



BOARD OF DIRECTORS REGULAR MEETING

Friday, May 15, 2020 8:30 a.m.

Virtual Meeting via Zoom/Facebook Live

As detailed in the March 3, 2020 OPALCO Press Release – The OPALCO Board of Directors announced that in order to follow CDC guidelines for social distancing, all the upcoming OPALCO public gatherings are cancelled until further notice in order to err on the side of caution in face of tremendous uncertainty with the current outbreak of COVID-19 in the state of Washington. Board meetings will be conducted as scheduled via remote video conferencing until further notice.

The first 15 minutes of the Board meeting will be streamed via Facebook Live for member comments and questions, followed by the Annual Member Business Meeting. Members do not need a Facebook account to view the live portion of the meeting (just say no when asked to create an account). Follow our Facebook page at and sign up for notifications <https://www.facebook.com/orcaspower/>. Please be patient; this process will evolve as we move forward.

Members may also submit any comments and questions in writing no less than 24 hours in advance of each meeting to: communications@opalco.com

Sequence of Events

- OPALCO Board meeting
- Executive Session

Orcas Power & Light Cooperative

Board of Directors

Regular Board Meeting

May 15, 2020 8:30 A.M.*

Virtual Meeting via Zoom (Facebook Live for Viewing Only)

**Time is approximate; 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.

- *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.*
- Olga Darlington, Business Assurance Partner, Moss Adams LLP

MEMBER ENGAGEMENT TIME (via Facebook Live)

- *Members will be able to participate via Facebook Live for the first ~15 minutes of the Board meeting.*
- *Follow OPALCO's Facebook page (<https://www.facebook.com/orcaspower/>) and sign up for notifications for easy access.*

ACTION ITEMS

- Consent Agenda
- 2019 Audit Presentation – Olga Darlington, Business Assurance Partner, Moss Adams LLP (after review in Executive Session)
- Switch It Up funding for Electric School Bus for Lopez Island

DISCUSSION ITEMS

- COVID-19 Update

REPORTS

- 2020 Q1 Financial Statements
- General Manager
- Rock Island Snapshot

APPENDICES

- Member Communications

EXECUTIVE SESSION

- 2019 Audited Financial Statements
- Legal
- Personnel
- Competitive

ADJOURNMENT

MEMORANDUM

May 8, 2020

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 – April 2020

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

1. Alber, Joshua
2. Briann, Heather & Kinnaman, David
3. Cholak, Benjamin
4. Hamilton Ranch Apartments
5. Hill, Derek & Kerry
6. Israel, Barbara & Frank
7. Kruger, Timothy & Thomas, Elizabeth
8. Rogers, Keirsten
9. Shiroma, Robert
10. Silkiss-Hero, Kaya
11. Smith, Jonathan G & Elisa
12. Stuart, Jeffery & Metter-Stuart, Tina
13. Yeager, Matthew

23. Nutt, William

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

24. Anderson, Sarah J
25. Dupar, Saide
26. Lund, Dana
27. O'Hare, Dave & Yvonne
28. Phelps, Steven
29. Singer, Terry L & Nicole
30. St. George, Elizabeth & David

District 4 (Shaw, Crane, Canoe, Bell)

None

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

14. Anguispira, LLC
15. Boucher, Robert Jr. & Tracy, Vicki
16. Forman, Suzanne
17. Garcia, Elizabeth
18. Gerringer, Michael & Theresa
19. Greene, Robert & Urania
20. Howerton, Katlyn
21. Nelson, Matthew
22. Neville, Peter & Taylor-Hoar, Kira

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

May	
<u>Customer #</u>	<u>Amount</u>
5180	2,303.23
71580	346.04
79268	649.29
91783	80.83
35575	844.72
1750	1,477.75
Total	\$ 5,701.86

- **RUS 219s** *Inventory of Work Orders* of projects completed from the Construction Work Plan totaling \$120,671.83. These forms are submitted to RUS for approval of loan funds.
 - Inventory 202003 - \$48,613.53 for sectionalizing equipment and pole replacement project.
 - Inventory AS2003 - \$72,058.30 for an overhead to underground conversion project

Staff requests a motion to approve the Consent Agenda.

Orcas Power & Light Cooperative
Minutes of the Board of Directors Meeting
Thursday, April 23, 2020

Due to the COVID-19 pandemic the 2020 Annual Meeting of the Orcas Power & Light Cooperative was held via Zoom.

Streaming through Zoom attendees were: President Vince Dauciuas, Board members Rick Christmas, Jerry Whitefield, Brian Silverstein, Mark Madsen, Peter Garlock and Jeff Struthers. 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; Communications Specialist Krista Bouchey; Assistant Manager of Member Services Jon Orr; Head Accountant Travis Neal and Executive Assistant Kelly Koral (servicing as recording secretary). Also present were Legal Counsel Joel Paisner; and Consultant Jay Kimball.

Regular session was entered with the election of Board officers. All directors were asked to send their votes to the recording secretary.

Nomination for Vince Dauciuas as president. Mr. Dauciuas accepted the nomination. Votes were cast with Mr. Dauciuas elected unanimously as President.

Jerry Whitfield was nominated as Vice President. Mr. Whitfield accepted the nomination and was elected by unanimous vote.

Brian Silverstein was nominated for Secretary/Treasurer. Mr. Silverstein accepted and was elected by unanimous vote.

RESOLUTION 2-2020

Motion - was made to re-approve the matching of \$150,000 should OPALCO be awarded the RUS grant to tele-education. This was approved initially via email voting. Today's motion was done for ratification purposes. Seconded and passed by voice vote.

RESOLUTION 3-2020 Use of Electronic Signatures

Motion – was made to approve the Resolution allowing for use of electronic signatures for Board matters. Seconded and passed by voice vote.

General Manager Report

Hildreth reviewed the items in the General Manager's Report.

Adjourned to Executive Session at 9:51 a.m.

Regular Session resumed 11:29 a.m.

~70 applications for relief from businesses have been received subject to relief measures potentially approved by the board.

Motion was made to accept the proposal made by staff as laid out in the chart submitted (see below). Seconded and passed by voice vote.

MEASURES:	No Late Fees	Reconnect Waivers	PAL	EAP OPALCO O	EAP Rock Island	EAP-C OPALCO	Switch It Up Deferral	Comm. Solar Credits
<i>Recommended Budget Increase</i>	-	-	\$35k ⁵	\$50k	\$15k	\$100k	~\$12k ²	-
<i>Average Member Value</i>	<i>varies</i>	\$200 ¹	\$100 ¹	~\$35/mo	\$25/mo	\$67.57/mo	\$100 /mo ³	<i>varies</i>
MEMBERS SERVED:								
Residential	✓	✓	✓	✓	✓		✓ ⁴	✓ (EAP)
Commercial							✓ ⁴	
CAT 1: <i>temp disconnect (no bill)</i>	✓	✓						
CAT 2: <i>unable to disconnect</i>	✓	✓				✓		
CAT 3: <i>marginal operations</i>	✓	✓				✓		
CAT 4: <i>full operations</i>	✓							

Chart Notes:

- 1 – Lump sum / one-time benefit
- 2 – Dependent on demand; cap limited to individual monthly payments
- 3 – Deferral for a maximum of six months
- 4 – Deferral only for Switch It Up participants
- 5 – Excludes OICF funds transferred: \$15k in March

Meeting adjourned 11:31 a.m.

