

**MINUTES OF THE ANNUAL MEETING
OF
ORCAS POWER & LIGHT COOPERATIVE
May 3, 2014**

President Chris Thomerson called the 77th Annual Meeting of the members of Orcas Power & Light Cooperative to order at 9:45 a.m. aboard the M/V Hyak.

A quorum was met, with 210 members in attendance and 317 attendees.

Thomerson welcomed members and guests, and introduced the current Board of Directors: District 1 Vince Dauciunas and Glenna Hall; District 2 Winnie Adams and Thomerson; District 3 Bob Myhr and James Lett and District 4 Dr. Jerry Whitfield. Guests welcomed included Representative Jeff Morris; Stuart Clarke, retired BPA Senior Account Executive; Marcus Perry, current BPA Senior Account Executive; Jeff Case, Oldcastle sales representative, Walt Wilson (and daughter Riley), General Pacific sales representative; Jeff Lindgren, Cooper Power Systems; and Dick Croston (and wife Becky), HD Supply Utilities.

Thomerson then acknowledged the passing of former employees Vern Coffelt, Operations Manager and Jack Cadden, lineman.

Thomerson introduced Parliamentarians Art Butler and Joel Paisner, from the law firm of Ater Wynne; Tally Committee Chair Doug Pearson; and Sergeant at Arms, Felix Menjivar.

A motion was made and seconded to waive the reading of the Official Notice of the Meeting; motion carried. A motion was then made and seconded to waive the reading of the Minutes of the 2013 Annual Meeting; motion carried.

Board candidates from District 1 (San Juan, Pearl, Henry, Brown and Spieden Islands) were introduced: Vince Dauciunas (incumbent), Glenna Hall (incumbent), Bryan Hoyer, Doug Rowan and Steve Hudson. Candidate John Sheehan was not in attendance.

After giving members time to mark their ballots, Thomerson declared registration and balloting closed for this annual meeting.

Thomerson then emphasized OPALCO's three-step process: the Board sets strategic direction, staff make it happen and the Board checks or audits the results. The number 97 is significant in that 97% of what OPALCO does is supply electricity. Over the last decade, there have been three major shifts: supply constraints-- economic, policy and climate uncertainty. Second, BPA is allocating delivery costs, which changes our billing—BPA tariffs are changing to include the cost of transmission. Members will hear more about “demand charge”—large usage in a short period costs more and makes inefficient use of the delivery system. The Board will spend considerable time this year guiding tariff development to ensure fair distribution of the costs of delivering electricity to the members. Third, OPALCO will control its own delivery costs by grid measurement, control and automation in part due to federal oversight agencies pushing for added reliability, safety and cost savings.

OPALCO's twenty-year plan includes replacing several submarine cables at a cost of millions of dollars. These replacements are unavoidable and will impact rates over the next ten years.

Thomerson noted that Island Network, OPALCO's internet arm, has paid for itself in the past ten years, making a profit in 2013 of \$115,000. The Board directed staff to produce a plan to expand the network to allow every member the option to hook up and benefit from this service, with those members paying the costs of service.

Thomerson complimented Cornelius on working diligently to lead OPALCO into the ranks of one of the best managed, best engineered, most financially secure rural electric cooperative in the nation. Thomerson announced that Foster Hildreth, Assistant General Manager, will replace Cornelius as general manager during the next year.

Representative Jeff Morris reported on the recent legislative session and the energy policies developed, thanking Cornelius for always responding with a “can-do” attitude over the years. Morris also reported that a third ferry was approved this past session. One ferry is in sea trials now; two more are scheduled for 2015 and 2016.

The fourth annual Nourdine Jensen Scholarship Awards were presented to Willow Paige of Orcas High School, Gabi Carver-Hackett of Orcas Christian School and Peter Kamin of the Orcas Christian School. William Coe of Orcas High School also received a scholarship but was not present. Each student will receive a \$500 scholarship and a week at the Youth Rally Leadership Camp at the College of Idaho this summer with opportunities to earn more scholarships.

Taking the podium to a rousing standing ovation, General Manager Randy Cornelius thanked the staff, Galley Catering and the Board for their hard work and dedication. Cornelius announced that OPALCO’s financial indicators are solid, starting the year with an operating budget of \$20.4 million with total operational expenditures of \$19.9 million. A capital improvement budget of \$5.1 million was approved by the board with expenditures of \$5.2 million.

Rates were increased 6% in March 2014 to offset an approximate 8% wholesale power rate increase from BPA and to help levelized future rate increases needed for the installation of new submarine cable between Lopez and San Juan Islands.

Cornelius noted that the Board will be reviewing the existing tariffs and will be re-evaluating OPALCO’s future rate design. Our power bill from BPA is now based on a fixed cost of operating the federal system and demand charges are expected to increase exponentially within the next decade. A cost of service study is being performed which will help determine what the cost of service should be for each member class.

Cornelius then announced that he would be retiring at the end of 2014. During his tenure (2002 – 2014), the total utility plant increased from \$56 million to \$86 million. The debt to assets ratio remains as 28%. Equity as a percent of total capitalization was 70.6% for 2003 and was 69.5% in 2013. Cornelius forewarned members to be prepared for higher facility rate charges and new residential demand charges. The BPA billing determinants, an increase in grid-tied distribution generation and an increasing capital improvement budget will be the cause of these higher rates.

OPALCO has \$3.4 million in the Island Network account, the majority of which occurred during 2001-02. The benefits of our fiber network are: 1) the safety of our line crews; 2) efficiencies in OPALCO’s operating expenses; and 3) eliminating the recurring cost of CenturyLink services, eliminated the need for meter readers and savings in restoring power during outages. During 2013 Island Network had a profit margin of \$115,000 which was assigned back to members in the form of capital credits.

