

LIGHTNING ROUND

August 2021

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Enhanced Line of Credit Secured

Additional liquidity sought following February storm

An expanded bank line of credit was approved by the KPP Board of Directors when they assembled for their August meeting earlier this month. With that enhancement, the KPP line of credit is now set at \$12 million – an increase of \$6 million from its previous credit agreement.

Since 2014, KPP has maintained a line of credit with the Bank of West. Discontinuing its relationship with the former Corner Bank, in Winfield, a new line of credit was one of several strategic financial steps taken in preparation for the upgraded bond rating received in 2015.



Until this year, no line of credit had been accessed at all since 2011. Although February costs from the Winter Storm Uri were paid entirely from KPP's



cash accounts and reserves, accessing the line of credit was needed to temporarily replenish the operating fund for transacting business in March. Since that time, funds borrowed through the line of credit have been entirely repaid.

The unforgettable cost effect of the February storm prompted Staff to commence discussions requesting an increase in the principal amount. A desire for additional liquidity for contingency purposes was the

motivation. Following the bank's careful financial review of KPP, that increase was first approved by the bank in late July before being considered by the Board last week.

NEXT BOARD MEETING

THURSDAY,
SEPTEMBER 16, 2021, 3:00pm
In Person and Virtually through
Microsoft Teams

Further Engineering Analysis to be Sought

Lingering concerns about February storm prompt further review

A painful lesson was learned last February making obvious that “fuel-on-the-ground” offered the best hope of keeping generating units at full load. That was the underlying thought before the August Board when it was recommended that additional engineering analysis be sought.



File photo of Wartsila RICE engines

Assistant General Manager, Larry Holloway, made reference to the Walnut Energy Center, and KPP’s intention to install quick-start RICE engines at that site. It had long been a foregone conclusion to install gas-only models. The February storm has given KPP a motive to re-think and consider the possibility of dual fuel (natural gas and diesel).

Staff had initial discussions with Wartsila. Those discussions produced a broad overall description of three of the manufacturer’s models based on both straight gas and dual fuel. He explained that subsequent discussions with the Southwest Power Pool (SPP) were necessary to avoid unintentionally complicating and delaying the generation interconnection study process. KPP entered the study queue in April, 2020. Larry reported that SPP confirms that as long as an increase in generating capacity is not planned, and provided that any such planned installation changes are submitted to SPP before the end of 2021, KPP should be allowed to make the desired fuel source changes.

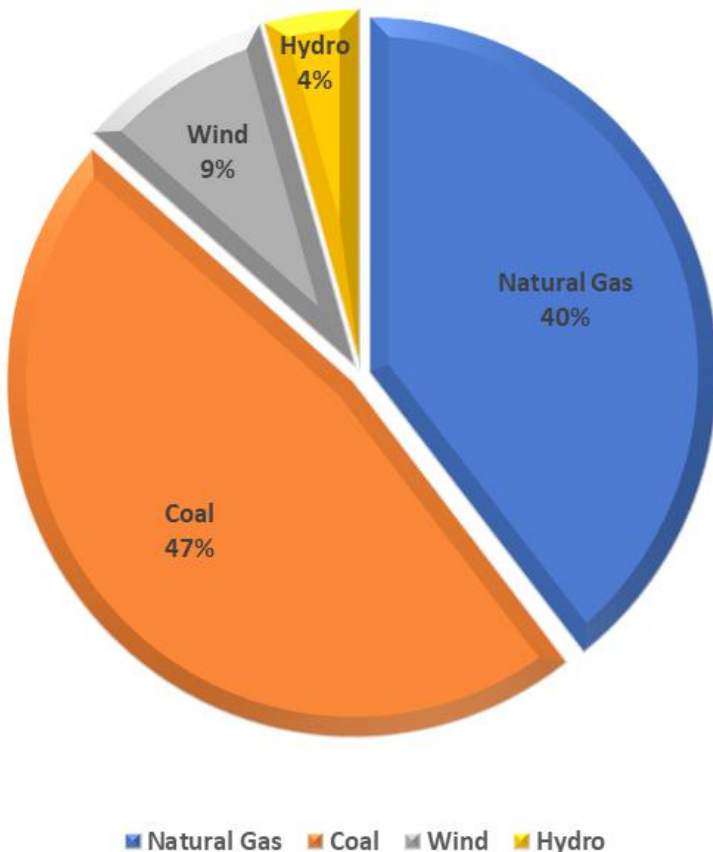


Assistance from Burns & McDonnell, the KPP owner’s engineer, is to be sought for indicative unit pricing and related details. With a task order approved to supplement the existing engineering contract, reporting back to the Board is anticipated well before the end of the year when needed for allowing KPP to comfortably proceed.

July 2021

Distribution of Energy Resources

Fuel Source of KPP Resources in July, 2021



Another Advance Refunding in Works

Returning the bond market again, KPP looks to save in excess of \$400,000

Only two months removed from its previous bond issue, KPP now looks to return the market – this time to refund outstanding debt and produce a savings.

KPP has a respectable history of taking advantage of prior periods of low interest rates by completing refundings. When a refunding is undertaken, KPP can refinance certain maturities of bonds within all of its outstanding debts. Doing so with the help of KPP's bond underwriter, Raymond James, the Agency identifies certain maturities for which a savings can be produced. Advance refunding issuances were previously completed in 2017 and 2020. In 2020, that savings was approximately \$412,000. Portions of bonds from 2012 and 2013 were refunded in that year at a lowered interest rate of 2.6% from about 4.6%. The refunding from 2017 produced a savings of almost \$450,000.



More recently, the market has continued in a period of low interest rates. Just in the past three months, interest rates have had some fluctuation but have dropped from about 1.7% to about 1.24% for taxable rates. These numbers were reported to the KPP Board just prior to the adoption of an inducement resolution. The tax-exempt rate hit an all-time low in August of last year. As of last week, the effective rate was only about .23% higher. These market conditions make for an ideal environment within which to consider refunding.



The current refunding underway again considers portions of bonds from both 2012 and 2013. Projected savings are at slightly more than \$400,000 by dropping interest rates from 4.3% to 1.4%. This equates to a present value savings of approximately 4.8%. In 2017 KPP established a standard requiring that savings should be at least 3% of the present value of the debt.

The inducement resolution authorizes the bond underwriter and bond counsel to proceed. If savings from the market can be achieved as required by the resolution, it is expected that a formal issuance, with final numbers, will be closed.

Highlights of the Aug. 19th Board of Directors Meeting

- **Operations Report:** Larry Holloway referenced the resolution prepared sometime ago by Counsel regarding the “**solar generation rider**”. It has since been thought by Counsel to be non-compliant with a recent court order. Any KPP Member needing an additional resolution to adopt for doing away with the previous resolution could contact Larry for assistance. Regarding the **Solomon River Storage Center**, various contractors, subcontractors and superintendents are on site. The project is hoped to be in service this Fall. James Ging reminded that **generator testing** results are needed from Cities. Members having questions should get with James. He reported as well that contractors will soon be on site in **Marion** to get started on their **distribution upgrade** project.



Vickie Matney, Controller, presents the Financial report in August

- **Administrative Services:** Brooke Carroll spoke of the upcoming **GridEx**, a nationwide emergency grid response exercise occurring in November. KPP is disseminating information to KPP Members and encouraging their full participation. The site for KPP Member participation is the KMU training center in McPherson. An introductory video is found [here](#). Brooke also noted that her presentation at the Fall Planning Summit will feature electric vehicle and charging infrastructure grant funding opportunities.



Board members and others listen to the presentation of the Financials