President

Secretary/Treasurer

04/16/2020 2:58:19 pm

Page: 2

RUS Form 219 Inventory Of Work Orders

Period: MAR 2020 System Designation: WA O9

Inventory: 202003

Loan		Work Order			Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
					Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
Project	Year	Construction (1)	Retirement (2)	Bdgt (3)						
333	2018	3333	3333	1	15,285.18	0.00	0.00	0.00	0.00	15,158.43
								AFUDC: 126.75		
					15,285.18	0.00	0.00	0.00	0.00	15,158.43
603	2018	1240	1240	1	44,973.48	578.65	0.00	0.00	0.00	35,284.69
								AFUDC: 10,267.44		
					44,973.48	578.65	0.00	0.00	0.00	35,284.69
606	2018	3367	3367	1	11,838.85	1,565.13	0.00	0.00	0.00	13,328.84
								AFUDC: 75.14		
					11,838.85	1,565.13	0.00	0.00	0.00	13,328.84
Grand Totals:					\$ 72,097.51	\$ 2,143.78	\$ 0.00	\$ 0.00	\$ 0.00	\$ 63,771.96

RUS Form 219 Inventory Of Work Orders

Period: MAR 2020

System Designation: WA O9

Inventory : 202003

Budget

Loan	Project	Amount
1	333	15,158.43
1	603	35,284.69
1	606	13,328.84
Total:		63,771.96

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

INSPECTION PERFORMED BY

FIRM

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

RUS Form 219 Inventory Of Work Orders

Period: MAR 2020 System Designation: WA O9

Inventory: AS2003

Loan		Work Order			Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
					Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
Project	Year	Construction (1)	Retirement (2)	Bdgt (3)						
1600	2018	3061	3061	1	84,971.26	4,780.77	0.00	0.00	15,978.56	72,058.30
								AFUDC: 1,715.17		
					84,971.26	4,780.77	0.00	0.00	15,978.56	72,058.30
Grand Totals:					\$ 84,971.26	\$ 4,780.77	\$ 0.00	\$ 0.00	\$ 15,978.56	\$ 72,058.30

Minor Construction Work Orders

Work Order: 3061 - CONVERT OH TO URD

RUS Form 219 Inventory Of Work Orders

Period: MAR 2020 System Designation: WA O9

Inventory : AS2003

Budget		Amount
Loan	Project	
1	1600	72,058.30
Total:		72,058.30

ENVIRONMENTAL CERTIFICATION

- 1 WE CERTIFY THAT CONSTRUCTION REPORTED ON THE LISTED WORK ORDERS (EXCEPT CERTIFICATION "2" BELOW), IS A CATEGORICAL EXCLUSION OF A TYPE DESCRIBED IN 7 CFR 1970 WHICH NORMALLY DOES NOT REQUIRE PREPARATION OF A BORROWER'S ENVIRONMENTAL REPORT.
- 2 WE CERTIFY THAT CONSTRUCTION REPORTED ON WORK ORDERS _____, IS A CATEGORICAL EXCLUSION OF A TYPE THAT NORMALLY REQUIRES A BORROWER'S ENVIRONMENTAL REPORT WHICH IS ATTACHED.

SIGNATURE (MANAGER)

DATE

BORROWER CERTIFICATION

WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.

INSPECTION PERFORMED BY

FIRM

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

MEMORANDUM

May 8, 2020

TO: Board of Directors

FROM: Foster Hildreth, General Manager

RE: 2019 Financial Statement Audit Report

Moss Adams LLP will present their annual audit report for Board discussion at the May 15th Board meeting. The audit report includes the consolidated financial statements of both OPALCO and Rock Island Communications. A draft of the findings will be sent separately from the regular Board packet, with the final report presented at the regular Board meeting in May. Please note the 2019 year-end financial information for OPALCO was previously reviewed at the March 19, 2020 Board meeting and no material changes have occurred since the March financial presentation. Once approved by the Board, the audit report will be posted in OPALCO's online resource library.

Representatives of Moss Adams worked virtually with the staff during the week of March 30th - April 3rd. Olga Darlington, Business Assurance Partner, will be attending (via Zoom) the May 15th Board meeting to review the firm's audit findings and answer questions posed by the Board.

Understanding the Consolidated Financial Statements of both OPALCO and its subsidiary, Rock Island Communications:

Separate company financial statements were presented at the March and April meetings and the final consolidated audited financial statements are being presented to the Board at the May Board meeting.

Key takeaways:

- OPALCO and Rock Island received an "Unmodified" opinion, which is the highest level of opinion.

Consolidation methodology:

- At the March Board meeting, OPALCO presented their separate company year-end financials and Rock Island presented their separate company year-end financials at the April Board meeting.
- As OPALCO owns 100% of Rock Island, accounting standards require that our audited financial statements be on a consolidated basis.
 - The first statements presented in the audit report (Income Statement, Balance Sheet and Cash Flows) and the associated notes to the financial statements combine both OPALCO and Rock Island.
 - The 'Supplementary Information' section of the statements (starting on page 21 of the audit report) is the consolidation where you can see the companies broken out individually and the related consolidating entries.
 - Note that for 2019 and each year, the margin to be allocated to OPALCO members via capital credits is equal to the OPALCO-only margin, not the consolidated amount that includes Rock Island.

Upon the conclusion of the audit review and Board discussion, staff requests that the Board make a motion to approve OPALCO's Independent Auditors' Report and Financial Statements for December 31, 2019 and 2018, as audited by Moss Adams LLP.

MEMORANDUM

May 8, 2020

TO: Board of Directors
FROM: Foster Hildreth, General Manager
RE: Switch It Up funding for Electric School Bus on Lopez Island

Staff received a request from the Lopez Island School District to finance the balance of the School Bus Electrification Project via Switch It Up. In December 2019 with a follow-up in February 2020, the Board approved OPALCO's in-kind contribution for the infrastructure to connect their EV bus charging station. At that time, we also discussed having Switch It Up financing available to cover the costs not covered by the WA Department of Ecology Grant and the OPALCO interconnection rebate of up to \$50k. Lopez Island School District is solidifying their budget and will be requesting up to \$40k financed with Switch It Up program funds. Not that this project is allowed by the original requirements of the program allowed by the Rural Utility Services (RUS).

Staff requests the Board make a motion to allow this finance agreement to exceed the cap for the EV charging Switch It Up measure in an amount up to \$40k.

MEMORANDUM

May 8, 2020

TO: Board of Directors
 FROM: Foster Hildreth, General Manager
 RE: Covid-19 Update

No further news to report since last week. Staff continues to monitor how COVID-19 is affecting OPALCO's business and how members are responding to the relief measures. Watching the different data points will enable to the Board to make sound decisions for the next 60-day period as we continue to move through this pandemic and understand the different ways the co-op needs to operate to meet the needs of the membership while remaining a viable business. At the April meeting, the OPALCO Board approved the following member assistance programs.

2020 Covid Relief Measures

MEASURE (new)	DESCRIPTION	BENEFIT
Waive Fees	No member action required – automatic.	varies
No Disconnection for Non-payment	Will not disconnect a member who hasn't paid their bill. No member action required – automatic.	varies
Payment Plans	Payment plans to meet any budget. Call us to get started.	varies
Extend Project PAL Benefits (new)	Extend PAL season through June 30th; allow up to two grants within this PAL season (Nov-June). COVID PAL grants would be \$100. Apply for PAL at your Family Resource Center or online: www.opalco.com .	\$100
Energy Assist (EAP) COVID qualified (new)	Members can now qualify by checking COVID box. Monthly bill credit is \$31.41-\$61.41 (depending on household size) and will be available for up to two billing periods through June 30th. First come, first served until funds exhausted. Apply online: www.opalco.com . All EAP participants are also eligible for a \$25 bill credit on their Rock Island bill (show Rock Island your OPALCO bill credit).	\$31.41 - \$61.41/mo + \$25/mo from Rock Island
Energy Assist for Businesses (EAP-C) (new)	Monthly bill credit equal to service access charge for up to two billing periods through June 30th. Apply through COVID-19 Form (online) and requires a payment plan if account has unpaid balances. First come, first served until funds exhausted. All EAP participants are also eligible for a \$25 bill credit on their Rock Island bill (show Rock Island your OPALCO bill credit).	\$67.57/mo + \$25/mo from Rock Island
Switch It Up payment deferrals (new)	Participants in the Switch it Up program can defer their on-bill finance payments for up to six months. Apply through COVID-19 Form (online).	Averages \$75.50/mo
Community Solar Credits for COVID-19 Relief (new)	Participants in the Decatur Community Solar Project will be invited to donate their solar production credits to benefit the Energy Assist (EAP) for the next six months. Email invite will go out to all participants.	varies

We're all in this together!

*April 30, 2020

OPALCO COVID-19 Update

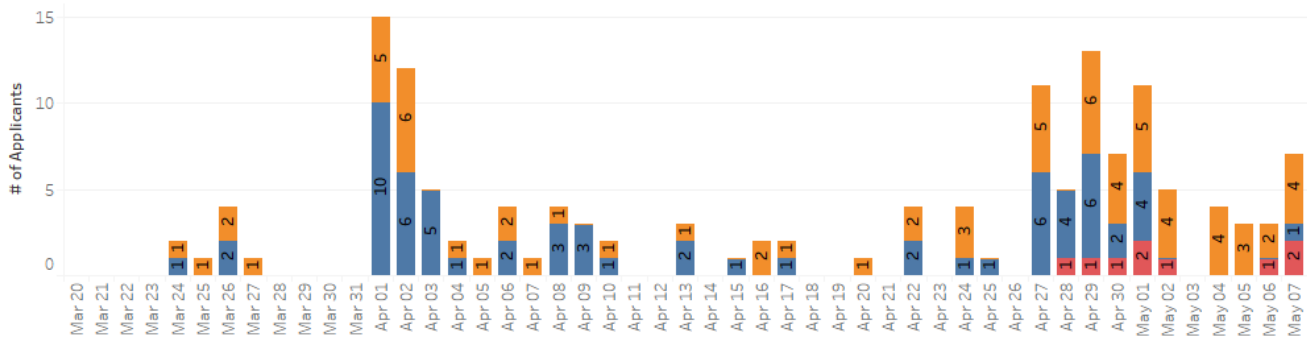
Member Donations to COVID-19 Relief Efforts

Staff continue to communicate with members regarding the COVID-19 relief measures, including a request for donations. Members donations to our low-income programs have shown an uptick since the pandemic began and there was a great initial response from community solar participants: to date 19 members have donated 194 community solar units (~23% of all Decatur Community Solar) to our COVID relief measures. Staff continues to encourage members to donate to our PAL program.

