

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

Held at 4463 Pahe`e Street

Lihu`e, Kaua`i, Hawai`i

On December 19, 2018

MINUTES

Call to order at 1:00 p.m.

1. Roll Call

1.1 **Present:** Directors Allan Smith (Chair), Dee Crowell, David Iha, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, Jan TenBruggencate (Vice Chair), and Peter Yukimura (Treasurer); and David Bissell (President and CEO). A quorum of directors were present.

1.2 **In attendance:** Laurel Loo (General Counsel), Maile Alfiler (Member Services Mgr.), Rick Eckert (Financial Planning & Strategy Mgr.), Carey Koide (T&D Mgr.), Beth Tokioka (Communications Mgr.), Lisa Ubay (Mgr. HR & Safety), Mike Yamane (COO & Technology), and Pua Chin (Executive Administrator); and one (1) member of the public.

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

3. Approval of Agenda - The agenda was approved.

4. Approval of Minutes

4.1 The 11/27/2018 Regular meeting minutes were approved unanimously. [Motion: TenBruggencate/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: Corinne Cuaresma, Controller reported.

6.1 RUS reporting – On November 28th CWP Amendment #5 was submitted to the RUS for the PMRF substation project.

6.2 Short Term Investments – on 11/26/18 the \$5M invested in CFC Select Notes for 90 days matured earning \$60k in interest income. On December 5th \$5M was invested in Daily Liquidity Fund @ 2% interest as of 12/5/18, and \$5M in CFC Select Notes for 90 days at 2.84% interest.

6.3 The November 2018 financials were reviewed. (scorecard attached)

7. NRECA Hawaii Director Report – Director David Iha

7.1 The US government is trying to avoid a shut down. Some of the appropriations bills have not been passed.

- 7.2 The Farm Bill –The Trump administration recommended to cut out LIHEAP (Low Income Home Energy Assistance Program) and REDL&G (Rural Economic Development Loan & Grant) program but both were reauthorized. The cushion of credit was also reauthorized with changes that will affect KIUC in the next couple of years.

8. **Committee Reports**

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

- 8.1.1 The committee reviewed and is recommending reauthorization of Directors Yukimura and Tacbian as the 2019 NRECA Voting Delegate and Alternate. A report was received from HR Manager providing an overview of the new HR Advocate system that will streamline processes for that department. Director Mayfield also provided notice that the two-year review of KIUC’s Strategic Plan is likely to occur next year. The committee also convened an Executive Session to discuss Schedule Q.

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

- 8.2.1 The committee has two items under new business for the 2019 budget.

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

- 8.3.1 The committee announced the meeting with legislators today at 4:00pm at Puakea. Representatives Morikawa and Tokioka along with Senator Kouchi will be in attendance. Representative Nakamura is unable to attend. A meeting has been scheduled with Representative Nicole Lowen of Hawaii Island and newly appointed Chair of Energy and Environmental Protection Committee on January 15th at the State Capitol. During opening day a visit to Representative Val Okimoto of Mililani has also been arranged.

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

- 8.4.1 The committee received written reports from Member Services and Communications departments. There were no action items to present.

8.5 **Nominating – Committee Chair, Dee Crowell**

- 8.5.1 There is one item on the agenda under New Business for consideration.

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

- 8.6.1 The committee voted to send Board Policy #24 to the full board for action. More discussion under New Business.

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

- 8.7.1 The committee did not meet.

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

- 9.1 The CF Board on December 19th. The treasurer’s preliminary report shows a starting balance of \$58,934. Escheat monies and income from golf tournament

registrations & donations equalled \$40,202. Expenses for the tournament were \$9,401 leaving closing a balance of \$89,735.

- 9.2 The Foundation received two (2) new donation requests from Kumu’s Cupboard and Leadership Kauai. Both are pending requests for additional information.

10. **Public Testimony.** Member Marj Dente provided oral testimony.

11. **New Business**

11.1 **2019 NRECA Annual Meeting Voting Delegate and Alternate**

11.1.1 Executive Committee Chair Jan TenBruggencate noted the committee recommends recertification of Directors Yukimura and Tacbian as the voting delegate and alternate respectively.

11.1.2 The recommendation carried unanimously.

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

11.2 **Resolution 05-18, 2019 Results of Operation Budget**

11.2.1 Director Yukimura stated the Finance and Audit committee recommended approval. The committee recommendation carried unanimously.

11.2.2 The committee and staff were thanked for all their work on the budget.

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

11.3 **Resolution 06-18, 2019 Capital Budget**

11.3.1 Director Yukimura stated the Finance and Audit committee recommended approval. The committee recommendation carried unanimously.

