

# POWERING THROUGH A PANDEMIC

STAYING CONNECTED – STAYING SAFE

KIUC 2020 ANNUAL REPORT

Aloha!

When we sat down to write KIUC's story of 2020, we realized it was a year like no other. Some important milestones were reached:

- ❖ Renewables: Achieving 67% renewable would have seemed unthinkable ten short years ago, when our renewable production was still in single digits. And yet, in 2020, KIUC once again led the state in renewable production.
- ❖ Reliability: KIUC also led the state in system reliability: for the third time in the past five years. Reliability for 2020 was the highest it's been since KIUC became a cooperative in 2002.

Yet, these traditional measurements of success cannot fully capture the less-quantifiable efforts we've been focused on in 2020 as a result of the COVID-19 pandemic.

Literally overnight, KIUC's information technology and senior management teams transformed our workplace so that employees could either telework or operate safely from our facilities. Our member services personnel didn't miss a beat in maintaining a personal touch while assisting customers from a distance. The Energy Services team stepped up efforts working with commercial and residential members to save money via energy efficiency. Line crews adopted safety protocols to ensure addressing outages and restoring power was a seamless process.

We could go on and on, but you get the picture. Statistics certainly tell a story, but to measure the success of our efforts in 2020 we'll have to look far beyond the numbers.

KIUC's board and staff resolved to meet the challenges of COVID-19 head on. It's what we do in good times and bad, and it's what will bring us out of this unique moment in history stronger and more connected than ever.

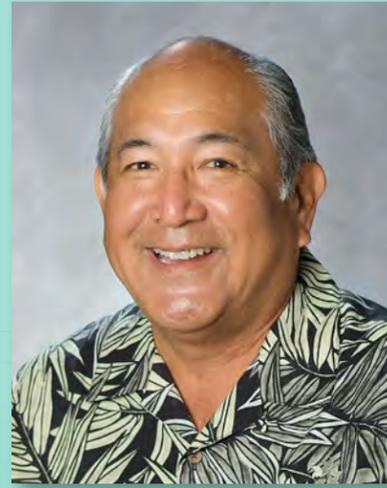
Mahalo nui loa,



Allan A. Smith  
Chairman



David J. Bissell  
President and CEO



AT A GLANCE

**259.2 MEGAWATTS (MW)**  
GENERATION CAPACITY

**74.8 MW**  
2020 PEAK DEMAND

**117 MW**  
OIL FIRED  
GENERATION CAPACITY

MILES OF LINE  
**171 MILES TRANSMISSION**  
**1,345 DISTRIBUTION**

**142.2 MW**  
RENEWABLE  
GENERATION CAPACITY

NUMBER OF METERS: **38,257**  
RESIDENTIAL: **77%**

**145.1 MILLION**  
TOTAL REVENUE 2020

**415,291**  
MEGAWATT HOURS  
SOLD IN 2020



David Bissell  
President & CEO, Kauai Island Utility Cooperative

**blue planet**

KIUC's renewable accomplishments are featured in Blue Planet Hawaii's "We are 100" campaign

Construction bids are received for the new PMRF substation



A group of students and professors from Iwate, Hosei, and Nagoya Universities, hosted by Kauai Community College, visit KIUC to learn more about the cooperative and its progress on renewables



Island school students learn about energy at Kapaia Power Station



Members from the United Nations International Labor Organization tour the AES Lāwa'i solar+storage facility

CEO David Bissell reports to the KIUC Board the cooperative is closely monitoring the Coronavirus



KIUC staff participates in Kapa'a Elementary School Career Day



KIUC staff participates in Kauai Emergency Management Agency Coronavirus meetings

KIUC's Information Technology staff sets up KIUC employees with the tools necessary for telework

A moratorium on service disconnections due to non-payment is announced for KIUC customer accounts



KIUC member services closes to walk-in traffic due to the Coronavirus pandemic

APRIL

KIUC reports achieving 56% renewable for 2019 in its renewable standards portfolio report to the Hawai'i Public Utilities Commission (PUC)



