

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

Held via Conference Call

On March 24, 2020

MINUTES

Call to order at 1:07 p.m.

1. Roll Call

- 1.1 **Directors present via Conference Call:** Directors Allan Smith (Chair), Jan TenBruggencate (Vice Chair.), Dee Crowell, David Iha, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, and Peter Yukimura (Treasurer); and David Bissell (President and CEO). A quorum of directors were present.
- 1.2 **Others present via Conference Call:** Laurel Loo (General Counsel), Karissa Jonas (CFO), Maile Alfiler (Member Services Mgr.), Rick Eckert (Financial Planning & Regulatory Affairs), Carey Koide (Executive Mgr. Safety & Technology), Brad Rockwell (Executive Mgr., Operations.), Beth Tokioka (Communications Mgr.), Lisa Ubay (HR Mgr.), and Nadine Tipps (Executive Administrator); Members of the press (0) and Members of the public (1).

2. Invocation – Directors Kass opened the meeting with prayer.

3. Approval of Agenda - The agenda was approved as circulated.

4. Approval of Minutes

- 4.1 The 02/27/2020 Regular meeting minutes were approved unanimously. [Motion: TenBruggencate/Murashige]

5. President's Report. David Bissell, President and CEO

- 5.1 The current Cooperative statistics were reported. (report attached)
- 5.2 An update meeting with the Board about financial situations will be scheduled soon.

6. Financial Report: Karissa Jonas, CFO reported.

- 6.1 The February 2020 preliminary financials were reviewed. (scorecard attached)
- 6.2 Construction Work Plan Financing – We took our first advance on the Construction Work Plan Loan on February 25th. We received 2.76% fixed rate for 30 years for \$26.5M.
- 6.3 Annual Audit - Moss Adams has completed their fieldwork and is now in the review stage of the audit.

7. NRECA Hawaii Director Report – Director David Iha

- 7.1 The NRECA February 2020 Board Notes and Presentation were circulated.

- 7.2 NRECA CEO Jim Matheson was asked if there were any positive COVID-19 cases from the NRECA Annual Meeting. Nothing has been reported.
- 7.3 The April NRECA Board meeting has been cancelled. They will be doing a virtual meeting in instead.
- 7.4 The Legislative and Director's Conferences have been cancelled to due COVID-19.
- 7.5 Rural electric coops have the highest rates. An email has been sent to NRECA CEO Jim Matheson asking if they can lobby for LIHEAP. Hopefully we can get some relief for those in our community.
- 7.6 Director Kass had asked about a list of NRECA Director Courses online. They are working on a long term plan to implement this.

8. **Committee Reports**

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

- 8.1.1 The committee met on March 17th.
- 8.1.2 Items were discussed in Executive Session.
- 8.1.3 Discussion on how to modify our functioning concerns of COVID-19.
- 8.1.4 Staff has committed to find ways of doing electronic meetings, which has moved well, since this is a virtual meeting.

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

- 8.2.1 The committee met on March 17th.
- 8.2.2 Discussed various scenarios of COVID-19, and how we will be affected financially. Discussed service coverage as well as a financial strategy.

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

- 8.3.1 The committee met on March 17th.
- 8.3.2 The Legislative Conference has been cancelled.
- 8.3.3 The KIUC Political Action Committee have a total of \$5,637 funds available, and made contributions to Senator Kouchi and Senator Wakai.
- 8.3.4 Chair Tacbian attended the ACRE Board of Director's meeting on Sunday, March 1st at the Annual Meeting in New Orleans. They added contribution eligibility at \$50, \$2,500 and \$5,000.
- 8.3.5 Beth Tokioka gave an update on the Legislative Session, which has been suspended until further notice. We are tracking the Carbon tax bill and the two solar tax credit bills.

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

- 8.4.1 Did not meet.
- 8.4.2 At the Annual Meeting, there were 100 delegates from the Philippines including our Sister Coops; Ilocos Sur Electric Coop, and Ilocos Norte Electric Coop. Directors Yukimura, Tacbian and Iha got to know our counterparts and got to develop a relationship with them.
 - (a) Thank you to Director Tacbian for contacting our sister coops and setting up a dinner with them. Pictures were circulated from this.

