

**15<sup>TH</sup> ANNUAL MEETING OF THE MEMBERS  
OF THE  
KAUAI ISLAND UTILITY COOPERATIVE**

Held at Kauai War Memorial Convention Hall

Līhu'e, Kaua'i, Hawai'i

July 27, 2017

**MINUTES**

**1. Call to order and roll call.**

1.1 The meeting was called to order at 6:00 p.m.

1.2 **Directors Present:** Allan Smith (Chair), Dee Crowell, Patrick Gegen, James Mayfield, Jan TenBruggencate (Vice Chair), Teofilo Tacbian, and Peter Yukimura (Treasurer).

1.3 **In attendance:** David Bissell (CEO & President); Karissa Jonas (CFO & Financial VP), and General Counsel Laurel Loo); KIUC Members (150 approximately); numerous KIUC staff; and Members of the Press

1.4 **Excused:** Directors David Iha and Calvin Murashige (Secretary)

2. **Welcome** – Board Chair Allan Smith thanked Kupa'oa for their music before to the meeting. Special guests were recognized including State Representatives Dee Morikawa and James Tokioka; Senate President, Ron Kouchi; Mayor Bernard Carvalho Jr.; Carrice Caspillo Gardner, Gov. David Ige's Kauai liaison; Kaliko Santos of OHA; and Ben Sullivan, former KIUC Director and Energy and Sustainability Manager; Kauai County Council Member and former KIUC Director, Derek Kawakami; and Kauai County Council Member JoAnn Yukimura. Each director of the KIUC Board was introduced with Directors Murashige and Iha excused. CEO David Bissell, CFO Karissa Jonas and General Counsel Laure Loo who were also seated on stage were introduced.

3. **National Anthem & Hawaii Pono'i** – Mrs. Nalani Brun.

**4. Approval of Minutes.**

4.1 A motion by Director TenBruggencate seconded by Director Gegen to approve the minutes of the July 27, 2016 Annual Meeting of the Members carried.

**5. Board Report.**

**5.1 Renewable Progress 2016-2017 - Vice Chair, Jan TenBruggencate**

5.1.1 KIUC has made great progress on renewables from 9% in 2010 to more than 42% today.

5.1.2 Green Energy Biomass plant opened in January 2016. Renewable penetration reached 97% in 2016. Utility scale dispatchable solar PV projects include Tesla in March 2017 with 13MW of solar moving onto the grid for four hours during the evening peak. The newest AES Distributed

energy solar-plus-battery storage project is in the permitting stage and will provide 20MW of solar with five (5) hours of storage. This project is expected to be on-line by the end of 2018.

5.1.3 Green Energy biomass is 6.7MW and provides about 12% of Kauai's energy. This plant is a closed loop system which grows its own feedstock on wood plantations and is the only closed loop biomass plant operating in the US.

5.1.4 The Tesla facility in Kapaia has 55,000 solar panels and 272 Tesla batteries for storage. This project has drawn international attention.

## 5.2 **Renewable Progress - Director Dee Crowell**

5.2.1 KIUC ended the 2016 year at 36% renewable and with Tesla we are at 42%.

5.2.2 KIUC has reduced the use of fossil fuels by 11 million gallons per year since 2010. A 33% reduction in seven (7) years.

5.2.3 In January 2017, the Board voted to move our renewable goal from 50% in 2023 to 70% by 2030. In the annual report on page 5 is a graphic showing where each of the renewable generation sites are located from Wainiha to Mana.

5.2.4 Renewable investments on Kauai in the last five (5) years include 45MW of utility scale PV added, 21MW of distributed PV (residential and business roof top solar), 6.7MW of biomass, and 23.5MW battery storage. With the addition of the AES dispatchable PV project, KIUC along with the Kauai island community will have invested \$400 million in renewable energy on Kauai.

## 5.3 **Fuel Commodities, Rates & Reliability - Director Teofilo Taebian**

5.3.1 By entering into long-term power purchase agreements for renewable sources, KIUC can stabilize and even lower rates over time and protect members from the fluctuating price of oil. The average cost of all our fuel for the past two years is \$0.147 cents per kWh. The agreement with the Tesla project will hold \$0.139 cents per kWh steady for 20 years and at \$0.11 cents per kWh over 25 years on the AES project

5.3.2 Over the past 12 months KIUC's rates are the only utility in the state showing a net reduction over this period. Since 2008, KIUC's rates have decreased a full 18%.

5.3.3 The average outage hours per customer for the four utilities in the state show KIUC has the best rating at just over one hour per customer for 2016. This translates into a 99.988% reliability rating which was the highest of all four Hawaii electric utilities and the highest reliability factor for KIUC since it became a cooperative in 2002. The battery element of our solar projects helps stabilize and buffer the outages and fluctuations to the grid.

## 5.4 **Member Services – Director Patrick Gegen**

5.4.1 SmartHub was made available to members in late 2015. There are 2,529 members sign up. This year so far, an additional 1,000 members have signed up. The main benefit of SmartHub gives members the ability to view and

pay their bill, check their energy usage and report service issues online. Visit [www.kiuc.coop](http://www.kiuc.coop) and click on the SmartHub icon to sign up.

