Board of Directors
Regular Meeting

Thursday, April 24, 2025 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
April 24, 2025, 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.

Contents

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

NEW MEMBERS – March 2025

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

ALLEN, ELEANOR
ASALA BARRAGAN, JAIME
AULD, SUSAN & BLACK, A
BEHRENDT, ALYSSA
BOYE, ROBERT
CASSIDY, RYAN
CLARY, BARBRA
CONNER, ZACHARY & CONNER, DESIREE
IRIGOYEN, ADRIANA
MCCORMICK, JAMES
MILLER, REBECCA
MOM AND PA BEACH, HOUSE LEGACY
OPTIMIZED WELL BEING LLC
PAYNE, TIMOTHY
PLANK, TARA
RICE, MISTY
STUCKI, KRISTINA
TANGNEY, STACIE
TYTUS, JOHN
VLACH, JOSEPH & SAVAGE, HOLLIEWEERTMAN, LESLIE & WEERTMAN, BRUCE
BALDRIDGE, PETER & BROPHY, CASSIE
COOTER, MICAH

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

DHINDSA, ANGAD
GILLIAM, LISA
GRAVETT, GEOFFERY
HUGHES ORCAS LEGA, CY LLC
JONES, ROGAN
JULIAN, WENDY & JULIAN, BRIAN
MAITREYA, KIMAYA
MAYHEW, ZOE
MEYER, ROBERT
OCHS, DIANA
THE DRAGONFLY COF, FEE HOUSE
VENA, CELESTE

District 3 (Lopez, Center, Decatur, Charles)

AVERY, CONNER
CARNEY, BRENT
DEWITT, JENNY & DEWITT, JOSH
RAPP, CYGNIA
SIMMONS, LAVONE & DEAL, ROGER
WYSOCKI, DAN

District 4 (Shaw, Crane, Canoe, Bell)

None

Capital Credits

Staff requests payment of capital credits to the estates of the following deceased members and/or to organizations no longer in business by way of approval of the consent agenda:

TABLE

Staff requests a motion to approve the Consent Agenda.

April	
Customer #	Amount
10850	207.69
4160	1,301.20
31780	1,375.06
26020	3,899.41
84285	482.56
23050	40.69
Total	**$ 7,306.61**

Streaming through Zoom attendees were Board members Vince Dauciunas, Mark Madsen, Tom Osterman, Jerry Whitfield, Chuks Onwuneme and Wendy Hiester. Staff present were General Manager Foster Hildreth; Manager of Engineering and Operations Russell Guerry; Manager of Finance Travis Neal; Communications Manager Krista Bouchey; Communications Specialist Johanna Lange and Special Projects Office Coordinator Beth Stanford (serving as recording secretary). Also present were Legal Counsel Joel Paisner, and consultant Jay Kimball.

Members in attendance: Chom & Christopher Greacen from Lopez Island and Martin Vowels from Eastsound.

Meeting commenced at 8:37 AM

Member Comment Period: Chom and Chris Greacen complimented OPALCO and staff on their contributions to the COMPASS report submitted by the Madrona Institute. Chris added that he is happy to see that OPALCO is working with E3.

ACTION ITEMS

CONSENT AGENDA

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

RESOLUTION 1-2025 RUS SIGNING AUTHORITY

MOTION was made by Whitfield, to approve the updated RUS Signing Authority, seconded by Madsen and passed unanimously by voice vote.

ORCAS CENTER SWITCH IT UP REQUEST

BY CONSENSUS, the Board approved the Orcas Center Switch It Up funding request.

DISCUSSION ITEMS

County Council Meetings:

OPALCO Staff reported that the General Manager and some Board Members met with County Council members to discuss the urgent need for reliable electricity in San Juan County, emphasizing the growing demand and challenges posed by limited supply. The Council provided valuable feedback, and OPALCO urged prioritization of its docket requests to ensure permitting certainty, leverage grant funding, and secure a resilient energy future for the islands. Discussion ensued.

2024 Unaudited Financial

Staff reviewed notable economics of the year-end financial report including revenue, expense and energy charge adjustment metrics.

2024 Year in Review

The highlights from 2024 were once again included in the board packet for viewing only.

REPORTS

Staff reviewed reports, dashboards, grant and budget tracking, ongoing cooperative-wide safety measures and training, and projects.

Regular Session ended: 10:23 AM
Break: 10:23 – 10:40 AM
Executive Session: 11:40 – 1:08 PM
Meeting Closed: 1:08 PM

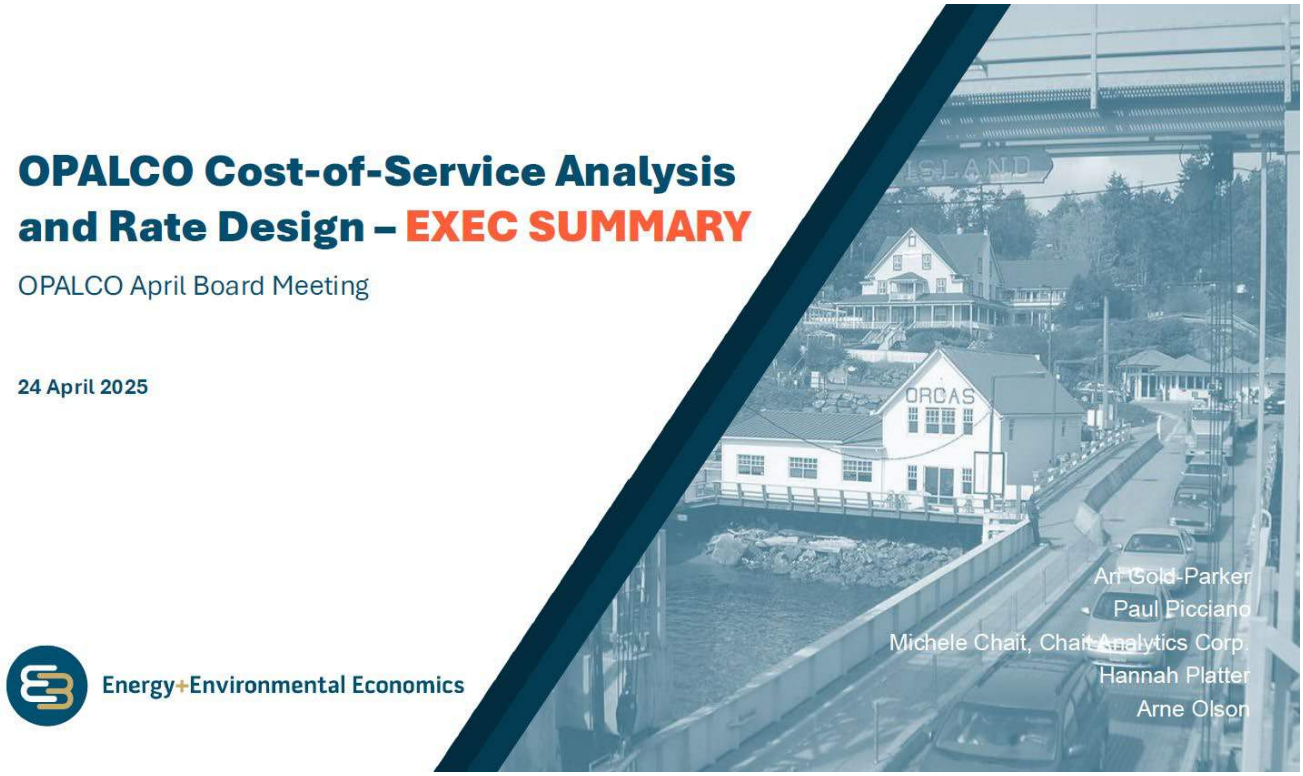
_____
Vince Dauciunas, President

_____
Tom Osterman, Secretary-Treasurer

DISCUSSION ITEMS

Retail Rate Study Status

E3, in collaboration with OPALCO staff, have completed the Cost of Service Study Allocation (COSA) portion of our broader rate analysis. This identifies how costs are incurred across customer classes and ensures alignment with our principles of fairness and equity in rate design. A summary of the results is included in this packet. The full COSA methodology & findings are available in the appendix for reference. With this phase complete, E3 will move forward with the next step: a detailed retail rate study that will incorporate these allocations into rate design, informed by recommendations from staff and the board.



