

Board of Directors Regular Meeting

Tuesday, November 24, 2020

Virtual Meeting via Zoom/Facebook Live

The OPALCO Board of Directors are following CDC guidelines for social distancing and all 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 pandemic. 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





Board of Directors

Regular Board Meeting

November 24, 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. The Board President has the authority to modify the sequence of the agenda.*

WELCOME GUESTS/MEMBERS

Members 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.

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EXECUTIVE SESSION	
Legal, Personnel, Competitive, Other	
ADJOURNMENT	

ACTION ITEMS

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 Consent Agenda includes:

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

NEW MEMBERS – October 2020

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

1. Alkebu-Lan, Horus & Dana
2. Anderson, Ben
3. Arntz, Michael
4. Bennett, Thomas
5. Border, Logan
6. Buchanan, Barbara
7. Calandra, Anthony & Kandace
8. Carr, Alicia & Lagerwall, Arn
9. Case, Kit & Kauffman, Roy
10. Costa, Michele
11. Desermeaux, Christine
12. Drechsel, Keith
13. Frey, Bridget & Parry, Devin
14. Gibson, Maria & William
15. Grandas, Oscar & Jill
16. Graves, John
17. Hardy, Caitlin & Joshua
18. Hoffman, Heather
19. Holt, Mercedes
20. Hunger, Don & Broadhurst, Virginia
21. Jones, Steven
22. Kennedy, Claire & Dameron, Makayla
23. Knowles, Michael
24. Leamon, Connor & Fair, Indigo
25. Lenington, Nicholas & Rachel

26. Low, Jennifer
27. Macisaac, Hannah
28. Marquette, Corey
29. O'Brien, Michael & Cynthia
30. Pinnow, Melisa & Berg, John
31. Rais-Dana, Laylah
32. Rina, Tappan & Wilson, Chris
33. Roberson, Cory
34. Rogowski, Adam & Brainerd, Theodore
35. Spilker, Chris & Sankey, Jessica
36. Stevenson, Brett
37. Stewart, Jason
38. Stucki, Kyle & Kristina
39. Talley, Tabitha
40. Torres, Jennifer & Al
41. Vilchez, Jordan
42. Walton, Alexandra & Stephen
43. Yeager, Luz
44. Zahn, Jessica & Copic, John

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

45. Adams, Ellis & Adamich, Patti
46. Allaway, Ian & Inglis, Andrews
47. Bernhardt, Alexander & Williams, Cameni



- 48. Bolton, Charles
- 49. Boyce, Matthew & Shelly
- 50. Boyd, Morten
- 51. Cats, Jonathan & Marissa
- 52. Chapman, Caroline & Docu, Horia
- 53. Corley, Spencer
- 54. Dantzler, Alison
- 55. DeWoody, Todd & Pannarai, Tidarat
- 56. Dooley, Larissa & Homer, Michael
- 57. Dunham, Patrick
- 58. Duty, Christopher
- 59. Frank-Sharpe, Regina
- 60. Hardee, Rebekah & Steven
- 61. Maples, McKenna
- 62. Marquez, Antonio & Villa Lopez, Jesus
- 63. Parker, James
- 64. Patrick Family Investments, LLC
- 65. Schaper, Vincent
- 66. Score! Nifty Thrifty
- 67. Smith, Kaitlyn & Hellfritsch, Sean
- 68. Squid Ink LLC

- 69. Stark, Jeanette
- 70. Wager, Paige
- 71. Wagner, Daniela
- 72. Warren-White, Josh & Poblet, Maria
- 73. Yelland, Barbara & Brooks, Jeffrey

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

- 74. Ballew, Mary-Lynn
- 75. DeGraff, Deborah
- 76. Ebel, Brandon
- 77. Harden, Michelle
- 78. Holscher, Anna
- 79. Nguyen, Kenny & Schroeder, Denise
- 80. Ouilette, Dean
- 81. Rhodes, Carol & Sean
- 82. Suhadolnik, Roberta

District 4 (Shaw, Crane, Canoe, Bell)

- 83. Bush, Aaron
- 84. Joyce, Neil & Brown, Kristin

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

November	
Customer #	Amount
26892	1,040.37
79207	435.34
16600	878.18
40281	26,700.99
17010	1,667.74
Total	\$ 30,722.62

Staff requests a motion to approve the Consent Agenda.



Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting

Thursday, October 15, 2020

Streaming through Zoom attendees were: President Vince Dauciunas, Board members Rick Christmas, Jerry Whitfield, 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; and Executive Assistant Kelly Koral (serving as recording secretary). Also present were Legal Counsel Joel Paisner and consultant Jay Kimball.

Facebook Live session commenced at 8:30 a.m.

Suzanne Olson greeted the Facebook Live attendees and invited anyone with questions to please post online.

A member asked if OPALCO still had programs for energy assistance. The General Manager answered yes, in fact on today's agenda there is a request for the Board to approve an additional \$25,000.

Facebook Live session ended at 8:55 a.m., entered regular session at 9:00 a.m.

Consent Agenda

- **MOTION** was made to accept the consent agenda, seconded. Passed by voice vote.

Fuel Switching Rebates

GM reviewed the request for the Board to approve using dollars from administrative fees from BPA to self-funding rebates. Staff proposes moving \$27,500 from the EV budget to the rebate category.

- **MOTION** was made to approve funding the rebate account. Seconded and approved by voice vote.

Regional Public Power Outreach

GM introduced Ashley Slater, VP of Government Affairs and Policy for PNGC. Discussion ensued about the politics of regional power supply, the importance of communicating a unified public power message to state and federal elected officials and of growing strategic partnerships to influence the course of decision making in the region. The outline of a communication plan for regional public power outreach was reviewed and discussed. The Board agreed to advance the discussion about a new organized market in the region to protect and ensure access to a clean, firm and affordable power supply.

Member Outreach: Vision Campaign

Suzanne Olson, Public Relations Administrator, presented a comprehensive plan for member outreach in 2021 and discussion ensued. The communication plan includes strategies and activities for communicating OPALCO's vision for future of its power supply and laying out the hard truths about energy in the Pacific Northwest. A top goal is to prepare members for the fast pace of change happening now in the region under CETA and climate impacts. The plan includes a major grassroots member engagement campaign, The Island Way. The board agreed that broad member engagement is essential for building local resilience and developing a healthy and affordable power supply, which will depend heavily on member participation and investment.

Covid-19 Update

GM reviewed the current charts and statistics of the effects of COVID-19 on the co-op.

GM Report

GM reviewed the General Manager's report.

Proposed 2021 meeting dates were approved:

- January 21 OPALCO
- February 18 OPALCO
- March 18 OPALCO/RIC
- April 24 OPALCO Annual/Business Meeting
- May 20 OPALCO/RIC

- June 17 OPALCO
- July NO MEETING
- August 19 OPALCO/RIC
- September 16 OPALCO
- October 21 OPALCO
- November 17 RIC Budget
- November 18 OPALCO Budget
- December 16 OPALCO

Executive Session 12:04 p.m.

Back in regular session 1:02 p.m.

- **MOTION** Mark Madsen made a motion for Staff to submit the form 990 as amended. Seconded and approve by voice vote.

Meeting adjourned at 1:05 p.m.

Vince Dauciunas, President

Brian Silverstein, Secretary/Treasurer

Member Services Policy 11 – *Capital Credits*

Staff is recommending revisions to Member Services Policy 11 – Capital Credits to make it easy for members who want to voluntarily assign their retirement checks back as donations to support OPALCO programs that serve the membership. At year end, OPALCO distributes capital credits checks to the membership, representing the 25-year retirement cycle. There are members each year who voluntarily assign their checks back to OPALCO to support programs such as Project PAL. The proposed changes formalize the process, remove references to specific OPALCO programs (which change periodically) to be inclusive as member programs evolve, and remove the administrative form from the policy document for more efficient updates in keeping with the precedent set in other recent policy updates.

Staff recommends the Board make a motion to approve Member Services Policy 11 as amended and waive the second reading to facilitate the December capital credit mailing.



ORCAS POWER AND LIGHT COOPERATIVE

MEMBER SERVICE POLICY 11

CAPITAL CREDITS

11.1 GOALS AND OBJECTIVES

To state the general policy of Orcas Power and Light Cooperative for allocating and retiring capital credits.

11.2 EXPECTATIONS

11.2.1 OPALCO shall operate on a cooperative basis for the mutual benefit of all members. Capital credits shall be allocated and retired in a manner that is consistent with operating as a cooperative under federal law. OPALCO will be fair and reasonable to its members and former members, while providing the cooperative with sufficient equity and capital to operate efficiently and effectively, thus protecting OPALCO's financial condition. Subject to law, OPALCO's Articles of Incorporation, and OPALCO's Bylaws, the allocation and retirement of capital credits shall be at the sole discretion of the OPALCO Board of Directors.

11.2.2 Member

An OPALCO member is any member, or member entity, who has paid the membership fee and who is providing patronage by using any OPALCO service.

11.2.3 Capital Credits

Capital credits are the primary source of equity for most cooperatives. Members contribute equitably to the capital of the cooperative every month when they pay their OPALCO bill for electric and communication charges. At the end of each fiscal year, the operating and non-operating expenses are deducted from the operating and non-operating income to arrive at the net margins. Net margins are assignable as capital credits to each member and allocated annually to the member's capital credits account.

11.3 PROCEDURES FOR ALLOCATION OF CAPITAL CREDITS

11.3.1 Board Approval

OPALCO shall allocate capital credits according to the manner, method, timing, and amount approved by the Board.

11.3.2 Patronage Earning Allocations

OPALCO shall equitably allocate its patronage earnings to each member in proportion to the value of service paid for by the member during the fiscal year.

11.3.3 Patronage Loss Allocations

OPALCO shall offset patronage losses with its patronage earnings during any fiscal year.

11.3.4 Formula for Allocation

A member's year-end capital credit allocation is calculated by multiplying OPALCO's annual capital credit allocation factor times a member's annual direct billing for electric energy and communication services.

11.3.4.1 Capital Credit Allocation Factor

Upon the completion of the OPALCO's audited annual financial statements, the total net margin is divided by total annual revenue derived from the sale of electric energy and communication services (also known as patronage) which results in the Cooperative's overall allocation factor. The total patronage amounts included are annual electrical demand charges, street and security light charges, kWh usage charges, basic charges, and communication charges. The Cooperative's revenue components that are not included in the allocation factor calculation are miscellaneous charges (fees, deposits, member-elected contributions, etc.).

11.3.4.2 Member Capital Credit Allocation

To derive a member's year-end capital credit allocation, the Cooperative's overall Capital Credit Allocation Factor is multiplied by the annual amount paid by a member for electric energy and communication services, including charges for electric energy, electric demand, street and security lights, kWh usage, basic charges, and communication services. Member billing components not included in the capital credit allocation calculation are miscellaneous charges (fees, deposits, member-elected contributions, etc.)

