliability rating to be proud of. We continue to budget for replacement of the old unjacketed underground cable (referred to as URD) system wide. This trend will continue with prioritization of replacement targeted at the areas with higher failure rates. With each URD project, where needed, we include fiber and increase the reach of our fiber network and therefore the reach of our monitoring and control system. In 2020, we will complete the first Energy Storage System (0.5MW/2 MWh battery) on our system at Decatur substation. This battery, along with the 504kW-DC Community Solar array, completes the first step toward a local power supply in case of emergency.

✓ Cost Effective – Our capital construction plan is designed to maximize system efficiency and make best use of member resources. The continual expansion of our grid and fiber-connected devices on our system, helps to contain costs by putting control of the system in the hands of crew members wherever they are. The days of sending linemen out in a storm, in a boat, on a dark night, are going away. Our first battery storage bank is a first step in creating cost savings through relieving stress on our assets, load shifting and peak shaving. Equipment replacement scheduled for 2020 and beyond position the Co-op to benefit from local distributed power resources as we reach grid parity.

✓ Environmentally Sensitive – OPALCO has critical infrastructure installed throughout our beautiful and sometimes fragile island environs. Doing the right thing comes at a cost that is reflected in our cost of service and OPALCO is committed to good stewardship, working within the County's Critical Areas Ordinance, complying with all permitting requirements and keeping as low a profile as possible to maintain island character. In every project, OPALCO's vision of sustainable island communities keeps us focused on best practices and member education to protect ocean health and do our part to mitigate the effects of climate change.

Load Forecast:

The Load Forecast is the heart of the budget and the most precarious aspect of our forecasting. The forecasting drives our power cost which is one-third of our expenses and our energy (kWh) sales which is two-thirds of our revenue. The energy management team of PNGC (Pacific NW Generating Cooperative) assisted us with load forecasting for this budget. They bring valuable industry expertise and resources to our Co-op to help us navigate the rapidly evolving energy market.

Forecasting is challenging. Our team uses every available tool to gauge what impact the weather may have on our Cooperative; we incorporate analysis from various sources which include BPA's climatologist, the National Oceanic and Atmospheric Administration (NOAA), the Office of the Washington State Climatologist, and other Northwest climatologists. We also consider local weather and historical data, including air temperature, water temperature, wind, and precipitation, to name but a few.

OPALCO's load peaks in the winter, in large part due to increased heating and lighting load. Weather drives heating load. Predicting the weather for a year ahead is fraught with uncertainty due to variations of temperature, wind and humidity and yet we depend on weather forecasting to meet our budgetary commitments. In 2020, the forecast is a neutral weather pattern (in between El Niño and La Niña) with projected kilowatt hour purchases of 212M kWh. As a point of reference, OPALCO's load has averaged 215M kWh, ranging between 204M (2015) – 229M (2017) kWh. While predicting the weather beyond a few days or weeks with any certainty is not possible, we can use trends to forecast likely scenarios.

After considering about a dozen scenarios, we then estimate our kWh load. With that information, we set rates accordingly – to generate the revenue to pay for the expenses. An accurate forecast is important: if it ends up being colder than we forecast, members are over-charged and we end up with more money than needed to cover co-op expenses; if weather was warmer than forecast, members are under-charged and we end up with less money than needed to cover co-op expenses. The Energy Charge Adjustment (ECA) was implemented in 2019 to partially offset weather volatility and its working well.

BUDGET ASSUMPTIONS

GENERAL:

- **General Inflation Rate:**

The general annual inflation rate has been projected at 3.00% for years 2020, 3.00% for 2021 and 3.5% for years 2022 through 2024. We use the US Department of Labor, Bureau of Statistics, Seattle-Tacoma-Bellevue consumer price index as the baseline for inflation. (https://www.bls.gov/regions/west/data/consumerpriceindex_seattle_table.pdf)

- **2020-24 Budget Basis:**

The 2020-2024 budgetary figures have been forecast with the use of actual activity from January through September 2019 and adjusted 4th quarter 2019 projections.

- **BPA Power Cost Projections:**

- ~90% of the power resource we depend on are sourced from our Federal Hydro System.
- BPA operates on a two-year rate cycle. 2020 is the second year of their current rate case. In 2020, we are budgeting for BPA increases of approximately 3% over 2019 to cover fish spill surcharge, power cost recovery adjustment clause (CRAC) increase, BPA financial reserves CRAC, and residential exchange charges. OPALCO works with PNGC to identify these cost increases.
- From 2021 through 2024, we have maintained a 5% BPA cost increase for each year.
- Load growth is expected to be approximately 1% per year.

- **Labor:**

- Staffing levels will remain at 51 full-time OPALCO employees from 2020 through 2024 (see organization chart).

- The general wage increase is in accordance with the current Collective Bargaining Agreement.
- The benefit growth assumptions are in accordance with 2020 NRECA and LineCo rate projections based on the changes to the benefits package.
- **Capital Projects:**
 - The 2020 capital projects are based on the 2017 – 2020 RUS Construction Work Plan (CWP). The CWP is derived from outage analysis, system monitoring and system modeling based on load growth projections along with current system loading. The goals are to achieve voltage stability, greater system reliability and overall system efficiency.
 - Planning – Engineering will complete the 20-year Long Range Plan and 2021-2024 Construction Work Plan (CWP) in 2020 with the supporting Environmental Report for the CWP by year end for submittal to USDA RUS. These plans will grow load and resources as anticipated in the IRP such to ensure our system is built to handle electric vehicle integration, electrification of the ferries, fuel switching and also remain stable with the integration of distributed resources (batteries, roof-top solar, etc.) and utility resources to include community solar, utility scale solar, utility scale battery systems tidal generation, etc.
 - Distribution System:
 - New Services continue to trend upward since the lows of the recession (2008-13). For 2019, \$397k is budgeted with an average of \$408k per year projected in future years. Please note: contributions in aid of construction (CIAC) offset the expense, but the uptick represents significant project work for our crews.
 - Underground Residential Distribution (URD) replacement will continue based on the following criteria: age, cable type, neutral degradation and, most importantly, outage frequency and outage duration. There is approximately 140 miles of unjacketed URD to replace system-wide over time with problem areas mapped for priority scheduling. In 2020, 20 miles of URD is slated for replacement at a

- budgeted cost of \$1.6 M. Staff expect an average annual spending of \$1.5 - \$2M for the foreseeable future for replacement ofunjacketed URD.
- Conversions, Line Changes and Tie Lines - ~\$1.2M is budgeted in 2020 for conversion to large conductors: upgrading lines to carry greater capacity and increased ability to reroute power.
 - Sectionalizing Equipment expenses will be to automated switches on our system improve reliability and give us greater visibility into our system.
 - SCADA spending is business as usual in 2020 (\$70k) with security upgrades planned as we segment our SCADA system away from our business networks.
 - Grid Control Communications Infrastructure (fiber) expansion for 2020 (\$110k) is budgeted to install conduits for future fiber jointly with other projects and connect generators to active sites for power back-up and reliability.
 - Transmission System – Projects include the routine replacement of transmission poles and upgrades to our switching between BPA feeds to improve reliability in the event of a BPA outage between Anacortes and Lopez.
 - Facilities – Decreased spending budgeted for 2020 (\$330k) to complete the bathroom remodel, installation of vehicle charges, and repairs to the Friday Harbor and Lopez office generators.
 - Transportation – Capital expense for fleet are expected to average ~\$539k per year.
 - Substation/Community Solar
 - Add circuit breaker to the Olga Substation to better protect the transmission system in back feed instances.
 - Energy Storage System (ESS) – The 2020 budget includes the completion of the Decatur ESS (\$775k) with offsetting funds from a WA DOE grant (\$670k remaining to draw). Commissioning of the 1 MW/2.7 MWh ESS to provide four complementary functions that enhance grid reliability and operation, and community solar array performance, while increasing storage system “capacity factor” and saving money on our power bill from BPA:

