

REGULAR MEETING OF THE BOARD OF DIRECTORS KAUA'I ISLAND UTILITY COOPERATIVE

Held Via Zoom Webinar

On November 22, 2022

MINUTES

Meeting called to order by Chair Smith at 1:03 p.m.

1. Roll Call

- 1.1. Directors present: Allan Smith (Board Chair), Jan TenBruggencate (Vice Chair), Calvin Murashige (Secretary), Peter Yukimura (Treasurer), Dee Crowell, James Mayfield, Teofilo Tacbian, and David Iha; and David Bissell (CEO). A quorum of directors was present
- 1.2. Others present: Stacie Dellamano (CFO), Brad Rockwell (COO), Beth Tokioka (Member Services & Communications Mgr.), Lisa Ubay (Mgr. of HR & Safety), John Cox (T&D Mgr.), Corinne Cuaresma (Controller), Shelley Paik (Public Affairs Specialist), Chris Yuh (Mgr. of Finance, Risk, and Analytics), Erin Tsuda (Finance Mgr.), Daurice Arruda (Accounting Mgr.), Shelsey Francisco (Financial Analyst), Scott Sato (Energy Services Supervisor), Cameron Kruse (Engineer & Technology Mgr.), Laurel Loo (General Counsel), and Teresa Amoy (Executive Administrator); Members of the press (0) and Members of the public (0)
- 1.3. Absent/Excused: Director Janet Kass

2. Approval of the Agenda

- 2.1. The Board of Directors' Agenda of November 22, 2022 – no changes to the agenda; no action taken.

3. Approval of Minutes

- 3.1. The minutes of October 27, 2022, were approved as circulated.

4. President's Report – David Bissell (CEO)

- 4.1. CEO discussed November's President's Report and provided an update (report attached) – no action taken.

5. Financial Report – Stacie Dellamano (CFO)

- 5.1. CFO discussed the Board Financial Report and the October 2022 YTD Financial Scorecard (report attached). Discussion with directors and staff ensued – no action taken.

6. NRECA Hawai'i Director Report – Director David Iha update:

6.1. Director Iha provided an update on NRECA's priorities for the upcoming year: protect the \$9.7 billion voluntary clean energy fund with respect to the Farm Bill expiring in 2023; to allow the coops to refinance RUS funding, and protect the regulatory side for coops. Jim Matheson along with other partners in the electric industry sent a letter to the Chair of the Senate Appropriations and House Appropriations Committee, to request that they appropriate one billion dollars for the Defense Production Act to address supply chain issues regarding transformers.

7. Charitable Foundation Board – Director Teofilo Tacbian update:

7.1. Director Tacbian provided the Charitable Foundation report from its last meeting on 11/21/2022. No action taken. (Report attached)

8. Public Testimony

8.1. No public testimony this month.

9. New Business

9.1. Director Murashige presented Board Policy No. 9 for Director Kass in her absence. The Policy Committee recommended the approval of Board Policy No. 9 with the submitted changes.

9.1.1. **MOTION** to approve Board Policy No. 9

[Motion: Murashige] [Second: Mayfield]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Tacbian, Iha, Crowell Total – 8

OPPOSED: None Total – 0

EXCUSED: Kass Total – 1

Motion carried

9.2. Director Murashige introduced Board Policy No. 11; noted that the Policy Committee did not make any changes and recommended the approval of Board Policy No. 11 as submitted.

9.2.1. **MOTION** to approve Board Policy No. 11 as submitted

[Motion: Murashige] [Second: Iha]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Tacbian, Iha, Crowell Total – 8

OPPOSED: None Total – 0

EXCUSED: Kass Total – 1

Motion carried

9.3. KIUC Biodiesel Fuel contract was introduced by Director Yukimura. Director Yukimura noted that the item is to authorize David Bissell to enter into the contract.

9.3.1. **MOTION** to authorize David Bissell to enter into the Biodiesel Fuel Contact

[Motion: Yukimura] [Second: Murashige]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Tacbian, Iha, Crowell Total – 8

OPPOSED: None Total – 0

EXCUSED: Kass Total – 1

Motion carried

9.4. Director Yukimura introduced Resolution 04-22 (2023 ROO Budget); noted that the item was discussed during the recent budget meeting.

