

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

Held at 4463 Pahe`e Street

Lihu`e, Kaua`i, Hawai`i

On February 26, 2019

MINUTES

Call to order at 1:06 p.m.

1. Roll Call

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

1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO), Maile Alfiler (Member Services Mgr.), Rick Eckert (Financial Planning & Strategy Mgr.), Carey Koide (T&D Mgr.), Brad Rockwell (Power Supply Mgr.), Beth Tokioka (Communications Mgr.), Mike Yamane (COO & Technology), and Nadine Tipps (Executive Administrator); and one (1) member of the public.

2. **Invocation** – Director TenBruggencate opened the meeting with a few words and a moment of silence.

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

4. Approval of Minutes

4.1 The 1/29/2019 meeting minutes were approved unanimously. [Motion: TenBruggencate/Murashige]

5. President's Report. David Bissell, President and CEO (report attached)

5.1 The monthly Cooperative statistics were reported. In addition, highlights on the 2019 Goals, as well as updates on the recent storms including outages, pictures and KIUC website activity during the storms were provided.

5.2 Discussion about tree trimming and troubleshooting prior to big storms, hurricanes, etc. KIUC always prepares in this way, and is in coordination with the State along the highways as well as the County. KIUC clears the trees at our line level, and they take care of everything else and clear the debris.

5.3 Discussion about who is responsible on private property for tree trimming. KIUC has a limited Right of Way.

6. Financial Report: Karissa Jonas, CFO reported.

6.1 The Indenture is moving along. ADC (Agribusiness Development Corporation) met and approved the third lease to include under the Indenture. Waiting on them to sign the paperwork. CFC has agreed to all the language changes, and RUS' lawyer

said it looks good from her perspective, but it still has to be run by a few others. Both CFC and RUS feel comfortable that they would be ready for closing the last week of March.

- 6.2 The auditors are here and will be meeting with the F&A committee on Friday, March 1st to go over the results.
- 6.3 The January 2019 preliminary financials were reviewed. (scorecard attached)
- 6.4 January was the lowest month of fossil fuel generation at 52%, due to AES being partially online.

7. **NRECA Hawaii Director Report – Director David Iha**

- 7.1 Director Iha highlighted the NRECA Board report, which was shown.
- 7.2 NRECA will continue to be an influential leader at the national level. One of the ways they make an impact is through their Political Action Fund ACRE, which has over 30k members, which was increased by 30% from last year.
- 7.3 NRECA is focusing on the next generation work force.
- 7.4 A big part of NRECA is their global commitment. In Africa, they work with national organizations to plan for a national system of electrification. They work in Uganda and Kenya. Also, there are member coops that volunteer to go to other countries such as Guatemala, Bolivia and Liberia to string wires and wire up homes, etc.
- 7.5 One of NRECA's Strategic Goal is member engagement.
- 7.6 The Annual Meeting will be held in March. 5,300 members plus vendors have registered to attend. There will be approximately 8,000 attendees in total. One of the featured speakers is Michael Eisner, a former Chair of Disney.
- 7.7 At the International Luncheon in Orlando on Monday, KIUC will be recognized for our efforts and relationship with Ilocos Sur Electric Cooperative (ISEC) and Ilocos Norte Electric Cooperative (INEC) regarding the books and the trucks.

8. **Committee Reports**

- 8.1 Chair Smith stated that they will forgo Committee Reports due to them being discussed in New Business.

9. **Charitable Foundation (CF) Board – Teofilo Tacbian, President**

- 9.1 The CF Board met. They have \$75,447 left in their account after paying \$10k to KEO and \$630 for the insurance for the golf tournament.
- 9.2 The CF Board took action and approved a new grant to Leadership Kauai in the amount of \$2,500, which is equivalent to one tuition for the people that take their training.
- 9.3 The CF Board approved a new grant application.
- 9.4 The golf committee is being organized under the tentative leadership of Director Dee Crowell. They are looking for volunteers.

