

OPALCO ANNUAL REPORT: 2020 Accomplishments



THE ISLAND WAY

OPALCO members



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Mission & Values

Mission Statement

Orcas Power & Light Cooperative (OPALCO) serves our members with safe, reliable, cost effective and environmentally sensitive utility services.

Values Statement

The OPALCO Board of Directors and employees strive for excellence with a passion and determination that is founded on the following values. These values inspire, guide and determine our conduct in carrying out our mission:

- We are dedicated to the Seven Cooperative Principles.
- We are committed to building, nurturing and preserving lasting relationships with our member-owners and among ourselves.
- We hold ourselves accountable to the highest legal and ethical standards.
- We are dedicated to financial and environmental stewardship through sound governance, management and operating practices.
- We are a responsible, member-owned organization.
- We seek and implement innovative solutions.

OPALCO is an equal opportunity employer. We work to maintain an organization that is welcoming to all. Diversity can include many different visible and invisible qualities beyond race and gender to include age, culture, nationality, color, disability, sex, gender identity (including gender expression), veterans, religion, sexual orientation, marital status, family/parental status, income, language, and values/beliefs.

A volunteer member-run Elections and Governance Committee (EGC) is responsible for cultivating qualified candidates for board elections. There are openings on the EGC and we welcome new volunteers who can help to increase our reach to seek and encourage qualified candidates of all stripes.

We continue to listen and evaluate how to keep improving in this area and are committed to participating in county-wide discussions about equity and inclusion in order to diversify representation throughout our island communities.



Board of Directors:

Vince Dauciunas, President (San Juan)
Dr. Jerry Whitfield, Vice President (Shaw)
Brian Silverstein, Secretary/Treasurer (Lopez)
Rick Christmas (Orcas)
Peter Garlock (Lopez)
Mark Madsen (San Juan)
Jeffrey Struthers (Orcas)



OPALCO Management Team:

Foster Hildreth, General Manager
Nancy Loomis, Manager of Finance and Member Services
Russell Guerry, Manager of Engineering and Operations

Rock Island Communications Management Team:

Foster Hildreth, General Manager/President
Alan Smith, Executive Vice President
Chris Shockey, Senior Vice President

Message from the GM: Foster Hildreth

As challenging as 2020 was, with the COVID-19 pandemic and the life-changing disruption it brought, OPALCO and Rock Island Communications ended the year in good financial shape while supporting members impacted by COVID with bill pay assistance, reliable power and internet services. I'm very proud of our co-op team: the Board and staff quickly pivoted to keep the business running smoothly with wellness precautions in place. The offices were closed to the public in March and remain closed today, but member services have continued without missing a beat, due to the nimble and dedicated staff who continue to work effectively from remote or socially distanced workstations and who managed a record number of member phone calls.

OPALCO crews shifted from team construction work to solo projects – and some capital projects were necessarily delayed – but the Decatur battery storage project was completed as well as a new path to route power directly from the Decatur substation to Eastsound village, keeping grocery stores and essential services energized during power outages. One silver lining was that our crews conducted extensive maintenance surveys and repairs, working solo, and significant



progress was made to clear dangerous brush and tree hazards away from our power lines. Our system and our members are safer for their efforts.

Weather is the real driver of OPALCO's revenue and year-end margins. It was a bit colder at year-end than we anticipated, and OPALCO finished the year within 0.05% of budget on revenue and expense – even with the pandemic impacts on accounts receivable. OPALCO was able to shift borrowing scheduled for future years into 2020 in order to have funds on hand for COVID measures and to protect the viability of the Co-op from the uncertainties of the pandemic. By putting loans in place, OPALCO can access funds as they are needed – loan amounts are not drawn down until required and then submitted to the lender for reimbursement. We

Message from the GM: Foster Hildreth

started the new year without a rate increase, to support members who continue to struggle. Many have not yet returned to work and some businesses have closed; many parents are still supporting their children with schooling from home. There was an influx of part-time members spending more time (and energy) in their island homes, which helped the bottom line.

2020 marked the point that Rock Island transitioned from a start-up venture to a cash-flow positive business with net income positive anticipated by year-end 2021. Our hard-working subsidiary kept us all connected to work, school, health care and each other during this past year of isolation. When schools shut down, Rock Island quickly coordinated with the school staff to provide students and teachers in need with a broadband connection so they could continue their education. More than 120 students and teachers were connected in less than two weeks during that transition.

