



Board of Directors

Regular Meeting

Thursday, August 17, 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
 August 17, 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 on 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 at the 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 – June and July 2023

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

BALCOMB-BARTOK, KELLEY & BALCOMB-BARTOK,
CARLENE
BATES, CRYSTAL
BARKEL, KAREN & BARKEL, RICHARD
BENALES, JAKE & BENALES, MICK
BERENS, SCOTT & BERENS, AMANDA
BLACKBURN, HOLLY & BLACKBURN, ANTHONY
BLOHM, LESLIE
BOHL, SCOT
BRIGGS, JAMIE
BUTRUILLE, MELEAH
BYFIELD, PETER & THOMPSON, ISHEIKA
CARLSON, LES
CARRILLO, JONATHAN
CUDDINGTON, MICHAEL & PLYMESSER, LINDA
DAHL-SESBY, CHRISTINA
DAVISON HEAD PROP, ERTIES LLC
DUFF, AMANDA & EVANCHICK, RAYMOND
EASTERLING, BRADLEY
ECKLEIN, BRYCE & ECKLEIN, NICOLE
ELLIOTT, JON & ELLIOT, KARLYNN
ESTRADA ALDANA, NOE
FINNEGAN APARTMENTS LLC
FISCHBURG, PAUL & ERWINE, BARBARA
GARRETT, NATALIE & GARRETT, CONNOR
GRIFFIN, ART
HARGROVE, JESS & DOWNING, JENNA
HART, SHERRYL & HART, LARRY
HILL, VINCENT & SPREYER, LISA
HINDMARCH, STEPHEN & HINDMARCH, MONICA
HUBMAN, GARRICK

JONS, ROWAN & JONS, LOWELL
KIRKMAN, LAURIE
KUNEN, LAURA & KUNEN, ISAAC
LEVIN, STEVEN & LEVIN, PATRICIA
MACDIARMID, AUSTIN
MAHER, GREGORY & MAHER, REBECCA
MCLEAN, ANN & DZIUBINSKI, MICHAEL
MILLER, GARY
MILLER, JOE & MILLER, NAN
MILLER, TANNER
NOLAND, JEANETTA
NUEFELD, AXEL & WHITE, SHASTA
PAULSEN, DIRK
PIERCE, NATHAN & MONTGOMERY, TIFFANY
SAN JUAN TINY SUI, TES LLC
SCHUH, GREGORY
SHALLER, COREY
SHEEHAN, JOHN
SLAGLE, ALYSSA & NELSON, CHRISTOPHER
SMITH, GARRETT
STEELE, NAOMI & BRASINO, CHRISTOPHER
SWIFTWATER ELECTRIC AND SOLAR
TOOTILL, DENISE & TOOTILL, JOHN
TREEHOUSE 5 LLC
TREFETHEN, JOHN & TREFETHEN, THEA
UGALA
VILLERS, CHRISTINE
WARMENHOVEN, NATASHA & WARMENHOVEN,
CHAD
WEISBROD, STEPHEN
YORK, ALBERT



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

BENEPE, MACKENZIE & THOMASSON, NILES
CASE, MICHAEL & GUIZZETTI, CAROLE
CHEATWOOD, JOHN
CHORD, CHRISTOPHER
DEVON, DENNIS & DENNIS, MEGAN
ELLISON, MARK
FAMILY TREE CHIRO, PRATIC INC & SAYLES-MILLER,
AIMEE
FROSOLONE, CHARLES & FROSOLONE, SUE
GALLEHER, RYAN & LENOSKI, NICOLE
HANCE, SYDNEY
HOLMBERG, TODD & GUST, SUSANNAH
KIRK, DARRELL & DEVEREAUX, ELIZABETH
KIRSCHBAUM LIMITE, D PARTNERSHIP
LEONG, DARIN
LOOCK, JULIA & LOOCK, KEN
LOWRY, BARBARA
MARTIN, ANDY & JABLOW, IAN
MAXFIELD, STEFAN & MAFIELD, LORI
NEWPORT, ROSS
ORCAS AIR 77 LLC
PATE, CANDACE & PATE, ROBERT
PEIROLO, KAREN
PITTS, LAURA
PRITCHARD, MAURA
ROSE, KIM
SEEVER, ADAM
SMITH, RALPH
SURIADI, KADEK
TIMSOLO LLC
TURNER, LINDA
VINSON, MARGARET
WALDRON, ALEX & LIU, KEXIA

WICKSTRAND, MICHAEL
WHITBECK, CAROL

District 3 (Lopez, Center, Decatur, Charles)

BAY HARBOR LLC
CRANDELL, MICHAEL & CRANDELL, SUNNY
GOOD, RYAN
HAINES, KATHRYN & HAINES, JASON
HAYES, D ADAM
HENDRICKS, STEVE & HENDRICKS, LAURA
HETH, SALLY & MOLNER, DENISE
JACKSON, MEGAN
MHI 2 LLC
PEW, JAMES
STERLING, MALIA & STERLING, AYRE
TELZROW, JEREMIAH
VANSCHOIACK, JUDITH & VANSCHOIACK, DALE
WALUM, ERIK & WALUM, KATERINE
WINTER, ALAYNA & EASTHOUSE, BRET
YEAKEL, JIM & PURDY, JOAN

District 4 (Shaw, Crane, Canoe, Bell)

MAIN, MARTIN & STRONG, MARGARET
PERERA, AMY & PERERA, JON



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

August	
Customer #	Amount
24204	755.75
51254	1,088.73
17890	730.00
63417	1,106.96
70543	1,406.48
83949	245.59
97175	106.20
Total	\$ 5,439.71

Staff requests a motion to approve the Consent Agenda.