10. **Public Testimony.** Marj Dente provided oral testimony and pictures were shown to the Board of Directors.

11. **New Business**

11.1 **2018 Corporate Performance Results**

11.1.1 Finance and Audit Committee Chair Yukimura reported the committee discussed and recommended approval. The recommendation carried unanimously.

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

11.2 **2019 Corporate Performance Targets**

11.2.1 Finance and Audit Committee Chair Yukimura reported committee reviewed and recommended approval. The recommendation carried unanimously.

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

11.3 **Board Policy No. 7, Inter-Relationship Between the Board of Directors and the CEO**

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

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

11.4 **Board Policy No. 29, Equity Management Plan**

11.4.1 Policy Committee Chair Crowell reported the committee discussed and recommended approval with minor changes. A motion was made to amend as noted. [Motion: Kass/Mayfield] A motion was made to approve as amended. [Motion: Crowell/Murashige] The recommendation carried unanimously.

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

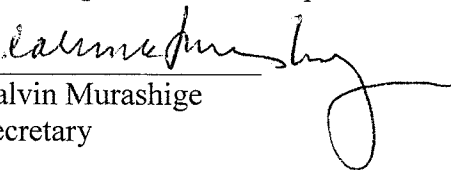
12. **Calendar:**

12.1 **March 1, 2019** – F&A Meeting with Auditors (9:30a.m., Board CR)

- 12.2 **March 7-13, 2019** – NRECA Annual Meeting
- 12.3 **March 15, 2019** – Board Committee Meetings (9:00am, MCR)
- 12.4 **March 26, 2019** – Annual & Regular Board Meeting (9:00am., KIUC Main Conf Rm)
- 12.5 **March 27-28, 2019** – Hawaii Energy Conference

13. **Executive Session.** At 1:53 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 2:45 p.m. Director TenBruggencate moved to adjourn the meeting; the motion was seconded by Director Murashige. All directors present voted in favor of the motion and it passed unanimously.



Calvin Murashige
Secretary



President's Report

February 26, 2019

David Bissell, President and CEO



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President's Report

David Bissell, President and CEO
February 26, 2019

Safety (Jan)

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

STATISTICS

Availability and Reliability:

	Month	2019 YTD	2018 YTD
Reportable Outages	4	4	4
Average Outage Hours Per Customer	0.07	0.07	0.02

Efficiency

	Month	2019 YTD
Net Plant Heat Rate	9,034	9,034
Peak Demand (MW)	70.9	

Residential Rates:

February 2019	\$0.320/kwh Down \$0.007 from January
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2019 Goals - highlights

