



**BOARD OF DIRECTORS
BOARD MEETING 8:15 a.m.
Lopez Fire Hall
2228 Fisherman Bay Road, Lopez
Thursday, November 20, 2014**

TRAVEL



Via Island Air

378-2376 / 378-8129 (cell)

To:

Leave FH 7:30 am

Arrive Lopez 7:45 am

From:

Leave Lopez 3:00 p.m.

Arrive FH 3:15 p.m.



Via Ferry:

To:

Leave FH 6:10 a.m.

Arrive Lopez 6:50 a.m.

Orcas 6:45 am

Shaw 7:00 am

Arrive Lopez 7:30 am

From:

Leave Lopez 3:50 p.m.

Arrive Shaw 4:10 p.m.

Orcas 4:30 p.m.

FH 5:10 p.m.

Orcas Power & Light Cooperative
Board of Directors
Regular Monthly Meeting
Fire Hall, 2228 Fisherman Bay Rd, Lopez Island 8:15 a.m.
November 20, 2014

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WELCOME GUESTS/MEMBERS

NRECA Director Education Certificates: Glenna Hall and Jerry Whitfield

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ADJOURNMENT

EXECUTIVE SESSION: Island Network Entity Formation



**National Rural Electric
Cooperative Association**

A Touchstone Energy® Cooperative 

November 12, 2014

Mr. J Foster Hildreth
General Manager
Orcas Power & Light Co-op
183 Mount Baker Rd
Eastsound, WA 98245-9413

Dear Mr. Hildreth:

On behalf of NRECA, I want to thank you and your board of directors for your ongoing commitment to education and training. Enclosed is a Director Education Certificate that was earned by a member of your board. We hope this certificate will be another way that NRECA, and your cooperative, can continue to recognize Directors for their diligence in staying educated.

The knowledge that your directors have obtained through NRECA's education and training courses will continue to benefit your cooperative in the years ahead. We look forward to continuing to assist you, your directors, and your staff as you raise levels of service and increase the value you provide your membership and your community.

If you have questions about the Credentialed Cooperative Director (CCD) Certificate, or the Board Leadership (BLC) Certificate, please contact me at the number below or if there is anything else I can do, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Angie K. Hylton".

Angie Hylton
Senior Certification Specialist
(703) 907-5656
angie.hylton@nreca.coop

ACTION ITEMS

MINUTES OF THE BOARD OF DIRECTORS MEETING

ORCAS POWER & LIGHT COOPERATIVE

Thursday, October 16, 2014

President Jim Lett called the meeting to order at 9:00 a.m. at the Eastsound OPALCO office. Directors Winnie Adams, Glenna Hall, Bob Myhr, Chris Thomerson and Jerry Whitfield were present. Vince Dauciunas was absent. Also present were General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance Nancy Loomis, Engineering Technician Alan Smith, Communication Specialist Suzanne Olson and Executive Assistant Bev Madan, serving as recording secretary. Consultants Gerry Lawlor, Jay Kimball and Tom Schramm were also in attendance.

Nourdine Jensen Youth Scholarship

Suzanne Olson introduced the recipients of the 2014 Nourdine Jensen Youth Scholarship award: Peter Kamin, William Coe and Willow Paige. Other recipients Gabi Carver-Hackett and Maya Burt-Kidwell were not in attendance. The three presented their experiences at the Youth Rally sponsored by the College of Idaho. Each earned additional scholarships at the Youth Rally and William Coe was elected to return in 2015 as a director.

Member/Guests

There was a large turnout due to interest in the Island Network Business Plan. Each member was invited to speak. Present and speaking in favor of OPALCO moving forward with broadband for the county were: Randy Gaylord (Orcas), SJC prosecuting attorney; Mike Green (San Juan), Rock Island Technology Solutions; Linda Wilkes (Orcas); Audra Query (Orcas); Wally Gudgell (Orcas) asked that the Board be aggressive in their rollout, the demand is proven and real estate has suffered due to the low speeds in the islands; Bernard Jalbert (Orcas); Ron Rosenberg President of the Eagle Lake HOA Board (Orcas) stated that Eagle Lake, with 45 lots are all on board and willing to pay their share of the costs to install fiber having lost home sales in the past few years; Bernard Shanks (Orcas) commended the Board on their excellent vision and asked that they "get on with it"; Mark Madsen (San Juan) Mineral Heights HOA noted that the change in the Broadband direction the past 6 months is astonishing and has a place for OPALCO to start digging; Sheldon Gregory (Orcas) stated that broadband is desperately needed as their home-based business depends on it, the strategy is excellent and he appreciates the progress made; Anne Marie Shanks (Orcas) excited to be part of the pilot project and the growth this year has been phenomenal, the business plan is reasonable and asks that the Board "pass the budget"; Sheila Gaquin (Orcas); Howard Barbour (Orcas) noted that Deer Harbor is poorly served and is glad that OPALCO took up the torch; Todd Silva (Orcas) stated their move from Phoenix to Orcas was borderline dependent on internet speeds and the increased internet capabilities will allow him to work from home; Mike Speece (Orcas) in favor of the broadband plan. Also speaking were Chom Greacen (Lopez) in favor of broadband but concerned about the impact on rates; Steve Ludwig (Lopez) spoke against the proposed rate design and the increased facility charge, hopes that OPALCO will locate the LTE antennae at least 1500 feet from any dwellings, noted that the insurance increase did not include any electro-magnetic radiation exposure and asked that the Board respect the health of its members and once again stated that OPALCO is noncompliant with RCW 24.06; Dwight Lewis (Lopez) noted his concern over the money OPALCO is spending on broadband.

Others in attendance were Susan Cole, Kiki Coe, Susan Kink, John Fleischer and Tony Ghazel.

September Minutes

- **Motion** made by Thomerson to approve the September minutes. Motion was seconded and carried by voice vote.

New Members

- **Motion** made by Myhr and seconded to accept the new members as listed. Motion carried by voice vote.

Blakely

Doughty, Stephen & Amy

Lopez

Coward, Susan
Harry, Ben A & Kris
McKenzie, Sandi & Redmayne, Peter
Miller, Mary & Steve
Morgan, David

Nationstar Mortgage LLC

Waite, Leslie A & Nancy J
Wilburn, Randall & Karen

Orcas

Aldort, Yonatan
Avondet, Jeremy
Bowen, Cheryl J
Brewer, Thomas & Virginia

Culley, Matthew A
Dahl Electric Inc
DiCaprio, Tamara
Fisher, Lisa-Dawn & James
Goodrich, Elaine
Hamui, Marcelo
Hickey, John
Johnson, Tiffany A & James C
Kaulakis, Michael & Sharon
Keeny, Christy V
Lehwalder, Nancy
Lever, Mark Alexander & Eisner, Rivka
Moore, Lana Fay
Ransome, Jack
Schumacher, Andrea & Long, David
Schwitters, Karen & Roy F
Shunk, Edward
Stefaniak, David & Carolyn
Turner, Jacob

San Juan
Beachem, Lee
Blackmon, Will
Burch, Angela
Cator, Scott & Sehgal, Melissa
Chaffee, Frank
Charlesbois, Diane
Community Treasures
Design Solutions
Duck Soup Inn
Edmondson, Linda
Friday Harbor Skin Care & Facial Aesthetics

Grace, Patricia Ann
Hamilton, Hayden
Hansen, Michael J & Jan K
Henderson, Nicholas
Huenefeld, Joan
JMG Constructors LLC
Judd, David S
Keane, Tina
Klein, Kevin & Telford, Victoria
Lawson II, Jimmie
Lembcke, Susan
Mathis, Shelley
Maynard, Debra & Michael
Mc Gregor, Theodora
Murphy, Melinda
Nippolt, Candace C & John C
Noreau, Pete & Nancy
Rice, Mark D & Perkins, Sara K
Rice, Richard
Risenhoover, Kevin
Seipp, Edwin A & Barbara G
Semprebon, Collin C
Shearer, Keith
Sigafos, Maria
Smith, Tony
Tanis, Anthony J
Teixeira, Joshua M
Telegraph LLC
Wainwright, Daniel
Webb, Nancy M
Wilcox, Ellen K & Lane, Peter
Zwiers, Terr

Capital Credits

- **Motion** made by Myhr to approve payment of \$4,824.12 in capital credits to the estates of deceased members as listed below. Motion was seconded and carried by voice vote.

| | |
|----------------------------|----------|
| Ben Alvey | \$669.52 |
| Michael James Butler | \$424.14 |
| Michael Copas..... | \$700.46 |

RUS 219s

- **Motion** made by Myhr and seconded to approve submission of RUS Form 219s that include projects completed in August from the Construction Work Plan totaling \$1,180,747.54. Motion was seconded and carried by voice vote.

Island Network Business Plan

The Board of Directors held an all-day work session Wednesday, October 15 to discuss and develop a business plan for OPALCO’S broadband.
Hildreth gave a brief history of broadband in San Juan County, beginning in 2000 when OPALCO installed its first fiber optic cables and later opened it up to schools, government offices and libraries. He then presented an executive summary PowerPoint of the Island Network Business Plan. Members applauded the presentation.

Motion by Thomerson to

1. Approve the Grid Control and Broadband Directives listed below:
As outlined in the business plan, OPALCO will continue to accelerate expansion of its local member-owned robust, reliable high-speed data infrastructure to provide internet, phone and emergency communications services to its members. Deployment will be supported and funded by OPALCO assets, including equity, debt and rates.
 - A. OPALCO is to isolate its communication infrastructure for the electric system and build it to RUS standards;
 - B. OPALCO’s grid control infrastructure is to be built with member expansion capability;
 - C. OPALCO is to bear all costs of grid control infrastructure, including the 700 MHz spectrum. The Board has explicitly elected not to allocate such costs to member internet;

- D. The main areas for deployment include, but are not limited to, fiber optic backhaul support for ISPs, wireless infrastructure and direct fiber optic connection;
 - E. OPALCO will establish a wholly owned subsidiary and provide capital and operational funding, as necessary, to deliver wholesale and retail internet services to the membership;
 - F. Service arrangements are to be non-exclusive, with OPALCO retaining ownership of the communication infrastructure.
2. Approve funding of a second OPALCO Communications Technician position; and
 3. Approve the lending of Board Designated Restricted Funds (~\$1.5M) to Island Network (or the to-be-created wholly owned subsidiary) for startup of operations.

Motion was seconded and carried by voice vote. Members applauded the vote.

Construction Work Plan Amendment – Submarine Cable from Lopez to San Juan Island

Staff reviewed the reasoning for increasing the capital project RUS Construction Work Plan (CWP) budget related to the submarine cable to be installed from Lopez to San Juan Island. Increased costs of replacing the submarine cable between Lopez and San Juan are due to unforeseen and changing Regulatory, Environmental and Archaeological requirements. 1) The original estimate assumed that the existing cable could be purged of oil and abandoned in place. Regulatory agencies have concluded that a sufficient amount of oil from this cable could not be removed to guaranty that oil would not be leaked out into the environment. 2) It was originally thought that OPALCO would dig over the top of the existing cable and lay the new cable in the same manner. Due to environmental issues and archaeological deposits in the area, regulatory agencies are requesting that OPALCO bore an 800 foot, 14-inch path under the sensitive areas. 3) San Juan County code changes now require that OPALCO engineer based on the 2012 IBC (International Building Code) seismic design criteria for this region. 4) Original project's submarine cable costs have increased fourfold and an additional 1000 feet of cable is needed.

Guerry displayed a piece of the submarine cable, showing how the existing cable has lost some of its protective armor and has risk of failure. Joel Mietzner, System Engineer, was able to view the cable in place in November 2013 when the CenturyLink cable was being spliced in a nearby location. The oil-filled cable, laid in 1977, will be replaced with a dielectric submarine cable that is expected to last 30-40 years. Staff noted that construction and installation bids are expected to be returned on November 1st and further budget clarity will be provided at that time.

- **Motion** made by Hall to approve an additional \$9M to the 2013-16 Construction Work Plan. Motion was seconded and carried by voice vote.

Annual Meeting 2015

By consensus the Board established:

- The date for the 2015 annual meeting at May 2, 2015;
- The absentee ballot deadline at 10:00 a.m. (Pacific Time) May 1.
- Tally chair will be Doug Pearson
- Parliamentarian will be Ater Wynne.

The Board noted that time be allowed on the agenda for member comments and an open question/answer period. Written comments will be accepted and either read aloud or given a later response.

Federated Insurance General Liability Increase

During the annual review of OPALCO's Federated insurance policy, it was determined that an additional \$5 million should be added to the umbrella insurance coverage. Fire is the biggest threat.

- **Motion** made by Myhr to increase the umbrella coverage from \$25M to \$30M, an increase of \$5M. The motion was seconded and carried by voice vote.

Rate Design

Discussion continued with the fifth step in the process of designing new rate structures introduced; which included recommended rate structures for residential, residential TOU, small commercial, large commercial and pumps. The driving goal is to produce rate structures which fairly allocate the expenses of OPALCO in relation to a member's use of the grid system and impact on the cooperative's operations. Staff is striving to reduce revenue volatility so OPALCO will be better positioned to meet its financial and service level commitments to our membership. Staff recommended rate structures with the following notable changes:

1. Align the fixed expense components of operating OPALCO to be included in the facility charge (base rate)
2. Introduce a “demand” billing component over time to coincide with power purchases from BPA;
3. Transition the residential rate structure to differentiate summer versus winter usage;
4. Reinstate a time-of-use (TOU) rate;
5. Separate small (less than 20kW) versus large (more than 20kW) commercial services;
6. Introduce a new block rate for high usage commercial services (more than 150,000 kWh)
7. Pump rate is to be more aligned with the cost of service.

After discussion of each rate category, it was suggested that the TOU rate begin at 10:00 pm rather than 6:00 pm; this time change would be phased in over time (i.e., year one would be 8 pm, year 2, 9 pm). The Board requested staff to work develop alternatives to meeting revenue requirements for reduction in energy sales, including a rate adjustment mechanism on member bills to reduce revenue volatility.

Policy 29 Rate Design

Modifications were made to the policy regarding revenue requirements to allow for monthly adjustments to member bills to cover revenue short falls; the facility charge would be based on a fixed cost methodology whereby the facility charge collects the costs associated with the fixed expenses to operate OPALCO. The final draft will be presented at the November Board meeting.

Annual Review Timeline

Hildreth presented a suggested timeline of items to be reviewed annually by the Board.

Resource Evaluation Timeline

Hildreth presented a timeline of the resource evaluation process as directed in the Strategic Directives. The goal is to provide “safe, reliable, cost effective and environmentally sensitive” power to our members. Staff will meet in November to begin the process.

Reports

Submitted reports were reviewed. Jay Kimball reported that the Georgetown Energy application was progressing.

Guerry reported that a Friday Harbor-based staking technician had been hired and will begin work October 27.

Adjournment

The meeting adjourned to Executive Session at 2:10 p.m. Executive Session ended at 2:50 p.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

MINUTES OF A SPECIAL BOARD OF DIRECTORS MEETING ORCAS POWER & LIGHT COOPERATIVE

Friday, November 7, 2014

President Jim Lett called the meeting to order at 9:00 a.m. at the Eastsound OPALCO office. Directors Winnie Adams, Vince Dauciunas, Bob Myhr, Chris Thomerson and Jerry Whitfield were present via telephone conferencing. Glenna Hall was absent. Also present were General Manager Foster Hildreth, Manager of Finance Nancy Loomis and Executive Assistant Bev Madan, serving as recording secretary.

Lett read the "Waiver of Notice" which stated that the directors waived all notice of time, place and purpose of this special meeting. Lett then read from the Bylaws, Article IV *Meetings of Directors* Section 2 *Special Meetings*.

- **Motion** by Thomerson to waive the notice of meeting as stated; motion was seconded and carried by voice vote.

The purpose of this special meeting is to review and approve the filing of IRS Tax Form 990 by the filing deadline of November 17, 2014.

Loomis outlined her extensive background with corporate tax laws. The Form 990 was prepared by Sherry Burnham of Moss Adams and mirrors the Income Statement and Balance Sheet as audited by Moss Adams.

The return will be made available on the IRS website. It will be available at OPALCO to members by request.

- **Motion** made by Myhr to approve the 2013 IRS Tax Form 990 as presented, permit staff to execute the return and have Moss Adams electronically submit the return to the IRS.

Adjournment

The meeting adjourned at 9:20 a.m.

Jim Lett, President

Jerry Whitfield, Secretary-Treasurer

New Members October 2014

Blakely

1. Fergus, Mary Beth & David Alan
2. Sullivan, Barbara & Clement

Lopez

3. Carlson, Nels
4. Derzay, Eli
5. Lozier, Edith & Gurke, Dean
6. Moore, Jeannie
7. Sage, Bob
8. Shea, Kristin & Tim
9. Smith, Lolly

Orcas

10. Abstoss, Katherine & Nicolas
11. Bawden, Michelle & Michael
12. Carnevale, Thom
13. Conant, Laura
14. Crane, Bailee
15. Dashevsky, Antony & Rhodes, Quincy
16. Frenyea, R Bryon & McKenna, Cindie
17. Gottlieb, Daniel & Chung, Grace
18. Habernetzle, Mary
19. Hanna, Bruce P
20. Harding, Tyler A & Jocelyne N
21. Hutchinson, Leslie
22. Klein, Sonya
23. McDonough, Rebecca & Thomas
24. Orcas Veterinary Service PLLC
25. Petitjean, Holly
26. Petro, Shawn M
27. Posey, Mark & Cindie
28. Schramm, Thomas R
29. Shedd, Jill
30. Shores, Carroll W
31. Taylor, Calin M & Ian
32. Teegardin, Timothy & Kim
33. Walsh, Jennifer & Chris
34. White, Greg

San Juan

35. Byrne, Halley
36. Camacho, Guillermo P
37. Choe, Kevin
38. Conner, Stephanie
39. Copas, Marina
40. Dahl, Kurt
41. Daniels, Steven
42. Devirian, Michael & Sager-Devirian, Lauri
43. Erga, Brian
44. Feng, Wei
45. Garrels, Thomas
46. Green Island Growers
47. Grey, Jerad Alan
48. Hazel, Robert & Rebecca
49. Henry's Reserve LLC
50. Hertel, Nathaniel & Concord, Alisabeth
51. Hoepfner, Gloria
52. Hughes, Chris & Janise
53. Hughes, Susan
54. Kahn, Sadia A
55. Keffer, Pamela
56. Kwan Lamah II, LLC
57. Langford, Philip J
58. Longley, Margaret J
59. Lowell, Steven G & Deborah K
60. Luigs, Michael
61. Marush, Donna & Charles
62. Miller, Kyle & Walch, Jessica
63. Miner, Christina
64. Mirarose LLC
65. Okulitch, Judith
66. Owens, Todd
67. Prudence, Sasha
68. Salsedo, Cyrilla Torres
69. Smith, Georgia & Michalowski, Stefan
70. Spencer, Cheryl
71. Stewart, Scott
72. Surina-Star Center LLC
73. Turner, Elizabeth E
74. Van Citters, Michelle
75. Webb, Tanasha
76. Williams, Gary & Katherine
77. Zakula, Marjorie

Shaw

78. Davis, Darrell
79. Miller, Frazier
80. Pike, Connee

CAPITAL CREDITS

Application has been received for payment of capital credits to the estates of the following deceased members:

| | |
|-------------------------------|--------------------|
| Shirley F. Aggas | \$1,656.26 |
| John C. Conant | \$1,247.28 |
| Keith B. Jefferts | \$2,091.35 |
| Robert R. Lynch | \$419.68 |
| George Miller..... | \$88.46 |
| Marion C. Musgrove | \$373.20 |
| Walter & Genevieve Page | \$486.45 |
| Stephen R. Salsbury | \$713.50 |
| William R. Webb..... | \$5,496.08 |
| Total | \$12,572.26 |

Date: November 20, 2014
To: Foster Hildreth, General Manager
From: Amy Saxe, Manager of Member Services and Energy Savings
Re: Applying Member Capital Credits to Associated Uncollectable Accounts

Our Member Services Department has completed the task of transferring delinquent inactive accounts to an uncollectable account (UA) status. Our 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 our Accounting Department 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.

Discounted capital credit balances are attached as soon as the collection efforts described in our Member Services Policies fail. The member account balances transferred to UA between 11/12/13 and 11/3/14 amount to \$19,748.

We are hereby requesting that \$6,738 of member capital credits be applied to UA balances. The member capital credit allocation transfers are as follows:

| | |
|---|-----------------|
| Capital Credits Applied to UA Balance | \$ 6,738 |
| Discounted Capital Credits Transferred to OPALCO Equity Account | 27,285 |
| Total Capital Credits Retired | \$34,023 |

We recommend 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.

