

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

Held at 4463 Pahe`e Street

Lihu`e, Kaua`i, Hawai`i

On November 27, 2018

MINUTES

Call to order at 1:00 p.m.

1. Roll Call

- 1.1 **Present:** Directors Jan TenBruggencate (Vice Chair, Chair pro tem), Dee Crowell, David Iha, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Allan Smith (Chair, by conference call), Teofilo Tacbian, and Peter Yukimura (Treasurer); and David Bissell (President and CEO). A quorum of directors were present.
- 1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO), Rick Eckert (Financial Planning & Strategy Mgr.), John Cox (Engineering Mgr.), Brooks Braun (KPS Superintendent), Beth Tokioka (Communications Mgr.), and Pua Chin (Executive Administrator); Jason Hines (Joule Group); and four (4) members of the public.

2. Invocation – Director Murashige opened the meeting with prayer.

3. Approval of Agenda - The agenda was approved without objection.

4. Approval of Minutes

- 4.1 The 10/30/2018 Regular and Executive Session were approved unanimously.
[Motion: Kass/Murashige]

5. President's Report. David Bissell, President and CEO (report attached)

- 5.1 The monthly Cooperative statistics were reported.
- 5.2 Operational and project specific updates were also covered.

6. Financial Report: Karissa Jonas, CFO reported.

- 6.1 Construction Work Plan amendment will be submitted to RUS.
- 6.2 Indenture is still pending consents from DLNR (Department of Land and Natural Resources) and ADC (Agribusiness Development Corporation).
- 6.3 Working with FEMA on two (2) events; (1) the April 2018 flood and (2) Hurricane Lane.
- 6.4 Depreciation study is complete and is being presented to the Board for acceptance today.
- 6.5 The 2019 budget was reviewed at a board workshop last week and will be presented for approval at the December 19th board meeting.
- 6.6 The October 2018 financials were reviewed. (scorecard attached)

7. **NRECA Hawaii Director Report – Director David Iha**

7.1 The national board will be meeting next week in Arlington. Director Iha is seated on the Government Relations committee of the NRECA Board and provided an overview of the issues currently being discussed.

8. **Committee Reports**

8.1 **Executive – Committee Chair, Jan TenBruggencate**

8.1.1 Secretary Murashige reported the committee acted on two matters which are recommended for approval under New Business – the 2019 Board meeting dates and the appointment of Director Crowell to head the Nominating Committee.

8.2 **Finance & Audit – Committee Chair, Peter Yukimura**

8.2.1 The committee received a presentation from the auditors via teleconference. A meeting of the committee and auditors will be scheduled for some time in February 2019.

8.2.2 A request to accept the Depreciation Study is under New Business.

8.3 **Government Relations/Legislative – Committee Chair, Phil Tachian**

8.3.1 New County Council members have been contacted and a tentative briefing has been scheduled. When a date and time to meet with other legislators is confirmed, directors will be notified.

8.4 **International - Committee Chair, David Iha**

8.4.1 No report.

8.5 **Member Relations – Committee Chair, Calvin Murashige**

8.5.1 The committee received updates from the managers of the Member Services and Communications departments.

8.6 **Policy – Committee Chair, Dee Crowell**

8.6.1 The committee is recommending three (3) policies under New Business.

8.7 **Strategic Planning – Committee Chair, James Mayfield**

8.7.1 The committee discussion was primarily on what happened in the pole buyout between HEI and Hawaiian Tel. KIUC is currently having similar discussions with Hawaiian Tel.

9. **Charitable Foundation (CF) Board – Teofilo Tachian, President**

9.1 The CF Board hosted their annual golf tournament on Saturday, November 17th. There were approximately 100 participants. The names of members of the organizing committee and volunteers were acknowledged. An accounting of the event will be reported in December.

9.2 At the November 1st meeting confirmation was received from the CF Board insurance agent that both policies for General Liability for the year, including the

Golf Tournament, and also the Directors and Officers Liability were approved and issued.

- 9.3 Board Policy #24, "Funding the Charitable Foundation" was discussed and recommendations to include language for the new "Makana" program were completed. The policy will be presented to the Policy Committee for review in December.