Workplace safety protocols are established to protect KIUC employees from COVID-19



KIUC personnel participates in Mayor Kawakami's Kauai Economic Recovery Strategy Team meetings



KIUC's website is enhanced to provide additional payment and billing information along with COVID-19 resources

MAY



### A Member Guide to Patronage Capital

KIUC's Board approves an early Patronage Capital retirement of \$1.24 million to members



A Paycheck Protection Program loan is approved for KIUC to buffer COVID-related revenue losses

KIUC revenues for the month are down 15% from May 2019

JUNE



KIUC's Energy Services team hosts a Kauai Chamber of Commerce webinar featuring energy saving tips for residents and businesses

Diverter installation for protection of endangered seabirds is completed in Kilauea



Line reconductoring work in Kekaha and Manā is completed to support the new PMRF substation construction

JULY



2020 Youth Tour was cancelled due to the pandemic. KIUC's delegates participated in Youth Tour Online with a weekly series of online content on leadership



KIUC conducts its first virtual Annual Membership Meeting and donates rice to Kaua'i's two food banks

KIUC and Kaua'i residents prepare for Hurricane Douglas, which thankfully minimally impacts the island



KIUC provides sponsorship support for the annual Back to School Bash hosted by Kukui Grove Shopping Center

AUGUST



SmartHub is enhanced to allow users to use GPS on their mobile device to send the location of an incident along with a photo.

The PUC approves KIUC's request to record and accrue lost gross margins (LGM) associated with the COVID-19 pandemic



KIUC's Board of Directors approves an additional \$520,000 to be spent for line configuration to protect endangered sea birds

SEPTEMBER



KIUC's Calendar of Student Art goes virtual – enabling on-line artwork submissions for the 2020 contest

KIUC's call center activity has increased by 49% from 2019



Member Services reports new SmartHub registrations are up 75% year-to-date from 2019

OCTOBER



KIUC participates in National Drive Electric Week - The Future of EV's webinar



KIUC's Makana program, which enables members to contribute to the KIUC Charitable Foundation, grows to 176 members



Energy Services donates 1,000 bulbs to Alu Like for the Kumu Kahi Elderly Program

Kaua'i's COVID Resource Directory is sent to customers with October billings

NOVEMBER



KIUC leadership meets with newly elected Congressman Kai Kahele



358 new photovoltaic installations are completed so far in 2020



KIUC employee donations to Kaua'i United Way hit all-time high of \$32,000

The Kaua'i Economic Opportunity Low Income Home Energy Assistance Program provides \$167,204 to assist 319 qualifying KIUC customer accounts

DECEMBER



Construction on a new substation at the Pacific Missile Range Facility is completed, allowing for full output from the AES PMRF solar+storage facility

KIUC logs its best annual reliability statistics to date in 2020 and achieves 67% renewable generation for the year – leading the state in both categories

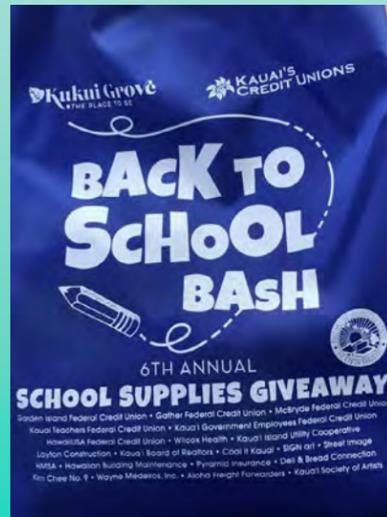
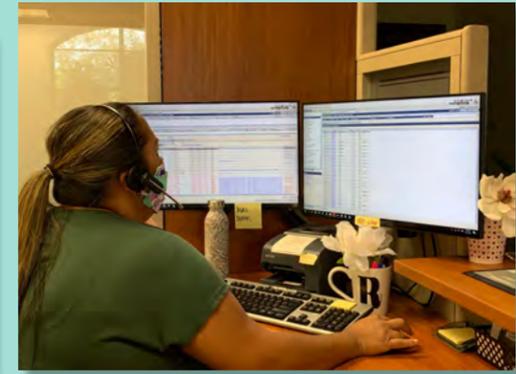


