

MORE THAN HALF FULL

KIUC 2019 ANNUAL REPORT

Overflowing with Gratitude



KIUC hit a significant milestone in 2019 by reaching 56% renewable production: marking the first time we've topped 50% and leading the state in this important metric. Our glass is officially more than half full!

The transformation from being more than 90% dependent on fossil fuel a decade ago to operating one of the most advanced and cleanest grids in the nation didn't happen by accident. Bold strategic planning by the Board of Directors beginning in 2008 continues to define a roadmap that has us on a path to reach 70% renewable as early as 2023.

2019 was a busy year indeed. Our partnership with AES Distributed Energy bore fruit with the completion of the AES Lāwa'i solar plus storage facility, the largest of its type in the world, while construction commenced on a second AES project at the Pacific Missile Range Facility mid-year.

Members' energy use increased by 2.1% last year, however, KIUC used 20% less fossil fuels to meet that need. Perhaps most meaningful for our members, residential rates were lower last year than in 2018, partly due to cost savings from large solar facilities.

We present this Annual Report with gratitude to our membership for your participation, feedback and support over the past 18 years. KIUC belongs to you and is a reflection of the amazing community in which we live. We hope you are as proud of your efforts as are your KIUC Board of Directors and staff.

Mahalo nui loa,

Allan A. Smith
Chairman

David J. Bissell
President and Chief Executive Officer

KIUC At a Glance

Generation Capacity

235.9 megawatts (MW)

117 MW

Oil-fired
Generation
Capacity

**118.9
MW**

Renewable
Generation
Capacity

460,709

Megawatt
Hours Sold
in 2019

Miles of Line

**171 miles transmission
1,342 miles distribution**

38,059

Number of Meters

77%

Residential

\$154.9

million

Total Revenue 2019

79.6 MW

2019 Peak Demand



Empowering our Members

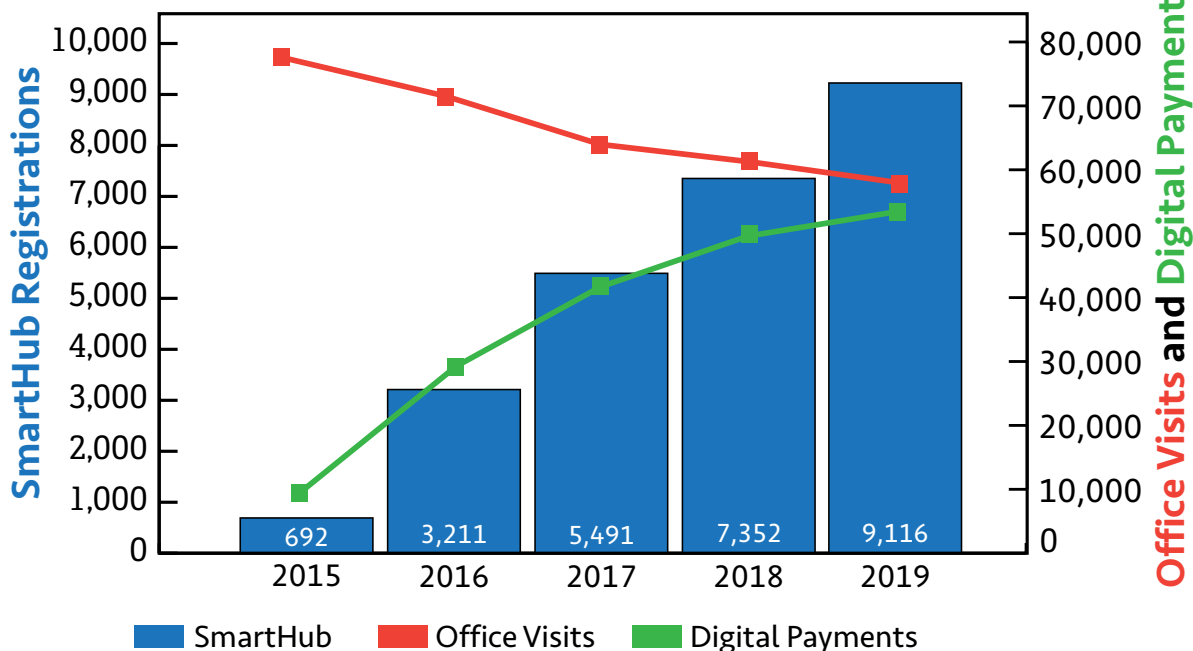


As a not-for-profit cooperative, we are owned by the members we serve. KIUC leadership and staff work hard throughout the year to provide a variety of tools and programs that allow you to better communicate with us, as well as manage your account and your energy use.

We encourage you to explore the options available with our Member Services and Energy Services staff. Members serving members is what makes our cooperative special.

*Sincerely,
Maile Alfiler, Member Services Manager*

SmartHub Registrations



SmartHub is a great tool offered by KIUC to track and manage your energy use, monitor bill payments and report outages.

The number of KIUC members registered for SmartHub has increased more than tenfold over the past five years. In 2019, registrations increased

