

# OPALCO ANNUAL REPORT: 2019 Accomplishments



# Annual Meeting 2019





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# Mission & Values

## Mission Statement

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

## Values Statement

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

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

# OPALCO Leadership

## Board of Directors:

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



## OPALCO Management Team:

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

## Rock Island Communications Management Team:

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

# Message from the GM: Foster Hildreth

April 3, 2020

Before the COVID-19 pandemic, your team at OPALCO was already in full response mode to address how our world of energy and available resources was dramatically shifting with climate change and new carbon legislation. Now, the whole world has changed. We are just in the beginning stages of a major world pandemic that is taking lives and changing just about everything we know: our health and safety, our livelihoods and the economy, education, our ability to move about freely and our vision for the future. Islanders have dug deep and responded with tremendous resources, kindness and innovative ways of looking out for each other: the kind of rugged cooperation that our remote island communities are built on.

I am so grateful for our co-op family: our staff, crew and board. In less than two weeks, our entire team transitioned from business as usual to new social distancing and safety practices, remote meeting protocols and seamless service to our membership via phone and online access.

We have a highly qualified team of committed, skillful employees who are willing to go the extra mile and a hard-working and dynamic board of directors making thoughtful, well-researched decisions and who have the confidence to stand up for OPALCO's mission and vision.

In response to the many impacts of the COVID-19 pandemic, OPALCO has responded with relief measures and will continue to reassess the needs and resources.



OPALCO has provided the following measures through the end of May:

- No late fees on bills
- No disconnections due to unpaid bills
- Businesses that must temporarily close can disconnect service without fees
- Increased funding for Project PAL and Energy Assist
- Covid energy assistance for businesses
- Seeking federal and state business relief funds

At the same time, we are asking members impacted by COVID-19 to complete a payment plan form so that we can track and measure the magnitude of unpaid bills over time and seek assistance from any disaster relief funds that become available. OPALCO must maintain a viable business in order to keep reliable power flowing to the 20 islands it serves; as a non-profit cooperative, it does not have financial reserves to divert to relief efforts; any measures provided are funded by the membership as a whole through borrowing and rates. We will do everything we can to help our members through this disaster. However, members must realize that funding is limited and the Co-op's bottom line is also impacted by the disruptions of the pandemic. Staff are reaching out for all available disaster assistance from local, state and federal sources do as much as we can for our members.

The viability of our little co-op is challenged

# Message from the GM: Foster Hildreth

not only by COVID-19 but also by the rapid changes in the energy world. With new carbon legislation in effect, all utilities in the Pacific Northwest are scrambling to find, build and invest in renewable sources of power to meet the needs of their consumers and avoid huge price penalties on fossil fuels. At OPALCO, we are faced with a steep and expensive climb to bring renewables onboard: we are limited by geography and siting challenges to find places to build renewable resources in San Juan County. To reach our goal of generating up to 50% of the power we need here in the islands, solar panels would cover as much as 1,000 acres (and must be located near substations), and we'd depend on some tidal generation (with land along the adjacent coastline for transmission facilities) to hit the mark. Our islands don't have wastelands where generating facilities can be hidden: we must build what we can live with in plain sight. We will hit a point at which the environmental impacts of new generation are too great for our sensitive and beautiful archipelago.

Our current fuel mix is already 93% greenhouse-gas-free – but the federal hydro system that we currently depend on will be pushed past capacity as every utility in the region exercises their full rights to the system. We must not only transition away from fossil fuels, but we must transition towards a portfolio of appropriate renewable power that includes local and new regional sources.