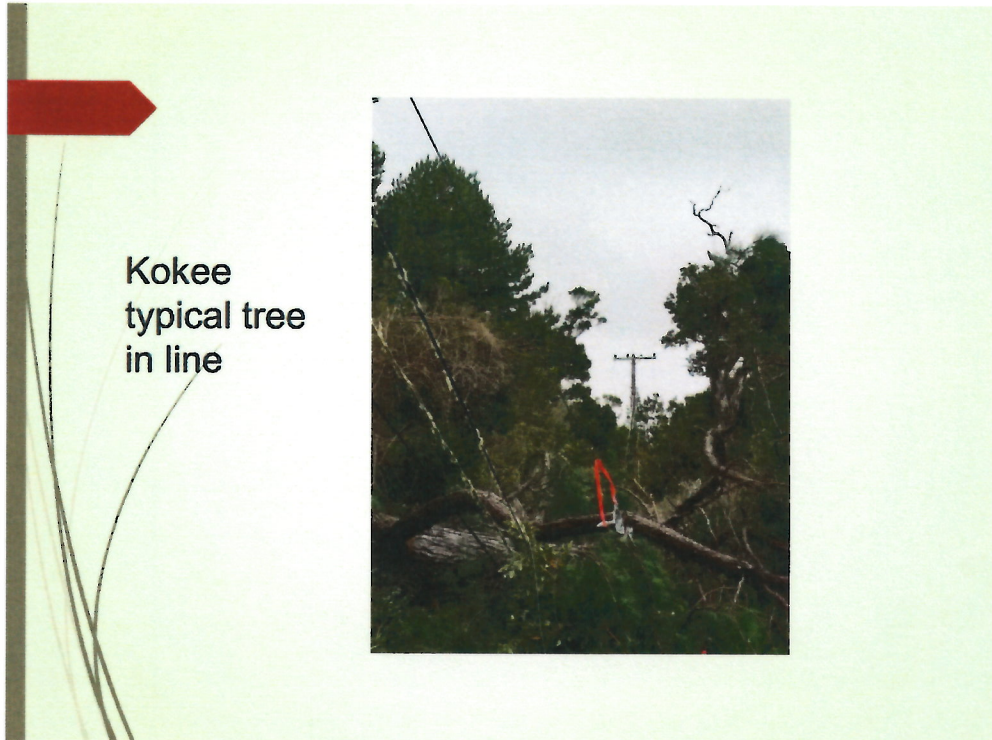
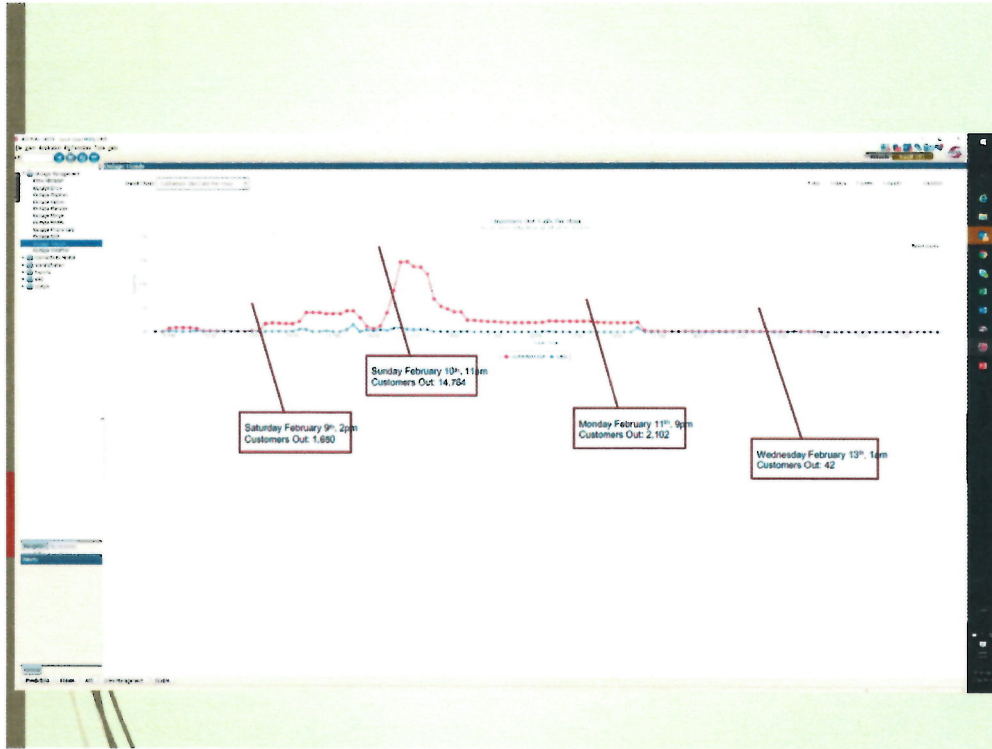
- West Kauai Renewable Energy Project
 - Complete Phase 2 engineering (60%)
 - File PUC approval application, EIS, and major permits
 - Structure and qualify project for full ITC
- Complete new PMRF substation
- Equity management plan and strategic plan refresh
- File EA and seek construction permits for diversion modifications for Blue Hole and Waikoko. Upon completion of environmental review process file with DLNR for long term lease
- Evaluate and potentially utilize Cooperative Response service for augmented call service support during emergency and significant outage events



