

Board of Directors

Regular Meeting

Thursday, March 16, 2023
Virtual Meeting via Zoom

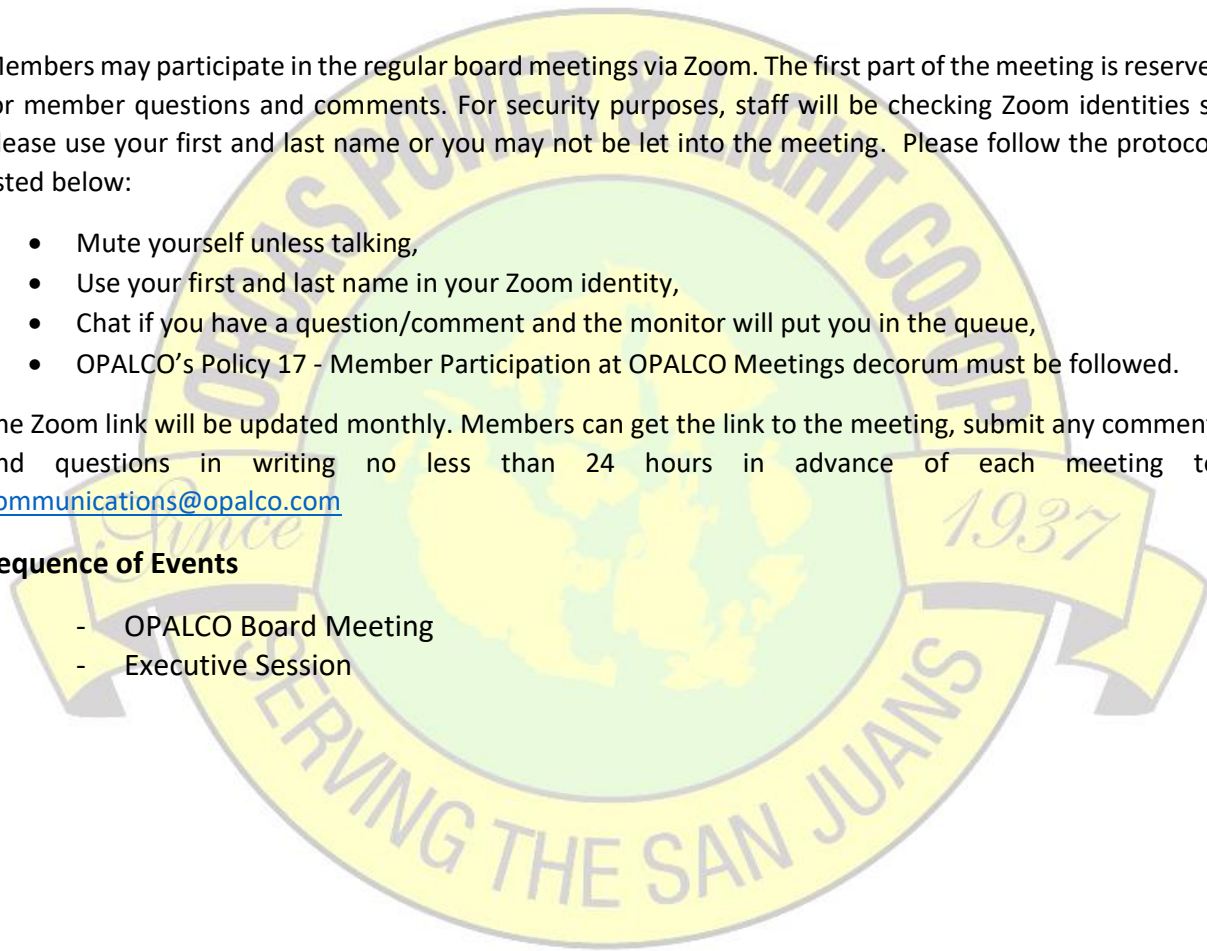
Members may participate in the regular board meetings via Zoom. The first part of the meeting is reserved for member questions and comments. For security purposes, staff will be checking Zoom identities so please use your first and last name or you may not be let into the meeting. Please follow the protocols 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. Members can get the link to the meeting, 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
March 16, 2023, 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 – February 2023

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

BOLITHO, MEGAN & BOLITHO, MATTHEW
BOYLE, DEIRDRE
BUCHANAN, ALAN
GAYE, LEAH
GIRVAN, PETER
GRIFFIN BAY BOOKS, TORE, INC
HANSEN, MICHELLE
HAUCK, ALEXIS & HAUCK, BROCK
JOHNSON, ERIN
JOHNSON, MATTHEW
KUZARA, DEAN & KUZARA, AUDREY
LINDNER, CAROLE
MATTOX, MATTHEW & MATTOX, DENA
MEIEROTTO, JAIMIE
O'DONNELL, CHERYL & O'DONNELL, MICHAEL
OLIVER, DEVON
PEDERSEN, JANINE
POTVIN, SAMUEL
RADDEN, KHAILI
ROBERTS, LAURA & ROBERTS, PAUL
SANDERS, SKYLER
SCHROEDER, ERIKA & SHENDURE, RAHUL
SINAI, MADELEINE

UWATE, KYRA
WEERTMAN, WILLEM
WEHMEYER, SCOTT & WEHMEYER, KELLY
WORCESTER, SCOTT

District 2 (Orcas, Armitage, Blakely, Obstruction,

Double, Alegria, Fawn)
BACH, SABRINA
BURNETT, ALYSSA
EPSTEIN, DOUG & EPSTEIN, CATHERINE
ERIK SMITH CREDIT, SHELTER TR
FRENZEN, PETER & FIDEL, DENISE
JOHNSON, KENNETH
THE WEST SIDE KIT, CHEN LLC
TROCHTENBERG, ROCHELLE

District 3 (Lopez, Center, Decatur, Charles)

ALLEN, JON
CLARK, LILI
LOPEZ ISLAND SENI, OR CENTER
RYDBERG, CONSTANCE
TAYLOR, AMELIA
VULLIET, JOANNA
WESTERVELT, LISA

District 4 (Shaw, Crane, Canoe, Bell)

None

Staff requests a motion to approve the Consent Agenda.



**Orcas Power & Light Cooperative
Minutes of the Board of Directors Meeting
Thursday, February 16, 2023**

Streaming through Zoom attendees were Board members Vince Dauciunas, Jerry Whitfield, Brian Silverstein, Mark Madsen, Tom Osterman, Rick Christmas, 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; Member Services Supervisor Joey Wykoff and Communications Manager Suzanne Olson (serving as recording secretary). Also present were Legal Counsel Joel Paisner and consultant Jay Kimball. Rock Island EVP Alan Smith joined the meeting at 10:30am.