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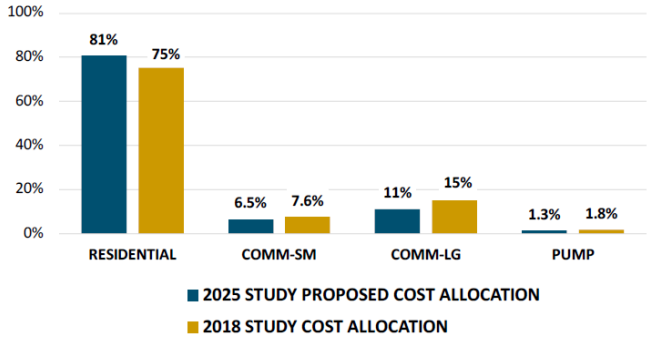
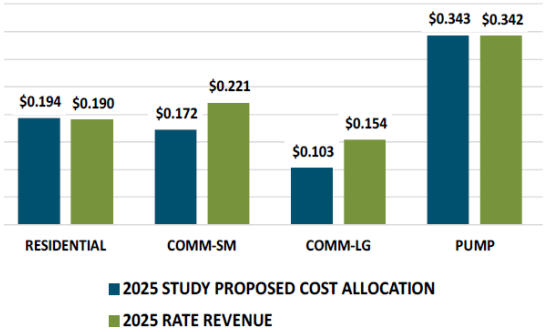
Cost-of-Service Analysis Key Results: Proposed Allocation versus Allocation Embedded in Current Rates

2018 COSA versus Proposed Cost Allocation (%)



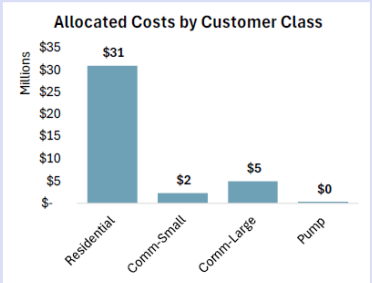
2025 Rates versus Proposed Allocation (Average All-In $/kWh)



- Allocations differ due to 1) change in revenue requirements; 2) use of different allocators; and 3) distribution cost classification methodology.
- 2025 study revenue requirement is based on 2024 OPALCO book costs
- 2025 rate revenue is based on 2025 retail rates multiplied by 2024 customer determinants

From COSA to to Rates: Rate Design Overview

COSA Output



Rate Design Goals

- Fairly collect fixed costs
- Maintain financial health of the utility
- Ensure customer affordability
- Support customer understanding and utility implementation

Rate Design Process

- Determine appropriate customer charge
- Determine appropriate demand-based charge

Determine volumetric charge to recover remaining costs

Evaluate customer impacts and goal-related outcomes

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Rate Design Options for Board Feedback

Which of these rate options should be prioritized for evaluation in our study?

Rate Option	Pros	Cons
1. **Traditional customer charge ($/month):** OPALCO could increase their customer charge to recover additional revenue.	• Current system • Easy to understand	• Not reflective of demand-driven costs • May burden small users, including low-income customers
2. **Electric Charge Adjuster ($/kWh):** A charge (or credit) based on OPALCO's operating revenue relative to a specified target	• Ensures OPALCO will meet target revenues • Customers could earn a credit • Similar to current production charge adjuster	• May impose additional cost on customers • Customer education required
3. **Non-Coincident Peak Demand Charge ($/kW):** Demand charge based on the customer's highest monthly demand(s)	• Most simple demand charge • "Top N hours" could reduce bill impacts of one high-demand hour	• Increased month-to-month bill volatility • May penalize customers who are less flexible
4. **Ratchet Non-Coincident Peak Demand Charge ($/kW):** Demand charge based on highest demand(s) on a rolling period	• Reduced month-to-month bill volatility • Better recover costs from seasonal customers	• Highest demand month will impact customer bills over a longer term • Harder to understand
5. **Size-Based Charge (meter, panel, or service size) ($/month):** Monthly charge on the customer's technical maximum demand	• OPALCO likely to have the needed data • Proxy for distribution infrastructure costs	• Homes may use far less demand than their technical capacity • Discourages increasing panel size for EVs
6. **Declining Block Volumetric Rates ($/kWh):** Utility recovers a *higher* rate from the first X kWh each month	• Recovery of fixed costs less sensitive to weather conditions • Recovers more fixed costs from solar customers	• Discourages energy efficiency at the margin • Significant change in rate paradigm for customers
7. **TOU Rate ($/kWh):** Rates change based on TOU periods OPALCO may want to delay TOU rollout until 2028 to reflect updated power supply pricing, which may have more time variation under the new BPA contract.	• OPALCO has an existing opt-in rate • Can align customer pricing with time-varying costs	• May lead to bill increases or bill volatility for inflexible customers • TOU periods may need to change over time

Energy+Environmental Economics 4

Annual Meeting Travel Arrangements

Location: San Juan County Fairgrounds
Date: April 25, 2025
Time: 3:00 PM – 6:00 PM

Ferry Schedule

To Friday Harbor:

- Departs Orcas: 12:50 PM
- Departs Shaw: 1:05 PM
- Departs Lopez: 1:35 PM
- Arrives Friday Harbor: 2:15 PM

From Friday Harbor:

- Departs Friday Harbor: 5:40 PM
- Arrives Orcas: 6:55 PM
- Arrives Shaw: 7:10 PM
- Arrives Lopez: 7:30 PM

Shuttle Information

Staff will be at the San Juan Ferry landing to shuttle you to the event. Additionally, San Juan Transit will be shuttling our membership to and from the ferry landing.

We can't wait to see you there!

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
- Right-of-Way Program
- Inflation Reduction Act (IRA) Benefits
- Wildfire Mitigation
- Surge Protection
- OPALCO Needs a New Submarine Cable
- OPALCO's Rate for Members who have Rooftop Solar
- Why Local Renewable Projects? Mainland Power Demand Will Soon Exceed Supply

Engineering, Operations and Information Technologies

WIP

As of April 09, 2025, there are 317 work orders open totaling $13.1M. Operations has completed construction on 121 work orders, totaling $1.2M.

Safety

Northwest Safety Service conducted Working on/near exposed energized parts, as well as office safety in March. The total current hours worked without a loss time accident is 40,862 hours.

Grants

Given the unknowns in the new federal Administration, grants funds are expected to be less available. OPALCO will curtail our pursuit of grants funds accordingly.

Grant Seeking

Grant Program / partner	Funder	Project Title ($$)	Grant $$	Matching $$	Timeline
Water Power Technology Office	DOE	Pilot Tidal Project ($60M)	$35M	$25M	Determination in 11/2023
Clean Energy Fund 5 / partner to Port of Orcas	WA Dept of Commerce	EV Charging Project – Orcas	n/a	n/a	TBD
RMUC Program Advanced Cybersecurity Technology ACT 2	US Dept of Energy	OPALCO Cybersecurity Initiative	$150,000		TBD

Grant Awards

Grant Program / partner	Funder	Project Title ($$)	Grant $$	Matching $$	Timeline / Notes
Zero Energy Vehicle Infrastructure (ZEVI) / partner with OPAL CLT	Bonneville Environmental Foundation	EV Chargers for OPAL Neighborhoods ($45k)	$25k	$20k	Working with OPAL Install by Aug 2025
Remote Communities Broadband ARPA	WA State Broadband Office	Last Mile Broadband	$15M		Construction in Process
Clean Energy Fund 3 Grid Modernization	WA Dept of Commerce	Bailer Hill Microgrid	$2.4M	$2.4M	Land Use Permitting
Clean Energy Fund 4 Grid Modernization	WA Dept of Commerce	Friday Harbor Ferry Electrification Prelim Design	$150k	$150k	Q4 2024 (Still waiting to hear)
Clean Energy Fund 3 Grid Modernization	WA Dept of Commerce	Low Income Solar – Bailer Hill Microgrid	$1M	$1M	Land Use Permitting
RMUC Program Advanced Cybersecurity Technology ACT 1	US Dept of Energy	OPALCO Cybersecurity Initiative	$50,000		Phase 1 completed and Phase 2 application submitted Dec 5th, 2024, for second round of funds

Finance

2025 Budget Tracking

Energy (kWh) sales were slightly higher than budgeted levels through March 2025. The table presents the full year 2025 projection with actuals for prior months where available.

