



Kansas Power Pool
Board of Directors Meeting
Official Minutes from April 15, 2021
Wichita, KS and Virtually

1) Call to Order.

With the determination of a quorum, Gus Collins called the meeting to order at 11:30 AM.

2) March ECA Discussion – James Ging.

See PowerPoint presentation provided by James Ging.

3) Introduction or Acknowledgements.

Members Present: Gus Collins, Scott Glaves, Tim Johnson, Chris Komarek, Brad Modlin, Jason Newberry (Virtually), Rex Reynolds, Lou Thurston, and John Wheeler.

Others Present: Stacy Barnes (Greensburg), Kimberlyn Gilchrist (TWG), James Gripka (BKD,LLP), Roger Holter (Marion), J.T. Klaus (TWG), Chad Moore (BKD,LLP), Gavin Rose (Custom Internet Services, LLC), Alan Schneider (Burlington), Shane Shields (Wellington), Leslie Stephan (Mount Hope), Matt Stiles (Hillsboro), Steve Strom (Custom Internet Services, LLC), Jim Sutton (Augusta), and Chuck Tryon (Waterville).

KPP Staff Present: Mark Chesney, Larry Holloway, James Ging, Vickie Matney, Ivan Seward, Linda Joplin, and Brooke Carroll.

4) Consent Agenda.

a. Minutes of the March 18, 2021 Board of Directors Meeting.

Gus Collins asked for a motion to approve the Minutes of the March 18, 2021 Board of Directors Meetings as presented. Motion was made by Chris Komarek and seconded by Rex Reynolds. Motion passed unanimously.

b. February 2021 Financial Statements – Vickie Matney.

Vickie Matney provided an update on the collections from the February and March storm surcharge. She reported that the February and March collections totaled \$684,252.69 and \$614,662 collectively. The collections from the storm surcharge have been moved to the money market account. She reported the amount collected are within the projected estimates. Vickie also reported that the 2020 Continuing Disclosure Report has been filed with EMMA/SEC and all the disclosures with the Bank of West have been filed too.

Gus Collins asked for a motion to approve the February 2021 Financial Statements as presented. Motion was made by Scott Glaves and seconded by Jason Newberry. Motion passed unanimously.

5) 2020 Audit Report – James Gripka and Chad Moore, BKD, LLP.

a. Board Acceptance of Audit Report.

James Gripka and Chad Moore from BKD, LLP presented the results from the 2020 Financial Audit.

- BKD's audit opinion stated they believe the financial statements present fairly in all material respects, the financial position of KPP as of December 31, 2020 and 2019, and changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.
- Balance Sheet Assets – Total Assets and Deferred Outflows of Resources reported an increase of \$395,411 from prior year. Total Net Position increased by \$3,224,977 from prior year.
- Income Sheet – Operating Revenues decreased by \$4,190,550 from prior year. Total Operating Expenses decreased by \$3,374,706 from prior year. Total Administrative and General Expenses decreased by \$164,523. Total Change in Net Position was an increase of \$3,224,977.
- Notes the Financial Statements:
 - **Note 5:** Line of Credit – KPP has a \$6,000,000 revolving line of credit expiring in May 2021 to finance accounts receivables of municipality utility billings. There were no funds drawn on the line of credit as of December 31, 2020 and 2019.
 - **Note 6:** Debt Service Coverage – The bond indenture requires KPP to maintain minimum cash flow to service debt at a ratio of 1.1:1.0, as defined in the bond indenture. The Debt Service Coverage Ratio was 1.65 and 1.78 in 2020 and 2019 respectively.
 - **Note 10:** Subsequent events have been evaluated through April 12, 2021, which is the date the financial statements were available to be issued.

