

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

Held at 4463 Pahe`e Street  
Lihu`e, Kaua`i, Hawai`i  
On September 26, 2017

**MINUTES**

**Call to order at 1:02 pm.**

**1. Roll Call**

- 1.1 **Present:** Directors Allan Smith (Chairman), Dee Crowell, Patrick Gegen, David Iha, 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 was present.
- 1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO and Financial VP), Maile Alfiler (Member Services Mgr.), Rick Eckert (Financial Planning & Strategy Mgr.), Carey Koide (T&D Mgr.), Shelley Paik (Communications Specialist.), Brad Rockwell (Power Supply Mgr.), Lisa Ubay (HR & Safety Mgr.), Mike Yamane (COO), Corinne Cuaresma (Controller), and Pua Chin (Executive Administrator); Members of the public (1), and Members of the Press (0).

**2. Invocation** – Director Yukimura opened the meeting with prayer.

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

- 3.1 A discussion on the NRECA proposed resolutions was added to Unfinished Business
- 3.2 A report on Directors Travel Reports was added.
- 3.3 Solicitation of KIUC support for Region 9 CFC director and RESMA letter were added to New Business.

**4. Approval of Minutes**

- 4.1 The 08/29/17 Regular Meeting and Executive Session minutes were approved unanimously. [Motion: TenBruggencate/Murashige]

**5. Chairman’s Report.** None.

**6. President’s Report.** David Bissell, CEO.

- 6.1 The July 2017 Cooperative statistics and updates on current activities and projects were provided. (Report attached).
- 6.2 COO Yamane provided an oral report on the causes and ensuing investigations into the recent island wide outage. Additional data is still being collected. The initial trigger was a KPS trip. It has been running in a mode to accommodate renewables and managing the Tesla batteries. The power stayed on for a couple

minutes after the KPS trip but then the system voltage ran low enough that Green Energy tripped. That then caused the system voltage to collapse and an island wide outage resulted. Everyone was restored in about 1 hour and 45 minutes. Soon after Green Energy wanted to get back on their breaker was closed so the grid tried to tie into their offline generation and the voltage collapsed a second time causing the 2<sup>nd</sup> island wide outage. We are looking into all the data, causes and remedies to prevent future potentials. The third outage was isolated to Lawai due to transmission hardware breakdown.

7. **Financial Report:** CFO Karissa Jonas reported.
  - 7.1 The warehouse physical inventory resulted in a \$1,218 write off. The warehouse carries approximately \$13 million in inventory.
  - 7.2 The August 2017 preliminary financial results were reported.
  
8. **NRECA Hawaii Director Report** – Director David Iha.
  - 8.1 The US Legislature is approaching the end of their fiscal year. The House passed a spending package that funded several of the Co-op programs including LIHEAP (Low Income Home Energy Assistance Program). The bill will now go to the US Senate.
  - 8.2 NRECA is seeking Legislative Representatives to co-sponsors of a bill to support Cooperative pension plans. The bill previously passed the Senate but not the House. The draft letter requesting support from cooperative CEOs, Presidents or Managing Directors will be discussed under New Business.
  
9. **Committee Reports**
  - 9.1 **Executive – Committee Chair, Jan TenBruggencate**
    - 9.1.1 The committee met on September 15th. All the actions of the committee which were taken in an Executive Session were financial decisions that are covered under the confidentiality in Board Policy #16 and included matters of a proprietary or financial nature, public disclosure of which could affect on-going or potential negotiations.
  
  - 9.2 **Finance & Audit – Committee Chair, Peter Yukimura Reported**
    - 9.2.1 The committee is recommending three (3) action items to be discussed under New Business.
    - 9.2.2 CFO Jonas also reported the NISC integration with AMI will give KIUC a better understanding of end of month financials for unbilled revenue.
    - 9.2.3 The committee added a new standing agenda item on financial forecasts and strategy for all financial decisions approved by the Board and the effect of those decisions and their overall financial impact.
  
  - 9.3 **Government Relations/Legislative – Committee Chair, Phil Tachian**
    - 9.3.1 Director Tachian provided a report on the recent Hawaii Congress of Planning Officials (HCPO) conference held on Oahu 9/20-22/2017. KIUC

Directors who attended the conference included Phil Tachian, Dee Crowell, David Iha, Allan Smith, Peter Yukimura and Jim Mayfield.