Income Statement Summary (in thousands)	**2025 Projection** (actuals for prior months)		
	Budget	**Projected**	**Variance**
Operating Revenue	$ 42,814	$ 43,030	$ 216
ECA Surcharge / (Credit)*	$ -	$ (477)	$ (477)
Revenue	$ 42,814	$ 42,553	$ (261)
Expenses:			
Cost of Purchased Power	$ 10,985	$ 10,927	$ (58)
Transmission & Distribution Expense	9,385	9,155	(230)
General & Administrative Expense	7,387	7,272	(115)
Depreciation, Tax, Interest & Other	10,171	10,011	(160)
Total Expenses	37,928	37,365	(563)
Operating Margin	4,886	5,188	302
Non-op margin	793	740	(53)
Net Margin*	5,679	$ 5,928	249
OTIER	2.99	3.16	0.17
TIER	3.31	3.47	0.16
Equity %	40.3%	40.4%	0.1%
HDD	1,446	1,350	(96)
kWh Purchases	235,000	240,695	5,695
kWh Sales	223,000	230,048	7,048

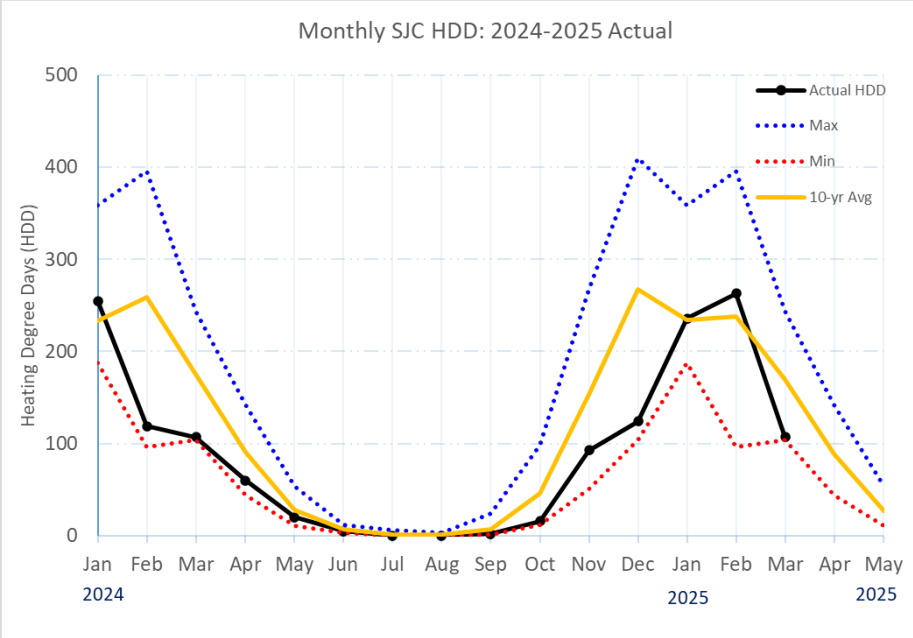
* The ECA returned a net $477k to members through March 2025.

Monthly Energy Charge Adjustment (ECA)

The March 2025 ECA returned $63,016 to members, or $2.94 per 1,000 kWh. The April billing period ECA will be a credit of $.007605 per kWh, or $7.61 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)

This year followed average HDD trends, and we expect the first quarter 2025 to be trending slightly cooler based on National Weather Service forecasts below. However, as seen in the table below, March 2025 was right at the 10-year minimum HDD, one of the warmest March's in a decade. We continue to monitor weather trends monthly.

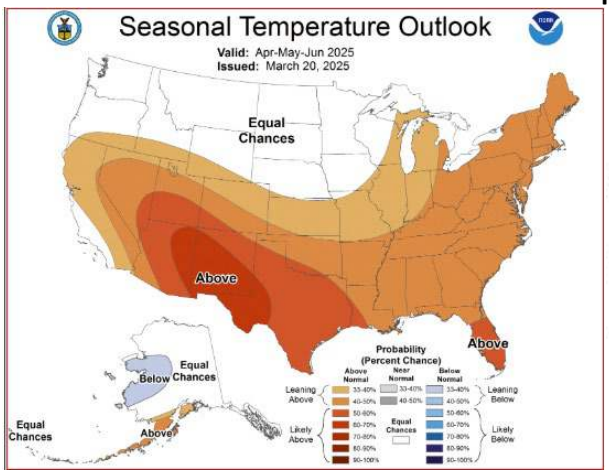


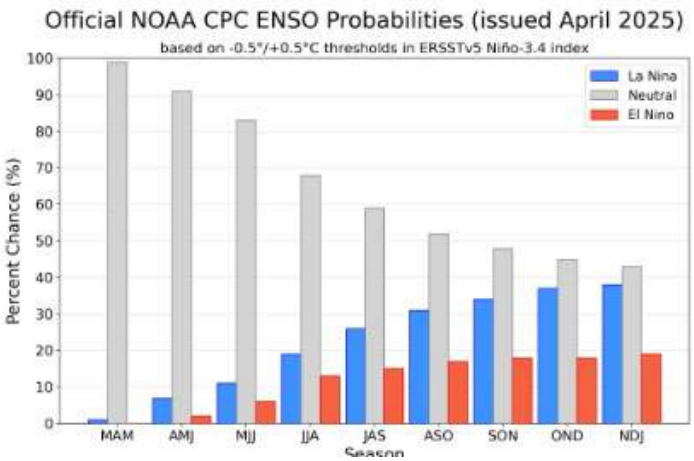
*max, min, avg is based on 10 year average

Weather Forecast

Looking ahead to the NOAA 'three-month outlook temperature probability' for Apr-May-Jun '25, the outlook is currently showing a neutral temperature condition in our region through the remainder of spring & into early summer. The models in the International Research Institutes' (IRI) ENSO (weather) prediction forecasts a neutral to continued slight La Niña condition. We continue to monitor these predictors monthly.

2025 Apr-May-Jun 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	2024	2025	Grand Total
Energy Assist Credit	# of Accounts	444	460	574	577	546	519	524	422	1,232
	Total Assistance	111,996	135,595	158,434	158,740	156,761	141,748	164,175	55,059	1,082,508
PAL	# of Accounts	212	205	329	363	297	268	264	106	927
	Total Assistance	45,155	53,137	80,975	104,880	82,912	80,500	74,750	26,250	548,560
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	584	566	449	1,572
	Total Assistance	157,151	188,732	349,283	390,659	270,018	222,248	238,925	81,309	1,898,326

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" varies based on single account adjustments.

Project PAL

During March 2025, 41 Members received ~ $10.3K in Project PAL Awards, compared to 20 Members who received ~$5.0K in Project PAL Awards in March 2024.

Energy Assistance

EAP: During March 2025, 416 members received ~ $19.0K from the low-income Energy Assist program, compared to 397 members who received ~ $17.0K in assistance in March 2024. April is the month to renew the energy assistance for co-op members.

LIHEAP and State Home Energy Assistance Program (S-HEAP)

LIHEAP and S-HEAP Awards continue to come in to members on behalf of the Opportunity Council.

