



**BOARD OF DIRECTORS  
BOARD MEETING 8:15 a.m.  
OPALCO Conference Room**

**Lopez Fire Station, 2228 Fisherman Bay Road, Lopez Island  
Thursday, February 19, 2015**

**TRAVEL**



***Via Island Air***  
378-2376 / 378-8129 (cell)

**To:**

Leave FH 7:45 am

Arrive Lopez 8:00 am

**From:**

Leave Lopez 1:00 pm

Arrive FH 1:15 pm



***Via Ferry:***

**To:**

Leave FH 5:55 am

Arrive Lopez 6:40 am

Leave Orcas 7:00 am

Leave Shaw 7:15

Arrive Lopez 7:45 am

**From:**

Leave Lopez 1:05 pm

Arrive FH 1:45 pm

Leave FH 2:05 pm

Arrive Orcas 2:55 p.m.

Arrive Shaw 3:10 p.m.

**Orcas Power & Light Cooperative  
Board of Directors  
Regular Board Meeting  
Fire Hall, 2228 Fisherman Bay Rd, Lopez Island  
376-3549  
February 19, 2015      8:15 a.m.**

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**ADJOURNMENT**

Executive Session: Personnel; NewCo;

# ACTION ITEMS

# MINUTES OF THE BOARD OF DIRECTORS MEETING

## ORCAS POWER & LIGHT COOPERATIVE

Thursday, January 22, 2015

President Jim Lett called the meeting to order at 8:50 a.m. at the Eastsound OPALCO office. Directors Bob Myhr, Vince Dauciunas, Glenna Hall and Jerry Whitfield were present. Chris Thomerson participated via telephone and Winnie Adams was absent. General Manager Foster Hildreth, Manager of Engineering and Operations Russell Guerry, Manager of Finance & Administration Nancy Loomis, Manager of Member Services and Energy Savings Amy Saxe, Manager of Island Network Gerry Lawlor and Executive Assistant Bev Madan (serving as recording secretary) were also present.

### Member/Guests

Dwight Lewis (Lopez Island); Steve Ludwig (Lopez Island); John Fleischer (Orcas Island) and John Evans (Orcas Island) were each given the opportunity to address the Board. Ludwig stated that he would like a breakdown of the IRS Form 990 in regards to the amount of the compensation reported. He also noted that there are no numbers entered for Part 7 *Investments and Other Securities* which he felt was sloppy.

Lewis distributed copies of the IRS Form 990 from 2013. He also stated that he was concerned about OPALCO's members footing the bill for Island Network and wondered if there was an exit plan in the event it fails.

Evans stated his concern that the other ISPs in the county might be forced out of business with the formation of Island Network and had additional questions regarding its formation. He stated that members could no longer refer to OPALCO as "occasional power & light" as it has improved so much over the years. He further added that Doe Bay has wireless internet and felt it was better than putting fiber in the ditch but noted it was better to be "hooked up".

### December Meeting Minutes

Myhr noted that Strategic Directive #2 *Sustainable Power Supply Strategy* had a correction in the wording: It stated "Investigate and form relationships with alternate suppliers of power" but should read "Investigate possible relationships with alternate suppliers of power."

- **Motion** made by Hall to accept the December minutes as amended. Motion was seconded and carried by voice vote.

### New Members

- **Motion** made by Myhr and seconded to accept the new members as listed. Motion carried by voice vote.

#### Blakely

Warden, Leonard & Stephanie

#### Lopez

Ashbaugh Island LLC  
Dickison, Mark

Matela, Nancy

McLeod, E.J

Nelson, Christina Leigh & Fife, Eric Mitchell

Reece, Ben

#### Orcas

Blankenship, James

Dolezal, Uva Beatrice & Antilla, Tod C

Ghiz-Sunn, Dylan T

Greenawalt, Philip S

Kitts, Rick

Kurth, Russell

Lemke, Ben & Long, Tom

Leppala, Mike

Martz, Daniel

Morris, Ryan

Robertson, Nora

Rodriguez, Elizabeth & Robert

Smith, Patrick O

Underwood, Eric & Miller, Douglas

#### San Juan

Altman, Jeff

Butler, Steve & Doug

Colleen Kenimond Atty at Law

Corbin, Doris

Diemoz, Bonita

Dues, Betsy

Gerrish, Steve & Therese

Graham, Erin C

Halverson, Helen K

Hansen, Kraig & Cindy

Hart, Sarah

Hendrick, Glenn

Kochel, Karl M & Kristin L

Marler, Stephanie

Nelson, Tamara

Reff, Alan

Schirmer, Douglas

SJ Essentials

Smith, Stacey

Thompson, Mark A

## Capital Credits

- **Motion** made by Myhr and seconded to approve payment of \$12,832.89 in capital credits to the estates of deceased members listed below. Motion carried by voice vote.

Helen J. Arnold .....	\$3,436.52
Ethel M. Baldwin .....	\$628.47
Francis A. Esposito.....	\$819.24
Betty S. Gilson.....	\$1,092.04
Lucile T. Henderson.....	\$1,221.08
Jean F. Kisser.....	\$91.54
William Lowell.....	\$809.27
Edith B. Martel.....	\$1,338.94
Donald A. Olson.....	\$1,066.55
Alice Ostendorff.....	\$405.94
William D. Pollock.....	\$9.01
Dorothy V. Stuckey.....	\$316.84
Albin E. Sundstrom.....	\$1,597.45

## Island Network Report

Gerry Lawlor informed the Board on Island Network activities for the past month. His team is working with several homeowners association within the county. Their Eastsound office is now in operation with a plan to open full customer sales and support capability within the first part of 2015.

*Lawlor left the meeting after his report*

## Tariff Revisions

Revisions were made to the tariffs presented at the December meeting to confirm the effectiveness of the rate design proposed. The resulting calculations predicted a 10.4% increase in revenue for 2015; kWh charges were adjusted for Residential, Pumps, Small Commercial and Large Commercial in order to reach the targeted revenue increase of 12% that was approved in the 2015 budget at December's meeting.

- **Motion** to approve Tariff revisions as presented in the Rate Detail table to be effective with the February billing cycle made by Myhr and seconded. Motion carried by voice vote.

## RUS Loan AP8

Application with RUS for a Guaranteed Federal Financing Bank loan (AP8) will be made as a follow-up to the existing AM8 loan. The transmission portion of the Construction Work Plan was omitted in the AM8 loan request due to environmental delays. Included with the loan submittal documentation are:

**Resolution 1-2015 Requesting Guaranteed Federal Financing Bank (FFB) "AP8" Loan Application** in the amount of \$17.1M

**Resolution 2-2015 Updated, Abbreviated 2014-2029 Load Forecast**

**Resolution 3-2015 Approval of Ten-Year Financial Forecast**

**Resolution 5-2015 Approving Amendment #5 to the 2013-2016 Construction Work Plan**

- **Motion** to approve the submittal of the FFB Loan AP8, corresponding board resolutions and loan submittal documentation was made by Myhr and seconded. Motion carried by voice vote.

## 2015 Committee on Nominations

Members of District 2 (Orcas, Armitage, Blakely, Obstruction, Big Double, Little Double and Fawn Islands) Douglas Ellis, Anne Marie Shanks and David Sarver have agreed to serve on the 2015 Committee on Nominations. An orientation will be held with Hildreth following their appointment.

- **Motion** to approve Ellis, Shanks and Sarver to serve on the 2015 Committee on Nominations was made by Myhr, seconded and approved by voice vote.

## Resource Evaluation Timeline

Hildreth reviewed the Resource Evaluation Timeline. Staff will submit scenarios of load forecasts and BPA Power Supply modeling during the second quarter of 2015.

## Additional Board Meeting Time

Saving a date to review board materials was discussed. The consensus was that if needed, the "overflow" meeting should be the day after the regularly scheduled meeting and be held in the same location as the Board meeting.

## Reports

The **Cash Recap** shows an ending balance of \$3,351,771 as of December 31, 2014.

The **Outage** chart was reviewed and showed an increase in weather-related outages.

The **Safety** report indicated no accidents, incidents or near misses for December. The safety consultant, Jeff Meyer of Columbia REA, will facilitate the RESAP program, including the reporting.

The **General Manager's** report was reviewed. Cash needs are being evaluated; under consideration is an increase to the available balance of CFC Power Vision short term facilities instrument as a vehicle to fund NewCo formation and start-up.

The nonprofit Roundtable energy group met and was briefed on the new rate design and revenue requirements. Messaging of the rate design was discussed, noting that members should be informed of the dollar amount they are supporting energy efficiency, the total cost or percentage should be shown on member's bills, and there should be clear talking points stating the benefits of energy efficiency.

San Juan County was one of fifty communities nationwide to advance to the semifinal round of the Georgetown University Energy Prize.

The Orcas Island Montessori School issued a final report on their Renewable Energy and Efficiency projects. The school installed a 9.2 kW PV array in 2013, replaced an oil boiler with ductless heat pumps, upgraded insulation and implemented curriculum. The curriculum is in partnership with the Funhouse Commons on Orcas.

Hildreth reported that he will pursue additional services through WRECA's Grant Nelson to research the tax incentives for fiber, ask for a tax exemption for the submarine cable and other communication topics.

Communication and messaging was discussed in depth. It was agreed that there is not just one way to get the message across, that many types need to be utilized, including social media.

## Adjournment

The meeting adjourned to an Executive Session at 12:02 p.m.

