



**Looking Back,
Looking Forward**
Reflections on 20 Years

2022 Annual Report



**Kaua'i Island
Utility Cooperative**

Your Touchstone Energy® Cooperative



Aloha!

On November 2, 2002, KIUC first formed as a cooperative. Looking back over the past 20 years, there are so many achievements to celebrate. Looking forward, we continue to strive to be industry leaders as the world adopts new technologies to address new challenges.

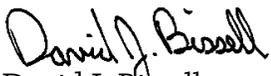
Over the past two decades, we've adapted to high fuel prices, protection of endangered species, hydroelectric power and installing advanced metering infrastructure (AMI). We have always managed to pivot and come up with solutions that are now recognized worldwide.

Our achievements include building \$134 million in equity and returning \$39 million to our members over the years.

During 2022, KIUC made the remarkable achievement of leading the State of Hawai'i with the highest percentage of renewables, the best reliability and the lowest residential rates.

Having reached our renewable energy goals nine years ahead of schedule, our Board of Directors updated our Strategic Plan to reach 100% renewable energy by 2033.

As we continue our leadership forward as a cooperative, we sincerely appreciate our members' commitment to KIUC over the years. We would not be able to do any of this without your support.



David J. Bissell
President and Chief Executive Officer



Allan A. Smith
Chairman of the Board



2022 KIUC at a Glance

**2022 Peak
Demand:
78.1 MW**

**Generation
Capacity:
259.2 MW**

**Miles of Line:
Transmission: 171
Distribution: 1,359**

**Megawatt Hours
Generated in 2022:
527,924**

**Number of
Meters:
38,799**
% Residential: 77%

**Total Revenue 2022:
\$174.8 million**

**Renewable
Generation
Capacity:
142.2 MW**

**Oil Fired
Generation
Capacity:
117 MW**

Renewable Progress

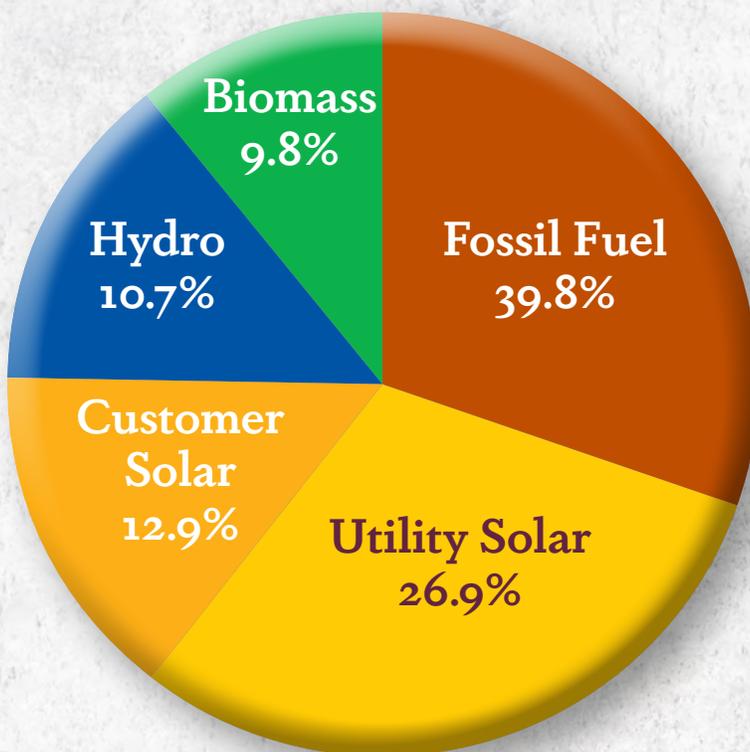
KIUC Leads the State in Renewable Generation

Facts:

- ❖ KIUC renewable percentage for 2022: 60.2%
- ❖ KIUC's Strategic Plan goal was updated to 100% renewable by 2033
- ❖ On sunny days, KIUC routinely reaches 100% renewable generation for five or more hours



2022 Fuel Mix by Source



How does KIUC calculate its renewable percentage?