Orcas Power & Light Cooperative

Minutes of the Board of Directors Meeting

Thursday, June 15, 2023

Streaming through Zoom attendees were Board members Vince Dauciunas, Jerry Whitfield, Brian Silverstein, Mark Madsen, Tom Osterman, Chuks Onwuneme, 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; Assistant Communications Manager Krista Bouchey (serving as recording secretary) and Head Accountant Travis Neal. Also present were Legal Counsel Joel Paisner and consultant Jay Kimball.

Members in attendance: Janet Alderton, Kim Secunda, Sharon Abreu, Mike Hurwicz, Norris Carlson, Rob Memmott, Robert Dashiell, Sarah Garbett, Terry O’Sullivan, Tom Owens, Chris Greacen, Ray Glaze, James McCubbin, Sandy Bishop, Heather Nicholson, Chom Greacen, Sharon Grace, John Fleisher, A. Longley

Meeting commenced at 8:31 a.m.

Member Comment Period: Before member comments were heard, Board President Dauciunas noted that Member Policy 17: Member Participation at OPALCO Meetings had been pulled from the agenda as an action item due to member concerns. Member comments were welcomed and Dauciunas noted the Board would consider the matter as a discussion item.

James McCubbin, Janet Alderton, Michael Hurwicz, Sharon Abreu, Norris Carlson, Kim Secunda, Sandy Bishop, Tom Owens, Chris Greacen, Chom Greacen, Heather Nicholson (for herself and also Sue Bauer), Ray Glaze and Sharon Grace all commented on Member Policy 17 and encouraged OPALCO to continue recording board meetings and making those recordings available to members.

ACTION ITEMS

CONSENT AGENDA

MOTION was made by Silverstein to accept the consent agenda, seconded by Madsen, and passed unanimously by voice vote.

BOARD OFFICER ELECTIONS

Board members voted electronically and vote was tallied by Nancy Loomis, Manager of Finance & Member Services. Results were unanimous support for Vince Dauciunas, Board President; Jerry Whitfield, Vice President; Brian Silverstein, Secretary-Treasurer.

DISCUSSION ITEMS

MEMBER SERVICE POLICY 17: Member Participation at OPALCO Meetings

Discussion ensued on the practice of recording board meetings, including logistics, staffing, barriers and transparency. Dauciunas asked staff to present a recommendation at a future meeting.

Executive Session: 9:40 AM

Back to Regular Session: 10:35 AM

REPORTS

Staff reviewed reports, dashboards, grant and budget tracking, and project updates.

Meeting Closed: 11:00 AM

Vince Dauciunas, President

Brian Silverstein, Secretary-Treasurer



Board Resolution 3-2023 for the Execution of the RUS Federal Financing Bank (FFB) Loan AV45

OPALCO maintains a RUS FFB loan in place to fund a portion of capital projects per the Board-approved annual budget. The current loan instrument, FFB AS8, was set to expire during 2023, so a new loan application was submitted to support the potential loan draws for the next five years based upon the Board-approved Construction Work Plan (CWP).

OPALCO was recently notified that the application for the new FFB loan, now termed AV45, in the amount of \$27,546,000 was approved by RUS. To finalize the loan instrument, OPALCO received from RUS loan agreement documents, that provide the terms of the loan (the detailed agreement documents will be sent to the Board under a separate cover). The OPALCO Board will need to review and approve the execution of the loan documents, by ratifying Board Resolution 3-2023 FFB AV45 Secretary's Certificate. Please note that the Corporate Debt Limit of \$190M (indicated in the resolution below), was increased to accommodate the face value of the new CWP loan, which was approved by the Board during the February 2023 board meeting.

Staff requests the Board to make a motion to allow Board officers and General Manager to execute Resolution 3-2023 and other RUS loan documentation.

BOARD OF DIRECTORS
RESOLUTION 3-2023
Federal Financing Bank Loan AV45
Secretary's Certificate

I, Brian Silverstein, do hereby certify that: I am the secretary of Orcas Power & Light Cooperative, (hereinafter called the "Corporation"), the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Corporation at the regular meeting held August 17, 2023, and entered in the minute book of the Corporation and none of the following resolutions has been rescinded or modified:

RESOLUTIONS

1. RESOLVED that the Corporation borrow from United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS") an amount not to exceed \$190,000,000; and

2. RESOLVED that the corporation accept the terms and conditions which the Administrator of RUS has established for obtaining the RUS loan, as such terms and conditions are set forth; and

3. RESOLVED that the President is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:

(a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and



(b) a note payable to RUS in the principal amount of \$27,546,000.00, substantially in the form of the RUS note submitted to this meeting; and

(c) as many counterparts as shall be deemed advisable of a Restated Mortgage and Security Agreement by and among the Borrower, the Government, National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$190,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and

4. RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

5. RESOLVED that the President, and any official(s) authorized to act in such corporate position(s) and to perform the functions of such position(s) are authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to RUS, and (b) to specify information and select options as provided in such instruments.