1. Community solar array conditioning: Conditioning of intermittent solar array output and store energy for later use.
 2. Peak shaving: Discharging battery system during normal system peaks and large outage restoration events to reduce peak charges while restoring the systems quicker.
 3. Load Shifting: Shifting system usage from peak intervals to off peak intervals.
 4. Substation battery backup during system outages: Use of this system to ensure switching capability during extended outages. This is a first step toward an emergency power supply during major mainland outage.
- Community Solar Project – The 2020 budget includes our potential next project for 660kW DC (500 kW AC) projected for Lopez to interconnect to the proposed 1.5 MW/4 MWh ESS in years 2021-2022 (\$4.2M not including a \$2M WA DOC grant). This project may span years yet will have offsets from member contributions due to dependencies such as contracting, siting, interconnection, etc.
 - Project Shifting – Below are projects that are shifting to future years to levelize capital spending:
 - Olga Transformer to 2022 (\$800k) – This project would replace the Olga Substation transformer. The existing Olga Substation transformer would be relocated to the Lopez Substation as a means for transformer maintenance and failure contingency. This transformer would allow for Olga Substation to support Eastsound and Orcas Substations during maintenance or outage events.
 - Roche Harbor Transformer Pump Replacement to 2021 (\$80k) – Replacement of failed oil pump in the Roche Harbor Substation transformer. Without this pump, the transformer is limited in its capacity to 16 MVA, when repaired this capacity increases to 22.5 MVA. The normal load on this transformer does not exceed its capacity without the pump yet limits the times in the year in which we can back up either the Gravel Pit or Friday Harbor Substations.
 - Tidal Study in 2021 (\$30k) – Tidal flow study in San Juan Islands

- **Energy Savings:**

- Staff have applied for additional RESP funds from RUS for the Switch it Up on-bill financing program. Programs are expected to expand to more energy savings measures as members participating in the existing programs continue to pay back for their financed projects.
- New Community Solar projects will be available for member purchase in 2020.
- BPA/PNGC pass-through rebates will continue for ductless heat pumps, weatherization, commercial lighting, and appliances. Members will be able to apply for rebates online.
- Beneficial electrification (fuel-switching) rebates are offered again in 2020. More self-funded incentives for ductless heat pumps and EV charging stations will be available. These conversions bring new load (kWh usage) and revenue, and help members breach the cost barrier for these appliances. Switch it Up participants will also receive beneficial electrification incentive off the principle of their projects.
- Staff will continue to get support for energy education and outreach via the San Juan Islands Conservation District.

- **Capital Credits**

- Capital credit pay out cash planning is based on an average 25 year pay back cycle (1995 capital credits in 2020) plus an additional “smoothing” payout amount (71% portion of 1996 in 2020). \$1.3M in capital credits are expected to be retired in 2020 and 2021, going up to \$1.4M in 2022 and 2023 and \$1.5M in 2024. The goal is to smooth out the low and high year payouts by using an average rather than strict year total.

- **Energy Assistance Program:**

- The 2020 Budget includes a continuation of ~\$134k for low-income monthly bill credits, which range from ~\$30 (single person household) to ~\$60 (six or more person household) per month, and not to exceed the total bill amount. The Energy Assistance Program is funded as a line item on all member bills (approximately \$0.60 on the average residential bill). Approximately 437 members participated in 2019, up from

418 in 2019. Outreach continues to encourage participation. Note, the EAP credits increase of \$1.65 will offset the increase in service access charge.

- **Communications**

- Key Projects - Comprehensive communication strategies will be implemented to engage members in Community Solar 2, another round of Switch It Up and, most importantly, to build understanding for and investment in OPALCO's vision for future power and the priorities of the IRP. The San Juan Island Conservation District will collaborate with OPALCO in this effort.
- Reputation - Staff will present an updated look and feel to OPALCO's brand in 2020 to tell the current story of how OPALCO contributes to the quality of life in San Juan County. The new look will reflect the evolution of the Co-op and help to broaden the demographics of engaged members.
- Safety - A member awareness campaign is planned to inform members about key safety issues including power outages, natural disasters, wildfires, lineman and electrical safety.
- Research – In partnership with NRECA, staff will launch a member satisfaction survey in April to gather member feedback and industry comparables. This data will inform member program development and initiatives.
- Clearing Up Newsletter – Staff is budgeting to reinstate the subscription to the Clearing Up newsletter for ~\$3k annually.

OVERALL SUMMARIZATION:

1. Revenue:

Staff recommends a rate increase of 3.0% (equating to a total revenue increase of ~3.8%) for 2020. The recommended increase applies equally to both the facility charge and energy usage charge, while balancing the cost of service between rate classes. Based on the 2018 cost of service study, we will begin a five-year phased approach to balancing equitability between the rate classes.

2. Margins:

Per Staff recommendation, projected margins are as follows: \$ 2.4M in 2019 (projected), \$2.1M in 2020 (budget), \$2.0M in 2021 and 2022 (forecast), \$2.3M in 2023 (forecast), and \$2.8M in 2024 (forecast).

3. TIER:

Per Staff recommendation, TIER is as follows: 2.23 in 2019 (projected), 2.06 in 2020 (budget), 1.98 in 2021 and 2022 (forecast) 2.05 in 2023 (forecast), and 2.24 in 2024 (forecast).

4. Equity % of Total Capitalization (OPALCO):

Per Staff recommendation, Equity % of Total Capitalization is as follows: 39.5% in 2019 (projected), 38.8% in 2020 (budget), 38.2% in 2021 (forecast), 38.0% in 2022 (forecast), 38.3% in 2023 (forecast), and 39.1%in 2024 (forecast).

5. Debt:

OPALCO is expected to borrow from RUS \$3.1M in 2020 and 2021, \$3.2M in 2022, \$3.4M in 2023 and \$4M in 2024, for capital projects. We anticipate using our approved RUS (FFB) loan funds and have estimated interest rates between 3% and 4% for 2020 through 2024. RUS Rural Energy Savings Program (RESP) funds will be borrowed at 0% over a 10-year period as member demand defines, to provide on-bill financing to members for efficiency / fuel switching measures.

6. Rate Detail:

The chart below details the impact on average residential members Energy Assistance Program and PAL recipients. An average residential member (12,330 meters) would see a bill increase of about \$3.92 including the Energy Assistance Program line item.

	Average Residential User		Average EAP Recipients	Average PAL Recipients	Average Seasonal Occupancy
Number of Services (Meter Points)	12,330		334	207	1109
Average Months of Usage	12		12	12	12
Average Usage (kWh) per month	995		851	1118	1005
Average Monthly Bill using Existing Rate (2019)	152.85		137.53	165.93	153.23
Average Monthly Bill using Recommended Rate (2020 Proposed)	156.77		141.08	170.16	157.85

Notes: 1) Data period from November 2018 to October 2019.

2) Seasonal Occupancy based on greater usage on May through September than rest of year.

3) PAL and EAP accounts based on those in database who received assistance during data period. The Average Bills above do not factor in any assistance received.

4) Service Access Charge increases from \$47.00 to \$48.65 and the energy charge increases from \$0.1057 to \$0.1094 per kWh,

November 15, 2019

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2019 Third Quarter Financial Report

Please see attached the full 2019 3rd 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 3rd quarter are good and are aligned with budget expectations. Two of the nine months we have experienced La Nina conditions which increased our heating load. Going forward staff expects a neutral condition to the end of the year. Please note our ECA is working as expected and will partially moderate the revenue.

Our average cost of power was lower than budgeted through Q3, causing an overall Energy Cost Adjustment (ECA) net credit to the membership of (\$217K) through Q3 from the ECA. Even considering the ECA credit return to the membership, total revenue is over budget by (\$148K). The revenue variance through Q3 is complemented by the related decrease in purchased power of 2% (\$143k). All combined resulted in an increased margin of \$82k.