Members in attendance included Wendy Heister, John Fleisher, Ray Glaze, Robert Dashiell, Chuks Onwuneme, Robert Hamilton, Stephen Shrader, Bill Appel

Meeting commenced at 8:30 a.m.

Member Comment Period: no comments.

CONSENT AGENDA

- **MOTION** was made by Christmas to accept the consent agenda, seconded by Struthers and passed unanimously by voice vote.

ACTION ITEMS

CORPORATE DEBT LIMIT

Staff reviewed RUS requirements for loan process. Discussion ensued.

- **MOTION** to approve staff recommendation to raise the corporate debt limit was made by to Struthers, seconded by Whitfield and passed unanimously.

DISCUSSION ITEMS

WSF GRANT APPLICATION

Staff reviewed status of DOE/GRIP application in partnership with Washington State Ferries for electric ferry charging preparation. The proposed resolution retracted, and staff expect to resubmit during the 2024 grant cycle. Discussion ensued.

REPORTS

Staff reviewed reports, dashboards, grant and budget tracking, legislative action and project updates. Discussion ensued.

President Vince Dauciunas called for any additional member comments or questions. Member Bill Appel commented on the corporate debt limit topic and urged the Co-op not to limit itself. Staff explained the motion was approved and how the RUS process works.

Break 9:54

Executive Session: 10:05

Meeting Closed: 12:24

Vince Dauciunas, President

Brian Silverstein, Secretary-Treasurer



Member Information Request Appeal

An OPALCO member has requested an appeal to the Board regarding a Member Information Request. On February 9, 2023, Ian Harlow filled out a Member Information Request form for details on the lease between Rock Island Communications and OPALCO. His purpose for the request is to “better understand the revenue our members are getting through renting to Rock Island” and he intends to use the information to “educate members.” OPALCO’s policies keep legal, contractual, and personal issues confidential as a regular course of business.

After careful review and extensive communication (see below), the OPALCO General Manager denied the request based on Member Service Policy 16, Section 4.8 that states, “Any information which constitutes trade secret, process, program, trademark, or other legally protected confidential information or thing owned, or protected in confidentiality by contract by the Cooperative.” The lease agreement Rock Island has with OPALCO regarding use of industrial space on Mount Baker Road is protected under the “confidentiality by contract by the Cooperative.”

OPALCO’s legal counsel reviewed the request and confirmed that OPALCO has no legal obligation to release the information. See the attached emails from OPALCO staff to Mr. Harlow answering his questions regarding OPALCO and Rock Island’s financial relationship.

Staff requests the Board make a final approval or denial of the requested information.

Sent: Tuesday, February 7, 2023 8:36 AM

To: ian Harlow

Subject: Re: Opalco lease questions

Dear Ian,

I consulted with our accounting department more about these contracts and what is paid. Here is what they said:

OPALCO and Island Network LLC (dba Rock Island) were formed separately for legal purposes as a corporation. OPALCO further elected to file for non-profit designation, as an IRS Code Section, 501c12 entity, whereby Rock Island maintained its corporation status as a for-profit entity. Although OPALCO and Rock Island are separate legal entities, they are considered by the IRS as “related parties” because Rock Island is 100% owned by OPALCO.

“Related parties” have both legal and tax implications to maintain their separate corporate status with Washington State and the IRS. Tax laws require corporations to engage in business transactions with their related subsidiaries at “arm’s length”. The “arm’s length” principle seeks to guarantee fair market conditions and that taxes are correctly allocated in those transactions in which potential conflicts of interest may arise.

The transactions between OPALCO and Rock Island are in a written contract format which is annually reviewed by both management teams and the external tax preparation professionals. Potential disparities of value are adjusted each year during the budget preparation process, which assures that the “arm’s length” principle is maintained.



With Member Service Policy 16 - Information Requests, it outlines what information is available to members and when it goes outside of routine information we have a process that you can go through to request the information. Please review this policy and fill out the form if you wish to request more information on this topic.

<https://www.opalco.com/wp-content/uploads/2018/02/Policy-16-Information-Requests-2.pdf>

<https://www.opalco.com/wp-content/uploads/2015/12/Policy-16-Information-Request-Form.pdf>

Sent: Wednesday, February 1, 2023 3:19 PM

To: ian Harlow

Subject: Re: Opalco lease questions

Dear Ian,

Thanks for forwarding these questions to me. I am happy to get them answered for you. Our team would be more than willing to sit down and have a conversation with you and other "old timers" to get any of your additional questions answered.

OPALCO rate increases are related to OPALCO's cost of service and have nothing to with Rock Island's business. The two organizations keep separate financials and have strict regulations on how we manage those finances. OPALCO as a non-profit cooperative must maintain strict policies and practices for our financials and we are annually audited to ensure we follow these practices to maintain our co-op status with our federal lenders (our audited financials are posted on our website and OPALCO regularly gets the highest marks on our financial audits).

Regarding your questions about shared space and shared staff, OPALCO does not provide Rock Island with free rental space, services or staff time - we cannot subsidize a for-profit company and, they in return, do not provide services to OPALCO for free. OPALCO has contracts in place with Rock Island (as we do with lots of other businesses & contractors) for use of property, use of fiber backbone, IT and some staff services such as pole repair, engineering time and a percentage of the General Manager's time. As with any contract, the details of those terms are not public, but we are obligated to pay or be paid market rates for such services.

All OPALCO members, regardless of how or where they get their internet - or even if they don't use the internet - benefit from the Rock Island infrastructure as it has increased the safety and communication for our crews in the field, provided greater automation of our electrical system through installation of more devices throughout the grid that can be monitored and controlled remotely, which reduces outage restoration times and improves rerouting of power. As a wholly owned subsidiary, Rock Island's assets and financial success show up on the co-op balance sheet as equity, which increases the co-op's borrowing power to make capital improvements to our system - which is how co-ops operate.

Let me know if you have further questions.

Member Name Ian Harlow

Address _____

Telephone Number _____ mber _____

Requesting on behalf of myself and the following other members:

Name	Address	Telephone #	Mer
All Opalco members	_____	_____	_____
_____	_____	_____	_____

The specific information I am requesting is:

I am requesting the lease agreement Rock Island has with renting Opalcos industrial space on Mt Baker Rd

The specific purpose of the request is:

Better understand the revenue our members are getting through renting to RI

The specific use to which I intend to put the requested information is:

Educate members

I request a cost estimate for the copying charges before any costs are incurred. I understand I am responsible for the costs of copying any documents that are provided and the cost of documents will include appropriate staff time for locating and copying the documents.

