

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

Held at 4463 Pahe`e Street
Lihu`e, Kaua`i, Hawai`i
On January 29, 2019

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), Karissa Jonas (CFO), Maile Alfiler (Member Services Mgr.), Rick Eckert (Financial Planning & Strategy Mgr.), Carey Koide (T&D Mgr.), Shelley Paik (Communications Specialist), Lisa Ubay (Mgr. HR & Safety), Mike Yamane (COO & Technology), and Pua Chin (Executive Administrator); and one (1) member of the public.

2. Invocation – Directors Smith and Iha sang the Queen’s Prayer to open the meeting.

3. Approval of Agenda - The agenda was approved.

4. Approval of Minutes

- 4.1 The 12/19/2018 meeting minutes were approved unanimously. [Motion: Kass/TenBruggencate]

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

- 5.1 The monthly Cooperative statistics were reported. In addition, updates on the PREPA (Puerto Rico Electric Power Authority) Meeting and recent blessing of the Lawai Solar project were provided.

6. Financial Report: Karissa Jonas, CFO reported.

- 6.1 The CWP (Construction Work Plan) Amendment #5 was approved by RUS for the PMRF substation project.
- 6.2 The Indenture is moving along now that the Federal government is open. The one sticking point is the other ADC (Agribusiness Development Corporation) consent.
- 6.3 Depreciation Study – The PUC finally issued their Decision and Order (D&O) for the 2012 study. Those rates will be implemented. The 2017 Depreciation Study is complete but has not yet been submitted to the PUC for approval.
- 6.4 The annual audit will begin soon. The auditors will meeting with the F&A committee in March.

6.5 The December 2018 preliminary financials were reviewed. The numbers aren't considered final until the audit is complete. (scorecard attached)

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

7.1 The NRECA Board is in the process of electing a new Secretary/Treasurer. The person elected into this position has historically become the President of the NRECA Board.

7.2 A video recap of the December 2018 NRECA Board meeting was shown.

8. **Committee Reports**

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

8.1.1 The committee met on January 18th. Discussions on succession planning are ongoing. Hope to have a recommendation at the February meeting.

8.1.2 Directors were reminded to remit their Board and General Counsel Evaluations as soon as possible. General Counsel will hand out the CEO Evaluation today.

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

8.2.1 Director Yukimura thanked CFO Jonas for her report.

8.2.2 There is a meeting with the auditors scheduled for March 1st at 9:30am. It will be the last meeting before the audit. Directors were encouraged to bring any concerns or questions they may have to the meeting.

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

8.3.1 After the last board meeting the committee met with all the Kauai Legislators. The only one not able to attend was Rep. Nadine Nakamura who met separately with the committee at a later date.

8.3.2 The written report was centered on the activities of the opening of the State Legislature on January 16th and various meetings with State Representatives and Senators.

8.3.3 Chair Tacbian is working on the scheduling of appointments with the congressional delegation during the 2019 Legislative Conference in May.

8.3.4 Board Chair Smith reminded directors and staff to make their annual contributions to ACRE (Action Committee for Rural Electrification), NRECA Political Action Committee (PAC) and the KIUC PAC.

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

8.4.1 The committee met a couple of times since the last board meeting.

8.4.2 A \$2500 contribution was made to NRECA International for 2018.

8.4.3 Mr. Dan Waddle, Sr. Vice President of NRECA International will formally recognize KIUC's long standing relationship with the Philippines during the International Luncheon at the NRECA Annual Meeting in March.

8.4.4 Mr. Rudy Sina who volunteers for the annual book drive has been to the Philippines and met with educators to find out what their needs are.

They have emphasized their need for current STEM (Science, Technology, Engineering and Math) books.

8.5 Member Relations – Committee Chair, Calvin Murashige

8.5.1 The committee received written and verbal updates from Member Services Manager and Communication Manager. There were no action items for the board today.

8.6 Policy – Committee Chair, Dee Crowell

8.6.1 The committee voted to send two (2) policies to the full board for action. More discussion under New Business.

8.7 Strategic Planning – Committee Chair, James Mayfield

8.7.1 The committee met to set a date to review the KIUC Strategic Plan. Mr. Eckert is the point person.

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

9.1 The Executive Committee of the CF Board includes Maile Alfiler (Vice President), Director Dee Crowell (Treasurer) and Shelley Paik (Secretary).

