



Kaua'i Island Utility Cooperative

Strategic Plan 2010-2025

*Lihue, Kauai
December 20, 2009*

THE STRATEGIC CONTEXT

The island of Kaua`i is highly dependent on imported energy sources. This dependence exposes the Kaua`i Island Utility Cooperative (KIUC) and its members to energy costs that are easily influenced by national and international market fluctuations which have shown extreme variability in recent years. KIUC's existing energy mix is heavily dependent on petroleum sources that must be sourced from outside of Hawai`i requiring the export of Hawai`i dollars. Petroleum resources must also be considered finite and KIUC will need to shift away from that finite supply to ensure its long-term energy supply.

ACT 234, Session of Laws of Hawaii 2007, established a framework to reduce green house gas emission levels to levels emitted during 1990 by 2020. KIUC leads with aggressive strategic targets that will meet the 1990 green house gas emission goals and result in more than 50% renewable energy supply. The State of Hawai`i is also working on a Hawai`i Clean Energy Initiative that targets 70% clean energy by 2030 (40% renewable energy supply). KIUC voluntarily participates in the Hawai`i Clean Energy Initiative (HCEI). KIUC also recognizes the added benefit of not exporting Hawaii dollars in exchange for energy supplies and favors keeping those dollars in Hawai`i and especially on Kaua`i.

In recent years, KIUC has experienced average annual growth of 1.5% in its customer base. KIUC currently serves nearly 36,000 customers, three fourths of whom are residential customers. While the next few years will undoubtedly be influenced by the global economic downturn, KIUC projects a continued growth of its customer base largely due to increased population of the island and added infrastructure serving visitors. KIUC also expects that increased end user efficiency will temper Kaua`i's energy needs, however, growth and the likely shift of transportation from petroleum fueled to electric vehicles will lead to increased electrical capacity requirements.

An adequate supply of energy would have no meaning without a means to reliably deliver that energy to KIUC's members and customers. The shift to local, sustainable sources of energy also impacts KIUC's transmission and distribution infrastructure as sustainable energy sources do not necessarily coincide with the location of Kaua`i's higher population and higher energy use areas. Intermittent resources like photovoltaic solar generators will need some mitigation effort to ensure that the circuits that they tie into remain stable.

The latest member surveys in 2008 and 2009 continued to indicate that charging reasonable rates and delivering good value are the more significant drivers of overall satisfaction among KIUC members. Today's context requires further attention to these drivers as well as supporting the members' best interests at heart through effective and timely communications.

KIUC maintains an electrical network on Kaua`i that is truly an islanded system which means that it is not connected to any other outside utility. No current technologies or technologies in the foreseeable future will enable economical transmission of electricity across the deep ocean channel separating Kaua`i from the other major Hawaiian Islands. KIUC must therefore maintain an adequate supply of firm, reliable generation to meet its customer needs and maintain sufficient reserves to allow maintenance of its generation equipment. This Strategic

Plan intends to provide the planning foundation to ensure that an adequate firm, reliable power supply is maintained.

This Strategic Plan is an update and expansion of the Strategic Plan 2008-2023 with the ultimate goal of serving the KIUC's members well. It identifies the key issues KIUC will face in the next 15 years and provides a common framework for the strategic direction of KIUC now and in the future.

Key Issues

KIUC Board members and key staff (see Attachment A) addressed many issues that face KIUC and concluded the following:

- 1. Attention to Members. One of the more important components of the strategy is to continue striving to ensure the satisfaction of the membership with responsive and value-driven services. Communication between KIUC and members is a critical element in maintaining a positive relationship through clear and consistent two-way understanding.*
- 2. Workforce Excellence. It is acknowledged that a skilled, well-trained, and competent workforce is a necessary ingredient in achieving quality outcomes. Providing excellence in services is essential for KIUC to carry out its vision, mission, and strategic goals. This means that paying attention to and caring for its employees is essential for KIUC to serve its members.*
- 3. Diverse Energy Solutions. It is clear that simply providing electric service to members will not accomplish KIUC's vision and mission. KIUC must meet its own sustainable energy goals, requirements set by the State of Hawai'i's Renewable energy Portfolio Standards (RPS), and work with the State to accomplish the HCEI goals.*
- 4. Financial Stability. Above all, KIUC must remain financially stable. KIUC must meet its current and future debt obligations. The shift to sustainable resources and the incorporation of energy solutions to handle growth and ensure grid stability will require capitalization that must be balanced against fair and competitive rates*
- 5. Reliability. There is no substitute for reliability of service.*

The Strategic Plan deals with these issues and is described in more detail in the following sections.

VISION, MISSION, AND KIUC CULTURE

The KIUC Vision

The **vision** of KIUC is:

- *To be an energy solutions leader.*

The KIUC Mission

The **mission** of KIUC is to:

- *Provide reliable power safely that is fairly and competitively priced;*
- *Practice conservation and efficient use of energy resources;*
- *Increase sustainable power supply and environmental stewardship; and*
- *Improve the quality of life for members and Kaua`i.*

TOGETHER, WE POWER KAUA`I !