10. **Public Testimony.** Members Bridget Hammerquist, Sharon Goodwin, and Marj Dente provided oral testimony.

A recess was taken at 1:53 p.m. The meeting reconvened at 2:00 p.m.

11. **New Business**

- 11.1 Appointment of Director Dee Crowell as the 2018-19 Nominating Committee Chair

11.1.1 Vice Chair TenBruggencate reported. At the November 16th Executive Committee meeting Chairman Allan Smith appointed Director Dee Crowell. A motion to approve the appointment carried unanimously [Mayfield/Murashige].

| | | |
|-----------|--|-----------|
| IN FAVOR: | Crowell, Iha, Kass, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura | Total – 9 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | None | Total – 0 |

- 11.2 2019 Monthly Board meeting dates

11.2.1 The dates of the 2019 monthly board meetings were reviewed and established as proposed without objection (attached).

- 11.3 Acceptance of 2017 Depreciation Study

11.3.1 Director Yukimura stated the Finance and Audit committee recommended acceptance of the study and approves its submittal to the RUS (Rural Utility Service) and Hawaii PUC (Public Utilities Commission). The committee recommendation carried unanimously.

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|-----------|--|-----------|
| IN FAVOR: | Crowell, Iha, Kass, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura | Total – 9 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | None | Total – 0 |

- 11.4 Board Policy No. 25, KIUC Charitable / Non Profit Giving

11.4.1 Director Crowell reported. There were a couple minor amendments. The policy identifies the three programs that KIUC operates in giving to the community. The Policy committee recommends reauthorization with the proposed changes. The recommendation carried unanimously.

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| IN FAVOR: | Crowell, Iha, Kass, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura | Total – 9 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | None | Total – 0 |

11.5 Board Policy No. 27, Director Communications & Disclosure
 11.5.1 Director Crowell reported. There were minor amendments. The policy outlines how the board will communicate with everyone. The Policy committee recommends approval. The recommendation carried unanimously

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|-----------|--|-----------|
| IN FAVOR: | Crowell, Iha, Kass, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura | Total – 9 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | None | Total – 0 |

11.6 Board Policy No. 30, Electric Rates and Rate Design
 11.6.1 Director Crowell reported. There were no substantive changes. The Policy committee recommends approval to reauthorize with changes. The recommendation carried unanimously.

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|-----------|--|-----------|
| IN FAVOR: | Crowell, Iha, Kass, Mayfield, Murashige, Smith Tacbian, TenBruggencate & Yukimura | Total – 9 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | None | Total – 0 |

12. **Calendar:**

- 12.1 **December 14, 2018** – Board Committee Meetings (9:00am, MCR)
- 12.2 **December 19, 2018** – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)

13. **Executive Session.** At 2:07 p.m. the Board recessed the meeting to enter 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.

14. **Adjournment.** The open session of the Meeting was reconvened at 3:08 p.m. There being no further business the meeting was adjourned by unanimous consent.

Calvin Murashige
 Secretary

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President's Report

David Bissell, President and CEO
November 27, 2018

Safety (Oct)

| | Month | 2018 YTD | 2017 YTD |
|----------------------|-------|----------|----------|
| Recordable Incidents | 0 | 1 | 6 |
| Days Away/Restricted | 0 | 134 | 203 |

Availability and Reliability:

| | Month | 2018 YTD | 2017 YTD |
|-----------------------------------|-------|----------|----------|
| Reportable Outages | 3 | 34 | 31 |
| Average Outage Hours Per Customer | 0.229 | 0.98 | 3.24 |

Efficiency

| | Month | 2018 YTD |
|---------------------|-------|----------|
| Net Plant Heat Rate | 9,165 | 9,237 |
| Peak Demand (MW) | 75.4 | |

