

**16TH ANNUAL MEETING OF THE MEMBERS
OF THE
KAUAI ISLAND UTILITY COOPERATIVE**

Held at the Kauai Veteran's Center
Lihu'e, Kaua'i, Hawai'i
July 25, 2018

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, David Iha, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, Jan TenBruggencate (Vice Chair), 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); and numerous KIUC staff

2. **Welcome** – Board Chair Allan Smith thanked Mr. Frank Cruz of Cruz Control for his music before to the meeting. Special guests were recognized including Senate President, Ron Kouchi; State Representative James Tokioka; County Council Chair, Mel Rapozo; Kauai County Council Members and former KIUC Directors, Derek Kawakami and Joanne Yukimura; and County Council member Ross Kagawa; and. Each director of the KIUC Board was introduced. CEO David Bissell, CFO Karissa Jonas and General Counsel Laurel Loo who were also seated on stage were introduced. Two former KIUC Directors, Patrick Gegen and Dennis Esaki were also recognized.

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

4. Approval of Minutes.

- 4.1 A motion by Director TenBruggencate seconded by Director Murashige to approve the minutes of the July 27, 2017 Annual Meeting of the Members carried.

5. Annual Report.

5.1 Chair, Allan Smith

- 5.1.1 KIUC attracted media attention across the world with the opening of the Tesla solar/battery facility in March of 2017. This project was the first of its kind using batteries to move solar power to the nighttime hours on a utility scale.
- 5.1.2 KIUC is now generating almost half of its power from renewable sources.

5.2 Vice Chair, Jan TenBruggencate

- 5.2.1 KIUC has made great progress on moving renewable sources closer to our strategic goal of 70% by 2030. The AES Lawai project (solar & battery)

will be on line by the end of 2018 and the AES PMRF project just received PUC approval is expected to be on line in 2019. Once these projects are in service, 63% of KIUC's nighttime load will be from renewable resources.

- 5.2.2 The Tesla plant sits on 50 acres of Grove Farm land leased to Tesla. The Lawai project will be roughly twice this size on land owned by Alexander and Baldwin. The PMRF project will be sited on land owned by the Navy. Each of these projects are locked in at significantly lower than the cost of oil prices.
- 5.2.3 KIUC won an award for having the highest percentage of storage watts per customer of any utility in the nation from Smart Electric Power Alliance. KIUC was eight time higher than the next utility on the list.

5.3 **Director David Iha**

- 5.3.1 KIUC has changed its energy mix significantly with the addition of solar, hydro and biomass. This shift has significantly reduced the use of diesel by over 11 million gallons a year.
- 5.3.2 In a landmark settlement agreement reached in April of 2017, the State Commission on Water Resources Management (CWRM) affirmed an interim inflow stream standard for the Waimea River which would assure there will forever be mauka to makai stream flow in the river. The agreement also paves the way for KIUC to develop a new hydro/pumped storage system using three legacy reservoirs on the west side; Puu Lua, Puu Opae and Mana reservoirs. KIUC is currently conducting engineering and environmental studies for the project. This project would provide 15% of Kauai's energy needs and also provide irrigation infrastructure for the Department of Hawaiian Homelands property (DHHL) and the Agribusiness Development Corporation (ADC).
- 5.3.3 Another potential source of renewables is the Community Based Renewable Energy program. At the direction of the Public Utilities Commission (PUC) KIUC was instructed to implement this program which will allow members who currently can't install rooftop solar an opportunity to subscribe to the project and receive compensation for the energy that it produces.

5.4 **Director Dee Crowell**

- 5.4.1 A map showing the various locations of KIUC's current and proposed renewable resource locations was shown.
- 5.4.2 As we continue to replace diesel with solar electric rates will become more stable over time. KIUC has not had a rate case since 2009 and doesn't have one planned for in the near future. In comparison to the other islands, KIUC's rates are currently even with Maui, lower than Hawaii Island, and only 17% higher than Oahu versus 68% higher in 2003.