OPALCO is building solutions for the future of our power that:

1. protect our membership from regional black-outs as competition for resources increases
2. reduce our dependency on mainland generation
3. increase local resiliency – our safety net
4. encourage conservation and energy

- efficiency as prime resources
5. utilize all available technologies and investigate all available generation resources
6. maximize environmental benefits to our islands (clean air and water)
7. minimize rate impacts over the long-term as power costs rise
8. make best use of member resources

The full Integrated Resource Plan is available on our website and we are dedicated to explaining our vision through extensive communications –as soon as we can get back out there safely to do so. The way forward is clear. And it requires major investment over the coming years to position our Co-op to be able to offer reliable, affordable power into the future. Just as a generation of OPALCO members paid for the shift from local diesel generators to a system of submarine cables in the 1950-60's, our generation (and the ones after us) will have to pay for our transition away from fossil fuels.

A clean, safe and reliable renewable energy future is within our reach. It will require the same kind of rugged cooperation that we're seeing today as our communities come together to survive the COVID-19 pandemic and its myriad impacts and disruptions. Our success hinges upon our ability to work together as a cooperative, as a county and as citizens of the Salish Sea. I have no doubt that we are all up to the task.

Please do read about all the significant accomplishments your little co-op achieved in 2019. OPALCO and Rock Island are stewards of our beautiful service territory for our members and dedicated to keeping our environment pristine. I'm very proud of what our team can do – and has done since 1937 to build a healthy and sustainable quality of life in San Juan County.

# 2019 Accomplishments

## Engineering & Operations

Capital projects, maintenance and system replacement are planned in four-year increments. Projects are prioritized based on incidents of failure and age of equipment.

**Average service availability rate: members had power 99.9% of the time!**

Exceeded 200,000 hours worked without a loss time accident.

Completed construction and energized Blakely Substation.

Completed Olga Substation upgrades.

Completed loop of the Decatur Feed to the Lopez Feed.

Replaced 62,400 feet of aging and failing underground cable (mixture of three phase and single phase).



Transitioned to new server with more robust disaster recovery scheme.

Replaced 34 transmission poles and 44 aging and deteriorated distribution poles.

Right of Way Program: >2,100 trees trimmed, 160 danger trees removed; 19 miles of tree trimming, 3.5 miles of brush trimming.



# 2019 Accomplishments

## Energy Savings, Rebates and Renewables

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

Rebate dollars awarded to members through December 2019: \$231,143.

Energy saved by members through BPA/PNGC rebates: 677,725 kilowatt hours.

36 members got fuel switching rebates, trading high-carbon fuel source heating for Ductless Heat Pumps.

20 new EV charging stations were installed in member homes/business and rebated.

Total interconnected members generating local renewable power: 357 with 56 new in 2019.



# 2019 Accomplishments



## Member Services & Energy Assistance

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

Member Services Representatives (six people on two islands) handled more than 14,771 calls from members.

Members were billed ~\$30,88M for energy usage of ~209.9M kWh.

More than 60% of members are now on Autopay; 63% use SmartHub; 43% completely paperless.

Project PAL distributed \$53k in grants to 255 OPALCO households in need during the heating season (November – April).

Successfully transitioned PAL to be coordinated by the experts at island family resource centers.

Energy Assist participation: 460 households got monthly bill credits totaling \$136k.

# 2019 Accomplishments

## Finance

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

Unmodified (clean) opinion of 2018 financial audit.

Launched Switch it Up! on-bill financing program and financed >70 energy efficiency projects for >\$700k.

Applied for and received RUS approval for an additional \$15M with 0% interest RUS RESP funds to finance energy efficiency projects throughout the County through OPALCO's Switch it Up! program.

Applied for, received approval and contracted with USDA Rural Development for a \$100k Energy Audit grant to provide commercial energy audits for OPALCO member businesses.

Received award letter for a \$2.4M Clean Energy Fund III grant for a micro grid project on Lopez.

Collaborated on an NRECA-led grant application and received approval for a \$1M collaborative grant to support NRECA's Energy Access for All initiative: 'Cooperatives Achieving Rural Equity in Solar (CARES)' project. OPALCO is one of six cooperatives nationwide to participate in the three-year collaborative project seeking to increase solar affordability in rural communities.