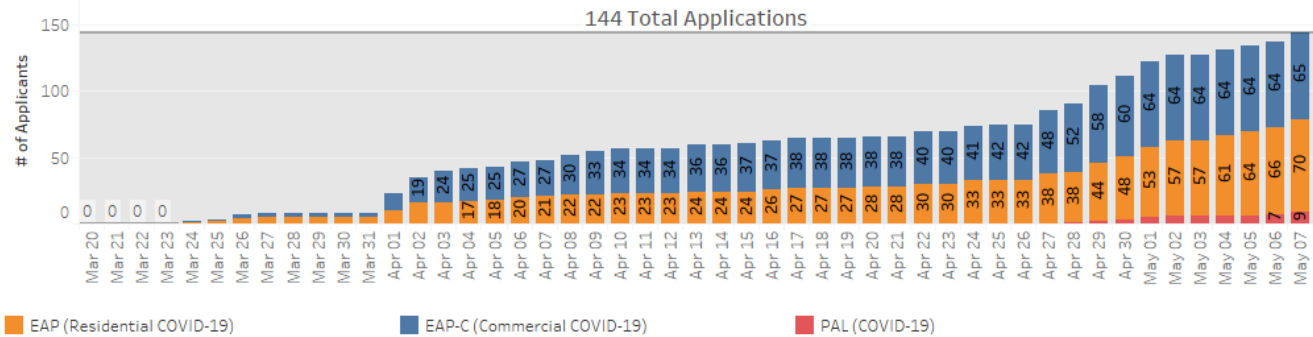
Relief measure applications from March 20th through May 7th:

- 65 applications for EAP-C (COVID-19)
- 70 applications for EAP Residential (COVID-19 related)
- 9 PAL COVID-19
- 144 total COVID-19 related applications received

COVID-19 Assistance Applications Daily



COVID-19 Assistance Applications Cumulative

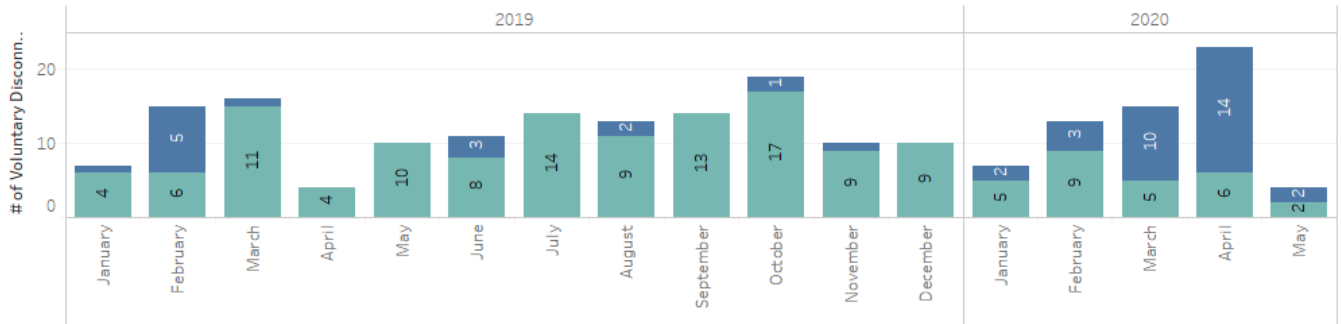


Voluntary Disconnects:

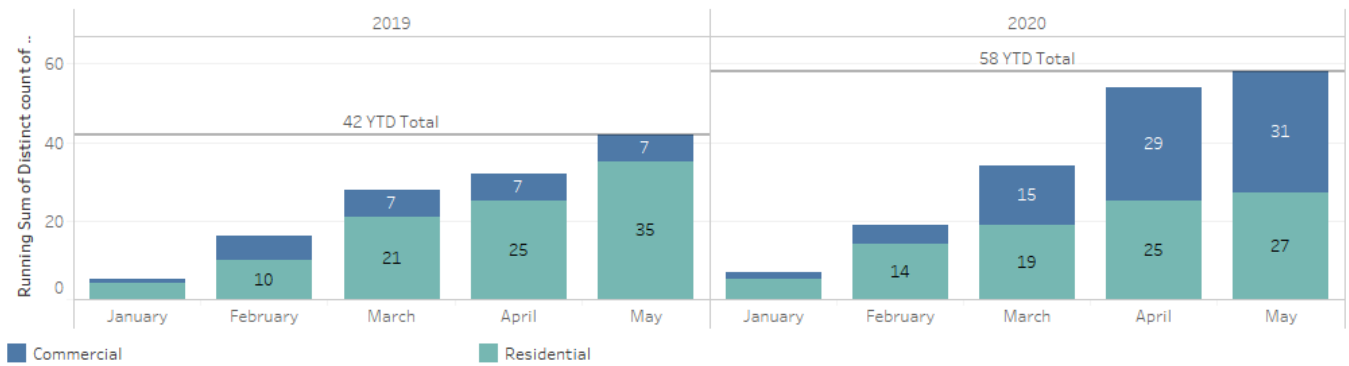
April 1st though May 7th:

- 16 commercial accounts
- 8 residential accounts

Voluntary Disconnects (Meters)



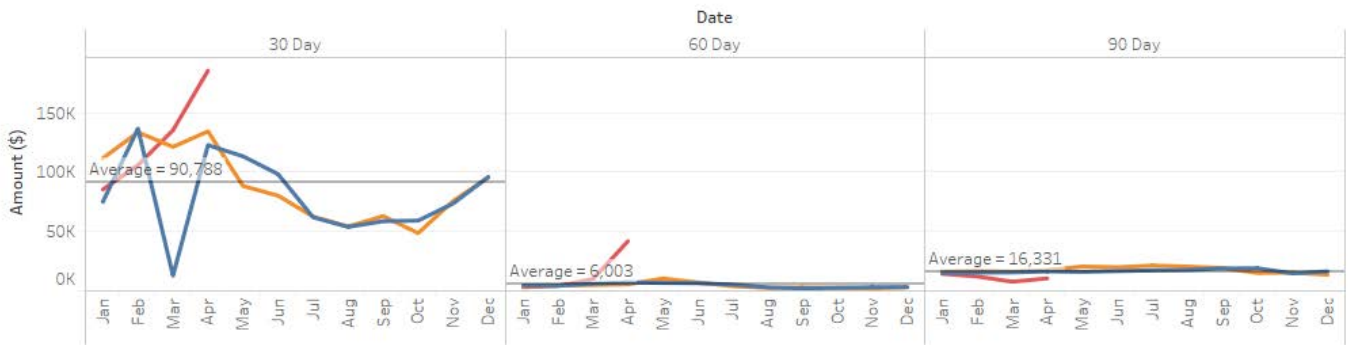
Voluntary Disconnects Cummulative (Meters)



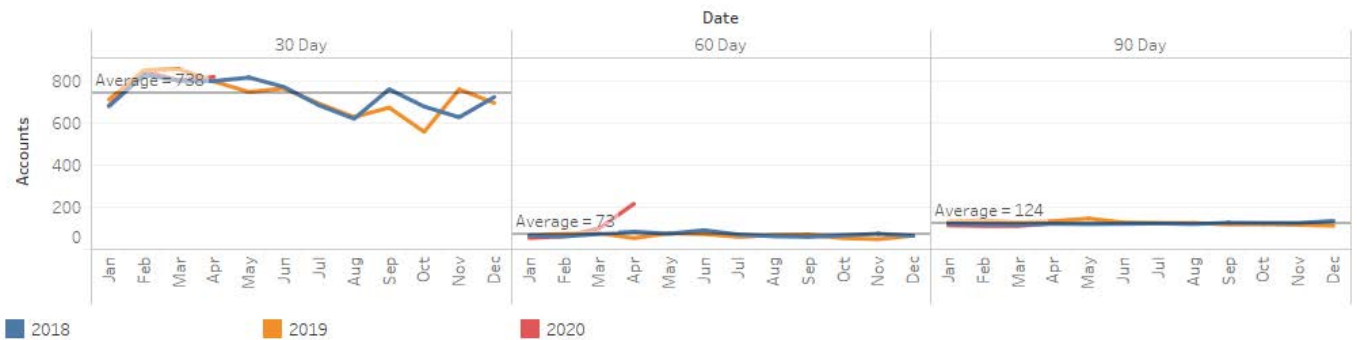
Accounts Receivable (A/R):

- 30-day A/R is trending slightly higher at \$185K (819 accounts) - the three-year average in A/R for the month of April \$130K (800 accounts). It should be noted the number of accounts usually trends downward for the month of April and this month it is trending upward.
- 60-day A/R is notably higher at \$42K (216 accounts) - the three-year average is 6K (75 accounts) for month of April
- 90-day A/R is trending normally
- We are seeing a notable uptick on the 60-day accounts receivable but still too early to tell how much this is truly impacting the co-op finances. Staff is tracking closely but does not have any conclusions or recommendations at this time.

