

REGULAR MEETING OF THE BOARD OF DIRECTORS KAUAI ISLAND UTILITY COOPERATIVE

Held at 4463 Pahe`e Street

Līhu`e, Kaua`i, Hawai`i

On March 20, 2018

MINUTES

Call to order at 12:58 pm.

1. **Roll Call**

1.1 **Present:** Directors Allan Smith (Chairman), Dee Crowell, David Iha, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian (by phone), Jan TenBruggencate (Vice Chair), and Peter Yukimura (Treasurer); and Lisa Ubay (Acting CEO, HR & Safety Mgr.). A quorum of directors were present.

1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO and Financial VP), former Director Patrick Gegen, Maile Alfiler (Member Services Mgr.), Corinne Cuaresma (Controller), Harley Eckert (Financial Planning & Strategy Mgr.), Brandee Holt (Finance Manager), Carey Koide (T&D Mgr.), Beth Tokioka (Communications Mgr.), Richard Vetter (Port Allen Station Mgr.), and Pua Chin (Executive Administrator); Members of the public (1), and Members of the Press (0).

1.3 **Excused:** David Bissell (President and CEO)

2. **Invocation** – Director Calvin Murashige opened the meeting with prayer.

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

4. **Resolution 01-18, Commendation for Patrick Gegen**

4.1 Chair Smith recognized Director Patrick Gegen who was in attendance. Resolution 01-18 was read aloud after which former Director Gegen was presented with his name plaque and a lei and thanked for his dedication and service to KIUC.

4.2 A motion to approve Resolution 01-18 carried unanimously. [Motion: TenBruggencate/Murashige]

5. **Approval of Minutes**

5.1 The 2/20/2018 Regular Meeting and Executive Session and 2/22/18 Special Meeting and Executive Session minutes were approved unanimously. [Motion: TenBruggencate/Gegen]

6. **President's Report.** Lisa Ubay, Acting CEO, Human Resources and Safety Manager.

6.1 The January 2018 Cooperative statistics and current events of the Cooperative were reported. (Report attached).

7. **Financial Report:** CFO Karissa Jonas reported.
 - 7.1 The auditors were on Kauai the last week in February. They are in the final stage of the audit and will meet with the Board on Monday, April 23rd to discuss the results and provide their findings at the April 24th Board meeting.
 - 7.2 On February 27th the executed loan documents and legal opinion letters were sent to RUS. Waiting for the loan to close.
 - 7.3 The weighted average cost of debt is down to 2.67% interest.
 - 7.4 The February 2018 preliminary financial results were reported.
 - 7.5 The patronage capital retirement will be \$3.2M to members.

8. **NRECA Hawaii Director Report**
 - 8.1 Director David Iha reported.
 - 8.1.1 The national board met at the Annual meeting. There were 9000 members present in Nashville. Three new state directors were installed. The next Annual Meeting will be in Orlando March 7-13, 2019.
 - 8.1.2 Congress should be taking action on Friday (3/23/18) on a budget. They will break for two weeks and return to DC in time for the 4/8-11/18 Legislative Conference.
 - 8.1.3 The Rural Economic Development Loan and Grant (REDL&G) program is being pushed for support. Lobbying continues to garner support for funding for LIHEAP (Low Income Home Energy Assistance Program).

9. **Committee Reports**
 - 9.1 **Executive – Committee Chair, Jan TenBruggencate**
 - 9.1.1 The committee met March 16th, and reviewed the NRECA Governance Task Force Report. Most of the recommendations in the report are already in practice at KIUC. The next meeting is scheduled for April 20th.

 - 9.2 **Finance & Audit – Committee Chair, Peter Yukimura**
 - 9.2.1 CFO Jonas reported on the item discussed in committee. There are no action items this month. The meeting with the auditors on April 23rd at 1:00pm will be for all Board members.

