

**REGULAR MEETING OF THE BOARD OF DIRECTORS
KAUA`I ISLAND UTILITY COOPERATIVE**

Via Video Conference Call

On July 27, 2023

MINUTES

Meeting called to order by Chair Smith at 1:05 p.m.

1. Roll Call

- 1.1. **Directors present:** Directors Allan Smith (Chair), Calvin Murashige (Secretary), Peter Yukimura (Treasurer), Dee Crowell, David Iha, Janet Kass, James Mayfield, Teofilo Tacbian; and David Bissell (CEO). Jan TenBruggencate (Vice Chair) entered the meeting at 1:15 p.m.
- 1.2. **Others present:** Stacie Dellamano (CFO), Laurel Loo (General Counsel), Teresa Amoy (Executive Administrator), Beth Amaro (Member Services & Communications Mgr.), Lisa Ubay (Mgr. of HR & Safety), Chris Yuh (Mgr. of Finance, Risk & Analytics), Cameron Kruse (Engineering & Technology Mgr.), Daurice Arruda (Accounting Mgr.), Erin Tsuda (Finance Mgr.), Scott Sato (Energy Services Supervisor), Allison Young (Communications & PR Specialist), Shelley Paik (PA Specialist); Members of the press (0) and Member of the public (1)
- 1.3. **Absent/Excused:** None

2. Approval of the Agenda

- 2.1. The Board of Directors' Agenda of July 27, 2023 – no adjustments to the agenda, no action taken.

3. Approval of Minutes

- 3.1. The minutes of June 29, 2023, Regular Board meeting were approved as circulated.

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

- 4.1. CEO discussed July's President's Report update (report attached). No action taken.

5. Financial Report – Stacie Dellamano (CFO)

- 5.1. CFO discussed finance and accounting updates and summarized the Board Financial Report submitted to the Board of Directors (report attached). No action taken.

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

- 6.1. Brief summary of June & July's NRECA Update (report attached). No action taken.

7. **Charitable Foundation Board – Director Teofilo Tacbian update:**

- 7.1. KIUC Makana Program currently has 416 participants with a balance of \$1,777.27.
- 7.2. The Charitable Foundation donated \$5000 to Kapaa Pop Warner for their loss of equipment.
- 7.3. KIUC Charitable Foundation Golf Tournament will be held on Saturday, November 18th. Entry forms will be available in the next couple of weeks.

8. **Public Testimony**

- 8.1. One public testimony received from Pearl V. Wollin (testimony attached).

9. **Announcement**

- 9.1. Board Chair asked for a moment of silence for Dennis Esaki, one of the founding members of KIUC, a former Board Member firstly elected in 2003, former KIUC Board Chairman, and NRECA Director.

10. **New Business**

- 10.1. **Policy No. 9: Investment of General Funds.** New proposed language to Board Policy No. 9 was approved by the Policy Committee for Board review and approval. The new proposed language would replace the current policy completely. Highlights of the substantive changes were provided.

- **MOTION** to approve the revised Board Policy No. 9

[Motion: Kass] [Second: TenBruggencate]

IN FAVOR: Smith, TenBruggencate, Murashige, Yukimura,
Mayfield, Kass, Tacbian, Iha, Crowell Total – 9

OPPOSED: None Total – 0

EXCUSED: None Total – 0

Motion carried

- 10.2. **Approval of RUS Form 740g.** RUS Form 740g was discussed and approved for Board review and approval at the F&A Committee meeting. The request is part of the \$153M of the RUS loan for the Construction Work Plan, but carves out the portion for the headquarters.

- **MOTION** to approve RUS Form 740g

[Motion: Yukimura] [Second: Murashige]

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

ABSTAIN: Mayfield Total – 1

OPPOSED: None Total – 0

EXCUSED: None Total – 0

Motion carried

10.3. **Resolution No. 04-23: Authorizing New RUS Loan.** Resolution No. 04-23 was discussed and approved for Board review and approval at the F&A Committee meeting with a request to revise the language and define “Authorized Persons.” The revised Resolution No. 04-23 was provided to the Board for review and approval.

- **MOTION** to approve Resolution No. 04-23

[Motion: Yukimura] [Second: Kass]

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

Motion carried

11. **Executive Session** – No Executive Session.

12. **Calendar**

12.1. **August 15, 2023** – Board Committee Meetings (9:00am, MCR)

12.2. **August 24, 2023** – Regular Board Meeting (1:00pm, via Zoom)

13. **Adjournment**

13.1. Meeting adjourned at 1:36 p.m.


Calvin Murashige (Aug 24, 2023 1:34 HST)

Calvin Murashige
Board Secretary

July 27, 2023

David Bissell, President & CEO

PRESIDENT'S REPORT

PRESIDENT'S REPORT

Safety (June)	Month	2023 YTD	2022 YTD
Recordable Incidents	0	1	1
Days Away/Restricted	30	119	106
Availability and Reliability	Month	2023 YTD	2022 YTD
Reportable Outages	1	21	13
Average Outage Hours Per Customer	0.19	1.96	0.43
Efficiency	Month	2023 YTD	
Net Plant Heat Rate	9,055	9,073	
Peak Demand (MW)	74.83	74.83	
Residential Rates			
July 2023	\$0.334/kwh down \$0.005 from June		

UPDATE ITEMS

- KIUC rates continue to be lowest in state
- Annual Member Meeting held on 7/20
- Rate case
 - Consumer Advocate (CA) Information Request process finished (233 completed)
 - CA Direct Testimony due 8/3
 - KIUC Rebuttal and/or Settlement Agreement due 9/6
 - Friends of Mahaulepu intervention awaiting PUC order
- Starlink wifi calling successfully tested

