



HITTING THE TARGET

KIUC 2021 ANNUAL REPORT



Aloha!

Looking back at 2021, this was a year when KIUC truly hit the target on some key goals:

- ❖ KIUC achieved its highest ever renewable generation at 69.5%, leading the state for the third straight year and essentially meeting the Board of Directors goal of 70% renewable nine years early
- ❖ KIUC also led the state in reliability for the third year in a row, demonstrating that renewables can be successfully integrated without sacrificing reliability
- ❖ In the face of soaring oil prices, KIUC's aggressive renewable strategy significantly buffered the impact on member rates

There were many other successes during 2021, including progress on the West Kaua'i Energy Project, retirement of \$1.7 million in patronage capital credits to members, redesign of the KIUC website to offer more resources and greater ease of navigation, KIUC being named "Electric Cooperative of the Year" by the Smart Electric Power Alliance and substantial progress on construction of the new Anahola Service Center.

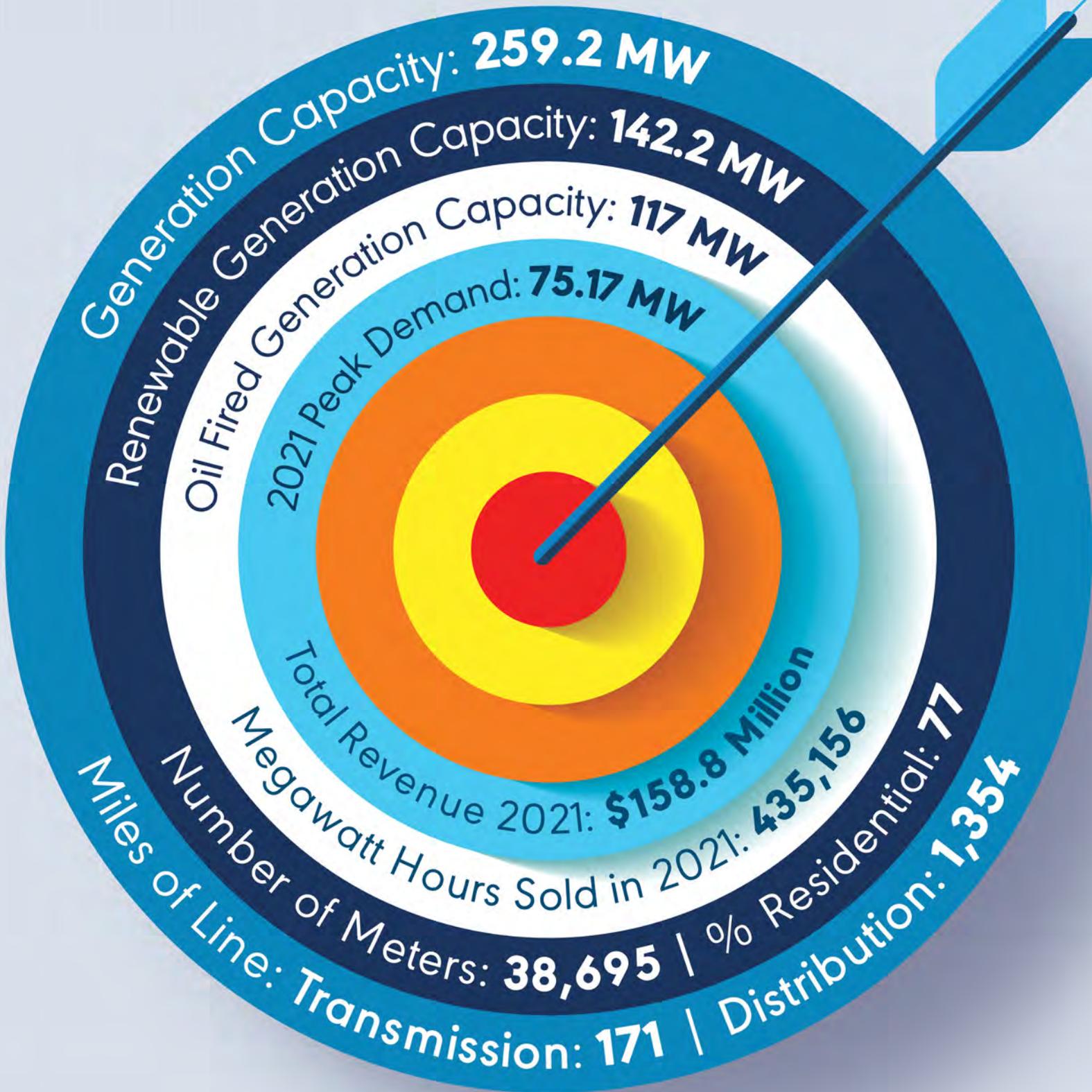
Our cooperative is exceeding its goals and leading the world in the effort to fight climate change by reducing greenhouse gas emissions. Such success requires the collective effort of our dedicated workforce, your elected Board of Directors, public and private partners, our elected officials, and of course our 34,000 members.

