

Board of Directors Regular Meeting

Thursday, December 17, 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

December 17, 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.

Agenda

ACTION ITEMS.....	3
Consent Agenda	3
Subsidiary Action (Rock Island Communications) Resolution 7-2020 - Authorize CoBank Loan Guarantee Increase	9
OPALCO Policy 5 - Investment of OPALCO Funds	11
DISCUSSION ITEMS.....	13
Rate Review – Solar.....	13
Energy Charge Adjustment (ECA).....	14
Flexible Billing and Collections.....	14
COVID-19 Update.....	15
REPORTS.....	27
General Manager	27
Rock Island Snapshot	33
EXECUTIVE SESSION (if required) 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 – November 2020

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

1. 115 GRIFFIN VIEW, LLC
2. ALTHOFF, RODGER
3. ASHE, ERIN
4. BALLARD, KIP
5. BARHAM, NEILL
6. BROWN, EDWARD & BROWN, SUSAN
7. BUSSEY MC HENRY, KATHERINE
8. CHURCH, ALLISON
9. COOPER, YAIM
10. CRANE VACATIONS, LLC
11. EBERHARD, KARL
12. EDWARDS, VICTORIA & RUDD, PAUL
13. FROHM, AARON
14. GENESTE, PAUL & GENESTE, MAUREEN
15. GENTILHOMME, ALAIN & GENTILHOMME, ANNE
16. GRAHAM, ALICE & GRAHAM, OLIVIA
17. GRIFFIN, SCOTT
18. HARGROVE, HALLIE
19. HARVEY, SANDRA & GARDNER, BENJAMIN
20. KROLL, OMEED & KROLL, JONATHAN
21. LEE, ROBERT
22. LEHMAN, DENNIS & LEHMAN, MARSHA

23. MARTINEZ, OSCAR
24. MCGOWAN, LOUISE
25. MEANS, TANIA & WONG, MARK
26. MORALES, MONICA
27. MOUNTAINTIME LLC
28. MUNAY-KI INC
29. NAPIER, ALEXANDRA
30. OCHOA, EDGAR & GARCIA, MARIA
31. OFFNER, ROBIN
32. PAULSON, RYLIE
33. RACHWITZ, KATHRYN & RACHWITZ, JEFFREY
34. RICHARDSON, JAMES
35. SILVA - MARTINEZ, MIGUEL
36. TORRES, JENNIFER & TORRES, AL
37. WALTON, JONATHAN & SUTLIFF, STACIE
38. WHITE, ROBIN & BENNETT, LISA
39. WINGTYME II LLC

District 2 (Orcas Armitage, Blakely, Obstruction, Double, Alegria, Fawn)

40. ARTHUR, DEBORAH
41. ASSAF, ALEXANDER & ASSAF, ALEXANDRA
42. BRYAN, KENDALL
43. BURKE, MARIA & BURKE, WILLIAM



- 44. CARSON, JAMES
- 45. CHANDLER, CHRISTOPHER
- 46. CLAIR, STEPHANIE
- 47. FAMILY TREE CHIRO, PRATIC
- 48. FRANK-SHARPE, REGINA
- 49. GOOD NEIGHBOR PRO, DUCTIONS
- 50. GORDON, ERIC
- 51. HERZOG, JESSE
- 52. HEUER, JONATHAN & LIU, JEAN
- 53. JONES, CLAIRE & JAFFRAY, ANDREW
- 54. MAYER, WESLEY & KLUCKOW, JAMIE
- 55. MCGINNIS, KALIE
- 56. MCMANUS, DENNIS & MCMANUS, ELIZABETH
- 57. MEHL, JOAN
- 58. MORO, ANASTASIA & COPPEDGE, ROBERT
- 59. OSGOOD, MARGARET
- 60. PEARSONS, EMMETT
- 61. PREGULMAN, ROBERT
- 62. RACICOT, LAURIE
- 63. ROULAC, JOHN

- 64. RUPP, TOM & VALENZUELA, BRUCE
- 65. SCHROCK, MEGHAN
- 66. SIEVERS, LINDA & BEARD, CHRIS
- 67. SMITH, KAITLYN & HELLFRITSCH, SEAN
- 68. SQUID INK LLC
- 69. THOMPSON, JOHN

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

- 70. BREINER, SHARON
- 71. BULLITT, JILL & BULLITT-RIGSBEE, MAKAIYA
- 72. DILLINGHAM, SAMANTHA
- 73. HARDEN, MICHELLE
- 74. MARSHALL, JANE
- 75. O'BRYANT, SHAWN
- 76. OLSON, SAMANTHA
- 77. SIMON, RANDY & MEIER, JONATHAN
- 78. THOMAS FRAGNOLI HOLDINGS LLC

District 4 (Shaw, Crane, Canoe, Bell)

- 79. NEWMAN, LINDA
- 80. RICHARDS, WILLIAM & TEGUE, KELCY

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

December	
Customer #	Amount
94229	55.48
84290	425.42
30490	590.71
34960	1,271.03
64022	1,168.68
Total	\$ 3,511.32

- RUS 219s Inventory of Work Orders of projects completed from the Construction Work Plan. These forms are submitted to RUS for approval of loan funds.

Inventory	Amount	Description
202009	\$156,502.83	Transclosure and URD Replacements
AS2009	77,397.08	Minor Projects – SJC West Beach Culvert Replacement
202010	33,236.30	Friday Harbor URD Facilities and Transclosure Replacements
Total	\$267,136.21	

Staff requests a motion to approve the Consent Agenda.



Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting

Tuesday, November 24, 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; Head Accountant Travis Neal 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. Reviewed today's agenda, Covid relief programs, Capital Credits, Awareness campaign and the future Community Solar campaign on San Juan Island.

Regular Session – 8:45 a.m.

Consent Agenda

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

Member Services Policy 11 – *Capital Credits*

Changes to the current policy allowing members to voluntarily assign their capital credits to specific programs and streamline the process were reviewed and discussed.

- **MOTION** was made to approve the changes as outlined to Policy 11. Seconded and passed by voice vote.

Special Retirement to Uncollectible Accounts

Staff recommended the board 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 Report.

- **MOTION** was made to approve. Seconded and passed by voice vote.

General Retirement

Staff requested funding the general retirement of capital credits for the remainder of 1995 and a portion of 1996.

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

Third Quarter Financial Report

The General Manager reviewed the third quarter financial report with the Directors.

GM Report

The GM reviewed this report and the Dashboards located on OPALCO's website.

2021 Budget

GM reviewed the 2021 budget.

Break 11:20 a.m. Resume and into Executive Session at 11:30 a.m.

Regular Session 12:27 p.m.

- **MOTION** was made to approve the 2021 budget as proposed by staff with the understanding that a mid-year rate increase may be required for financial stability and explore amending the Energy Charge Adjustment to include a variable weather component.
Seconded and approved by unanimous voice vote.

Vince Dauciunas, President

Brian Silverstein, Secretary/Treasurer



Orcas Power & Light Cooperative

Revision: 106998

10/13/2020 2:03:10 pm	RUS Form 219 Inventory Of Work Orders	Page: 3
Period: SEP 2020 System Designation: WA O9		
Preliminary 202009		

Inventory: 202009

Project	Loan	Year	Work Order		Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
			Construction (1)	Retirement (2)		Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
601		2018	3458	3458	1	16,966.13	0.00	0.00	0.00	0.00	16,792.20
601		2018	3470	3470	1	3,950.50	0.00	0.00	AFUDC: 173.93	0.00	3,925.87
						20,925.63	0.00	0.00	AFUDC: 33.63	0.00	20,718.07
606		2018	2742	2742	1	132,654.58	6,358.98	174.61	0.00	0.00	135,784.76
						132,654.58	6,358.98	174.61	AFUDC: 3,054.19	0.00	135,784.76
Grand Totals:						\$ 153,580.21	\$ 6,358.98	\$ 174.61	\$ 0.00	\$ 0.00	\$ 156,502.83

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Orcas Power & Light Cooperative

Revision: 106998

10/13/2020 2:03:10 pm	RUS Form 219 Inventory Of Work Orders	Page: 6
Period: SEP 2020 System Designation: WA O9		
Preliminary 202009		

Inventory: 202009

Budget	Loan	Project	Amount
1	601		20,718.07
1	606		135,784.76
Total:			156,502.83

BORROWER CERTIFICATION	
WE CERTIFY THAT THE COSTS OF CONSTRUCTION SHOWN ARE THE ACTUAL COSTS AND ARE REFLECTED IN THE GENERAL ACCOUNTING RECORDS. WE FURTHER CERTIFY THAT FUNDS REPRESENTED BY ADVANCES REQUESTED HAVE BEEN EXPENDED IN ACCORDANCE WITH THE PURPOSES ON THE LOAN, THE PROVISIONS OF THE LOAN CONTRACT AND MORTGAGE, RUS BULLETINS, AND THE CODE OF FEDERAL REGULATIONS RELATIVE TO THE ADVANCE OF FUNDS FOR WORK ORDER PURPOSES. WE CERTIFY THAT NO FUNDS ARE BEING REQUESTED FOR REIMBURSEMENT OF CONSTRUCTION WORK IN A CBRA AREA.	
SIGNATURE (MANAGER)	DATE
SIGNATURE (BOARD APPROVAL)	DATE
ENGINEERING CERTIFICATION	
I HEREBY CERTIFY THAT SUFFICIENT INSPECTION HAS BEEN MADE OF THE CONSTRUCTION REPORTED BY THIS INVENTORY TO GIVE ME REASONABLE ASSURANCE THAT THE CONSTRUCTION COMPLIES WITH APPLICABLE SPECIFICATIONS AND STANDARDS AND MEETS APPROPRIATE CODE REQUIREMENTS AS TO STRENGTH AND SAFETY. THIS CERTIFICATION IS IN ACCORDANCE WITH ACCEPTABLE ENGINEERING PRACTICE.	
INSPECTION PERFORMED BY	FIRM
LICENSE NUMBER	DATE
SIGNATURE OF LICENSED ENGINEER	

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Orcas Power & Light Cooperative

Revision: 106998

10/13/2020 2:03:10 pm

RUS Form 219 Inventory Of Work Orders
Period: SEP 2020 System Designation: WA O9
Preliminary 202009

Page: 4

Inventory: AS2009

Project	Loan	Year	Work Order		Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
			Construction (1)	Retirement (2)		Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
1600		2018 3209	3209		1	85,708.59	3,362.42	-1.03	0.00	9,898.89	77,397.08
						85,708.59	3,362.42	-1.03	0.00	9,898.89	77,397.08
Grand Totals						\$ 85,708.59	\$ 3,362.42	\$ -1.03	\$ 0.00	\$ 9,898.89	\$ 77,397.08

Minor Construction Work Orders

Work Order: 3209 - REMOVE & REINSTALL 3-PH DIST, SINGLE TAP & FIBER TO SUPPORT SIC PUBLIC WKS PROJECT

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Orcas Power & Light Cooperative