The KIUC Culture

The **KIUC culture** is shaped by several elements, all critical to its success. The first is that KIUC embraces the seven principles of a cooperative as shown in Attachment B.

Second, KIUC Board and employees embrace “Ho`oka`ana Waiwai”, an agreed upon set of Hawaiian-based values that provides a guiding statement. Ho`oka`ana Waiwai reads as follows:

- **Aloha** - we welcome our members with respect, sincerity, and graciousness. I will seek to be trustworthy, to share, respect and be kind to my KIUC brothers and sisters, and members.
- **Ho`ohiki** - we are committed to keeping our promises to each other and our community. I am accountable for what I say and do.
- **Ho`okela** – we strive to provide the best service to our members. I will contribute my best to attain the highest level of achievement.
- **Ho`omau** – we will persevere in our journey together towards member satisfaction. I will not waiver from the path.
- **Kuleana** – we accept our responsibility to our island community as a privilege. To do the right thing is a privilege I accept.
- **Kupono** – we will treat members with fairness, integrity and honesty. I am committed to treat others the way I like to be treated.
- **Laulima** – we will work together toward common goals where one person’s success is everyone’s success.
- **`Ohana** – community and coworkers, everyone is part of the KIUC family.

Finally, within these principles and values, the KIUC leadership team identified the central core values that are to be tied to work performance, practiced daily, promoted without compromise, and communicated through actions. These core values tell how you treat each other, how you treat your members, how you treat external stakeholders, and how you go about doing your tasks all of the time; not just when you feel like it. The central core values are:

- **Respect (Kupono):** treating everyone with fairness, integrity, and honesty.
- **Teamwork (Laulima):** looking out for each other and working together as One Team toward common goals.
- **Excellence (Ho`okela):** striving to provide the best professional service to our members by producing high quality work and excelling in everything one does.
- **Responsibility (Kuleana):** practicing stewardship and the privilege of doing the right thing for our members in a responsive manner.

GRAND STRATEGY, STRATEGIC GOALS, AND ACTIONS

Previous KIUC strategic plans and the more recent Strategic Plan for 2008-2023 focused upon an overall strategy for delivering safe and reliable electrical service; achieving a high standard of sustainability with regard to power supply; and providing fair and competitively-valued rates. In addition, it was recognized that these strategies would need to be balanced and required effective communication and alignment among KIUC members, directors, and employees.

The **grand strategy** for “Strategic Plan: 2010-2025” is to continue to carry out this general direction while concurrently ramping up and enhancing the KIUC mission by serving members well through useful energy solutions along with diverse electrical power and services. In addition, the grand strategy addresses the efforts of KIUC to move toward energy independence by harnessing renewal energy resources and fostering demand side interactivity.

To accomplish this grand strategy, the leadership team identified key **Strategic Goals** and the specific **Actions** as noted in the following pages:

Strategic Goal A: Implement increased energy solutions, including diversification of power supply and reduced dependency.

Actions

A.1: Enhance existing energy efficiency programs and incentives by increasing conservation and demand-side management.

Start Date/Completion Date: ongoing

A.2: Collaborate with others on energy efficient solutions.

Start Date/ Completion Date: 2010/ongoing

A.3: Create Renewable Energy Action Plan.

Start Date/Completion Date: ongoing

A.4: Explore opportunities for expanded member-owned PV.

Start Date/Completion Date: 2010/ongoing

A.5: Increase sustainable power supply.

A.5.1: Meet or exceed Hawai'i Renewable Portfolio Standard (RPS).

Start Date/Completion Date: 2008/annually

A.5.2: Reduce electric power generation sector Greenhouse Gas (GHG) emissions to 1990 levels.

Start Date/Completion Date: 2008/annually

A.5.3: Increase energy diversity so that no one source amounts to 50% or more of total energy supply.

Start Date/Completion Date: 2008/annually

Strategic Goal B: Develop and implement new and/or replacement generation and related infrastructure.

Actions

B.1: Implement Smart Grid and AMI technology.

Start Date/Completion Date: 2010/2011

B.2: Consider firm capacity for efficiency and reliability.

Start Date/Completion Date: 2008/annually

B.3: Install renewable generation PV at Port Allen rooftops.

Start Date/Completion Date: 2009/2010

B.4: Investigate and support local fuel sources that promote self-sufficiency, including storage systems.

Start Date/Completion Date: 2009/ongoing

B.5: Increase hydro capacity at Waiahi Stream.

Start Date/Completion Date: Q2, 2011/2012

Strategic Goal C: Improve member satisfaction and support.

Actions

C.1: *Establish Communications Committee that will be responsible for developing Communications Plan, identify audience, improve technical/website, and focus upon both internal and external issues.*

Start Date/Completion Date: Nov.2009/ongoing

C.2: *Improve trouble call process.*

Start Date/Completion Date: review annually

C.3: *Improve outage communications.*

Start Date/Completion Date: review annually

C.4: *Improve reliability.*

C.4.1: *Achieve better than average of Hawai`i utilities in outage frequency and duration.*

Start Date/Completion Date: 2008/annually

C.4.2: *Maintain sufficient firm, reliable generation to meet member demand.*

Start Date/Completion Date: 2008/annually

Strategic Goal D: Improve and enhance employee satisfaction and support.