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

I FURTHER CERTIFY THAT the date of actual execution of the documents referred to above is August 17, 2023.

I FURTHER CERTIFY THAT the following are the names and signatures, respectively, of the officers of the Corporation identified below who validly held and occupied their respective positions on said date of actual execution of the documents.

<u>Office</u>	<u>Name</u>	<u>Signature</u>
President	Vincent Dauciuonas	_____
Vice-President	Jerry Whitfield	_____
Secretary-Treasurer	Brian Silverstein	_____

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this _____ day of _____, 2023.

Secretary

CORPORATE SEAL



PNGC Contract Renewal

OPALCO signed its original contract with PNGC in June of 2016, becoming a full member after a year of observation and appraisal. In preparation for the post-2028 BPA Contract, PNGC has updated its contract with member utilities to be responsive to the evolving needs and modernize the services included accordingly. OPALCO counsel, Joel Paisner, was a member of the contract work group retooling the PNGC contract.

Working together with its member cooperatives, PNGC is adjusting its services and resources to respond to the projected terms of the new BPA Contract, which is in development now.

Staff requests Board make a motion to allow the General Manager to execute the updated PNGC Contract in September.

DISCUSSION ITEMS

Upcoming Puget Sound Energy (PSE) Outages

All of San Juan County will be affected by planned power outages necessary to make critical repairs to our transmission system on the mainland. The repairs will take place overnight on:

- September 25th, 10 pm – 6 am (09/26)
- September 26th, 10 pm – 6 am (09/27)
- September 27th, 10 pm – 6 am (09/28)

Puget Sound Energy (PSE), who provides transmission power through Bonneville Power Administration (BPA) to San Juan County, notified OPALCO that they need to replace three poles, rebuild three more poles, and conduct other critical maintenance work. For the safety of the crews, they will need to have the transmission lines to San Juan County de-energized. This work is located between the PSE Burrows Bay Substation and the BPA Fidalgo Substation (Washington Park Area). PSE will have multiple crews conducting the work which will be completed over three nights. Each outage is scheduled for an eight-hour period of 10 pm – 6 am during the nights of September 25th, 26th, and 27th.

Each outage will start with thirty minutes of switching to de-energize and make the site safe to work and end with thirty minutes of switching to remove all safety measures and re-energize. While the power is off, the OPALCO crew will utilize the opportunity to do maintenance work on our local system.





Member Service Policy 13 – Interconnection of Member Owned DER Facilities

The revisions proposed by staff are intended to add provisions for two-way communications and control on commercial and public charging infrastructure for electric vehicles as a future distributed energy resource (DER), and to remove language referring to the MORE program which is no longer in operation. There is also a desire to protect the Co-op system from predatory practices of DER aggregators who are positioned to disrupt utility revenue streams and profit from co-op members.

The network of public electric vehicle (EV) charging stations in the County is expanding rapidly and will soon be available in all corners of the islands as EV adoption increases with decarbonization mandates and federal grants are available to fund the installation of this critical infrastructure. This development brings benefits and challenges to the Co-op for load management. OPALCO expects a doubling of load by 2050 as heating and transportation (including ferries) are decarbonized, and that will present some challenges during periods of high demand. On the benefit side, when the charging network includes two-way communication devices, OPALCO can reduce load by limiting capacity on these devices during peak or disruptive events such as extreme temperatures or power outages, which mitigates high demand charges from OPALCO's power provider.

This type of communication control is inherent to the developing smart home culture and internet of things network; OPALCO would be accountable to its member-owners and transparent in its policies to make adjustments to member devices for the purpose of keeping costs down to benefit members while an absentee corporation (third party aggregator) would value profit motives over member benefits.

The public EV charging network would still be available during these managed events, but power could be constrained to a lower kilowatt ceiling to prevent peak charges or aid cold load pick up.

Managing public EV charging infrastructure as a distributed energy resource makes sense as the infrastructure expands and could help support OPALCO's grid during high load time such as during restoration of the system in the winter. Decreasing the demand during these events reduces the load on the system which could in turn reduce additional outages caused by overloads. Though not as common, severe weather events cause extreme loads on OPALCO's system which result in longer restoration times and equipment damage. Reducing either of these would be a benefit to OPALCO.

