



# LIGHTNING ROUND

**August 2017**

## CALENDAR OF EVENTS

### SEPTEMBER 28

KPP Board Meeting  
Wichita, KS

### SEPTEMBER 29 & 30

KPP Fall Planning Retreat  
Wichita, KS

### OCTOBER 19

KPP Board Meeting  
Wichita, KS

### NOVEMBER 2

KPP Rate Forum  
Wichita, KS

### NOVEMBER 16

KPP Board Meeting  
Wichita, KS

### DECEMBER 15

KPP Board Meeting  
McPherson, KS

### DECEMBER 15

KPP Annual Meeting  
McPherson, KS

## Bond Refinancing Approved



After several months of work by Staff, Bond Counsel and KPP's municipal financial advisor, the KPP Board of Directors was finally able to give a green light to an advance refunding of a portion of KPP debt. In their meeting on August 17<sup>th</sup>, the Board approved a placement of the debt to Capital One Bank under terms which are expected to yield a net savings of almost \$450,000. Last month

it was reported that because the bond market interest rate had moved it was not feasible to complete the advance refunding hoped for in June. Since that time, KPP advisors and consultants worked to formulate a direct placement of the bond debt following yet more movement in the market.

See **BOND REFINANCING** on page 3

## Fall Planning Retreat Ready to Launch

### Registrations Needed by September 7



Only about 5 weeks remain on the calendar before the start of KPP's 4<sup>th</sup> annual Fall Planning Retreat. Hotel and meal arrangements are now being finalized pending your participation. The Retreat is again held this year in Wichita on September 29<sup>th</sup> and 30<sup>th</sup>. Last year, most Retreat attendees chose to check in to the hotel on Thursday evening prior to our Friday start.

See **FALL RETREAT** on page 3



## General Manager Message

### The Public Utility Regulatory Policies Act

By Mark Chesney, KPP CEO/GM

Late last month I wrote a lengthy letter to all our Members on the subject of PURPA. The punch line of the letter was to request that governing bodies adopt an Ordinance responsive to this federal legislation. We provided a solid sample. Already, as of this writing, 9 of our 24 Members have done so. Many thanks.

As though the point has not already been made, let me give a factual illustration reinforcing the need to adopt the Ordinance.

In May 2016, Montana’s largest investor-owned utility, NorthWestern Energy, filed an application with the state’s public service commission to begin the process of revising QF avoided cost rates. \* At the heart of the matter was whether the developer of a facility would be paid all it desired to be paid for its PURPA-driven facility which had already insisted on compensation from NorthWestern Energy.

In your case, the arbiter of such a dispute would be the Federal Energy Regulatory Commission (that’s FERC as in Washington, DC!) Can you imagine hiring Counsel to represent your City in Washington on an avoided cost dispute or any other contract dispute with a facility developer? This is what the Ordinance seeks to avoid. We know that the probability for success is quite high for getting a waiver. An exemption is already specifically anticipated in the law. Further, many of our good municipal friends in Oklahoma have already secured the waivers. We think our chances are quite good given that the FERC Counsel representing Cities in Oklahoma is also our very own FERC Counsel representing KPP.

It is true the law – the PURPA Act – is quite old. It is also true that most of the project economics that prevailed in 1978 are also old, out of date and obsolete. Regardless, the advance of renewable technologies has breathed new life into the notion. As for the IOU in Montana, the matter has gone from the state Commission, to FERC and back to the Commission again. Now it’s August 2017 and the matter is hardly over.

A waiver would move the purchase obligation away from the City and on to KPP. I have said in various governing body meetings that KPP is not saying it does not want the project. We are simply saying that we don’t want our Members paying more for the energy than what they are legally required to do under the law. Incidentally, KPP’s avoided cost is less than yours.

Finally, I noted in my letter from last month that when all the relevant costs are added up, it makes no sense for a City or a developer to even entertain the prospect. Still, there is an easier way.

