



Kuleana

**Lighting the Way
to a Bright Future**

2023 Annual Report



Kuleana: Lighting the Way to a Bright Future

Aloha,

2023 provided opportunities to renew our deep sense of *kuleana* to our members and the island. As we strived to reach our updated strategic goal of 100% renewable energy by 2033, we also addressed the challenges of keeping our workers and members safe through severe weather. This has become more urgent after witnessing the tragic Maui wildfires in August.

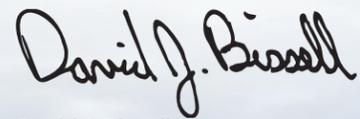
We continued to progress in our strategic goals and celebrated multiple achievements this year:

- ☀️ For the fifth year in a row, KIUC led the State of Hawai'i in renewable energy.
- ☀️ Our electric rates were the lowest in the state for members.
- ☀️ We contributed to a sustainable, circular economy through the use of locally produced biodiesel and domestically recycling lithium-ion batteries.
- ☀️ We received multiple federal grants for critical projects to address grid reliability and resiliency.

Our sense of *kuleana* also spurred us to work with wildfire consultants to develop a proactive wildfire preparedness and mitigation plan.

As a utility cooperative, it is our privilege to serve our member-owners through the delivery of reliable, affordable electricity and support community development and education to benefit our keiki and future generations.

Mahalo nui loa for your continued support.



David J. Bissell
President and Chief Executive Officer



Allan A. Smith
Chairman of the Board



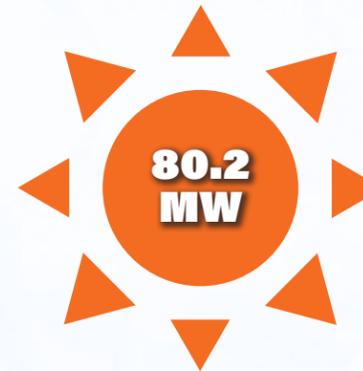
2023 KIUC at a Glance

Total Generation Capacity



Renewable Capacity: **142.2 MW**
Oil Fired Capacity: **117 MW**

2023 Peak Demand



2023 Total Revenue



2023 MW Hours Generated



Number of Meters



% Residential: **77%**

Miles of Line

Transmission

Distribution



Renewable Progress

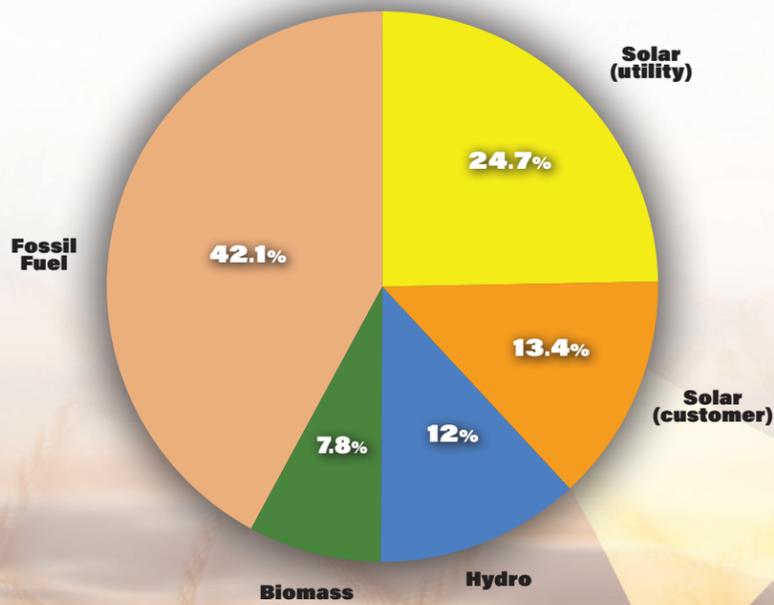
KIUC Leads the State in Renewable Generation

Quick Facts

- ☀️ KIUC renewable percentage for 2023 is 57.9%.
- ☀️ KIUC's Strategic Plan goal is 100% by 2033.



