

**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 24, 2018

MINUTES

Call to order at 12:58 pm.

1. Roll Call

- 1.1 **Present:** Directors Allan Smith (Chairman), Dee Crowell, David Iha, Janet Kass, 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 were present.
- 1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO and Financial VP), Maile Alfiler (Member Services Mgr.), Corinne Cuaresma (Controller), Brandee Holt (Finance Manager), Beth Tokioka (Communications Mgr.), Brooks Braun (KPS Superintendent), Mike Yamane (COO), and Pua Chin (Executive Administrator); Julie Desimone of Moss Adams; Dawn Huff and Jason Hines of Joule Group; Members of the public (2), and Members of the Press (0).

2. Invocation – Director Teofilo Tacbian opened the meeting with prayer.

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

4. Approval of Minutes

- 4.1 The 3/20/2018 Annual, Regular and Executive Session meeting minutes were approved unanimously. [Motion: TenBruggencate/Murashige]

5. Auditor’s Final 2017 Audit Report (Moss Adams)

- 5.1 Julie Desimone of Moss Adams presented their final 2017 audit report to the Board. An unmodified (clean) opinion was received. There were no financial reporting findings for GAGAS and a clean opinion for the RUS Report. A motion to accept the audit report carried unanimously. [Motion: TenBruggencate/Murashige]

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

6. **President's Report.** CEO David Bissell

- 6.1 The current Cooperative statistics, Kapaia Power Station (KPS) turbine overhaul and community events were reported. (Report attached).
- 6.2 The outages and north shore storm started Saturday. Managers were at the plants on Sunday to help during the storm. Beth Tokioka and Ed Nakaya were at the County Emergency Operations Center (EOC). T&D Supervisors Soni Tupou and Ken Yamamoto were out in the field with their linemen. Member Services sent staff to Port Allen to assist with the phones. 14 transformers were replaced between Sunday and Monday due to lightning strikes. CEO Bissell commended the staff for their diligence and work during the storm as well as the recovery in the days following. The cooperative effort aided to minimize the number, size, and length of outages during the storm.
- 6.3 Brooks Braun, KPS Superintendent, reported on the recent maintenance work performed at KPS.
- 6.4 *(The following item was taken out of order after the Financial Report.)* Dawn Huff and Jason Hines of Joule Group provided a progress update on the Puu Opae Hydro project.
 - 6.4.1 There will be a bidders meeting on Thursday, April 26th. Site visits will also be provided the following day for bidders.
 - 6.4.2 The community meeting hosted by the West Kauai Business Association in Waimea on the project was very well attended.
 - 6.4.3 Approval was received from the Commission on Water and Resource Management (CWRM) to perform the modifications included in the mediation agreement. Studies are ongoing including stream and cultural studies.
 - 6.4.4 The results of separate studies performed by both an independent consultant and the USFW (US Fish & Wildlife) on the Newcomb snail reported there were no snails found in the Wailua north fork.

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

- 7.1 Federal Financing Bank (FFB) tranches were repriced at 2.574% through 2023.
- 7.2 RUS (Rural Utility Service) D8 loan closed and a \$22.2M draw was received today. The interest rate is fixed through 2051.
- 7.3 Received the Consumer Advocate (CA) statement of position recommending approval of the Construction Work Plan docket.
- 7.4 The indenture is also moving forward on the closing process.
- 7.5 The March 2018 financials were reported.

8. **NRECA Hawaii Director Report – Director David Iha**

- 8.1 The national board met in April. A summary of the meeting was provided.

9. **Committee Reports**

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

- 9.1.1 The committee met April 20th and reviewed KIUC's response to the storm and north shore damage. In Executive Session the CEO's 2018 goals were reviewed and accepted.