A development agreement is signed with AES Clean Energy for the West Kaua'i Energy Project, and a power purchase agreement for the pumped storage hydro project is filed with the PUC

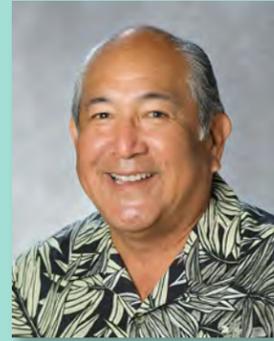


A COVID-compliant groundbreaking ceremony is held for the new \$8 million Anahola Service Center as KIUC awards the construction bids to two Kaua'i contractors

KIUC receives \$186,000 reimbursement from FEMA for expenses incurred during the April 2018 flood event



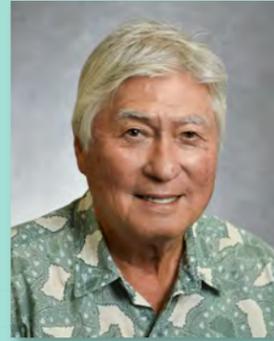
**Executive Board**



**Allan A. Smith**  
Chairman



**Jan TenBruggencate**  
Vice Chair



**Peter Yukimura**  
Treasurer



**Cal Murashige**  
Secretary

**2020 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*

**Board of Directors**



**Dee Crowell**



**David Iha**



**Janet Kass**



**Jim Mayfield**



**Phil Tacbian**

**2020 Board Committees**

**Executive**

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

**Finance & Audit**

*Chairman: Peter Yukimura*  
*Members: Janet Kass, Karissa Jonas, Jim Mayfield, Cal Murashige, Allan A. Smith*

**Government Relations/  
Legislative Affairs**

*Chairman: Phil Tacbian*  
*Members: David Bissell, David Iha, Jan TenBruggencate, Peter Yukimura*

**International**

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

**Member Relations**

*Chairman: Dee Crowell*  
*Members: Cal Murashige, Allan A. Smith, Phil Tacbian*

**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*

**2021-2022 Nominating  
Committee**

*Chairman: Dee Crowell*

**For the period 01/01/2020 through 12/31/2020**

KIUC achieved favorable financial results in 2020 despite the significant 9.9% decrease in electricity usage due to the severe economic downturn resulting from the COVID-19 pandemic. Revenues decreased 6.3% from the prior year, primarily due to reduced usage, along with lower fossil fuel prices and favorable purchase power pricing from the AES Lāwā'i solar plus storage facility.

In 2020, KIUC shifted approximately 19,923 MWh of generation from fossil fuel to renewable energy as compared to the prior year, leading the state with more than 67% renewable production. KIUC continues to pursue more renewable energy with a solar pumped storage hydro project, also known as the West Kaua'i Energy Project, which is anticipated to come on line in 2024.

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 \$145.1 million, \$137.7 million, and \$7.4 million, respectively, for the 12-month period.