9.4.1. **MOTION** to approve Resolution 04-22

[Motion: Yukimura] [Second: Murashige]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Tacbian, Iha, Crowell Total – 8

OPPOSED: None Total – 0

EXCUSED: Kass Total – 1

Motion carried

9.5. Director Yukimura introduced Resolution 05-22 (2023 Capital Budget); noted that the item was discussed during the recent budget meeting.

9.5.1. **MOTION** to approve Resolution 05-22

[Motion: Yukimura] [Second: Murashige]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Tacbian, Iha, Crowell Total – 8

OPPOSED: None Total – 0

EXCUSED: Kass Total – 1

Motion carried

9.6. Director Yukimura introduced Resolution 06-22 (Pension Resolution Updated Signatures); noted that the resolution will be updated to appoint Stacie Dellamano as the trustee replacing Karissa Jonas.

9.6.1. **MOTION** to approve Resolution 06-22

[Motion: Yukimura] [Second: Murashige]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Tacbian, Iha, Crowell Total – 8

OPPOSED: None Total – 0

EXCUSED: Kass Total – 1

Motion carried

10. Calendar

- 10.1. **December 2, 2022** – Lights on Rice Parade (Rice Street, Lihue)
- 10.2. **December 8, 2022** – Board Committee Meetings (9:00am, MCR)
- 10.3. **December 15, 2022** – Regular Board Meetings (1:00pm, via Zoom)
- 10.4. **December 17, 2022** – Waimea Christmas Light Parade (6:30pm, Hofgaard Park)
- 10.5. **December 23, 2022** – ½ day HOLIDAY (KIUC Office Close at 11:30am)
- 10.6. **December 26, 2022** – HOLIDAY, in observance of Christmas Holiday (KIUC Offices Closed)
- 10.7. **December 30, 2022** – ½ day HOLIDAY (KIUC Offices Close at 11:30am)

11. **Executive Session** – At 1:22 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.

11.1. The open session of the Regular meeting was reconvened at 1:31 p.m.

12. Adjournment

12.1. Meeting adjourned at 1:31 p.m.

Calvin Murashige
Calvin Murashige (Dec 15, 2022 15:38 HST)

Calvin Murashige
Board Secretary



President's Report

November 22, 2022

David Bissell, President and CEO

President's Report

David Bissell, President and CEO
November 22, 2022

Safety (October)

	Month	2022 YTD	2021 YTD
Recordable Incidents	1	3	2
Days Away/Restricted	30	233	0

Availability and Reliability:

	Month	2022 YTD	2021 YTD
Reportable Outages	3	21	27
Average Outage Hours Per Customer	0.11	1.39	1.17

Efficiency

	Month	2022 YTD
Net Plant Heat Rate	9,000	9,158
Peak Demand (MW)	77.2	77.2

Residential Rates:

November 2022	\$0.382/kwh up \$0.008 from October
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Update Items

- KIUC rates remain lowest in state for 7th consecutive month
- West Kauai Energy Project
 - Work continues on final EA and comment responses
- Rate case preparatory work continues
 - Draft testimony nearing completion, under legal review
 - Revenue requirements essentially set
 - Rate design also nearly complete
 - Final board approval planned at December meeting
- Endangered species
 - Draft 50 year HCP is awaiting agency comments
 - Current public draft estimate is January 2023
- Anahola Service Center
 - Water line connection easement approved by DHHL
 - Should be on County Council agenda in December



Mahalo!