Mahalo for being a part of KIUC!

David J. Bissell
President and Chief Executive Officer

Allan A. Smith
Chairman of the Board





Renewable Energy

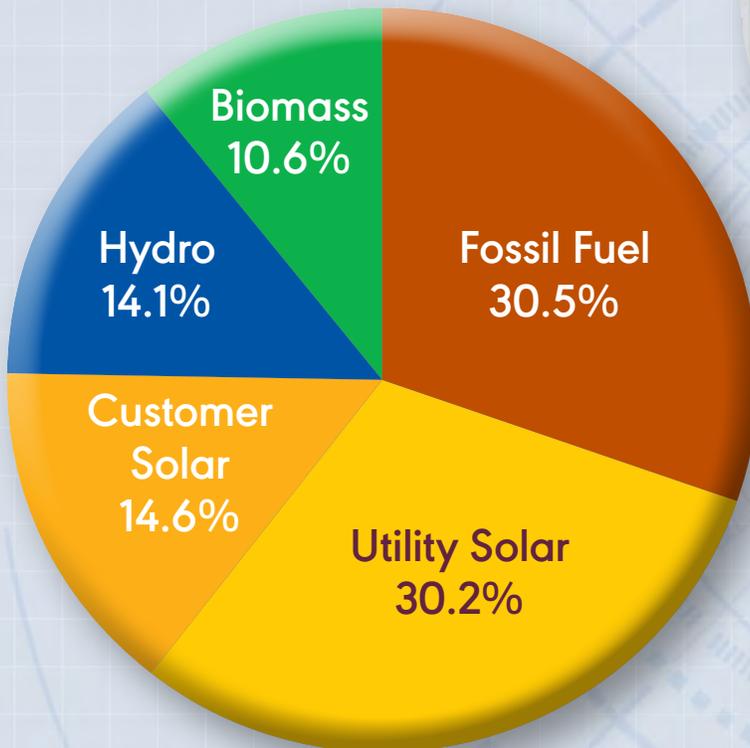
KIUC reached its highest annual renewable percentage in 2021, reporting 69.5% in its Renewable Portfolio Standard report to the Hawai'i Public Utilities Commission. This was the highest renewable percentage in the state and keeps KIUC well ahead of established renewable benchmarks:

More than double the Hawai'i State Renewable Portfolio Standard requirement of 30% for 2021.

KIUC Renewable Percentage for 2021: 69.5%.

Nine years ahead of KIUC's Strategic Goal of 70% by 2030.

2021 Fuel Mix by Source



Developing a pumped storage hydro project on Kaua'i's west side has been in discussion for nearly a decade. Kaua'i Island Utility Cooperative and The AES Corporation joined forces on a groundbreaking solar PV + Battery Energy Storage and pumped storage hydro project which will be the first of its kind in the world and is a critical component of Kaua'i's renewable energy future.

When complete, WKEP is expected to bring Kaua'i to nearly 90% renewable generation. Significant milestones achieved in 2021 included publishing of an environmental assessment and conditional approval of a power purchase agreement by the Hawai'i Public Utilities Commission.

KIUC shared information on WKEP regularly with its members via Currents Magazine, social media, news releases and email communications. Partnering with AES, KIUC also conducted community outreach activities during the year that engaged more than 500 individuals interested in learning more about WKEP.



