ORCAS POWER AND LIGHT COOPERATIVE
2021 BUDGET REPORT

MEMORANDUM

Date: November 13, 2020

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2021 Budget Presentation

Attached please find our 2021 Budget Presentation. Due to continuing COVID-19 pandemic impacts to the co-op membership, staff is recommending a 0.0% rate increase for the 2021 budget year only. Subject to weather and pandemic conditions, staff is projecting budget revenues to come in at $31.5M which will meet the financial, operational and capital project commitments for 2021. The projected figures for years 2022 thru 2025 are for reference only, as future years will be reviewed annually during the normal budgeting process.

The OPALCO staff and crew have worked harder than ever this year to keep our grid up and running. The team had to adjust to the working conditions of the pandemic: distancing in the office, working from home or staying in the field under challenging safety conditions. OPALCO's COVID-19 relief measures have helped the membership to get through this challenging period to date, but the work is not nearly done. The pandemic continues and the membership has yet to face the restoration phase and establishing a new normal which includes, for many, catching up on their OPALCO account balances. The impacts from COVID-19 began to influence kWh sales / revenue in March of 2020 and have continued through year end, especially with commercial accounts. There are ~400 co-op members participating in assistance measures and all indicators lead staff to prepare for compounding of pandemic effects before it gets better.

Because of OPALCO's partnership with PNGC, the Co-op is strategically positioned to develop a sustainable and healthy energy future for its island communities—but there is hard work ahead. OPALCO has an excellent plan in place with the IRP and will continue to develop as much local renewable power as the membership can bear, given land availability, cost and island aesthetics. OPALCO has developed a good track record with government grants and will continue to pursue grant opportunities for renewable projects as they become available. A second community solar + energy storage project is included in the 2021 budget, as well as $150k to investigate other new technologies for renewable generation as a potential future resources. OPALCO has the expertise in its Board, management and team to secure a reliable, clean power supply for future generations and, along with PNGC, will influence regional development in the process.

In order to keep the rate increase at bay, staff have delayed or cut expenses for 2021 and many tough decisions were made during the budget process including a delay in hiring some critical positions. New membership applications trended upward in 2020 and a full engineering and operations staff is critical to manage the system. The 2021 budget will have to be dynamic: if conditions improve, vacant staff positions must be filled to keep the team working at full capacity. The Co-op budget is tightly constrained: one-third for power costs; one-third for labor and most of the final third in fixed costs such as plant, mortgage and operations. The few discretionary expenses that ordinarily occur in the budget are mostly member-facing programs. In consideration of continued safety during the pandemic and in order to eliminate a rate increases in 2021, the following programs have been impacted: staff travel and training (scaled back), County Fair (cut), Youth Scholarship Program (cut), Education and Outreach (scaled back).

In 2020, the pandemic delayed many investments in capital projects (notably Community Solar) and also a planned communication campaign to engage the membership in the coming energy transition away from fossil fuels. The *Island Way* campaign will launch in January 2021, telling the story of OPALCO's vision, explaining the Integrated Resource Plan and bringing members into their part of the story: investments in renewable generation, identifying land/easement donations for future local renewable and energy storage projects and the cost to secure a reliable and carbon-free power supply in the region. The campaign's goal is to activate members to participate in OPALCO programs and have all the efficiency tools and practices available to weather the transition and reduce their overall energy spending.

Capital projects that could be delayed have been shifted to future years: one major transformer replacement, system upgrades and a resource study. The challenge of 2021 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 so many members struggling to make ends meet during the pandemic—and for months to come once restoration begins—OPALCO will continue to offer COVID-19 Relief Measures (as began in April 2020) and strengthen bill pay assistance for member households of low and fixed income. OPALCO's assistance programs are administered through the three island family resource centers, where members have the benefit of social services expertise and access to all available community resources. The amount of the Energy Assist credit will remain the same as in 2020, to reflect no change to rates or the service access charge.

The 2021 budget continues to align our operations to the mission statement of providing safe, reliable, cost effective, and environmentally sensitive utility services. However, this budget marks a turning point as OPALCO accelerates its efforts to meet the marks set out as "TOMORROW." As pressures in the Pacific Northwest energy market increase, including Clean Energy Transformation Act (CETA) mandates and timeline, the Co-op cannot afford to delay action.

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 economy of carbon reduction.

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. To reach the goals of the IRP, government grants will be critical as well as member participation (donations of land or easements) and investment in community resource projects.

FUTURE: Give members more control. In the coming "transactive" energy world, members will dynamically buy and sell local power, make decisions about power usage for their smart and connected homes 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, electric ferry charging, local distributed power generators and battery storage units that will be commonplace – as well as smart appliances and individual devices.

The 2021 Budget includes the next Community Solar and Energy Storage "microgrid" project (on San Juan Island). Operations will replace 20 miles of URD and multiple distribution submarine cables (Canoe, Center, Fawn, Little Double and Big Double), as well as routine replacement of distribution and transmission poles.

Curtailing expense in 2021 presents a challenge for future years. The rate increases forecast for the next four years must reposition the Co-op's equity for capital projects on the horizon including a major submarine cable replacement from Lopez to Orcas in 2030. The budgetary measures

proposed for 2021 are a short-term and necessary solution for a challenging time, however the Co-op's equity position must recover steadily in the following years.

Staff recommends Board make a motion to approve the 2021 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, increasingly, to protect our system and our forested islands during fire season. 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 99.94% 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 2021, we will complete the second Community Solar + Energy Storage microgrid project, another big 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. For cost and safety considerations, our goal is to minimize the number of times we have to send linemen out in a storm, in a boat, on a dark night. Our continued commitment to developing local battery storage projects creates cost savings through relieving stress on our assets, load shifting and peak shaving. Equipment replacement scheduled for 2021 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.

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 gage 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 speed and direction, and precipitation.

Weather drives heating load. OPALCO's load peaks in the winter, in large part due to increased 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 2021, the forecast is a neutral weather pattern (in between El Niño and La Niña) with projected kilowatt hour purchases of 216M 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.

Based on the neutral weather pattern, we estimate our load to be 216M kWh. With that information, we set rates accordingly – to generate the revenue to pay for the expenses. The science of forecasting is imperfect: if it ends up being colder than we forecast, member bills are higher than budgeted and we end up with more money than needed to cover co-op expenses; if weather was warmer than forecast, member bills are lower than budgeted and we end up with less money than needed to cover expenses. To combat this unavoidable situation, the Energy Charge Adjustment (ECA) works well to partially offset weather volatility.

BUDGET ASSUMPTIONS

GENERAL:

- **General Inflation Rate**:

  The general annual inflation rate has been projected at 2% for years 2021, 2.5% for 2022, 3% for 2023, 3.5% for 2024 and 4% for 2025. 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)

- **2021-25 Budget Basis:**

  The 2021-2025 budgetary figures have been forecast with the use of actual activity from January through September 2020 and adjusted 4th quarter 2020 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. 2021 is the second year of their current rate case. In 2021, with lower OPALCO kWh purchases, we are budgeting for an overall rate increase in BPA kWh charges of approximately 2.0% over 2020, resulting in approximately 0.8% in the total cost increase. The BPA rate also includes fish spill & oversupply surcharges, potential power cost recovery adjustment clause (CRAC) increase, demand charge volatility, and residential exchange charges. OPALCO works closely with PNGC to identify these cost increases.

- From 2022 through 2025, we have maintained a 5% BPA cost increase for each year.
- Load growth is expected to be between 0-1% per year.

- **Labor:**
  - Staffing levels will drop to 47 (from 50) full-time OPALCO employees in 2021 (see organization chart). OPALCO will delay filling three open positions in 2021 in order to avoid a rate increase during the pandemic. If conditions improve, those positions may be filled to keep the team working at full capacity.
  - The general wage increase is in accordance with the current Collective Bargaining Agreement. The management team has volunteered to forgo a cost-of-living increase in 2021 in solidarity with members struggling during the pandemic and to support a freeze on rate increases.
  - The benefit growth assumptions are in accordance with 2021 NRECA and LineCo rate projections based on the changes to the benefits package.

- **Capital Projects:**
  - The 2021 capital projects are based on the 2017 – 2020 RUS Construction Work Plan (CWP); many of these projects were budgeted for 2020 and then delayed due to safety considerations during the pandemic. 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 early 2021 with the supporting Environmental Report for the CWP 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.
  - Investigate other technologies for renewable generation ($150k in 2021) – OPALCO is laying the groundwork to prepare for grant funding opportunities in coming years. Please note, another $150k is forecast for 2022.
  - Distribution System:
    - New Services continue to trend upward since the lows of the recession (2008-13) with an upturn during mid-2020 likely attributed to COVID-19 migration. For 2021, $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 105 miles of unjacketed URD to replace system-wide over time with problem areas mapped for priority scheduling. In 2021, 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 of unjacketed URD.
- Conversions, Line Changes and Tie Lines - ~$1.6M is budgeted in 2021 for conversion to large conductors: upgrading lines to carry greater capacity and increased ability to reroute power, in addition to the replacement of the Center Island submarine cable.
- Sectionalizing Equipment expenses will be to automated switches on our system improve reliability and give us greater visibility into our system.
- SCADA spending includes new SCADA software in 2021 ($150k) allowing better access to system data and the foundation for the automation of switching events to minimize outages.
- Grid Control Communications Infrastructure (fiber) expansion for 2021 ($150k) is budgeted to install conduits for future fiber jointly with other projects, expanding the original fiber backbone and maintenance of active sites.

- 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 2021 ($247k) due to installation of vehicle chargers, Friday Harbor generator, Lopez POP HVAC, and repairs to the Friday Harbor and Lopez office generators.
- Transportation – Capital expense for fleet is expected to average ~$271k per year.
- Substation/Community Solar
  - Energy Storage System (ESS) – The 2021 budget includes the San Juan Microgrid ($1.68M) with offsetting funds from a WA DOE grant (50% matching funds). This 2 MW/4 MWh ESS will 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 2021 budget includes our potential next project on San Juan to interconnect to the proposed 2 MW/4 MWh ESS in years 2021-2022 ($4.8M not including a $2.4M 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 – In order to levelize capital spending, some projects will shift to future years. Engineering and design may occur in 2021. One example:
  - Olga Transformer to 2022 ($1M) – 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.

