

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

Held at 4463 Pahe`e Street

Lihu`e, Kaua`i, Hawai`i

On April 18, 2017

MINUTES

Call to order at 1:00 pm.

1. Roll Call

1.1 **Present:** Directors Allan Smith (Chairman), Dee Crowell, Patrick Gegen, David Iha, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, and Peter Yukimura (Treasurer); and David Bissell (President and CEO). All directors were present.

1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO and Financial VP), Maile Alfiler (Member Services Mgr.), Corinne Cuaresma (Controller), H. Rick Eckert (Financial Planning & Strategy Mgr.), Carey Koide (T&D Mgr.), Beth Tokioka (Communications Mgr.), Brad Rockwell (Power Supply Mgr.), Pua Chin (Executive Administrator), Derrick Larson (Partner, Eide Bailey), and Lindsey McClain (Kauai Coffee Co.); Members of the public (1), and Members of the Press (0).

1.3 **Excused:** Director Jan TenBruggencate (Vice Chair)

2. Invocation – Director Murashige opened the meeting with a prayer.

3. Approval of Agenda - The agenda was approved with the following additions:

3.1 Approval of the minutes of the 3/28/17 Annual Meeting, the Auditor’s Final 2016 Audit Report and approval of the executive session minutes of the 4/10/17 Committee of the Whole in Executive Session.

4. Approval of Minutes

4.1 The 03/28/17 Annual Meeting, Regular Meeting and Executive Session of the Regular meeting minutes were unanimously approved as circulated. [Motion: Gegen]

5. Auditor’s Final 2016 Audit Report

5.1 Mr. Derrick Larson of Eide Bailey reviewed the three (3) required communications and content of each:

5.1.1 Independent Auditor’s Report - Unmodified opinion was issued– financial statements are present fairly in all material respects in conformity with accounting principles generally accepted in the United States.

5.1.2 Board Communications Letter – describes the basic audit standards, accounting policies and/or changes, any significant accounting findings and new accounting standards.

5.1.3 Internal Control and Compliance – no materials weaknesses were found.

6. **Chairman’s Report.** None.

7. **President’s Report.** David Bissell, CEO, reported.

7.1 The March 2017 Cooperative statistics were reported (report attached).

8. **Financial Report:** CFO Karissa Jonas reported.

8.1 The March 2017 preliminary financial results were reported.

9. **NRECA Hawaii Director Report** – Director David Iha reported.

9.1 Congress is in recess until April 24th. The Legislative Conference will begin April 24th. NRECA is expecting 2,100 cooperative attendees in DC for the conference. The NRECA Board will be meeting on Friday, April 21st.

10. **Director Travel Reports**

10.1 Director Murashige provided a verbal report on the NRECA 2017 Directors Conference.

10.1.1 Highlights were presentations by Dr. Vikram Mansharamani who spoke about globalization and its impact on the USA. Mr. Peter Ziehan spoke about the political landscape in the US and changes in coalition structures.

10.1.2 Energy storage and cooperative solar were big items of interest and there were repetitive breakout sessions allowing everyone an opportunity to attend.

11. **Committee Reports**

11.1 **Executive – Chair, Jan TenBruggencate**

11.1.1 The committee discussed the CEO’s compensation and personnel issues related to three accidents that occurred and the safety program. There will be an action item for consideration to be discussed in Executive Session.

11.2 **Finance & Audit – Chair, Peter Yukimura Reported**

11.2.1 Karissa reported during the meeting that the Construction Work Plan \$58M loan request was submitted to the Rural Utility Service (RUS). Still waiting on the 1603 grant from the IRS for the battery storage portion of the Anahola Solar project.

11.2.2 The audit report was received and the 2016 year-end TIER is 1.9595 so there will be no Patronage Capital (PatCap) refund to members this year. A letter will be sent to members explaining. A workshop will be scheduled to discuss the PatCap retirement policy.