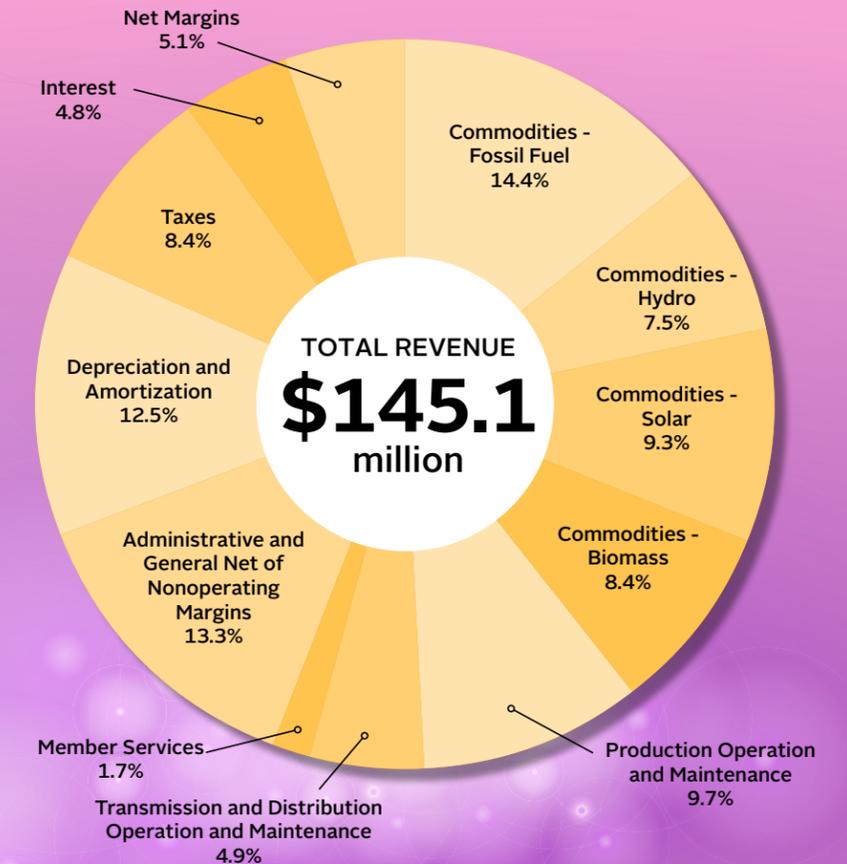
Power generation costs are KIUC's largest expense, totaling \$71.6 million or 49.3% of revenues. Commodities, which are fuel and purchased power costs, are the largest component of power generation totaling \$57.5 million. Currently, fossil fuel is the largest component of commodities, followed by solar, biomass, and hydropower. The remaining \$14.1 million represents the cost of operating and maintaining the generating units.

Expenses related to operating and maintaining the electric lines totaled \$7.0 million, while the cost of servicing our members totaled \$2.5 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 \$20.4 million.

The utility business is extremely capital intensive. KIUC's depreciation and amortization of the utility plant totaled \$18.1 million in 2020. Although not subject to federal income taxes, state and local taxes amounted to \$12.2 million last year. Interest on long-term debt, at a very favorable sub-5% interest rate, totaled \$7.0 million. Non-operating net margins added \$1.1 million to overall net margins. Revenues less total expenses equal margins of \$7.4 million or 5.1% 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 \$41.9 million to members in the form of Patronage Capital Retirements and billing credits. In 2021, KIUC will return an additional \$1.1 million in patronal capital retirements. KIUC also contributed \$56,339 to local nonprofits and community organizations in 2020.

Indirect financial benefits of \$126.5 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, and some may potentially be distributed at future dates as determined by the KIUC board.