2023 Fuel Mix by Source



Introducing Biodiesel

For the fifth straight year, Kaua'i Island Utility Cooperative (KIUC) led the State of Hawai'i in renewable generation, achieving 57.9% renewable for 2023, well ahead of the State of Hawai'i requirement of 40% by 2030.

In 2023, KIUC began using biodiesel from Pacific Biodiesel Technologies to partially fuel its 27.5 megawatt Kapaia Power Station.

"Biodiesel can contribute to grid stability when we're operating on a high percentage of solar," KIUC's Chief of Operations Brad Rockwell says. "However, biodiesel is presently more expensive than most other renewable sources, so we'll use it sparingly and strategically for the time being."

Founded on Maui in 1995, Pacific Biodiesel annually produces more than 5.5 million gallons of premium distilled biodiesel at its refinery on Hawai'i Island. Biodiesel is produced primarily from used cooking oil that Pacific Biodiesel recycles from restaurants statewide, including those on Kaua'i.

2024 Rate Case

During 2023, KIUC worked with the Hawai'i Public Utilities Commission and the Division of Consumer Advocacy to justify its first rate increase request since 2010. The process included a public hearing held at King Kaumuali'i Elementary School on Kaua'i and responses to hundreds of information requests submitted by the PUC, CA and other intervenors.

In November 2023, the PUC approved an interim rate increase of 7.95% across all customer classes and ordered the new rates effective as of January 11, 2024. The interim rates are subject to refund pending the PUC's final order, which is expected sometime in 2024.

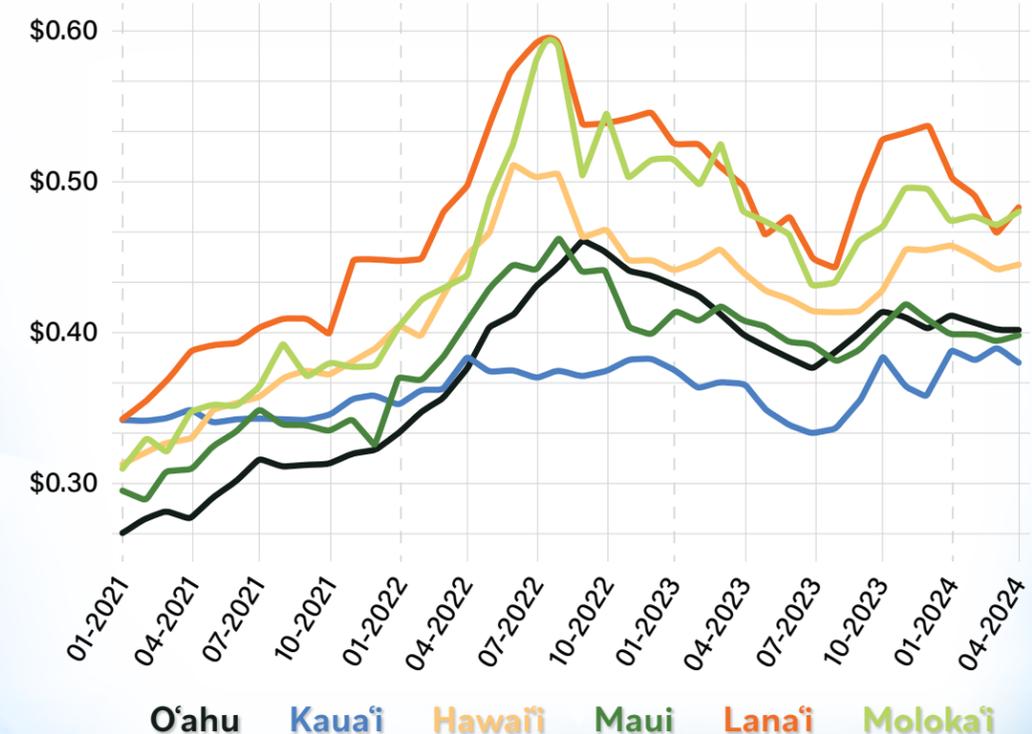
As of July 2024, KIUC has recorded the lowest residential rates in the State of Hawai'i for 26 straight months.