Every year, KIUC must report its Renewable Portfolio Standard (RPS) to the Hawai'i Public Utilities Commission. In 2022 the Hawai'i Legislature changed how the RPS is calculated. The RPS calculation previously reflected the renewable percentage of electricity that was sold. Under the new formula, RPS is calculated as a percentage of electricity that was generated. Because of this and other factors, the KIUC's RPS dropped from 2021 to 2022, even though we generated roughly the same amount of renewable power in both years.

2022 Rate Case

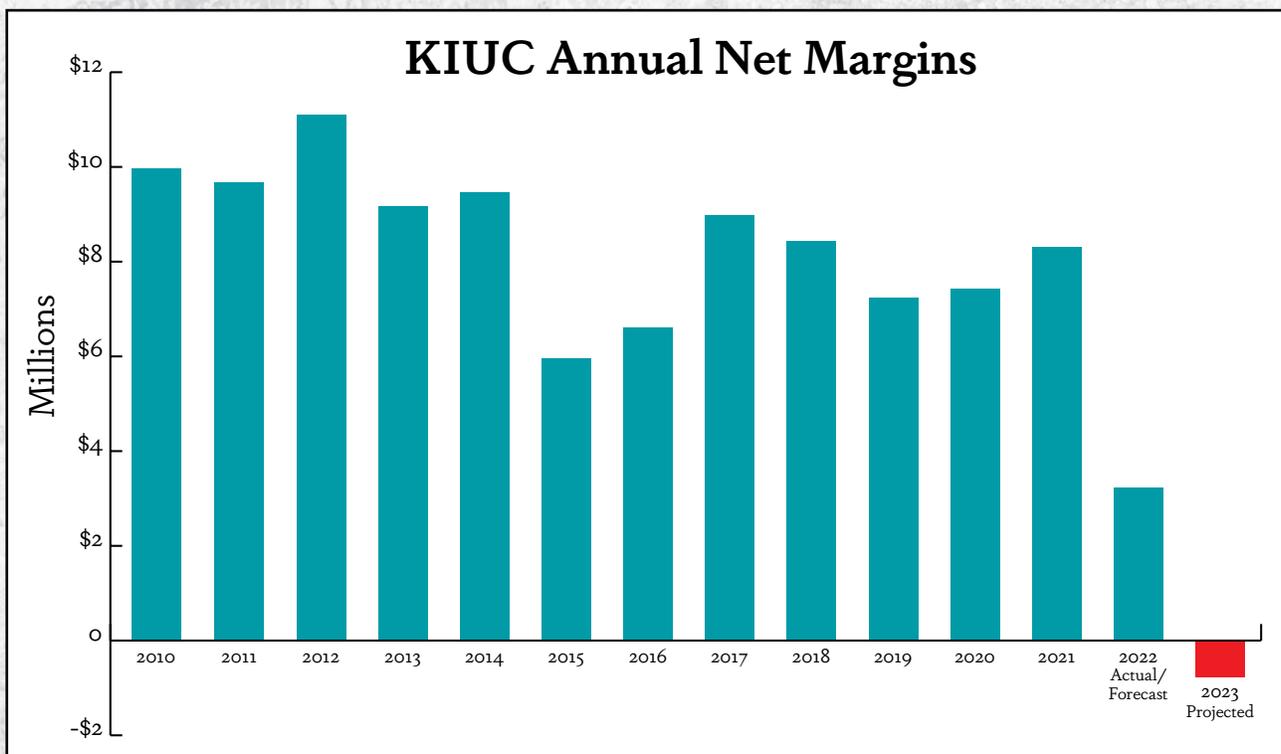
For the second time in its 20-year history, in late 2022 KIUC filed for an increase in rates with the Hawai'i Public Utilities Commission (PUC).

Since the last base rate increase in 2010, the Consumer Price Index (CPI) has risen a cumulative total of around 36% in Hawai'i. While KIUC has managed to keep its controllable costs below the inflation rate, electricity sales haven't kept pace. There's a growing gap between expenses and revenues; sales have increased only 5% since 2010.

Inflation, along with escalating costs associated with endangered species compliance and more than

\$80 million invested in necessary improvements to the grid and IT infrastructure, have created pressure on KIUC's balance sheet over time.

