

**SPECIAL MEETING OF THE BOARD OF DIRECTORS  
KAUAI ISLAND UTILITY COOPERATIVE**

Held at 4463 Pahe`e Street

Lihu`e, Kaua`i, Hawai`i

On February 22, 2018

**MINUTES**

**Call to order at 12:30 pm.**

**1. Roll Call**

- 1.1 **Present:** Directors Allan Smith (Chairman), Patrick Gegen, David Iha (via conference call), James Mayfield, Teofilo Tachian, Jan TenBruggencate (Vice Chair), and Peter Yukimura (Treasurer); and David Bissell (President and CEO). A quorum of directors was present.
- 1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO), Maile Alfiler (Member Services Mgr.), and Pua Chin (Executive Administrator).
- 1.3 **Excused:** Directors Calvin Murashige (Secretary) and Dee Crowell

**2. Approval of Agenda -** The agenda was approved as circulated.

**3. Public Testimony –** None.

**4. Approval of Minutes**

- 4.1 On a motion by Director TenBruggencate, seconded by Director Gegen, the minutes of the 1/30/2018 Regular and Executive Session were approved as circulated.

**5. New Business.**

- 5.1 Director Gegen made a motion to approve the following items action items which were discussed at the Tuesday, February 20, 2018 Regular Board meeting and deferred for action to today's meeting:
  - 5.1.1 Former Substation Land Sale (F&A, Action Item)
  - 5.1.2 PMRF Substation (F&A, Action Item)
  - 5.1.3 2017 Corporate Performance Results (F&A, Action Item)
  - 5.1.4 2018 Corporate Performance Targets (F&A, Action Item)
  - 5.1.5 Board Policy No. 11, Patronage Capital Credit Assignment and Retirement Management (Policy, Action Item)
  - 5.1.6 Board Policy No. 13, Community and Economic Development (Policy, Action Item)
  - 5.1.7 KIUC PAC (GRLA, Action Item)

- 5.2 Director Gegen then amended his motion to exclude approval of the 2017 Corporate Performance Results (4.1.3) and the 2018 Corporate Performance Targets (4.1.4) and take these up for decision making in Executive Session.
- 5.3 On a second by Director TenBruggencate the amended motion carried 7-0-2 (Crowell and Murashige excused).

IN FAVOR:	Gegen, Iha, Mayfield, Smith, Tacbian TenBruggencate & Yukimura	Total – 7
OPPOSED:	None	Total – 0
EXCUSED:	Crowell, Murashige	Total – 2

6. **Executive Session.** At 12:35 pm, the Board entered into an Executive Session closed to the public on matters limited to those specified in Section II. A. 2. of Board Policy No. 16. The items to be discussed in the Executive Session are matters of a proprietary or financial nature, public disclosure of which could affect on-going or potential negotiations or legal or administrative proceedings and human resource issues related to the hiring, evaluating, dismissing or disciplining an officer or employee and a matter requiring legal consultation on issues pertaining to the powers, duties, privileges, immunities and liabilities of the Board of Directors.

7. **Decision Making.**

- 7.1 The open session of the Meeting was reconvened at 12:50 p.m. and upon the motion of Director TenBruggencate and the second of Director Mayfield, the following decisions made in Executive Session were ratified by all Directors present:
  - 7.1.1 The decision to approve the 2017 Corporate Performance Results
  - 7.1.2 The decision to approve the 2018 Corporate Performance Targets
  - 7.1.3 The decision to approve the CEO’s 2017 annual evaluation.

8. **Adjournment.**

- 8.1 The meeting was adjourned by unanimous consent at 12:51 p.m.

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Kathleen Chin  
Recording Secretary

**KAUA'I ISLAND UTILITY COOPERATIVE  
BOARD POLICY NO. 11  
(Revised ~~02/23/2016~~02/xx/2018)**

**PATRONAGE CAPITAL ALLOCATION AND RETIREMENT POLICY**

**I. PURPOSE OF POLICY:**

It is the goal of the Board of Directors of Kaua'i Island Utility Cooperative ("KIUC") to allocate and retire capital credits annually. This Patronage Capital Allocation and Retirement Policy is intended to allow all allocations and retirements of KIUC Capital Credits to be made in accordance with Article VII of the Seventh Revised and Restated By-laws of KIUC or the successor to said Article VII, and consistent with KIUC's current Equity Management Plan (EMP) as approved by the Board.

