

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

Held at 4463 Pahe`e Street

Lihu`e, Kaua`i, Hawai`i

On June 25, 2019

**MINUTES**

**Call to order at 1:02 p.m.**

**1. Roll Call**

1.1 **Present:** Directors Allan Smith (Chair), Dee Crowell, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, Jan TenBruggencate (Vice Chair), and Peter Yukimura (Treasurer); and David Bissell (President and CEO). A quorum of directors were present.

1.2 **In attendance:** Mike Scarbo (Special Counsel) for Laurel Loo (General Counsel), Karissa Jonas (CFO), Maile Alfiler (Member Services Mgr.), Corinne Cuaresma (Controller), Rick Eckert (Financial Planning & Strategy Mgr.), Brandee Holt (Finance Manager), Carey Koide (T&D Mgr.), Brad Rockwell, (Power Supply Mgr.), Beth Tokioka (Communications Mgr.), Lisa Ubay (HR Mgr.), Michael Yamane (COO & Technology) and Nadine Tipps (Executive Administrator); and one (1) member of the public.

1.3 **Excused:** Director David Iha

**2. Invocation** – Director Kass opened the meeting with prayer.

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

**4. Approval of Minutes**

4.1 The 5/28/2019 meeting minutes were approved unanimously. [Motion: Murashige/TenBruggencate]

**5. President's Report.** David Bissell, President and CEO

5.1 The current Cooperative statistics were reported. (report attached)

**6. Financial Report:** Karissa Jonas, CFO reported.

6.1 RUS – On June 6, 2019, KIUC received the 3rd draw on the \$60.712 M RUS FFB D8 loan, in the amount of \$4,776,000. The base interest rate for this advance is 2.453% plus the FFB fee of 0.125% for a total interest rate of 2.578% fixed through the maturity date of December 31, 2051.

6.2 CFC Short-Term Investments – On June 10, 2019, the \$5M invested in CFC Select Notes for 91 days @ 2.73% interest matured. This investment earned \$34,031.51 in interest income. The funds were deposited in the BOH General Funds account. On June 13, 2019, KIUC invested excess cash in the following short-term investments:

- 6.2.1 \$5M in CFC Select Notes for 90 days @ 2.58% interest, 9/11/19 maturity.
  - 6.2.2 \$5M in CFC Select Notes for 120 days @ 2.59% interest, 10/11/19 maturity.
  - 6.3 CoBank – On May 28, 2019, KIUC renewed its unsecured line of credit (LOC) for another 364 days.
  - 6.4 FEMA – Hurricane Lane – we received our first check for one of the two projects for \$23k. The other project has completed the FEMA review process.
  - 6.5 The May 2019 preliminary financials were reviewed. (scorecard attached)
7. **NRECA Hawaii Director Report – Director David Iha**
- 7.1 Director Iha was excused to attend a NRECA Board Meeting in Washington, D.C.
8. **Committee Reports**
- 8.1 **Executive – Committee Chair, Jan TenBruggencate**
    - 8.1.1 The committee met on June 14<sup>th</sup>. All members were present.
    - 8.1.2 Received an update on the Pumped Storage Project. The EIS is proceeding at pace. The McMillen Organization report no red flags and are moving along well.
    - 8.1.3 Discussion about the London Economics Report.
    - 8.1.4 Encouraged staff to proceed with the NRECA Resolution in support of providing materials on climate change to its members.
      - (a) Director Crowell discussed the Resolution and the conference call that he and Beth Tokioka were on regarding this. There was discussion on many different issues and Resolutions. A couple of members supported our Resolution. They decided not to move forward with our Resolution, but instructed staff to do more research. We could work on it a little for future years.
  - 8.2 **Finance & Audit –Committee Chair, Peter Yukimura**
    - 8.2.1 The committee met on June 14<sup>th</sup>.
    - 8.2.2 CFO Jonas reported the financials.
    - 8.2.3 Action item will be discussed in New Business.
  - 8.3 **Government Relations/Legislative – Committee Chair, Phil Tachian**
    - 8.3.1 The committee met on June 14<sup>th</sup>.
    - 8.3.2 ACRE recommended a contribution of \$1,000 to Senator Brian Schatz, who has been a very strong factor of KIUC as well as the issue of climate change. Director Iha attended Senator Schatz function last night and personally brought the check to him on behalf of ACRE, NRECA and KIUC.
    - 8.3.3 Announced the upcoming Hawaii Congress of Planning Officials (HCPO) conference in Maui September 11<sup>th</sup> – 13<sup>th</sup>.