Just adopt the Ordinance. ■

\* This abstraction is taken from Green Tech Media, February 23, 2017. You may recall from my letter that the PURPA act defines a Qualifying Facility (QF). Where energy is produced from a QF, the utility is required to purchase that energy at the utility’s “avoided cost”.



## FALL RETREAT (continued from page 1)

A “refunding” uses the proceeds from the new bond issue to defease, or retire, the portion of the original bonds that is refunded at the time existing bonds are callable (payable) in the future. The new issuance will not technically create additional debt. The money will simply be placed into escrow, earning interest, to pay off the equivalent amount when bonds are callable. Although the original debt carries through to 2032, these bonds are callable in 2020.

Earlier in July, KPP’s bond underwriter of record, Piper Jaffray, suggested exploring a “private placement” of the potential bonds. Unlike a public offering, a private placement would anticipate that only 1 purchaser of the bonds would emerge – typically a bank. Offers were received thereafter. By the time of the July Board meeting, it was seen that the most favorable offer carried proposed terms inconsistent with KPP’s Master Bond Resolution. In early August a proposal was received from Capital One. Specific terms needed careful attention by KPP’s Counsel JT Klaus and Andrew Kovar of Triplett Woolf & Garretson. In the end, a savings was promised of more than 5% of the bonds to be refunded. ■

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## BOND REFINANCING (continued from page 1)

Representatives of the Kansas City Board of Public Utilities and the Oklahoma Municipal Power Authority are among those who will lead critical discussions on issues facing our industry. We will also hear from experts from the American Public Power Association and GridLiance. KPP Staff and Counsel will round out the presentations with important discussion topics.

Your attendance will help you be better informed on hot topics that will be discussed again and again in your City in the coming years. In the past, KPP has encouraged numerous individuals from each city to attend in order to take advantage of concurrent discussions during the Retreat.

As reported last month, speakers this year will be examining:

- Examining the true value of solar
- Net metering and parallel generation requirements
- Revisiting customer (meter) charges – are yours appropriate
- National advocacy of municipals
- Legislative updates
- Transmission construction updates
- KPP Budget overview
- Much more

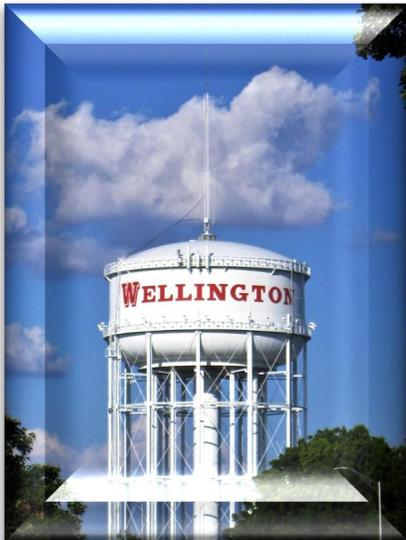
Soon you will see a color brochure that we hope is seen by each member of your governing body and staff. Then, please go to [www.kpp.agency](http://www.kpp.agency) and register. There is no charge.

Please, please help us complete logistical details (meals and hotel rooms) by giving us your RSVP as soon as possible. In early September, KPP will begin to forfeit the block of hotel rooms currently reserved. However, there is plenty of time currently to let us know to expect you!

And bring your spouse! There are plenty of activities for him or her. ■

## Things You Might Like to Know:

- ⇒ Training for the new pole testing drill is scheduled for September 19 at the KMU Training Facility in McPherson. More attendees are needed to make the training worthwhile.
- ⇒ Lyle Redgate is the new city superintendent for the City of Attica. Lyle started in his new position on August 1.



### KANSAS POWER POOL STAFF

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*CEO/General Manager*

#### **LARRY HOLLOWAY**

*Assistant General Manager  
for Operations*

#### **VICKIE MATNEY**

*Controller*

#### **AHMAD KHAN**

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