west kaua'i energy project

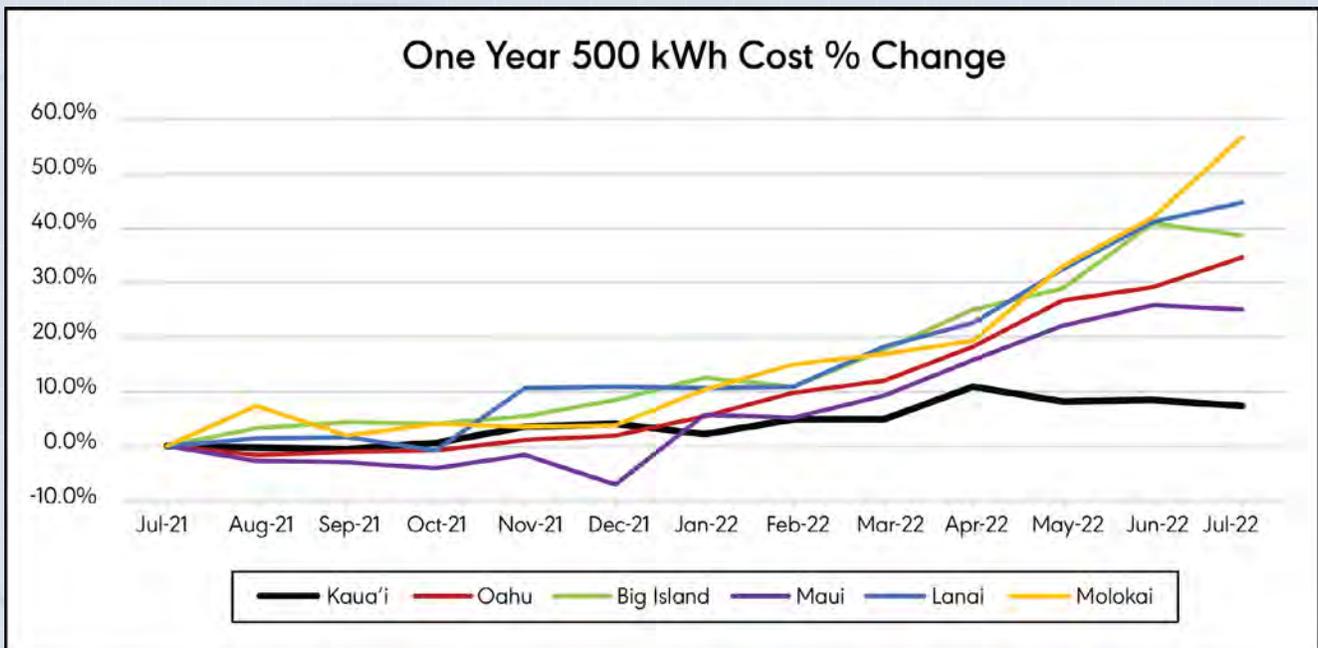
restore  renew  revitalize



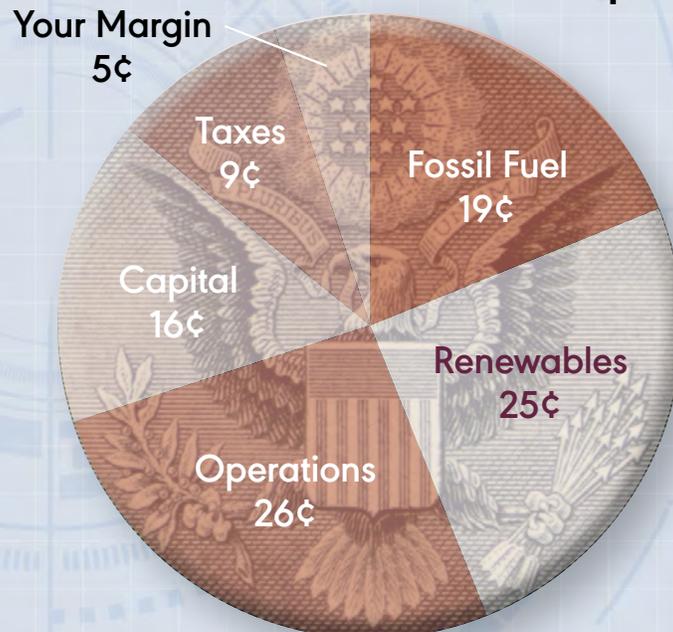
Rates

Because of the high percentage of renewables on KIUC's system, which are purchased largely through long-term power purchase agreements, KIUC achieved substantial rate stability in 2021 in the wake of skyrocketing oil prices.

While KIUC's rates rose roughly 5% compared to 2020 rates, the rest of the state experienced rate increases approaching 30%.



How Your KIUC Dollar is Spent



Reliability

KIUC led the State of Hawai'i in reliability for the third straight year in 2021.