## CONSOLIDATED BALANCE SHEET

	December 31,	
	2020	2019
<b>ASSETS</b>		
<b>UTILITY PLANT AT COST</b>		
Electric Plant in Service	\$ 569,601,287	\$ 564,460,743
Electric Plant Acquisition Cost	54,852,453	54,852,453
Accumulated Depreciation and Amortization	(335,297,183)	(320,418,964)
Net Electric Plant in Service	289,156,557	298,894,232
Construction Work in Progress	30,089,269	11,514,072
Net Utility Plant	319,245,826	310,408,304
<b>OTHER INVESTMENTS</b>		
Investments in Associated Organizations	1,811,645	1,685,096
Rural Economic Development Loans	337,500	533,624
Total Other Investments	2,149,145	2,218,720
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	17,968,559	14,965,696
Restricted Cash & Cash Equivalents	1,614,136	1,420,871
Other Investments	-	-
Accounts and Notes Receivable (Less allowance for doubtful accounts of \$879,696 in 2020 and \$90,000 in 2019)	10,881,315	10,731,858
Accrued Unbilled Revenue	7,349,891	8,186,977
Energy Rate Adjustment Clause	8,833	-
Inventories	16,334,353	15,175,032
Other Current Assets	2,012,977	2,033,572
Total Current Assets	56,170,064	52,514,006
<b>POST-RETIREMENT BENEFIT ASSET</b>	<b>13,384</b>	<b>-</b>
<b>DEFERRED DEBITS</b>	<b>27,774,550</b>	<b>17,768,525</b>
Total Assets	\$ 405,352,969	\$ 382,909,555
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Memberships	\$ 565	\$ 550
Patronage Capital	126,559,857	120,656,689
Other Equity	984,074	887,665
Post-retirement Benefit Obligation Gain (Loss)	(1,028,145)	(1,274,950)
Controlling Equity Interest	126,516,351	120,269,954
Capital Account - A&B KRS II LLC	17,827,510	18,229,782
Non-Controlling Equity Interest	17,827,510	18,229,782
Total Equities	144,343,861	138,499,736
LONG -TERM DEBT, Less Current Maturities	214,961,063	191,547,700
POSTRETIREMENT BENEFITS OBLIGATION	-	341,773
ASSET RETIREMENT OBLIGATIONS	2,740,170	2,638,910
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	14,064,298	16,638,186
Line of Credit	-	-
Accounts Payable	7,538,593	9,979,444
Energy Rate Adjustment Clause	-	239,490
Consumer Deposits	1,283,952	1,413,870
Accrued Employee Compensation	2,680,504	2,297,599
Accrued Taxes	6,221,731	7,192,948
Other Current and Accrued Liabilities	645,895	803,328
Total Current Liabilities	32,434,973	38,564,865
<b>DEFERRED CREDITS</b>	<b>10,872,902</b>	<b>11,316,571</b>
Total Liabilities and Equities	\$ 405,352,969	\$ 382,909,555

# CONSOLIDATED STATEMENT OF INCOME AND PATRONAGE CAPITAL

Year Ended December 31,

## OPERATING REVENUES

	2020	2019
Residential	\$ 59,717,210	\$ 63,200,462
Irrigation	183,919	95,379
Commercial and Industrial	75,391,161	90,488,809
Public Street and Highway Lighting	665,798	681,986
Other Operating Revenues	9,188,729	450,840
<b>Total Operating Revenues</b>	<b>145,146,817</b>	<b>154,917,476</b>

## OPERATING EXPENSES

Power Cost	71,564,840	85,048,216
Transmission - Operation	346,338	467,105
Transmission - Maintenance	727,483	662,743
Distribution - Operation	1,651,701	1,412,194
Distribution - Maintenance	4,344,278	4,173,054
Customer Accounts	2,225,091	2,006,102
Customer Service and Information	268,046	288,952
Administrative and General	20,440,998	18,577,720
Depreciation and Amortization	18,087,417	17,913,329
Taxes	12,251,285	13,096,209
Accretion Expense	101,260	96,565
Other Interest Expense	-	-
<b>Total Operating Expenses</b>	<b>132,008,737</b>	<b>143,742,189</b>

OPERATING MARGINS - Before Interest 13,138,080 11,175,287

INTEREST ON LONG-TERM DEBT 6,964,658 6,668,594

OPERATING MARGINS 6,173,422 4,506,693

## NONOPERATING MARGINS

Interest Income	798,746	1,061,091
Capital Credits	255,259	314,351
Other Nonoperating Income (Expense)	128,043	648,778
<b>Total Nonoperating Margins</b>	<b>1,182,048</b>	<b>2,024,220</b>