- 8.4 **International – Committee Chair, David Iha**
  - 8.4.1 Director Yukimura reported they received an invitation from the National Electrification Administration (NEA) of the Philippines as well as the Philippine Rural Electric Cooperative Association inviting the officers of KIUC and our National Director to their Annual 50<sup>th</sup> Anniversary celebration in Manila, Philippines from August 6<sup>th</sup> – 8<sup>th</sup>.
  - 8.4.2 There will be further discussion on this item at a later date.
  
- 8.5 **Member Relations – Committee Chair, Calvin Murashige**
  - 8.5.1 The committee met on June 14<sup>th</sup>.
  - 8.5.2 Received reports from Member Services and Communications.
  - 8.5.3 No action items.
  - 8.5.4 The 2019 KIUC Annual Meeting is scheduled for July 31<sup>st</sup> at the Kauai War Memorial Convention Hall.
  
- 8.6 **Policy – Committee Chair, Dee Crowell**
  - 8.6.1 The committee met on June 14<sup>th</sup>.
  - 8.6.2 Policy No. 14 will be covered under New Business.
  
- 8.7 **Strategic Planning – Committee Chair, James Mayfield**
  - 8.7.1 The committee met on June 14<sup>th</sup> and discussed two issues.
    - (a) One discussion was the review the KIUC 2016 Strategic Plan. Went through providing an update on its goals since 2016.
    - (b) There was a motion to have the CEO and staff stay apprised of any opportunities and developments in the Telecommunications industry in Hawaii, and to apprise the Board of any significant developments, which will be covered under New Business.
  
- 9. **Charitable Foundation (CF) Board – Teofilo Tacbian, President**
  - 9.1 The CF Board has not met since the last Board Meeting, but are meeting later today.
  - 9.2 KEO assisted three families totalling \$603 in May.
  - 9.3 Chair Smith reported that two Senior Centers and the Rotary Club of West Kauai, are asking the foundation to please consider reflective vests for elderly people that walk in the early mornings.
  
- 10. **Public Testimony.** Marj Dente provided oral testimony to the Board of Directors.
  
- 11. **New Business**
  - 11.1 **Data Archival System**
    - 11.1.1 Brad Rockwell reported that they are upgrading their SCADA System at the Power Plant. This was in the approved Capital Budget based upon using a vendor who is a current supplier of Power Supply control systems. In conducting further scrutiny, it became clear this vendor could not handle KIUC’s data history needs. The vendor KIUC has now selected is the industry standard, and has a higher cost. The additional \$250,000

reflects project costs as well as contingencies and overheads. There are other projects that are not going to be completed this year, therefore, the overall department budget will not be over because of this increase.

11.1.2 The F&A Committee recommended approval of the Data Archival System Budget Amendment for an additional \$250,000. The recommendation carried unanimously.

IN FAVOR:	Crowell, Kass, Mayfield, Murashige, Smith, Tacblian, TenBruggencate & Yukimura	Total – 8
OPPOSED:	None	Total – 0
EXCUSED:	Iha	Total – 1

11.2 **Board Policy No. 14, KIUC Policy, Procedure and Practice Formulation, Review and Approval**

11.2.1 Policy Committee Chair Crowell reported the committee discussed and recommended approval with no substantive changes. The recommendation carried unanimously.

IN FAVOR:	Crowell, Kass, Mayfield, Murashige, Smith, Tacblian, TenBruggencate & Yukimura	Total – 8
OPPOSED:	None	Total – 0
EXCUSED:	Iha	Total – 1

11.3 **Telecommunication Opportunities and Developments**

11.3.1 Staff continues to be vigilant of any opportunities that arise.

11.3.2 After lengthy discussion, a motion to request CEO and Staff stay apprised of any opportunities and developments in the Telecommunications industry in Hawaii, and to apprise the BoD of any significant developments did not carry. [Mayfield/Kass]

11.3.3

IN FAVOR:	Kass & Mayfield	Total – 2
OPPOSED:	Crowell, Murashige, Tacblian, TenBruggencate & Yukimura	Total – 5
EXCUSED:	Iha & Smith	Total – 2

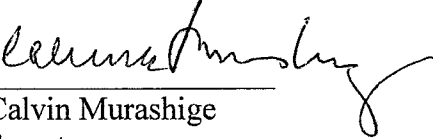
12. **Calendar:**

- 12.1 **July 1-3, 2019** – CFC Forum, New York, NY
- 12.2 **July 4, 2019** – HOLIDAY, KIUC Offices Closed
- 12.3 **July 19, 2019** – Board Committee Meetings (9:00am, MCR)
- 12.4 **July 30, 2019** – Board Meeting (1:00pm., KIUC Main Conf Rm)
- 12.5 **July 31, 2019** – Annual Membership Meeting (5:30pm, Kauai War Memorial Convention Hall)

13. **Executive Session.** At 2:10 p.m. the Board recessed the meeting to enter 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 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.