- **Energy Savings:**
  - Staff continue to offer RESP funds from RUS for the Switch it Up on-bill financing program. Member participation was less than budgeted in 2020 due to the COVID-19 restrictions on residential construction. The 2021 budget assumes getting back on track with projected projects in early-mid 2021, depending on pandemic conditions.
  - A new Community Solar + Energy Storage project will be available for member purchase in 2021.
  - BPA/PNGC pass-through rebates will continue for ductless heat pumps, weatherization, commercial lighting, and appliances. Members can apply for rebates online.
  - Beneficial electrification (fuel-switching) rebates are offered again in 2021. More self-funded incentives for ductless heat pumps (55) and EV charging stations (50) 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 (30 available) off the principle of their projects.
  - Staff support for energy education and outreach will continue in-house in 2021. Considerable staff time will be dedicated to the Island Way campaign to help members prepare for the shift away from fossil fuels.

- **Capital Credits**
  - Capital credit pay out cash planning is based on an average 25 year pay back cycle (remaining 1996 capital credits in 2021) plus an additional “smoothing” payout amount (~64% portion of 1997 in 2021). $1.3M in capital credits are expected to be retired in 2021, going up to $1.4M in 2022 and 2023 and $1.5M in 2024 and 2025. 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 2021 Budget includes a continuation of ~$134k for low-income monthly bill credits, which range from $31.41 (single person household) to $61.41 (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). Outreach continues to encourage participation.

- **Communications**
  - *Island Way* Campaign – all communications efforts in 2021 will be unified under the banner of the *Island Way* campaign, to build understanding for and investment in OPALCO's vision for local resiliency, future power supply and the priorities of the IRP. See the October 2020 board materials for an outline of the comprehensive communication plan.
  - Community Solar – member outreach to encourage participation in the next Community Solar + Energy Storage microgrid project will be a high priority once project details are confirmed in mid-2021.
  - Safety - member awareness messaging and outreach is planned to inform members about key safety issues. Right of Way clearing and wildfire safety will be emphasized.

OVERALL SUMMARIZATION:

1. **Revenue:**

   For 2021, staff recommends a rate increase of 0.0%, equating to a total revenue decrease of -0.7% due to uncertain weather patterns, especially in Q4. The recommendation is made in consideration of our members who are impacted by the pandemic. The Energy Charge Adjustment (ECA) will continue to be in place to alleviate the impact of uncertain weather patterns on rates.

2. **Margins:**

   Per Staff recommendation, projected margins are as follows: $ 2.2M in 2020 (projected), $1.0M in 2021 (budget), $0.9M in 2022 (forecast), $1.2M in 2023 (forecast), $1.6M in 2024 (forecast), and $2.5M in 2025 (forecast).

3. **TIER:**

   Per Staff recommendation, TIER is as follows: 2.11 in 2020 (projected), 1.50 in 2021 (budget), 1.44 in 2022, 1.56 in 2023 (forecast), 1.75 in 2024 (forecast), and 2.14 in 2025 (forecast).

4. **Equity % of Total Capitalization (OPALCO):**

   Per Staff recommendation, Equity % of Total Capitalization is as follows: 35.6% in 2020 (projected), 35.8% in 2021 (budget), 35.9% in 2022 (forecast), 35.9% in 2023 (forecast), 36.3% in 2024 (forecast), and 37.4% in 2025 (forecast).

5. **Debt:**

   Due to historically low interest rates OPALCO accelerated borrowings in 2020. This will eliminate the need to borrow from RUS Federal Financing Bank (FFB) in 2021 and reduce 2022 borrowings by ~$2.2M. We anticipate borrowing from the RUS-FFB $0 in 2021, $2.6M in 2022, $3.8M in 2023 and $3.4M in 2024, and $3.6M in 2025 for capital projects. This assumes that capital project funding in 2023-25 is 50% through RUS-FFB and 50% through member rates. We anticipate using our approved RUS (FFB) loan funds and have estimated interest rates between 3-4% for 2022 through 2025. 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. RESP borrowing has been projected between $750k - $1.5M for 2021-2025. $19.5M in RESP funds are still available at year end 2020.

6. Rate Detail:

- The chart below details the impact on average residential members Energy Assistance Program and PAL recipients.

	Average Residential User		Average EAP Recipients	Average PAL Recipients
Number of Services (Meter Points)	12,590		645	601
Average Months of Usage	12		12	12
Average Usage (kWh) per month	1,045		953	1,018
Average Monthly Bill using Existing Rate (2020 and 2021)	162.21		152.19	159.27

Notes: 1) Data period from November 2019 to October 2020.

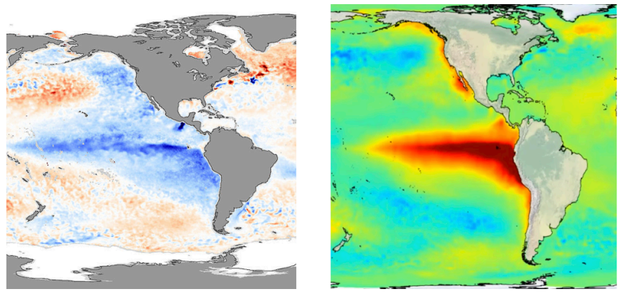
2021 Budget:
Weather Trends

2021 Load Forecast (1 of 2)

1 Global Weather Perspective: Oceanic Niño Index (ONI)

*Our winds prevail from the south, and the air temperature is influenced by **southern** hemisphere El Niño and La Niña cycles*

Southern Hemisphere Pacific



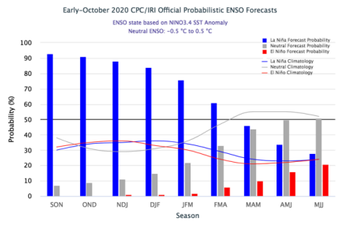
La Niña
(cooler winters)

El Niño
(warmer winters)

Source: NOAA

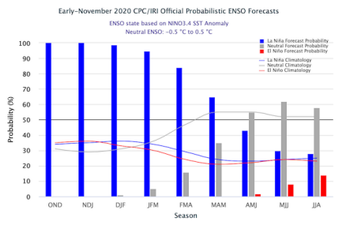
2 Global Weather Perspective: Oceanic Niño Index (ONI) Forecast

Last Month Forecast



La Niña is likely to continue through the Northern Hemisphere winter 2020-21 (~85% chance) and into spring 2021 (~60% chance during February-April)

November Forecast



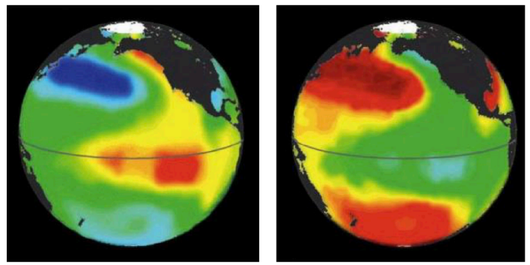
La Niña is likely to continue through the Northern Hemisphere winter 2020-21 (~95% chance during January-March) and into spring 2021 (~65% chance during March-May).

Source: NOAA

3 NW Weather Perspective: Pacific Decadal Oscillation (PDO)

*Our air temperature is also influenced by **northern** hemisphere PDO which effects nearby ocean temperatures*

Northern Hemisphere Pacific

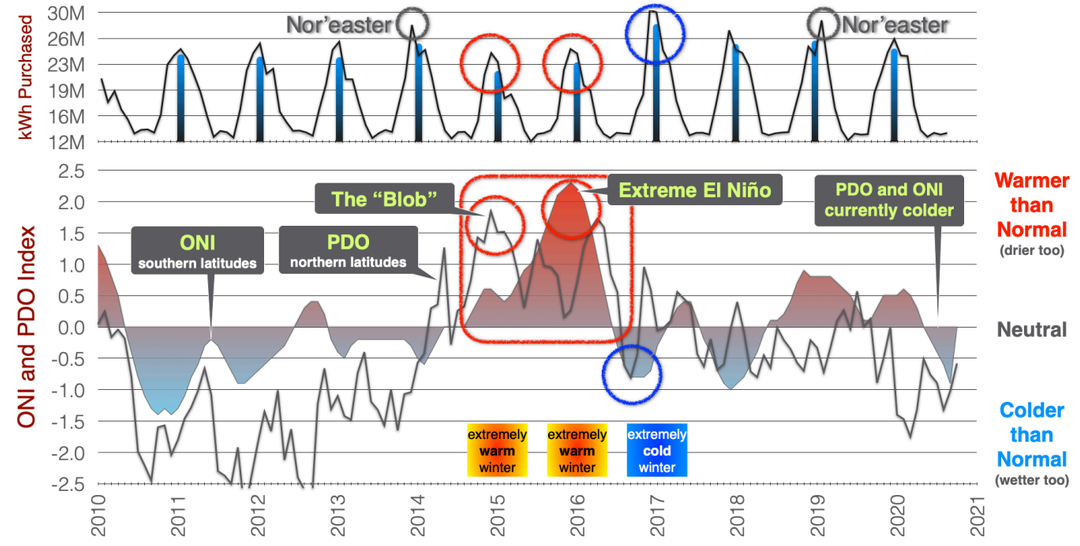


Cold PDO

Warm PDO
(The "Blob" 2016)

Source: NOAA

4 Energy Purchased, ONI and PDO: Monthly kWh and Average Winter kWH (Dec, Jan, Feb)



Source: NOAA

2021 Load Forecast (1 of 2)

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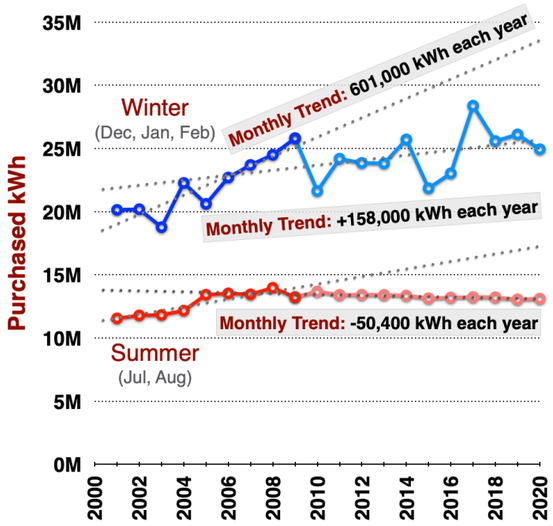
Seasonal Load Trends: Summer, Winter

Efficiency moderating growth <u>now</u>.
EVs, eFerries, and telecommuters will lift growth in coming decade.



Despite HDD warming trend, **winter load** has slowly increased as members shift to electric heating which is lower cost compared to propane.

Summer load was trending down with energy efficiency improvements and local solar generation.

We may see a slight trend up as air conditioning, telecommuters and EVs increase.