Revision: 106998

10/13/2020 2:03:10 pm

RUS Form 219 Inventory Of Work Orders
Period: SEP 2020 System Designation: WA O9
Preliminary 202009

Page: 7

Inventory: AS2009

Budget	Loan	Project	Amount
	1	1600	77,397.08
Total:			77,397.08

ENVIRONMENTAL CERTIFICATION

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

SIGNATURE (MANAGER)

DATE

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

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

INSPECTION PERFORMED BY

FIRM

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

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Orcas Power & Light Cooperative

Revision: 106998

11/19/2020 3:16:02 pm

RUS Form 219 Inventory Of Work Orders
Period: OCT 2020 System Designation: WA O9

Page: 2

Inventory: 202010

Project	Year	Work Order		Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
		Construction (1)	Retirement (2)		Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
338	2018 3280		3280	1	21,933.95	390.17	0.00	0.00	0.00	22,194.03
								AFUDC: 130.09		
					21,933.95	390.17	0.00	0.00	0.00	22,194.03
601	2018 3472		3472	1	10,039.67	1,040.79	0.00	0.00	0.00	11,042.27
								AFUDC: 38.19		
					10,039.67	1,040.79	0.00	0.00	0.00	11,042.27
Grand Totals:					\$ 31,973.62	\$ 1,430.96	\$ 0.00	\$ 0.00	\$ 0.00	\$ 33,236.30

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Orcas Power & Light Cooperative

Revision: 106998

11/19/2020 3:16:02 pm

RUS Form 219 Inventory Of Work Orders
Period: OCT 2020 System Designation: WA O9

Page: 4

Inventory: 202010

Budget	Loan	Project	Amount
	1	338	22,194.03
	1	601	11,042.27
	Total:		33,236.30

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER)

DATE

SIGNATURE (BOARD APPROVAL)

DATE

ENGINEERING CERTIFICATION

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INSPECTION PERFORMED BY

FIRM

LICENSE NUMBER

DATE

SIGNATURE OF LICENSED ENGINEER

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Subsidiary Action (Rock Island Communications)

Resolution 7-2020 - Authorize CoBank Loan Guarantee Increase

During the November 23, 2020 Special Board meeting the OPALCO Board of Directors agreed to increase the OPALCO Loan Guarantee with CoBank by \$1.5M. The Board requested staff to prepare a resolution for approval in the December 17th regular Board meeting to document the Loan Guarantee increase approval.

Staff recommends the Board make a motion for the approval for the increase of the OPALCO Loan Guarantee with CoBank on behalf of Island Network, LLC.



**BOARD OF DIRECTORS RESOLUTION 7-2020
AUTHORIZE COBANK LOAN GUARANTEE INCREASE**

At a special meeting of the Board of Directors of Orcas Power & Light Cooperative (the "Board") held on November 23, 2020, was held via Zoom format and proper notice was duly given. In attendance were Vince Daucinas, President, Jerry Whitfield, Vice President, Brian Silverstein, Secretary-Treasurer, Mark Madsen, Rick Christmas, Jeffrey Struthers, and Peter Garlock, by video conference, constituting all members of the Board. A quorum was present throughout the meeting.

RESOLVED, that the Board met to review the Business and Financial Plans of its wholly-owned subsidiary Island, Network LLC (a.k.a. and hereinafter "Rock Island Communications") and to consider Rock Island Communications' request to raise the debt limit covering the subsidiary's planned additional borrowings to meet its business plans and goals for 2021.

RESOLVED, that the Board met with the senior staff of Rock Island Communications on this date specifically to examine the subsidiary's history, achievements, plans, proposals, alternatives, strategies, partnerships, needs, risks, costs, opportunities including the increasing demand by members due to the coronavirus pandemic (Covid-19) to enable telecommuting, tele-education and telemedicine. This process included presentations by staff of its 2021 budget details and financial plans, an in-depth exploration of several alternative scenarios, and extensive discussions among board members and staff, and between the members of the Board; and,

RESOLVED, that OPALCO, as sole owner and parent corporation, reviewed Rock Island Communication's 2021 budget and its request to increase the additional amount of \$1.5M, which is comprised of an increase of \$1M to the term note and an increase to the Line of Credit in the amount of \$500k.

I FURTHER CERTIFY THAT the Board of Directors of OPALCO authorizes the OPALCO Board Officers and the General Manager to execute all documentation required for additional loan guarantees of \$1M to the term note and an increase of \$500k to the subsidiary's current Line of Credit.

I FURTHER CERTIFY THAT the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state if its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the Amended and Restated Guarantee of Payment Limited, Amendments to the CoBank Revolving Credit Promissory Note and Multiple Advance Term Promissory Notes and other amendments further defined as the "Loan Agreement" in the Amended and Restated Guarantee of Payment Limited, and were authorized by the Board of Directors to be executed; (vi) none of the prior resolutions have been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the agreements.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this ____ of December 2020.

Brian Silverstein
Secretary/Treasurer



OPALCO Policy 5 - Investment of OPALCO Funds

As OPALCO faces some daunting capital investments on the horizon, expanding the Co-op's reach for investment opportunities is prudent. To achieve the goals of the Integrated Resource Plan (IRP), Board will be reviewing an updated Long Range Plan (LRP) in January with detail on planned capital projects. OPALCO must build equity to fund these necessary capital improvements using a more diversified investment strategy. Staff would like the ability to work with a financial advisor to handle OPALCO's longer term investments. The goals and objectives would remain the same: preserve principle as the primary objective, ensure adequate capital is on hand to meet expenses, and reduce cost of power through earnings or investments. Investments would continue to be evaluated for low-risk to the Cooperative. The proposed change would give the General Manager the opportunity to seek greater, potentially more rewarding, investment opportunities through the assistance of a professional financial advisor.

Staff recommends a motion to approve the changes to Policy 5 as presented and waive the first read.



ORCAS POWER AND LIGHT COOPERATIVE OPALCO POLICY 5 INVESTMENT OF OPALCO FUNDS

5.1 GOALS AND OBJECTIVES

- 5.1.1 Preserve principal as primary objective.
- 5.1.2 Ensure adequate capital is on hand to meet expenses.
- 5.1.3 Reduce cost of power through earnings or investments.

5.2 POLICY

- 5.2.1 Investments may be made in:
 - 5.2.1.1 CDs when the entire principal is insured by the FDIC or FSLIC.
 - 5.2.1.2 Repurchase agreements where the principal is fully collateralized.
 - 5.2.1.3 U.S Treasury bills or notes or other debt instruments where the principal is guaranteed or backed by the full faith and credit of the U.S. Government
 - 5.2.1.4 National Rural Utilities Cooperative Finance Corporation commercial paper or medium-term notes.
 - 5.2.1.5 Working funds shall be kept in a bank or savings and loan whose deposits are insured by the FDIC or FSLIC.
 - 5.2.1.6 CoBank commercial paper or medium-term notes.
- 5.2.2 It is realized that the cooperative's monthly cash flow will result in amounts exceeding \$100,000 in an institution.
- 5.2.3 To promote the local economy, the cooperative may invest its funds in county banks if the interest rate to be earned is within ½ percent of equivalent rates offered by mainland banks.
- 5.2.4 Deposits may be placed in banks licensed to conduct business and/or investments in the state of Washington. Out of state investments (with CFC and CoBank) will be made only with the prior approval of the board of directors.
- 5.2.5 Investments shall be limited to those with a maturity of 480 days or less.
- 5.2.6 In the situation where investments are made for long-term capital projects, staff is permitted to solicit the assistance of an outside investment advisor to provide investment guidance.

5.3 RESPONSIBILITY

It shall be the responsibility of the general manager to ensure compliance with this policy. The general manager shall report to the board monthly on the status of the cooperative's investments.

DISCUSSION ITEMS

Rate Review – Solar

OPALCO has a wonderful plan in place to develop a healthy and sustainable power supply for San Juan County to meet the energy needs of the membership while protecting the sensitive and beautiful marine environment of our island communities and, as always, protecting reliability and affordability. OPALCO's Integrated Resource Plan (IRP) has been recognized by industry peers as a strategic model for how all utilities must act to adapt in this transition away from carbon. To realize this vision, meet the mandates of the WA Comprehensive Energy Transformation Act (CETA) and do our part to mitigate climate impacts, OPALCO will address all aspects of its power system, from regional purchase agreements to local member generators and its cost-of-service equation on member bills. Member understanding and cooperation is key to success as substantial investments will be required and difficult trade-offs made to maintain the financial viability of OPALCO in the face of these challenges.

As OPALCO embarks on this major transition, it also must correct the current disparity in how fixed costs are distributed in rates, particularly for member solar generators who use the grid like a bank to store surplus energy. Member solar generators make both deposits (saving solar production onto the grid) and withdrawals (drawing power off the grid when solar is not available). For their deposits, member solar generators are provided a credit equivalent to the retail rate, which includes the wholesale cost of power plus all the true (fixed) costs that are required to deliver that power such as infrastructure, operations, facilities and labor. When that retail rate for solar generation was established, the Board was motivated to incentivize members to make the investment in local generation – and it paid off: OPALCO has nearly 400 member generators interconnected to the grid.

When OPALCO provides a credit equivalent to the retail rate, the difference between the wholesale cost and retail rate is being subsidized by the rest of the membership. In the face of the investments OPALCO must make to achieve a reliable and CETA-compliant future power supply, we need to revisit the solar rate to ensure our cost-of-service concept remains intact.

OPALCO is embarking on a rate study to determine an equitable solution to this problem. The rates should reflect the true cost-of-service while still encouraging renewable generation, which is critical to our energy future. The study will run through 2021 and the Board will have ample opportunity to review concepts and proposals as they are developed, and plan to phase in the revised tariff over time. Staff will also give members (and particularly member generators) opportunities to review the draft rate design(s) as it developed and contribute feedback into the process.

To explain this effort to the membership, the actual billing components related to the use of the grid (both deposits and withdrawals) will be unpacked to demonstrate the cost impacts of using the grid as a “battery” when the sun isn't shining, and the wind isn't blowing. The current solar rate does not allow for full cost recovery of infrastructure construction and maintenance, line crew field work, member services,

power provider and transmission charges (BPA), etc. There is no profit motive here: it's a fundamental cooperative principle to deliver power at the true cost with each member paying only their share.

The writing is on the wall: energy costs are going up to fund the major transition away from fossil fuels in the region and in the world. As we embrace the transition to more local generation, we need to ensure the financial viability of the Co-op.

Energy Charge Adjustment (ECA)

During budget discussion, the Board requested staff to explore modifications to the ECA to mitigate the uncertainties due to weather fluctuations.

OPALCO currently faces high kWh sales risk: revenue generation can vary significantly when weather fluctuates from load forecasts used in budgeting. Weather drives our energy (kWh) sales. The current ECA does not consider the risk of having a variable rate which covers the fixed costs of our system.

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. Predicting the weather beyond a few days or weeks with any certainty is not possible.

Our expense profile for the system is made up of three components: power cost, maintenance and operations. Currently the ECA will only account for the power cost component. Staff is proposing to modify the ECA to mitigate the risk of weather fluctuations which impact our ability to cover maintenance and operations.