- 9.2 **Finance & Audit – Committee Chair, Peter Yukimura**
 - 9.2.1 The committee met the same day (April 20th) and several action items were recommended and will be discussed under New Business. Financial updates were also reported during the meeting.
- 9.3 **Government Relations/Legislative – Committee Chair, Phil Tachian**
 - 9.3.1 Members of the committee and staff attended the Legislative Conference in DC and met with Hawaii’s congressional delegates and staffers.
- 9.4 **International - Committee Chair, David Iha**
 - 9.4.1 The committee will meet tomorrow to receive an update from Mr. Rudy Sina who has been actively collecting books from various schools on Kauai to be sent to the Philippines.
- 9.5 **Member Relations – Committee Chair, Calvin Murashige**
 - 9.5.1 Oral and written reports were received from the Member Services and Communications departments. There were no action items.
- 9.6 **Policy – Committee Chair, Dee Crowell**
 - 9.6.1 The committee reviewed and is recommending approval of two (2) board policies - Policy #21, Financial Fraud Detection and Deterrence and Policy #23, Electioneering and one (1) administrative policy on procurement under New Business.
- 9.7 **Strategic Planning – Committee Chair, James Mayfield**
 - 9.7.1 The committee discussed the Vantage Point contract. In addition, there was discussion on the current Strategic Plan and potential to update sometime in the future.
- 10. **Charitable Foundation (CF) Board – President Teofilo Tachian**
 - 10.1 New officers were selected for the CF Board as follows: President, Teofilo Tachian; Vice President, Kathryn Williams; Treasurer, Dee Crowell; and Secretary, Shelley Paik.
 - 10.2 Director Tachian reported the KIUC Board will need to take action to appoint KIUC Director members to the CF Board. No action was taken.
- 11. **Public Testimony.** Marj Dente provided oral testimony.

A recess was taken at 2:16pm and the meeting reconvened at 2:30pm.

- 12. **New Business**
 - 12.1 **Resolution 02-18, 2017 Patronage Capital Retirement (Director Peter Yukimura, F&A Committee Chair)**
 - 12.1.1 The resolution authorizes a PatCap pay-out of \$3.255M to members. The resolution was amended with the approval of members. PatCap retirement

is required by the PUC for amounts exceeding a reported RUS TIER of 2.0. This year's retirement will be the largest in KIUC's history. The committee recommended approval.

12.1.2 The motion to approve the resolution carried unanimously.
[Yukimura/TenBruggencate]

12.1.3 Director Iha noted that by refinancing KIUC's loans and lowering the interest expense there is more to return to members. KIUC has retired \$26M in Patronage Capital credits to members and with this retirement the total will be close to \$30M.

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

12.2 Resolution 03-18, 2018 Load Forecast (Director Peter Yukimura, F&A Committee Chair)

12.2.1 The resolution approves and accepts the 2018 Load Forecast required by RUS. The forecast shows the base energy increasing by 1%.

12.2.2 The motion to adopt the resolution carried unanimously.
[Yukimura/Tacbian]

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

12.3 Albizia Tree Trimming and Removal Budget Amendment (Director Peter Yukimura, F&A Committee Chair)

12.3.1 The \$150k increase request from the Transmission and Distribution department is to perform tree trimming and removal in the remote Hanahanapuni area. It is a short term project and requires two (2) tree climbers. The work needs to be completed before bat pupping season. The committee recommended approval.

12.3.2 The motion carried unanimously. [Yukimura/Tacbian]

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

12.4 Puu Opae Hydro EIS Consultant and Other Studies Budget Request (Director Peter Yukimura, F&A Committee Chair)

12.4.1 The \$350k request is to engage a planning firm to manage the development of an Environmental Impact Survey (EIS) for the project in

addition to a terrestrial/flora/fauna survey and socio-economic assessment.
The committee recommended approval.

12.4.2 The motion to approve carried unanimously. [Yukimura/Tacbian]

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

12.5 **Board Policy No. 21, Financial Fraud Detection and Deterrence (Director Dee Crowell, Policy Committee Chair)**

12.5.1 The amendments to C-6, F-1 and F-5 were reviewed and discussed. The committee recommended approval with the amendments as shown.

12.5.2 A motion to approve carried unanimously. [Crowell/Mayfield]

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

12.6 **Board Policy No. 23, Electioneering (Director Dee Crowell, Policy Committee Chair)**

12.6.1 There were no substantive changes. The committee reviewed and recommended approval.

12.6.2 A motion to approve carried unanimously. [Crowell/Mayfield]

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

12.7 **Administrative Policy #700-10-001, Procurement (Director Dee Crowell, Policy Committee Chair)**

12.7.1 The amendments clarified thresholds and revised responsible party job titles. The committee recommended to the board for oversight.