8.4.3 Rudy Sina has been collecting library books, and will send to the Philippines at a later date.

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

8.5.1 The committee met on March 17th.

8.5.2 Written and oral reports were received from Beth Tokioka and Maile Alfiler.

8.5.3 Steps have been taken by Member Services to limit contact with the public to ensure staff remain safe during this time. Members may pay bills through other options instead of in person.

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

8.6.1 The committee met on March 17th.

8.6.2 Two (2) policies will be discussed under New Business.

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

8.7.1 The committee met on March 17th.

8.7.2 Items that came out of the NRECA Annual Meeting will be discussed at next month’s committee meeting.

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

9.1 The Charitable Foundation met earlier this week by teleconference. KEO helped one family with \$300. There was a recommendation by Maile Alfiler and Shelley Paik to join KEO and contribute \$20k to help those affected by COVID-19. Contributions were lowered to \$200 in order to be able to help more people in need. We will evaluate this on a monthly basis.

10. **Public Testimony** - None.

11. **New Business** –

11.1 **Board Policy No. 21, Financial Fraud Detection and Deterrence**

11.1.1 Policy Committee Chair Crowell reported the committee discussed and recommended approval with minor changes. [Motion: Crowell/Mayfield]

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 **Board Policy No. 31, Safety Policy**

11.2.1 Policy Committee Chair Crowell reported the committee discussed and recommended approval with no substantial changes. [Motion: Crowell/Mayfield]

11.2.2 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

11.3 **Resolution 01-20**

- 11.3.1 Executive Committee Chair TenBruggencate reported that Resolution 01-20 was designed to ensure that the KIUC Board of Directors can function with COVID-19 to provide a succession plan if any of the Board are unable to perform their functions. This will remain while COVID-19 is happening.
- 11.3.2 There was a suggestion by Director Kass to attach a list of new officers to this resolution.
- 11.3.3 Director TenBruggencate moved against Director Kass’ suggestion in order to get this resolution in place. He stated that this can be done at the next meeting.
- 11.3.4 It was stated that the Board can function down to five members, and the Executive Committee only needs three for the Committee to act.
- 11.3.5 With a motion by Director TenBruggencate and a second by Director Murashige, 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

11.4 **Donation of Retired KIUC Truck to Underline Monitoring Program**

- 11.4.1 CEO Bissell stated that we received a request from the Underline Mentoring Program to see if our retired KIUC truck could be donated to them since theirs is not functioning anymore.
- 11.4.2 They are part of the bird program. We hire them to patrol for downed birds.
- 11.4.3 Director TenBruggencate moved to authorize CEO Bissell to dispose of this KIUC truck as proposed, with a second by Director Murashige.
- 11.4.4 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

12. **Calendar:**

- 12.1 **April 3, 2020** – Meeting w/ KIUC Insurance Brokers (10:00am, via conference call)
- 12.2 **April 10, 2020** – HOLIDAY, KIUC Offices Closed

- 12.3 **April 21, 2020** – Board Committee Meetings (9:00am, via conference call)
- 12.4 **April 30, 2020** – Regular Board Meeting (1:00pm., via conference call)

13. **Executive Session.** At 2:00 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.** A motion to adjourn the Executive Session was made by Director TenBruggencate and seconded by Director Crowell. All members voted in favor of the motion and the Executive Session was concluded at 2:16. p.m.



Calvin Murashige
Secretary



President's Report

March 24, 2020

David Bissell, President and CEO

President's Report

David Bissell, President and CEO
March 24, 2020

Safety (February)

	<u>Month</u>	<u>2020 YTD</u>	<u>2019 YTD</u>
Recordable Incidents	1	1	3
Days Away/Restricted	22	22	218

Availability and Reliability:

	<u>Month</u>	<u>2020 YTD</u>	<u>2019 YTD</u>
Reportable Outages	4	6	18
Average Outage Hours Per Customer	0.08	0.13	1.15

Efficiency

	<u>Month</u>	<u>2020 YTD</u>
Net Plant Heat Rate	9,215	9,219
Peak Demand (MW)	70.7	73.2

Residential Rates:

March 2020	\$0.328/kwh Down \$0.013 from February
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COVID-19