As a not-for-profit organization, KIUC must maintain a comfortable net margin, which is the money left over from sales after subtracting expenses. In the past few years margins have decreased to the point that KIUC is in danger of no longer meeting lender requirements, thus creating the need for a rate increase request. For more information on the rate case, visit www.kiuc.coop/ratecase.



Note that the margins reported in this graph for 2020, 2021 and 2022 include Lost Gross Margins (LGM) KIUC has been allowed to accrue due to a loss in sales from COVID 19.

Did You Know?

Did you know in 2022 KIUC personnel conducted 149 home energy audits to help members reduce their bills? Contact our Energy Services team for tips on how to manage your energy use: energyservices@kiuc.coop



The cooperative begins operations with zero percent equity and the highest electric rates in the state.

Plans are developed to improve reliability and diversify energy resources.

A study to evaluate the feasibility of renewable generation on Kaua'i is completed.

2002



KIUC holds its first Board of Directors election and conducts its first Annual Membership Meeting in 2003.

2007



Kaua'i's first utility-scale solar farm (REC Solar, Kapa'a) begins selling power to KIUC.

The KIUC Board of Directors releases its first Strategic Plan, including a goal to reach 50% renewable generation by 2023.



The Kapaia Power synchronous condenser brings its grid on 100% on sunny days.

2012

By 2011, KIUC has retired \$25.4 million in patronage capital to members.

Back On Our Top Journey



KIUC is named the “Electric Cooperative of the Year” by the Smart Electric Power Association in 2021.

2017



er Station turbine is enabled to run in denser mode, allowing KIUC to run renewable energy for multiple hours



Global renewable leader AES is selected to develop a second solar+storage project in Lāwa’i; when completed it is the world’s largest such facility.

The 12-megawatt Kōloa and Anahola solar projects are built and placed into service.

In 2017, the KIUC Board updates its renewable goal to 70% renewable by 2030, and KIUC partners with Tesla to open the world’s first utility-scale solar+storage project in Kapaia.

2022



As of 2022, KIUC has retired \$39 million in Patronage Capital to its members, and boasts the highest percentage renewables, best reliability and lowest residential rates in the State of Hawai’i.



Installation of advanced metering infrastructure (AMI) is completed.



KIUC introduces SmartHub, an online customer information system that enables tracking and management of members’ energy use.



Community Support

KIUC returned full-force to community and educational events with partners such as the Kauaʻi Community Science Center (KCSC) and AES. We participated in school science fairs, career days, field trips, town festivals, provided speeches and forums for local nonprofit organizations, sponsored and attended fundraisers and continued our Calendar of Student Art Contest.

Kauaʻi non-profit organizations were also supported by a variety of KIUC programs:

Community Support in 2022

Sharing of Aloha Grants

\$24,000

- ❖ Alakaʻi O Kauaʻi Charter School
- ❖ Big Brothers Big Sisters of Kauaʻi
- ❖ Friendship Club
- ❖ Hawaiʻi Children's Theater
- ❖ Ke Kula Niʻihau O Kekaha
- ❖ Swim Kauaʻi Aquatics

Community Support and Sponsorships

\$124,160

- ❖ Kauaʻi United Way
- ❖ E Ola Mau Na Leo O Kekaha
- ❖ The Bridge – Kauaʻi to College
- ❖ Mokihana Club
- ❖ YWCA of Kauaʻi
- ❖ Alzheimer's Association
- ❖ Kaulana Kilauea
- ❖ American Red Cross of Hawaiʻi
- ❖ Kōloa Plantation Days

KIUC Charitable Foundation

\$25,800

- ❖ Kauaʻi Economic Opportunity
- ❖ Catholic Charities of Hawaiʻi
- ❖ Kumu's Cupboard
- ❖ University of Hawaiʻi Foundation
- ❖ Kapaʻa Middle School Choir Booster Club



West Kaua‘i Energy Project

KIUC continued to pursue its most ambitious renewable project to date, the West Kaua‘i Energy Project (WKEP). Designed as a hybrid solar and pumped storage hydro facility, WKEP will meet up to 25% of Kaua‘i’s energy needs, provide long-duration storage capability, and deliver irrigation water for state-owned agricultural lands. The project is being developed by AES: a global leader in the deployment of large-scale solar and hydro technology.