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Jim Lett, President

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Jerry Whitfield, Secretary-Treasurer

## New Members January 2015

### Blakely

1. Whitman, Michele

### Lopez

2. Carey's Pine Bluff LLC
3. Case, Scott & Margot
4. Drougas, Inara D
5. Edenwild Events LLC
6. King, Chris & Katie
7. Lighthall, Gary
8. Nichols, Constance A
9. Presley, Rebecca J
10. Prewitt, Lori
11. Wheatley, William

### Orcas

12. Capital Income and Growth Fund LLC
13. Coronis, Sean
14. Dickey, Loren & Vollmer, Jennifer A
15. Edes, Jeffrey L
16. Heinz, Megan & George
17. Holbert, Christopher
18. Horton, Richard
19. Humes, Lawrence E
20. King, Robert
21. Linnes, Jacob & Hawes, Krista
22. Monroe, Martha A
23. Risheg, Hiba
24. Sanchez, Demetri
25. Summers, Caleb
26. Thompson, David & Aspinwall, Sharon
27. Shaefer, Derrick

### San Juan

28. Baker, Leslie
29. Beast Custom Cycles, LLC
30. Birkeland, Chris
31. Bison, Lance
32. Bussey McHenry, Katherine
33. Christensen, George & Beardsley, Morgan
34. Czaja, Elayne M
35. Duffy, Douglas E
36. Eccles, Matthew
37. Encinas, Bryan & Tess
38. Friedman, Jeff
39. Harbor Homes LLC
40. Harrison, Margaret Jeanne
41. Haslet-Philips, Jennifer & Hamilton, John
42. Holman, Andrew & Carol
43. Holthuis, Bernadette V
44. Jones, Michael & Gimenez, Maria E
45. Lanham, David & Diana
46. Luttrell, Shawn
47. Miller, Lee Ann
48. Pampered Pets
49. Parker, Amanda L
50. Petritsch, Brandon
51. Philbrooks Boatyard USA Inc
52. Pickard Family LLC
53. Reff, Alan
54. RH Skyways #37
55. Rich, Nathaniel & Lisa
56. Riter, Christina A
57. Rudd, Jayme
58. Scammell, Cy
59. Stewart, Dean

## CAPITAL CREDITS

Application has been received for payment of capital credits to the estates of the following deceased members:

Nancy Lea Callaghan.....	\$1,310.51
John Alex Carey.....	\$609.61
Elizabeth S. Hoisington.....	\$1,793.95
William Edward Humes.....	\$1,356.34
Alvin G. Wilding.....	\$1,568.38
<b>Total.....</b>	<b>\$6,638.79</b>

MEMORANDUM

February 13, 2015

TO: Board of Directors  
FROM: Foster Hildreth  
RE: Member-Initiated Bylaw Revisions

In March 2014, three member-initiated bylaw amendments were submitted by petition with the required member signatures. These amendments were submitted too late for the 2014 annual meeting, so are under consideration for the 2015 annual meeting. These were reviewed by our attorneys; their legal opinion is attached.

Bylaw Article XIV – Amendments – Section 2 Member Initiated Amendments

*Voting members may propose changes to the bylaws as follows:*

- a) Bylaw Amendments Proposed by Members: Any group of fifty (50) or more voting members may propose, in writing, a resolution to make, alter, amend or repeal a bylaw or to adopt new bylaws. Any such proposed resolution must be submitted to the Board of Directors no less than ninety (90) days prior to the date of the next annual meeting of the members, as described in Article II, Section 1 of the Bylaws;*
- b) Review by Directors. After review by the directors, the proposed amendment to the bylaws shall be placed upon the agenda of the annual meeting of the energy members, and notice of the proposed amendment shall be provided to the energy members in accordance with the notice provisions contained in Article II, Section 3 of the Bylaws;*
- c) Voting on Proposed Amendment. Any proposed amendment shall be voted upon at the annual meeting of the energy members. Voting shall be in accordance with Article II, Sections 5 and 6 of the Bylaws. Any proposed amendment receiving a simple majority of votes from the energy members shall be approved.*

The petitioned revisions were all to Article IV – Meetings of Directors Section 3 Notice and are highlighted in red:

*Notice of the date, time, and location of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written or electronic notice, delivered to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his or her address as it appears on the records of the cooperative, with postage thereon prepaid. If sent by electronic transmission, the notice is deemed to be delivered when sent, addressed to the director at his or her electronic transmission address as it appears on the records of the cooperative. In the alternative any special meeting of the Board of Directors can be posted on the cooperative's website, and electronic email notice shall also be provided. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.*

First amendment petitioned:

*In addition, the cooperative shall maintain an email list to notify any Energy Members who sign up to be notified when any board meetings are called or scheduled and whether they are open to the Energy Members. Any amendments to these Bylaws shall be emailed to the same email list.*

Second amendment petitioned:

*Meetings of the Board of Directors shall be held in accordance with the Washington State Open Public Meetings Act (RCW 42.30).*

Third amendment petitioned:

*Any Board-initiated amendment to these Bylaws which would diminish, supersede or remove the existing powers reserved to the Energy Members shall require approval by vote of the Energy Members before it takes effect.*

**MEMORANDUM**

CONFIDENTIAL ATTORNEY CLIENT COMMUNICATION

TO: Board of Directors, Orcas Power & Light Cooperative

FROM: Mr. Arthur Butler, Ater Wynne, LLP  
Mr. Joel Paisner, Ascent Law Partners, LLP

DATE: February 13, 2015

RE: 2015 Member Proposed Bylaw Amendments

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**I. INTRODUCTION**

Three member proposed bylaw amendment petitions have been submitted to the Board of Directors of Orcas Power and Light Cooperative (“OPALCO”) seeking to add sections to Article IV, Meetings of Directors, of the OPALCO Bylaws. We understand that the signatures on the petitions have been verified and each has the required minimum of 50 qualified signatures. The first petition seeks to subject meetings of the Board of Directors to the terms of the Washington State Open Public Meetings Act. The second seeks to require approval by vote of the energy members of any Board initiated amendment to the bylaws that would diminish, supersede, or remove the existing powers reserved to the energy members. The third seeks to require OPALCO to notify by email interested energy members of amendments to the bylaws and of the date of any Board Meetings and whether they are open to the energy members.

**II. SHORT ANSWER**

Bylaw amendments must be consistent with OPALCO’s existing Articles of Incorporation, as amended (“Articles”), as well as state law. Because the Open Public Meetings Act would conflict with the fiduciary duty of a Director it conflicts with state law. In addition, by its terms the Open Public Meetings Act applies only to public agencies, as stated in RCW 42.30, and not private corporations such as OPALCO. Only the legislature can change that. It is our opinion that this proposed bylaw amendment is not proper for the members to vote on based on the conflicts with the Articles and state law.

The second proposed amendment limits the Board’s ability to “diminish, supersede, or remove” existing power of the energy members. Because this amendment would have the effect of limiting the Board of Directors’ ability to change or amend the bylaws, as provided for in its Articles, we are also of the opinion that it is not a proper amendment and conflicts with the Articles and state law.

The third amendment will require OPALCO to notify by email interested energy members of amendments to the bylaws and of the date of any Board Meetings and whether they

are open to the energy members. As long as this provision is read to be consistent with the existing Articles, this proposed amendment can be put to a vote of the energy members.

### III. ANALYSIS

#### 1. OPALCO'S Members Lack The Authority By Bylaw Amendment To Subject Meetings Of The Board To The Terms Of Chapter 42.30 RCW, The State's Open Public Meetings Act

Each bylaw amendment must be proper as to form and consistent both with the Articles, and the law, including Chapter 24.06 RCW, the Mutual Corporations Act. See RCW 24.06.025; RCW 24.06.095. To the extent the bylaws conflict, the provisions of Chapter 24.06 RCW and the Articles are controlling. RCW 24.06.025.

The member submitted petition seeks to add a new section to OPALCO's bylaws, Article IV, Meetings of Directors, that states as follows:

Meetings of the Board of Directors shall be held in accordance with the Washington State Open Meetings Act (RCW 42.30).

OPALCO's policies already allow meetings that are open to the membership. OPALCO Policy 11.2.1 provides that "[i]t shall be the policy of OPALCO to encourage maximum member attendance at all board of directors meetings. The board may allow member participation during discussion of an item provided such participation does not unnecessarily slow board deliberations." It is also OPALCO policy that "[t]he general manager shall ensure that all board of directors meetings receive proper notice so that members are aware of when and where meetings are scheduled." Policy 11.3.1. Further, "[a]ny member may request permission to address the Board of Directors. If the request is received at least ten days prior to a board meeting, that person's name will normally appear on the agenda." These policies make clear the Cooperative's commitment to conducting meetings open to the members where consistent with its legal obligations.

The Open Public Meetings Act, Chapter 42.30 RCW, requires that "[a]ll meetings of the governing body of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency, except as otherwise provided in this chapter." RCW 42.30.030. Thus, the Board meetings would be open to the general public not just to the OPALCO membership. The statute also contains stringent restrictions on executive sessions (RCW 42.30.110) and provides for the assessment of a civil penalty for violations and the award of costs and attorney fees incurred in connection with an action to enforce the statute.

We do not believe that this proposed amendment is proper or consistent with law for the following reasons. First, we note that the proposed amendment does not exempt any executive sessions conducted by the Board of Directors. It is our opinion that subjecting the Board of Directors deliberations to the Open Meetings Act conflicts with each director's independent fiduciary duty to OPALCO. By limiting the circumstances where the Board may deliberate in executive session to those allowed under the Open Meetings Act, this petition limits the ability to consult with employees or experts necessary for directors to make decisions for OPALCO and its members. Under state law, directors are entitled to rely on opinions of employees, legal counsel, as well as accountants, to fully discharge his or her duties to the corporation. RCW 24.06.153. Any limitation on the right of the Board of Directors to consult with its employees, lawyers or accountants would be contrary to statute, as well as conflict with the fiduciary duty of each director.

The limitations contained in the Open Public Meetings Act relating to executive sessions are wholly inadequate to address the obligations and rights of directors of an electric cooperative such as OPALCO. Moreover, they are inadequate to protect employee privacy and confidentiality, and they are inadequate to protect proprietary or confidential non-published information of OPALCO or others that would be likely to adversely affect the Cooperative's ability to conduct business if made public.

In our opinion, by failing to exclude the executive session portion of all meetings of the Board of Directors, this proposed amendment would be inconsistent with the requirements imposed on directors by Chapter 24.06 RCW and would interfere with OPALCO's ability to conduct business in the best interests of its members. Interestingly, there is no attempt to apply the Open Meetings Act to meetings of the electric membership.

Second, OPALCO's members lack the authority to subject OPALCO to the requirements and restrictions of the Open Public Meetings Act. By its own terms, Chapter 42.30 RCW applies only to *public* entities. RCW 42.30.030 *et seq.* OPALCO is *not* a public entity, but instead is a private, miscellaneous mutual corporation, organized pursuant to Chapter 24.06 RCW. Only the legislature has the power to subject private corporations organized pursuant to statute to the provisions of Chapter 42.30 RCW, and it has not acted to do so.

For these reasons, we conclude that the proposed amendment of the bylaws to subject the meetings of OPALCO's Board of Directors to the requirements of the State's Open Public Meetings Act is not properly offered, and should not be submitted to the membership for a vote at the annual meeting.

## **2. OPALCO'S Members Lack The Authority By Bylaw Amendment To Restrict The Authority Of The Board To Amend The Bylaws**

The second proposed amendment of the bylaws seeks to limit the ability of the Board of Directors to amend bylaws. Specifically, the petition seeks to amend Article IV by adding a provision that states:

Any Board initiated amendment to these Bylaws which would diminish, supercede or remove the existing powers reserved to the Energy Members shall require approval by vote of the Energy Members before it takes effect.

