



# KPP LIGHTNING ROUND

## AUGUST 2022

## KPP 2022 Conference Coming Soon

The KPP 2022 Conference is now only three weeks away and your KPP staff is excited to welcome you to Wichita for a highly informative, educational, and fun event for the KPP membership. The conference – formerly known as the “Fall Planning Summit” - will take place September 15 & 16 at the Drury Plaza Hotel Broadview in Wichita. The event provides an excellent opportunity for KPP members to learn about industry trends, participate in discussions on current challenges and innovations in public power, hear from industry leaders, and receive updates on KPP programs and activities.

The KPP 2022 Conference features a great slate of electric industry leaders providing useful information on a wide variety of utility topics. The keynote session kicks off on Thursday afternoon with Lanny Nickell, Executive Vice President and Chief Operating Officer for Southwest Power Pool and continues with Desmarie Waterhouse, Vice President of Government Relations for the American Public Power Association (APPA).

We hope to see you at the KPP 2022 Conference. If you have questions about the conference or would like to register, please contact Brooke Carroll at [bcarroll@kpp.agency](mailto:bcarroll@kpp.agency).

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# KPP 2022 CONFERENCE



**Drury Plaza  
Hotel Broadview**  
Wichita, Kansas



Registration Deadline  
**TUESDAY, AUGUST 16**

**REGISTER NOW**

SAVE THE DATE  
**SEPTEMBER  
15 & 16**



## August Board Meeting Update

COLIN HANSEN, CEO / GENERAL MANAGER

The KPP Board of Directors held their regular monthly meeting on August 18, 2022 at the KPP offices in Wichita. The meeting included updates from KPP staff and General Counsel on various ongoing projects and activities. A summary of meeting highlights is provided here.

### July 2022 ECA Analysis

KPP Director of Engineering James Ging provided the July 2022 ECA Analysis and discussed the driving factors behind the \$0.00435 energy cost adjustment charged for July billing. Costs for natural gas and, in turn, electricity within the Southwest Power Pool (SPP) integrated market remained high this past month. Each year, KPP estimates monthly natural gas costs by utilizing NYMEX gas futures. Gas costs last month were estimated to be \$3.82 / MMBtu while the actual cost of gas for the month nearly doubled to \$7.28 / MMBtu. Similarly, load LMPs in the SPP market were estimated to be \$35.35 per megawatt-hour (MWh), but the actual settlement cost for KPP loads was \$73.56/MWh. Due to these factors, total KPP energy costs for the month were \$1.38 million above budget. Thankfully, KPP's investments in Dogwood Energy Center and other agency resources helped defray a significant portion of the high cost of energy for KPP members.

### Financial Statements

KPP Controller Vickie Matney presented the financial statements for the period ending June 30, 2022. Her report included a discussion of the income statement and balance sheet as well as an in-depth review of where KPP stands in relation to repayment of the extraordinary Winter Storm Uri expenses. The financial position of the agency remains strong amidst the challenging energy cost environment.

### Board Resolutions

The board approved two resolutions at the August meeting. The first – Resolution 2022-08-18a – seeks a formal name change for the agency from “The Kansas Power Pool, a Municipal Energy Agency” to “KPP Energy, a Municipal Energy Agency.” KPP CEO & General Manager noted that the rationale behind the name and branding change was in part due to confusion with both the general public and others in the utility industry regarding the word “pool.” The Board previously voted to seek the name change as part of an overall brand refresh at the July Board meeting. Hansen also noted that the cost of brand refresh has been minimal and will remain well within the overall 2022 budget of the agency approved by the membership.

KPP General Counsel J.T. Klaus discussed the steps that need to be taken to make the name change official, culminating in the execution of a “Second Amendment to the Agreement Creating the Kansas Power Pool.” In the coming months, KPP member communities will receive correspondence from Triplett, Woolf, Garretson, LLC and KPP staff on a short resolution to be approved by each member city.

The Board also approved Resolution 2022-08-18b authorizing a new corporate credit card. Hansen explained to the Board that the reason for seeking a new credit card for the agency was to receive better terms and conditions, particularly considering potential cashback options that would save KPP and its members money.

### Operations Report

KPP Assistant General Manager of Operations Larry Holloway provided the Operations Report and focused on the status of several ongoing activities and dockets at the Federal Energy Regulatory Commission (FERC) and

*(continued on page 3)*



## August Board Meeting Update (continued)

the Kansas Corporation Commission (KCC). The Solomon Energy Storage Center (SESC) continues to operate well for both KPP and the City of Minneapolis and staff continues to work on maximizing its value in the SPP market. In addition, Holloway noted that KPP staff is currently investigating the possibility of an energy hedge for 2023.