The State Home Energy Assistance Program (S-HEAP), funded through the Cap-and-Invest Climate Commitment Act, continues to provide critical assistance to Washington State households who may not qualify for the Federal Low-Income Home Energy Assistance Program (LIHEAP) due to factors such as naturalization status. SHEAP will remain operational beyond November 2024. Currently, local San Juan agencies are referring eligible households to the Opportunity Council which in turn is directly engaging with clients to ensure they receive timely support.

Energy Savings

During March there were a total of 15 rebates paid out to members totaling ~$29.7k. This includes one fuel switching ductless heat pump rebates and 8 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.

		2014-2019	2020	2021	2022	2023	2024	Totals
EE Rebates*	# of Accounts	2,141	303	147	210	210	32	3,304
	Total Awards	$1,348,477	$167,432	$149,886	$227,622	$259,445	$51,948	2,518,755
	Total Energy Savings (annual kWh)	5,960,711	783,431	359,269	346,900	253,675	53,977	8,198,345

**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.*

Switch It Up

OPALCO can utilize $46.8M in Rural Energy Savings Program (RESP) funds to provide on-bill financing for co-op members for energy efficiency measures. OPALCO is reimbursed for the funds once member measures are installed. There are now 947 projects completed and billing for a total of $17.7M net outstanding (total projects less member pay-offs). There are another 40+ projects in various stages of the process. Current project details are as follows:

	Project Origination Year							
Measure	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Grand Total**
Appliance					36,112	51,093	3,249	**$ 90,453**
Energy Storage				39,510	27,159	47,766		**$ 114,435**
Ductless Heat Pump	648,252	620,060	637,599	1,554,579	1,788,412	2,365,185	295,272	**$ 7,909,358**
EV Charger						34,031	2,948	**$ 36,979**
Fiber		30,725	48,681	29,301	41,929	85,080	4,492	**$ 240,207**
Ducted Heat Pump	8,119	30,000	15,000	18,127	956,159	452,196	167,306	**$ 1,646,907**
Heat Pump Water Heater	13,985	9,805		5,012	15,701	13,700	17,421	**$ 75,624**
Insulation				256,935	42,634	240,729	18,234	**$ 558,532**
Other	14,543			92,649	188,075	31,981		**$ 327,249**
Solar + Storage				480,057	474,806	403,595	140,693	**$ 1,499,150**
Solar				1,897,659	3,110,484	2,153,988	301,931	**$ 7,464,062**
Windows				563,557	402,434	517,772	250,720	**$ 1,734,483**
Grand Total	**$ 684,900**	**$ 690,589**	**$ 701,280**	**$ 4,937,386**	**$ 7,083,904**	**$ 6,397,114**	**$ 1,202,266**	**$ 21,697,440**

The following table shows the utilization of the RUS Rural Energy Savings Program (RESP) loan funds, used to fund the Switch It Up program. These funds are available for use through 2031.

	Total (in millions)	Remaining Available
RESP 1.0	5.80	-
RESP 2.0	15.00	3.00
RESP 3.0	26.00	23.46
	$ 46.80	$ 26.46

Solar Programs

Interconnects

There were nine new interconnect applications submitted in March, with 15 members interconnected with solar for a total of 864. (https://energysavings.opalco.com/member-generated-power/). There are an additional 35 pending connections.

Solar Benefits Paid to Members

		2019	2020	2021	2022	2023	2024	2025	Table Total
Comm Solar*	# of Accounts	265	265	268	262	264	263	261	
	Total Payments	$50,567	$50,688	$52,009	$46,825	$46,708	$50,037	$3,381	**$300,215**
WA State Incentives*	# of Accounts	256	259	325	319	323	316	-	
	Total Payments	$224,766	$218,222	$174,149	$158,831	$158,890	$150,684	-	**$1,085,542**
MORE**	# of Accounts	144	144	140	135	-	-	-	
	Total Payments	$53,109	$51,897	$50,896	$123,477	-	-	-	**$279,379**

**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. Includes State incentives paid to community solar participants.*

***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

Thank a Lineworker Month

April is lineworker appreciation month! From members this month:

"I am at the end of the line on Aleck Bay, Lopez Island, and really appreciate the work you guys do during or after storms to restore power. Thank you!!!"

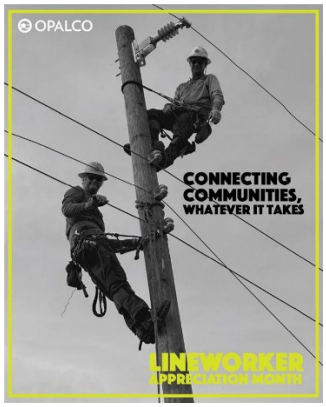
"A huge thank you to OPALCO for an amazing job done under difficult circumstances!!" – about San Juan Island planned outage

"Hats off to the Opalco crew for all they do. Working all night in that weather is not for the faint of heart."

"Shout out to the entire Lopez Island OPALCO team for all the work they've been doing to clear trees and such from the areas of the transmission lines. Keep those lights on!"

"Thank you all for going out in the middle of our stormy nights to restore power. I think of you courageous folks every time I'm laying in bed and the power goes out. It takes a lot of willpower and strength to do your job and I want you to know you are appreciated. Cheers!"

Other comments:
"OPALCO has been stellar at communicating the power outage- really nice work!"



Annual Member Festival
Staff has been gearing up for the member appreciation event at the San Juan County Fairgrounds. We expect a good turnout and a great way to engage with members.

Decatur Update/Outreach
On Tuesday April 15, San Juan County Council began the process of leasing OPALCO three acres on Decatur Island to install more solar panels to utilize Washington State Department of Commerce funds to support low-income community members. OPALCO and Rock Island are planning to meet with community members on Decatur Island on May 10 to discuss the projects planned including fiber installations.

Response to Board Letter in Ruralite
"OPALCO,
Please include my name in the list of supporters of OPALCO's energy reliability plan.
Thank you." [David]

"Please add my and my wife names to your list of supporters for setting aside 875 acres of land for the development of solar microgrid projects for our energy future.
Thanks" [Peter & Denise]

"We, the undersigned, support OPALCO'S Energy Reliability Plan and procedures toward providing the San Juan Islands with sufficient, affordable energy. We support expediting regulatory procedures and construction of infrastructure with all reasonable timeliness." [Carol & Bill]

"In response to the letter from OPALCO board that I read in rural life magazine, I'd like to add my name to the list of OPALCO members that advocates for a secure energy future for San Juan islands." [Frank]

"Please include my name to your list of supporters of the planned Agri. Solar Energy Reliability Plan." [William]

"Please add my name to the list of San Juan County residents who support OPALCO's plan for energy reliability. Thank you" [Anne]

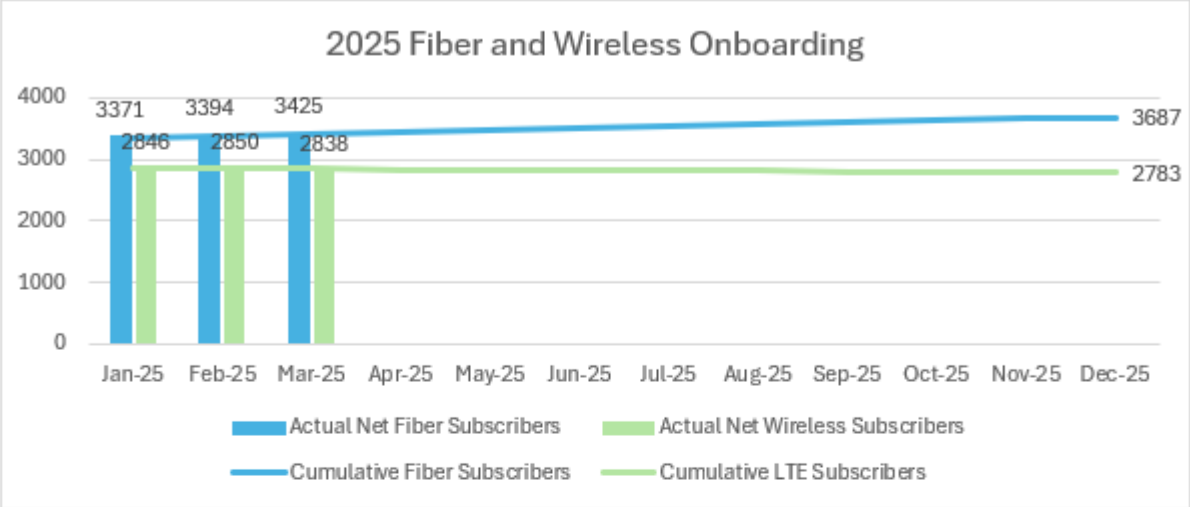
"Please add my name and address as a customer of OPALCO and a supporter of new clean electrical energy to the San Juan County Council" [James]