Kaua'i Island Utility Cooperative

Your Touchstone Energy® Cooperative



Board Packet and Financial Presentation

October 2022

Finance, Accounting, Regulatory and Warehouse Monthly Summary

Finance and Accounting Update

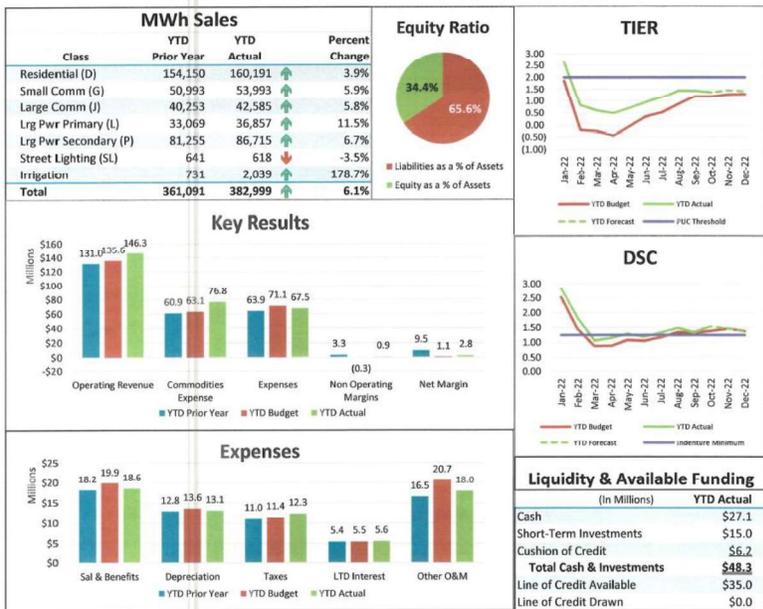
- RUS Audit for D8 Loan from 2019-2022 is scheduled for January 2022, current request are being made for this audit
- Year End PUC Filings upcoming and prep is being done
- Preliminary Audit Completed
- Board Meeting Approval of Budget – Resolution Copies Attached
- Review YTD kWh Sales Data

Rate Case Update

- November 17th Board Meeting 3 of 3 with Daymark
- Cost of Service Study reviewed and Rate Discussions Taking place
- Staff is working on Testimony

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Financial Scorecard - YTD October 2022



Kauai Island Utility Cooperative Revision: 110007

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General Ledger Financial And Operating Report Electric Distribution

INCOME STATEMENT FOR OCT 2022

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	135,571,761.85	151,046,286.78	139,836,581.00	15,475,947.34	14,449,656.00
2. Power Production Expense	33,770,467.62	48,611,037.88	36,622,012.00	5,313,550.51	4,992,025.00
3. Cost of Purchased Power	37,982,745.48	39,806,552.40	39,341,339.00	3,696,421.96	3,702,872.00
4. Transmission Expense	1,011,649.01	1,012,782.59	1,261,736.00	-31,598.04	163,514.00
5. Regional Market Expense	0.00	0.00	0.00	0.00	0.00
6. Distribution Expense - Operation	1,474,104.39	1,578,073.83	1,326,724.00	166,815.04	105,357.00
7. Distribution Expense - Maintenance	3,867,362.52	3,736,293.68	4,164,204.00	160,435.00	414,379.00
8. Customer Accounts Expense	1,839,252.57	1,917,311.12	2,196,545.00	179,584.53	216,633.00
9. Customer Service and Informational Expense	230,419.27	236,509.37	464,287.00	15,144.02	31,406.00
10. Sales Expense	0.00	0.00	0.00	0.00	0.00
11. Administrative and General Expense	16,718,728.42	17,576,796.62	19,672,875.00	2,012,117.27	2,139,164.00
12. Total Operation & Maintenance Expense (2 thru 11)	96,894,729.28	114,475,357.49	105,049,722.00	11,532,470.29	10,865,350.00
13. Depreciation & Amortization Expense	15,630,434.25	15,874,396.82	16,392,195.00	1,562,146.75	1,639,220.00
14. Tax Expense - Property & Gross Receipts	3,273,173.26	3,654,399.86	3,388,990.00	374,498.49	352,137.00
15. Tax Expense - Other	7,768,797.92	8,661,330.89	8,028,066.00	888,067.75	832,451.00
16. Interest on Long-Term Debt	5,979,836.59	6,108,023.28	6,021,000.00	647,467.53	620,000.00
17. Interest Charged to Construction - Credit	0.00	0.00	0.00	0.00	0.00
18. Interest Expense - Other	0.00	0.00	142,000.00	0.00	17,000.00
19. Other Deductions	840,403.27	865,377.23	806,305.00	89,923.42	78,123.00
20. Total Cost of Electric Service (12 thru 19)	130,387,374.57	149,638,885.57	139,828,278.00	15,094,574.23	14,404,281.00
21. Patronage Capital & Operating Margins (1 minus 20)	5,184,387.28	1,407,401.21	8,303.00	381,373.11	45,375.00
22. Non Operating Margins - Interest	1,191,992.10	1,046,036.19	733,967.00	179,400.76	74,982.00
23. Allowance for Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
24. Income (Loss) from Equity Investments	-1,152,643.99	-427,856.40	-1,193,062.00	-25,244.94	-156,451.00
25. Non Operating Margins - Other	-2,937,794.60	133,142.00	161,230.00	17,092.31	16,123.00
26. Generation and Transmission Capital Credits	0.00	0.00	0.00	0.00	0.00
27. Other Capital Credits and Patronage Dividends	208,035.52	188,920.92	205,000.00	0.00	0.00
28. Extraordinary Items	0.00	0.00	0.00	0.00	0.00
29. Patronage Capital or Margins (21 thru 28)	8,369,565.51	2,347,643.92	-84,562.00	552,621.24	-19,971.00
Operating - Margin	8,369,565.51	2,347,643.92	-84,562.00	552,621.24	-19,971.00
Non Operating - Margin	0.00	0.00	0.00	0.00	0.00
Times Interest Earned Ratio - Operating	1.87	1.23			
Times Interest Earned Ratio - Net	2.40	1.38			
Times Interest Earned Ratio - Modified	2.36	1.35			

