

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

Held via Conference Call

On May 28, 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.), 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 (3).

2. **Invocation** – Director Murashige opened the meeting with prayer along with playing the video “Eternal Father, Strong to Save (The Navy Hymn)” for all to hear.

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

4. Approval of Minutes

4.1 The 04/30/2020 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 Dawn Huff from Joule Group reported on the Habitat Conservation Plan.

5.2.1 We recently selected a firm called IFC, which have people here on Kauai. They have been working in Hawaii for a long time, and they have a lot of experience with HCP.

5.2.2 We have been working, along with IFC, with USFW and DOWFA on a timeline, in order to complete the timeline.

5.2.3 Will hopefully have a draft by the end of the year.

5.2.4 Will have a complete draft moving forward for the public review process in 2021.

5.2.5 HT Harvey will continue to work with us through 2020.

5.2.6 One additional team member was added, Kristen Mitchell, who is an attorney here on Kauai, and will help support us on the Regulatory side.

- 5.2.7 Linda Chow has been working with them on the EIS.
- 5.3 One additional piece is the EIS.
 - 5.3.1 We recently posted an RFQ (Request for Qualification) for Firms to do the EIS. All must be turned in by June 15th. Will keep the Board updated on this.
- 5.4 The Central Line Reconfiguration was put on hold due to COVID-19.
 - 5.4.1 A notice will be sent out to reopen on July 8th.
 - 5.4.2 Anticipated completion is October 2020 to January 2021.
 - 5.4.3 There have been some adjustments to the timeline, but we are still moving forward.
 - 5.4.4 Work has been done on the Static Line.

6. Financial Report: Karissa Jonas, CFO reported.

- 6.1 The April 2020 preliminary financials were reviewed. (scorecard attached)
- 6.2 KRS2 Reporting -
 - 6.2.1 The Equity Partner achieved the Target IRR and the Flip Date occurred with the 5/31/2020 Distribution Date for the April 2020 cash distribution.
 - 6.2.2 Now KRS2H will receive 95% of the cash distributions and income/(loss) allocations
- 6.3 CoBank Reporting –
 - 6.3.1 KIUC is in the process of renewing its unsecured line of credit (LOC) for another 364 days. The current term expiration date is 5/25/20.
- 6.4 CFC Loan 9014 Maturity Extension –
 - 6.4.1 On 4/9/20, CFC approved a 7 year extension of the maturity date on the 9014 loan, from 3/31/2028 to 3/31/2035.
 - 6.4.2 The current fixed interest rate of 2.55% will remain in place until 3/31/2028 at which time a new interest rate will need to be selected.
 - 6.4.3 On 5/13/20, KIUC filed a notice to the PUC informing them of the loan modification.
 - 6.4.4 CFC’s attorneys are preparing the loan modification documents.
- 6.5 Depreciation Study -
 - 6.5.1 On 12/5/18, KIUC submitted the 2017 Depreciation Study to RUS for their approval.
 - 6.5.2 On 5/7/20, KIUC received RUS approval for the 2017 Depreciation Study.
 - 6.5.3 PUC approval is also required for the depreciation rates used by the utility.

7. NRECA Hawaii Director Report – Director David Iha

- 7.1 The NRECA Board met via conference call on Tuesday, May 26th.
 - 7.1.1 Received the announcement that the NRECA Regional Meetings, in person, have been cancelled for the protection of NRECA members and employees. They will be held virtually instead.
 - (a) Unsure when moratoriums for large gatherings will be lifted.
 - (b) Travel for key persons has been suspended.

- (c) A decision had to be made early, otherwise would have to pay cancelation fees.
 - (d) Staff is working on how they will do the meetings virtually, and how voting will be done electronically.
 - (e) A notice will be sent out when the virtual Regional Meetings will be held.
- 7.2 Director Kass noted that NRECA sent out a list of training online, and all CCD classes are available.
- 7.3 Chair Smith approved Directors to sign up for these online classes, and to be approved for stipends for attending them.
- 7.4 Director Mayfield asked if Director Iha can ask NRECA to please save videos, in order to be able to watch them at a later time.