11.3.5 Notification of Allocation

Within one hundred eighty (180) days following a fiscal year, OPALCO shall notify each patron in writing of the amount of capital credits allocated to the member for the preceding fiscal year. This notice can be in the form of a letter or as a message on the member's billing statement.

11.4 PROCEDURES FOR RETIRING AND REFUNDING CAPITAL CREDITS

11.4.1 At any time, if the Board determines that OPALCO's financial condition will not be adversely impacted:

11.4.1.1 The Board may authorize OPALCO to wholly or partially retire and refund capital credits to members and former members; and

11.4.1.2 The Board may also authorize OPALCO to retire and refund the corresponding affiliated organization's capital credits.

- 11.4.2 The Board shall have the discretion to determine the manner, method, and timing of retiring and refunding capital credits and affiliated capital credits.
- 11.4.3 Nothing in this policy shall be deemed to entitle a member to receive any capital credit or affiliated capital credit to which they have not contributed, or in a proportion greater than the proportion of their contribution.
- 11.4.4 **General Retirement of Capital Credits**
The Board will consider general retirement of capital credits, in accordance with the above conditions, on an annual basis. The Board will review the amount of funds that are available for retirement and, if appropriate, authorize payment of these capital credits to members and former members. OPALCO shall not pay interest or dividends on capital furnished by members.
- On an annual basis, the board shall utilize a “smoothing methodology” to minimize year over year fluctuations in cash outlay. The goal of this methodology shall be to keep year over year general retirements as even as possible by ensuring that (a) on average, a 25-year payout schedule is maintained and (b) large fluctuations in future years’ retirements are leveled.
- 11.4.5 **Retirement of Capital Credits due to Death**
Upon the death of any individual member or individual former member, and pursuant to a written request from the deceased member’s representative, the Board may retire the deceased member’s capital credits and affiliated capital credits under terms and conditions agreed upon by the member’s representative and OPALCO, which will include reduction of said credits as described in Section 11.5.3.
- 11.4.6 **Retirement of Capital Credits to Entities**
Upon the dissolution, liquidation or cessation of existence of an entity member or former entity member, and pursuant to written proof that the entity no longer exists, the board may retire the organization’s capital credits and affiliated capital credits under terms and conditions agreed upon by the entity member and OPALCO, which will include reduction of said credits as described in Section 11.5.3.
- 11.4.7 **Joint Memberships**
Upon OPALCO receiving written notice and adequate proof of any joint membership that is:
- 11.4.7.1 Terminated or converted through the death of one (1) joint member, the capital credits previously allocated and credited to the joint membership shall remain with the surviving joint member/s; or

11.4.7.2 Otherwise terminated or converted, and unless otherwise instructed by a court or administrative body of competent jurisdiction, the capital credits previously allocated and credited to the joint membership shall be transferred proportionately to each joint member.

11.4.8 Application to Debt

Before retiring and refunding any capital credits or affiliated capital credits, OPALCO may deduct from the capital credits or affiliated capital credits any amounts owed to OPALCO by the member or former member as per the procedure set forth in Member Service Policy 7 *Billing and Collection*.

Any remaining capital credits due the member or former member may be distributed during the normal payout cycle of capital credits.

11.4.9 Minimum Amount

OPALCO shall not retire and pay capital credits in an amount less than \$5.00.

11.5 LIMITATIONS

11.5.1 Forfeiture of Capital Credits

OPALCO shall not enter contracts through which a member or former member forfeits the right to the allocation or retirement of capital credits. RUS Bulletin 102-1 states "No patron should be asked by contract or otherwise to waive his capital credits."

11.5.2 Separate Allocations and Retirements

OPALCO shall separately identify and allocate to its members capital credits and similar amounts allocated to OPALCO by an entity in which OPALCO is a member, patron, or owner. OPALCO may retire these separately identified and allocated capital credits only after the entity retires and pays the amounts to OPALCO.

11.5.3 Valuation of Special Retirements

Special Retirements are applicable for a deceased member, dissolved corporation or association, or bad debt. Special retirements return capital to members earlier than the general retirements, which are typically planned on a 25-year holding period. An earlier retirement has a lower value. OPALCO shall use the percentage rate set by the Board at the January 1987 OPALCO Board of Directors meeting. This is a straight-line accrual; OPALCO will pay 2.5% cumulative for the year the capital credit has been held by OPALCO; (i.e., 2.5% for 2004, 5% for 2003, 7.5% for 2002, etc. In addition, capital credits paid out as special retirements that have been held by OPALCO for over 25 years will be paid at 100%.



11.5.4 Voluntary Assignment to Member Programs

During the General Retirement process, members have the option of voluntarily retiring allocated capital credits and assigning capital credit payments to Board approved OPALCO member programs, including Project PAL, Solar for Schools, M.O.R.E., or other approved programs as determined by the Board. Annual capital credit distributions may be assigned to the selected OPALCO member program on a one-time or recurring basis. Members must notify OPALCO of their voluntary assignment and consent via the OPALCO Voluntary Assignment Form and submitted to OPALCO no later than October 1st of any given year.

11.5.5 Payment and Notice of Retirement

With the exception of Application to Debt in Section 11.4.8 and/or Voluntary Assignment to Member Programs in Section 11.5.4 above, after OPALCO retires capital credits allocated to a member, it shall pay the retired amount by sending a check for the amount to the member's most current address listed on OPALCO's records.

11.5.6 Unclaimed Capital Credits

If a member or former member fails to claim a retired capital credits amount within 180 days, the check will be voided and added to the list of unclaimed capital credit amounts.

11.6 RESPONSIBILITY

11.6.1 Implementation of Policy

OPALCO's general manager is responsible for implementing this policy and for developing procedures necessary to allocate and retire capital credits according to this policy.

11.6.2 Recommendations to the Board

OPALCO's general manager is responsible for recommending to the board the manner, method, timing, and amount for allocating and retiring capital credits. The manager is also responsible, when in the best interest of OPALCO, its members and former members, for recommending to the board revisions to this policy.

11.6.3 Review and Approval by Board

The board is responsible for approving the recommended manner, method, timing, and amount for allocating and retiring capital credits. The board is also responsible for reviewing, discussing, and evaluating the general manager's recommendations for revisions of this policy.

Effective Date: January 19, 2018



ORCAS POWER & LIGHT COOPERATIVE

VOLUNTARY ASSIGNMENT OF

CAPITAL CREDITS

The undersigned hereby chooses to donate their total annual General Retirement capital credit allocation to the following OPALCO Member Program funds:

☐ **Project PAL**

Project PAL was created as a vehicle for Co-op members to help their members pay their electric bills. Members participate by rounding up their electric bill or by making one-time contributions. An independent member volunteer council reviews Project PAL applications and makes award decisions monthly during the heating season. Half of PAL funds each year are designated for senior citizens and disabled persons of low income.

☐ **Solar for Schools**

Community Solar for Schools is a project in partnership with the San Juan Islands Conservation District, the Bonneville Environmental Foundation, and OPALCO to deliver solar renewable energy education curriculum to San Juan County schools. Four solar electric systems will be installed at the public schools on Lopez, Orcas, San Juan, and Shaw Islands in 2015.

☐ **Member Owned Renewable Energy (M.O.R.E.)**

The Member Owned Renewable Energy (M.O.R.E.) program is designed to support the growth of locally generated power and is funded by member contributions. M.O.R.E. funds raised go toward paying local production incentives to member generators connecting to the OPALCO grid using solar, wind, and micro-hydro technology.

☐ **Other (please specify):** _____

☐

Customer # _____ Name _____

Election is for: Year: _____ One-time ☐ Recurring ☐

Signature of Member Date _____

Signature of Member _____ Date _____

Special Retirement to Uncollectible Accounts

As is the routine practice each year, staff has transferred delinquent inactive accounts to an uncollectable account (UA) status. The next step in this process is to proportionately apply previously allocated member capital credits to UA balances.

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

Staff is requesting that \$4,206.86 of member capital credits be applied to UA balances. The member capital credit allocation transfers are as follows:

Capital Credits Applied to UA Balance	\$4,207
Discounted Capital Credits Remain in Equity	\$29,131
Total Capital Credits Retired	\$33,338

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

General Retirement

The purpose of this memorandum is to obtain Board approval to fund the general retirement of capital credits. Capital Credit distribution is especially important this year as the membership has been impacted by the COVID-19 pandemic and many are struggling financially. More than ever, the cooperative benefits demonstrated by capital credits and OPALCO's concern for community are critical to communicate through this general retirement. Please note staff is continuing with the concept of smoothing, whereby we fund the remaining unretired balance from 1995 and a portion of 1996 as follows.

Year (% of unretired)	Retirement	Projected Checks
1995 (~100%)	\$254,191	~\$196,000
1996 (~63%)	\$1,045,809	~\$806,000
Total	\$1,300,000	~\$1,002,000

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

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

Staff is requesting a motion to approve the payment and retirement of capital credits for the remainder of 1995 and a portion of 1996, as outlined above.

2021 Budget Report

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.

Curtailling 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.

DISCUSSION ITEMS

COVID-19 Update

Attached please find our revised COVID-19 package. Staff is continually improving the tracking methods and reporting systems to ensure timely indicators.

OPALCO and Rock Island have suspended any collection and disconnect activity since the beginning of March 2020 consistent with state and federal mandates. We are seeing ~300 members who we have not disconnected or charged penalties and are in the 90 days past due period of billing. The current A/R 90-day unpaid balance is ~\$66k and forecasted to more than double by year end. As we transition to the heating season in October, we expect to see higher unpaid balances.

As seen in the following charts and figures, we are seeing ~400 community members taking advantage of our assistance measures through EAP, EAP-C, and PAL (heating season October through April). Of this number, ~180 members are continuing to receive the EAP/EAP-C monthly assistance until the board approved funding has been exhausted.

All indicators lead staff to prepare for a worsening of our members' situations as unemployment and stimulus payments shrink or disappear. Local restaurants have announced extended closures this fall/winter, some businesses will close permanently, parents are facing a remote school year (at least the fall) and many will not be able to work.

Watching the different data points will enable to the OPALCO and Rock Island to make sound decisions 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.