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2019 Goals - continued

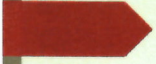
- Complete endangered species habitat conservation plan
- Obtain all approvals and begin construction of Anahola service center
- Roll out Makana voluntary bill round up for charity program
- Increase member participation in Coop Connection benefit program both at merchant and customer level





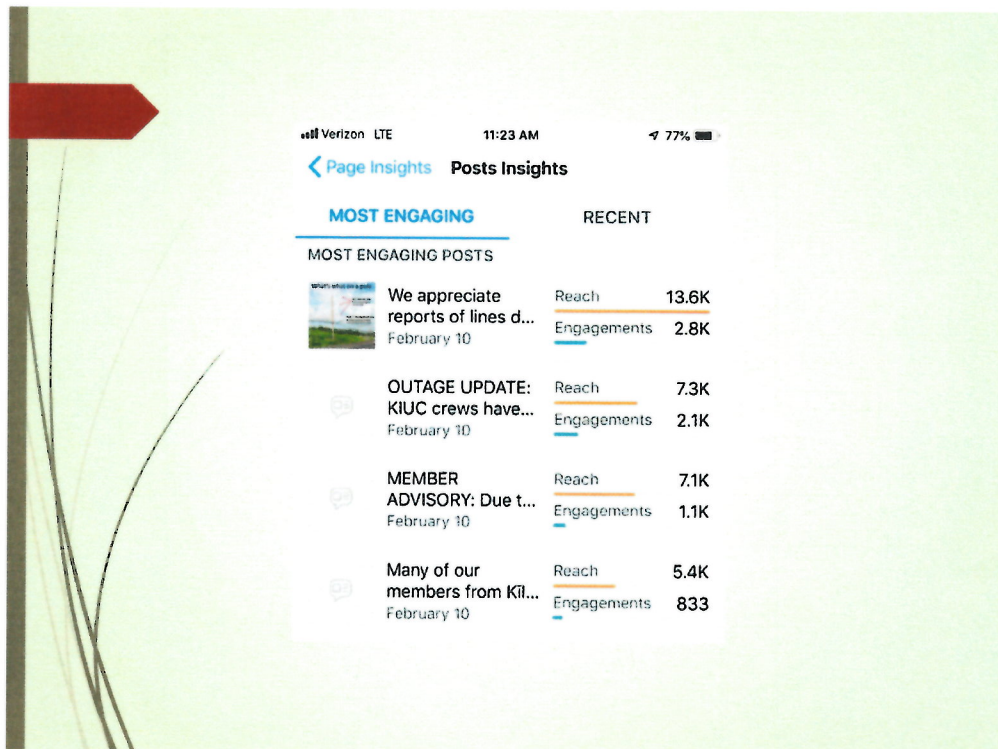
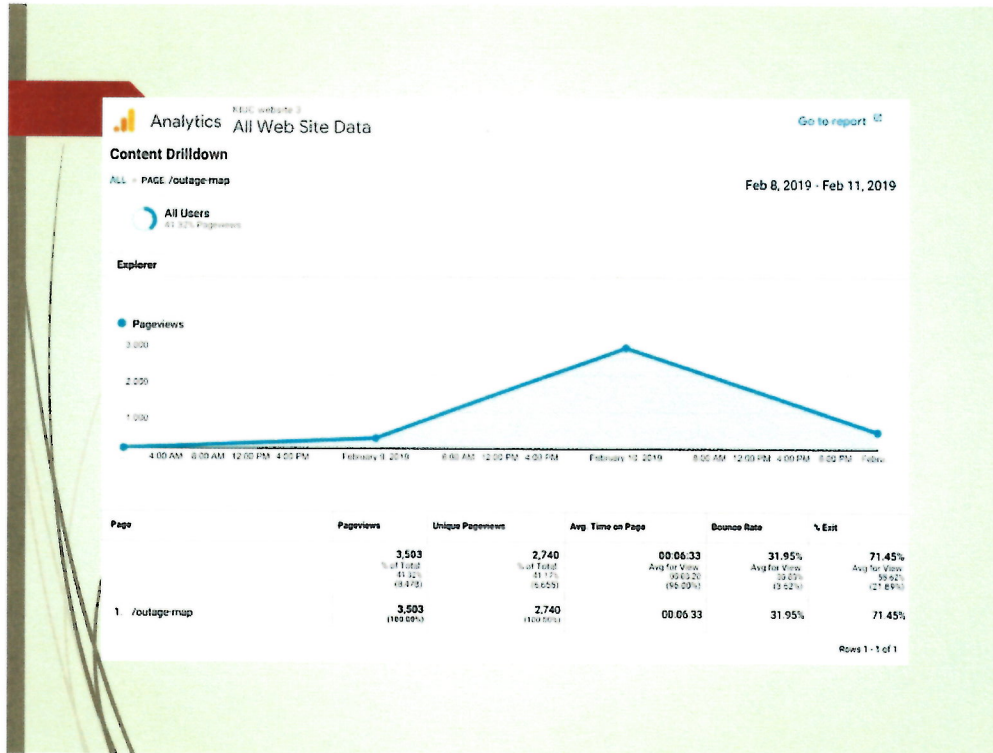