11.2.3 The committee also discussed the Green Energy Power Purchase Agreement versus Capital Lease.

- 11.3 Government Relations/Legislative – Committee Chair, Phil Tacbian**
- 11.3.1 The committee focused on the upcoming Legislative Conference April 23-26 in DC. All the appointments are set but there will be some overlap so the group will need to split up into two groups. The issues to be discussed at the conference included the Endangered Species Act, and continued funding for LIHEAP and RUS.
Plans have been made to also visit the Guam delegate to Congress while in DC.
- 11.3.2 Tomorrow (4/19/17) Congresswoman Tulsi Gabbard will be visiting the Tesla solar farm. Attendees from the Board include Phil Tacbian, Allan Smith, Jim Mayfield and Dee Crowell.
- 11.4 International - Committee Chair, David Iha**
- 11.4.1 The committee did not meet but received a request from Mr. Rudy Sina and a report from his recent trip to the Philippines.
- 11.4.2 Director Iha also received an email from Rumi Ariyoshi thanking the Directors for meeting with her on March 22nd. She also shared her contact information to someone from Okinawa who will be on island in May or June that the Directors may want to meet to talk about Okinawa's seawater pumped storage power station.
- 11.5 Member Relations – Director TenBruggencate reported for Committee Chair, Patrick Gegen**
- 11.5.1 A new kiosk is installed in the lobby to receive credit and debit card payments.
- 11.5.2 KIUC was recognized by Kauai United Way as the second highest donator.
- 11.5.3 Energy Services attending a tenant meeting attended by 300 residents in Kaumakani and information to attendees about energy efficiency.
- 11.5.4 On May 4th, KIUC's offices will open later at 9:00am so Member Services staff can attend training.
- 11.5.5 Energy Services personnel responded to a high bill complaint to find a defective power strip that burnt through the carpet. A potential house fire was avoided.
- 11.5.6 The new Tesla project received national and international publicity. Communications department is still receiving calls requesting more information.
- 11.5.7 DLNR will host a public meeting on May 6th at Lydgate to provide information on the Blue Hole water issues.
- 11.6 Policy – Committee Chair, Allan Smith**
- 11.6.1 Two policies were reviewed and discussed. Policy No. 2 was referred to General Counsel for changes and Policy No. 28 is being recommended for approval under New Business.

11.7 **Strategic Planning – Committee Chair, Dee Crowell**

- 11.7.1 The CEO provided updated on several opportunities for the cooperative. KIUC will not be directly affected by batter legislation.

12. **Charitable Foundation (CF) Board** – (This item was reported out of order after the Government Relations and Legislative Affairs committee report.)

- 12.1 Newly appointed CF Board President Phil Tacbian reported they are planning on the potential of another fundraising golf tournament.
- 12.2 A motion to ratify the appointment of Director Tacbian as the Charitable Foundation Board President carried unanimously. [Motion: Crowell/Mayfield]

13. **Public Testimony.** Marj Dente provided oral testimony.

A short recess was taken at 2:04 pm. The meeting reconvened at 2:14pm.

14. **Unfinished Business.** None

15. **New Business.**

15.1 **Board Policy #28, Offers to Acquire Cooperative’s Assets (Dee Crowell, Policy Committee Chair)**

- 15.1.1 No substantive changes were made. The committee recommendation to approve carried unanimously.

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

16. **Calendar:**

- **April 19, 2017** – Congresswoman Gabbard tour Tesla Solar Project (3:30pm)
- **April 23 – 25, 2017** – Legislative Conference
- **May 19, 2017** - Board Committee Meetings (9:00am, MCR)
- **May 29, 2017** – HOLIDAY, KIUC offices closed
- **May 30, 2017** – Regular Board Meeting (1:00pm, KIUC Main Conf Rm)

17. **Executive Session.** Following a brief recess at 2:17pm, the Board entered 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.

18. **Decision Making.**

18.1 The open session of the Meeting was reconvened at 2:35 p.m. and upon the motion of Director Murashige and the second of Director Gegen, the following decisions made in Executive Session were ratified by all Directors present:

18.1.1 The decision to approve the CEO's 2017 evaluation and compensation package.

19. **Adjournment.** There being no further business the meeting was adjourned at 2:35 p.m.