Long Term AR (\$)



Long Term AR (Count)



■ 2018 ■ 2019 ■ 2020

Usage (Average hourly usage for each Month)

March:

- Commercial curve changes in final weeks as Stay Home, Stay Healthy Order enacted.
- Residential increased compared to prior years with slightly colder temperatures

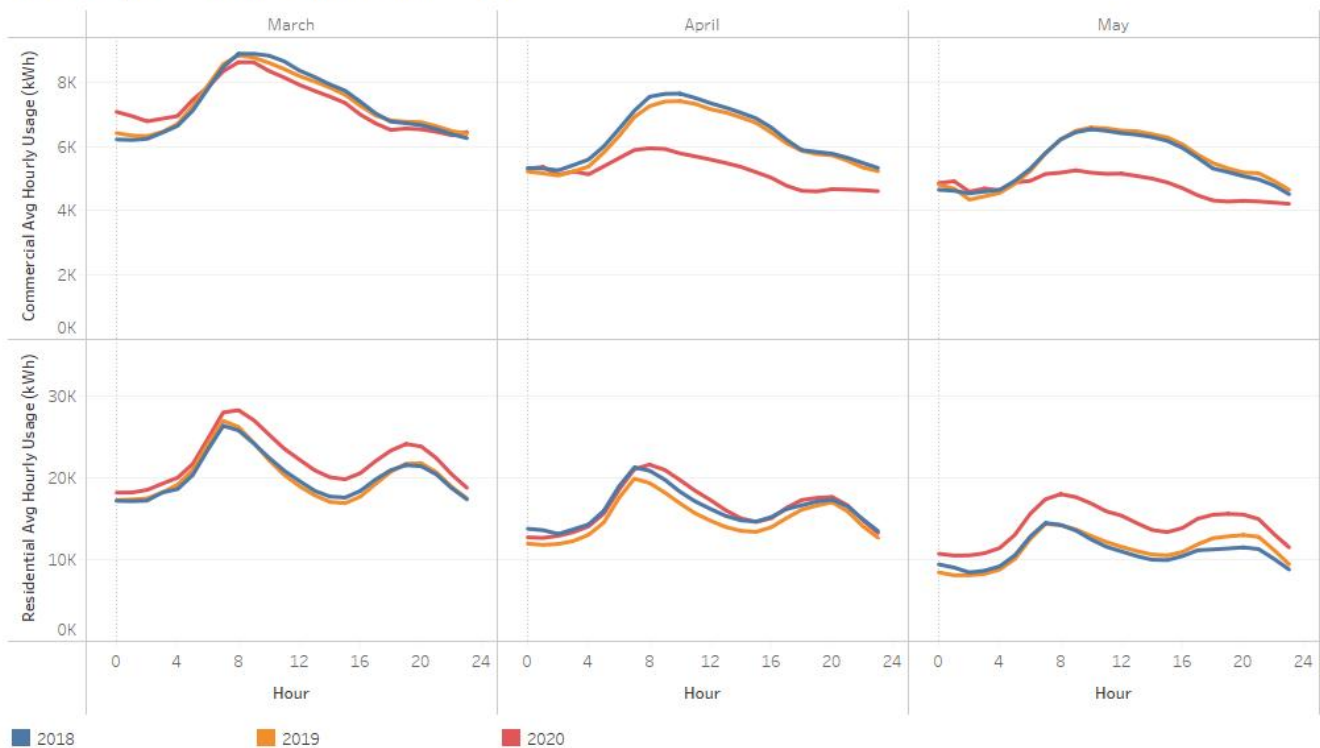
April:

- Commercial decreased by 12%
- Residential increased by a little more than 1%

May as of the 6th:

- Commercial continues to have significant decrease
- Residential increased will approach the normal average as end of month nears and warms

Load Shape - Residential and Commercial



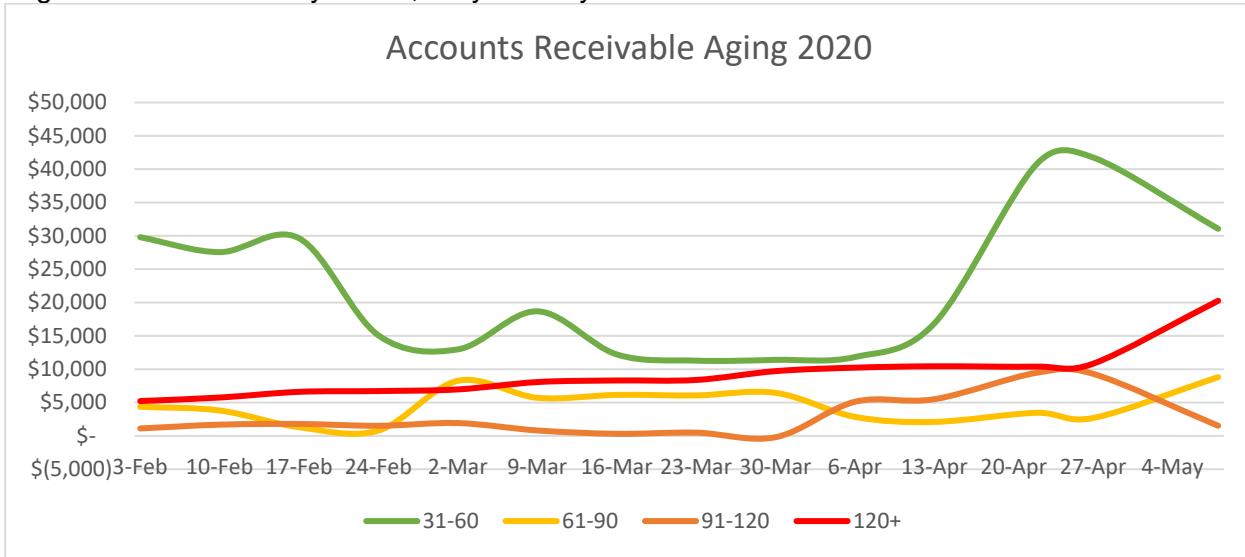
We are seeing decreased usage in commercial and small increased usage in residential. The difference of overall kWh usage is within the normal margin of error.

Staff will continue to track closely the above data points as well as several more we are developing as the pandemic continues to show any impacts on the cooperative. We need to be patient as we continue to monitor this data to ensure we are making the best decisions for the co-op throughout this year of pandemic and, likely, going forward into 2021.