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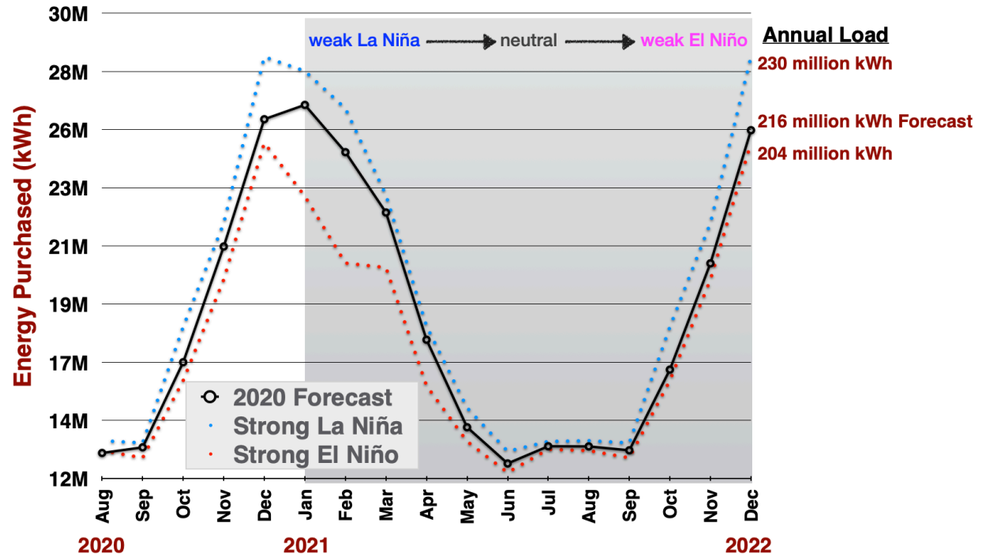
2021 Monthly Energy Forecast: With El Niño, La Niña Historic Boundaries

Weak La Niña, driven by cooler ONI and PDO, possibly transitioning to warmer weak El Niño next winter.



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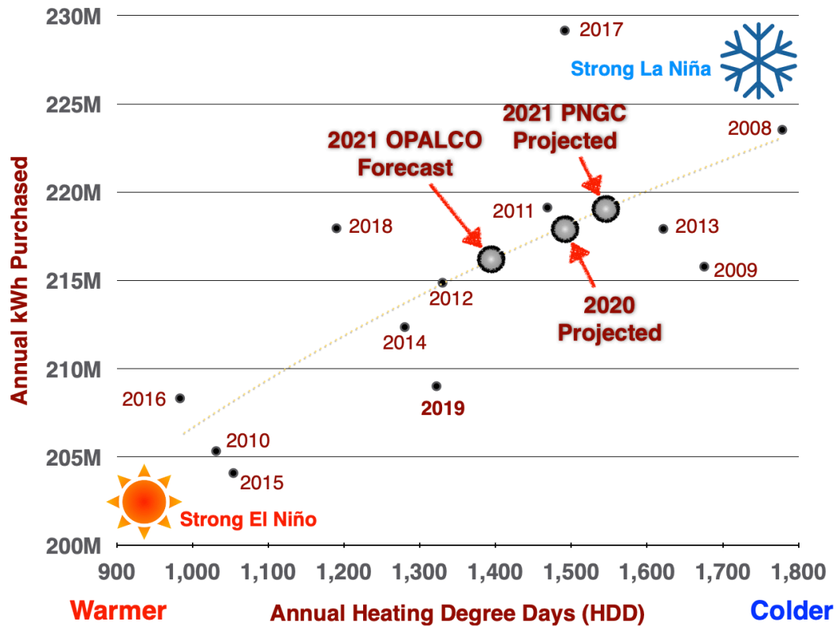
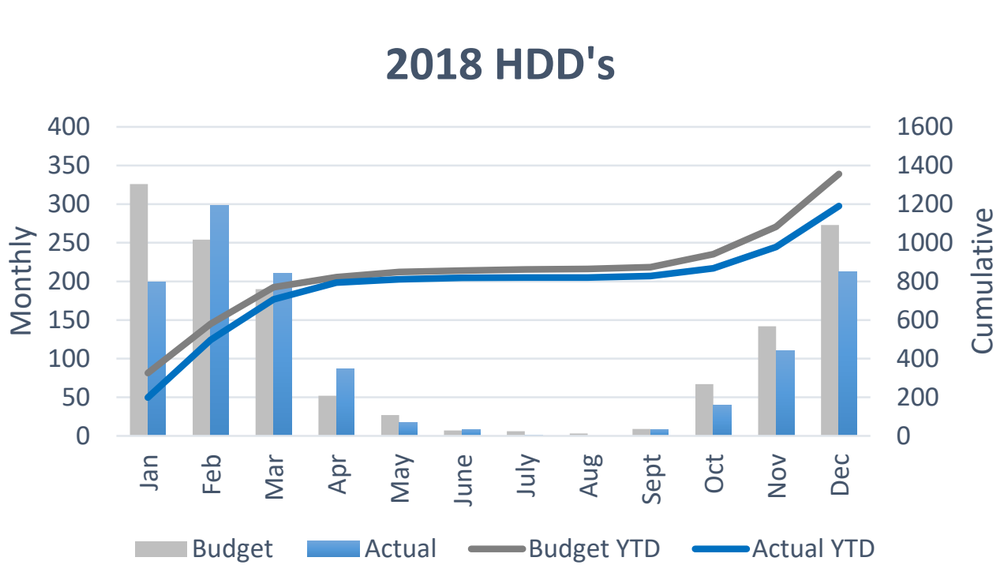
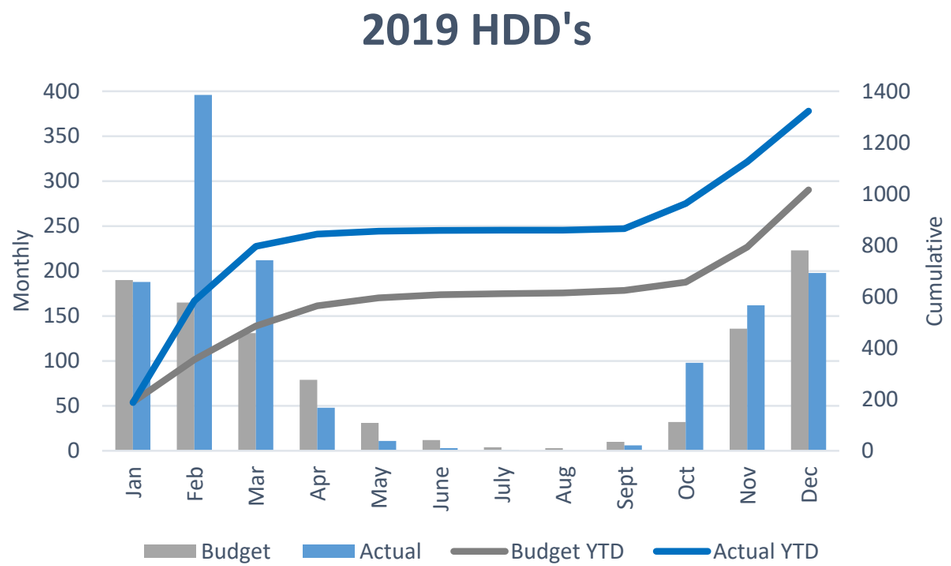
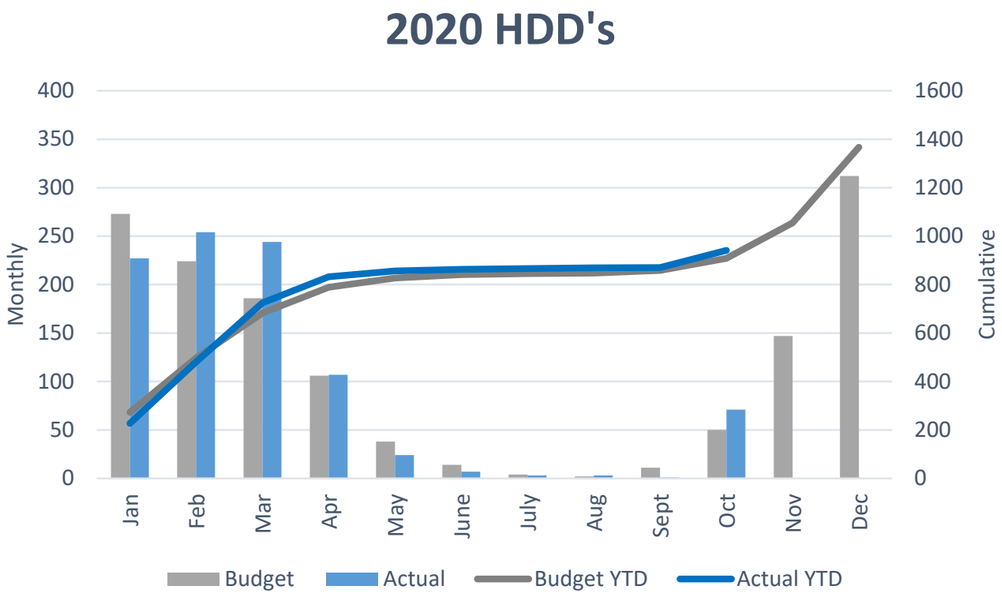
2021 Load Forecast: Weak La Niña