14099 sdellamano

General Ledger
Financial And Operating Report Electric Distribution

BALANCE SHEET FOR OCT 2022

	Last Year	This Year	Variance
ASSETS AND OTHER DEBITS			
1. Total Utility Plant in Service	651,303,587.71	659,629,906.95	8,326,319.24
2. Construction Work in Progress	11,929,296.12	14,989,597.23	3,060,301.11
3. Total Utility Plant (1 + 2)	663,232,883.83	674,619,504.18	11,386,620.35
4. Accum. Provision for Depreciation and Amort.	346,791,972.17	360,007,069.80	13,215,097.63
5. Net Utility Plant (3 - 4)	316,440,911.66	314,612,434.38	-1,828,477.28
6. Non-Utility Property (Net)	0.00	0.00	0.00
7. Invest. in Subsidiary Companies	-2,509,266.93	-1,817,201.21	692,065.72
8. Invest. in Assoc. Org. - Patronage Capital	1,066,068.88	1,180,778.97	114,710.09
9. Invest. in Assoc. Org. - Other - General Funds	841,300.00	831,300.00	-10,000.00
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	0.00	0.00
11. Invest. in Economic Development Projects	622,500.00	510,000.03	-112,499.97
12. Other Investments	0.00	0.00	0.00
13. Special Funds	0.00	0.00	0.00
14. Total Other Property & Investments (6 thru 13)	20,601.95	704,877.79	684,275.84
15. Cash - General Funds	25,301,359.87	6,014,289.15	-19,287,070.72
16. Cash - Construction Funds - Trustee	0.00	0.00	0.00
17. Special Deposits	-11,449.04	-4,119.36	7,329.68
18. Temporary Investments	9,137,753.53	41,847,028.25	32,709,274.72
19. Notes Receivable (Net)	0.00	0.00	0.00
20. Accounts Receivable - Sales of Energy (Net)	11,637,103.42	12,055,258.44	418,155.02
21. Accounts Receivable - Other (Net)	130,349.80	412,675.23	282,325.43
22. Renewable Energy Credits	0.00	0.00	0.00
23. Material and Supplies - Electric & Other	18,356,244.93	21,296,301.16	2,940,056.23
24. Prepayments	368,393.58	1,346,322.81	977,929.23
25. Other Current and Accrued Assets	8,188,690.45	8,857,468.87	668,778.42
26. Total Current and Accrued Assets (15 thru 25)	73,108,446.54	91,825,224.55	18,716,778.01
27. Regulatory Assets	33,763,932.17	32,083,056.00	-1,680,876.17
28. Other Deferred Debits	1,112,623.02	779,195.98	-333,427.04
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	424,446,515.34	440,004,788.70	15,558,273.36