Calvin Murashige, Secretary

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President's Report

April 18, 2017



President's Report

David Bissell, CEO
April 18, 2017

Safety (March 2017)

	Month	2017 YTD	2016 YTD
Recordable Incidents	1	1	8
Days Away/ Restricted	9.64	3.29	5.96

Availability and Reliability (March):

	Month	2017 YTD	2016 YTD
Reportable Outages	2	9	9
Average Outage Hours Per Customer	0.01	0.5	0.58

STATISTICS

Efficiency (March):

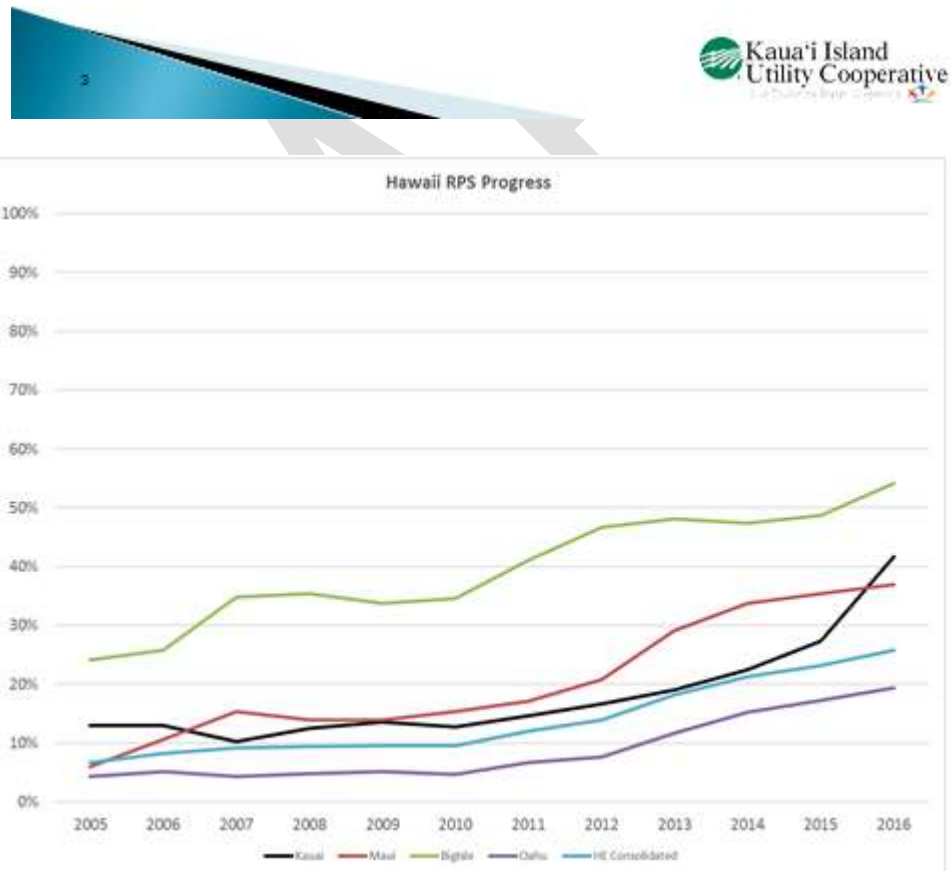
	Month	2017 YTD
Net Plant Heat Rate	9,918	9,420 Btu/kWh
Peak Demand (MW)	72.27	72.27

Residential Rates:

April 2017	\$0.32158/kWh	Down \$0.009 from Mar
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Update

- ▶ 2016 Renewable Portfolio Standards (RPS) Status Report Issued
- ▶ 41.66% for 2016 for KIUC
 - 14% increase from 2015
- ▶ KIUC well in excess of state mandated of 40% by 2030



Mahalo.