The bylaws and Articles are adopted pursuant to Chapter 24.06 RCW governing non-profit mutual corporations. Generally, when inconsistencies exist between the bylaws of a mutual corporation and its articles of incorporation, the articles of incorporation are controlling. RCW 24.06.025; RCW 24.06.095. The proposed amendment in the petition only seeks to amend the bylaws, not the Articles. Article XI of OPALCO's Articles specifically states: "The power to make, alter, amend, or repeal the bylaws or adopt new bylaws shall be vested in the Board of Directors. . ." Article XI, Articles of Incorporation. That power of the Board to amend the bylaws is not restricted in the Articles. Article XI of the articles of incorporation additionally requires the Board to provide in the bylaws a way for the voting members to also adopt changes or make new bylaws, which Article XIV, Section 2 of the bylaws accomplishes. Regardless, the members do not have the authority to restrict the power of the Board to amend the bylaws. Further, the proposed language is vague regarding what provisions of the bylaws it applies to. We do note that the Board is not empowered to "diminish, supersede or remove" any existing powers reserved to the members in the Articles absent an amendment to those Articles, but the petition seeks to go beyond that by limiting all bylaw amendments, including proper ones authorized by the Articles. In sum, the member-proposed petition to amend the bylaws would establish a direct conflict between OPALCO's bylaws and its Articles. If the bylaw amendment were approved, it would interfere with a vested right of the Board of Directors, and would be directly contrary to the Articles.

It is our opinion that in order for the members to limit the Board of Director's vested right to amend the bylaws, it must be done through amendments to OPALCO's Articles. Article XIV of OPALCO's Amended Articles of Incorporation requires that any amendment be done as provided by law. The mutual corporation's enabling statute mandates that any amendments to articles of incorporation must be approved by two-thirds of the voting members. See RCW 24.06.190. Furthermore, the statute requires that any proposed amendment must be adopted by a resolution of the Board of Directors before being offered for a vote of the membership. Importantly, there is no allowance for amendments of the articles of incorporation independently proposed by the members. Thus, the only avenue available to limit the Board of Directors' ability to amend the bylaws is by a resolution adopted by the Board, and approved by two-thirds of the voting membership.

We conclude that the proposed amendment of the bylaws to restrict the vested right of OPALCO's Board of Directors to amend its bylaws is not properly offered, is vague as to its subject matter, and should not be submitted to the membership for a vote at the annual meeting. Washington law does not allow the bylaw amendment process proposed by the petitioners, and as such the Board of Directors should not consider this as a proper petition to amend the bylaws.

### **3. OPALCO’S Articles Of Incorporation And Bylaws Do Not Restrict Member Notice Of Bylaw Amendments Or Of Board Meetings And Whether They Are Open To The Members**

The third petition to amend OPALCO’s bylaws provides:

In addition, the cooperative shall maintain an email list to notify any Energy Members who sign up to be notified when any board meetings are called or scheduled and whether they are open to the Energy Members. Any amendments to these Bylaws shall be emailed to the same email list.

This amendment has two parts. First, it would require OPALCO to maintain an email list to notify energy members who sign up when board meetings are scheduled and if they are open to the members. Second, the proposed amendment would require that any amendments to the bylaws be emailed to the same email list.

With respect to the first part of the proposed amendment, RCW 24.06.150 provides in pertinent part: “Meetings of the board of directors, regular or special, may be held either within or without this state, and upon such notice as the bylaws may prescribe. . . . Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.” It is clear from the context that the notice referred to in this statute is notice to directors. The statute is silent as to notice to members of the mutual corporation or to others. Furthermore, OPALCO’s Articles and its bylaws are silent as to notice of Board of Directors meetings to members.

With regard to the second part of the proposed amendment, Article XI of the Articles provides in pertinent part: “Notice of the board’s action in making, altering, amending or repealing the bylaws or adopting new bylaws shall be given to the voting members within thirty (30) days of such action.” There is no obligation to provide members notice in advance. The petition seeks a bylaw change that would require that any bylaw amendments be emailed to the members who sign up on the email list. To the extent the petition is construed to require advance notice of any bylaw amendments, it would be inconsistent with the requirements of Article XI of the articles. However, the change proposed in the petition is silent as to when the notice should be given. Therefore, we conclude that it can be construed to be consistent with the notice provision in the Articles, namely that email notice of a bylaw amendment be given within thirty (30) days of the amendment. With that construction, we find no legal objection to this portion of the change proposed in the member petition or its form. This petition may be properly submitted to the membership at the OPALCO annual meeting.

# DISCUSSION ITEMS

MEMORANDUM

February 12, 2015

TO: Board of Directors

FROM: Foster Hildreth

RE: Member Service Policy 3 *Technical Provisions* Draft Revision

Section 3.5.9 *Marijuana Grow Operations* was added in the event that BPA makes a determination regarding the use of federal resources to energize grow operations.

This is the first reading of the draft revisions; no action is necessary. The final draft will be presented at the March board meeting for a vote to approve the revisions.

**ORCAS POWER AND LIGHT COOPERATIVE  
MEMBER SERVICE POLICY 3  
TECHNICAL PROVISIONS**

**3.1 DETERMINATION OF USE AND METERING**

The quantity of electrical energy and electrical demand shall be determined by the registration of the electric meters authorized and maintained by OPALCO.

- 3.1.1 Where the load is such that the amount of electrical energy consumed is fixed, OPALCO may elect not to meter the service and to bill the member for a fixed number of kilowatt hours. The amount charged shall be computed under the appropriate schedule including base charges.
- 3.1.2 Where service is rendered under conditions making metering impractical, OPALCO may estimate the amount of energy consumed based on the member's load.
- 3.1.3 OPALCO is required to maintain its meters within plus or minus two (2) percent accuracy. OPALCO maintains an ongoing meter calibration program. OPALCO will test a member's meter upon written request at no charge if the most recent calibration is more than ten years old. If a member requests a meter accuracy check less than ten years from the previous test, he must pay the charges as stated in Schedule of Deposits and Charges in the OPALCO Tariff book. In either case, should the meter, upon testing by OPALCO prove inaccurate, the charges will be refunded and billing adjusted per Member Service Policy 7.9. (The member will be furnished a test report stating the accuracy of the tested meter.) The member may request that the meter be sent to an independent third party for calibration. The member will be responsible for all costs associated with independent calibration of his meter. Should the meter prove inaccurate upon testing, the testing charges will be refunded and billing adjusted per Member Service Policy 7.9.
- 3.1.4 OPALCO requires commercial meterbases with manual bypass and electric meters with demand registers for all non-residential and all three phase accounts. OPALCO requires electric meters with demand registers for all accounts where the 15-minute demand at any time during the year is anticipated to exceed 15 kW. OPALCO will require demand meters on other services if required by the applicable rate schedule. OPALCO may install demand meters on any account for data collection purposes. Where demand meters are installed for data collection, the member will continue to be billed under the existing rate schedule unless the data gathered shows that a different rate schedule is required.
- 3.1.5 Commercial facilities containing electronic equipment, or where the fifteen minute demand at any time during the year does not exceed 15 KW, and having no other loads other than for heating and air conditioning, are required to have commercial meterbases with manual bypass, but are not required to have demand meters.

**3.2 PROTECTIVE EQUIPMENT**

It is the member's sole responsibility to provide suitable protective equipment for the devices and appliances in their premises. If three phase equipment is used, it is the member's responsibility to protect such equipment against single phase operation, reverse phasing, and under-and-over voltage conditions. OPALCO will monitor and troubleshoot member related problems from the member's serving substation to the

secondary lugs of the member's meterbase. All other investigation into electrical problems beyond the secondary lugs of the member's meterbase shall be at the member's expense.

### 3.2.1 Non-Standard Tolerances

OPALCO regulates power characteristics to the point of member interconnection, which is generally the serving transformer. Where the member requires a degree of protection or regulation of the characteristics of the electrical service greater than that normally furnished by OPALCO, the member shall be responsible for obtaining, installing and maintaining the required regulating equipment.

### 3.2.2 Protection

The member is responsible for protection of the member's own equipment due to loss of power, voltage surges and sags, or loss of phase/phases of a three phase line. Certain protective devices normally considered necessary are recommended below:

#### 3.2.2.1 Line Starting Protection

Any motor which, in starting, might be damaged by the full line voltage requires some type of protective device to disconnect it from the line during interruptions in service, thus protecting the motor when service is restored. OPALCO further recommends that such a device be equipped with a time delay mechanism so that the motor will not be disconnected by momentary fluctuations in voltage.

#### 3.2.2.2 Overload Protection

Since the intense heat caused by overload might seriously damage the motor, the member should install a device that will disconnect the motor if overload occurs. Fuses, thermal relays or circuit breakers, which are specifically designed to operate when excessive current occurs, are the devices used for this purpose. Where the member receives three phase service, OPALCO recommends that such protective devices be connected to all phases.

#### 3.2.2.3 Protection from Loss of Phase/Phases

Where the member receives three phase service, phase protecting relays should be installed which will disconnect the motor from the lines in the event that one phase of the line becomes open.

#### 3.2.2.4 Reverse Phasing Protection

For three phase installations of electric cranes, hoists, elevators, pumps and similar equipment which may be damaged by reverse phasing, the member should install relays that will disconnect the motor from the line in the event of accidental phase reversal.

#### 3.2.2.5 Surge Suppressors

The member should install surge suppression devices to protect sensitive electronic equipment such as computers, and other home electronic appliances from transient voltage spikes caused by lightning, system failures, normal utility load switching, etc.

### **3.3 ADDITIONAL LOAD**

OPALCO will attempt to meet the additional load requirements of our members. OPALCO will work with the responsible party to accurately size the transformer to meet the needs of the responsible party's prospective load and to incorporate said load onto OPALCO's power distribution network.

#### **3.3.1 Notice**

Responsible parties shall give 60 days' written notice to the OPALCO Engineering Department of any proposed increase in required service capacity and/or meterbase upgrade. Increased service capacity, additional facilities or feeders added to an existing meterbase, or meterbase upgrades, are to be treated as a new service request and require an application. OPALCO's Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

##### **3.3.1.1 Addition to Single Phase Loads**

Responsible party shall give at least sixty (60) days' written notice to OPALCO's Engineering Department of any additional load requirements on single-phase transformers or additional facilities added to an existing meterbase. Specialized equipment such as transformers may have lengthy delivery schedules, and the Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

##### **3.3.1.2 Addition to Three Phase Loads**

Responsible party shall give at least sixty (60) days' written notice to OPALCO's Engineering Department of any additional load requirements, or of the addition of facilities or service runs to an existing meterbase, on any three-phase transformer or bank of transformers forming a three-phase system. Specialized equipment such as three phase transformers may have lengthy delivery schedules, and the Engineering Department requires time to assess the impact of the increased load on the power distribution network. OPALCO will issue a preliminary design estimate based on the information supplied by the responsible party. Responsible party is responsible for all costs to accommodate increased service capacity on the primary distribution network.

##### **3.3.1.3 Conversion from Single Phase to Three Phase**

Three phase service is made available only in specific portions of OPALCO's service area. Responsible parties planning to convert from single phase to three phase should check with OPALCO to determine the availability and cost of providing three phase service. All costs associated with conversion from single phase to three phase shall be paid for by the requesting responsible party. OPALCO's power distribution network has

no single phase protection of three phase lines. It is the responsible party's responsibility to protect their three phase equipment from single phase or reverse direction conditions.

