

KAUAI ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 29
(Reviewed 02/26/2019)

EQUITY MANAGEMENT PLANNING

PURPOSE OF POLICY:

To develop and keep current a plan for optimizing the members' equity in KIUC that facilitates providing electricity to its members at the lowest reasonable cost, while maintaining KIUC's financial strength (the "Equity Management Plan" or "EMP").

POLICY CONTENT:

A. Objectives of KIUC's Equity Management Plan

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

1. KIUC's growth prospects and need for utility plant financing and its expected debt service coverage capacity.
2. Its rate competitiveness, including factors such as the need to accumulate equity or reduce consumer's effective costs by returning their capital as patronage dividends.
3. Legal, tax and other regulations, and accounting principles.

B. Matters to be Addressed in the EMP

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

1. A range 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 assets.
7. Maintaining adequate working capital and cash reserves.
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 Utility Commission (HPUC).

C. Equity Management Planning Implementation

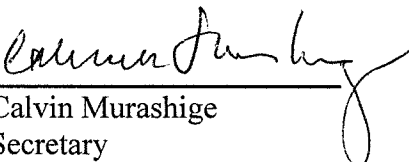
KIUC's equity management planning shall be implemented as follows:

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 at least once every three years in keeping with the 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.

RESPONSIBILITY:

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

Adopted on this 26th day of February, 2019.



Calvin Murashige
Secretary

Reviewed: 02/26/2019

Reviewed: 01/31/2017

Reviewed: 03/27/2015

Original Adoption: 09/25/2012