While recovery from the pandemic is in its early stages, OPALCO can't delay pivoting again to prepare the Co-op and the membership for the changes already happening in the region and nation as we work towards a reliable and affordable energy future. With climate change and Washington State's Clean Energy Transformation Act, our region is leaving fossil fuels

behind and racing to develop renewable energy resources. The Pacific Northwest is facing new capacity constraints and competition for our valuable Pacific Northwest hydro resources. To cushion the impact on our island communities from rolling blackouts and rising power costs that will result, OPALCO and our members need to work together to balance a host of financial, permitting and land use constraints to ensure our sensitive environment is safeguarded. OPALCO's plan requires obtaining financial assistance from the federal government, land to build renewable projects, members to invest in rooftop solar and battery storage and permitting flexibility.

Our strong plan is to 1) build a small local power supply of renewable resources paired with energy storage for resiliency and cost savings (the first microgrid is already producing and storing power on Decatur Island); 2) compete for federal, state and local grants to help pay for this transition; and 3) find or develop renewable resources on the mainland through PNGC to future-proof our clean power supply. In addition, OPALCO is working with other co-ops in the region to advocate for a regional transmission authority that would increase cooperation and control of our limited resources and share transmission assets to make sure we can all purchase – and sell – the

Message from the GM: Foster Hildreth

renewable power that will develop over the next decade. Even as we decrease our dependence on mainland resources with local microgrids, our connection to the mainland will be increasingly important in order to provide firm (24/7) power to balance our intermittent renewable generators when the sun doesn't shine and the wind doesn't blow. Coordination and cooperation of regional resources is critical to our success. This is a massive national endeavor and OPALCO is committed to building solutions that fit with our sensitive and beautiful island environs.

Members play an important role in building our energy future: energy efficiency and conservation are still our greatest, least-cost resource – and, to meet the changing climate, we will electrify transportation and heating to end our reliance on carbon-sourced fossil fuels. Members have stepped up admirably to Switch it Up: installing ductless heat pumps, heat-pump water heaters and EV chargers – and now fiber to the home when paired with an energy efficiency measure. The first community solar project in 2018 sold out in less than a month and we hope members will fully subscribe the 2021 project planned on San Juan Island as well. If you're not sure what you can do to prepare for the changing energy-scape, please contact our

staff and ask. As islanders, we have a long tradition of pulling ourselves up by our bootstraps to meet the challenges of our remote home place. With the Island Way campaign, we invite you to learn about the changes in our region's energy-scape and to take control of your energy future by doing all you can to prepare your homes, businesses and transportation for the shift away from carbon.

In order to realize our vision of a small, local power supply to keep our communities running during the uncertainties of this shift, OPALCO is going to need your help and cooperation to site renewable microgrids. We hope to collaborate with other organizations who have a stake in shaping our future sustainability: the County, agriculture and livestock, land preservation and affordable housing. We invite members to come forward with easement opportunities on private property that may be suitable for development of local power generation. The past generation of Co-op members saw the advent of power poles in our beautiful landscape and were proud to bring reliable power to their farms and homes. Current islanders - our generation will take pride in building our own small power supply to keep us keeping on, and to protect us from the uncertainties as the region decarbonizes.

2020 Accomplishments

Engineering & Operations Highlights

Capital projects, maintenance and system replacement are planned in four-year increments. Projects are prioritized based on incidents of failure and age of equipment.

Average service availability rate: members had power 99.96% of the time!

Lowest average outage durations since 2013.

Closed out 101 new service construction work orders.

Installed remote operated transmission switch.

Exceeded 53,000 hours worked without a loss-time accident.

Replaced 32,000 feet of aging and failing underground cable (mixture of three phase and single phase).

Completed Decatur Energy Storage System.

Replaced 45 aging and deteriorated distribution poles.

Right of Way Program: > 360 trees removed; 550 trees trimmed, and 20,000 linear feet of transmission line brush mowed for clearance.

Upgraded protection and oil pressure monitor for two submarine cable terminals.



2020 Accomplishments

Energy Savings, Rebates and Renewables Highlights

We are dedicated to helping you save energy and money through our efficiency programs. Check out the full menu of rebates available now: www.opalco.com/rebates.

Rebate dollars awarded to members through December 2020: \$219,600

Energy saved by members through BPA/PNGC rebates: 760,983 kWh.

Supported 51 members in beneficial electrification measures, totaling \$76,500.

Incentivized the installation of 38 EV charging stations for homes and businesses.

Total interconnected members generating local renewable power: 422 with 57 new in 2020.