Government support at all levels is critical to the success of renewable projects. The passage of the Inflation Reduction Act by Congress in August 2022 was critical to the extension of incentive tax credits (ITC), which will keep the cost of electricity as low as possible for KIUC members.



KIUC CEO David Bissell explains to Congressional leaders why the ITC is critical for the development of large renewable projects.

Habitat Conservation Plan

In collaboration with U.S. Fish and Wildlife Service and the State of Hawai‘i Department of Land and Natural Resources Division of Forestry and Wildlife, developed a draft Habitat Conservation Plan (HCP) to minimize and mitigate adverse effects on state and federally listed threatened and endangered species from the continued operation of existing and new KIUC infrastructure. An HCP is required because some KIUC infrastructure necessary to utility operations, including aerial powerlines and streetlights, is known to result in incidental take of certain state and federally listed species, including:

- ❖ Three seabird species: Newell’s shearwater (‘a‘o), Hawaiian petrel (‘ua‘u) and the Band-rumped storm-petrel
- ❖ Five waterbird species: Hawaiian goose (nēnē), Hawaiian coot (‘alae ke‘oke‘o), Hawaiian duck (koloa maoli), Hawaiian stilt (ae‘o), and the Hawaiian gallinule (‘alae ‘ula)
- ❖ The green sea turtle (honu)

Developing and publishing the HCP for public comment, which occurred in early 2023, is an important step for KIUC to ensure compliance with the National Environmental Policy Act and the Hawai‘i Environmental Policy Act.



Hawaiian Petrel chick receives care from the Save our Shearwaters program.



2022 KIUC Board of Directors: (from left) Cal Murashige, David Iha, Jan TenBruggencate, Allan A. Smith, Dee Crowell, Peter Yukimura, Phil Tacbian, Jim Mayfield, Janet Kass.

2022

Board of Directors

Chair: Allan A. Smith
Vice Chairman: Jan TenBruggencate
Treasurer: Peter Yukimura
Secretary: Cal Murashige
 Dee Crowell
 David Iha
 Janet Kass
 Jim Mayfield
 Phil Tacbian

2022 Board Committees

Executive

Chair: Jan TenBruggencate
Members: Cal Murashige, Allan A. Smith, Peter Yukimura

Finance & Audit

Chair: Peter Yukimura
Members: Stacie Dellamano, Janet Kass, Jim Mayfield, Cal Murashige, Allan A. Smith

**Government Relations/
Legislative Affairs**

Chair: Phil Tacbian
Members: Beth Amaro, David Bissell, David Iha, Jim Mayfield, Peter Yukimura

International

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

Member Relations

Chair: Dee Crowell
Members: Beth Amaro, Cal Murashige, Allan A. Smith, Phil Tacbian

Policy

Chair: Janet Kass
Members: David Bissell, Dee Crowell, Laurel Loo, Cal Murashige, Phil Tacbian, Jan TenBruggencate

Strategic Planning

Chair: Jim Mayfield
Members: David Bissell, Dee Crowell, David Iha, Janet Kass, Brad Rockwell, Allan A. Smith

Loan Review

Chair: Phil Tacbian
Members: Janet Kass

Summary of Operations

For the period 01/01/2022 – 12/31/2022

Financial Results for 2022 found KIUC kilowatt hour (kWh) sales are getting back to “normal” or pre-pandemic sales levels. KIUC experienced a rebound in kWh sales, but unfortunately, like many businesses, this rebound comes after 2 ½ years of low sales. KIUC is now faced with additional hurdles as cost pressures on our electrical system continue to grow, as spurred by inflation and supply chain delays. With flat sales and increasing costs since our last rate increase in 2010, KIUC has filed with the Hawai‘i Public Utility Commission an application to request a rate increase, which could take effect towards the end of 2023.