Severe Winter Storm: In February 2021, virtually all of the 14-state SPP region, including KPP's members' service territory, experienced a winter storm, which resulted in record low temperatures causing a substantial increase in energy usage throughout the region resulting in extraordinary high natural gas prices. KPP has estimated it has incurred approximately \$20,000,000 in extraordinary costs related to the storm. In March 2021, the Board of Directors approved the use of the emergency stabilization fund and moved approximately \$6,000,000 in cash to the operating account to help fund bills. Management also used approximately \$10,500,000 of cash on hand and drew down \$6,000,000 from the revolving line of credit to fund bills. The Board also approved collecting a storm surcharge of .01 cent per kWh over the next 24 months starting in February 2021. The Board will re-evaluate the storm surcharge as part of their recovery plan as necessary. The Board also approved deferring approximately \$18,000,000 of power costs from February 2021 as a regulatory asset under GASB 62, which will be amortized into expense as KPP collects the excess costs from the additional storm surcharge.

- Management Letter – GAAP requires communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial process.
 - Audit Adjustments – No matters are reportable.

Gus Collins asked for a motion to accept the 2020 Audit Report as presented. Motion was made by Lou Thurston and seconded by Chris Komarek. Motion passed unanimously.

6) Cyber Security Awareness Report – Gavin Rose, Customer Internet Services, LLC.

a. Board Acceptance of Cyber Report – See *written report by Gavin Rose*.

Gavin Rose from Custom Internet Services, LLC presented an extensive report on the analysis of Cyber Security issues for the 1st quarter of 2021. He stated that Custom Internet Services Staff has been working towards improvement based on the recommendation made to KPP by Moody's and Fitch regarding increasing the current cyber security protocols. Gavin's written report is archived and shown various charts and graphs, in addition to information on 1st quarter data.

7) New Business.

a. Consideration of Resolution No. 2021-4-15 Declaring Intent to Issue Bonds to Finance Sundry Projects – Mark Chesney.

Mark reminded that the Board that over the past few months, KPP has adopted various resolutions in order to prepare to go out for bonding. Those projects include: AMI, Waterville Substations, Kingman Direct Connect, Marion Distribution Voltage Upgrade, and the Battery Storage Project. The resolution today would authorize Greg Vahrenburg to begin preparing the bond package. Greg has already prepared a timeline on the bond package and it could close in the first part of June. Mark asked that, following comments from J.T., the board would formally authorize moving forward on this resolution and bond project.

J.T. Klaus stated that this is the first step in issuing tax-exempt bonds. This authorizes General Counsel, Bond Counsel, and Underwriters to begin preparing a preliminary official statement circulating to potential purchasers and developing an offering price that could be used for a bond issue which can be sold and written by the underwriters. This also authorizes the process of the preparation of the POS and authorizes Mark Chesney to sign off on the POS which is required by the SEC. This does not issue bonds or sets an interest rate. That information will come at a later time. The approximate amount of this resolution for the projects is \$22,000,000, which is a not to exceed amount.

Gus Collins asked for a motion to approve Resolution No. 2021-4-15 as presented. Motion was made by Brad Motion, seconded by Rex Reynolds. Motion passed unanimously.

b. Review of KPP By-Laws – Mark Chesney.

Mark Chesney suggested to the Board that a review of the KPP By-Laws should be considered after discussion occurred during the Governance training last month. Mark stated that from now and through the end of the year, he plans to present updates to the current governing KPP documents. A mark up version of the document was presented concurrently. The most current changes suggested for consideration are as follows:

- Update approval date.
- Section 1.2. - Consider removing email address.
- Section 1.2. - Consider removing the name as shown and add "The"
- Section 1.3. - Consider changing "Second" to "First" (Amended Agreement Creating...)
- Section 2.1.

- Consider appropriate language change concerning the number of Board members
 - Consider appropriate language insertion concerning the selection of (a general manager)
 - Consider appropriate punctuation needed.
- Section 2.6 – Consider a change concerning the timing and place for electing “Board members”, not “officers”.
- Section 3.2.
 - Change practice or change this language to conform with existing tradition for electing Board officers.
- Section 3.9. – A review of this language would be good concerning the executive officer’s authority regarding the hiring of Staff. Some past Board member have interpreted “approval” to be a function of an approved budget. Other have interpreted this to mean the CEO/GM should seek permission on any personnel addition.