FEDERAL FUNDING REQUESTS-JULY

- Energy Improvement in Rural or Remote Areas (up to 100% grant)
 - Princeville underground system improvements (\$4.9 million)
 - Hanalei Tap to Princeville Transmission line (\$3.4 million)
 - Wainiha to Hanalei Distribution line (\$3.4 million)
- USDA (RUS) Powering Affordable Clean Energy Program (PACE)
 - Letters of Interest for loan and grant (20%-60%)
 - Solar Grid Forming Inverter (\$24.4 million loan request)
 - Synchronous Condenser (\$1.8 million loan request)
 - WKEP (AES) (Three grant requests of \$100 million, total \$300 million)

White House delegation meeting

The White House Initiative for the Asian Americans, Native Hawaiians and Pacific Islanders (WHIAANHPI)

- [Nani Coloretti](#), Deputy Director, U.S. Office of Management and Budget, The White House
- [Summer Sylva](#), Senior Advisor to the Secretary for Native Hawaiian Affairs, U.S. Department of Interior
- [Krystal Ka'ai](#), Executive Director, White House Initiative on Asian Americans, Native Hawaiians, and Pacific Islanders;



OTHER ITEMS

- Waiahi Hydro
 - Updated stream assessment



NEW LOBBY SIGNS



MAHALO!



Kaua'i Island Utility Cooperative

Your Touchstone Energy® Cooperative



Board Presentation

July 2023

Finance, Accounting, Regulatory and Warehouse Monthly Summary

Finance and Accounting Update

- Financial Results
 - Balance Sheet (Form 7 Reporting)
 - Income Statement (Form 7 Reporting)
- Outstanding Loan Detail Report
- A/R Reports
- Total kWh Sold Report
- Treasury Management Monthly Discussion
- Accounting/Finance Department Update
- RUS Loan Presentation (Separate PP and Supplemental Info.)
 - Summary of Loan Application – CWP to 740c (Call to Order)
 - 740g RUS Form for Headquarters Purchase and Remodel
 - Board Resolution

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General Ledger Financial And Operating Report Electric Distribution

BALANCE SHEET FOR JUN 2023

	Last Year	This Year	Variance
ASSETS AND OTHER DEBITS			
1. Total Utility Plant in Service	578,857,231.24	606,050,362.39	27,193,131.15
2. Construction Work in Progress	15,546,775.44	6,326,148.70	-9,220,626.74
3. Total Utility Plant (1 + 2)	594,404,006.68	612,376,511.09	17,972,504.41
4. Accum. Provision for Depreciation and Amort.	331,517,137.11	341,707,654.75	10,190,517.64
5. Net Utility Plant (3 - 4)	262,886,869.57	270,668,856.34	7,781,986.77
6. Non-Utility Property (Net)	0.00	0.00	0.00
7. Invest. in Subsidiary Companies	25,183,075.49	23,062,910.25	-2,120,165.24
8. Invest. in Assoc. Org. - Patronage Capital	1,072,332.81	1,169,440.27	97,107.46
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	545,833.35	1,042,139.69	496,306.34
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)	27,642,541.65	26,105,790.21	-1,536,751.44
15. Cash - General Funds	7,662,736.78	1,196,077.07	-6,466,659.71
16. Cash - Construction Funds - Trustee	0.00	0.00	0.00
17. Special Deposits	-6,768.56	-7,691.06	-922.50
18. Temporary Investments	19,148,739.92	45,358,129.94	26,209,390.02
19. Notes Receivable (Net)	0.00	0.00	0.00
20. Accounts Receivable - Sales of Energy (Net)	12,287,116.98	9,674,927.56	-2,612,189.42
21. Accounts Receivable - Other (Net)	752,986.06	461,238.52	-291,747.54
22. Renewable Energy Credits	0.00	0.00	0.00
23. Material and Supplies - Electric & Other	19,586,221.96	22,748,595.14	3,162,373.18
24. Prepayments	1,964,824.29	2,628,325.36	663,501.07
25. Other Current and Accrued Assets	8,961,601.80	8,098,564.46	-863,037.34
26. Total Current and Accrued Assets (15 thru 25)	70,357,459.23	90,158,166.99	19,800,707.76
27. Regulatory Assets	32,788,262.64	34,418,046.36	1,629,783.72
28. Other Deferred Debits	-220,249.58	108,064.87	328,314.45
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	393,454,883.51	421,458,924.77	28,004,041.26

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General Ledger Financial And Operating Report Electric Distribution

BALANCE SHEET FOR JUN 2023

	Last Year	This Year	Variance
LIABILITIES AND OTHER CREDITS			
30. Memberships	590.86	604.00	13.14
31. Patronage Capital	131,800,141.60	134,678,640.43	2,878,498.83
32. Operating Margins - Prior Years	0.00	0.00	0.00
33. Operating Margins - Current Year	-179,681.54	-33,380.27	146,301.27
34. Non-Operating Margins	0.00	0.00	0.00
35. Other Margins and Equities	194,759.52	74,057.84	-120,701.68
36. Total Margins & Equities (30 thru 35)	131,815,810.44	134,719,922.00	2,904,111.56
37. Long-Term Debt - RUS (Net)	0.00	0.00	0.00
38. Long-Term Debt - FFB - RUS Guaranteed	106,618,718.94	120,289,229.62	13,670,510.68
39. Long-Term Debt - Other - RUS Guaranteed	0.00	0.00	0.00
40. Long-Term Debt - Other (Net)	122,327,907.54	122,138,182.12	-189,725.42
41. Long-Term Debt - RUS Econ. Devel. (Net)	0.00	0.00	0.00
42. Payments - Unapplied	-8,490,411.11	-1,547,092.73	6,943,318.38
43. Total Long-Term Debt (37 thru 41 - 42)	220,456,215.37	240,880,319.01	20,424,103.64
44. Obligations Under Capital Leases - Noncurrent	0.00	13,583,205.15	13,583,205.15
45. Accumulated Operating Provisions	-110,631.72	141,558.26	252,189.98
46. Total Other Noncurrent Liabilities (44 + 45)	-110,631.72	13,724,763.41	13,835,395.13
47. Notes Payable	0.00	0.00	0.00
48. Accounts Payable	6,836,368.47	8,787,929.37	1,951,560.90
49. Consumers Deposits	1,158,275.52	1,486,844.15	328,568.63
50. Current Maturities Long-Term Debt	13,911,272.96	0.00	-13,911,272.96
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	8,493,211.76	9,436,676.91	943,465.15
54. Total Current & Accrued Liabilities (47 thru 53)	30,399,128.71	19,711,450.43	-10,687,678.28
55. Regulatory Liabilities	73,002.00	0.00	-73,002.00
56. Other Deferred Credits	10,821,358.71	12,422,469.92	1,601,111.21
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	393,454,883.51	421,458,924.77	28,004,041.26
Current Assets To Current Liabilities	2.31 to 1	4.57 to 1	
Margins and Equities To Total Assets	33.50 %	31.97 %	
Long-Term Debt To Total Utility Plant	37.09 %	39.34 %	