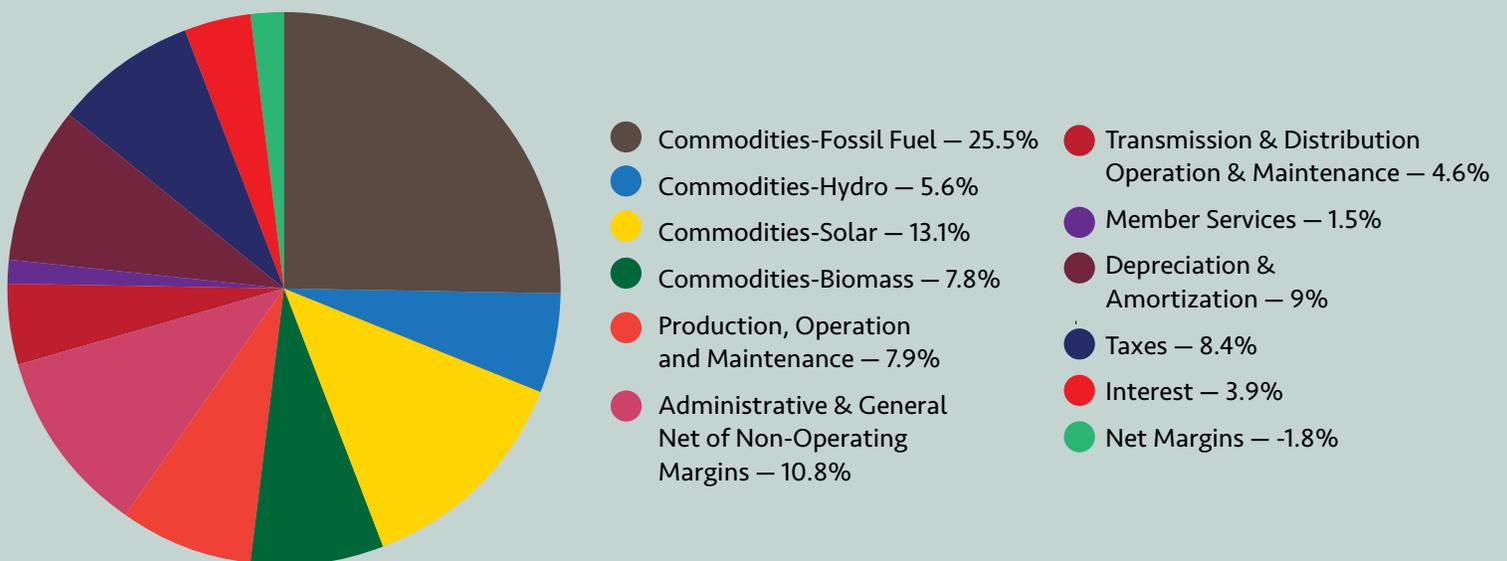
KIUC has continued to provide electric service to all areas of Kaua‘i with more renewable generation sources providing more stable prices than any other island in Hawai‘i. It has been the mission of the KIUC team to reduce costs in various areas in order to operate efficiently and effectively and continue to maintain a strong financial position. The cooperative’s financial team continues to work closely with its lenders and regulators in order to mitigate the financial effects of the coronavirus pandemic and low sales. Revenues, expenses, and net margins totaled \$174.8 million, \$171.6 million, and \$3.2 million respectively, for the period ending December 31, 2022.

The cost of power generation is the largest expense for KIUC, totaling \$104.7 million or 60% of revenues. Commodities, which are fuel and purchased power costs, are the largest component of power generation totaling \$91 million or 52%

of revenues. Currently, fossil fuel is the largest component of commodities totaling \$44.6 million or 25.5% of revenues. Other commodities include hydro power totaling \$9.9 million or 5.6% of revenues, solar power totaling \$22.9 million or 13.1% of revenues, and biomass power totaling \$13.6 million or 7.8% of revenues. The remaining \$13.7 million or 7.9% of revenues represents the cost of operating and maintaining the generating units.

The cost of operating and maintaining the electric lines totaled \$8.1 million or 4.6% of total revenues. The cost of servicing our members totaled \$2.7 million or 1.5% of revenues. The cost of keeping our members informed totaled \$0.9 million or 0.5% of revenues. Administrative and general costs, which include legislative and regulatory expenses, engineering, executive, human resources, safety and facilities, information services, financial and corporate services, and board of director expenses, totaled \$18.9 million or 10.8% of revenues.