### 3.3.2 OPALCO/Responsible Party Obligations

- 3.3.2.1 If the load of an *existing* facility increases, requiring a change in transformer size or meter class and the responsible party has been paying for power at this facility for more than five (5) years, OPALCO shall change out the transformer and/or meter at OPALCO's expense as long as the responsible party has not added additional facilities on to the power distribution network.
- 3.3.2.2 If the load of an *existing* facility increases, requiring a change in transformer size or meter class and the responsible party has been paying for power at this facility for less than five (5) years, the responsible party shall change out the transformer and/or meter at their expense, as outlined in Member Service Policy 5.2
- 3.3.2.3 If the load of a transformer or meter increases due to the addition of new facilities being served by the transformer, the responsible party of the added facilities shall pay all costs to change out the transformer and/or meter as outlined in Member Service Policy 5.2.

## 3.4 UNDESIRABLE SERVICE CHARACTERISTICS

Undesirable service characteristics are defined as service(s) connected to OPALCO's distribution network which affect the power quality, reliability, and cost to distribute power on the power distribution network. To limit the effects of undesirable service characteristics to the membership, OPALCO may require the following for continued service:

### 3.4.1 Reduced Voltage Starting

Individual single phase or three phase motor units rated seven and a half (7.5) horsepower or more shall be controlled by soft start or reduced voltage starters.

### 3.4.2 Three Phase Required

Individual motor units rated at seven and a half (7.5) horsepower shall be three phased when three phase service is available, unless otherwise approved in writing by OPALCO's engineering department prior to installation. Phase adders such as rotary phase converters and static phase converters up to seven and a half (7.5) horsepower and lower can be used on single phase lines as long as they are protected by a responsible party supplied voltage stabilizer, current harmonics are being filtered, and service supplying power to the motor is a commercial account (see Member Service Policy 3.4.3).

### 3.4.3 Highly Fluctuating Loads

OPALCO may disconnect service to a member who adds any load that causes a large fluctuation in voltage or a significant disruption to the electric system, or otherwise disturbs the service provided to other members.

#### 3.4.4. Failed Secondary

When a member's secondary service fails and results in outages to OPALCO's primary system, OPALCO may require the member to install a circuit breaker in compliance with Member Service Policy 6.2.2.1.

#### 3.4.5 Harmonics

Responsible parties installing equipment which can be expected, or are found, to generate harmonics will be required to install appropriate filters to remove the harmonics at the responsible party's expense. OPALCO may require that a responsible party increase the size of the neutral conductor to accommodate for increased neutral conductor load as a condition of continuing to provide power to the facility(ies) from which the harmonics are emanating.

#### 3.4.6 Additional Protection Devices

Responsible party installing electrical service(s) or electrical equipment which OPALCO, at its sole discretion, determines could potentially cause additional risk to the distribution network will be required to pay for additional protection device(s) on the primary side of the serving transformer.

### 3.5 IMMEDIATE DISCONNECTION

OPALCO will immediately disconnect service to a member without advance notice under the following conditions:

#### 3.5.1 Immediate Hazard

Service will be disconnected if an immediate hazard exists which threatens the health or safety of the responsible party, the general population, or OPALCO's personnel or facilities.

#### 3.5.2 Meter Tampering

Service will be disconnected if OPALCO determines, at its sole discretion, that there is evidence of meter tampering, power theft, or fraud by the responsible party.

#### 3.5.3 Curtailment

Service will be disconnected if the responsible party has failed to comply with the curtailment procedures imposed by OPALCO during an emergency.

#### 3.5.4 Undesirable Service Characteristics

Service(s) which cause undesirable service characteristics on OPALCO's power distribution network will be immediately disconnected until the responsible party has corrected the condition to OPALCO's satisfaction. OPALCO has sole authority in determining the effect of a connected service on OPALCO's distribution network, and whether or not a connected service is causing, or is likely to cause, undesirable service characteristics, and OPALCO shall not be liable for disconnecting said service for the purpose of protecting the power distribution network.

#### 3.5.5 Failure to Provide OPALCO with Easement on Property

All facilities and equipment owned and maintained by OPALCO on private property require an easement (see Member Service Policy Introduction – Easements).

Orcas Power and Light Cooperative's Membership Application Agreement includes the requirement for a member property owner to grant to the Cooperative, its subsidiaries, and assigns, and its licensees reasonable requests for easement(s) to achieve the Cooperative's purposes and to consent to the recording on title of all such easements. Failure to fulfill this obligation may result in the denial or revocation of membership.

In the event that the responsible party will not provide OPALCO with an adequate easement for new or existing communications and/or electrical distribution, and/or transmission facilities, equipment or other appurtenances on the responsible party's property, OPALCO may, at its sole discretion, disconnect the responsible party's service and relocate OPALCO owned facilities back to a point of legal private easement or public right-of-way.

In such cases, all reconnections to OPALCO facilities will be treated as new service requests. The responsible party refusing legal easement is responsible for all costs associated with installation of their meterbase and the reconnection of secondary conductors, regardless of date of service or installation. OPALCO shall give the responsible party a thirty (30) day notice in advance of relocation of OPALCO facilities. It is the responsible party's responsibility to: apply to OPALCO for a new service; obtain any electrical permits required; secure all secondary easements required to connect to OPALCO facilities; and arrange and pay for trenching and installation of secondary conductors.

#### 3.5.6 Failure to Provide Adequate Clearances for and around OPALCO Facilities.

It is the responsible party's responsibility to maintain adequate clearances and not hinder access in any manner around all OPALCO facilities on their property. Failure to maintain facilities in a manner requested by OPALCO may result in removal of facilities from service. Responsible party shall be responsible for the full disposal and replacement cost of any equipment found to have failed due to inadequate clearances.

#### 3.5.7 Failure to Meet Contractual Obligations Agreed to as a Requirement of Membership.

OPALCO is a member owned, non-profit cooperative governed by a board of directors that is elected by the membership. In an effort to treat all members equally, the board has elected to require a defined, consistent level of cooperation by individuals and parties as a condition of membership. Failure to meet the spirit or intent, or otherwise not comply with, the provisions of OPALCO's articles of incorporation, bylaws, member service policies or membership application will result in loss of membership. Responsible parties who do not comply with all provisions in OPALCO's articles of incorporation, bylaws, member service policies, or membership application will be notified of violation or required action in writing. Responsible parties shall be given one hundred twenty (120) days to comply with membership obligations. After the one hundred twenty (120) day notice time period has expired, OPALCO shall deem failure to comply with the provisions of the articles of incorporation, bylaws, member service policies, or obligations agreed to on the membership application as a surrender and forfeiture of membership. OPALCO shall be allowed to remove any and all facilities and equipment, including meter(s), connected in person(s) name. OPALCO shall provide the responsible party(ies) with written notice of the surrender and forfeiture of membership. Any

such notice of surrender and forfeiture of membership may be appealed to the board of directors by delivering a written request for reconsideration to OPALCO's manager within sixty (60) days of the date of the notice of surrender and forfeiture. The board's decision shall be final and conclusive and not subject to further appeal or review.

### 3.5.8 Unauthorized Attachments

Written permission is required prior to the attachment of any equipment or material to any OPALCO property including poles, guys, transformers, or other equipment or structures. Any unauthorized attachment is subject to removal at any time without notice. OPALCO assumes no liability for and will not be responsible for any unauthorized attachments. OPALCO shall not be held responsible for any consequences related to the removal of any unauthorized attachment.

### 3.5.9 Marijuana Grow Operations

The Federal Controlled Substance Act of 1970 lists marijuana as a Schedule 1 controlled substance. Given that OPALCO's power provider Bonneville Power Administration (BPA) is a Federal agency, OPALCO reserves the right to terminate service to marijuana grow operations if requested to do so by BPA.

## 3.6 INSPECTION AND ACCESSIBILITY

The responsible party is responsible for installing, providing the required clearances around facilities, and maintaining the secondary wiring and equipment in accordance with current applicable electric and building codes and OPALCO facility installation specifications. Prior to OPALCO energizing any services, the State of Washington Electrical Inspector must approve the installation, and the secondary trenches must be backfilled. Landscaping around OPALCO's facilities must comply with Member Service Policy 6.1.5.

## 3.7 INTERCONNECTION WITH RESPONSIBLE PARTY OWNED GENERATION EQUIPMENT

### 3.7.1 Alternative Technology Generation

OPALCO will permit the interconnection and operation of alternative technology generation as specified in Member Service Policy 14.

### 3.7.2 Fossil Fuel Standby Generation

OPALCO will not permit the interconnection and operation of fossil fuel standby generation facilities, such as diesel, propane or gasoline driven standby generators on its system. Diesel, propane or gasoline driven standby generators shall be connected to the responsible party's load only through a state inspected double throw switch that will prevent parallel operation with OPALCO's system.