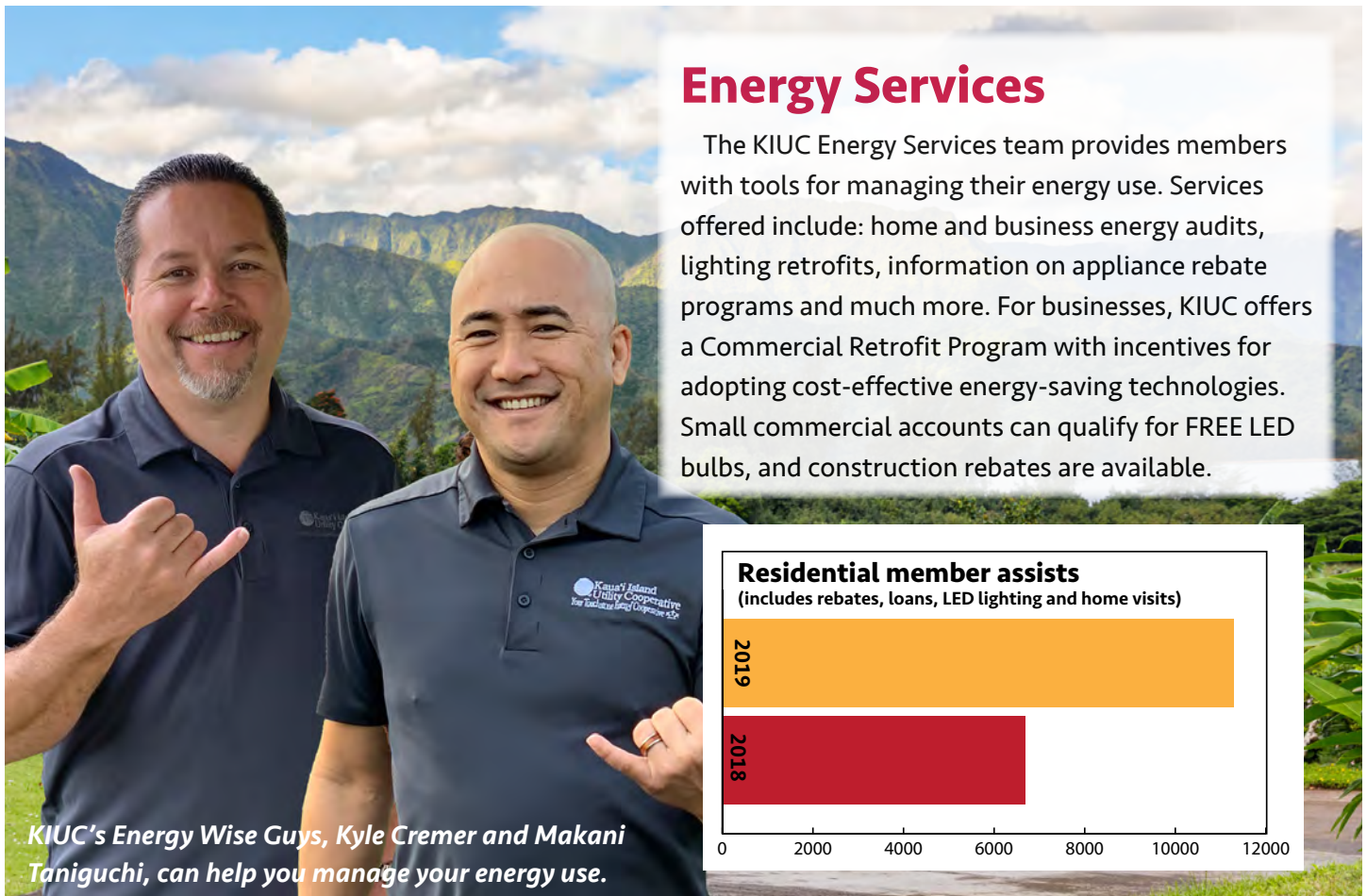
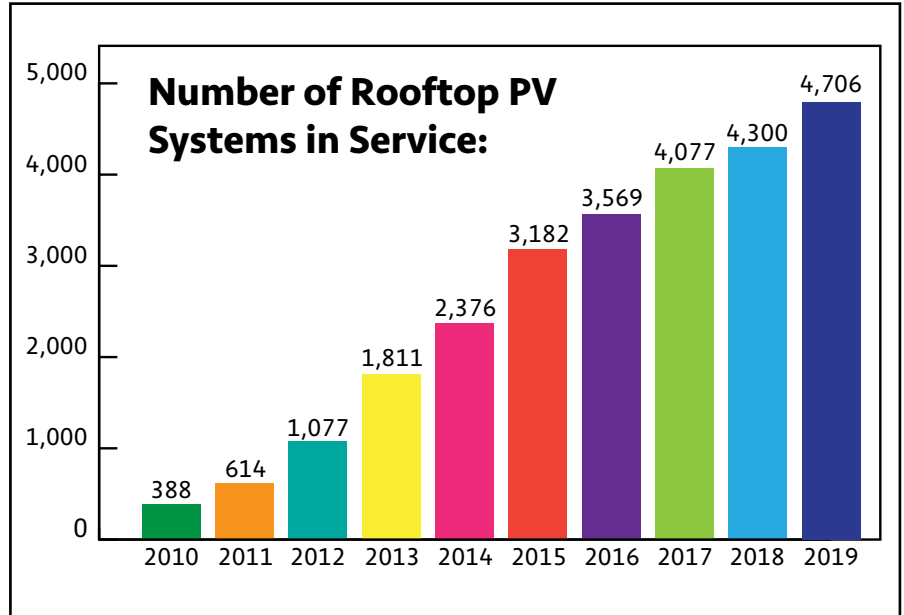
by 24%. The trend of recent years continues with an increase in the number of online payments and a decrease in visits to KIUC offices.

We place a priority on making your interactions with KIUC as convenient, pleasant and efficient as possible.

Number of Rooftop Photovoltaic Systems Installed

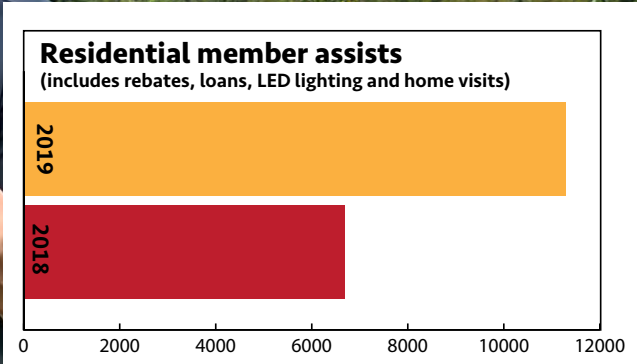


32.2 MW in 2019
12% of Sales in 2019
16.85% Residential Rooftops
7.76% Commercial Rooftops



Energy Services

The KIUC Energy Services team provides members with tools for managing their energy use. Services offered include: home and business energy audits, lighting retrofits, information on appliance rebate programs and much more. For businesses, KIUC offers a Commercial Retrofit Program with incentives for adopting cost-effective energy-saving technologies. Small commercial accounts can qualify for FREE LED bulbs, and construction rebates are available.



KIUC's Energy Wise Guys, Kyle Cremer and Makani Taniguchi, can help you manage your energy use.

Staying Connected



Keeping members informed and finding new ways to make an impact in our community is a high priority for us at KIUC. We've increased our use of social media, created a web-based outage map, and provided important updates to members via news releases and emails to keep our members powered with information.

One of the Seven Cooperative Principles is "Concern for Community." KIUC offers support for schools, nonprofit organizations and charitable causes throughout the year in a variety of ways.

We will continue to find new ways to stay connected to our members and encourage you to let us know how we can better support the needs of our community.

Warmest regards,

Beth Tokioka, Communications Manager

KIUC Charitable Foundation

The KIUC Charitable Foundation is a nonprofit organization, separate from KIUC, that started in 2002. The Foundation raises money and grants funds to worthy causes throughout the island. A volunteer committee of members oversees the application review process. Decisions are made by this committee based on funds available and the community impact of requests made.

- ◆ **Funds granted in 2019: \$20,000**
- ◆ **Organizations receiving grants in 2019:**
 - ◇ Kaua'i Economic Opportunity
 - ◇ Leadership Kaua'i
 - ◇ Kumu's Cupboard
 - ◇ Kaua'i Academy of Creative Arts
 - ◇ Kaulana Kīlauea
 - ◇ Friends of the Children's Justice Center
 - ◇ University of Hawai'i Foundation, Kaua'i Community College Scholarship



Makana Program

The Makana program was established in 2019 and is the gift of giving to organizations in our community. The concept is easy. Participating members agree to have their electric bill rounded up to the next highest dollar, and that money is collected for the program. The rounded amount is shown on your monthly electric statement. For less than a \$1 a month, members can make a difference.