Rock Island COVID-19 Update

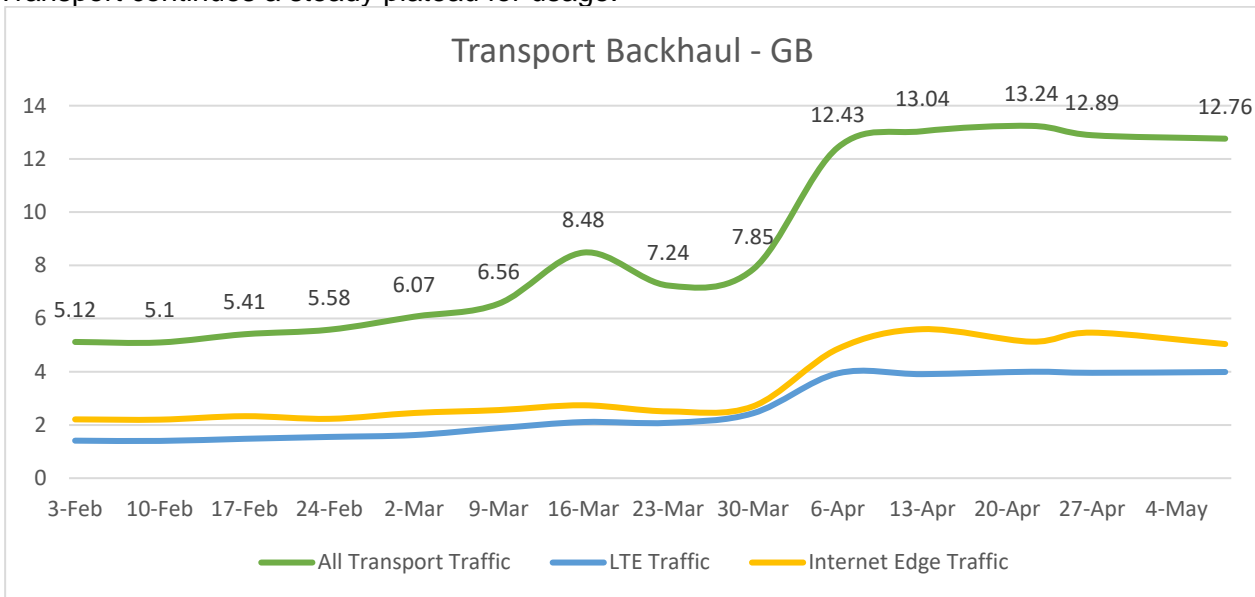
30-60-90 Accounts Receivable Trends

Trends in the AR aging continue to operate at just above normal averages. Drivers in the longer-term debt remain business service customers currently. This category is expected to take the largest impact long term due to the Stay Home, Stay Healthy Order.



Transport Network

Transport continues a steady plateau for usage.



MEMORANDUM

May 8, 2020

To: Board of Directors
 From: Foster Hildreth, General Manager
 Re: 2020 First Quarter Financial Report

Please see attached the full 2020 1st 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.

First quarter financials are in good shape: impacts from COVID-19 did not start to have an effect on kWh sales / revenue until the last two weeks of March. Commercial kWh sales did report slightly lower in the last part of March—a preview of what we expect to see to a greater degree in Q2.

The colder weather experienced in Q1 of 2020 was the primary driver of the overall revenue variance of 2.5% (\$252k) higher than budgeted, however, the energy charge adjustment (ECA) of \$490k (\$300k in January based on December 2019 calculation) offset the increase in revenue, resulting in a decrease in sales by 2.3% or \$238k. Additionally, with the higher sales the cost of power was higher by 3% (\$89k). All combined resulted in a decrease in the actual margin over budget of \$338k.

Income Statement Summary (in thousands)	Q1 2020		
	Budget	Actual	Variance
Gross Revenue	\$ 10,243	\$ 10,495	\$ 252
ECA Surcharge / (Credit)	-	(490)	(490)
Revenue	10,243	10,005	(238)
Expenses			
Cost of Power	3,011	3,100	89
Transmission & Distribution Expense	1,843	1,931	88
General & Administrative Expense	1,398	1,361	(37)
Depreciation, Tax, Interest & Other	2,206	2,166	(40)
Total Expenses	8,458	8,558	100
Margin	\$ 1,785	\$ 1,447	\$ (338)
TIER	4.58	3.99	(0.59)

For more detail, please note the following key points:

- Through Q1, YTD Heating Degree Days (HDD) were up ~6.1% above normal budgeted levels (actual of 725 vs. budget of 683)
- Actual kWh sales were 8.1M kWh above budget (71.2M vs. budget of 63.1M). We expect weather and heating fluctuations to produce dramatic sales revenue volatility and have budgeted based on those assumptions. Given NOAA predictions last November, we have planned for neutral conditions in Q1 (neutral La Niña weather pattern) and expect warmer El Niño weather conditions through year-end. Correspondingly, kWh sales and associated sales have been allocated higher in Q1 and slightly lower at year-end 2020.
- Q1 YTD power purchases were up \$90k due to higher kWh consumption. Actual kWh purchases were 7.1M kWh above budget (74.3M vs. budget of 67.2M).
- Excluding purchased power, Q1 YTD operating expenses were approximately \$3k under budgeted amounts.
- The YTD ECA through March billing period was a credit to members (and reduction to operating revenue) of \$489,859, or \$7.02 for a member using 1000 kWh/month. Due to meter reading and billing lag from December to January, ~\$300k of the ECA was derived from 2019.
- Borrowings were accelerated in 2020, primarily due to concerns surrounding the COVID-19 pandemic and uncertainty of funds. OPALCO borrowed the 2020 budgeted amount of \$3.1M to ensure funding in case the pandemic impacts continued throughout the year.
- Rock Island Communications Q1 Financials included in separate packet.

OPALCO 2019 Q1 Financial Package under separate cover.

GENERAL MANAGER'S REPORT

May 2020

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
Purchased Power

Member Services

Disconnects
ECA
PAL
Energy Assist
Community Solar
Service Additions
Member Generation
Revenue Dist. – Prior Year
Revenue Dist. – Current Year

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

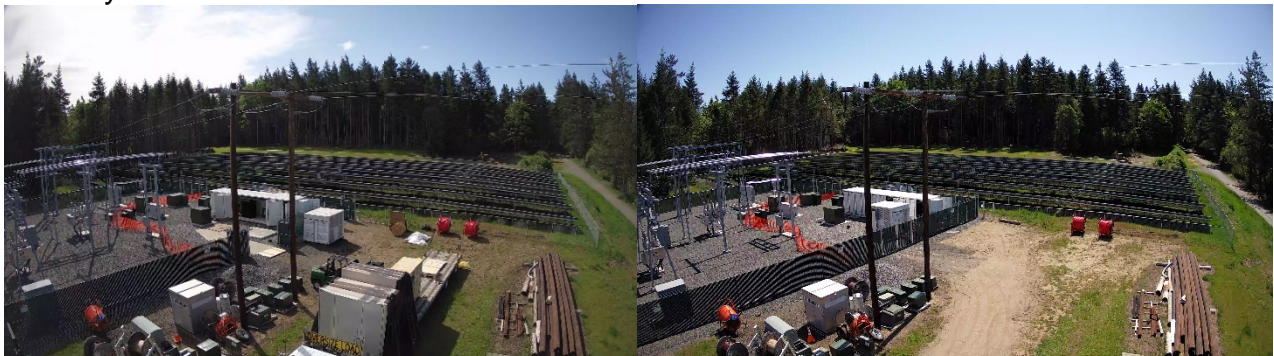
As of May 7, 2020, there are 355 work orders open totaling \$5.6M. Decatur Energy Storage System is \$1.23M of the balance. Operations has completed construction on 107 work orders, totaling \$1.14M.

Safety

John Spain of Northwest Safety Service conducted Underground Work Safety for Engineering and Operations staff via Zoom. The total current hours worked without a loss time accident: 3,159 hours. Please note, our work hours without a loss time accident went from 234,716 to 0 in late April due to a lineman turning his ankle while getting out of a truck. The lineman returned to work the week of May 4th.

Grid Modernization Projects

- **Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization (~\$1M Grant)** – The inverter and batteries were delivered the week of May 4th. Current schedule anticipates commissioning to commence in June, dependent on COVID-19 effects. Pacific Northwest National Laboratory (PNNL) is scheduled to begin testing in July.



- **Microgrid – WA DOC CEF3 Grid Modernization (Grant \$ Amount TBD)** – WA DOC has awarded the grant funds and staff is negotiating with WA DOC on the contract.

FINANCE

2020 Budget Tracking

Energy (kWh) purchases & sales were slightly higher than budgeted in Q1 2020 & April. As indicated in the weather forecast section below, NOAA is indicating a transition to an El Niño as 2020 marches on.