14. **Adjournment.** The open session of the meeting reconvened at 2:25 p.m. Director Murashige moved to adjourn the meeting; the motion was seconded by Director TenBruggencate. All directors present voted in favor of the motion and it passed unanimously.

  
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Calvin Murashige  
Secretary



# President's Report

June 25, 2019

David Bissell, President and CEO

## President's Report

David Bissell, President and CEO  
June 25, 2019

### Safety (May)

	Month	2019 YTD	2018 YTD
Recordable Incidents	0	0	1
Days Away/Restricted	0	0	133

### Availability and Reliability:

	Month	2019 YTD	2018 YTD
Reportable Outages	1	23	24
Average Outage Hours Per Customer	0.24	1.68	0.55

### Efficiency

	Month	2019 YTD
Net Plant Heat Rate	9,289	9,219
Peak Demand (MW)	73.95	73.95

### Residential Rates:

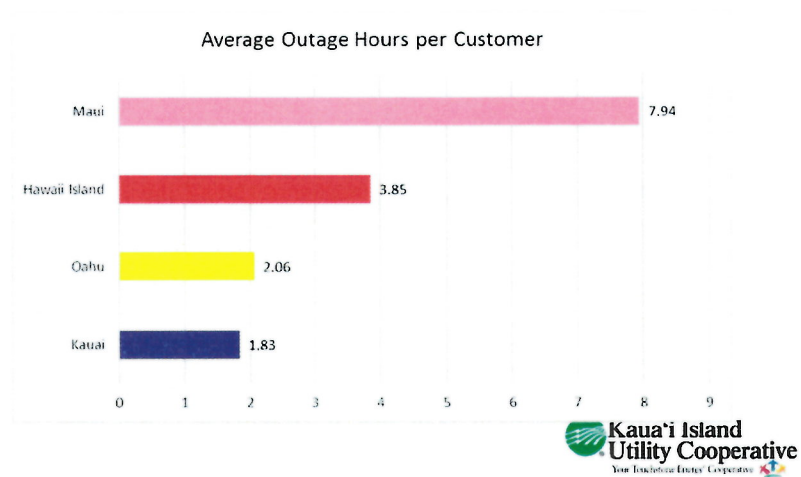
June 2019	\$0.334/kwh Up \$0.009 from May
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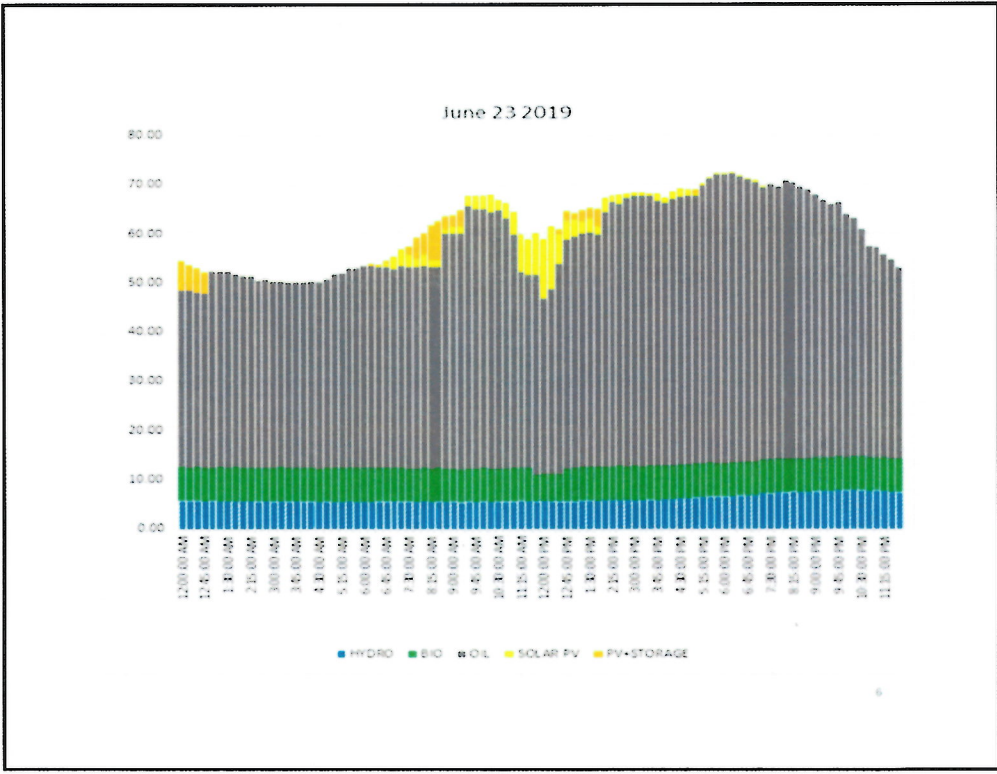
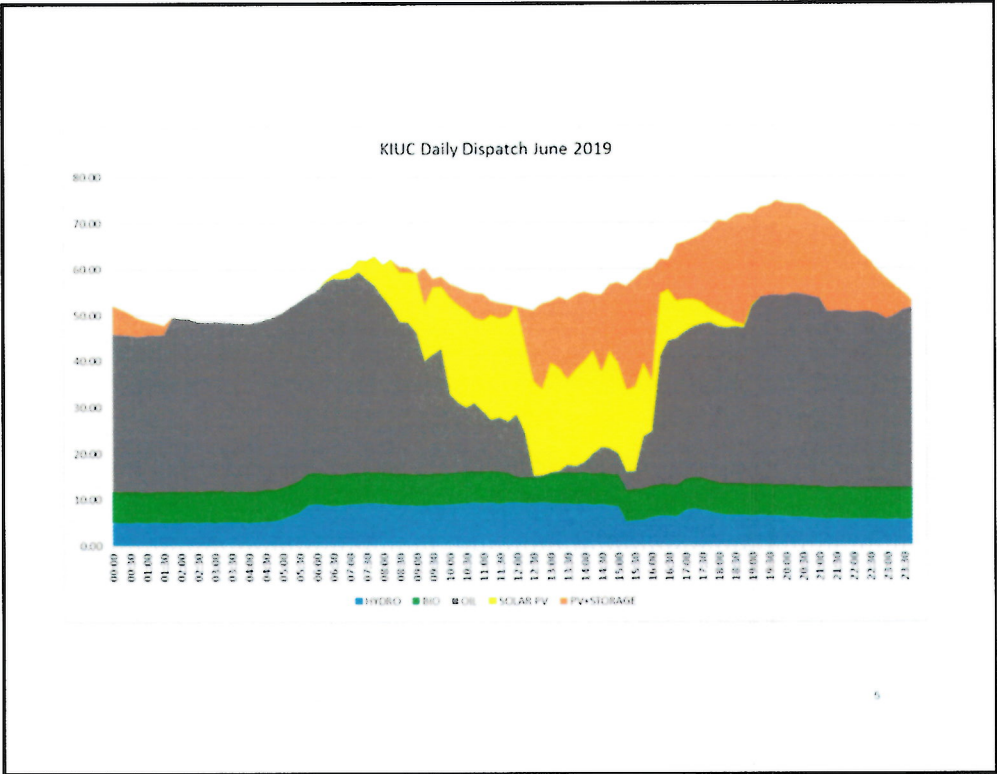
# Rate Comparison

- KIUC rates vs. Hawai'i's investor owned utility (HECO)
  - 2002 (June)\*
    - O'ahu +72%, Maui +43%, Hawai'i +13%
  - 2019 (June)
    - O'ahu +8.5%, Maui (1.3%), Hawai'i (5.6%)



# Reliability - 2018







## Awards

- SEPA- KIUC number 6 in cumulative PV watts installed
- EPRI- AES Lawai solar project wins Edison Award