General Ledger
Financial And Operating Report Electric Distribution

BALANCE SHEET FOR OCT 2022

	Last Year	This Year	Variance
LIABILITIES AND OTHER CREDITS			
30. Memberships	580.38	595.79	15.41
31. Patronage Capital	125,264,229.40	131,555,827.22	6,291,597.82
32. Operating Margins - Prior Years	0.00	0.00	0.00
33. Operating Margins - Current Year	8,369,565.51	2,347,643.92	-6,021,921.59
34. Non-Operating Margins	0.00	0.00	0.00
35. Other Margins and Equities	17,221,279.34	17,273,591.55	52,312.21
36. Total Margins & Equities (30 thru 35)	150,855,654.63	151,177,658.48	322,003.85
37. Long-Term Debt - RUS (Net)	0.00	0.00	0.00
38. Long-Term Debt - FFB - RUS Guaranteed	109,044,583.88	117,886,218.07	8,841,634.19
39. Long-Term Debt - Other - RUS Guaranteed	0.00	0.00	0.00
40. Long-Term Debt - Other (Net)	135,018,470.53	131,989,221.61	-3,029,248.92
41. Long-Term Debt - RUS Econ. Devel. (Net)	0.00	0.00	0.00
42. Payments - Unapplied	-15,039,496.53	-6,211,240.11	8,828,256.42
43. Total Long-Term Debt (37 thru 41 - 42)	229,023,557.88	243,664,199.57	14,640,641.69
44. Obligations Under Capital Leases - Noncurrent	0.00	0.00	0.00
45. Accumulated Operating Provisions	2,870,842.50	2,728,212.09	-142,630.41
46. Total Other Noncurrent Liabilities (44 + 45)	2,870,842.50	2,728,212.09	-142,630.41
47. Notes Payable	0.00	0.00	0.00
48. Accounts Payable	5,493,186.12	5,201,122.98	-292,063.14
49. Customers Deposits	1,395,178.04	1,288,874.09	-106,303.95
50. Current Maturities Long-Term Debt	12,136,256.48	14,422,636.87	2,286,380.39
51. Current Maturities Long-Term Debt - Econ. Devel.	0.00	0.00	0.00
52. Current Maturities Capital Leases	0.00	0.00	0.00
53. Other Current and Accrued Liabilities	10,434,218.20	11,261,208.68	826,990.48
54. Total Current & Accrued Liabilities (47 thru 53)	29,458,838.84	32,173,842.62	2,715,003.78
55. Regulatory Liabilities	267,842.00	0.00	-267,842.00
56. Other Deferred Credits	11,969,779.49	10,260,875.94	-1,708,903.55
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	424,446,515.34	440,004,788.70	15,558,273.36
Current Assets To Current Liabilities	2.48	to 1	2.85
Margins and Equities To Total Assets	35.54	%	34.36
Long-Term Debt To Total Utility Plant	34.53	%	36.12

Questions?

