

OPALCO Candidate Forum Responses

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OPALCO:

1. **OPALCO's mission is to provide safe, reliable, sustainable and cost-effective essential utility services with a commitment to the utilization of renewable resources and carbon reduction. How does this mission align with your vision for the cooperative and community?**
 - a. The mission aligns perfectly with my vision for the cooperative and community. My vision is to have a community that embraces new opportunities in renewable energy production while taking responsibility for fulfilling more of its own power needs. Overreliance on external parties presents significant risk factors that are dangerously outside of OPALCO's control.
 - b. Relatedly, my vision for OPALCO is to achieve the level of trust and constructive communication it needs to serve its members well. There will be difficult choices ahead, and the members need to know that their collective best interests are the only thing that matters to the Board and its GM.
2. **The region is in a period of major energy transformation away from carbon-emitting sources.**
 - a. **Where will OPALCO get the capital to invest in required system upgrades and local renewable generators to keep the islands supplied with reliable power during the transition?**
 - i. OPALCO appears to be following the correct approach. Get free grant money where you can, get interest-free loans where possible, have partners like BPA maintain some infrastructure, and raise private funds.
 - ii. I am particularly fond of raising funds directly from the community. There are deep pockets of wealth here. OPALCO has significant pricing power due to inelastic demand for energy and few/costly alternative sources of it, and I suspect there are many local individuals looking for relatively low risk returns. Though I am not wealthy, I am one of those individuals.
 - iii. I can vividly recall my Haas strategy professor mocking a fellow student during lecture: "You're worried about money? Get a loan! You can get a loan anywhere. I can get you a loan before lunch. Money is never the problem!"
 - b. **How should OPALCO maintain affordability for all members while complying with legislation for decarbonization?**
 - i. There are some core Utilitarian principles that should guide the Board and GM's decision making. We must be bold in the implementation of solutions to our problems while being careful not to build any "bridges to nowhere". OPALCO also needs to negotiate effectively to push through the blockers, County or otherwise, that prevent it from building too little.

- ii. The science of cost control can be complex, but controlling costs is also intuitive. Salaries are often the biggest expense, so they are often the first place people look. More broadly, however, the OPALCO Board needs to clearly determine, delineate, and communicate about “what is best for OPALCO” versus “what is best for the membership as a whole.” If you have a Board composed of industry insiders, these lines can blur regardless of directors’ best intentions.
- 3. **Solar power requires a lot of sunny land for solar arrays. Existing county land use codes favor preserving local rural character over solar generators on open land. How do you think about these potentially conflicting approaches to land use? How can OPALCO work with San Juan County to ensure permitting certainty for these projects?**
 - a. If we step back from specifics and move directly to key principles, we might benefit from what I call: “There is Always an Option C”. For example, if you need to place solar panels but prefer to look at trees, there are a variety of conical evergreens that can be planted closely together to block line-of-sight to the panels.
 - b. The larger principle to keep in mind is that we, as a community, CAN take responsibility for more of our own energy needs. I believe the OPALCO Board is genuinely worried that mainland power will fail us in a bad way. Why else would they subject themselves to public backlash and disdain? If there is an imperative, it’s not solely on OPALCO’s leaders; it’s also on its members.
 - c. In my understanding, OPALCO is already working on forcing the County to allow solar placement *somewhere*. The coop should continue efforts to expand this to other methods of renewable energy generation. We would be fools to give up on tidal power so easily. That answer is staring us in the face, but OPALCO has not been able to remove the blockers. Fear of the unknown is a powerful (de)motivator.
- 4. **How do you engage stakeholders who show up frustrated with the cooperative? What do you do when their claims conflict with engineering/economic reality?**
 - a. I listen intently. Most of the frustration seems to revolve around a lack of transparent communication that’s tailored precisely to OPALCO’s audience. My candidate platform doesn’t stress environmentalism because our community’s problem is not the lack thereof. I am not an engineer, so I don’t try to speak with authority about those issues. There are plenty of current Board members that could. I am also not an economist unless you count an undergraduate degree from 15 years ago.
 - b. Instead, I relate learnings from experience as a governance and leadership consultant. My mantra is: “boards must govern through policy and process.” Policy and process are concrete expressions of another “P”, which is *Principle*. Boards and their management teams are full of interesting psychology that causes good people with good principles to produce poor results.
- 5. **It’s estimated that OPALCO’s load growth will double between now and 2050 due to the electrification of heating and transportation. Questions:**
 - a. **Where should this new energy come from?**
 - i. Everywhere other than fossil fuels, to the extent possible. We should not rely too heavily on shrinking snowcaps, BPA’s free cables, or solar panels that are 14% efficient because diversity is the key to risk reduction. Look around

you. Look at where we are on a map. Solar panels are being presented as the solution because that's what OPALCO has been able to do thus far.

b. Will local resistance limit siting and permitting?

- i. Yes. Powerful individuals, interest groups, and grassroots initiatives can all create roadblocks. However, members elect the directors, who hire and strategize with the GM, who then drives implementation by working with the County. That is the system in place. Another option is to have the County run it all. I would argue that a county-run utility is unlikely to create better results for the community.

c. Who pays for it?

- i. As outlined in a prior response, the government, the members, and private individuals should pay for it in accordance with Utilitarian principles that essentially boil down to getting "the best bang for the buck." We have a lot of bucks around here; OPALCO just needs to go get them.

6. OPALCO's current rate structure collects almost half of the revenue to cover fixed costs through the kWh (energy use) charge. As we become more energy efficient and embrace more renewable energy, OPALCO won't collect enough kWh revenue to cover fixed costs. How would you address this rate structure dilemma?