I hereby state that the foregoing information is complete and correct. I covenant that I shall not disseminate the requested information to anyone other than the member(s) named herein or allow the r

Orcas Power & Light Cooperative
Policy 16 Member Information Request Form
Page 2 of 2

Information to be used in any way or for any purpose other than as set forth above, including but not limited to, the use of any information for a member's own commercial purposes, or solicit other members for non-Cooperative purposes. I further agree to abide by the provisions of Member Service Policy 16 Information Requests.

Printed Name Ian Harlow

ORCAS POWER & LIGHT COOPERATIVE
Member Service Policy 16 Information Requests
Member Information Request
Appeal to Board of Directors Form

Member Name Ian Harlow

Attached is a copy of the Information Request Form showing the General Manager's denial to my Member Information Request.

I hereby request that the OPALCO Board of Directors review my request and override the General Manager's denial of my request. I further agree to abide by Member Service Policy 16 Information Requests if my request is approved.

Member Signature  _____

Date Feb 27 2023

Decision of the Board of Directors is final.

_____ Approved _____ Denied

Comments _____

Secretary/Treasurer Date

Discussion Items

Year in Review

2022 was a year of recovery and preparation for the next big challenge of adjusting to a decarbonized power world. We brought our team back into the office in August and opened the doors to the public again in September. Our team worked with members in arrears post-COVID and has receivables and bad debt under control again. There were still significant pandemic barriers to overcome, including contractor availability (especially ROW clearing) labor shortages (five unfilled positions) and supply issues that have delayed capital projects. Even shorthanded, the OPALCO team made it through the year maintaining a reliability rating of 99.87 for 2022 while Team Rock Island kept the internet up 99.99% of the year – while maintaining a near perfect safety record.

The Switch it Up Program broadened its menu of eligible projects to include new construction, solar, home batteries and fiber installation, with a higher financing ceiling per membership of \$100k. The program financed 94 new energy efficiency projects for over \$3.8M, more than the prior three years combined. More than \$6M is now in member hands to help prepare homes and businesses for greater efficiency in a decarbonized world.

Sustainability is not a future concept. In 2022, OPALCO members saved ~412k kilowatt hours through efficiency projects while getting ~\$228k back into their pockets with BPA-funded rebates. Member solar generators rose significantly with on-bill financing availability: 89 new generators in 2022 for a total of 602 on the system. OPALCO supported 60 members in beneficial electrification measures (DHP and EV chargers), totaling \$90,000 and an additional 29 EV charging station were installed at member homes and businesses. Staff continue to work closely with PNGC on regional reliability and future power supply issues and members continue to engage in high numbers with our Island Way workshops and events.

Affordability is key to OPALCO's mission of delivering power to twenty islands. The Co-op's bill assistance programs are a model for utilities across the nation and we are well positioned to meet the legislative mandates of Washington's Clean Energy Transformation Act (CETA) for support of low-income households. OPALCO partners with the local family/community resource centers who awarded ~\$100.4k of PAL assistance to 473 low-income households and an additional \$11.6k in the last of the COVID Pal awards for 121 households. Energy Assist participation increased with an average of ~440 households receiving monthly bill credits which totaled ~\$158.9k.

Although the following list is organized by department, most efforts span multiple departments and staff throughout our company and subsidiary, which truly demonstrates the "cooperative" spirit of both OPALCO and Rock Island.

OPALCO Team Accomplishments 2022

Safety:

- Exceeded 214,000 hours worked without a loss-time accident.
- Actively monitor safety improvement plans as outlined in our RESAP program (Rural Electric Safety Achievement Program).

- Committed to NRECA’s Zero Contacts initiative.
- Held monthly comprehensive virtual and in-person safety meetings to sustain our culture of safety.

Engineering, Operations & Information Technology:

- Average service availability rate of 99.8% for the year, despite the loss of operations staff (normal average >4 per district, currently 3-4 per district).
- Reached a new system extreme of ~87 MW (instantaneous load not hourly demand). Staff has new planning metrics due to the unforeseen near 3X (vs. 2X of history) cold load pickups seen during the restorations in the December systemwide outages.
- Replaced ~121,000 feet of aging and failing underground cable (mixture of three phase and single phase). ROW Trimming: Delays in trimming have been due to contractor availability. Extensive trimming to reclaim ROW to reduce outages and fire risk has been underway nearing end of year with our local crews managing hot spot trimming. Staff has been notifying and working with members to inform of what may seem dramatic trimming since the growth over the trimming cycle with the year of delayed trimming has increased the volume of trimming.
- Replaced 41 aging and deteriorated transmission and distribution poles. The transmission pole replacements being steel poles to reduce woodpecker damages in the future.
- Closed out 101 new service construction work orders.
- Expanded SCADA control to 10 more devices.
- Friday Harbor Substation major equipment procurement and 30% design completed.
- Completed new SCADA system migration in All District and integration with OMS to provide staff and the members with more accurate outage extents in a timelier fashion.
- Completed firsts Automated Distribution Management System (ADMS) project which allows for the nearly seamless/humanless outage isolation and restoration of the Eastsound to Olga operational area. This provides staff with live load flow analysis and predictive cold load pickup. Staff is in the planning stages to expand this to the Lopez Village Loop, Douglas Road to Friday Harbor Loop, and Port of Orcas and North Eastsound Area. With future installations of protective devices on the transmission system and distribution system we will the furtherance of this program.
- Bailer Hill Solar and battery projects are in a 30% design stage with all equipment providers on order and under contract. Staff has also partnered with a local sheep farmer for management of the vegetation of the site.
- Modernization of the IT infrastructure with offsite DR integration.

Finance & Accounting:

- Unqualified opinion of Financial Audit for 2021. No audit comments in the ‘communication of internal control related matters’ letter to management and the Board.



- Switch-It-Up on-bill financing program financed 194 energy efficiency projects for over \$3.8M in additional financing provided by OPALCO to our members, more than the prior three years combined.
- Completed transition to paperless invoice authorization processing. The transition helps reduce staff processing time, reduce paper waste, reduce paper storage requirements, and increase authorization visibility built into the NISC.
- Completed transition to new employee time reporting and HR software platform.
- Continued capital credit smoothing methodology, retiring \$1.4M in capital credits back to the membership in 2022. Thanks to the generosity of our members, capital credit reoccurring donations went from \$6k in 2021 to \$13k in 2022.

Management and Human Resources:

- Hired two Apprentice Journeyman Lineman and a GIS Technician.
- Retired a Journeyman Lineman, an Executive Assistant, Engineering Technician, and a General Foreman.

Energy Savings: Rebates, Electric Vehicles & Renewables:

- Rebate dollars awarded to members through December: ~\$228k.
- Energy saved by members through BPA/PNGC rebates: 411,853 kilowatt hours.
- Total interconnected members generating renewable power: 602 with 89 new in 2022.
- 1,028 MWh of member solar/wind production incentivized by WA State.
- Supported 60 members in beneficial electrification measures, totaling \$90,000.
- Incentivized the installation of 29 EV charging stations for homes and businesses. Decatur Community Solar project:
 - 260 members participated.
 - Produced 466.2 MWh – enough to power 500+ typical SJ County homes for a month, or 42 homes for a year.
 - distributed \$41k through production credits on participants' bills (\$143.6k since energization), including an additional \$5,739 to the PAL and Energy Assist programs.