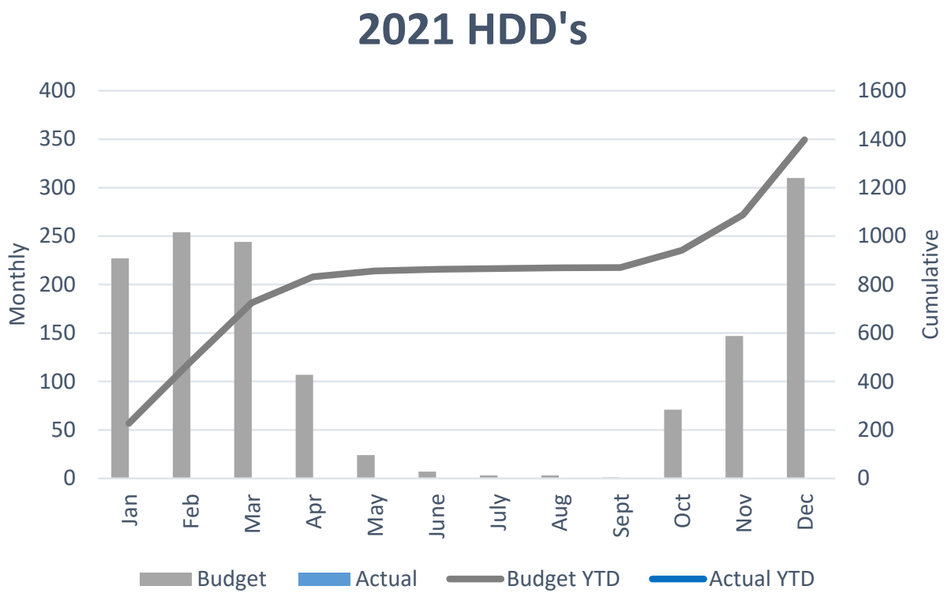


2021 Budget: Heating Degree Days





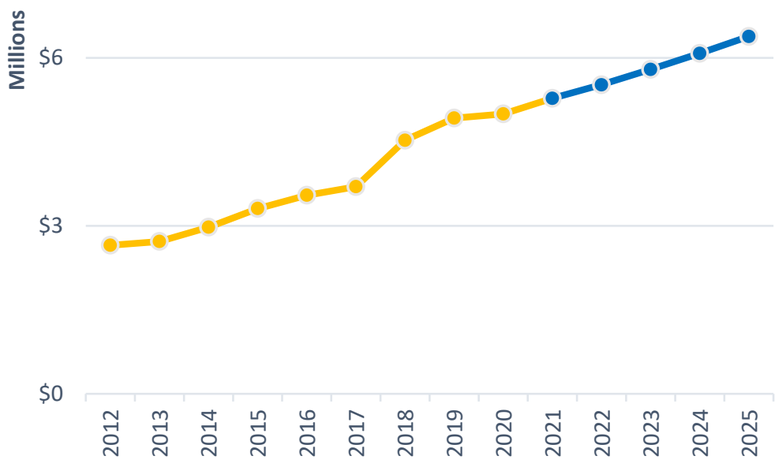




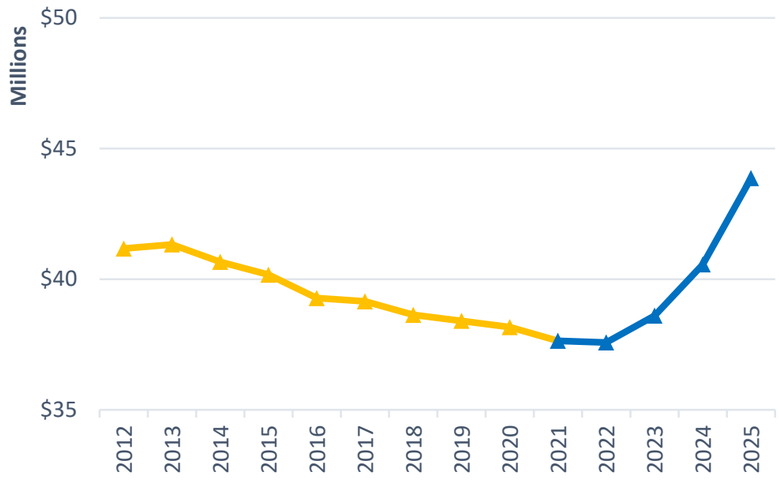
2021 Budget:
Financial Highlights

2021 Budget: Financial Metrics

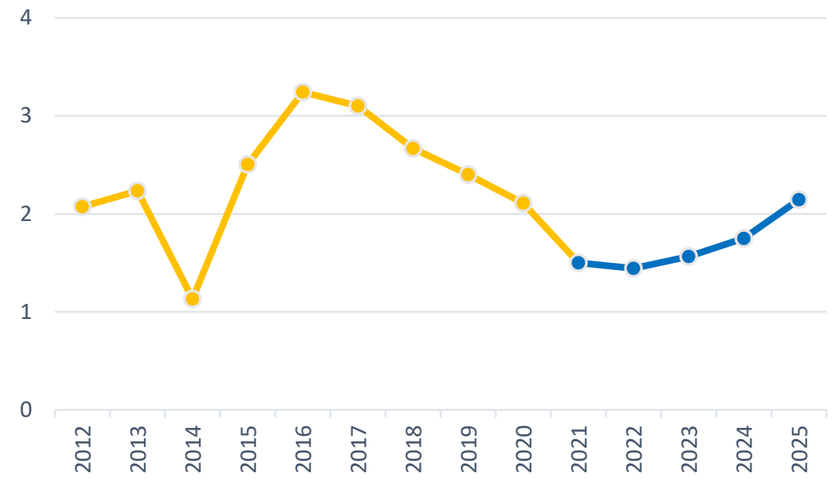
Depreciation & Amortization



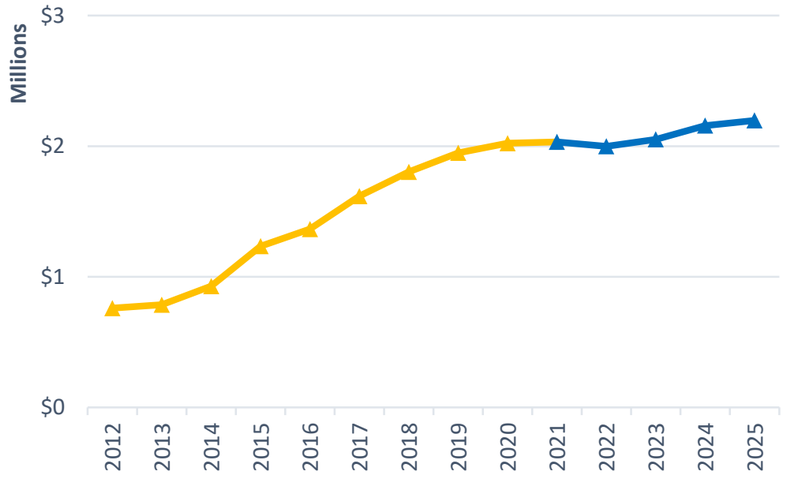
Equity



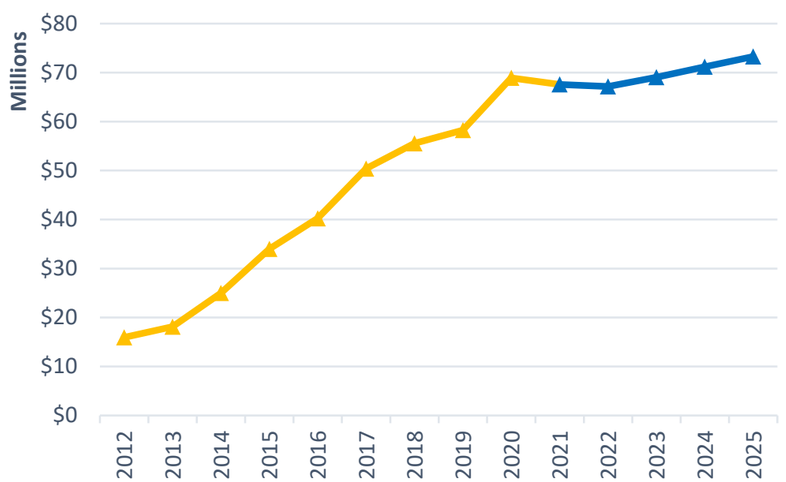
TIER



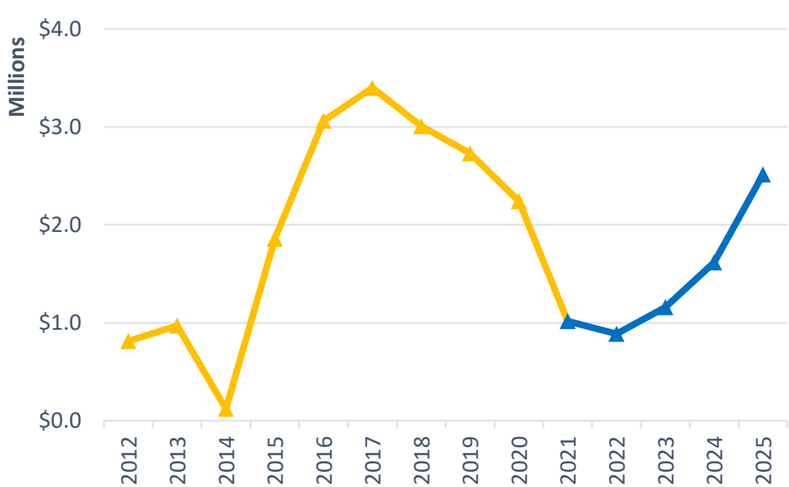
Interest



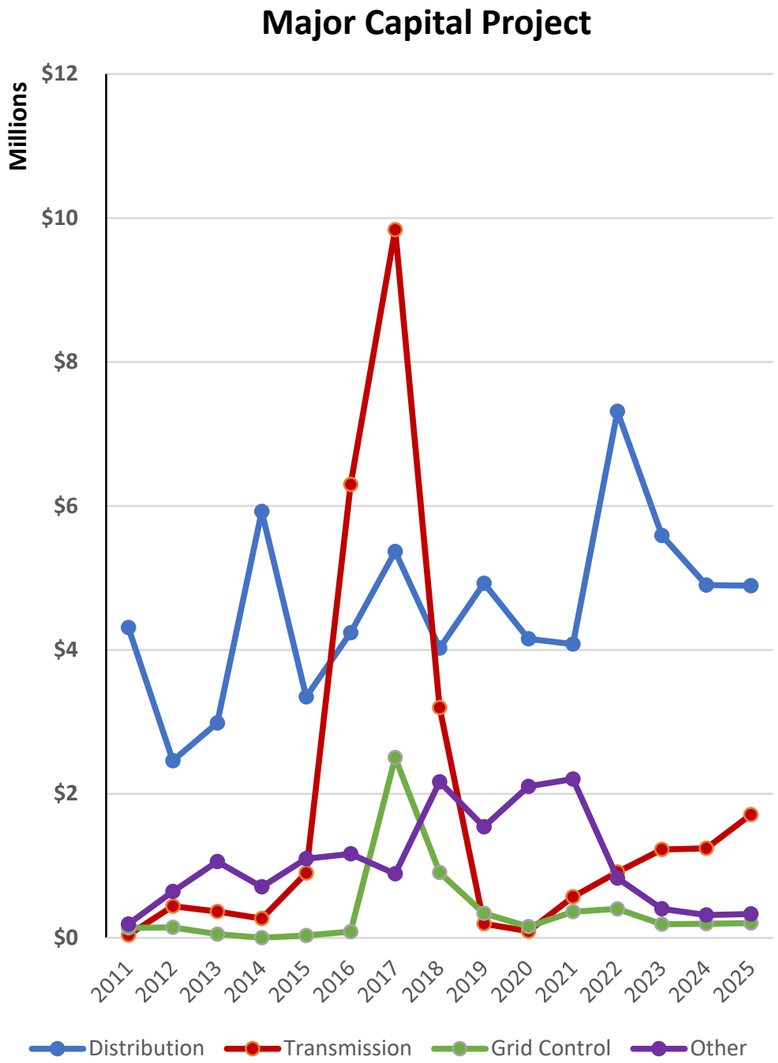
Debt

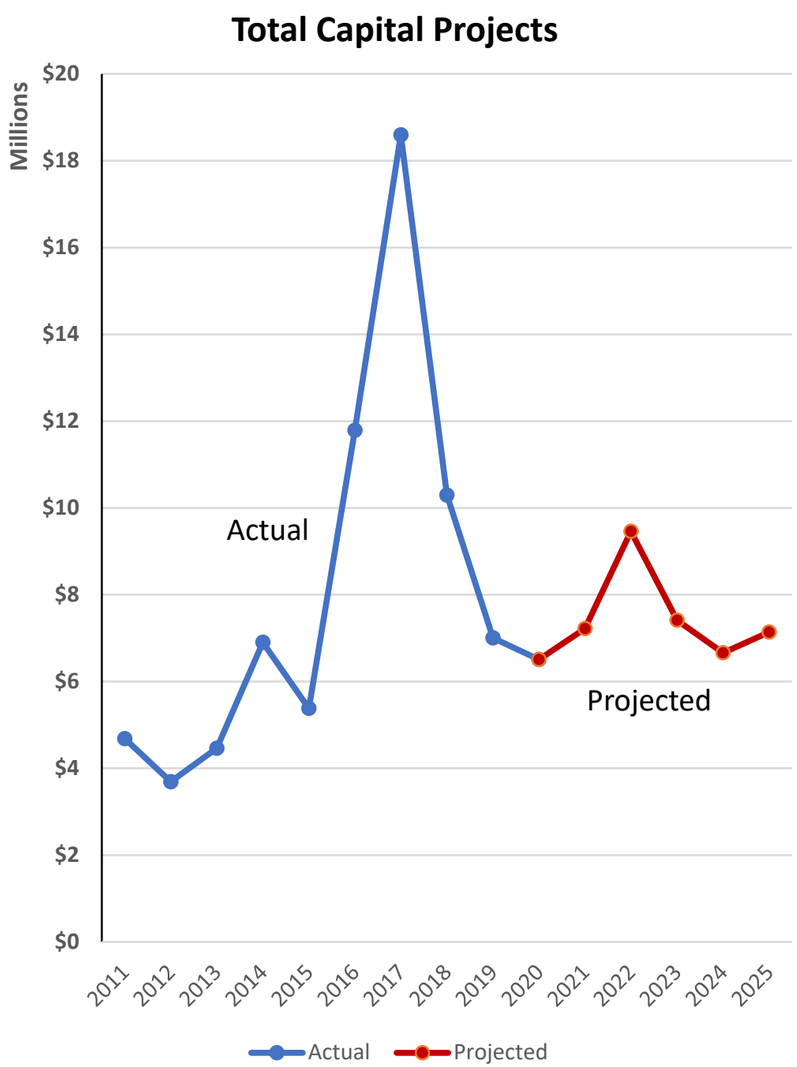


Margin



2021 Budget: Capital Projects

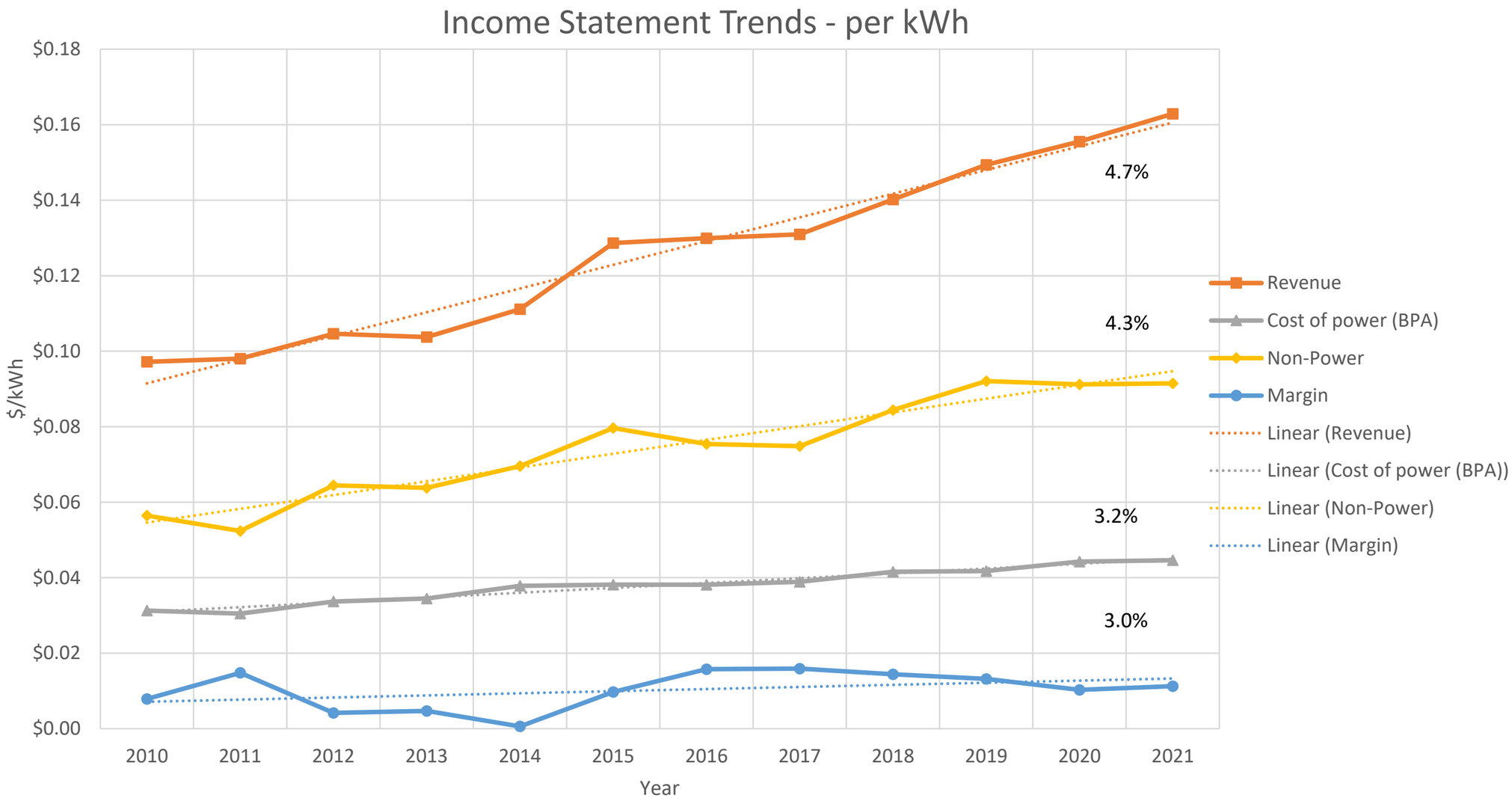




Notes:

- Transmission: peak is Lopez San Juan submarine cable
- Distribution: Normal under-grounding to improve reliability, Decatur substation upgrade, grid storage project
- Grid Control Backbone: Expansion to improve:
  - Reliability
  - Field communications
  - Preparing for intermittent local renewable energy resources
- Other: Replacement of aging bucket and line trucks

2021 Budget: Components of Electric Rates



ORCAS POWER AND LIGHT COOPERATIVE

BUDGET EXECUTIVE SUMMARY

		A. Audited Year End 12/31/2018	B. Audited Year End 12/31/2019	C. Approved Budget 12/31/2020	D. Projected Year End 12/31/2020	E. **Proposed Budget 12/31/2021**	% Change from 2020	F. Forecast 12/31/2022	G. Forecast 12/31/2023	H. Forecast 12/31/2024	I. Forecast 12/31/2025	Comments
1	kWh Purchases	217,948,063	221,868,514	212,000,000	218,268,618	**216,000,000**	-1.0%	216,000,000	217,000,000	218,000,000	219,000,000	OPALCO estimate conservatively below BPA estimate of 219M kWh
2	% Rate Increase *	5%	6%	3%	3%	**0.0%**		4.0%	5.0%	6.0%	7.0%	
3	% Total Revenue Increase	5%	6%	3%	3%	**-1.2%**		4.3%	5.4%	6.2%	7.2%	2021 operating revenue decrease is -0.7% due to unknown weather pettern, especially in Q4
4	Total Revenue	29,683,000	31,360,000	32,185,000	32,225,000	**31,827,000**	-1.2%	33,199,000	34,983,000	37,169,000	39,861,000	Revenue necessary to meet budget and cash flow requirements
5	Cost of power	9,054,000	9,262,000	9,533,000	9,661,000	**9,735,000**	0.8%	10,223,000	10,684,000	11,217,000	11,774,000	BPA rate increases for unanticipated surcharges, power and financial reserve cost recovery estimated at > +2%