OPALCO COVID-19 Update (Figures are reported from March 20th, 2020 to the date of transmittal, unless otherwise stated)

COVID Assistance

	# of Accounts	Amount (\$)	Board Approved Funding (\$)	Remaining Budget (\$)
Energy Assist (EAP-C) Commercial COVID	106	57,326	100,000	42,674
Energy Assist (EAP) Residential COVID	83	16,065	50,000	33,935
Extend Project PAL Benefits - COVID	131	15,000	15,000	0
Grand Total	296	88,391	165,000	76,609

Fee Assistance (Lost Revenue)

(Based on variance from collections comparing 2019 to 2020 for the period April 1st to Date)

Penalties	95,493
Reconnection Fess	14,112

Measures

Energy Assist (EAP-C) Commercial COVID
 Energy Assist (EAP) Residential COVID
 Extend Project PAL Benefits COVID
 Penalties
 Reconnection Fees

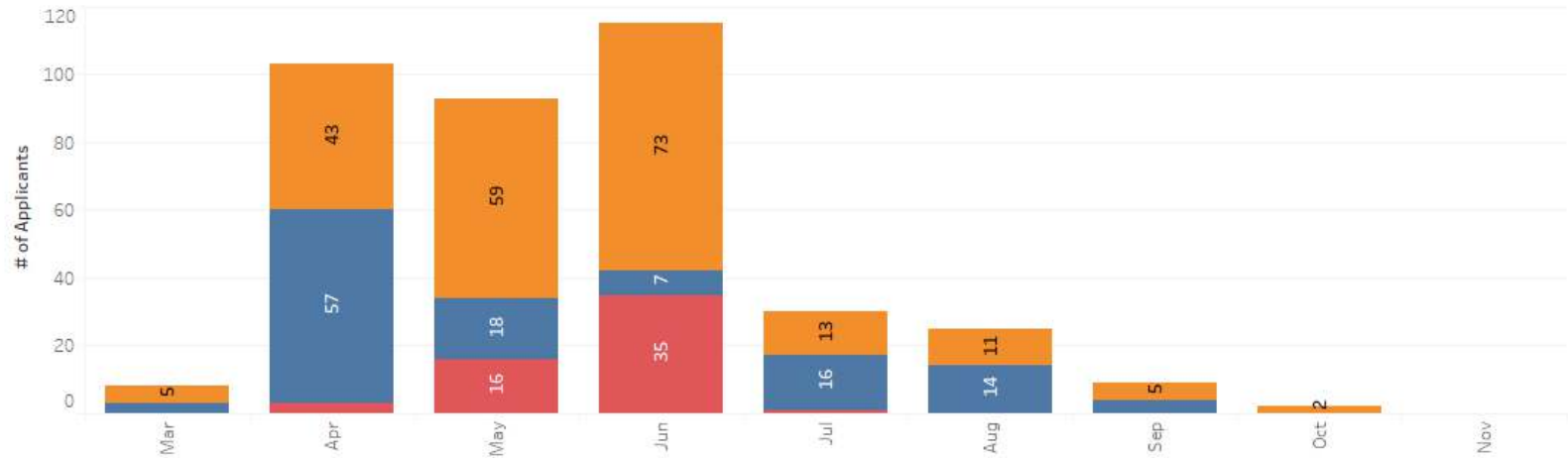
Benefit

\$67.57 per mo., based on number of number of meters on a commercial rate
 Assistance ranges from \$31.41 to \$61.41, based on number of permanent household occupants
 \$100
 Waiving of late penalties (Normal penalties are 5% of the total balance post-due date)
 Waiving of reconnect fees (Normal reconnect fee is \$50 per instance of reconnecting after a disconnect for non-payment)

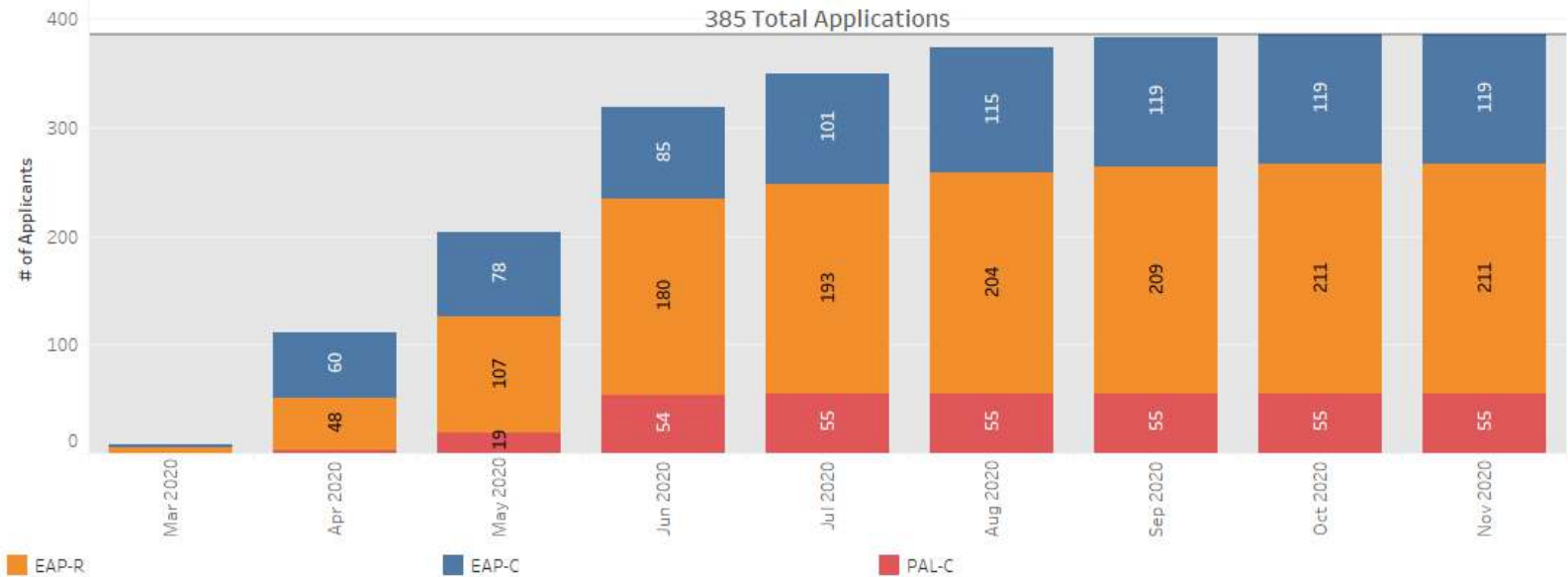
Member Donations to COVID-19 Relief Efforts

Staff will continue to communicate with members regarding the COVID-19 relief measures, including a request for donaitons. Staff continues to encourage members to donate to our PAL program.

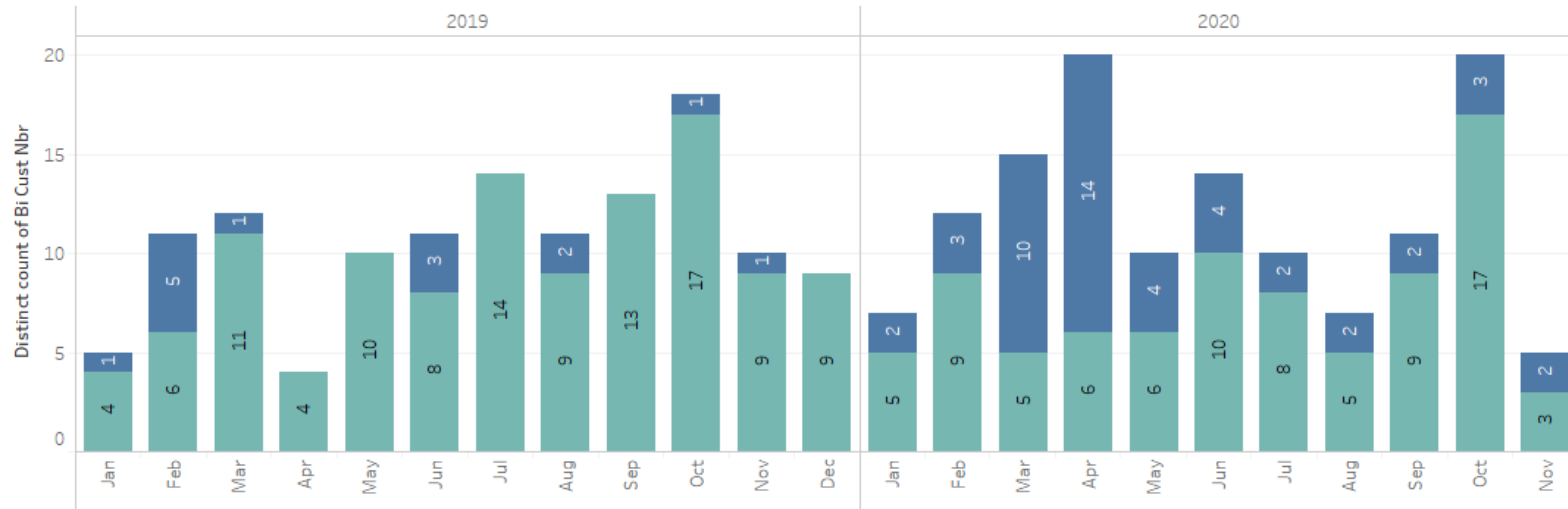
COVID-19 Assistance Applications



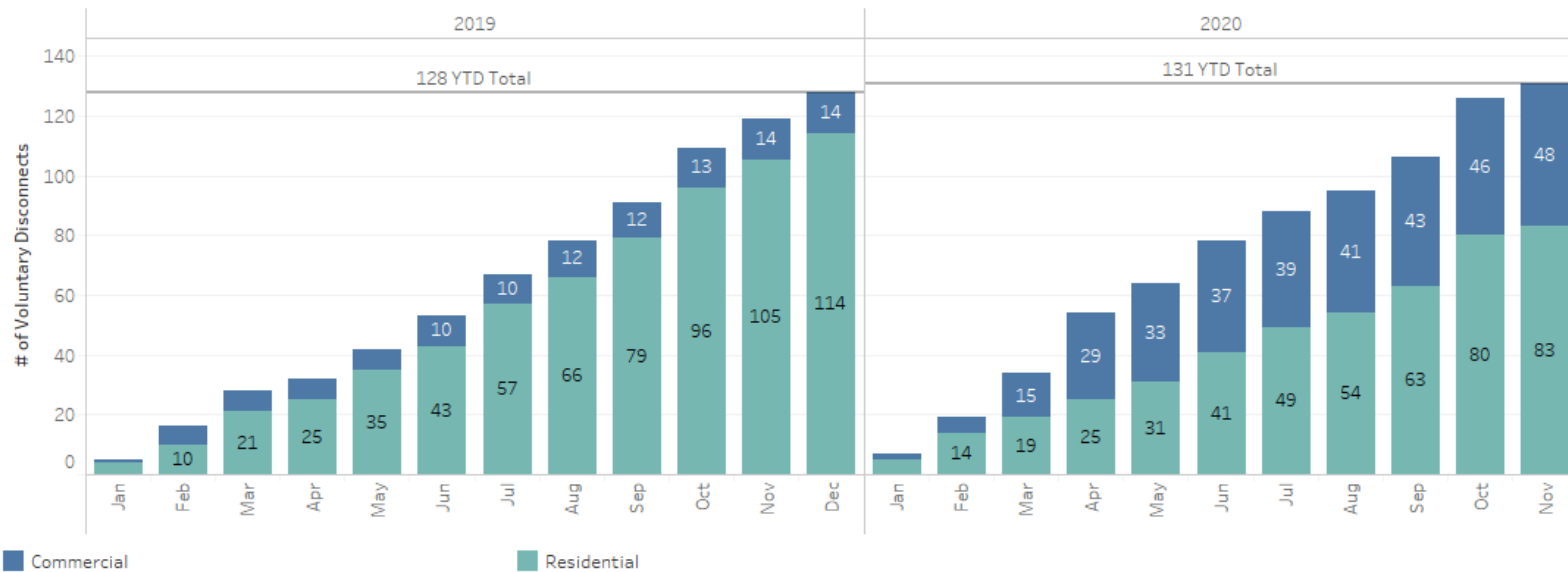
COVID-19 Assistance Applications Cumulative