- Rapidly adjusted to help ensure continuity of operations. Actions included:
 - Cancelling all business travel
 - Discouraging any personal travel
 - Closing Member Service walk-ins
 - Waived any service disconnections for at least 30 days
 - Allowing work from home for many employees
 - IT has implemented system improvements to enable
 - Restricting vendor access to facilities
 - Monitoring employees returning from travel and in some case requiring 14 day self-quarantine before returning to workplace
 - Increasing workplace sanitation and supplies as available
- Daily management status calls
- Current operation status in “near normal”



COVID-19 Financial Analysis

- Significant uncertainty exists regarding potential financial impacts from virus
- Actively preparing and analyzing various sales decline scenarios
 - Sales have not shown significant decline yet
- Focus is on maintaining liquidity and access to capital
- Hiring freeze is in place, other cost reduction areas being evaluated
- Will be updating board in near term

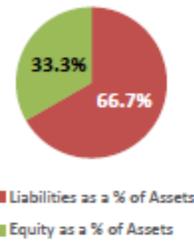


Mahalo!

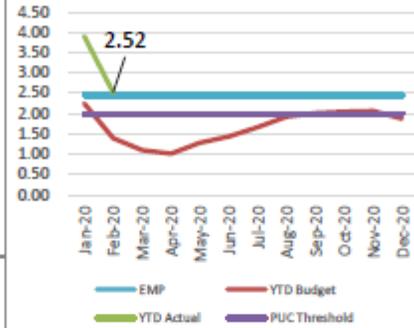
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MWh Sales				
Class	YTD Prior Year	YTD Actual		Percent Change
Residential (D)	28,762	29,531	↑	2.7%
Small Comm (G)	10,647	9,959	↓	-6.5%
Large Comm (J)	7,965	8,041	↑	1.0%
Lrg Pwr Primary (L)	7,918	8,472	↑	7.0%
Lrg Pwr Secondary (P)	16,307	16,684	↑	2.3%
Street Lighting (SL)	143	128	↓	-9.9%
Irrigation	40	27	↓	-32.4%
Total	71,782	72,842	↑	1.5%

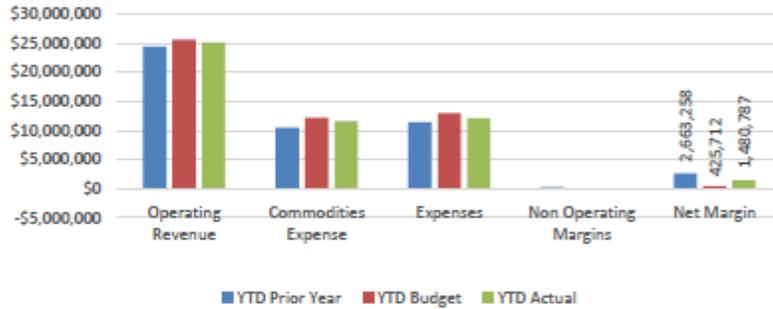
Equity Ratio



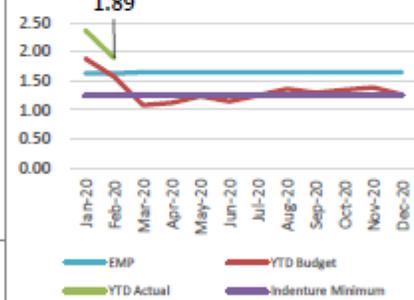
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Key Results



DSC



Expenses



Liquidity

	YTD Actual
Cash	\$33,170,870
Short-Term Investments	\$95,749
Cushion of Credit	\$16,090,755
Line of Credit Available	\$40,000,000
Line of Credit Drawn	\$0

**KAUAI ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 21
(~~Revised~~ Reviewed 04/03/24xx/20182020)**

FINANCIAL FRAUD DETECTION AND DETERRENCE

PURPOSE OF POLICY:

To set forth the policy of Kauai Island Utility Cooperative ("KIUC") regarding the detection and deterrence of all types of fraud involving KIUC.

POLICY CONTENT:

A. Policy Statement:

It is the Policy of KIUC to manage the detection, deterrence, investigation and consequences of all types of suspected fraud at KIUC.

B. Scope:

This policy applies to any fraudulent activity involving not only employees but also directors, vendors, outside agencies, and/or unknown parties. Investigations will be performed without regard to length of service, title/position or relationship.