Kuamoo
-S turn



Kahuna Rd







Mahalo!

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Financial Scorecard



**KAUA'I ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 7
(Reviewed ~~02/21/2017~~ 02/ 2019)**

**INTER-RELATIONSHIP BETWEEN
THE BOARD AND THE CHIEF EXECUTIVE OFFICER**

PURPOSE OF POLICY:

This policy describes the interrelationship between the authority and responsibility of the Board of Directors ("Board") and the authority and responsibility of the President and Chief Executive Officer ("CEO").

POLICY CONTENT:

The basic authority and responsibilities of the Board and the CEO are described in KIUC Board Policies No. 1 and KIUC Board Policy No. 2, respectively. This policy is designed to describe the inter-relationship of these two policies. The following guidelines apply:

- A. The Board recognizes its responsibilities and its need to establish policies, approve plans and programs, and delegate authority to the CEO to execute and carry out its plans, programs, and policies. The CEO shall, among other things, have authority to hire capable personnel within the approved wage and salary plan, policies, and established schedules, train and supervise, and, when necessary, replace them.
- B. All policies of the Board shall be promulgated only at meetings of the Board, which policies shall be delivered to the CEO by the Board Chair. Individual Directors shall not undertake, in private conversation with others or otherwise, to make commitments for the Board of Directors. Such actions, if undertaken, would involve a serious breach of policy, might disrupt the entire organization, and may subject the board member to rebuke from fellow Board members. Therefore, the Board of Directors shall adhere to the time honored custom that the Board Chair, or in the chair's absence, the Vice Chair, shall be spokesperson for the Board, except in cases previously authorized by the Board.

- C. The members of the Board shall refrain, as individuals, from discussing management and Board issues with the personnel of the Cooperative, except in cases where the Board may deem it necessary to confer with personnel at regular or special meetings of the Board.
- D. The "flow" of authority for the management of the Cooperative shall pass through the CEO. The CEO shall be the link between the Board and cooperative personnel. However, the Board is entitled to and shall receive full and complete information from the CEO concerning all matters in connection with the management of the Cooperative as set forth in Board policies.
- E. Both the Board and the CEO recognize that efficient management of the Cooperative can exist only through mutual understanding and complete trust and cooperation between themselves. The CEO is expected to produce results, faithfully carry out all of the policies of the Board, and account to the Board for its stewardship. Correspondingly, the CEO shall be allowed to exercise independent judgment in executing policies of the Board. The Board acknowledges that obligation.
- F. Specifically in carrying out his/her duties with regard to reporting to and working with the Board the CEO should:
 - 1) Develop with the Board Chairman a schedule of topics to be discussed and reports to be presented to the Board to ensure adequate attention can be devoted to strategic issues and challenges.
 - 2) Develop with the Board Chairman an agenda for each Board meeting to ensure issues are discussed in a timely fashion. The CEO should ensure the agenda reflects the distinction between Board reports that address past actions and decisional issues that involve future issues that must be addressed.
 - 3) Report to the Board on conformity of operations with approved policies, plans and budgets, and recommend revisions requiring Board approval. Periodic and special reports include:
 - a) Status of the long-range financial plan, including capital credits, equity management and rate competitiveness
 - b) The Annual Financial Audit and Management Letter