"Hi OPALCO team,
I am writing to let you know I'd be happy to have my name included in your letter to San Juan County Council supporting renewable generation projects proceeding through the building permit process.
In addition to that bulk letter, I'm wondering if it's helpful to submit additional public comment as the Baylor Hill utility solar project hearings, to my knowledge, never came to fruition. Are there more updates you can share about where that process broke down?
Anyway I'm in complete agreement with the board's position that utility scale build out is essential and agri-solar is a thoughtful and responsible way to do that. Please let me know how I can continue to be a community voice to push this forward." [Megan]

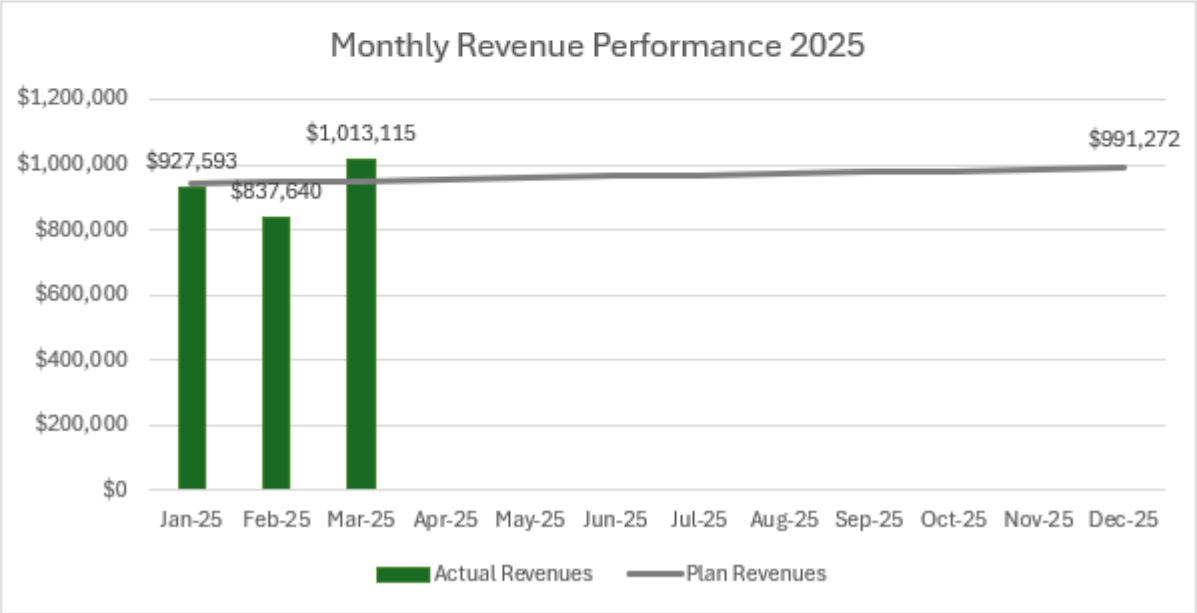
"Good morning!
I'm writing to express my strong support for OPALCO's energy reliability plan, agri-solar & other utility development projects in San Juan County. I believe it's smart to invest in local energy production and micro-grids seem like a good solution to the problems you have identified re: shrinking energy supply and increasing demand. I was excited about the Bailer Hill project and I hope to see more proposals like that in the future.
Thanks for all you do" [Owen]

6,712 Rock Island Service Customers

Net Subscribers

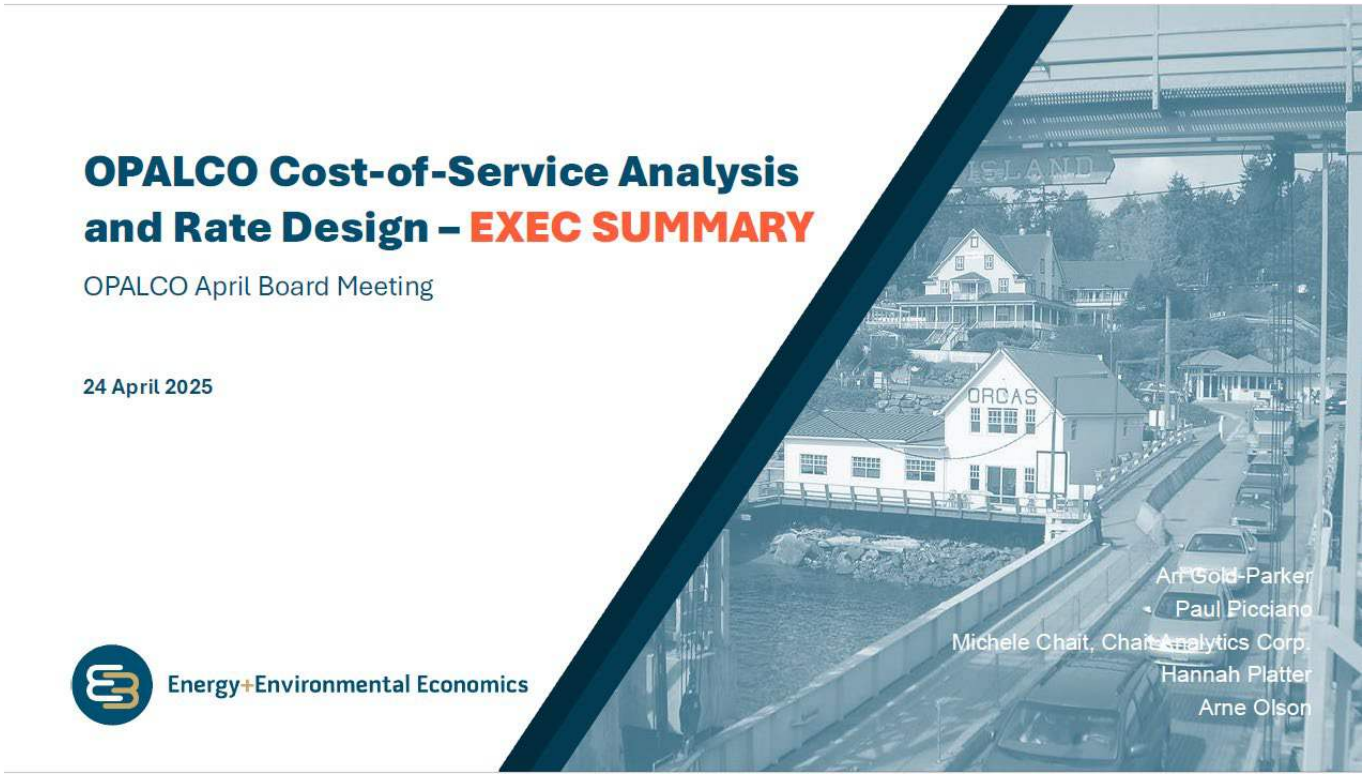


Revenues



*Previous months revenues, not closed out, are subject to change.