James Ging, Director of Engineering Services, then provided the Engineering Report. He discussed the progress of the distribution system project in Marion, the direct connect transmission project in Kingman, and several other engineering projects currently ongoing at KPP. Supply chain issues continue to be a problem for many of these projects.

### Member Services Report

KPP Director of Administrative Services Brooke Carroll reported on the numerous member services being provided to members and led a Board discussion on information that KPP staff might provide to members

to communicate about high fuel prices and electric utility rates. She shared information that other joint action agencies have provided to their respective members about the high costs and discussed a draft of information that might ultimately be used by KPP members.

### CEO Report

KPP CEO / General Manager Colin Hansen provided a PowerPoint presentation to the Board on the “Inflation Reduction Act of 2022” that was recently passed via the reconciliation process in the U.S. Congress and subsequently signed by President Biden. Within the legislation is language allowing for public power utilities to take advantage of tax incentives for renewable energy through ownership of the renewable resources. Such a mechanism has been sought by public power for many years. More information about the legislation and its potential impact on KPP is included in a separate story in this edition of the Lightning Round.

## Fitch Ratings Affirms A- Rating

Following a review call with Fitch on August 2<sup>nd</sup>, KPP learned last week that KPP’s current rating of A- is again affirmed with the notation of a ‘stable’ outlook.

In a commentary published August 25<sup>th</sup>, Fitch Ratings reported that the agency’s strong financial profile and low leverage, which have historically been bolstered by strong operating cash flow and debt amortization were significant contributors to the ratings agency decision to again affirm KPP’s investment quality rating. The rating also reflects the approximately \$20 million in costs KPP incurred following the February 2021 winter weather event, as well as the remediation steps approved by KPP’s board to ensure the full recovery of storm costs. In addition, the rating took into consideration the potential

impact of KPP’s planned construction of a 55 MW natural gas-fired facility to replace capacity from expiring purchased power contracts.

Prior to the press release, senior KPP staff held a meeting with Fitch’s analysts via Microsoft Teams. Much of the discussion centered around current projects and the future generation project, along with financial forecasts and the need for KPP to continue responsible leverage and debt service coverage management. In response to the news, KPP CEO & General Manager Colin Hansen noted, “Every positive rating and stable outlook has the effect of lowering future borrowing costs. This rating news is very important to KPP, particularly in preparation for the Walnut Energy Center.”



## \$12M Line of Credit Extended

On July 21<sup>st</sup>, KPP extended the \$12 million line of credit with Bank of the West through July 31, 2023. Since 2014, KPP has maintained a line of credit with the Bank of the West. A new line of credit with a bank rated by credit rating agency Moody's was one of several strategic financial steps taken in 2015 and resulted in the upgraded bond rating that KPP received that year.

Until 2021, no line of credit had been accessed at all since 2011. Although Winter Storm Uri costs 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 2021. The cost effect of the February 2021 storm prompted staff to commence discussions requesting an increase from \$6 million to \$12 million in the principal amount of the line of credit. Following the bank's careful financial review of KPP, that increase was first approved by the bank in July 2021 and subsequently extended again in July 2022.



**BANK OF THE WEST**  
**BNP PARIBAS**

## Kansas Infrastructure Opportunities Webinar

Please join KPP, KMU, and KMEA as we discuss how to maximize federal funds to empower your utility and your community.

On August 15<sup>th</sup>, KPP Members should have received an email from "KMU-KMEA-KPP Collaborative" with an invitation to attend the first webinar in an on-going effort to assist members with information on the Infrastructure Investment Jobs Act (IIJA) and the Bipartisan Infrastructure Law (BIL).

As federal agencies begin to roll out plans for the \$1.2 trillion in funding for infrastructure needs, now is the time to make sure that you are prepared to compete for and capture your share of funding for your community. During the webinar, we will review new funding opportunities, requirements, projected timelines, and review ongoing federal funding streams. Amanda Wood, Senior Federal Advocacy Director for Becker & Poliakoff,

will bring her deep understanding of existing and emerging programs to give you guidance and answer your questions.

The webinar will be held on Wednesday, August 24<sup>th</sup> at 11 a.m. The link to attend is below.

<https://call.lifesize.com/14198548?appCheck=true>

If you are not signed up to receive this information and would like to be, please contact Brooke Carroll at [bcarroll@kpp.agency](mailto:bcarroll@kpp.agency).