Funds raised through the program will be administered by the KIUC Charitable Foundation.

- ◆ **Number of members signed up for Makana in 2019: 55**
- ◆ **Amount donated to Makana: \$72.39**

To sign up for Makana, visit the KIUC website under the "Community" tab

Community Support

KIUC has a number of programs through which community groups can seek funding. The "Sharing of Aloha" program invites applications from groups who seek to improve the quality of life for people of all walks of life on Kaua'i. The cooperative also provides sponsorships for events such as American Cancer Society's "Relay for Life," Kaua'i Hospice's "Concert in the Sky," Waimea Town Celebration, Kōloa Plantation Days and the Kaua'i Lifeguard Association.

Total contribution to community support in 2019: \$71,294

WARRIORS ATHLETIC CLUB CHIEFESS KAMAKAHELEI MIDDLE SCHOOL **KUKUI GROVE CENTER INVESTMENT**
RETRO FARMS **KALĀHEO SCHOOL PTSA** **WEST KAUA'I BUSINESS & PROFESSIONAL ASSOCIATION**
KAUA'I PERFORMING ARTS CENTER **WAIMEA CANYON MIDDLE SCHOOL** **WESTSIDE ROYALTY BASKETBALL**
KŌLOA POP WARNER ORGANIZATION **THE STORYBOOK THEATRE OF HAWA'I**
NFB HAWA'I KAUA'I CHAPTER **THE NATIONAL ASSOCIATION OF STATE**
ST THERESA SCHOOL **HĀ LOALAUNUIĀKEA EARLY LEARNING CENTER**
KAUA'I POP WARNER FOOTBALL LEAGUE **KAPA'A HIGH SCHOOL-PROJECT GRAD**
FRIENDSHIP CLUB **KAUA'I FUTSAL**
HAWA'I TECHNOLOGY ACADEMY
YWCA OF KAUA'I **AHA HUI E KALA**
ROOM TO GROW PRESCHOOL **KAUA'I LIFEGUARD ASSOCIATION**



ROOM TO GROW PRESCHOOL **KAUA'I LIFEGUARD ASSOCIATION**
MOKIHANA CLUB OF KAUA'I
KAPA'A WARRIORS ATHLETIC CLUB
MALAMA PONO HEALTH SERVICES
KAUA'I HIGH SCHOOL ATHLETICS
CYBERHAWAII **KAUA'I RODEO CLUB**
ROTARY CLUB OF POIPU BEACH
IWIKUA **KAUA'I UNITED WAY**
KAUA'I HIGH SCHOOL PROJECT GRAD
KEKAHA SCHOOL **ISLAND SCHOOL**
THE BRIDGE-KAUA'I TO COLLEGE
FRIENDS OF THE KAPA'A PUBLIC LIBRARY **KŌLOA PLANTATION DAYS INC** **WAIMEA HIGH SCHOOL**
'ELE'ELE SCHOOL **KAUA'I PHILIPPINE CULTURAL CENTER** **KAPA'A MIDDLE SCHOOL CHOIR BOOSTER'S CLUB**
ALL SAINTS EPISCOPAL CHURCH **KAUA'I CHAMBER OF COMMERCE**
KAUA'I ASSOCIATION FOR MUSIC FOUNDATION **LEADERSHIP KAUA'I**
KAUA'I FILIPINO COMMUNITY
KAUA'I VETERANS CENTER
WAIMEA PROJECT GRADUATION
ST CATHERINE SCHOOL
E OLA MAU NA LEO O KEKAHA
'ELE'ELE BAPTIST CHURCH **WAIMEA SOFTBALL BOOSTER CLUB**
HAWA'I FOODBANK INC **KAUA'I FILIPINO CHAMBER OF COMMERCE**



KAUA'I HIGH SCHOOL AMERICAN RED CROSS
BIG BROTHERS BIG SISTERS OF KAUA'I
KAUA'I HOSPICE **CHILD & FAMILY SERVICES**
'ELE'ELE SCHOOL PTSA **NA LEI WILI AHEC**
DEPT OF EDUCATION - KAUA'I DISTRICT
ALAKA'I O KAUA'I **KAUA'I MARKERSPACE**



Watching the Pocketbook

Our cooperative has been in existence for 18 years, and reaching the current level of financial stability is one of our greatest achievements. Each year, our goal is to minimize expenses and budget appropriately so that our financial needs are met. We have made tremendous strides in building our equity and managing debt service levels over the years, and our positive financial results speak to that success.

As a not-for-profit entity, any excess earnings at the end of the year are returned to our member-owners via patronage capital: either by a credit to your individual equity account, or in the form of a check or bill credit when our board of directors chooses to “retire” patronage capital. This is one of the greatest benefits of being a cooperative: The bulk of our financial assets remains here on the island in our members’ equity accounts.

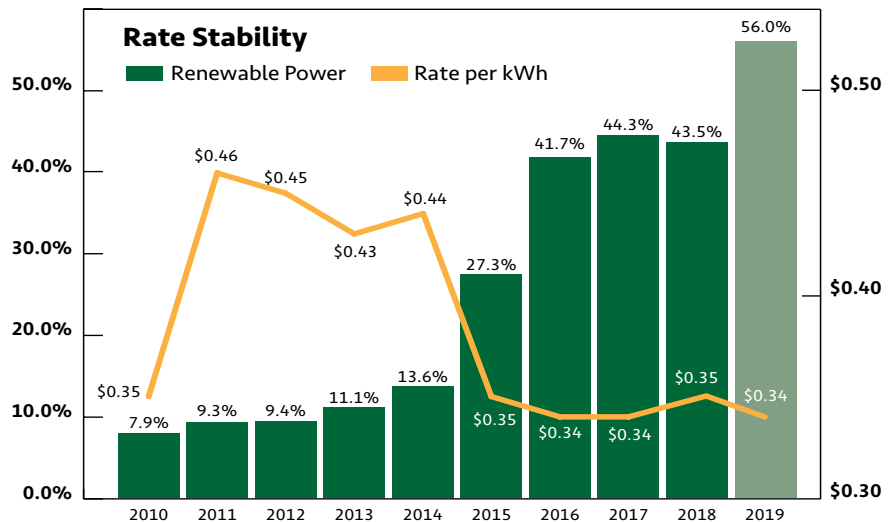
A strong cooperative contributes to a strong community. We are delighted to serve our members and support our island home.



Aloha,
Karissa Jonas
Chief Financial Officer
Lisa Ubay
Human Resources
Manager
Rick Eckert
Financial Planning and
Strategy Manager

Stabilizing Rates

Volatility in the crude oil market has historically caused significant fluctuations in KIUC’s rate per kWh. Since 2015, rates have stabilized, and decreased by 7% in 2019 versus 2018. The stabilization is due in part to the increasing percentage of the cooperative’s power being supplied by lower-cost renewables with favorable long-term pricing.