Voluntary Disconnects (Meters)



Voluntary Disconnects Cumulative (Meters)





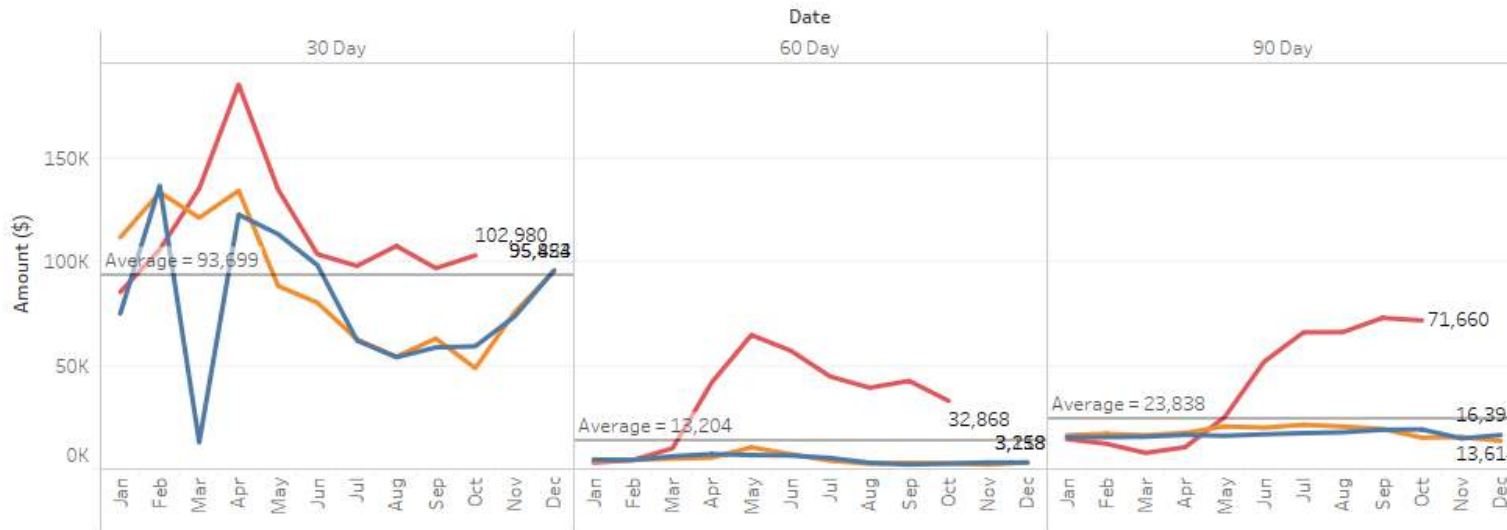
A/R 30-60-90

- 30-day A/R is trending slightly higher.
- 60-day A/R is notably higher and stabilizing.
- 90-day A/R notably higher and stabilizing.
- We are seeing a flow through into the 90-day with a notable uptick on the 90-day accounts receivable. The lower usage profiles of the summer will aid in moderating this yet will become dramatic in the late fall. At this stage staff feels this is manageable through the summer and will revisit at the Q3.

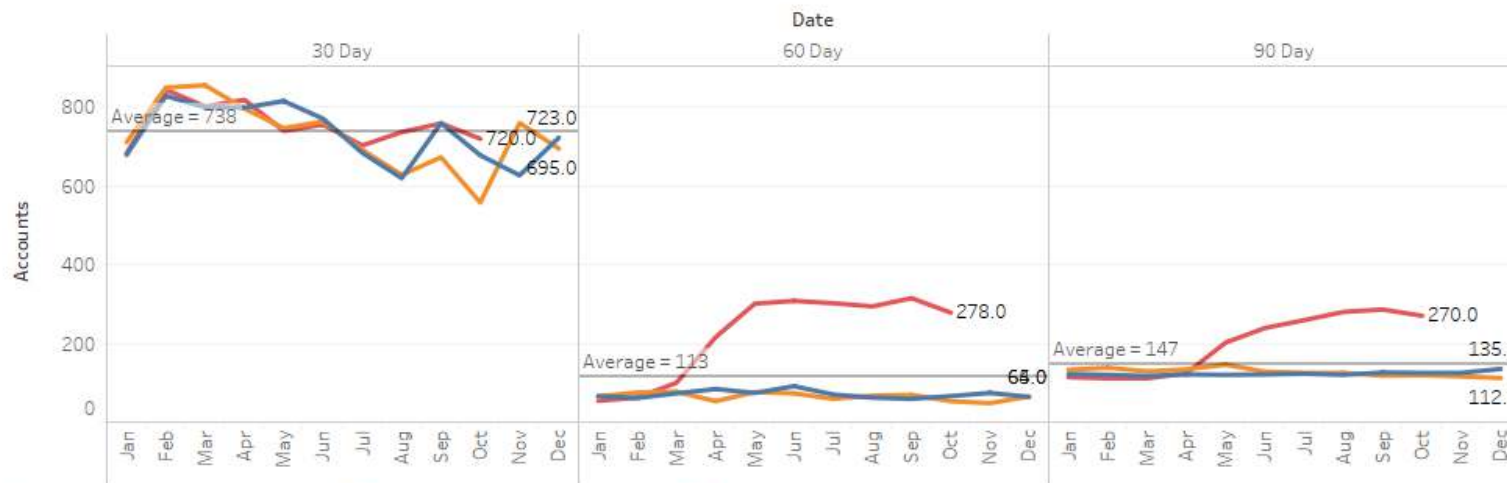
Long Term AR Comparisons

	30 Day		30 Day % Difference		60 Day		60 Day % Difference		90 Day		90 Day % Difference	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Jan	111,730	85,379	-23.58%		3,837	3,101	-19.18%		16,248	14,427	-11.21%	
Feb	133,447	105,886	-20.65%		4,511	4,333	-3.93%		16,995	12,166	-28.42%	
Mar	121,185	135,225	11.59%		4,962	9,976	101.04%		16,257	7,762	-52.25%	
Apr	134,240	185,370	38.09%		5,479	41,845	663.72%		17,451	10,546	-39.57%	
May	88,272	134,798	52.71%		10,457	64,616	517.89%		20,553	25,016	21.72%	
Jun	80,172	103,575	29.19%		7,126	57,091	701.17%		19,925	51,746	159.70%	
Jul	62,481	97,956	56.78%		4,004	44,576	1,013.19%		21,349	65,931	208.82%	
Aug	54,195	107,577	98.50%		2,543	39,191	1,441.27%		20,486	66,002	222.19%	
Sep	62,931	96,832	53.87%		3,010	42,513	1,312.28%		19,305	72,854	277.39%	
Oct	48,634	102,980	111.75%		2,725	32,868	1,106.30%		15,115	71,660	374.08%	
Nov	75,636				2,078				15,429			
Dec	95,454				3,218				13,614			

Long Term AR (\$)



Long Term AR (Count)



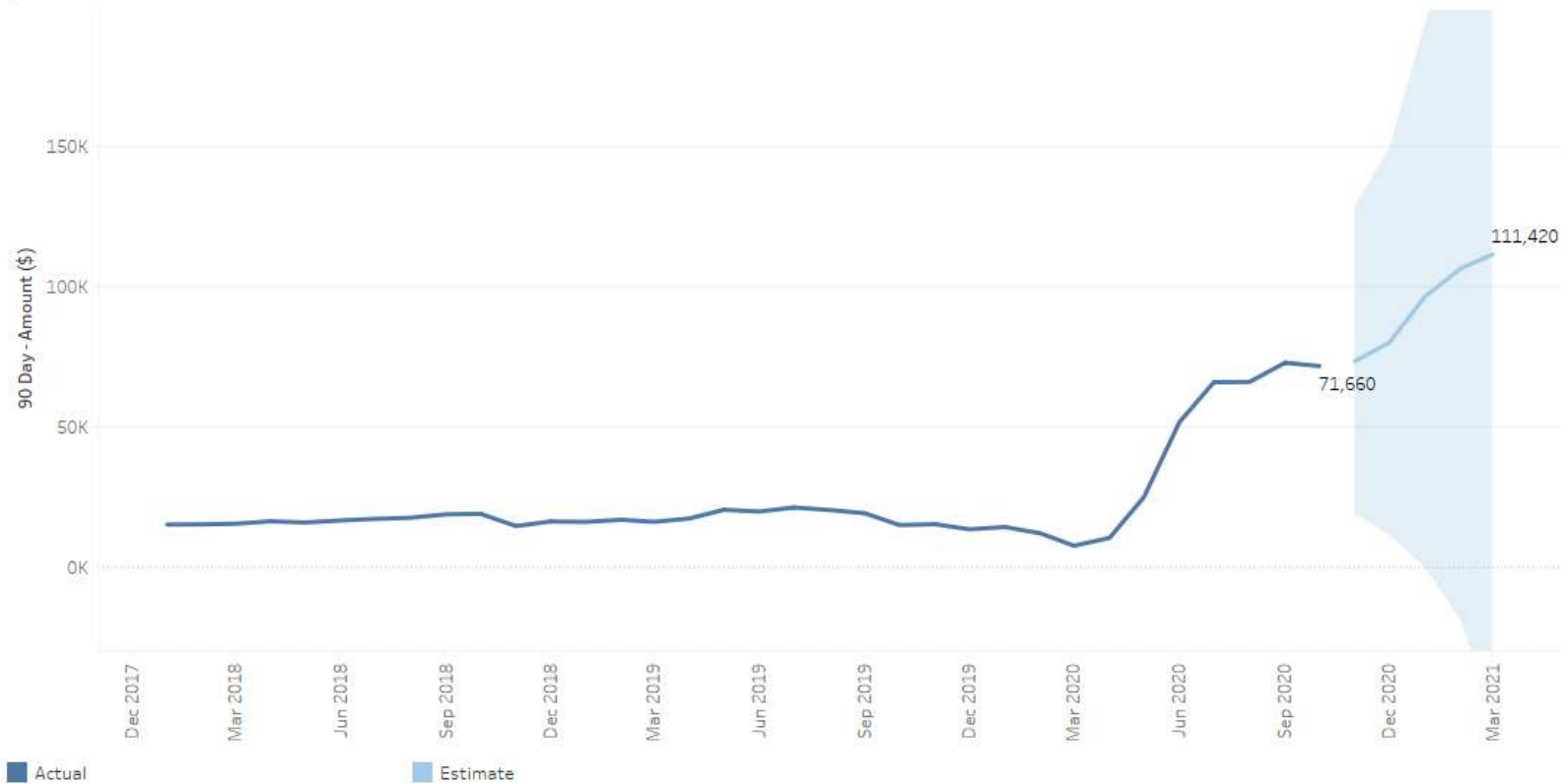
2018

2019

2020

AR - 90 Day with 5 month Forecast (\$)

As seen below, the August 90 day A/R plateaued from July to August. The forecast (seen in the light blue with a shaded prediction confidence bands) ratched down due to the plateau.