C. Actions Constituting Fraud:

The terms fraud, misappropriation and irregularities refer to, but are not limited to the following:

1. Any dishonest or fraudulent act
2. Forgery or alteration of documents
3. Misapplication of funds or assets
4. Impropriety in reporting transactions
5. Profiting on insiders knowledge
6. Gifts from vendors (if it can be reasonably inferred the gift is intended to influence the receiving party in the performance of the receiving party's official duties, or is intended as a reward for any official action on the part of the receiving party)
7. Destruction of records or assets without authority
8. Unexplained disappearance or records or assets
9. Improper disclosure of confidential information
10. Any similar or related irregularity

D. Non-Fraud Irregularities:

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioral should be resolved by departmental management and the Human Resources Department in accordance with their normal procedures and/or law, not by the financial audit staff or agencies.

E. Detection:

KIUC's management is responsible for detecting fraud of any type. Each member of the management team should be familiar with the types of fraud that might occur within his or her area of responsibility and should be alert for any indication of fraud. Any detected or suspected fraud must be immediately reported using the procedures set out herein.

F. Procedures:

1. Reporting Procedures: All instances of fraud or suspected fraud shall be immediately reported in writing to the Chair of ~~KIUC's Audit and Finance and Audit Committee~~ or other Director committee member; provided, however, that if the fraud or suspected fraud involves a member of the Finance ~~and Audit and Audit~~ Committee it shall be reported in writing to the Chair of the Board of Directors or another member of the Board's Executive Committee. Care must be exercised in the reporting and subsequent investigation of all allegations under this policy to avoid mistaken accusations. Reports may also be made to KIUC's anonymous 24 hour Reportline via online access or toll free number.

The reporting individual must not contact the suspected individual for information, but shall limit the individual's involvement with the matter to a prompt report

Commented [JK1]: It is called the Finance and Audit Committee.

Commented [L2]: Do we have a reportline?

Commented [JK3]: Yes, we do have a Reportline. The service is in the process of getting converted to a new service by the vendor.

under this policy. No facts of the case may be discussed with anyone inside or outside KIUC, except those individuals conducting the investigation. Face-to-face interviews of the suspected individual should be performed under the supervision of an attorney or other qualified investigator under the supervision of counsel.

All members of KIUC's Board are receptive to receiving information on a confidential basis from an employee, or anyone who has information of misconduct and who suspects that a fraudulent activity has occurred. That employee should contact the appropriate Board member indicated above, another Director or KIUC's General Counsel immediately and should not attempt to confront the accused or conduct his/her own investigation.

2. Investigation Responsibilities: Prompt investigation of potential fraudulent matters reported to KIUC's Finance and Audit ~~and Audit~~ Committee shall be the responsibility of that committee and conducted under its direction. Prompt investigation of potential fraudulent matters reported to KIUC's Executive Committee shall be the responsibility of that committee and conducted under its direction. The appropriate committee shall cause an investigation to be performed utilizing available internal and/or external resources. Information regarding potential fraudulent activities involving criminal activity shall be forwarded to appropriate authorities for action.

3. Authorization for Investigation: Those individuals or agencies assigned the responsibility for investigation may take control of and gain full access to the organization's records and premises without prior consent of any individual who may have custody of any such records or facilities.

4. Confidentiality: The result of the investigations will be held confidential, and will not be disclosed or discussed with anyone other than those persons associated with the

organization who have a legitimate need to know in order to perform their duties and responsibilities. This does not preclude the disclosure of the results of any investigation as required by proper legal authority.

5. Suspension/Termination: During an investigation, the suspected individual may be suspended. Based upon the results of the investigation, the individual will either be reinstated or terminated, based upon a legal review by KIUC's General Counsel. Fraudulent activities will be prosecuted to the fullest extent of the law.

RESPONSIBILITIES:

A. KIUC's President/CEO shall be responsible to work with his leadership team to establish the necessary Administrative Policies, Practices and Procedures to implement requirements of this policy, including all necessary training.

B. The Board through its Finance ~~and Audit~~ ~~and Audit~~ Committee and KIUC's general counsel shall be responsible for compliance with this policy.