The Solar Bonus

KIUC’s large-scale solar facilities aren’t just good for the environment; they also benefit the bottom line. In 2019, power generated by utility-scale solar and solar+storage facilities that displaced fossil fuel saved KIUC members **\$3.8 million**. That’s roughly **\$50** over the course of the year for the average residential member.



Patronage Capital Retirements

Patronage capital credits come from the money a cooperative has left over, called margins, after paying all of its expenses in a given year. At the end of the year, the margins are allocated and credited to each member's patronage capital account according to the amount paid for energy used. When KIUC's finances permit, that money is returned to members in the form of patronage capital retirements.

\$1.24 million

Amount retired to members based on 2019 financial results

\$33 million

Total amount of patronage capital retirements through 2019

How Your Dollar Is Spent

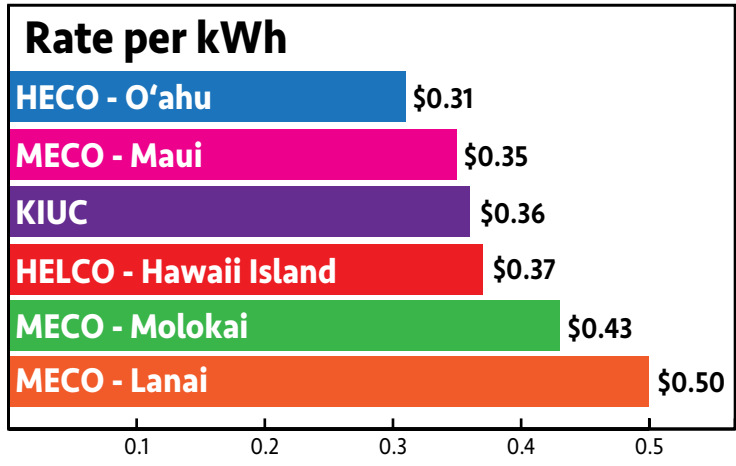


Purchase of Fossil Fuel	\$0.22
Purchase of Renewables	\$0.23
Operations	\$0.26
Debt Service	\$0.16
Taxes	\$0.08
Your Margin	\$0.05
TOTAL	\$1.00

Equity

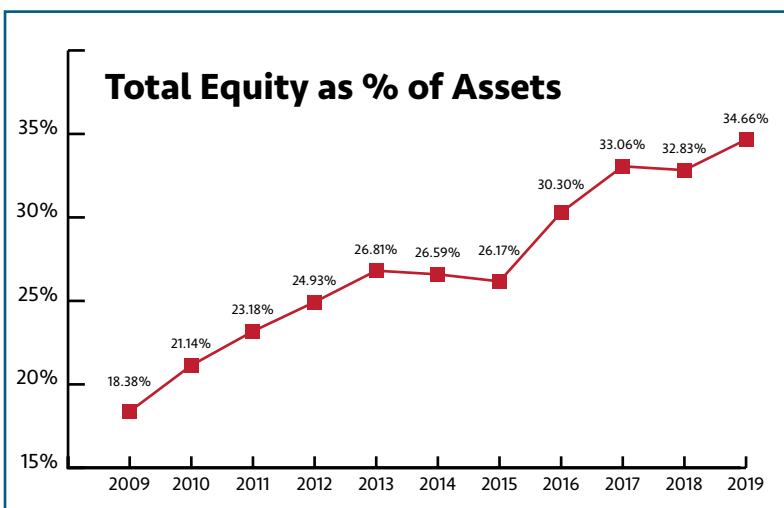
Equity is the portion of the utility that KIUC members own outright and free of debt. When KIUC purchased Kaua'i Electric 17 years ago, the cooperative was 100% debt financed with zero equity.

Today, our equity ratio is more than 34%, and has nearly doubled over the past 10 years.



Source: Hawai'i Public Utilities Commission FY19 Annual Report

Note: O'ahu's customer base is eight times greater than Kaua'i, and HECO uses low-cost coal as a fuel source.



Keeping You Powered

At the core of KIUC's mission is to provide safe, reliable power to our members. Our operations, power generation and transmission & distribution teams work around the clock to ensure you have electricity when you need it. When outages occur, we stand ready to respond and take pride in restoring you as quickly as possible.

KIUC's grid includes a wide variety of power inputs: from conventional generators to solar, biomass and hydro-powered renewable facilities. Each has its own unique characteristics, strengths and vulnerabilities. Keeping these moving parts working in sync while seamlessly delivering power to our members is not an easy task.

Our staff has risen to the challenge: Facility improvements, information technology enhancements and focus on cybersecurity help us significantly improve our ability to provide you with uninterrupted power 24 hours a day. It's a continual process that is embraced by each of our dedicated team members to save money for our member-owners.



Mahalo,

Carey Koide

Executive Manager,
Safety and Technical
Services

Cameron Kruse

Engineering Manager

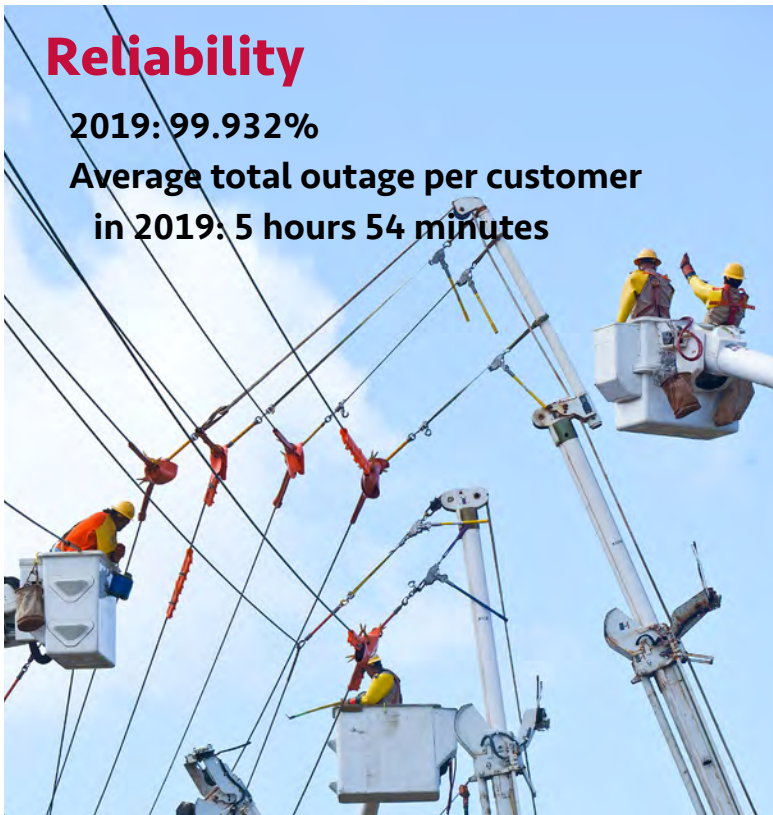
John Cox

Transmission and
Distribution Manager

Reliability

2019: 99.932%

Average total outage per customer
in 2019: 5 hours 54 minutes



Tree Trimming

Since 2010, KIUC has spent

\$14 million
on tree-trimming

25%
of tree-trimming budget
spent on transmission line clearing

75%
of tree-trimming budget
spent on distribution line clearing

Synchronous Condenser

As KIUC transitions to a 100% renewable-powered grid, our engineers are always looking for beneficial and innovative uses for our conventional generation facilities. In 2019, KIUC's largest diesel generator, located at the Kapaia Power Station, was upgraded to run as a synchronous condenser. That means the engine can run and provide inertia, fault current, voltage support and frequency stabilization to the grid without using a drop of fossil fuel. This is especially important given the intermittent nature of solar and hydro power sources. If the Kapaia generator is needed for power, the turbine can be restarted within five minutes. This collaborative effort was the first of its kind for equipment manufacturer General Electric, which will likely replicate the adaptation around the globe