 - 9.3 **Government Relations/Legislative – Committee Chair, Phil Tacbian**
 - 9.3.1 Director Crowell reported. The committee met on March 9th and discussed the bills in the state legislature and the upcoming NRECA Legislative Conference in April. There were no action items.

 - 9.4 **International - Committee Chair, David Iha**
 - 9.4.1 No report from the committee but Director Iha thanked Directors who attended the symposium prior to the opening meeting of the Maui Energy Conference.

 - 9.5 **Member Relations – Committee Chair, Calvin Murashige**
 - 9.5.1 Reports were received from the Member Services and Communications departments. There were no action items.

- 9.6 **Policy – Committee Chair, Dee Crowell**
 - 9.6.1 The committee reviewed and is recommending approval of two (2) board policies - ; Policy #15, Strategic Planning and Policy #31, Safety under New Business.

- 9.7 **Strategic Planning – Committee Chair, James Mayfield**
 - 9.7.1 The committee had a number of short discussions. The first was on Vantage Point and the feasibility study on broadband. The second was a topic discussed at the NRECA Annual meeting, “What do we do when energy is cheap but power is expensive”. Third, we talked about network broadcasting on Kauai. Fourth, there was a reminder on the Cyber Security workshop from management on April 3rd. And finally, there was a discussion on data analytics and vendors who offer these types of services.

- 10. **Charitable Foundation (CF) Board**
 - 10.1 Director Crowell reported the CF Board did not meet in March.

- 11. **Public Testimony.** Marj Dente provided oral testimony.

- 12. **Conference Reports**
 - 12.1 Vice Chair TenBruggencate reported in a discussion with a Mercedes representative at the Maui Energy Conference that old EV batteries retain 80% of their power and could be used for utility scale storage or to deliver energy in the winter.
 - 12.2 Chair Smith reported on the renaissance of the electric bicycle which are becoming more reliable, durable and declining in cost. There has been a 70% increase in sales. A State of Hawaii statistician said electric bike sales went from 46 in 2016 to 750 in 2017.

- 13. **New Business**
 - 13.1 **Board Policy No. 15, Strategic Planning (Director Dee Crowell, Chair, Policy Committee)**
 - 13.1.1 A section was added to encourage education at conferences. No other substantive changes were made. The committee recommended approval.
 - 13.1.2 The motion carried unanimously. [Crowell/Mayfield]

 - IN FAVOR: Crowell, Iha, Kass, Mayfield, Murashige, Smith
Tacbian (by phone), TenBruggencate & Yukimura Total – 9
 - OPPOSED: None Total – 0
 - EXCUSED: None Total – 0

13.2 **Board Policy No. 31, Safety (Director Dee Crowell, Chair, Policy Committee)**

13.2.1 There were no substantive changes. The committee recommended approval.

13.2.2 A motion to approve carried unanimously. [Crowell/Murashige]

IN FAVOR:	Crowell, Iha, Kass, Mayfield, Murashige, Smith Tacbian (by phone), TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

14. **Calendar:**

14.1 March 25-28, 2018 – 2018 Directors Conference

14.2 March 30, 2018 – HOLIDAY, KIUC Offices Closed

14.3 April 3, 2018 – Board Cyber Security Briefing (1:00pm, Main CR)

14.4 April 8-10, 2018 – 2018 Legislative Conference

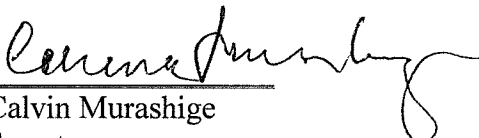
14.5 April 20, 2018 – Board Committee Meetings (9:00am, MCR)

14.6 April 23, 2018 – F&A Committee Meeting with Auditors (1:00pm, Main CR)

14.7 April 24, 2018 – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)

15. **Executive Session.** At 1:50 p.m., after a brief recess, the Board entered into an Executive Session 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 ongoing 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.

16. **Adjournment.** The open session of the meeting reconvened at 2:02 p.m. There being no further business the meeting was adjourned.