The issue of third-party aggregators is a real threat. There are legislative proposals to give aggregators more access to utility members in Washington State to provide middleman services that would disrupt the relationship between utilities and their members. Lobbyists for the cooperatives in the State will lobby for co-ops to be exempted from legislation granting access, but these disruptors are focused on getting a piece of the DER pie. OPALCO wants to a) protect their relationship with their members and b) protect the Co-op from liabilities that could result from this type of disruption.

This is a first read of proposed revisions to Member Service Policy 13. Staff request that the Board discuss the proposed changes and provide feedback for a second read in September.



ORCAS POWER AND LIGHT COOPERATIVE

MEMBER SERVICE POLICY 13

Interconnection of Member-owned Distributed Energy Resource Facilities

This policy covers interconnection of any member owned generating facilities, storage facilities, or other facilities supplying energy to the distribution system of Orcas Power and Light Cooperative (“OPALCO” or “cooperative”), herein referred to as distributed energy resource (DER). This interconnection policy for DER facilities specifies the minimum requirements and conditions for non-utility-owned electric resources that will be interconnected for the purpose of parallel operation with the OPALCO electrical system. DER facilities will be permitted to interconnect to OPALCO’s distribution system only after OPALCO determines that the operation of the member’s DER facility will be safe and effective and will not interfere with normal operation of OPALCO’s electrical systems.

13.1 AVAILABILITY

Available to qualifying facilities subject to the limitations below:

13.1.1 The DER must be supplying energy to the cooperative’s distribution system with solar, wind, battery storage or other distributed energy resources.

13.1.2 All DER facilities on OPALCO’s system must be contracted solely between the member and the Cooperative; no third-party aggregator systems are permitted.

13.1.3 Qualifying facilities must adhere to any of OPALCO’s power purchasing contract provisions for interconnection of generation or other qualifying facilities.

13.2 CHARACTER OF SERVICE

Service where the member has elected to interconnect DER facilities with OPALCO’s distribution facilities. The DER facility may be used to offset the member’s own electrical requirements or to generate power to sell to OPALCO. Single phase 120/240 or three phase 277/480 or 120/208 service, at 60 Hz are available. Any service upgrades necessary must comply with MS Policy 5 – Line Extension.

13.3 PRODUCED ENERGY

13.3.1 Members interconnecting DER facilities with an inverter nameplate rating of less than 25 kW shall be under the appropriate tariff.

13.3.2 Members interconnecting DER facilities with an inverter nameplate rating of 25 kW or greater shall execute a Power Purchase Agreement with the cooperative prior to operation of the DER system.

13.4 GENERAL PROVISIONS

13.4.1 Design Requirements

13.4.1.1 All equipment used to interconnect to OPALCO’s system shall be UL listed for the intended use.

13.4.1.2 All systems shall comply with current state code, current national codes, and the cooperative’s interconnection guidelines.

- 13.4.1.3 DER facilities shall have the ability to be monitored by OPALCO via communications protocols defined in the cooperative’s interconnection guidelines.
- 13.4.1.4 DER facilities, including charging electric vehicles connected to commercial or public services, shall have the ability to be controlled by OPALCO via communications protocols defined in the cooperative’s interconnection guidelines.
- 13.4.2 Interruption or Reduction of Deliveries
 - 13.4.2.1 OPALCO shall not be obligated to accept deliveries of excess energy and may require member to interrupt or reduce such deliveries:
 - 13.4.2.1.1 When necessary, to construct, install, maintain, repair, replace, remove, investigate, or inspect any of its equipment or part of its system; or
 - 13.4.2.1.2 If it determines that curtailment, interruption, or reduction is necessary because of emergencies, forced outages, or compliance with prudent electrical utility practices.
 - 13.4.2.2 Whenever possible, OPALCO shall give the member reasonable notice of the possibility that interruption or reduction of deliveries may be required.
 - 13.4.2.3 Notwithstanding any other provision of this policy, if, at any time OPALCO determines that either (1) the facility may endanger any of the cooperative’s personnel or (2) the continued operation of member’s facility may endanger the integrity of the cooperative’s electric system, the cooperative shall have the right to disconnect member’s generation facility from the cooperative’s electric system. The member’s facility shall remain disconnected until such time as OPALCO is satisfied that the condition which necessitated the disconnection has been corrected.
- 13.4.3 Interconnection
 - 13.4.3.1 OPALCO reserves the right to require interconnection studies, additional or upgraded facilities, and the interconnection method. Technical provisions for interconnection shall be provided via the cooperative’s interconnection guidelines.
 - 13.4.3.2 Member shall pay for designing, installing, operating, maintaining and any other associated costs of the generating facility and system upgrades, per Member Service Policy 5 – Line Extensions, and shall be in accordance with all applicable laws, regulations and cooperative guidelines and policies.
 - 13.4.3.3 Member shall not commence parallel operation of the DER facility until written approval of the interconnection facilities has been given by OPALCO.
- 13.4.4 Maintenance and Permits
 - 13.4.4.1 Member shall maintain the DER facility and interconnection facilities in a safe and prudent manner and in conformance with all applicable laws and regulations.