"This is an incredible accomplishment, considering when KIUC became a cooperative in 2002 our rates were 70% higher than those on 'Oahu," says KIUC President and CEO David Bissell.

Several factors have contributed significantly to the cooperative's current financial stability, including:

- ☀️ Strategic transition to renewable generation sources.
- ☀️ Access to low-cost debt from the United States Department of Agriculture Rural Utilities Service.
- ☀️ A reduction in staffing levels over time.
- ☀️ Federal Emergency Management Agency reimbursements for disaster-related losses.

3+ Years of Avg Cost/kWh - 2021 through April 2024



Source: CleanTechnica

Federal Funding Awards

from an approved loan from the Powering Affordable Clean Energy Program, which was created via the Inflation Reduction Act in 2022.

The funded projects include:

- 1. Synchronous condenser conversion technology.** This adds grid-forming capability to an existing generator at Port Allen Generation Station, creating greater grid stability when running on a high percentage of distributed variable renewable generation (i.e., daytime solar).
- 2. Utility solar grid forming technology.** This adds battery storage and advanced grid forming inverters to up to three existing solar power plants, creating a hybrid power supply with enhanced dispatchability and greater resource availability, resulting in a more reliable and resilient island grid.

More applications have been submitted for new rounds of Infrastructure Investment and Jobs Act funding, with decisions expected by late summer or early fall 2024.

Federal Grants Electrify KIUC's Innovation and Resiliency Efforts

With historic amounts of federal funding available via the Infrastructure Investment and Jobs Act, KIUC successfully landed \$17.9 million in federal funds for projects that enhance grid resilience, reduce reliance on fossil fuel and ensure reliable delivery of power during periods of 100% renewable generation.

IJA has been called the "largest investment in the resilience of physical and natural systems in American history."

To use the federal funding, KIUC has to pledge a match of \$17.9 million. Additional project savings of roughly \$5 million will come



KIUC's CEO David Bissell (second from left) and other cooperative executives were recently acknowledged by U.S. Secretary of Agriculture Tom Vilsack (fourth from left) for receiving federal funding awards.

Wildfire Preparedness and Mitigation

The safety of our members, employees and the community at-large is the highest priority for KIUC.

Emergency planning has always been a part of KIUC's operational efforts. Since the August 2023 Maui windstorm and wildfires, KIUC has focused on specific protocols to be used when the National Weather Service signals a Red Flag Warning may be issued.

KIUC's approach includes the following:

- ☀ Continual monitoring of weather reports and conditions, including KIUC's weather stations.

Wildfire Mitigation

- ☀ Maintaining communication and coordination with the Kaua'i Emergency Management Agency and other stakeholders.
- ☀ Surveilling lines as necessary for situational awareness in the potential Red Flag Warning area.
- ☀ Implementing sensitive protection settings to circuits so once a breaker

opens, it remains open. This means outages could be more frequent and last longer, as KIUC needs to patrol lines before reenergizing circuits.

- ☀ Localizing shutoffs in extreme conditions.

View KIUC's wildfire preparedness mitigation plan at kiuc.coop/wildfire.

KIUC uses new technology for testing pole health.



Community Support & Impact

In 2023, KIUC demonstrated *kuleana* for our members by supporting diverse programs and projects around the island. In the form of Sharing of Aloha grants to nonprofits and community groups and sponsorship of fundraising events, KIUC impacted health, agriculture, environment, arts, education, nonprofits and small business growth on Kaua'i.

In addition to financial support, staff volunteered and participated in local events to increase understanding about renewable energy, member programs and benefits, and our cooperative values. Once again, Kaua'i United Way recognized KIUC's employees and board for being the Top Per Capita Employee Group Contributor and Top Employee Group Contributor.

KIUC receives many requests for staff to participate in science, technology, engineering, art and math events for members of all ages. It is a joy to educate our youngest members through programs such as Youth Tour, Calendar of Student Art, STEAM classes and field trips.