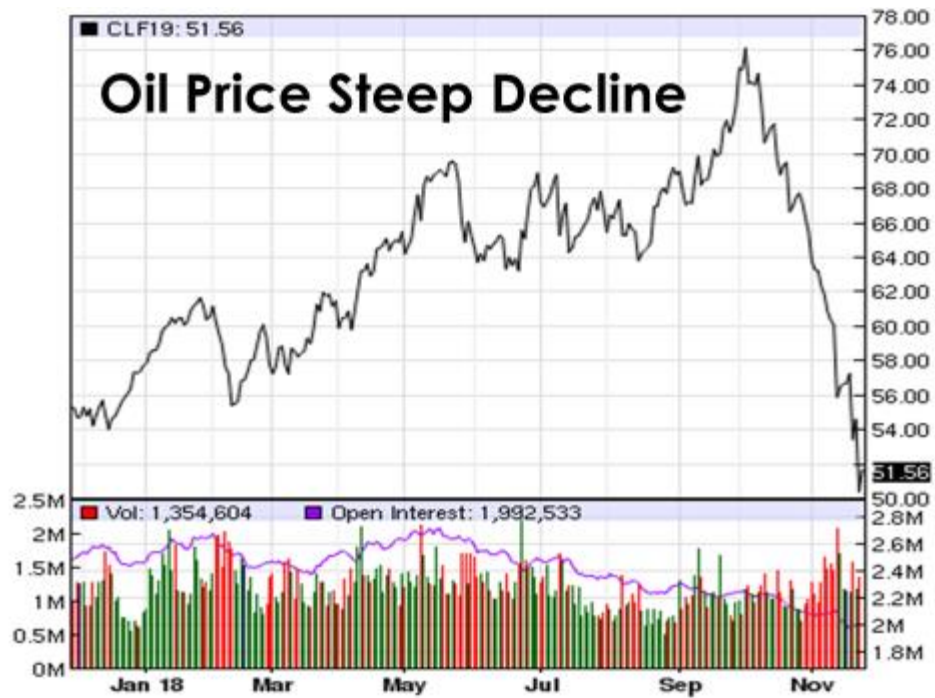
Residential Rates:

| | | |
|---------------|--------------|--------------------------|
| November 2018 | \$0.3678/kwh | Up \$0.0002 from October |
|---------------|--------------|--------------------------|

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Islandwide outage

- November 5th
- Kapaia Power Station Tripped 12:04 pm
 - Only fossil generator operating at time
- Islandwide outage occurred at 12:13 pm
 - Voltage irregularities from loss of load caused battery systems to trip ultimately resulting in outage
- Island fully restored by 1:36 pm
- KIUC is implementing automated voltage response setting for batteries and other system measures to address voltage issues
- Kauai's grid is at forefront of high penetration renewable energy with rapidly increasing percentage of energy coming via inverter based technology (batteries and PV)



Lawai Solar Farm



Lawai Solar Farm



Meeting with Westside Hydro/Pumped Storage Project Contractors



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Waiahi Hydro's

- December 17th, BLNR meeting regarding revocable permit extension
- Since last years BLNR meeting KIUC has:
 - Made modifications to ditch system to ensure stream flow continuity during all flow conditions
 - Held meeting and tours with DHHL. CWRM has approved water reservation request from DHHL
 - Been in regular contact with DOFAW regarding watershed management plan
 - Completed numerous studies in support of an environmental disclosure document including a flora fauna survey, an updated Stream Biota Study, additional cultural and archaeological surveys.
 - With diversion modifications in place there are no identifiable impacts to stream health, aquatic species, cultural and archaeological resources, or taro cultivation in watershed



