

Board of Directors

Regular Meeting

Thursday, September 16, 2021

Virtual Meeting via Zoom

The OPALCO Board of Directors are following CDC and San Juan County guidelines for social distancing and all OPALCO public gatherings are cancelled until further notice in order to err on the side of caution in face of tremendous uncertainty with the current pandemic. Board meetings will be conducted as scheduled via remote video conferencing until further notice.

Members may participate in the regular board meetings via Zoom. The first part of the meeting is reserved for member questions and comments. Use the chat feature on Zoom and staff will respond as soon as possible following the meeting. Please follow the protocols listed below:

- Mute yourself unless talking,
- Use your first and last name in your Zoom identity,
- Chat if you have a question/comment and the monitor will put you in the queue,
- OPALCO's Policy 17 - Member Participation at OPALCO Meetings decorum must be followed.

The Zoom link will be updated monthly and published in the board materials the Monday before each meeting. The link for this meeting is:

Meeting URL: <https://opalco.zoom.us/j/85182914966>

Meeting ID: 851 8291 4966

Members may also submit any comments and questions in writing no less than 24 hours in advance of each meeting to: communications@opalco.com

Sequence of Events

- OPALCO Board Meeting
- Executive Session



Board of Directors

Regular Board Meeting

September 16, 2021 8:30 A.M.*

Virtual Meeting via Zoom

**Time is approximate; if all Board members are present, the meeting may begin earlier or later than advertised. The Board President has the authority to modify the sequence of the agenda.*

WELCOME GUESTS/MEMBERS

Members attending the board meeting acknowledge that they may be recorded, and the recording posted to OPALCO's website.

Members are expected to conduct themselves with civility and decorum, consistent with Member Service Policy 17. If you would like answers to specific questions, please email communications@opalco.com for post-meeting follow-up.

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EXECUTIVE SESSION

Legal, Personnel, Competitive, Other

ADJOURNMENT

ACTION ITEMS

Consent Agenda

All matters listed with the Consent Agenda are considered routine and will be enacted by one motion of the Board with no separate discussion. If separate discussion is desired, that item may be removed from the Consent Agenda and placed as an Action Item by request of a Board member.

The Consent Agenda includes:

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

NEW MEMBERS – August 2021

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

BARROWS, SHAUNA
BISHOP, REBECCA
CLARK, DANA
GARY, ROBERT
GORSKI, MARK
GRAHAM, NANCY
HAMPTON, ADRYAN
HARKNESS, JENNIFER
HOLLIS GOODS LLC
JENSEN, DARIN
LEE, ELIZABETH
MALLOY, PAYTON
MALONE, MICHEAL
MCFERRIN, LISA
MORTGAGE MASTER SERVICE CORP
NAKU, GINA & NAKU, KENOYE
NORTON, MAREN
O'BRIEN, AMANDA & CASTRO, RONNIE
PAXTON, CHARLES
PIERSON, AMY
POOR, JOAN & POOR, BRIAN
RADCLIFFE, TOM
RAIMEY, DESEAN
RICHARD, GAIL
SCHUBERT, MICHAEL
SHOBER, DYAN
SMITH, GARRETT
SQUIRE, BENJAMIN

THOOMPSON, TRISTAN
VILASECA, AGUSTIN
WILDE, BENJAMIN
WILKINS, EMILY
WOLGAMOT, GREGORY & MOSTAD,
SARA
ZASKE, SARAH & ZASKE, ART

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

ALEXANDER, DAVID & ALEXANDER,
VERONICA
BAUMGAERTEL, MARC
BLYTH, STEWART
BRYANT, NITA
BURDETTE, CLINTON
CONROY, DEIRDRE
DDE WATER SYSTEM
EMERY, PEARL
EVERSOLE, TOM & TERNDRUP,
ANTHONY
FABRIKANT, JESSE & HOWARD,
MEGHAN
GILLESPIE, GREGORY
HIESTER, WENDY & HIESTER, ANDREW
HOLLEY, HARVARD
JAMIESON, DOUGLAS
KALET, BRIAN
KIMPLE, ANGELA
KNAPP, JOHN & WARREN, HOLLY
LOPHODYTES, LLC
PB ORCAS LLC
PI, JENNIFER & DUKE, DARRYL



RUBENACK, DONNIE
 SHEPPARD, NOAH
 SMITH, KEVIN & SMITH, ANNE
 VANDERZYL, MICHELLE

District 3 (Lopez, Center, Decatur, Charles)

BUCHANAN, CHRIS & REED, MARK
 CONRATH, PAUL & CONRATH, DORIS
 FEELEY, SARAH & FEELEY, BRADLY
 HALLER, MADELINE
 LOVELESS, REBECCA
 MURRAY, EDWARD & NICHOLS, JULIENNE
 REMELE, BREESE
 SCHWARZ, NINA
 SMITH, RICHARD & SCOTT, LYNN

TOMITZ, MICHAEL & WARE, MOLLY
 TREECE, ROBERT & HANSER-TREECE,
 LAURIE
 VEGA, ESTELLA & VEGA, DANIEL
 VOLPENHEIN, KRIS & VOLPENHEIN,
 BRITTANY
 WESSEL, CRAIG & WESSEL, JEAN

District 4 (Shaw, Crane, Canoe, Bell)

KREJSA, CECILE
 SYBRANDT, ANN & SYBRANDT,
 MICHAEL
 COYNE, CHRIS
 D'HAENZE, KEVIN & D'HAENZE, DAWN
 MILLER, GARY
 O'KEEFE, DENIS & O'KEEFE, VICKI

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

September	
Customer #	Amount
70129	327.19
65030	1,397.09
63487	1,609.00
8170	38.53
72278	1,083.58
Total	\$ 4,455.39

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

Inventory	Amount	RUS Description
202107	\$57,134.26	Transclosure Replacement and Pole Replacements
Total	\$57,134.26	

Staff requests a motion to approve the Consent Agenda.



Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting

Thursday, August 19, 2021

Streaming through Zoom attendees were: President Vince Dauciunas, Board members Rick Christmas, Jerry Whitfield, Brian Silverstein, Mark Madsen, Tom Osterman and Jeff Struthers. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance and Member Services Nancy Loomis; Public Relations Administrator Suzanne Olson; Head Accountant Travis Neal, Member Services Supervisor Joey Wyckoff and Executive Assistant Kelly Koral (serving as recording secretary). Also present were Legal Counsel Joel Paisner and consultant Jay Kimball.

Member comment session commenced at 8:30 a.m.

Members in attendance:

Steve Bernheim	Heather Nicholson	Bruce Nyden
Kai Hoffman-Krull, SJICD	Chris Wolfe	Justin Wolfe
John Fleischer	Paul Andersson, SJICD	Terry O'Sullivan

Guests:

Mike Searcey (Guernsey)	Roger Gray (PNGC)
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Member Comments:

Kai Hoffman-Krull with the San Juan Island Conservation District commented about working together on land management and fire mitigation issues.

Regular Session – 8:31 a.m.

Krista Bouchey welcomed all and reviewed Zoom meeting protocols, reviewed the state of the Co-Op, the EV Jamboree, Town Hall meetings, working with Youth in Trade and the SJ Economic Council.

President Vince Dauciunas opened the meeting and reviewed the agenda.

CONSENT AGENDA

1. **MOTION** was made to accept the consent agenda. Seconded by Christmas. Passed unanimously by voice vote.

ECA (ENERGY CHARGE ADJUSTMENT)

The Board wants to adjust the ECA mechanism to provide financial certainty for the cooperative in the face of volatile weather conditions. General Manager introduced Mike Searcy from Guernsey. Discussion was held regarding Energy Charge Adjustment with options to base this factor on margins, weather, or as currently implemented. Mr. Searcy shared a presentation about Equity Cost Adjustment. Given the substantial portion of OPALCO's fixed costs are recovered via the variable rate, which is heavily influenced by weather, the Board requested staff provide comparative data on the impact of the weather ECA on prior year financials and weather profiles.

SOLAR RATE DISCUSSION

Staff and Guernsey presented a proposed rate methodology for cost recovery of members in the net metering residential rate tariff and discussion ensued. The Board requested staff return the details of impacts on members effected by the proposed structure.

Break 10:05 a.m.

Back 10:15 a.m.

Q2 FINANCIALS

GM reviewed second quarter 2021 financials.

COVID UPDATE

Reviewed the COVID update report. It was noted it is important to reach out to members in arrears to arrange payment plans.

11:00 a.m. – EXECUTIVE SESSION

12:42 p.m. – REGULAR SESSION

GM REPORT

GM report was reviewed. Discussed recent outages on Lopez and the internet outage on San Juan.

End of Regular Session 1:27 p.m.

Vince Dauciunas, President

Brian Silverstein, Secretary/Treasurer



09/10/2021 1:10:45 pm	RUS Form 219 Inventory Of Work Orders	Page: 1
Period: JUL 2021 System Designation: WA O9		
Preliminary 202107		

Project	Year	Work Order		Bdgt (3)	Gross Funds Required		Deductions		Contrib In Aid Of Constr and Previous Advances (8)	Loan Funds Subject To Advance By RUS (9)
		Construction (1)	Retirement (2)		Cost Of Construction: New Constr Or Replacements (4)	Cost Of Removal: New Constr Or Replacements (5)	Salvage Relating To New Construction Or Replacements (6)	Retirements Without Replacements (7)		
601	2018 3598	3598		1	3,982.18	0.00	0.00	0.00	0.00	3,958.40
					3,982.18	0.00	0.00	AFUDC: 23.78	0.00	3,958.40
606	2018 3407	3407		1	62,598.75	0.00	-64.11	0.00	7,818.33	53,175.86
					62,598.75	0.00	-64.11	AFUDC: 1,668.67	7,818.33	53,175.86
Grand Totals:					\$ 66,580.93	\$ 0.00	\$ -64.11	\$ 0.00	\$ 7,818.33	\$ 57,134.26

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09/10/2021 1:10:45 pm	RUS Form 219 Inventory Of Work Orders	Page: 4
Period: JUL 2021 System Designation: WA O9		
Preliminary 202107		

Inventory : 202107

Budget	Loan	Project	Amount
	1	601	3,958.40
	1	606	53,175.86
		Total:	57,134.26

BORROWER CERTIFICATION

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

SIGNATURE (MANAGER) _____
DATE

SIGNATURE (BOARD APPROVAL) _____
DATE

ENGINEERING CERTIFICATION

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

INSPECTION PERFORMED BY _____
FIRM

LICENSE NUMBER _____
DATE _____
SIGNATURE OF LICENSED ENGINEER

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Auditor Selection

Pursuant to OPALCO Policy 1 – Functions of the Board of Directors, Section 9, “Board Interaction with Auditors” and the OPALCO Bylaws, Article III – Directors, Section 8, “Accounting Systems and Reports”, the OPALCO Board is responsible for the selection of a certified public accounting firm that is acceptable to the Rural Utilities Service.

As part of the annual auditor selection process, staff would like the Board to discuss whether they would like to renew their audit and tax relationship with Moss Adams LLP or if they would like to explore other potential opportunities.

Moss Adams LLP has been the Cooperative’s main service provider since 2009 and has provided the Board and ultimately the membership with excellent service and insight into many complex and technical issues. Although the Moss Adams staff have rotated annually, some cooperatives believe that the firms should occasionally be rotated as well.

In executive session, staff would like the Board to discuss the auditor selection process and upon conclusion of the discussion provide staff with the guidance to either execute the Moss Adams engagement letter or to initiate an audit proposal process.