Forecast Details (All forecasts were computed using exponential smoothing.)

Forecast forward: 5 months (Nov 2020 - Mar 2021)

Forecast based on: Jan 2018 - Oct 2020

Initial Forecast Value: 73,440 \pm 54,621

Change From Initial: 37,980

Quality: Poor

Model Details

Level: Multiplicative

Trend: Additive

Quality Metrics

RMSE: 7,537

MAE: 3,626

MASE: 1.19

MAPE: 12.7%

AIC: 641

Smoothing Coefficients

Alpha: 0.500

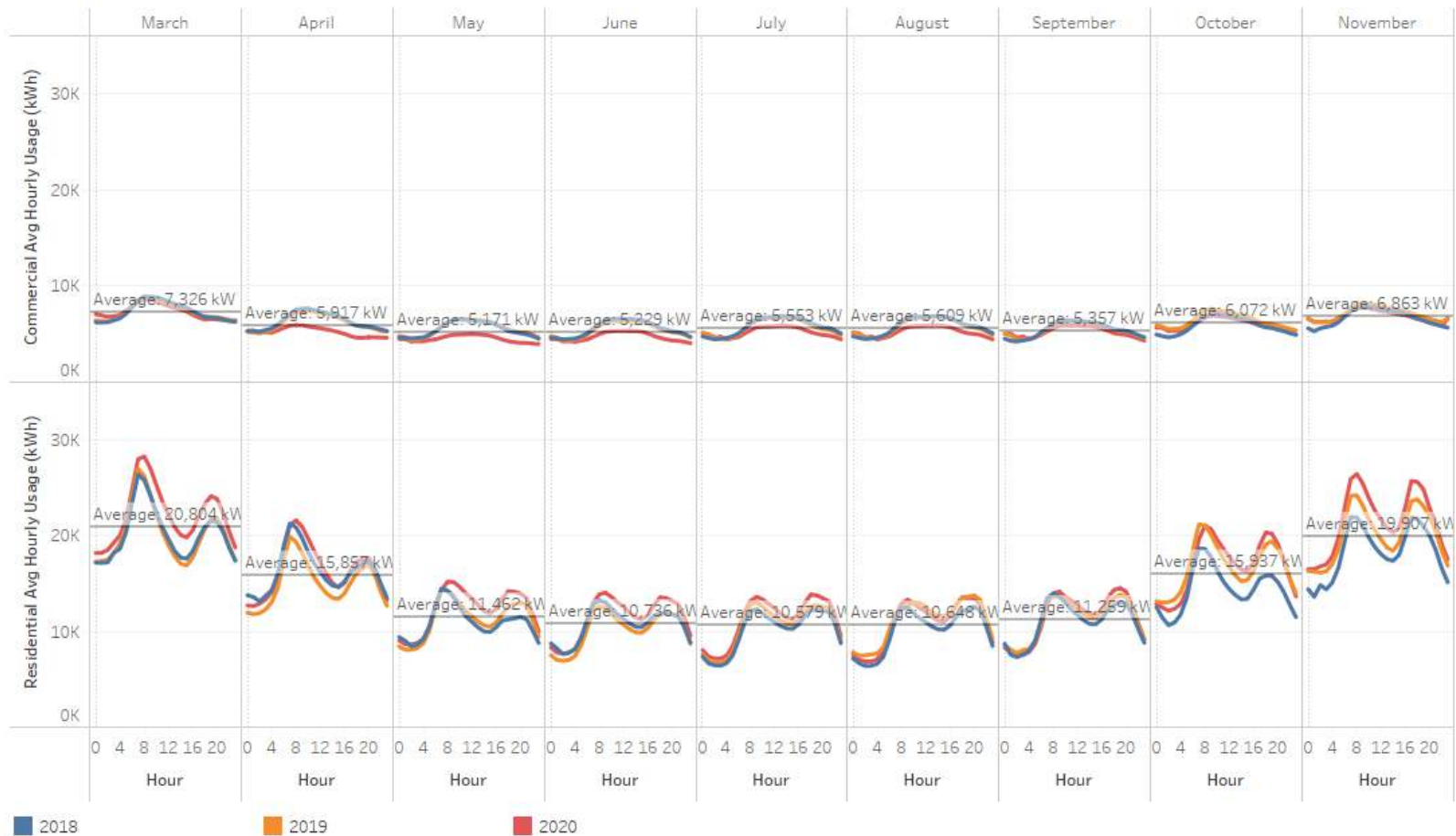
Beta: 0.482

Gamma: 0.040

Load Shape - Residential and Commercial

General:

- 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.
- Overall estimated decrease of 12% in commercial usage since April 1st.
- Overall estimated increase of 1% in residential usage since April 1st.
- Current reporting month is a partial data set.

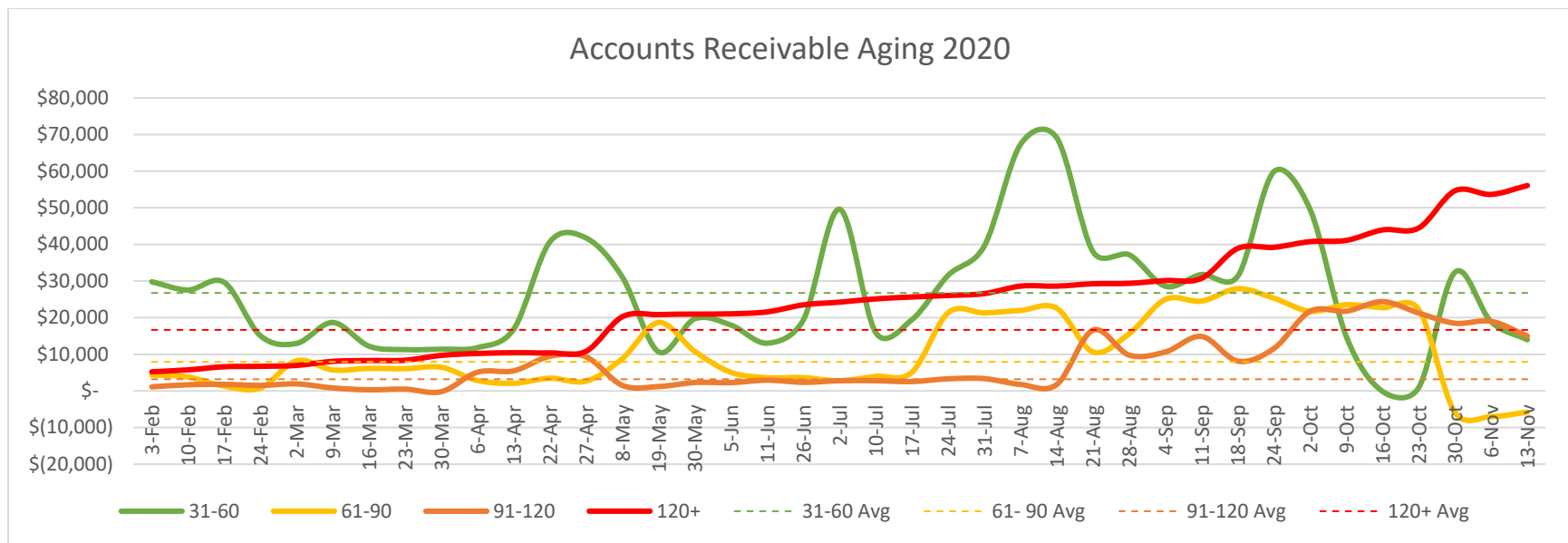


Next steps: Staff will continue to track closely the above data points as well as several more we are developing as the pandemic continues to show any impacts on the cooperative. We need to be patient as we continue to monitor this data to ensure we are making the best decisions for the co-op throughout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

Rock Island COVID-19 Update

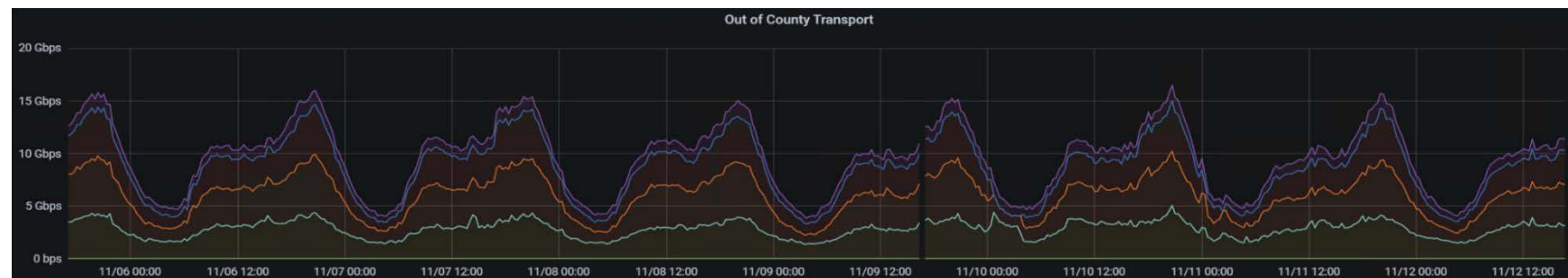
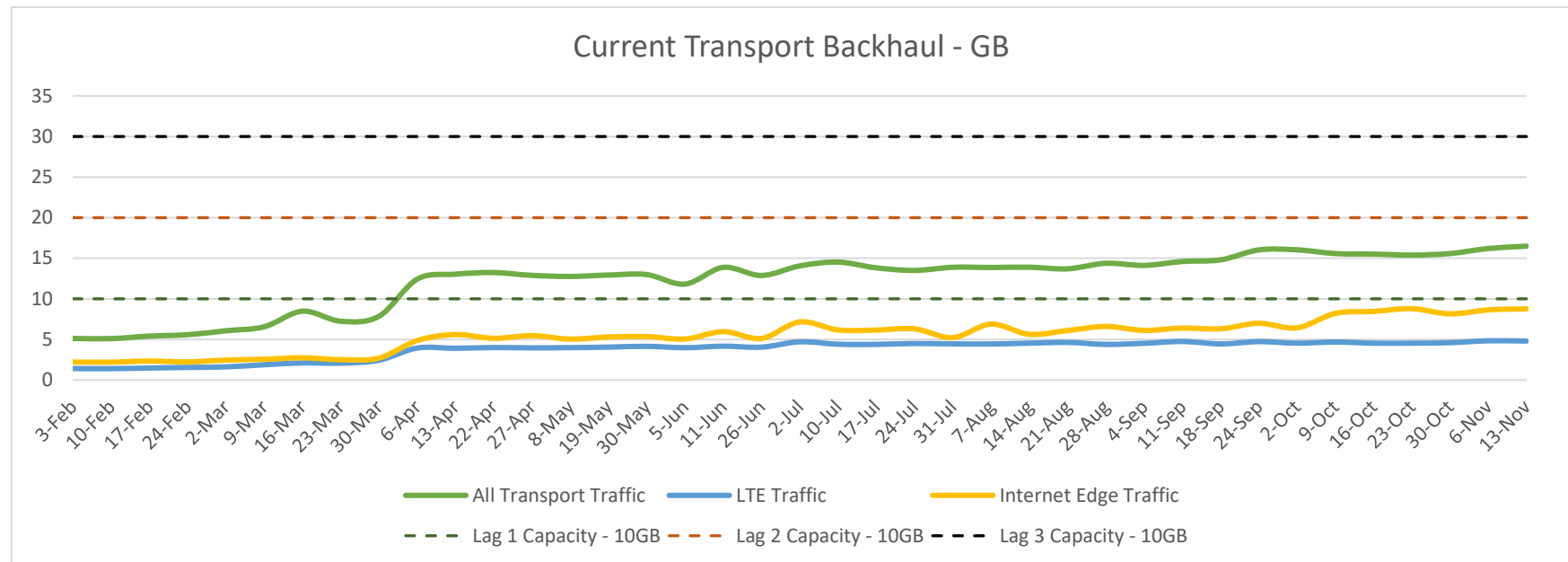
30-60-90 Accounts Receivable Trends