- ❖ Average system availability: 99.9852%
- ❖ Exceeded KIUC Strategic Target of 99.96%
- ❖ Average outage hours per customer: 1.3



Community Support



First Lady addresses the KIUC Charitable Foundation re 'Ohana Readers Program



Hawai'i Foodbank Kaua'i Branch donation



Kaua'i Independent Food Bank donation



Kaua'i United Way Donation - \$27,400



Waimea Canyon Middle School picnic table project



Kekaha Pumpkin and Food Giveaway

Donations in 2021

- \$24,000 - Sharing of Aloha grants
- \$78,000 - Community support and sponsorships
- \$17,443 - KIUC Charitable Foundation



Protecting Endangered Species

KIUC continues to comply with its Habitat Conservation Plan and collaborates with the US Fish and Wildlife Service, Department of Land and Natural Resources, Division of Forestry and Wildlife and other agencies to minimize and mitigate our impact on Kaua'i's endangered seabird population.

Ten years ago, KIUC began installing diverters, removing static wire and reconfiguring lines shown to have impacts. Throughout 2020 and 2021, an extensive plan to minimize impacts was conducted. When complete in 2023, approximately 57 miles of line will be altered to reduce powerline collisions and bird strikes are expected to decrease by as much as 65%.

KIUC has spent more than \$43 million over the years implementing its HCP and working with consultants, community groups, wildlife agencies, and government regulators on endangered species issues and programs.



Tens of thousands of reflective and LED diverters have been installed by drones on line spans throughout the island, in strategic locations identified by species expert biologists based on collision data.





2021 KIUC Board of Directors above from left:
 Jim Mayfield, Peter Yukimura, David Iha,
 Cal Murashige, Allan A. Smith,
 Jan Tenbruggencate, Dee Crowell, Janet Kass
 and Phil Tacbian.

2021 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

2021 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

2021-2022 Nominating Committee

Chairman: Dee Crowell

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



Summary of Operations

For the period 01/01/2021 through 12/31/2021

Like many businesses on Kaua'i, in 2021 KIUC experienced improved financial results and a partial recovery of its sales from the COVID-19 pandemic levels. Electricity usage on the island increased 5% from the prior year due to the lifting of many of the coronavirus pandemic restrictions and the return of tourism to the island. The increase in electricity usage coupled with increased fuel costs, resulted in a 9% increase in revenues from the prior year.

In 2021, KIUC increased renewable energy generation 17,217 MWh as compared to the prior year, leading the state with more than 69.5% 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 come on line in 2025.

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 \$158.8 million, \$150.5 million, and \$8.3 million, respectively, for the 12-month period.

Power generation costs are KIUC's largest expense, totaling \$82.5 million or 52.0% of revenues. Commodities, which are fuel and purchased power costs, are the largest component of power generation totaling \$69.2 million. Currently, fossil fuel is the largest component of commodities, followed by solar, biomass, and hydropower. The remaining \$13.3 million represents the cost of operating and maintaining the generating units.

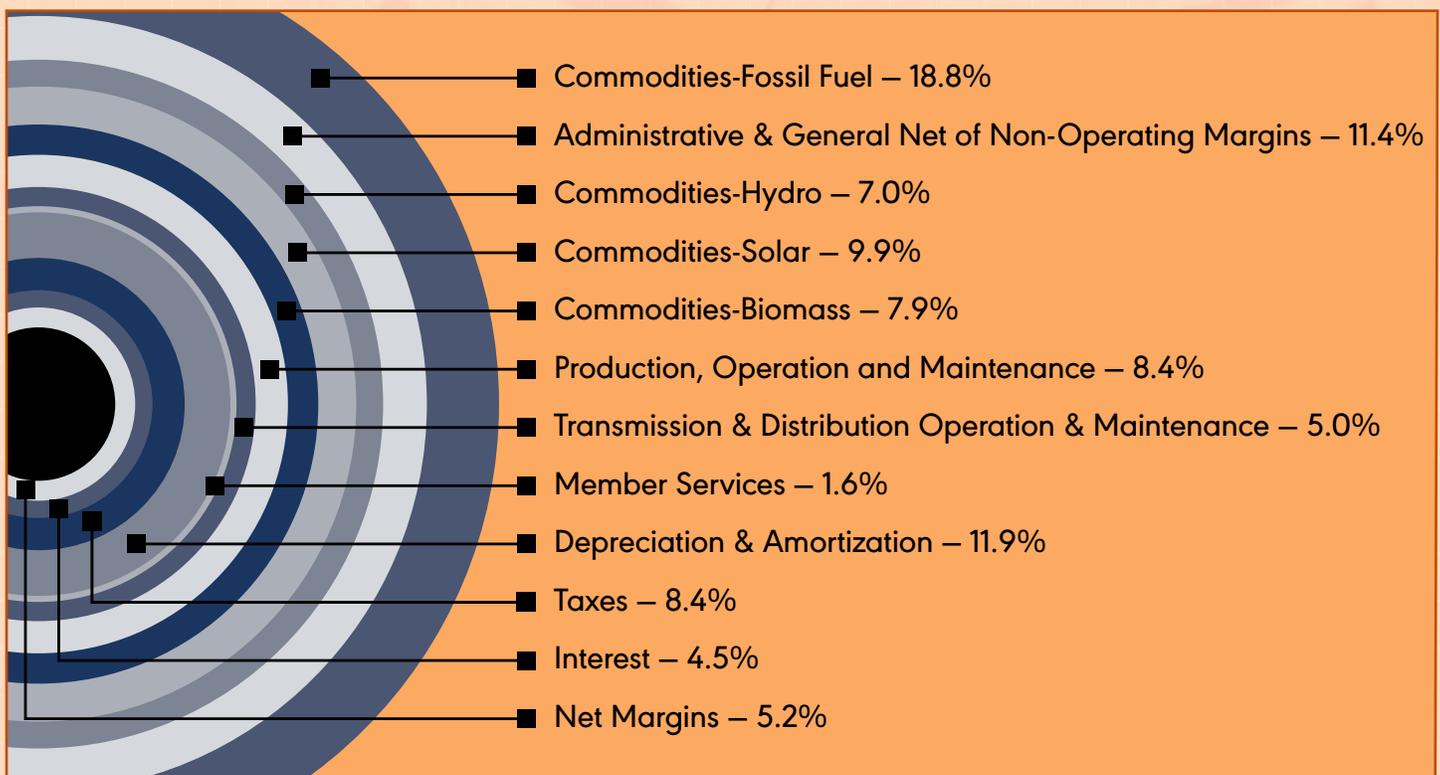
Expenses related to operating and maintaining the electric lines totaled \$8.0 million, while the cost of servicing our members