Aepo Substation

When KIUC entered into an agreement with AES Distributed Energy to build the world's largest solar-plus-storage facility in Lāwa'i, system improvements were necessary to deliver power generated by the facility to the grid. The interconnection challenge was solved by co-locating a new substation on the project site. While Aepo Substation interconnects the AES project directly to the 57.1kV bulk transmission grid, it also functions as a backup to all Kōloa Substation loads via four additional 12.47kV distribution feeders. Southside loads of Kōloa, Po'ipū, and Lāwa'i may now be served from either Aepo or Kōloa Substations. "The interconnections at Aepo Substation simultaneously improves grid stability and system reliability." John Cox, Transmission and Distribution Manager.

Leading the Way



The strategic direction forged by our board of directors beginning in 2008 has launched us to more than 50% renewable today, meeting those initial goals four years ahead of schedule. KIUC is recognized nationally and internationally as an innovative trailblazer in renewable technology.

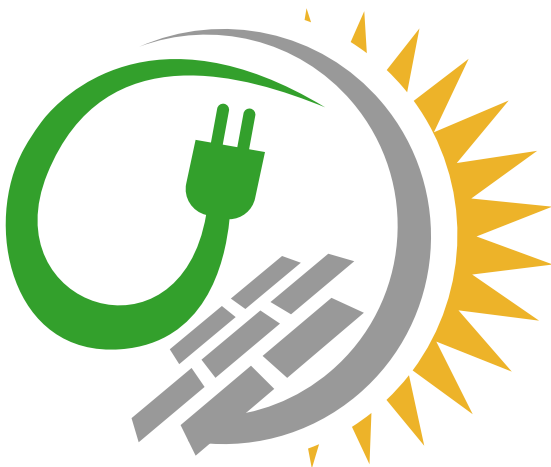
For the first time in 2019, KIUC led the state in the use of renewable energy. Completion of the AES Lāwa'i solar storage facility and expansion of Gay and Robinson's hydroelectric facilities were key in pushing KIUC beyond the 50% mark.

Moving closer to our strategic goal of 70% renewable by 2030 and the State of Hawai'i mandate of 100% renewable by 2045 is good for our members and for the environment. We can all take pride in the fact that the strides we're making are paving the way for other utilities around the globe.

Aloha,

Brad Rockwell, Executive Manager, Operations

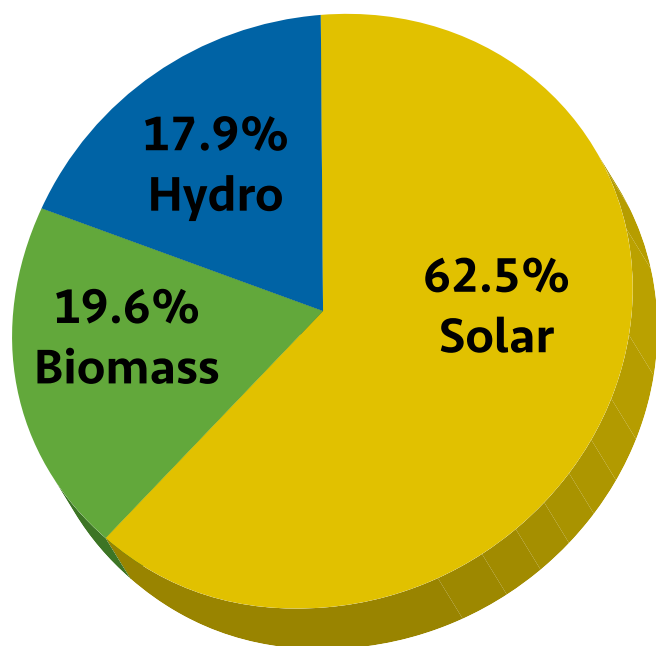
Renewable Portfolio



12.7 million
Gallons of Diesel Avoided

100%
Highest Achieved
Renewable Generation

Renewables by Type*



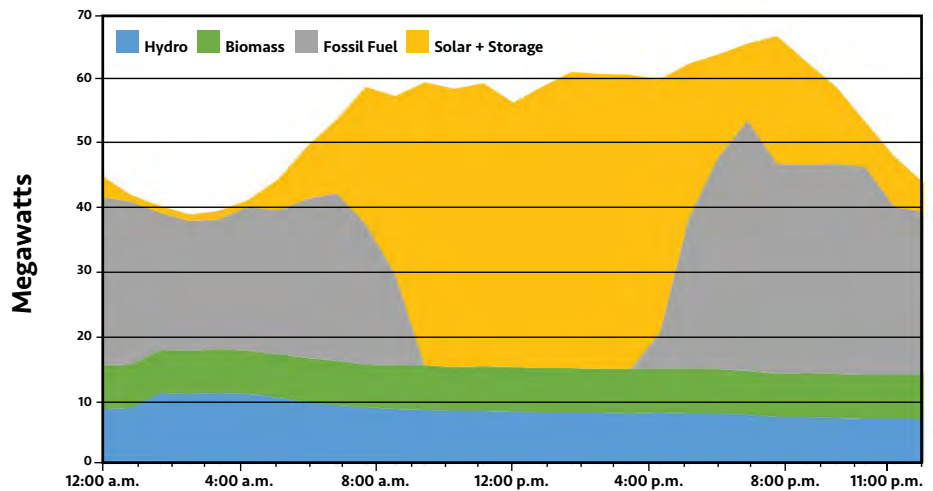
*Based on percentage of sales

Achieving 100%

For most of 2018 and 2019, KIUC was achieved 90% or more renewable generation during the midday on sunny days. In November 2019, KIUC took steps to fully deploy renewable capabilities. Between November 22 and December 10, 2019, KIUC ran on 100% renewable power for a cumulative total of 32 hours. This is now a routine occurrence.

Utility-scale battery storage systems at both the Tesla and AES Distributed Energy facilities, along with the ability to run the Kapaia generator in synchronous condenser mode, are major contributing factors in this transition to running a 100% renewable grid on Kaua'i.