Staff will present alternative methods for implementation of an ECA over the course of the next few board meetings.

Flexible Billing and Collections

Staff is exploring a new billing module to offer members a variety of flexible options for them to pay their power bill. The pandemic has caused an increasing amount of members that have extended unpaid balances on their power bills. OPALCO wants to come up with options for members who need some extra support during this time without losing sight of the financial health of the co-op.

The date the governor plans to lift the moratorium on utility disconnections due to non-payment continues to extend as the COVID-19 pandemic continues. Once the moratorium is lifted, staff will continue working with members in arrears to stay current on their bill as well as working on their past due amount.

Recovery collections will offer members work towards keeping their current balance positive while chipping away at their unpaid balance. Members will have the choice of putting a deposit down on their account or signing up for pre-pay billing. Pre-pay billing is a popular trend that many co-ops are adopting for members who wish to enroll and offers them the ability to pay how much they want, when they want. The automated system alerts members when their balance is getting low and they can add money electronically to their account anytime they wish. Members will not be disconnected if their bills are kept current.



This is currently a discussion item. No action necessary at this time.

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. 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 OPALCO and Rock Island to make sound decisions as we continue to move through this pandemic and understand the different ways each organization needs to operate to meet the needs of the membership while remaining a viable business.

Per the San Juan County Health Department, the vaccine created by Pfizer is in the final approval stage for emergency use. Once approved 60,000 doses are committed to Washington State. Receipt of the vaccine is thought to be early spring of 2021. The current plan is for first line emergency and medical providers to receive the vaccine first followed by residents at long-term care facilities. Vaccine availability timing for the general public is unknown at this time. More than likely late summer 2021 at the earliest. Mask wearing will be mandated throughout this time frame along with any other measures identified.

For current information from San Juan County Health please use the link below:

<https://www.sanjuanco.com/1668/2019-Novel-Coronavirus>



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	107	65,434	100,000	34,566
Energy Assist (EAP) Residential COVID	83	19,016	50,000	30,984
Extend Project PAL Benefits - COVID	131	15,000	15,000	0
Grand Total	297	99,450	165,000	65,550

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	10,432

Measures

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

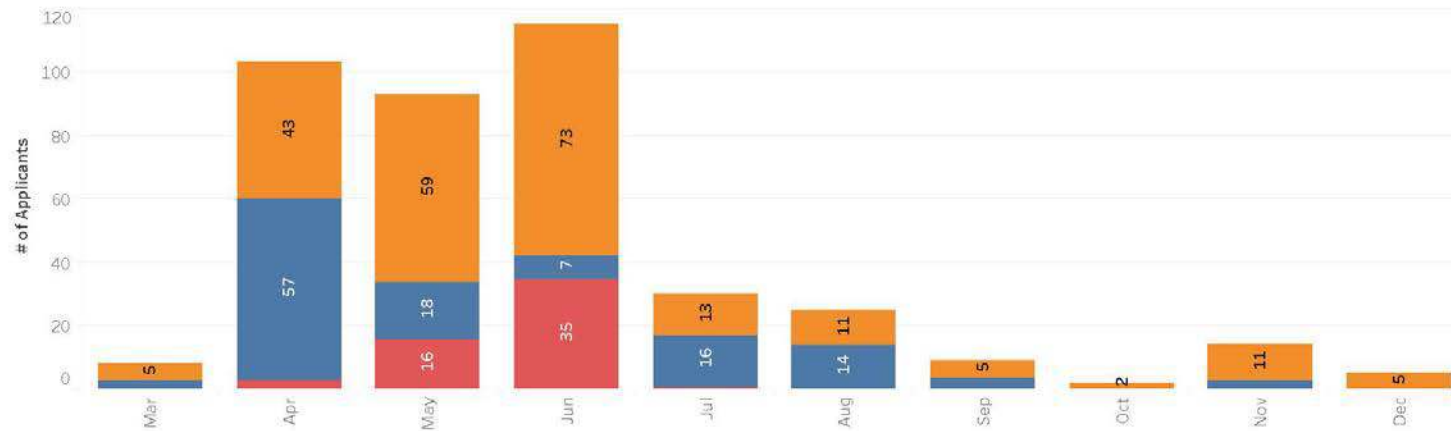
Benefit

\$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)

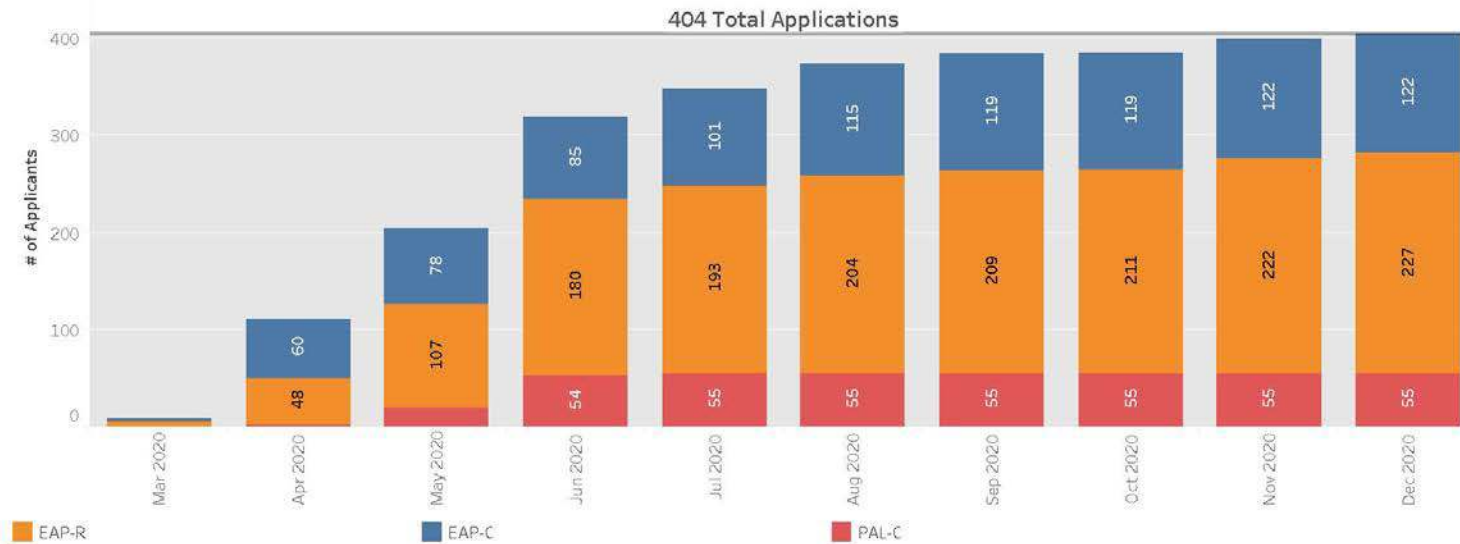
Member Donations to COVID-19 Relief Efforts

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

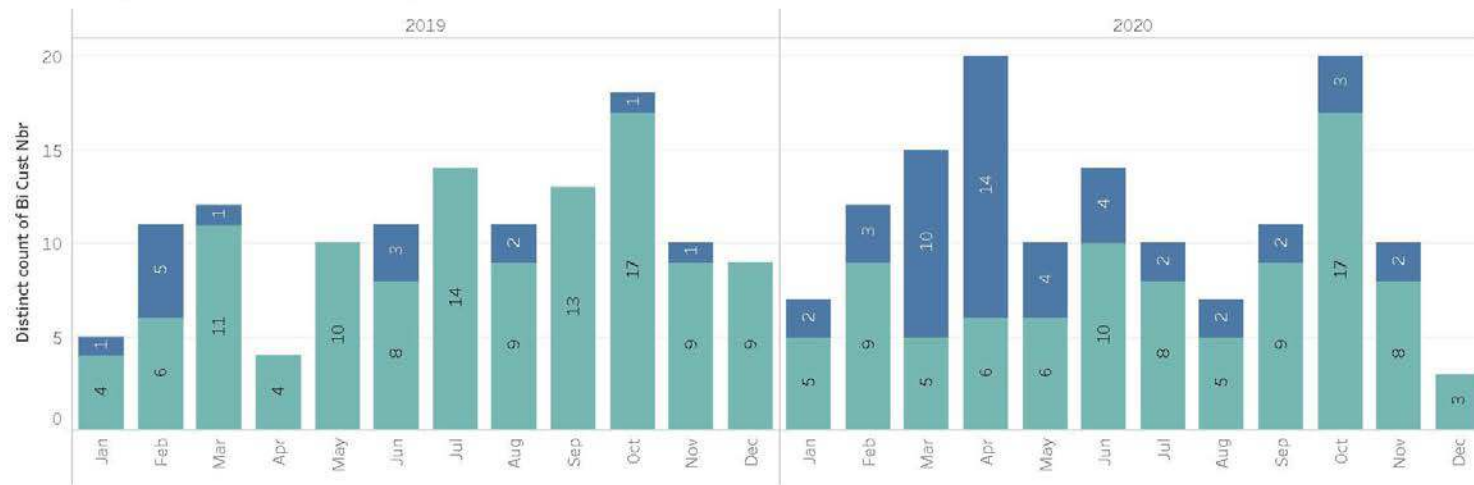
COVID-19 Assistance Applications



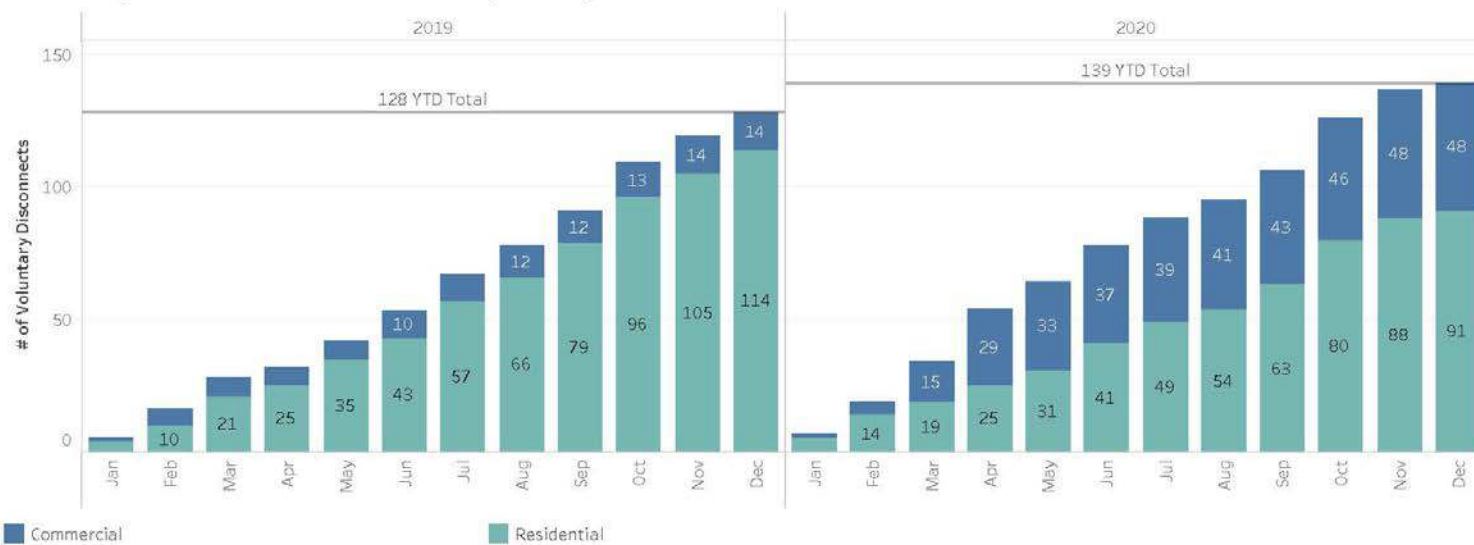
COVID-19 Assistance Applications Cumulative