8. **Committee Reports**

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

- 8.1.1 The committee met virtually on May 19th.
- 8.1.2 One item was the HCP Workshop, which did not get held, but an update was received today.

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

- 8.2.1 The committee met virtually on May 19th.
- 8.2.2 Thanks to CFO Jonas, Chair Yukimura's report is done.
- 8.2.3 Three (3) items will be discussed under New Business.

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

- 8.3.1 The committee met virtually on May 19th.
- 8.3.2 The Legislative Session convened last week.
- 8.3.3 Contacted key Legislators for the reappointment of Chris Yuen to the Board of Land and Natural Resources.
- 8.3.4 The KIUC Political Action Committee has a total of \$5,430 available, and are open to contributions.
- 8.3.5 After the meeting, Chair Tacbian received correspondence from Senator Schatz's office asking us for feedback on climate change affecting us.
 - (a) Beth Tokioka reported that Senator Schatz's office contacted us and let us know there is a Senate Democratic Special Committee on the Climate Crisis. They are formulating some recommendations. They asked if we have any tools, programs or other support that might help with the severe impacts of climate change. We are looking into this, and if there is anything relevant to report back to them, we will be submitting that. Will report this back to the Board in June.
- 8.3.6 Director Yukimura stated that the Lihue Business Association met virtually through zoom, and there were 112 people in the audience. It went well. IT Kauai set up the virtual meeting.

- 8.4 **International – Committee Chair, David Iha**
8.4.1 None.
- 8.5 **Member Relations – Committee Chair, Dee Crowell**
8.5.1 The committee met virtually on May 19th.
8.5.2 One item is up for action under New Business, which is the date of the KIUC Annual Meeting.
- 8.6 **Policy – Committee Chair, Janet Kass**
8.6.1 The committee met virtually on May 19th.
8.6.2 The first item that was discussed was to consider combining policies of the CEO and Directors.
(a) General Counsel Loo combined these into two policies. Might have more combinations later.
(b) No action was taken on this.
8.6.3 The next item was considering different emergency situations.
(a) What if the Board disappears? That scenario made up seven different emergency situations.
(b) Discussion ensued if we are adequately handling these situations.
(c) Looked at other organizations and how they are taking actions about these.
(d) No action recommended at this time.
- 8.7 **Strategic Planning – Committee Chair, James Mayfield**
8.7.1 The committee met virtually on May 19th.
8.7.2 The following items were reviewed and discussed.
(a) Steps being taken by KIUC to decrease the drop in KWH sales and/or improve market share.
(b) Steps being taken by management to meet NRECA’s “Beneficial Electrification” program and KIUC’s vision to improve the quality of life for KIUC’s members.
(c) Reduce pollution (CO2 emissions) and minimize KIUC’s contribution to climate change: decrease our member’s use of fossil fuel for cooking, water heating and transportation.
(d) Improve grid resiliency (minimize outages).
(e) Status on \$85,000 EV budget.
(f) KIUC member survey to include questions related to EV’s and/or our retail consumer efficiency program and/or issues related to our Strategic Plan?
(g) Funding to County of Kauai from federal government. Does KIUC have any projects/improvements/additions that the County of Kauai/State of Hawaii would probably support should we be asked for such a list?
(h) Discussion on how we have 25 years in which to update the Strategic Plan.