13.4.4.2 Member shall obtain any governmental authorizations and permits required for the construction and operation of the DER facility and interconnection facilities. Member shall reimburse the cooperative for all losses, damages, claims, penalties, or liability it incurs because of member's failure to obtain or maintain any governmental authorizations and permits required for construction and operation of member's generating facility or failure to properly maintain member's facility.

13.4.4.3 Member shall obtain appropriate insurance coverage before operation and provide evidence to OPALCO of such insurance, including liability coverage.

13.4.5 Indemnity and Liability

Member shall save harmless, release and indemnify OPALCO, its officers, directors, employees, other members, and its agents, from any loss, claims or expenses, including but not limited to damages fines, and any other payments arising out of member's actions or inaction in the development and operation, or failures thereof, of its DER facilities and implementing this policy.

~~14.6 MEMBER OWNED RENEWABLE ENERGY (MORE) FUND/PRODUCTION INCENTIVES~~

~~All MORE incentives will be funded through voluntary contributions; OPALCO offers no guaranteed incentive payments. New DERs will be admitted into the MORE Incentive Program on a first come, first served basis after July 1, 2010. MORE installations will follow the Net Metering Section 14.4 of this policy.~~

~~14.6.1 Production meter: Member will install, at their expense, a meter base which will accommodate an OPALCO meter. The production meter is a separate meter from the OPALCO billing meter and is required to record all energy produced from the DER.~~

~~14.6.2 Incentives will be administered through an independent committee of OPALCO members following approved MORE committee guidelines. See MORE guidelines for more details.~~

REPORTS

2023 Q2 Financials

The 2023 second quarter financial report is posted online and included under separate cover. The first quarter results are consistent with the budget. 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.

The energy charge adjustment (ECA) returned a net \$686k to the membership through Q2 2023 which was driven partially by lower power costs than budgeted due to BPA dividend credits of approx. \$881k, and partially by an ECA credit of ~\$250k in January, related to a kWh sales spike in December of 2022. Overall operating revenue was lower than budget even though kWh sales came in slightly over budget.

The table below presents the projection of full-year 2023 financial results using actuals from Q2 and budget projections for future months.

Income Statement Summary (in thousands)	2023 Projection (actuals for prior months)		
	Budget	Projected	Variance
Operating Revenue	\$ 35,842	\$ 36,562	\$ 720
ECA Surcharge / (Credit)*	\$ -	\$ (600)	\$ (600)
Revenue	\$ 35,842	\$ 35,962	\$ 120
Expenses:			
Cost of Purchased Power	\$ 9,631	\$ 9,008	\$ (623)
Transmission & Distribution Expense	8,099	8,681	582
General & Administrative Expense	6,614	6,194	(420)
Depreciation, Tax, Interest & Other	9,071	8,824	(247)
Total Expenses	33,415	32,707	(708)
Operating Margin	2,427	3,255	828
Non-op margin	450	533	83
Net Margin*	2,877	\$ 3,788	911
OTIER**	2.17	2.53	0.36
TIER**	2.37	2.80	0.43
Equity %	39.6%	40.0%	0.4%
HDD	1,367	1,259	(108)
kWh Purchases	222,000	227,112	5,112
kWh Sales	208,700	213,063	4,363

* The ECA returned \$600k to members through July 2023. The credit is partially driven by BPA dividend credits (of \$426k in Q1) included in, and artificially reducing Cost of Power.

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



For more details, please note the following key points:

- Heating Degree Days (HDD) were ~11% below budgeted levels (actual of 813 vs. budget of 917). Overall kWh sales were ~3.8M kWh above budget (116M vs. budget of 112.2M).
- 2023 power purchases were \$476k lower than budgeted due to a combination of higher overall kWh purchases offset by large BPA dividend credits of approx. \$881k. Actual kWh purchases were 5.3M kWh above budget (124.8M vs. budget of 119.5M).
- Excluding purchased power, 2023 operating expenses were approximately \$216k over budgeted amounts. See budget notable drivers within the financial packet for specific account details.
- For Q2, Transmission Expense came in at \$1.1M (\$660k over budget) due to increased ROW clearing contracting expense through Q2 carried over from delay in Q4 of 2022.
- The ECA for 2023 was a net credit to members (and decrease to operating revenue) of \$686k, or \$23.83 for a member using 1000 kWh/month. This was primarily driven by BPA dividend credits of approx. \$881k through Q2. The board approved, at the May 2023 regular meeting, a prospective adjustment to the Tariff ECA calculation which became effective as of the date of the board action, May 18th, 2023. The calculation now excludes the Bonneville Power Administrations' provision known as the Reserves Distribution Clause (RDC) from the total purchased cost of power.
- Rock Island Communications 2023 Financials included in separate packet.

OPALCO 2023 Financial Package under separate cover.

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
<ul style="list-style-type: none">• Budget Variance• TIER/Margin• Expense• Cash• Power Cost• Purchased Power• Annual Power Metrics• Capital• Debt/Equity• WIP• Income Statement Trends	<ul style="list-style-type: none">• Disconnects• Uncollectable Revenue• PAL• EAP• Membership• Service Additions• Annual Service Additions• Revenue Dist. By Rate	<ul style="list-style-type: none">• 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
- Right-of-Way Program

ENGINEERING, OPERATIONS, AND INFORMATION TECHNOLOGIES

WIP

As of August 1, 2023, there are 442 work orders open totaling \$11.3M. Operations has completed construction on 151 work orders, totaling \$2.6M.