Voluntary Disconnects (Meters)



Voluntary Disconnects Cumulative (Meters)





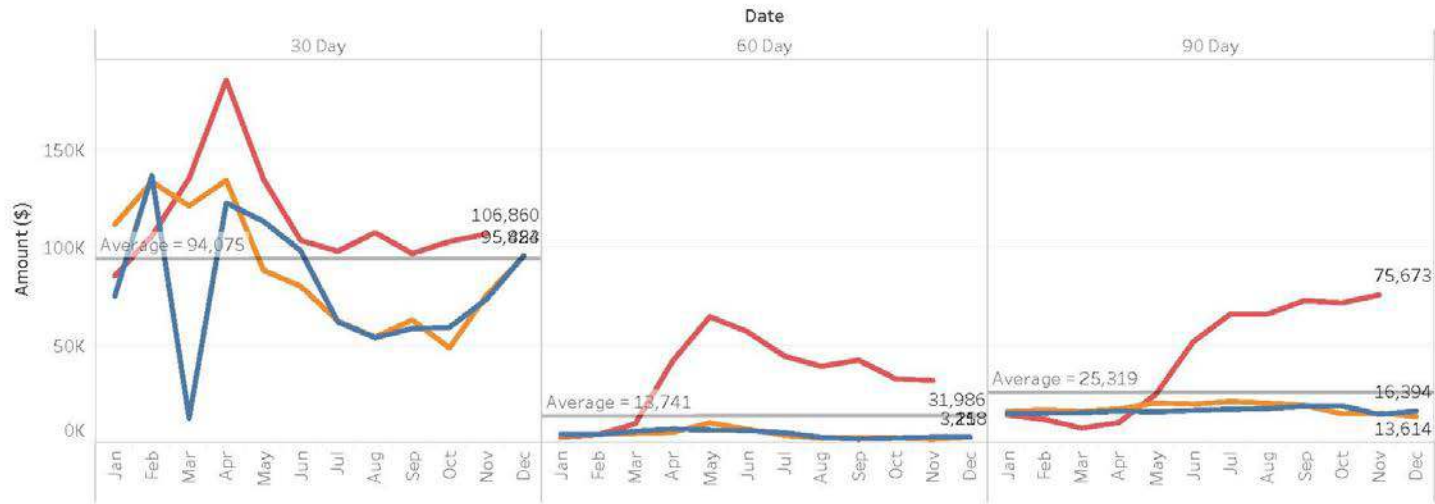
A/R 30-60-90

- 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.

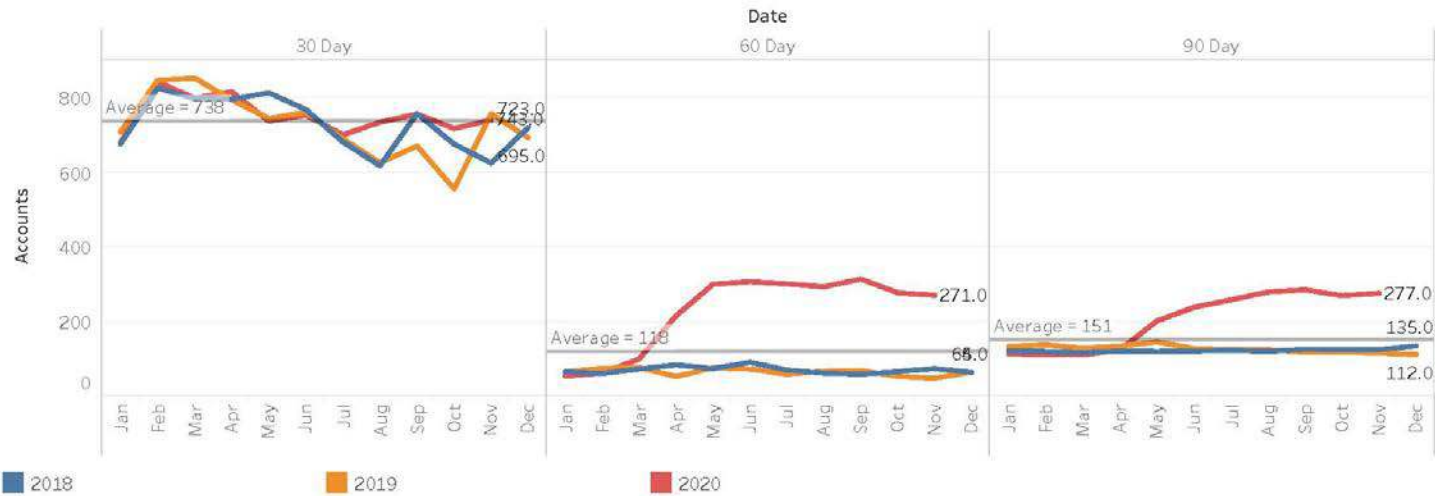
Long Term AR Comparisons

	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	106,860		41.28%	2,078	31,986		1,439.43%	15,429	75,673		390.47%
Dec	95,454				3,218				13,614			

Long Term AR (\$)



Long Term AR (Count)



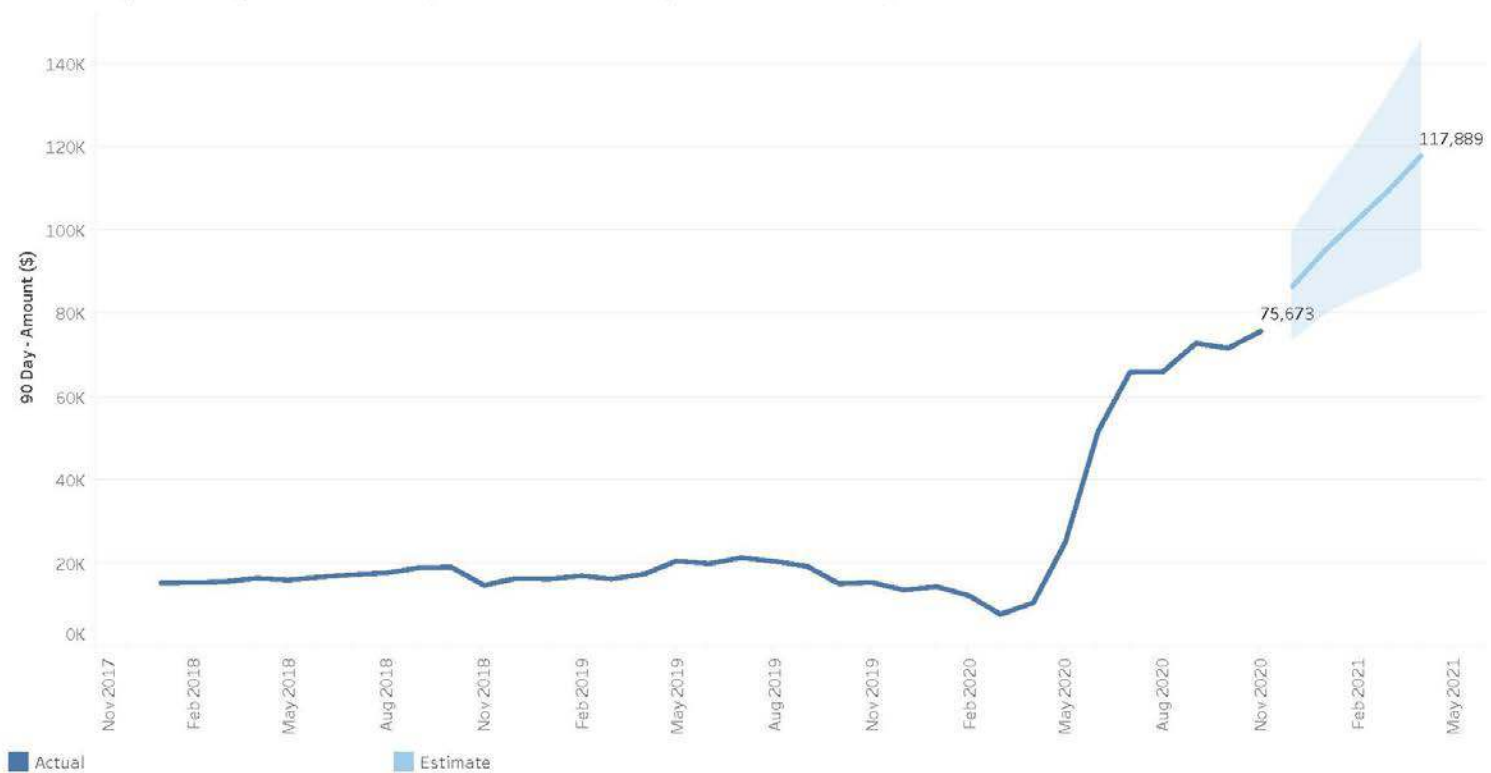
2018

2019

2020

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

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 (Dec 2020 – Apr 2021)