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KAUAI ISLAND UTILITY COOPERATIVE
POLICY NO. 28

(Reviewed ~~06/30/2015~~04/xx/2017)

OFFERS TO ACQUIRE COOPERATIVE'S ASSETS

PURPOSE OF POLICY:

To recognize and prepare for the possibility that the Cooperative could receive an offer to acquire all or a substantial portion of the Cooperative's assets, whether by purchase, merger, lease or otherwise, and to set forth the policy by which the Board will perform due diligence in receiving such offers.

POLICY CONTENT:

A. Policy Statement:

In order for the Board of Directors to carry out their duties to the Cooperative, minimize the costs and disruption to the Cooperative involved in undertaking repeated due diligence reviews, and abide by the articles of incorporation, bylaws, and any applicable laws or regulations, the Board shall act in the best interests of the Cooperative and its membership and establish the procedures within this policy to govern the Cooperative's receipt, consideration and final action on an offer to purchase all or parts of the Cooperative's assets.

B. Scope:

This policy is designed to provide guidance for the Cooperative's Board of Directors and shall not be construed to create rights in the Cooperative's members, a party submitting an offer to the Cooperative, or any other entity.

C. Qualifying Offer:

1. If the Cooperative receives an offer and such offer is not a Qualifying Offer (as defined in Paragraph C (3) below, it shall be considered an "Inquiry." The recipient of any Inquiry shall notify the person, corporation, or entity submitting the inquiry that, under the terms of this policy, the Board of Directors shall not consider an offer unless it qualifies as a Qualifying Offer, as defined in Paragraph C (3).
2. The CEO of the Cooperative shall notify the Board of any Inquiry or Qualifying Offer immediately upon notice thereof.
3. The Board of Directors shall consider only offers that meet all of the criteria listed in this paragraph, in which case it shall be considered a Qualifying Offer. If at any time it is determined that an offer does not meet all of the criteria in this paragraph, it shall be rejected by the Board, and the person, corporation, or other entity submitting the offer (the "Interested Party") shall be notified of the rejection.

- a. A Qualifying Offer must be a written offer, containing the acquisition price and all other material terms, which is binding upon the Interested Party until a specified date or until rejected;
 - b. A Qualifying Offer must specify the date on which it will expire if not accepted by the Cooperative;
 - c. A Qualifying Offer must contain the names, addresses, and telephone numbers of persons representing the Interested Party with whom the Board may communicate and from whom it may secure authoritative answers regarding the Qualifying Offer;
 - d. In light of the expense in responding to a Qualifying Offer, a Qualifying Offer must be accompanied with an Escrow Agreement acceptable to the Cooperative, which Agreement shall require the Interested Party to deposit an amount equal to at least 2% of Total Utility Plant in an escrow account. The terms of the Escrow Agreement shall provide that the principal amount of the deposit may be drawn on by the Cooperative to:
 1. Pay for all costs (including accounting, engineering and legal) of studies, reviews, analyses, and appraisals by and for the Cooperative in its evaluation of the Qualifying Offer; and
 2. Pay costs incurred by the Cooperative in seeking regulatory approvals.
 - e. If the offer is withdrawn or rejected, any remaining balance in the escrow account shall be paid to the Interested Party when the Board certifies that all costs set forth in this policy have been paid in full.
 - f. A Qualifying Offer must contain an agreement by the Interested Party not to issue press releases or discuss the Qualifying Offer with the media without prior written consent of the Cooperative, and to refrain from issuing misleading statements or advertising; and
4. Upon a determination by the Board that it has received a Qualifying Offer, the Board may pursue continued due diligence in entertaining the Qualifying Offer in consultation with the NRECA policy, consultants, the Rural Utilities Service, and counsel as it may deem fit.

Adopted on this 30th 18th day of JuneApril, 20152017.

/s/ Karen Baldwin
Karen BaldwinCalvin Murashige
 Secretary

Reviewed: 04/18/2017
 Reviewed: 06/30/2015
 Adopted: 11/26/2013