6	Operations & G&A	10,181,000	11,178,000	11,931,000	11,875,000	**12,258,000**	3.2%	12,975,000	13,603,000	14,312,000	15,105,000	General inflation of 2% and 2021 employee count target of 47
7	Depr, Int & Taxes	7,441,000	8,189,000	8,605,000	8,447,000	**8,816,000**	4.4%	9,114,000	9,537,000	10,023,000	10,467,000	Depreciation on new assets & interest on related borrowings
8		26,676,000	28,629,000	30,069,000	29,983,000	**30,809,000**	2.8%	32,312,000	33,824,000	35,552,000	37,346,000	
9	Net Margins	$ 3,007,000	$ 2,731,000	$ 2,116,000	$ 2,242,000	**$ 1,018,000**	-54.6%	$ 887,000	$ 1,159,000	$ 1,617,000	$ 2,515,000	Lower end of acceptable margin in order cover capital credit retirements only
10	TIER	2.67	2.40	2.06	2.11	**1.50**		1.44	1.56	1.75	2.14	Aiming for lower end of TIER range. Fluctuates with changes in weather & borrowing rates.
11	**Equity % of Total Cap**	**40.3%**	**39.7%**	**38.8%**	**36.7%**	**35.8%**		**35.9%**	**35.9%**	**36.3%**	**37.4%**	Conitinue to manage closely over next several years to ensure we accellerate trending upwards for future capital investment.
12	Equity	38,633,000	38,403,000	37,719,000	38,164,000	**37,637,000**	-1.4%	37,577,000	38,603,000	40,563,000	43,866,000	Equity trending upwards (gradual building for next large capital investment)
13	Long Term Debt	57,211,000	58,240,000	60,698,000	65,840,000	**67,577,000**	2.6%	67,155,000	69,053,000	71,182,000	73,277,000	Borrowings growth slows as operations generate cash flow to cover much of the new capital project investment.
14	Capital Spending	(11,181,000)	(7,004,861)	(5,837,000)	(6,507,000)	**(7,222,000)**	11.0%	(9,461,000)	(7,413,000)	(6,661,000)	(7,140,000)	Capital spending returning to normal range of $6-8M in 2021-2025. 2022 includes one substation transformer replacement and 50% of new battery project.
15	Capital Credit Retirement (net)	(1,084,000)	(1,115,000)	(1,051,000)	(1,051,000)	**(1,051,000)**	0.0%	(1,118,000)	(1,118,000)	(1,184,000)	(1,184,000)	Smoothing of capital credit retirements (reduces volatility in margin, cash and equity requirements)
16	Annual HDD	1,190	865	1,367	1,400	**1,398**		1,350	1,356	1,363	1,369	HDD definition: Number of degrees that a day's average temperature is below 50 degrees Fahrenheit
17	kWh per HDD	183,150	256,495	155,084	155,906	**154,506**		160,000	160,029	159,941	159,971	

18 * Assumes average residential usage of 1000 kWh / month.