KAUAI ISLAND UTILITY COOPERATIVE
NOTES, BONDS, AND OTHER INDEBTEDNESS
TEST YEAR ENDED DECEMBER 31, 2023
(IN THOUSANDS, EXCEPT PERCENTAGES)

LINE NO.	LENDER (A)	DATE OF NOTE (B)	DATE OF ISSUE (C)	DATE OF MATURITY (D)	INTEREST RATE (E)	LOAN# (F)	ORIGINAL AMOUNT (G)	BALANCE AT 12/31/2022 (H)	BALANCE AT 12/31/2023 (I)	TY 2023 INTEREST EXPENSE (J)
1	CFC	12/17/03	12/18/03	09/30/23	3.89%	H1001-9005	\$8,240	\$412	\$-	\$8
2	CFC	04/30/19	04/30/19	03/31/35	2.55%	H1001-9014-001	103,134	78,215	72,705	1,930
3	CFC	02/06/20	02/25/20	12/31/49	2.76%	H1001-9019B	26,500	24,856	24,227	680
4							<u>137,874</u>	<u>103,483</u>	<u>96,932</u>	<u>2,618</u>
5	FFB	06/01/04	10/19/04	12/31/23	2.84%	B8 - 1-1	8,240	580	-	10
6	FFB	06/01/04	10/19/04	12/31/23	2.57%	B8 - 1-2	8,240	580	-	9
7	FFB	06/01/04	10/19/04	12/31/23	4.43%	B8 - 1-3	16,480	1,298	-	36
8							<u>32,960</u>	<u>2,458</u>	-	<u>55</u>
9	FFB	07/01/11	06/07/12	12/31/42	2.42%	C8#1 - 2-1	8,716	6,523	6,263	155
10	FFB	07/01/11	10/23/12	12/31/42	2.60%	C8#1 - 2-2	1,606	1,210	1,163	31
11	FFB	07/01/01	06/24/13	12/31/42	3.26%	C8#1 - 2-3	9,100	7,028	6,770	225
12	FFB	07/01/11	11/25/13	12/31/42	2.66%	C8#1 - 2-4	2,689	2,007	1,928	52
13	FFB	07/01/11	03/18/14	12/31/42	3.33%	C8#1 - 2-6	5,198	4,091	3,942	134
14	FFB	07/01/11	08/07/14	12/31/42	3.02%	C8#1 - 2-7	5,731	4,510	4,340	134
15	FFB	07/01/11	06/08/15	12/31/42	2.67%	C8#1 - 2-8	4,213	3,339	3,208	87
16	FFB	07/01/11	09/18/15	12/31/42	2.72%	C8#1 - 2-9	748	598	575	16
17	FFB	01/15/15	10/29/15	12/31/42	2.56%	C8#2 - 3-1	6,000	4,801	4,611	121
18	FFB	01/15/15	01/12/16	12/31/42	2.64%	C8#2 - 3-2	35,587	28,723	27,601	744
19							<u>79,588</u>	<u>62,830</u>	<u>60,401</u>	<u>1,699</u>
20	FFB	12/01/17	04/24/18	12/31/51	3.20%	D8 - 4-1	22,192	20,820	20,366	659
21	FFB	12/01/17	10/22/18	12/31/51	3.44%	D8 - 4-2	5,707	5,368	5,256	183
22	FFB	12/01/17	06/06/19	12/31/51	2.58%	D8 - 4-3	4,776	4,448	4,341	113
23	FFB	12/01/17	06/22/20	12/31/51	1.33%	D8 - 4-4	3,992	3,729	3,620	49
24	FFB	12/01/17	10/08/21	12/31/51	2.09%	D8 - 4-5	7,889	7,694	7,494	159
25	FFB	12/01/17	06/19/22	12/31/51	3.24%	D8 - 4-6	3,450	3,415	3,341	109
26	FFB	12/01/17	06/29/22	12/31/51	3.42%	D8 - 4-7	12,706	12,645	12,379	428
27							<u>60,712</u>	<u>58,119</u>	<u>56,797</u>	<u>1,700</u>
28	COBANK	02/06/20	02/22/21	02/20/51	2.90%	00102606 T01	18,119	17,408	17,004	506
29	COBANK	02/06/20	02/10/22	02/10/52	3.33%	00102606 T01-DS	4,900	4,812	4,713	161
30							<u>23,019</u>	<u>22,220</u>	<u>21,717</u>	<u>667</u>
31	TOTAL						\$334,153	\$249,110	\$235,847	\$6,739
32	Adjustment due to Rounding						-	-	-	-9
33	ADJUSTED TOTAL						\$334,153	\$249,110	\$235,847	\$6,730
	New Proposed Construction Work Plan Loan Funds Needed						\$ 203,400	\$ 203,400	\$ 203,400	
	LOC Available (60M Disaster, CFC \$20, CFC \$5M CoBank \$15M)						\$ 100,000	\$ 100,000	\$ 100,000	
	Outstanding Total Loan Balances						\$637,553	\$552,510	\$539,247	
	LOC Available Deduct out of Ceiling (60M Disaster, CFC \$20, CoBank \$15M)						\$ (100,000)	\$ (100,000)	\$ (100,000)	
							\$537,553	\$452,510	\$439,247	