Forecast based on: Jan 2018 – Nov 2020

Initial Forecast Value: 86,528 ± 12,888

Change From Initial: 31,361

Quality: Poor

Model Details

Level: Additive

Trend: Additive

Quality Metrics

RMSE: 7,835

MAE: 3,674

MASE: 1.19

MAPE: 12.3%

AIC: 662

Smoothing Coefficients

Alpha: 0.500

Beta: 0.332

Gamma: 0.054

30/60/90 Day AR Per Account Totals

30 Day - # of Accounts

471

60 Day - # of Accounts

223

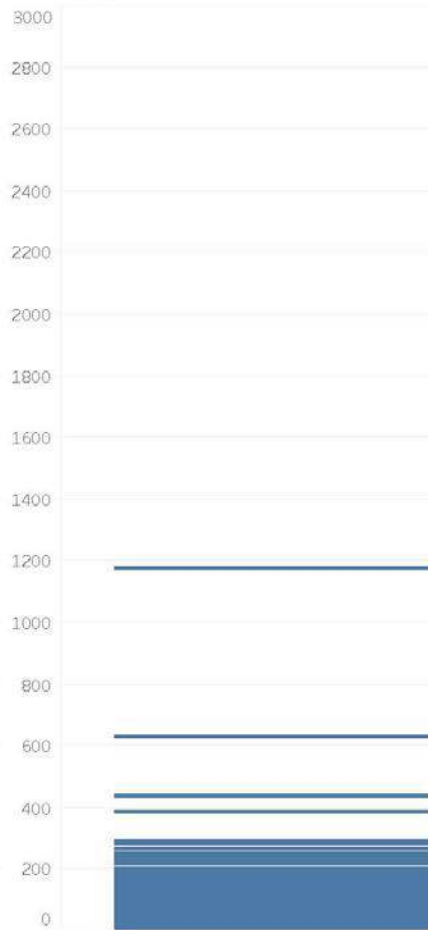
90 Day - # of Accounts

247

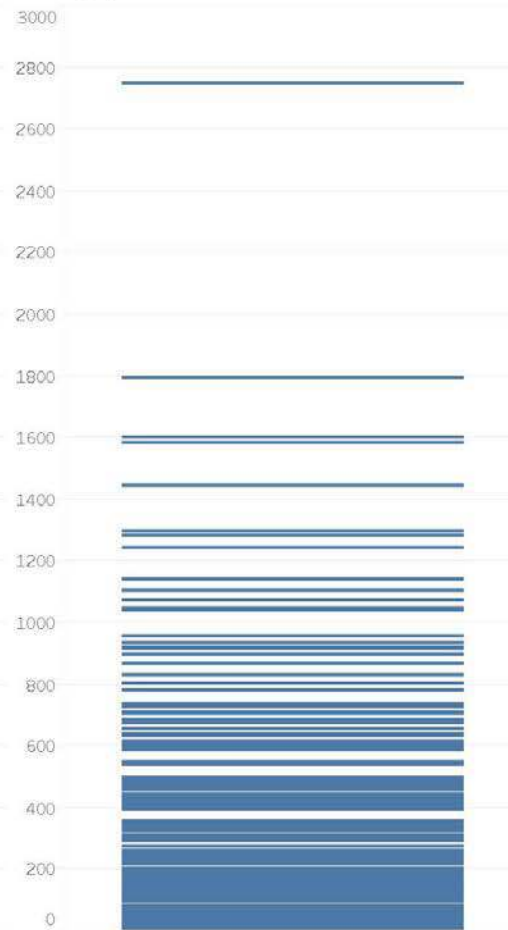
30 Day - per Account Totals



60 Day - per Account Totals

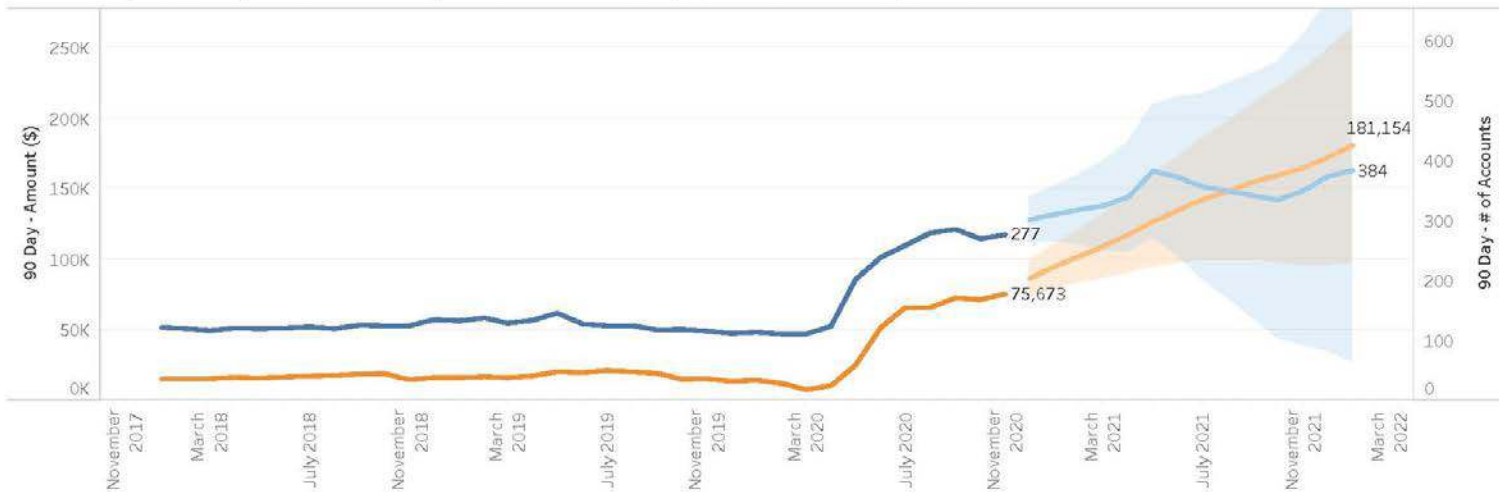


90 Day - per Account Totals

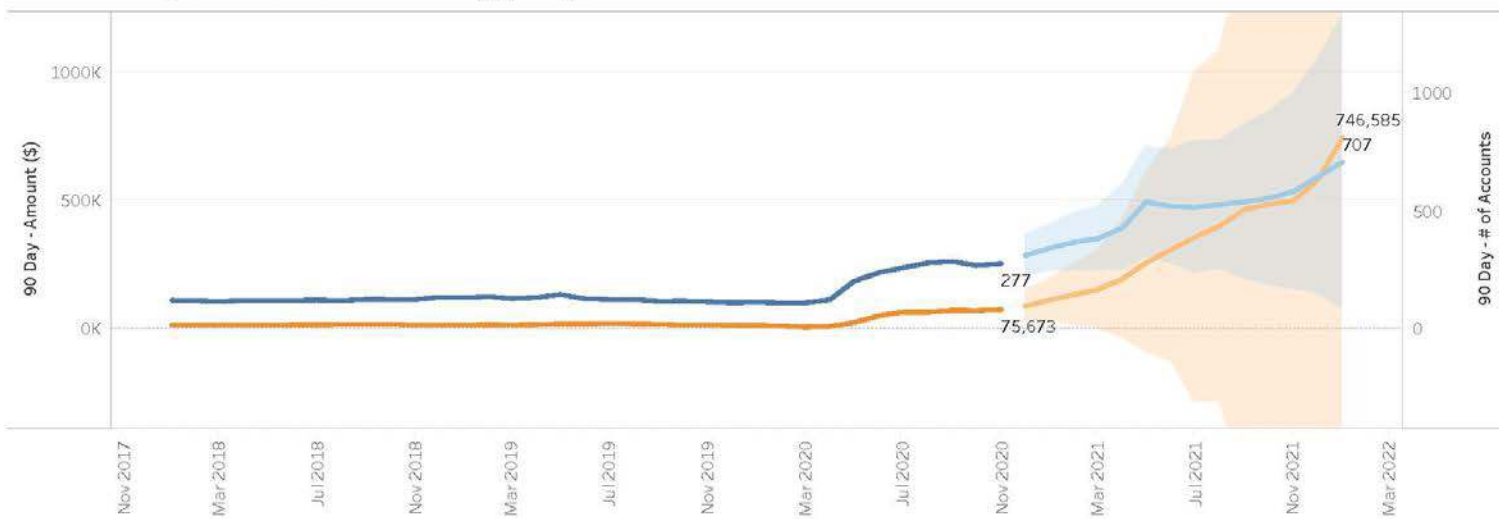


AR - 90+ Day with YE2021 Forecast (\$) - Assumed

The forecast (seen in the light blue with a shaded prediction confidence bands) ratched down due to the plateau.



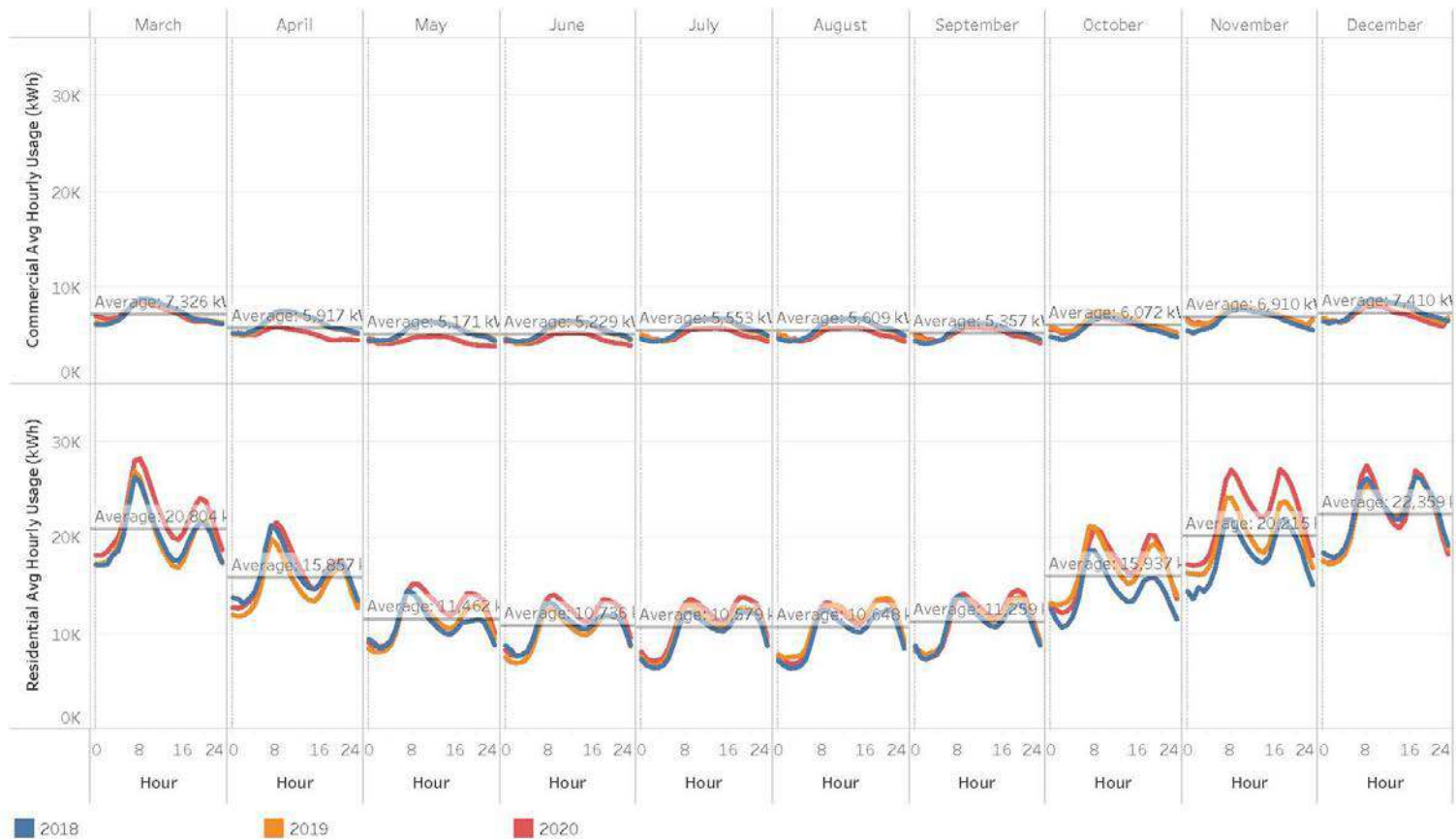
AR - 90+ Day with YE2021 Forecast (\$) - High



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.