ORCAS POWER AND LIGHT COOPERATIVE

RATE SENSITIVITY

Proposed 2021 Budget Figures; Future Years for Reference Only

	A. Budget 12/31/2021	B. Forecast 12/31/2022	C. Forecast 12/31/2023	D. Forecast 12/31/2024	E. Forecast 12/31/2025	Comment
kWh Purchases	**216,000,000**	**216,000,000**	**217,000,000**	**218,000,000**	**219,000,000**	
BASE LINE: No Rate Change (Not Financially Viable Long Term)						
% Avg. Residential Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	Baseline only to see the implication of no rate increase.
% Revenue Increase (Decrease)	-1.2%	0.3%	0.5%	0.4%	0.4%	
Margin	$ 1,017,560	$ (374,514)	$ (1,735,529)	$ (3,346,793)	$ (5,021,934)	
TIER	1.50	0.81	0.15	(0.55)	(1.29)	
Equity % of Total Capital	35.8%	35.1%	33.3%	30.6%	27.1%	
Incremental Debt (FFB & 0% RESP)	$ 750,000	$ 3,000,000	$ 4,800,000	$ 4,900,000	$ 5,100,000	
OPTION 1 - Recommended						
% Avg. Residential Rate Increase	0.0%	4.0%	5.0%	6.0%	7.0%	Recommended rate/revenue increase as this profile allows for rate stability while also stabilizing & building equity in future years. Please note we will be revisiting these rate increases annually.
% Revenue Increase	-0.7%	4.3%	5.4%	6.3%	7.3%	
Margin	$ 1,017,560	$ 887,055	$ 1,159,415	$ 1,617,574	$ 2,514,877	
TIER	1.50	1.44	1.56	1.75	2.14	
Equity % of Total Capital	35.8%	35.9%	35.9%	36.3%	37.4%	
Incremental Debt (FFB & 0% RESP)	$ 750,000	$ 3,000,000	$ 4,800,000	$ 4,900,000	$ 5,100,000	
OPTION 2 - Target TIER 2						
% Avg. Residential Rate Increase	4.0%	4.0%	4.0%	5.0%	4.0%	TIER is sufficient to maintain capital credit retirement cycle and build equity needed for future capital projects, though rate increase is higher than desired for short-term planning.
% Revenue Increase	3.3%	4.3%	4.4%	5.3%	4.3%	
Margin	$ 2,279,126	$ 2,199,441	$ 2,202,687	$ 2,373,425	$ 2,208,123	
TIER	2.12	2.10	2.07	2.10	2.01	
Equity % of Total Capital	36.5%	37.4%	37.9%	38.7%	39.5%	
Incremental Debt (FFB & 0% RESP)	$ 750,000	$ 3,000,000	$ 4,800,000	$ 4,900,000	$ 5,100,000	

ORCAS POWER AND LIGHT COOPERATIVE

RATE SENSITIVITY

Proposed 2021 Budget Figures; Future Years for Reference Only

	A. Budget 12/31/2021	B. Forecast 12/31/2022	C. Forecast 12/31/2023	D. Forecast 12/31/2024	E. Forecast 12/31/2025	Comment
kWh Purchases	**216,000,000**	**216,000,000**	**217,000,000**	**218,000,000**	**219,000,000**	
OPTION 3 - example						
% Avg. Residential Rate Increase	0.0%	0.0%	6.0%	6.0%	6.0%	
% Revenue Increase	-1.2%	0.3%	6.4%	6.2%	6.3%	Example only - not financially viable
Margin	$ 1,017,560	$ (374,514)	$ 143,528	$ 537,192	$ 1,000,884	
TIER	1.50	0.81	1.07	1.25	1.46	
Equity % of Total Capital	35.8%	35.1%	34.5%	34.3%	34.7%	
Incremental Debt (FFB & 0% RESP)	$ 750,000	$ 3,000,000	$ 4,800,000	$ 4,900,000	$ 5,100,000	
OPTION 4 - example						
% Avg. Residential Rate Increase	0.0%	0.0%	8.0%	8.0%	8.0%	
% Revenue Increase	-0.7%	0.3%	8.4%	8.3%	8.3%	Rate shock to members & insufficient equity growth
Margin	$ 1,017,560	$ (374,514)	$ 769,881	$ 1,882,370	$ 3,166,796	
TIER	1.50	0.81	1.38	1.87	2.44	
Equity % of Total Capital	35.8%	35.1%	34.9%	35.5%	37.1%	
Incremental Debt (FFB & 0% RESP)	$ 750,000	$ 3,000,000	$ 4,800,000	$ 4,900,000	$ 5,100,000	

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS

		A. Audited Year End 12/31/2018	B. Audited Year End 12/31/2019	C. Approved Budget 12/31/2020	D. Projected Year End 12/31/2020	E. **Proposed Budget 12/31/2021**	% Change from 2020	F. Forecast 12/31/2022	G. Forecast 12/31/2023	H. Forecast 12/31/2024	I. Forecast 12/31/2025
1	OPERATING REVENUES										
2	kWh Purchases	217,948,000	221,869,000	212,000,000	218,268,618	**216,000,000**		216,000,000	217,000,000	218,000,000	219,000,000
3	% Rate Increase		6%	3%		**0.0%**		4.0%	5.0%	6.0%	7.0%
4	% Operating Revenue Increase	3%	6%	3%	2%	**-0.7%**		4.3%	5.4%	6.3%	7.3%
3	Residential	$ 21,373,137	$ 22,679,087	$ 23,156,921	$ 23,623,022	**$ 23,478,420**	-1%	$ 24,423,539	$ 25,729,278	$ 27,361,690	$ 29,371,517
4	Commercial	7,655,416	7,999,086	8,411,026	7,913,942	**7,865,526**	-1%	8,181,976	8,619,173	9,165,748	9,838,693
5	Other	234,822	260,371	252,931	145,051	**109,926**	-24%	215,301	250,426	250,426	250,426
6	Total operating revenue	29,263,375	30,938,545	31,820,878	31,682,015	**31,453,872**	-1%	32,820,816	34,598,877	36,777,864	39,460,636
7											
8	OPERATING EXPENSES										
9	Cost of power	9,053,663	9,262,362	9,532,908	9,660,540	**9,735,462**	1%	10,222,604	10,684,114	11,216,677	11,773,990
10	Transmission	252,433	458,165	377,727	454,357	**428,447**	-6%	443,858	457,594	475,500	496,185
11	Distribution - operations	3,365,842	3,604,825	3,913,175	3,617,304	**3,636,851**	1%	3,878,726	4,089,790	4,325,291	4,580,937
12	Distribution - maintenance	1,945,822	2,170,783	2,324,623	2,641,316	**2,733,082**	3%	2,876,430	2,972,630	3,122,621	3,303,613
13	Consumer accounts	1,014,503	1,097,439	1,153,739	1,042,080	**1,003,546**	-4%	1,133,011	1,221,087	1,292,818	1,370,999
14											
15	General and administration										
16	Administration G&A	3,191,624	3,390,513	3,593,738	3,701,215	**3,957,880**	7%	4,107,913	4,265,173	4,475,002	4,706,983
17	Energy services G&A	375,582	395,013	505,230	331,348	**408,389**	23%	445,347	506,876	530,676	556,996
18	Subsidiary Charges	34,920	61,378	63,219	87,868	**89,625**	2%	89,625	89,625	89,625	89,625
19	Total general and administration	3,602,127	3,846,904	4,162,187	4,120,431	**4,455,894**	8%	4,642,885	4,861,674	5,095,303	5,353,604
20											
21	Depreciation and amortization	4,528,224	4,923,805	5,216,895	4,998,321	**5,279,563**	6%	5,521,236	5,794,827	6,082,098	6,383,732
22	Taxes	1,365,016	1,444,843	1,514,661	1,488,008	**1,573,530**	6%	1,663,938	1,759,570	1,854,109	1,956,218
23											
24	Total operating expenses	25,127,630	26,809,125	28,195,915	28,022,357	**28,846,375**	3%	30,382,688	31,841,286	33,464,417	35,219,278
25											
26	Operating margins before fixed charges	4,135,745	4,129,420	3,624,963	3,659,658	**2,607,497**	-29%	2,438,128	2,757,591	3,313,447	4,241,358
27											
28	FIXED CHARGES										
29	Interest on long-term debt	1,547,868	1,820,581	1,873,848	1,960,291	**1,962,740**	0%	1,928,887	1,982,153	2,087,257	2,126,795
30											
31	Total fixed charges	1,547,868	1,820,581	1,873,848	1,960,291	**1,962,740**	0%	1,928,887	1,982,153	2,087,257	2,126,795
32											
33	Operating margins after fixed charges	2,587,877	2,308,838	1,751,115	1,699,367	**644,757**	-62%	509,241	775,438	1,226,190	2,114,563
34											
35	PATRONAGE CAPITAL CREDITS	143,090	125,254	132,375	126,110	**129,893**	3%	133,140	137,134	141,934	147,611
36											
37	Net operating margins	2,730,967	2,434,092	1,883,490	1,825,477	**774,650**	-58%	642,381	912,572	1,368,124	2,262,174
38											
39	NON-OPERATING MARGINS										
40	Interest income	176,305	202,598	160,724	171,461	**150,461**	-12%	152,236	154,419	157,042	160,145
41	Other income	100,097	94,235	71,134	245,432	**92,449**	-62%	92,438	92,424	92,408	92,558
42											
43	Net non-operating margins	276,402	296,833	231,858	416,893	**242,910**	-42%	244,674	246,843	249,450	252,703
44											
45	NET MARGINS	$ 3,007,369	$ 2,730,925	$ 2,115,348	$ 2,242,370	**$ 1,017,560**	-55%	$ 887,055	$ 1,159,415	$ 1,617,574	$ 2,514,877
46											
47	TIER	2.67	2.40	2.06	2.11	**1.50**	-29%	1.44	1.56	1.75	2.14
48	Equity % of Total Capital	41.3%	39.9%	37.8%	35.6%	**35.8%**	0%	35.9%	35.9%	36.3%	37.4%