This chart shows energy dispatch by type of fuel on December 7, 2019. For nearly five hours between 10 a.m. to 3 p.m., Kaua'i was powered entirely by solar, biomass and hydro resources.



Accolades



Highest percentage of per customer battery storage in the nation

Second to Southern California Edison in total megawatts of storage capacity

Eighth in nation for solar watts-per-customer installed



Edison Electric INSTITUTE Edison Award

AES Lāwa'i project



ESIG Innovation Award

2019 Board of Directors

Executive Board



Allan A. Smith
Chairman



Jan TenBruggencate
Vice Chair



Peter Yukimura
Treasurer



Cal Murashige
Secretary

Board of Directors



Dee Crowell



David Iha



Janet Kass



Jim Mayfield



Phil Tacbian

2019 Executive Board

Chairman: Allan A. Smith

Vice Chairman: Jan TenBruggencate

Treasurer: Peter Yukimura

1st Assistant Treasurer: Jim Mayfield

2nd Assistant Treasurer: Janet Kass

Secretary: Cal Murashige

1st Assistant Secretary: Phil Tacbian

2nd Assistant Secretary: Dee Crowell

3rd Assistant Secretary: David Iha

**88 years
and 9 months**

*Total years of collective experience
on KIUC board.*

2019 Board Committees

Executive

Chairman: Jan TenBruggencate

Members: David Bissell, Cal Murashige,
Allan A. Smith, Peter Yukimura

Finance & Audit

Chairman: Peter Yukimura

Members: Janet Kass, Karissa Jonas, Jim
Mayfield, Cal Murashige, Allan A. Smith

International

Chairman: David Iha

Members: Dee Crowell, Allan A. Smith,
Phil Tacbian, Peter Yukimura

Member Relations

Chairman: Dee Crowell

Members: David Bissell, Cal Murashige,
Allan A. Smith, Phil Tacbian (or designees)

Government Relations/Legislative Affairs

Chairman: Phil Tacbian

Members: David Bissell, David Iha, Jan
TenBruggencate, Peter Yukimura
(and designees)

Policy

Chairman: Janet Kass

Members: Dee Crowell, Laurel Loo,
Cal Murashige, Phil Tacbian, Jan
TenBruggencate

Strategic Planning

Chairman: Jim Mayfield

Members: David Bissell, Dee Crowell,
David Iha, Janet Kass, Allan A. Smith (or
designees)

Summary of Operations

For the period 01/01/2019 through 12/31/2019

KIUC achieved favorable financial results in 2019. There was a 2.1% increase in electricity usage, while revenues decreased 4.8% from the prior year. This was primarily due to lower fossil fuel prices and favorable purchase power pricing from the AES Lāwa'i solar plus storage facility.

In 2019, KIUC shifted approximately 54,715 MWh of generation from fossil fuel to renewable energy as compared to the prior year, leading the state with more than 56% renewable production. KIUC continues to pursue more renewable energy with the AES PMRF dispatchable solar project, which will come online in late 2020.

KIUC is working hard to reduce costs, operate efficiently and effectively, and preserve a strong financial position, while maintaining safety and reliability. Revenues, expenses, and net margins totaled \$154.9 million, \$147.7 million, and \$7.2 million, respectively, for the 12-month period.

Power generation costs are KIUC's largest expense, totaling \$85.0 million or 54.9% of revenues. Commodities, which are fuel and purchased power costs, are the largest component of power generation totaling \$68.8 million. Currently, fossil fuel is the largest component of commodities, followed by biomass, solar and hydropower. The remaining \$16.2 million represents the cost of operating and maintaining the generating units.

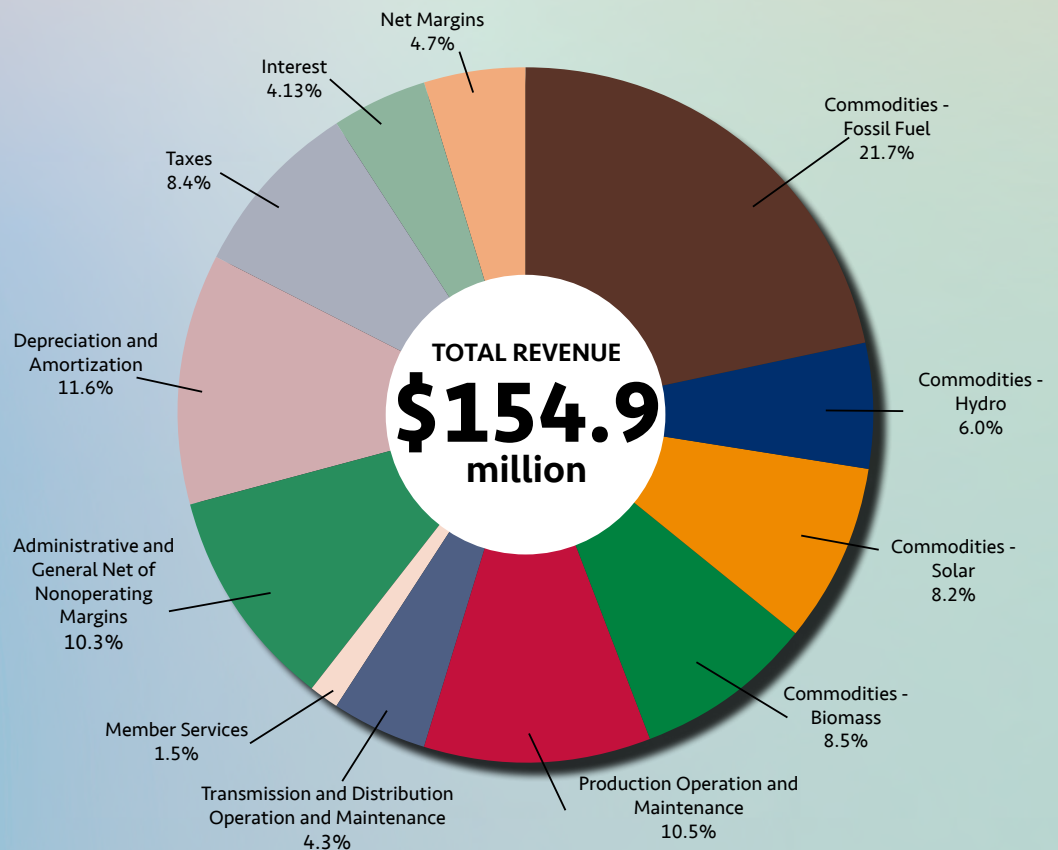
Expenses related to operating and maintaining the electric lines totaled \$6.7 million, while the cost of servicing our members totaled \$2.3 million. Administrative and general costs, which include legislative and regulatory expenses, engineering, executive, human resources, communications, safety and facilities, information services, financial and corporate services, and board of director expenses, totaled \$18.6 million.