Decatur Community Solar Project: 256 participants, produced 507 MWh (enough to power 500+ typical SJ County homes for a month), distributed \$50,700 through production credits and \$8,390 to Energy Assist programs.



2020 Accomplishments

Member Services & Energy Assistance Highlights

Our team is here to help you pay your bill, answer questions and connect you with energy assistance resources when you need them.

Five Member Services Representatives (down one staff member due to a retirement in March 2020) handled more than 8,200 inbound calls from members, until September when the new Member Services Representative joined the team and the amount jumped by another 2,000+ calls.

Billed members ~\$31.9M for energy usage of ~213.7M kWh.

The local family/community resource centers awarded ~\$81,000 of PAL assistance to 476 low-income households. Additionally, \$74,000 in COVID PAL awards went to 170 households.

Energy Assist participation increased with an average of 356 households receiving monthly bill credits which totaled ~\$158,400.

More than 63% (up from 60% in 2019) of members are now on autopay.

More than 69% of members use (or have access to) SmartHub (up from 63% in 2019).

64.5% (up from 46% in 2019) of members are paperless.

Maintained service while transitioning the team to remote work assignments and temporary office space.

2020 Accomplishments

Communications Highlights

Created organizational pandemic response plan and promoted COVID relief measures.

Distributed hundreds of safety education activity kits to youth through outreach to schools, community resource centers and the Funhouse Commons.

NRECA member survey completed showing overall satisfaction with OPALCO is very good, with a mean rating of 8.88/10. Staff made personal follow-up calls to more than 50 members who provided narrative comments.

Website Updates: Lower My Bill – DIY toolkit; Member Support Center; Co-ops Vote campaign; Why Run campaign; mobile updates to SmartHub, Smartsheet Forms, Complete refresh of Energy Savings site.

Wildfire Safety campaign on social media.

Became active on Instagram. Achieved more than 400 followers on Instagram, ~1600 followers on Facebook and ~1200 followers on Twitter. Engagement has been high on Facebook and Instagram throughout 2020 and news outlets continue to pick up stories from our social media accounts.

Regular posts on This Electric Life blog including DIY efficiency videos, member profiles stories and other helpful tips for members.

Grew the Quick Facts library online:
<https://www.opalco.com/newsroom/quick-facts/>.

2020 Accomplishments

Finance Highlights

Our highly qualified finance team includes two Certified Public Accountants to manage our \$30M company. In addition to accounting functions, our finance team takes the lead in long-range capital planning, has garnered millions of dollars in grants for Co-op and coordinates independent reviews of long-range planning documents and an annual financial audit.

Less than 1% variance in budgets for purchased power, all other expenses and revenues.

Unqualified (clean) opinion of Financial Audit.

Switch-It-Up on-bill financing program financed 85 energy efficiency projects for over \$700,000 in additional financing provided by OPALCO to our members.

Received specific approval from the USDA RUS-RD to include fiber to the premise (FTTP) as an approved measure for use of RESP funds.

Finalized RUS contract for an additional \$15 million with 0% interest RUS RESP funds to finance energy efficiency projects throughout the County through OPALCO's Switch-It-Up Program.

Applied for, received approval, and contracted with Bonneville Environmental Foundation (BEF) for a \$50K Zero Emission Vehicle Innovation (ZEVI) grant to provide EV purchase incentives in collaboration with a local used EV dealership, Island E Cars.

Continued collaboration on an NRECA-led grant through the US Department of Energy Solar Energy Technologies Office. OPALCO is one of seven cooperatives nationwide to participate in the three-year collaborative project seeking to increase solar affordability in rural communities.

Co-op Financial Report - unaudited

OPALCO is very proud to have kept the power on during the challenges of COVID-19 in 2020. OPALCO ended the year in a strong financial position despite these challenges.

OPALCO's full financial reports are available online at www.opalco.com in the Document Library, following audit completion in Q2.

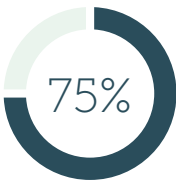
	2019	2020
kWh Purchases	\$221,869	\$225,413
Total Revenue	\$31,361	\$32,465
Cost of Power	\$9,262	\$9,513
Operations & G&A	\$11,178	\$12,076
Depr, Int & Taxes	\$8,189	\$8,497
Total Expense	\$28,629	\$30,086
Net Margins	\$2,732	\$2,379
Tier	2.40	2.18
Equity % of Total Cap	39.7%	36.0%
Equity	\$38,400	\$38,341
Total Debt	\$59,899	\$69,876*
Capital Spending	\$(7,005)	\$(7,050)
Capital Credit Retirement (net)	\$(1,151)	\$(1,115)

Note: Numbers are in thousands

*Borrowings were accelerated in 2020, primarily due to COVID-19 pandemic uncertainties and to take advantage of lower interest rates to save member funds for future capital projects in 2021-22.