Cornelius stated that he was excited for a new beginning with his retirement yet saddened that the time with his OPALCO family is ending. He urged members to visit the OPALCO website to read about Project PAL, our energy efficiency and conservation programs, the MORE program and our newest committee, Islands Energy.

Cornelius then introduced Assistant General Manager Foster Hildreth. The focus for Hildreth as General Manager will be changes in how BPA supplies our energy and how they charge for the energy; optimizing our grid control systems; upgrading our aging infrastructure; the rising cost of energy and working to keep costs down for our membership.

While these are challenging topics, Hildreth emphasized that OPALCO exists to serve its members, noting that a leadership team’s responsibility is to look forward, anticipate the needs of our membership and put plans in place to meet those needs in the most cost-effective way possible.

Hildreth asked that members participate by attending town hall meetings, board meetings, energy fairs and the county fair. He promised to “make the members proud” as he takes over the helm of OPALCO as the next General Manager. He thanked Cornelius for his mentorship and committed to running OPALCO with the same dedication to the membership that Cornelius had over the past twelve years.

Thomerson announced the six members whose absentee ballots were drawn to win a \$50 credit on their utility bill: Kathryn Moyer, Frank Buchanan, Kenneth Hedin and Ruth Fleming of San Juan Island; Jeff Malinoff of Lopez Island and Robert Gardner of Orcas Island.

Tally Committee Chairman Doug Pearson announced the following voting results:

Bylaw Amendment #1 (Failed)

Initiated by member petition, Amendment #1 proposed to amend Article II *Meeting of Energy Members* Section 9 (new section):

- (a) The Board of Directors shall schedule three (3) Energy Member Informational meetings. Said meetings shall be scheduled every third month following the Annual Meeting and in the following order: Orcas, San Juan and Lopez. Said meetings shall be held on a Saturday, at a time coordinated with the ferry schedule and in a facility to be selected by the Board.
- (b) The purpose of said Informational Meeting is to provide the opportunity for dialogue between Energy Members, the Board of Directors and management staff about the Cooperative’s affairs. The meeting shall be “chaired” by one of the Board Members representing the island on which the meeting is held.
- (c) Printed notice of Informational Meetings shall be included in the monthly billing notice sent to all Energy Members preceding the date of the scheduled meeting. Notice shall also be posted on the Cooperative’s website and advertised in the newspapers serving the San Juan Islands for a period of no less than twenty (20) days preceding the scheduled meeting.”

	Total	Absentee	Annual Meeting
Yes	904	884	20
No	1,438	1,405	33

Bylaw Amendment #2 (Failed)

Initiated by member petition, Amendment #2 proposed to amend Article IV *Meetings of Directors* (new section):

The Cooperative shall allow member-owners access to open board meetings (non-executive sessions) through Internet web-based streamed audiovisual (AV) and optionally videoconferencing. All AV will be presented unedited (except to exclude breaks and executive sessions) and made available on demand through a web server to energy members within 7 days of the meeting. Such AV will remain available for at least 24 months from the date of first posting. The Board may restrict access to the AV to include only member-owners and set terms of use restrictions.

	Total	Absentee	Annual Meeting
Yes	776	758	18
No	1,554	1,519	35

And the two director positions for District 1:

	Total	Absentee	Annual Meeting
Vince Dauciunas	1,658	1,628	30
Glenna Hall	1,112	1,084	28
Bryan Hoyer	386	366	20
Steve Hudson	1,062	1,043	19
Doug Rowan	492	481	11
John Sheehan	128	123	5

A total of 2,524 ballots were cast. Thomerson thanked all of the candidates for running.

Cornelius answered pre-submitted questions with the assistance of Foster Hildreth.

There being no further business, Thomerson declared the meeting adjourned at 10:45 a.m. Door prizes were then awarded.



Chris Thomerson, President



Jim Lett, Secretary-Treasurer

ORCAS POWER & LIGHT COOPERATIVE
BOARD OF DIRECTORS
MINUTES OF THE ANNUAL MEETING

The annual meeting of the Board of Directors of Orcas Power 7 Light Cooperative was held aboard the MV *Hyak*, a Washington State Ferry, on May 3, 2014 (immediately following the annual meeting of the members, pursuant to notice) for the tax year ended December 31, 2013.

Present were Chris Thomerson, Winnie Adams, Vince Dauciuinas, Glenna Hall, Jim Lett, Bob Myhr and Jerry Whitfield. Also present were Art Butler and Joel Paisner, Attorneys at Law, with Joel Paisner acting as interim recording secretary. The Directors meeting was called to order by Board President Chris Thomerson.

Election of Officers

The first order of business was the election of officers for the ensuing year.

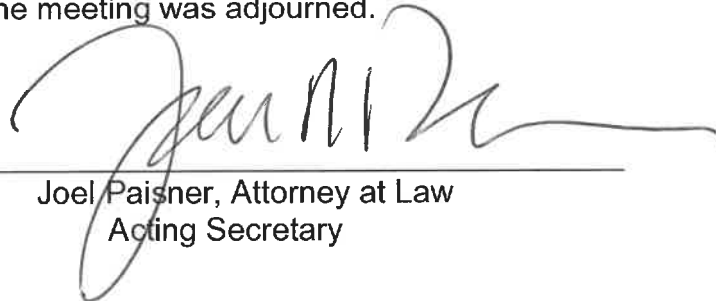
Motion made by Dauciuinas to elect:

PRESIDENT:	Jim Lett
VICE PRESIDENT:	Bob Myhr
SECRETARY-TREASURER:	Jerry Whitfield

The motion was seconded by Glenna Hall and passed unanimously.

Adjournment

There being no further business to come before the Board, the meeting was adjourned.



Joel Paisner, Attorney at Law
Acting Secretary