\_\_\_\_\_  
Foster Hildreth, General Manager

Effective Date: March 19, 2015

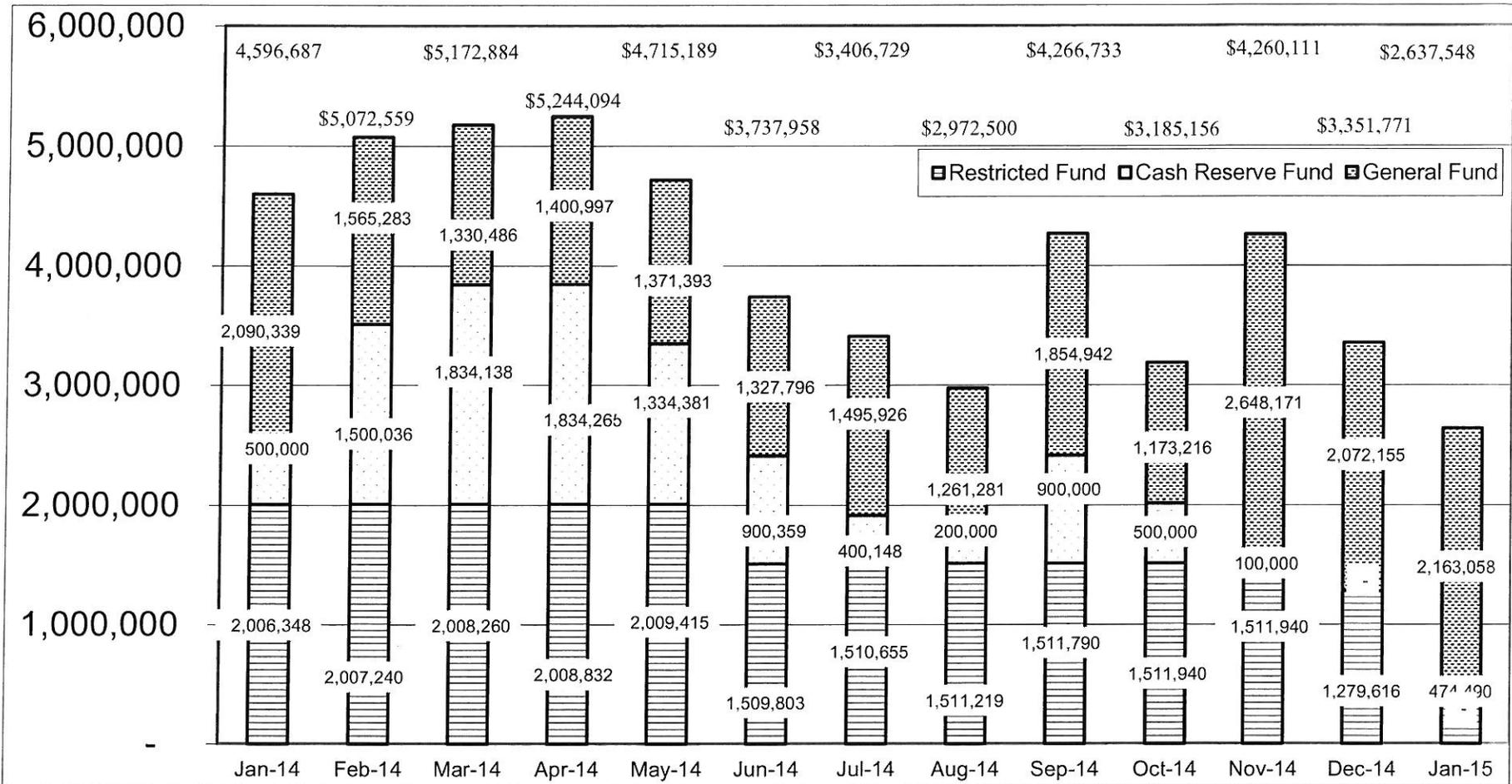
# REPORTS

Orcas Power and Light Cooperative  
Cash Recap  
January 31, 2015

	Rate	Term	Due Date	Amount	Total Balance
<b>GENERAL FUNDS:</b>					
Cash on Hand				600	
Cash in Checking - Key Bank				(166,570)	
Cash in Checking/MMDA/Construction - Islanders Bank				1,919,234	
Cash in Checking/Savings/Payroll - Wells Fargo				409,794	
SUBTOTAL GENERAL FUNDS					2,163,058
<b>CASH RESERVE FUND:</b>					
					0
<b>RESTRICTED FUND:</b>					
CoBank - AIM				151,650	
Home Street Bank	0.3490%	547	4/29/15	105,326	
Washington Federal Savings	0.4000%	395	6/19/15	109,302	
Washington Federal Savings	0.4000%	395	12/29/15	108,213	
SUBTOTAL RESTRICTED FUNDS					474,490
<b>GRAND TOTAL FUND ENDING BALANCE 1/31/15</b>					<u>2,637,548</u>
Project PAL: Islanders Bank				<u>37,583</u>	
MORE Program: Islanders Bank				<u>145,113</u>	
RUS Cushion of Credit *				<u>216,315</u>	
<b>CASH PROJECTION:</b>					
<b>January 31, 2015</b>					
<b>GENERAL FUNDS:</b>					
Beginning Cash 1/31/15					2,163,058
Estimated Revenue (based on 95% of billing)					2,338,773
Estimated Other Revenue					20,000
Estimated Transfer From Restricted Fund					0
CFC Loan Draw					3,000,000
Estimated Transfer From RUS Cushion of Credit					19,129
Subtotal Cash/Revenue					<u>7,540,960</u>
Estimated Accounts Payable				(1,100,000)	
Estimated Payroll and Benefits				(594,000)	
Estimated RUS Principal and Interest Payment				(19,129)	
Estimated Capital Credit General Retirement Checks Cashd (\$114k remaining to be cashed)				(50,000)	
Power and Transmission Bill (January bill)				(784,070)	
Island Network Transaction				(900,000)	
Transfer to RUS Cushion of Credit				(250,000)	
Subtotal Expenses					<u>(3,447,199)</u>
Projected Ending Balance 2/28/15					4,093,761
<b>RESTRICTED FUND:</b>					
Beginning Cash 1/31/15					474,490
Transfer To General Fund					0
Projected Ending Balance 2/28/15					<u>474,490</u>
<b>PROJECTED GRAND TOTAL FUND ENDING BALANCE 2/28/15</b>					<u>4,568,250</u>
<b>PROJECTED CHANGE IN TOTAL FUND BALANCE ENDING 2/28/15</b>					<u>1,930,703</u>
<b>RUS CUSHION OF CREDIT*:</b>					
Beginning Balance 1/31/15					216,315
Transfer From General Fund					250,000
Estimated Transfer To General Fund					(19,129)
Projected Ending Balance 2/28/15					<u>447,186</u>

\* represents advance payments unapplied for RUS long term debt

# TOTAL FUND BALANCE



**Notes:**

1. Add'l liquidity: CFC \$10M LOC, \$5M PV line, and CoBank \$5M LOC
2. Loan draw #1 CFC \$3M @ 4.05% (February 2015)

MEMORANDUM

Date: February 10, 2015  
To: Board of Directors  
From: Foster Hildreth, General Manager  
Subject: Safety Program – January 2015

**Safety Training**

Jeff Myers conducted training on chemicals in the workplace for all staff. This is an annual mandatory training on the information sheets for all chemicals used in the work place and how to handle any mishaps involving these chemicals. He also conducted qualified worker training for non-electrical workers for engineering, IT, and communications staff. This course is to ensure that all staff that may be around electrical hazards are trained appropriately to recognize these hazards.

**Accidents/Incidents/Near Miss**

**Date:** 12/22/2014

**Type:** Incident

**Description:** Bolts from the outrigger of the digger truck were sheered while setting a pole.

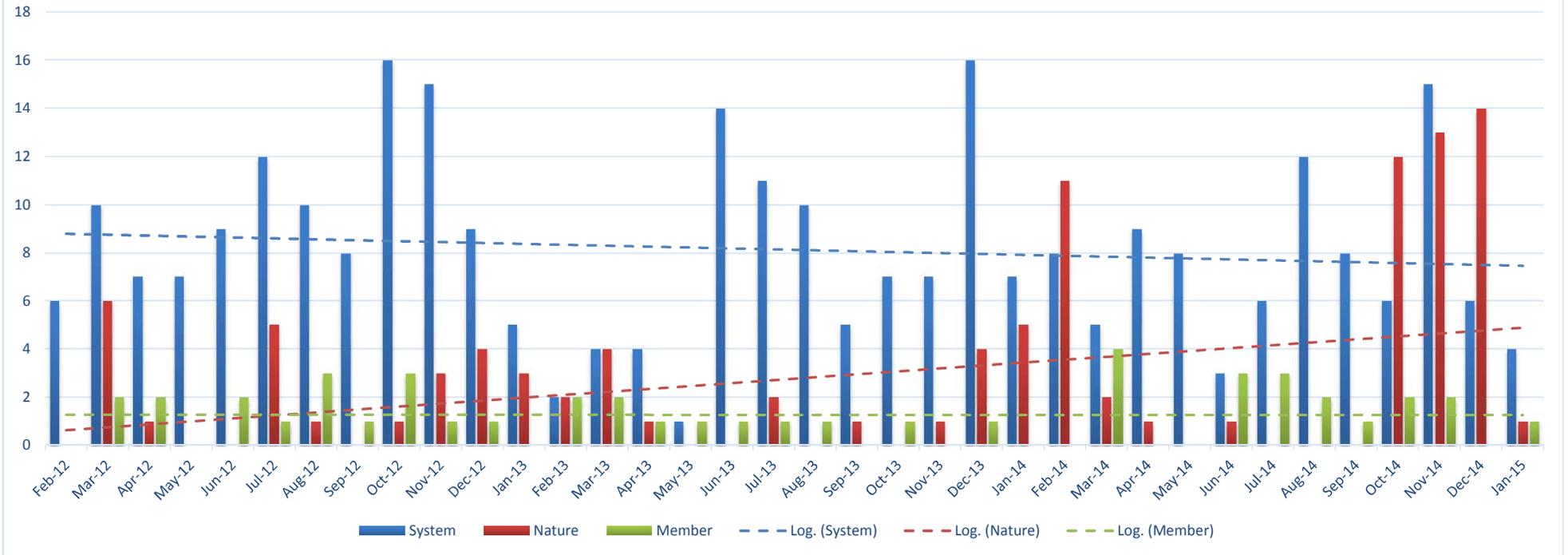
**Corrective Action:** The mechanic will do a full safety inspection on the vehicle.

	<b>January 2015</b>	<b>YTD (2014)</b>
<b>Near Misses</b>	0	3
<b>Incidents</b>	0	2
<b>Accidents</b>	0	4
<b>Loss Time</b>	0	1

Total Hours Worked without Loss Time Accident: 41,639

# Outage Report: Trending + YTD Summary

## Outage Occurrence Trending



## YTD Summary

Category Description	Group Description	December 2014			YTD 2014			YTD 2013		
		Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)	Occurrences	Members Affected	Duration (hrs.)
System	Scheduled	0	0	0	0	0	0	0	0	0
System	Faulty Equipment or Installation	1	1	0	1	1	0	2	1	4.5
System	System Issue	0	0	0	0	0	0	0	0	0
System	Age or Deterioration (Failed URD)	2	33	11.25	2	33	11.25	2	64	7.5
System	Right-of-way	0	0	0	0	0	0	0	0	0
System	Secondary	1	1	0	1	1	0	2	5	2.5
System	Unknown	0	0	0	0	0	0	1	12	0.5
Nature	Weather	1	8	0	1	8	0	5	189	14
Nature	Animal	0	0	0	0	0	0	0	0	0
Member	Member/Public	1	1	1.5	1	1	1.5	0	0	0
<b>Totals</b>		<b>6</b>	<b>44</b>	<b>12.75</b>	<b>6</b>	<b>44</b>	<b>12.75</b>	<b>12</b>	<b>271</b>	<b>29</b>

## **General Manager's Report February 2015**

### **FINANCE**

#### **2014 Year-End Processes**

Staff has been working on the December 2014 accrual accounting close. The expectation is to present and discuss the 2014 draft year-end financials and 2014 RUS Form 7 during the March board meeting.

#### **Cash Position**

Staff was advanced \$3M from CFC to provide for the immediate cash needs of Island Network, LLC (New Co). Island Network LLC was legally formed early this month; the formation included the establishment of an Islanders Bank account in the name of Island Network, LLC. Additionally, staff has the intention to partner with CFC to increase the value of the CFC Power Vision short term facilities instrument as a vehicle for additional funding of the board approved Island Network, LLC start-up. Staff is expected to bring the CFC loan documents and board resolutions to the March board meeting for discussion and approval.