Income Statement Summary (in thousands)	September 2019 YTD		
	Budget	Actual	Variance
Gross Revenue	\$ 22,566	\$ 22,931	\$ 365
ECA Surcharge / (Credit)	-	(217)	(217)
Revenue	22,566	22,714	148
Expenses			
Cost of Power	6,972	6,829	(143)
Transmission & Distribution Expense	4,580	4,683	103
General & Administrative Expense	3,710	3,722	12
Depreciation, Tax, Interest & Other	5,995	6,089	94
Total Expenses	21,257	21,323	66
Margin	\$ 1,309	\$ 1,391	\$ 82
TIER	1.90	1.95	0.06
HDD	625	865	240
kWh Purchases	153,470	157,076	3,606
kWh Sales	143,494	146,344	2,850

For more detail, please note the following key points:

- Through Q3, YTD Heating Degree Days (HDD) were up ~38% above normal budgeted levels (Actual of 865 vs. budget of 625), this was primarily in February and March. April thru September were strongly in the El Nino category. Again we expect more HDD than budgeted through year end.
- Actual kWh sales were 2.8M kWh above budget (146.3M vs. budget of 143.5M). 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.
- Q3 YTD power purchases were \$143k (2.1%) below budgeted amounts, primarily due to the lack of additional BPA cost recovery charges. Actual kWh purchases were 3.6M kWh above budget (157M vs. budget of 153.4M).
- Excluding purchased power, Q3 YTD operating expenses were approximately \$210k over budgeted amounts.
- The YTD Energy Cost Adjustment (ECA) through September billing period was a credit to members (and reduction to operating revenue) of \$216,846, or \$7.92 for a member using 1000 kWh/month.

MEMORANDUM

November 15, 2019

TO: Board of Directors

FROM: Foster Hildreth

RE: Tariff Revisions (First Read)

The Board will review a comprehensive set of rate options (see November Board Packet). The tariffs have been edited to include the recommended revenue increases to meet the revenue requirements as proposed in the 2020 budget. This is the first read, and if approved after the second read, staff will implement the tariffs in the January 2020 billing period.

- R-20 Residential
- TOU-20 Time-of-Use Residential
- SCS-20 Small Commercial
- LCS-20 Large Commercial
- P-20 Pump
- EAP-20 Energy Assistance Program
- POL-20 Private Outdoor Lighting
- LR-20 Line Retention

Please note that the EAP-20 tariff includes an updated collection amount of 0.00076 \$/kWh based off analysis of the Energy Assist Program forecast also in this packet. If approved the Energy Assistance Program charge on all associated tariffs will be updated.

No action by the Board is necessary at this time.

ORCAS POWER AND LIGHT COOPERATIVE

RECOMMENDED RATE STRUCTURE

	A.	B.	C.
1	Residential	Present Rates	Recommended Rate (3% Increase)
2	Service Access Rate (\$/Service/Month)	\$47.00	\$48.41
3	Energy Assistance Program (\$/kWh)	\$0.00068	\$0.00076
4	Energy Rates (\$/kWh)		
5	Summer Block 1 (\leq 2,000 kWh)	\$0.1057	\$0.1089
6	Summer Block 2 (2,001 kWh to 3,000 kWh)	\$0.1198	\$0.1234
7	Summer Block 3 ($>$ 3,000 kWh)	\$0.1421	\$0.1464
8	Winter Block 1 (\leq 4,000 kWh)	\$0.1057	\$0.1089
9	Winter Block 2 (4,001 kWh to 5,000 kWh)	\$0.1198	\$0.1234
10	Winter Block 3 ($>$ 5,000 kWh)	\$0.1421	\$0.1464
11			
12	Residential TOU	Present Rates	Recommended Rate (3% Increase)
13	Service Access Rate (\$/Service/Month)	\$56.50	\$58.20
14	Energy Assistance Program (\$/kWh)	\$0.00068	\$0.00076
15	Energy Rates (\$/kWh)		
16	TOU Period 1 (6 AM - Noon)	\$0.1752	\$0.1805
17	TOU Period 2 (Noon - 6 PM)	\$0.1083	\$0.1116
18	TOU Period 3 (6 PM - 8 PM)	\$0.1752	\$0.1805
19	TOU Period 3 (8 PM - 6 AM)	\$0.0475	\$0.0490
20			
21	Small Commercial (<20 kW)	Present Rates	Recommended Rate (3% Increase)
22	Service Access Rate (\$/Service/Month)	\$65.60	\$67.57
23	Energy Assistance Program (\$/kWh)	\$0.00068	\$0.00076
24	Energy Rates (\$/kWh)		
25	Block 1 (\leq 5,000 kWh)	\$0.1074	\$0.1107
26	Block 2 ($>$ 5,000 kWh)	\$0.1199	\$0.1235
27	Demand Rates (\$/kW)		
28	First 20 kW (Flat Rate)	\$6.22	\$6.41
29			
30	Large Commercial (> 20kW)	Present Rates	Recommended Rate (3% Increase)
31	Service Access Rate (\$/Service/Month)	\$65.60	\$67.57
32	Energy Assistance Program (\$/kWh)	\$0.00068	\$0.00076
33	Energy Rates (\$/kWh)		
34	Block 1 (\leq 5,000 kWh)	\$0.0946	\$0.0975
35	Block 2 (5,001-150,000 kWh)	\$0.1049	\$0.1081
36	Block 3 ($>$ 150,000 kWh)	\$0.1399	\$0.1441
37	Demand Rates (\$/kW)		
38	Block 1 (\leq 300 kW)	\$3.82	\$3.94
39	Block 2 ($>$ 300 kW)	\$5.74	\$5.92

ORCAS POWER AND LIGHT COOPERATIVE

RECOMMENDED RATE STRUCTURE

	A.	B.	C.
40	Pumps	Present Rates	Recommended Rate (3% Increase)
41	Service Access Rate (\$/Service/Month)	\$42.22	\$43.49
42	Energy Assistance Program (\$/kWh)	\$0.00068	\$0.00076
43	Energy Rates (\$/kWh)		
44	0 - 370 kWh	\$0.1123	\$0.1157
45	371 - 5,000 kWh	\$0.0900	\$0.0927
46	Over 5,000 kWh	\$0.1093	\$0.1126
47	Demand Rates (\$/kW)		
48	First 20 kW (Flat Rate)	\$1.17	\$1.21
49	Over 20 kW	\$3.87	\$3.99
50			
51	Private Outdoor Lighting	Present Rates	Recommended Rate (3% Increase)
52	Billing Charge (\$/Service/Month)	\$2.70	\$2.79
53	Fixture Charge (\$/Service/Month)	\$12.24	\$12.61
54	Energy Rates (\$/kWh)		
55	100 Watt Lights	\$4.64	\$4.78
56	200 Watt Lights	\$9.42	\$9.71
57			
58	Line Retention	Present Rates	Recommended Rate (3% Increase)
59	Service Access Rate (\$/Service/Month)	\$24.77	\$25.52
60			
61	Energy Assist Credits	Present Credit	Recommended Rate (3% Increase)
62	1- Person household	(\$30.00)	(\$31.41)
63	2-Person household	(\$36.00)	(\$37.41)
64	3-Person household	(\$42.00)	(\$43.41)
65	4-Person household	(\$48.00)	(\$49.41)
66	5-Person household	(\$54.00)	(\$55.41)
67	6+ Person household	(\$60.00)	(\$61.41)

1) Any per energy charge (\$ per kWh) above \$0.125 may induce fuel switching to propane, at today's San Juan County propane rates.

2) Assumes Block changes from Recommended Residential Scenario (Column C) to all rate periods in year.

3) Columns C through E produce revenues equal to the Recommended Budget Option.

