

OPALCO and the *Double Entendre*

I'd like to respond to the OPALCO criticism of my column regarding our high rates:

Quoting OPALCO: " *Krista from OPALCO here. This article is so rife with misinformation it's hard to know where to start. You can disagree with OPALCO and some of our methodology, but we need to start from facts*".

I am realizing that most non-accounting persons - me included - are not always savvy to what I regard as a semantic shell-game. For example, do you know that "Compensation" and "Total Compensation" have very different meanings at OPALCO?

Here are specific examples of possible misconceptions pulled directly from OPALCO's official website pages (as of late 2025/early 2026 materials). I've focused on the terms, quoting how OPALCO uses and explains them. These often employ precise accounting/co-op language that can feel clear to insiders but are selective or understated or downright misunderstood by every-day co-op members.

<u>Term/Phrasing</u>	<u>Example from OPALCO Materials (Direct Quote & Source)</u>	<u>Potential Layperson Misunderstanding</u>
Total Compensation vs. Compensation/ Base Salary + Bonus	"2024 base wage is \$380,309 for OPALCO and \$141,351 bonus from Rock Island. The General Manager total compensation is ~1.4% of OPALCO's 2024 operating budget. The additional compensation mentioned on the 990 is the estimation of benefits to include medical and actuarial estimate of retirement." (Quick Fact: Staff Compensation page) They emphasize base + bonus (~\$521k) as "comparable to cooperative utilities" while noting the full IRS Form 990 total includes "actuarial estimate of retirement."	Members might not realize the "total" (e.g., ~\$792k on Form 990) is the complete cost, including future liabilities the co-op funds. The OPALCO page frames the lower cash figure as the main benchmark, potentially downplaying the full burden on operations.
Margins (vs. Profits)	"As a cooperative owned by its members, OPALCO does not earn profits. Instead,	"No profits" sounds like the co-op never has extra money or operates at

revenues over and above the cost of doing business are called "margins." (Capital Credits page) "We budget for required expense and then plan rates to collect enough revenue to cover expense – plus a small margin. The margin is then returned to members in the form of capital credits (after 25 years)." (Quick Fact: Cost of Service, Dec 2025)

break-even, but margins are surpluses (like profits) that build equity—often delayed 25 years before any return, making it feel like retained earnings rather than refunds.

Capital Credits

"Capital credits represent each member's ownership in OPALCO... Margins represent an interest-free loan for operating capital made to the cooperative by the membership." "Capital credits are returned to OPALCO members when finances permit on a 25-year cycle." (Capital Credits page)

Seen as a reliable "refund" or dividend, but it's a non-cash entry (like equity on paper) with returns delayed decades, discounted if early, and dependent on co-op finances—not guaranteed cash soon.

Energy Cost Adjustment (ECA) or True-Up

"A surcharge (-) or credit (+) to true-up the actual cost of power sales due to unpredictable weather... The ECA protects members and the Co-op from large year-end true-ups." (Understand Your Bill page) "The ECA is an automated monthly recurring true up charge (-) or credit (+) based on OPALCO's operating margin." (Quick Fact: Cost of Service)

Presented as a neutral "adjustment" or protection, but it can add unexpected fees to bills (or rare credits), feeling like a hidden rate increase tied to broader costs, not just power.

Fixed/Service Access Charge

"The fixed cost to deliver service to your location... This includes each member's share of the cost to build and maintain the power grid." (Understand Your Bill page) In 2026 changes: Increased to \$67.58/month "to ensure all customers, including part-time, seasonal, and solar users, fairly contribute to fixed infrastructure costs." (Your 2026 Power Bill page)

Feels like a mandatory fee unrelated to usage; increases are framed as "fairness" shifts (e.g., reducing subsidies for seasonal/solar members), but it can seem like raising rates without calling it that.