9.2 The closing balance of the CF account is approximately \$80k. In 2018, \$15-16k was donated to KEO for energy assistance and also used for KCC scholarships. An additional \$10k was recently donated to the KEO energy assistance program.

9.3 Federal workers who need assistance for their utility bills are being referred to the KEO program funded by the CF.

10. Public Testimony. None.

11. New Business

11.1 Board Policy No. 8, Director and Committee Member Compensation and Expense Reimbursement

11.1.1 Policy Committee Chair Crowell reported the committee discussed and 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

11.2 Board Policy No. 9, Investment of General Funds

11.2.1 Policy Committee Chair Crowell reported committee reviewed and recommended approval without changes. 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

11.3 **2018 HCP Professional Expenses Budget Amendment (Carey Koide, T&D Manager)**

11.3.1 The request is for a 2018 budget amendment of \$330k to cover the costs of state grant money that will be recovered in 2019.

11.3.2 A motion to approve the amendment carried unanimously. [Motion: Yukimura/TenBruggencate]

11.3.3 CEO Bissell mentioned with these type of requests the money has already been spent and the approval request is being done after the expenditure. He stated the process could be done through a monthly variance report. Director TenBruggencate stated the current process allows the board some governance of the budget and suggested to keep the process as is for now.

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

12. **Calendar:**

- 12.1 **February 9-12, 2019** – 2019 Directors Conference
- 12.2 **February 18, 2019** – KIUC Offices Closed (President’s Day)
- 12.3 **February 15, 2019** – Board Committee Meetings (9:00am, MCR)
- 12.4 **February 26, 2019** – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)
- 12.5 **March 1, 2019** – F&A Meeting with Auditors (9:30a.m., Board CR)

Chairman Smith proposed to move the times of the Annual and Regular March 26th board meetings to 9:00am and 9:30am respectively. After brief discussion, it was agreed by unanimous consent.

13. **Executive Session.** At 1:51 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 ongoing 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 reconvened at 2:42 p.m. Director TenBruggencate moved to adjourn the meeting; the motion was seconded by Director Murashige. All directors present voted in favor of the motion and it passed unanimously.

Calvin Murashige
Secretary



President's Report

January 29, 2019

David Bissell, President and CEO



President's Report

David Bissell, President and CEO
January 29, 2019

<u>Safety (Dec)</u>			
	<u>Month</u>	<u>2018 YTD</u>	<u>2017 YTD</u>
Recordable Incidents	0	1	6
Days Away/Restricted	0	133	203

STATISTICS

<u>Availability and Reliability:</u>			
	<u>Month</u>	<u>2018 YTD</u>	<u>2017 YTD</u>
Reportable Outages	5	41	35
Average Outage Hours Per Customer	0.10	1.83	3.80

<u>Efficiency</u>		
	<u>Month</u>	<u>2018 YTD</u>
Net Plant Heat Rate	8,996	9,201
Peak Demand (MW)	76.6	