Adopted on this ~~24th~~ ~~xx~~ day of ~~April~~ ~~March~~, ~~2018~~ ~~2020~~

Calvin Murashige
Secretary

Reviewed: 03/xx/2020
Revised: 04/24/2018
Reviewed: 05/31/2016
Reviewed: 06/24/2014
Reviewed: 09/27/2011
Original Adoption: 08/31/2005

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC")

BOARD POLICY NO. 31

(Reviewed 03/20xx/2018/2020)

SAFETY POLICY

PURPOSE OF POLICY:

To set forth the policy of Kauai Island Utility Cooperative ("KIUC") regarding development and management of its Safety Program, and to guide the behavior of management and staff.

POLICY CONTENT:

A. Commitment to Safety

KIUC is committed to the safety of its employees, members and the general public. This commitment is supported by KIUC's Board of Directors and management. Safety at KIUC is the individual and collective responsibility of all KIUC employees.

B. Achievement of Commitment to Safety

KIUC will achieve its Safety commitment through its safety program, and will strive for continued improvement by:

1. Educating and training to inspire a safety culture throughout KIUC and our community;
2. Setting and monitoring safety goals and objectives to safeguard our employees, members and the general public;
3. Raising safety awareness of all employees and members and stressing personal accountability;
4. Following safe work practices and procedures and adhering to all KIUC safety rules.
5. Developing a company-wide safety culture such that the need to complete a job efficiently never takes priority over the need to perform it safely.

C. Safety Program Implementation

Management shall be accountable for development of a company-wide Safety Program and for its enforcement and implementation, as well as periodic reporting to the Board.

RESPONSIBILITY:

The Board is responsible for overseeing compliance with this policy.

Adopted on this ~~20th-xx~~ day of March, 2018~~2020~~

Calvin Murashige
Secretary

Reviewed: 03/xx/2020
Reviewed: 03/20/2018
Reviewed: 03/22/2016
Reviewed: 04/29/2014
Original Adoption: 09/27/2011

**RESOLUTION 0_20 OF THE
BOARD OF DIRECTORS OF
KAUAI ISLAND UTILITY COOPERATIVE ("KIUC")**

WHEREAS, the Coronavirus Disease 2019 ("COVID-19") has been declared a pandemic worldwide; and

WHEREAS, government officials at all levels have asked all citizens to avoid public gatherings in order to avoid the spread of COVID-19; and

WHEREAS, KIUC has enacted internal guidelines and directives to encourage working from home, social distancing, and other measures to keep employees, members and vendors disease free; and

WHEREAS, the Seventh Revised and Restated By-Laws of Kauai Island Utility Cooperative ("Bylaws") allow the Board of Directors of KIUC ("Board") to establish an executive committee pursuant to Article III, Section 15, to act in certain circumstances between meetings of the Board; and

WHEREAS, Policy No. 4 of the Board provides for the Executive Committee to consist of four members, namely, KIUC's Chairperson, Vice Chairperson, Secretary and Treasurer;

WHEREAS, in the interest of ensuring a functioning Executive Committee in case of an emergency, it is the intent of this board to establish a succession procedure;

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NOW, THEREFORE, be it hereby resolved by the Board of Directors of KIUC as follows:

1. The Board reiterates the establishment of an Executive Committee pursuant to Article III, Section 15 of the Bylaws, and the constitution of the Executive Committee pursuant to Board Policy No. 4.

2. In the event of any health emergency during ~~the pendency of~~ the COVID-19 pandemic, should any member of the Executive Committee become incapacitated, the vacancy created by the member's incapacitation shall be filled as follows: In the event of the chair's vacancy, the vice chair shall succeed the chair; In the event of the vice-chair's vacancy the secretary shall succeed the vice chair; In the event of the secretary's vacancy, the treasurer shall succeed the secretary; and in the event of further vacancies, they shall be filled by the next senior board member, as determined by years of unbroken ~~years~~ of service on the board.

SECRETARY'S CERTIFICATE

The undersigned Secretary of KIUC hereby certifies that the foregoing Resolution of the Board of Directors of KIUC was duly adopted at the Regular Meeting of the Board of Directors held on March 24, 2020, at Lihu'e, Kaua'i, Hawai'i.

Dated this _____ day of March, 2020, at Lihu'e, Kaua'i, Hawai'i.

Calvin Murashige
Secretary