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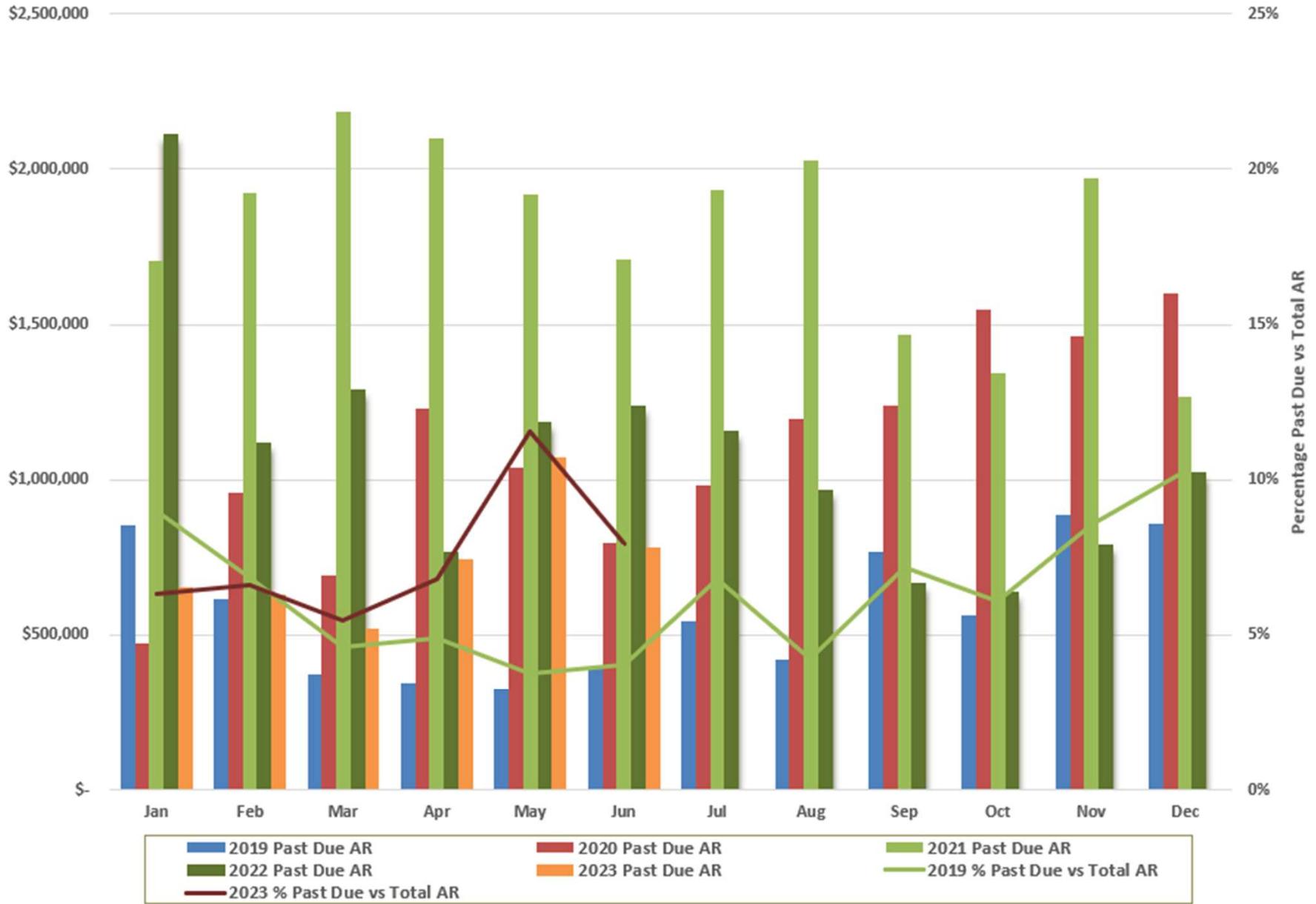
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General Ledger Financial And Operating Report Electric Distribution