Member Services:

- Four Member Services Representatives (along with one probationary MSR for four months) handled more than 11,300 inbound calls from members.
- Billed members ~\$39.3M for energy usage of ~224.7M kWh.
- The local family/community resource centers awarded ~83.2k of PAL assistance to 366 low-income households.

- Energy Assist participation decreased with an average of ~340 households receiving monthly bill credits which totaled ~\$156.8k.
- ~8k accounts are on autopay.
- ~6.7k accounts are paperless.

Communications:

- Launched updated website to include important technological upgrades, improved navigation and streamlining of the content and included the new Island Way Campaign design themes. The launch included updating over 115 pages and merging the Energy Savings and main OPALCO sites.
- Staff continued the Island Way Campaign including hosting nine Island Way Workshops via Zoom with a variety of topics including power rates, electric vehicle, and Switch It Up.
- Updated Switch It Up, promotional materials and content to include the new efficiency measures.
- Hosted a virtual Annual Meeting with 165 members in attendance and 31 grand prizes handed out.
- Worked with Sustainable Connections to promote grant that helps businesses in San Juan County to get energy efficiency incentives including hosting workshops, business outreach and advertising.
- Created seven new Quick Facts – digital information sheets (for a total of 27).
- Promoted and held the annual Board Candidate election including 5 candidates, a candidate forum and launch a new election hub web page. 2,213 members voted which is 19.24% of the membership.
- Hosted an electric vehicle jamboree at the Fairgrounds where 300 people attended. There were about 30 EVs, games for families, hot dogs, electric tools and electric bikes at the successful event.
- Award five Youth Scholarships and took four of the scholars to the ICUA Youth Rally.
- Attended community events like Touch-A-Truck and Chamber Mixers for outreach opportunities.
- >700 followers on Instagram, ~2400 followers on Facebook and ~1520 followers on Twitter. Engagement has been high on Facebook and Instagram throughout 2022 with members regularly commenting and getting info from these sites including very successful outage communications and reputation management on group social media sites. News outlets such as King 5 and Seattle Times continue to pick up stories from our Twitter account.
- Produced and distributed monthly bill inserts, weekly newspaper ads, monthly email newsletters, updated, and created new forms including digitizing and modernizing processes, documents and content for the Member Services and Engineering departments.

Rock Island Team Accomplishments 2022

Safety:

- Maintained a 98% injury free work.
- Constantly adapted in a timely manner with changing mandates for COVID protocols and mandates from local, state and federal governments.
- Supported staff with additional resources on the pandemic including PPE and cleaning supplies for their home use while working remotely.

Finance and Operations:

- Came in \$42k ahead of plan on total revenues for a total of \$9.4M in revenues.
- Managed the unpredictable inflationary need for labor expenses to come in only \$46k higher than budget for 2022.
- Ended the year \$3.4M EBITDA positive.
- YE Op Ex came in \$80k under budget.
- Achieved for the first time ever more Fiber subs than LTE subs.
- Implemented price increases for all residential customers to help drive ARPU by handling over 5500 individual billing tickets.
- Successful collection efforts after re-implementation and inability to disconnect customers because of the Covid-19 instated moratorium. However, the Company still diligently working to retain and help customers in need through offered assistant programs (ACP/EAP/School Districts) and will continue to explore ways to do so in the coming year.
- In June '22 Rock Island achieved its first ever \$1M month in revenue
- Total Operating Revenues for the year were over \$9.4M and beat budgeted revenues.
- Remained resilient and adaptive despite rising costs/interest rates, and unexpected cost demands for things such as wage adjustments (for labor retention) and retirement contributions (for compliance reasons). No doubt our strongest financial year yet despites these. Successful completed a highly graded 2022 Audit.
- Successfully transitioned the T-Mobile store to a more sustainable long-term kiosk model, removing the middleman from the T-Mobile retail relationship.
- Successfully implemented department benchmarking and wage realignments from July 2022 to present, supporting employee retention and morale.
- Successfully amended RIC/ADP contract to finalize the implementation of 7.5% non-elective contribution compliance (OPALCO)
- Successfully managed the transfer of federal EBB recipients to the new ACP program. Continue to process and maintain low income and student community support through ACP and school district assistance program and claims processing for federal reimbursement; ongoing audit with SJC school districts for student attrition.
- Along with our broker, we successfully negotiated down insurance premium rate increase from 27% to 19% and managed the enrollment process for all staff.



- Instituted and utilized internal programs (DocuSign) and (SharePoint) and to streamline internal documentation and communication.
- Assisted with the integration of Salesforce with RIC website and job applications along with the Access Request ticket system to simplify hiring, onboarding, and tracking of new and termed employees.
- Instituted company-wide DEI compliance training via KnowBe4 along with continued cybersecurity campaigns
- Instituted an ongoing community support funding process through Orcas Community Foundation for low-income assistance.

Plant and Construction:

- Increased the scope of the T-Mobile site repair work into our day-to-day business, to facilitate our partners equipment health in SJC.
- Added 2 new Anchor Sites to the LTE network.
- Installed over 42 Miles of new Fiber plant.
- Fiber has been made economically available to nearly 7,600 residences in SJC.
- Delivered a 99.998% reliability rate to our fiber and wireless customers.
- Handled major logistical issues with supply chains to continue to meet business goals.
- Handled regular local ferry catastrophes by dynamically adapting to crew and schedule needs without advanced notice.
- Maintained strong onboarding rates despite major hiring gaps in the workforce.

Sales and Marketing:

- Connected 638 homes and businesses to our fiber network, and 473 to LTE.
- Captured 50% and growing of the total internet subscriber market in the county.
- Grew fiber ARPU to over \$100.
- Beat our business goals for total revenues overall.
- Improved sales and marketing which yield a good volume of new customers and revenue.
- Improved SEO marketing and google business placement.
- Improved Social media marketing and company presence on the web.
- Improved website visibility and traffic to help us stay with modern business trends.
- Implement successful fiber hoods by organizing and managing the fiber hood process which helps interested parties to have a very smooth experience.
- Improved marketing and strategy on new business customer acquisition
- Implement a successful VoIP platform for both business and residential which created a whole new revenue growth.
- Improved customer service by tightening how we onboard and the way we road map businesses to be technology driven.
- Improved support accuracy for SLA customers and try our best to always stay within SLA.