Calvin Murashige
Secretary



President's Report

March 20, 2018

Lisa Ubay, Human Resources & Safety Manager



President's Report

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Lisa Ubay, HR & Safety Manager
March 20, 2018

Safety (February)

	<u>Month</u>	<u>2018 YTD</u>	<u>2017 YTD</u>
Recordable Incidents	0	0	6
Days Away/Restricted	0	0	203

STATISTICS

Availability and Reliability:

	<u>Month</u>	<u>2018 YTD</u>	<u>2017 YTD</u>
Reportable Outages	2	6	7
Average Outage Hours Per Customer	0.25	0.27	0.49

Efficiency (February)

	<u>Month</u>	<u>2018 YTD</u>	<u>2017 YTD</u>
Net Plant Heat Rate	8.979	9.021	9.164
Peak Demand (MW)	72.2		

Residential Rates:

Feb 2018	\$0.342/kwh	Down \$0.007 from Feb
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3

Exergy Battery Installation



4

UH College of Engineering Career Day, February 21, 2018



4

UH College of Engineering Career Day, February 21, 2018



5

AES Solar Ground Breaking February 22, 2018

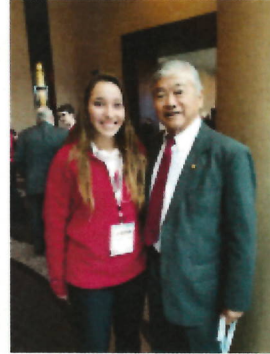


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NRECA Annual Meeting Nashville – February 2018



Youth Leadership Council Delegates



Leanna Thesken (Sr. Kauai HS) & Dr. David Iha

7

NRECA TechAdvantage Cameron Kruse in breakout session



8

Maui Energy Conference March 12-14, 2018

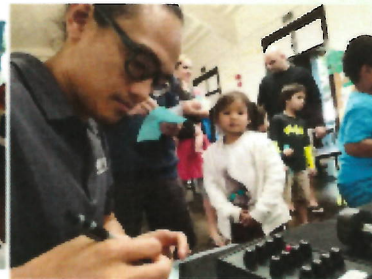


9

KIUC Engineers in the Community Kekaha STEM Night, March 7, 2018



David Hanashiro (Shift Sub PAGES)
& Brandon Simpliciano (Assoc.
Engr., SCADA)



Royce Ramos (T&D Staff
Engineer)



Mahalo!

**RESOLUTION 01-18 OF THE
BOARD OF DIRECTORS OF
KAUAI ISLAND UTILITY COOPERATIVE ("KIUC")**

WHEREAS, PATRICK S. GEGEN was elected by the members of KIUC to a three-year term as a Director of KIUC on March 17, 2012, and consequently installed as a member of the KIUC Board of Directors on March 27, 2012; and

WHEREAS, PATRICK S. GEGEN was re-elected by the members of KIUC to an additional three-year term as a Director on March 14, 2015 and reinstated as a member of the KIUC Board of Directors on March 24, 2015; and

WHEREAS, during his six year tenure as a KIUC Director PATRICK S. GEGEN was elected by the KIUC Board of Directors to serve as its Assistant Board Treasurer from 2014-2018; Chair of KIUC's Member Relations Committee from 2016-2018; Chair of KIUC's 2016 Nominating Committee; and as a member of the Finance and Audit, Government Relations and Legislative Affairs, Member Relations, Policy, and Strategic Planning Committees; and

WHEREAS, PATRICK S. GEGEN used his knowledge and wisdom in his duties as a KIUC Director, all to the great benefit of KIUC; and

WHEREAS, PATRICK S. GEGEN faithfully, competently and diligently discharged his duties as a KIUC Director, Assistant Board Treasurer, Chair of the Member Relations and Nominating Committees of KIUC, and member of the Finance and Audit, Government Relations and Legislative Affairs, Member Relations, Policy, and Strategic Planning Committees during his tenure; and

WHEREAS, PATRICK S. GEGEN's two consecutive three-year terms as a KIUC Director ended effective March 20, 2018; and

WHEREAS, the Board of Directors desires to honor and commend PATRICK S. GEGEN for his tireless efforts and foresight in governing and nurturing KIUC during his tenure as a Director.