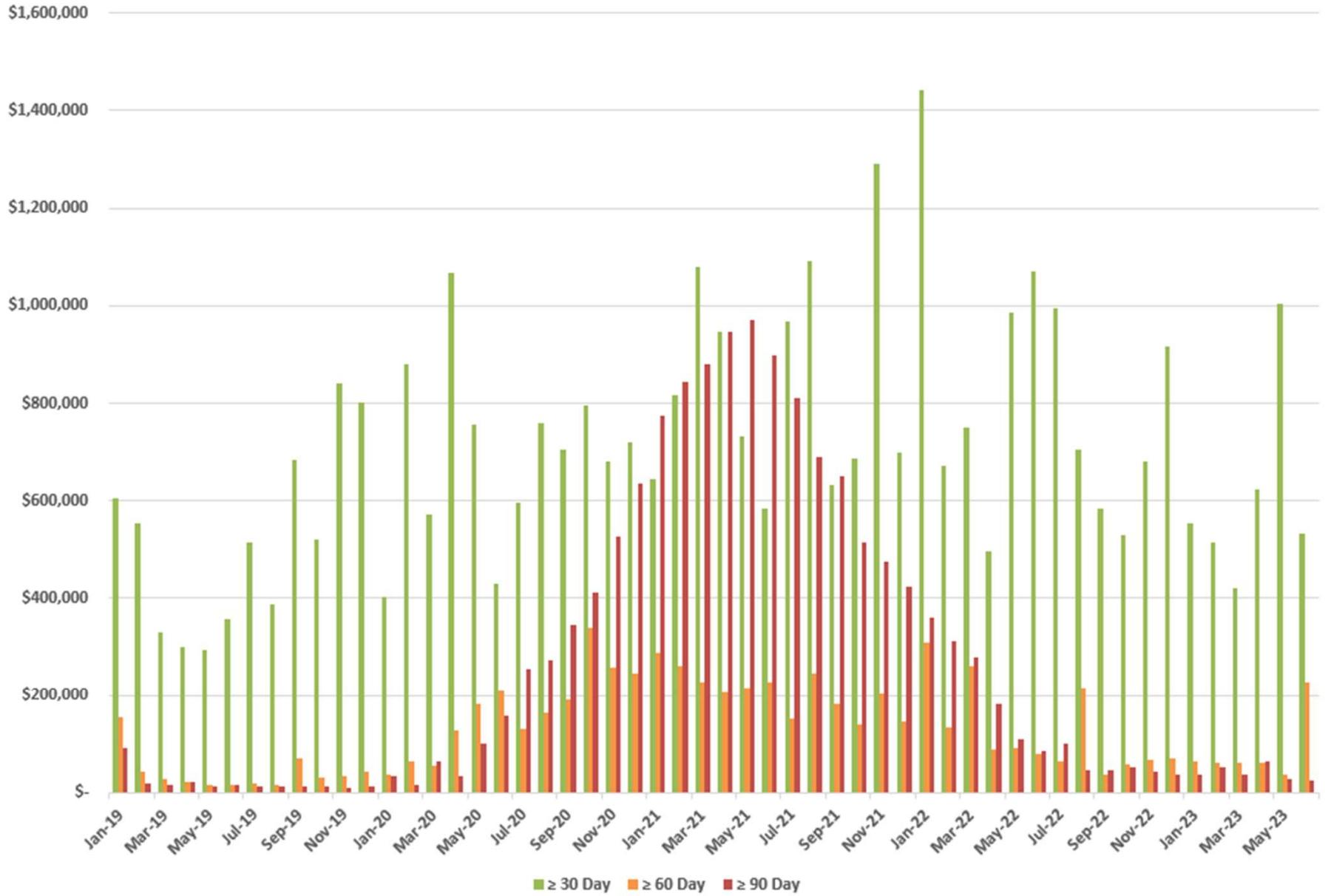
INCOME STATEMENT FOR JUN 2023

Item	-----Year - To - Date-----			-----Period - To - Date-----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	83,873,866.66	81,045,466.25	83,817,462.00	13,624,521.92	15,056,654.00
2. Power Production Expense	26,005,344.00	25,256,968.02	26,555,765.00	3,823,991.75	4,653,392.00
3. Cost of Purchased Power	24,240,453.58	22,579,362.35	24,279,669.00	4,206,542.57	4,271,481.00
4. Transmission Expense	725,422.60	578,529.75	706,980.00	111,935.21	115,929.00
5. Regional Market Expense	0.00	0.00	0.00	0.00	0.00
6. Distribution Expense - Operation	879,872.00	746,584.76	716,680.00	146,026.45	116,902.00
7. Distribution Expense - Maintenance	2,264,899.61	2,571,819.00	2,646,885.00	388,016.25	444,083.00
8. Customer Accounts Expense	1,160,401.09	1,167,811.19	1,468,730.00	196,987.97	244,041.00
9. Customer Service and Informational Expense	145,420.04	145,935.81	235,234.00	43,648.23	46,614.00
10. Sales Expense	0.00	0.00	0.00	0.00	0.00
11. Administrative and General Expense	10,574,544.99	11,054,553.05	13,097,575.00	1,827,368.70	1,889,165.00
12. Total Operation & Maintenance Expense (2 thru 11)	65,996,357.91	64,101,563.93	69,707,518.00	10,744,517.13	11,781,607.00
13. Depreciation & Amortization Expense	7,872,854.12	7,766,822.18	9,265,377.00	1,302,462.58	1,544,230.00
14. Tax Expense - Property & Gross Receipts	2,095,005.93	2,024,058.57	2,095,437.00	340,264.64	376,416.00
15. Tax Expense - Other	4,946,792.31	4,817,536.02	4,952,158.00	810,911.83	891,584.00
16. Interest on Long-Term Debt	3,287,976.21	3,376,577.75	3,370,700.00	563,808.35	565,700.00
17. Interest Charged to Construction - Credit	0.00	0.00	0.00	0.00	0.00
18. Interest Expense - Other	0.00	0.00	124,000.00	0.00	36,000.00
19. Other Deductions	43,389.33	13,452.27	58,305.00	500.00	3,230.00
20. Total Cost of Electric Service (12 thru 19)	84,242,375.81	82,100,010.72	89,573,495.00	13,762,464.53	15,198,767.00
21. Patronage Capital & Operating Margins (1 minus 20)	-368,509.15	-1,054,544.47	-5,756,033.00	-137,942.61	-142,113.00
22. Non Operating Margins - Interest	492,969.21	1,433,459.58	474,550.00	290,248.36	80,341.00
23. Allowance for Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
24. Income (Loss) from Equity Investments	-380,431.05	-526,684.31	-816,738.00	-29,991.64	-72,772.00
25. Non Operating Margins - Other	76,289.45	114,388.93	95,826.00	11,836.33	15,971.00
26. Generation and Transmission Capital Credits	0.00	0.00	0.00	0.00	0.00
27. Other Capital Credits and Patronage Dividends	0.00	0.00	0.00	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)	-179,681.54	-33,380.27	-6,002,395.00	134,150.44	-118,573.00
Operating - Margin	-179,681.54	-33,380.27	-6,002,395.00	134,150.44	-118,573.00
Non Operating - Margin	0.00	0.00	0.00	0.00	0.00
Times Interest Earned Ratio - Operating	0.89	0.69			
Times Interest Earned Ratio - Net	0.95	0.99			
Times Interest Earned Ratio - Modified	0.95	0.99			