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF R – 1920
RESIDENTIAL SERVICE**

~~TWENTIETH~~ **TWENTY FIRST** REVISION – REPLACING ~~NINETEENTH~~ **TWENTIETH** REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

SERVICE ACCESS CHARGE ~~\$47.00~~ **\$48.41**

ENERGY ASSISTANCE CHARGE ~~\$0.00068~~ **\$0.00076** per kWh

ENERGY CHARGE

Summer			Winter		
Block 1	≤ 2,000 kWh	\$0.1057 \$0.1089 per kWh	≤4,000 kWh	\$0.1057 \$0.1089 per kWh	
Block 2	2,001 - 3,000 kWh	\$0.1198 \$0.1234 per kWh	4,001 - 5,000 kWh	\$0.1198 \$0.1234 per kWh	
Block 3	> 3,000 kWh	\$0.1421 \$0.1464 per kWh	>5,000 kWh	\$0.1421 \$0.1464 per kWh	

DEMAND CHARGE \$0.00

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$47.00~~ **\$48.41** per billing period or prorated if service is provided for less than a full billing period.

POWER COST ADJUSTMENT

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

GENERAL PROVISIONS

1. Member agrees to allow the cooperative, at its discretion, to install automatic load management controls.
2. The rated capacity of any motor served under this tariff shall be as follows:
 - Motors up to 2 HP can operate at 115 volts.

- Motors larger than 2 HP shall operate at 230 volts and are subject to requirements in Member Service Policy 3 *Technical Provisions*.
3. No single resistive loads (examples: ovens, heaters, kilns) over 15 kW shall come on-line simultaneously.
 4. Non-resistive loads such as arc welders, fluorescent or mercury lamps, and induction heating furnaces are causes of harmonic distortion and may require corrective measures.
 5. See Member Service Policy 3 *Technical Provisions* for additional requirements.
 6. Primary end-use for residential purposes shall be served under this tariff.
 7. Summer Block is defined as May billing period through September billing period; Winter Block is defined as October billing period through April billing period.

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF TOU – 19~~20~~**

RESIDENTIAL TIME OF USE RATE

TWENTY-FIRST ~~SECOND~~ REVISION – REPLACING TWENTIETH ~~TWENTY FIRST~~ REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

SERVICE ACCESS CHARGE: ~~\$56.50~~ **\$58.20**

ENERGY ASSISTANCE PROGRAM ~~\$0.00068~~ **\$0.00076** per kWh

ENERGY CHARGE:

Period	Time	
1	6:00 am – Noon	\$0.1752 \$0.1805 per kWh
2	Noon – 6:00 pm	\$0.4083 \$0.1116 per kWh
3	6:00 pm – 8:00 pm	\$0.1752 \$0.1805 per kWh
4	8:00 pm – 6:00 am	\$0.0475 \$0.0490 per kWh

DEMAND CHARGE: \$0.00

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$56.50~~ **\$58.20** per month or prorated if service is provided for less than a full billing period.

POWER COST ADJUSTMENT

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

GENERAL PROVISIONS

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

Foster Hildreth, General Manager

Effective Date: January 2019 20 Billing Period

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF SCS – 1920

SMALL COMMERCIAL SERVICE

~~TWENTIETH~~ TWENTY FIRST REVISION – REPLACING ~~NINETEENTH~~ TWENTIETH REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

SERVICE ACCESS CHARGE \$65.60 **\$67.57**

ENERGY ASSISTANCE PROGRAM \$0.00068 **\$0.00076** per kWh

ENERGY CHARGE Block 1 ≤5,000 kWh \$0.1074 **\$0.1107** per kWh
Block 2 >5,000 kWh \$0.1199 **\$0.1235** per kWh

DEMAND CHARGE \$6.22 **\$6.41** per billing period (flat rate)

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be \$65.60 **\$67.57** per billing period or prorated if service is provided for less than a full billing period.

DETERMINATION OF BILLING DEMAND

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

POWER COST ADJUSTMENT

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

GENERAL PROVISIONS

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

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

Foster Hildreth, General Manager

Effective Date January 2019 **20** Billing Period

**ORCAS POWER AND LIGHT COOPERATIVE
TARIFF LCS – 1920**

LARGE COMMERCIAL SERVICE

TWENTY-SECOND **THIRD** REVISION – REPLACING TWENTY-FIRST **SECOND** REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

SERVICE ACCESS CHARGE ~~\$65.60~~ **\$67.57**

ENERGY ASSISTANCE PROGRAM ~~\$0.00068~~ **\$0.00076** per kWh

ENERGY CHARGE Block 1 ($\leq 5,000$ kWh) ~~\$0.0946~~ **\$0.0975** per kWh
Block 2 ($> 5,000 - 150,000$ kWh) ~~\$0.1049~~ **\$0.1081** per kWh
Block 3 ($> 150,000$ kWh) ~~\$0.1399~~ **\$0.1441** per kWh

DEMAND CHARGE Block 1 (≤ 300 kW) ~~\$3.82~~ **\$3.94** per kW
Block 2 (> 300 kW) ~~\$5.74~~ **\$5.92** per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$65.60~~ **\$67.57** per month or prorated if service is provided for less than a full month.

DETERMINATION OF BILLING DEMAND

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

POWER COST ADJUSTMENT

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

GENERAL PROVISIONS

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

management controls.

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

<div data-bbox="207 1917 695 1957" data-label="Text"><p>Foster Hildreth, General Manager</p></div>	<div data-bbox="712 1879 1364 1919" data-label="Text"><p>Effective Date <u>January 2019 20</u> Billing Period</p></div>
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ORCAS POWER AND LIGHT COOPERATIVE
TARIFF P – 1920
PUMP SERVICE

TWENTY-SECOND **THIRD** REVISION – REPLACING TWENTY-FIRST **SECOND** REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

SERVICE ACCESS CHARGE ~~\$42.22~~ **\$43.49**

ENERGY ASSISTANCE PROGRAM ~~\$0.00068~~ **\$0.00076** per kWh

ENERGY CHARGE	Block 1 0-370 kWh	\$0.1123 \$0.1157 per kWh
	Block 2 371-5,000 kWh	\$0.0900 \$0.0927 per kWh
	Block 3 Over 5,000 kWh	\$0.1093 \$0.1126 per kWh

DEMAND CHARGE	First 20 kW (flat rate) \$1.17 \$1.21
	Over 20 kW \$3.87 \$3.99 per kW

MINIMUM MONTHLY CHARGE

The minimum monthly charge, under the above rate, shall be ~~\$42.22~~ **\$43.49** per billing period or prorated if service is provided for less than a full billing period.

POWER COST ADJUSTMENT

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

GENERAL PROVISIONS

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

_____ Foster Hildreth, General Manager	Effective Date: <u>January 2019</u> 20 Billing Period
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ORCAS POWER AND LIGHT COOPERATIVE

TARIFF EAP – 1920

ENERGY ASSIST PROGRAM

SECOND ~~THIRD~~ REVISION – REPLACING FIRST ~~SECOND~~ VERSION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

ENERGY ASSISTANCE CHARGE \$0.0068 ~~\$0.00076~~ per kWh

ENERGY ASSIST CREDIT

Household Size	Monthly Credit
1	(\$30.00) (\$31.41)
2	(\$36.00) (\$37.41)
3	(\$42.00) (\$43.41)
4	(\$48.00) (\$49.41)
5	(\$54.00) (\$55.41)
6+	(\$60.00) (\$61.41)

MINIMUM MONTHLY CREDIT

The minimum monthly credit, under the above rate, shall be ~~(\$30.00)~~ (\$31.41). No refunds, or bills under \$0.00, will be issued based on participation in the Energy Assist Program.