Following is a summary of 11/12/13 to 11/3/14 UA activity:

| | |
|--|------------------|
| Beginning UA Balance 11/12/2013 | 310,894 |
| UA Write Off 11/13/13 – 11/03/14 | 19,748 |
| UA Payments collected 11/13/13 – 11/3/14 | (10,040) |
| Capital Credits to Apply | (6,738) |
| Ending UA Balance 11/3/2014 | \$313,834 |

MEMORANDUM

Date: November 13, 2014

To: Board of Directors

From: Foster Hildreth
General Manager

Re: Capital Credit General Retirement

The purpose of this memorandum is to obtain Board approval to fund the general retirement of capital credits covering the year 1989. This will continue our 25-year retirement rotation, which is to retire older years first.

The remaining capital credit allocation for 1989 equals \$944,999, due to member relocations and incomplete estate information. OPALCO will only be able to track down a portion of the total 1989 member's capital credit allocations. Using last year as a gauge, we expect approximately 72.41% of the allocation will generate a check for a total of \$684,314, with eventually 90.86% actually be cashed, for a total of \$621,795. We will set aside \$650,000 from cash for this expenditure. See attached for capital credit history to date.

Staff is requesting that the board approve the payment and retirement of capital credits representing the year 1989.

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL CREDIT PAYMENT PROJECTIONS (Based on historical payout figures)

| | A. | B. | C. | D. | E. | F. |
|-------|----------------------|-------------------------|-------------------------|--------------------|---------------------|-----------|
| | General Retirement | | | | | |
| | Patronage Capital | Un-Retired Patronage | Expected Payout Year | Projected Check | Projected Cashed | |
| Year | Margin | Allocations | (25 year cycle) | Run (72.41%) | (90.86%) | |
| 1 | 1989 | 1,074,042 | 944,999 | 2014 | 684,314 | 621,795 |
| 2 | 1990 | 1,271,253 | 1,126,864 | 2015 | 816,011 | 741,460 |
| 3 | 1991 | 1,240,179 | 1,108,284 | 2016 | 802,556 | 729,234 |
| 4 | 1992 | 678,952 | 610,050 | 2017 | 441,763 | 401,404 |
| 5 | 1993 | 1,794,893 | 1,622,175 | 2018 | 1,174,687 | 1,067,367 |
| 6 | 1994 | 1,626,404 | 1,479,277 | 2019 | 1,071,208 | 973,342 |
| 7 | 1995 | 673,206 | 615,169 | 2020 | 445,470 | 404,772 |
| 8 | 1996 | 1,668,737 | 1,537,782 | 2021 | 1,113,574 | 1,011,838 |
| 9 | 1997 | 1,592,023 | 1,468,014 | 2022 | 1,063,052 | 965,931 |
| 10 | 1998 | 1,795,597 | 1,662,026 | 2023 | 1,203,544 | 1,093,588 |
| 11 | 1999 | 1,709,360 | 1,593,058 | 2024 | 1,153,602 | 1,048,209 |
| 12 | 2000 | 2,071,885 | 1,940,122 | 2025 | 1,404,926 | 1,276,572 |
| 13 | 2001 | 1,268,440 | 1,188,561 | 2026 | 860,688 | 782,055 |
| 14 | 2002 | 1,525,044 | 1,434,392 | 2027 | 1,038,705 | 943,809 |
| 15 | 2003 | 750,133 | 708,139 | 2028 | 512,794 | 465,945 |
| 16 | 2004 | 2,050,235 | 1,944,901 | 2029 | 1,408,387 | 1,279,717 |
| 17 | 2005 | 2,135,355 | 2,035,277 | 2030 | 1,473,832 | 1,339,182 |
| 18 | 2006 | 1,958,505 | 1,873,711 | 2031 | 1,356,835 | 1,232,874 |
| 19 | 2007 | 1,847,878 | 1,768,284 | 2032 | 1,280,491 | 1,163,505 |
| 20 | 2008 | 1,670,066 | 1,603,511 | 2033 | 1,161,171 | 1,055,086 |
| 21 | 2009 | 2,847,589 | 2,748,115 | 2034 | 1,990,029 | 1,808,219 |
| 22 | 2010 | 1,429,392 | 1,386,926 | 2035 | 1,004,333 | 912,577 |
| 23 | 2011 | 2,935,232 | 2,878,844 | 2036 | 2,084,695 | 1,894,237 |
| 24 | 2012 | 814,524 | 805,784 | 2037 | 583,503 | 530,194 |
| 25 | 2013 | 971,517 | 969,734 | 2038 | 702,226 | 638,071 |
| 26 | | | | | | |
| Total | \$ 39,400,440 | \$ 37,053,996 | | \$ 26,832,397 | \$ 24,380,986 | |

MEMORANDUM

November 5, 2014

TO: Board of Directors

FROM: Foster Hildreth

RE: Special Equipment Summary

The attached listing shows special equipment purchased pursuant to the 2013-16 Construction Work Plan, 2012 to the present.

Included are padmount transformers and AMR meters.

Staff requests a motion to approve submittal of this special equipment listing in the amount of \$1,041,719.71 to RUS.

10/30/2014 3:15:43 pm

Asset Management Special Equipment Summary

Page: 1

Summary

Summary: *

| Invoice Date | Invoice | Asset Description | Quantity | Item Cost | Install Cost | Loan Funds Subject To Advance | Total Capitalized Cost |
|---|-------------|---------------------------------------|----------|---------------|--------------|-------------------------------|------------------------|
| Work Plan: | | Loan: | | Loan Project: | | | |
| Asset GL Account: 0 0368.0 | | GL Dept: 0 | | | | | |
| 06/19/2012 | 1913351-00 | 368006 5kVA Pdmt Transformer, FR3 | 7 | 12,518.81 | 1,421.70 | 13,940.51 | 13,940.51 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 06/22/2012 | 1913351-05 | 368006 5kVA Pdmt Transformer, FR3 | 1 | 1,788.40 | 203.10 | 1,991.50 | 1,991.50 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 06/07/2013 | 2226432-00 | 368006 5kVA Pdmt Transformer, FR3 | 8 | 13,144.96 | 1,749.60 | 14,894.56 | 14,894.56 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 07/25/2013 | 2248105-00 | 368006 5kVA Pdmt Transformer, FR3 | 1 | 1,552.32 | 218.70 | 1,771.02 | 1,771.02 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/18/2013 | 2372889-00 | 368006 5kVA Pdmt Transformer, FR3 | -5 | -11,339.69 | -1,093.50 | -12,433.19 | -12,433.19 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 12/03/2013 | 2348335-01 | 368006 5kVA Pdmt Transformer, FR3 | 10 | 13,317.92 | 2,031.00 | 15,348.92 | 15,348.92 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 03/05/2014 | 2413163-00 | 368006 5kVA Pdmt Transformer, FR3 | 5 | 7,307.56 | 1,115.35 | 8,422.91 | 8,422.91 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/17/2014 | 2598901-05 | 368006 5kVA Pdmt Transformer, FR3 | 8 | 12,721.21 | 1,784.56 | 14,505.77 | 14,505.77 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 06/15/2012 | 1913351-01 | 368012 10KVA, FR3, 1PH, PDMT | 15 | 27,375.81 | 3,046.50 | 30,422.31 | 30,422.31 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 06/22/2012 | 1913351-02 | 368012 10KVA, FR3, 1PH, PDMT | 1 | 1,825.05 | 203.10 | 2,028.15 | 2,028.15 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 08/08/2012 | 2002239-01 | 368012 10KVA, FR3, 1PH, PDMT | 32 | 58,401.73 | 6,499.20 | 64,900.93 | 64,900.93 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 05/20/2013 | 2226432-02 | 368012 10KVA, FR3, 1PH, PDMT | 10 | 16,809.55 | 2,187.00 | 18,996.55 | 18,996.55 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 06/03/2013 | 2226432-03 | 368012 10KVA, FR3, 1PH, PDMT | 1 | 1,680.96 | 218.70 | 1,899.66 | 1,899.66 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 07/11/2013 | 2248105-02 | 368012 10KVA, FR3, 1PH, PDMT | 8 | 12,747.15 | 1,749.60 | 14,496.75 | 14,496.75 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 12/05/2013 | 2348335-00 | 368012 10KVA, FR3, 1PH, PDMT | 50 | 68,427.30 | 10,935.00 | 79,362.30 | 79,362.30 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 02/24/2014 | 2413163-01 | 368012 10KVA, FR3, 1PH, PDMT | 30 | 45,564.15 | 6,692.10 | 52,256.25 | 52,256.25 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/09/2014 | 2598901-03 | 368012 10KVA, FR3, 1PH, PDMT | 16 | 26,134.26 | 3,569.12 | 29,703.38 | 29,703.38 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 02/17/2012 | 1792005-02A | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 1,789.48 | 203.10 | 1,992.58 | 1,992.58 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 03/22/2012 | 1792005-04 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 1,789.48 | 203.10 | 1,992.58 | 1,992.58 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |

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| Invoice Date | Invoice | Asset Description | Quantity | Item Cost | Install Cost | Loan Funds Subject To Advance | Total Capitalized Cost |
|--------------|---|---------------------------------------|----------|-----------|--------------|-------------------------------|------------------------|
| 06/19/2012 | 1913351-00 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 14 | 26,320.45 | 2,843.40 | 29,163.85 | 29,163.85 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/22/2012 | 1913351-05 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 1,880.03 | 203.10 | 2,083.13 | 2,083.13 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/22/2012 | 1913351-06 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 1,880.03 | 203.10 | 2,083.13 | 2,083.13 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 08/08/2012 | 2002239-00 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 32 | 60,161.02 | 6,499.20 | 66,660.22 | 66,660.22 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/03/2013 | 2226432-04 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 3 | 5,399.60 | 656.10 | 6,055.70 | 6,055.70 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/03/2013 | 2226432-05 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 1,799.87 | 218.70 | 2,018.57 | 2,018.57 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 07/11/2013 | 2248105-02 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 6 | 10,137.62 | 1,312.20 | 11,449.82 | 11,449.82 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 07/25/2013 | 2248105-03 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 1,689.60 | 218.70 | 1,908.30 | 1,908.30 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 12/03/2013 | 2348335-01 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 40 | 57,898.36 | 8,124.00 | 66,022.36 | 66,022.36 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 02/24/2014 | 2413163-03 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 40 | 62,827.72 | 8,922.80 | 71,750.52 | 71,750.52 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 09/09/2014 | 2598901-04 | 368017 15KVA, PDMT, 1PH, W/FR3, MS/SS | 16 | 26,549.36 | 3,569.12 | 30,118.48 | 30,118.48 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/15/2012 | 1913351-01 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 15 | 31,191.93 | 3,046.50 | 34,238.43 | 34,238.43 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/21/2012 | 1913351-03 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 8 | 16,635.70 | 1,624.80 | 18,260.50 | 18,260.50 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 06/25/2012 | 1913351-04 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 1 | 2,079.46 | 203.10 | 2,282.56 | 2,282.56 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 05/17/2013 | 2226432-01 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 10 | 19,685.01 | 2,187.00 | 21,872.01 | 21,872.01 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 07/11/2013 | 2248105-02 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 2 | 3,844.04 | 437.40 | 4,281.44 | 4,281.44 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 02/24/2014 | 2413163-01 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 15 | 25,344.05 | 3,346.05 | 28,690.10 | 28,690.10 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 02/24/2014 | 2413163-02 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 10 | 16,896.03 | 2,230.70 | 19,126.73 | 19,126.73 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 09/03/2014 | 2598901-01 | 368030 25KVA, PDMT, 1PH, W/FR3, MS/SS | 20 | 35,586.52 | 4,461.40 | 40,047.92 | 40,047.92 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 05/17/2013 | 2226432-01 | 368038 37.5KVA UG 1PH MS/SS FR3 | 5 | 11,339.69 | 1,093.50 | 12,433.19 | 12,433.19 |
| | Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | |
| 07/11/2013 | 2248105-01 | 368038 37.5KVA UG 1PH MS/SS FR3 | 6 | 12,939.57 | 1,312.20 | 14,251.77 | 14,251.77 |
| 55009 | | | | | | | |

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| Invoice Date | Invoice | Asset Description | Quantity | Item Cost | Install Cost | Loan Funds Subject To Advance | Total Capitalized Cost |
|---|------------|---------------------------------------|----------|---------------|---------------|-------------------------------|------------------------|
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 01/28/2014 | 2372433-00 | 368038 37.5KVA UG 1PH MS/SS FR3 | 5 | 11,339.69 | 1,093.50 | 12,433.19 | 12,433.19 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/03/2014 | 2598901-01 | 368038 37.5KVA UG 1PH MS/SS FR3 | 10 | 24,073.87 | 2,230.70 | 26,304.57 | 26,304.57 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/09/2014 | 2598901-02 | 368038 37.5KVA UG 1PH MS/SS FR3 | 2 | 4,814.77 | 446.14 | 5,260.91 | 5,260.91 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 02/24/2014 | 2391062-01 | 368045 45KVA, PDMT, 3PH | 3 | 32,196.50 | 669.21 | 32,865.71 | 32,865.71 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 06/03/2013 | 2226432-06 | 368054 50KVA, PDMT, 1PH, W/FR3, MS/SS | 2 | 4,615.87 | 437.40 | 5,053.27 | 5,053.27 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/17/2014 | 2598901-06 | 368076 75KVA PADMOUNT 1ph&3ph | 2 | 5,737.95 | 446.14 | 6,184.09 | 6,184.09 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 09/17/2014 | 2598901-06 | 368101 100KVA, PDMT, 1PH | 2 | 7,357.29 | 446.14 | 7,803.43 | 7,803.43 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 02/24/2014 | 2391062-01 | 368225 225KVA, PDMT, 3PH | 2 | 28,823.78 | 1,189.72 | 30,013.50 | 30,013.50 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 11/28/2012 | 2092614-00 | 368302 300KVA, PDMT, 3PH | 1 | 15,500.56 | 541.59 | 16,042.15 | 16,042.15 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 03/05/2014 | 2391062-00 | 368302 300KVA, PDMT, 3PH | 1 | 25,894.27 | 594.86 | 26,489.13 | 26,489.13 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| 03/12/2014 | 2391062-02 | 368302 300KVA, PDMT, 3PH | 1 | 25,894.27 | 594.86 | 26,489.13 | 26,489.13 |
| Vendor: 20140 - HD SUPPLY POWER SOLUTIONS | | | | | | | |
| Total GL Account: 0 0368.0 GL Dept: 0 | | | 478 | 931,890.89 | 104,340.36 | 1,036,231.25 | 1,036,231.25 |
| Work Plan: Loan: Loan Project: | | | | | | | |
| Asset GL Account: 0 0370.0 GL Dept: 0 | | | | | | | |
| 10/17/2012 | CSI-2085 | 370.50.009 CL100 1s Focus/ALF AMR | 4 | 240.39 | 270.80 | 511.19 | 511.19 |
| Vendor: 3033 - CARLSON SALES METERING SOL LLC | | | | | | | |
| 05/02/2014 | 1220528 | 370.50.010 CL200 2s Focus/ALF AMR | 25 | 3,118.27 | 1,859.00 | 4,977.27 | 4,977.27 |
| Vendor: 6010 - GENERAL PACIFIC, INC. | | | | | | | |
| Total GL Account: 0 0370.0 GL Dept: 0 | | | 29 | 3,358.66 | 2,129.80 | 5,488.46 | 5,488.46 |
| Total Loan Project: | | | 507 | 935,249.55 | 106,470.16 | 1,041,719.71 | 1,041,719.71 |
| Grand Total: | | | 507 | \$ 935,249.55 | \$ 106,470.16 | \$ 1,041,719.71 | \$ 1,041,719.71 |

Borrower Certification

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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 of the loan, the provisions of the loan contract and mortgage, and RUS bulletins and the Code of Federal regulations relative to the advance of funds for work order purposes.

Date_____
Signature (Manager)_____
Date_____
Signature (Board Approval)

MEMORANDUM

November 14, 2014

TO: Board of Directors

FROM: Foster Hildreth

RE: Rate Design

This is the sixth step (F) in the process of designing new rates.

At the October Board Meeting, and in light of OPALCO's current revenue shortfall, the Board requested that staff work with EES Consulting (Anne Falcon) to develop alternatives to meeting revenue requirements for expected reduction in energy sales. Attached please find EES' write-up.

The full sequence of events for the new Rate Design is as follows:

- A. ✓ Review of BPA billing determinants: April 2014 Board meeting: - COMPLETE
- B. ✓ Cost of service review (revenue requirements/rates classes and cost allocations), with Member comment: COMPLETE
- C. ✓ Review of new rate design proposed by Staff: July 2014 Board meeting
COMPLETE
- D. ✓ Board discussion/modification of proposed rate design, with Member comment: August & September 2014 Board meetings
- E. ✓ ESS review of final rate design (first reading): October 2014 Board meeting
- F. Board approval (second reading) of final rate design: November 2014 Board meeting
- G. During the December Board meeting, staff will recommend the timing of implementing the new rate design

The driving goal of this rate structure process is to produce rate structures which fairly allocate the expenses of OPALCO in relation to a member's use of the grid system and impact on the cooperative's operations. In doing so, staff is striving to reduce revenue volatility so OPALCO will be better positioned to meet its financial and service level commitments to our membership.

This is the culmination of the efforts of the last eight months to develop rates that better align the Cooperative with its members and how the system costs are allocated to them. This structure is based on 2014 revenue requirements for all year. The revenue requirements for each of the years presented will be determined through the annual budget process. Also attached is the latest revision of Policy 29 *Rate Design*. This reflects the framework outlined above.

Staff requests a motion to:

- Approve Policy 29 *Rate Design* as presented; and
- Approve the Recommended Rate Structure (table) as presented.



November 13, 2014

TO: Foster Hildreth
FROM: Anne Falcon
SUBJECT: Collection of Fixed Costs

Introduction

Utility customers are increasingly exploring options for using energy more efficiently and applying alternative energy sources to meet their needs. As a result, utilities are experiencing financial pressures due to reduced energy sales. In the short-term, utilities cannot reduce the fixed cost of delivering the power, as these services are still needed by the utility customers. Because traditional rate structures collect the majority of revenues from a volumetric energy charge, utilities are finding it more and more difficult to collect sufficient revenues to meet the fixed costs of operating the utility.

OPALCO is experiencing this phenomenon today. Successful energy efficiency programs, distributed generation pressures, and warmer weather has contributed to a significant shortfall in current revenues. In order to avoid this issue in the future, EES Consulting was asked to provide a description of rate options available to OPALCO to ensure collection of non-avoidable (fixed) costs as energy sales are reduced.

Considerations

There are several reasons why average energy use is declining. Some of these reasons are provided below:

1. **Homes have higher efficiency levels.** New homes are held to higher weatherization standards and older homes are more efficient on average thanks to large tax credits for weatherization upgrades.
2. **Increased energy efficiency investment.** Increased spending and state mandates have made energy efficiency investment available to more people.
3. **Technological advancements.** As technology has developed, we have switched to more efficient technologies including battery operated devices.

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Kirkland, Washington 98033

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Facsimile: 425 889-2725

4. **Market transformation.** Lighting and televisions are up to 80 percent more efficient due to changes in codes and standards. In addition, all of the new major appliances have increased efficiency grades.
5. **Cooling off.** Homeowners are exchanging their window air conditioning units for central air and consequently increasing cooling efficiency.
6. **Distributed generation has become more affordable.** Refurbished solar and wind resources, leasing programs, and falling capital costs have made distributed generation more affordable.
7. **Distributed generation has become more prevalent.** Sixty-eight percent of wind turbines installed in the U.S. between 2003 and 2012 were distributed generation.
8. **Climate Change.** Temperatures have been warmer than normal in the last 10 years.

Combined with the reduction in energy use, OPALCO has unique circumstances as it is a rural island utility with several expensive underwater cables. Compared to many urban utilities, OPALCO's cost of delivery is very high. Because OPALCO recovers the majority of these fixed delivery costs through their energy charge, the utility experiences significant losses when energy sales are down.

At the same time, OPALCO is a progressive utility that is actively pursuing energy efficiency and encourages distributed generation as a way to reach self-sufficiency of resources.

OPALCO's customer mix include 53 percent electric heating customers, a large percent of low/fixed income customers and also includes a large percentage of seasonal customers. When exploring rate design options, these characteristics and potential bill impacts must be considered.

It is also important to note that the 25 percent of OPALCO members are part-time/seasonal residents, with low electric usage occurring primarily in the warmer months. The recurring costs for members to remain connected to the grid on an annual basis is equivalent for all members within each rate class. Since the current rate structure has fix expenses collected in the variable component of the rate, the revenue collected to offset such expenses results in full-time residents subsidizing part-time residents.

Strategies

Navigating rate policies regarding distributed generation and energy efficiency can be a tricky exercise. The following strategies can help your utility thrive under changing electricity use profiles:

1. Implement High Fixed Charge

Under this strategy, the power supply related costs from the COSA would be collected based on variable charges, such as energy and demand charges, while the non-power supply costs would be collected based on a fixed monthly charge. Table 1 provides the calculated charges from the most recent COSA study.