Sharing of Aloha Grants provided \$18,740 to numerous organizations, including:

- ☀️ Kaua'i Planning & Action Alliance, Inc.
- ☀️ Friendship Club
- ☀️ Hawai'i Children's Theatre

Additional community support and sponsorships included Boys and Girls Club, Visitor Industry Charity Walk, Kaua'i Special Olympics, The Bridge: Kaua'i to College, Waimea Town Celebration, Big Brothers Big Sisters, Kōloa Plantation Days, walk to End Alzheimer's, and Lights on Rice and Waimea Christmas parades.

The KIUC Charitable Foundation granted \$21,700 in 2023 to some of the following organizations:

- ☀️ Kaua'i Search and Rescue
- ☀️ Kapa'a Pop Warner Association
- ☀️ Growing Our Own Teachers Kaua'i



7 Cooperative Principles

As one of more than 900 electric cooperatives nationwide, KIUC joins its sister co-ops in demonstrating its *kuleana* by committing to the Seven 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. Usually, at least part of that capital is the common property of the cooperative. Members may receive limited compensation 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.

Summary of Operations

01/01/2023 - 12/31/2023

Year-end financial results serve several important purposes for KIUC, a not-for-profit organization. Reviewing financial statements helps ensure transparency and allows members to understand how the organization is managing its financial resources. Financial statements provide a snapshot of the organization's financial health and can reveal adherence to financial reporting standards. Understanding financial statements facilitates communication between the organization's leadership and its members.

KIUC provides both written and graph format of financial statement presentations both quarterly and annually to its members. The key numbers on the year-end nonconsolidated operating statement are discussed below.

Revenues, expenses and net margins totaled \$170.1 million, \$165.8 million and \$4.3 million, respectively, for the 12-month period ending December 31, 2023. KIUC is pleased to report the 2023 fiscal calendar year ended with a positive net margin. KIUC's request to the Hawai'i Public Utilities Commission for a revenue increase was granted an interim Decision and Order by the PUC on November 27, 2023, with the PUC approving tariffs and an interim implementation date of January 11, 2024. Rate case information can be found at www.kiuc.coop/ratecase.

Similar to other electric utilities, the cost of power generation is the largest expense, totaling \$99.3 million or 58.4% of revenues. Commodities, which are fuel and purchased power costs, are the largest component of power generation, totaling \$84.9 million or 50% of revenues. Fossil fuel is the largest single component of commodities, totaling \$41.4 million or 24.3% of revenues. However, our renewable sources combined (hydro, biomass and solar) comprise 25.6% of revenue.

The cost of operating and maintaining electric lines totaled \$9 million or 5.3% of total revenues. The cost of servicing our members totaled \$2.8 million or 1.6% 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 \$17.2 million or 10.1% of revenues.

Being capital intensive, depreciation and amortization of the utility plant costs \$15.4 million or 9.1% of revenues. Although not subject to federal income taxes, state and local taxes amounted to \$14.4 million or 8.5% of revenues. Interest on long-term debt, at a favorable sub-5% interest rate, totals \$6.7 million or 4% of revenues. Nonoperating net margins (e.g., interest income) added \$2.1 million to overall net margins. Revenues less total expenses equal margins of \$4.3 million or 2.5% of revenues. Margins are allocated to consumer members after year-end financials have been audited and paid when appropriate.



2024 KIUC Board of Directors, left to right: Jim Mayfield, David Iha, Peter Yukimura, Jan TenBruggencate, Allan A. Smith, Dee Crowell, Mike Yamane, Cal Murashige, Phil Tacbian

2024 Executive Board

Chair: Allan A. Smith
Vice Chair: Jan TenBruggencate
Treasurer: Peter Yukimura
1st Assistant Treasurer: Jim Mayfield

Secretary: Cal Murashige
1st Assistant Secretary: Phil Tacbian
2nd Assistant Secretary: Dee Crowell

NRECA National Director: David Iha

2024 Board Committees

Executive

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

Finance & Audit

Chair: Peter Yukimura
Members: Stacie Dellamano, 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, Mike Yamane

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: Mike Yamane
Members: David Bissell, Dee Crowell, Laurel Loo, Cal Murashige, Phil Tacbian, Jan TenBruggencate