Implemented tariff energy charge adjustment (ECA ) to balance monthly fluctuations in power cost compared to budget, returning a credit or adding a marginal charge monthly.

# Co-op Financial Report - unaudited

OPALCO ended 2019 in good financial health. Operating revenues were right on track and expenses came in under budget.

OPALCO's full financial reports are available online at [www.opalco.com](http://www.opalco.com) in the Document Library.

	2019	2018
kWh Purchases	221,869	217,948
Total Revenue	31,361	29,683
Cost of Power	9,262	9,054
Operations & G&A	11,178	10,181
Depr, Int & Taxes	8,189	7,441
Total Expense	28,629	26,676
Net Margins	\$2,732	\$3,007
Tier	2.40	2.67
Equity % of Total Cap	39.7%	41.0%
Equity	38,400	38,680
Total Debt	59,899	57,211
Capital Spending	(7,005)	(11,181)
Capital Credit Retirement (net)	(1,151)	(1,051)

Note: Numbers are in thousands

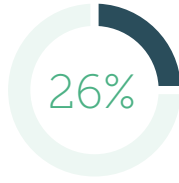


# Co-op Financial Report - unaudited

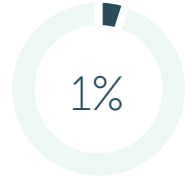
## 2019 Revenue



Residential  
22,679,087



Commercial  
7,999,086

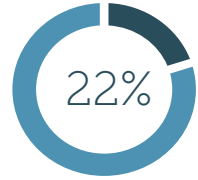


Other  
260,371

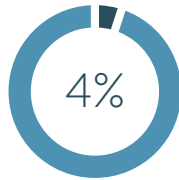
## 2019 Expenses



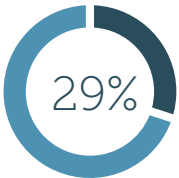
Cost of Power  
\$9,262,000



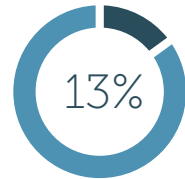
Distribution  
\$6,234,000



Consumer Accounts  
\$1,097,000



Depreciation,  
Interest, Taxes  
\$8,189,000



Administration &  
General  
\$3,847,000



Save \$\$\$ when you switch to electricity

## SAVE NOW - PAY LATER!

### Eligible measures include:

- Ductless Heat Pumps
- Heat Pump Water Heaters
- Electric Vehicle Charger

**\*\*\*Fiber to the Premise - NEW THIS YEAR!**

Members can do multiple projects up to a cap of \$26,000 per meter, as long as funding is available. To qualify, a member must be in good standing with OPALCO and measures must meet qualifications standards.

**Learn more, calculate your savings and apply:**  
**[www.opalco.com/switchitup](http://www.opalco.com/switchitup)**

## Switch It Up! Projects:

On Bill Financing available for:

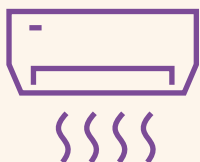


### Fiber Optic Smart Energy Program

Get fiber to your home or business today and pay later. Must include another Switch It Up! measure or a new smart home device.

**Finance up to \$15,000 over 10 years.**

Learn more at: [rockisland.com/resp](http://rockisland.com/resp)



### Ductless Heat Pump

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

**Cuts heating bill spending in half!**

Finance up to \$15,000

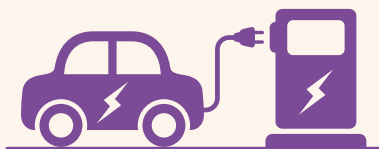


### Heat pump water heaters

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

**Save ~\$300/year!**

Finance up to \$3,500



### Electric Vehicle Charger

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

**Save \$1,000 or more/year when you go EV!**

Finance up to \$2,500

# 2019 Accomplishments

## Communications

Based on member satisfaction survey results and website analytics, updated Energy Savings website (launch in Q1-2020), especially rebate info and forms.