The utility business is extremely capital intensive. KIUC's depreciation and amortization of the utility plant

totaled \$17.9 million in 2019. Although not subject to federal income taxes, state and local taxes amounted to \$13.1 million last year. Interest on long-term debt, at a very favorable sub-5% interest rate, totaled \$6.7 million. Nonoperating net margins added \$2.6 million to overall net margins. Revenues less total expenses equal margins of \$7.2 million or 4.7% of total revenue. Margins are allocated to consumer members and paid when appropriate.

Direct and non-direct financial benefits of our cooperative structure to KIUC members is significant. Since 2002, KIUC has returned \$40.4 million to members in the form of patronage capital retirements and billing credits. In 2020, KIUC will return an additional \$1.2 million in patronal capital retirements. KIUC also contributed \$71,294 to local nonprofits and community organizations in 2019.

Indirect financial benefits of \$120.7 million to KIUC members, include patronage capital that is held by KIUC on behalf of its members to meet lender covenants, for investment in the utility's infrastructure and in renewable energy. Some may potentially be distributed at future dates as determined by the KIUC board.



Balance Sheet

December 31, 2019 and 2018

	December 31	
	2019	2018
Assets		
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 564,460,743	\$ 547,695,291
Electric Plant Acquisition Cost	54,852,453	54,852,453
Accumulated Depreciation and Amortization	(320,418,964)	(306,950,384)
Net Electric Plant in Service	298,894,232	295,597,360
Construction Work in Progress	11,514,072	15,598,523
Net Utility Plant	310,408,304	311,195,883
OTHER INVESTMENTS		
Investments in Associated Organizations	1,685,096	1,515,565
Rural Economic Development Loans	533,624	832,479
Total Other Investments	2,218,720	2,348,044
CURRENT ASSETS		
Cash & Cash Equivalents	14,965,696	17,821,710
Restricted Cash & Cash Equivalents	1,420,871	2,623,304
Other Investments	-	5,000,000
Accounts and Notes Receivable (Less allowance for doubtful accounts of \$90,000 in 2019 and \$225,000 in 2018)	10,731,858	10,804,057
Accrued Unbilled Revenue	8,186,977	8,620,834
Inventories	15,175,032	15,051,310
Other Current Assets	2,033,572	1,643,155
Total Current Assets	52,514,006	61,564,370
DEFERRED DEBITS		
Total Assets	\$ 382,909,555	\$ 389,082,596
Equities and Liabilities		
EQUITIES		
Memberships	\$ 550	\$ 533
Patronage Capital	120,656,689	116,290,932
Other Equity	887,665	766,937
Post-Retirement Benefit Obligation Gain (Loss)	(1,274,950)	(1,399,334)
Controlling Equity Interest	120,269,954	115,659,068
Capital Account - A&B KRS II LLC	18,229,782	19,304,898
Non-Controlling Equity Interest	18,229,782	19,304,898
Total Equities	138,499,736	134,963,966
LONG-TERM DEBT, Less Current Maturities	191,547,700	204,211,945
POSTRETIREMENT BENEFITS OBLIGATION	341,773	452,257
ASSET RETIREMENT OBLIGATIONS	2,638,910	2,542,345
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	16,638,186	15,710,813
Line of Credit	-	-
Accounts Payable	9,979,444	6,098,780
Energy Rate Adjustment Clause	239,490	756,880
Consumer Deposits	1,413,870	1,898,031
Accrued Employee Compensation	2,297,599	2,068,306
Accrued Taxes	7,192,948	7,832,897
Other Current and Accrued Liabilities	803,328	566,234
Total Current Liabilities	38,564,865	34,931,941
DEFERRED CREDITS		
Total Liabilities and Equities	\$ 382,909,555	\$ 389,082,596

Statement of Income and Patronage Capital

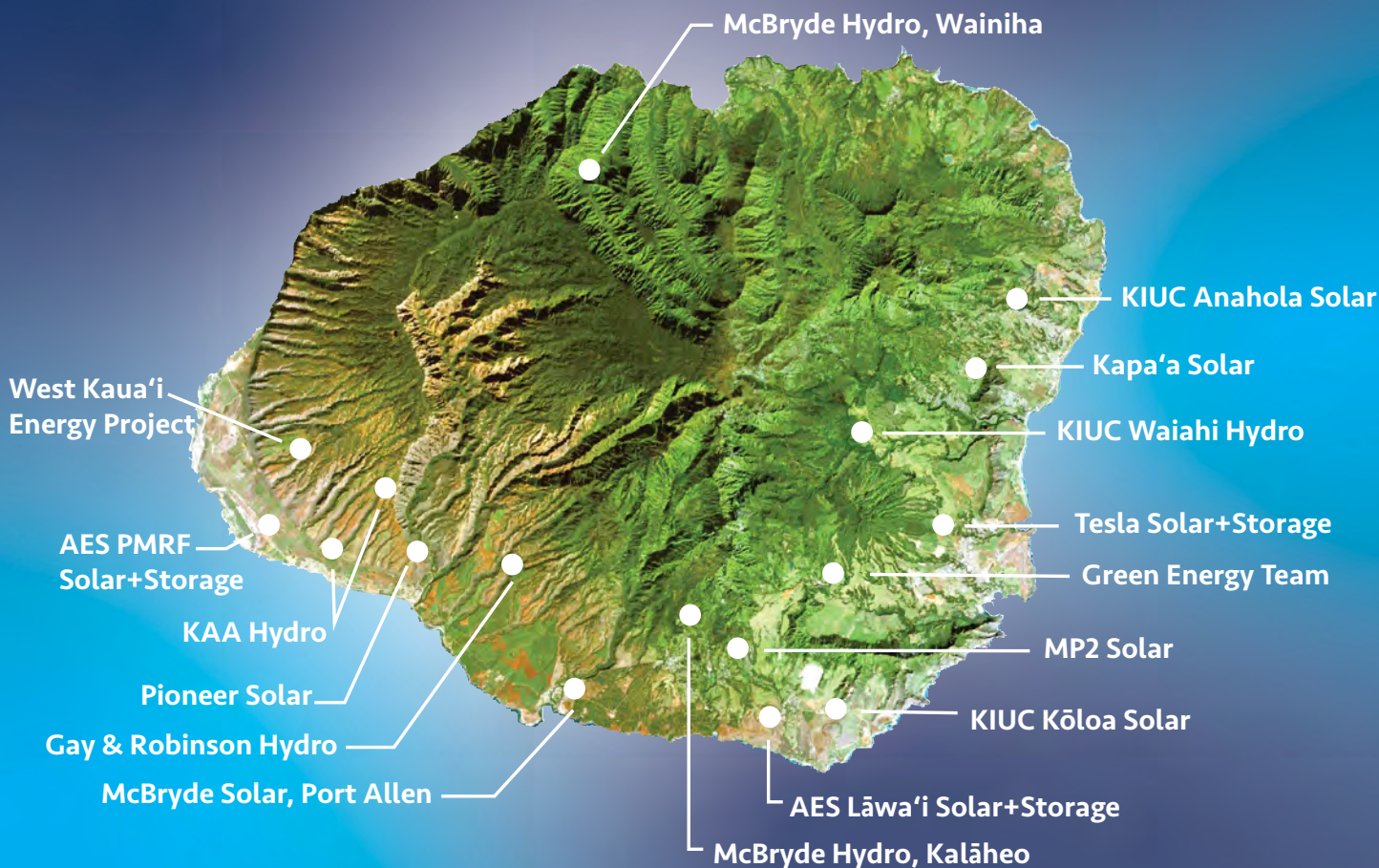
For the years ended December 31, 2019 and 2018