Table 1

Calculation of High Fixed Charge

| | Total | Residential | Residential TOU | Pump | Commercial / Industrial Small | Commercial Marina | Public Street/ Highway Lighting |
|--|--------------|--------------|--------------------|-----------|----------------------------------|----------------------|---------------------------------------|
| Power Supply (Energy, Demand and BPA Transmission) | \$7,838,396 | \$5,367,355 | \$68,850 | \$50,411 | \$2,260,781 | \$90,966 | \$33 |
| Power Supply Unit Costs (\$/Kwh) | \$0.0377 | \$0.0370 | \$0.0370 | \$0.0353 | \$0.0396 | \$0.0395 | \$0.0353 |
| Non-Power Supply | \$14,267,077 | \$10,203,492 | \$107,318 | \$263,910 | \$3,458,082 | \$199,607 | \$34,668 |
| Non-Power Supply Unit Costs (\$/Customer/Month) | \$86.21 | \$73.90 | \$120.38 | \$44.08 | \$189.15 | \$90.20 | \$959.81 |

Based on data in Table 1, this strategy would charge each residential customer \$73.90 per month or \$886.97 per year in fixed cost regardless of energy usage. This would have a high bill impact on households with distributed generation, seasonal customers and low energy users as the current fixed charge is \$28.60 per month or \$343.20 per year. The winners under this strategy would be the high energy users because they no longer pay for the delivery system in their energy charge. This strategy would not encourage energy efficiency and could potentially cause an increase in energy consumption.

Before implementing this charge, it is important to remember the recent experience at other utilities that increased the fixed monthly charge significantly. If OPALCO chooses this strategy, it is recommended to slowly implement this high charge over time and to invest in significant customer education prior to implementation.

2. Implement Minimum Bill

Another strategy would be to implement a minimum bill amount that must be paid by all customers. It is similar to the High Fixed Charge strategy, but customers would be able to include energy consumption in their minimum bill charge. This strategy would work by keeping the current rate structure, but for low users or seasonal customers, the minimum bill would be increased to \$73.90 per month.

This strategy mitigated some of the impact of the high monthly charge strategy. However, if the minimum bill is set at the level of the High Charge (\$78/month), low energy customers, seasonal customers and distributed generation customers will experience significant bill increases. This option also does not promote energy efficiency.

3. Implement Cost Recovery Charge

Another option to collect the shortfall in revenues would be to implement a Cost Recovery Charge. A Cost Recovery Charge (CRC) is designed to recoup lost revenues that are caused by fluctuations in energy consumption. The CRC gives utilities the ability to deal with ongoing revenue changes without having to make frequent changes to the base rate structure. The CRC is typically calculated once per month based on actual costs and revenues. However, the CRC can be designed to be calculated monthly, quarterly or annually. The CRC can be calculated to recover sufficient additional revenues for OPALCO to meet TIER requirements or some other financial target.

This strategy would impact customers based on their energy usage as the charge is most often designed as an energy charge (\$/kWh).

4. Combination of Options

The last strategy would be to implement a combination of the strategies listed above. This option could develop a minimum bill payment and/or increase the monthly fixed charge over time and implement a Cost Recovery Charge to collect any shortfalls. In addition, these strategies could be ramped up over time to mitigate the immediate impact on customers.

Conclusion

Regardless of the strategy that is implemented to ensure recovery of lost revenues due to low energy consumption and fixed costs, it is important to keep in mind the following:

- Take care of vulnerable customers (low and fixed income) by providing access to resources that will allow them to participate in energy efficiency programs.
- Consider the impact on energy efficiency participation.
- Consider the impact on local distributed generation cost effectiveness.
- Continue to monitor the fixed cost of the system and consider options for long term savings.
- Educate customers on rate components and why rates are changing.
- Consider the additional customer education needs and front office staffing needs as customers may object to bill increases.

ORCAS POWER AND LIGHT COOPERATIVE

RECOMMENDED RATE STRUCTURE

| A. | | B. | C. | D. | E. |
|----|-------------------------------------|---------------|----------------|----------------|----------------|
| | | | 2015 Structure | 2016 Structure | 2017 Structure |
| | | Present Rates | (0% Increase)* | (0% Increase)* | (0% Increase)* |
| 1 | Residential | | | | |
| 2 | Facility Rate (\$/Service/Month) | \$28.60 | \$28.60 | \$28.65 | \$28.87 |
| 3 | Demand Rate (\$/Service/Month) | | \$0.00 | \$1.00 | \$3.00 |
| 4 | Energy Rates (\$/kWh) | | | | |
| 5 | Block 1 (< 5,000 kWh) | \$0.0852 | | | |
| 6 | Block 2 (> 5,000 kWh) | \$0.1006 | | | |
| 7 | Summer Block 1 (< 1,500 kWh) | | \$0.0850 | \$0.0813 | \$0.0780 |
| 8 | Summer Block 2 (> 1,500 kWh) | | \$0.0950 | \$0.1036 | \$0.1085 |
| 9 | Winter Block 1 (< 3,000 kWh) | | \$0.0850 | \$0.0813 | \$0.0780 |
| 10 | Winter Block 2 (> 3,000 kWh) | | \$0.0950 | \$0.1036 | \$0.1085 |
| 11 | | | | | |
| 12 | Residential TOU | | | | |
| 13 | Facility Rate (\$/Service/Month) | \$32.20 | \$32.20 | \$32.30 | \$32.40 |
| 14 | Demand Rate (\$/kW) | | | \$0.50 | \$1.00 |
| 15 | Energy Rates (\$/kWh) | | | | |
| 16 | TOU Period 1 (6 AM - Noon) | \$0.1294 | \$0.1450 | \$0.1450 | \$0.1450 |
| 17 | TOU Period 2 (Noon - 10* PM) | | 0.09 | 0.09 | 0.09 |
| 18 | To be phased in over 3 years | \$0.0590 | Noon - 8 pm | Noon - 9 pm | Noon - 10 pm |
| 19 | TOU Period 3 (6 PM - 6 AM) | \$0.0507 | \$0.0400 | \$0.0400 | \$0.0400 |
| 20 | | | | | |
| 21 | Small Commercial (<20 kW) | | | | |
| 22 | Facility Rate (\$/Service/Month) | \$40.40 | \$40.40 | \$40.40 | \$41.07 |
| 23 | Energy Rates (\$/kWh) | | | | |
| 24 | Block 1 (< 5,000 kWh) | \$0.0866 | \$0.0861 | \$0.0861 | \$0.0861 |
| 25 | Block 2 (> 5,000 kWh) | \$0.0781 | \$0.0861 | \$0.0944 | \$0.1055 |
| 26 | Demand Rates (\$/kW) | | | | |
| 27 | First 20 kW (Flat Rate) | \$0.00 | \$5.00 | \$5.30 | \$6.00 |
| 28 | Over 20 kW | \$3.15 | | | |
| 29 | | | | | |
| 30 | Large Commercial (> 20kW) | | | | |
| 31 | Facility Rate (\$/Service/Month) | \$40.40 | \$40.40 | \$40.40 | \$41.07 |
| 32 | Energy Rates (\$/kWh) | | | | |
| 33 | Block 1 (< 5,000 kWh) | \$0.0866 | \$0.0775 | \$0.0777 | \$0.0782 |
| 34 | Block 2 (5,000-150,000 kWh) | \$0.0781 | \$0.0775 | \$0.0777 | \$0.0782 |
| 35 | Block 3 (>150,000 kWh) | | \$0.1162 | \$0.1166 | \$0.1173 |
| 36 | Demand Rates (\$/kW) | | | | |
| 37 | First 20 kW | \$0.00 | | | |
| 38 | Over 20 kW | \$3.15 | | | |
| 39 | Block 1 (< 300 kW) | | \$3.15 | \$3.15 | \$3.15 |
| 40 | Block 2 (> 300 kW) | | \$4.73 | \$4.73 | \$4.73 |
| 41 | | | | | |
| 42 | Pumps | | | | |
| 43 | Facility Rate (\$/Service/Month) | \$25.30 | \$25.47 | \$26.79 | \$27.12 |
| 44 | Energy Rates (\$/kWh) | | | | |
| 45 | 0 - 370 kWh | \$0.0978 | \$0.0923 | \$0.0813 | \$0.0771 |
| 46 | 370-5,000 kwh | \$0.0752 | \$0.0802 | \$0.0813 | \$0.0771 |
| 47 | Over 5,000 kWh | \$0.0900 | \$0.0878 | \$0.0830 | \$0.0771 |
| 48 | Demand Rates (\$/kW) | | | | |
| 49 | First 20 kW (Flat Rate) | \$0.00 | \$0.00 | \$1.00 | \$2.50 |
| | Over 20 kW | \$3.15 | \$3.15 | \$3.15 | \$3.15 |

* For comparative purposes only, the above is assuming a 0% increase to revenue requirements. Revenue Requirements and associated rates will be determined during the annual budget process.

ORCAS POWER AND LIGHT COOPERATIVE

POLICY 29

ENERGY RATE DESIGN

29.1 PURPOSE

To set forth policy relating to the development and implementation of electric rates that follows the strategic objectives of the Cooperative.

29.2 POLICY

29.2.1 Commitment to Rate Design

It is the policy of the Board of Directors of the Cooperative to develop electric rates that allow the Cooperative to provide electricity that is reliable, cost-based, considerate of the environment and maintains the Cooperative's financial strength at the Cooperative's lowest cost. The Cooperative's Rate Structures shall meet revenue requirements, fairly allocate the Cooperative's expenses in relation to each members' use of and impact on the system, reduce the effects of weather, market and other volatility and promote stability in the Cooperative's ongoing financial position as indicated through equity and TIER.

29.2.2 Basic Fundamentals

29.2.2.1 The Cooperative will periodically perform cost of service studies to inform whether existing rate structures are meeting the goals of this policy.

29.2.2.2 Rates will be developed and implemented that:

29.2.2.2.1 Meet revenue requirements and are cost-based;

29.2.2.2.2 Dramatic rates changes are to be implemented overtime;

29.2.2.2.3 Generate margins which meet long-term financial objectives and lender requirements and as per the Cooperative's strategic directives;

29.2.2.2.4 Decrease revenue volatility to counter warming temperature trends and reduction in energy usage.

29.2.2.2.5 **Facility**: Utilize a fixed cost methodology whereby the facility charge collects the Cooperatives' fixed expenses;

29.2.2.2.6 **Demand**: Implement a demand element which reflects the costs associated with variable need for system capacity for all member classes as the phase out/replacement of existing meters progresses;

29.2.2.2.7 **Energy**: Implement a variable mechanism that passes energy costs to members based on their usage;

29.2.2.2.8 **Cost Recovery Charge**: Implement a Cost Recovery Charge (CRC) on member bills to recoup lost revenues that are caused by fluctuations in energy consumption.

29.2.2.3 Rates will incorporate a mechanism for ensuring any above the Cooperative's power provider's base load rates (BPA Tier 1) will be charged for those costs.

29.2.2.4 Rate increases necessary to meet budgetary revenue requirements are to be applied to the facility charge component of member bills until 29.2.2.2.5 is achieved.

29.2.2.5 Rates shall be independent of OPALCO approved member programs for energy conservation, energy assistance (PAL), member owned renewal energy (MORE), etc. The determination of the funding of these programs will be through Board action as laid out during the budgeting process.

29.2.3 Management Responsibility

29.2.3.1 Management should be held accountable for implementing rates as approved by the Board of Directors and routinely report to the Board of Directors as to the need to adjust rates to account for changes in cost or strategic initiatives.

Effective Date: 11/20/2014

J. Foster Hildreth, General Manager

MEMORANDUM

November 13, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: January Meeting Date

I will be attending the 2015 CEO Close-Up Conference January 10-14; therefore, I am requesting a meeting date change from January 15 to January 22.

MEMORANDUM

November 14, 2014

TO: Board of directors
FROM: Foster Hildreth
RE: RUS Requirements

The RUS General Field Representative for OPALCO, Eric Marchegiani, PE, is leaving for a post in Mississippi. RUS management is working to fill the position.

The attached resolutions establish the recent OPALCO management transitions and authorize RUS signers. Resolution 10-2014 establishes me as the General Manager and gives additional signing authority to two of the Board members. Resolution 11-2014 authorizes Nancy Loomis and me to sign RDUP Form 674

ORCAS POWER & LIGHT COOPERATIVE

A Touchstone Energy Co-op



Eastsound Office
183 Mount Baker Road
Eastsound, WA 98245-9413
p:(360) 376-3500 f:(360) 376-3505
www.opalco.com

BOARD OF DIRECTORS RESOLUTION 10-2014

RESOLVED that J. Foster Hildreth, the General Manager of the Cooperative, be authorized to Execute RUS Form 595 *Financial Requirement & Expenditure Statement (Electric)*.

RESOLVED that James Lett, President of the Board of Directors of Orcas Power & Light Cooperative, be authorized to Execute RUS Form 595 *Financial Requirement & Expenditure Statement (Electric)*.

RESOLVED that Jerry Whitfield, Secretary-Treasurer of the Board of Directors of Orcas Power & Light Cooperative, be authorized to Execute RUS Form 595 *Financial Requirement & Expenditure Statement (Electric)*.

This certification is to remain in force until rescinded by resolution of the Board of Directors and notification of such action to RUS.

CERTIFICATION OF SECRETARY

I, Jerry Whitfield, Secretary of Orcas Power and Light Cooperative, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Orcas Power and Light Cooperative, held on the 20th day of November 2014 at which meeting a quorum was present.

SEAL

Jerry Whitfield, Secretary



ORCAS POWER & LIGHT COOPERATIVE

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Board of Directors

RESOLUTION 11-2014 RDUP Form 674 Submittal Authority

RESOLVED that J. Foster Hildreth, the General Manager of the Cooperative, be the Certifier on behalf of the Cooperative, who shall be responsible for submitting and certifying to the Rural Utilities Service, an agency of the United States Department of Agriculture delivering Rural Development Utilities Programs, any and all data required by RDUP Form 674;

RESOLVED that Nancy Loomis, the Manager of Finance of the Cooperative, be the Security Administrator on behalf of the Corporation, who shall give access to the Corporation's data, as appropriate, to other employees, officers, or contractors of the Corporation, for the purpose of complying with RDUP Form 674; and

RESOLVED that both shall comply with the Instructions for RDUP Form 674 in regard to use of the government's data collection system.

I FURTHER CERTIFY THAT each member of the Board of Directors of the Corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

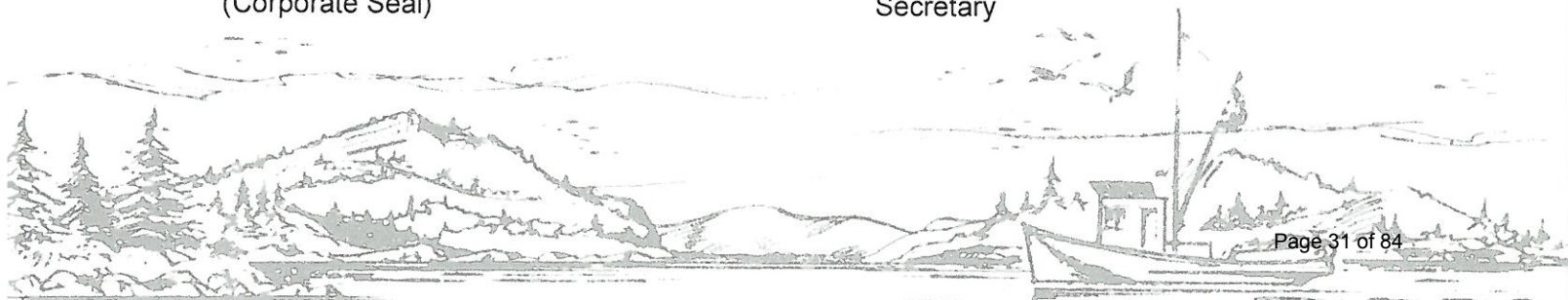
SECRETARY'S CERTIFICATE

I, Jerry Whitfield do hereby certify that: I am the Secretary of Orcas Power & Light Cooperative (hereinafter the "Cooperative") that the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Corporation at the regular meeting held November 20, 2014, and entered in the minute book of the Cooperative; that the meeting was duly and regularly called and held in accordance with the Bylaws of the Cooperative; and that none of the following resolutions has been rescinded or modified:

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Corporation this 20th day of November, 2014.

(Corporate Seal)

Secretary



DISCUSSION ITEMS

MEMORANDUM

Date: November 14, 2014

To: Board of Directors

From: Foster Hildreth, General Manager

Re: 2014 Third Quarter Financials

The 2014 third quarter financial results are being sent as a separate file for review prior to the Board meeting. Included in the report are the Statement of Operations (along with a Notable Drivers analysis), Balance Sheet, Statement of Cash Flow (GAAP), Capital Projects Budget, Island Network Financial Tracking Tool, and the 2014 Draft RUS Form 7.

Staff will be available to discuss the information in detail during the November 20th Board meeting.

MEMORANDUM

November 14, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: 2015 Capital Budget Report

The 2015 Capital Budget will be sent to the Board separately from the Board materials for your review and discussion at the November 20, 2014 board meeting. The Income Statement portion of the 2015 budget will be reviewed separately at the December 18 Board meeting.

The budget report is comprised of 2015 capital budgetary figures, along with 2016 through 2019 forecasts. We look forward to reviewing our figures/assumptions at the November meeting.

Staff recommends that the Board make a motion to approve the 2015 Capital Budget.

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS BUDGET

| | | | A. | B. | C. | D. | E. | F. | G. | H. |
|----|--|--|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|
| | | | Actual | Budget | Projected | Proposed | Forecast | Forecast | Forecast | Forecast |
| | | | Year End | Year End | Year End | Budget | 12/31/2016 | 12/31/2017 | 12/31/2018 | 12/31/2019 |
| | | | 12/31/2013 | 12/31/2014 | 12/31/2014 | 12/31/2015 | | | | |
| 1 | DISTRIBUTION | | | | | | | | | |
| 2 | 100 | New Services | \$ 125,675 | \$ 160,000 | \$ 162,445 | \$ 164,800 | \$ 135,000 | \$ 140,000 | \$ 145,000 | \$ 150,000 |
| 3 | 200 | New Tie Lines | 319,404 | 215,000 | 301,287 | 130,000 | 120,000 | - | 120,000 | - |
| 4 | 300 | Conversions and Line Changes | 692,238 | 1,661,750 | 1,199,962 | 968,000 | 898,000 | 460,000 | 400,000 | 200,000 |
| 5 | 400 | New Substations, switching station, metering point, etc. | - | - | - | - | 600,000 | 600,000 | 75,000 | - |
| 6 | 500 | Substation, Switching Station, Metering Point Changes | 123,386 | 20,000 | 22,058 | - | 600,000 | 600,000 | 75,000 | - |
| 7 | 600 | Miscellaneous Distribution Equipment | | | | | | | | |
| 8 | 601 | Transformers & Meters | 372,396 | 310,000 | 548,456 | 379,300 | 390,679 | 303,000 | 313,000 | 323,000 |
| 9 | 602 | Sets of Service Wires to increase Capacity | - | - | - | - | - | - | - | - |
| 10 | 603 | Sectionalizing Equipment | 68,473 | 235,000 | 432,078 | 140,000 | 365,000 | 390,000 | 340,000 | 255,000 |
| 11 | 604 | Regulators | 156,491 | 110,000 | 67,961 | - | 190,000 | - | 80,000 | 395,000 |
| 12 | 605 | Capacitors | - | - | - | - | - | - | - | - |
| 13 | 606 | Ordinary Replacements | 236,490 | 240,000 | 218,250 | 247,200 | 254,616 | 180,000 | 186,000 | 192,000 |
| 14 | 608 | Underground Dist. Cable Replacement | 924,947 | 1,554,000 | 2,901,209 | 1,168,020 | 1,503,061 | 1,049,000 | 1,081,000 | 1,114,000 |
| 15 | 700 | Other Distribution Items | | | | | | | | |
| 16 | 701 | Engineering Fees | - | - | - | - | - | - | - | - |
| 17 | 704 | LMS & SCADA | 52,327 | 90,000 | 1,805 | - | - | - | - | - |
| 18 | 705 | AMR | - | - | - | - | - | - | - | - |
| 19 | 706 | Communications | | | | | | | | |
| 20 | | 706.0 Island Network | 322,418 | 443,000 | 342,904 | 2,900,000 | 3,100,000 | 1,500,000 | - | - |
| 21 | | 706.1 Fiber/Microwave Infrastructure | 474,460 | 1,775,000 | 1,668,056 | 1,930,000 | 2,300,000 | 1,095,000 | - | - |
| 22 | TRANSMISSION | | | | | | | | | |
| 23 | 800 | New Tie Line | - | - | - | - | - | - | - | - |
| 24 | 900 | New Substations, switching station, metering point, etc. | - | - | 4,785 | - | - | - | - | - |
| 25 | 1000 | Line and Station Changes | 365,876 | 240,000 | 165,404 | 6,405,000 | 7,850,000 | 70,000 | 75,000 | 300,000 |
| 26 | 1100 | Other Transmission | - | - | - | - | - | - | - | - |
| 27 | GENERATION | | | | | | | | | |
| 28 | 1200 | Generation | - | - | - | - | - | - | - | - |
| 29 | OTHER | | | | | | | | | |
| 30 | 1300 | Headquarters Facilities | 249,280 | 462,000 | 127,551 | 150,000 | 250,000 | - | - | - |
| 31 | 1400 | Acquisitions | - | - | - | - | - | - | - | - |
| 32 | 1500 | All Other (Transportation, Etc.) | | | | | | | | |
| 33 | 1501 | Transportation/Equipment/Tools/Radios | 448,241 | 646,000 | 340,301 | 565,380 | 582,341 | 350,000 | 361,000 | 372,000 |
| 34 | 1502 | Office Equipment/Furniture/Etc. | 4,601 | 50,000 | 18,276 | 51,500 | 53,045 | 10,000 | 11,000 | 12,000 |
| 35 | 1503 | Computer/Servers/Software | 358,351 | 271,000 | 120,149 | 206,500 | 212,695 | 220,000 | 227,000 | 234,000 |
| 36 | 1600 | Minor Projects | 549,042 | 30,000 | 340,227 | 90,000 | 92,700 | 96,000 | 99,000 | 102,000 |
| 37 | | | | | | | | | | |
| 38 | RUS CWP SUBTOTAL | | 5,844,096 | 8,512,750 | 8,983,164 | 15,495,700 | 19,497,137 | 7,063,000 | 3,588,000 | 3,649,000 |
| 39 | CONTRIBUTION IN AID OF CONSTRUCTION (CIAC) | | | | | | | | | |
| 40 | New Services (OPALCO), Transformers, Meters, New Services (IN) | | (293,000) | (464,737) | (867,108) | (252,434) | (256,851) | (265,000) | (273,000) | (282,000) |
| 41 | | | | | | | | | | |
| 42 | NET TOTAL | | \$ 5,551,096 | \$ 8,048,013 | \$ 8,116,056 | \$ 15,243,266 | \$ 19,240,286 | \$ 6,798,000 | \$ 3,315,000 | \$ 3,367,000 |

MEMORANDUM

November 13, 2014

TO: Board of Directors
FROM: Foster Hildreth
RE: Revisions to MS Policies

The purpose of the draft revisions is to bring these policies current Strategic Directives.