Annual Meeting 2022

The purpose of this is for the Board to set the date for OPALCO’s 2022 Annual Meeting. Given COVID-19 uncertainty, staff is exploring an outdoor event, similar to the EV Jamboree, at the San Juan County fairgrounds for the Annual Meeting on April 30, 2022. Of course, all plans are contingent on pandemic conditions, and staff will be ready to pivot to a virtual event if necessary. Pursuant to our bylaws (Article II), this will trigger the following notable sequence of events:

Event	Date
Legal Notice for Election (RUS requires minimum 30 days prior to nominating process)	12/15/21 (extra time to avoid holidays)
Director Applications due to EGC	01/26/22
Nominations posted - (80 days prior to meeting)	02/09/22
Nominations by petition due to office	02/18/22
Nominations by petition posted - (55 days prior to meeting)	03/04/22 (03/06/22 – 55 day – Sun)
Notice to members/Ballots mailed - (21-50 days prior to meeting)	03/11/22-04/09/22
Election closes - (3 days prior to meeting)	04/27/22
Annual Meeting	04/30/22



It should be noted this will be the that we have three board positions from three different districts as outlined below:

Election Year	District			
	D1 - San Juan	D2 - Orcas	D3 - Lopez	D4 - Shaw
2022*	1B - Madsen		3A - Silverstein	4 - Whitfield
2023	1A - Dauciunas	2B - Christmas		
2024		2A - Struthers	3B - Osterman	
2025	1B		3A	4

* All terms are 3-year terms starting in 2022

Staff recommends a motion as follows:

- Set the date for the 2022 annual meeting as April 30, 2022 (Bylaw Article II Section 1);
- Set the place for the 2022 annual meeting; San Juan County Fairgrounds or virtual (Bylaw Article II Section 1);
- Appoint Joel Paisner as Parliamentarian.

Tariff – ECA *Energy Charge Adjustment* (SECOND READ)

At the last meeting, the Board directed staff to provide the board with a method for adjusting the ECA to collect additional revenue due to unforeseen weather and other emergency events. The current ECA is designed to handle the fluctuations limited to power costs due to weather variability.

Below is a table to show the effect of the current ECA on prior years dating back to the notable El Niño conditions (2014 and 2015).

Year	Actual		ECA* Collection (Credit)	Current ECA applied to Prior Years	
	Margin	TIER		Margin	TIER
2014	\$ 121,950	1.13	\$ 577,506	\$ 699,456	1.75
2015	\$ 1,858,321	2.51	\$ (488,896)	\$ 1,369,425	2.11
2016	\$ 3,062,257	3.24	\$ (109,352)	\$ 2,952,905	3.16
2017	\$ 3,399,288	3.10	\$ (606,714)	\$ 2,792,574	2.73
2018	\$ 3,007,369	2.67	\$ (288,418)	\$ 2,718,950	2.51
2019	\$ 2,730,925	2.40	\$ (246,671)	*	*
2020	\$ 2,378,935	2.18	\$ (656,994)	*	*

* Years 2014-2018 utilize the current ECA tariff. 2019 and 2020 include the ECA

Notes:

- Years 2014 – 2018 utilize the current ECA tariff
- 2019 and 2020 figures include the current ECA tariff
- In 2015, the Board approved a mid-year rate increase.
- In 2017, the Board approved a net of ~\$750k total credit to members bills (reducing revenues).

Staff is proposing to add new revenue collection component to the ECA to be implemented upon Board approval on a temporary basis. The current ECA averages +/- 0.003 \$/kWh. For example, if the board approved an additional \$0.01 \$/kWh, the average residential bill monthly increase would be \$10 and the total additional revenue collected ranges from ~\$100k to ~\$250k monthly.

Year	Month	Actual Sales (kWh)	Additional Revenue with \$0.01/kWh Board Adjustment
2014	January	23,367,468	\$ 234k
	February	22,847,016	\$ 228k
	March	20,833,179	\$ 208k
	April	15,534,705	\$ 155k
	May	12,613,070	\$ 126k
	June	10,687,593	\$ 107k
	July	12,470,444	\$ 125k
	August	12,489,674	\$ 125k
	September	11,706,326	\$ 117k
	October	12,781,319	\$ 128k
	November	17,808,288	\$ 178k
	December	25,092,667	\$ 251k
2014 Total		198,231,749	\$ 1,982k
2020	January	25,113,509	\$ 251k
	February	23,680,250	\$ 237k
	March	22,388,178	\$ 224k
	April	17,772,566	\$ 178k
	May	11,285,011	\$ 113k
	June	11,141,729	\$ 111k
	July	12,563,993	\$ 126k
	August	12,555,165	\$ 126k
	September	11,973,763	\$ 120k
	October	15,085,129	\$ 151k
	November	23,189,883	\$ 232k
	December	25,338,207	\$ 253k
2020 Total		212,087,383	\$ 2,121k

Staff requests the Board make a motion to adopt the adjustments to the ECA tariff as seen below.

ORCAS POWER AND LIGHT COOPERATIVE

TARIFF – ECA

ENERGY CHARGE ADJUSTMENTS

ENERGY CHARGE ADJUSTMENTS (ECA)

A variable true-up adjustment (surcharge or credit) will appear as a line item on member bills to reflect increases or decreases in the power sales due to weather. The adjustment amount will be solely based on power costs and calculated by comparing budgeted vs. actual power cost per kWh sold. The purpose of the ECA is address the lack of predictability in weather forecasting for kWh sales and revenue as power costs represent ~~between 25% to 30% of annual revenue requirements~~. The ECA includes two adjustment mechanisms:

- 1) An automated monthly reoccurring true-up (surcharge or credit) to be applied to each member billing on a kWh basis, which adjusts for increases or decreases in the cost of power purchased as compared to the budgeted vs. actual cost per kWh sold (see below for calculation); and
- 2) On an as-needed basis and subject to board approval, a variable mechanism that balances the fluctuation in revenues to meet strategic directives, financial requirements and emergency funding needs.

For the purposes of calculating the ECA, Total Purchase Power Cost shall mean power purchases and credits from all power suppliers; excluding credits or purchases from all suppliers that may be applied directly to particular Members; including all power supply related costs but not limited to: monthly fixed charges, electric power production costs, fuel costs, market power purchases, transmission costs, substation costs, costs for any facilities that will be billed to the Cooperative by power suppliers, power supplier surcharges for programs such as, but not limited to, energy efficiency and demand response programs, other power supply related costs.

The Budget Cost of Power shall equal the total projected future cost of power at the time the current Cooperative rates were established (power cost embedded within current rates) divided by the total projected future kWh sales at the time the current Cooperative rates were established (kWh sales used to develop current rates).

Monthly ECA Factor

The automated monthly charges on member bills shall be increased or decreased on a uniform per-kWh basis computed monthly as follows:

$$\begin{aligned}
 ECA = & \frac{PC_A \text{ Actual Power Cost}}{kWh_A} - \frac{PC_B \text{ Budgeted Power Cost}}{kWh_E} \\
 & + \frac{\text{Prior Month Uncollected}}{kWh_B} + \text{Board Adjustment}
 \end{aligned}$$

Where:

ECA	Energy Cost Adjustment (\$/kWh) to be applied to energy sales for the billing period.
kWh_E	Total estimated energy annual sales.
kWh_B	Total estimated energy sales for the billing period the ECA will be applied.
kWh_{sold}	Total estimated energy sales for the billing period (excluding kWh sales associated with direct recovery of power cost charges or credits).
PC_A Actual Power Cost	Total purchased power cost from all suppliers for the prior month billing period as defined above.
PC_B Budgeted Power Cost	Total annual estimated purchased electricity costs included in the Cooperative's base rates for the billing period as defined above.
Prior Month Uncollected	Difference in the total ECA revenue collected from the prior month and the total ECA calculated collection for the prior month. $Uncollected = (ECA_P * kWh_A) - ECA_A$
ECA_P	Energy Cost Adjustment (\$/kWh) as applied to energy sales for the prior billing period.
ECA_A	Energy Cost Adjustment (\$/kWh) as collected from energy sales for the prior billing period, as found on the monthly sales report.
kWh_A	Total actual energy sales for the prior month billing period the ECA was applied.
Board Adjustment	A board approved \$/kWh charge to account for material but unpredictable costs. Approved on a case-by-case basis for temporary needs.

Discretionary Adjustment

On an as-needed basis and subject to board approval, a variable (kWh) ECA adjustment that balances the fluctuation in revenues to meet strategic directives.

DISCUSSION ITEMS

Solar Rates Discussion

Industry wide, utilities are grappling with the appropriate payment for member generation. Most utilities pay the avoided cost of energy plus an incentive based on the benefits of this clean and local resource. OPALCO’s cost structure is the opposite of most utilities. Our 20-island system requires investment in and maintenance of underwater cables, transmission, and distribution. These investments and maintenance result in approximately two-thirds of our costs being fixed while energy purchases are the remaining third.

Solar generators use the local OPALCO grid when they generate more than they consume, typically in the summer, and again when they are receiving energy when solar is limited, typically in the winter. In our rates, we recover about half of the fixed costs from the Service Access Rate and the other half from the Energy charge. A consequence of net metering is solar generators are not paying for their full share of the fixed costs.

All other members are covering the shortfall. The current inequity is about 0.5% of revenues and will increase following the trend of solar generator growth (2020 increase was >20%). Until fixed costs are appropriately shared and recovered with certainty, the financial viability of the Coop is at risk.

Today OPALCO goes further for member solar with a credit at the full retail energy rate and community solar at full retail rate at inception of the project. The current incentive is given at greater than \$0.06/kWh above our cost of buying wholesale power (~\$0.042/kWh from BPA, OPALCO base retail rate block is 0.1087/kWh). We want to continue supporting member solar generators with appropriate incentives, but we need to do it in a manner that’s equitable to all members.

Staff and Guernsey will present a proposed adjustment to new net metering services. The proposed rate adjustment under discussion provides a monthly credit to net metered members when energy flows to the OPALCO system. The credit is composed of the avoided power costs (BPA, transmission costs, etc.), an environmental component, and a phasing mechanism to moderate solar credit incentives.

OPALCO’s goal is to find a solution that is fair and equitable for all. Following this board meeting, staff will hold a solar town hall to elicit member feedback on the proposed solar rate changes.

Timeline:

✓	May 20 th	Member Generation Trends and Modeling
✓	June 17 th	Internal Staff Review
✓	August 19 th	Guernsey review of alternatives
✓	September 16 th	Impact on co-op members (low-income, low-use, high-use, etc.)
	September 20 th	Solar Town Hall – member feedback
	October 21 st	Rate Options Review
	November 18 th	Budget and 2022 Rate Proposal (first read)
	December 16 th	2022 Rate Structure (second read) January 2022 Rate Implementation
	January 1 st	Rate Implementation



Capital Credits Allocation

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

OPALCO equitably allocates its patronage earnings to each member in proportion to the value of service paid for by the member during the fiscal year. The State of Washington does not have specific restrictions or requirements relating to whether non-operating margins must be included in patronage capital credits. Similarly, RUS regulations do not mandate inclusion of non-operating margins in patronage capital.

Staff is proposing a revision to Member Policy 11 that would allocate operating margins only to capital credit distribution in order to prevent the Co-op from having to raise revenue (through rates) to pay higher future capital credit distributions that would be elevated by current non-operating income (non-electric revenue like patronage capital from other cooperatives). A key factor for the non-operating items is that they are infrequent and not a component of member's key support of the cooperative through the purchase of electric services.