D.1: Address employee needs, i.e., compensation/benefits, working conditions, etc.

Start Date/Completion Date: annually

D.2: Support employees to attain workforce excellence by developing a professional development plan and conducting performance evaluations that include ratings for implementing core values.

Start Date/Completion Date: 2009/2010

D.3: Improve results in employee satisfaction measures.

Start Date/Completion Date: annually/ongoing

D.4: Improve safety culture.

D.4.1: Achieve better than average of industry-specific national safety incident rate.

Start Date/Completion Date: annually

D.4.2: Meet the standards of the Rural Electric Safety Accreditation Program (RESAP).

Start Date/Completion Date: 2008/2013

D.5: Cultivate an effective Board/Staff team by improving trust and confidence among Board directors, staff, and employees.

Start Date/Completion Date: ongoing

Strategic Goal E: Ensure Financial Stability.

Actions

E.1: *Review current PatCap rotation policy and equity ratios and develop Board policy for setting future equity ratios and PatCap rotation targets.*

Start Date/Completion Date: ASAP/2025

E.2: *Maintain and improve lender relations.*

Start Date/Completion Date: 2009/ongoing

E.3: *Establish 10-year financial forecast and update annually.*

Start Date/Completion Date: annual update

E.4: *Review and update Equity Management Plan (EMP) every three years.*

Start Date/Completion Date: 2009/2012

E.5: *Review and annually update, as required, the Construction Work Plan.*

Start Date/Completion Date: annually

E.6: *Maintain capabilities and readiness of rate-related studies as appropriate.*

Start Date/Completion Date: annually

E.7: *Move forward with Simplified Rate initiatives.*

Start Date/Completion Date: 2009/ongoing

E.8: *Conduct Enterprise Risk Assessments.*

Start Date/Completion Date: 2009/2010

E.9: *Evaluate financial products to mitigate rate volatility/stability.*

Start Date/Completion Date: ongoing

E.10: *Ensure fair and competitive rates.*

E.10.1: Maintain reasonable, comparable rates with other Hawai'i utilities.

Start Date/Completion Date: 2008/monthly

E.10.2: *Maintain costs at or below inflation.*

Start Date/Completion Date: 2008/

IMPLEMENTATION GUIDELINES

The Strategic Plan will be implemented effectively upon approval by the KIUC Board of Directors according to the following guidelines:

- 1. The Strategic Plan will be implemented by an Agenda for Action (AFA) that will cover two-year increments with the first one covering 2010-2012.*
- 2. The Agenda for Action will be developed by the KIUC Management Team through collaboration with the Board Strategic Planning Committee (BSPC). Together, they will identify the "Outcome Measurement" and the "Start Date/Completion Date." Management will be responsible for assigning the "Responsible Office," deriving an "Estimated Budget" for each year, implementing each "Action," and recording the "Actual Outcome." In addition, at each review session, a "Current Status" of each action, as appropriate, will be provided by the responsible office. The BSPC will have oversight of the AFA to ensure that the Strategic Plan is timely implemented.*
- 3. The Strategic Plan will be reviewed monthly by the responsible units/individuals to keep on target or to make adjustments to improve the Plan.*
- 4. The KIUC CEO will make a quarterly and annual report to the KIUC Board of Directors through the BSPC.*
- 5. The KIUC leadership team will review the Strategic Plan every year and develop the Agenda for Action for the next two rolling two years.*
- 6. The BSPC will be responsible for initiating the development of the next Strategic Plan at an appropriate time.*

As developed by the KIUC Leadership Team, the Strategic Plan sets the overall direction of KIUC and intends to benefit members, directors, and all employees of KIUC.

Attachment A

KIUC Leadership Team That Developed Strategic Plan 2010-2025

2009 Board of Directors

Carol Bain

Stewart “Stu” Burley

David Iha (Secretary)

Steve M. Rapozo

Benjamin Sullivan

Allan A. Smith (Treasurer)

Teofilo “Phil” Tacbian (Chairman)

Peter Yukimura (1st Vice Chair)

Kathleen “Pua” Chin, Administrative Assistant to the Board

KIUC Management and Staff

Randall Hee, President and CEO

Maile Alfiler, Member Services Support Supervisor

Anne Barnes, Marketing and Communications Supervisor

David J. Bissell, V.P. & Chief Financial Officer

Karissa M. Jonas, Controller

Carey Koide, Manager, Support Services

John “Jack” Leavitt, Manager, Transmission & Distribution

Barbara Nagamine, Manager, Member Services

Edwin Nakaya, Key Accounts Executive

Brad Rockwell, Manager, Production (military deployment until 2010)

Russ Santiago, Acting Manager, Production

Michael Yamane, Manager, Engineering

Attachment B

Kaua`i Island Utility Cooperative

Why Cooperatives Are Special. All cooperative businesses adhere to these seven guiding principles:

1. 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.

2. 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. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

3. 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.

4. 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.

5. 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.

6. Cooperation Among Cooperatives

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

7. Concern for Community

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