This is the first reading of the revisions; no action is necessary at this time.

ORCAS POWER AND LIGHT COOPERATIVE
MEMBER SERVICE POLICY 3
TECHNICAL PROVISIONS

3.1 DETERMINATION OF USE AND METERING

The quantity of electrical energy and electrical demand shall be determined by the registration of the electric meters authorized and maintained by OPALCO.

- 3.1.1 Where the load is such that the amount of electrical energy consumed is fixed, OPALCO may elect not to meter the service and to bill the member for a fixed number of kilowatt hours. The amount charged shall be computed under the appropriate schedule including base charges.
- 3.1.2 Where service is rendered under conditions making metering impractical, OPALCO may estimate the amount of energy consumed based on the member's load.
- 3.1.3 OPALCO is required to maintain its meters within plus or minus two (2) percent accuracy. OPALCO maintains an ongoing meter calibration program. OPALCO will test a member's meter upon written request at no charge if the most recent calibration is more than ten years old. If a member requests a meter accuracy check less than ten years from the previous test, he must pay the charges as stated in Schedule of Deposits and Charges in the OPALCO Tariff book. In either case, should the meter, upon testing by OPALCO prove inaccurate, the charges will be refunded and billing adjusted per Member Service Policy 7.9. (The member will be furnished a test report stating the accuracy of the tested meter.) The member may request that the meter be sent to an independent third party for calibration. The member will be responsible for all costs associated with independent calibration of his meter. Should the meter prove inaccurate upon testing, the testing charges will be refunded and billing adjusted per Member Service Policy 7.9.
- 3.1.4 OPALCO requires commercial meterbases with manual bypass and electric meters with demand registers for all non-residential and all three phase accounts. OPALCO requires electric meters with demand registers for all accounts where the 15-minute demand at any time during the year is anticipated to exceed 15 kW. OPALCO will require demand meters on other services if required by the applicable rate schedule. OPALCO may install demand meters on any account for data collection purposes. Where demand meters are installed for data collection, the member will continue to be billed under the existing rate schedule unless the data gathered shows that a different rate schedule is required.
- 3.1.5 Commercial facilities containing electronic equipment, or where the fifteen minute demand at any time during the year does not exceed 15 KW, and having no other loads other than for heating and air conditioning, are required to have commercial meterbases with manual bypass, but are not required to have demand meters.

3.2 PROTECTIVE EQUIPMENT

It is the member's sole responsibility to provide suitable protective equipment for the devices and appliances in their premises. If three phase equipment is used, it is the member's responsibility to protect such equipment against single phase operation, reverse phasing, and under-and-over voltage conditions. OPALCO will monitor and troubleshoot member related problems from the member's serving substation to the

secondary lugs of the member's meterbase. All other investigation into electrical problems beyond the secondary lugs of the member's meterbase shall be at the member's expense.

3.2.1 Non-Standard Tolerances

OPALCO regulates power characteristics to the point of member interconnection, which is generally the serving transformer. Where the member requires a degree of protection or regulation of the characteristics of the electrical service greater than that normally furnished by OPALCO, the member shall be responsible for obtaining, installing and maintaining the required regulating equipment.

3.2.2 Protection

The member is responsible for protection of the member's own equipment due to loss of power, voltage surges and sags, or loss of phase/phases of a three phase line. Certain protective devices normally considered necessary are recommended below:

3.2.2.1 Line Starting Protection

Any motor which, in starting, might be damaged by the full line voltage requires some type of protective device to disconnect it from the line during interruptions in service, thus protecting the motor when service is restored. OPALCO further recommends that such a device be equipped with a time delay mechanism so that the motor will not be disconnected by momentary fluctuations in voltage.

3.2.2.2 Overload Protection

Since the intense heat caused by overload might seriously damage the motor, the member should install a device that will disconnect the motor if overload occurs. Fuses, thermal relays or circuit breakers, which are specifically designed to operate when excessive current occurs, are the devices used for this purpose. Where the member receives three phase service, OPALCO recommends that such protective devices be connected to all phases.

3.2.2.3 Protection from Loss of Phase/Phases

Where the member receives three phase service, phase protecting relays should be installed which will disconnect the motor from the lines in the event that one phase of the line becomes open.

3.2.2.4 Reverse Phasing Protection

For three phase installations of electric cranes, hoists, elevators, pumps and similar equipment which may be damaged by reverse phasing, the member should install relays that will disconnect the motor from the line in the event of accidental phase reversal.

3.2.2.5 Surge Suppressors

The member should install surge suppression devices to protect sensitive electronic equipment such as computers, and other home electronic appliances from transient voltage spikes caused by lightning, system failures, normal utility load switching, etc.

3.3 ADDITIONAL LOAD

OPALCO will attempt to meet the additional load requirements of our members. OPALCO will work with the responsible party to accurately size the transformer to meet the needs of the responsible party's prospective load and to incorporate said load onto OPALCO's power distribution network.

3.3.1 Notice

Responsible parties shall give 60 days' written notice to the OPALCO Engineering Department of any proposed increase in required service capacity and/or meterbase upgrade. Increased service capacity, additional facilities or feeders added to an existing meterbase, or meterbase upgrades, are to be treated as a new service request and require an application. OPALCO's Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

3.3.1.1 Addition to Single Phase Loads

Responsible party shall give at least sixty (60) days' written notice to OPALCO's Engineering Department of any additional load requirements on single-phase transformers or additional facilities added to an existing meterbase. Specialized equipment such as transformers may have lengthy delivery schedules, and the Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

3.3.1.2 Addition to Three Phase Loads

Responsible party shall give at least sixty (60) days' written notice to OPALCO's Engineering Department of any additional load requirements, or of the addition of facilities or service runs to an existing meterbase, on any three-phase transformer or bank of transformers forming a three-phase system. Specialized equipment such as three phase transformers may have lengthy delivery schedules, and the Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

3.3.1.3 Conversion from Single Phase to Three Phase

Three phase service is made available only in specific portions of OPALCO's service area. Responsible parties planning to convert from single phase to three phase should check with OPALCO to determine the availability and cost of providing three phase service. All costs associated with conversion from single phase to three phase shall be paid for by the

requesting responsible party. OPALCO's power distribution network has no single phase protection of three phase lines. It is the responsible party's responsibility to protect their three phase equipment from single phase or reverse direction conditions.

3.3.2 OPALCO/Responsible Party Obligations

3.3.2.1 If the load of an *existing* facility increases, requiring a change in transformer size or meter class and the responsible party has been paying for power at this facility for more than five (5) years, OPALCO shall change out the transformer and/or meter at OPALCO's expense as long as the responsible party has not added additional facilities on to the power distribution network.

3.3.2.2 If the load of an *existing* facility increases, requiring a change in transformer size or meter class and the responsible party has been paying for power at this facility for less than five (5) years, the responsible party shall change out the transformer and/or meter at their expense, as outlined in Member Service Policy 5.2

3.3.2.3 If the load of a transformer or meter increases due to the addition of new facilities being served by the transformer, the responsible party of the added facilities shall pay all costs to change out the transformer and/or meter as outlined in Member Service Policy 5.2.

3.4 UNDESIRABLE SERVICE CHARACTERISTICS

Undesirable service characteristics are defined as service(s) connected to OPALCO's distribution network which affect the power quality, reliability, and cost to distribute power on the power distribution network. To limit the effects of undesirable service characteristics to the membership, OPALCO may require the following for continued service:

3.4.1 Reduced Voltage Starting

Individual single phase or three phase motor units rated seven and a half (7.5) horsepower or more shall be controlled by soft start or reduced voltage starters.

3.4.2 Three Phase Required

Individual motor units rated at seven and a half (7.5) horsepower shall be three phased when three phase service is available, unless otherwise approved in writing by OPALCO's engineering department prior to installation. Phase adders such as rotary phase converters and static phase converters up to seven and a half (7.5) horsepower and lower can be used on single phase lines as long as they are protected by a responsible party supplied voltage stabilizer, current harmonics are being filtered, and service supplying power to the motor is a commercial account (see Member Service Policy 3.4.3).

3.4.3 Highly Fluctuating Loads

OPALCO may disconnect service to a member who adds any load that causes a large fluctuation in voltage or a significant disruption to the electric system, or otherwise disturbs the service provided to other members.

3.4.4. Failed Secondary

When a member's secondary service fails and results in outages to OPALCO's primary system, OPALCO may require the member to install a circuit breaker in compliance with Member Service Policy 6.2.2.1.

3.4.5 Harmonics

Responsible parties installing equipment which can be expected, or are found, to generate harmonics will be required to install appropriate filters to remove the harmonics at the responsible party's expense. OPALCO may require that a responsible party increase the size of the neutral conductor to accommodate for increased neutral conductor load as a condition of continuing to provide power to the facility(ies) from which the harmonics are emanating.

3.4.6 Additional Protection Devices

Responsible party installing electrical service(s) or electrical equipment which OPALCO, at its sole discretion, determines could potentially cause additional risk to the distribution network will be required to pay for additional protection device(s) on the primary side of the serving transformer.

3.5 IMMEDIATE DISCONNECTION

OPALCO will immediately disconnect service to a member without advance notice under the following conditions:

3.5.1 Immediate Hazard

Service will be disconnected if an immediate hazard exists which threatens the health or safety of the responsible party, the general population, or OPALCO's personnel or facilities.

3.5.2 Meter Tampering

Service will be disconnected if OPALCO determines, at its sole discretion, that there is evidence of meter tampering, power theft, or fraud by the responsible party.

3.5.3 Curtailment

Service will be disconnected if the responsible party has failed to comply with the curtailment procedures imposed by OPALCO during an emergency.

3.5.4 Undesirable Service Characteristics

Service(s) which cause undesirable service characteristics on OPALCO's power distribution network will be immediately disconnected until the responsible party has corrected the condition to OPALCO's satisfaction. OPALCO has sole authority in determining the effect of a connected service on OPALCO's distribution network, and whether or not a connected service is causing, or is likely to cause, undesirable service characteristics, and OPALCO shall not be liable for disconnecting said service for the purpose of protecting the power distribution network.

3.5.5 Failure to Provide OPALCO with Easement on Property

All facilities and equipment owned and maintained by OPALCO on private property require an easement (see Member Service Policy Introduction – Easements).

Orcas Power and Light Cooperative's membership application agreement includes the requirement for a member property owner to grant to the Cooperative, **its subsidiaries, and its assigns, and its licensees** reasonable requests for easement(s) to achieve the Cooperative's purposes **and to consent to the recording on title of all such easements**. Failure to fulfill this obligation may result in the denial or revocation of membership.

In the event that the responsible party will not provide OPALCO with an **adequate** easement for new or an existing **primary communications and/or electrical distribution, and/or transmission facilities, equipment or other appurtenances** on the responsible party's property, OPALCO may, at its sole discretion, disconnect the responsible party's service and relocate OPALCO owned facilities back to a point of legal private easement or public right-of-way.

In such cases, all reconnections to OPALCO facilities will be treated as new service requests. The responsible party refusing legal easement is responsible for all costs associated with installation of their meterbase and the reconnection of secondary conductors, regardless of date of service or installation. OPALCO shall give the responsible party a thirty (30) day notice in advance of relocation of OPALCO facilities. It is the responsible party's responsibility to: apply to OPALCO for a new service; obtain any electrical permits required; secure all secondary easements required to connect to OPALCO facilities; and arrange and pay for trenching and installation of secondary conductors.

3.5.6 Failure to Provide Adequate Clearances for and around OPALCO Facilities.

It is the responsible party's responsibility to maintain adequate clearances and not hinder access in any manner around all OPALCO facilities on their property. Failure to maintain facilities in a manner requested by OPALCO may result in removal of facilities from service. Responsible party shall be responsible for the full disposal and replacement cost of any equipment found to have failed due to inadequate clearances.

3.5.7 Failure to Meet Contractual Obligations Agreed to as a Requirement of Membership.

OPALCO is a member owned, non-profit **electric** cooperative governed by a board of directors that is elected by the membership. In an effort to treat all members equally, the board has elected to require a defined, consistent level of cooperation by individuals and parties as a condition of membership. Failure to meet the spirit or intent, or otherwise not comply with, the provisions of OPALCO's articles of incorporation, bylaws, member service policies or membership application will result in loss of membership. Responsible parties who do not comply with all provisions in OPALCO's articles of incorporation, bylaws, member service policies, or membership application will be notified of violation or required action in writing. Responsible parties shall be given one hundred twenty (120) days to comply with membership obligations. After the one hundred twenty (120) day notice time period has expired, OPALCO shall deem failure to comply with the provisions of the articles of incorporation, bylaws, member service policies, or obligations agreed to on the membership application as a surrender and forfeiture of membership. OPALCO shall be allowed to remove any and all facilities and equipment, including meter(s), connected in person(s) name. OPALCO shall provide the responsible party(ies) with written notice of the surrender and forfeiture of membership. Any

such notice of surrender and forfeiture of membership may be appealed to the board of directors by delivering a written request for reconsideration to OPALCO's manager within sixty (60) days of the date of the notice of surrender and forfeiture. The board's decision shall be final and conclusive and not subject to further appeal or review.

3.5.8 Unauthorized Attachments

Written permission is required prior to the attachment of any equipment or material to any OPALCO property including poles, guys, transformers, or other equipment or structures. Any unauthorized attachment is subject to removal at any time without notice. OPALCO assumes no liability for and will not be responsible for any unauthorized attachments. OPALCO shall not be held responsible for any consequences related to the removal of any unauthorized attachment.

3.6 INSPECTION AND ACCESSIBILITY

The responsible party is responsible for installing, providing the required clearances around facilities, and maintaining the secondary wiring and equipment in accordance with current applicable electric and building codes and OPALCO facility installation specifications. Prior to OPALCO energizing any services, the State of Washington Electrical Inspector must approve the installation, and the secondary trenches must be backfilled. Landscaping around OPALCO's facilities must comply with Member Service Policy 6.1.5.

3.7 INTERCONNECTION WITH RESPONSIBLE PARTY OWNED GENERATION EQUIPMENT

3.7.1 Alternative Technology Generation

OPALCO will permit the interconnection and operation of alternative technology generation as specified in Member Service Policy 14.

3.7.2 Fossil Fuel Standby Generation

OPALCO will not permit the interconnection and operation of fossil fuel standby generation facilities, such as diesel, propane or gasoline driven standby generators on its system. Diesel, propane or gasoline driven standby generators shall be connected to the responsible party's load only through a state inspected double throw switch that will prevent parallel operation with OPALCO's system.

J. Foster Hildreth, General Manager

Effective Date: January 18, 2007

ORCAS POWER AND LIGHT COOPERATIVE
MEMBER SERVICE POLICY 4
SERVICE CONDITIONS

4.1 APPLICATION FOR SERVICE

Each member requesting service shall sign OPALCO's standard Membership and Member Information form and may be required to fill out an Application for Electrical Service for new service installation. In the absence of an application for service, the delivery or termination of service by OPALCO and its acceptance by the member shall be deemed to constitute an agreement to and acceptance of OPALCO's Member Service Policies as interpreted and administered by OPALCO's Engineering Department. Responsible parties of the property desiring new service or the alteration of existing service are required to pay 100% of the actual costs associated with the work involved. Prior to OPALCO granting the property owner new or altered service, OPALCO shall determine what property easements are required to accommodate the property owners request and ensure that existing facilities have adequate easements. Failure to provide OPALCO with adequate easements to maintain new or existing facilities will result in denial of membership.

All contribution in aid of construction (CIAC) estimates are given in good faith and are made with information available to OPALCO at the time, and with information supplied to OPALCO by the responsible party. OPALCO has the right to re-issue a contribution in aid of construction estimate if and when more accurate information becomes available. The responsible party is always legally responsible for the actual cost(s) of providing new electrical service(s). When the work is complete, any difference in the paid CIAC to actual projects costs resulting in \$250 or more will be adjusted in an as-built re-bill or refund (see Member Service Policy 5.2).

The Contribution In Aid of Construction (CIAC) includes the *estimated* costs for OPALCO to provide and install the primary facilities. Full payment of the estimated CIAC initiates a work order or service order to formalize design and begin construction. Responsible party should expect a *minimum* of two weeks, from OPALCO's receipt of payment, for any material delivery or construction activity to begin.

4.1.1 Required information includes the following:

- 4.1.1.1 Name or names of the applicants
- 4.1.1.2 Tax parcel number
- 4.1.1.3 Local contact and/or work and home telephone number
- 4.1.1.4 Billing address
- 4.1.1.5 Previous service address, if applicable
- 4.1.1.6 Date service is desired
- 4.1.1.7 Information as to whether service location previously had electric service
- 4.1.1.8 Statement as to whether applicant is the owner, tenant, or agent; if tenant, the name of the owner or property manager

- 4.1.1.9 If new service, information as to anticipated use of service and anticipated energy and demand requirements of member
- 4.1.1.10 Life support equipment, if any, to be used within the premises
- 4.1.1.11 Name and address of any third party the member wishes to be informed of any termination notice
- 4.1.1.12 If applying for service in any name other than the property owner(s), the property owner(s) shall certify the authority of the responsible party in writing to OPALCO. If this authorized responsible party is allowed to agree to placement of facilities on behalf of the property owner(s), this must also be certified in writing.

4.1.2 Proof of Identity

Each applicant for service will be required to present sufficient proof of identity to allow OPALCO to determine the identity of the person.

4.1.3 Right to Refuse Service

OPALCO may refuse to provide service to any responsible party not providing the information required by this section. The right to refuse service under this section does not limit OPALCO's right or authority to refuse service or terminate service on any other basis set forth in this member service policy. The member may be required to certify the accuracy and correctness of information provided.

4.1.4 New Member Information

OPALCO shall furnish all new responsible parties with the following information:

- 4.1.4.1 Copy of signed membership application
- 4.1.4.2 OPALCO bylaws
- 4.1.4.3 Copy of rate schedules under which member is to be served
- 4.1.4.4 Member packet

4.2 CONTRACTS OR WRITTEN AGREEMENTS

OPALCO may require a member, as a condition of service, to sign a contract or agreement acknowledging additional conditions of service. OPALCO may also require a contract as a condition of providing specific services. These contracts or agreements will normally remain with the property served and will be recorded with the San Juan County Auditor's office. As such they shall transfer to any successor property owner.

4.3 MINIMUM TERM OF SERVICE

Unless otherwise provided in a specific contract for service, the minimum term for which service will be rendered is one month of thirty (30) days.

4.4 FEES

4.4.1 Membership Fee

All applicants for service will be required to become a member of Orcas Power and Light Cooperative (see Schedule of Deposits and Charges in the OPALCO tariff book).