Mark asked for Board discussion on this change. J.T. Klaus stated that this statement is taken directly from Kansas statute and cannot be changed. He stated that clarity can be added that addresses this statement means or does not mean but cannot be taken out. Rex Reynolds asked if the General Manager is bound by the budget, then there should not be a problem. John Wheeler asked if it was common for a General Manager to hire additional personnel without Board approval. Discussion ensued which seemed to conclude in consensus that an executive officer may hire according to, and as anticipated in, an approved budget. Suggested language was requested for review in a subsequent Board meeting.

- Section 5.3. – Five years advance notice to terminate membership is “carry over” language from previous versions of by-laws. Although protections are found in this section, reference to five years implies some significance. A review of this section would be good.
- Section 5.4. – There may be merit to allowing all KPP members and not simply the Board, to approve a new member joining, taking services, and receiving an “equity” position in KPP assets by virtue of its membership.

Brad Modlin stated that letting a member leave the pool should be a two-part decision, to the Board first, and then the member. J.T. stated that is how it is currently written.

Mark stated he would like to take all the issues mentioned and begin working with J.T. on revisions, and then bring back a document for Board consideration at another time. Board members seemed to indicate consensus of this recommendation.

8) Old Business.

- a. None.

9) Operations Report – Larry Holloway, James Ging.

- a. **KCC Activities - *As provided in the written report by Larry Holloway.***
 - i. **21-EKME-088-GIE.**
 - ii. **February 2021 Cold Weather Event Actions – KCC Opened Docket 21-GIMX-303-MIS.**
- b. **FERC Activities- *As provided in the written report by Larry Holloway.***
 - i. **ER20-2239 Winfield ATRR.**

- ii. Investigations into February Cold Weather Event.
- c. SPP Activities – *As provided in the written report by Larry Holloway.*
 - i. Various Meeting Updates.
 - ii. New Wind Records.
- d. SPP IM - *As provided in the written report by Larry Holloway.*
- e. KPP Generation Project - *As provided in the written report by Larry Holloway.*
- f. KPP Storage Project – *As provided in the written report by Larry Holloway.*
- g. Greensburg Wind Farm Eco Outage Scheduling – *As provided in the written report by Larry Holloway.*
- h. Kingman Direct Connection – *As provided in the written report by James Ging.*
- i. Waterville – *As provided in the written report by Larry Holloway.*
- j. Dogwood – *As provided in the written report by Larry Holloway.*
- k. Projects - *As provided in the written report by James Ging.*
 - i. Mount Hope.
 - ii. Ellinwood AMI.
 - iii. Waterville AMI.
 - iv. Erie AMI.
 - v. Attica AMI.
 - vi. Augusta AMI.
 - vii. Winfield AMI.
- l. Marion Distribution System and Solar Project – *As provided in the written report by James Ging.*
- m. Kingman Direct Connect – *As provided in the written report by James Ging.*
- n. Hillsboro Tie – *As provided in the written report by James Ging.*
- o. Mapping – *As provided in the written report by James Ging.*
- 10) Administrative Services Report – Brooke A. Carroll.
 - a. AMI Project Update – *As provided in the written report by Brooke A. Carroll.*
 - b. City Updates – *As provided in the written report by Brooke A. Carroll.*
 - i. City Projects
 - a. Attica
 - b. Augusta
 - c. Glasco
 - d. Hillsboro

- e. Holyrood
- f. Kingman
- g. Mount Hope

- c. Value of Public Power Project – *As provided in the written report by Brooke A. Carroll.*
- d. Level 2 Charger Project and EV – *As provided in the written report by Brooke A. Carroll.*
- e. Cyber Security – *As provided in the written report by Brooke A. Carroll.*
- f. Other/Miscellaneous Projects – *As provided in the written report by Brooke A. Carroll.*

11) Market Report – Ivan Seward.

- a. More SPP Records – *As provided in the written report by Ivan Seward.*
- b. EIA Short Term Energy Outlook – *As provided in the written report by Ivan Seward.*
- c. SPP Market Monitor Quarterly Update – *As provided in the written report by Ivan Seward.*
- d. KPP Operating Costs – *As provided in the written report by Ivan Seward.*
- e. KPP Cost to Serve Load – *As provided in the written report by Ivan Seward.*

12) General Counsel Report – J.T. Klaus.