APPENDIX


OPALCO Cost-of-Service Analysis and Rate Design – EXEC SUMMARY
OPALCO April Board Meeting
24 April 2025
Energy+Environmental Economics
Ari Gold-Parker
Paul Picciano
Michele Chait, Chait Analytics Corp.
Hannah Platter
Arne Olson

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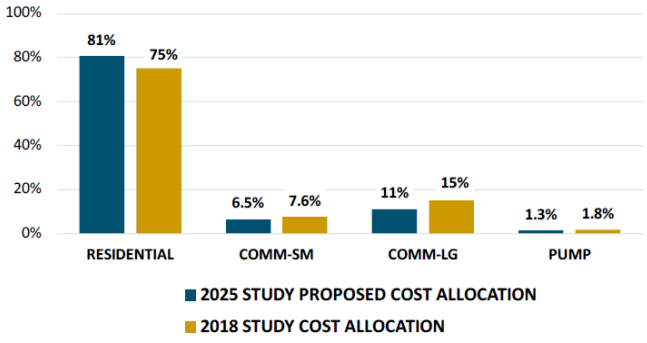
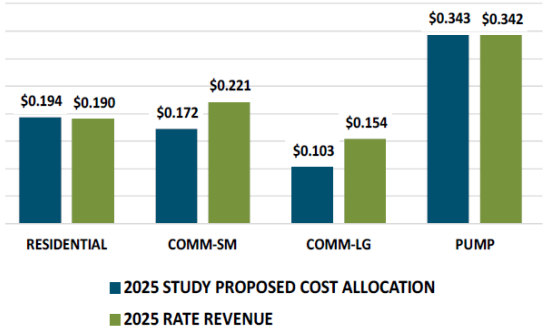
Cost-of-Service Analysis Key Results: Proposed Allocation versus Allocation Embedded in Current Rates

2018 COSA versus Proposed Cost Allocation (%)



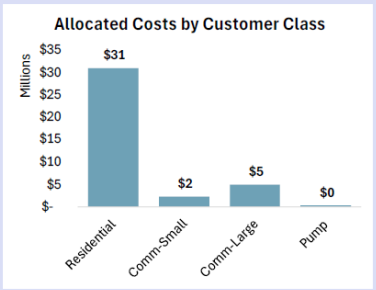
2025 Rates versus Proposed Allocation (Average All-In $/kWh)



- Allocations differ due to 1) change in revenue requirements; 2) use of different allocators; and 3) distribution cost classification methodology.
- 2025 study revenue requirement is based on 2024 OPALCO book costs
- 2025 rate revenue is based on 2025 retail rates multiplied by 2024 customer determinants

From COSA to to Rates: Rate Design Overview

COSA Output



Rate Design Goals

- Fairly collect fixed costs
- Maintain financial health of the utility
- Ensure customer affordability
- Support customer understanding and utility implementation

Rate Design Process

- Determine appropriate customer charge
- Determine appropriate demand-based charge

Determine volumetric charge to recover remaining costs

Evaluate customer impacts and goal-related outcomes

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Rate Design Options for Board Feedback

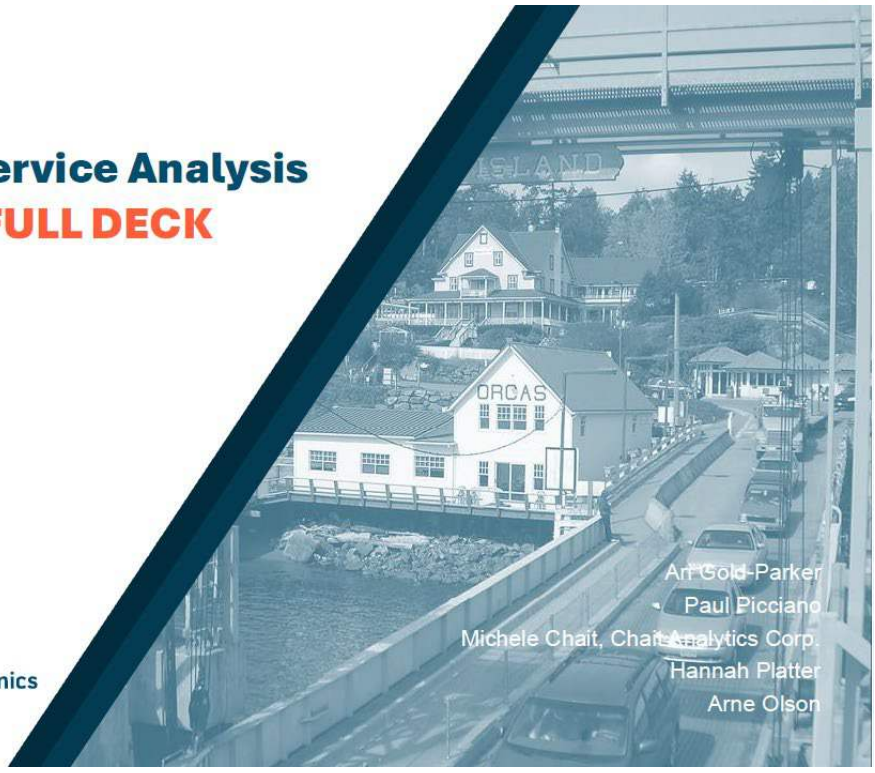
Which of these rate options should be prioritized for evaluation in our study?

Rate Option	Pros	Cons
1. **Traditional customer charge ($/month):** OPALCO could increase their customer charge to recover additional revenue.	• Current system • Easy to understand	• Not reflective of demand-driven costs • May burden small users, including low-income customers
2. **Electric Charge Adjuster ($/kWh):** A charge (or credit) based on OPALCO's operating revenue relative to a specified target	• Ensures OPALCO will meet target revenues • Customers could earn a credit • Similar to current production charge adjuster	• May impose additional cost on customers • Customer education required
3. **Non-Coincident Peak Demand Charge ($/kW):** Demand charge based on the customer's highest monthly demand(s)	• Most simple demand charge • "Top N hours" could reduce bill impacts of one high-demand hour	• Increased month-to-month bill volatility • May penalize customers who are less flexible
4. **Ratchet Non-Coincident Peak Demand Charge ($/kW):** Demand charge based on highest demand(s) on a rolling period	• Reduced month-to-month bill volatility • Better recover costs from seasonal customers	• Highest demand month will impact customer bills over a longer term • Harder to understand
5. **Size-Based Charge (meter, panel, or service size) ($/month):** Monthly charge on the customer's technical maximum demand	• OPALCO likely to have the needed data • Proxy for distribution infrastructure costs	• Homes may use far less demand than their technical capacity • Discourages increasing panel size for EVs
6. **Declining Block Volumetric Rates ($/kWh):** Utility recovers a *higher* rate from the first X kWh each month	• Recovery of fixed costs less sensitive to weather conditions • Recovers more fixed costs from solar customers	• Discourages energy efficiency at the margin • Significant change in rate paradigm for customers
7. **TOU Rate ($/kWh):** Rates change based on TOU periods OPALCO may want to delay TOU rollout until 2028 to reflect updated power supply pricing, which may have more time variation under the new BPA contract.	• OPALCO has an existing opt-in rate • Can align customer pricing with time-varying costs	• May lead to bill increases or bill volatility for inflexible customers • TOU periods may need to change over time

OPALCO Cost-of-Service Analysis and Rate Design – FULL DECK

OPALCO April Board Meeting

24 April 2025



Energy+Environmental Economics

Ari Gold-Parker
Paul Picciano
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Hannah Platter
Arne Olson

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Overview of Today's Presentation

- **Overview of cost allocation process**
- **Comparison of allocation factors embedded in current rates versus proposed allocators**
- **Cost allocation results**
  - Proposed versus current
  - Indicative cost-based rate components
- **Rate design next steps**
  - Rate design overview
  - Rate design options for feedback

Overview

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Goal of Cost-of-Service Study

+ The goal of the cost-of-service study is to produce a cost-based allocation of historical 2024 costs across OPALCO's customer classes

+ The rate design task will be informed by these results but can depart from cost-based values in order to achieve various rate design objectives including ease of understanding, ensuring collection of the revenue requirement, and to support OPALCO policy goals