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2018 Highlights

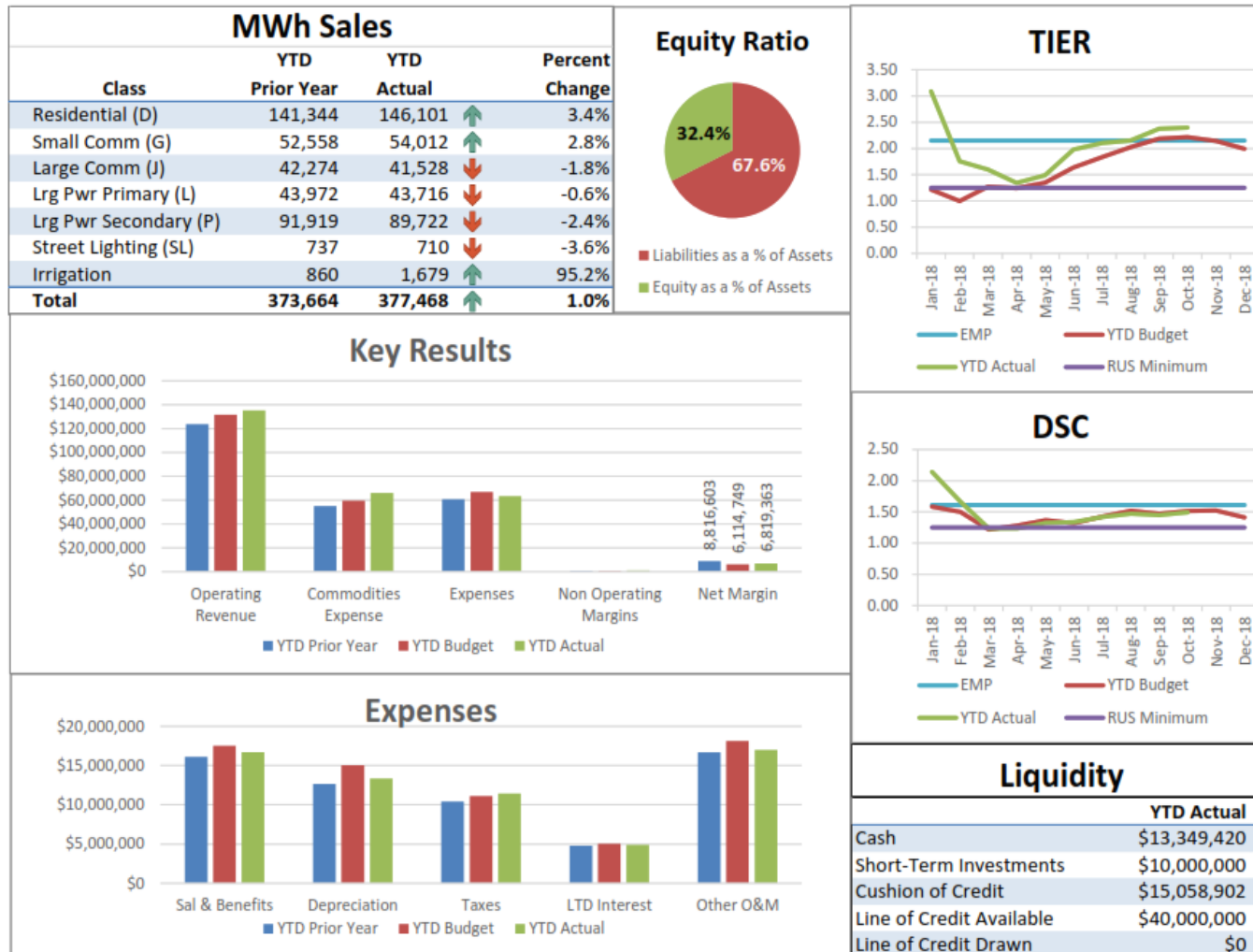
- Completed 9th year without a rate increase filing
- Renewable generation facilities on line to enable reach over 50% renewable generation in 2019
- Upgraded our IT infrastructure including a new web site with member accessible outage map
- Reached a five year labor agreement with our bargaining unit employees
- Received SEPA award for having highest battery storage level in the country
- \$3.2 million patronage capital issued to members
- Signed agreement with McMillian Jacobs to engineer, design and construct West Side Renewable Energy Project after successfully completing request for proposal evaluation process



Mahalo!

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BOARD OF DIRECTORS

2019 PROPOSED MEETING DATES

Board of Directors meetings are held on the last Tuesday of each month at **1:00pm** in KIUC's Main Conference Room, Hana Kukui Bldg. at 4463 Pahe`e Street (Lihue) unless otherwise noted.