12.7.2 A motion to approve oversight carried unanimously. [Crowell/Mayfield]

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

13. **Calendar:**

- 13.1 April 25, 2018 – International Committee Meeting (3:00pm, Board CR)
- 13.2 April 26, 2018 – Lihue Business Association Meeting (7:30am, Dukes)
- 13.3 April 28, 2018 – Community Park Clean up (7:00am, Kalawai Park, Kalaheo)

- 13.4 May 1, 2018 – KIUC Director Orientation Facilities Tour (9:00 a.m.)
- 13.5 May 18, 2018 – Board Committee Meetings (9:00am, MCR)
- 13.6 May 24, 2018 – Aepo Substation Community Meeting (Koloa Neighborhood Center, 6:00 p.m.)
- 13.7 May 28, 2018 – HOLIDAY, KIUC Offices Closed
- 13.8 May 29, 2018 – Regular Board Meeting (1:00pm., KIUC Main Conf Rm)
- 13.9 May 31, 2018 – Governors Luncheon

14. **Executive Session.** At 2:43 p.m., after a brief recess, 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.

15. **Decision Making.** The open session of the Meeting was reconvened at 3:01 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:

15.1 The decision to approve the CEO's 2018 Goals.

16. **Adjournment.** There being no further business the meeting was adjourned at 3:05 p.m.

Calvin Murashige
Secretary



President's Report

April 24, 2018

David Bissell, President and CEO



President's Report

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David Bissell, President and CEO
April 24, 2018

Safety (March)

	Month	2018 YTD	2017 YTD
Recordable Incidents	0	0	6
Days Away/Restricted	0	0	203

Availability and Reliability:

	Month	2018 YTD	2017 YTD
Reportable Outages	2	6	9
Average Outage Hours Per Customer	0.22	0.49	0.50

Efficiency (March)

	Month	2018 YTD	2017 YTD
Net Plant Heat Rate	8,942	8,995	9,164
Peak Demand (MW)	71.7		

Residential Rates:

Apr 2018	\$0.341/kwh	Down \$0.001 from Mar
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STATISTICS

3

KPS Repair and Maintenance

Brooks Braun, KPS Superintendent



5

Old hot section in the foreground (found multiple cracks in stage 2 blades) and new hot section in the background being inspected before installing.



6

Repaired gas turbine going back in the package.



7

KIUC in the Community

8

March of Dimes, March for Babies, April 7, 2018



Mahalo!

10

DRAFT

**RESOLUTION 02-18 OF THE
BOARD OF DIRECTORS OF
KAUA‘I ISLAND UTILITY COOPERATIVE (“KIUC”)**

WHEREAS, by Decision and Order No. 19658 dated September 9, 2010, in Docket No. 2009-0050 the Public Utilities Commission of the State of Hawaii (“PUC”) required that on or before April 30 of each year commencing in 2011, KIUC must prepare and submit to the Rural Utilities Service of the United States Department of Agriculture (“RUS”) and the National Rural Utilities Cooperative Finance Corporation (“CFC”) a calculation of its achieved operating margin dollars for the prior reporting period, and based upon this calculation, KIUC must propose and strongly recommend to the RUS and CFC, to the extent required, for payment of patronage capital cash retirements to its members in a minimum total amount equal to the amount by which KIUC has exceeded a reported RUS TIER of 2.0 for that prior reporting period; and

WHEREAS, in Calendar Year 2017 KIUC exceeded a reported RUS TIER of 2.0 by the amount of \$3,255,029; and

WHEREAS, because KIUC’s Equity Ratio is in excess of twenty percent (20%) both before and after refunding the amount of \$3,255,029 in patronage capital to its Members pursuant to the PUC’s Order, no approval from the RUS or CFC to make said retirement is necessary; and

WHEREAS the Board has determined that KIUC will make such patronage capital cash retirement to the members who generated those 2017 net margins; and

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

1. Patronage capital cash retirements to KIUC's members in a total amount of approximately \$3,255,029 which is the amount by which KIUC exceeded a reported RUS TIER of 2.0 for the period January 1, 2017, through December 31, 2017 (the "2017 PatCap Retirement"), is hereby authorized; and
2. All 2017 PatCap Retirements shall be made to the applicable accounts, with the ten (10) members receiving the largest retirements being presented a letter detailing the amount of their retirement and thanking them for their membership.

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 Meeting of the Board of Directors held on April 24, 2018 at Līhu'e, Kaua'i, Hawai'i.

