

**REGULAR MEETING OF THE BOARD OF DIRECTORS
KAUAI ISLAND UTILITY COOPERATIVE**

Held at 4463 Pahe`e Street

Līhu`e, Kaua`i, Hawai`i

On January 30, 2018

MINUTES

Call to order at 1:00 pm.

1. Roll Call

- 1.1 **Present:** Directors Allan Smith (Chairman), Dee Crowell, Patrick Gegen, David Iha, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, Jan TenBruggencate (Vice Chair), and Peter Yukimura (Treasurer); and David Bissell (President and CEO). All directors were present.
- 1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO and Financial VP), Maile Alfiler (Member Services Mgr.), Beth Tokioka (Communications Mgr.), and Pua Chin (Executive Administrator); Dawn Huff and Jason Hines of Joule Group LLC.; Members of the public (8), and Members of the Press (0).

2. Invocation – Director James Mayfield opened the meeting with the Serenity Prayer.

3. Approval of Agenda - The agenda was approved as circulated.

4. Approval of Minutes

- 4.1 The 12/12/17 Regular Meeting and Executive Session minutes were approved unanimously. [Motion: TenBruggencate/Murashige]

5. Chairman’s Report. None.

6. President’s Report. David Bissell, CEO.

- 6.1 The December 2017 Cooperative statistics were reported. (Report attached).
- 6.2 CEO Bissell received notification in today’s mail Director Patrick Gegen has earned his Director Gold certification. It is the highest level of Director training NRECA offers.
- 6.3 Dawn Huff and Jason Hines of Joule Group provided an update on the Westside pumped storage/hydro project developments.

7. Financial Report: CFO Karissa Jonas reported.

- 7.1 The December 2017 preliminary financial results were reported.
- 7.1.1 A Patronage Capital (PatCap) retirement of \$3.4M will be refunded to KIUC members for the 2017 fiscal year. It is the largest PatCap refund to-date.

8. **NRECA Hawaii Director Report**

8.1 Director David Iha reported.

- 8.1.1 NRECA's International Foundation has partnered with international development in 43 countries and provided new electricity to 126M people over the past 50 years. There are volunteer linemen from Cooperatives in Oklahoma, Texas and Missouri that went to Guatemala and Bolivia.
- 8.1.2 President Trump recently announced a 28% tariff on imported solar panels. CEO Bissell reported AES has already procured their panels for the two PV projects currently being developed from the US and therefore won't be subject to the new tariff.

9. **Committee Reports**

9.1 **Executive – Committee Chair, Jan TenBruggencate**

- 9.1.1 The committee met and discussed the liability that KIUC might have for CEO Bissell to sit on the Technical Advisory Council to the PREPA (Puerto Rico Electric Power Authority) board.
- 9.1.2 An executive session of the committee was held to discuss personnel matters.
- 9.1.3 CEO Bissell was asked to provide a brief summary of the situation in Puerto Rico, KIUC's involvement with PREPA and his role as a Director of the Technical Advisory Council to PREPA.

9.2 **Finance & Audit – Committee Chair, Peter Yukimura Reported**

- 9.2.1 The committee met on January 19th and there are a couple items under New Business being recommended by the committee.
- 9.2.2 At the committee Director Tacbian asked questions about allowing local insurance companies to bid. The 2018 process is already complete but will follow up with the 2019 proposals.

9.3 **Government Relations/Legislative – Committee Chair, Phil Tacbian**

- 9.3.1 After the last board meeting the committee had four (4) events:
 - (a) On December 14th, a joint tour was taken KIUC Directors and staff and Directors and staff of the Board of Water Supply to the Tesla Solar farm and the county water plant.
 - (b) On December 19th there was a meeting with Kauai State Legislators to discuss the upcoming legislative session and issues. Representative Nakamura was unable to attend so a separate meeting was held on January 9th.
 - (c) Committee members and staff attending opening day of the 2018 Legislature on January 17th and a preopening evening event on January 16th.

9.4 **International - Committee Chair, David Iha**

- 9.4.1 No report

9.5 **Member Relations – Committee Chair, Patrick Gegen**

9.5.1 The committee also met on January 19th. A couple of the key items reported:

- (a) Member walk-in interactions continue to drop as more members utilize new bill pay offerings like SmartHub.
- (b) Energy Services conducted several workshops last month and has plans to do additional outreach this year.
- (c)

9.5.2 The groundbreaking for the Lawai Solar project is scheduled for this month.

- (a) EV Kauai will be at the KCC Farmers Market showcasing their EV's and promoting their use on Kauai. Beth Tokioka will be there to represent KIUC.