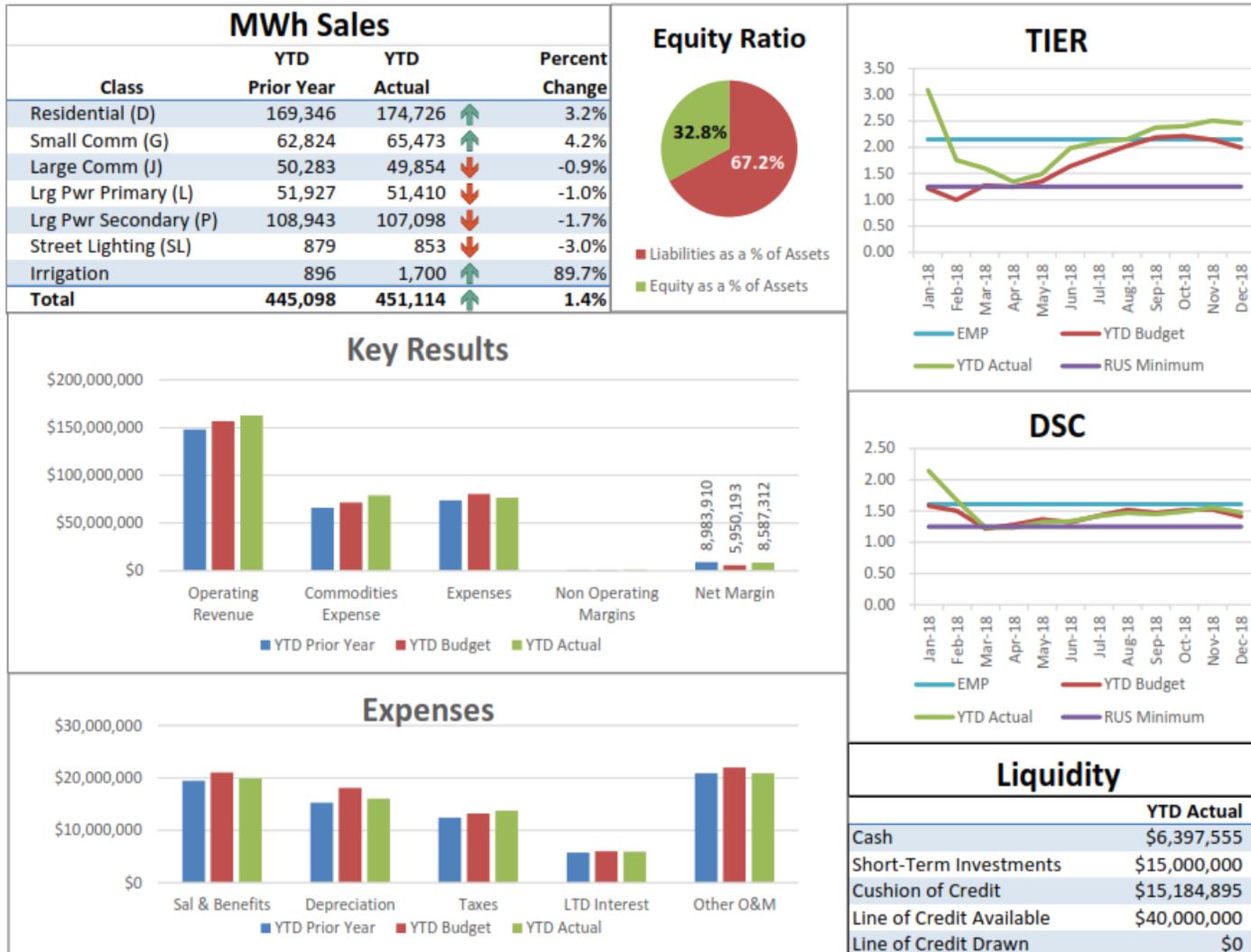
<u>Residential Rates:</u>	
January 2019	\$0.327/kwh Down \$0.013 from December





Mahalo!

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**KAUA'I ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 8
(Reviewed ~~01/31/2017~~ / 2019)**

**DIRECTOR AND COMMITTEE MEMBER
COMPENSATION AND EXPENSE REIMBURSEMENT**

PURPOSE OF POLICY:

This policy describes the circumstances and procedures developed to comply with Article III, Section 17, of the Association's By-laws with regard to compensation and expense reimbursement to Voting Directors (Directors") and non-Director, non-employee, Committee members ("Committee members").

POLICY CONTENT:

A. STIPENDS.

1. Article III, Section 17, of the Association's By-laws provides a stipend of \$150.00 (escalated by the CPI with 2001 as the base) will be paid for each day, or portion thereof, that Directors or Committee members actually spend on Association business. Without specific authorization from the Board, such compensation will be paid only under the following circumstances:

- (a) When attending regular or special Board meetings,
- (b) When attending formal Standing Committee meetings (including but not limited to Executive Committee meetings) as a member of the Committee;
- (c) When attending formal Standing Committee meetings at the specific request of the Committee Chair for good cause;
- (d) When attending regular or special Member meetings;

- (e) For newly elected, first-time Directors during the first year of their tenure for training purposes when attending up to two formal meetings of each Standing Committee where the Director is not a member of the Committee;
- (f) When attending as many meetings of the Nominating Committee as the Chair of that committee determines are substantial;
- (g) When attending as many meetings of formally appointed Ad Hoc Committees as the Chair of the committee determines are substantial;
- (h) When attending formal Director education courses necessary to attain and/or maintain CCD status;
- (i) When attending such other formal Director education courses as may be approved by the board Chair;
- (j) Attendance at annual NRECA member meetings, annual NRECA Directors meetings, and annual Region 7&9 meetings;
- (k) Attendance at CFC Forums, including follow-on or preceding formal education courses;
- (l) Attendance at annual NRECA Legislative Conference by the Chair of the Board's Government Relations/Legislative Committee, its members, or their Director Designees;
- (m) When otherwise representing the Association in an official capacity as approved in advance by the Board Chair for Directors or Committee members other than the Chair, or by the Board Executive Committee if the Chair, or as otherwise approved in advance by the Board.