Co-op Financial Report - unaudited

2020 Revenue



Residential
\$24,062,590

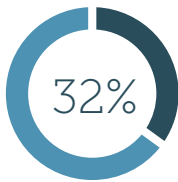


Commercial
\$7,714,074

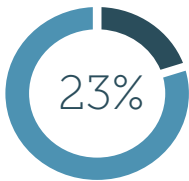


Other
\$148,771

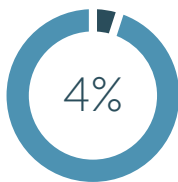
2020 Expenses



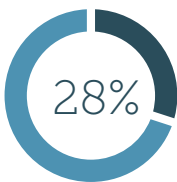
Cost of Power
\$9,513,000



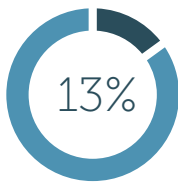
Distribution
\$6,784,000



Consumer Accounts
\$1,094,000



Depreciation,
Interest, Taxes
\$8,497,000



Administration &
General
\$4,198,000

Subsidiary Accomplishments

Rock Island Communications Highlights

OPALCO and its wholly-owned subsidiary Rock Island Communications have built a hybrid fiber and LTE wireless network.

Successfully transitioned all staff to remote based operations as COVID-19 began to impact our region more directly.

Seamlessly transitioned two lead financial roles and received an unqualified (clean) audit.

Completed a fully operation auxiliary power back up system for LTE and critical path services county wide..

Installed more than 50 miles of new fiber to the plant.

Connected a record 707 homes and businesses to the fiber network, surpassing plan by 117 fiber connections made.

Signed up 714 wireless customers.

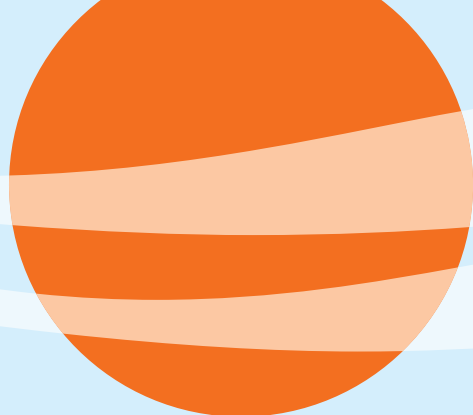
Beat revenue goals for Business Services by over \$100k for the year.

Captured 47% and growing of the total internet subscriber market in the county.

Launched new website with improved features for onboarding inquiries, outage notifications and support via chat agent.

Launched Access Education Program in response to COVID-19 pandemic, a remote education connection free of charge to San Juan County Students. Deployed over 150 connections.

Deliver a 99.99% reliability rate to fiber and wireless customers.



THE ISLAND WAY

DETERMINING OUR OWN ENERGY FUTURE



What will it mean in the coming years, to sustain our island communities? To recognize change and find our way through it? Where will we find the power we need? Only here, only in ourselves. This is the task that has come to us. But we aren't alone. We have the advantage of the most advanced energy technology on the planet—if we choose to seize it. We have a utility model that's equal parts cooperation and independence—if we choose to trust it, and magnify its strengths. And we have a long-standing habit of thinking off the coast of the expected—if we choose to unite and use it to shape the future we want.

WHAT WE SHARE IS STRONGER THAN WHAT WE FACE

OPALCO's Island Way Campaign launched in January of 2021 to help members prepare for our energy future. The current rate of change in the energy world is dramatic and the consequences are already piling up: legislative mandates from WA's Clean Energy Transformation Act that will shift us away from carbon/fossil fuels, drier and hotter weather patterns, the regular toll of fire season, climate migration, political plays to control our regional power supply, capacity constraints on aging infrastructure causing rolling blackouts – and, of course, the rising cost of power.

You can read OPALCO's detailed vision for our future power supply in a big doc posted online: The Integrated Resource Plan (we call it the IRP). In a nutshell:

1 OPALCO will build as much of a local power supply as members are willing to subscribe to in the form of Community Solar projects paired with energy storage – batteries. Community Solar is paid for by the members who support it (+some grant funds) and the battery projects are about 50% grant covered. We call this a MICROGRID and we hope to build enough of these in the islands to keep the power up for essential services when the mainland power is out.