Being very capital intensive, depreciation and amortization of the utility plant costs \$15.7 million or 9.0% of revenues. Although not subject to federal income taxes, state and local taxes amounted to \$14.7 million or 8.4% of revenues. Interest on long-term debt, at a very favorable sub-5% interest rate, totals \$6.8 million or 3.9% of revenues. Non-operating net margins added \$0.8 million to overall net margins. Revenues less total expenses equal margins of \$3.2 million or 1.8% of revenues. Margins are allocated to consumer members and paid when appropriate.



Consolidated Balance Sheet

ASSETS	December 31,	
	2022	2021
UTILITY PLANT AT COST		
Electric Plant in Service	622,741,450	601,314,359
Electric Plant Acquisition Cost	54,852,453	54,852,453
Accumulated Depreciation and Amortization	(361,294,369)	(348,254,760)
Net Electric Plant in Service	316,299,534	307,912,052
Construction Work in Progress	13,245,623	11,836,079
Net Utility Plant	329,545,157	319,748,131
OTHER INVESTMENTS		
Investments in Subsidiary Companies	-	-
Investments in Associated Organizations	2,025,070	1,939,951
Rural Economic Development Loans	967,434	607,500
Other Investments [if maturity ≥ 1 yr]	-	-
Total Other Investments	2,992,504	2,547,451
CURRENT ASSETS		
Cash & Cash Equivalents	36,833,446	23,160,983
Restricted Cash & Cash Equivalents	1,284,552	1,647,885
Other Investments [if maturity < 1 yr]	10,000,000	5,000,000
Accounts and Notes Receivable (Less allowance for doubtful accounts of \$569,999 in 2021 and \$879,696 in 2020)	13,052,112	12,039,505
Accrued Unbilled Revenue	9,279,755	8,871,471
Energy Rate Adjustment Clause	89,426	-
Inventories	22,484,856	19,059,947
Other Current and Accrued Assets	1,391,134	2,964,115
Total Current Assets	94,415,281	72,743,906
POST-RETIREMENT BENEFIT ASSET	20,606	214,503
DEFERRED DEBITS	34,343,173	34,289,805
Total Assets	461,316,721	429,543,796
EQUITIES AND LIABILITIES		
EQUITIES AND MARGINS		
Memberships	598	583
Patronage Capital & Margins - Current Year	134,713,705	133,560,252
Capital Account - KRS2H	-	-
Other Equity	1,139,315	1,048,231
Post-retirement Benefit Obligation Gain (Loss)	(1,076,791)	(864,936)
Controlling Equity Interest	134,776,827	133,744,130
Capital Account - A&B KRS II LLC	17,724,051	17,775,258
Non-Controlling Equity Interest	17,724,051	17,775,258
Total Equities and Margins	152,500,878	151,519,388
LONG -TERM DEBT	244,571,747	226,146,530
POST-RETIREMENT BENEFIT OBLIGATION	1,188,420	-
ASSET RETIREMENT OBLIGATION	2,957,920	2,846,406
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	13,795,833	14,422,637
Line of Credit	13,583,205	-
Accounts Payable	8,008,222	9,668,620
Energy Rate Adjustment Clause	-	626,354
Consumer Deposits	1,263,231	1,367,898
Accrued Employee Compensation	2,663,499	2,714,642
Accrued Taxes	8,904,990	7,426,175
Other Current and Accrued Liabilities	969,597	1,516,527
Total Current Liabilities	49,188,577	37,742,853
DEFERRED CREDITS	10,909,179	11,288,619
Total Liabilities, Equities, and Margins	461,316,721	429,543,796
Equity Percentage	33.06%	35.27%