NOW, THEREFORE, be it hereby resolved by the Board of Directors of KIUC as follows:

1. The Board of Directors of Kaua`i Island Utility Cooperative hereby honors and commends PATRICK S. GEGEN for the faithful, competent and diligent discharge of his duties as a Director of KIUC from 2012 to 2018, Assistant Board Treasurer, Chair of the Member Relations Committee, and member of several KIUC Committees during his tenure, always showing great conviction, compassion, and good humor, and for his tireless efforts and foresight in governing and nurturing KIUC.

2. The Board of Directors of Kaua`i Island Utility Cooperative hereby requests that its President and Chief Executive Officer of KIUC cause an appropriately framed copy of this Resolution be prepared and presented to PATRICK S. GEGEN in recognition of his efforts and achievements.

SECRETARY'S CERTIFICATE

The undersigned Secretary of KIUC hereby certifies that the foregoing Resolution of the Board of Directors of KIUC was duly adopted at the Meeting of the Board of Directors held on March 20, 2018, at Līhu`e, Kaua`i, Hawai`i.

Dated this 20th day of March, 2018, at Līhu`e, Kaua`i, Hawai`i.

Calvin Murashige
Secretary

KAUA'I ISLAND UTILITY COOPERATIVE

BOARD POLICY NO. 15

(Reviewed ~~03/22/2016~~03/20/2018)

STRATEGIC PLANNING

PURPOSE OF POLICY:

The purpose of this policy is to establish the authority and responsibility for the Cooperative's strategic planning.

POLICY CONTENT:

A. Commitment to Strategic Planning

It is the policy of this Board of Directors to guide the direction and conduct of the Cooperative through periodic, fact-based, thoughtful and collaborative strategic planning. The Cooperative's strategic plan will be updated periodically and may be amended between updates if warranted.

[Guidance: Repeating the entire SWOT strategic planning workshop every year may be unnecessary since strategic goals tend to be long term. Some years it may be sufficient to simply review and affirm the strategic plan. Directors are encouraged to take courses offered by NRECA and attend national conferences featuring current strategic planning discussions and presentations on topics of concern to many/most cooperatives.]

B. Foundation

Strategic issues almost always have a long-term impact on the cooperative. Some decisions required to operate the cooperative will rise to the level of strategic importance. These strategic issues are typically identifiable by their real or perceived impacts.

Issues that substantially impact the cost structure of the cooperative are strategic.

Issues that have a significant impact on cooperative employees as a group are strategic.

Issues that have a significant real or even perceived impact on members (as a group) are strategic.

[Guidance from other cooperatives suggests that cost savings initiatives; major construction; locating generation, transmission, and distribution assets; member interfaces; almost any ultra vires activities, and some financial transactions are all strategic.]

The Cooperative's strategic planning shall be based upon careful consideration of its:

1. **Mission:** A statement describing the general purpose for the Cooperative's existence, its responsibility for fulfilling its role as a provider of utility service to its members and its community service role.
2. **Values:** A statement of the behaviors that the Board of Directors and employees of KIUC are to demonstrate as these individuals fulfill their respective duties and responsibilities.
3. **Strengths, Weaknesses, Opportunities, Threats:** An assessment of the internal capabilities and shortcomings, and external market, regulatory and other trends, events and other developments.