## “Inflation Reduction Act of 2022” Signed into Law

On August 16<sup>th</sup>, President Biden signed the “Inflation Reduction Act of 2022” (IRA) after it passed both the U.S. Senate and U.S. House of Representatives earlier in the month. The measure was a compromise between Congressional Democratic leadership and Democratic Senator Joe Manchin. The votes in both the House and Senate were strictly party line with all Democrats and no Republicans voting for the measure. Passage was accomplished only through use of the budget reconciliation process. In fact, the original name of the bill – the Inflation Reduction Act of 2022 – was actually struck in the final record.

While there is plenty to both like and dislike in the legislation, the bill does appear to provide new opportunities for KPP and the KPP membership, particularly in regards to potential ownership of renewable energy resources.

The climate and energy tax provisions of the bill are largely modeled on the energy and climate provisions of the “Build Back Better Act” that passed the House in November 2021 but was ultimately stalled in the Senate by Senator Manchin over its extraordinary cost of well over \$2 trillion.

The legislation extends and expands investment and production tax credits (ITCs and PTCs) that were to expire or have already expired. However, the bill also imposes new wage and apprenticeship requirements for facilities to receive the full value of these credits. In addition, “bonus” credits would accrue for facilities that are:

- located in “energy communities”
- meeting domestic content requirements

- located in certain low-income communities or on Indian land

With passage of the bill, solar facilities are now eligible for the PTC. Energy storage, qualified biogas, and microgrid controllers are eligible for the ITC. Existing tax credits for carbon capture and sequestration are expanded and extended and a new ITC and PTC for clean hydrogen is created. A production tax credit for existing nuclear plants is also created. Finally, renewable and clean energy tax credits are replaced with an emissions-based incentive that would be neutral and flexible between clean electricity technologies after 2024.

Most importantly, these credits will now be available to tax-exempt entities, including public power and rural electric cooperative utilities, as a refundable direct payment tax credit. This has been a major legislative initiative for APPA and public power nationally over the past decade and is, according to APPA, “expected to allow a fundamental shift in public power ownership of clean energy and energy storage property.”

However, the value of these credits will be reduced by 15 percent for projects financed with tax-exempt bonds. Likewise, the credit would also be reduced for projects not meeting certain domestic content requirements, although the Treasury Department would have broad authority to waive this rule where domestic content is not available or only available at a cost-prohibitive rate.

The bill also provides funding for a variety of energy-related programs, including:

- \$1 billion in additional funding to the Department of Agriculture Rural Electrification and Telephone Fund

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## “Inflation Reduction Act of 2022” Signed into Law (ctd.)

for electric storage project loans. Up to 50 percent of such loans can be forgiven for projects meeting terms and conditions set by the Department of Agriculture;

- \$1 billion for loans and grants to promote underutilized renewable technologies in rural areas;
- \$10 billion to support rural electric cooperatives purchasing renewables (public power utilities excluded);
- \$500 million for Defense Production Act activities;
- \$3.6 billion to authorize an additional \$40 billion under the Department of Energy (DOE) loan office to support projects that support technology innovations to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases;

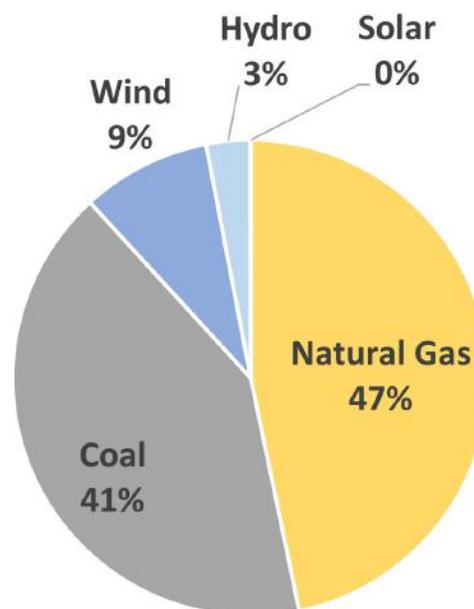
- \$5 billion to the DOE to support retooling and repowering generation and transmission facilities;
- \$2 billion to DOE to make loans to transmission that is in the national interest;
- \$1 billion to DOE to make grants to states to help site transmission lines;
- \$100 million to DOE to conduct analysis and planning for transmission; and
- \$125 million, \$100 million, and \$150 million to DOE, the Federal Energy Regulatory Commission, and Department of Interior, respectively, to hire personnel to permit projects.

Part of the compromise between Senator Manchin and Congressional Democratic leadership that led to passage of the IRA is a “sidecar” bill that would seek permitting reform by the end of the year. However, it remains unclear as to whether such a permitting bill could secure passage.