9. **Charitable Foundation (CF) Board** – Teofilo Tacbian, President
- 9.1 The Charitable Foundation met virtually.
 - 9.2 The CF written report is attached.
 - 9.3 A question was asked about the Economic Development Fund. This will be reported at the next Member Relation’s Committee meeting.
10. **Public Testimony** – None.
11. **New Business** –
- 11.1 **2020 Annual Meeting Date – July 22, 2020**
 - 11.1.1 Member Relation’s Committee Chair Crowell moved to approve July 22, 2020 as the KIUC Annual Meeting Date, and the start time to be 5:00 p.m. [Motion: Crowell/Murashige]
 - 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 **GT Exhaust System**
 - 11.2.1 F&A Committee Chair Yukimura moved to approve the GE Exhaust System, which was from the 2019 budget that carried over, for an additional request of \$250K, with a second by Director Kass.
 - 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 **Hana Kukui Lease Exercise Option to Extend Term**
 - 11.3.1 F&A Committee Chair Yukimura moved to recommend approval of the Hana Kukui Lease Exercise Option to Extend the term, with a second by Director Kass.
 - 11.3.2 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
 - 11.4 **Resolution 03-20**
 - 11.4.1 F&A Committee Chair Yukimura moved to recommend approval of Resolution 03-20, with a second by Director TenBruggencate.

- 11.4.2 There was discussion about changing the terminology.
- 11.4.3 After discussion, it was decided to postpone this item to Executive Session.

11.5 **Resolution 04-20**

- 11.5.1 Executive Committee Chair TenBruggencate moved to recommend approval of Resolution 04-20, with a second by Director Kass.
- 11.5.2 The recommendation carried unanimously.

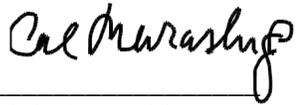
IN FAVOR:	Crowell, Iha, Kass, Mayfield, Murashige, Smith, Tacbian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

12. **Calendar:**

- 12.1 **June 11, 2020** – HOLIDAY, KIUC Offices Closed
- 12.2 **June 19, 2020** – Board Committee Meetings (9:00am, via conference call)
- 12.3 **June 25, 2020** – Regular Board Meeting (1:00pm., via conference call)

13. There was brief discussion about those Directors that booked their reservations for KIUC related travel prior to COVID-19, and now are not able to reschedule and get reimbursed. CEO Bissell stated that this is a legitimate KIUC expense, and KIUC will reimburse Board members for this, which was agreed upon by CFO Jonas.
14. **Executive Session.** At 2:16 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.
15. **Decision Making.** The open session of the Meeting was reconvened at 2:49 p.m. and upon the motion of Director TenBruggencate, the following decision made in Executive Session was ratified by unanimous consent:
- 15.1 The decision to reconsider the wording of Resolution of 03-20.
16. **Adjournment.** A motion to adjourn the Executive Session was made by Director TenBruggencate. All members voted in favor of the motion and the Executive Session was concluded at 2:50 p.m. Director TenBruggencate moved by consensus to enter back into Open Session.

17. Director TenBruggencate voted to nominate Director Kass to run for the position of CFC Director, which was seconded by Calvin Murashige. All directors voted in favor of the motion.
18. Director TenBruggencate moved by consensus to adjourn the meeting at 2:51 p.m.



Calvin Murashige
Secretary



President's Report

May 28, 2020

David Bissell, President and CEO

President's Report

David Bissell, President and CEO
May 28, 2020

Safety (April)

	<u>Month</u>	<u>2020 YTD</u>	<u>2019 YTD</u>
Recordable Incidents	0	1	3
Days Away/Restricted	30	83	218

Availability and Reliability:

	<u>Month</u>	<u>2020 YTD</u>	<u>2019 YTD</u>
Reportable Outages	2	9	22
Average Outage Hours Per Customer	0.16	0.32	1.43

Efficiency

	<u>Month</u>	<u>2020 YTD</u>
Net Plant Heat Rate	9,497	9,272
Peak Demand (MW)	59.6	73.2

Residential Rates:

May 2020	\$0.286/kwh Down \$0.028 from April
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April Financial Results