Overview of 2025 COSA & Rate Design Process

Steps	Goals	Examples
Assess Utility Costs	Determine total utility costs to recover via rates	• *2024 Revenue Requirement* • *Interest Expense* • *Margin*
Classify and Allocate Costs	Allocate revenue requirement by customer class based on key drivers of costs	• *2024 Energy by class* • *2024 Demand by class* • *2024 Customer by class*
Develop and Evaluate Rates	Design and update rate options to meet OPALCO's goals	• *Changes to fixed charge* • *Changes to volumetric charge* • *Changes to demand charge*
Communicate Rate Changes	Ensure customer understanding and readiness for new rates	• *Presentations (e.g., town hall)* • *Engaging web postings* • *On-bill communication*

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Cost-of-Service Study Goal and Process

Goal: Produce a cost-based allocation of historical 2024 costs across customer classes to inform 2025 and future rates

1 Plant & Expense categories are Functionalized
- Transmission
- Production
- Distribution
- Customer
- A&G

2 Functionalized Costs are Classified
- Energy (MWh)
- Demand (MW)
- Customer (#)

3 *Today's Focus*

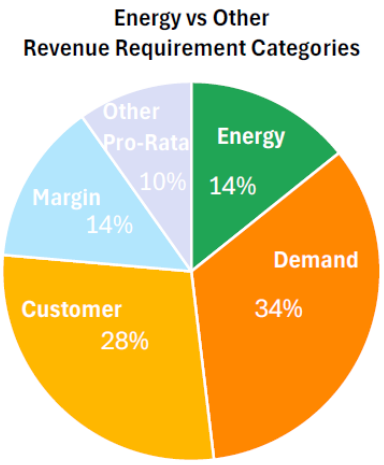
Classified Costs are Allocated Across Customer Classes
- Residential
- Small Commercial
- Large Commercial
- Pumping

These allocated costs by customer class are used in the rate design process

Preview of COSA Costs

+ The majority of OPALCO's costs are Transmission and Distribution related, and thus the majority of costs wind up classified to customer or demand drivers ("non-energy")

2024 Revenue Requirements ($ millions)	
Purchased power - energy	$6.9
Purchased power - demand	$2.4
Opex Transmission	$1.0
Opex Disttribution - Supervision	$1.2
Opex OH & UG Lines	$2.6
Opex Meters	$0.5
Opex Fiber	$0.5
Opex Miscellaneous - Distribution	$1.3
Opex Miscellaneous	$1.6
Customer Services, A&G	$1.7
Salaries, Outside Svcs, Tech, Gen'l Depn	$5.3
Insurance, Misc	$0.9
Depreciation & Property Tax	$4.6
Public utility tax	$1.6
Interest expense	$2.0
Income	-$1.3
Margin	$5.7
Total	**$38.6**



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Comparison of Allocators: Current vs Proposed

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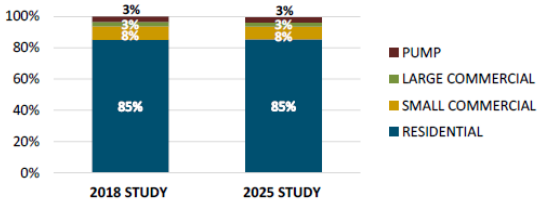
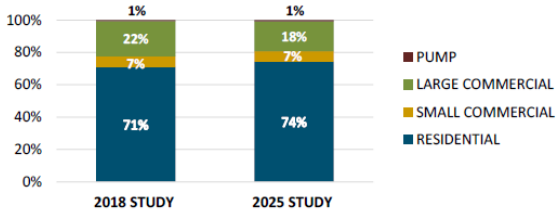
Comparison of Key 2018 vs 2024 Allocation Factors

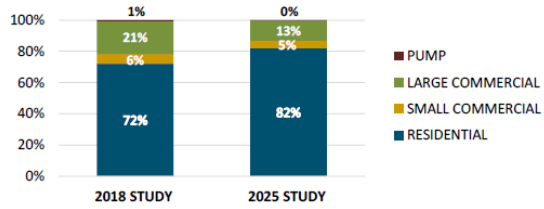
NUMBER OF CUSTOMERS



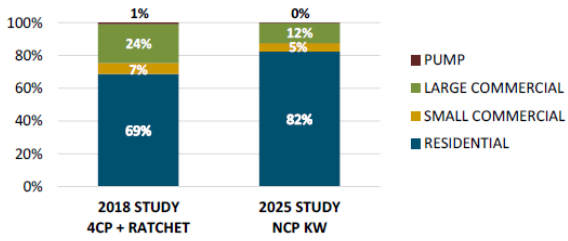
KWH



1 CP kW



4 CP + RATCHET vs. 1 CP



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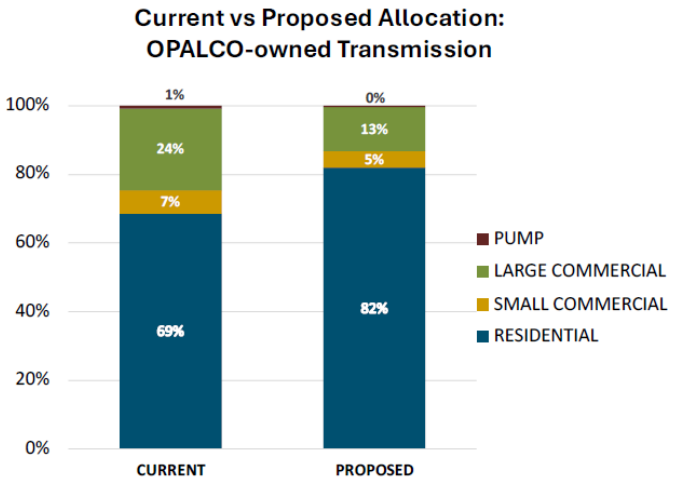
Allocation Factors: OPALCO-owned Transmission Net Plant



+ **Currently, transmission costs are classified 100% to demand**
  - Recommend same treatment
+ **Transmission plant in service and transmission operating costs are currently allocated per a 4 CP + Ratchet allocator**
  - Ratchet developed from 2018 study Test Year data
  - It is uncommon to employ a ratchet in an allocator
+ **Propose 1CP allocation factor for OPALCO-owned transmission net plant**
  - 1 CP better reflects cost incurrence for OPALCO-owned transmission: it must be capable of serving OPALCO's system peak load
+ **Proposed 1 CP allocator shifts costs to residential class and away from commercial and pump classes**

Role of Minimum System (or Zero Intercept) Study

+ **Often in COSA analyses, distribution plant costs are classified as a mix of customer- and demand-driven based on a "minimum system" or "zero intercept" study**
  - Cost categories impacted are poles, OH & UG lines, transformers, service drops (RUS categories 364-369)
  - The minimum system study assumes that the utility must be capable of serving non-zero loads
+ **These categories of plant are therefore driven by both demand and numbers of customers**
  - Under a minimum system study, for each category of distribution plant, the current cost of a hypothetical system serving minimum load (or zero load) would be estimated. Dividing this cost by the total estimated current cost for the relevant distribution plant category would yield the share of costs classified as customer driven. The remaining cost share is classified as demand driven.
  - Once appropriately classified, the appropriate customer and demand allocation factors are applied to classified costs
+ **In absence of a minimum system study, for each category of distribution costs we assume a 50% share is customer driven and 50% is demand driven**

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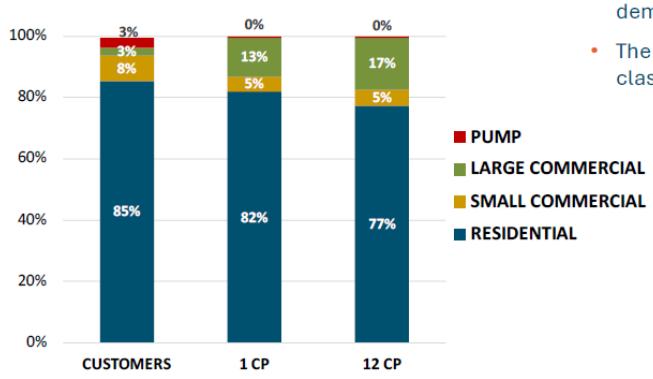
Implications of a Minimum System (or Zero Intercept) Approach