- a. This question seems flawed because it implies that increased costs cannot be covered via higher usage charges rather than higher fixed fees. OPALCO also includes a lot of things in "fixed costs" that are highly variable. Before acquiescing to increasing MY fixed costs, I would like a very detailed, open, and honest discussion of OPALCO's successes and failures in controlling and efficiently allocating costs.
- b. I asked a question about this pricing change during a Board meeting because I have significant concerns. They want to charge a higher fixed fee, thereby removing some of the members' ability to control costs without disconnecting from the grid. This is great for smoothing out OPALCO's revenue, which companies across the globe spend a lot of time and resources on, but I don't think it is in the members' best interest. Their argument in favor of this change centers around lower average bills for those who live here full time, with higher bills for people who are here seasonally. In their words, that involves "picking winners and losers."
- c. Some decisions should be made primarily in light of their impacts *in the margin* as opposed to *on average*. One group in the margin here is the people who will find themselves hard up for cash and unable to pay their bill because turning down the heat didn't save them enough money. Members should be asking themselves if saving money *on average* is worth losing control of the ability to save money *when they really need to*. Then, they should make their voices heard.
- d. More fundamentally, this change could drastically interfere with incentives to use less power. Recouping investment costs of a heat pump will take longer if the savings are lower. OPALCO thinks it can restore incentives with "demand charges" that penalize you for using too much electricity at one time. This will land us with higher fixed fees AND punitive charges for using power when we need it. I took a pricing course from the man who designed PG&E's latest pricing model, and he didn't seem particularly proud of it. I'd proceed with caution here.

- 7. What are three things you don't know about running a utility that you plan to learn first?**
 - a. I have already begun learning, and I'd like to give special thanks to Jay Kimball for his dedication to the community and willingness to help me personally. The first three questions I ask of any organization before getting involved are essentially these:
 - i. Are we "the good guys"?
 - ii. What must we create to get on the right path?
 - iii. What blocks fulfillment of our mission?
- 8. The high cost of living in the islands (especially housing) and a very competitive labor pool in the industry has made it challenging to hire and retain staff. What ideas can you offer for hiring and retention of qualified employees?**
 - a. I have dedicated my adult life to nonprofit governance, and there is a powerful phenomenon I call "the non-profit discount". Organizations that truly live and breathe community service commonly pay their employees significantly less than their for-profit equivalents. This phenomenon can only exist where the organizational culture permits and continually reinforces it.
 - b. If OPALCO, as an entity, thinks and feels like a for-profit energy company with monopolistic pricing power, its employees are likely to ask for salaries in line with that mentality. Furthermore, I know a fair number of members that made significant financial sacrifices to live and work here. Those who must travel for work face additional costs in terms of time and money. Culture trumps all, and we must never forget what a privilege it is to live in the San Juans.
- 9. A severe winter event causes regional scarcity and wholesale price spikes which will be showing up on member bills. What questions do you ask management as the problem unfolds? What do you communicate to members?**
 - a. I would ask management what short-term modifications they need to make to the amelioration plan that is already in place, and when they plan to inform the community of those changes. I would communicate to members only what the Board has agreed to communicate as a governing body. If the problem is predictable, then members should already have most of the information they need to prepare for the severe winter event.
- 10. Member engagement is key to a successful cooperative. How would you encourage greater participation from members?**
 - a. I would advocate for opening a larger proportion of Board meetings to the membership. I think members would benefit from seeing "behind the curtain". OPALCO Board meetings have an informational/educational session, then there's a closed session where the real work is done. This provides little transparency into how important decisions are made.
 - b. I would also offer more in-person opportunities for members to engage directors in two-way dialogue. Stakeholder engagement will always suffer if communication is remote and done in Q&A format that lacks the proper back-and-forth. I had a great discussion with a former Board member when I hosted my personal candidate townhall at the Orcas Island Public Library!

- c. I think OPALCO needs to stop referring people to various studies and documents and then moving on quickly. I also think communications coaching is often very cost effective. Communications is about “meeting people where they’re at”. Telling members to dig through 90-page documents or make sense of very dense charts/graphs is not *that*.

ROCK ISLAND:

- 11. How important is access to communication technology throughout San Juan County?**
 - a. Very important. Many systems we take for granted would degrade or cease entirely without readily available and widely accessible information.
- 12. Rock Island provides internet connections to nearly 60% of the OPALCO membership. How should Rock Island and OPALCO prioritize reaching the balance of the membership with access to broadband?**
 - a. I don’t understand precisely what “the balance of the membership” means, and I was unable to get anyone from OPALCO to explain it to me in a way that added clarity. Sorry! I also think this question makes an assumption about “prioritization” that I’m currently not comfortable affirming.
 - b. I would like to refer to my earlier points on key principles and Utilitarian philosophy, then add an example. I asked Rock Island for an estimate to run fiber up my half-mile road last year. They returned a cost estimate between \$35,000 and \$50,000. I considered asking my closest neighbors if they would like to split the costs. However, I would never ask *the entire membership* to help me foot that bill.
 - c. This is what I mean when I argue against “building bridges to nowhere” and separating out what is good for OPALCO as an organization (revenue) versus what is good for the membership (efficient spending).
- 13. Who should pay for the cost of internet connections?**
 - a. Because we have strong alternatives to fiber and few people significantly benefit from such high internet speed, I think the cost should be borne by the individuals and groups who will receive the benefits, not by the entire membership.
- 14. What would you bring to the Co-op to help Rock Island realize its full vision?**
 - a. I would bring mission-oriented safeguards, a voice of reason and duty, and a strengthening of the public’s understanding of Rock Island’s role within OPALCO. Rock Island’s vision isn’t as prominently displayed or thoroughly discussed as the larger OPALCO’s mission or vision. The two should be explicitly and thoroughly integrated. In keeping with my candidate platform, I’d try to bring transparency, accountability, and affordability.