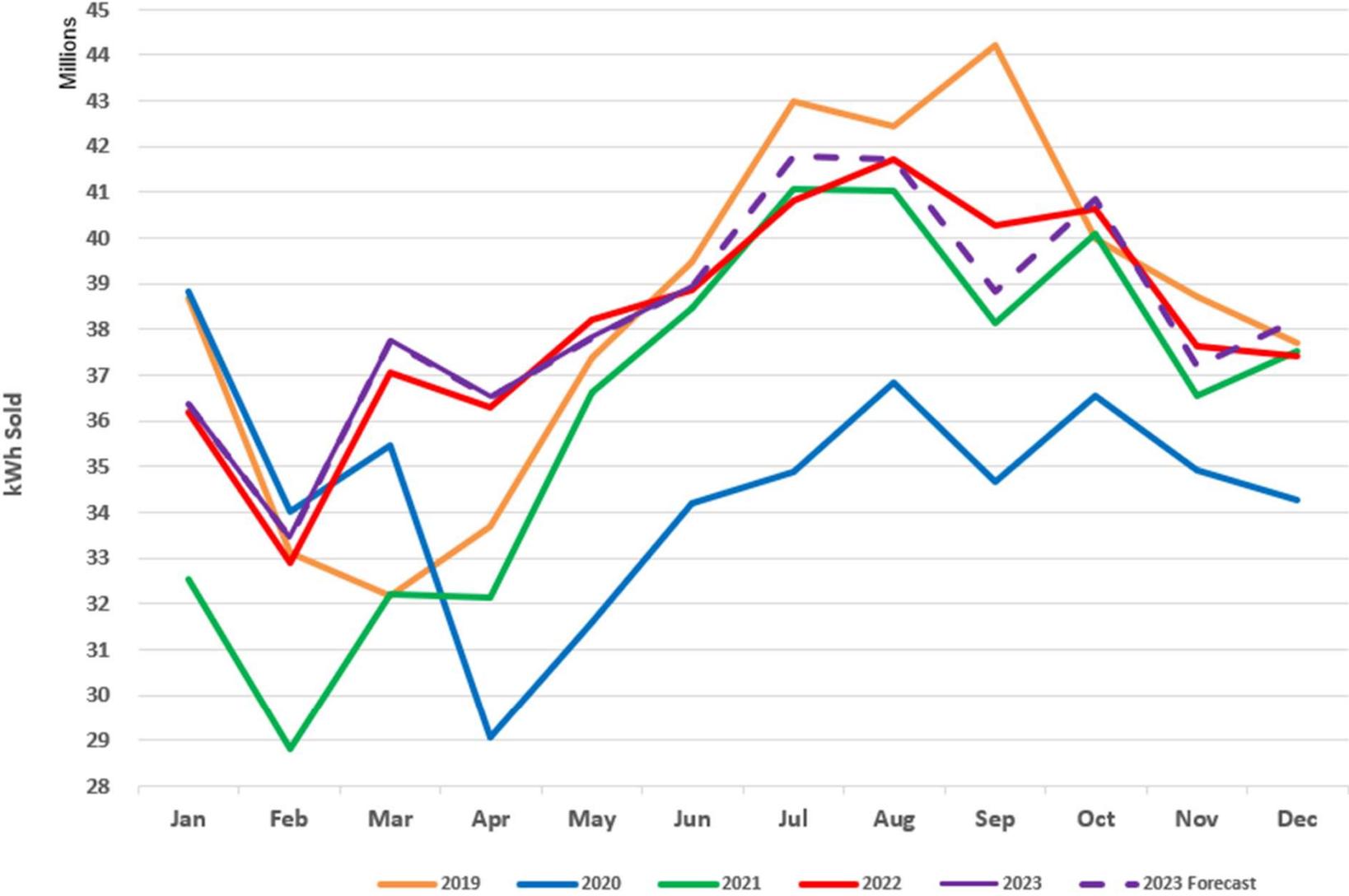
YOY > 30 days vs Total AR



Past Due AR Balances



Total kWh Sold



Treasury Management – Monthly Discussion

- Board Policy 9 Discussions:
 - Setting Credit Rating Standards for Investments
 - Reviewing Priorities of Investment Strategy
 - Keeping all investments to a minimum standard for liquidity and quick one day access
 - Capping the amount of investment for decreased Concentration Risk – if a bank fails less money lost if investment is capped at a stated amount
- Current Summary Of Investments:
- \$35M Dreyfus Funds – AAA Rating Money Market Fund very ST
 - Government MM Fund – Treasury Only
 - Stable Value type of money market (heavily regulated and makes it difficult to break the dollar)
 - 3.85% Interest Rate
- \$5M CFC Daily and Monthly Commercial Paper – ST to Medium Term Investment – Daily to Monthly A2 Moody and S&P A-
 - ST Daily \$9M and revolving 30 days 4.0%
 - Revolving 30 day Fund \$5M 4.35%
- \$5M CoBank Commercial Paper Investment – AA- Moody and S&P
 - 60-day Investment – 4.80%
- \$250,000 Central Pacific Bank – New Relationship (all setup)
 - Backup for Checking in Money Market (unlimited) account
 - 4.0%

Questions?