OPALCO continues to solicit federal, state and local grants, which are essential to the development of energy projects directly benefiting the membership. The accounting treatment for posting grant funds is to the non-operating margin section of the Income Statement. This will aid in increasing OPALCO's equity which is essential for funding and developing renewable energy projects.

It's appropriate to exclude these amounts in the allocation to capital credits when it would most likely require a rate increase to manage distribution of funds at the end of the 25-year retirement cycle. Other current examples of OPALCO's non-operating margin includes interest income, other miscellaneous one-time amounts, such as the sale of vehicles, on-bill financing fees, interconnect fees, and fees from custom orders.

Staff is recommending the following changes to the OPALCO Bylaws and the OPALCO Member Service Policy 11 – Capital Credits.

Bylaws Revision

ARTICLE VIII - NONPROFIT OPERATION

Section 2. Members' Patronage Capital in Connection with Furnishing Electric Energy.

Except as provided in Article I, Section 4, in the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy. All such amounts that represent the annual operating net margin at the moment of receipt by the Cooperative are received with the understanding that they



are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account established for each member, all such amounts that represent the ~~annual~~ **operating** net margin.

The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each member of the amount of capital so credited to his account. Notwithstanding the patronage capital provisions by these bylaws, any member who fails to remain an active member for twelve consecutive months shall forfeit all rights to patronage capital received or receivable. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuant of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

- a) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of energy members. Thereafter, any payments made on account of property rights of members shall be made to all energy members (including former members) in the proportion which the aggregate patronage of each member bears to the total patronage of all such members. If, at any time prior to the dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to energy members' accounts may be retired in full or in part. Each such retirement of capital shall, in the sole discretion and determination of the Board of Directors, be made pursuant to resolution of general application of the Board of Directors in the following manners:
- b) By payment to members in order of priority according to the year in which the capital was furnished and credited, the first received by the Cooperative being the first retired; or
- c) By payment to all members on the basis of the ratio that the unpaid capital credits standing in the name of each member on the books of the Cooperative bears to the total unpaid capital credits of all members as shown on the books of the Cooperative. No active member who fails by this method to get a check for the minimum amount would have that amount deducted from his capital credit account; or
- d) By discounting of estate payments to dissolved corporations or associations when capital credits are to be retired prior to the time such capital credits would otherwise normally be retired; or
- e) By the Board of Directors determining the method, basis, priority and order of retirement.

Capital credited on the account of each energy member shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in the interest or successors in occupancy in all or a part of such member's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these bylaws, the Board of Directors, at its sole discretion, shall have the power at any time upon the death of any energy member, or upon the dissolution of any corporation or association, to authorize payment of capital credits to the party or parties in title thereto;

if the board authorizes payment of capital credits pursuant to this section, the remittance of those credits shall take place in a manner agreed upon by the board of directors and the representative; if the legal representatives of the estate, the dissolved corporation or the association shall request in writing that the capital credited to any such member, corporation or association be retired prior to the time such capital credit would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such member, corporation or association immediately upon such terms and conditions, including such discount as the board shall deem proper, provided, however, that the financial condition of the Cooperative shall not be impaired by the payments herein permitted as determined by the board of directors in its sole discretion.

Member Service Policy 11 – *Capital Credits* Revisions (FIRST READ)

ORCAS POWER AND LIGHT COOPERATIVE

MEMBER SERVICE POLICY 11

CAPITAL CREDITS

11.1 GOALS AND OBJECTIVES

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

11.2 EXPECTATIONS

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

11.2.2 Member

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

11.2.3 Capital Credits

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

11.3 PROCEDURES FOR ALLOCATION OF CAPITAL CREDITS

11.3.1 Board Approval

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

11.3.2 Patronage Earning Allocations

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

11.3.3 Patronage Loss Allocations

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

11.3.4 Formula for Allocation

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

11.3.4.1 Capital Credit Allocation Factor

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

11.3.4.2 Member Capital Credit Allocation

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

11.3.5 Notification of Allocation

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

11.4 PROCEDURES FOR RETIRING AND REFUNDING CAPITAL CREDITS

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

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

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

11.4.2 The Board shall have the discretion to determine the manner, method, and timing of retiring and refunding capital credits and affiliated capital credits.

11.4.3 Nothing in this policy shall be deemed to entitle a member to receive any capital credit or affiliated capital credit to which they have not contributed, or in a proportion greater than the proportion of their contribution.

11.4.4 General Retirement of Capital Credits

The Board will consider general retirement of capital credits, in accordance with the above conditions, on an annual basis. The Board will review the amount of funds that are available for retirement and, if appropriate, authorize payment of these capital credits to members and former members. OPALCO shall not pay interest or dividends on capital furnished by members.

On an annual basis, the board shall utilize a “smoothing methodology” to minimize year over year fluctuations in cash outlay. The goal of this methodology shall be to keep year over year general retirements as even as possible by ensuring that (a) on average, a 25-year payout schedule is maintained and (b) large fluctuations in future years’ retirements are leveled.

11.4.5 Retirement of Capital Credits due to Death

Upon the death of any individual member or individual former member, and pursuant to a written request from the deceased member’s representative, the Board may retire the deceased member’s capital credits and affiliated capital credits under terms and conditions agreed upon by the member’s representative and OPALCO, which will include reduction of said credits as described in Section 11.5.3.

11.4.6 Retirement of Capital Credits to Entities

Upon the dissolution, liquidation or cessation of existence of an entity member or former entity member, and pursuant to written proof that the entity no longer exists, the board may retire the organization’s capital credits and affiliated capital credits under terms and conditions agreed upon by the entity member and OPALCO, which will include reduction of said credits as described in Section 11.5.3.

11.4.7 Joint Memberships

Upon OPALCO receiving written notice and adequate proof of any joint membership that is:

11.4.7.1 Terminated or converted through the death of one (1) joint member, the capital credits previously allocated and credited to the joint membership shall remain with the surviving joint member/s; or

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

11.4.8 Application to Debt

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



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

11.4.9 Minimum Amount

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

11.5 LIMITATIONS

11.5.1 Forfeiture of Capital Credits

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

11.5.2 Separate Allocations and Retirements

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

11.5.3 Valuation of Special Retirements

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

11.5.4 Voluntary Assignment to Member Programs

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

11.5.5 Payment and Notice of Retirement

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

11.5.6 Unclaimed Capital Credits

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

11.6 RESPONSIBILITY

11.6.1 Implementation of Policy

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

11.6.2 Recommendations to the Board

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

11.6.3 Review and Approval by Board

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

COVID-19 Update

San Juan County has experienced a resurgence of cases due to the delta variant and recommends masking in public indoor places. Please note that OPALCO offices remain closed to the public and its members. Staff has reinstated remote work to ensure redundancy in the workforce.

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

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

The current estimate for the state to lift the disconnect moratorium is on September 30th for disconnection for nonpayment. Staff is working with all our members who have accounts in arrears to establish payment arrangement plans. Those who are in compliance with current payment arrangement plans will not be disconnected. Our communication with members in arrears includes:

1. Robo calls
2. Disconnect Tags
3. Website pop ups
4. Ads in the papers
5. Newsletter

6. Bill Inserts

Featured News

JUN 9

Important OPALCO Billing Updates: Get a Payment Plan to Stay Connected, Capital Credit Statements and New Payment Option

Governor Inslee is going to lift the moratorium on all utility disconnects on September 30, 2021. Since the beginning of the pandemic, OPALCO has worked with its members to offer bill-pay assistance and long-term payment options for those who have fallen behind on their bills. Members who have payment plans in place will NOT be disconnected! OPALCO staff are available ...





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

COVID Assistance

Board Approved Funding includes all funding allocated for 2020 and 2021

	# of Accounts	Amount (\$)	Board Approved Funding (\$)	Remaining Budget (\$)
Energy Assist (EAP-C) Commercial COVID	117	136,315	200,000	63,685
Energy Assist (EAP) Residential COVID	94	40,302	100,000	59,698
Extend Project PAL Benefits - COVID	194	23,900	70,000	46,100
Grand Total	375	200,517	370,000	169,483

Fee Assistance (Lost Revenue)