EXTRAORDINARY INCOME - 262

NET MARGINS 7,355,470 6,531,175

Net Loss (Margins) Attributable to Non-controlling Interest 59,272 694,531

## NET MARGINS - COOPERATIVE

**\$ 7,414,742** **\$ 7,225,706**

PATRONAGE CAPITAL - BEGINNING OF YEAR \$ 120,656,689 \$ 116,290,932

Allocation of Net Margins 7,414,742 7,225,706

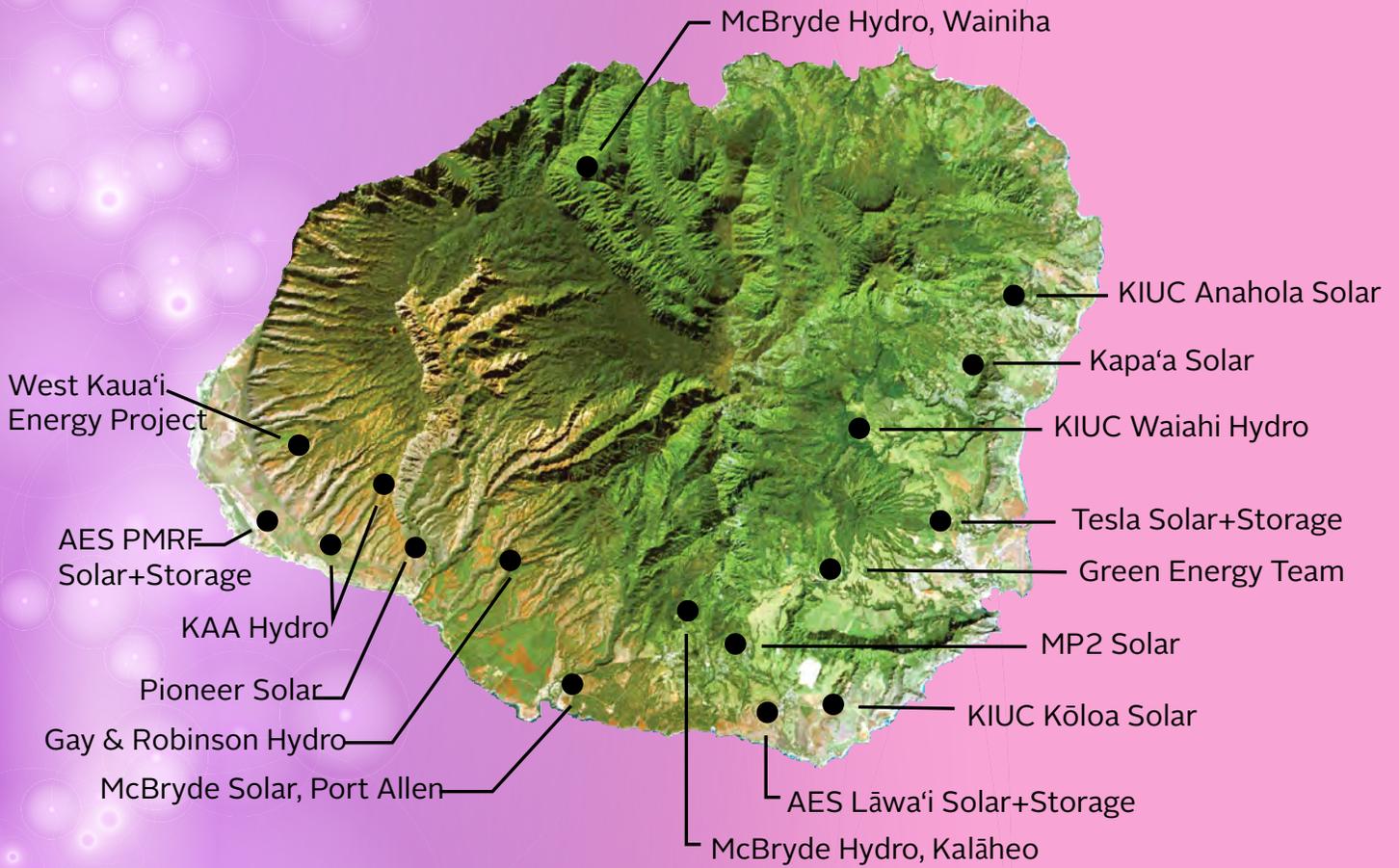
Patronage Capital Retired (1,511,574) (2,859,949)