C. Objectives

The Cooperative's strategic planning process shall achieve the following objectives:

1. To capitalize on the collective knowledge, experience and wisdom of the Directors, CEO and staff.
2. To affirm or amend the Cooperative's mission statement.
3. To affirm or amend the Cooperative's values statements.
4. To develop clear strategic initiatives identifying the areas of greatest significance to the Cooperative. These initiatives will serve as the primary directives to guide the development of goals and actions.
5. To develop clear goal statements that serve to further define the identification of appropriate actions to accomplish strategic initiatives.
6. To identify and prioritize action items which will accomplish strategic initiatives.

[Guidance: Action items will have appropriate specificity, will include resource requirements, and will appear in the appropriate annual budget(s) for consideration and approval of the Board of Directors.]

7. To track changes to adopted strategic initiatives, goals, and action items.
8. And to track progress towards the implementation of action items, goals, and strategic initiatives.

D. Authority

The Board of Director's assumes the authority for ensuring adherence to this policy.

RESPONSIBILITIES

The responsibility for developing and implementing the Cooperative's strategic planning shall be assigned as follows:

1. The Board of Directors, with the advice of CEO and staff, has the responsibility for developing, affirming and / or amending the mission statement.
2. The Board of Directors, with the advice of CEO and staff, has the responsibility for developing, affirming and / or amending the values statements.
3. The Board of Directors, with the advice of CEO and staff, has the responsibility for developing, affirming and / or amending the strategic initiatives and goal statements.
4. The identification and prioritization of actions items during the strategic planning process shall be a shared responsibility between the Board of Directors, CEO and staff.
5. The development of the detail aspects of each action item and the inclusion of the resources necessary to implement each action item in the Cooperative's annual budget shall be the responsibility of the CEO.
6. The identification of strategic issues arising for cooperative operations will be the responsibility of the CEO.

[Guidance: For example, during normal operations of the cooperative, need for new transmission lines or substations may be recognized independent of the periodic SWOT-based strategic planning workshop. It is the CEO's responsibility to bring these strategic issues to the Board of Directors in a timely manner for inclusion in the strategic plan.]

7. Providing periodic status to the Board of Directors on the progress towards implementing strategic actions is the responsibility of the CEO.

Adopted on this 22nd 20th day of March, ~~2016~~2018.

~~Teofilo Taebian~~ Calvin Murashige
Secretary

Reviewed: 03/20/2018
Reviewed: 03/22/2016
Reviewed: 04/29/2014
Reviewed: 10/25/2011
Original Adoption: 10/27/2004

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC")

BOARD POLICY NO. 31

(Reviewed ~~03/22/2016~~03/20/2018)

SAFETY POLICY

PURPOSE OF POLICY:

To set forth the policy of Kauai Island Utility Cooperative ("KIUC") regarding development and management of its Safety Program, and to guide the behavior of management and staff.

POLICY CONTENT:

A. Commitment to Safety

KIUC is committed to the safety of its employees, members and the general public. This commitment is supported by KIUC's Board of Directors and management. Safety at KIUC is the individual and collective responsibility of all KIUC employees.

B. Achievement of Commitment to Safety

KIUC will achieve its Safety commitment through its safety program, and will strive for ~~continuance~~continued improvement by:

1. Educating and training to inspire a safety culture throughout KIUC and our community;
2. Setting and monitoring safety goals and objectives to safeguard our employees, members and the general public;
3. Raising safety awareness of all employees and members and stressing personal accountability;
4. Following safe work practices and procedures and adhering to all KIUC safety rules.
5. Developing a company-wide safety culture such that the need to complete a job efficiently never takes priority over the need to perform it safely.

C. Safety Program Implementation

Management shall be accountable for development of a company-wide Safety Program and for its enforcement and implementation, as well as periodic reporting to the Board.

RESPONSIBILITY:

The Board is responsible for overseeing compliance with this policy.

Adopted on this ~~22nd~~ 20th day of March, 2016~~2018~~

~~Teofilo Taebian~~ Calvin Murashige
Secretary

Reviewed: 03/20/2018
Reviewed: 03/22/2016
Reviewed: 04/29/2014
Original Adoption: 09/27/2011