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

Penalties	95,493
Reconnection Fees	6,932

Measures

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

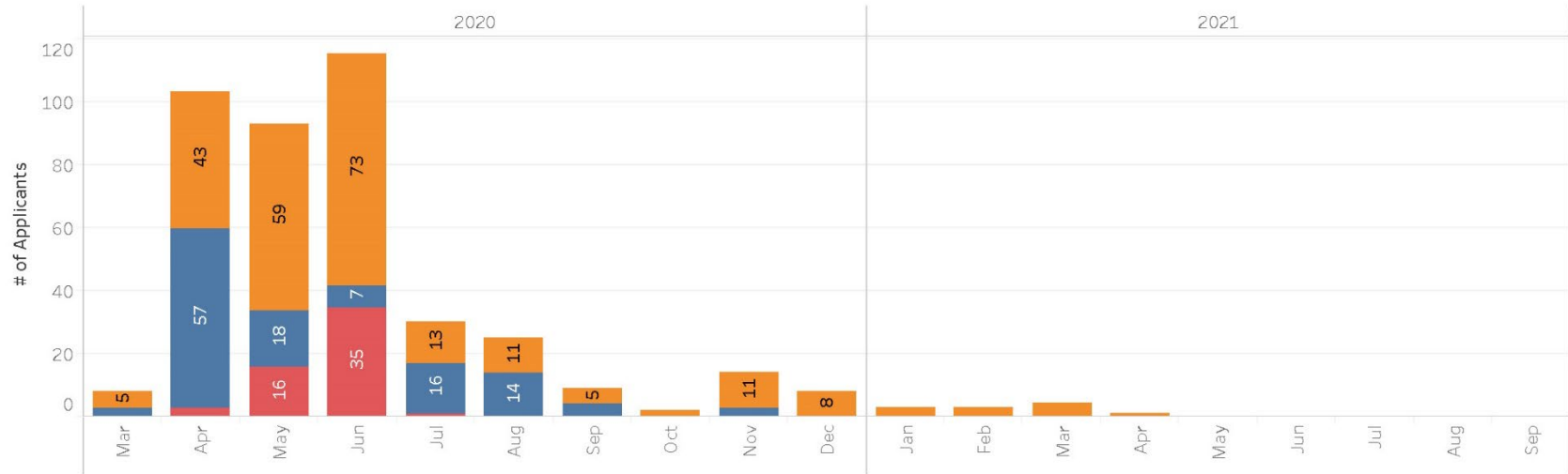
Benefit

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

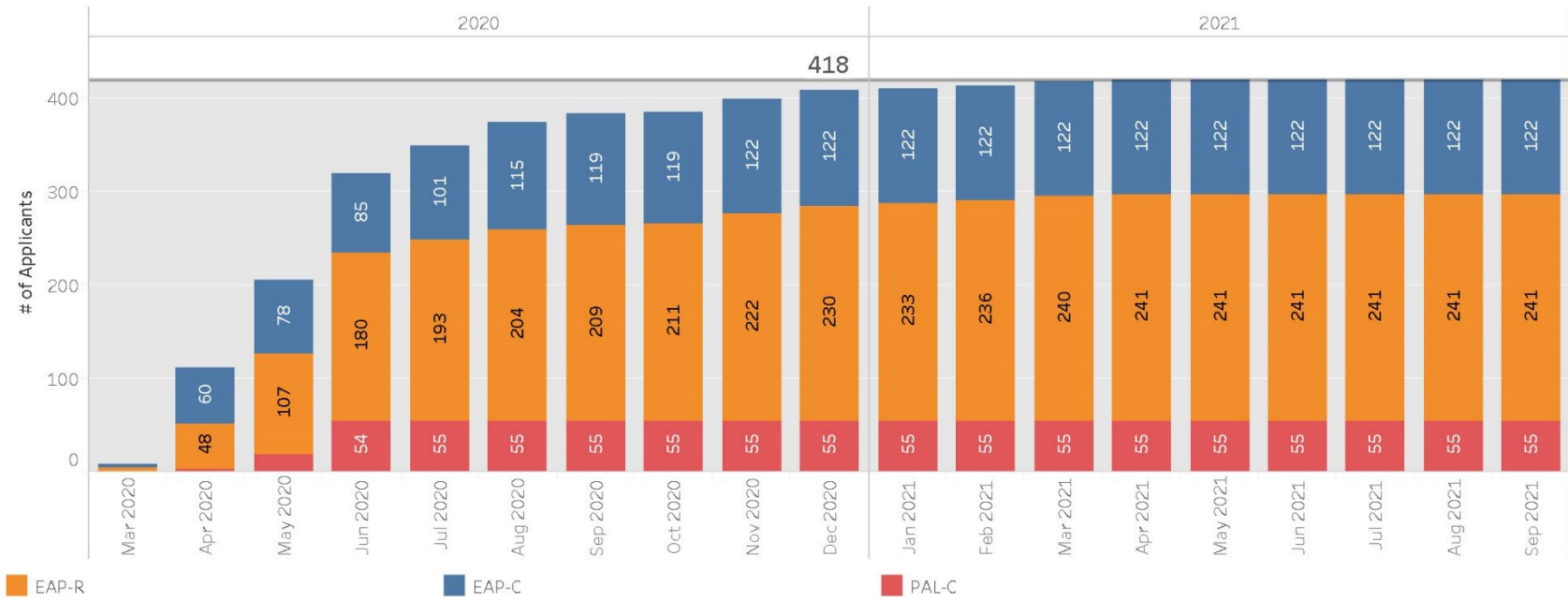
Member Donations to COVID-19 Relief Efforts

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

COVID-19 Assistance Applications



COVID-19 Assistance Applications Cumulative

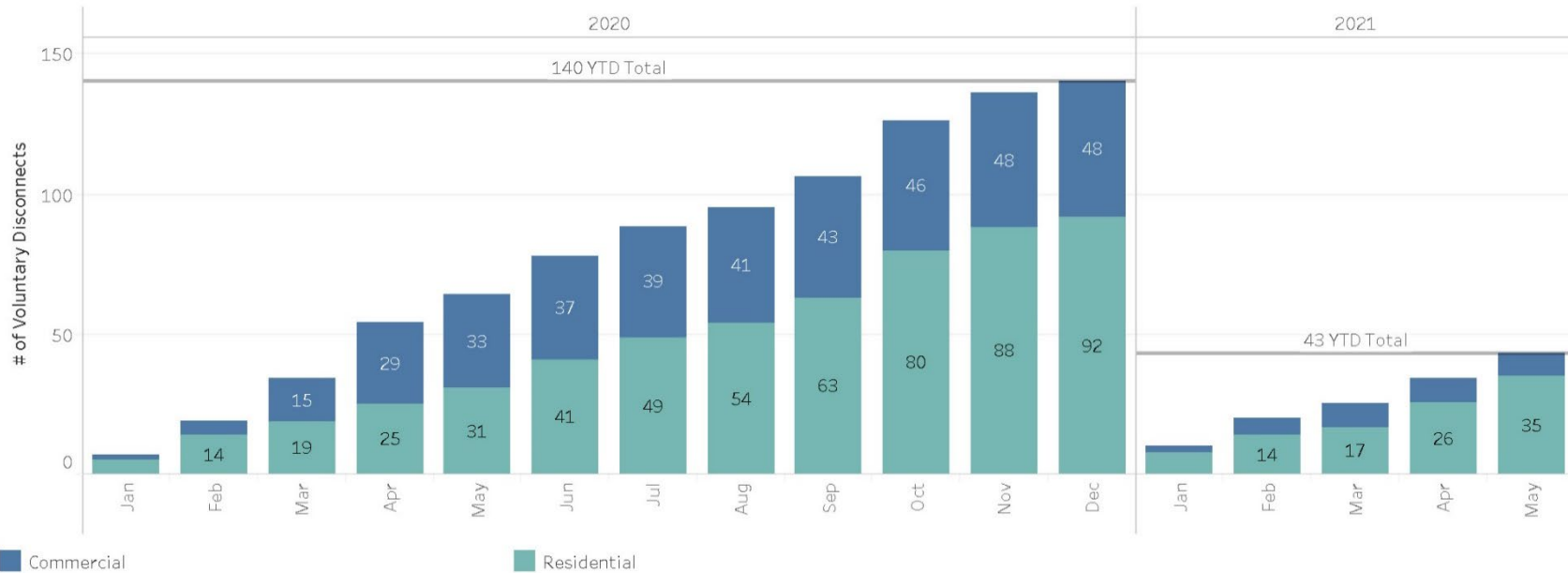


■ EAP-R
 ■ EAP-C
 ■ PAL-C

Voluntary Disconnects (Meters)



Voluntary Disconnects Cummulative (Meters)



Commercial

Residential



A/R 30-60-90

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

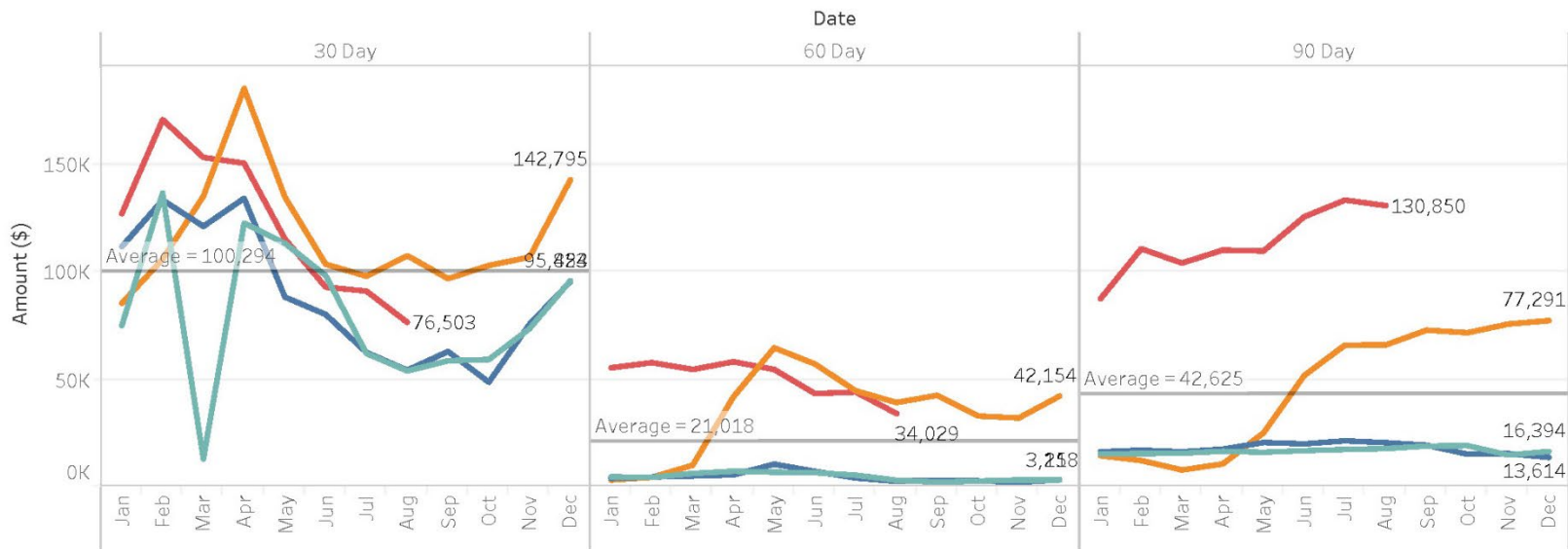
Long Term AR Comparisons - 30/60 Day

	30 Day			30 Day % Difference			60 Day			60 Day % Difference		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Jan	111,730	85,379	127,074	-23.58%	48.84%		3,837	3,101	55,338	-19.18%	1,684.60%	
Feb	133,447	105,886	170,874	-20.65%	61.37%		4,511	4,333	57,736	-3.93%	1,232.33%	
Mar	121,185	135,225	153,276	11.59%	13.35%		4,962	9,976	54,542	101.04%	446.76%	
Apr	134,240	185,370	150,556	38.09%	-18.73%		5,479	41,845	58,142	663.72%	38.95%	
May	88,272	134,798	115,334	52.71%	-14.44%		10,457	64,616	54,541	517.89%	-15.59%	
Jun	80,172	103,575	92,861	29.19%	-10.34%		7,126	57,091	43,314	701.17%	-24.13%	
Jul	62,481	97,956	91,044	56.78%	-7.06%		4,004	44,576	44,053	1,013.19%	-1.17%	
Aug	54,195	107,577	76,503	98.50%	-28.89%		2,543	39,191	34,029	1,441.27%	-13.17%	
Sep	62,931	96,832		53.87%			3,010	42,513		1,312.28%		
Oct	48,634	102,980		111.75%			2,725	32,868		1,106.30%		
Nov	75,636	106,860		41.28%			2,078	31,986		1,439.43%		
Dec	95,454	142,795		49.60%			3,218	42,154		1,209.94%		