General trends continue with most accounts resolving in the past 23 weeks. Single business accounts still past due remain the driver for the 120+ category for aging.



Transport Network

Transport trends are consistent. However, we registered a new max peak for overall transport this last week at 16.49GB. It is noteworthy that this is occurring clear into early November.



REPORTS

2020 Third Quarter Financial Report

Please see attached the full 2020 third 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.

Third quarter financials remain healthy, despite reporting lower revenues than budgeted. Lower power costs and savings in operating expenses is partially offsetting lower revenues.

The impacts from COVID-19 began to influence kWh sales / revenue in March and continued through Q3. There are ~400 co-op members participating in assistance measures through EAP, EAP-C, and PAL (heating season October through April). All indicators lead staff to prepare for a worsening of our members' situations as unemployment and stimulus payments shrink or disappear. Local restaurants have announced extended closures this fall/winter, some businesses will close permanently, most parents are facing another remote school year and many will not be able to work. 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 of getting back to work, businesses reopened and OPALCO account balances caught up.

The energy charge adjustment (ECA) returned \$468k (\$300k in January based on December 2019 calculation) to the membership through Q3, which is the primary driver of the decreased sales of 2.4% or \$555k. The impact of COVID-19 on our commercial members through Q3 is also notable as commercial revenue was below budget by ~\$576k. All factors combined resulted in a decrease in the margin of \$261k as compared to budget.

Income Statement Summary (in thousands)		Q3 2020		
		Budget	Actual	Variance
Gross Revenue		\$ 23,793	\$ 23,800	\$ 7
ECA Surcharge / (Credit)**		-	(468)	(468)
Revenue		23,793	23,332	(461)
Expenses				
Cost of Power		7,056	6,943	(113)
Transmission & Distribution Expense		5,005	4,988	(17)
General & Administrative Expense		4,032	4,007	(25)
Depreciation, Tax, Interest & Other		6,404	6,358	(46)
Total Expenses		22,497	22,296	(201)
Margin		\$ 1,296	\$ 1,036	\$ (260)
TIER		1.87	1.69	(0.18)
HDD		858	870	12
kWh Purchases		156,880	156,987	107
kWh Sales		147,207	148,474	1,267

** The ECA returned \$468k to members in the form of bill credits in 2020

For more detail, please note the following key points:

- Through Q3, YTD Heating Degree Days (HDD) were up ~1.4% above normal budgeted levels (actual of 870 vs. budget of 858). Actual kWh sales were 1.3M kWh above budget (148.5M vs. budget of 147.2M). Budget assumptions were based on a trend of average temperatures for the region, with a Q4 2020 temperature probability of above average. The latest NOAA predictions are indicating a probability of higher temperatures in the region. Yet, NOAA ENSO (El Niño Southern Oscillation) is indicating a trend to a weak La Niña condition. Given OPALCO's sales are influenced by oceanic conditions, we may tilt toward a slightly cooler condition which may yield increased energy sales.
- Q3 YTD power purchases were down \$113k due to slightly lower cost/kWh purchased. Actual kWh purchases were 107k kWh above budget (157M vs. budget of 156.9M).
- Excluding purchased power, Q3 YTD operating expenses were approximately \$184k under budgeted amounts.
- The YTD ECA through September billing period was a credit to members (and reduction to operating revenue) of \$468,473, or \$16.11 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 COVID-19 pandemic uncertainties. OPALCO borrowed the 2020 budgeted amount of \$3.1M to ensure funding in case the pandemic impacts continued throughout the year. OPALCO borrowed an additional \$6.4M in restricted funding which was approved by the Board during the May meeting in order to take advantage of lower interest rates to save member funds in the future.
- As another measure to offset the economic uncertainty of the COVID-19 pandemic, OPALCO applied for and received late April ~\$1.79M as part of the CARES Act - Payroll Protection Program (PPP). The funds are currently included as part of other long-term debt, until an application for loan forgiveness is completed. Applying for the PPP was an act of precaution to protect the 50 jobs we provide in an atmosphere of uncertainty.
- Rock Island Communications Q3 Financials included in separate packet.

OPALCO 2020 Q3 Financial Package under separate cover.

General Manager

DASHBOARDS

Please review the dashboards at <https://www.opalco.com/dashboards>. Note that all the dashboards are within board approved strategic parameters.

Finance	Capital	Disconnects
Budget Variance	WIP	PAL
Cash	Expense	Energy Assist
Power Cost	Capital Projects	Community Solar
TIER/Margin	Purchased Power	Service Additions
Debt/Equity	Member Services	Member Generation



Revenue Dist. By Rate

Historical SAIDI - Graph

Outage Summary

Historical SAIDI - Figures

Outage Summary – Monthly

Outage Stats – Monthly

Outage Stats – Rolling 12 Mth

Outage

SAIDI by Category

ENGINEERING, OPERATIONS, AND INFORMATION TECHNOLOGIES

WIP

As of October 8, 2020, there are 416 work orders open totaling \$6.8M. Decatur Energy Storage System is \$1.63M of the balance. Operations has completed construction on 126 work orders, totaling \$1.3M.

Safety

John Spain of Northwest Safety Service conducted First Aid training for all staff via Zoom and in person in multiple districts. The total current hours worked without a loss time accident: 46,968 hours.

Grid Modernization Projects

- Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization (~\$1M Grant) – Commissioning has been completed. The contractor will handoff the system once training is complete. Training has been delayed due to weather and is scheduled for the week of Nov. 16th. The contractor is currently updating the control system for “Black Start” mode, which is scheduled for end of Jan. 2021, yet this does not affect testing and analysis from Pacific Northwest National Laboratory (PNNL). PNNL is scheduled to begin testing and analysis once the contractor commissioning and training is complete. Once commissioning has been completed, we will be reaching out to first responder community for training.
- Microgrid – WA DOC CEF3 Grid Modernization (Grant \$ Amount TBD) – WA DOC and OPALCO have executed the CEF3 contract. OPALCO staff is working on scoping and execution of an owners engineering contract. This contract will aid in the 10% design and integration specification of the solar system which will be interconnected on site with this battery system.

FINANCE

2020 Budget Tracking

Energy (kWh) purchases & sales were slightly higher than budgeted through October 2020. Overall, gross revenue, cost of power and even HDD and kWh purchases/sales have tracked relatively closely to budget, reduced by the net ECA credit for the year.

Income Statement Summary (in thousands)	October YTD 2020		
	Budget	Actual	Variance
Gross Revenue	\$ 26,229	\$ 26,276	\$ 47
ECA Surcharge / (Credit)*	-	(415)	(415)
Revenue	26,229	25,861	(368)
Expenses			
Cost of Power**	7,772	7,772	-
Revenue (net of Power Cost)	18,457	18,089	(368)
HDD	908	941	33
kWh Purchases	172,780	175,569	2,789
kWh Sales	162,127	163,559	1,432

*The ECA has returned \$415k to members in the form of bill credits in 2020

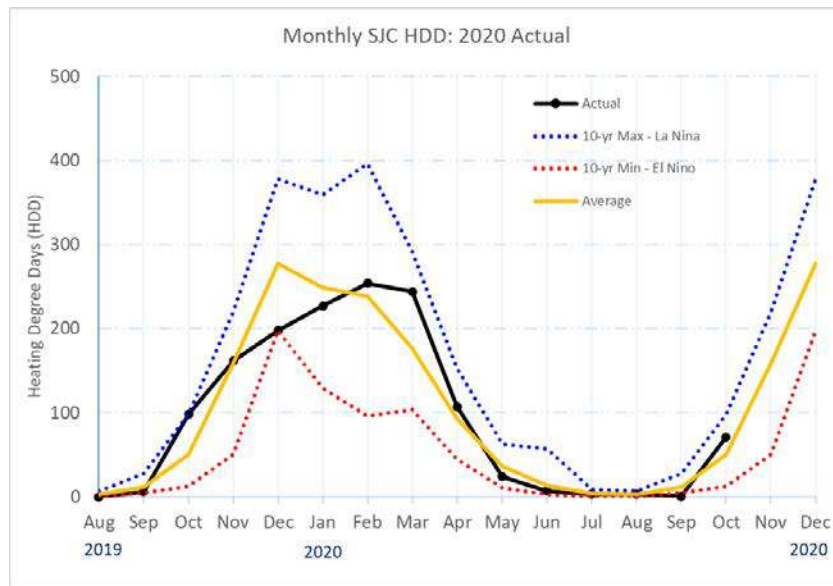
**Due to a large demand charge in October, the cost of power has increased and now is right in line with the budget.

Monthly ECA

The calculated amount for the October ECA was a bill surcharge of \$.003594 per kWh which collected \$53,007 from members, or \$3.59 per 1,000 kWh. Through October 2020, the ECA has returned \$415k to members. The October billing period ECA was calculated to be a bill charge of approximately .006994 based on the October power bill from PNGC.