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. 24, Funding the KIUC Charitable Foundation**

11.4.1 Policy Committee Chair Crowell reported committee recommended approval. The recommendation carried unanimously.

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

11.5 **Confirmation of 2018-19 Nominating Committee members**

11.5.1 Nominating Committee Chair Crowell requested confirmation of Kaaina Hull, Ian Jung, Allison Mizuo Lee and Marissa Sandblom as members. Kaaina is the current Planning Director for the County of Kauai; Ian Jung is an attorney with Belles, Graham, Proudfoot & Wilson; Allison is an attorney for Cades, Schutte & Fleming; and Marissa is formerly of Grove Farm.

11.5.2 The motion to confirm the members carried unanimously. [Motion: Crowell]

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

12. **Calendar:**

- 12.1 **December 24, 2019** – KIUC Offices Closed ½ day
- 12.2 **December 25, 2018** – KIUC Offices Closed (Christmas Day)
- 12.3 **December 31, 2019** – KIUC Offices Closed ½ day
- 12.4 **January 1, 2019** – KIUC Offices Closed (New Year’s Day)
- 12.5 **January 8, 2019** – AES Lawai Solar Grand Opening & Blessing
- 12.6 **January 18, 2019** – Board Committee Meetings (9:00am, MCR)
- 12.7 **January 29, 2019** – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)

13. **Executive Session.** At 2:02 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 2:25 p.m. Director TenBruggencate moved to adjourn the meeting; the motion was seconded by Director Kass. All directors present voted in favor of the motion and it passed unanimously.

/s/ Calvin Murashige
Calvin Murashige
Secretary



President's Report

December 19, 2018

David Bissell, President and CEO



President's Report

David Bissell, President and CEO
December 19, 2018

Safety (Nov)			
	Month	2018 YTD	2017 YTD
Recordable Incidents	0	1	6
Days Away/Restricted	0	134	203

STATISTICS

Availability and Reliability:			
	Month	2018 YTD	2017 YTD
Reportable Outages	2	36	32
Average Outage Hours Per Customer	0.76	1.73	3.76

Efficiency		
	Month	2018 YTD
Net Plant Heat Rate	9,025	9,219
Peak Demand (MW)	73.2	

Residential Rates:		
December 2018	\$0.34/kwh	Down \$0.027 from November

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Waiahi Hydros

- BLNR meeting held last week
- KIUC's revocable permit unanimously approved for another year
- Results of stream studies shared with BLNR
- Cultural Impact Assessment by Cultural Surveys Hawaii is nearing completion and is last major study needed before submittal of LT lease application
- IIFS levels are pending likely mediation through CWRM
- BLNR board established stream flow levels consistent with CWRM staff recommendation
- BLNR board required KIUC to participate in facilitated meetings with stakeholder groups and report back within 3 months.



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2018 Highlights

- 2018 has been one of our best safety years with 1 recordable incident
- Renewable generation at 45% YTD 2018. Highest in Hawaii
 - On sunny days we are often in excess of 90% renewable during the day
- AES Lawai 20 MW PV with 100 MWh of battery storage is nearing completion. Exporting energy in test stage beginning yesterday.
 - NEW Aepo substation is complete and energized
 - We will end the year with 55% renewable generation available
- AES PMRF 13 MW PV 65 MWh of battery ready to start construction.
- SEPA recognized KIUC as number 1 in industry for deployed battery storage
- Board of Director's retired \$3.2 million in patronage capital credits to members
- Agreement in place with McMillan, Jacobs to complete design, engineering and construction of the West Side Renewable Energy Project after successful completion of an RFP process
- Completed 5 year collective bargaining agreement with IBEW.



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2019 Upcoming

- Will be one of our biggest years of construction activity.
 - \$8 million in HCP minimization projects
 - Construct new substation at PMRF and reconductor transmission lines from PMRF to Kekaha to handle load
 - New SCADA (Supervisor control and data acquisition) system will be installed
 - Anahola Service Center construction to begin
 - IT infrastructure augmentation will continue
- When AES PMRF is complete and on-line we will be closing in on 70% renewable generation
- Closing on indenture which will replace our existing joint mortgage with RUS and CFC
- Optimistic that HCP will be approved by state and federal agencies
- West Kauai Renewable Energy project EIS will be finalized and submitted to agencies, 60% engineering will be complete and most permit applications will be submitted



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KIUC in the Community



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Lights on Rice Parade, December 7th

Participants: Nadine, Greg & Mason Tipps; Autumn Lee and Lisa Ubay; Cory Gokan; Lyn Casticma; Billy Workman; Sheryl Grady; Pua Chin; Ua & Pia Gregorio; Phil Taoblan, Nohea, Chan Uka, and Matty Doo; Kymi and Devin Sakai; David Bisset; Robin, Bonnie, Kaylee and Lei Maglint (driver), Dee Crowell, Judge Calvin Murashige, Ashok and Nina Jena (guests from HR Advocate), Tracie Shimatsu, Rick & Judy Eckert, Beth Tokioka, Jayden, Kairi and Brandon Simpliciano; Tracie and Kallea Fujoka and Andy Fujimoto