Safety

Northwest Safety Service conducted CPR and First Aid training for staff. The total current hours worked without a loss time accident 266,126 hours.

GRANTS

Grant Seeking

- DOE's Energy Improvement in Rural or Remote Areas Program (\$80M): Staff worked with a consultant to submit a full application for the Submarine Cable Project (\$100M). We expect to get a determination on our full application in late September.
- DOE's Water Power Technology Office (\$35M): Staff worked with a consultant to submit a full application for the Pilot Tidal Power (\$60M). We expect to get a determination on our full application in late September.
- CEF 5 EV Charging Project on Orcas Island: Staff worked with the Port of Orcas to support their grant application to install 35 Level II chargers throughout Orcas Island and a payment enabled Level III charger at the airport.

Awarded Grants

- **Bonneville Environmental Foundation** (\$25k): Installation of EV Chargers in partnership with OPAL Community Land Trust and their affordable housing neighborhoods.

- **Washington State Broadband Office (WSBO) - Remote Communities**

We were notified in May of this year that all four applications submitted for ARPA last mile broadband funding were awarded for ~\$15M pending contract terms. Staff are working through contract terms with WSBO. Staff is in communication with potential beneficiaries of this project as highlighted in the green areas below. Project start dates are to be determined.



Washington Department of Commerce - Grid Modernization

- San Juan Microgrid (Grant \$2.4M) (partnered with PNNL) – Staff has completed design review with WA DOC and executed contracts for all components. Permitting will begin with the San Juan County Conditional Use Permit (SJC CUP) then to the Federal and State permitting.



- 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 are conducting the feasibility study with an anticipated completion of Q3 2023. \$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) –Conditional Use Permit is anticipated to be submitted to the County by the beginning of Q2 2023 with public outreach to begin slightly prior.

FINANCE

2023 Budget Tracking

Energy (kWh) sales were slightly higher than budgeted levels through July 2023. A sharp January El Nino condition, paired with a large ECA credits resulted in gross operating revenues above budget by ~\$120k. The table presents the 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	\$ 36,562	\$ 720
ECA Surcharge / (Credit)*	\$ -	\$ (600)	\$ (600)
Revenue	\$ 35,842	\$ 35,962	\$ 120
Expenses:			
Cost of Purchased Power	\$ 9,631	\$ 9,008	\$ (623)
Transmission & Distribution Expense	8,099	8,681	582
General & Administrative Expense	6,614	6,194	(420)
Depreciation, Tax, Interest & Other	9,071	8,824	(247)
Total Expenses	33,415	32,707	(708)
Operating Margin	2,427	3,255	828
Non-op margin	450	533	83
Net Margin*	2,877	\$ 3,788	911
OTIER**	2.17	2.53	0.36
TIER**	2.37	2.80	0.43
Equity %	39.6%	40.0%	0.4%
HDD	1,367	1,259	(108)
kWh Purchases	222,000	227,112	5,112
kWh Sales	208,700	213,063	4,363

* The ECA returned \$600k to members through July 2023. The credit is partially driven by BPA dividend credits (of \$426k in Q1) included in, and artificially reducing Cost of Power.

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



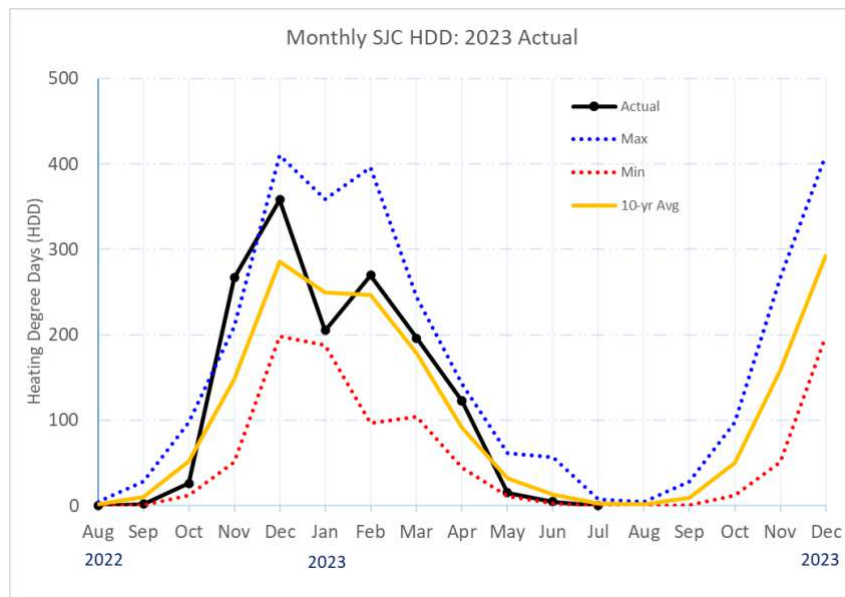
Monthly Energy Charge Adjustment (ECA)

July 2023 ECA collected \$86,115 to members, or \$7.15 per 1,000 kWh. The August billing period ECA is projected to be a bill surcharge of \$.000577 per kWh on member bills, or \$0.58 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.