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 \$20.1 million.

The utility business is extremely capital intensive. KIUC's depreciation and amortization of the utility plant totaled \$18.8 million in 2021. Although not subject to federal income taxes, state and local taxes amounted to \$13.4 million last year. Interest on long-term debt, at a very favorable sub-5% interest rate, totaled \$7.2 million. Non-operating net margins, which includes SBA PPP loan forgiveness, added \$2.0 million to overall net margins. Revenues less total expenses equal margins of \$8.3 million or 5.2% 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 \$43.2 million to members in the form of Patronage Capital Retirements and billing credits. In 2022, KIUC will return an additional \$1.7 million in patronal capital retirements. KIUC also contributed \$52,806 to local nonprofits and community organizations in 2021.

Indirect financial benefits of \$133.6 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,

ASSETS

UTILITY PLANT AT COST

| | | | | |
|---|----|---------------|----|---------------|
| Electric Plant in Service | \$ | 601,314,359 | \$ | 569,601,287 |
| Electric Plant Acquisition Cost | | 54,852,453 | | 54,852,453 |
| Accumulated Depreciation and Amortization | | (348,254,760) | | (335,297,183) |
| Net Electric Plant in Service | | 307,912,052 | | 289,156,557 |
| Construction Work in Progress | | 11,836,079 | | 30,089,269 |
| Net Utility Plant | | 319,748,131 | | 319,245,826 |

OTHER INVESTMENTS

| | | | | |
|---|--|-----------|--|-----------|
| Investments in Associated Organizations | | 1,939,951 | | 1,811,645 |
| Rural Economic Development Loans | | 607,500 | | 337,500 |
| Total Other Investments | | 2,547,451 | | 2,149,145 |

CURRENT ASSETS

| | | | | |
|---|--|------------|--|------------|
| Cash & Cash Equivalents | | 23,160,983 | | 17,968,559 |
| Restricted Cash & Cash Equivalents | | 1,647,885 | | 1,614,136 |
| Other Investments | | 5,000,000 | | - |
| Accounts and Notes Receivable (Less allowance for doubtful accounts of \$569,999 in 2021 and \$879,696 in 2020) | | 12,039,505 | | 10,881,315 |
| Accrued Unbilled Revenue | | 8,871,471 | | 7,349,891 |
| Energy Rate Adjustment Clause | | - | | 8,833 |
| Inventories | | 19,059,947 | | 16,334,353 |
| Other Current Assets | | 2,964,115 | | 2,012,977 |
| Total Current Assets | | 72,743,906 | | 56,170,064 |

POST-RETIREMENT BENEFIT ASSET

| | | | | |
|--|--|---------|--|--------|
| | | 214,503 | | 13,384 |
|--|--|---------|--|--------|