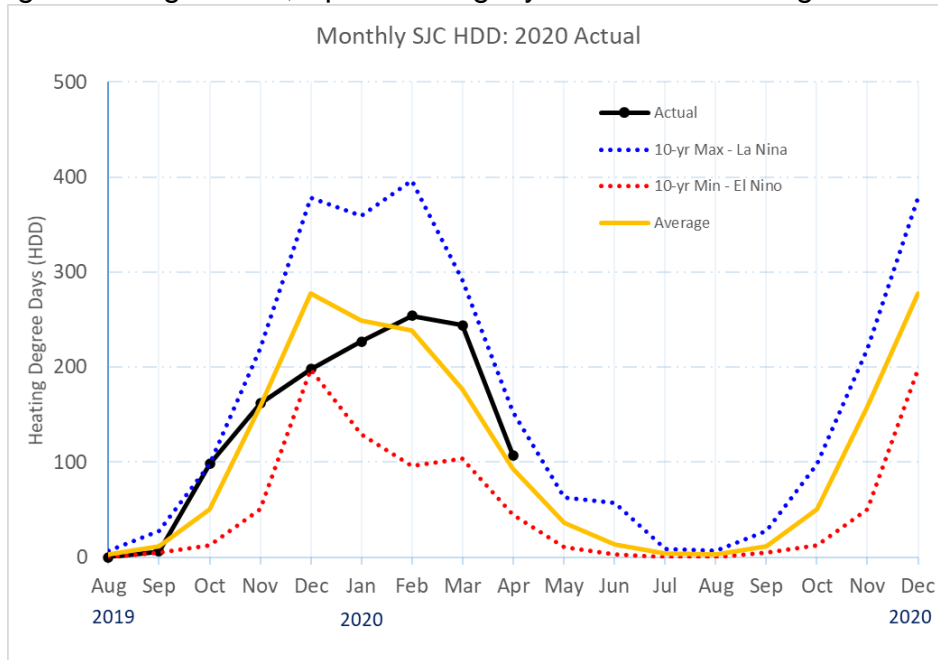
Income Statement Summary (in thousands)		YTD		
		Budget	Actual	Variance
	Gross Revenue	\$ 12,928	\$ 13,215	\$ 287
	ECA Surcharge / (Credit)	-	(588)	(588)
	Revenue	12,928	12,627	(301)
Expenses	Cost of Power	3,821	3,901	80
	Revenue (net of Power Cost)	9,107	8,726	(381)
Margin		\$ 1,839	\$ 1,448	\$ (391)
TIER		3.77	3.23	(0.54)
HDD		789	832	43
kWh Purchases		85,224	91,279	6,055
kWh Sales		79,970	88,955	8,985

Monthly ECA

The calculated amount for the April ECA was a bill credit of (\$.005053) per kWh which returned \$98,579, or \$5.05 per 1,000 kWh. Through April 2020, the ECA has returned \$588k to members. The May billing period ECA will not be calculated at the time of this board report distribution due to the timing of the receipt of the power bill.

Heating Degree Days (HDD)

Last winter's HDD's were very volatile as compared to historically averages. For 2020, Q1 HDD settled just around the 10-year average except for March which was much colder than its historical average. Starting out Q2, April was slightly colder than average.

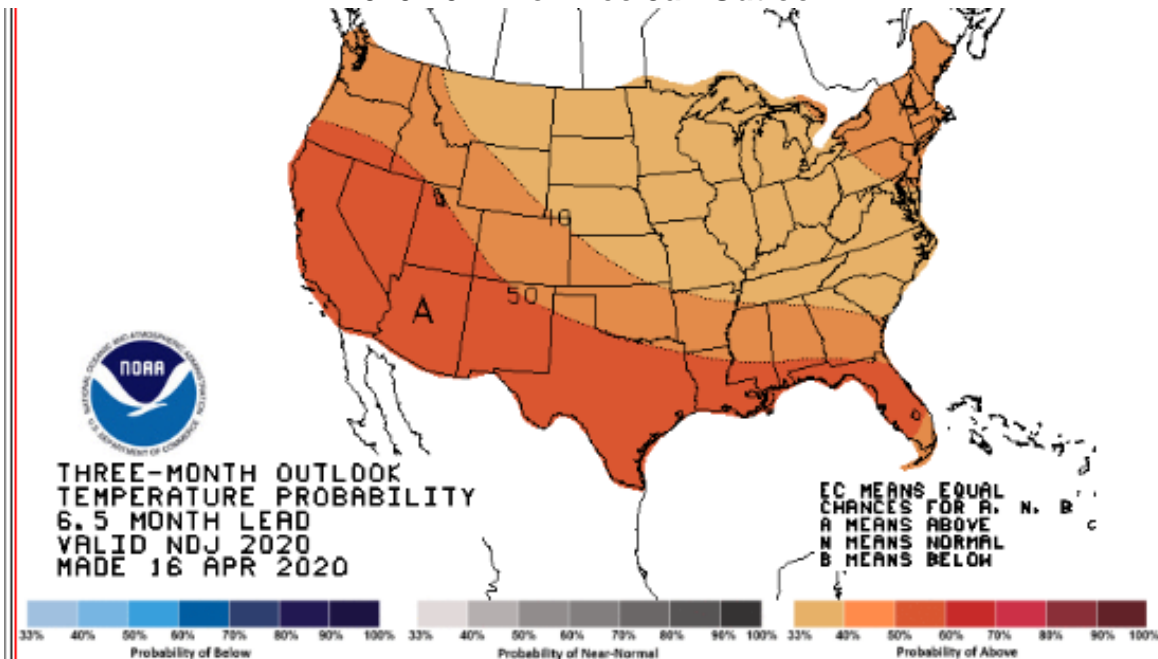


*10-year max, min, avg is 2009-2019

Weather Forecast

Looking ahead to the NOAA '3-month outlook temperature probability' for Nov-Dec-Jan 2020-2021 shows a probability of 'above average' temperatures in our region. As we transition from a neutral to an El Nino weather pattern, we will continue to monitor these predictors on a monthly basis.

2020-2021 Nov-Dec-Jan Outlook



Source: NOAA National Weather Service

2019 Audited Financial Statements

Moss Adams (Olga Darlington) will present the results of the audit at the May 15th regular meeting via Zoom. Note the audit is on a consolidated basis (OPALCO and Island Network LLC dba Rock Island Communications).

2020 Q1 Financial Statement Review

Staff will be presenting the 2020 Q1 financial results and analysis for discussion with the board at the May board meeting.

Grants - Bonneville Environmental Foundation (BEF) – The BEF’s Zero Emissions Vehicles (ZEV) Innovation Fund grant opportunity has accepted our LOI for a ‘Community Engagement’ project. We are moving on to the full application which will be submitted by the end of June. This a separate grant and project from electric school bus efforts. This grant will provide home charging stations to purchasers of used EVs through our new EV dealership on Orcas to support expansion of electrification of transportation. This is a grant not to exceed \$50k with an OPALCO match \$12.5k (25%).

MEMBER SERVICES

Energy Assistance

During April 2020, 440 members received \$~16.4k from the low-income Energy Assist program, compared to 355 members receiving \$~12.4k in April 2019. There were 93 members awarded \$25.8k in assistance through the low-income PAL program by the local Family and Community Resource Centers. In April 2019, the volunteer PAL Council awarded \$7,711 to 41 members. Applications for the COVID-19 PAL relief will post starting in May. There were 10 commercial accounts awarded credits for the EAP-C program, and four residential accounts for the COVID-qualified Energy Assist program.

Switch it Up!

OPALCO’s team has taken the lead in building one of the most successful RESP programs in the nation and is sought after by peers to help them develop their programs. The national Environmental and Energy Study Institute (EESI) highlighted our Switch it Up! program in a recent article: (<https://www.opalco.com/opalcos-team-has-taken-the-lead-in-building-a-successful-resp-program-we-call-it-switch-it-up/2020/05/>). There are now 110 projects complete and billing for a total of \$943k outstanding. There are another 43 projects in various stages of the process. Projects are delayed as residential contractors have been limited by COVID-19.

Energy Savings

In April 2020, there were 19 rebates paid to members totaling ~\$15.9k. This includes eight self-funded fuel switching DHP and EV charging station rebates totaling \$10k. Rebate and Switch it Up! applications are continuing to be submitted, and there have been 5 new solar interconnect applications submitted.

Community Solar

During the April 2020 billing cycle, the Decatur Community Solar array produced 56,000 kWh, and 8 kWh per solar unit was credited to member participants. A total of ~\$5,397 was distributed to 274 accounts, including an additional ~\$556 for the PAL and Energy Assist programs.

(<https://energysavings.opalco.com/energy-savings/renewable-generation/community-solar/decatour-community-solar-project/>)

COMMUNICATIONS

Member Satisfaction Survey

OPALCO launched a member satisfaction survey in partnership with NRECA the first week of May. OPALCO conducted a similar survey in 2009. This year can serve as a comparison to track changes in member attitudes and behaviors while adjusting some areas of inquiry to meet current needs. The overall objective of this study is to determine residential member satisfaction with the cooperative and comparing changes in the membership. It will include Member Loyalty Index questions that utilize industry-standard metrics that will help set goals and monitor performance.