**II. POLICY CONTENT:**

KIUC is an electric cooperative organized under the provisions of the Chapter 421C of the Hawaii Revised Statutes. It is exempt from federal income taxes under the provisions of Section 501 of the Internal Revenue Code of 1954 as amended. Article VII of KIUC's Bylaws establishes certain requirements concerning the accounting for patronage capital furnished by ~~owner-members~~member-owners. KIUC's policy concerning the allocation and retirement of patronage capital provided by ~~owner-members~~member-owners is as follows:

- A. Allocation of Margins as Patronage Capital Credits: No later than August 15 of each year, KIUC shall mail to the last known address of each member-owner from whom patronage was received in the preceding year, a statement showing the amount of patronage received and the amount of patronage capital credited to each

member's account as a result of such patronage, provided that such statements shall not be required for years in which:

1. KIUC fails to earn assignable margins as defined in Article VII of the Bylaws; or
2. The amount of assignable margins earned is determined to be insufficient to warrant the assignment of patronage capital credits and issuance of statements.

- B. Carry Forward of Unassigned Patronage Capital: If, pursuant to Section A.2 above, no assignable margins for a given year are assigned to the patronage capital credit accounts of KIUC's active member-owners during that year, said margins will be combined with those of the following year for assignment to member-owners providing patronage to the KIUC in the following year in proportion to that patronage.
- C. Retirement of Patronage Capital Credits: On an annual basis, the Board of Directors will authorize the retirement amount and method to be used for any capital credit allocations for the prior year. Such retirement amount and method will be consistent with KIUC's EMP.
- D. Compliance with Mortgage Requirements: KIUC shall at all times seek to fully comply with the various provisions of its long-term debt instruments with regard to the retirement of patronage capital.
- E. Payments to Estates: To the extent such action does not conflict with the provisions of KIUC's Bylaws or long-term debt instruments, KIUC will pay capital credits to the estates of deceased member-owners under the following conditions:

1. The deceased member-owner must have been a natural person;
2. The deceased member-owner must have been the sole owner of the capital credits to be retired. Patronage capital credits will not be paid to estates of deceased member-owners when the account was owned jointly with a surviving member-owner.
3. Requests for payment of a deceased member-owner's patronage capital credits must be submitted in writing by the personal representative of the deceased member-owner's estate, and must be accompanied by appropriate documentation as required by KIUC;
4. Any discounted patronage capital credits issued to estates as aforesaid shall be discounted using the following assumptions:
  - a. For purposes of discounting only, KIUC will assume that payments of patronage capital credits would have been made in equal installments over a period of years to be determined annually by the Board after issuance of its annual audit report.
  - b. KIUC will use a discount rate to be determined annually by the Board after issuance of its annual audit report at the same time as determining item II. E. 4. a. above using the Goodwin Formula previously approved by the Board by motion on May 30, 2006.
5. To the extent it can be determined, discounted patronage capital credits paid to estates will be for the decedent's residence only. No patronage capital

credits earned on commercial meters and discounted as set out above will be paid to a deceased member-owner's estate.

6. The portion of any deceased member-owner's patronage capital account retained by KIUC after any discounted patronage capital refund is made to a deceased member-owner's estate as aforesaid shall become permanent capital of KIUC.
  7. The Board will not approve the retirement of more than two hundred thousand dollars (\$200,000.00) in patronage capital credits to the estates of deceased patrons in a given year. In the event a request for payment is denied or only partially paid due to the two hundred thousand dollars (\$200,000.00) limitation, the portion of such amount not paid in full that year will be paid during the following year prior to acting upon any later received requests for payment.
- F. Minimum Check Amount: Except in the case of retirements of patronage capital credits to the estates of deceased patrons, KIUC will not issue retirement checks in amounts less than ten dollars (\$10.00).
- G. Patronage Capital Credits from Associated Organizations: Except insofar as KIUC's Bylaws may require the application of such items to offset losses incurred in the current or prior fiscal years, patronage capital credits received by KIUC from associated organizations will not be segregated or otherwise treated differently from the remaining assignable margins of KIUC.