4.4.2 Service Charge

Each member, upon application for service, shall pay a fee to cover the initial expense of incorporating the new account data into OPALCO's billing and member records system (see Schedule of Deposits and Charges in the OPALCO tariff book).

4.4.3 Reconnect Fee

Each member applying for electric service at an existing metered location shall be charged a connect fee if OPALCO is required to set a meter. This fee will not be levied if the electricity is already on and both members agree to a meter reading resulting in no lapse in service (see Schedule of Deposits and Charges in the OPALCO tariff book).

4.5 EASEMENTS

The responsible party shall execute an easement in a form as determined by OPALCO, providing a suitable legally binding right for OPALCO's distribution, **transmission and communications** lines and other facilities, equipment and other appurtenances to be located on, under or above the crossing member's property to furnish the member with electric energy **and/or communications service**, to serve other members (see Member Service Policy 3.5.5), **to provide improved safety and data communications in the field for the Cooperative's operations staff, and to provide more efficient energy usage, and more reliable electric service to its members.**

4.6 ACCESS

4.6.1 Access to Premises

Any properly identified employee or agent of OPALCO shall have access to the premises of the member at all reasonable times for the purpose of reading meters, utility right-of-way maintenance, testing and/or inspecting load and service entrance equipment, repairing, removing or exchanging any or all equipment belonging to OPALCO. Service and meter locations shall be kept free of brush or other obstructions by the member at all times. Locked gates and barricades shall have an OPALCO lock in addition to the member's lock so that the gate or barricade can be opened by OPALCO.

4.6.2 Accessibility of Electric Meter

OPALCO determines the location of all facilities owned by OPALCO including the electric meter location. OPALCO shall locate electric meters in an area accessible to OPALCO employees. Access must not require opening a door, lock, etc. unless OPALCO gives written permission allowing it. The area containing the meter must have at least one open wall. Except for transformer

rated meter installations, no energy shall enter a dwelling or other closed room before it is metered. OPALCO employees shall have access to member's electric meters at all times. The member is responsible for providing a clear pathway from the driveway, street or alley to the meter for monthly meter reading purposes. If the member fails to provide a clear pathway to the electric meter, OPALCO may clear the area with the cost of such clearing to be paid by the member.

4.7 ESTABLISHMENT OF CREDIT

Each member will be required to establish and maintain credit satisfactory to OPALCO as a condition of receiving service. OPALCO reserves the right to check the member's credit with an established credit reporting agency.

4.7.1 Deposits

OPALCO may require a separate deposit for each meter installed. The amount of the deposit required by OPALCO will normally be the amount specified in the Schedule of Deposits and Charges in the OPALCO tariff book. OPALCO may require a larger deposit for a new account to be set up as a business entity.

4.7.1.1 OPALCO will refund or waive the requirement for a deposit for electric service within 90 days if the applicant is able to meet any of the following requirements:

4.7.1.1.1 The applicant has previously established a good payment record with OPALCO; or

4.7.1.1.2 The applicant provides a letter or other written verification from a utility (electric, gas or telephone) which last provided service to the applicant stating that the applicant had credit history equal to OPALCO's "B" rating at the prior location, or

4.7.1.1.3 The applicant signs up for one of the automatic payment methods, either monthly payments drawn directly from their bank account or authorization to charge the monthly payments to the applicant's credit card, or

4.7.1.1.4 With the applicant's permission, OPALCO is able to obtain a favorable reporting for one of the credit reporting agencies, or

4.7.1.1.5 The applicant is the owner or purchaser of the property.

4.7.1.1.6 The applicant provides a third party guarantee. Since a third party guarantee is a transfer of liability from one party to another, the acceptability of the third party guarantor is at the sole discretion of OPALCO. The third party guarantor shall be an active OPALCO member and must have established credit under similar usage and amounts. The third party guarantor must acknowledge their responsibilities in writing. The third

party guarantor may revoke the guarantee by giving OPALCO thirty (30) days' notice in writing and OPALCO may then collect a deposit regardless of the payment record of the account. The third party guarantor will remain liable for all amounts until the effective date of the revocation.

4.7.1.1.7 In the case of a business, please refer to the Schedule of Deposits and Charges in the OPALCO tariff book.

4.7.1.2 OPALCO will issue to the applicant a written receipt for the amount of the deposit. OPALCO will not require a member to produce a deposit receipt in order to receive a refund of the deposit.

4.7.1.3 Unless otherwise requested by the member, OPALCO will apply the deposit to the residential account within 30 days after the earlier of:

4.7.1.3.1 Twelve (12) months continuous service if the member has not received more than one disconnect notice, has not had more than one NSF check, and has not been disconnected for non-payment during the previous twelve (12) month period; or

4.7.1.3.2 Termination of service, to the extent the deposit amount exceeds any balance due the utility for electric service and late fee for that account.

4.7.1.3.3 If the billing is current at the time of review, the member may be issued a check for payment of the deposit refund.

4.7.1.4 OPALCO may institute or adjust a deposit for an established member consistent with Section 4.7.1 if the member becomes delinquent in payment. See Member Service Policy 7.5.8.

4.7.1.5 OPALCO will provide deferred deposit payment arrangements in cases of residential economic hardship. OPALCO may disconnect a member in accordance with Member Service Policy 7.5 if the member does not maintain the agreed upon deposit payment arrangements.

4.7.2 Interest on Deposits

OPALCO will not pay interest on deposits.

4.7.3 Deposits To Be Applied

Upon disconnection of service, OPALCO will apply all held deposits towards payment of the member's outstanding balance. The member will continue to be liable to OPALCO for the balance.

4.7.4 Former Indebtedness Paid

If a former member, or person responsible for debt, who is indebted to OPALCO attempts by some agency, relationship, or otherwise, to obtain service, OPALCO reserves the right to refuse service until payment is made of all money

due.

4.7.5 Not to Receive Benefit

A person who has been disconnected for non-payment of a bill may not receive benefit of service by having the account transferred into another name if there has been no change in occupancy in the location.

4.7.6 Disconnect Requested By Others

At the request of a landlord who has the account in his name, OPALCO may refuse to initially connect a tenant's electric service. OPALCO will not disconnect a tenant who holds the account in his name at the request of a landlord. OPALCO will reconnect a tenant who has been disconnected for non-pay if the tenant makes acceptable payment arrangements.

4.8 APPLICABLE RATE

Where more than one rate schedule is applicable, the applicant shall be advised of the lowest applicable rate.

4.8.1 Alternate Rate Schedule

When a member desires service on an applicable rate schedule other than that on which he is being billed, he shall so notify OPALCO in writing and, after review, the change in schedule will become effective after the next regular meter reading. Unless there has been a change in use, rate class changes shall remain in effect for twelve (12) months.

4.9 RESALE OF ELECTRICITY

The member shall not sell to others any of the electric service furnished by OPALCO.

4.9.1 Master Meters/Sub-Meters

No service will be supplied through a master meter for sub-metering for resale. This rule does not prohibit a landlord or manager from including a fixed amount as part of the rental charge to cover the cost of electric service to marinas or rental units.

4.9.2 Combined Billing

The rates set forth in the individual rate schedules are based upon the supply of service to one member through one meter on one premise and service measured through two or more meters on the same premise will not be combined for billing purposes. Upon request of an applicant, OPALCO may install more than one meter, but in such instances the bill for service through each meter will be computed separately and billed in accordance with the applicable rate schedule.

4.9.3 Multiple Occupant Commercial Buildings

Primary service will be supplied only to one location for each building. All metering and service entrance equipment will be located at this point. Each separate commercial unit separated by permanent load-bearing walls must be metered separately. No master metering will be permitted. Laundry, furnaces, and other common use areas will be metered and charged according to the

appropriate rate schedules.

4.9.4 Marina Service

Marinas, boat floats or moorings are metered at the point of delivery. The serving transformer's secondary lugs shall not be extended beyond the shoreline and be located no closer than five (5) feet horizontally above the electrical datum plane. These services shall be billed under the appropriate commercial schedule.

The moorage owner may either install an OPALCO approved master meter base or meter the individual slips with an approved OPALCO meter. In both of these cases, the point of delivery shall remain the secondary lugs of the serving transformer, but OPALCO will read the meters and bill the individual slips under the appropriate tariff.

Slips which are occupied for residential purposes shall be billed under the residential schedule only if an OPALCO approved and installed meter is metering the slip. The moorage owner is responsible for all maintenance from the shoreline transformer secondary lugs.

NOTE: Electrolysis may be a major problem for those receiving electric service in the marine environment. Isolation transformers or other means to prevent or reduce electrolysis are the sole responsibility of those taking service. OPALCO assumes no responsibility for electrolysis or similar problems.

4.10 PROTECTION OF OPALCO PROPERTY

The member shall be responsible for the safekeeping of OPALCO's property on his premises and shall take all reasonable precaution against unlawful interference with OPALCO's property.

4.11 TAMPERING WITH OPALCO'S PROPERTY

In order to protect its equipment and service, OPALCO may seal the service switch and/or other devices or enclosures on the member's premises to prevent access by unauthorized persons. The member shall not in any way interfere with or alter the meters, seals, or other property used in connection with rendering electric service, or permit same to be done by others, other than the authorized agents or employees of OPALCO. Damage to or loss of this OPALCO property shall be paid for by the member. Damage to or removal of OPALCO's meters, seals or other property may be considered sufficient reason for discontinuance of service to a member until OPALCO has received satisfactory assurance that its equipment will be free from future interference and until all damages, fines and bills for metered or unmetered electricity have been paid.

J. Foster Hildreth, General Manager

Effective Date: December 18, 2014

ORCAS POWER AND LIGHT COOPERATIVE
MEMBER SERVICE POLICY 5
LINE EXTENSION

OPALCO provides electric service to meet the needs of its members. We neither encourage nor discourage growth. Rather, it is our purpose to meet the electric energy needs of our members. OPALCO will provide service to all qualified applicants in San Juan County subject to the rules and regulations established in the member service policy. To assure that the member service policies are administered fairly and consistently, OPALCO's general manager retains sole authority of interpretation and intent of these policies. Each member service policy section and subsection is intended to stand alone and shall be applied to other member service policy sections.

5.1 EXTENSION POLICY

5.1.1 Owners of property desiring **communication or electric** service will be required to pay 100% of the actual cost to provide the necessary facilities. It is the responsible party's obligation to schedule an appointment for an on-site meeting with OPALCO's engineering department representative for any project requiring the installation of primary conductor and/or installation of serving transformer. For new installations requiring only a meter base connection to an existing transformer, OPALCO may not require an on-site meeting. Appointments must be made two (2) weeks in advance and shall be made through OPALCO's engineering department. It is the responsibility of the requesting party to accurately show property boundary markers to OPALCO's engineering department representative during the on-site visit, and to verify that all required information has been received by OPALCO in advance of the on-site meeting. Failure to show property boundary markers or provide required information to OPALCO's engineering department representative may result in an OPALCO charge for the on-site visit.

OPALCO owned facilities shall be located on property lines when appropriate or where OPALCO deems it is feasible. All OPALCO owned facilities are intended to be used by multiple members. Installation of facilities not on established and recorded easements will require that the requesting party supply OPALCO with a suitable easement allowing for multiple use of the OPALCO owned and maintained facilities.

Under most circumstances, OPALCO will assume the responsibility to operate, maintain, **repair, upgrade, expand** and replace, **or remove** those facilities once installed. No facilities intended to be maintained and read by OPALCO will be installed until a legal easement is granted to OPALCO **in a form consistent with these Member Service Policies**. In specific high cost/low revenue situations, OPALCO will require a line extension agreement as a condition of service (see Section 5.6).

Primary conductors and other facilities installed, but which are deemed by OPALCO to be idle for more than twelve (12) months, will be subject to OPALCO's Line Retention Tariff or be subject to abandonment by OPALCO.

5.1.2 Members will not be permitted to install or maintain their own primary voltage

facilities.

- 5.1.3 All primary equipment and facilities to the member's point of delivery shall be designed, constructed, owned and maintained by OPALCO in accordance with this line extension policy. All primary equipment and facilities which are found to not have an easement at their present location will be maintained by OPALCO at the member's expense and be subject to Member Service Policy 3.5.5 unless OPALCO is granted said easement.

5.2 CONTRIBUTION IN AID OF CONSTRUCTION

- 5.2.1 Contributions in aid of construction are good faith estimates based on information available to OPALCO and information supplied to OPALCO by the responsible party. Estimates are not to be treated as, or considered, a fixed price proposal for the work the responsible party is proposing.
- 5.2.2 The responsible party of a parcel desiring initial electric service, changes to existing service, or conversion of existing facilities from overhead to underground shall be required to pay a contribution in aid of construction equal to OPALCO's actual cost to provide or modify the required facilities. An estimated cost will be provided and shall be paid in full prior to the start of OPALCO construction. Responsible party shall be refunded or charged for the actual contribution in aid cost at the conclusion of the agreed upon work (see Section 5.2.6).
- 5.2.3 OPALCO will provide, at no cost to the member, up to two (2) contribution in aid of construction estimates per project. OPALCO requires on-site inspection of a new or modified property by owner and OPALCO engineering representative (see Member Service Policy 5.1.1). Any additional estimates within a one year period of time dealing with or relating to changes to the project or parcel(s) of land will incur an additional hourly engineering fee. All engineering fees must be paid in advance of the creation of a new or revised estimate.
- 5.2.4 In addition to the contribution in aid of construction, the responsible party shall provide, at their expense, all clearing, trenching, bedding, backfill, restoration and other related expenses which are not included as part of the contribution in aid of construction made to OPALCO.
- 5.2.5 A transportation fee will be included on the contribution in aid of construction for all services. This fee is based on the average costs of travel related to the location, and these costs may be amended by OPALCO at any time.
- 5.2.6 The contribution in aid of construction will be adjusted in the form of a re-bill or reimbursement after completion of construction, based on actual cost changes in the estimated unit quantities as to actual quantities used totaling over two hundred fifty dollars (\$250).

5.3 MATERIALS AND EQUIPMENT USED AND PROVIDED

- 5.3.1 Except as noted in the facility installation specifications, OPALCO shall provide all materials and equipment for the line extension or revision of line extension to the point of delivery.

- 5.3.2 Except as noted in Section 5.3.3, materials and equipment used will be OPALCO inventory and stocked items which have been pre-approved for use in the OPALCO primary and secondary system. This includes the type of meterbase which a responsible party may install.
- 5.3.3 Members requesting the use of materials and/or equipment not pre-approved, stocked or inventoried by OPALCO (non-standard materials) may submit a written request for said use to an OPALCO Standards Review Committee for evaluation. Said request may take up to four (4) weeks for processing after which time OPALCO will notify the requestor in writing of its approval or rejection of the request. Said evaluation will be based on the consequences of use with the existing and future OPALCO primary system and the impact on other OPALCO members.
- 5.3.3.1 The OPALCO Standards Review Committee reserves the sole right to determine if the materials and or equipment requested are approved or rejected for use in the OPALCO system.
- 5.3.3.2 The OPALCO Standards Review Committee reserves the sole right to set conditions on the approval of use of non-standard material and equipment. Said conditions may include, but are not limited to the following:
- 5.3.3.2.1 OPALCO reserves the sole right to release ownership of non-standard, but approved materials or equipment to the requesting member, yet retains the sole right to maintain said materials and/or equipment. In this case, the member will incur all costs associated with maintaining, replacing or repairing the materials and/or equipment.
- 5.3.3.2.2 OPALCO may require the owner of said approved non-standard materials and/or equipment to sign a release of fairshare on said materials and/or equipment.

5.4 EASEMENTS

- 5.4.1 OPALCO requires that adequate easements ~~or~~ and public rights-of-way exist prior to the placement of all new facilities in any area (see Member Service Policy 3.5.5.). The suitability of easements ~~or~~ and rights-of-way for the purpose of installing OPALCO facilities and equipment shall be at OPALCO's sole discretion. It is the obligation of the responsible party to provide all needed documentation to allow OPALCO to make this determination including legal descriptions, ownership documentation, and plot plans of all affected subject parcels, and, if applicable, copies of existing recorded easements, surveys, and plats. In addition, the property owner shall provide evidence in the field of pertinent lot corners, monuments, lot lines, and easement and right-of-way margins and alignments. The suitability of this monumentation for ensuring the proper placement of facilities within the easement or right-of-way shall be at the sole discretion of OPALCO.
- 5.4.2 If, in the determination of OPALCO, adequate easements and/or rights of way do not exist for the placement of proposed facilities and equipment, OPALCO

requires that suitable easements are created, executed and provided to OPALCO (see Member Service Policy 3.5.5).

Under such circumstances, OPALCO shall prepare the necessary easement documents based on the above described required property information provided by the responsible party. OPALCO reserves the right to require that an additional route survey be performed by a qualified, registered land surveyor or engineer at the sole expense of the property owner for inclusion in preparation of the easement. It is the sole responsibility of the property owner to acquire all needed notarized signatures for the proper execution of all easements, including third party property owners, to provide all necessary placement and operation of and access to OPALCO and/or OPALCO subsidiary facilities and equipment.

5.4.3 Allowance for Multiple Use by Others

The design of new and existing facilities are approved and determined by OPALCO, including the sighting and location of these facilities to enable multiple uses (multiple services including other members). In such circumstances where the sighting and layout of OPALCO's new facilities and the associated, required easement do not intrinsically accommodate such multiple uses, OPALCO reserves the right to require the member to grant additional easement routes allowing for the future installation, repair and maintenance of multiple use facilities and equipment by others (see fair share policy).

5.5 OVERHEAD FACILITIES

Overhead facilities are not permitted by OPALCO. If special circumstances require overhead construction, such construction must be specifically approved by the Manager of Engineering and Operations.

5.6 HIGH COST/LOW REVENUE EXTENSIONS

5.6.1 A line extension will be considered as high cost/low revenue if the line extension costs more than \$10,000 and the estimated annual operation, maintenance and replacement costs per kWh anticipated to be sold from the extension are more than two (2) times the average operation, maintenance and replacement costs per kWh for the remainder of the system as calculated in Section 5.6.3.

5.6.2 If a line extension is deemed by OPALCO as high cost/low revenue extension then the member or members to be served from the extension shall agree to pay all costs for operation, maintenance and replacement that exceed two (2) times the system average operation, maintenance and replacement cost as defined in Section 5.6.3. Each year the member's maintenance and replacement account will be credited with an amount equal to two (2) times the average system maintenance and replacement cost times the number of kilowatt-hours sold over the facilities. The account shall be charged the costs incurred in operating and maintaining the system from the point of original attachment to the OPALCO system. Replacement costs will be determined by the actual cost to replace any facilities installed to serve the member.

5.6.3 The average system maintenance and replacement cost will be determined as follows:

Distribution Expense-Operation (RUS Form 7, Part A, Line 6, Column B), plus
Distribution Expense-Maintenance (RUS Form 7, Part A, Line 7, Column B) plus
Distribution System Depreciation (OPALCO General Ledger #403.6)
all divided by kilowatt-hours sold (RUS Form 7, Part O, Line 11, Total).

All data is taken from the most recently filed annual RUS Form 7 and the most recent year-end OPALCO general ledger account balance. Formula:

Distribution Expense Operation + Distribution Expense Maintenance +
Distribution System Depreciation ÷ Kilowatt Hours Sold =
Estimated Annual Operation, Maintenance and Replacement Costs

- 5.6.4 The agreement required by Sections 5.1 and 5.6 shall be binding upon the owner-member and upon successor owner-members of the real property upon which the line extension improvements were made, and the requirements of said agreement shall be appurtenant to and run with said real property.
- 5.6.5 Later connections to the line extension will be handled in accordance with Section 5.7 with the exception that there is no time limit to the period for which the owner-member or successors will be responsible for the excess operation, maintenance and replacement costs.
- 5.6.6 Facilities located in areas which OPALCO determines to be susceptible to erosion or flooding, or where facility failure may cause significant environmental harm, will be removed from service or relocated. OPALCO shall pay for the relocation of primary distribution facilities. The responsible party shall be responsible for all costs associated with and scheduling of work required to reconnect to OPALCO's point of delivery (see Member Service Policy 6.1.2).

5.7 FAIRSHARE (PARTIAL REIMBURSEMENT) POLICY

- 5.7.1 OPALCO will make a fairshare (partial reimbursement of a contribution in aid of construction) to the current owner of record of the property for which the original contribution in aid of construction was made (other than subdividers or developers), if additional members connect to the facility within four (4) years of the date of payment of the original contribution in aid of construction of thirty thousand dollars (\$30,000) or less, not including the meter. If the contribution in aid of construction for a line extension to a single family residence exceeds thirty thousand dollars (\$30,000), the fairshare period shall be extended to eight (8) years but be limited to the original member or members who contributed to the contribution in aid of construction.
- 5.7.2 Eligibility
 - 5.7.2.1. Responsible parties installing facilities to serve subdivisions or commercial buildings are not eligible for fairshare.
 - 5.7.2.2. A responsible party that purchases a piece of property, or receives title from the transfer of property, from a member who qualified for fairshare is not eligible to fairshare.
 - 5.7.2.3. Responsible parties purchasing a home or property from a developer or sub divider are not eligible for fairshare.