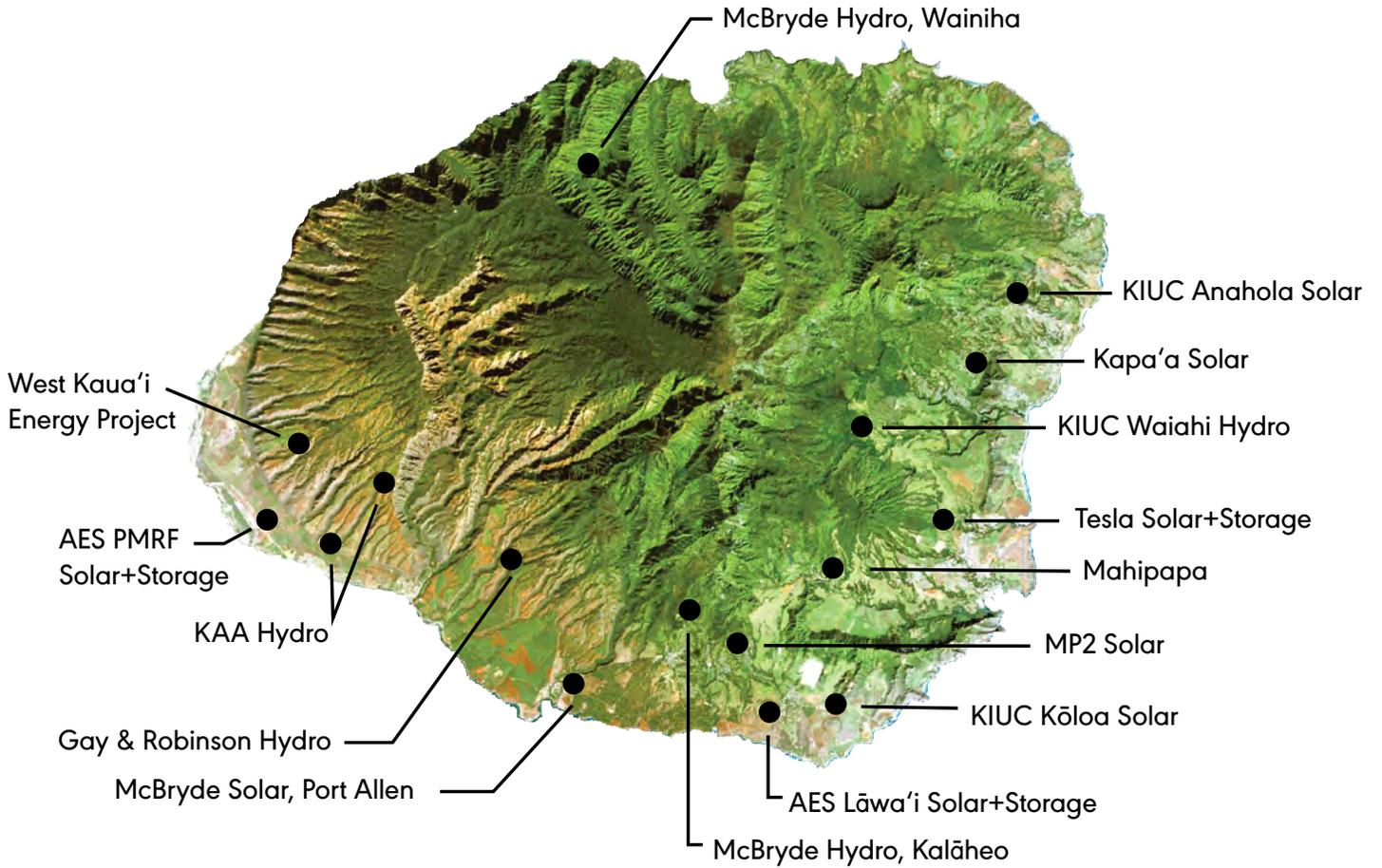
Consolidated Statement of Income and Patronage Capital