- 9.3.2 The Planning Commission is meeting today. The AES Lawai project land use exception is on their agenda for approval. Brad is attending with representatives from AES.
- 9.3.3 Chair Smith requested CEO Bissell to plan a field trip to the potential Lawai Solar site and other pending sites or projects.
- 9.3.4 The GRLA committee discussed two issues including site visits to the Lawai for the Kauai State Boards Commissioners and to Tesla for the Board of Water Supply.
- 9.3.5 Director Iha thanked CEO Bissell and Beth Tokioka for arranging the site visit to Tesla for Mr. Dave Chun representative for Tulsie Gabbard.

9.4 **International - Committee Chair, David Iha** – No report

9.5 **Member Relations – Committee Chair, Patrick Gegen**

- 9.5.1 The committee met on 9/15/17. The average kWh for residential members is 555kWh; the highest it's been since 1996.
- 9.5.2 KIUC will participate with the County of Kauai on another Pono Home program.
- 9.5.3 SOS season has started.
- 9.5.4 Gay & Robinson will be presenting at the Lihue Business Association meeting on 9/27/17 to talk about their hydro project.
- 9.5.5 Director Yukimura attended the EV event at KCC farmers market and was informed the rebate for the 2017 Nissan Leaf is \$10k but they were not sure if they were going to offer a rebate on their 2018 model.

9.6 **Policy – Committee Chair, Dee Crowell** – No report.

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

- 9.7.1 Mr. Eckert was invited to report on the items discussed at the Strategic Planning Committee meeting on 9/15/17.
  - (a) There was discussion on Sandwich Isles Communication (SIC) and other parties that have contacted the FCC and expressed an interest in buying the company. At a recent meeting with Cincinnati Bell who is purchasing Hawaiian TelCom, they too expressed an interest in SIC's interisland fiber optic cable.
  - (b) KIUC has contracted Vantage Point to conduct a survey on broadband services and whether there is opportunity for KIUC to enter in to that industry.

Brad Rockwell, Power Supply Manager, arrived in the meeting. Chairman Smith requested he provide a brief update on the results of the Planning Commission meeting. Mr. Rockwell reported the Commission voted in favor 4-1 of the Lawai Solar special permit. Two members of the commission were absent. They will ratify their decision at their next meeting in two weeks.

**10. Charitable Foundation (CF) Board**

- 10.1 Board President Phil Tacbian reported the CF Board will be meeting with Catholic Charities and Nana’s House to see if the CF can assist them.
- 10.2 The CF golf tournament fundraiser date is set for November 18<sup>th</sup>.

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

A brief recess was taken at 2:05pm. The meeting reconvened at 2:15pm

**12. Unfinished Business.**

**12.1 NRECA Proposed Resolutions (Director Dee Crowell)**

12.1.1 The proposed resolutions will be voted on at the Region 7&9 Meeting next month. He will recommend forwarding all the resolutions as drafted unless there are objections. The general consensus was to proceed. Director TenBruggencate will review the resolutions and contact Director Crowell is he has any comments.

**13. New Business.**

**13.1 Kaumakani Substation Upgrade, Budget Increase and Amendment (Director Peter Yukimura, Chair, F&A Committee)**

13.1.1 This is a two-year project that started in 2016. Additional funds are being requested to complete the project due to an expanded scope of work. In addition, not all the funds budgeted in 2016 were expended so a request to increase the 2017 budget by the unexpended funds is also being requested. The total budget amendment being requested is \$137,000. recused himself and turned the meeting over to KIUC Chair Smith to conduct nominations and a vote. The F&A committee recommended approval.

13.1.2 The motion to approve carried unanimously. [Motion: Yukimura/Gegen]

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

**13.2 Resolution 06-17, Indenture (Director Peter Yukimura, Chair, F&A Committee)**

13.2.1 This is a resolution to approve replacing KIUC’s existing mortgage with an indenture and submit to the PUC for approval. The committee recommended approval.

13.2.2 The motion to accept Resolution 06-17 carried unanimously [Motion: Yukimura/Gegen].

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

13.3 **Puu Opae Pumped Storage/Hydro project pre-engineering studies and surveys expenditure. (Director Peter Yukimura, F&A Committee)**

13.3.1 The request is to authorize expenditures by Joule Group for up to \$350k to conduct pre-engineering studies and surveys for the Puu Opae pumped storage/hydro project. The committee recommended approval.

13.3.2 The motion to approve carried unanimously. [Motion: Yukimura/Gegen]

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

13.4 **Appointment of Nominating Committee Chairperson**

13.4.1 Chairman Smith appointed Director Jim Mayfield to serve as the Nominating Committee Chair for the 2018 Director Elections. There being no other nominations or objections Director Mayfield was duly appointed.