5.4.2 KIUC also offers nine programs via its Energy Services division. These include home visits, lighting program, new efficient appliance replacement rebate program, qualifying member appliance replacement program for seniors, appliance meter tester program and commercial retrofit program. There are also water heating programs with several different options including rebates and loan programs.

5.4.3 In 2013, KIUC and the County of Kauai entered into a memorandum of understanding through which KIUC committed to partnering on renewable opportunities. A project to retrofit 3,600 streetlights with LED technology was completed in 2016 through the support of Senate President, Ron Kouchi. The project is expected to save the County taxpayers roughly \$400,000 a year in energy costs.

## 5.5 **Strategic Plan and Future Projects – Chair Allan Smith**

5.5.1 The Strategic Plan was updated in January 2017. The highlights include keeping cost increases at or below inflation, maintaining system reliability at 99.96% or better, 70% renewable by 2030, establishing a rate structure that is fair between classes and increases financial stability through greater recovery of cost through fixed charges and potentially seek increased exemption from regulation by the Hawaii Public Utilities Commission (PUC). Most cooperatives on the mainland are exempt from regulation.

5.5.2 KIUC is exploring a third dispatchable PV project in addition to a pumped storage hydropower and PV project in Waimea. The westside pumped storage hydropower project could ultimately provide 20% of our islands total power. KIUC is currently in talks with the Department of Hawaiian Home Lands (DHHL) on terms for a lease. Under a mediated agreement between multiple state agencies, KIUC, and other parties, more water will be put back into the Waimea River and the project will also provide water to the DHHL for agriculture and housing.

5.5.3 Hydro projects are important legacy projects. Waiahi on the eastside provides enough power for 1500 families and displaces half a million gallons of fossil fuel per year. KIUC has been working with the State Commission on Water and Resource Management (CWRM) for the past three (3) years on the water lease for Waiahi.

5.5.4 KIUC's financials are strong and no base rate adjustments will be sought this year. Even though oil prices continue to be unpredictable, KIUC has successfully hedged with renewable PPA's (Power Purchase Agreements) and is much better insulated against price swings. New PPA's are priced favorably and fixed for minimum 20 year terms.

## 6. **Financial Report.**

### 6.1 **Financial Results – Director Peter Yukimura**

- 6.1.1 KIUC’s consolidated audited financial statements and other information is included in the 2016 Annual report. The complete audit report including notes to the financial statements can be found on KIUC’s website at [www.kiuc.coop](http://www.kiuc.coop).
- 6.1.2 KIUC had a solid year financially, received a clean opinion from the independent auditors, met loan covenants, and increased equity.
- 6.1.3 Two key financial ratios that are routinely tracked are TIER (Times interest Earned Ratio) and Equity.
  - (a) TIER is the number of times KIUC can make the annual interest payments on our long-term debt. The 2016 TIER was 1.95 times. Since TIER was less than 2 times, KIUC will not be refunding members this year.
  - (b) Equity represents the percentage of the co-op’s assets that we collectively, as members own. KIUC reached 30% equity in 2016. There is a significant reduction in lender restrictions once equity reaches 30% which allows KIUC greater financial flexibility. When the cooperative was purchased 14 years ago it started with a zero percent equity.

### 6.2 **Consolidated Audited Financial Statements – Director James Mayfield**

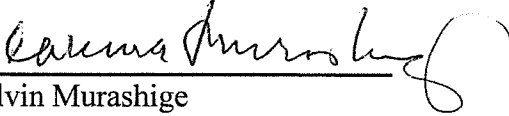
- 6.2.1 At 12/31/16, our total assets were \$380 million, total liabilities were \$256 million and total equity was \$124 million. The largest component of our assets is the utility plant which had a net book value of \$320 million. The total debt owed to lenders was \$223 million. Page 12 of the Annual Report shows the Statement of Income and Patronage Capital.
- 6.2.2 On page 14 of the Annual Report there is a pie chart showing what percentage of the revenue was used to pay for the various types of expenses necessary in operating the utility. One item to highlight is only 24% of revenue went to pay for fossil fuel. In 2013, KIUC was spending 50% of its revenue on fossil fuel. In addition, even though KIUC is a not-for-profit company, 8% of our revenue goes to paying state and county taxes.

CEO Bissell thanked the Board of Directors for their amazing work in setting the policies and direction that guide KIUC. KIUC is leading the industry in accomplishments. He thanked the 144 employees of the cooperative for all their continued hard work that is making the engineering feats happen. It’s unheard of for a utility to hit 90% renewable with intermittent power. Also to have the batteries pick up and improve reliability. KIUC employees were also commended for their volunteering their personal time in their communities. Last week employees volunteered on a Saturday to participate with Habitat for Humanity in Eleele. CEO Bissell asked all the KIUC employees present in the audience to stand and be acknowledged.

7. **Public Testimony.**

7.1 Oral testimony was received from Marj Dente and Clyde Fujikawa.

8. **Adjournment.** The meeting was adjourned at 6:47 p.m.



Calvin Murashige  
2018 Board Secretary