- 5.7.2.4 Responsible parties of marinas, mobile home parks, and multi-occupant facilities are not eligible for fairshare.
- 5.7.2.5 Meter charges are not eligible for fairshare reimbursement.
- 5.7.2.6 Calculation of a fairshare shall only be done when a new member connects to existing facilities covered by the fairshare policy. OPALCO shall not provide fairshare calculation for non-installed or future facilities which may or may not be built.
- 5.7.3 Fairshare within the designated reimbursement period will be figured, collected and disbursed by OPALCO. Eligible fairshares will be calculated so that all persons or entities who share in the facilities will have a proportionate monetary interest in said shared facilities, based on the original actual costs made toward facilities.
- 5.7.4 Fairshare will be released upon the activation of a metered service by the member paying the fairshare and upon verification of fairshare eligibility.

5.8 RESIDENTIAL OR COMMERCIAL/INDUSTRIAL SUBDIVISIONS

5.8.1 Subdivisions – Small Lot Subdivisions and Mobile Home Courts

Responsible parties desiring initial electric service for any subdivision that contains *any* parcel(s) one-half (1/2) acre or less in size, or mobile home courts, shall submit to OPALCO the preliminary plat drawings of the subdivision or mobile home court that were sent in for approval to the regulating agency. OPALCO will design the layout of the primary distribution system for the subdivision in a manner which allows for long term maintainability of the power distribution network. Said primary distribution network shall provide primary service in the form of a transformer(s) and include, but not be limited to, cable, conduit, sectionalizing cabinets, vaults, and associated hardware to provide power to adequately serve each lot within the above described small lot subdivision or mobile home court. OPALCO's line retention tariff must be paid for any distribution conductor segments and facilities on OPALCO's distribution network that are not supplying energy to the membership (see Section 5.11).

5.8.2 Subdivisions – Large Lots

Responsible parties desiring initial electric service for any subdivision where all parcels within said large lot subdivision are over one half (1/2) acre in size shall submit to OPALCO the preliminary plat drawings of the subdivision that were sent in for approval to the regulating agency. OPALCO will use this plat drawing for layout of the primary distribution backbone system. Said primary distribution backbone system shall provide power accessibility in the form of a loop or sectionalizing cabinet to adequately serve each lot within said large lot subdivision including, but not limited to, cable, conduit, loops, sectionalizing cabinets and associated hardware. Responsible parties of large lot subdivisions may opt to provide transformers to each lot as outlined in Section 5.8.1. OPALCO's line retention tariff must be paid for any distribution conductor segments and facilities on OPALCO's distribution network that are not supplying energy to the membership (see Section 5.11).

5.8.3 Easements – Subdivisions, Mobile Home Courts and Marinas

OPALCO and the responsible party will work in coordination to ensure that all easements for the installation of power and other utilities, including power grid control communications facilities and equipment, are in place prior to the start of construction as outlined in Section 5.4.

5.8.4 Contribution in Aid of Construction (CIAC) – Subdivisions and Mobile Home Courts Marinas

OPALCO will design the primary distribution network to marinas and throughout the subdivision or mobile home court or marina to best suit the needs of OPALCO. OPALCO will work with the responsible party to establish the conditions under which electric utility service will be provided as required in this member service policy and as outlined in the facility installation specifications.

OPALCO will provide to the responsible party an estimate of contribution in aid of construction that estimates OPALCO's costs to provide the facilities. Cost estimates will be based on current standard costs of materials and labor. Responsible party will be responsible for the actual costs of construction at the completion of installation of facilities.

In addition to the contribution in aid of construction, the owner or developer shall provide, at their expense, all clearing, trenching, bedding, backfill, restoration and other related expenses which are not considered as part of the contribution in aid of construction made to OPALCO.

Payment of the estimated contribution in aid of construction by the responsible party constitutes a contract between both parties to complete the work as mutually agreed upon. The responsible party is required to pay the estimated contribution in aid of construction in full prior to start of construction and installation of OPALCO facilities.

The contribution in aid of construction is nonrefundable and will be adjusted per Section 5.2.5 after completion of construction, based on actual contribution in aid of construction that OPALCO has provided.

5.8.5 The responsible party of any subdivision is not entitled to fairshare (partial reimbursement) as outlined in Section 5.7 of this member service policy.

5.8.6 OPALCO reserves the sole right to extend new facilities from an existing subdivision without reimbursement to the responsible party of any property. Any facilities required within the subdivision to extend service beyond the subdivision backbone system will be located on designated rights of way to the maximum extent reasonably possible as determined by OPALCO at its sole discretion.

5.8.7 Responsible parties will be responsible for subdivision, marina or mobile home park security and/or street lighting. This may include conduit, conductor and light standards.

5.8.8 OPALCO will not be responsible for the design or installation of any necessary lighting or security system(s).

5.9 CONVERSION OF EXISTING FACILITIES TO UNDERGROUND

5.9.1 OPALCO Initiated

OPALCO identifies areas to be converted to underground by several methods. The condition of existing facilities, the need to upgrade to meet load growth, projects sponsored by other utilities and road projects can all result in an OPALCO initiated conversion to underground.

- 5.9.1.1 As feasible, OPALCO will convert, at its sole expense and discretion, all primary distribution facilities to underground. This includes all conductors, sectionalizing equipment and transformers. OPALCO will obtain all required permits and be responsible for all trenching, rock removal, and cleanup. The cost to convert secondary voltage facilities to underground shall rest with the member.
- 5.9.1.2 OPALCO recognizes its obligation to continue to serve members after the conversion of its primary voltage facilities to underground. In each individual case, OPALCO will determine the lowest reasonable cost to continue to serve the member. Examples of the lowest reasonable cost may include, at the sole option of OPALCO, leaving a portion of the overhead primary system in place, serving an existing overhead secondary from a pad mount transformer, burying the service, or other method. If OPALCO buries the secondary service, it may relocate the meter to the transformer, in which case the member becomes responsible for maintenance of the secondary service beyond the meter.
- 5.9.1.3 The responsible party may elect to bury their secondary service at their expense, in which case OPALCO will cooperate with the responsible party. Any revision in secondary service must be done in compliance with the current OPALCO facility installation specifications and with Member Service Policy 6.

5.9.2 Responsible Party Initiated

Responsible parties may request the conversion of overhead primary or secondary facilities to underground if the overhead or secondary facilities are located on their property. If OPALCO agrees to the request, those requesting the conversion will be responsible for the total actual costs of conversion as defined below:

- 5.9.2.1 Upon request, OPALCO will prepare a preliminary cost estimate of OPALCO's cost to convert an area to underground (see Member Service Policy 5.2.2). If the property owners involved pay the cost estimate, OPALCO will proceed with the requested work. The proposal provided by OPALCO to the responsible party will NOT include trenching, backfill, permit acquisition, contingencies, or any other non-OPALCO costs associated with converting the area to underground.
- 5.9.2.2 OPALCO will provide a detailed drawing or staking sheet of the work to be accomplished. The initiating member will be responsible for converting all secondary services to underground, although if necessary, OPALCO will assist in the layout of each secondary service and how it is to be treated.

5.9.2.3 OPALCO will make a contribution to responsible party initiated conversions by providing all labor associated with retiring the overhead facilities.

5.9.2.4 As part of its cost estimate and description of work, OPALCO will provide a description of each secondary service and how it is to be treated under the cost estimate provided. The responsible party will be responsible for converting all secondary services to underground and furnishing any easements required.
This is not part of the work to be accomplished by OPALCO. OPALCO will coordinate its work with the responsible party to minimize the cost to convert secondary to underground.

5.10 CHANGES TO THE EXISTING SYSTEM

Nothing in this section will prevent OPALCO from making changes to its system when, in OPALCO's judgment, such change will result in a better, more efficient or more reliable **communications or** power distribution network. Examples include adjusting transformer size based on load; installation of sectionalizing equipment; installation of special metering or data collection equipment; **installation, expansion, or updating of a communications infrastructure**; etc. OPALCO may use all or part of a member's line extension as part of a system improvement without paying a fairshare.

J. Foster Hildreth, General Manager

Effective Date: **December 18, 2014**

Island Network update.

As of Nov. 14th the Island Network team has identified/discussed deployment options to 57 countywide groups, areas of concentrated interest or HOA's. This represents 3188 property locations. Our goal of presenting each area with the detailed cost estimate of construction and deployment methodology is still on track to be completed by Dec. 31st to all of these areas.

Island Network continues to receive numerous indications of interest per day ranging from a consistent 5 to 20 submissions. The team continues to actively present to engaged individuals and groups on a daily basis.

Individual updates

- Initial testing has begun on the 700MHz LTE infrastructure. This week the implementation of the system core and sector testing is ongoing at the test site at OPALCO Eastsound office. This is a fully functional test-bed of three sectors.
- The IN team just completed the construction of FTTP to 8 homes south of Lopez Village on Fisherman Bay Rd. This involved approx. 4000 feet of trenching. Service will be live to these locations in the near future.
- Cattle Point/Cape San Juan has reached the desired threshold of over 70 committed participants and we are in the process of finalizing formal cost estimates and design. The initial construction has begun to enable the microwave back haul link to be placed on the northern end of the Cape. Our goal is to have all 70 homes fully deployed by Mid-Feb 2015. CP/Cape is a hybrid deployment 700Mhz & FTTP.
- Final pricing on deploying FTTP to the 46 properties in the Eagle Lake community will be completed this week. The community is committed to funding their portion of the build out assuming the final formal estimate is in line with our expectations. Specialty teams of fiber deployment experts have been onsite to see the project and we expect to award the contract before Thanksgiving. In addition to Eagle Lake, we are also on track to deploy 700Mhz in the Doe Bay area; we are concentrating on placing a site on either the Doe Bay or Cow Hill water tower locations.
- A combination of Spring Point and Harborview neighborhoods is actively moving ahead with a design and cost estimate for FTTP to all properties within each community, 139 in all. The Spring Point HOA will be putting the middle mile build to a vote within their assessment authority in the coming weeks. Island Network is also looking at combining the Walker Rd and Suncrest neighborhoods into the same build as we will potentially see some

significant cost savings by combining work recently completed during some power installation. This would bring this build up to 164 properties.

- Mineral Point/Heights/Highlands area of SJI has committed to moving ahead with a formal cost estimate for FTTP to each property. This represents 64 properties. Our goal is to complete full build out during Q1 2015.
- South Lopez is still on track to receive 700MHz service once we complete our Eastsound testing.
- Mt. Dallas as expected is proving to be a very challenging area. The cost associated with FTTP is significant and determining the best location for the most effective LTE is also proving difficult. We are confident we will find a workable solution.

REPORTS

Orcas Power and Light Cooperative
Cash Recap
October 31, 2014

| | Rate | Term | Due Date | Amount | Total Balance |
|---|---------|------|----------|----------------|------------------|
| GENERAL FUNDS: | | | | | |
| Cash on Hand | | | | 600 | |
| Cash in Checking - Key Bank | | | | 100,409 | |
| Cash in Checking/MMDA/Construction - Islanders Bank | | | | 802,365 | |
| Cash in Checking/Savings/Payroll - Wells Fargo | | | | 269,842 | |
| SUBTOTAL GENERAL FUNDS | | | | | 1,173,216 |
| CASH RESERVE FUND: | | | | | |
| CFC Commercial Paper | 0.15% | 60 | 11/14/14 | 200,000 | |
| CFC Commercial Paper | 0.15% | 67 | 11/21/14 | 200,000 | |
| CFC Commercial Paper | 0.15% | 80 | 12/4/14 | 100,000 | |
| SUBTOTAL CASH RESERVE FUND | | | | | 500,000 |
| RESTRICTED FUND: | | | | | |
| CFC Select Notes | 0.3800% | 160 | 12/4/14 | 132,958 | |
| CFC Select Notes | 0.2500% | 85 | 12/19/14 | 552,000 | |
| CFC Select Notes | 0.2500% | 71 | 1/9/15 | 352,804 | |
| CoBank - AIM | | | | 151,646 | |
| Home Street Bank | 0.3490% | 547 | 4/29/15 | 105,233 | |
| Washington Federal Savings | 0.4000% | 395 | 12/29/14 | 108,107 | |
| Washington Federal Savings | 0.4000% | 395 | 6/19/15 | 109,192 | |
| SUBTOTAL RESTRICTED FUNDS | | | | | 1,511,940 |
| GRAND TOTAL FUND ENDING BALANCE 9/30/14 | | | | | <u>3,185,156</u> |
| Project PAL: Islanders Bank | | | | <u>48,335</u> | |
| MORE Program: Islanders Bank | | | | <u>130,665</u> | |
| RUS Cushion of Credit * | 5.000% | | | <u>597,179</u> | |

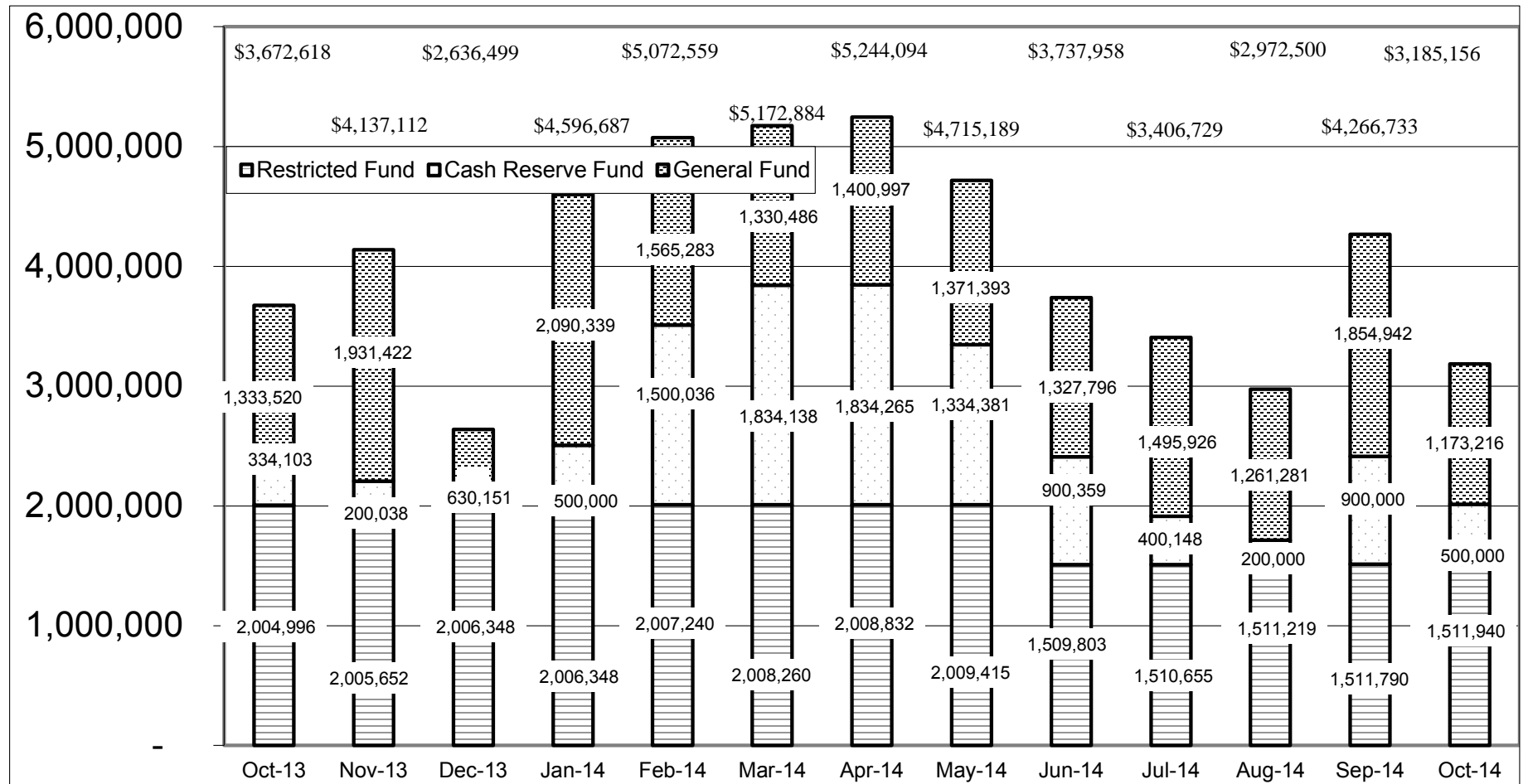
CASH PROJECTION:

November 30, 2014

| | | | | | |
|--|--|--|-------------|-------------|------------------|
| GENERAL FUNDS: | | | | | |
| Beginning Cash 10/31/14 | | | 1,173,216 | | |
| Estimated Revenue (based on 95% of billing) | | | 1,491,454 | | |
| Estimated Other Revenue | | | 20,000 | | |
| RUS Loan Draw | | | 2,000,000 | | |
| Estimated Transfer From RUS Cushion of Credit | | | 19,129 | | |
| Subtotal Cash/Revenue | | | | 4,703,799 | |
| Estimated Accounts Payable | | | (1,800,000) | | |
| Estimated Payroll and Benefits | | | (532,500) | | |
| Estimated RUS Principal and Interest Payment | | | (19,129) | | |
| Estimated Transfer to Cash Reserve Fund | | | (1,000,000) | | |
| Power and Transmission Bill (October bill) | | | (564,620) | | |
| Subtotal Expenses | | | | (3,916,249) | |
| Projected Ending Balance 11/30/14 | | | | | 787,550 |
| CASH RESERVE FUND: | | | | | |
| Beginning Cash 10/31/14 | | | 500,000 | | |
| Estimated Transfer From General Fund | | | 1,000,000 | | |
| Projected Ending Balance 11/30/14 | | | | | 1,500,000 |
| RESTRICTED FUND: | | | | | |
| Beginning Cash 10/31/14 | | | 1,511,940 | | |
| Transfer From General Fund | | | 0 | | |
| Projected Ending Balance 11/30/14 | | | | | <u>1,511,940</u> |
| PROJECTED GRAND TOTAL FUND ENDING BALANCE 11/30/14 | | | | | <u>3,799,490</u> |
| PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 11/30/14 | | | | | <u>614,334</u> |
| RUS CUSHION OF CREDIT*: | | | | | |
| Beginning Balance 10/31/14 | | | 597,179 | | |
| Transfer From General Fund | | | 0 | | |
| Estimated Transfer To General Fund | | | (19,129) | | |
| Projected Ending Balance 11/30/14 | | | | | <u>578,050</u> |

* represents advance payments unapplied for RUS long term debt

TOTAL FUND BALANCE

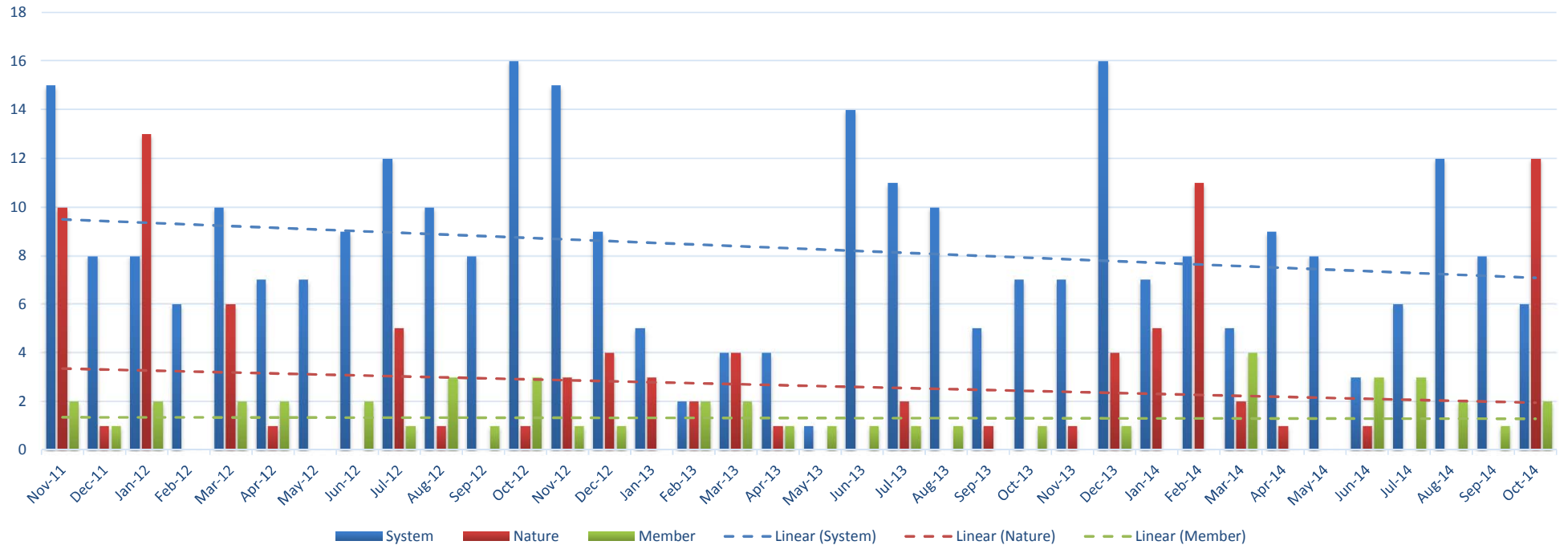


Notes:

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. 2014 - RUS loan draw \$1.22M @ 3.456% (January 2014)
3. 2014 - RUS loan draw \$878k @ 3.479% (January 2014)
4. 2014 - RUS Loan Draw \$2M @ 3% (September 2014)

Outage Report: Trending + YTD Summary

Outage Occurrence Trending



YTD Summary

| Category Description | Group Description | October 2014 | | | YTD 2014 | | | YTD 2013 | | |
|----------------------|-----------------------------------|--------------|------------------|-----------------|-------------|------------------|-----------------|-------------|------------------|-----------------|
| | | Occurrences | Members Affected | Duration (hrs.) | Occurrences | Members Affected | Duration (hrs.) | Occurrences | Members Affected | Duration (hrs.) |
| System | Scheduled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| System | Faulty Equipment or Installation | 0 | 0 | 0 | 11 | 254 | 30.1 | 6 | 829 | 13.766 |
| System | System Issue | 0 | 0 | 0 | 5 | 34 | 23 | 5 | 1193 | 4 |
| System | Age or Deterioration (Failed URD) | 6 | 129 | 22.5 | 42 | 2117 | 258 | 39 | 3431 | 186.75 |
| System | Right-of-way | 0 | 0 | 0 | 3 | 415 | 19.5 | 5 | 79 | 7.75 |
| System | Secondary | 0 | 0 | 0 | 7 | 9 | 17.5 | 3 | 5 | 4.5 |
| System | Unknown | 0 | 0 | 0 | 4 | 272 | 7 | 5 | 1138 | 11.83 |
| Nature | Weather | 12 | 315 | 32.5 | 31 | 1451 | 82.75 | 8 | 1306 | 11.94 |
| Nature | Animal | 0 | 0 | 0 | 1 | 10 | 1 | 5 | 124 | 8 |
| Member | Member/Public | 2 | 51 | 4 | 15 | 1892 | 32 | 10 | 107 | 23.75 |
| Totals | | 20 | 495 | 59 | 119 | 6454 | 470.85 | 86 | 8212 | 272.286 |

MEMORANDUM

Date: August 14, 2014
To: Board of Directors
From: Foster Hildreth, General Manager
Subject: Safety Program – October 2014

Safety Training

Jeff Myers conducted First Aid/AED/CPR training. Federated Insurance conducted safety inspections at the Eastsound Office/Warehouse. Minor issues were r and have been remedied.