- As and Managed service provider we have become a major player in the county as a technology company as our community continues to have wonderful experiences with us.
- Introduce standardized ways and tools to help improve e.g., Network monitoring, security, wireless and Server management.
- Deploy Anti-Spam filter services to help protect customers from modern cyber threats.
- Deployed a successful 24/7 Business VoIP support.
- Improved personnel skills technically and understanding of how to leverage best practices to help grow our customers while improving trust.
- Continue to add more SLA customers to our portfolio as we grow as a player in the IT industry in the county.
- We maintain over 100 SLA customers we are only able to do so by improving our effectiveness and time management.
- Lead efforts in improving LTE and Fiber sales by coming up with ways to get customers to engage and coming up with Ads and posters to help drive sales.
- Successfully implement a solid business VoIP platform and continue to add more customers rapidly.
- Improved our hardware sales and profit margins steadily.
- Improve T&M jobs profitability to a very respectable number that can change our ARPU in the right direction we are doing this by paying attention to time and resources.
- Implement standardized network builds and support for all customers to make sure we are all on the same page and can work with each other without any issues.

Technology:

- Successfully launched 2gb fiber speed to residential customers, providing them with high-speed internet access and enhancing their online experience.
- Conducted live IPv6 address production testing, staying ahead of the technological curve and ensuring that our services remain cutting-edge.
- Completed a critical infrastructure upgrade, specifically the Westin to South Hill 100gb cross-connect 100gb upgrade, which has enabled us to provide more reliable services to our customers.
- Upgraded TMO to 2x 100gb circuits and multi-homed them for redundancy, demonstrating our commitment to providing top-notch services and ensuring that our customers' needs are always met. Generating over \$100,000 in revenue from TMO for transport services.
- Successfully commissioned the San Juan County radio project, providing critical support for community emergency response efforts, including Sheriff, EMS, Fire, and public works radio networks. This project has expanded our capabilities in the telecommunications space and enables us to install and support communication infrastructure to first responders and essential services during emergencies and disasters.
- Added the first leg of our new multi-gig disaster recovery microwave radio path, from Mount Constitution to Lummi Island, demonstrating our commitment to business continuity and disaster recovery planning.



- Deployed a state-of-the-art Speedtest.net server with IPv4 and IPv6 capabilities, capable of conducting speed tests at 10gb plus speeds, providing our customers with accurate and reliable information about their internet speeds.
- Improved customer experience by reducing missed calls, consolidating calls from billing, solutions, and fiber questions and onboarding into the same team, and standardizing process to create consistent support.
- Spun down the T-Mobile store and spun up the T-Mobile kiosk.
- Migrated 365 from .com to .net and introduced multi factor authentication for increased security with the RIC org.
- Access requests integrated into salesforce.
- Assisted the schools in facilitating a grant application to help students with access to education from home.
- Fully trained the support staff to handle additional residential VOIP service support.

2022 Unaudited Financials

The full 2022 Year End Unaudited financial report is included under separate cover. Included in the report package are the Statement of Revenues and Margins (along with a notable driver analysis), Balance Sheet, Statement of Cash Flows (GAAP), and capital projects budget tracking.

2022 was a year of recovery and preparation for the next big challenge of adjusting to a decarbonized power world. Our team worked with members in arrears post-COVID and has receivables and bad debt under control again. There were still significant pandemic barriers to overcome, including contractor availability (especially ROW clearing) labor shortages (seven unfilled positions) and supply issues that have delayed capital projects. Even shorthanded, the OPALCO team made it through the year maintaining a reliability rating of 99.87% for 2022 while Team Rock Island kept the internet up 99.99% of the year.

The energy charge adjustment (ECA) collected a net \$1.4k from the membership through year end 2022. The impact of COVID-19 on our commercial members has appeared to waned as commercial revenue was above budget by ~\$503k. Overall operating revenue was higher than budget as kWh sales came in over budget.

The table below provides a summary of the financial results of 2022.

Income Statement Summary (in thousands)	Year End 2022 (unaudited)		
	Budget	Projected	Variance
Operating Revenue	\$ 34,267	\$ 35,679	\$ 1,412
ECA Surcharge / (Credit)*	\$ -	\$ 1	\$ 1
Revenue	\$ 34,267	\$ 35,680	\$ 1,413
Expenses:			
Cost of Purchased Power	\$ 9,496	\$ 9,756	\$ 260
Transmission & Distribution Expense	7,091	7,739	648
General & Administrative Expense	6,058	5,762	(296)
Depreciation, Tax, Interest & Other	8,585	8,874	289
Total Expenses	31,230	32,131	901
Operating Margin	3,037	3,549	512
Non-op margin	285	439	154
Net Margin*	3,322	\$ 3,988	666
OTIER**	2.49	2.75	0.27
TIER**	2.64	2.97	0.33
Equity %	39.9%	40.0%	0.1%
HDD	1,375	1,543	168
kWh Purchases	220,000	241,802	21,802
kWh Sales	206,800	226,041	19,241
Capital Expenditures	10,320	8,929	(1,391)

* The ECA collected \$1k from members through the full year of 2022.

For more details, please note the following key points:



- Heating Degree Days (HDD) were ~12% above budgeted levels (actual of 1,543 vs. budget of 1,375). Overall kWh sales were ~19.2M kWh above budget (226M vs. budget of 206.8M).
- 2022 power purchases were \$260k higher than budgeted due to a combination of higher overall kWh purchases and large peak charges. Actual kWh purchases were 21.8M kWh above budget (241.8M vs. budget of 220M).
- Excluding purchased power, 2022 operating expenses were approximately \$641k over budgeted amounts. See budget notable drivers within the financial packet for specific account details.
- The ECA for 2022 was a net charge to members (and increase to operating revenue) of \$1.4k, or \$.89 for a member using 1000 kWh/month.
- The year ended with staffing down by seven full time employees. Hiring is challenging in the current environment and competition in the industry is high. The qualified and dedicated team has managed to maintain reliability, but adequate staffing that management continue to address.
- Rock Island Communications 2022 Financials included in separate packet.

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

- Budget Variance
- TIER/Margin
- Expense
- Cash
- Power Cost
- Purchased Power
- Annual Power Metrics
- Capital
- Debt/Equity
- WIP
- Income Statement Trends

Member Services

- Disconnects
- Uncollectable Revenue
- PAL
- EAP
- Membership
- Service Additions
- Annual Service Additions
- Revenue Dist. By Rate

Outage

- Historical SAIDI - Graph
- Historical SAIDI - Figures
- Outage Stats – Rolling 12 Mo
- Outage Stats – Monthly
- SAIDI by Category
- Outage Summary

QUICKFACTS

Please review the Quick Facts at <https://www.opalco.com/newsroom/quick-facts/>.