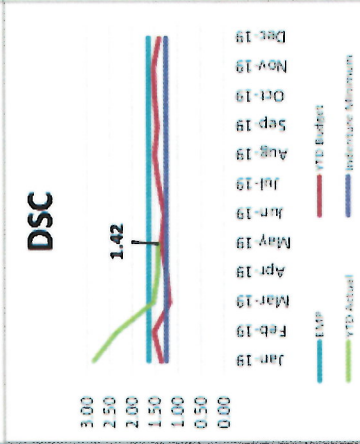
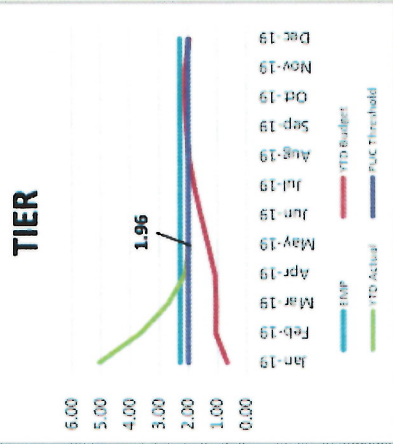
The Edison Award is presented annually, usually to one U.S. and one international electric company, selected from EEI's membership. It is EEI's most prestigious award.



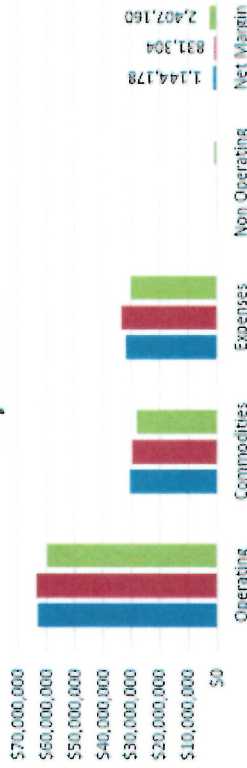
Mahalo!

# Financial Scorecard

Class	MWh Sales		Percent Change
	YTD Prior Year	YTD Actual	
Residential (D)	70,005	68,529	-2.1%
Small Comm (G)	24,645	26,188	6.3%
Large Comm (J)	19,576	19,581	0.0%
Lrg Pwr Primary (L)	20,530	19,577	-4.6%
Lrg Pwr Secondary (P)	41,988	40,694	-3.1%
Street Lighting (SL)	355	341	-3.8%
Irrigation	1,359	101	-92.6%
<b>Total</b>	<b>178,458</b>	<b>175,012</b>	<b>-1.9%</b>



### Key Results



### Expenses



### Liquidity

Cash	YTD Actual	\$5,156,210
Short-Term Investments		\$12,034,081
Cushion of Credit		\$15,499,856
Line of Credit Available		\$40,000,000
Line of Credit Drawn		\$0

**KAUA'I ISLAND UTILITY COOPERATIVE  
BOARD POLICY NO. 14  
(Reviewed: 06/2725/20172019)**

**KIUC POLICY, PROCEDURE AND PRACTICE  
FORMULATION, REVIEW AND APPROVAL**

**PURPOSE OF POLICY:**

To establish the basis for the development, distribution, and periodic review of KIUC Board Policies, KIUC Administrative Policies, KIUC Procedures and KIUC Practices.

**POLICY CONTENT:**

**A. DEFINITIONS:**

1. **Policy:** A document that establishes and/or transfers authority or guides decision making. A policy, where applicable, must be consistent with federal and state law, the KIUC Articles of Incorporation and the KIUC Bylaws. KIUC shall have two types of policies.

a. **Board Policies.** Board Policies relate to the governance of the Cooperative.

b. **Administrative Policies.** Administrative Policies relate to the management of KIUC and its employees.

2. **Procedure:** A document that establishes the actions all employees will follow when carrying out their duties and responsibilities. Not all Board or Administrative Policies will necessarily require the development of a Procedure. Procedures, where

applicable, must be consistent with federal and state law, the KIUC Articles of Incorporation, KIUC Bylaws, Board and Administrative Policies.

3. **Practice:** A document that establishes specific steps employees will perform when implementing Procedures or other actions employees are required to take in order to perform their duties and responsibilities.

4. **Board Oversight:** Board Oversight means the Board Policy Committee and the Board shall have the opportunity to review Administrative Policies prior to their implementation to ensure they are correct (not in conflict with law, the Articles of Incorporation, By-laws or Board Policy) and fair (no appearance of being inequitable).

**B. BOARD POLICIES:** Board Policies shall express the Board's expectations and standards regarding board, director, management and organizational performance. Such policies shall have one or more of the following purposes:

1. Guide the Board of Directors
2. Provide for the adherence to KIUC's mission
3. Define and transfer authority and responsibility
4. Direct management and staff
5. Protect the Cooperative and the Board of Directors
6. Avoid ambiguity
7. Other appropriate purpose

Board Policies shall be developed by the Board Policy Committee, or developed by other Board Committees and reviewed by the Board Policy Committee for consistency with other KIUC Board policies, and then submitted to the Board of Directors for review and

approval. KIUC's President and CEO may also develop Board Policy recommendations for presentation to and processing by the Board Policy Committee.