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS BUDGET

			RUS CWP DESCRIPTION	A. Actual 12/31/2018	B. Actual 12/31/2019	C. Budget 2020	D. Projected Year End 2020	E. **Proposed Budget 2021**	F. Forecast 2022	G. Forecast 2023	H. Forecast 2024	I. Forecast 2025	J. Strategic Directives: Safety	Reliability	Environ	K. Comments
1	DISTRIBUTION															
2	100		New Services	$ 397,842	$ 389,793	$ 397,000	$ 400,482	**$ 416,000**	$ 432,000	$ 449,000	$ 484,000	$ 484,000		*		2024 Construction for Submarine Cable - Olga to White Beach
3	200		New Tie Lines	3,147	(6,874)	115,000	315,261	**200,000**	300,000	-	1,300,000	-		*		
4	300		Conversions and Line Changes	754,232	751,525	1,165,000	661,110	**1,680,000**	1,300,000	420,000	75,000	120,000		*	*	Center Island Submarine Cable (2021 timing with member owned islands)
5	400		New Substations, switching station, metering point, etc.	-	-	-	-	**-**	-	-	-	-				
6	500		Substation, Switching Station, Metering Point Changes	1,502,357	1,312,375	1,005,000	1,133,475	**1,980,000**	4,200,000	2,475,000	60,000	1,600,000	*	*		2021-22 San Juan Microgrid, 2022 Olga Transformer
7	600		Miscellaneous Distribution Equipment													
8		601	Transformers & Meters	801,046	619,180	646,000	544,971	**672,000**	699,000	727,000	1,218,000	1,109,000	*	*	*	2024-2029 Smart Metering deployment
9		602	Sets of Service Wires to increase Capacity	-	-	-			-	-	-	-				
10		603	Sectionalizing Equipment	1,063	1,258	140,000	104,222	**315,000**	300,000	300,000	500,000	450,000	*	*		SCADA controlled Switchgear deployments and replacement
11		604	Regulators	114,440	(1,499)	100,000	36,969	**150,000**	140,000	100,000	100,000	20,000		*		Deployment of regulators in substations to better stabilize system voltage
12		606	Ordinary Replacements	146,639	226,830	350,000	390,061	**250,000**	335,000	271,000	282,000	294,000	*	*		2020 exceeded failure rate and increased work efforts due to COVID distancing
13		607	Overhead to Underground Conversions			70,000	25,759	**95,000**	50,000	60,000	63,000	66,000	*	*		
14		608	Underground Dist. Cable Replacements	1,679,837	2,350,837	1,600,000	1,868,597	**1,637,000**	1,605,000	1,670,000	1,737,000	1,705,000	*	*	*	Increased work efforts due to COVID distancing
15	700		Other Distribution Items													
16		701	Engineering Fees	-	-	-		**-**	-	-	-	-				
17		704	LMS & SCADA	139,991	138,265	70,000	63,651	**213,000**	223,000	65,000	67,000	69,000	*	*		New SCADA software allowing for automation and reporting
18		705	AMR	232,872	44,876	55,000	-	**-**	-	-	-	-				
19		706	Communications/Fiber	534,627	157,426	110,000	92,266	**150,000**	180,000	125,000	130,000	136,000	*	*	*	Replacement of original backbone (48 fiber add 96) and active site maintenance
20	TRANSMISSION															
21	800		New Tie Line	-	-	-			-	-	-	-				
22	900		Substations, switching station, metering point, etc.	526,038	-	110,000	61,173	**71,000**	400,000	850,000	600,000	1,300,000				2022-25 Cathodic Protection for Submarine Cables with ROV/Dive Survey
23	1000		Line Changes	2,672,572	196,951	100,000	30,893	**350,000**	364,000	379,000	645,000	411,000	*	*		Delayed transmission pole replacements to 2021-2025
24	1100		Other Transmission	-	-	-	-	**-**	-	-	-	-				
25	GENERATION															
26	1200		Generation	-	-	-	-	**150,000**	150,000	-	-	-		*	*	
27	OTHER															
28	1300		Facilities	77,349	574,560	355,000	661,170	**247,000**	208,000	60,000	21,000	22,000	*			FH generator and crew facility upgrades
29	1400		Acquisitions	219,235	-	60,000	519,133	**40,000**	20,000	60,000	-	-				Subject to renewable generation opportunities
30	1500		All Other													
31		1501	Transportation/Equipment/Tools/Radios	612,005	596,410	539,000	642,957	**271,500**	553,000	232,000	242,000	252,000	*	*	*	
32		1502	Office Equipment/Furniture/Etc.	9,746	20,662	80,000	72,945	**15,000**	16,000	17,000	18,000	19,000				
33		1503	Computer/Servers/Software	264,369	310,903	222,000	206,325	**133,000**	33,000	35,000	37,000	39,000	*	*		SCADA system cost (See Line 17)
34		1504	Community Solar (member funded)	984,612	40,263	1,500,000	908	**1,500,000**	-	-	-	-		*	*	Shift of Community/Utility Solar to 2021
35	1600		Minor Projects	605,704	268,214	155,000	35,870	**162,000**	169,000	176,000	184,000	192,000				Typical estimation for unanticipated project not exceeding $100k per instance
36			**RUS CWP SUBTOTAL**	12,279,724	7,991,954	8,944,000	7,868,201	**10,697,500**	11,677,000	8,471,000	7,763,000	8,288,000				
37	**CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)**															
38			New Services	(448,823)	(439,694)	(408,000)	(510,134)	**(425,000)**	(442,000)	(460,000)	(479,000)	(499,000)				Offset to Line 2 - New Services
39			Meters and Transformers	(273,110)	(280,290)	(285,000)	(290,021)	**(297,000)**	(309,000)	(322,000)	(335,000)	(349,000)				Offset to Line 8 - Transformers and Meters
40			Joint Projects	(94,806)	(266,480)	(244,000)	(41,406)	**(254,000)**	(265,000)	(276,000)	(288,000)	(300,000)				Offset to Lines 3,4,13,14 - Tie Lines, Conversion, OH to UG Conv., URD
41			WA DOC Grant Funding	(180,000)	-	(670,000)	(520,000)	**(1,000,000)**	(1,200,000)	-	-	-				Offset to Line 6 - Substations for San Juan Battery (CEF projects)
42			Community Solar Member Contributions	(984,612)	(627)	(1,500,000)	-	**(1,500,000)**	-	-	-	-				Offset to Line 34 - Community Solar
43			**RUS CWP NET TOTAL**	10,298,373	7,004,861	5,837,000	6,506,640	**7,221,500**	9,461,000	7,413,000	6,661,000	7,140,000				
44																

Notes:
2020 - ~50% of capital projects are funded from rates and ~50% from borrowings.
2021 - ~50% of capital projects are funded from rates and ~50% from existing cash.
2022 - $2.6M from borrowings, $2.2M from existing cash, remainder from rates
2022-25 - ~50% of capital projects are funded from rates and ~50% from borrowings.

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW

NON GAAP

		A.	B.	C.	D.	E.	F.
		Projected Year End 12/31/2020	**Proposed Budget 12/31/2021**	Forecast 12/31/2022	Forecast 12/31/2023	Forecast 12/31/2024	Forecast 12/31/2025
1	% Rate Increase		0.0%	4.0%	5.0%	6.0%	7.0%
2	Operating Activities						
3	Margins	$ 2,242,000	**$ 1,018,000**	$ 887,000	$ 1,159,000	$ 1,618,000	$ 2,515,000
4	Plus Depreciation/Amortization	4,998,000	**5,280,000**	5,521,000	5,795,000	6,082,000	6,384,000
5	Cash Flow Operations	7,240,000	**6,298,000**	6,408,000	6,954,000	7,700,000	8,899,000
6							
7	Plant Investment (Net)	(6,877,000)	**(7,589,000)**	(9,829,000)	(7,781,000)	(7,029,000)	(7,514,000)
8	Cash Flows from Patronage Capital	(1,051,000)	**(1,051,000)**	(1,118,000)	(1,118,000)	(1,184,000)	(1,184,000)
9	Net Borrowings	10,577,000	**(880,000)**	(378,000)	2,414,000	1,736,000	2,150,000
10	Annual Estimated Cash Increase (decrease)	$ 9,889,000	**$ (3,222,000)**	$ (4,917,000)	$ 469,000	$ 1,223,000	$ 2,351,000
11							
12	RUS Capital Borrowings	9,500,000	-	2,600,000	3,800,000	3,400,000	3,600,000
13	0% RESP Borrowing	1,100,000	750,000	1,000,000	1,000,000	1,500,000	1,500,000
14	Gross Borrowings	10,600,000	750,000	3,600,000	4,800,000	4,900,000	5,100,000

ORCAS POWER AND LIGHT COOPERATIVE

2021 - 2025 BUDGETED STAFFING LEVELS

	A.	B.	C.	D.
	DEPARTMENT	ACTUAL # EMPLOYEES 2020	APPROVED BUDGET # EMPLOYEES 2021	APPROVED # EMPLOYEES 2022 - 2025
1	Operations[1]	23.5	22.5	23.5
2	Engineering[1]	7.5	7.5	8.5
3	General Management	5	5	5
4	Technical Services	1	1	1
5	Member Services[2]	6	6.0	6.5
6	Administration	4	4	4
7	Energy Savings[2]	1	1.0	1.5
8	Total	48[3]	47[4]	50

Notes:

1 Engineering & Operations Manager split between departments

2 Member & Energy Services Assistant Manager split between departments - vacant position

3 2020 budgeted positions were 51 - vacant Lopez linemen position, vacant Staking Tech position, vacant Member & Energy Services Assistant Manager

4 2021 unfunded positions, delayed re-hiring only, so the employee count drops. We hope to hire for the position(s) later in the year, if financial condition of the coop allows.