2019 was the year of the rebate, and with the additional outreach participation jumped from 171 in 2018 to 257 in 2019 – including fuel-switching rebates.

Successful launch of Switch it Up – utilized new outreach strategies such as pop-ups and FB live.

Coordinated legislative visits in Olympia and with Governor Jay Inslee.

Was recognized by the Northwest Public Power Association's Excellence in Communication Awards for our original Switch it Up! song.

Five Nouridine Jensen Cooperative Youth Scholars attended the ICUA Youth Rally at the College of Idaho and received scholarship money for post secondary education.

Staff met with 243 members through speaking engagements at civic, community, and service groups, as well as visiting all three senior centers.





# Subsidiary Accomplishments

## Rock Island Communications

OPALCO and its wholly-owned subsidiary Rock Island Communications have built a hybrid fiber and LTE wireless network that, as of year-end 2019, has more than 5,000 subscribers to internet services, which represents about 43% of the total market in San Juan County.

Zero loss time accidents in 2019 and only one eight (8) hour loss time accident since established in 2015.

Delivered a 99.99% reliability rate to our fiber and wireless customers.

Serviced 1,912 fiber connections and 3,054 wireless customers, beating subscription goals.

Connected more than 600 homes and businesses to our fiber network.

Added redundancy to the nearly 530 miles of fiber in our county network.

Doubled our Business Service revenue in 2019.

Connected 18 Multi-Dwelling Unit buildings to fiber in a three-month period, providing service options to over 250 low income residents.

Captured 43% and growing of the total internet subscriber market in the county.

Staff handled over 28,000 inbound calls and closed more than 31,000 support cases.

Completed 29 on-site generator installations on critical network infrastructure.

Added one new LTE site and upgraded three existing tower-bottom sites to new L6 tower-top sites to increase our service offering.

Assisted county in moving forward on a county-wide communications solution for first responders, built on the foundation of our fiber network.

## Meet the Team



## 2019 Journeymen Linemen Apprentices



The future is bright at OPALCO!

# Meet the Team

## New Team Members:

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

### Curitis Olson, Journeyman Lineman

Curtis has 22 years of Journeyman Lineman experience before moving to Orcas in Spring of 2019 from Montana. He lives on Orcas with his family.



### Bret Warner, Journeyman Lineman

Bret is a Journeyman Lineman with 20 years of experience from Sumas, Wa. Bret moved to Lopez with his wife.

### Robert Smallwood, System Engineer

Robert moved to Orcas Island from Portland, OR where he worked as electrical engineer at Portland General Electric in their protection and automation group. He lives on Orcas with his wife and son.



## Thank a Lineworker!

Some lineworker appreciation from our members:

*"Thanks so much for keeping on in this difficult time. Especially since you have to stay away from your coworkers and at times it must be hard to do something alone! Y'all are in my thoughts and prayers. Bless your hearts!"*

-Beth

*"You bring us warmth, light, hot food and drink. Who else can be so awesome?"*

-Connie

*"You linemen are our life-line right now when we are relying solely on information through our electronic devices. We are glued to our computers, TV and other devices. Without electricity, we could access none of it and would be isolated and literally ""in the dark"". THANK YOU!!!"*

-Margot

*"Not only are you lineworkers on the job twenty-four/seven, you're always so nice! It's reassuring to know that even when we do lose power (happening less and less often), you're out there in all kinds of weather fixing it and restoring power ASAP. Huge thank yous!"*

-Judy

*"Forget Spiderman, Hulk and the rest of our comic book friends..... these guys are our real SuperHeroes! Huge thank you to all!"*

-Chuck

*"Thanks to all of you folks at OPALCO. The co-op has shown itself to be responsible to our Island communities. Repairs in the middle of the night, helping people who are struggling with reduced rates. A+ in humanity and service. Thank you."*

-Gregg



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

