

KIUC BOARD POLICY NO. 29
EQUITY MANAGEMENT PLANNING

PURPOSE OF POLICY:

To develop and keep current a plan for optimizing the members' equity in KIUC that facilitates providing safe and reliable electricity to its members at the lowest reasonable cost, while maintaining KIUC's financial strength and retiring member patronage equity on a timeframe consistent with the cooperative principles (the "Equity Management Plan" or "EMP"). The EMP seeks to maintain a balance of the sometimes conflicting objectives of maintaining the lowest reasonable cost of electricity with the need for healthy margins and financial ratios which can provide for a reasonable patronage capital retirement cycle.

EQUITY MANAGEMENT PLAN OVERALL OBJECTIVE:

The overall objective of the EMP is to implement financial policies, consistent with the overall objective of providing safe and reliable electricity at the lowest reasonable cost, which serve to achieve margins and resulting financial performance ratios and retain patronage equity capital sufficient to (i) maintain a sound financial position, (ii) provide uninterrupted access to additional debt capital under KIUC's financing documents, even during difficult capital market conditions, at interest rates that reflect a highly credit worthy borrower, (iii) maintain unused financial liquidity to meet all obligations under reasonably foreseeable operating circumstances, and (iv) provide for the retirement of member patronage capital to both non-current former members and current members on a reasonable cycle.

POLICY CONTENT:

I. Objectives of KIUC's Equity Management Plan

The development and implementation of KIUC's EMP will consider relevant financial, economic, strategic, regulatory and other considerations including:

1. KIUC's growth prospects and need for utility plant financing.
2. KIUC's expected debt service coverage capacity and equity capitalization ratio.
3. KIUC's rate competitiveness, including factors such as the need to accumulate equity or reduce consumer's effective costs by returning their capital as patronage dividends.
4. KIUC's balances of unretired member patronage equity by vintage year and the resulting patronage capital retirement term.
5. Legal, tax, and other regulations, and accounting principles.

II. Matters to be Addressed in the EMP

KIUC's Equity Management Plan will address the following matters:

1. Consideration of forecasted growth rates in total capitalization of KIUC based upon expected changes in the level of membership and electricity sales.
2. Construction of needed additions to KIUC's plant and facilities using a combination of long-term debt and general funds.
3. Maintenance of the facilities of KIUC in a safe and reliable operating condition.
4. Estimated debt financing requirements and the blended costs of debt.
5. Goals for minimum debt service coverage from margins.
6. Goals for total equity to total capitalization.
7. Maintaining adequate working capital, cash reserves, and unused lines of credit.
8. Establishing a capital credit rotation program on an appropriate cycle, complying with all applicable loan requirements of the lending institutions, and subject to any binding direction from the Hawaii Public Utilities Commission (HPUC).

III. Equity Management Planning Implementation

KIUC's equity management planning shall be implemented as follows:

1. Management shall be accountable for development of KIUC's Equity Management Plan for approval by KIUC's Board.
2. Management shall strive to update EMP as changes and circumstances warrant with an anticipated cycle of every five to seven years in keeping with the past and current members' overall best interests.
3. The current KIUC Equity Management Plan shall be deemed incorporated herein and a copy shall be attached to the version of this policy posted on KIUC's website, www.kiuc.coop, as Exhibit "A" thereto.

IV. Responsibility

The KIUC Board and President & CEO are jointly responsible for compliance with this policy.

Adopted on this 21st day of November 2024

Calvin Murashige
Calvin Murashige (Nov 21, 2024 17:01 HST)

Calvin Murashige
 Secretary

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