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Waimea Christmas Parade, December 15th

Participants: Robert Pereira (driver), Brandon, Jayden & Kairi Simpliciano, Peter Yukimura, Beth Tokioka, Kathy and Dee Crowell

Calendar of Student Art Awards, December 17th

Student Awardees

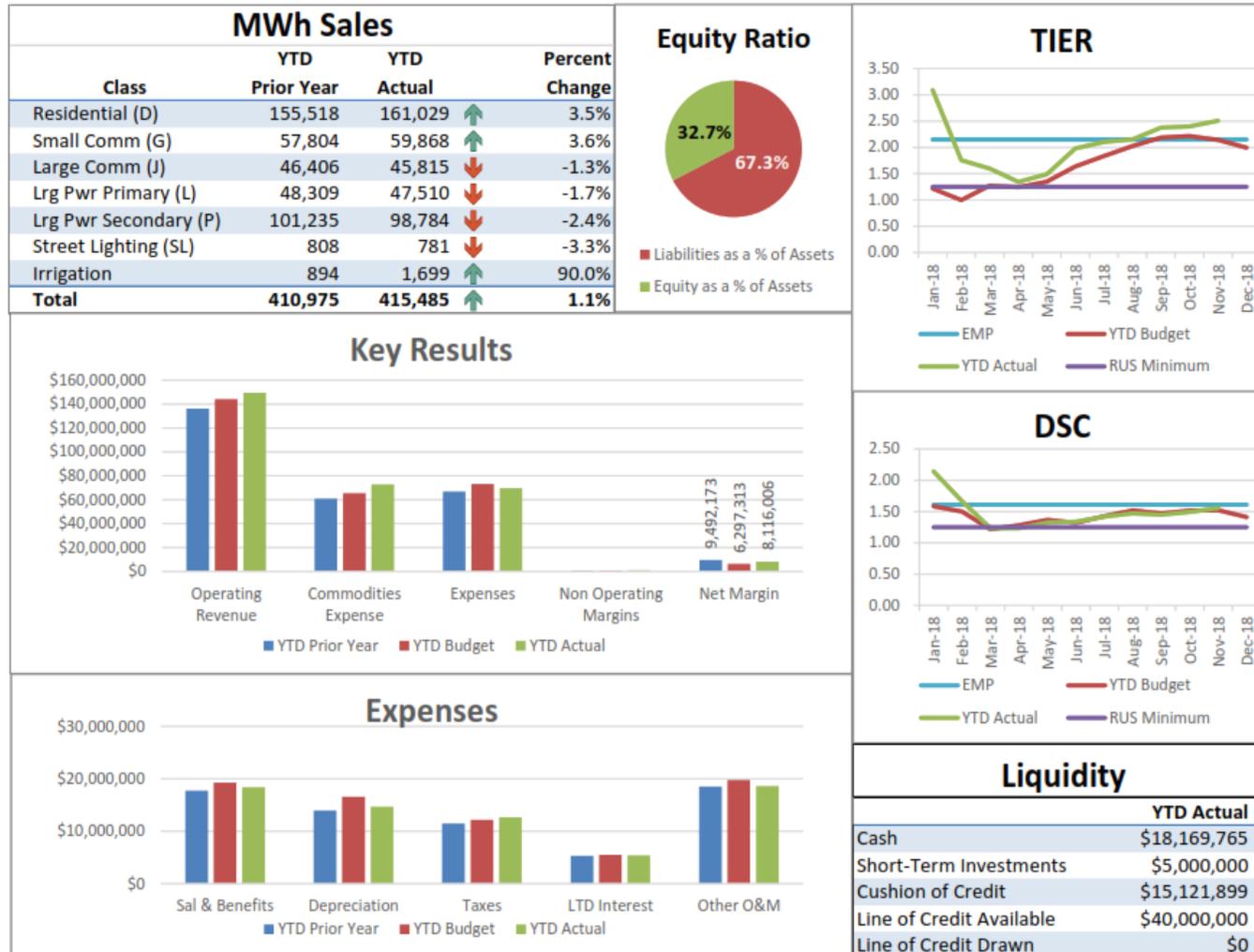


KIUC Directors



Mahalo!