	Year Ended December 31,	
	2022	2021
	Amount	Amount
OPERATING REVENUES		
Residential	75,465,976	67,665,717
Irrigation	718,357	177,137
Commercial and Industrial	98,190,496	85,127,144
Public Street and Highway Lighting	692,840	683,855
Sale for Resale - RUS Borrower	-	(0)
Other Operating Revenues	(259,743)	5,133,601
Total Operating Revenues	174,807,926	158,787,454
OPERATING EXPENSES		
Power Cost	99,522,277	82,538,182
Transmission - Operation	549,624	483,850
Transmission - Maintenance	584,049	980,318
Distribution - Operation	1,998,178	1,727,764
Distribution - Maintenance	4,409,535	4,803,586
Customer Accounts	2,151,284	2,203,646
Customer Service and Information	281,668	272,391
Administrative and General	21,789,908	20,137,954
Depreciation and Amortization	19,014,017	18,808,331
Taxes	14,746,541	13,373,251
Accretion Expense	111,515	106,236
Other Interest Expense	-	-
Total Operating Expenses	165,158,596	145,435,509
OPERATING MARGINS - Before Interest	9,649,330	13,351,945
INTEREST ON LONG-TERM DEBT	7,397,917	7,210,177
OPERATING MARGINS	2,251,413	6,141,768
NONOPERATING MARGINS		
Interest Income	637,522	492,373
Capital Credits	201,912	240,619
Loss from Subsidiaries	-	-
Other Nonoperating Income (Expense)	74,892	1,409,090
Total Nonoperating Margins	914,326	2,142,082
EXTRAORDINARY ITEMS	-	-
NET MARGINS	3,165,739	8,283,850
Net Loss (Margins) Attributed to Non-Controlling Interest	7,020	13,002
NET MARGINS - COOPERATIVE	3,172,759	8,296,852

Statement of Cash Flows

	December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	3,172,759	8,296,852
Adjustments to Reconcile Net Margins to Net Cash from Operating Activities		
Depreciation and Amortization	19,584,279	19,347,205
Accretion Expense	111,515	106,236
Noncash Lease Expense	135,716	-
Interest Earned on Cushion of Credit	(57,357)	(444,499)
Capital Credits	(201,912)	(240,619)
Income Attributable to Non-Controlling Equity Interest	(7,020)	(13,002)
Forgiveness of PPP Loan	-	(2,881,250)
Change in Assets and Liabilities:		
Accounts and Notes Receivable	(1,420,891)	(2,679,770)
Energy Rate Adjustment Clause	(715,780)	635,187
Inventories and Other Current Assets	(1,851,928)	(3,676,732)
Deferred Debits	(53,368)	(6,515,255)
Post Retirement Benefit Obligations	1,170,462	(37,910)
Payables and Accrued Expenses	(1,210,139)	869,525
Deferred Credits	(379,440)	415,717
Net Cash from Operating Activities	<u>18,276,896</u>	<u>13,181,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant, net	(12,977,431)	(16,395,848)
Grant Funds & Tax Credits applied to Utility Plant	-	-
Rural Economic Development Loans	(359,934)	(270,000)
Other Investments	(4,883,207)	(4,887,687)
Net Cash from Investing Activities	<u>(18,220,572)</u>	<u>(21,553,535)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from Long-Term Debt	21,056,000	26,008,000
Payments on Long-Term Debt	(5,830,800)	(11,138,445)
Net Activity on Line of Credit	-	-
Contributions from Non-Controlling Equity Interest	-	(52,252)
Capital Distributions Paid to Investor	(44,187)	13,002
Memberships	15	18
Other Equities	91,084	64,157
Retirement of Patronage Capital	(2,019,306)	(1,296,457)
Net Cash from Financing Activities	<u>13,252,806</u>	<u>13,598,023</u>
CHANGE IN CASH AND CASH EQUIVALENTS	13,309,130	5,226,173
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>24,808,888</u>	<u>19,582,695</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>38,117,998</u>	<u>24,808,868</u>

KIUC Renewable Map



	Type	MW	% of Generation
Active In Use			
KIUC, Kōloa	Solar	12.0	4.4
KIUC, Anahola	Solar	12.0	4.8
Mahipapa	Biomass	6.7	10.6
McBryde, Port Allen	Solar	6.0	2.4
McBryde, Wainiha/Kalaheo	Hydro	6.0	4.0
KIUC, Waiahi	Hydro	1.5	0.8
Gay & Robinson, Olokele	Hydro	7.3	6.7
KAA, Waimea/Kekaha	Hydro	1.5	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	7.0
AES PMRF Solar+Storage	Solar	14.0	5.7
MP2, 'Ōma'ō	Solar	0.3	0.1
Customer Solar	Solar	46.4	5.1
Under Development			
West Kaua'i Energy Project	Hydro	24.0	22.7

Total Renewable Energy in Service 2022
142.2 MW/67%

Potential Renewable Energy in Service 2025
166.2 MW/85%

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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