Heating Degree Days (HDD)

Last winter's HDD's were volatile as compared to historical averages. For 2020, Q1 HDD settled just around the 10-year average except for March which was much colder than its historical average. Q2 and Q3 have settled back to around the historic average.

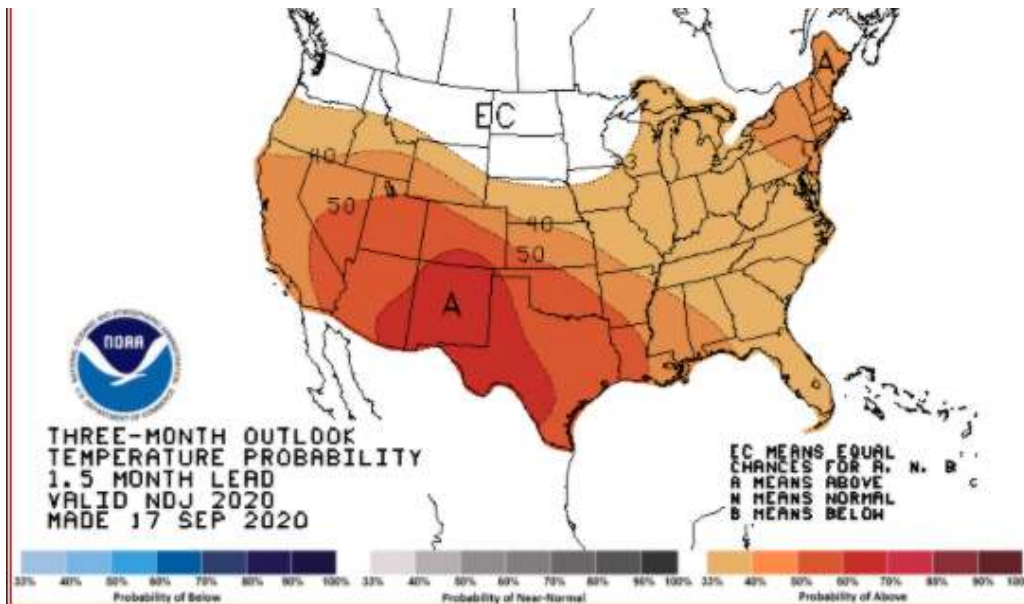


*10-year max, min, avg is 2009-2019

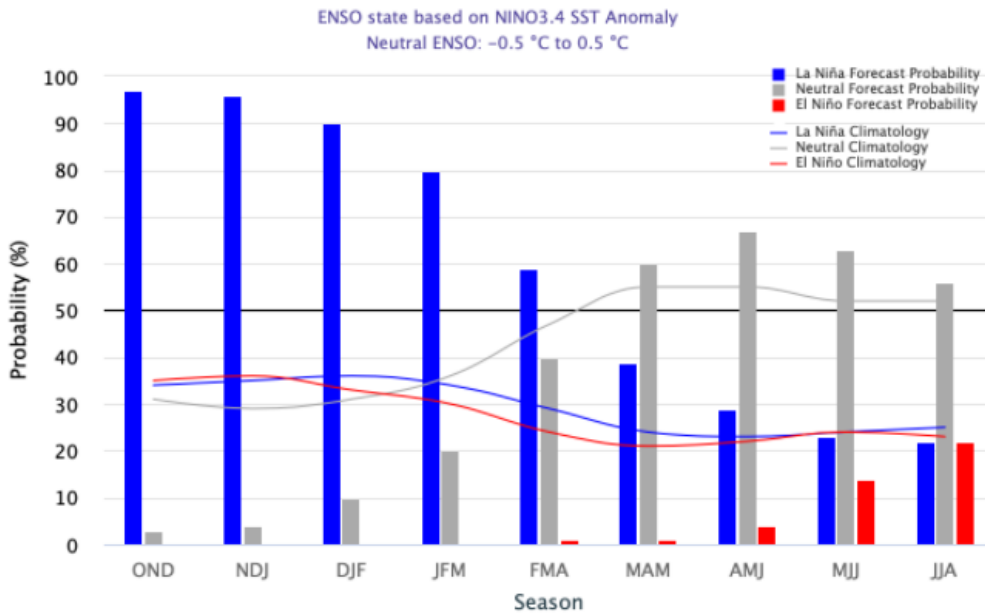
Weather Forecast

We budgeted year end 2020 to have above average temperatures for the region, with a Q4 2020 with a temperature probability of above average. The latest NOAA predictions are indicating a probability of higher La Niña temperature condition in the region, which will be reflected in our year-end projections for 2020. The trend to a La Niña condition appears to be present and will likely continue through the Northern Hemisphere this winter (~80% chance). Given OPALCO's sales influence by oceanic conditions, we may tilt toward a slightly cooler condition which may yield increased energy consumption.

2020-2021 Nov-Dec-Jan Outlook



Mid-October 2020 IRI/CPC Model-Based Probabilistic ENSO Forecasts



Source: NOAA National Weather Service

MEMBER SERVICES

Energy Assistance

EAP: During October 2020, 367 members received ~\$13.6k from the low-income Energy Assist program, compared to 332 members receiving \$~11.4k in October 2019. Staff is receiving applications for the PAL program and is working with the district Community/Family Resource Centers for application administration. LIHEAP applications are also being taken at each Resource Center.

Switch it Up!

There are now 134 projects complete and billing for a total of \$1.096M outstanding. There are another 45 projects in various stages of the process. Some projects have been delayed as residential contractors have been limited by COVID-19.

Energy Savings

In October 2020, there were 42 rebates paid to members totaling ~\$32.3k. This includes 12 fuel switching ductless heat pumps and EV charging station rebates totaling \$14k.

Solar Interconnects

There have been six new solar interconnect applications submitted, and 11 members interconnected in October 2020. There are an additional 10 applications pending interconnection.

Community Solar

During the August 2020 billing cycles, the [Decatur Community Solar](#) array produced 65,600 kWh, and 10 kWh per solar unit was credited to member participants. A total of ~\$3,376 was distributed to 257 accounts, including an additional ~\$454 for the PAL and Energy Assist programs.

WA State Renewable Incentives

Every year, interconnected members with distributed energy resources (DERs) can participate in programs through the State of WA to offset the cost of installing the DERs. This year 261 members received a total of \$300,051.79, including \$81,830.40 for 273 Community Solar participants. Of that amount, \$8,390.05 was contributed to the PAL and Energy Assist programs. If the incentive was less than \$500.00 it was posted directly to the active OPALCO account, and if it was more, members received a check.

COMMUNICATIONS

Co-op Month

October was National Co-op Month! Each week, OPALCO shared stories about members who are living the Electric Life. Member feedback was good – and the members who were profiled report lots of positive feedback from their friends and neighbors, lots of opportunities to further share their experience and promote OPALCO programs. Read the four Co-op Month member stories on our blog: <https://energysavings.opalco.com/electric-life-blog/> and stay tuned as we continue highlighting members each month in our newsletter.

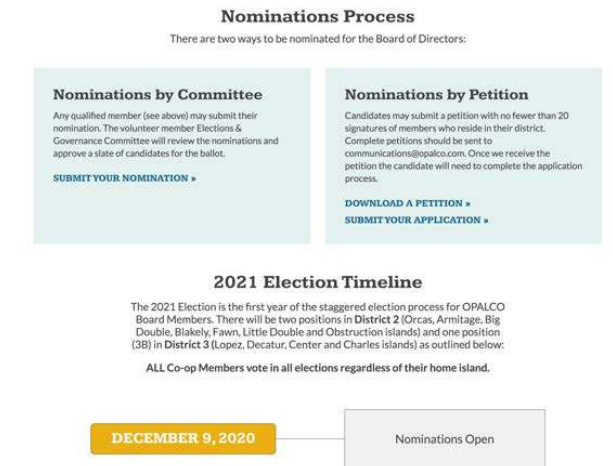


Annual Meeting and Election 2021

The Elections & Governance Committee has met twice this fall to review the process and are moving forward to identify potential member candidates. The nominations process opens up December 9th and application to the committee are due January 27th. The Why Run page at www.opalco.com/whyrun includes information on the nominations process, timelines and benefits of board service.