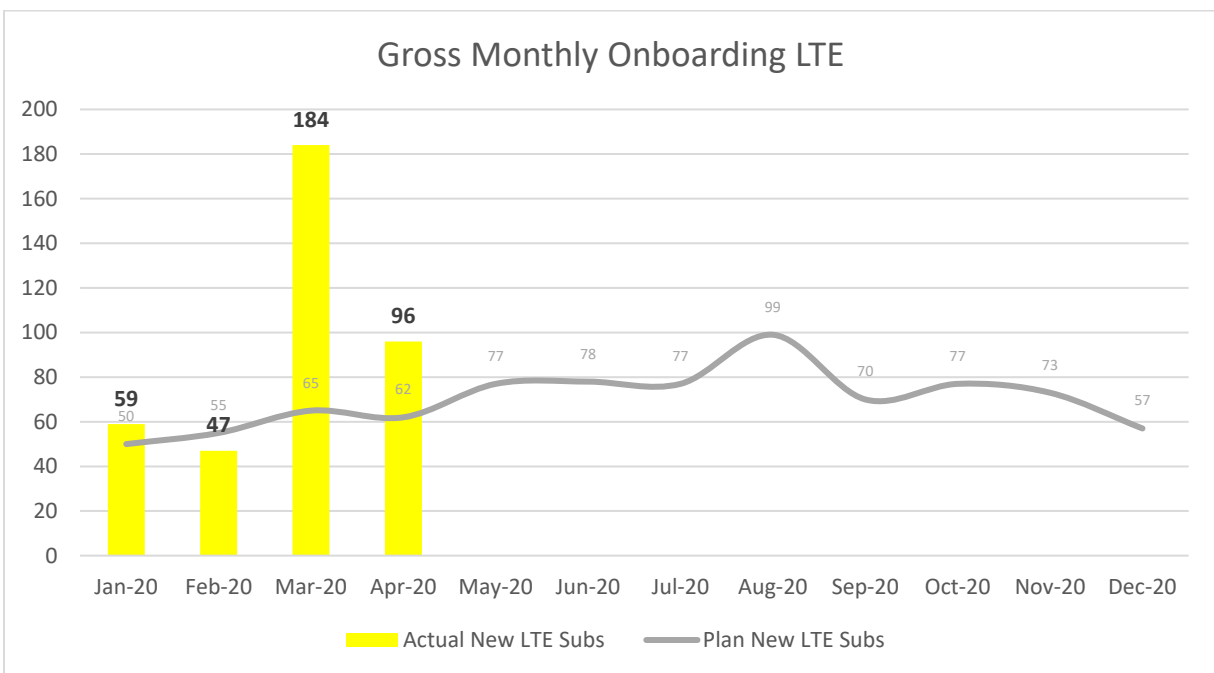
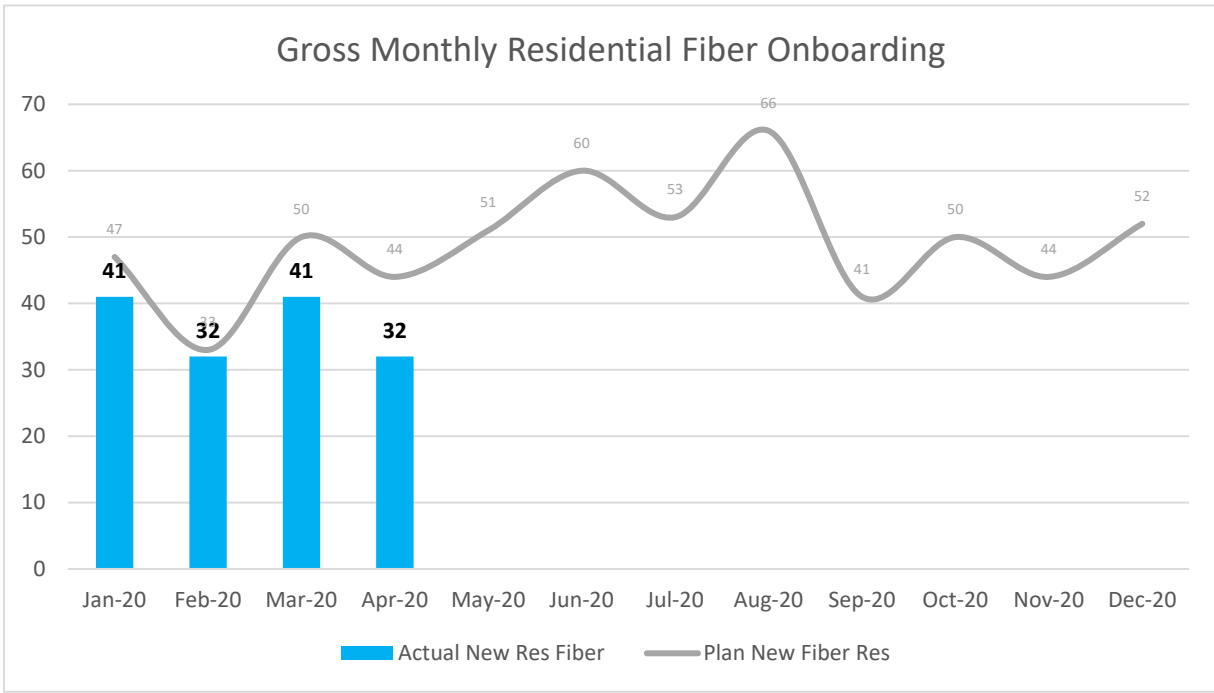


RIC Snapshot May 2020 Board Meeting

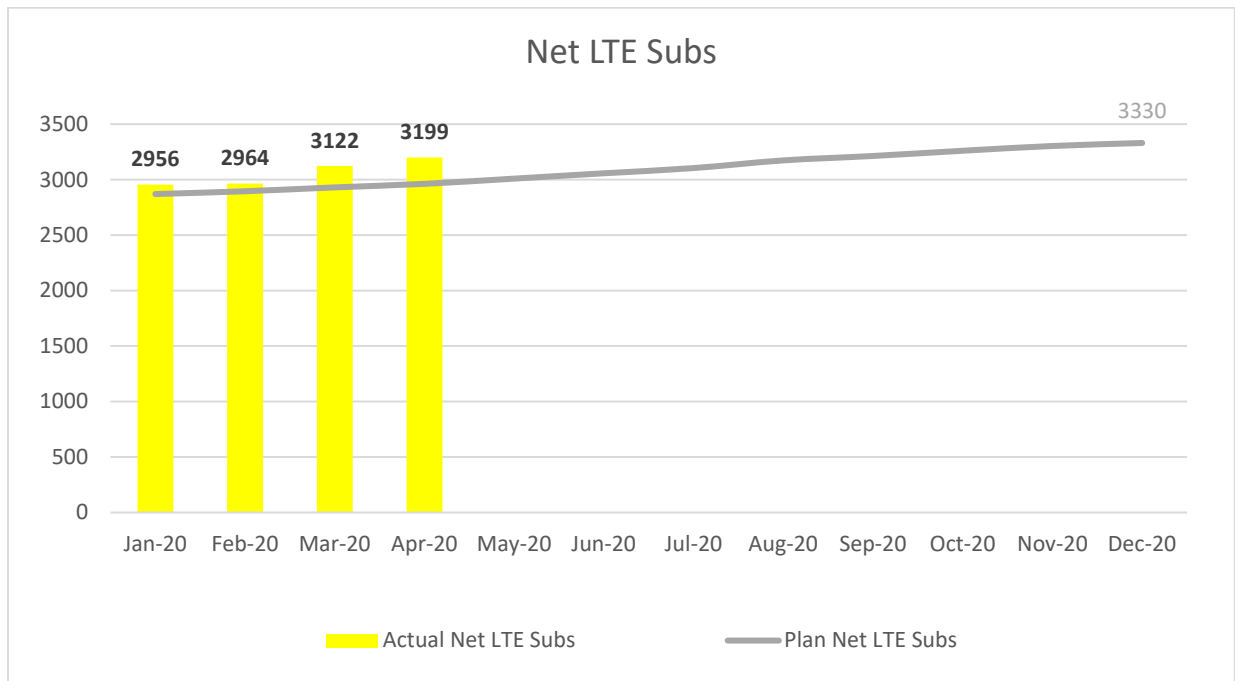
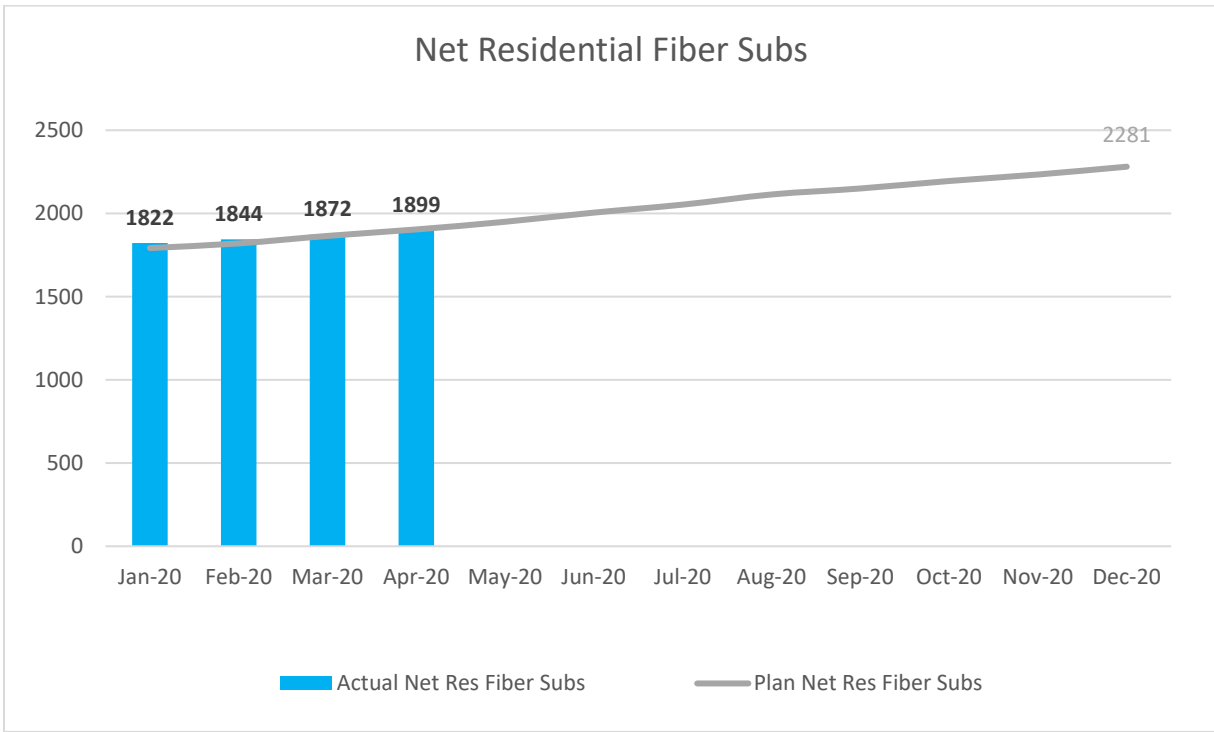
Special Update