SUBJECT TO AVAILABLE FUNDING

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

GENERAL PROVISIONS

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

Foster Hildreth, General Manager

Effective Date: January 2019 ~~20~~ Billing Period

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF POL – 19~~20~~

PRIVATE OUTDOOR LIGHTING

TWENTY-FIRST ~~FIRST~~ **SECOND** REVISION – REPLACING TWENTIETH ~~TWENTY FIRST~~ REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

BILLING CHARGE *\$~~2.70~~ **\$2.79** per month

FIXTURE CHARGE \$~~11.54~~ **\$12.61** per month

ENERGY CHARGE ** 100 Watts \$~~4.64~~ **\$4.78** per month
200 Watts \$~~9.42~~ **\$9.71** per month

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

**Applies only when energy is not metered.

POWER COST ADJUSTMENT

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

GENERAL PROVISIONS

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

Effective Date: January 2049 **20** Billing Period
Foster Hildreth, General Manager

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF LR – 1920

LINE RETENTION

NINETEENTH REVISION – REPLACING EIGHTEENTH REVISION

AVAILABILITY

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

TYPE OF SERVICE

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

APPLICATION

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

SERVICE ACCESS CHARGE ~~\$24.77~~ **\$25.64**

ENERGY CHARGE

No energy may be used under this rate.

MINIMUM MONTHLY CHARGE

The monthly charge, under the above rate, shall be ~~\$24.77~~ **\$25.64** per billing period or prorated if service is provided for less than a full billing period.

GENERAL PROVISIONS FOR MEMBERS ON LINE RETENTION

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

Foster Hildreth, General Manager

Effective Date: January 2019 Billing Period

GENERAL MANAGER'S REPORT

November 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 November 15, 2019, there are 361 work orders open totaling \$5.97M. Operations has completed construction on 118 work orders, totaling \$2.0M.

Safety

John Spain, Safety Coordinator of Columbia REA, conducted first aid/CPR training for all staff. The total hours worked without a loss time accident: 197,473 hours.



Grid Modernization Projects

- 1) **Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization (~\$1M Grant)** – Design review with WA DOC was completed on November 14th. Staff is working with PNGC to manage the interconnection agreement with BPA. Currently we are navigating through BPA's lack of contractual mechanism for battery systems. Construction will commence prior to December with an anticipated commissioning in Q2 of 2020.
- 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

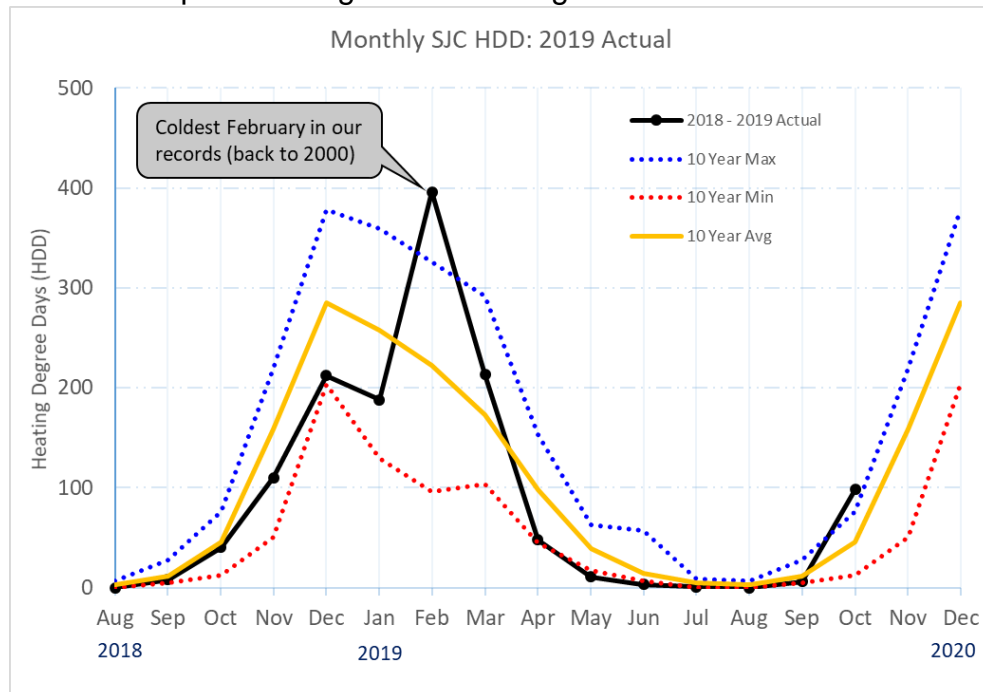
2019 Budget Tracking

Energy (kWh) purchases, sales were slightly higher than budgeted through October 2019. October was above budget with the highest kWh purchases and sales in the last 12 years. Note, the remaining accounts in the October income statement are in process of being closed out and reconciled and as such are not reported below.

Income Statement Summary (in thousands)		October 2019 YTD		
		Budget	Actual	Variance
	Gross Revenue	\$ 24,843	\$ 25,605	\$ 762
	ECA Surcharge / (Credit)	-	(105)	(105)
	Revenue	24,843	25,500	657
Expenses	Cost of Power	7,675	7,691	16
	Revenue (net of Power Cost)	17,168	17,809	641
HDD		657	963	306
kWh Purchases		168,920	175,918	6,998
kWh Sales		157,940	162,788	4,848

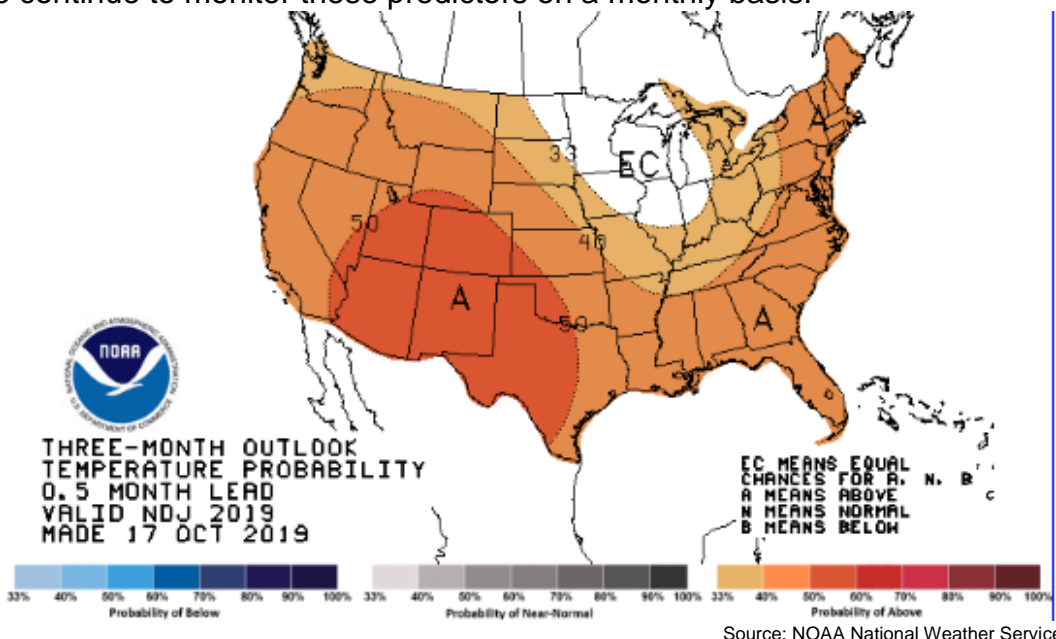
Heating Degree Days (HDD)

This winter HDD trended towards a neutral weather cycle (in between El Nino and La Niña), driven by prevailing winds. February surprised us with extreme cold as the wind and weather shifted, coming from the northeast. April through September returned to a warmer El Niño pattern, then October surprised us again with the highest HDD for an October this century.



Weather Forecast

The current NOAA '3-month outlook temperature probability' for Nov-Dec-Jan 2019-20 continues to show 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.