#### **Revenue True-up Mechanism**

In 2014, OPALCO saw a revenue shortfall totaling approximately \$1.4M. In order to reduce revenue volatility and meet revenue requirements on an ongoing basis, staff is developing a Revenue "True-up" Mechanism per Policy 29 (Rate Design). This mechanism, which will be developed in the next 3 months, will be based off of the budget to actual margin shortfalls. Once the finances of any given month are closed, this mechanism will give the Member Services a per service adjustment factor to apply that will ensure that the Cooperative's financial health is continued during times of less than budgeted kWh sales. The shortfalls will be regained through a 12-month cycle to avoid dramatic revenue swings.

### **MEMBER SERVICES and ENERGY SAVINGS**

#### **Member Services**

The Member Services staff implemented a Contact Tracking tool in mid-February to capture data trends for member questions. This tool will be used to shape web content development and other member messaging.

SmartHub enrollments were 44% of our membership (4,858) as of January 31. Member Services will be utilizing an enhanced Messenger tool to send billing insert content to SmartHub members beginning in February.

#### **Rebates/EEI Funding Balance**

For the rate period beginning October 1, 2013 through January 31, 2015, staff has issued rebates totaling \$499,869 with an associated kWh savings of 2,035,518. January rebates included Phase I & II of the Outlook Inn lighting upgrade to LEDs (\$13,155 with a kWh savings of 158,766).

### **New Energy Savings Website**

After many months of development, the new Energy Savings website was launched in early February. The overall site design is clean and organized, and new features include interactive education tools, fillable forms, and online request forms for energy audits. Member feedback has been extremely positive.

### **PAL/Low Income Programs**

Staff met with the PAL committee in early February to discuss the rate increase and planned funding for low income programs in 2015. An additional \$20k was added to the PAL fund in late 2014; \$25k is budgeted for the 2015 PAL season to begin in November. The Committee was encouraged and increased grants to help offset the rate increase.

Staff is also coordinating with the Opportunity Council, local Family Resource Centers, and the Conservation District to combine funding and plan for outreach events specifically designed to reach low income members. The goal is to increase awareness and participation in available programs (including weatherization) while delivering energy education.

### **Renewables/MORE Programs**

As of January 31, 175 members were interconnected to OPALCO's grid with a total capacity of 1.08 MWs. Staff continues to support member generators throughout the interconnection process, including assistance with applications, billing terms, and production incentives. New content has been developed on the Energy Savings website to include Net Metering education, and efforts continue to better support member generators through SmartHub.

As allocated in the 2015 budget, \$25k has been added to the MORE incentive fund. Linda Lyshall will join the staff at the February MORE committee meeting to review MORE outreach and funding strategies for 2015.

### **Nonprofit Partnership**

The Conservation District staff participated in a walkthrough for the first Solar for Schools installations on Orcas, Lopez, and San Juan in January. Installer proposals are due February 20 with installations expected to begin in April. Fundraising efforts continue as well as site evaluation and planning for Shaw. At this point, the Conservation District needs to raise an additional \$70,000 in member contributions to fully fund the Solar for Schools project (four 10 kW sites).

The Cool Schools challenge for middle school kids has kicked off in partnership with the Conservation District. Planning is also underway for another series of Spring Energy Fairs in May and June on San Juan, Orcas, and Lopez Islands.

## **ENGINEERING & OPERATIONS**

### **Work In Progress**

As of February 10, there are 374 work orders open totaling \$5,837,756. Operations has completed construction on 98 of those work orders, totaling \$3,379,235. Cattle Point Road Re-conductor construction continues.

### **Accident Investigation**

A settlement has been reached with the Assistant Attorney General regarding the Lopez accident. We are proceeding with the abatement as proscribed in the settlement.

San Juan L&I Investigation is complete. The investigator has verbally stated this investigation will have no citations attached.

### **Submarine Cables**

Lopez to San Juan: Conducted an ROV survey of the existing cable to get the exact location of the CenturyLink cables that have crossed over OPALCO's Sumitomo cable. This also was to see if other obstructions exist for removal of this cable and installation of the next. This was done to mitigate risk for this project and to firm the cost of handling the removal and installation.

The environmental agencies have approved this project as proposed.

### **Headquarters**

Construction is underway for the server room in Eastsound with expected completion by mid-March.

### **WRECA: Olympia Visit**

February 9-11, Jim Lett and I attended the February WRECA meeting in Olympia and visited representatives Ranker, Morris, and Lytton. Attached as an information item, please find the February 9<sup>th</sup> Bill Summary list compiled by WRECA. Staff will be providing the Board with a trip update as well as reviewing the bills pertinent to OPALCO at the Board meeting. Please note that the status of any particular bill changes on a daily basis.

### **FEDERATED INSURANCE: TERRORISM INSURANCE COVERAGE**

Staff will be providing the Board with an update with respect to OPALCO's terrorism insurance coverage (property damage versus business interruption) at the Board meeting.

### **DASHBOARD**

As discussed in prior board meetings, staff is in development of a "Dashboard". This is a process which will allow staff and the board to track financial, performance and membership indicators at a glance. Our goal is to track current, historical and trending metrics as close to real time as possible. The current list of dashboard topics include revenue, power cost (purchased, sold and demand), outage statistics, safety metrics,

and financial (margins, TIER, equity, debt, expense, etc.). Additionally, staff is working with our software provider (NISC) in hopes of having the software auto-generate such information.

### **ACRE**

The Action Committee for Rural Electrification (ACRE) is the federal Political Action Committee (PAC) of NRECA. ACRE supports candidates for the U.S. House and Senate—those in office now and running for office—who will speak for and protect the interests of electric cooperatives and their consumer-owners.

### **PERSONNEL**

We congratulate Eastsound crew members Dan Watters on his promotion to Line Foreman and Roger Sandwith on his promotion to Substation Maintenance Technician for Eastsound and welcome the following new staff:

Theresa Haynie, Communications Specialist; Jeff Tilstra, Communications Technician

The process continues for an Energy Services Coordinator; Head Accountant; Lopez Journeyman Lineman; Eastsound Staking Technician and two Apprentice Linemen (Friday Harbor and Eastsound).

To: OPALCO Board of Directors

From: Foster Hildreth

Date: February 13, 2015

Re: February 2015 Update

Community and area designs are moving forward. Moving past 80 designs in the pipeline. The following groups are the most advanced:

**San Juan: Cattle Point/Cape San Juan – 84 Connections**

Work orders for middle mile have been sent to all participants, and those that are declining the incentive will be sending their \$1500 payments. Middle Mile construction is almost complete. The first pole has been set; the second is planned for two weeks out. Michels has completed hanging fiber. The pole that will provide the microwave link to the Cape will be set next week near Skagit Valley College. Once the middle mile build is complete, we will begin last mile FTTH design to homes that are fiber-reachable.

**Lopez: Lopez Village – 8 Connections**

Fiber is installed; installation to individual properties is underway south of the village. Service delivery to all should be complete by the end of February.

**Orcas: Eagle Lake – 36 connections**

Backbone fiber is near completion, and middle mile conduit proofing is complete and vault setting is underway. Microwave shot from Blakely to Doe Bay will be completed by end of February. Target for delivering service to first customers is March.

**Lopez: South Lopez**

The communication LTE pole has been erected. Fiber installation and splicing are complete. LTE testing at designated locations will begin once we get equipment installed on pole.

**San Juan: Mineral Point/Highlands – approx. 40+ connections**

The communication LTE pole has been erected. We are working with our excavator to finalize the middle mile design and construction will begin soon. There is 9000 feet of URD replacement now included in this effort. Contractor is awaiting a specialty plow coming from the mainland for the fiber portion of this effort.

**Orcas: Spring Point/Harborview**

The HOA board has issued a ballot to the membership on whether to go forward with the plan to build a middle mile that will reach every property in the HOA (not just existing homes) for \$2500

per household. With a couple of weeks to go before the final count is returned, we are feeling confident that the community will obtain the necessary votes for the build to begin. We are also planning a 700MHz pole location within the community to expand crew & emergency communication capabilities.

### **Orcas: Alder Cottages (9 connections) and Alder Forest (up to 10 more)**

Condo associations in Eastsound core; Alder Cottages design has been reviewed and accepted, and 9 of the ten units have signed on; Work Orders are going out to the customers this week. This is an easy physical construction job, and we expect to be providing service in March/April. We also hope to serve a local banking institution within this build and extend the infrastructure into neighboring homes/businesses.

### **Friday Harbor – Peterson and Nillson Commercial buildings**

We have installed fiber into the interior of these two adjacent multi-tenant commercial buildings, and Rock Island is working on interior wiring. There are approximately 30 businesses that will have the ability to connect to the Fiber in these two buildings.

### **OPAL/EWUA**

Office and residential location in Eastsound. Initial construction is completed to the office locations; eleven service connections once completed.

### **Four Winds Camp, Orcas**

Construction beginning on over 2000 feet of fiber deployment within the property to numerous building locations. We will be deploying a property wide Wi-Fi solution as well as a multi-line phone system once connectivity is complete.

### **Islanders Bank**

Each Branch location to be connected over the coming weeks. Awaiting county permits on Lopez, Electric cut over work for Eastsound and FH nearing completion.