- OPALCO's Plan for our Energy Future
- Decarbonization – 4 Part Series
- Switch It Up!
- WA 2021 Energy Strategy
- Simpson Proposal and the Northwest Energy Evolution
- Will there be enough power?
- OPALCO Rates
- Energy Independence? Not entirely
- Rock Island Communications
- OPALCO election process
- Wireless Services
- Cost of Service
- Staff Compensation
- NRECA
- OPALCO Debt and Capital Projects
- Ocean Health
- NW Resource Adequacy in a Rapidly Decarbonizing World
- Land for Renewable Energy Projects
- Understanding the Change in Solar Rates
- Decatur Island Battery Storage Project
- Why Hydropower is Important to our Power Supply
- Where does OPALCO stand on regional issues and the dams?
- Future Power Purchase Strategy
- Industry Association Memberships and Co-op Benefits
- Climate Change News Review - September 2022
- OPALCO Tidal Energy Pilot Project
- Solar Rate for Residential Members



ENGINEERING, OPERATIONS, AND INFORMATION TECHNOLOGIES

WIP

As of March 8, 2023, there are 437 work orders open totaling \$10.06M Operations has completed construction on 149 work orders, totaling \$3.64M.

Safety

Northwest Safety Service conducted winter and defensive driving training for operations staff. The total current hours worked without a loss time accident 232,092 hours.

GRANTS

Grant Seeking

Staff continue to be active in the grant space. There are upcoming funding opportunity announcements for federal (DOE) and state (DOC) and staff will continue to develop new grant applications to meet the needs for grid transformation readiness, modernization and reliability. Key projects include a new submarine cable connection to the mainland, tidal generation, local microgrids and electric ferry readiness.

Awarded Grants

Washington Department of Commerce - Grid Modernization

- San Juan Microgrid (Grant \$2.4M) (partnered with PNNL) – Staff is in process of executing purchase agreements on the battery systems with the balance of plant RFP in progress.
- 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 Conceptual Design (Phase 1 – Preliminary Design Only) – Staff and subcontractors have initiated outreach with the tribes and regulatory agencies. Staff will begin public outreach starting with the Island Way Webinar on March 22. \$150K
 - Friday Harbor Ferry Electrification Preliminary Design (Phase 1 Only) – On hold until WA DOC releases the next stage in contracting. \$150K

Washington Department of Commerce – Clean Energy Fund 3 Solar

- Low-Income Community Solar Deployment (Grant \$1M) – Staff has executed construction contract and is working with the contractor engineering design to finalize engineering design. Conditional Use Permit is anticipated to be submitted to the County by the beginning of Q2 2023 with public outreach to begin slightly prior.

Outage Follow Up 12/22-23 & 12/24

Staff met with Puget Sound Energy and BPA to discuss the December outages. The group is collecting a list of lessons learned to minimize restoration delays going forward. In the January Board Meeting, the Board requested the estimated lost revenue as a result of these outages. After closing out the 2023 financials, OPALCO estimates the lost revenue at ~\$115k and an estimated avoided power cost of ~\$37k for a net of ~\$78k.

FINANCE

2023 Budget Tracking

Energy (kWh) sales were lower than budgeted levels through for February 2023. January was generally warm, with HDD's approaching the 10-yr low for the month, while February was slightly colder than average. This January El Nino condition, paired with a large ECA credit for the first two months of the year of \$492k (resulting primarily from the cold snap in December) resulted in gross operating revenues below budget by ~\$1.7M. The table presents full year 2023 projection with actuals for prior months where available.

Income Statement Summary (in thousands)	2023 Projection (actuals for prior months)		
	Budget	Projected	Variance
Operating Revenue	\$ 35,842	\$ 34,632	\$ (1,210)
ECA Surcharge / (Credit)*	\$ -	\$ (492)	\$ (492)
Revenue	\$ 35,842	\$ 34,140	\$ (1,702)
Expenses:			
Cost of Purchased Power	\$ 9,631	\$ 9,650	\$ 19
Transmission & Distribution Expense	7,780	7,995	215
General & Administrative Expense	6,621	6,564	(57)
Depreciation, Tax, Interest & Other	9,080	9,000	(80)
Total Expenses	33,112	33,209	97
Operating Margin	2,730	931	(1,799)
Non-op margin	457	450	(7)
Net Margin*	3,187	\$ 1,381	(1,806)
OTIER**	2.31	1.45	(0.86)
TIER**	2.37	1.67	(0.70)
Equity %	39.6%	38.6%	-1.0%
HDD	1,367	1,275	(92)
kWh Purchases	222,000	222,605	605
kWh Sales	208,700	205,356	(3,344)

* The ECA returned \$492k to members through February 2023

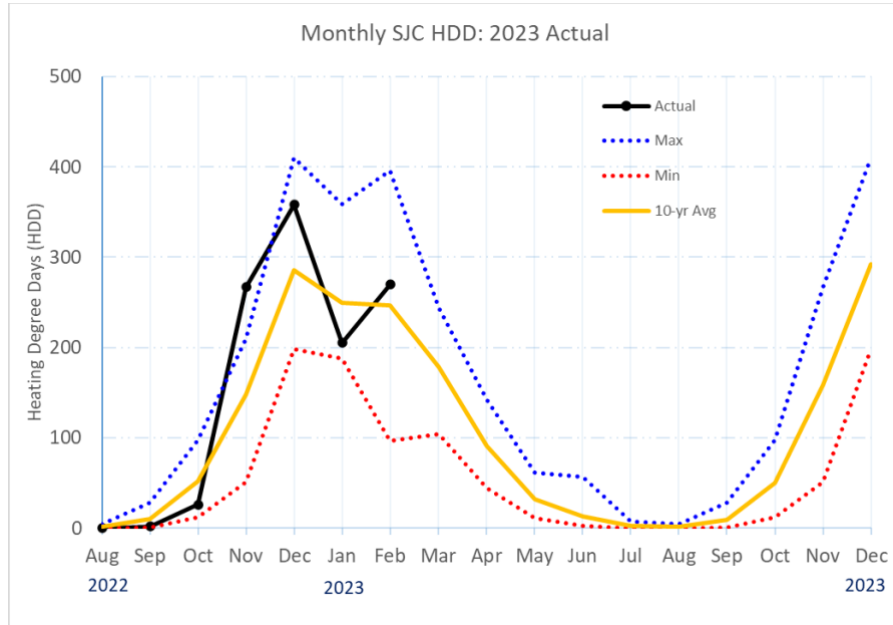
** TIER is a 'full-year' metric, thus not representative in early months as there has not been an accumulation

Monthly Energy Charge Adjustment (ECA)

The calculated amount for the February 2023 ECA was a bill credit of \$.008821 per kWh which returned \$238,748 to members, or \$8.82 per 1,000 kWh. The March billing period ECA is projected to be a bill surcharge of \$.004612 per kWh on member bills, or \$4.61 per 1,000 kWh. The exact amount of the ECA is an estimation based on known kWh sold and a recalculation of our contractual power bill, which may occasionally include other one-time factors or adjustments.