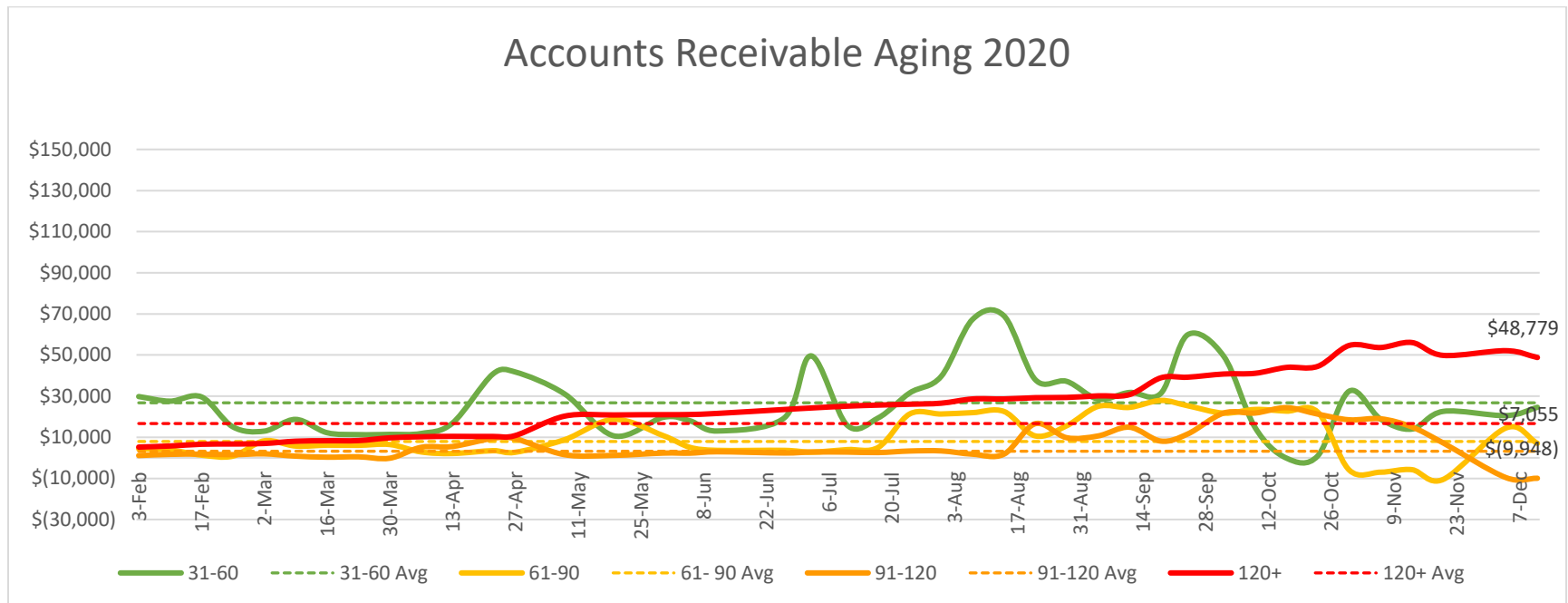


Next steps: Staff will continue to track closely the above data points as well as several more we are developing as the pandemic continues to show any impacts on the cooperative. We need to be patient as we continue to monitor this data to ensure we are making the best decisions for the co-op throughout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

Rock Island COVID-19 Update

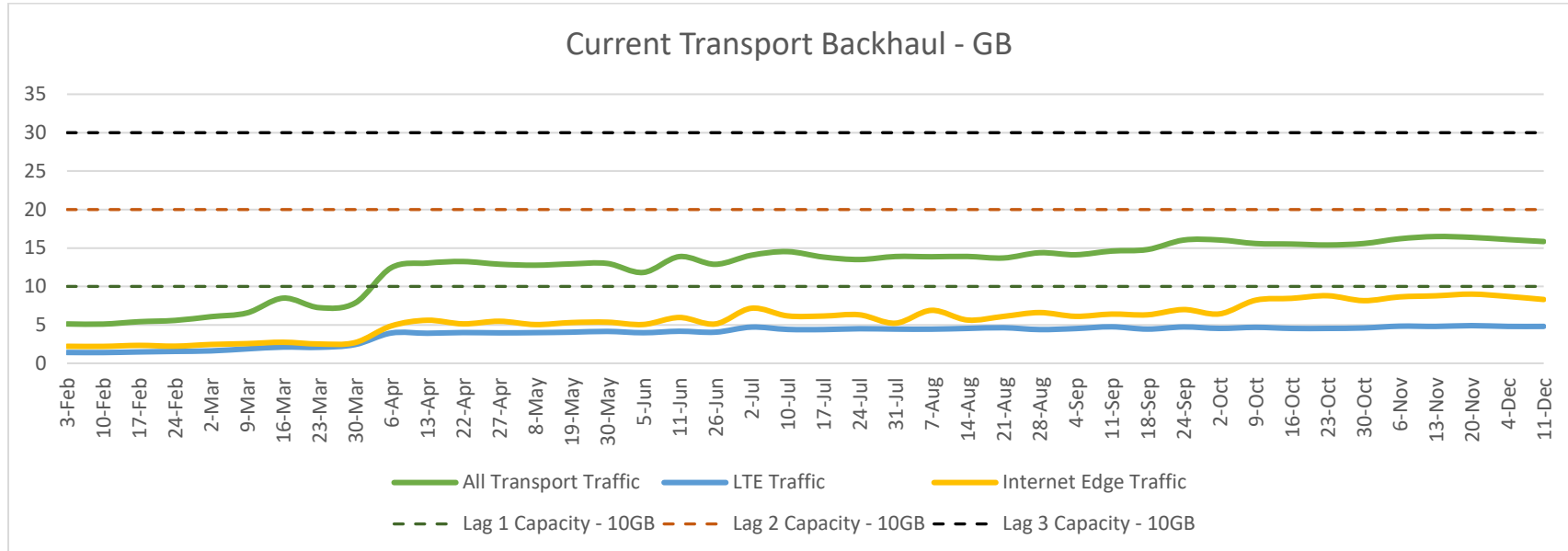
30-60-90 Accounts Receivable Trends

Normal trends with decreases in accounts receivables for long term debt categories. Total receivables over 30 days is under \$50k which is the operating standard for Rock Island.



Transport Network

Up in March and holding amazingly steady at peak demand since.



REPORTS

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	Member Services	Outage
Budget Variance	Disconnects	Historical SAIDI - Graph
TIER/Margin	Uncollectable Revenue	Historical SAIDI - Figures
Expense	PAL	Outage Stats – Rolling 12 Mth
Cash	EAP	Outage Stats – Monthly
Power Cost	Service Additions	SAIDI by Category
Purchased Power	Annual Service Additions	Outage Summary
Annual Power Metrics	Revenue Dist. By Rate	
Capital		
Debt/Equity		
WIP		
Income Statement Trends		

ENGINEERING, OPERATIONS, AND INFORMATION TECHNOLOGIES

WIP

As of December 8, 2020, there are 404 work orders open totaling \$6.8M. Decatur Energy Storage System is \$1.4M of the balance. Operations has completed construction on 136 work orders, totaling \$1.8M.

Safety

John Spain of Northwest Safety Service conducted CPR training for all staff via Zoom and in person in multiple districts. The total current hours worked without a loss time accident: 53,115 hours.

Long Range Plan

Staff is updating the Long Range Plan to present for Board review at the January Board meeting.

Grid Modernization Projects

- Decatur Battery Energy Storage System (ESS) – WA DOC CEF2 Grid Modernization (~\$1M Grant) – Commissioning has been completed. PNNL is scheduled to begin testing and analysis. Safety training will begin in Q1 2021.
- 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 higher than budgeted through November 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)		YE Projection 2020		
		Budget	Actual	Variance
Gross Revenue	\$	32,185	\$ 33,243	\$ 1,058
ECA Surcharge / (Credit)*		-	(624)	(624)
Revenue		32,185	32,619	434
Expenses				
Cost of Power		9,533	9,584	51
Transmission & Distribution Expense		6,616	6,601	(15)
General & Administrative Expense		5,316	5,312	(4)
Depreciation, Tax, Interest & Other		8,605	8,465	(140)
Total Expenses		30,070	29,962	(108)
Margin	\$	2,115	\$ 2,657	\$ 542
TIER		2.06	2.32	0.26
HDD		1,367	1,418	51
kWh Purchases		212,000	223,021	11,021
kWh Sales		198,930	209,309	10,379

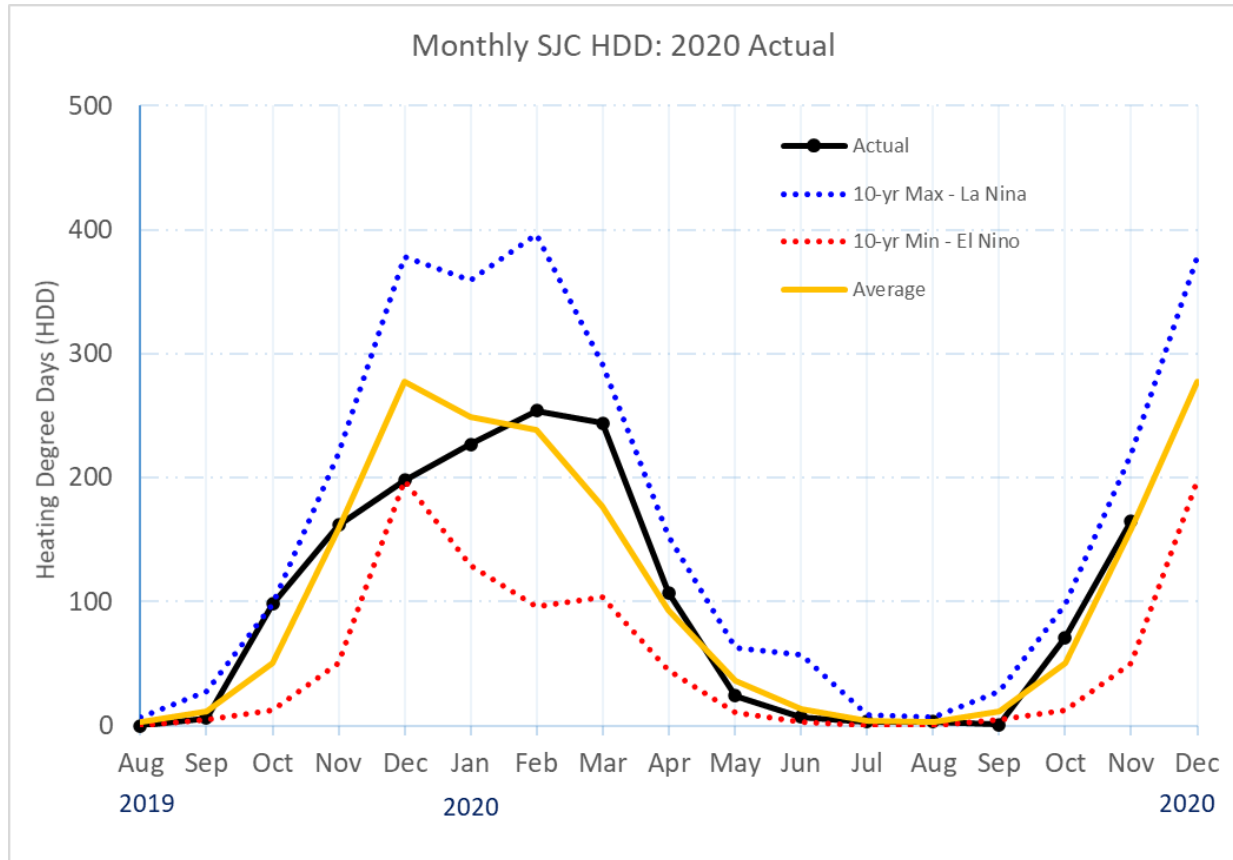
*The ECA has returned \$274k to members in the form of bill credits through November and we anticipate a large credit for the membership in December ~\$350k.