NRECA Board Update

June 2023



- ◆ In a transformative win for electric cooperatives, the Treasury Department included direct input from NRECA and its members in its proposed rule for direct-pay legislation enacted by Congress last year. As a result of strong advocacy, the Treasury's proposed rule includes items that help level the playing field for co-ops seeking to make investments in energy technology. Highlights include:
 - ◇ Direct federal incentives paid to co-ops to deploy new energy technologies will not affect co-ops' tax-exempt status.
 - ◇ The amount of project funding eligible for a credit will not be reduced by the amount of any grants or forgivable loans allocated to that project.
 - ◇ Co-ops will be able to use the familiar Form 990-T to claim the tax credits.The proposed guidance kicks off a 60-day public comment period. A fact sheet and other resources are available on cooperative.com.

- ◆ NRECA Broadband continues to make progress on issues for co-ops in and entering the broadband space. Recent activity includes:
 - ◇ NRECA CEO Jim Matheson [testified](#) at a broadband hearing of the House Agriculture Committee, which is crafting a new five-year Farm Bill that will authorize broadband funding. Matheson asked the Committee to make key improvements to broadband programs at the U.S. Department of Agriculture, including making the ReConnect program permanent and easier to access, providing robust funding, prioritizing symmetrical speeds in future rounds of federal funding, and investing in middle mile infrastructure.
 - ◇ Staff met recently with Federal Communications Commission personnel to discuss key issues and programs that can help electric cooperatives overcome barriers and receive assistance to deliver affordable high-speed internet to their members.
 - ◇ Matheson lauded the allocation of \$42.5 billion in federal funds to states and territories for grants to bring affordable, reliable broadband to millions of unserved rural Americans. On June 30, 2023, states received their allocations from the Broadband Equity, Access, and Deployment (BEAD) Program created by the bipartisan infrastructure law. They have 180 days to submit plans for their grant programs to the National Telecommunications and Information Administration for approval on a rolling basis.

- ◆ The National Resolutions Committee met virtually June 23, and the event was streamed live on cooperative.com. Amendment proposals to three existing resolutions will advance to the Regional Meetings. The three resolutions are 5.5 Support for Equitable Treatment in Energy Tax Policy, 6.17 Support for Nuclear Power, and 6.18 Spent Fuel and Nuclear Waste. The committee meeting recording is available on cooperative.com.

- ◆ NRECA submitted comments to the Environmental Protection Agency on two issues — its proposed greenhouse gas emission standards for heavy duty vehicles and proposed technology review of the Clean Air Mercury Rule. Regarding the former, NRECA is urging the agency to account for the grid-side investments needed to support the electrification of these vehicles as envisioned in the proposal. The latter comments include a recommendation that EPA keep current standards in place since the minimal health risks do not justify the costs of the proposed requirements.

NRECA Board of Directors

NRECA Update

July 2023

Transformative Win for Network

- Treasury Dept. includes input from network in proposed rule for direct-pay legislation:
 - Incentives not to affect tax-exempt status
 - Funding not reduced by grants or loans
 - Co-ops able to use Form 990-T
- Resources on cooperative.com

Fact Sheet

June 2023



Treasury/IRS Proposed Rule on Direct Pay Tax Credits

What Co-ops Need to Know:

- On June 14, 2023, the Treasury Department published the proposed rule for the Direct Pay legislation enacted by Congress that will give electric cooperatives direct access to energy innovation tax credits, which it calls "elective pay" credits. The proposed rule and the underlying law that was passed by Congress directly reflect input from NRECA and electric cooperatives.
- The proposed guidance kicks off a 60-day public comment period. Treasury and the IRS will consider public feedback before finalizing the rule.
- Co-ops should refer to this [FAQ on the proposal](#) posted by the IRS. NRECA will continue to review the proposed rule and will provide additional updates as well as new member resources in the coming weeks on cooperative.com/directpay.

Background

- In August of 2022, Congress passed the Inflation Reduction Act (IRA), which included direct pay tax incentives that allow electric cooperatives—for the first time—to have direct access to energy tax credits that have previously been available only to for-profit companies.
- Prior to the passage of the IRA, one of the most significant shortcomings of federal energy tax policy, was that not-for-profit and tax-exempt community-owned electric utilities had been excluded from being able to directly claim these credits.
- The result was that co-ops have only *indirectly* benefited from energy-related tax incentives. This has typically been done through complex and expensive long-term power purchase agreements (PPAs) with taxable project developers and their tax-equity partners, which claim these credits.
- The direct payments will be used to help offset project costs – increasing the incentive for further investments – and will enable co-ops to own these facilities directly. It will also mean more local projects, with local jobs, under local control.

Key Features of the Proposed Rule

As a result of NRECA's strong advocacy, Treasury has proposed that:

- The amount of project funding eligible for a credit should not be reduced by the amount of any grants and forgivable loans being allocated to a project. This means elective pay tax credits can be claimed on the total original cost of the project, resulting in maximum value for co-ops – especially when coupled with new infrastructure and USDA funding opportunities.
- Co-ops will be able to use the familiar Form 990-T to claim the tax credits.
- Direct pay tax credits will not count against co-ops in the 85-15 revenue test as they seek to maintain their tax-exempt status and comply with the requirement that 85% of their income come from consumer-members.

Collectively, this is a transformative win for electric co-ops. The proposed rule by Treasury levels the playing field for co-ops as they seek to bolster investment in innovative energy technologies.