Heating Degree Days (HDD)

December 2022 saw a very cold weather snap similar to what we saw in 2021, followed by a flip to a warmer trending January '23 and back to a colder February. We continue to monitor weather trends monthly.

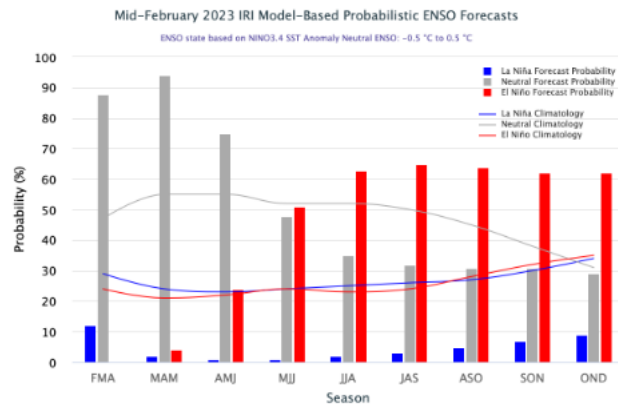
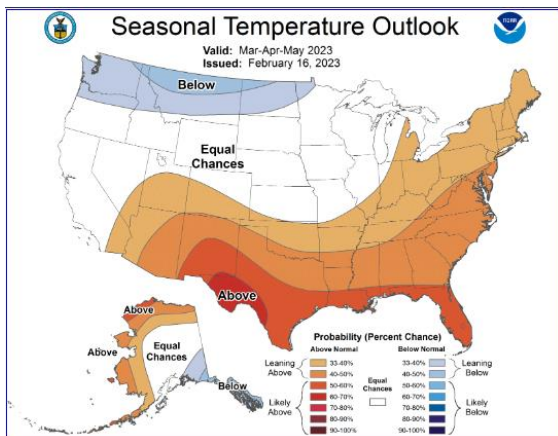


*max, min, avg is based on 2012-2022

Weather Forecast

Looking ahead to the NOAA 'three-month outlook temperature probability' for Mar-Apr-May '23, the outlook is currently showing 'likely below' normal temperatures in our region in the coming winter months. We continue to monitor these predictors monthly.

2023 Mar-Apr-May Outlook



Source: NOAA National Weather Service



MEMBER SERVICES

Annual History of Energy Assistance Funding

All values are as of first of the month reported.

		2018	2019	2020	2021	2022	2023	Grand Total
Energy Assist Credit	# of Accounts	444	460	574	577	546	383	1,001
	Total Assistance	111,996	135,595	158,434	158,740	156,761	30,257	751,783
PAL	# of Accounts	212	205	329	363	297	80	758
	Total Assistance	45,155	53,137	80,975	104,880	82,912	23,500	390,560
EAP Residential - COVID	# of Accounts			88	74	63		98
	Total Assistance			21,535	27,606	8,348		57,489
EAP Commercial - COVID	# of Accounts			107	97	79		119
	Total Assistance			73,340	87,233	21,998		182,570
PAL - COVID	# of Accounts			131	122			222
	Total Assistance			15,000	12,200			27,200
Grand Total	# of Accounts	460	488	835	825	754	421	1,340
	Total Assistance	157,151	188,732	349,283	390,659	270,018	53,757	1,409,602

Note: EAP funds are collected, primarily, from a program OPALCO created by including a line item on all OPALCO member bills. Additional funds are directed to the EAP from the Decatur Solar Project (10% of all production credits). In 2020/2021, additional funds (not included in this chart) were paid out to members who were impacted by COVID. When the Bailer Hill Microgrid Projects comes online, up to 45% of its production will be directed to EAP. The “# of Accounts” are the distinct accounts assistance was provided to over the year or as a total. The “Total Assistance” many vary based on single account adjustments.

EAP: During February 2023, 380 members received ~ \$25.7k from the low-income Energy Assist program, compared to 438 members who received ~ \$16.8k in assistance in February 2022.

Project PAL: During February 2023, 41 members received ~10.4k from Project PAL, compared to 76 members who received ~18.3k in February 2022.

LIHEAP: Notifications and awards have picked up.

Staffing: Alicia Harris-Kimple, a new Member Services Representative, joined the Eastsound team on March 1, 2023.

Switch it Up!

There are now 440 projects complete and billing for a total of \$5.9M net outstanding (total loan less member pay offs). There are another 35 projects in various stages of the process. Some projects have been delayed as residential contractors have been limited by supply chain issues. Staff have made the new Switch It Up measures available and have received lots of interest from members. Current project details are as follows:

Project	2019	2020	2021	2022	2023	Grand Total
Energy Storage				39,510		\$ 39,510
Ductless Heat Pump	648,252	617,060	641,765	1,551,036	255,488	\$ 3,713,600
Fiber		30,725	48,681	29,301	6,581	\$ 115,288
Ducted Heat Pump	8,119	30,000	15,000	18,127	231,779	\$ 303,026
Heat Pump Water Heater	13,985	9,805		5,012		\$ 28,802
Insulation				250,090	-	\$ 250,090
Other	14,543			90,649	2,245	\$ 107,437
Solar				1,449,534	305,094	\$ 1,754,628
Windows				477,583		\$ 477,583
Appliance					12,132	\$ 12,132
Grand Total	\$ 684,900	\$ 687,589	\$ 705,446	\$ 3,910,841	\$ 813,319	\$ 6,802,095



Energy Savings

During February there were a total of 13 rebates paid out to members totaling \$13.5k. This includes six fuel switching ductless heat pump rebates and two EV charging station rebates.

Member Benefits from Energy Efficiency and Fuel Switching Programs:

OPALCO is committed to helping members prepare for an efficient and sustainable energy future with programs, incentives, and rebates. All values are as of first of the month reported.

		2018	2019	2020	2021	2022	2023	Totals
EE Rebates*	# of Accounts	264	442	303	147	210	40	1,406
	Total Awards	\$161,262	\$228,418	\$167,432	\$149,886	\$227,622	\$37,455	\$972,075
	Total Energy Savings (annual kWh)	479,323	733,432	783,431	359,269	346,900	41,177	2,743,532
Switch It Up**	# of Accounts		72	87	69	188	52	468
	Total Financed		\$684,900	\$687,589	\$705,446	\$3,806,756	813,319	\$6,802,095

*BPA includes the cost of the Conservation (Rebate) program in the power bills that OPALCO pays. When members utilize the rebates and OPALCO documents it, the Co-op then gets credited back that amount. In essence, we are overbilled for the rebate program and only get credited if members utilize the rebates. OPALCO is unique in the pool of BPA utilities for consistently using all or most of the available conservation dollars in this program. We have often used conservation funds allocated to other Co-ops that they were unable to use through their member rebate programs.