DEFERRED DEBITS

| | | | | |
|--------------|----|-------------|----|-------------|
| Total Assets | \$ | 429,543,796 | \$ | 405,352,969 |
|--------------|----|-------------|----|-------------|

EQUITIES AND LIABILITIES

EQUITIES

| | | | | |
|--|----|-------------|----|-------------|
| Memberships | \$ | 583 | \$ | 565 |
| Patronage Capital | | 133,560,252 | | 126,559,857 |
| Other Equity | | 1,048,231 | | 984,074 |
| Post-retirement Benefit Obligation Gain (Loss) | | (864,936) | | (1,028,145) |
| Controlling Equity Interest | | 133,744,130 | | 126,516,351 |
| Capital Account - A&B KRS II LLC | | 17,775,258 | | 17,827,510 |
| Non-Controlling Equity Interest | | 17,775,258 | | 17,827,510 |
| Total Equities | | 151,519,388 | | 144,343,861 |

LONG-TERM DEBT, Less Current Maturities

| | | | | |
|--|--|-------------|--|-------------|
| | | 226,146,530 | | 214,961,063 |
|--|--|-------------|--|-------------|

ASSET RETIREMENT OBLIGATIONS

| | | | | |
|--|--|-----------|--|-----------|
| | | 2,846,406 | | 2,740,170 |
|--|--|-----------|--|-----------|

CURRENT LIABILITIES

| | | | | |
|---------------------------------------|--|------------|--|------------|
| Current Maturities of Long-Term Debt | | 14,422,637 | | 14,064,298 |
| Accounts Payable | | 9,668,620 | | 7,538,593 |
| Energy Rate Adjustment Clause | | 626,354 | | - |
| Consumer Deposits | | 1,367,898 | | 1,283,952 |
| Accrued Employee Compensation | | 2,714,642 | | 2,680,504 |
| Accrued Taxes | | 7,426,175 | | 6,221,731 |
| Other Current and Accrued Liabilities | | 1,516,527 | | 645,895 |
| Total Current Liabilities | | 37,742,853 | | 32,434,973 |

DEFERRED CREDITS

| | | | | |
|--|--|------------|--|------------|
| | | 11,288,619 | | 10,872,902 |
|--|--|------------|--|------------|

| | | | | |
|--------------------------------|----|-------------|----|-------------|
| Total Liabilities and Equities | \$ | 429,543,796 | \$ | 405,352,969 |
|--------------------------------|----|-------------|----|-------------|