- c) Reports on electric service reliability
- d) Reports on consumer satisfaction
- e) A review of the bylaws, Board policies or legal issues
- f) loss control

RESPONSIBILITY:

- A. The CEO shall be responsible for inviting the attention of Board members to non-adherence to this policy.

Adopted on this ~~21st~~ xx day of February, ~~2017~~2019.

~~Teofilo Taebian~~Calvin Murashige
Secretary

Reviewed: 02/xx/2019
Reviewed: 02/21/2017
Reviewed: 05/26/2015
Revised: 11/27/2012
Revised: 02/22/2011
Original Adoption: 10/24/2002

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 29
(Reviewed ~~01/31/2017~~ /2019)

EQUITY MANAGEMENT PLANNING

PURPOSE OF POLICY:

To develop and keep current a plan for optimizing the members' equity in KIUC that facilitates providing electricity to its members at the lowest reasonable cost, while maintaining KIUC's financial strength (the "Equity Management Plan" or "EMP").

POLICY CONTENT:

A. Objectives of KIUC's Equity Management Plan

The development and implementation of KIUC's EMP will take into account relevant financial, economic, strategic, regulatory and other considerations including:

1. KIUC's growth prospects and need for utility plant financing and its expected debt service coverage capacity.
2. Its rate competitiveness, including factors such as the need to accumulate equity or reduce consumer's effective costs by returning their capital as patronage dividends.
3. Legal, tax and other regulations, and accounting principles.

B. Matters to be Addressed in the EMP

KIUC's Equity Management Plan will address the following matters:

1. A range of forecasted growth rates in total capitalization of KIUC based upon expected changes in the level of membership and electricity sales.
2. Construction of needed additions to KIUC's plant and facilities using a combination of long-term debt and general funds.
3. Maintenance of the facilities of KIUC in a safe and reliable operating condition.
4. Estimated debt financing requirements and the blended costs of debt.
5. Goals for minimum debt service coverage from margins.
6. Goals for total equity to total assets.
7. Maintaining adequate working capital and cash reserves.
8. Establishing a capital credit rotation program on an appropriate cycle, complying with all applicable loan requirements of the lending institutions, and subject to any binding direction from the Hawaii Public Utility Commission (HPUC).

C. **Equity Management Planning Implementation**

KIUC's equity management planning shall be implemented as follows:

1. Management shall be accountable for development of KIUC's Equity Management Plan for approval by KIUC's Board.
2. Management shall strive to update EMP ~~shall be updated~~ at least once every three years in keeping with the members' overall best interests.
3. The current KIUC Equity Management Plan shall be deemed incorporated herein and a copy shall be attached to the version of this policy posted on KIUC's website, www.kiuc.coop, as Exhibit "A" thereto.

RESPONSIBILITY:

The KIUC Board and President & CEO are jointly responsible for compliance with this policy.

Adopted on this ~~31st~~-xx day of ~~January~~February, ~~2017~~2019.

~~Teofilo Taebian~~Calvin Murashige
Secretary

Reviewed: 02/xx/2019
Reviewed: 01/31/2017
Reviewed: 03/27/2015
Original Adoption: 09/25/2012