During the first week of May, Rock Island performed a very well planned forced move of our mail servers. Because our mail server vendor Peak was purchased out by our afterhours support group, Security Coverage, we were forced to migrate to new servers. Planning on this began in Jan and the migration was performed successfully this week. Due to vast varieties of legacy email accounts, some of which were on very old client settings, the migration forced all email clients to adopt the latest security and standards for email. Since this carried major technical support potential, we dedicated a team of 6 people within Rock Island and many more folks direct from Security Coverage to the day following the migration to assist folks in getting their systems updated and functioning. For such a major move we are very pleased with how the migration went.

Gross Subscriber Onboarding 2020

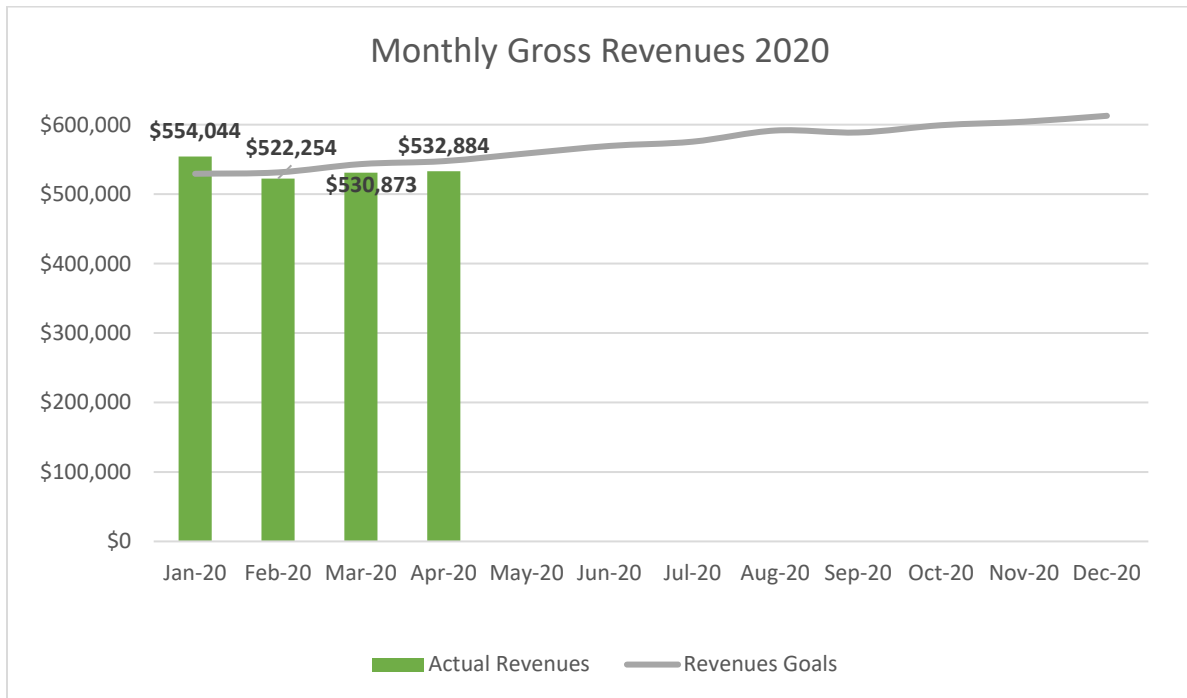


Net Subscribers 2020



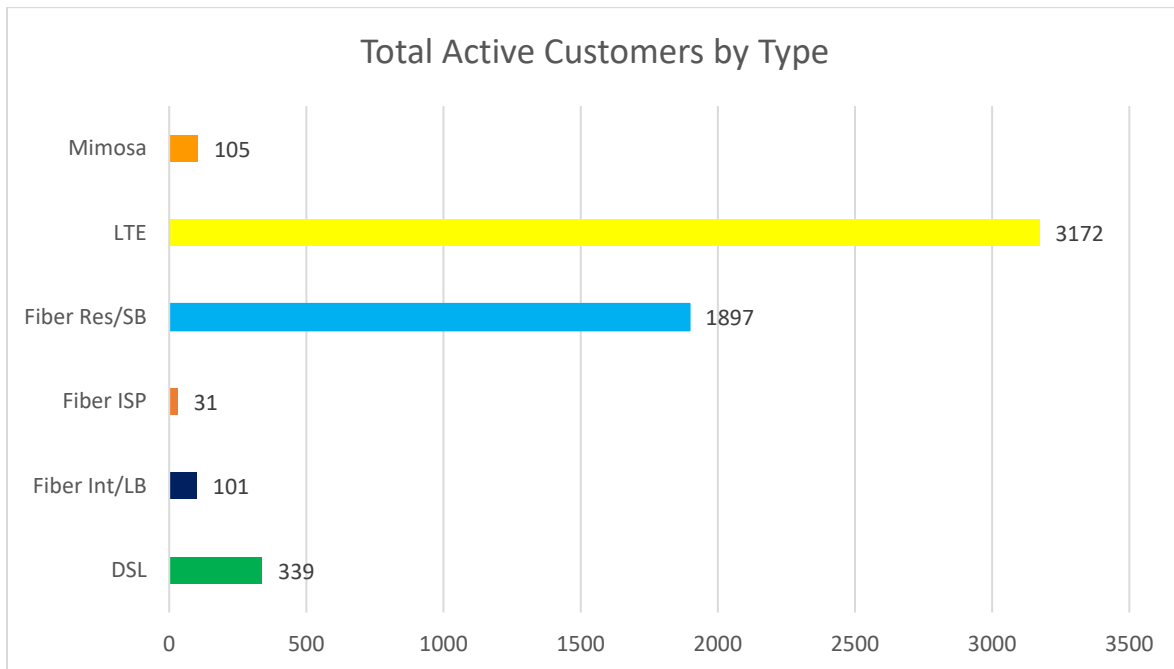
**Please note that a reporting error was corrected for this LTE graph in Jan for a positive gain of 85 subscribers*

Revenues



❖ April revenues are not closed and are subject to change.

Active Customers as of May 5th, 2020



Total

5,645