Consolidated Statement of Income and Patronage Capital

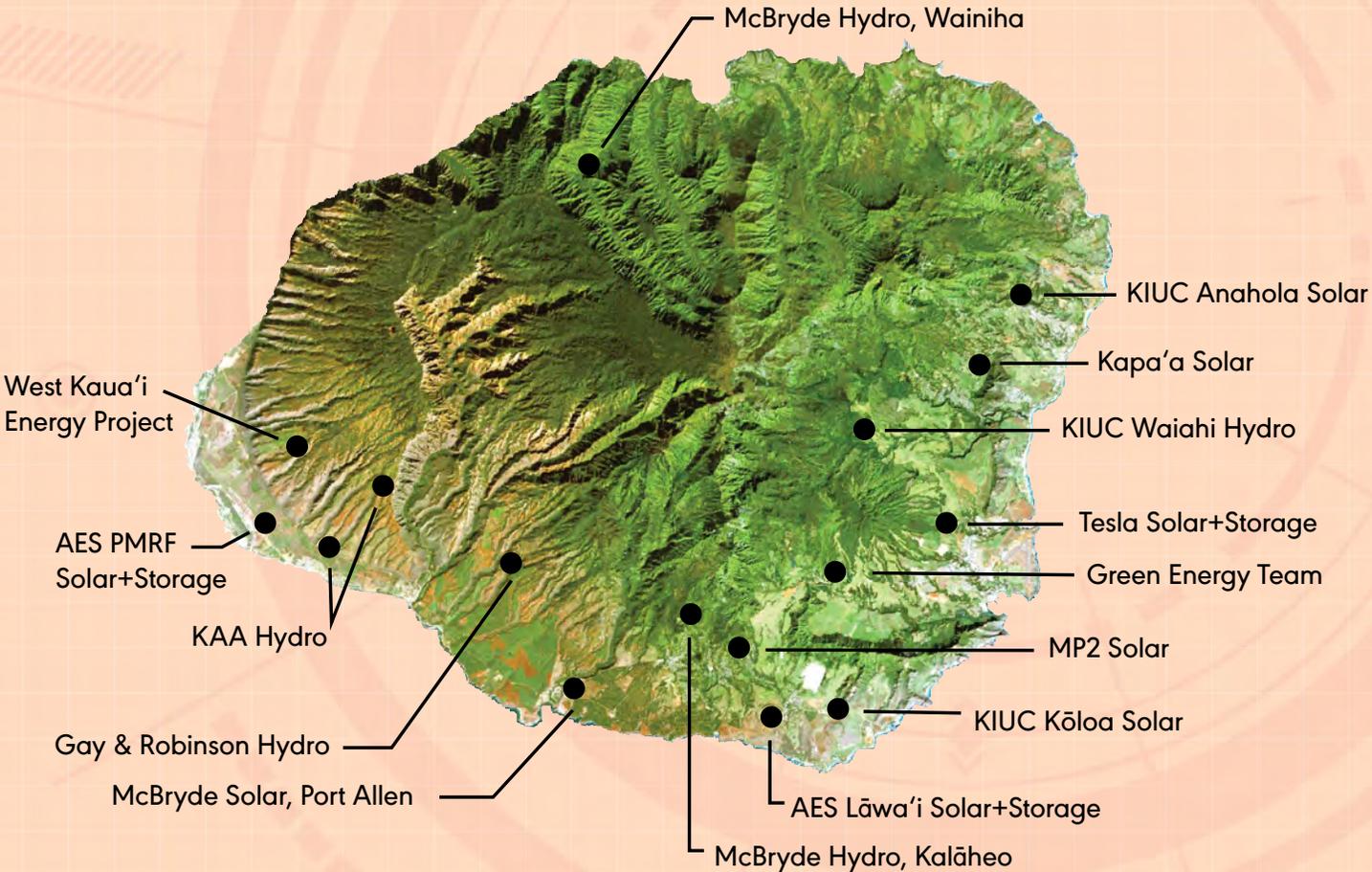
| | Year Ended December 31, | |
|---|-------------------------|-----------------------|
| | 2021 | 2020 |
| OPERATING REVENUES | | |
| Residential | \$ 67,665,717 | \$ 59,717,210 |
| Irrigation | 177,137 | 183,919 |
| Commercial and Industrial | 85,127,144 | 75,391,161 |
| Public Street and Highway Lighting | 683,855 | 665,798 |
| Other Operating Revenues | 5,133,601 | 9,188,729 |
| Total Operating Revenues | <u>158,787,454</u> | <u>145,146,817</u> |
| OPERATING EXPENSES | | |
| Power Cost | 82,538,182 | 71,564,840 |
| Transmission - Operation | 483,850 | 346,338 |
| Transmission - Maintenance | 980,318 | 727,483 |
| Distribution - Operation | 1,727,764 | 1,651,701 |
| Distribution - Maintenance | 4,803,586 | 4,344,278 |
| Customer Accounts | 2,203,646 | 2,225,091 |
| Customer Service and Information | 272,391 | 268,046 |
| Administrative and General | 20,137,954 | 20,440,998 |
| Depreciation and Amortization | 18,808,331 | 18,087,417 |
| Taxes | 13,373,251 | 12,251,285 |
| Accretion Expense | 106,236 | 101,260 |
| Total Operating Expenses | <u>145,435,509</u> | <u>132,008,737</u> |
| OPERATING MARGINS - Before Interest | 13,351,945 | 13,138,080 |
| INTEREST ON LONG-TERM DEBT | <u>7,210,177</u> | <u>6,964,658</u> |
| OPERATING MARGINS | 6,141,768 | 6,173,422 |
| NONOPERATING MARGINS | | |
| Interest Income | 492,373 | 798,746 |
| Capital Credits | 240,619 | 255,259 |
| Other Nonoperating Income (Expense) | 1,409,090 | 128,043 |
| Total Nonoperating Margins | <u>2,142,082</u> | <u>1,182,048</u> |
| NET MARGINS | <u>8,283,850</u> | <u>7,355,470</u> |
| Net Loss (Margins) Attributable to Non-controlling Interest | 13,002 | 59,272 |
| NET MARGINS - COOPERATIVE | <u>\$ 8,296,852</u> | <u>\$ 7,414,742</u> |
| PATRONAGE CAPITAL - BEGINNING OF YEAR | \$ 126,559,857 | \$ 120,656,689 |
| Allocation of Net Margins | 8,296,852 | 7,414,742 |
| Patronage Capital Retired | <u>(1,296,457)</u> | <u>(1,511,574)</u> |
| PATRONAGE CAPITAL - END OF YEAR | <u>\$ 133,560,252</u> | <u>\$ 126,559,857</u> |