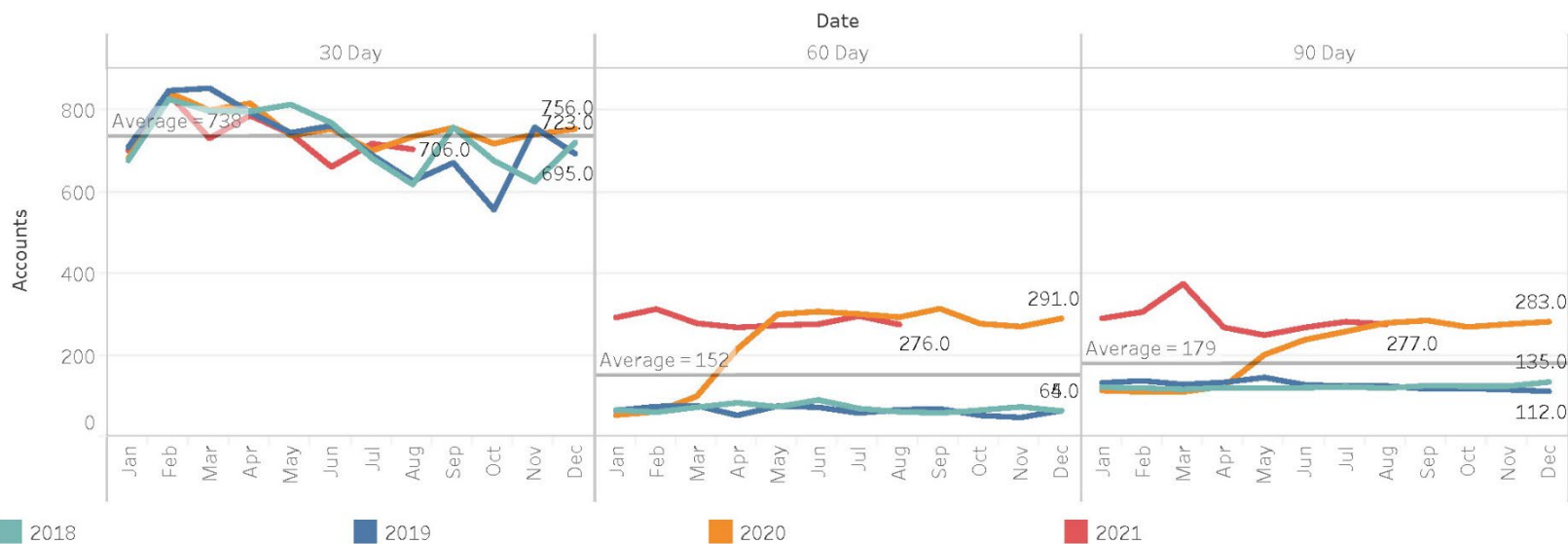
Long Term AR Comparisons - 90 Day

	90 Day			90 Day % Difference		
	2019	2020	2021	2019	2020	2021
Jan	16,248	14,427	87,419	-11.21%	505.95%	
Feb	16,995	12,166	110,764	-28.42%	810.45%	
Mar	16,257	7,762	104,089	-52.25%	1,241.04%	
Apr	17,451	10,546	110,135	-39.57%	944.38%	
May	20,553	25,016	109,719	21.72%	338.59%	
Jun	19,925	51,746	125,665	159.70%	142.85%	
Jul	21,349	65,931	133,418	208.82%	102.36%	
Aug	20,486	66,002	130,850	222.19%	98.25%	
Sep	19,305	72,854		277.39%		
Oct	15,115	71,660		374.08%		
Nov	15,429	75,673		390.47%		
Dec	13,614	77,291		467.75%		

Long Term AR (\$)



Long Term AR (Count)



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

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



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

Forecast forward: 5 months (Sept 2020 - Jan 2021)