Example 2024 Study Customer & Demand Allocators

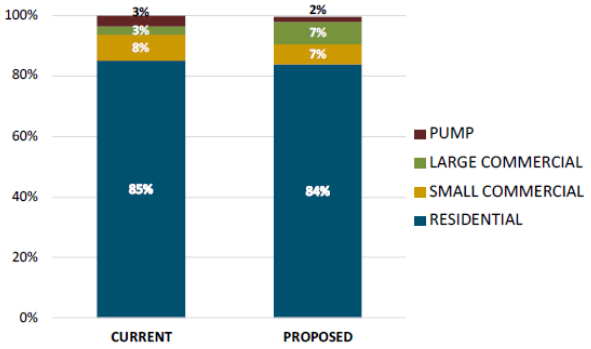


+ Using 2024 study allocation factor data:

- The unweighted customer allocator shifts more costs to the residential, small commercial and pump classes compared with demand allocators
- The demand allocators shift more costs to the large commercial class relative to the customer allocator

Distribution OH and UG Line, Poles, Towers, Transformer Net Plant

Current vs Proposed Allocation: Distribution OH Line



+ Current allocation of distribution net plant and related operating costs is based on the number of OH single- and three-phase accounts and UG single- and three-phase accounts

- This approach implies that these costs are currently classified as 100% customer driven and ignores the role of customer demand as a cost driver

+ Proposed classification:

- 50% of costs allocated per unweighted customers
- 50% of costs allocated to NCP demand because these types of plant are sized to serve individual customer peaks

+ Proposed allocation shifts costs into large commercial, slightly reducing allocations to other classes

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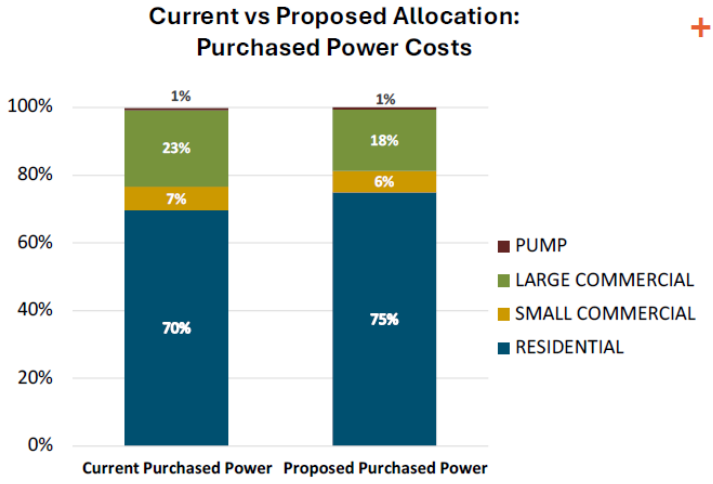
Purchased Power Costs



+ **Relative to proposed rates, purchased power cost allocators underpinning current rates feature:**
  - Customer allocator with fewer residential customers and more large commercial customers
  - Energy allocator with lower residential usage and higher large commercial usage
  - Demand allocators with lower residential usage and higher large commercial usage

Allocation of Other Revenue Requirement Costs

+ **Expenses related to net plant categories are driven by cost-weighted net plant allocators**
  - Insurance, Interest Expense, Depreciation, Property Tax
+ **Public utility tax is allocated per revenue**
+ **A small number of expenses with difficult to determine cost drivers are classified and allocated pro rata per share of directly classified & allocated expenses**
  - Tech services, A&G salaries, general plant depreciation, interest income, non-fiber net plant
+ **Margin is allocated to achieve equal margin across classes per class share of cost allocations prior to margin**
  - Also allocates margin on a pro rata basis to cost classification categories (energy, demand, customer)

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Cost of Service Results

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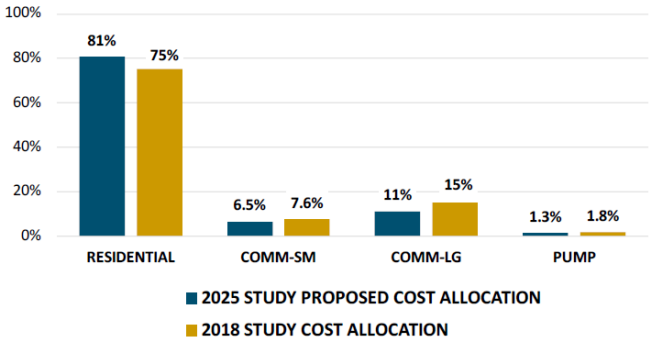
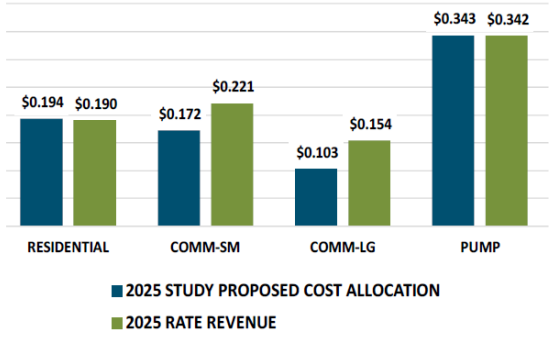
Cost-of-Service Analysis Key Results: Proposed Allocation versus Allocation Embedded in Current Rates

2018 COSA versus Proposed Cost Allocation (%)



2025 Rates versus Proposed Allocation (Average All-In $/kWh)



+ Allocations differ due to 1) change in revenue requirements; 2) use of different allocators; and 3) distribution cost classification methodology.

+ 2025 study revenue requirement is based on 2024 OPALCO book costs
+ 2025 rate revenue is based on 2025 retail rates multiplied by 2024 customer determinants

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Rate Design Next Steps

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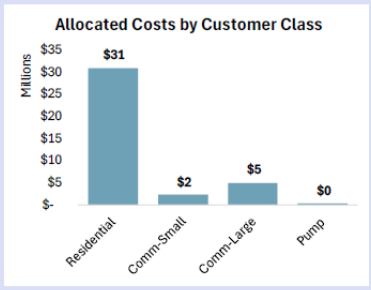
From COSA to to Rates: Rate Design Overview

COSA Output	Rate Design Goals	Rate Design Process
	• Fairly collect fixed costs • Maintain financial health of the utility • Ensure customer affordability • Support customer understanding and utility implementation	• Determine appropriate customer charge • Determine appropriate demand-based charge Determine volumetric charge to recover remaining costs Evaluate customer impacts and goal-related outcomes

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Two primary questions to explore through rate design

OPALCO's existing default residential rate
$60/mo customer charge; 3-tier (block) volumetric rate; net billing design for new customer solar

1. How can OPALCO recover its fixed (delivery) costs in a more fair and reliable way?

+ Context

- Although most of OPALCO's costs are fixed, a significant share of costs is currently recovered via volumetric charges

+ Key questions:

- How may different rate design options be perceived by the Board and by ratepayers?
- What would be the impacts on different customer groups?

2. How should TOU rates fit into OPALCO's broader rate design strategy?

+ Goals for TOU

- Ensure fair recovery of fixed costs from customers
- Provide price signals for load response that reflect underlying utility costs

+ Key questions:

- Do OPALCO's underlying costs show time variation that could be reflected in a TOU rate?
- What would be the impacts on different customer groups?

The next two slides detail a menu of rate options for OPALCO feedback

Rate Design Options for Board Feedback

Which of these rate options should be prioritized for evaluation in our study?

Rate Option	Pros	Cons
1. **Traditional customer charge ($/month):** OPALCO could increase their customer charge to recover additional revenue.	• Current system • Easy to understand	• Not reflective of demand-driven costs • May burden small users, including low-income customers
2. **Electric Charge Adjuster ($/kWh):** A charge (or credit) based on OPALCO's operating revenue relative to a specified target	• Ensures OPALCO will meet target revenues • Customers could earn a credit • Similar to current production charge adjuster	• May impose additional cost on customers • Customer education required
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