9.6 **Nominating Committee – Committee Chair, James Mayfield**

9.6.1 The committee met briefly to review one candidate by petition. There are now a total of six (6) candidates including the three (3) incumbents.

9.7 **Policy – Committee Chair, Dee Crowell**

9.7.1 The committee reviewed two (2) board policies; Policy #5, Conflicts of Interest and Conduct of Interested Persons and Policy #19, Anti Retaliation and Whistleblowing. Both policies are recommended to the Board for action and will come up later in the agenda.

9.8 **Strategic Planning – Committee Chair, James Mayfield**

9.8.1 The topics discussed were the recent broadband survey. The survey results will be presented in a special Committee of the Whole meeting tomorrow (1/31/18)

10. **Charitable Foundation (CF) Board**

10.1 CF Board President Teofilo Tacbian reported the Charitable Foundation Board is a separate organization from KIUC and receives their funding independent of KIUC.

10.1.1 The recent fundraising golf tournament grossed \$30k and a net of \$17,800 after expenses. The foundation directors recommend to continue this fundraiser.

10.1.2 A request was received from KEO for \$7,200 for a separate program.

10.1.3 The CF Treasurer resigned. KIUC Director Dee Crowell was assigned to the fill the seat until the next election.

11. **Public Testimony.** Sharon Goodwin, Nancy Forbes, Marj Dente, Bridget Hammerquist and Sandra Herndon provided oral testimony.

A brief recess was taken at 1:58 p.m. The meeting reconvened at 2:15 p.m.

12. **New Business**

12.1 **Authorization for CEO Bissell to serve as a Director on the Technical Advisory Council to the Puerto Rico Electric Power Authority (PREPA) (Director Jan TenBruggencate, Executive Committee Chair)**

12.1.1 Vice Chair TenBruggencate reported he was assured that the insurance provider would cover CEO Bissell as he serves on the Technical Advisory Council.

12.1.2 A motion to authorize carried unanimously. [TenBruggencate/Murashige]

IN FAVOR:	Crowell, Gegen, Iha, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

12.2 **Regulatory Outside Services Budget Amendment (Director Peter Yukimura, Chair, F&A Committee)**

12.2.1 The request is to approve an over budget amount of \$288,000 mainly due to legal fees occurring from PUC filings and other project related regulatory matters. The F&A committee recommended approval.

12.2.2 The motion to approve carried unanimously. [Motion: Yukimura/Gegen]

IN FAVOR:	Crowell, Gegen, Iha, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

12.3 **T&D Overhead Line Maintenance Budget Amendment (Director Peter Yukimura, Chair, F&A Committee)**

12.3.1 The request is to approve an over budget expenditure of \$303,000 which includes costs for tree trimming, anchor replacement on lines and pole inspections. The F&A committee recommended approval.

12.3.2 Discussion: The presence of albesia on the island continues be a problem due to their quick growth cycle and causes KIUC large expenditures in tree trimming to keep them clear of overhead lines. Budgets may need to be adjusted upward. The utility has the “right”, not an “obligation” to trim trees in rights of way. The tree trimming contractor uses horticultural best practices when trimming so regrowth is directed away or around the lines.

12.3.3 The motion to approve carried unanimously [Motion: Yukimura/Gegen].

IN FAVOR:	Crowell, Gegen, Iha, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

12.4 **Board Policy No. 5, Conflicts of Interest and Conduct of Interested Persons (Director Dee Crowell, Chair, Policy Committee)**

12.4.1 General Counsel Loo explained the definition of the term “reciprocal beneficiary” used in Policy #5 under the definition of Family. According to the Hawaii Revised Statutes “two people who cannot legally marry can register with the state to receive some of the same benefits that are enjoyed by married couples”.