**PATRONAGE CAPITAL - END OF YEAR** **\$ 126,559,857** **\$ 120,656,689**

## CONSOLIDATED STATEMENT OF CASH FLOWS

	December 31,	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net Margins	\$ 7,414,742	\$ 7,225,706
Adjustments to Reconcile Net Margins to Net Cash from Operating Activities		
Depreciation and Amortization	18,603,593	18,382,189
Accretion of Asset Retirement Obligation	101,260	96,565
Interest Earned on Cushion of Credit	(750,147)	(773,599)
Capital Credit Allocations	(255,259)	(314,351)
Net Margins Attributable to Non-controlling Equity Interest	(59,272)	(694,531)
Change in Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	687,629	506,056
Energy Rate Adjustment Clause	(248,323)	(517,390)
Inventories and Other Current Assets	(1,138,726)	(514,139)
Deferred Debits	(10,006,025)	(3,794,226)
Post Retirement Benefit Obligation	(108,352)	13,900
Payables and Accrued Expenses	(5,968,873)	355,828
Deferred Credits	(443,669)	(663,571)
Net Cash from Operating Activities	<u>7,828,578</u>	<u>19,308,437</u>
<b>INVESTING ACTIVITIES</b>		
Additions to Utility Plant, Net	(24,788,756)	(14,727,497)
Rural Economic Development Loans	196,124	298,855
Other Investments	128,710	5,144,820
Net Cash Used for Investing Activities	<u>(24,463,922)</u>	<u>(9,283,822)</u>
<b>FINANCING ACTIVITIES</b>		
Borrowings from Long-Term Debt	33,373,250	4,776,000
Principal Payments on Long-Term Debt	(11,783,628)	(15,739,273)
Net Activity on Line of Credit	-	-
Distribution to Non-controlling Equity Interest	(343,000)	(380,585)
Memberships	15	17
Other Equities	96,409	120,728
Retirement of Patronage Capital	(1,511,574)	(2,859,949)
Net Cash from (used for) Financing Activities	<u>19,831,472</u>	<u>(14,083,062)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	3,196,128	(4,058,447)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>16,386,567</u>	<u>20,445,014</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ <u>19,582,695</u></b>	<b>\$ <u>16,386,567</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest	6,944,069	6,668,594
Income Taxes	<u>13,129</u>	<u>12,826</u>
Noncash Investing Activities:		
Liabilities Incurred for Utility Plant Additions	<u>2,652,359</u>	<u>2,867,113</u>

# KIUC RENEWABLE MAP



	Type	MW	% of Sales
<b>Active In Use</b>			
KIUC, Kōloa	Solar	12.0	4.8
KIUC, Anahola	Solar	12.0	4.7
Green Energy Team	Biomass	6.7	11
McBryde, Port Allen	Solar	6.0	2.6
McBryde, Wainiha/Kalaheo	Hydro	6.0	4.6
KIUC, Waiahi	Hydro	1.5	0.6
Gay & Robinson, Olokele	Hydro	7.3	8.7
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	5.1
AES Lāwa'i Solar+Storage	Solar	20.0	9.9
AES PMRF Solar+Storage	Solar	14.0	.6
MP2, 'Ōma'o	Solar	0.3	0.1
Customer Solar	Solar	40.6	13.3

<b>Under Development</b>			
West Kaua'i Energy Project	Hydro	24.0	23.2

**Total Renewable Energy in Service 2020**  
**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.



*Printed on Kaua'i  
using recycled paper.*



4463 Pahe'e Street, Suite 1, Lihue, HI 96766-2000  
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# 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.