Financial Scorecard



**KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 24**

(Reviewed ~~03/28/2017~~12/19/2018)

FUNDING THE KIUC CHARITABLE FOUNDATION

PURPOSE OF POLICY:

The purpose of this policy is to govern the funding of the KIUC Charitable Foundation (the "Foundation") ~~from unclaimed funds in the possession of KIUC.~~

POLICY CONTENT:

A. Objectives

~~The Foundation is organized exclusively for to benefit charitable, scientific, educational, and public purposes and entities, and includes including, but are not limited to, the following:~~ Examples include, but are not limited to:

- ~~1. To a~~ Assisting local non-profit and other community organizations which contribute to Kaua'i's quality of life.
- ~~2. To support and encourage~~ Supporting and encouraging KIUC employees and directors to assume active roles in the community via local non-profit and other community organizations which contribute to Kaua'i's quality of life.
- ~~3. To make~~ Making grants and/or loans to other non-profit entities or needy individuals in furtherance of the purposes of the organizations.
- ~~4. To apply~~ Applying for private and public grants and funding to accomplish the purposes of the corporation.
- ~~5. To transact~~ Transacting any or all lawful activities for which nonprofit corporations may be incorporated under Chapter 414D, Hawaii Revised Statutes.

Section 1 of Act 52 of the 2005 Hawaii Legislature (the "Act") as embodied in part by HRS §421C-41 exempted KIUC from the provisions of HRS Chapter 523A dealing with "Unclaimed Property", and directed that KIUC's patronage capital refunds that are unclaimed for a period of five years be transferred to an entity similar to the Foundation to be used for specified charitable purposes as specified in the Act.

Although the Act clearly exempted KIUC from the requirements of Chapter 523A with regard to categories of unclaimed funds other than unclaimed patronage capital refunds, e.g. unclaimed security deposit refunds (the "Additional Unclaimed Funds") that such Additional Unclaimed Funds be turned over to the State of Hawaii for ultimate escheat to the State, it did not specifically authorize the transfer of such Additional Unclaimed Funds to the Foundation after the required five year period. None the less it is appropriate

to treat the transfer of such Additional Unclaimed Funds in a similar manner to unclaimed patronage capital refunds.

B. Foundation Funding

It is the policy of this Board of Directors to fund the charitable activities of the ~~KIUC Foundation using unclaimed funds, including funds from;~~ but not limited to: ~~unclaimed patronage capital refunds, as those funds are reported annually to State of Hawaii Director of Finance in accordance with the requirements of the Hawaii Revised Statutes.~~

1. Unclaimed patronage capital refunds, as those funds are reported annually to State of Hawaii Director of Finance in accordance with the requirements of the Hawaii Revised Statutes HRS §421C-41 that exempts KIUC from the provisions of HRS Chapter 523A dealing with "Unclaimed Property".

In the event ~~that~~ KIUC successfully issues any refunds more than five years after they become unclaimed, that amount will be deducted from the next annual set of unclaimed funds paid ~~over~~ to the ~~KIUC~~ Foundation in accordance with this policy.

2. ~~2.~~ The Makana Program, a community support program which enables members to donate to local charities and service organizations by allowing KIUC to round up electric bills to the next highest dollar. All monthly contributions are transferred to the Foundation.

C. Guidance / Example

1. Refunds Patronage capital refunds will be deemed unclaimed when a refund check is not cashed and/or is returned to KIUC as unclaimed or undeliverable; provided that even after such funds are deemed unclaimed KIUC will continue such reasonable efforts as it believes are appropriate to locate the owners of such funds.

2. Participation in the The Makana Program is a voluntary program and where participants "opt-in" or by authorizeing KIUC to include a round-up charge to the next dollar on their monthly electric bill until such time the customer chooses to be removed from the program. The participant will also have the option to make a one-time donation or add an additional monthly amount to the program.

RESPONSIBILITY:

The responsibility for implementing this policy is assigned as follows:

- A. The CEO has the responsibility for accounting for Foundation funding unclaimed refunds and the associated date they become unclaimed.

- B. The CEO has the responsibility to transfer funds to the Foundation in accordance with this policy.
- C. The CEO has the responsibility to report annually to the Board of Directors the amounts of ~~unclaimed refunds-Foundation funds and~~ including the amounts transferred to the Foundation in the period covered by the report, ~~the amounts unclaimed but pending a subsequent transfer to the Foundation at the appropriate time.~~
- D. The Board of Directors, with the advice of CEO, has the responsibility for reviewing the ~~unclaimed refunds-Foundation funds~~ and transfers to the Foundation for compliance with this policy.

Adopted on this ~~28th-19th~~ day of ~~MarchDecember~~, ~~201718~~

~~/s/ Calvin Murashige~~

Calvin Murashige
Secretary

Reviewed: 12/19/2018

Reviewed: 03/28/2017

Reviewed: 05/26/2015

Reviewed: 11/27/2012

Reviewed: 08/26/2008

Original Adoption: 12/19/2006