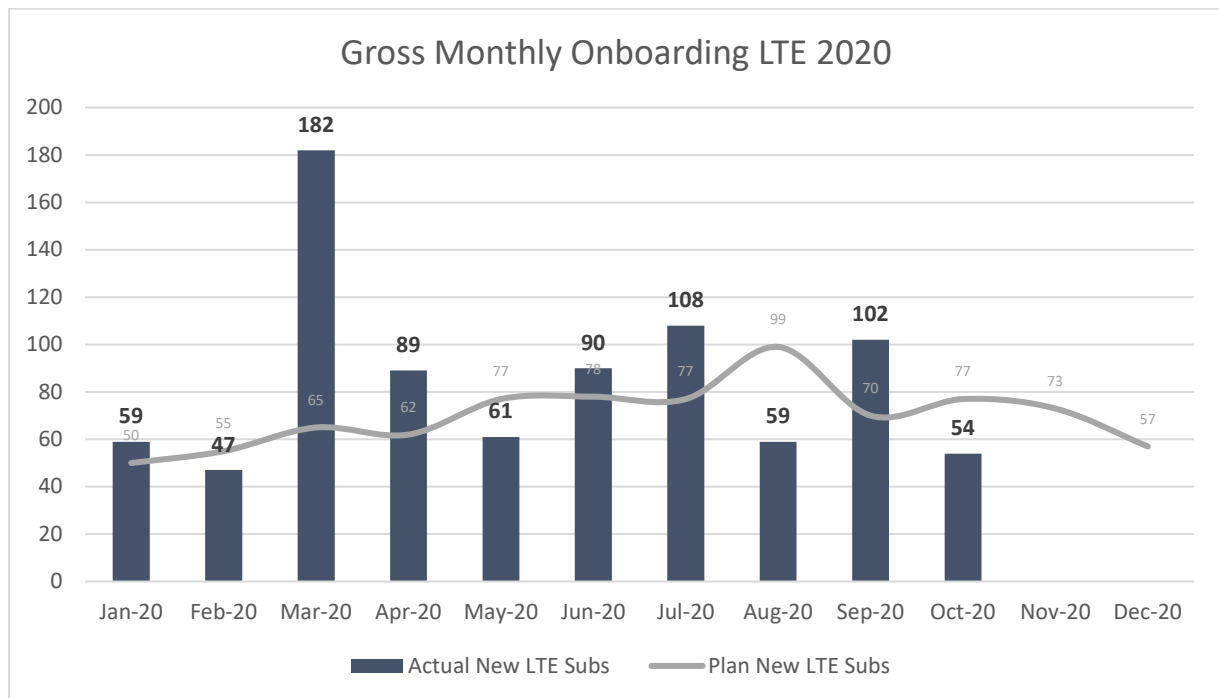
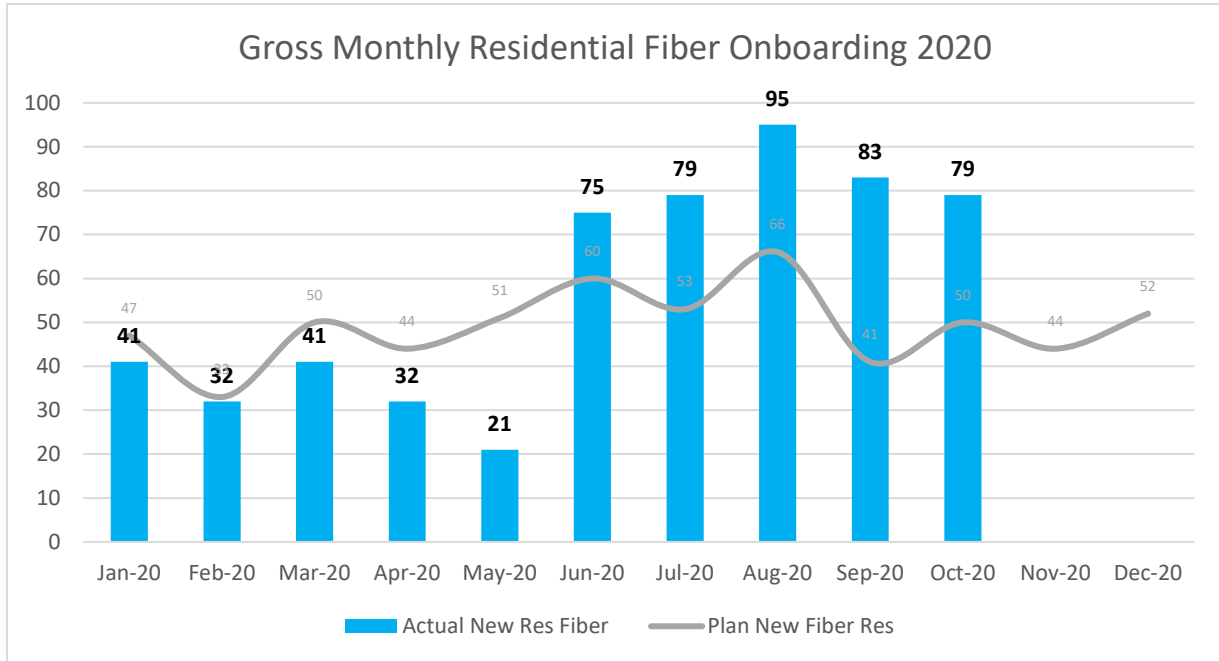
Web Updates

Several updates to the website continue to improve user experience including a feature on the mobile site to encourage users to download the SmartHub app, a pop-up window that has key messages, and a new page (mentioned above) explaining the election nominations process.

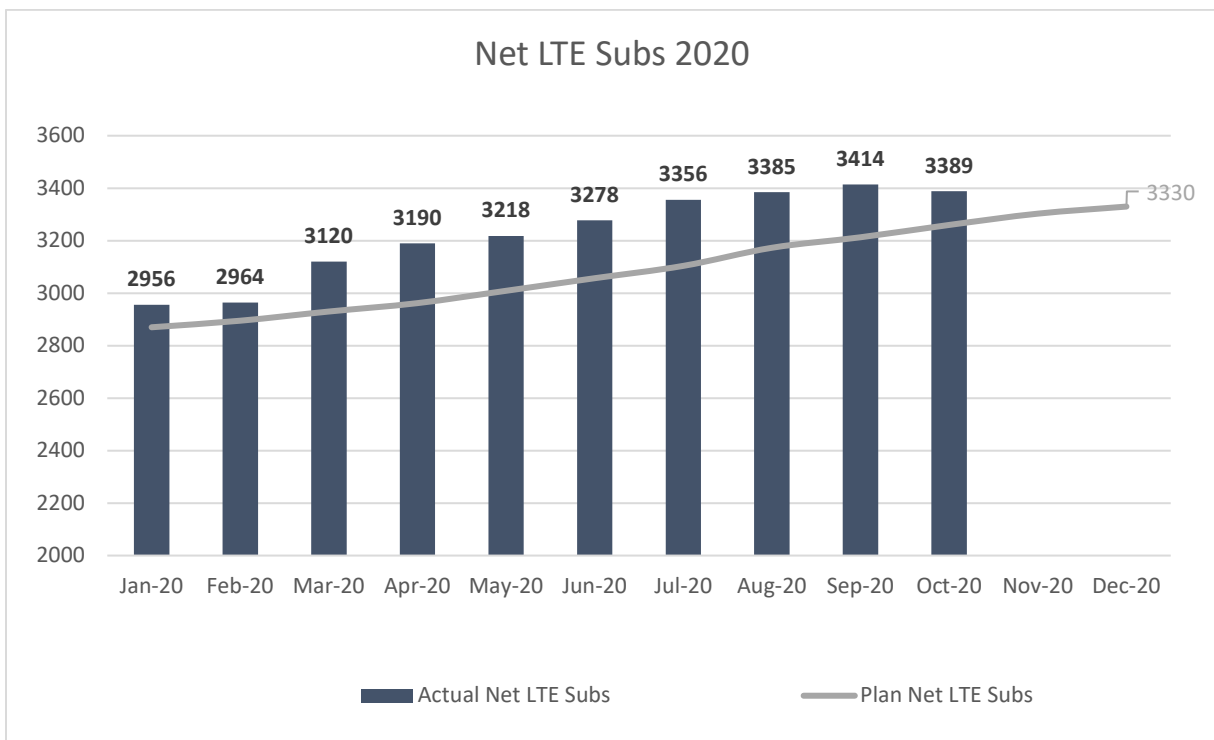
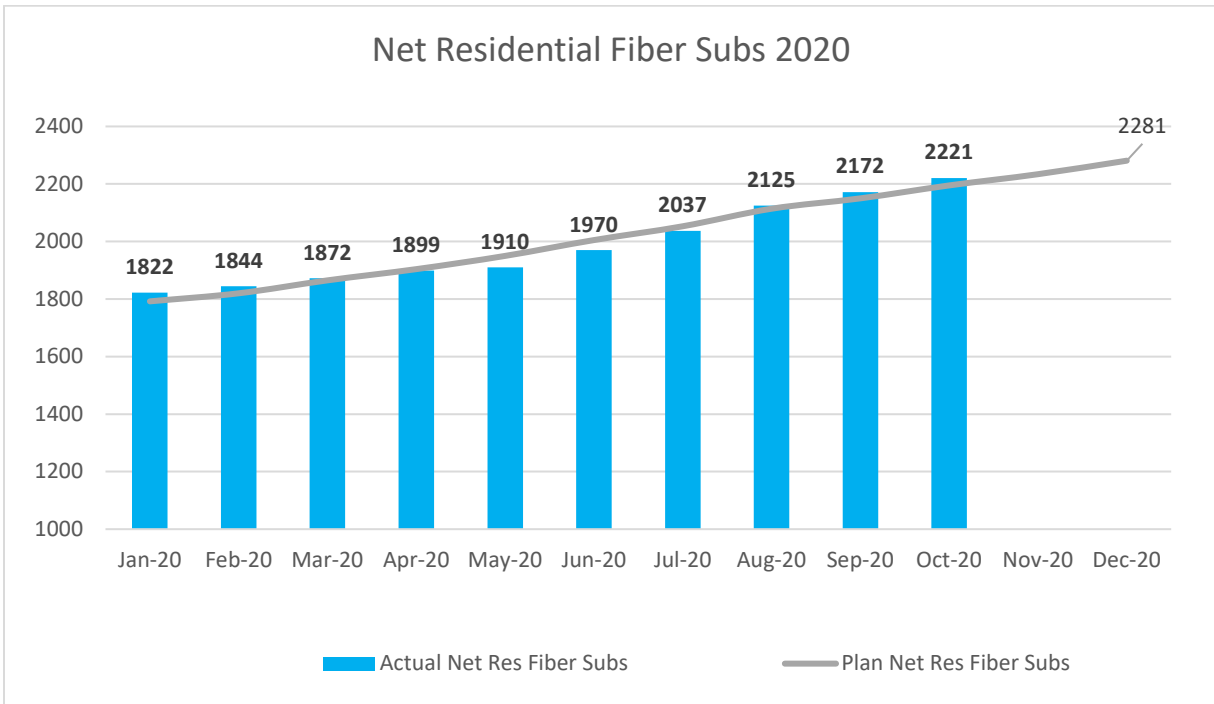


Rock Island Snapshot

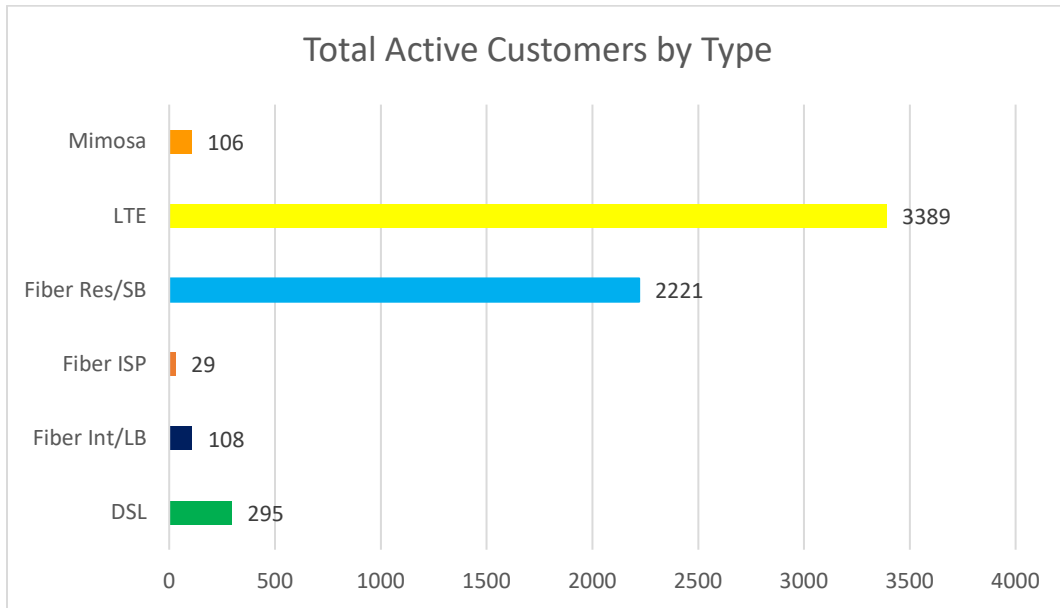
Gross Subscriber Onboarding 2020



Net Subscribers 2020



Active Customers as of Nov 1st, 2020



Total

6,148