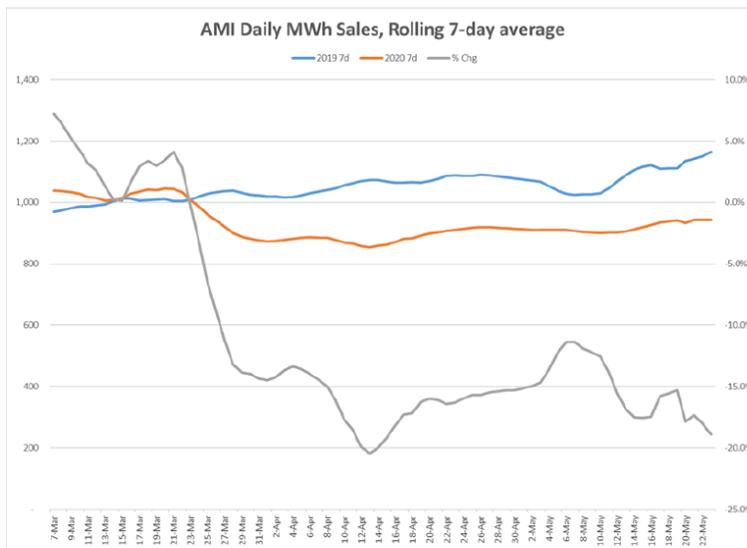
- kWh sales down 15% to budget and 14% to prior year

	<u>Budget</u>	<u>PY</u>
• Residential	(17%)	(10%)
• Small commercial	(25%)	(20%)
• Large commercial	(20%)	(14%)
• Large Power (L&P)	(21%)	(17%)

- Margin (\$1.6) million vs budget of (\$0.1) million



We are not keeping pace with last year at this time, so we are heading to a new low on a year-over-year change