Forecast based on: Jan 2018 - Aug 2021

Initial Forecast Value: 133,959 ± 14,978

Change From Initial: 17,991

Quality: Poor

Model Details

Level: Additive

Trend: Additive

Quality Metrics

RMSE: 9,106

MAE: 5,270

MASE: 1.26

MAPE: 17.9%

AIC: 836

Smoothing Coefficients

Alpha: 0.500

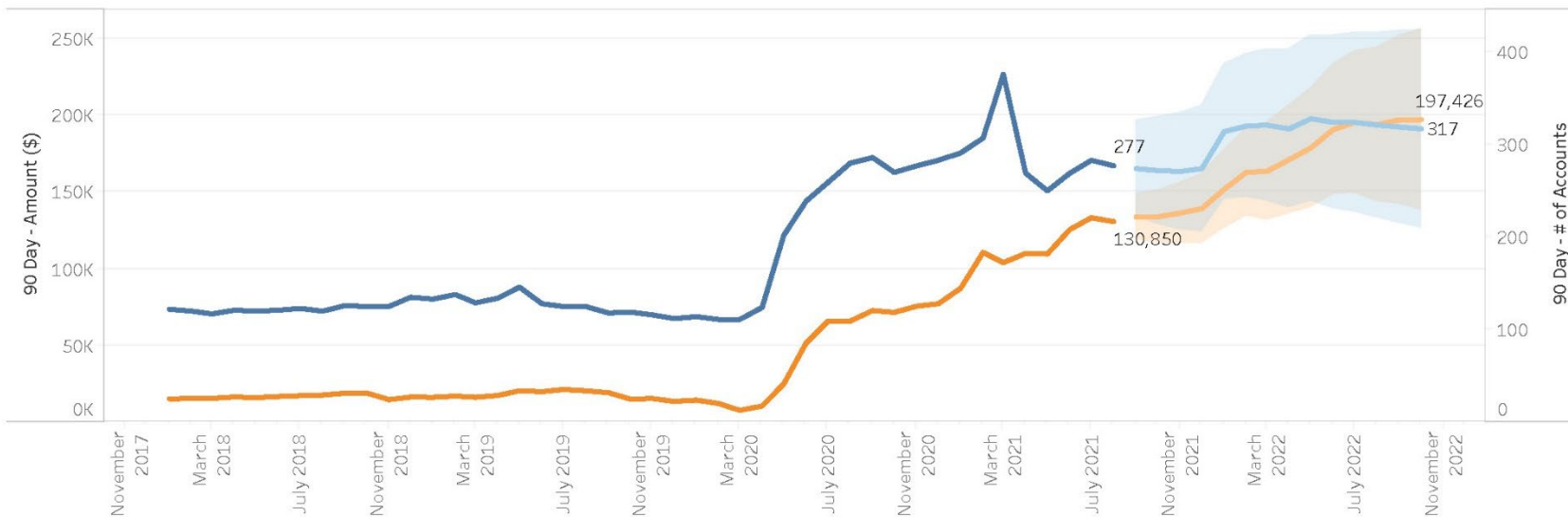
Beta: 0.146

Gamma: 0.231

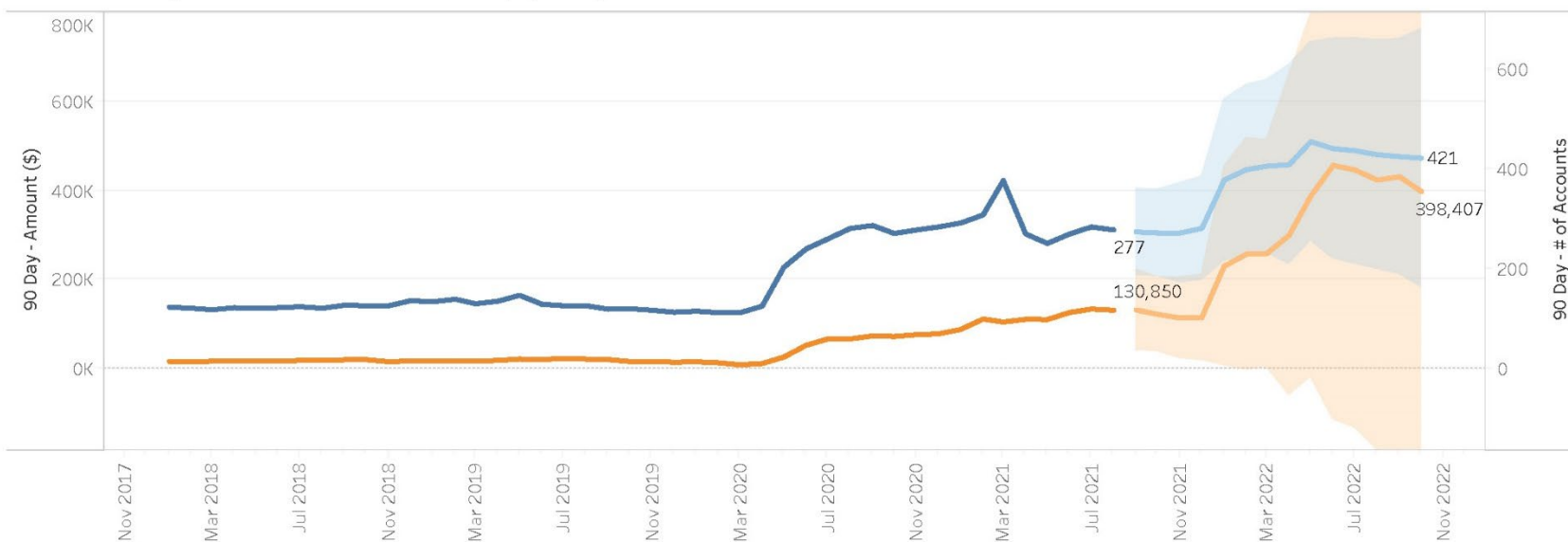


AR - 90+ Day with YE2021 Forecast (\$) - Assumed

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



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





30/60/90 Day AR Per Account Totals

30 Day - # of Accounts

505

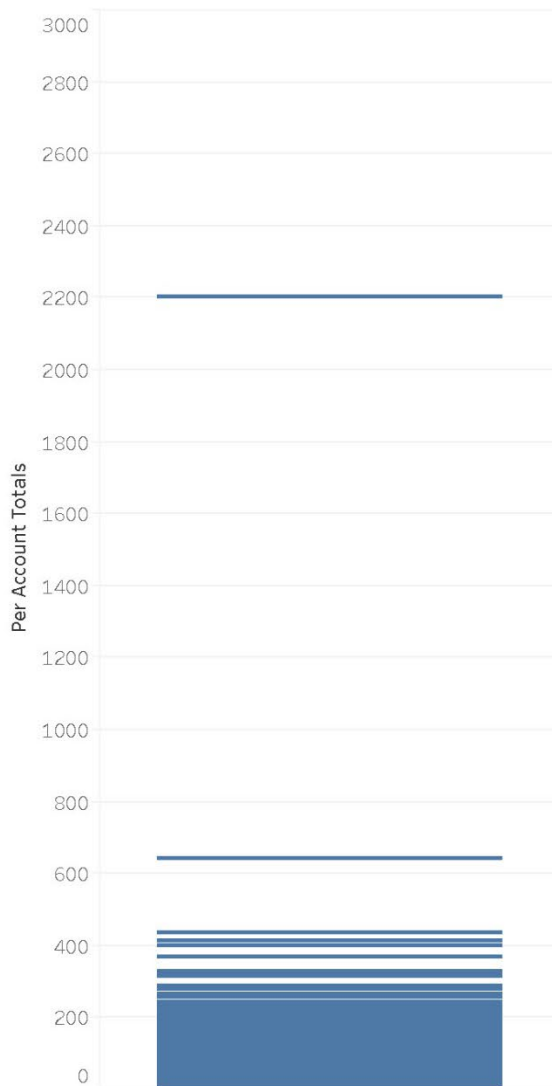
60 Day - # of Accounts

234

90 Day - # of Accounts

262

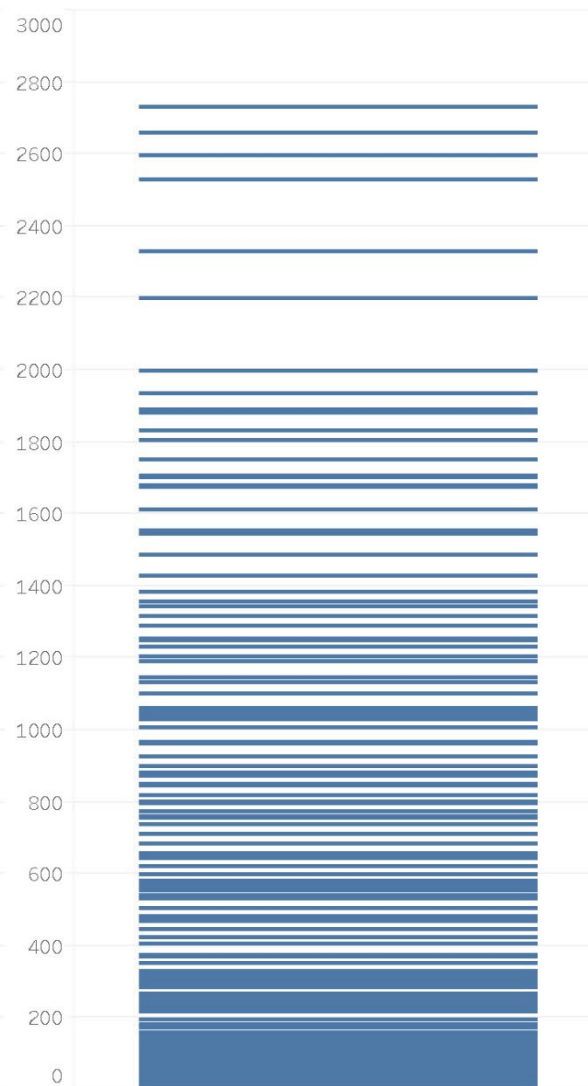
30 Day - per Account Totals



60 Day - per Account Totals



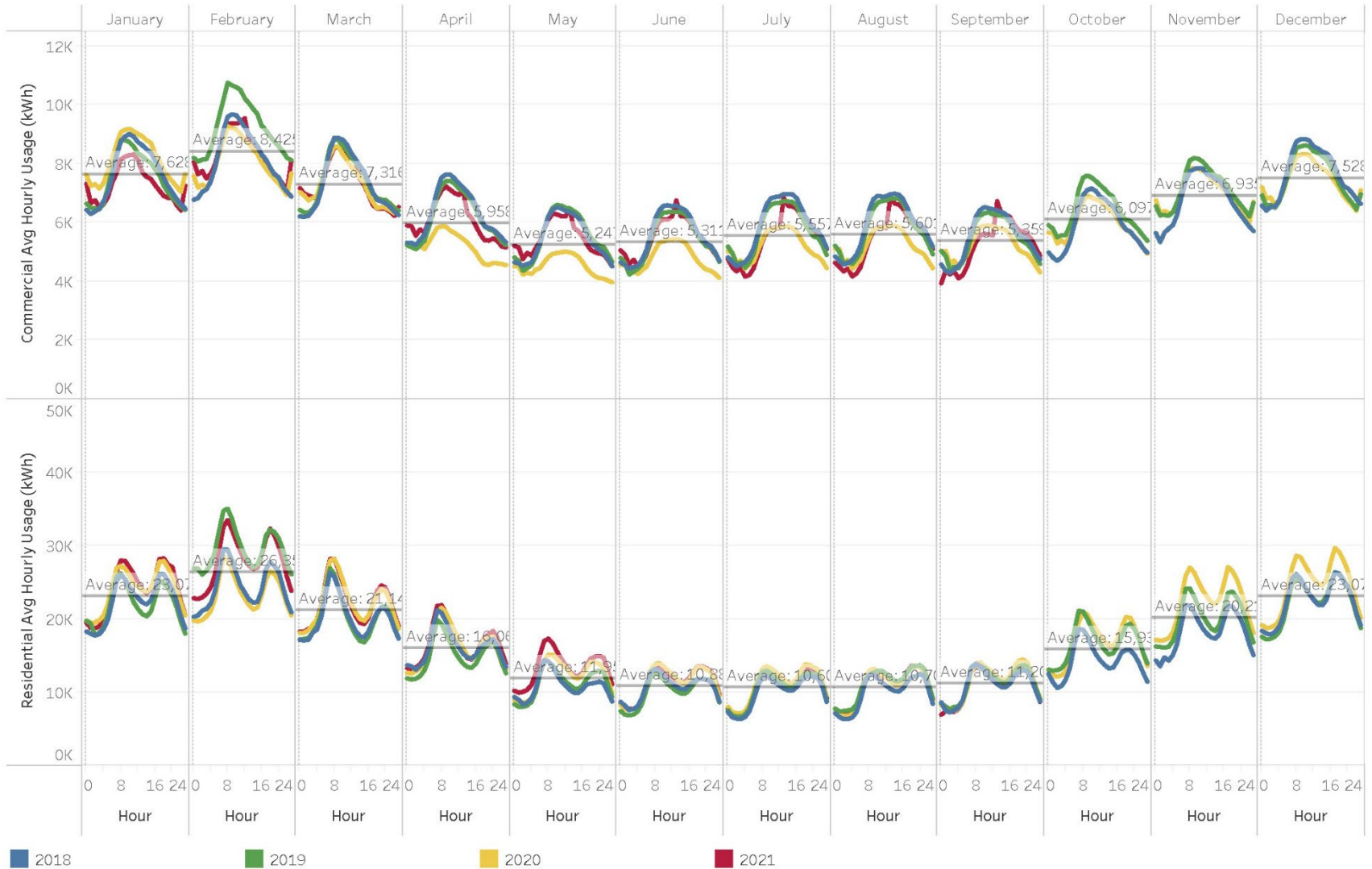
90 Day - per Account Totals



Load Shape - Residential and Commercial

General:

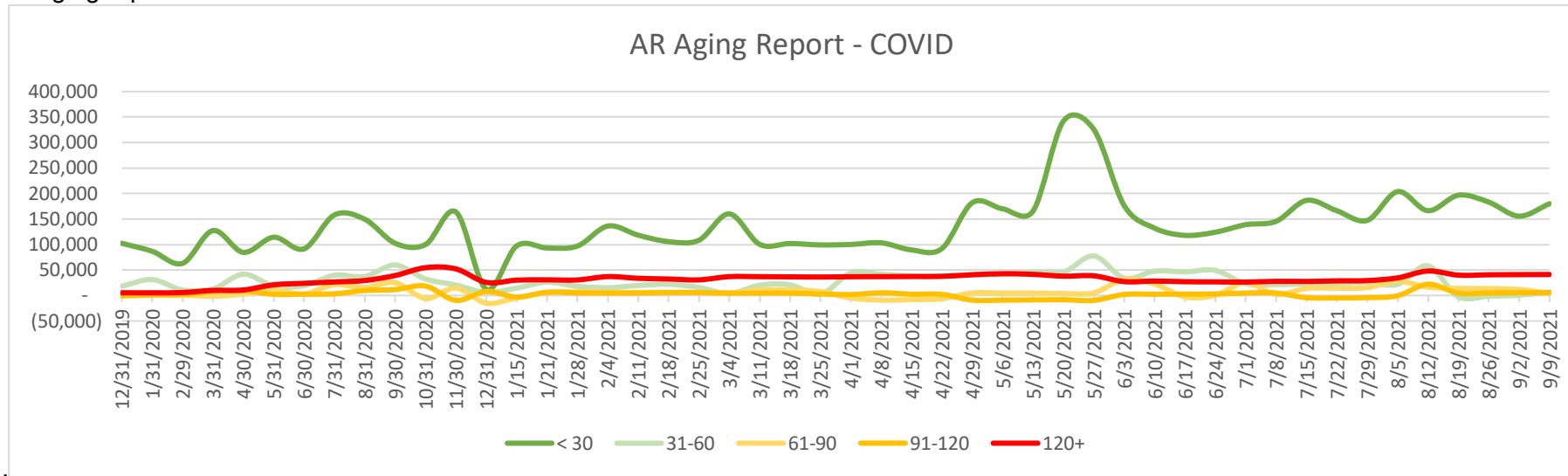
- We are seeing decreased usage in commercial and small increased usage in residential. The difference of overall kWh usage is within the normal margin of error.
- Overall estimated decrease of 12% in commercial usage over the summer of 2020.
- Overall estimated increase of >1% in residential usage since April 1st.
- Current reporting month is a partial data set.



Rock Island COVID-19 Update

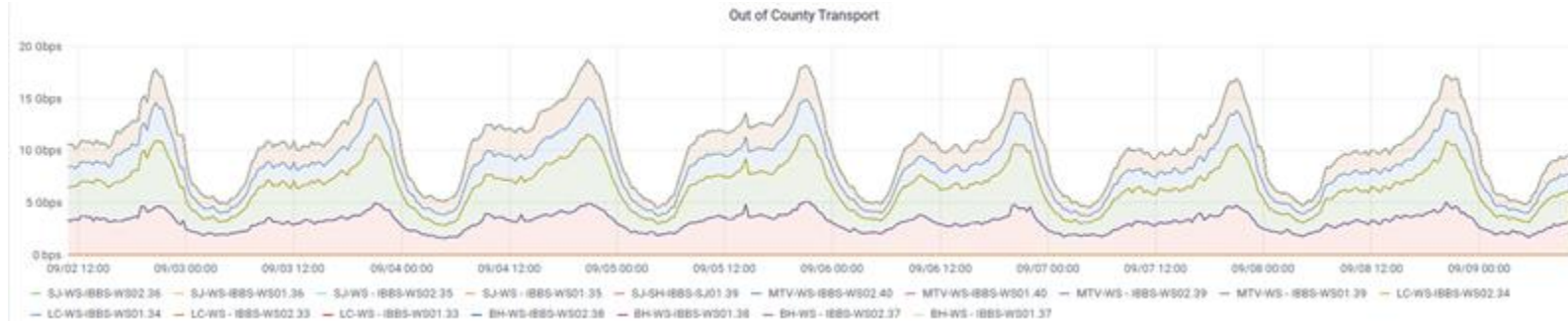
30-60-90 Accounts Receivable Trends

All aging reports within normal fluctuations for business



Transport Network

All traffic continues to maintain normal peaks over the previous 20 months. With transport circuits fully upgraded, no concern over bandwidth



REPORTS

General Manager

DASHBOARDS

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

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

ENGINEERING, OPERATIONS, AND INFORMATION TECHNOLOGIES

WIP

As of September 8, 2021, there are 413 work orders open totaling \$7.5M. Decatur Energy Storage System is \$1.5M of the balance. Operations has completed construction on 122 work orders, totaling \$1.2M.

Safety

John Spain of Northwest Safety Service conducted First Aid and CPR training and recertification for operations and engineering staff. The total current hours worked without a loss time accident 115,489 hours.

Tidal

As a part of staff's ongoing conversations on tidal power, Orbital Marine, Pacific Northwest National Laboratory (PNNL), and OPALCO met to kick off the process for regulator investigations, placement, and grant submittals.

Grants

Washington Department of Commerce - Grid Modernization

- Decatur Battery Energy Storage System (ESS) (Grant \$1M) (partnered with PNNL) – System handoff to PNNL for analysis has begun with an anticipated completion by end of Q3.
- San Juan Microgrid (Grant \$2.4M) (partnered with PNNL) – Staff will meet with San Juan County DCD for pre-application walkthrough by end of July.
- WA DOC CEF4 Grid Modernization Grants. OPALCO has received conditional award of the following projects. This conditional award awaits the negotiation of contracts with WA DOC and final approval to proceed.

- San Juan Islands Tidal Generation Design (Phase 1 – Preliminary Design) – Analysis and preliminary design for a potential tidal energy project located in the Rosario Strait. Tidal energy could increase resilience and energy independence for island communities, particularly during winter months when solar microgrids have lower production.
- Friday Harbor Ferry Electrification Design (Phase 1 – Preliminary Design) – Analysis and preliminary design for a solar + storage microgrid with the capacity to support five different modes of transport: OPALCO’s electrified medium-duty truck fleet, public/private light duty vehicle charging, electric bicycle charging, Washington State Ferries serving Friday Harbor and other marine craft.
- Orcas Biomass (Phase 2 – Detailed Design) - Detailed design and engineering to build a biomass combined heat and power facility with microgrid controls. The facility, fueled by residual materials such as organic waste collected from electricity grid maintenance and forest fuel reduction efforts, would reduce winter peak demand charges and increase energy independence for the islands.

Washington Department of Commerce – Clean Energy Fund 3 Solar (partnered with PNNL)

- Low-Income Community Solar Deployment (Grant \$1M) – Construction of ~1MW of community solar with ~45% of the array output to be applied to the OPALCO Energy Assistance Program. Staff is negotiating the contract with WA DOC to commence. Staff will meet with San Juan County DCD for pre-application walkthrough by end of July.