Monthly ECA

The calculated amount for the October ECA was a bill surcharge of \$.007744 per kWh which collected \$111,735 in October, or \$7.74 per 1,000 kWh. The YTD ECA through the October billing period is a credit to members (and reduction to operating revenue) of \$105,111, or \$0.18 for a member using 1000 kWh/month. The November billing period ECA will be a bill surcharge of \$.003826 per kWh.

RUS Loan Draw

Staff submitted this year's final budgeted request for a \$1.1M RUS loan draw to match the approved 2019 budget.

MEMBER SERVICES

Low and Fixed Income Assistance Programs

During October 2019, 332 members received \$~11.4k from the Energy Assist program, compared to 321 members receiving \$~9.6k in October 2018. Members are currently applying for PAL awards, which are being applied when the applications are approved by the local Community and Family Resource Centers. Please note, Rock Island Communications (RIC) also applies the same EAP credits to these low-income individuals for their internet services through RIC.

In October we transferred \$10k from the OICF Project PAL fund to subsidize project PAL for the start of the winter season. We anticipate needing to transfer an additional \$10k before the winter season is out to allow for the full estimated ~\$50K in PAL grants to be awarded this winter.

Switch it Up!

There are now 101 projects in various stages of participation for a total of ~\$903k in play. 58 projects are complete and billing.

Energy Savings

In October 2019 no BPA-funded rebates were paid to members due to timing and staff shortage (several were approved at the beginning of November). Staff is continuing to accept applications for beneficial electrification incentives (fuel-switching), and there are several projects waitlisted pending budget approval for payment in January.

Staff is working with the Washington State University Energy Program (WSU) to calculate incentives for the Renewable Energy System Incentive Program (RESIP). OPALCO is the first organization to have a RESIP Community Solar program in place, and staff has been coordinating with WSU to calculate the incentives according to the legislation. RESIP credits should be posted in November and December, including a portion paid to Energy Assist and PAL for solar units donated to the low-income programs.

Community Solar

During the October 2019 billing cycle the Decatur Community Solar array produced 37,840 kWh, and 6 kWh per solar unit was credited to member participants. A total of ~\$4.1 k was distributed to 276 accounts, including an additional \$~416 for the PAL and Energy Assist programs. (<https://energysavings.opalco.com/energy-savings/renewable-generation/community-solar/decatgur-community-solar-project/>)

COMMUNICATIONS

Co-op Open House – November 20th @ Firehall in Eastsound

The word is out about our open house event on November 20th from 5-6:30pm at the Eastsound office – and also streaming live on Facebook. Board and management will be on hand to talk with members about the 2020 budget and answer questions. Outreach included ads in the local papers, email newsletter, social media and bill inserts.

Co-op Open House
November 20th @ 5 pm

Come talk with OPALCO Board:
2020 budget, rates, Community Solar, Switch It Up!
and the vision for our energy future.



Orcas Power & Light
co-op

Orcas Island Firehall or Facebook Live
www.opalco.com

2019 Website Analytics

Web traffic averages about 4000 sessions each month with users spending an average of 2.5 minutes per session. Fifty percent of traffic is from mobile devices. Big spikes of traffic in 2019 occurred in February (likely due to the windstorm) and April (likely due to elections and switch it up campaign launch).

Outages continues to be the top viewed page, above the homepage. Site speed continues to be slowest on the outages page, likely because of the embed coupled with it being accessed by a high number of visitors at the same times. We will continue to work with Pixelspoke to optimize this page.

Energy Savings content continues to dominate the Top Content. Energy Savings Rebates jumped from #10 to #5. Switch It Up, which just launched this year, is already #6.

The Document Library continues to be among the top viewed content for staff. The OPALCO staff viewed the website 12,798 times this year.

Energize San Juans!

We had two more successful events on San Juan and Lopez. On San Juan Island 21 people attended including Senator Liz Lovett and Council Member Rick Hughes. The San Juan energy auditor said he did 11 audits last week alone when his previous high was 14 in a month. The Lopez event was in conjunction with Fossil Free by '33 and the Green Home Tour.

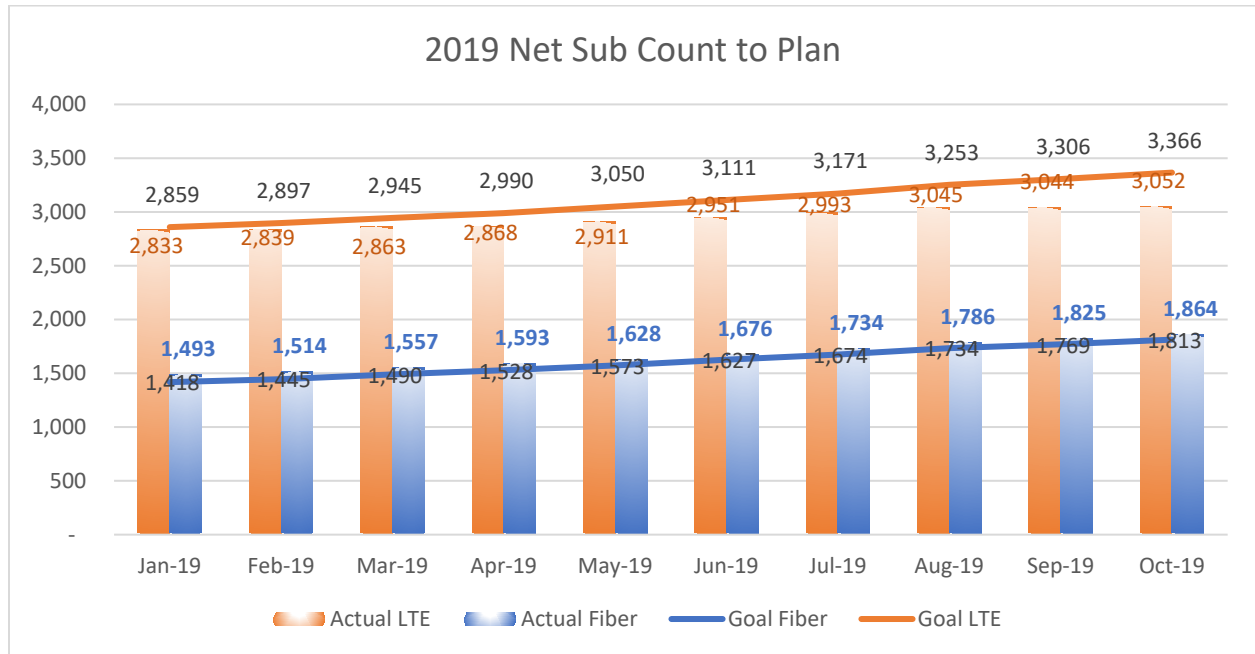


Eastsound Headquarters Bathroom Construction

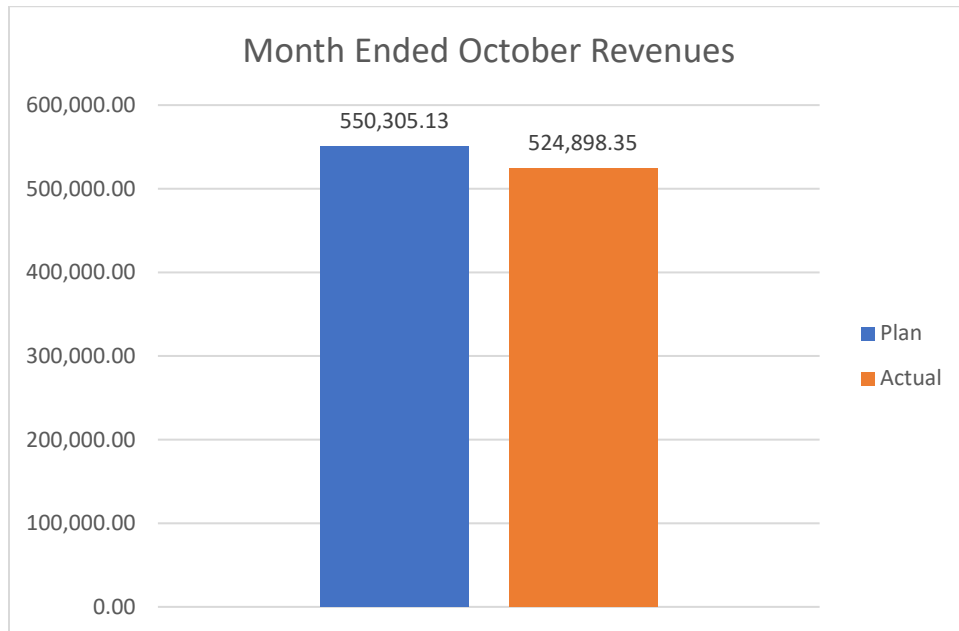
Plumbing for the new ADA bathrooms continues.