Strategic Planning

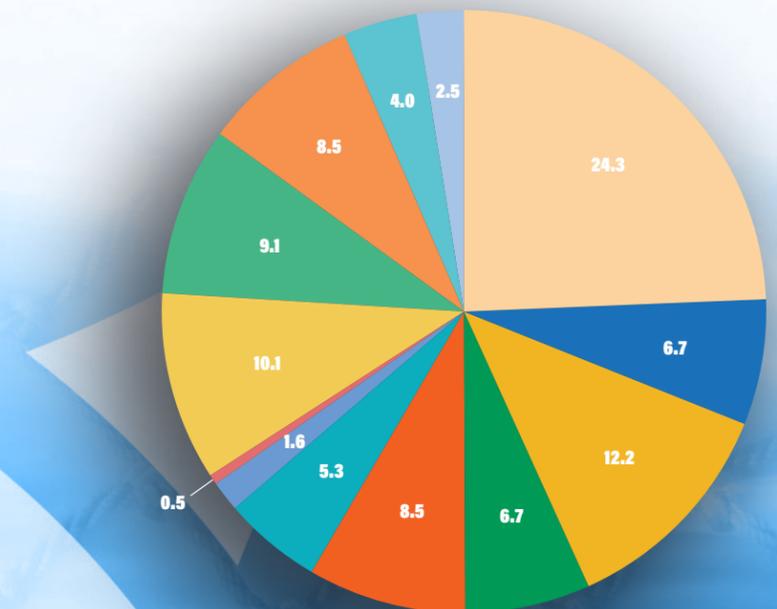
Chair: Jim Mayfield
Members: David Bissell, Dee Crowell, David Iha, Mike Yamane, Brad Rockwell, Allan A. Smith

Loan Review

Chair: Phil Tacbian
Members: Peter Yukimura

% of Total Revenue

- 24.3 Fossil Fuel
- 6.7 Hydro
- 12.2 Solar
- 6.7 Biomass
- 8.5 Production Operation & Maintenance
- 5.3 Transmission & Distribution Operation & Maintenance
- 1.6 Member Services
- 0.5 Communications
- 10.1 Administrative & General Net of Non-Operating Margins
- 9.1 Depreciation & Amortization
- 8.5 Taxes
- 4.0 Interest
- 2.5 Net Margins



Consolidated Balance Sheet

ASSETS	December 31,	
	2023	2022
UTILITY PLANT AT COST		
Electric Plant in Service	608,917,452	605,562,623
Right of Use Asset - Operating Lease	16,382,874	17,178,828
Electric Plant Acquisition Cost	54,852,453	54,852,453
Accumulated Depreciation and Amortization	(365,047,499)	(361,294,370)
Net Electric Plant in Service	315,105,280	316,299,534
Construction Work in Progress	11,164,049	13,245,623
Net Utility Plant	326,269,329	329,545,157
OTHER INVESTMENTS		
Investments in Subsidiary Companies	- 0	- 0
Investments in Associated Organizations	2,128,087	2,025,070
Rural Economic Development Loans	972,071	967,434
Other Investments [if maturity ≥ 1 yr]	- 0	- 0
Total Other Investments	3,100,158	2,992,504
CURRENT ASSETS		
Cash & Cash Equivalents	44,655,371	36,833,446
Restricted Cash & Cash Equivalents	1,298,990	1,284,552
Other Investments [if maturity < 1 yr]	- 0	10,000,000
Accounts and Notes Receivable (Less allowance for doubtful accounts of \$569,999 in 2021 and \$879,696 in 2020)	14,406,845	13,052,112
Accrued Unbilled Revenue	8,743,081	9,279,755
Energy Rate Adjustment Clause	- 0	89,426
Inventories	22,282,718	22,484,856
Other Current and Accrued Assets	1,329,072	1,391,134
Total Current Assets	92,716,077	94,415,281
POST-RETIREMENT BENEFIT ASSET	63,548	20,606
DEFERRED DEBITS	38,225,997	34,343,173
Total Assets	460,375,109	461,316,721
EQUITIES AND LIABILITIES		
EQUITIES AND MARGINS		
Memberships	610	598
Patronage Capital & Margins - Current Year	138,727,449	134,713,705
Other Equity	1,218,229	1,139,315
Post-retirement Benefit Obligation Gain (Loss)	(945,406)	(1,076,791)
Controlling Equity Interest	139,000,882	134,776,827
Capital Account - KRS II LLC	17,666,736	17,724,051
Equity Interest	17,666,736	17,724,051
Total Equities and Margins	156,667,618	152,500,878
LONG - TERM DEBT	253,179,484	258,638,840
ASSET RETIREMENT OBLIGATION	3,075,035	2,957,920
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	11,233,584	13,795,833
Current Maturities of Operating Lease Obligations	674,238	674,238
Accounts Payable	8,344,475	8,008,222
Energy Rate Adjustment Clause	644,475	- 0
Consumer Deposits	1,302,837	1,263,231
Accrued Employee Compensation	2,518,252	2,663,499
Accrued Taxes	8,470,966	8,904,990
Other Current and Accrued Liabilities	1,200,317	999,891
Total Current Liabilities	34,389,144	36,309,904
DEFERRED CREDITS	13,063,828	10,909,179
Total Liabilities, Equities, and Margins	460,375,109	461,316,721
Equity Percentage	34.03%	33.06%