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RAIN-FALL FOR KAUAI (LIHUE):												YTD	VARIANCE	YTD	
MONTH	Rolling 20-Year Avg	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	VARIANCE	2022 FROM 2021	VARIANCE FROM 2021
January	2.66	4.15	5.88	1.71	1.16	0.32	0.20	0.44	0.58	1.14	1.68	6.41	141.3%	281.5%	281.5%
February	4.07	9.03	1.01	8.69	0.08	0.09	6.42	9.15	2.95	2.39	4.10	0.51	2.9%	-87.6%	19.7%
March	7.02	18.17	4.29	1.93	0.35	2.62	4.11	9.03	1.11	15.62	11.89	3.22	-26.2%	-72.9%	-42.6%
April	1.81	0.37	3.12	0.65	1.48	0.80	2.39	6.72	2.03	1.96	1.52	1.57	-24.7%	3.3%	-63.9%
May	1.95	0.99	0.58	2.81	0.86	1.81	1.58	1.60	1.86	1.88	0.49	2.66	-17.9%	442.9%	-27.0%
June	1.49	0.45	0.70	3.13	0.98	1.08	0.88	1.37	5.79	0.98	1.01	0.47	-21.9%	-53.5%	-28.3%
July	1.75	0.91	0.96	1.45	0.79	1.70	0.94	1.71	1.72	4.66	1.77	0.92	-24.0%	-48.0%	-29.8%
August	2.38	1.00	0.75	3.80	9.86	1.52	1.49	4.65	1.79	1.28	1.39	2.19	-22.4%	57.6%	-24.7%
September	1.89	0.75	2.36	1.40	4.81	0.64	0.54	5.49	3.16	1.27	1.97	0.65	-25.6%	-67.0%	-28.0%
October	2.89	0.35	7.99	2.74	0.60	0.50	2.89	5.02	5.46	4.05	1.46	2.11	-25.8%	44.5%	75.9%
November	3.57	0.58	4.24	3.49	6.72	0.40	1.13	3.74	4.98	5.19	1.08				
December	4.43	4.38	5.28	1.40	1.42	1.17	1.11	4.04	7.02	2.05	7.94				
TOTAL	35.90	41.13	37.16	33.20	28.11	12.65	23.68	51.96	38.45	42.47	36.30	20.71			
Yrly Variance vs. Rolling 20-Year Avg		14.56%	3.50%	-7.53%	-21.70%	-64.78%	-34.04%	44.73%	7.10%	18.30%	1.11%				
Yrly Variance vs. Previous Yr		-3.68%	-9.65%	-10.66%	-15.33%	-55.02%	87.27%	119.43%	-26.00%	10.46%	-14.53%				

COOLING DEGREE DAYS (LIHUE):												YTD	VARIANCE	YTD	
MONTH	Rolling 20-Year Avg	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	VARIANCE	2022 FROM 2021	VARIANCE FROM 2021
January	235.45	270	191	195	208	242	244	269	259	279	290	227	-3.6%	-21.7%	-21.7%
February	203.55	230	202	180	248	213	197	198	159	246	209	220	1.8%	5.3%	-10.4%
March	216.30	219	153	211	245	235	267	218	238	280	232	267	-1.2%	15.1%	-2.3%
April	296.10	305	248	289	351	334	341	295	344	319	278	290	2.3%	4.3%	-0.5%
May	359.10	352	320	345	362	379	406	337	382	357	373	336	0.0%	-9.9%	-3.0%
June	408.35	390	382	380	409	345	441	413	452	432	428	313	-5.5%	-26.9%	-8.7%
July	458.90	404	381	462	496	419	503	474	527	468	505	469	-3.9%	-7.1%	-8.3%
August	481.20	444	451	454	515	493	555	478	579	494	521	373	-7.2%	-28.4%	-12.0%
September	454.05	420	460	477	471	500	510	386	557	515	442	445	-6.5%	0.7%	-10.3%
October	427.15	424	390	479	407	459	422	410	464	444	367	401	-6.4%	9.3%	-8.3%
November	335.45	354	290	342	422	358	302	365	373	379	351				
December	279.15	297	285	216	356	270	113	319	363	363	312				
TOTAL	4,185	4,139	3,753	4,031	4,490	4,247	4,301	4,192	4,697	4,676	4,308	3,341			
Yrly Variance vs. Rolling 20-Year Avg		-1.09%	-10.32%	-3.67%	7.29%	1.49%	2.78%	0.17%	12.24%	9.35%	2.95%				
Yrly Variance vs. Previous Yr		-1.73%	-9.33%	7.41%	11.39%	-5.41%	1.27%	-2.53%	12.05%	-2.58%	-5.86%				

KAUAI ISLAND UTILITY COOPERATIVE KIUC

POLICY NO. 9

~~(Reviewed 01/29/2019)~~

INVESTMENT OF GENERAL FUNDS

PURPOSE OF POLICY:

This policy describes the guidance of the Board of Directors to the KIUC staff and Chief Financial Officer (CFO) with regard to the investment of KIUC's cash or other general funds.