RESAP (Rural Electric Safety Accreditation Program)

RESAP is in its infancy at OPALCO. We are compiling historical records for our personnel and vehicle safety programs. Next step is defining an organizational structure for implementation and continuance of this program.

Accidents/Incidents/Near Miss

None.

| | October 2014 | YTD (2014) |
|--------------------|---------------------|-------------------|
| Near Misses | 0 | 3 |
| Incidents | 0 | 1 |
| Accidents | 0 | 4 |
| Loss Time | 0 | 1 |

Total Hours Worked without Loss Time Accident: 21,825

General Manager's Report

November 2014

FINANCE

2013 Form 990 Exempt Organization Return

Staff reviewed and discussed the 2013 Form 990 with the Board during a special meeting held November 7, 2014. The Board approved the tax return, staff executed the return and it was electronically filed by Moss Adams. Confirmation of the successful filing was received on November 11, 2014.

NRECA Participant Review

Staff is still awaiting the official formal Moss Adams participant review results. The results of the review were scheduled to be submitted to NRECA by October 31, 2014.

2014 3rd Quarter Financial Statement Review

Staff will be presenting the 2014 3rd Q financial statement, notable drivers, and capital projects update during the November Board meeting.

2015 Budget

Staff will present the capital project portion of the 2015 Budget during the November Board meeting. Staff will present the remainder of the 2015 budget during the December Board meeting.

Capital Credit General Retirement

Staff will request, at the November Board meeting, Board approval for the general retirement of capital credits representing the 1989 net margin allocation to take place in December 2014.

MEMBER SERVICES and ENERGY SAVINGS

Rebates/EEI Funding Balance

Between 10/1/13 and 10/31/14, the Energy Savings team has issued members 2,635 rebates totaling \$379,058 with an associated kWh savings of 1,468,178. (<http://www.opalco.com/energy-savings/rebates/>) There were some delays for completion of planned Commercial and Low Income projects. These are expected to fund in November and December to fully exhaust BPA EEI funding of \$481,580 and begin self-funding in December.

The Energy Savings and Member Services staff launched a free low-flow showerhead giveaway in late October to further capture residential water heating savings potential. As of November 10, 47 showerheads have been distributed (potential total annual kWh savings of 15,886). Members may pick their up in the Eastsound or Friday Harbor office or ask to have it mailed to their San Juan County address.

Energy Education

The Home Snapshot energy audits will be updated in mid-November to include standard LED bulbs as CFLs are phased out. Staff will continue to evaluate and refine the energy audit for relevant messaging and streamlined delivery.

Sharing the Load, the Energy Savings blog, has been refreshed and a plan is established to continue member energy education through this dynamic tool. Topics will address a variety of

timely concepts, including energy efficiency measures and associated rebates, renewables, electric vehicles and basic energy concepts to assist with rate design education. <http://www.opalco.com/energy-savings/energy-savings-blog/>

Amy Saxe attended the Friday Harbor Film Festival on Saturday, November 8 to participate in the Young Filmmakers Program, an effort supported by OPALCO's Energy Education Grant. Three Spring Street School students (Conrad Bormann, Max Kessler, and Per Black), won for their film "Searching for Green". All student films will be posted on the OPALCO website Energy Savings Projects page in November.

Conservation District Partnership/Islands Energy

Linda Lyshall will present 2014 achievements of the nonprofit roundtable team and the status of current projects to the Board and attending staff at the November Board meeting. This will include a summary of outreach events, the Solar for Schools project, and activities planned for next year. <http://sanjuanislandscd.org/>

Member Services

As of November 12, 42% of members are signed up for Ebill/SmartHub. A series of three SmartHub tutorial videos highlighting the benefits and features of the tool were completed and posted on the OPALCO website in late October. www.opalco.com/members/bill-information/

ENGINEERING & OPERATIONS

WIP

As of October 8, there are 381 work orders open totaling \$3,958,278. Operations has completed construction on 97 of those work orders, totaling \$1,026,784. Mud Bay Road overhead fiber construction is underway. Cattle Point Road Re-conductor construction continues; we expect the conduit system to be completed by year end.

Accident Investigation

Lopez L&I investigation is ongoing. The case is under review of the Assistant Attorney General.

San Juan L&I Investigation is ongoing. We are currently working with the Investigator in his investigation.

Submarine Cables

Lopez to San Juan: RUS Environmental group is unresponsive. Bids for boring to bypass sensitive eel grass areas will be returned in mid-December. Bids for the submarine cable and installation have been received and are being reviewed; successful bid will be awarded in late January or early February.

San Juan to Henry Island: The bore is complete and installation of conduit installation is underway.

Northwest Requirements Utilities (NRU)

During the third quarter NRU board meeting, a review of the budget and 2015 work programs was conducted. NRU will be concentrating its efforts for 2015 on the BP-16 Power and Transmission Rate Case among other efforts to aid in minimization of resource costs.

Headquarters

Eastsound office expansion/warehouse renovation has been delayed to reduce scope. We expect commencement of construction in mid-November.

INFORMATION SERVICES

700 MHz LTE Test and Pilot Projects

The LTE core and radio equipment has arrived. The wireless engineers are scheduled to perform the final configuration and LTE testing the week of November 17th. The team has prepared the first pilot sites at the Eastsound OPALCO Office, Cattle Point/Cape San Juan and Eagle Lake/Doe Bay.

Island Network New Services

The Island Network Website continues to receive member requests for new broadband services at a growing pace. To date, 450 member requests have been received via the Website.

We now have a total of 100 connections and 56 members. Seventeen members are in the construction phase.

PERSONNEL

Island Network staff now includes Gerry Lawlor, Manager; Alan Smith, Field Superintendent; and Tom Schramm, Operations Superintendent.

Danny Herbert of Friday Harbor was hired to fill the Staking Technician position for Friday Harbor and is training in Eastsound for six months.

External advertising continues for the Communication Specialist, Network Engineer, Journeyman Lineman, GIS Technician, Head Accountant and Software Specialist.

Internal notice has been given for a Communications Technician, a Line Foreman for Lopez and an Engineering Technician.

INFORMATION ITEMS

NEW SERVICES

October 2014

| | Orcas | San Juan | Lopez | Center/ Decatur | Blakely/Obstruction/ Crane/Shaw | Total |
|----------------|-------|-------------|-------|--------------------|------------------------------------|-------|
| Residential | 7 | 7 | 3 | | | 17 |
| Commercial | | 1 | | | | 1 |
| Line Retention | | | | | | 0 |
| Other - OPALCO | | | | | | 0 |
| | | | | | | |
| Total* | 7 | 8 | 3 | 0 | 0 | 18 |
| | | | | | | |
| 2014 YTD | 31 | 51 | 15 | 4 | 5 | 106 |
| 2013 YTD | 31 | 47 | 20 | 5 | 4 | 107 |
| 2012 YTD | 24 | 44 | 26 | 3 | 2 | 99 |
| 2011 YTD | 33 | 65 | 12 | 2 | 8 | 120 |
| 2010 YTD | 52 | 77 | 18 | 1 | 3 | 151 |

*Figures have been queried from the Service Order billing module and reconciled to the RUS Form 7 New Service numbers.

OPALCO
Historical MORE Revenue
(All Green kWh and MORE Blocks)
For Years 2012 - 2014 YTD

| Month | 2012 YTD | | | | | | | |
|--------------|-----------|----------------|------------------|-------------|---------------|------------------|-----------|---------------|
| | All Green | | | MORE Blocks | | | Total | |
| | # | kWh | Revenue | # | # | Block Revenue | | |
| | Members | kWh | Revenue | Members | Blocks | Revenue | | |
| | | \$ | 0.04 | | | \$ | 4 | |
| Jan | 44 | 47,428 | 1,897 | 454 | 970 | 3,880 | | 5,777 |
| Feb | 43 | 37,664 | 1,507 | 452 | 962 | 3,848 | | 5,355 |
| Mar | 42 | 37,682 | 1,507 | 449 | 953 | 3,812 | | 5,319 |
| Apr | 42 | 27,636 | 1,105 | 449 | 953 | 3,812 | | 4,917 |
| May | 42 | 21,993 | 880 | 448 | 952 | 3,808 | | 4,688 |
| Jun | 43 | 20,335 | 813 | 448 | 952 | 3,808 | | 4,621 |
| Jul | 43 | 19,649 | 786 | 449 | 953 | 3,812 | | 4,598 |
| Aug | 43 | 22,457 | 898 | 446 | 948 | 3,792 | | 4,690 |
| Sep | 42 | 13,136 | 525 | 443 | 947 | 2,530 | | 3,055 |
| Oct | 42 | 21,162 | 846 | 443 | 947 | 3,788 | | 4,634 |
| Nov | 44 | 30,335 | 1,213 | 438 | 943 | 3,772 | | 4,985 |
| Dec | 43 | 43,849 | 1,754 | 437 | 929 | 3,716 | | 5,470 |
| Total | 43 | 343,326 | \$ 13,733 | 446 | 11,409 | \$ 44,378 | \$ | 58,111 |

| 2013 YTD | | | | | | | |
|-----------|----------------|-----------------|-------------|---------------|-----------------|-----------|---------------|
| All Green | | | MORE Blocks | | | Total | |
| # | kWh | Revenue | # | # | Block Revenue | | |
| Members | kWh | Revenue | Members | Blocks | Revenue | | |
| | | \$ | 0.04 | | | \$ | 4 |
| 43 | 54,479 | 2,179 | 433 | 921 | 3,684 | | 5,863 |
| 43 | 50,927 | 2,037 | 432 | 918 | 3,672 | | 5,709 |
| 42 | 42,787 | 1,711 | 429 | 915 | 3,660 | | 5,371 |
| 42 | 31,063 | 1,243 | 427 | 904 | 3,616 | | 4,859 |
| 41 | 21,699 | 868 | 426 | 897 | 3,588 | | 4,456 |
| 41 | 20,336 | 813 | 426 | 897 | 3,588 | | 4,401 |
| 43 | 17,756 | 710 | 425 | 895 | 3,580 | | 4,290 |
| 42 | 18,716 | 749 | 421 | 893 | 3,572 | | 4,321 |
| 42 | 18,786 | 751 | 418 | 890 | 3,560 | | 4,311 |
| 43 | 23,882 | 955 | 415 | 887 | 3,548 | | 4,503 |
| 44 | 31,535 | 1,261 | 414 | 881 | 3,524 | | 4,785 |
| 44 | 47,347 | 1,894 | 412 | 879 | 3,516 | | 5,410 |
| 43 | 379,313 | \$15,173 | 423 | 10,777 | \$43,108 | \$ | 58,281 |

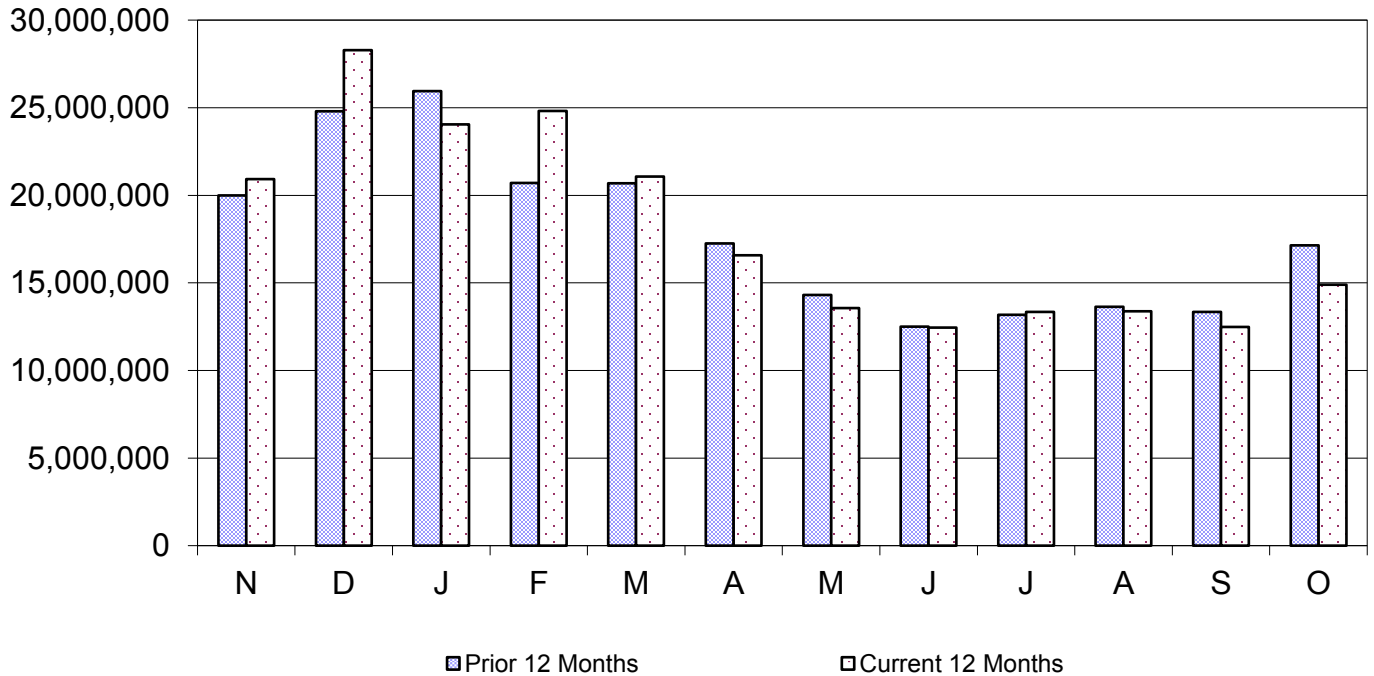
| 2014 YTD | | | | | | | |
|-----------|----------------|------------------|-------------|--------------|------------------|-----------|---------------|
| All Green | | | MORE Blocks | | | Total | |
| # | kWh | Revenue | # | # | Block Revenue | | |
| Members | kWh | Revenue | Members | Blocks | Revenue | | |
| | | \$ | 0.04 | | | \$ | 4 |
| 44 | 41,878 | 1,675 | 411 | 871 | 3,484 | | 5,159 |
| 44 | 47,227 | 1,889 | 410 | 870 | 3,480 | | 5,369 |
| 44 | 35,590 | 1,424 | 408 | 866 | 3,464 | | 4,888 |
| 44 | 30,702 | 1,228 | 408 | 865 | 3,460 | | 4,688 |
| 44 | 26,412 | 1,056 | 408 | 858 | 3,432 | | 4,488 |
| 45 | 17,020 | 681 | 418 | 870 | 3,480 | | 4,161 |
| 44 | 19,421 | 777 | 416 | 865 | 3,460 | | 4,237 |
| 44 | 16,540 | 662 | 415 | 864 | 3,456 | | 4,118 |
| 44 | 16,477 | 659 | 414 | 860 | 3,440 | | 4,099 |
| 45 | 17,566 | 703 | 413 | 860 | 3,440 | | 4,143 |
| - | - | - | - | - | - | | - |
| - | - | - | - | - | - | | - |
| 44 | 268,833 | \$ 10,753 | 412 | 8,649 | \$ 34,596 | \$ | 45,349 |

Notes: 2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.
Average kWh per month usage for All Green members is 609 kWh (below average for residential)
Beginning June 2011, report reflects combined data for the former Green Power program and MORE.
Beginning September 2012, half of the members were transitioned to a mid-month billing cycle; these members were billed for 15 days of consumption, a prorated basic charge, and prorated MORE blocks on 9/14/12.