13.5 **Co-op Pension Bill, Letter Requesting Support (Director David Iha)**

13.5.1 A copy of a draft letter to request the support of Hawaii’s US Representatives to consider co-sponsoring H.R. 3596, the “*Rightsizing Pension Premiums Act of 2017*” (Kelly/Kind) Protects Co-op Retirement Benefits in the US House of Representatives.

13.5.2 A motion to authorize the CEO to sign and send the letter carried unanimously. [Motion: TenBruggencate/Murashige]

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

14. **Calendar:**

- 14.1 October 9, 2017 – HOLIDAY, KIUC Offices Closed
- 14.2 October 12, 2017 – Public Meeting on Utility Ownership Models (CKMS, 5:30pm)
- 14.3 October 16-18, 2017 – Region 7&9 Meeting (Denver, CO)
- 14.4 October 26, 2017 – Board Committee Meetings (9:00am, MCR)
- 14.5 October 31, 2017 – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)

15. **Executive Session.** On a motion by Director TenBruggencate, seconded by Director Murashige, the Board entered into an Executive Session at 2:28pm 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.

16. **Decision Making.** The open session of the Meeting was reconvened at 3:24 p.m. and upon the motion of Director TenBruggencate and the second of Director Murashige, the following decision made in Executive Session was ratified by all Directors present:
  - 16.1 The decision to allow KIUC staff to proceed with a solar and storage project and to execute all documents necessary to continue the project, and to approve Resolution 07-17 relating to the same matter.
17. **Adjournment.** There being no further business the meeting was adjourned at 3:25 p.m.

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Calvin Murashige  
Secretary



# President's Report

## September 26, 2017



### *President's Report*

David Bissell, CEO  
September 26, 2017

#### Safety (August)

	Month	2017 YTD	2016 YTD
Recordable Incidents	0	4	8
Days Away/ Restricted	31	66	72

STATISTICS

#### Availability and Reliability:

	Month	2017 YTD	2016 YTD
Reportable Outages	10	24	15
Average Outage Hours Per Customer	0.97	1.85	0.19

#### Efficiency:

	Month	2017 YTD	2016 YTD
Net Plant Heat Rate	9,107	9,450	9,255
Peak Demand (MW)	74.6		

#### Residential Rates:

Sep 2017	\$0.3494/kwh	Up \$0.00855 from Aug
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## Indenture

- ▶ KIUC has received approval from the United States Department of Agriculture's Rural Utilities Service ("RUS") and National Rural Utilities Cooperative Finance Corporation ("CFC") to adopt a mortgage indenture to replace KIUC's existing joint mortgage with RUS/CFC.
- ▶ Over 40 Generation and Transmission Cooperatives and at least six "hybrid" distribution cooperatives who produce or source their own energy have mortgage indentures in place.

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## Indenture – Continued

- ▶ KIUC's indenture is a mortgage and security agreement amongst secured lenders that will essentially convert one credit instrument that pledges KIUC's assets to another one.
- ▶ There are two primary differences from the current joint RUS/CFC mortgage:
  - The lien of the mortgage indenture runs to an independent corporate trustee for the benefit of the secured lenders (rather than directly to the secured lenders)
  - All actions under the indenture are governed by objective/mechanical tests rather than by lenders actions
- ▶ As part of the indenture process, existing secured loan agreements with RUS and CFC will be amended to reflect the existence and provisions of the indenture.

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## Indenture – Continued

- ▶ RUS's interest rates are amongst the lowest available. However, access to RUS money is slow, and increasingly unavailable due to environmental or other hindrances.
- ▶ KIUC's move to an indenture is necessary to improve the timeliness and ability to access capital and to increase liquidity.
- ▶ With an indenture in place, as long as KIUC meets certain prescribed financial covenants, KIUC can access capital markets without approvals from existing secured lenders. This will improve liquidity by making it much quicker to obtain loan approvals from non-governmental lenders such as CFC, CoBank, or the broader capital market if it was beneficial or necessary.



## Pumped Storage Hydro

- ▶ At August meeting, the board approved land lease and associated agreements with two state agencies: the Department of Hawaiian Homelands (DHHL) and the Agribusiness Development Corporation (ADC).
- ▶ Today, the board will consider approving expenditures of up to \$350,000 for preliminary surveying and permitting work.
- ▶ KIUC has already commenced work on required diversion modifications and installation of gauging equipment.



## Other Items

- ▶ Study on Utility Ownership and Regulatory Models in Hawaii
  - Public Meeting 10/12 Chiefess Kamakahelei Middle School 5:30–7 pm
- ▶ International Trade Commission ruling on solar panels



## Outages

- ▶ September 10 Outages
  - Mike Yamane – Chief of Operations and Technology



Mahalo.