5.5 **Director Calvin Murashige**

- 5.5.1 KIUC has very strong results in 2017. \$3.2 million of patronage capital was retired to members either in the form of a check of bill credit. Over the life of the coop \$37 million has been returned to members.

- 5.5.2 Resiliency – since hurricanes Iwa (1982) and Iniki (1992) 90% of the transmission circuits are steel poles; KIUC now has a “smart” grid and which can remotely monitor the island’s power grid for outages.
- 5.5.3 April’s flood damage on the north shore resulted in a minimum amount of damage to KIUC facilities and power was restored to the north shore within four (4) days.
- 5.5.4 SmartHub was launched in 2013. It give members the ability to do business with KIUC online at their convenience. In 2017, there was a 44% increase in members prying their bills online.

5.6 **Director Teofilo Tachian**

- 5.6.1 KIUC offers nine (9) programs to help members save energy and money via its Energy Services division. Programs include home visits, appliance rebate programs, commercial retrofit programs and solar water heater loan programs. Approximately 2,600 rebates for energy efficient appliances and 61 rebates for new solar water heater installations were issued. 1,425 home visits for efficiency consultation and 80 large customers on retrofit programs were conducted in 2017.
- 5.6.2 The Co-op Connections program is being relaunched. Members of KIUC will have access to participating vendor discounts on island and around the country. There is an app or members can sign up online at www.connections.coop. Businesses who are interested in participating can send an email to connections@kiuc.coop.

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 2017 Annual report. The complete audit report including notes to the financial statements can be found on KIUC’s website at www.kiuc.coop.
- 6.1.2 KIUC had a solid year financially, received a clean opinion from the independent auditors, met its loan covenants, and made progress toward our equity ratio goal.
- 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 2017 TIER was 2.57 times. Since the TIER was more than 2 times, KIUC will refund the portion of the 2017 net margins that are over 2.0 TIER.
 - (b) Equity represents the percentage of the co-op’s assets that we collectively, as members own. There is a significant reduction in lender restrictions once equity reaches 30% which allows KIUC greater financial flexibility. When the cooperative was purchased 15 years ago it started with a zero percent equity. At 12/31/17, KIUC’s equity ratio was 33.1%.

6.2 **Director Janet Kass**

6.2.1 Page 12 of the Annual Report is the Balance Sheet. On 12/31/17, total assets were \$373 million, total liabilities were \$242 million and total equity was \$131 million. The largest component of assets is the utility plant which has a net book value of \$311 million. The total debt owed to lenders was \$208 million.

6.2.2 On page 13 of the Annual Report is the Statement of Income and Patronage Capital. Year ending 12/31/17, total revenues were \$148 million and total expenses were \$139 million resulting in net margins of \$9 million. Of the \$139 million in expenses, \$61 million was spent on fuel and purchased power costs and the remaining \$79 million was spent to operate and maintain generators and transmission and distribution lines; service members; pay for plant assets, revenue taxes and interest expense.

6.3 **Director James Mayfield**

6.3.1 On page 11 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 highlight is only 25% of revenue went to pay for fossil fuel. In 2013, KIUC was spending 50% of its revenue on fossil fuel. In addition, although KIUC is a not-for-profit company, 8% of our revenue goes to paying state and county taxes.

6.3.2 In 2002 the weighted average cost of debt was a little over 4%. KIUC had substantial debt with 0% equity. In 2013 and 2016 the original debt from the purchase of Kauai Electric was refinanced at very low rates from the federal government saving members tremendous money in lowering interest payments.

CEO Bissell thanked the Board of Directors for their amazing work in setting the policies and direction that guide KIUC. Members were invited to attend the monthly Board meetings to talk face to face with Directors and key staff. He also commended the 144 employees at KIUC for their work sometimes late at night and in bad conditions, and also for their volunteer service in various community organization and boards.

7. **Questions & Public Testimony.**

7.1 Questions were received from members and general discussion followed. Oral testimony was received from Marj Dente and Bridget Hammerquist.

8. **Adjournment.** The meeting adjourned at 7:33 p.m.

Calvin Murashige
2018 Board Secretary