12.4.2 The committee recommended approval. A motion to approve carried unanimously [Motion: Crowell/TenBruggencate].

IN FAVOR:	Crowell, Gegen, Iha, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

12.5 **Board Policy No. 19, Anti Retaliation and Whistleblowing (Director Dee Crowell, Chair, Policy Committee)**

12.5.1 The Policy committee reviewed and there were no substantive changes. The committee recommended approval.

12.5.2 A motion to approve carried unanimously [Motion: Crowell/TenBruggencate].

IN FAVOR:	Crowell, Gegen, Iha, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

13. **Calendar:**

- 13.1 **February 16, 2018** – Board Committee Meetings (9:00am, MCR)
- 13.2 **February 19, 2018** – HOLIDAY, KIUC Offices Closed
- 13.3 **February 20, 2018** – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)
- 13.4 **February 22, 2018** – AES Lawai Project Groundbreaking
- 13.5 **February 25-28, 2018** – 2018 NRECA Annual Meeting (Nashville, TN)

14. **Executive Session.** After a brief recess, on the motion by Director Murashige, seconded by Director Crowell, the Board entered into an Executive Session at 2:44 p.m. closed to the public on matters limited to those specified in Section II. A. 2. of Board Policy No. 16. The items to be discussed in the Executive Session are matters of a proprietary or financial nature, public disclosure of which could affect on-going or potential negotiations or legal or administrative proceedings and human resource issues related to the hiring, evaluating, dismissing or disciplining an officer or employee and a matter requiring legal consultation on issues pertaining to the powers, duties, privileges, immunities and liabilities of the Board of Directors.

15. **Decision Making.** The open session of the Meeting was reconvened at 4:00 p.m. and upon the motion of Director TenBruggencate and the second of Director Murashige, the following decisions made in Executive Session were ratified by all Directors present:

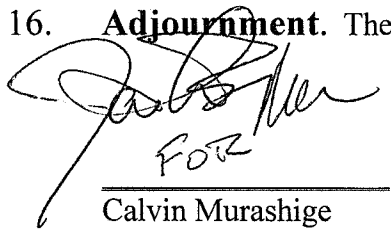
15.1 The decision to approve certain expenditures for environmental studies related to modifications at Waiahi hydro structures; and

15.2 The decision to approve an amendment to the contract for the Joule Group; and

15.3 The decision to approve a Memorandum of Understanding with the Small Island Developing States Sustainable Energy and Climate Resilience organization;

15.4 The decision to approve an annual contract for General Counsel.

16. **Adjournment.** There being no further business the meeting was adjourned at 3:57 p.m.

A handwritten signature in black ink, appearing to read 'Calvin Murashige', is written over a horizontal line. Below the signature, the word 'FOR' is written in a smaller, less legible script.

Calvin Murashige
Secretary



President's Report

January 30, 2018



President's Report

David Bissell, CEO
January 30, 2018

Safety (December)

	Month	2017 YTD	2016 YTD
Recordable Incidents	0	0	8
Days Away/Restricted	0	144	72

STATISTICS

Availability and Reliability:

	Month	2017 YTD	2016 YTD
Reportable Outages	3	35	23
Average Outage Hours Per Customer	0.04	3.80	1.04

Efficiency (December)

	Month	2017 YTD	2016 YTD
Net Plant Heat Rate	0.188	0.164	0.255
Peak Demand (MW)	71.9		

Residential Rates:

Jan 2018	\$0.340/kwh	Down \$0.007 from Dec
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Mahalo.



**KAUAI ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 5**

Reviewed 01/~~20XX~~/20162018

**CONFLICTS OF INTEREST
AND CONDUCT OF INTERESTED PERSONS**

PURPOSE OF POLICY:

Kauai Island Utility Cooperative (KIUC) has confidence in the loyalty and integrity of all members of its Board of Directors and staff. However, ~~with the current emphasis being given because of the importance of~~ ~~on~~ the subjects of conflicts of interest, improper corporate political activity and internal accounting controls of corporations, the Board of Directors considers it desirable to emphasize the policy of KIUC on these subjects and to publish this statement as a guide for all persons, including directors, officers and other management personnel, who might, by reason of their corporate duties, find themselves in a position where a conflict of interest may exist. This policy applies to the individuals identified in the policy and to any other individual who is provided and required by the Board of Directors to fill out an annual disclosure statement pursuant to this policy and is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and cooperative corporations.

POLICY CONTENT:

A. Definitions

1. Interested Person. Any director, officer or member of a committee with board-delegated powers who has a direct or indirect financial interest, as defined below, is an interested person.