- a. General Counsel Matters – *As provided in the written report by J.T. Klaus.*
- b. 21-EKME-088-GIE (Evergy Standalone Plan/Merger Agreement Investigation) – *As provided in the written report by J.T. Klaus.*
- c. 19-KCPE-096-CPL (Evergy Integrated Resource Plan Review) – *As provided in the written report by J.T. Klaus.*
- d. 21-SEPE-047-TAR (Sunflower Loss Factor Increase) – *As provided in the written report by J.T. Klaus.*
- e. 21-SEPE-049-TAR (Sunflower Loss Factor Increase) - *As provided in the written report by J.T. Klaus.*

13) General Manager Report – As provided in the written report by Mark Chesney.

- a. Video – Winter Storm – *viewed by the Board prior to its posting on kpp.agency and on Facebook.*
- b. Recovery Plan Update – *As provided in the written report by Mark Chesney.*

Mark informed the Board that there is a Bill in the state house right now that might allow KPP to access state funds that were designated to help cities with the winter storm event at a low interest rate (2% below market rate). He stated that if KPP were to acquire this low-cost loan, it would be paid back from the surcharge revenue. Mark asked the Board if they had any interest in KPP going this route. J.T. said

there would be an application to complete and a resolution to adopt once it passed legislation. John Wheeler wondered if there is a downside to making such application. Mark stated the KPP master finance resolution has lots of guard rails on what exactly KPP can enter financially. Mark stated when any legal questions can be resolved, Staff would like to proceed with an application following the adoption of the appropriate Board-approved resolution.

Mark also stated that after last month's meeting and the question of reducing expenses, he looked to see if there was any way to trim the budget. He stated he found about \$41,000 that was budgeted that can be eliminated this year and postponed to another year. The \$41,000 is comprised of \$6,000 to Light Up Navaho for a donation and \$35,000 for a vehicle.

c. Renewal of Services Agreement with Tenaska – *As provided in the written report by Mark Chesney.*

Mark reminded the Board that in 2013 KPP entered into the current agreement with Tenaska. He also reminded the Board that Tenaska is the KPP market facilitator, which helps with forecast loads, helps determine availability of ancillary services, and assists with other transactions. In 2016, KPP decided to bring some of the Tenaska's duties in-house. That made KPP more responsible for load forecasts, daily bid offers, and optimizing resources. The current arrangement states that if Tenaska does do any of these items for KPP, they will charge KPP \$500 per day. From our records, it appears they have never charged KPP that fee, even when AK left in early February 2020, Tenaska picked up those tasks and has never charged KPP. This current agreement expires in July 2021. Tenaska is in the process of preparing a new agreement/contract and it will be brought before the Board for review very soon. Mark stated that for the purpose of reviewing a document for approval, that he instructed Tenaska to include tasks previously agreed to prior to 2016 and also to assume optimization of the Wartsila resources in addition to the daily tasks. Mark said the Board should anticipate considering a new agreement in the near future.

d. APPA National Conference – *As provided in the written report by Mark Chesney.*

14) Executive Session – Under the Justification of Consultation with an Attorney Under K.S.A. 75-4319(b)(1) and for the purpose of discussing personnel matters of non-elected personnel.

Gus Collins noted that Jason Newberry had left the meeting and then asked for a motion to enter into an executive session under the Justification of Consultation with an Attorney Under K.S.A. 75-4319(b)(1) and for the purpose of discussing personnel matters of non-elected personnel for a period of 10 minutes to include all members of the Board, General Counsel, and the option to include Mark Chesney after a few minutes. Motion made by Rex Reynolds and seconded by Lou Thurston. Motion passed unanimously.

Gus Collins resumed the meeting at 1:20 PM. The Board decided to take action on discussion from the executive session. A motion was made by Lou Thurston indicating that based on a positive Board evaluation for Mark Chesney's job performance, the Board authorizes a 10% pay increase retroactive to January 1, 2021. The motion was seconded by Scott Graves. Motion passed unanimously.

15) Special Announcements, if any.

None.

16) Adjournment.

The meeting was adjourned at 1:22 PM.

These Minutes are attested as to Board Approval:

_____ Date: _____
Gus Collins, President

_____ Date: _____
Lou Thurston, Secretary