### **Continuing Neighborhood Conversations**

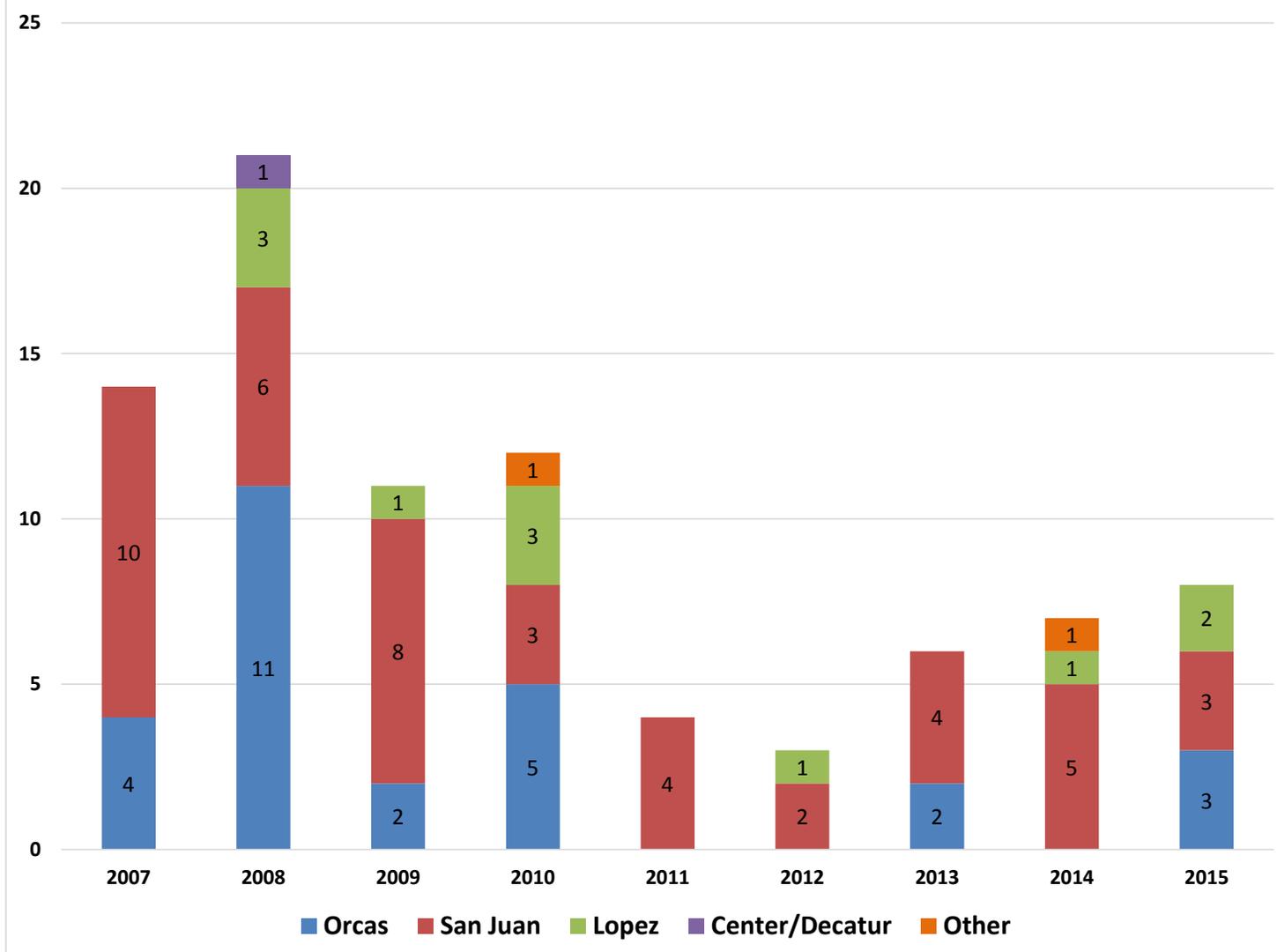
Too many to list here but continuing conversations with a wide variety of communities around the county from community housing projects in Lopez Village to 100+ HOA's.

### **General Update**

We have completed our move to the new office location in Eastsound (Orcas Rental & Saw, aka "Saw Shop") and are in the process of establishing a real-time warehouse inventory management system. This will be instituted alongside our finance dept. upgrades. We have engaged a Seattle based CPA firm to help us establish all the required internal functions and processes.

# INFORMATION ITEMS

### New Services History - January YTD



\*Figures have been queried from the Service Order billing module and reconciled to the RUS Form 7 New Service numbers.

**OPALCO**  
 Historical MORE Revenue  
 (All Green kWh and MORE Blocks)  
 For Years 2013 - 2015 YTD

Month	2013 YTD							2014 YTD							2015 YTD									
	All Green			MORE Blocks				Total Revenue	All Green			MORE Blocks				Total Revenue	All Green			MORE Blocks				Total Revenue
	# Members	kWh	Revenue	# Members	# Blocks	Block Revenue	# Members		kWh	Revenue	# Members	# Blocks	Block Revenue	# Members	kWh		Revenue	# Members	# Blocks	Block Revenue				
			\$ 0.04			\$ 4			\$ 0.04			\$ 4			\$ 0.04			\$ 4						
Jan	43	54,479	2,179	433	921	3,684	5,863	44	41,878	1,675	411	871	3,484	5,159	42	38,625	1,545	408	853	3,412	4,957			
Feb	43	50,927	2,037	432	918	3,672	5,709	44	47,227	1,889	410	870	3,480	5,369	-	-	-	-	-	-	-			
Mar	42	42,787	1,711	429	915	3,660	5,371	44	35,590	1,424	408	866	3,464	4,888	-	-	-	-	-	-	-			
Apr	42	31,063	1,243	427	904	3,616	4,859	44	30,702	1,228	408	865	3,460	4,688	-	-	-	-	-	-	-			
May	41	21,699	868	426	897	3,588	4,456	44	26,412	1,056	408	858	3,432	4,488	-	-	-	-	-	-	-			
Jun	41	20,336	813	426	897	3,588	4,401	45	17,020	681	418	870	3,480	4,161	-	-	-	-	-	-	-			
Jul	43	17,756	710	425	895	3,580	4,290	44	19,421	777	416	865	3,460	4,237	-	-	-	-	-	-	-			
Aug	42	18,716	749	421	893	3,572	4,321	44	16,540	662	415	864	3,456	4,118	-	-	-	-	-	-	-			
Sep	42	18,786	751	418	890	3,560	4,311	44	16,477	659	414	860	3,440	4,099	-	-	-	-	-	-	-			
Oct	43	23,882	955	415	887	3,548	4,503	45	17,566	703	413	860	3,440	4,143	-	-	-	-	-	-	-			
Nov	44	31,535	1,261	414	881	3,524	4,785	44	27,414	1,097	410	860	3,440	4,537	-	-	-	-	-	-	-			
Dec	44	47,347	1,894	412	879	3,516	5,410	42	36,929	1,477	409	855	3,420	4,897	-	-	-	-	-	-	-			
<b>Total</b>	<b>43</b>	<b>379,313</b>	<b>\$15,173</b>	<b>423</b>	<b>10,777</b>	<b>\$43,108</b>	<b>\$ 58,281</b>	<b>44</b>	<b>333,176</b>	<b>\$ 13,327</b>	<b>412</b>	<b>10,364</b>	<b>\$ 41,456</b>	<b>\$ 54,783</b>	<b>42</b>	<b>38,625</b>	<b>\$ 1,545</b>	<b>408</b>	<b>853</b>	<b>\$ 3,412</b>	<b>\$ 4,957</b>			

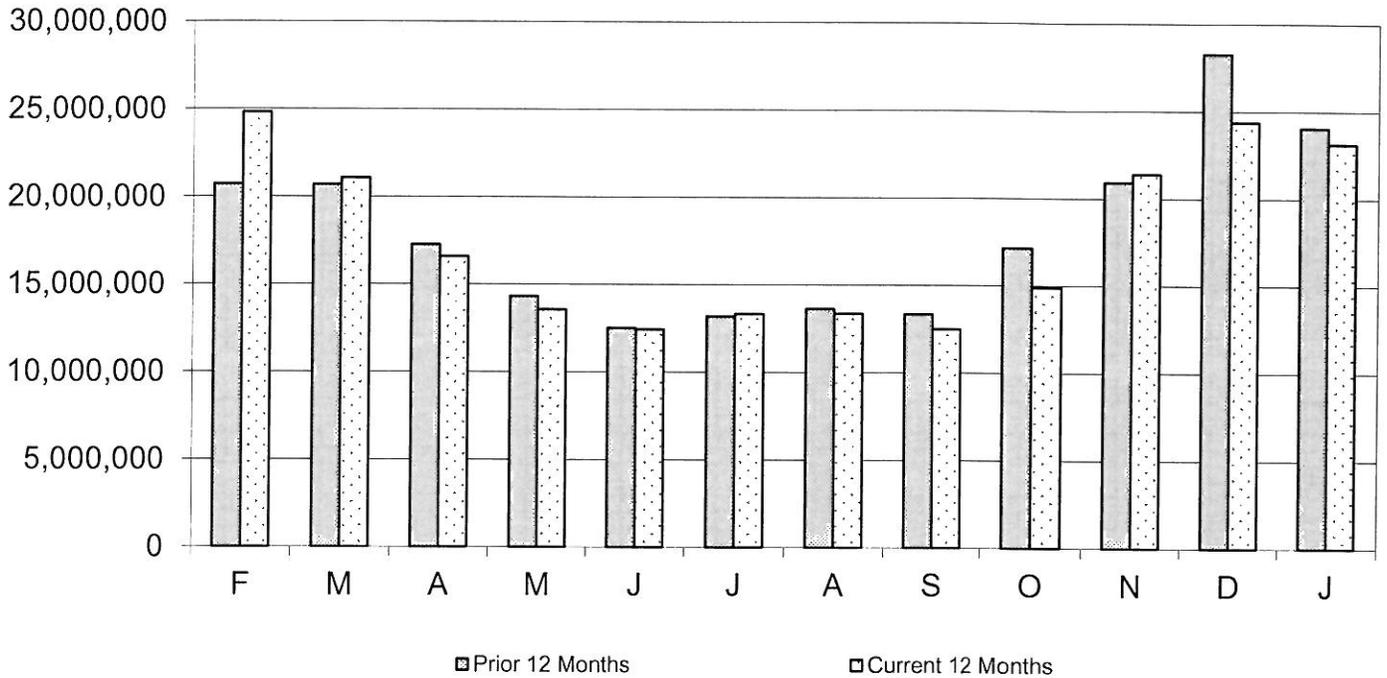
Notes:

2 members participate in both All Green and Green Blocks. Average blocks per member is 2.1.  
 Average kWh per month usage for All Green members is 919 kWh (below average for residential).  
 Beginning June 2011, report reflects combined data for the former Green Power program and MORE.  
 Beginning September 2012, half of the members were transitioned to a mid-month billing cycle; these members were billed for 15 days of consumption, a prorated basic charge, and prorated MORE blocks on 9/14/12.