Bill Credits (e.g., Community Solar)

"The Decatur Island Community Solar Project was paid for 100% by member investors... Members benefit from monthly bill credits... The energy credits are allocated based on how many shares you purchase." (Community Solar page) "Our 2017 Community Solar survey results clearly demonstrated that members prefer the project is funded by those who participate, and not through rates."

Implies "no cost to the co-op" or non-participants, but credits reduce overall revenue (indirect cost shift to rates), and upfront "100% investor-funded" doesn't mention ongoing maintenance or lost revenue.

Grant-Funded/Subsidized Projects (related to net cost)

While not heavily quoted directly, community solar/microgrids (e.g., Decatur) are tied to grants/benefits framing: "The whole Co-op benefits from a first step towards a local source for emergency back-up power." (Community Solar page) Similar indirect framing in Cost of Service quick facts.

Projects sound "low/no cost" due to grants/shares, but ongoing ops, revenue loss from credits, or resiliency benefits may still influence rates —laypersons might miss the full lifecycle impact.

Here are some additional confusing terms they can use:

<u>Term/Phrasing</u>	<u>How It's Often Used by Utilities/Co-ops</u>	<u>Potential Layperson Misunderstanding</u>	<u>Why It's Confusing/Selective</u>
Margins (vs. Profits)	Co-ops describe excess revenue after expenses as "operating margins" (e.g., OPALCO's positive margins in recent reports).	Thought to mean "profit" like a for-profit company, implying greed.	Co-ops are nonprofits, so "margins" are required for reserves/upgrades and eventually returned to members—but often not immediately, making it seem like hidden profits.
Patronage Capital or Capital Credits	Allocated "equity" from margins, credited to members' accounts for future refunds (e.g., when the co-op retires old credits).	Seen as actual money in pocket or a guaranteed refund.	It's a bookkeeping entry; refunds depend on co-op finances and can be delayed decades or reduced—laypersons may not realize it's not cash.
Energy Cost Adjustment (ECA) or Power Cost Recovery	A variable line-item pass-through for wholesale power fluctuations (e.g., BPA rates).	Viewed as a sneaky "extra fee" or rate hike.	It's presented as "not a rate increase" but directly adds to bills; consumers may miss that it's the bulk of cost changes.
Fixed/Service Availability Charge (vs. Energy Charge)	Monthly base fee for grid access, regardless of usage (OPALCO emphasizes this for "fairness" to cover fixed costs).	Thought to be optional or just for high users.	Laypersons may think the whole bill should scale with usage; increases here feel like raising rates without saying so.
Bill Credits (e.g., for community solar or net metering)	Discounts applied to bills from solar production or programs.	Assumed to be "free money" or direct savings without trade-offs.	Reduces utility revenue (indirect cost); for solar, credits might be at a lower rate than what the co-op charges others, shifting costs subtly.
Cost of Service or Rate Design	Basis for setting rates (e.g., OPALCO's rate studies).	Seen as objective/neutral.	Studies can emphasize certain costs (e.g., fixed infrastructure) to justify shifts like higher base charges, while downplaying others.
Subsidized or Grant-Funded (for projects)	Highlights external funding (e.g., grants for microgrids/solar).	Interpreted as "no cost to members."	Grants/shares cover upfront costs, but ongoing operations, revenue loss from credits, or maintenance still hit rates indirectly.
Effective Rate (vs. Stated Rate)	Average cents/kWh including all charges/base fees.	Confused with the main "energy rate" advertised.	Presentations might quote a lower tier rate, but real bills are higher due to add-ons—common source of "rates are rising" surprises.

How I wish the financial reporting at OPALCO was more transparent and easily understood. I wonder if the OPALCO board members have a complete understanding when they vote on increases and approve projects. Does the board know they could change this conflated, (intentionally confusing?) and overly sophisticated reporting to simple every-day language? I stand by the figures I presented earlier - however I used common vernacular rather than accounting terms that are notoriously confusing.

So Shoot me!

rikki swin