OPALCO ORGANIZATIONAL CHART - 2021 BUDGET

OPALCO MEMBERSHIP

BOARD OF DIRECTORS

DIRECTOR MADSEN (D1)

DIRECTOR GARLOCK (D3)

VICE PRESIDENT WHITFIELD (D4)

PRESIDENT DAUCIUNAS (D1)

SECRETARY/TREASURER SILVERSTEIN (D3)

DIRECTOR CHRISTMAS (D2)

DIRECTOR STRUTHERS (D2)

GENERAL MANAGER

HILDRETH

EXECUTIVE ASSISTANT
KORAL

PUBLIC RELATIONS ADMINISTRATOR
OLSON

COMMUNICATIONS SPECIALIST
BOUCHEY

MANAGER OF ENGINEERING & OPERATIONS
GUERRY

SAN JUAN GENERAL FOREMAN
EYLER

SAN JUAN CREW
GUARD - **LF**
FURBER
PARSONS
KERR
OLSON
SUB TECH
VACANT/UNFUNDED*
APPRENTICE
BLACK

ORCAS GENERAL FOREMAN
FOWLER

ORCAS CREW
WATTERS - **LF**
LOOCK
ROSS
SUB TECH
MINNIS
APPRENTICE
HOFMANN

LOPEZ GENERAL FOREMAN
DENGLER

LOPEZ CREW
SWANSON - **LF**
BURLESON
WARNER
VACANT/UNFUNDED*
SUB TECH
ZOERB
APPRENTICE
BAIR

SYSTEM ENGINEER
SMALLWOOD

GIS TECHNICIAN
MARTZ

WORK ORDER CLERK
VACANT/UNFUNDED

E&O ADMIN SPECIALIST
BOSSERT

METER TECHNICIAN
HISER

SYSTEM DESIGN ENGINEER
VEKVED

ENGINEERING TECHNICIANS
TURNER
LAGO

STAKING TECHNICIANS
VACANT/
UNFUNDED* (ES)
DEINES (ES)

MANAGER OF IT

HEINZ

COMMUNICATIONS TECH
TILSTRA (ES)
HAROLD (FH)

INFO SYSTEM SPECIALIST
VACANT/UNFUNDED

ROCK ISLAND COMMUNICATIONS
SEE SEPARATE ORG CHART

MANAGER OF FINANCE & MEMBER SERVICES
LOOMIS

ASSISTANT MANAGER OF MEMBER SERVICES
VACANT/UNFUNDED*

ENERGY SERVICES SPECIALIST
VACANT
UNFUNDED

ENERGY SERVICES COORDINATOR
GROSS

MEMBER SERVICES SUPERVISOR
WYCKOFF

MEMBER SERVICE REPRESENTATIVES
GOFF (FH)
BOURNE (FH)
PENWELL (FH)
GRISWOLD (ES)
DANIELSON (ES)

HEAD ACCOUNTANT
NEAL

ACCOUNTANT
BEAL

SPECIAL PROJECTS COORDINATOR
KELLY

PURCHASING
BECKER

LEGEND

NON-BARGAINING UNIT POSITION

BARGAINING UNIT POSITION

*Unfunded positions, delayed re-hiring only, so the employee count drops. We hope to hire for the position later in the year, if financial condition of the coop allows.

2021 Budget COVID-19 Assumptions

The 2021 budget includes $200k in funding for continued COVID-19 relief measures. All indicators lead staff to prepare for a potential compounding of economic impacts on our membership as the pandemic continues. OPALCO's 2020 COVID-19 relief measures have helped the membership to get through this challenging period to date, but the work is not nearly done. The uncertainties of the pandemic are carrying into 2021 and the membership has yet to face the restoration phase of getting back to work, reopening business (if possible) and getting OPALCO account balances caught up.

The following table shows members accounts in arrears at 90+ days for 2020 as well as two scenario cases for 2021 (projection & high case).

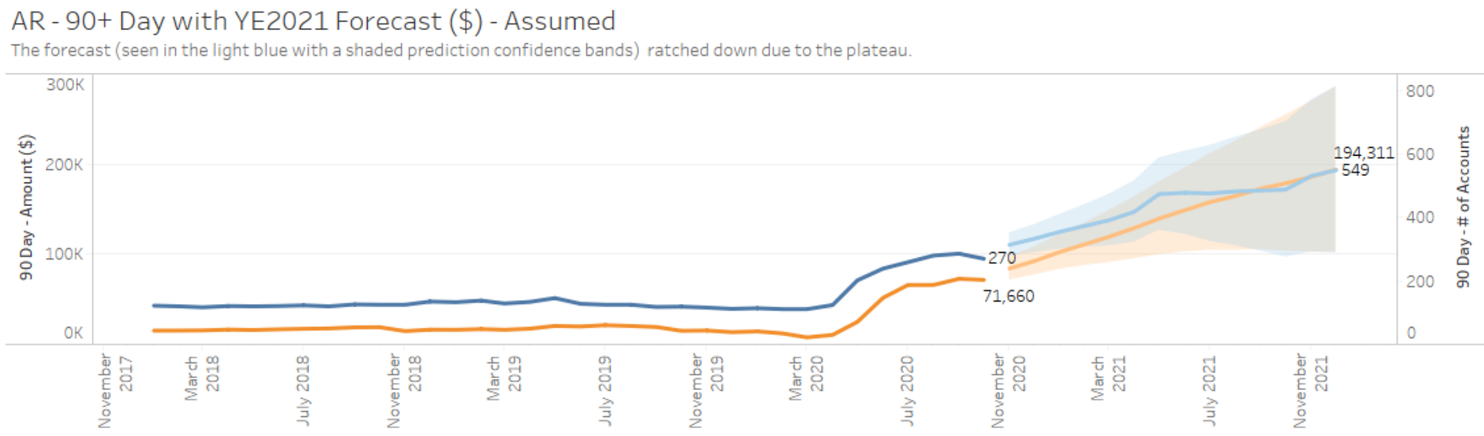
Account Balances in Arrears 90+			
	2020 YTD Acual	2021 Projection	2021 High Case
# of Accounts	270	549	926
$ Outstanding of 90+	$ 71,660	$ 194,311	$ 606,817

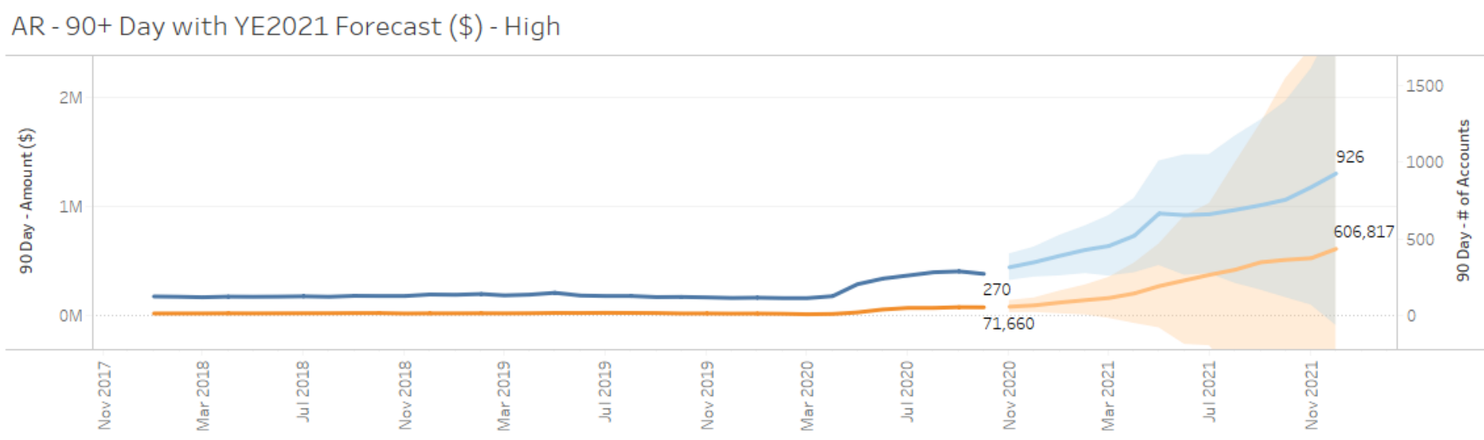
The 2021 projection for 90+ account receivable in arrears uses a trend function based on Jan 2018 - Oct 2020 base period to capture seasonality trends as well as the increases seen in 2020. Similarly, the high-case scenario uses a multiplicative factor to scale up the number of accounts and dollar balances impacted.

OPALCO will continue to follow our established write-off procedures to assess the collectability of accounts in arrears while closely monitoring the growing balances and working with our members to find solutions.

We currently have an allowance for uncollectable accounts of $60k. Over the past 5 years annual write-offs have averaged ~$8.1k, while 2020 projected write-offs are ~$20.4k. For active accounts, OPALCO will always work with our members to set-up payment plans or similar solutions instead of defaulting to writing off balances. The current allowance for uncollectible balance's is sufficient to cover a 3-fold increase in write-offs in 2021 which is reasonable at this time given the forecasts (see AR charts below).

The following charts show member accounts in arrears at 30-, 60- and 90- days. The first chart shows the 2021 budget assumptions, based on similar trends as seen in 2020. The second chart shows a worst-case scenario, with accounts in 90+ day arrears nearly doubling and dollar amount in arrears tripling.





The following table is a sensitivity analysis for 2021 COVID-19 financial impacts to margin, TIER and equity. The two factors include lost commercial revenue and cost impacts if a whole district line crew is unable to work and outage time is required to bring linemen in from another district.

The recommended 2021 Budget column is based on 2020 actuals; these data assume a similar pattern of business closures and overtime for line crews. The three scenarios represent increasing cost impacts due to additional commercial losses and increased overtime for crew members.

2021 Budget Sensitivity: COVID-19 Impact on Margin, TIER & Equity

	2020 Projection	Recommended 2021 Budget	Financial Impact Scenario's 1	2	3	Notes
Lost Commercial (CML) Revenue						
CML revenue impact	$ (497,000)	$ (646,000)	$ (236,000)	$ (354,000)	$ (590,000)	lost revenue s1 = 3% , s2 = 5% , s3 = 8%
Increase overtime to line crew						
Crew expense impact	$0	$0	7,500	15,000	21,500	~$7,500 / 2 weeks of overtime per downed crew
Combined Impact						
Incremental drop in Margin	**$0**	**$0**	**$ (243,500)**	**$ (369,000)**	**$ (611,500)**	
TIER	**2.11**	**1.50**	**1.38**	**1.32**	**1.20**	Year End TEIR
EQUITY	**35.6%**	**35.8%**	**35.6%**	**35.5%**	**35.4%**	Year End Equity %
# of CML services impacted		**1,629**	**50**	**76**	**127**	Assumes avg CML rev of ~$4.8k/services/year

As it was in 2020, participation in COVID-19 relief measures will be monitored closely and reported to the Board each month. If the patterns of need exceed budget assumptions, staff will review funding options with the Board.