### KPP Resources by Fuel Source

JULY 2022

Natural Gas - 47%  
 Coal - 41%  
 Wind - 9%  
 Hydropower - 3%



## Registration Open for 2022 Kansas Renewable Energy Conference

On July 22<sup>nd</sup>, Kansas Governor Laura Kelly announced that registration for the 2022 Kansas Renewable Energy Conference had been open. The conference is an annual event held by the Kansas Department of Commerce to showcase the latest industry trends and developments.

“I encourage all interested Kansans to attend the Kansas Renewable Energy Conference and learn about the positive impact renewable energy is having in the state,” said Governor Kelly. “Attendees will have the opportunity to connect with industry experts about what we are doing to grow all aspects of the energy sector.”

The conference will be held October 3-4 in Manhattan and will be in-person for the first time since 2019.

The day-and-a-half conference will feature three general sessions and several breakout sessions focused on solar energy and storage, hydrogen, wind energy and

transmission, transportation innovation, and an overview of how the public and private sectors are working together to advance the renewable energy industry in Kansas. Attendees will include industry experts, wind and solar developers, manufacturers, utilities, community leaders, and related business representatives.

“Renewable energy powers thousands of good jobs and generates billions of dollars in capital investment across Kansas,” said Lieutenant Governor and Commerce Secretary David Toiland. “We look forward to hosting these educational sessions and networking opportunities that will highlight the impact of this rapidly growing industry and invite new collaboration and investment that will fuel our state for decades to come.”

A complete itinerary and online registration is available at [www.kansascommerce.gov/renewable-energy-conference](http://www.kansascommerce.gov/renewable-energy-conference). Early-bird registration is available for \$100 per person through August 26.

## Colorado Springs Utilities Joins SPP

After more than a year of preparation, Colorado Springs Utilities became an active participant in Southwest Power Pool’s (SPP) Western Energy Imbalance Service (WEIS) market at midnight on August 1, 2022. According to the press release from SPP, the “WEIS market enhances the reliability and affordability of wholesale electricity by serving the real-time demand for electricity with the lowest-cost generating resources available in the market at any given time.”

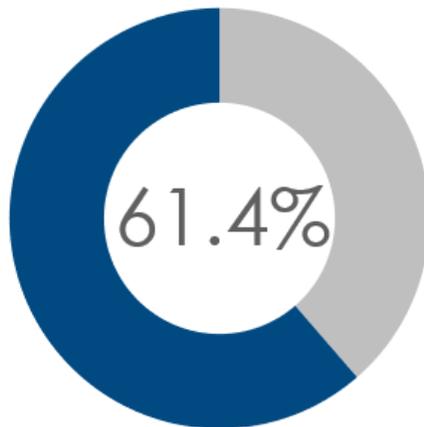
“Participation in the Western Energy Imbalance Service Market is a significant step in our pursuit of clean energy goals and sends a strong signal that we’re doing everything possible to secure a reliable electric grid and

reduce energy-related costs for our customers,” said Colorado Springs Utilities CEO Aram Benyamin. “Considering the volatile nature of today’s energy market, having access to increased market intelligence and the ability to quickly integrate different utilities’ generating resources into our system provides unparalleled value to our community. I want to thank our employees for their hard work and commitment to our customers – traits that make moments like this possible.”

Colorado Springs Utilities joins eight other western utilities already participating in the market, with three others scheduled to join in April 2023: Xcel Energy-Colorado, Platte River Power Authority and Black Hills Colorado Electric.



## KPP Winter Storm Uri Costs



**TOTAL WINTER STORM URI EXPENSES: \$21,063,883**

**SURCHARGE RECOVERED: \$12,926,795**

### Event Calender

DATES TO REMEMBER - 2022

**SEPTEMBER 15, 2022**

KPP Board Meeting

**SEPTEMBER 15 & 16, 2022**

KPP 2022 Conference  
*Wichita, Kansas*

**SEPTEMBER 29, 2022**

KPP Cyber Seminar  
*Virtual*

**OCTOBER 20, 2022**

KPP Board Meeting

**NOVEMBER 4, 2022**

KPP Rate Forum  
*McPherson, Kansas*

**NOVEMBER 17, 2022**

KPP Board Meeting

**DECEMBER 9, 2022**

KPP Board Meeting

**DECEMBER 9, 2022**

Annual Membership Meeting  
*McPherson, Kansas*

**DECEMBER 29, 2022**

KPP Cyber Seminar  
*Virtual*