- H. Method of Payment: Patronage capital credits may be retired by the issuance of checks, credit to member accounts, or by application to current outstanding balances due KIUC as determined by the Board.
- I. Collection of Delinquent Accounts: No payment in retirement of a member-owner's or deceased member-owner's capital credits shall be made unless KIUC's records shall have first been reviewed to determine whether such member-owner or deceased member-owner owes any outstanding sums to KIUC. To the extent such member-owner owes any outstanding sums to KIUC, any patronage capital credits to be retired shall be applied by way of set-off to such sums, and no check shall be issued to the member-owner or deceased member-owner's estate until the amount owing KIUC shall have been paid in full.

**III. RESPONSIBILITY**

- A. KIUC's President/CEO shall be responsible for the implementation of this policy.
- B. KIUC's Board is responsible for the annual determinations required of the Board by this Policy.

Adopted on this ~~23<sup>rd</sup>~~-20th day of **February**, 2018~~46~~.

~~Teofilo Taebian~~ Calvin Murashige, Secretary

Reviewed: 02/xx/2018  
Reviewed: 02/23/2016  
Reviewed: 03/18/2014  
Revised: 06/28/2011  
Revised: 08/31/2005  
Original Adoption: 2003

**KAUAI ISLAND UTILITY COOPERATIVE  
BOARD POLICY NO. 13  
(Reviewed ~~03/22/2016~~02/xx/2018)**

**COMMUNITY AND ECONOMIC DEVELOPMENT**

**PURPOSE OF POLICY:**

It shall be the policy of Kauai Island Utility Cooperative ("KIUC") to foster and participate in the community and economic development of the County of Kauai. To further that policy, it is necessary to provide consistent guidelines for application of KIUC's community and economic development programs.

**POLICY CONTENT:**

**A. Objectives**

The objectives of KIUC's Community and Economic Development Policy are:

1. To participate in community and economic development efforts by:
  - a. Creating and retaining jobs
  - b. Diversification of the economy
  - c. Improving the skills of the workforce
  - d. Upgrading the public infrastructure
2. To keep members, employees and the general public informed about the Cooperative's community and economic development activities.
3. To encourage local community involvement in community and economic development activities.
4. To enhance the quality of life in KIUC's service areas through community development.
5. To enlist the partnership of federal, state, local, public and private organizations in KIUC's community and economic development efforts. These organizations include: the USDA Rural Utility Services (RUS) and Rural Development, National Rural Electric Cooperative Association (NRECA), National Rural Economic Development Association (NREDA), and other federal, state, local, public and private organizations.

**B. Policy**

It is the Community and Economic Development Policy of KIUC to:



1. Provide loans via the Rural Economic Development Loan and Grant Program (REDLG) to promote rural economic development and/or job creation projects, including, but not limited to, project feasibility studies, start-up costs, business incubator projects, and other reasonable expenses for the purpose of fostering rural economic development.
2. Use the following criteria for its participation in community and economic development projects:
  - a. Be the provider of electric service to all of its economic development projects and community development projects requiring electric service within its service area.
  - b. Require sufficient supporting documentation to determine the overall feasibility of a particular community development or economic development project.
  - c. Require all projects to have the support of the local community. KIUC's financial participation ~~should will~~ not exceed that of the local community.

**RESPONSIBILITIES:**

- A. The Board of Directors is responsible for the approval and periodic review of this policy. The Board of Directors shall approve the financial participation of KIUC in any of the economic development programs.
- B. The President and CEO is responsible for the administration of this policy and for recommending to the Board of Directors any changes or additions to this policy. The policy is meant to provide guidelines for management to use when negotiating KIUC's participation in community and economic development projects prior to bringing the proposed project to the Board for its approval.

Adopted on this ~~22<sup>nd</sup>~~-~~20th~~ day of ~~March~~~~February~~, 20~~16~~~~8~~.

~~Teofilo Taebian~~Calvin Murashige  
Secretary

~~Reviewed: 02/xx/2018~~  
Reviewed: 03/22/2016  
Reviewed: 04/29/2014  
Revised: 10/25/2011  
Revised: 05/27/2008  
Original Adoption: 07/28/2004