2. Family. The family of any individual shall include his/her spouse, ~~ancestors, brothers and sisters (whether whole or half blood), children, grandchildren, great grandchildren and the spouses of brothers and sisters, children, grandchildren, and great~~

~~grandchildren. For all purposes herein, adopted children shall be considered the same as children by blood, partners in a civil union, domestic partners, reciprocal beneficiaries, children, siblings (whether of the whole or half blood), grandparents, grandchildren, great grandchildren, and spouses of the same. Adopted children shall be considered the same as children by blood.~~

3. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or Family:

a. ~~An~~ ownership or investment interest in any entity with which KIUC has a business transaction or arrangement, or;

b. ~~A~~ compensation arrangement with the Corporation or with any entity or individual with which KIUC has a business transaction or arrangement, or;

c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which KIUC is negotiating a business transaction or arrangement.

Compensation includes direct or indirect remuneration as well as gifts or favors that are substantial in nature.

B. Procedures

1. Duty to Disclose. In connection with any actual or possible conflicts of interest, an Interested Person must disclose the existence and nature of his/her financial interest to the directors and members of committees with board-delegated powers considering the proposed business transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after discussion with the Interested Person, the Interested Person shall leave the Board or committee meeting at which the financial interest is

discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest.

a. An Interested Person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

b. The chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the Board or committee shall determine whether KIUC can obtain a more advantageous business transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous business transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in KIUC's best interest and for its own benefit and whether the transaction is fair and reasonable to KIUC and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy.

a. If the Board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary or corrective action.

5. General Conduct of Interested Persons

a. Confidential Information. Confidential information pertaining to KIUC must be held in strictest confidence and may not be used as a basis for personal gain or advantage by an Interested Person, the Interested Person's Family, or others. Financial or other corporate information is not to be released to any person unless it has been published or otherwise made generally available to the public in accordance with applicable disclosure regulations, except as specifically approved by the Board of Directors.

b. Real Estate/Security Interests. Each Interested Person shall refrain from knowingly buying or selling, for his or her own account or the account of a member of his or her Family, any real estate, chattel, security or other interest which KIUC may be considering buying or selling, or has decided to buy or sell, until the decision by KIUC has been completely executed. Each Interested Person will also refrain from transmitting any knowledge of such consideration or decision or any other information which might be prejudicial to the interest of KIUC to any person other than in connection with the discharge of his/her corporate responsibilities.

c. Third Parties. Each Interested Person shall refrain from knowingly entering into any contract, agreement or transaction with a third party on behalf of KIUC which involves an improper or illegal advantage or disadvantage to such third party or to any competitor of such third party.

d. Gratuities. Each Interested Person must avoid placing himself or herself under actual or apparent obligation to anyone by accepting, or permitting his/her Family to accept gifts or other favors where it might appear that they were given for the purpose of improperly influencing the Interested Person in the performance of his or her corporate duties. Interested Persons shall not accept any items of nominal or minor value, including but not limited to, any singular gift meal, entertainment or service, in excess of a \$100 value or repeated gifts of lesser value, except where there is a business reason and prior approval is granted by the Board of Directors.

e. Outside Activities. Each Interested Person shall avoid outside employment or activities which take away time and attention required by his or her corporate duties, or involve obligations which may in any way compete or conflict with the interest of KIUC, unless approved in advance by the Board of Directors.

C. Records of Proceedings

The minutes of the Board of Directors and all committees with board-delegated powers shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest existed; and

2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

D. Annual Statements

Every year at the Annual Meeting of KIUC's Board of Directors as specified in Article III, Section 6, of the KIUC Bylaws (or the Bylaws' successor provision), each director, officer and member of a committee with board-delegated powers shall sign a statement, in the form attached hereto and incorporated herein as Exhibit "A", which affirms that such person:

1. Has received a copy of the conflicts of interest policy,
2. Has read and understands the policy, and;
3. Has agreed to comply with the policy.