	Year Ended December 31	
	2019	2018
OPERATING REVENUES		
Residential	\$ 63,200,462	\$ 65,170,080
Irrigation	95,379	361,634
Commercial and Industrial	90,488,809	95,941,559
Public Street and Highway Lighting	681,986	719,376
Other Operating Revenues	450,840	466,989
Total Operating Revenues	154,917,476	162,659,638
OPERATING EXPENSES		
Power Cost	85,048,216	90,182,164
Transmission - Operation	467,105	414,004
Transmission - Maintenance	662,743	572,903
Distribution - Operation	1,412,194	1,208,431
Distribution - Maintenance	4,173,054	3,733,766
Customer Accounts	2,006,102	1,976,634
Customer Service and Information	288,952	347,423
Administrative and General	18,577,720	17,857,110
Depreciation and Amortization	17,913,329	19,343,605
Taxes	13,096,209	13,780,073
Accretion Expense	96,565	92,136
Other Interest Expense	-	114,013
Total Operating Expenses	143,742,189	149,622,262
OPERATING MARGINS - Before Interest	11,175,287	13,037,376
INTEREST ON LONG-TERM DEBT	6,668,594	6,602,071
OPERATING MARGINS	4,506,693	6,435,305
NONOPERATING MARGINS		
Interest Income	1,061,091	986,367
Capital Credits	314,351	349,740
Other Nonoperating Income (Expense)	648,778	154,552
Total Nonoperating Margins	2,024,220	1,490,659
EXTRAORDINARY INCOME	262	94,892
NET MARGINS	6,531,175	8,020,856
Net Loss (Margins) Attributable to Non-controlling Interest	694,531	411,672
NET MARGINS - COOPERATIVE	\$ 7,225,706	\$ 8,432,528
PATRONAGE CAPITAL - BEGINNING OF YEAR	\$ 116,290,932	\$ 111,417,571
Allocation of Net Margins	7,225,706	8,432,528
Patronage Capital Retired	(2,859,949)	(3,559,167)
PATRONAGE CAPITAL - END OF YEAR	\$ 120,656,689	\$ 116,290,932

Statement of Cash Flows

For the years ended December 31, 2019 and 2018

	December 31	
	2019	2018
OPERATING ACTIVITIES		
Net Margins	\$ 7,225,706	\$ 8,432,528
Adjustments to Reconcile Net Margins to Net Cash from		
Operating Activities		
Depreciation and Amortization	18,382,189	19,813,713
Accretion of Asset Retirement Obligation	96,565	92,136
Interest Earned on Cushion of Credit	(773,599)	(736,098)
Capital Credit Allocations	(314,351)	(349,740)
Net Margins Attributable to Non-controlling Equity Interest	(694,531)	(411,672)
Change in Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	506,056	(1,623,386)
Energy Rate Adjustment Clause	(517,390)	752,292
Inventories and Other Current Assets	(514,139)	(959,997)
Deferred Debits	(3,794,226)	(2,174,441)
Post Retirement Benefit Obligation	13,900	(28,177)
Payables and Accrued Expenses	355,828	2,242,763
Deferred Credits	(663,571)	186,205
Net Cash from Operating Activities	<u>19,308,437</u>	<u>25,236,126</u>
INVESTING ACTIVITIES		
Additions to Utility Plant, net	(14,727,497)	(19,535,086)
Rural Economic Development Loans	298,855	127,947
Other Investments	5,144,820	(4,829,494)
Net Cash used for Investing Activities	<u>(9,283,822)</u>	<u>(24,236,633)</u>
FINANCING ACTIVITIES		
Borrowings from Long-Term Debt	4,776,000	27,899,000
Principal Payments on Long-Term Debt	(15,739,273)	(15,191,794)
Net Activity on Line of Credit	-	(3,000,000)
Distribution to Non-controlling Equity Interest	(380,585)	(683,617)
Memberships	17	18
Other Equities	120,728	119,964
Retirement of Patronage Capital	(2,859,949)	(3,559,167)
Net Cash from (used for) Financing Activities	<u>(14,083,062)</u>	<u>5,584,404</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(4,058,447)	6,583,897
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>20,445,014</u>	<u>13,861,117</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>16,386,567</u>	\$ <u>20,445,014</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	<u>6,668,594</u>	<u>6,716,084</u>
Income Taxes	<u>12,826</u>	<u>6,015</u>
Noncash Investing Activities:		
Liabilities Incurred for Utility Plant Additions	<u>2,867,113</u>	<u>438,116</u>



	Type	MW	% of Sales
Active In Use			
KIUC, Kōloa	Solar	12.0	3.7
KIUC, Anahola	Solar	12.0	3.8
Green Energy Team	Biomass	6.7	10.6
McBryde, Port Allen	Solar	6.0	2.3
McBryde, Wainiha/Kalaheo	Hydro	6.0	3.9
KIUC, Waiahi	Hydro	1.5	0.8
Gay & Robinson, Olokele	Hydro	7.3	6.2
KAA, Waimea/Kekaha	Hydro	1.5	0.3
Pioneer, Waimea	Solar	0.3	0.1
Kapa'a Solar	Solar	1.0	0.4
Tesla Solar+Storage	Solar	13.0	4.6
AES Lāwa'i Solar+Storage	Solar	20.0	7.7
MP2, 'Ōma'ō	Solar	0.3	0.1
Customer Solar	Solar	32.2	12.0
Under Construction/Permitting			
AES PMRF Solar+Storage	Solar	14.0	7.8
Under Development			
West Kaua'i Energy Project	Hydro	24.0	23.2

Total Renewable Energy in Service 2019
119.8 MW/56.5%

Potential Renewable Energy in Service 2025
157.8 MW/87.5%

Vision, Mission and Culture

Vision — Improve the quality of life for KIUC's members and Kaua'i

Mission — Be an energy solutions leader by:

- ☉ Safely providing reliable power that is fairly and competitively priced
- ☉ Encourage conservation and efficient use of energy resources
- ☉ Increasing sustainable power supply and environmental stewardship

Culture — The culture is shaped by several elements, all critical to KIUC's success. KIUC embraces the Seven Cooperative Principles and a Hawaiian-based values system, derived from an employee-adopted set of shared values called Ho'oka'ana Waiwai.

7 Cooperative Principles

Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership.

Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



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