January 29th

February 26th

March 26th (11:30am 2019 Annual BoD Mtg; 1:00pm Regular Mtg)

April 23rd

May 28th

June 25th

July 30th

August 27th

September 19th (Thursday)

October 29th

November 26th

December 17th

KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 25
KIUC CHARITABLE/NONPROFIT GIVING
(Revised 11/29/2016 Reviewed 11/27/2018)

PURPOSE OF POLICY:

The purpose of this policy is to govern KIUC's gifts to charitable and/or nonprofit entities using funds acquired from KIUC Margins ("KIUC Giving").

POLICY CONTENT:

A. The KIUC Giving Program

1. Basis. One of the seven Cooperative Principles is:

"7. Concern for Community. While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members."

2. Programs. In carrying out this principle KIUC, and Kauai Electric before it, have historically given money from corporate funds to various Kauai charitable and/or nonprofit entities. This giving has been accomplished using three separate programs/accounts:
 - Sharing of Aloha. The Sharing of Aloha fund is a fund intended to assist various local non-profit organizations that contribute to Kauai's quality of living ("Kauai Non-Profits"). It is administered by a committee of rank-and-file employees with appropriate representation of various KIUC departments (the "Sharing of Aloha Committee").
 - President's Fund. The President's Fund is a fund intended to support IRS 501(c)(3) qualified entities on Kauai or national organizations in servicing Kauai ("Kauai 501(c)(3) Entities") through direct donations to such entities selected by KIUC's President and CEO (including attendance by staff and directors at fundraising events).
 - Corporate Fund. The Corporate Fund is a fund, separate from the President's Fund, that also supports Kauai 501(c)(3) Entities through direct donations to them by:
 - Matching (or partial matching) of KIUC employee contributions to appropriate Kauai 501(c)(3) Entities; or
 - Contributions to qualified Kauai 501(c)(3) Entities which have been previously vetted, and where contributions are appropriate to continue from year to year.

B. Recipients

1. Organizations Supported

The benefits or services provided by the requesting organization or potential recipient organization must be perceived as providing benefits or services on Kauai, i.e. there must be a benefit or service provided to the people of Kauai or KIUC's members. Examples of organizations are:

a. Kauai Non-Profits:

- Youth sport teams and leagues
- Amateur adult sports teams and leagues
- Chambers of commerce
- Community service organizations
- State of Hawaii Department of Education schools and organizations
- Veterans organizations
- Others as appropriate
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b. Kauai 501 (c)(3) Entities:

(1) Human Social Services Organizations:

- Senior citizens groups
- Emergency service organizations (food, clothing, shelter, disaster relief etc.)
- Youth care organizations
- Family counseling organizations

(2) Educational Organizations:

- Private primary and secondary schools
- Early education schools
- Public Charter Schools or their sponsoring organizations

(3) Health organizations

(4) Culture and Arts organizations

(5) Community Development organizations:

- Environmental and ecological programs
- Housing and urban renewal projects
- Economic development organizations

(6) Others as appropriate

2. Ineligible Organizations/Gifts:

- a. Organizations that seek to primarily benefit one individual or an individual's family
- b. Political organizations
- c. Organizations engaged in illegal discrimination
- d. Religious groups seeking funds primarily for religious purposes

- e. Funds for parties, trophies, gift checks, cash, and electric bill discounts or expenses, etc.

C. Guidance

1. Funding Level. Where the use of funds is for a fundraising function of a 501(c)(3) organization that provides its benefits or services wholly or partially on Kauai, the level of contribution should usually be at an appropriate level.
2. Attendance. Attendance at functions should generally be shared between directors, management and rank-and-file employees as appropriate.
3. Budget. Except in unusual circumstances funding must have been budgeted in the current year's budget
4. Disclosure. The total dollar amount of all KIUC gifts or grants to Kauai Non-Profits or Kauai 501 (c)(3) Entities shall be disclosed each year in the annual report to the membership.

RESPONSIBILITY:

The responsibility for implementing this policy is as follows:

- A. The CEO is responsible for annually recommending an appropriate budget for KIUC Giving for each program set out in Policy Content paragraph A. 2. above.
- B. The CEO is responsible for supervising all KIUC Giving to ensure it complies with the guidance and procedures set out above.
- C. The KIUC Board of Directors is responsible for approving a budget for KIUC Giving each year in accordance with KIUC budgeting procedures.