Consolidated Statement of Cash Flows

| | December 31, | |
|---|-----------------------------|-----------------------------|
| | 2021 | 2020 |
| OPERATING ACTIVITIES | | |
| Net Margins | \$ 8,296,852 | \$ 7,414,742 |
| Adjustments to Reconcile Net Margins to Net Cash from | | |
| Operating Activities | | |
| Depreciation and Amortization | 19,347,205 | 18,603,593 |
| Accretion of Asset Retirement Obligation | 106,236 | 101,260 |
| Interest Earned on Cushion of Credit | (444,499) | (750,147) |
| Capital Credit Allocations | (240,619) | (255,259) |
| Net Margins Attributable to Non-controlling Equity Interest | (13,002) | (59,272) |
| Forgiveness of PPP Loan | (2,881,250) | - |
| Change in Assets and Liabilities: | | |
| Accounts Receivable and Unbilled Revenue | (2,679,770) | 687,629 |
| Energy Rate Adjustment Clause | 635,187 | (248,323) |
| Inventories and Other Current Assets | (3,676,732) | (1,138,726) |
| Deferred Debits | (6,515,255) | (10,006,025) |
| Post Retirement Benefit Obligation | (37,910) | (108,352) |
| Payables and Accrued Expenses | 869,525 | (5,968,873) |
| Deferred Credits | 415,717 | (443,669) |
| Net Cash from Operating Activities | <u>13,181,685</u> | <u>7,828,578</u> |
| INVESTING ACTIVITIES | | |
| Additions to Utility Plant, Net | (16,395,848) | (24,788,756) |
| Rural Economic Development Loans | (270,000) | 196,124 |
| Other Investments | (4,887,687) | 128,710 |
| Net Cash Used for Investing Activities | <u>(21,553,535)</u> | <u>(24,463,922)</u> |
| FINANCING ACTIVITIES | | |
| Borrowings from Long-Term Debt | 26,008,000 | 33,373,250 |
| Principal Payments on Long-Term Debt | (11,138,445) | (11,783,628) |
| Distribution to Non-controlling Equity Interest | (39,250) | (343,000) |
| Memberships | 18 | 15 |
| Other Equities | 64,157 | 96,409 |
| Retirement of Patronage Capital | (1,296,457) | (1,511,574) |
| Net Cash from (used for) Financing Activities | <u>13,598,023</u> | <u>19,831,472</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | 5,226,173 | 3,196,128 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>19,582,695</u> | <u>16,386,567</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ <u>24,808,868</u> | \$ <u>19,582,695</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for: | | |
| Interest | <u>6,353,630</u> | <u>6,944,069</u> |
| Income Taxes | <u>10,833</u> | <u>13,129</u> |
| Noncash Investing Activities: | | |
| Liabilities Incurred for Utility Plant Additions | <u>3,453,662</u> | <u>2,652,359</u> |
| Noncash Operating Activities: | | |
| Forgiveness of PPP Loan | <u>2,881,250</u> | <u>-</u> |





| | Type | MW | % of Sales |
|----------------------------|---------|------|------------|
| Active In Use | | | |
| KIUC, Kōloa | Solar | 12.0 | 4.6 |
| KIUC, Anahola | Solar | 12.0 | 4.6 |
| Green Energy Team | Biomass | 6.7 | 10.6 |
| McBryde, Port Allen | Solar | 6.0 | 2.5 |
| McBryde, Wainiha/Kalaheo | Hydro | 6.0 | 4.2 |
| KIUC, Waiahi | Hydro | 1.5 | 0.7 |
| Gay & Robinson, Olokele | Hydro | 7.3 | 8.9 |
| KAA, Waimea/Kekaha | Hydro | 1.5 | 0.4 |
| Kapa'a Solar | Solar | 1.0 | 0.4 |
| Tesla Solar+Storage | Solar | 13.0 | 3.8 |
| AES Lāwa'i Solar+Storage | Solar | 20.0 | 8.6 |
| AES PMRF Solar+Storage | Solar | 14.0 | 5.5 |
| MP2, 'Ōma'o | Solar | 0.3 | 0.1 |
| Customer Solar | Solar | 40.6 | 14.6 |
| Under Development | | | |
| West Kaua'i Energy Project | Hydro | 24.0 | 23.2 |

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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