Consolidated Statement of Income & Patronage Capital

OPERATING REVENUES	Year Ended December 31,	
	2023	2022
	Amount	Amount
Residential	72,799,495	75,465,976
Irrigation	274,534	718,357
Commercial and Industrial	95,894,420	98,190,496
Public Street and Highway Lighting	667,512	692,840
Other Operating Revenues	461,907	(259,743)
Total Operating Revenues	170,097,868	174,807,926
OPERATING EXPENSES		
Power Cost	94,853,081	99,522,277
Transmission - Operation	582,772	549,624
Transmission - Maintenance	751,440	584,049
Distribution - Operation	1,676,733	1,998,178
Distribution - Maintenance	4,929,468	4,409,535
Customer Accounts	2,127,748	2,151,284
Customer Service and Information	299,154	281,668
Administrative and General	22,396,985	21,789,908
Depreciation and Amortization	18,737,925	19,014,017
Taxes	14,457,938	14,746,541
Accretion Expense	117,115	111,515
Other Interest Expense	- 0	- 0
Total Operating Expenses	160,930,359	165,158,596
OPERATING MARGINS - Before Interest	9,167,507	9,649,330
INTEREST ON LONG-TERM DEBT	7,331,442	7,397,917
OPERATING MARGINS	1,836,065	2,251,413
NONOPERATING MARGINS		
Interest Income	2,015,695	637,522
Capital Credits	197,835	201,912
Loss from Subsidiaries	- 0	- 0
Other Nonoperating Income (Expense)	202,555	74,892
Total Nonoperating Margins	2,416,085	914,326
EXTRAORDINARY ITEMS	- 0	- 0
NET MARGINS	4,252,150	3,165,739
Net Loss (Margins) Attributed to Non-Controlling Interest	8,514	7,020
NET MARGINS - COOPERATIVE	4,260,664	3,172,759