Monthly ECA

The calculated amount for the November ECA was a bill surcharge of \$.006994 per kWh which collected \$141,152 from members, or \$6.99 per 1,000 kWh. Through November 2020, the ECA has returned \$274k to members. The December billing period ECA will be a credit of \$(.015582) per kWh.

Heating Degree Days (HDD)

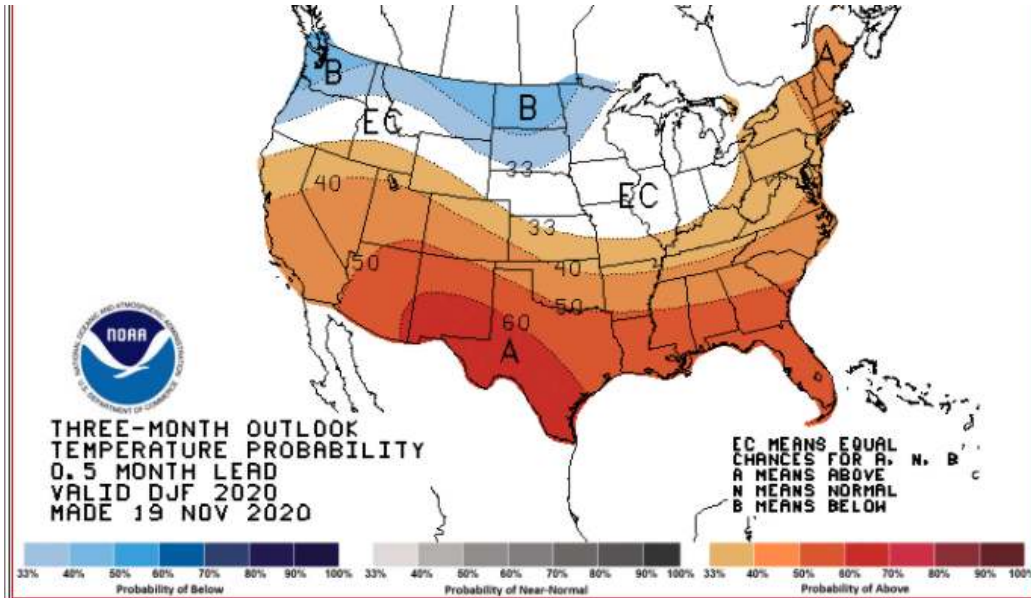
Last winter's HDD's were volatile as compared to historical averages. For 2020, Q1 HDD settled just around the 10-year average except for March which was much colder than its historical average. Q2 and Q3 have settled back to around the historic average.



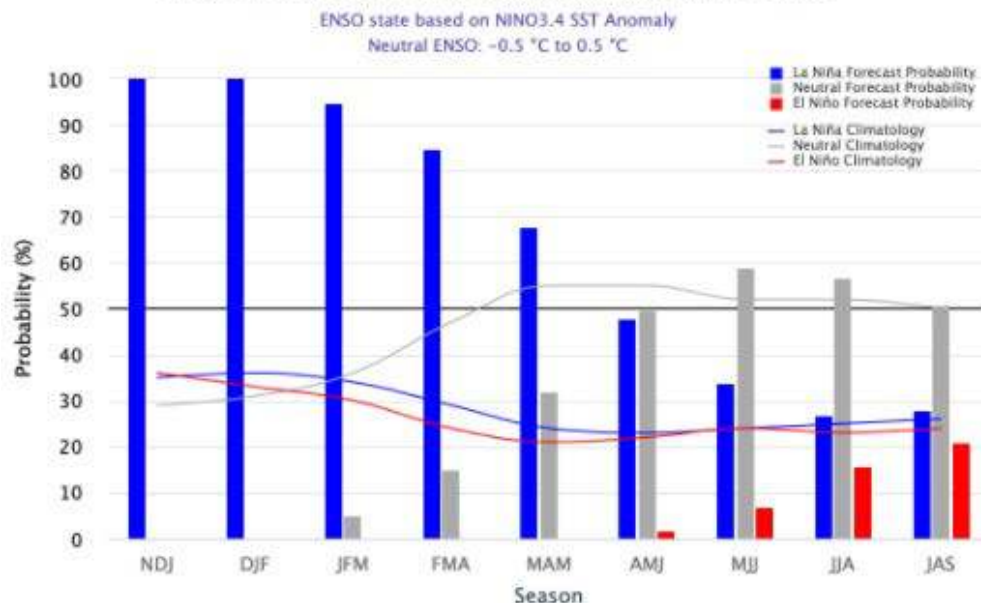
Weather Forecast

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 is 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 (~80-100% 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



Early-December 2020 CPC/IRI Official Probabilistic ENSO Forecasts



Source: NOAA National Weather Service

MEMBER SERVICES

Energy Assistance

EAP: During November 2020, 379 members received ~\$14.1k from the low-income Energy Assist program, compared to 338 members receiving \$~11.6k in November 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 145 projects complete and billing for a total of \$1.178M outstanding. There are another 36 projects in various stages of the process. Some projects have been delayed as residential contractors have been limited by COVID-19.

Energy Savings

In November 2020, there were 19 rebates paid to members totaling ~\$32.5k. This includes 9 fuel switching ductless heat pumps and EV charging station rebates totaling \$8.5k.

Solar Interconnects

There have been 11 new solar interconnect applications submitted, and 4 members interconnected in November 2020. There are an additional 17 applications pending interconnection.

Community Solar

During the November 2020 billing cycles, the [Decatur Community Solar](#) array produced 20,320 kWh. A total of ~\$2k was distributed to 266 accounts.

COMMUNICATIONS

Island Way Campaign

The campaign look was finalized so the team can begin launching the Island Way Campaign in 2021. One of the first things will be to wrap our latest Electric Fleet Vehicle.



Annual Meeting and Election 2021

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.

Lopez Transition Event: Fossil Free by '33

More than 50 people attended the half-day virtual event (via Zoom), which was focused on local resiliency through food security, COVID recovery and transitioning to a renewable energy future. Attendees included elected officials: Senator Liz Lovelett and County Council members Jamie Stephens and Cindy Wolf (elect). About half the group attended a break-out session on “Our Energy Future Now” that included presentations from OPALCO, Rainshadow Solar and Ryan Palmateer on EVs; the others met about strengthening the local food economy. There were positive comments and support for OPALCO’s plan for a healthy and sustainable energy supply and the goals of the Island Way Campaign, as well as kudos to OPALCO leadership.

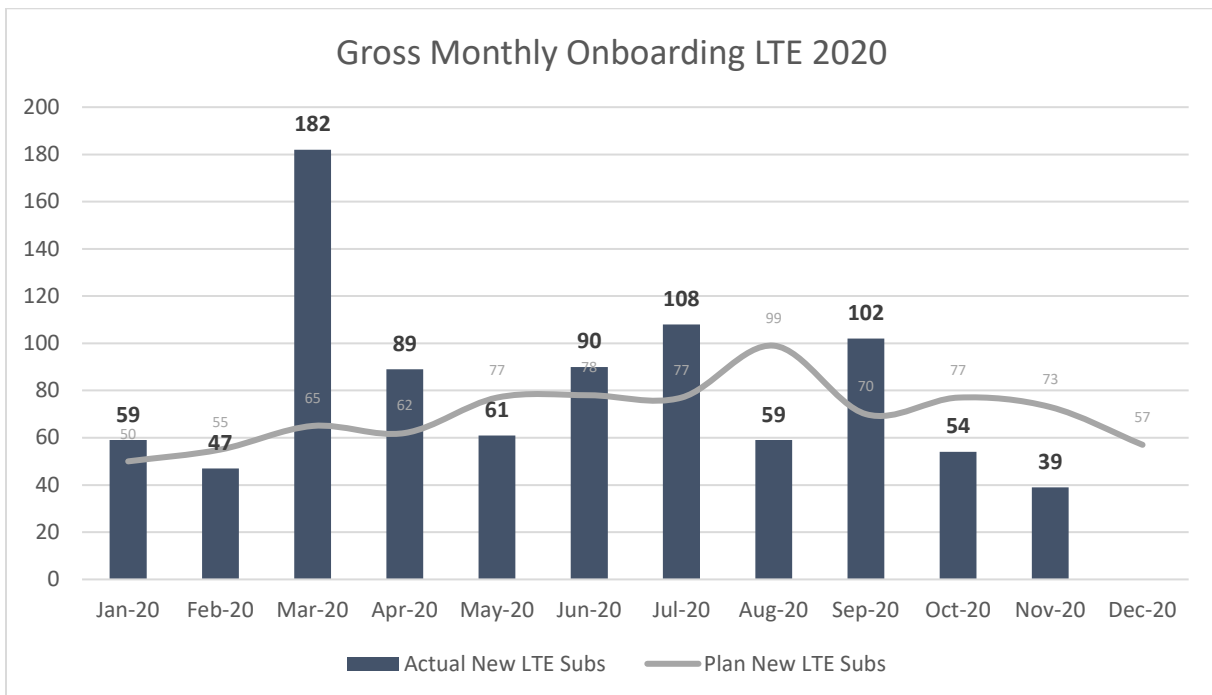
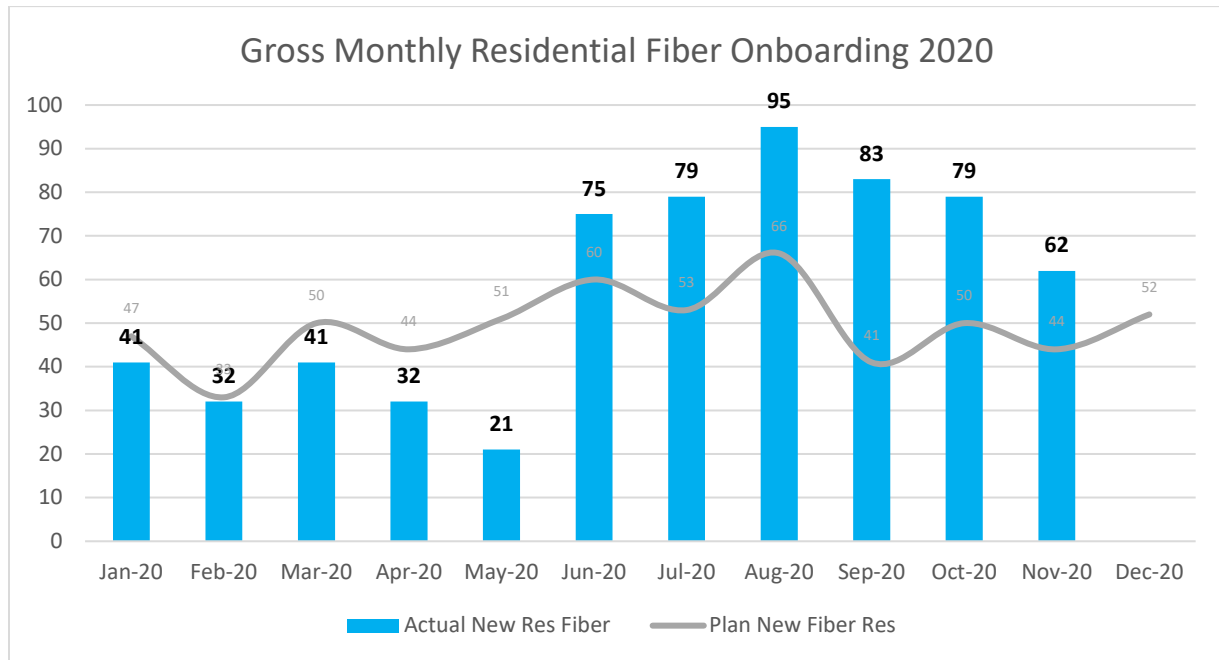
The issue of land for solar was discussed and equity in community solar projects. There was some friction about using land for both solar and agriculture, although Cindy Wolf and Faith Van de Putte (Agricultural Resources Committee) advocated for multi-use in service of reaching our community goals. OPALCO emphasized the need for affordable land (donations/easements) in order to build economically feasible projects, and the cooperation of neighbors to support local renewables. In a discussion about the next community solar project, rooftop solar advocates encouraged OPALCO to make the project available to those who can’t access rooftop solar first. Discussion ensued on the value of both types of solar installations in furtherance of our goals.