Finding land to site these microgrids is a big challenge – the first one was built on land OPALCO already owned – the Decatur Island Microgrid is on our substation there: 3.6 acres gave us enough room to build a microgrid that can power ~500 homes for ~4 hours – just to give you an idea of scale. OPALCO purchased land on San Juan Island to build the second microgrid, which you'll be hearing more about later in 2021. OPALCO

is very concerned about finding the right locations for these microgrids with consideration for island aesthetics, our sensitive environment and opportunities for cooperation with agriculture and other sectors that provide community benefit.

2 We've got a good track record with government grants for renewable projects, – and we'll leverage as much grant funding as we can to build out additional renewable projects. The Biden administration's plans and the Washington State 2021 Energy Strategy all forecast strong support for efficiency and renewable energy development. We'll compete for as many federal, state and local grants as we can to pay for this transition.

3 If both these channels run dry and we still need to develop additional resources to meet the mandates and ensure a reliable and clean power supply, OPALCO will build utility scale renewable projects and/or look for projects in the region to invest in. These projects will be paid for through borrowing and will affect member rates. OPALCO is a member of a regional generating cooperative called PNGC. Together with 15 member co-ops, we have greater buying and political power to build a reliable and clean energy supply.

What kinds of renewable projects are we exploring? All kinds at this point – starting with our solar + battery microgrids and then testing other resources for cost effectiveness and a good fit for our environment. As the cost of power rises, many of these resources will reach a point that they are more affordable: cost parity.

BIOMASS: We are exploring biomass as a resource, but also as a solution to clearing out fuel for wildfire in the islands. We are very concerned about the regularity of fire season in the region and realize that our islands are in danger with the volume of woody mass within our forests.

TIDAL: We are exploring tidal power and do expect it to supply a significant part of our generation resources in the future. Before we move forward, we will be confident that future tidal projects won't harm our sensitive environs. We are committed to researching all possible impacts and will comply with all environmental, biological and other regulations to ensure it's safe to do so.

HYDRO: We are looking ahead to the day that we may have less hydropower available, if some of the dams are removed. With our power provider PNGC, we include that scenario as we future proof our resource adequacy plans in the region.

EFFICIENCY AND CONSERVATION:

Our future depends on us all getting a lot more efficient with and wise about the electricity we use. OPALCO has garnered \$21M in Rural Energy Savings Project funds (on-bill financing) from the USDA to make available to our members to future proof their homes and businesses with Ductless Heat Pumps, Heat Pump Water Heaters, EV Chargers and now fiber to the home when paired with an energy efficiency device. We hope, in the next round of funding, to include investments in home energy (rooftop and batteries) and community solar projects. With these dollars, the Switch it Up program lets members install

measures now to start saving money on their total energy outlay while they pay for the project costs back on their OPALCO bills over time at a super low 2% interest rate.

It is a bit of a conundrum: we are advocating for members to switch to electricity for all of their energy use (wise use of electricity), which will increase overall electrical usage – BUT it will reduce our total energy usage and especially our consumption of carbon through fossil fuels, including transportation.

We can see the writing on the wall: energy costs are rising; competition for mandated carbon-free resources will create capacity concerns and resource inadequacies on the mainland; climate impacts are compounding the consequences on our environment, species and our lives – this path to a clean and sustainable energy supply is our best bet to maintain reliability, affordability and keep our island communities energized even when the lights go out on the mainland.

It's the Island Way to pull ourselves up by our own bootstraps. Every co-op member can make a difference.

1. **Make Efficiency Upgrades:** get rebates for your projects and conserve energy. Monitor your energy usage on SmartHub.
2. **Switch it Up:** ditch fossil fuels for heating and transportation.
3. **Subscribe to Community Solar:** offset your energy usage without big capital investment and maintenance.
4. **Support Siting of Local Microgrids:** advocate with our County elected officials and talk with neighbors.
5. **Help OPALCO Identify Land:** where should these local power generators live? What collaborations are possible?

OPALCO's team rocked it during COVID!



New OPALCO Team Members



**Adrienne Bourne, Member Services Representative
San Juan Island**

Adrienne has lived on San Juan Island for 16 years. She lives in Friday Harbor with her husband, their three children, two dogs, a cat and three chickens.

**Dean Kerr, Journeyman Lineman
San Juan Island crew**

Dean moved to San Juan Island from Alaska with his wife and two children.



Decatur Island Video Tour Outtakes

Video Link: <https://www.youtube.com/watch?v=nUgR7y4rokU>