2. A maximum of four (04) days stipends will be paid for the combined travel time spent traveling to and from mainland meetings or other authorized mainland functions.

3. To receive earned stipends, the individual entitled to a stipend or stipends shall report all stipend entitlements to the Executive Administrator who shall cause the Board Chair and Treasurer to verify entitlement, and, upon such verification by the Chair and Treasurer, submit a Payment Request to Accounts Payable for processing.

B. TRAVEL EXPENSES.

1. Directors and Committee members shall be reimbursed for all reasonable travel expenses incurred on Association business in accordance with the then-current KIUC Business Travel and Expense Policy upon submission of a report and appropriate receipts to the Executive Administrator, approval of the expenses by KIUC's Treasurer (except that such expenses for the Treasurer shall be approved by the Board Chair), and submission of the approved reimbursement form for the expenses to KIUC's Accounting Department by the Executive Administrator in accordance with current procedures.

2. The President & CEO shall be reimbursed for all reasonable travel expenses incurred on Association business in accordance with the then current KIUC Business Travel and Expense Policy upon approval of the expenses by KIUC's Treasurer and submission of the approved reimbursement form for the expenses to KIUC's Accounting Department in accordance with current procedures.

C. ENTERTAINMENT EXPENSES. The Association recognizes that from time to time it may be appropriate for Directors to make reasonable expenditures for entertainment or meals for others during the conduct of Association Business. No specific limitations have been placed on such expenditures other than ~~that~~ they be necessary, reasonable, correct, and meet applicable Internal Revenue Service requirements.

1 All Directors and Committee Members making such expenditures shall be reimbursed for them in accordance with the then current KIUC Business Travel and Expense Policy upon submission of a report and appropriate receipts to the Executive Administrator, approval of the expenditure by KIUC's Treasurer (except that such expenses for the Treasurer shall

be approved by the Board Chair), and submission of the approved reimbursement form for the entertainment expenses to KIUC's Accounting Department by the Executive Administrator in accordance with current procedures.

2. Any such expenditure made by the President ~~&~~and CEO shall be reimbursed in accordance with the ~~then~~then-current KIUC Business Travel and Expense Policy upon approval of the expenditure by KIUC's Treasurer and submission of the approved reimbursement form for the entertainment expenses to KIUC's Accounting Department in accordance with current procedures.

RESPONSIBILITIES:

A. The Executive Administrator shall administer the Stipend portion of this policy, and process all requests hereunder for business travel and entertainment expense reimbursement in accordance with this Policy and the ~~then~~then-current KIUC Business Travel and Expense Policy.

B. KIUC's Treasurer shall review and approve all requests for reimbursement of business travel and entertainment expense made by Directors (except the Treasurer's own such expenses), Committee Members or the President ~~&~~and CEO.

C. The Board Chair shall review and approve all requests for reimbursement of business travel and entertainment expense made by KIUC's Treasurer.

D. A summary of the stipends and other expenses of Directors and Committee members shall be published annually.

Adopted on this ~~31st-xx~~ day of January, 2017~~2019~~

~~Teofilo Tacbian~~Calvin Murashige
Secretary

Reviewed: 01/xx/2019
Reviewed: 01/31/2017
Reviewed: 03/24/2015
Reviewed: 08/28/2012
Revised: 07/27/2010
Revised: 06/29/2010
Revised: 02/24/2009
Revised: 11/26/2005
Revised: 08/25/2004
Original Adoption: 2003

KAUA'I ISLAND UTILITY COOPERATIVE

POLICY NO. 9

(Reviewed 01/31/2017~~xx~~/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, the 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)

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 ~~31st-xx~~ day of ~~January, 2017~~ January, 2019.

~~Teofilo Tacbian~~ Calvin Murashige
Secretary

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