# BPA Consumption Summary

Through  
January 2015

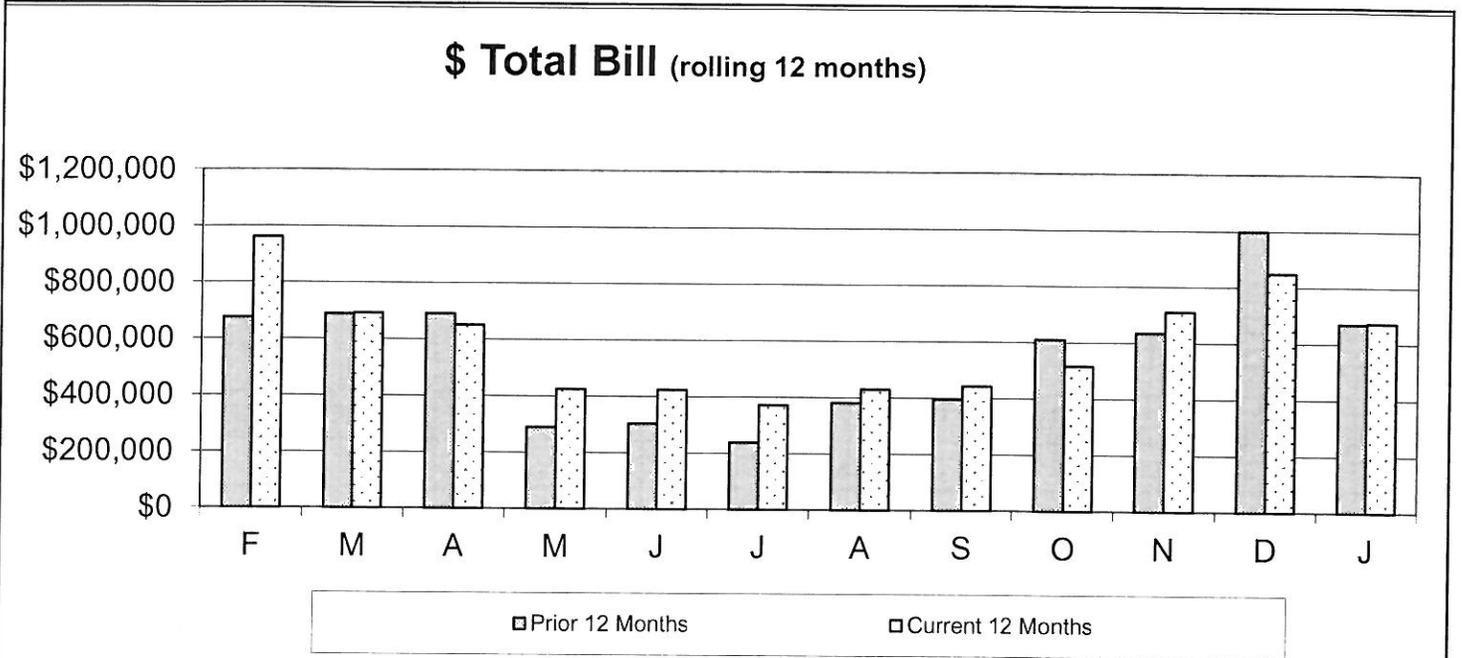
## kWh Purchased - Load Variance (rolling 12 months)



A.	B.	C.	D.	E.	
Prior 12 Months	Prior 12 Months	Current 12 Months	Current 12 Months	Difference (D-B)	% Change (D to B)
Feb-13	20,704,258	Feb-14	24,808,824	4,104,566	20%
Mar-13	20,690,151	Mar-14	21,068,301	378,150	2%
Apr-13	17,253,318	Apr-14	16,580,487	(672,831)	-4%
May-13	14,309,061	May-14	13,567,275	(741,786)	-5%
Jun-13	12,503,372	Jun-14	12,439,266	(64,106)	-1%
Jul-13	13,179,669	Jul-14	13,334,282	154,613	1%
Aug-13	13,635,840	Aug-14	13,371,257	(264,583)	-2%
Sep-13	13,342,354	Sep-14	12,487,726	(854,628)	-6%
Oct-13	17,149,832	Oct-14	14,894,686	(2,255,146)	-13%
Nov-13	20,925,364	Nov-14	21,386,705	461,341	2%
Dec-13	28,277,954	Dec-14	24,368,500	(3,909,454)	-14%
Jan-14	24,042,632	Jan-15	23,133,873	(908,759)	-4%
	<b>216,013,805</b>		<b>211,441,182</b>	<b>(4,572,623)</b>	<b>-2%</b>

# BPA Consumption Summary

Through  
January 2015



A.	B.	C.	D.	E.	F.	G.	H.
Prior 12 Months	Prior 12 Months	\$ per kWh	Current 12 Months	Current 12 Months	\$ per kWh	Difference (E-B)	% Change (F to C)
Feb-13	\$675,379	\$0.0326	Feb-14	\$961,210	\$0.0387	\$285,831	19%
Mar-13	\$688,755	\$0.0333	Mar-14	\$691,864	\$0.0328	\$3,109	-1%
Apr-13	\$691,224	\$0.0401	Apr-14	\$651,601	\$0.0393	-\$39,623	-2%
May-13	\$289,366	\$0.0202	May-14	\$425,316	\$0.0313	\$135,950	55%
Jun-13	\$303,730	\$0.0243	Jun-14	\$424,286	\$0.0341	\$120,556	40%
Jul-13	\$238,152	\$0.0181	Jul-14	\$371,553	\$0.0279	\$133,401	54%
Aug-13	\$380,699	\$0.0279	Aug-14	\$429,270	\$0.0321	\$48,571	15%
Sep-13	\$395,230	\$0.0296	Sep-14	\$441,858	\$0.0354	\$46,628	19%
Oct-13	\$610,063	\$0.0356	Oct-14	\$516,082	\$0.0346	-\$93,981	-3%
Nov-13	\$635,770	\$0.0304	Nov-14	\$711,250	\$0.0333	\$75,480	9%
Dec-13	\$998,086	\$0.0353	Dec-14	\$849,021	\$0.0348	-\$149,065	-1%
Jan-14	\$670,805	\$0.0279	Jan-15	\$674,029	\$0.0291	\$3,224	4%
						Total Annual Percent Change	8.7%
Prior Total Rolling 12 Months (2013/14)			Current Rolling 12 Months (2014/15)			Total Difference	
Annual kWh Purchase	216,013,805			211,441,182		-\$4,572,623	-2.12%
Annual Total Bill \$	6,577,259			7,147,340		\$570,081	8.67%
Annual \$ per kWh	\$0.0304			\$0.0338		\$0.0034	11.02%

<b>BILL</b>	<b>ORIGINAL SPONSOR</b>	<b>COMPANION BILLS</b>	<b>BRIEF DESCRIPTION</b>	<b>STATUS</b>
HB 1095	Morris		Promoting thermal energy efficiency.	H Tech & Econ D
HB 1096	Morris		Promoting a more efficient and reliable electric distribution system.	H Tech & Econ D
HB 1097	Morris		Concerning policies to promote clean energy job growth by encouraging installation of renewable energy systems.	H Tech & Econ D
HB 1098	Morris		Aligning electric utility regulation and business models with emerging customer values not realized in volumetric monetization.	H Tech & Econ D
HB 1133	Tharinger		Authorizing counties to impose a public utility tax.	H Local Govt
SHB 1278	Fitzgibbon		Concerning building energy use disclosure requirements.	H ENVIDPS
HB 1289	Buys	SB 5804	Modifying the procedure for adoption and amendment of the Washington state energy code.	H Tech & Econ D
HB 1314	Fitzgibbon	SB 5283	Implementing a carbon pollution market program to reduce greenhouse gas emissions.	H Environment
HB 1325	Shea		Reevaluating the delegation of authority to state agencies in regards to programs that address greenhouse gas emissions.	H Environment
HB 1352	Nealey	SB 5094	Allowing incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville power administration to qualify as an eligible renewable resource under the energy independence act.	H Tech & Econ D
HB 1607	Griffey		Recognizing hydroelectricity as an eligible renewable resource in the energy independence act.	H Tech & Econ D
HB 1758	Tharinger	SB 5700	Extending the expiration date of tax preferences for biofuel, biomass, and energy conservation.	H Tech & Econ D
HB 1853	Magendanz		Encouraging utility leadership in electric vehicle charging infrastructure build-out.	H Tech & Econ D
HB 1895	Smith		Concerning smart grid technology reporting.	H Tech & Econ D
HB 1896	Smith		Providing a statewide minimum privacy policy for disclosure of customer energy use information.	H Tech & Econ D
HB 1912	Morris		Relating to distributed generation.	H Tech & Econ D
HB 1927	Fey		Concerning distributed generation.	H Tech & Econ De

HB 1998	Johnson		Allowing public utility districts to produce and sell renewable natural gas.	H Tech & Econ De
HB 2002	Morris		Concerning regulatory and financial mechanisms and means to promote the retirement of coal-fired electric generation facilities.	H Tech & Econ D
HB 2020	Magendanz		Improving utility emissions reduction standards at a low-cost to utility customers with electricity generated by renewable resources.	H Tech & Econ De
HB 2038	Holy		Prohibiting the use of eminent domain for economic development.	H Judiciary
HB 2045	Morris		Promoting development of reliable distributed energy resources through extending and modifying an existing tax incentive for certain net metering systems, preserving the existing ground rules for net metering until net metering systems' generating capacity equals 0.5 percent of the utility's 1996 peak demand, requiring distribution resources planning, and authorizing a reliability charge and other alternatives to existing ground rules for net metering, for a utility that has achieved the existing 0.5 percent interconnection requirement for net metering systems.	H Tech & Econ De
HB 2047	Vick		Providing an option for the owners of private property to be acquired for electrical transmission line sites or routes by eminent domain proceedings.	H Judiciary
SB 5089	Brown		Revising definitions in the energy independence act to promote the use of clean energy in the future.	S Rules 2
SB 5090	Brown		Providing an additional alternative compliance option in the energy independence act to promote the use of clean energy in the future.	S Rules 2
SB 5091	Brown		Including nuclear energy in the definition of a "qualified alternative energy resource" for the purposes of RCW 19.29A.090.	S Rules 2
SB 5092	Brown		Including nuclear energy in the principles that guide development and implementation of the state's energy strategy.	S Energy, Enviro
SB 5094	Brown	HB 1352	Allowing incremental electricity produced as a result of efficiency improvements to hydroelectric generation projects whose energy output is marketed by the Bonneville power administration to qualify as an eligible renewable resource under the energy independence act.	S Rules 2
SB 5113	Brown		Requiring the department of commerce to coordinate and advance the siting and manufacturing of small modular reactors in the state to meet future energy supply, environmental, and energy security	S Energy, Enviro

			needs.	
SB 5114	Brown		Providing incentives for production of modular reactors.	S Ways & Means
SB 5115	Brown		Studying the siting of small modular reactors in Washington.	S Energy, Enviro
SB 5283	Ranker	HB 1314	Implementing a carbon pollution market program to reduce greenhouse gas emissions.	S Energy, Enviro
SSB 5430	Ericksen		Amending the energy independence act.	S Rules 2
SB 5700	Hargrove	HB 1758	Extending the expiration date of tax preferences for biofuel, biomass, and energy conservation.	S Ways & Means
SB 5735	Ericksen		Providing incentives for carbon reduction investments.	S Energy, Enviro
SB 5842	Braun		Providing a compliance path based on sound utility planning under the energy independence act.	S Energy, Environ
SB 5874	Ericksen		Concerning regulatory and financial mechanisms and means to promote the retirement of coal-fired electric generation facilities.	S Energy, Environ
SB 5892	Ericksen		Encouraging reliable distributed solar energy.	S Energy, Environ
SB 5904	Hargrove		Providing a public utilities tax credit for forest derived biomass used to produce energy.	S Ways & Means