**C. ADMINISTRATIVE POLICIES:**

1. **Content:** Administrative Policies shall express Management's expectations and standards regarding employee and organizational performance. Such policies shall have one or more of the following purposes:

- a. Guide Management
- b. Provide for the adherence to KIUC's mission
- c. Define and transfer management authority and responsibility
- d. Direct staff and other employees
- e. Protect the Cooperative
- f. Avoid ambiguity
- g. Other appropriate purpose

2. **Development:** Administrative Policies shall be developed by, or delegated for development by, KIUC's President and CEO, and under his supervision. After development, but before adoption, such Administrative Policies will be presented to the Board of Directors through the Board's Policy Committee for Board oversight.

- a. **Procedure.** All Administrative Policies, or substantive changes thereto, shall be emailed to all current Directors by the President and CEO prior to their implementation to ensure they are correct (not in conflict with law, articles of incorporation, Bylaws or Board policy), and fair (no appearance of being inequitable). If any Director takes exception to the content of any Administrative Policy so transmitted, such Director shall report such exception to the Chair of the

Board Policy Committee and the President and CEO within 10 working days of the policy's receipt from staff. Upon receipt of any such exception the Chair of the Board Policy Committee shall place the matter on the agenda of the next Policy Committee meeting whereupon the Policy Committee shall make its report to the Board.

b. Certification. Submission of an Administrative Policy to the Policy Committee acts as a certification by the submitting party that the submitted policy has been reviewed and approved by appropriate staff personnel and, if appropriate, by counsel or other appropriate expert with knowledge of the subject matter of the policy.

**D. PROCEDURES AND PRACTICES.** KIUC Procedures and Practices shall be documented as appropriate by, and/or delegated for documentation by, KIUC's President and CEO, and under his supervision.

**E. MAINTENANCE AND REVIEW.**

1. **Maintenance:** All Board and Administrative Policies shall be maintained by KIUC's President and CEO, or the President and CEO's designee, in appropriate up-to-date Policy Manuals. All documented KIUC Procedures and Practices shall be maintained by KIUC's President and CEO, or the President and CEO's designee, in appropriate up-to-date Procedure and Practice Manuals.

2. **Review:**

a. Board Policies. The Policy Committee shall review, or cause to be reviewed by the appropriate Board Committee, each Board Policy at least every

two years, or as required by change in law or otherwise, and recommend revisions or changes as appropriate.

b. **Administrative Policies.** The President and CEO shall review, or cause to be reviewed, each Administrative Policy at least every two years, or as required by change in law or otherwise, and recommend revisions or changes as appropriate.

c. **Procedures and Practices.** The President and CEO shall review, or cause to be reviewed, each KIUC Procedure or Practice as required by change in law, change in the Practice or Procedure or otherwise, and make revisions or changes to the Procedure or Practice documentation as appropriate.

3. **Dating:** Each Policy, Procedure or Practice shall identify its initial date of approval and the date of approval of the most recent revision.

**F. CONFLICTS:** In the event there is a conflict between any Policy, Procedure or Practice and the law, the KIUC Bylaws, the KIUC Articles of Incorporation, or the rules and regulations of a lending or regulatory agency, the law, Bylaws, Articles of Incorporation, or such rules and regulations will prevail over the Policy, Procedure or Practice.

**RESPONSIBILITIES:**

A. The Chairman of the Board shall ensure this policy is adhered to.

B. The President and CEO will make available to all Directors copies of all Board and Administrative Policy Manuals and all KIUC Procedure and Practice Manuals.

C. The President and CEO, in consultation with the general counsel, shall ensure all proposed Policies or revisions to existing Policies, and, if requested by the President and CEO, all KIUC Procedures and Practices, meet all necessary legal requirements.

Adopted on this ~~27<sup>th</sup>~~-~~25<sup>th</sup>~~ day of ~~June~~, ~~2017~~2019.

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Calvin Murashige  
Secretary

Reviewed: 06/25/2019  
Reviewed: 06/27/2017  
Reviewed (no change): 08/25/2015  
Reviewed (no change): 12/17/2013  
Revised: 08/30/2011  
Original Adoption: 12/22/2004