BPA Consumption Summary

Through
October 2014

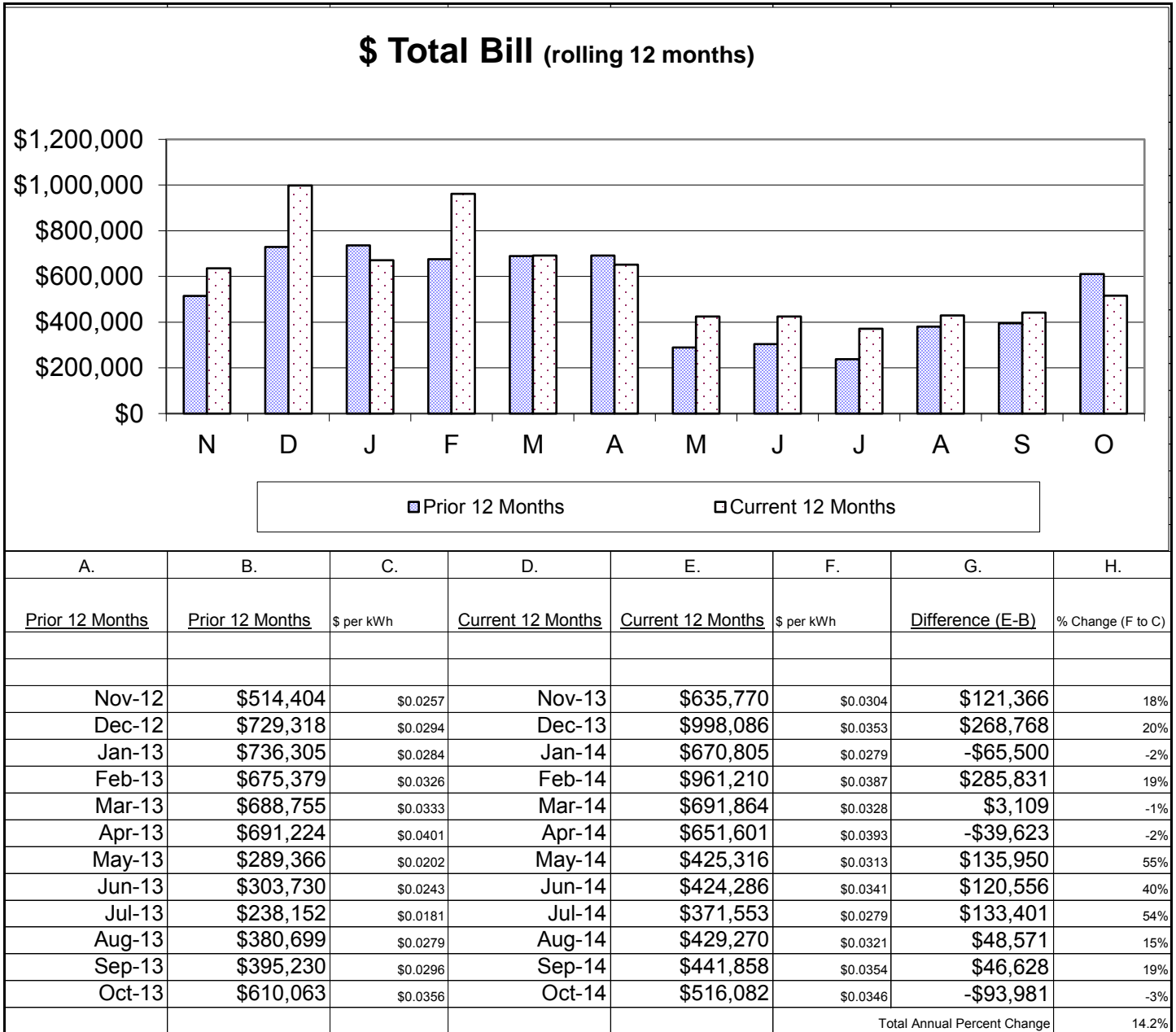
kWh Purchased (rolling 12 months)



| A. | B. | | C. | D. | | E. | |
|-----------------|-----------------|--|-------------------|-------------------|--|------------------|--|
| Prior 12 Months | Prior 12 Months | | Current 12 Months | Current 12 Months | | Difference (D-B) | |
| Nov-12 | 19,995,037 | | Nov-13 | 20,925,364 | | 930,327 | |
| Dec-12 | 24,804,913 | | Dec-13 | 28,277,954 | | 3,473,041 | |
| Jan-13 | 25,942,681 | | Jan-14 | 24,042,632 | | (1,900,049) | |
| Feb-13 | 20,704,258 | | Feb-14 | 24,808,824 | | 4,104,566 | |
| Mar-13 | 20,690,151 | | Mar-14 | 21,068,301 | | 378,150 | |
| Apr-13 | 17,253,318 | | Apr-14 | 16,580,487 | | (672,831) | |
| May-13 | 14,309,061 | | May-14 | 13,567,275 | | (741,786) | |
| Jun-13 | 12,503,372 | | Jun-14 | 12,439,266 | | (64,106) | |
| Jul-13 | 13,179,669 | | Jul-14 | 13,334,282 | | 154,613 | |
| Aug-13 | 13,635,840 | | Aug-14 | 13,371,257 | | (264,583) | |
| Sep-13 | 13,342,354 | | Sep-14 | 12,487,726 | | (854,628) | |
| Oct-13 | 17,149,832 | | Oct-14 | 14,894,686 | | (2,255,146) | |
| | | | | | | | |

BPA Consumption Summary

Through
October 2014





**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

October 24, 2014

Mr. J. Foster Hildreth
General Manager
Orcas Power and Light Cooperative
183 Mt. Baker Road
Eastsound, WA 98245-9413

Dear Mr. Hildreth,

Congratulations! As a valued participant in the One Card program, CFC is pleased to inform you that **Orcas Power and Light Cooperative** has earned an annual cash rebate for the 2013-2014 rebate year.

By using the One Card for your business needs from September 1, 2013, through August 31, 2014, your cooperative helped the program portfolio collectively generate \$37.6 million in annual charge volume and an average transaction size of \$170.

Based on your cooperative's contribution to the success of the program during the rebate year, CFC has enclosed a rebate check in the amount of **\$1,093.78**. Also enclosed is an explanation of how your cooperative's rebate was calculated.

Again, congratulations on earning this cash rebate. We appreciate your continued participation in the One Card program.

If you have any questions about the rebate, please contact Amy LaVigna at 800-732-1050.

Sincerely,

John List
Senior Vice President and Chief Lending Officer

Enclosure

Co-op ID: WA009

Co-op Name: Orcas Power and Light Cooperative

Charge Volume: \$124,552.53

Average Transaction Size: \$181.30

The rebate period ran from September 1, 2013, to August 31, 2014, and the collective portfolio rebate from U.S. Bank was \$337,906.

Charge Volume Rebate

Cooperatives with at least \$5,000 of charge volume during the rebate year qualified for the charge volume rebate. Eligible cooperatives are paid based on the amount of their charge volume in the collective portfolio.

Your 2013-2014 One Card charge volume rebate is **\$819.27**.

Average Transaction Size Rebate

Cooperatives with an annual average transaction size of at least \$120 qualified for the average transaction size rebate. Eligible cooperatives are paid based on their charge volume greater than \$120 per transaction.

Your 2013-2014 One Card average transaction size rebate is **\$274.51**.

Your total 2013-2014 One Card rebate is **\$1,093.78**, which approximates 0.88 percent cash back of your total One Card charge volume.

For questions regarding your One Card rebate, please contact Amy LaVigna at 800-732-1050 or onecard@nrucfc.coop.



**Washington Rural Electric
Cooperative Association**

Update

To: WRECA Members

November 5, 2014

From: Kent Lopez, General Manager

Staying up last night was worth it, but I wasn't watching TV – Well, OK, I did have the TV on and the Republican takeover of the U.S. Senate was very entertaining to someone who gets all excited about that kind of political drama – regardless of the outcome. It's the drama that counts and watching all of the "talking heads" get out of breath gushing about the election results is really fun. (Yes – I know that I need to get a life.)

The advances by the Republican Party in Congress were mirrored by the results in races for the Washington State Legislature – Most of the time last night I was on the Washington Secretary of State's website watching the returns for the races for the State Legislature. While the State Senate and House of Representatives didn't change party control, that's the good news. Not only did the Majority Coalition retain control of the Senate, but the Republicans picked up an additional seat in the Senate with Mark Miloscia's win in the 30th District.

In the House, the Republicans won four seats previously held by Democrats IF – and this is a very big IF – the vote counts hold. The Democrats still hold the majority in the House, but their margin has shrunk.

A listing of Washington's Congressional and Legislative Delegations is at the end of this UPDATE. We've noted the new members and where the parties changed from Democratic to Republican. There were no changes from Republican to Democratic. In races where the vote count is very close as of this morning, we've labeled the names "Leading".

As the vote counts get finalized, we'll take a look at who is likely to chair what committees and how the election results may impact the governor's carbon reduction initiatives.

Now, back to the other Washington

A good number of electric co-op friends won, a few friends lost – One big takeaway from the elections is that the polls significantly under-estimated the Republican voters' motivation to turn out. Of the 10 close Senate races, 1 (Louisiana) is headed to a run-off to no-one's surprise. The GOP took away 4 open seats previously held by Democrats (WV, IA, SD, and MT), defeated 3 incumbent Democrats (NC, AR, and CO), and held onto 3 GOP seats in close or competitive races (KY, GA, and KS).

The House will continue to be under GOP control. Further, there will be more than 50 new Representatives, include Dan Newhouse from Washington's 4th Congressional District who is leading in the vote count to replace Rep. Doc Hastings who is retiring. Many are new faces to electric co-ops and we will need to make and support friends in this new class. The current House

Leadership should be re-elected and their agenda should be more successful in the Senate than has been the case.

With the House and Senate both Republican, the environmental legislation is much more likely to be considered by both Chambers in Congress – However, the road to 60 in the Senate is unclear so there is still a need for them to negotiate with the Senate Democrats and the President to get bills enacted into law. By sometime around the middle of 2015, the 2016 Presidential Election will be the focus and legislating will be difficult (if not impossible) in the Senate.

Below is a summary of changes in key positions that impact our agenda as electric cooperatives.

HOUSE CHANGES

Agriculture – Chairman Frank Lucas (R-OK) is Term Limited. His replacement is likely to be Mike Conaway (R-TX), another good friend of co-ops. On the Democrat side of the Committee, Ranking Member Collin Peterson (D-MN) was re-elected and will remain as Ranking Member.

Budget – Chairman Paul Ryan (R-WI) is widely expected to move to Ways & Means. His departure likely means that the Vice Chair Tom Price (R-GA) will take over. Price is more responsive to co-ops in his state than Ryan has been.

Energy and Commerce – While Chairman Fred Upton (R-MI) remains in the next Congress, Rep. Henry Waxman's (D-CA) departure means the top D will be either Rep. Frank Pallone (D-NJ) or Rep. Anna Eshoo (D-CA).

Natural Resources – Chairman Doc Hastings (R-WA) is retiring, and Rep. Rob Bishop (R-UT) will take the chairmanship. Ranking Member DeFazio (D-OR) likely moves to be the top Democrat on the Transportation Committee, opening the top Democratic spot on the Resources Committee potentially to Rep. Frank Pallone (D-NJ) or Grace Napolitano (D-CA).

SENATE CHANGES

Agriculture – The GOP takeover means the new Chairman is Pat Roberts (R-KS) which is great for electric co-ops. Sherrod Brown (D-OH) would likely be the Senior Democrat on Ag. He has a good relationship with the statewide, but his relationship with Roberts remains to be seen.

Appropriations – The GOP takeover means Sen. Thad Cochran (R-MS) will likely take the chairmanship of the Committee back, and Sen. Barbara Mikulski will remain the top Democrat.

Energy – GOP control means that Senator Lisa Murkowski (R-AK) is Chair and that is great for us. If Sen. Landrieu loses the Louisiana runoff, she is replaced by Senator Maria Cantwell (D-WA).

Environment and Public Works – A GOP Senate probably means a Chairman Jim Inhofe (R-OK) at EPW. That will mean all climate all the time, but in exactly the opposite direction of current Chair Sen. Barbara Boxer (D-CA), who will remain the top Democrat.

Foreign Relations – Switching from Chairman Menendez (D-NJ) to Chairman Corker (R-TN) could help move Energize Africa easier through the Committee but that becomes harder to secure floor passage in the Senate.

Health, Education, Labor, and Pensions – A GOP Senate will make Senator Lamar Alexander (R-TN) the Chair but will leave pension issues in Senator Mike Enzi's (R-WY) control. The top D will be Patty Murray who has also been helpful on pensions.

The outright GOP taking control of the next Senate and upcoming Louisiana runoff clouds the picture for what the Senate may consider during the lame duck session – For the new Congress we can expect the House and Senate to coordinate very closely on policy issues they would like to advance, and we can count on them focusing on several energy and environmental issues, including pushing back on regulatory proposals, pushing the Keystone XL Pipeline, and seeking to pass legislation to block or weaken Administrative Actions. We also expect that Congress will seek to work on Endangered Species Act legislation, embark on Telecommunications Act reform, and continue to discuss tax reform. Opportunities to truly legislate will be most likely during the first 6 to 9 months of 2015; after that the 2016 Presidential election will take the oxygen out of the legislative room and leave Congress focusing on ways to position for the 2016 elections.

We can anticipate RUS Loan support from the Appropriations Committees in both the House and Senate but will have 50 new members of the House and 10 Senators to educate on the issue. We will have more to say as we conduct further analysis of the election results and hear more about agendas of the 115th Congress.

Important dates – please put the following on your calendars:

- December 9 – WRECA Board of Directors, SeaTac, WA
- January 12, 2015 – 2015 Legislative Session Begins
- January 20-22, 2015 – NRECA New Director Orientation, Arlington, VA
- February 10, 2015 – WRECA Board of Directors, Olympia, WA
- February 22-26, 2015 – NRECA Annual Meeting, Orlando, FL
- March 10-13, 2015 – NRECA New Communicators Orientation, Arlington, VA
- March 17-19, 2015 – NRECA New CEO Orientation, Arlington, VA
- April 7-9, 2015 – NRECA New CFO Orientation, Arlington, VA
- April 14, 2015 – WRECA Board of Directors, Spokane, WA
- June 15, 2015 – WECAPAC Golf Tournament, Spokane, WA
- June 15, 2015 – WRECA Board of Directors, Spokane, WA
- June 16-17, 2015 – WRECA Annual Meeting, Spokane, WA

Please let me know if you have any questions – Kent

2015 WA Federal and State Delegations

| District | Service Territory | Name | Comment |
|--------------|---|-----------------------------|---------|
| U.S. Senator | X | Patty Murray - D | |
| U.S. Senator | X | Maria Cantwell - D | |
| Cong. 1 | Tanner | Suzan DelBene - D | |
| Cong. 2 | Orcas | Rick Larsen - D | |
| Cong. 3 | Benton | Jamie Herrera Beutler- R | |
| Cong. 4 | Benton Big Bend Inland Nespelem Valley Okanogan | Dan Newhouse - R | New |
| Cong. 5 | Big Bend Columbia Inland Modern | Cathy McMorris Rogers - R | |
| Cong. 6 | Peninsula | Derek Kilmer - D | |
| Cong. 7 | | Jim McDermott - D | |
| Cong. 8 | Ohop Tanner | Dave Reichert - R | |
| Cong. 9 | | Adam Smith - D | |
| Cong. 10 | Elmhurst Lakeview Parkland Tanner | Denny Heck | |
| State 1 | | Sen. Rosemary McAuliffe - D | |
| | | Rep. Derek Stanford - D | |
| | | Rep. Luis Moscoso - D | |
| State 2 | Elmhurst Ohop | Sen. Randi Becker - R | |
| | | Rep. Graham Hunt - R | |
| | | Rep. J.T. Wilcox - R | |
| State 3 | Inland | Sen. Andy Billig - D | |
| | | Rep. Marcus Riccelli - D | |
| | | Rep. Timm Ornsby - D | |
| State 4 | Inland Modern | Sen. Mike Padden - R | |
| | | Rep. Bob McCaslin - R | New |
| | | Rep. Matt Shea - R | |
| State 5 | Tanner | Sen. Mark Mullet - D | |
| | | Rep. Jay Rodne - R | |
| | | Rep. Chad Mengendanz - R | |

| District | Service Territory | Name | Comment |
|----------|--|-------------------------------|---------|
| State 6 | Inland | Sen. Michael Baumgartner - R | |
| | | Rep. Kevin Parker - R | |
| | | Rep. Jeff Holy - R | |
| State 7 | Inland Nespelem Valley | Sen. Brian Dansel - R | |
| | | Rep. Shelly Short - R | |
| | | Rep. Joel Kretz - R | |
| State 8 | Benton | Sen. Sharon Brown - R | |
| | | Rep. Brad Klippert - R | |
| | | Rep. Larry Haler - R | |
| State 9 | Big Bend Inland | Sen. Mark Schoesler - R | |
| | | Rep. Susan Fagan - R | |
| | | Rep. Joe Schmick - R | |
| State 10 | | Sen. Barbara Bailey - R | |
| | | Rep. Norma Smith - R | |
| | | Rep. Dave Hayes - R | |
| State 11 | | Sen. Bob Hasegawa - D | |
| | | Rep. Zack Hudgins - D | |
| | | Rep. Steve Bergquist - D | |
| State 12 | Nespelem Valley Okanogan | Sen. Linda Evans Parlette - R | |
| | | Rep. Cary Condotta - R | |
| | | Rep. Brad Hawkins - R | |
| State 13 | Benton Inland | Sen. Judy Warnick - R | New |
| | | Rep. Tom Dent - R | New |
| | | Rep. Matt Manweller - R | |
| State 14 | Benton | Sen. Curtis King - R | |
| | | Rep. Norm Johnson - R | |
| | | Rep. Gina McCabe - R | New |
| State 15 | Benton | Sen. Jim Honeyford - R | |
| | | Rep. Bruce Chandler - R | |
| | | Rep. David Taylor - R | |
| State 16 | Benton Big Bend Columbia Inland | Sen. Mike Hewitt - R | |
| | | Rep. Maureen Walsh - R | |
| | | Rep. Terry Nealey - R | |

| District | Service Territory | Name | Comment |
|----------|-------------------|-----------------------------|------------------------------|
| State 17 | | Sen. Don Benton - R | |
| | | Rep. Lynida Wilson - R | New - Party change |
| | | Rep. Paul Harris - R | |
| State 18 | | Sen. Ann Rivers - R | |
| | | Rep. Brandon Vick - R | |
| | | Rep. Liz Pike - R | |
| State 19 | | Sen. Brian Hatfield - D | |
| | | Rep. Dean Takko - D | |
| | | Rep. Brian Blake - D | |
| State 20 | | Sen. John Braun - R | |
| | | Rep. Richard DeBolt - R | |
| | | Rep. Ed Orcutt - R | |
| State 21 | | Sen. Marko Liias - D | |
| | | Rep. Strom Peterson - D | New |
| | | Rep. Lillian Ortiz-Self - D | |
| State 22 | | Sen. Karen Fraser - D | |
| | | Rep. Chris Reykdal - D | |
| | | Rep. Sam Hunt - D | |
| State 23 | | Sen. Christine Rofles - D | |
| | | Rep. Sherry Appleton - D | |
| | | Rep. Drew Hansen - D | |
| State 24 | | Sen. James Hargrove - D | |
| | | Rep. Kevin Van De Wege - D | |
| | | Rep. Steve Tharinger - D | |
| State 25 | Elmhurst Parkland | Sen. Bruce Dammeier - R | |
| | | Rep. Melanie Stambaugh - R | New - Party change |
| | | Rep. Hans Zeiger - R | |
| State 26 | PenLight | Sen. Jan Angel - R | |
| | | Rep. Jesse Young - R | |
| | | Rep. Michelle Caldier - R | New - Party change - Leading |
| State 27 | | Sen. Jeannie Darneille - D | |
| | | Rep. Laurie Jenkins - D | |
| | | Rep. Jake Fey - D | |

| District | Service Territory | Name | Comment |
|----------|----------------------------------|-------------------------------|------------------------------|
| State 28 | Lakeview Tanner | Sen. Steve O'Ban - R | |
| | | Rep. Dick Muri - R | |
| | | Rep. Paul Wageman - R | New - Party change - Leading |
| State 29 | Elmhurst Lakeview Parkland | Sen. Steve Conway - D | |
| | | Rep. David Sawyer - D | |
| | | Rep. Steve Kirby - D | |
| State 30 | | Sen. Mark Miloscia - R | New - Party change |
| | | Rep. Linda Kochmar - R | |
| | | Rep. Roger Freeman - D | |
| State 31 | | Sen. Pam Roach - R | |
| | | Rep. Drew Stokesbary - R | New |
| | | Rep. Christopher Hurst - D | |
| State 32 | | Sen. Maralyn Chaise - D | |
| | | Rep. Cindy Ryu - D | |
| | | Rep. Ruth Kagi - D | |
| State 33 | | Sen. Karen Keiser - D | |
| | | Rep. Tina Orwall - D | |
| | | Rep. Mia Gregerson - D | |
| State 34 | | Sen. Sharon Nelson - D | |
| | | Rep. Eileen Cody - D | |
| | | Rep. Joe Fitzgibbon - D | |
| State 35 | | Sen. Tim Sheldon - D | |
| | | Rep. Kathy Haigh - D | |
| | | Rep. Drew MacEwen - R | |
| State 36 | | Sen. Jeanne Kohl-Welles - D | |
| | | Rep. Reuven Carlyle - D | |
| | | Rep. Gael Tarleton - D | |
| State 37 | | Sen. Pramila Jayapal - D | New |
| | | Rep. Sharon Tomiko Santos - D | |
| | | Rep. Eric Pettigrew - D | |
| State 38 | | Sen. John McCoy - D | |
| | | Rep. June Robinson - D | |
| | | Rep. Mike Sells - D | |

| District | Service Territory | Name | Comment |
|----------|-------------------|----------------------------|---------|
| State 39 | | Sen. Kirk Pearson - R | |
| | | Rep. Dan Kristiansen - R | |
| | | Rep. Elizabeth Scott - R | |
| State 40 | Orcas | Sen. Kevin Ranker - D | |
| | | Rep. Kristine Lytton - D | |
| | | Rep. Jeff Morris - D | |
| State 41 | | Sen. Steve Litzow - R | |
| | | Rep. Tana Senn - D | |
| | | Rep. Judy Clibborn - D | |
| State 42 | | Sen. Doug Ericksen - R | |
| | | Rep. Luanne VanWerven - R | New |
| | | Rep. Vincent Buys - R | |
| State 43 | | Sen. Jamie Pedersen - D | |
| | | Rep. Brady Walkinshaw - D | |
| | | Rep. Frank Chopp - D | |
| State 44 | | Sen. Steve Hobbs - D | |
| | | Rep. Hans Dunshee - D | |
| | | Rep. Mark Harmsworth - R | New |
| State 45 | Tanner | Sen. Andy Hill - R | |
| | | Rep. Roger Goodman - D | |
| | | Rep. Larry Springer - D | |
| State 46 | | Sen. David Frockt - D | |
| | | Rep. Gerry Pollet | |
| | | Rep. Jessyn Farrell - D | |
| State 47 | | Sen. Joe Fain - R | |
| | | Rep. Mark Hargrove - R | |
| | | Rep. Pat Sullivan - D | |
| State 48 | | Sen. Cyrus Habib - D | New |
| | | Rep. Ross Hunter - D | |
| | | Rep. Jean McBride - D | New |
| State 49 | | Sen. Annette Cleveland - D | |
| | | Rep. Sharon Wylie - D | |
| | | Rep. Jim Moeller - D | |