POLICY CONTENT:

The Rural Utilities Service (RUS) policies have long provided parameters for co-op investment of general funds. Approved investments include RUS ('cushion of credit,') National Rural Utilities Cooperative Finance Corporation (CFC), CoBank, certain Treasury securities and bank deposits (FDIC insured).

The KIUC Board of Directors wants our invested cash to achieve maximum returns consistent with prudent and fiscally conservative instruments in our investments.

The KIUC Board of Directors recognizes the KIUC CFO and staff have the cash management responsibilities and will supervise investment and allocation of general funds using sound business and investment practices. ~~Consistent with (previous and current) RUS policies,~~ Ithe Board expects short and long-term investments of KIUC general funds in the following fixed- income fiscally conservative instruments:

- A. RUS Cushion of Credit
- B. CFC Daily Fund, Select Notes, Commercial Paper and Medium-term Notes
- C. CoBank Cash Investment Service certificates
- D. U.S. Treasury short-term securities
- E. Bank accounts (FDIC insured)
- E-F. Money market accounts and money market funds

The Board of Directors shall be notified should the CFO and/or staff need to invest cash using a different instrument than those listed.

From time to time it may be in the best interest of KIUC to employ our cash for debt repayment. If this utilization of cash is employed, the CFO is to notify the Board of Directors prior to execution.

The Board requests information on all KIUC investments be reported monthly to the Finance & Audit Committee.

~~Adopted on this 10th day of January, 2010.~~

~~/s/ Calvin Murashige
Calvin Murashige
Secretary~~

~~Reviewed: 01/29/2010
Reviewed: 01/31/2017
Revised: 03/24/2015
Reviewed: 02/25/2014
Revised: 02/22/2011
Revised: 12/18/2003
Original Adoption: 2002~~

Adopted on this 22nd day of November, 2022.

Calvin Murashige
Secretary

Revised: 11/22/2022
Reviewed: 01/29/2019
Reviewed: 01/31/2017
Revised: 03/24/2015
Reviewed: 02/25/2014
Revised: 02/22/2011
Revised: 12/18/2003
Original Adoption: 2002

~~KAUAI ISLAND UTILITY COOPERATIVE~~
~~KIUC BOARD POLICY NO. 11~~
~~(Revised 10/30/2019)~~

PATRONAGE CAPITAL ALLOCATION AND RETIREMENT POLICY

I. PURPOSE OF POLICY:

It is the goal of the Board of Directors of Kauai 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 member-owners. KIUC's policy concerning the allocation and retirement of patronage capital provided by 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 four hundred thousand dollars (\$400,000.00) in discounted 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 four hundred thousand dollars (\$400,000.00) 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 to the extent the Board deems commercially reasonable.
- F. 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.
- G. 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.

- H. 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 22nd day of November, 2022.

Calvin Murashige
Secretary

Reviewed: 11/22/2022
Revised: 10/29/2019
Reviewed: 02/22/2018
Reviewed: 02/23/2016
Reviewed: 03/18/2014
Revised: 06/28/2011
Revised: 08/31/2005
Original Adoption: 2003

~~Adopted on this 20th day of October, 2010.~~

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Calvin Murashige

~~Secretary~~

~~Revised:~~ 10/29/2019

~~Reviewed:~~ 02/22/2018

~~Reviewed:~~ 02/23/2016

~~Reviewed:~~ 03/18/2014

~~Revised:~~ 06/28/2011

~~Revised:~~ 08/31/2005

~~Original~~ 2003

~~Adoption:~~

Report of KIUC Charitable Foundation

To KIUC Board of Directors

11/22/22

The Charitable Foundation Board met on 11/21/22.

The following reports were received:

Treasurer: no activity in Oct.

Catholic Charities assisted 1 family for \$300.

Golf Committee: Golf Tournament had over the maximum players expected. A more comprehensive report will be made at our next meeting in Dec.

Mahalo to all the Board members and Staff as well as retirees who came out to assist us in making it the successful event it turned out to be.

Happy Thanksgiving to all.

T. Phil Tacbian, President