The board approved, at the May 2023 regular meeting, a prospective adjustment to the Tariff ECA calculation which became effective as of the date of the board action, May 18th, 2023. The calculation now excludes the Bonneville Power Administrations’ provision known as the Reserves Distribution Clause (RDC) from the total purchased cost of power.

Heating Degree Days (HDD)

December 2022 saw a very cold weather snap like what we saw in 2021, followed by a flip to a warmer trending January '23 and settling slightly colder than average through April and close to a historically warm May-July. Current NOAA prediction suggests that the balance of the year will be highly impacted by an El Niño weather pattern. We continue to monitor weather trends monthly.

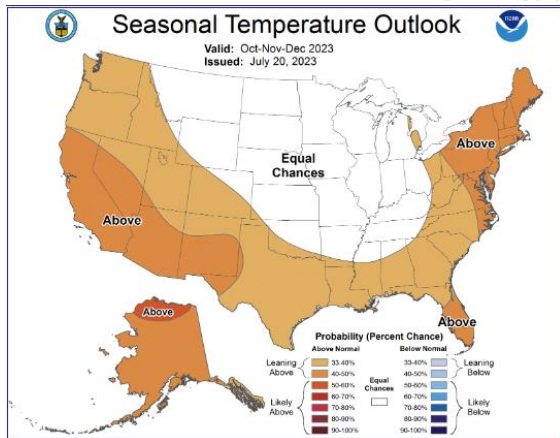


*max, min, avg is based on 10 year average

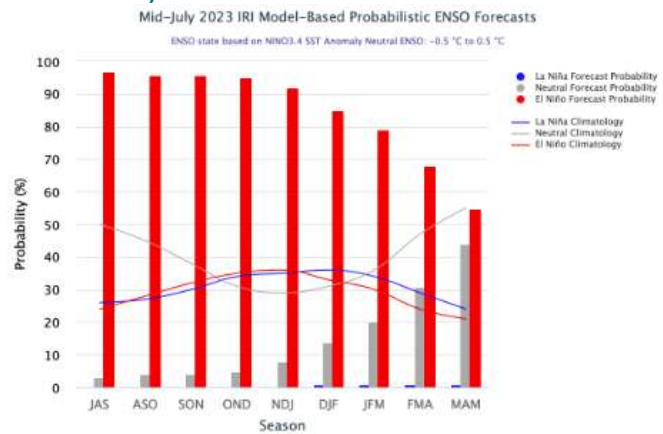
Weather Forecast

Looking ahead to the NOAA ‘three-month outlook temperature probability’ for Oct-Nov-Dec ‘23, the outlook is currently showing strong El Niño temperature conditions in our region in the coming summer months. We continue to monitor these predictors monthly.

2023 Oct-Nov-Dec 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	455	1,036
	Total Assistance	111,996	135,595	158,434	158,740	156,761	86,264	807,790
PAL	# of Accounts	212	205	329	363	297	173	779
	Total Assistance	45,155	53,137	80,975	104,880	82,912	48,500	415,560
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	520	1,378
	Total Assistance	157,151	188,732	349,283	390,659	270,018	134,764	1,490,608

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 June 2023, 208 members received ~ \$8.2k from the low-income Energy Assist program, compared to 290 members who received ~ \$10.9k in assistance in June 2022. During July 2023, 220 members received ~ \$8.8k from the low-income Energy Assist program, compared to 291 members who received ~ \$11k in assistance in July 2022.

Project PAL: Project PAL award season will begin again in November 2023.

LIHEAP: Notifications and Awards for LIHEAP and T-RAP continue to come in from Opportunity Council.

Switch it Up!

There are now 541 projects completed and billing for a total of \$9.1M net outstanding (total projects less member pay-offs). There are another 40 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 through July are as follows:



Project	2019	2020	2021	2022	2023	Grand Total
Appliance					12,132	\$ 12,132
Energy Storage				39,510		\$ 39,510
Ductless Heat Pump	648,252	611,617	641,765	1,553,247	925,070	\$ 4,379,952
Fiber		30,725	48,681	29,301	30,038	\$ 138,745
Ducted Heat Pump	8,119	30,000	15,000	18,127	439,121	\$ 510,367
Heat Pump Water Heater	13,985	9,805		5,012		\$ 28,802
Insulation				256,935	7,799	\$ 264,735
Other	14,543			90,649	2,245	\$ 107,437
Solar + Storage				302,520	138,161	\$ 440,681
Solar				1,379,317	1,172,508	\$ 2,551,825
Windows				563,557	41,933	\$ 605,490
Grand Total	\$ 684,900	\$ 682,146	\$ 705,446	\$ 4,238,175	\$ 2,769,007	\$ 9,079,675