Net Subscribers as of October 31, 2019



Gross Revenues October 31, 2019



❖ Remaining revenues are still being closed for October Business.

PNGC Power Pulse

October 2019

Inside This Issue

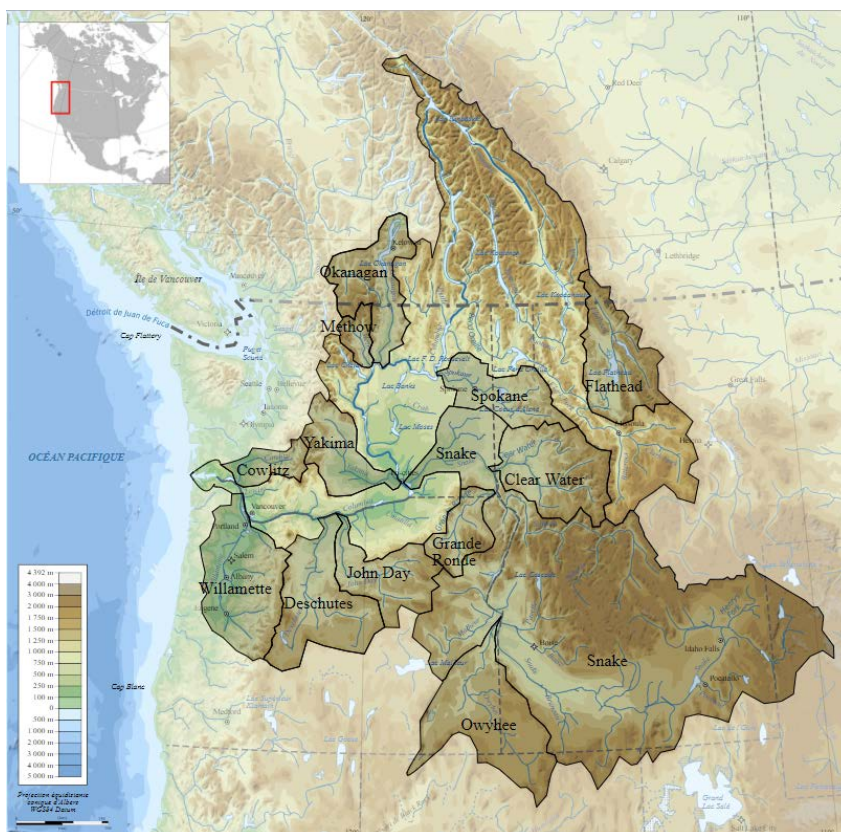
- 1 New Water Year
- 2 PNGC Annual Meeting
- 3 PNGC Peak
- 4 Mid-C Pricing
- 4 BPA Happenings
- 4 Upcoming PNGC Events

New Water Year

Happy New Water Year! October 1 marked the start of the 2020 water year and after the drenching in September, we are off to a relatively dry but cold start to the new year. Living so close to and relying on the Columbia River as much as we do, we can sometimes fail to appreciate the strength of our regional powerhouse. The Columbia River is giant! It is the 4th largest river in the United States (by volume), with an average flow of 278,000 cubic feet per second (cfs). That average discharge of 278 kcfs could fill an Olympic size swimming pool in under 3 tenths of a second. For reference, your eyes blink at a rate of a tenth of a second, so by the time you blink three times in a row the Columbia River can fill an Olympic size swimming pool completely.

The Columbia River also has extraordinary geography ideal for hydropower generation, which is explained by looking at the numbers. The Columbia River hydro projects account for roughly 30% of the nameplate capacity of all US hydro generation, however the Columbia River produces nearly 50% of hydroelectric energy output of the generators. If you include the Columbia projects in British Columbia, then projects along the Columbia River account for six of the top ten biggest hydropower generation facilities in the country. Grand Coulee's 6,809 MW capacity tops the list at #1. That's over double the capacity of the next hydro project on the list, which is Bath County Pumped Storage Station's 3,009 MW capacity, located in Virginia.

The watershed areas that drain into the Columbia River are vast. The total drainage area checks in at 258,000 square miles, an area equivalent to the size of the state of Texas. This is why the water year is so important to the Pacific Northwest power

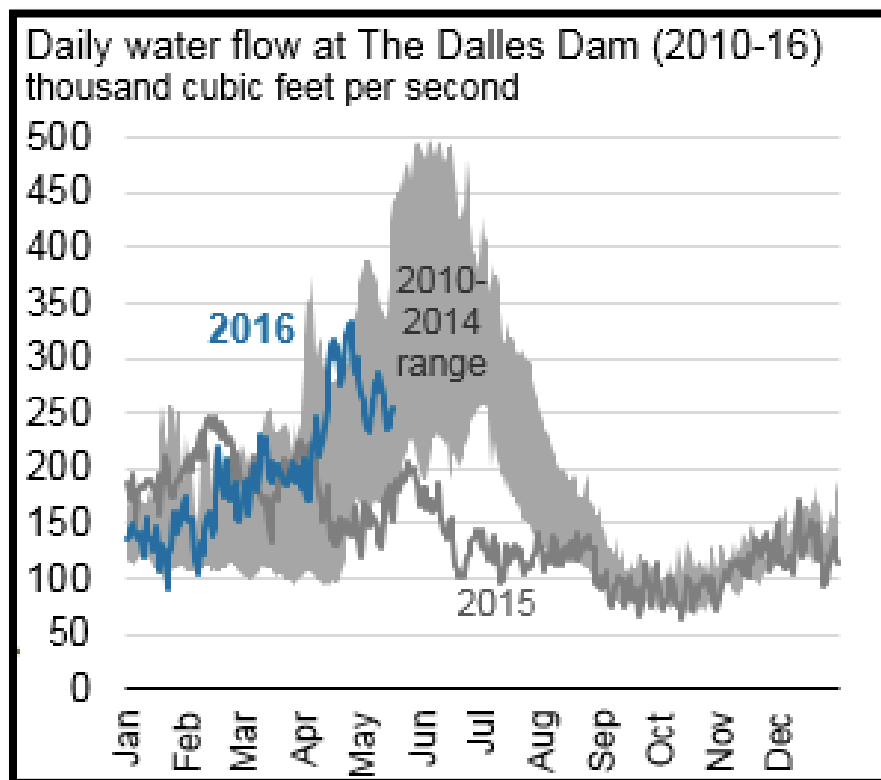


The map above illustrates all the watershed areas that drain into the Columbia River.

market. Everything revolves around Mother Nature and what she gives us. This includes the type of precipitation (snow or water), timing of precipitation, location of precipitation, temperatures, and all combinations of the aforementioned elements in any given year. And each water year is different, with the potential for major variability.

The 2020 water year has just begun, and it is off to a slow start. However, if the past few water years are any indication, it's the age old saying "it ain't over 'til it's over" that applies. The weather can catch up in a hurry as evidenced most recently by last year's (2019) miraculous recovery during April. The future is unpredictable, but it's going to affect us all. Welcome to Water Year 2020!