Dated this 24th day of April, 2018 at Līhu'e, Kaua'i, Hawai'i.

Calvin Murashige
Secretary

**RESOLUTION 03-18 OF THE
BOARD OF DIRECTORS OF
KAUA`I ISLAND UTILITY COOPERATIVE ("KIUC")**

(2018 Load Forecast)

WHEREAS, The Load Forecast results for the period of 2018 through 2048 as prepared in accordance with the KIUC Load Forecast Work Plan and reported on April 20, 2018 provide an acceptable projection of the future requirements for energy and capacity of Kaua`i Island Utility Cooperative; and

WHEREAS, the Board of Directors of Kaua`i Island Utility Cooperative has reviewed the 2018 Load Forecast results prepared by the Cooperative's staff; and

WHEREAS, the Load Forecast has been prepared for use in preparation of the KIUC Equity Management Plan, Integrated Resource Plan, Long Range Plan, Construction Work Plan, Long Range Financial Forecast and other studies requiring projections of electric energy and capacity; and

WHEREAS, the Load Forecast is required by the Rural Utilities Service (RUS) as a primary planning activity in support of a borrower's loan application.

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

(1) hereby approves and accepts the Load Forecast results for the period 2018 through 2048, as proposed and reported on April 20, 2018 as the basis for KIUC system planning; and

(2) has reviewed the projected rates of growth of electric energy and capacity requirements which are included in the Load Forecast and is committed to take whatever action will be

necessary to provide for those energy and capacity requirements in a manner that is in keeping with the strategic plan and other management goals of the cooperative.

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 Meeting of the Board of Directors held on April 24, 2018, at Lihue, Kauai, Hawaii.

Dated this 24th day of April, 2018 at Lihue, Kauai, Hawaii.

Calvin Murashige
Secretary

KAUA`I ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 21
(Revised ~~05/31/2016~~04/24/2018)

FINANCIAL FRAUD DETECTION AND DETERRENCE

PURPOSE OF POLICY:

To set forth the policy of Kaua`i 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 (~~outside of limits~~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 Committee or other Director committee member; provided, however, that if the fraud or suspected fraud involves a member of the Finance 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. ~~Or it may be reported~~ 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 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 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 ~~with or without pay~~. 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 Committee and KIUC's general counsel shall be responsible for compliance with this policy.

Adopted on this ~~31st~~-~~24th~~ day of ~~May~~April, 2016~~18~~

~~Teofilo Taebian~~Calvin Murashige
Secretary

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

**KAUA`I ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 23
(Reviewed: ~~07/26/2016~~04/24/2018)**

ELECTIONEERING

PURPOSE OF POLICY:

To set forth the policy of Kaua`i Island Utility Cooperative ("KIUC") regarding Electioneering on KIUC Property or using KIUC Resources or Information.

POLICY CONTENT:

A. **Definitions:**

1. **Electioneering:** Working actively for a particular Candidate or Political Party.
2. **Candidate:** Includes candidates for Federal, State or County elective office; and candidates for the KIUC Board of Directors.
3. **Political Party:** Includes any organized Political Party registered with the State of Hawaii.
4. **KIUC Property:** Includes any real property owned, leased or rented, or otherwise controlled by KIUC except any housing leased or rented to KIUC employees.
5. **KIUC Resources or Information:** Includes any personal property owned by KIUC, or information, including but not limited to, member or employee lists or personal information, however recorded and whether in hard copy or electronic form.

- B. **Policy:** While KIUC respects the right of its members and employees and other individuals to both free speech and the right to participate in the political process as private citizens, it does not support the use of KIUC Property, Resources or Information

to promote the election of a particular candidate or the interests of a particular political party. As a result it is the policy of KIUC that there shall be no Electioneering on any KIUC Property or using any KIUC Resources or Information.

RESPONSIBILITIES:

The Board and the KIUC President and CEO are mutually responsible for compliance with this policy.

Adopted on this ~~26th~~-~~24th~~ day of ~~July~~~~April~~, ~~2016~~~~2018~~

~~Teofilo Taebian~~Calvin Murashige
Secretary

Reviewed: 04/24/2018
Reviewed: 07/26/2016
Reviewed: 07/29/2014
Revised: 09/27/2011
Original Adoption: 10/31/2006