Energy Savings

During June and July there were a total of 47 rebates paid out to members totaling \$55.1k. This includes nine fuel switching ductless heat pump rebates and ten 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	156	1,522
	Total Awards	\$161,262	\$228,418	\$167,432	\$149,886	\$227,622	\$203,311	\$1,137,931
	Total Energy Savings (annual kWh)	479,323	733,432	783,431	359,269	346,900	317,558	2,989,913
Switch It Up**	# of Accounts		72	87	69	188	160	576
	Total Financed		\$684,900	\$682,146	\$705,446	\$4,238,175	\$2,769,007	\$9,079,675

*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 comes 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 16 total new interconnect applications submitted in June in July, with 13 members were interconnected with solar for a total of 652 (<https://energysavings.opalco.com/member-generated-power/>). There are an additional 37 pending connections.

Community Solar

During the June and July 2023 billing cycles, the [Decatur Community Solar](#) array produced 72,080 and 65,760 kWh, respectively. A total of ~\$12,779 was distributed to 260 accounts in June and July.

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	260	
	Total Payments			\$93,734	\$95,497	\$84,658	\$27,759	\$301,648
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

EV Jamboree @ Lopez Village Park: Aug 24, 3-5 PM

The third EV Jamboree is shaping up to be a big, fun event on Lopez Island. Mainland dealers representing Mercedes, (and hopefully) Kia and Ford are planning to attend; Sunset Builders Supply will be on hand with Stihl electric tools; Village Cycles will have electric bikes to try out; the EV Action Table will be staffed by County Council Member Jane Fuller, Island Rides and EarthRise; Lopez Community Land Trust will be on hand to talk about their EV Car Sharing Program; our Lopez line crew will be serving free hot dogs – and there will be activities for kids. Members are encouraged to bring their own EVs for show and tell and everyone who arrives carbon free will get some special EV revolution swag.



Island Way Workshop: Inflation Reduction Act (IRA) Benefits: Sept 6 @ 5 PM

OPALCO and Sustainable Connections will present a virtual workshop on the incentives available through the IRA. Register for the event in advance: <https://www.opalco.com/event/new-for-your-projects-through-the-inflation-reduction-act-ira/>.

Rotary Classic Car Show Welcomes EVs: August 13

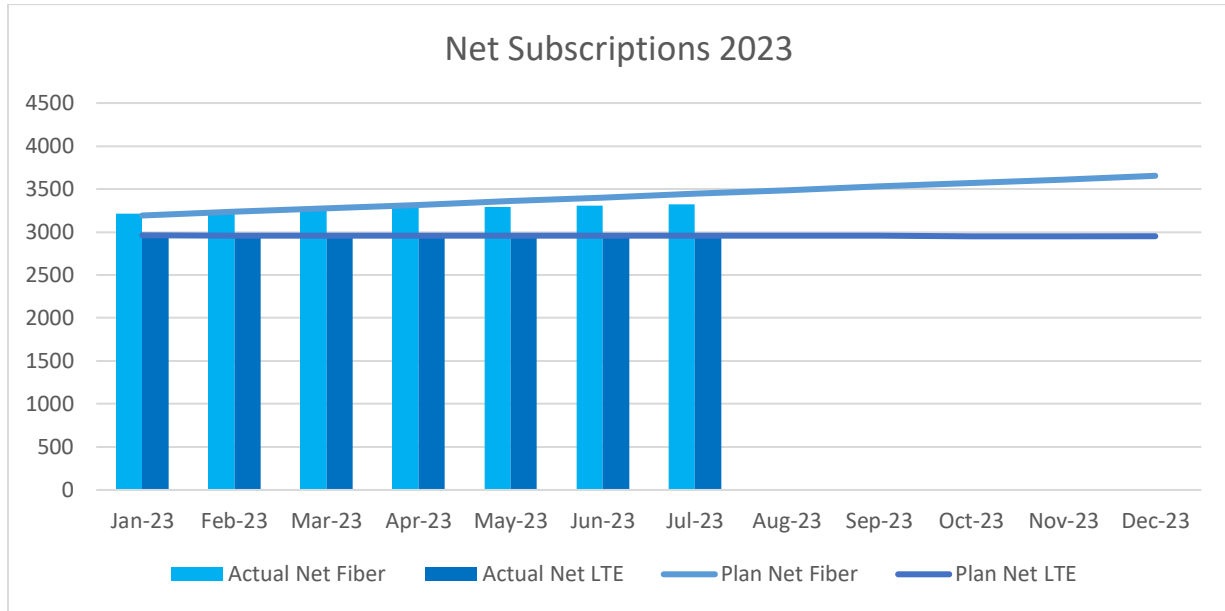
OPALCO was invited to introduce EVs to this classic car event on San Juan Island. Staff tabled at the event and judged the EV category of the show.



Rock Island Snapshot

6,644 Internet Service Customers

Net Subscribers



Revenues



❖ Previous months revenues are not closed out and are subject to change.