**data pulled from the US Energy Information Administration on EIA.gov*



Water Variability: the graph to the left shows the variability between years (in this case 2015 and the beginning of 2016) along with the gray historical range (in this case 2010 – 2014). The 2015 water year saw the Columbia River with near record high discharge levels during the winter months of Jan – Mar and by the middle of June it had already bottomed out. The past few water years follow a similar pattern of higher than “historical normal” flows in the middle of winter, and the water running out in early June, rather than historical plentiful June energy into the first week or two of July.

PNGC Annual Meeting

The PNGC Annual Meeting was held this year at the Hotel Eastlund in Portland, on September 30 and October 1, 2019. The annual event is a time for PNGC cooperative Boards, general managers, and key staff to gather together to look back at the past year, but more importantly, look to the future of PNGC Power.

This year's speaker line-up was especially focused on looking forward. The day began with PNGC Power's Vice President of Government Affairs and Policy, Ashley Slater, having a discussion with Jeffrey Connor, NRECA's Chief Operating Officer. The two dove into topics on a national level that have impacts back here at home. "It's always nice when we can hear from our national organization, and Jeffrey's insights are always illuminating," said Slater.

The theme continued with a panel entitled "Getting Ready for the Future Now," and it featured four regional leaders in the industry offering their insights into how they are planning for the future. Therese Hampton (Executive Director of the Public Generating

Pool), Mark Johnson (General Manager of Flathead Electric Cooperative), Tom Bechard (President & CEO of Powerex), and Roger Kline (Manager and Chief Executive Officer of Northern Wasco County People's Utility District) all offered up their expertise in this candid group discussion, led by PNGC Power's CEO, Roger Gray.

John Hairston, BPA's new Chief Operating Officer spoke to the group about his thoughts on BPA, and how he sees the agency working into the new contract periods. And PNGC's General Counsel and Vice President of Corporate Strategy, Chris Hill, led a panel discussion on PNGC's Strategic Plan moving forward that featured three PNGC Board members—Foster Hildreth, OPALCO; Debi Wilson, Lane Electric; and Dave Hagen, Clearwater Power. The Board members were able to share experience from their own cooperatives as well as speak to the goals of the group at large. Like Hildreth said in his remarks, "United we stand."

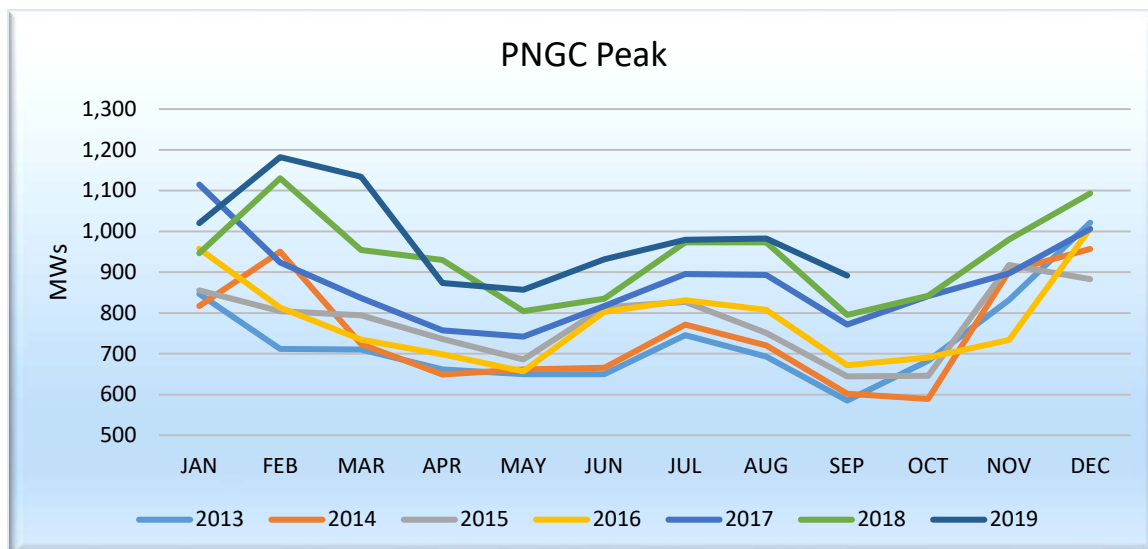
The end of the day featured speaker Rich Burk, who spoke about his experience going through major corporate change at AT&T during the 80s. He spoke of how disruptive and unexpected the change was, and how PNGC can relate to some of those lessons that he learned then and apply them to now. Lessons like: think outside the box, be prepared to get uncomfortable, and carpe diem. Poignant approaches to a future full of uncertainties and endless possibilities.



Rich Burk pushes the audience to think creatively at the 2019 PNGC Annual Meeting.

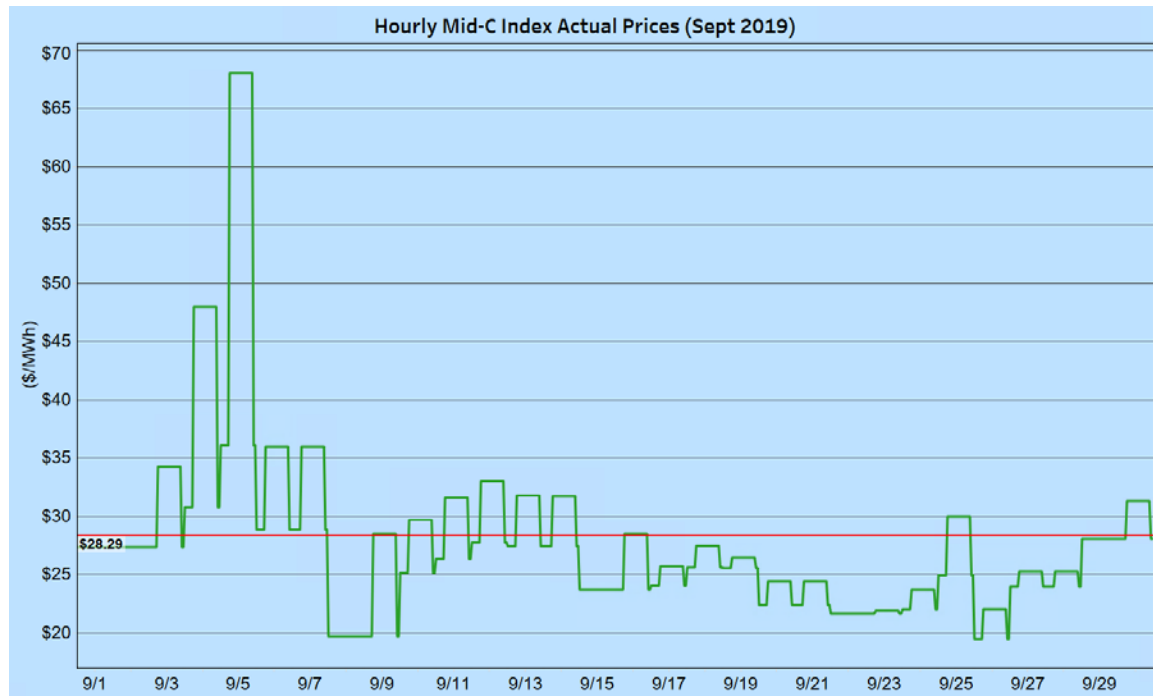
PNGC Peak

The graph below shows PNGC Peak for the past 5 years



Mid-C Pricing

The graph below shows Mid-C Pricing for the month of September 2019



BPA Happenings

November 15
November 19
November 20

Quarterly Business Review (FY 2019 end-of-year)
TC-22, BP-22 and EIM Phase III Workshop
QBR Technical Workshop

Upcoming PNGC Events

November 1
November 4 & 5
November 14
November 28 & 29
December 3

Clearwater Annual Meeting
PNGC Board Meeting
NWRP Annual Meeting
Thanksgiving – PNGC Office Closed
PNGC Board Meeting & Board Dinner



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About PNGC Power:

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