Reviewed on this ~~26th~~ day of January, 2016~~2018~~

~~Teofilo P. Taebian~~Calvin Murashige
Secretary

Reviewed: 01/XX/2018
Reviewed: 01/26/2016
Reviewed: 02/25/2014
Revised: 05/31/2011
Revised: 02/22/2011
Reviewed: 02/19/2008
Original Adoption: 04/12/2000

EXHIBIT "A"

CONFLICTS OF INTEREST STATEMENT

I, _____, do hereby affirm as follows:
PRINT NAME

1. I am an officer or a member of the Board of Directors or of a committee with board-delegated powers for Kauai Island Utility Co-op ("KIUC");
2. I have received a copy of KIUC's Board Policy No. 5 on Conflicts of Interest and Conduct of Interested Persons (the "Policy");
3. I have read and understood the Policy;
4. Unless otherwise indicated below and to the best of my knowledge, I am in full compliance with the Policy as of the latest date indicated below and agree to continue to comply with the Policy;
5. The following is a list of my business interest(s) and other organization(s) with which either I or my Family (as such term is defined in the Policy) is financially involved in any manner:

<u>Name of Organization</u>	<u>Name of Interested Person or Family Member</u>	<u>Nature of Involvement</u>

Executed this _____ day of _____, 20__.

Name:
Title:

Address: _____

**KAUA'I ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 19**

(Revised ~~02/23/2016~~01/XX/2018)

ANTI-RETALIATION AND WHISTLEBLOWING

PURPOSE OF POLICY:

The purpose of this policy is to confirm Kaua'i Island Utility Cooperative's commitment to a work and learning environment free of retaliation.

POLICY CONTENT:

A. **General.** It is the policy of Kaua'i Island Utility Cooperative ("KIUC") to ensure that individuals who in good faith believe ~~that~~ there is or may be an improper activity occurring at KIUC (a "Whistle Blower") may report such improper activity, cooperate with authorities, and take legal action without the fear of retaliation.

B. **Scope and Terms.**

1. KIUC strictly prohibits any Director, employee or agent of KIUC from engaging in any form of intimidating, detrimental (i.e. negative or uncooperative) or retaliatory action toward any Whistle Blower (including but not limited to a KIUC employee or KIUC member) who reports in good faith an improper activity or who at any time:

- a. provides information about such improper activity to KIUC's General Counsel, a KIUC Director, Department Head or Human Resources;
- b. makes a complaint of discrimination or harassment or a threat of and/or an act of violence (a "Complaint");
- c. cooperates with the investigation of a Complaint;
- d. acts as a witness or investigator during the investigation of a Complaint;

- e. reports or is about to report to an appropriate government body, orally or in writing, a violation or a suspected violation of a law or rule adopted pursuant to the law of Hawai'i, a political subdivision of Hawaii or the government of the United States, unless such person knows that the report is false (a "Violation");
- f. is requested by the government body to participate in an investigation, hearing, or inquiry held by that government body, or a court action, concerning a Violation.

2. Any Complaint brought in good faith to the attention of KIUC will be investigated promptly and, if required, corrective actions will be taken promptly. Confidentiality will be maintained throughout the investigatory process to the extent consistent with an adequate investigation, however, complete confidentiality and anonymity should not be expected during investigations.

3. Any person who engages in any form of intimidating, detrimental or retaliatory conduct shall be subject to appropriate disciplinary action, including termination of employment with respect to Staff.

4. Any KIUC Director, staff or agent having knowledge of a violation of the policy set out in item 1 above, or any other form of improper retaliation, shall immediately report the violation or retaliation to KIUC's General Counsel who shall report same to other necessary parties as required by law or court order. Retaliation for such reports of retaliation is likewise prohibited.

5. Based on the nature and circumstances of the reported alleged intimidating, detrimental or retaliatory actions, the General Counsel will perform an independent investigation as warranted or report the violations for investigation and appropriate actions as follows:

- a. to the Manager of Human Resources, for all employees below the Department Head level;
- b. to the CEO for Department Heads; and
- c. to the Board of Directors for the CEO

6. The KIUC's General Counsel shall investigate any reports of alleged intimidating, detrimental or retaliatory actions and submit the results of any investigation to the KIUC Finance and Audit Committee, which shall submit a recommendation to the Board of Directors.

7. The Board of Directors does not delegate the authority to act on any form of intimidating, detrimental or retaliatory actions by or concerning the CEO.

8. The CEO shall report on actions associated with this policy to the Board of Directors on an as-needed basis.

RESPONSIBILITIES:

The CEO is delegated responsibility and authority for the administration and implementation of this policy.

Adopted on this ~~23rd~~ day of ~~February~~~~January~~, ~~2016~~~~2018~~.

~~Teofilo Taebian~~Calvin Murashige, Secretary

Reviewed: 01/XX/2018
Reviewed: 02/23/2016
Revised: 03/18/2014
Reviewed: 07/26/2011
Original Adoption: 01/26/2005