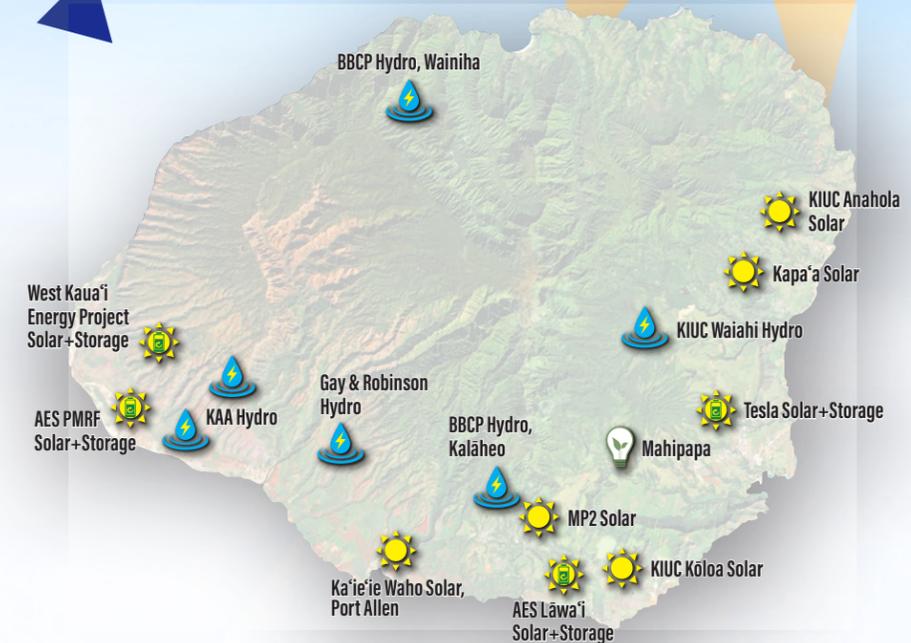
Consolidated Statement of Cash Flows

	December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	4,260,664	3,172,759
Adjustments to Reconcile Net Margins to Net Cash from Operating Activities		
Depreciation and Amortization	18,737,925	19,584,279
Accretion Expense	117,115	111,515
Noncash Lease Expense	(635,689)	135,716
Interest Earned on Cushion of Credit	(118,531)	(57,357)
Capital Credits	(197,834)	(201,912)
Income Attributable to Non-Controlling Equity Interest	(8,514)	(7,020)
Forgiveness of PPP Loan	- 0	- 0
Change in Assets and Liabilities:		
Accounts and Notes Receivable	(818,059)	(1,420,891)
Energy Rate Adjustment Clause	733,901	(715,780)
Inventories and Other Current Assets	264,200	(1,851,928)
Deferred Debits	(3,882,824)	(53,368)
Post Retirement Benefit Obligations	88,443	1,170,462
Payables and Accrued Expenses	(2,986)	(1,210,139)
Deferred Credits	2,154,649	(379,440)
Net Cash from Operating Activities	20,692,460	18,276,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant, net	(15,462,097)	(12,977,431)
Rural Economic Development Loans	(4,637)	(359,934)
Other Investments	10,094,817	(4,883,207)
Net Cash from Investing Activities	(5,371,917)	(18,220,572)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from Long-Term Debt	- 0	21,056,000
Payments on Long-Term Debt	(7,267,385)	(5,830,800)
Net Activity on Line of Credit	- 0	- 0
Contributions from Non-Controlling Equity Interest	- 0	- 0
Capital Distributions Paid to Investor	(48,801)	(44,187)
Memberships	12	15
Other Equities	78,914	91,084
Retirement of Patronage Capital	(246,920)	(2,019,306)
Net Cash from Financing Activities	(7,484,180)	13,252,806
CHANGE IN CASH AND CASH EQUIVALENTS	7,836,363	13,309,130
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	38,117,998	24,808,888
CASH AND CASH EQUIVALENTS - END OF YEAR	45,954,361	38,117,998

2023 Total Renewable Energy in Service

142.2 MW
57.8%

KIUC Renewable Map



Active In Use	Type	MW	% of Generation
KIUC, Kōloa	Solar	12.0	3.8
KIUC, Anahola	Solar	12.0	3.5
Mahipapa	Biomass	6.7	7.8
Ka'ie'ie Waho, Port Allen	Solar	6.0	1.9
BBCP, Wainiha/Kalāheo	Hydro	6.0	3.8
KIUC, Waiahi	Hydro	1.5	0.5
Gay & Robinson, Olokele	Hydro	7.3	7.4
KAA, Waimea/Kekaha	Hydro	1.5	0.3
Kapa'a Solar	Solar	1.0	0.3
Tesla Solar+Storage	Solar	13.0	3.8
AES Lāwa'i Solar+Storage	Solar	20.0	6.8
AES PMRF Solar+Storage	Solar	14.0	4.6
MP2, 'Ōma'o	Solar	0.3	0.1
Customer Solar	Solar	41.4	13.4
Under Development	Type	MW	% of Generation
West Kaua'i Energy Project	Solar	35.0	15.0

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.



Your Touchstone Energy® Cooperative 

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