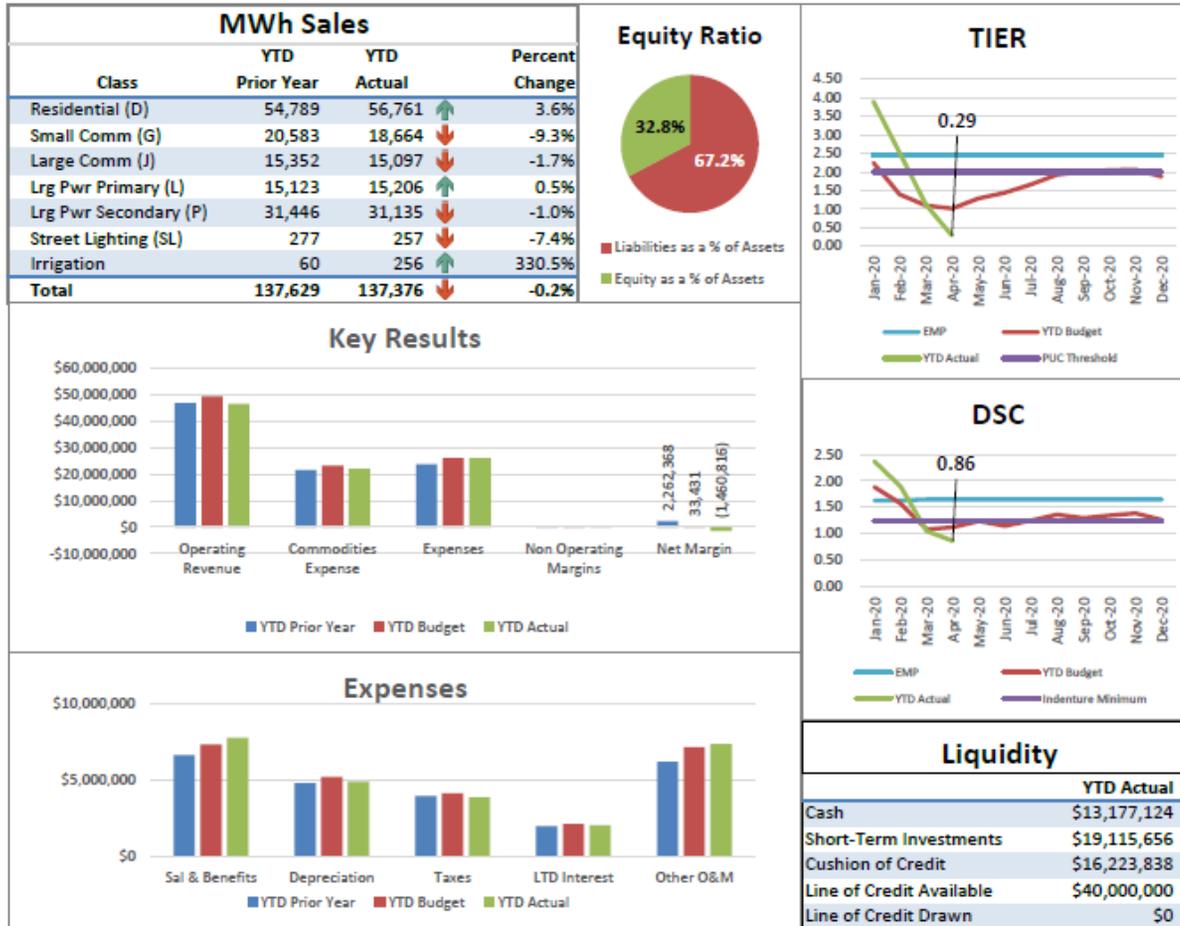
Update Items

- No service or disconnections - extended through June
- Restructuring CFC Loan
 - CFC loan documents have been received and signed
- Paycheck Protection Program
 - Cash received
 - SBA has clarified electric cooperatives eligible
 - Documentation of use of funds – ongoing
- PMRF Substation Construction - continuing
- Anahola Service Center Construction - upcoming



Mahalo!

Financial Scorecard



Report of the
KIUC Charitable Foundation

Your Charitable Foundation met on Tuesday May 26, 2020.

In April we paid the UH Foundation scholarship \$3,108.81, leaving a balance of \$45,914.96.

The KEO assisted 6 families in April totaling \$1,150. The balance of our contributions to them is \$23,279.00.

They will be accepting applications for the LIHEAP Energy Crisis program from June 1st to the 30th.

The Makana program is growing each month, we now have 94 members who contributed \$269.00 year to date.

The Golf Tournament is still on hold, we are keeping our tournament date with the Golf Course open.

We had one inquiry for contributions from Flow Kakou.

Respectfully,

T. P. Tacbian, President

**RESOLUTION 03-20 OF THE
BOARD OF DIRECTORS OF
KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")**

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

WHEREAS, kWh sales and electric revenues have dramatically decreased as many businesses have been closed; and

WHEREAS, KIUC desires to seek regulatory approval for lost gross margins from significantly decreased kWh sales for 2020 and 2021 and possibly longer; and

WHEREAS, KIUC will be filing an application before the Hawaii Public Utilities Commission ("HPUC") to seek regulatory asset treatment; and

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

1. The Board approves of KIUC staff filing an application before the HPUC to seek regulatory asset treatment for lost gross margins from significantly decreased kWh sales for 2020 and 2021 and beyond.

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 May 28, 2020, at Lihu'e, Kaua'i, Hawai'i.

Dated this 28th day of May, 2020, at Lihu'e, Kaua'i, Hawai'i.

Calvin Murashige
Secretary

**RESOLUTION 04-20 OF THE
BOARD OF DIRECTORS OF
KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")**

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

WHEREAS, kWh sales and electric revenues have dramatically decreased as many businesses have been closed; and

WHEREAS, and the Small Business Administration in April made available a "Paycheck Protection Program" to allow certain businesses to apply for federal assistance; and

WHEREAS, KIUC staff applied for a PPP loan to be used for ongoing operations; and

WHEREAS, KIUC's Board of Directors ("Board") recognizes the PPP loan will assist KIUC in meeting its payroll and other obligations in light of decreasing revenues;

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

1. The Board ratifies KIUC's application of the PPP loan in April 2020, and approves the use of the funds for payroll and ongoing operations.

SECRETARY'S CERTIFICATE

The undersigned Secretary of KIUC hereby certifies the foregoing Resolution of the Board of Directors of KIUC was duly adopted at the Regular Meeting of the Board of Directors held on May 28, 2020, at Lihu'e, Kaua'i, Hawai'i.

Dated this 28th day of May, 2020, at Lihu'e, Kaua'i, Hawai'i.

Calvin Murashige
Secretary