**Funds for the Switch it Up! Program come from the USDA Rural Energy Savings Program for relending to members. OPALCO charges 2-3% interest to cover administrative costs for members financing projects with these funds; there is no impact to member rates.

Solar Programs

Interconnects

There were nine new interconnect applications submitted in February and five members were interconnected with solar for a total of 614 (<https://energysavings.opalco.com/member-generated-power/>). There are an additional 31 pending connection.

Community Solar

During the February 2023 billing cycle, the [Decatur Community Solar](#) array produced 10,000 kWh. A total of ~\$651 was distributed to 261 accounts in February.

Solar Benefits Paid to Members

All values are as of first of the month reported.

		2018	2019	2020	2021	2022	2023	Totals
Comm Solar	# of Accounts			265	268	262	261	
	Total Payments			\$93,734	\$95,497	\$84,658	\$1,322	\$275,211
WA State Incentives*	# of Accounts	268	256	259	58	57	0	
	Total Payments	\$167,971	\$224,766	\$218,222	\$91,461	\$84,828	\$0	\$787,248
MORE**	# of Accounts	145	144	144	140	135	0	
	Total Payments	\$54,173	\$53,109	\$51,897	\$50,896	\$123,477	\$0	\$333,552

*The funds paid out to members for the Washington State Incentives are included in OPALCO's state tax bill and then credited when paid out to members.

**The MORE (Member Owned Renewable Energy) program closed to new participants in 2016. Members purchased "green leaves" of renewable power to support local solar producers. OPALCO fully supported this voluntary member program until member interested died out. The program ended September 30, 2022, with a final payout of all program dollars that remained.



COMMUNICATIONS

Island Way Workshops and Events

Staff continue to hold virtual workshops for OPALCO members on topics important to the Island Way Campaign. Upcoming schedule includes:

- March 3: Tabling at the San Juan County Agricultural Summit
- March 22 @ 5 pm: Tidal Power Workshop
- April 12-14: EV Road Trip to Northwest Regional Group Conference
- April 22: Tabling and Talks at the Orcas Earth Day Celebration (Emmanuel Church)
- May 23: Community Solar
- August: EV presence at the Rotary Classic Car Event in Friday Harbor
- August 24: EV Jamboree on Lopez (details to come)

Staff hosted a workshop, Maximize Ductless Heat Pump Efficiency, in February with 45 members in attendance. Experts from Barron Heating led a robust discussion. A poll of attendees showed about half learned of the workshop through Ruralite Magazine; the other half were divided between the email newsletter and social media posts.

Annual Meeting

Save the date for April 29th – OPALCO’s Annual Meeting. This year the meeting will be virtual. The event will have updates on the state of the co-op, great prizes and the results of the election.

Board Election

Meet the candidates and find out how to vote at: <https://www.opalco.com/about-community/elections-hub/>. The candidate forum is happening on March 9th via Zoom. Register here: <https://www.opalco.com/event/candidate-forum/>.

2023 Election Timeline

Event	Date
Candidate application available online	12/16/22
Director Applications deadline - to EGC	01/25/23
Nominations posted - (80 days prior to meeting)	02/08/23
Nominations by petition deadline	02/17/23
Nominations by petition posted - (55 days prior to meeting)	03/03/23 (03/05/22 – 55 day – Sun)
Candidate Forum	03/09/23
Notice to members/Ballots mailed - (21-50 days prior to meeting)	03/10/23-04/08/23
Election closes - (3 days prior to meeting)	04/26/23
Annual Meeting	04/29/23

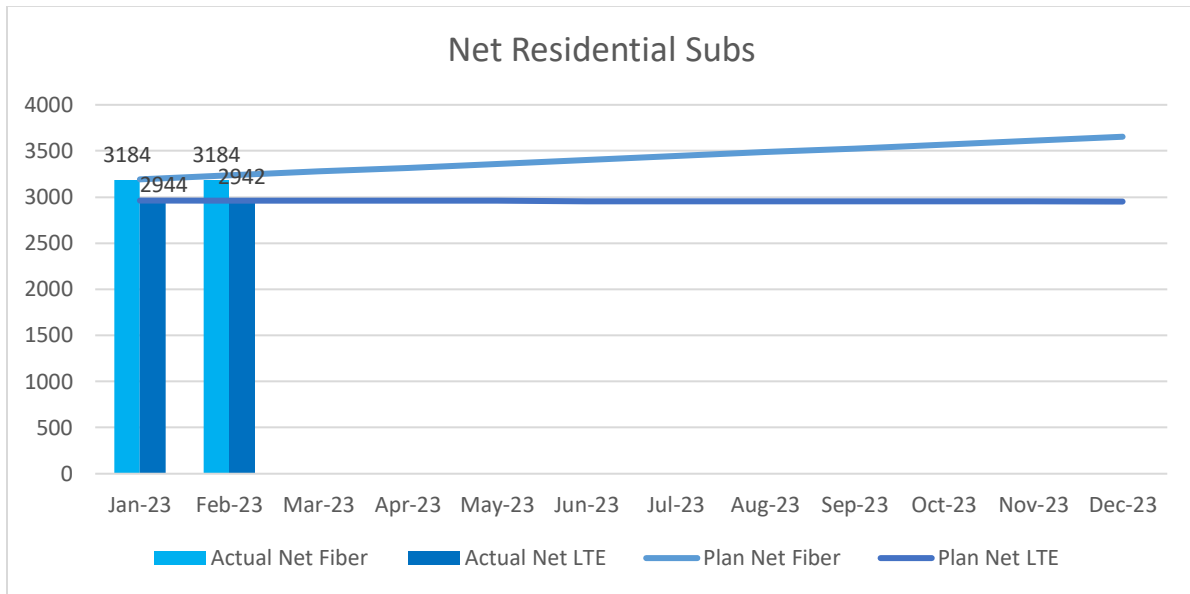
Legislative Update

Staff continue to advocate in Olympia in coordination with WRECA. Staff will be participating in the NRECA Legislative Rally in Washington DC this April to advocate for grant funding, renewable energy legislation including tidal power, and essential capacity upgrades (redundant submarine cable) for OPALCO’s transmission system that connects us to our mainland power supply.

Rock Island Snapshot

RIC Snapshot March 2023 Board Meeting
6,508 Internet Service Customers

Net Subscribers



Revenues



Previous months revenues are not closed out and are subject to change. We are seeing the typical February slump due to prorated days in our accounting system vs the simplified budgeting system methodology.