US Forest Service (partnered with Wisewood Energy) (minor in-kind efforts only)

- Biomass Generation with Biochar (60% Design Grant \$72,835) – Funds for preliminary design of a ~1MW Biomass Combine Heat and Power generation. These funds will be paired with in-kind engineering from staff to interconnect. Anticipated kickoff in Q3 of 2021.

US Department of Energy (partnered with NRECA and Lawrence Berkeley National Laboratory)

- For microgrid projects with solar + storage, cooperatives and small utilities need help designing fair and sustaining community solar rates that allocate benefits rationally to each customer class. OPALCO also seeks to maximize community solar program value and service delivery for our low-income members and develop a decision-tree tool for our Board that enables rate design with full valuation to the microgrid and solar components, while passing benefits from the solar generation to members. Modeling that recognizes our net metering cap, enables transmission deferral, and identifies clear solar rate differentials is needed.

Clean Energy States Alliance (CESA) for the Implementation of Innovative Energy Storage Pilot Projects

- The Orcas Community Microgrid (OCM) has an estimated total project budget of \$6 million and includes 1 MW of solar, 2.7 MWh of lithium-ion energy storage, a pilot deployment of green hydrogen energy storage; sophisticated voltage balancing; multiple layers of monitoring; communications and control; EV fast charging; and the nation’s first implementation of the innovative residential energy subscription market mechanism. Importantly, tidal and biomass energy will be investigated as local renewable energy sources that could incrementally scale up the OCM, especially in winter, when solar is less. The initial OCM will provide unparalleled resilience to numerous critical commercial facilities, including multi-unit housing.

FINANCE

2021 Budget Tracking

Energy (kWh) purchases and sales were higher than budgeted through August 2021. Overall, gross revenue surpassed budget by ~\$1,039k, largely driven by increased kWh sales. This amount was curtailed by the ECA in the amount of \$633k (\$210k related to December 2020, one month billing lag) resulting in a net sales revenue variance of +\$406k through August. Power cost is \$128k under budget despite higher kWh purchases due to a lower cost/kWh than budgeted. The table below presents full year 2021 projection with actuals through July & August where available.

Income Statement Summary (in thousands)	2021 Projection (actuals for past months)		
	Budget	Projected	Variance
Operating Revenue	\$ 31,454	\$ 32,493	\$ 1,039
ECA Surcharge / (Credit)*	\$ -	\$ (633)	\$ (633)
Revenue	\$ 31,454	\$ 31,860	\$ 406
Expenses:			
Cost of Purchased Power	\$ 9,745	\$ 9,617	\$ (128)
Transmission & Distribution Expense	6,799	6,487	(312)
General & Administrative Expense	5,443	5,290	(153)
Depreciation, Tax, Interest & Other	8,826	8,462	(364)
Total Expenses	30,813	29,856	(957)
Non-op rev (Int, Patronage, other)	373	377	4
Net Margin	1,014	3,014	2,000
TIER	1.51	2.41	0.90
HDD	1,398	1,394	(4)
kWh Purchases	216,000	221,165	5,165
kWh Sales	203,260	209,741	6,481

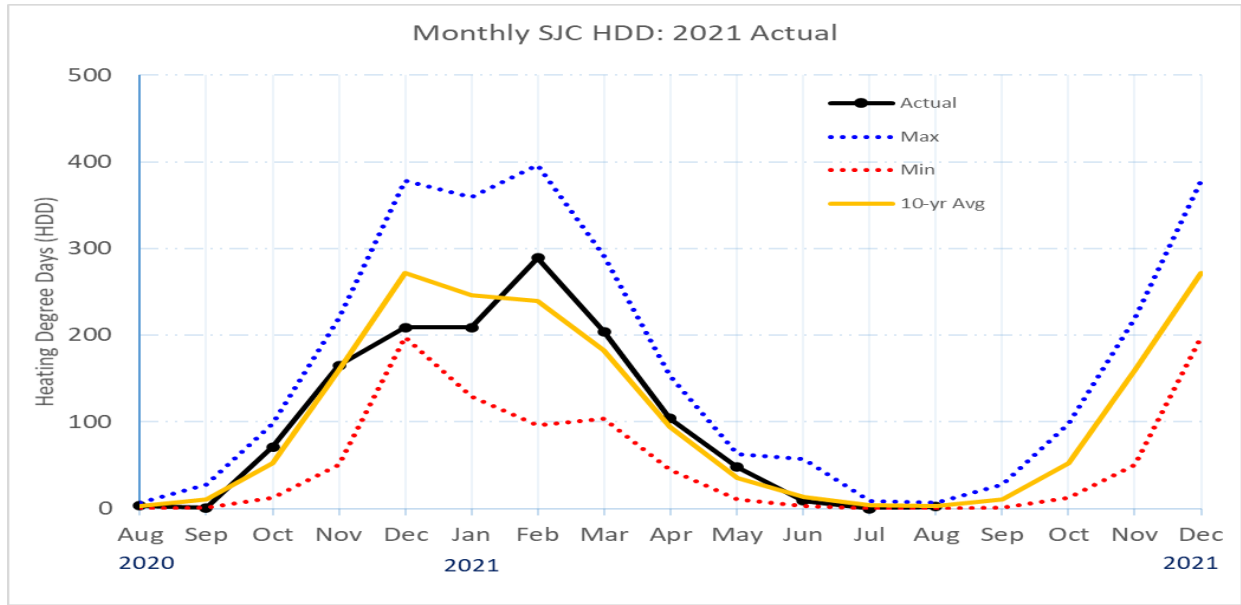
* The ECA returned \$633k to members in the form of bill credits through Aug 2021

Monthly ECA

The calculated amount for the August ECA was a bill credit of \$.002101 per kWh which returned \$25,991 to members, or \$2.11 per 1,000 kWh. The September billing period ECA is projected to be a bill credit of \$.009113 per kWh.

Heating Degree Days (HDD)

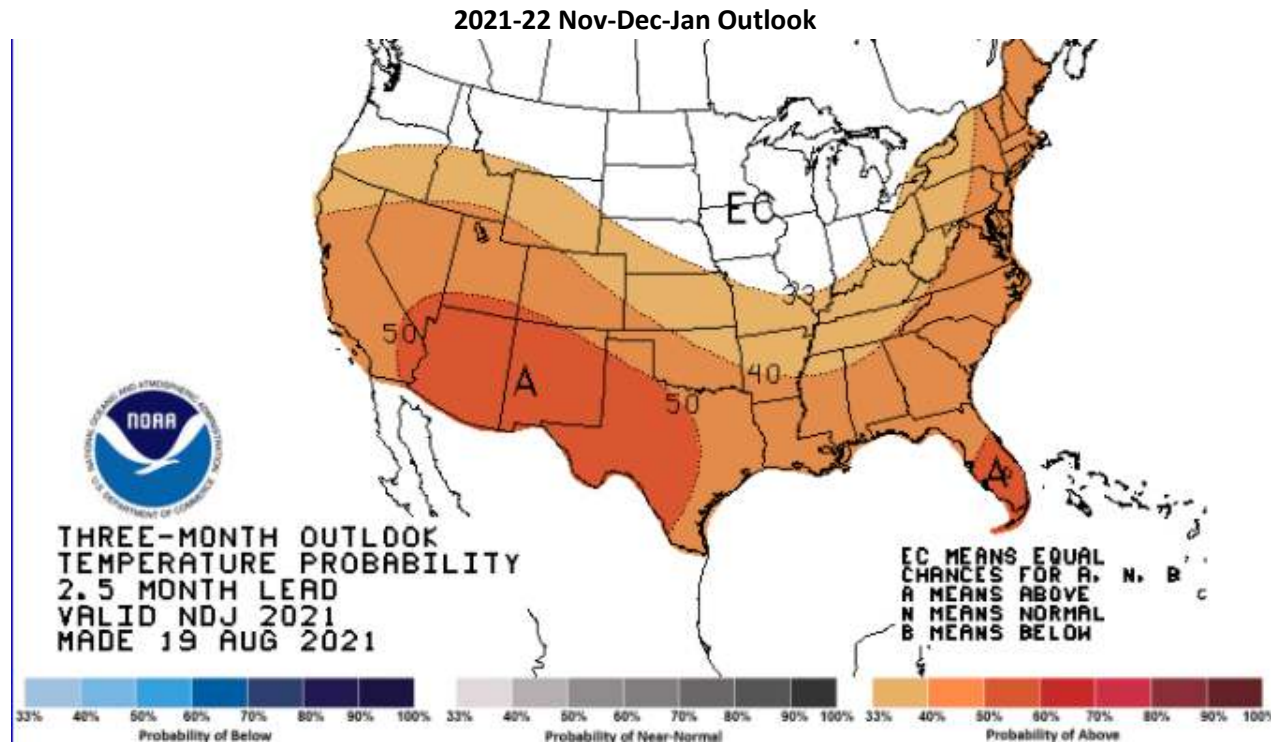
The fall of 2020 began to settle back to near historic averages. Then December and January began trending more towards an El Niño pattern. This pattern flipped in February and March 2021 as HDDs came in above historical averages for the months. Q2 and into Q3 2021 has settled near the historic average as the spring and summer months are expected to follow this trend.



*10-year max, min, avg is 2010-2020

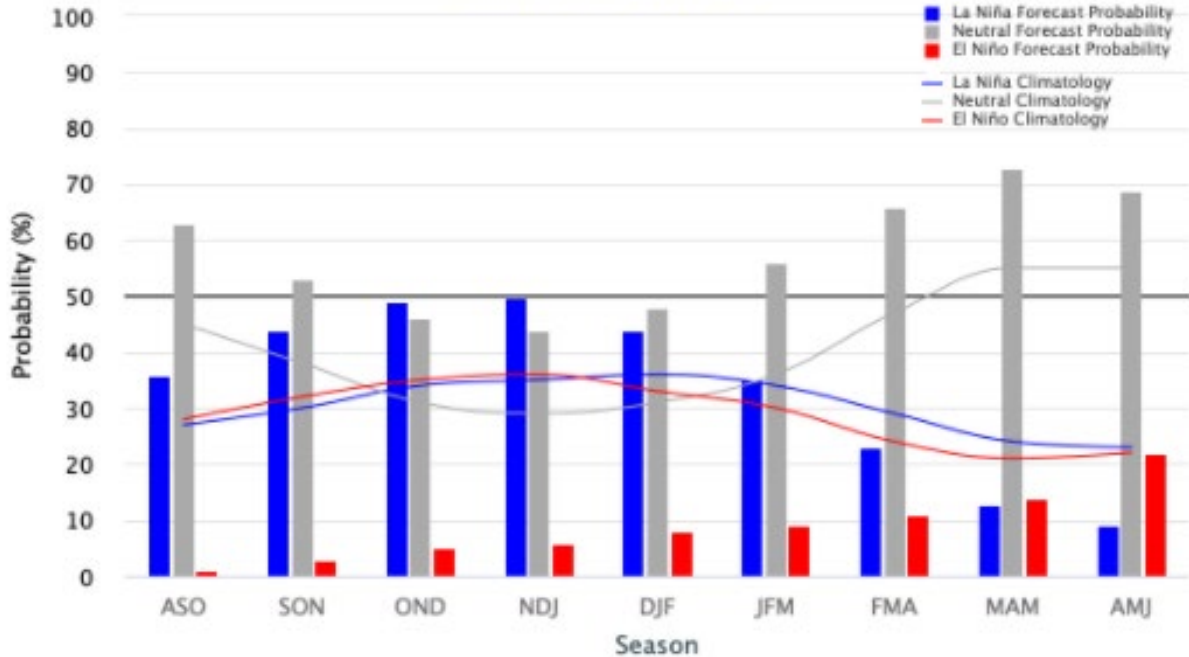
Weather Forecast

Looking ahead to the NOAA 'three-month outlook temperature probability' for Nov-Dec-Jan 2021 – 22 there is uncertainty in next winters weather outlook showing 'equal chances (EC)' of above/normal/below temperatures in our region for the winter. We continue to monitor these predictors monthly.