Advocating for Rural Broadband

- Matheson testified at hearing of House Ag Committee
- Meeting with FCC staff to discuss key issues and programs
- BEAD Program allocations have been received by states



NRECA Files Comments with EPA

- Proposed greenhouse gas emission standards for heavy duty vehicles
 - Account for grid-side investments needed to support proposal
- Proposed technology review of the Clean Air Mercury Rule
 - Recommend current standards stay in place as minimal health risks do not justify costs of the proposed requirements

Member Resolutions

- Amendments to three resolutions advance to Regionals
- Meeting recording on cooperative.com



Meeting of the National Resolutions Committee



From: [PearlVivian Wollin](mailto:PearlVivian.Wollin)
To: testimony@kiuc.coop
Subject: Policy change
Date: Tuesday, July 25, 2023 3:51:10 PM

CAUTION: This email originated outside of the KIUC organization. Do not click links, open attachments or respond unless you recognize the sender and know the content is safe. Contact IT for help.

In the Summer 2023 Currents, the Seven Cooperative Principles were listed. The Second is democratic member control, where members actively participate in setting policies and making decisions. From this Principle, I give my testimony.

Staff were unable to explain the rationale for allowing only one member of a family to be, essentially, the sole official member. When that member dies, the surviving family are no longer members, and the account is closed. The family must set up a new account. I propose that this is changed to include two official family members.

My deceased husband, Adrian Bontje, and I have life-long histories of co-op memberships. While I cannot attest to the rural electric co-op of my childhood, in all other co-ops to which we have been members, there were and are no limits, as in KIUC.

Adrian died on January 22, 2022 and it is not until this month that I am calm enough about this issue, to give testimony. I am a retired social worker, who even worked with families experiencing loss, for sixteen years as a medical social worker, and even I was surprised by the state of profound grief I entered. The hospice worker told me that is now named "grief coma". I was extremely fragile, emotionally, and had almost no capacity to make memory. At that time, in the first month, KIUC stopped the account and directed me to begin a new account. Any and all transactions that brought his death to my attention sent me to prostrated grief and the most I could do any day was just one step in front of the other. I assumed I had time to process the directive, but I was sent a notice that my service would be cut off. My husband, being the primary member, had set up the account, with the automatic payments, and the very thought of addressing this was disorienting. (I am also retired university faculty, so not unfamiliar with internet transactions.)

But I was in a grief coma. If you have not been there, I don't expect you to understand. In discussing my proposal for a policy change, I recommend that you ask for the expertise of a hospice staff member to advise you on the state of Kauai widows and widowers, as they must now address the policy, immediately following the death of a beloved.

Pearl V. Wollin, 

KIUC BOARD POLICY NO. 9
INVESTMENTS

PURPOSE OF POLICY:

The purpose of this policy is to establish rules within which staff will manage KIUC's investments.

POLICY CONTENT:

I. Scope

This policy covers most items on the unconsolidated financial statements of KIUC that are labeled as cash, cash equivalents, and investments. It excludes cash held in KIUC's bank accounts used to handle day-to-day transactions, which are generally checking accounts. These day-to-day operational accounts may have widely-varying amounts of cash from one day to the next, as KIUC pays large bills. This policy does not cover investments made by subsidiaries of KIUC. It does cover investments in both equity and debt.

II. Investment Objectives

Investors typically pursue multiple objectives, some of which compete with each other. The primary goals of the Board for KIUC's investments are preservation of principal and liquidity. Earning income is a secondary goal.

III. Rules for Managing Investment Risks

When KIUC purchases an investment, it must comply with all of the rules stated below. After an investment has been purchased, if the investment ceases to comply with these rules, KIUC staff will use their best efforts to sell the investment promptly, reinvesting the proceeds in a new investment that does comply with the rules.

A. Credit Ratings. There are multiple credit rating agencies in the United States. Each agency uses a different grading system for investments. This policy lists ~~that the~~ credit rating agencies ~~that~~ KIUC may use, and states rules for minimum grade ~~that~~ its investments must have.

- 1. Acceptable credit rating agencies:** KIUC shall use the credit ratings from three firms: S&P, Moody's, and Fitch. Some investments are rated by only one of these firms; others are rated by two of them; while some investments have ratings from all three.
- 2. No rating below investment grade:** KIUC investments cannot have a credit rating below investment grade from any of its approved credit rating agencies.

3. **Minimum of Single A:** KIUC investments must have at least one credit rating of at least the lowest grade level of single A used by an acceptable credit rating agency. (Presently, the lowest grade of single A from S&P and Fitch is "A-", while the lowest single A rating from Moody's is "A3".)

B. Concentration and Diversification.

1. **For securities ~~that are~~ rated AAA by at least one of KIUC's acceptable credit rating agencies:** There are no dollar limits on such investments.

2. **For securities ~~that are~~ not rated AAA by at least one of KIUC's acceptable credit rating agencies:** KIUC shall not invest more than \$5 million in any single security, nor shall KIUC invest more than \$5 million in aggregate in the securities offered by a single issuer.

C. Term. Investments shall have a remaining term of no longer than two years.

D. Liquidity. KIUC must be able to sell any investment within one business day. That is, there should be a secondary market for each investment, or the issuer of the investment must be willing to repurchase the security within one business day.

IV. Equity Investments

A. Equity Investments in Subsidiaries. The Board must authorize KIUC's equity investments in subsidiaries.

B. Equity Investments in Cooperatives. As a condition of doing business, some cooperatives (such as CFC and CoBank) require their customers to invest a certain amount of money in equity securities issued by that cooperative. The KIUC CEO has the authority is authorized to invest up to \$100,000 in each such required securities without obtaining separate approval from the Board. From time to time, these other cooperatives may offer KIUC the opportunity to invest in additional equity securities, with no obligation for KIUC to make such investments. The Board must approve all investments in such optional equity securities.

Adopted on this xxth day of [month], 2023 ~~to~~
~~become effective on August 1, 2023~~

Calvin Murashige
Secretary

Revised: xx/xx/2023
Revised: 11/22/2022
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