Adopted on this 29²⁷th day of November, 201618

Teofilo Taebian Calvin Murashige
Secretary

Reviewed: 11/27/2018
Revised: 11/29/2016
Reviewed: 12/16/2014
Original Adoption: 02/28/2012

KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 27
(Reviewed ~~12/13/2016~~11/27/2018)

DIRECTOR COMMUNICATIONS

PURPOSE OF POLICY:

To define for KIUC Directors guidelines for communicating about KIUC matters and to foster Director communication with KIUC's members so they may actively participate in setting KIUC's policies and making KIUC decisions consistent with cooperative principle number two (2).

POLICY CONTENT:

The Chair of the Board of Directors is the primary spokesperson for the Board. Other Board members may participate in outreach to members as appropriate.

Any KIUC authorized communications must represent the official position of the Board and Cooperative, where such a position has been taken. Other Director communications about KIUC shall follow the General Principles outlined below.

GENERAL PRINCIPLES:

Board members must not release privileged, confidential, or proprietary financial and strategic information about KIUC to anyone in any format.

Board members should make every effort to ensure any communications about KIUC are accurate.

Board members shall not publicly debate issues ~~are~~ under active consideration by the Board—such discussions should be reserved for board meetings.

Board members speaking on their own behalf on topics of interest to KIUC and not delivering an authorized KIUC communication or speaking officially for the Board should state that fact.

RESPONSIBILITY:

The Board and its individual Directors shall be responsible for the implementation of this Policy.

Adopted on this 13th-27th day of ~~Dec~~November, ~~2016~~2018

~~Teofilo Taebian~~Calvin Murashige
Secretary

Reviewed: 11/27/2018
Reviewed: 12/13/2016
Reviewed: 01/27/2015
Revised: 06/26/2012
Reviewed: 08/25/2011
Original Adoption: 05/25/2010

KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 30
(Reviewed ~~12/13/2016~~11/27/2018)
ELECTRIC RATES AND RATE DESIGN

PURPOSE OF POLICY:

To set forth a policy relating to the development and implementation of electric rates that ~~matches~~complement the strategic objectives of the cooperative.

POLICY CONTENT:

A. Commitment to Rate Design

It is the policy of the Board of Directors of KIUC to develop and design electric rates in a manner that will allow KIUC to accomplish its Strategic Plan while providing electricity that is reliable, considerate of the environment, and that will continue to build and maintain the cooperative's financial strength and integrity, at the lowest reasonable cost to its member / consumers.

B. Fundamentals

1. The cooperative will prepare revenue requirement and cost-of-service studies as required to have information needed to develop and design electric rates.
2. The cooperative will endeavor to develop rates that are clear and understandable and will undertake proactive steps to communicate information concerning rates to its members.
3. The cooperative will endeavor to develop and design electric rates that:
 - a) Allocate costs across rate classes in an equitable manner.
 - b) Reflect KIUC's fixed costs of service in rates and charges.
 - c) Minimize subsidies between customer classes.
 - d) Generate sufficient revenues and margins to meet lender requirements within regulatory limits, ensure the provision of safe and reliable electric service, and meet the financial objectives and policies of the cooperative as specified in KIUC's strategic plan and equity management plan, and other related policies.

C. Monitoring

Management shall be responsible for implementing rates as approved by the Board, as allowed by the Hawaii Public Utility Commission (HPUC), and routinely report to the Board ~~as to~~ any rate adjustments ~~that are~~ recommended or needed to better assist the cooperative in carrying out the objectives, fundamentals, and commitments set forth above.

RESPONSIBILITIES:

The KIUC Board and President & CEO are jointly responsible for compliance with this policy.

Adopted on this 13th-27th day of DecemberNovember, 20162018.

Teofilo TaebianCalvin Murashige
Secretary

Reviewed: 11/27/2018
Reviewed: 12/13/2016
Reviewed: 01/27/2015
Original Adoption: 06/26/2012