Mid-August 2021 IRI/CPC Model-Based Probabilistic ENSO Forecasts

ENSO state based on NINO3.4 SST Anomaly
Neutral ENSO: -0.5 °C to 0.5 °C



Source: NOAA National Weather Service

MEMBER SERVICES

Energy Assistance

EAP: During August 2021, 302 members received ~\$11.2k from the low-income Energy Assist program, compared to 332 members who received ~\$12.4k in assistance in August 2020.

Project PAL: During August 2021 20 Members received ~ \$3.7K in Community/Family Resource Center Awards

Covid Project PAL: During August 2021 53 Members received ~\$5k in Awards.

LIHEAP: Notifications continue to arrive and Member accounts are being credited.

T-RAP: Treasury funds for Rental Assistance and Utilities continue to be available through 2022.

Switch it Up!

There are now 193 projects complete and billing for a total of \$1.54M outstanding. There are another 30 projects in various stages of the process. Some projects have been delayed as residential contractors have been limited by COVID-19.

Energy Savings

There were eight rebates paid out to members totaling ~\$9.7k. This includes four fuel switching ductless heat pump rebates and one EV charging station rebates.

Solar Interconnects

There were 12 new interconnect applications submitted in August, nine members were interconnected with solar for a total of 465 (<https://energysavings.opalco.com/member-generated-power/>). There are an additional 30 pending connections.

Community Solar










During the August 2021 billing cycles, the [Decatur Community Solar](#) array produced 79,280 kWh. A total of ~\$8,101 was distributed to 267 accounts.

COMMUNICATIONS

New Safety Center: <https://www.opalco.com/safety-center/>

Staff have developed a new consolidated safety center to assist members.

Safety Center
Safety is everyone's business!

 <p>Prepare for a Power Outage</p> <p>During outages – please call 360.376.3500 to report an outage or check www.opalco.com/outages for the latest information on outages. Sign up on SmartHub for text or email outage alerts.</p> <p>Outage Prep »</p>	 <p>Be prepared during wildfire season</p> <p>The last few years have seen a record number of wildfires. Prevention can go a long way!</p> <p>Wildfire Prevention »</p>	 <p>Prevent tree-related safety risks</p> <p>The removal of potentially hazardous trees helps all members of the cooperative to have a more reliable system and a safer environment.</p> <p>Tree Trimming »</p>
 <p>Protect Sensitive Equipment</p> <p>Power fluctuations are unavoidable. Members are responsible for providing their own back-up power in case of an outage.</p> <p>Surge Protection »</p>	 <p>Work safely near power lines</p> <p>Call before you dig! 811</p> <p>Call Before you Dig »</p>	 <p>Life Support Equipment</p> <p>Please call us if you depend on medical equipment and we can put an alert on your account to ensure you get notified of planned outages. 360-376-3500.</p> <p>Life Support »</p>
 <p>How to use generators safely</p> <p>Best practices to protect your household and home when using a portable generator.</p> <p>Generators »</p>	 <p>7 Steps to Electrical Safety</p> <p>Safety is everyone's business</p> <p>Electrical Safety »</p>	 <p>Learn the basics about electricity</p> <p>Delivering electricity safely and reliably to your home from its source is much more than wires and switches. Before the first electrons flow to become the light at your front door or in your electrical outlet, there are many other steps that take place.</p> <p>Electricity 101 »</p>

Island Way Workshops

The SmartHub workshop drew about a dozen members who attended to learn more about how to monitor and manage their energy usage, use SmartHub notifications and maximize their efficiency. The last workshop in the 2021 series is a Solar Town Hall, scheduled for September 20th. The raffle drawing will take place on October 1st via Facebook live. Members who attended the annual meeting and/or the Island Way workshops will be entered to win; members were entered for each event they attended. Each entry is assigned a number and a randomizer tool will be used to draw the winning numbers/names. There are three prizes to be awarded: ten shares of the Bailer Hill Community Solar project, a Greenworks electric lawnmower – and a Greenworks electric blower (was awarded to a member at the annual meeting, but not accepted).

Island Way Podcast Series

Staff added a new podcast about Ductless Heat Pumps with expert Jonathan Moscatello of the NW Ductless Heat Pump Project, based on the success of the DHP workshop. The podcast series is published on OPALCO's Island Way page (<https://energysavings.opalco.com/the-island-way/>). Staff are developing a new list of podcasts for the 2022 season.

EV Happy Deal

To date, 25 members have purchased a used EV from Island eCars. Sales have slowed due to supply issues. The grant from the Bonneville Environmental Foundation provides members who buy a used EV with a Smart Home EV Charger, installation cost of charger, tab fees, sales tax (WA \$16K + OPALCO), and 12 months of home charging for qualified members. Supplies are limited. Total project funds will cover about 30 member "happy deals", approximately 5 remain.

San Juan County Fair

OPALCO participated in the virtual San Juan County Fair again this year with a video on the Fair website showing our crew demonstrating electrical safety. We hope to get back to the live fair in 2022!

EV Road Trip

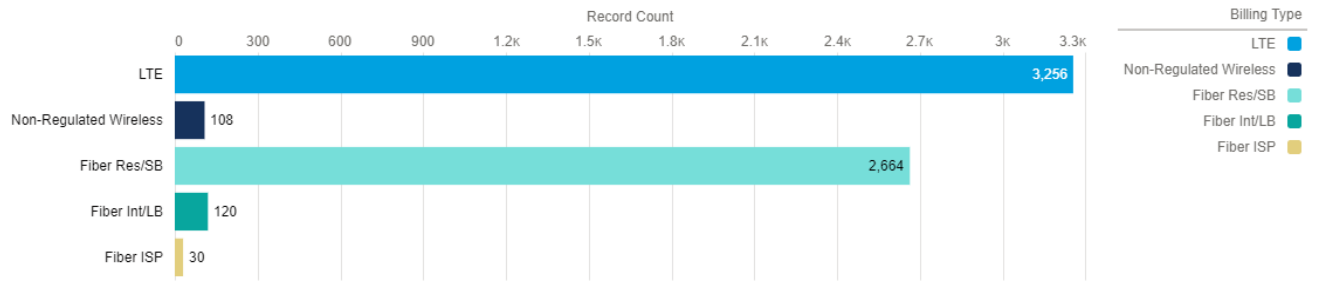
Staff are driving our Island Way Electric Vehicle across Washington to the NWPPA conference in Portland, OR. We will be touring wind farms, solar sites and dams and meeting with other public power providers along the way. Follow our energy adventure October 6-11 via Facebook @orcaspower.



EV Road Trip

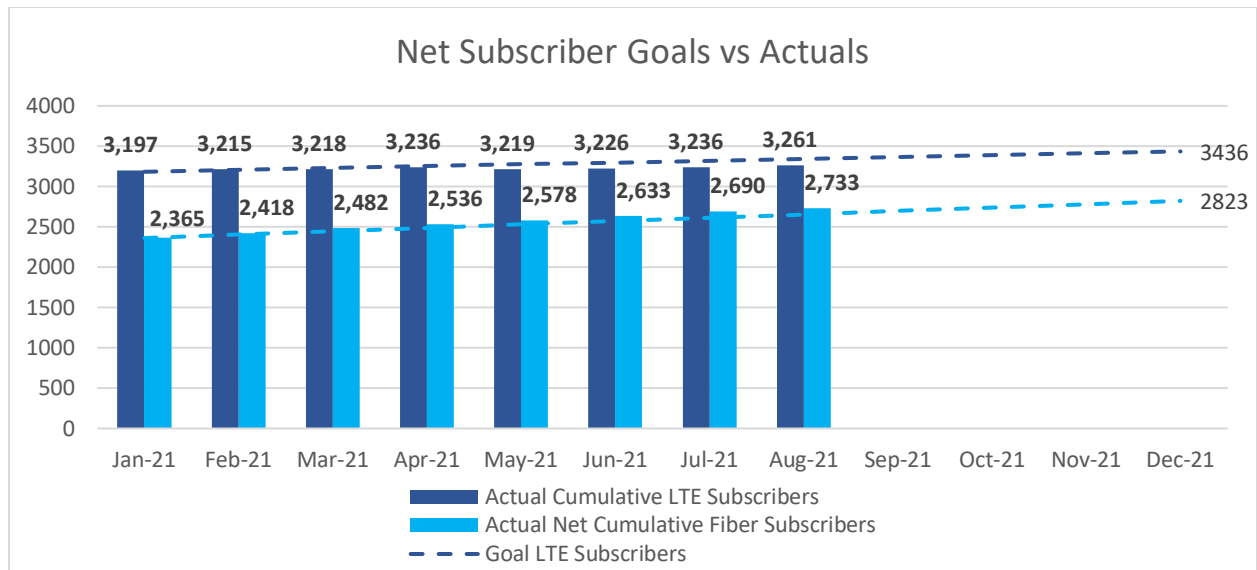
Follow our energy adventures on Facebook @orcaspower
Oct. 6 - Oct. 11

Rock Island Snapshot



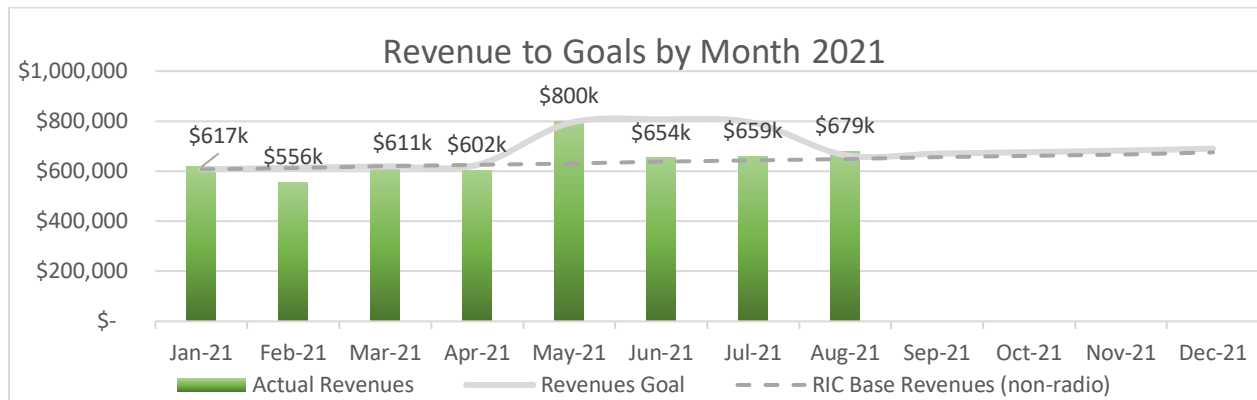
6,178 Internet Service Customers (As of Sept 9th)

Net Subscribers 2021



Subscriber numbers are adjusted to reflect the Access EDU services. The no cost education services are not being counted in the net total of Fiber and LTE.

Revenues



❖ August revenues are not closed out and are subject to change.