Brian Silverstein participated in a panel discussion of community leaders, where he drew the distinction between carbon free or neutral and energy independence. Senator Lovelett emphasized the importance of broadband connections in San Juan County to achieve equity for this transition and many chimed in to appreciate Rock Island for their progress, including a school teacher who said they couldn’t have done it without them.

ROCKISLAND

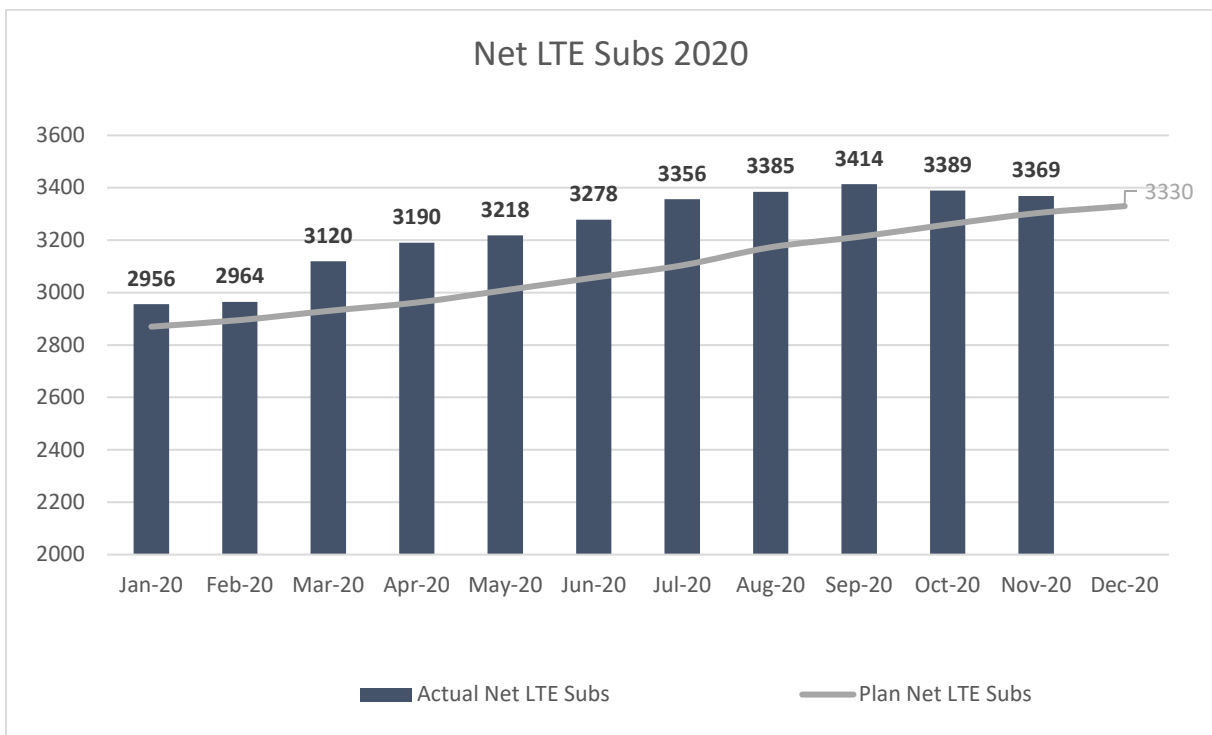
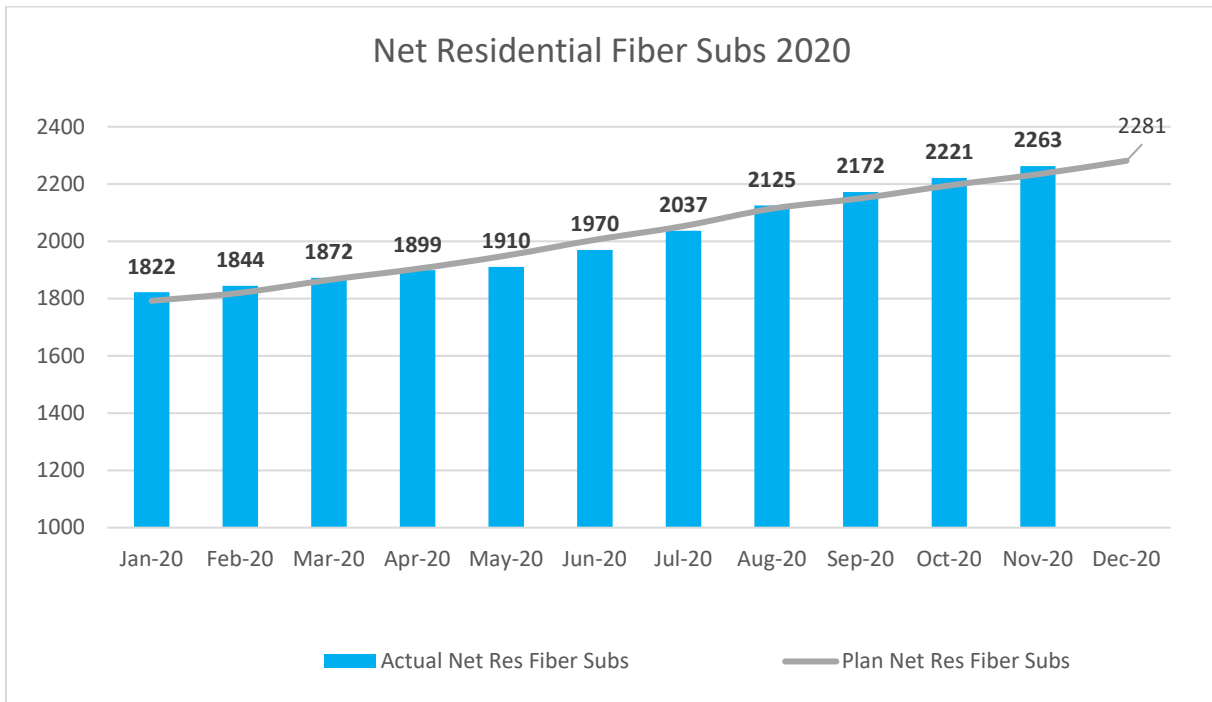
Rock Island Snapshot

Gross Subscriber Onboarding 2020



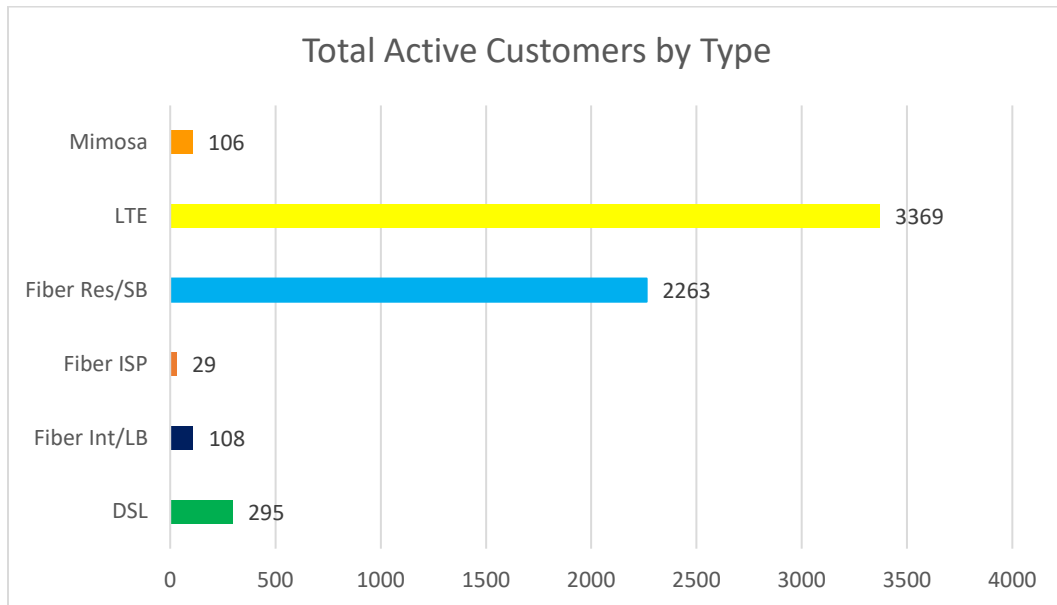
ROCKISLAND

Net Subscribers 2020



Active Customers as of Nov 1st, 2020

ROCKISLAND



Total

6,170