

KPP LIGHTNING ROUND

August 2024

2024 KPP Conference - October 3 & 4, 2024

Registration is now available for the 2024 KPP Conference, to be held October 3-4 at the Wichita Hyatt Regency. The conference offers KPP members an excellent opportunity to learn about industry trends, engage in discussion about local challenges and opportunities, discuss new ideas in public power, listen to utility experts, and get the latest information on KPP Energy programs and services.

The conference will feature two keynote speakers. Erick Rheam is a respected speaker and published author who communicates and educates on topics related to discovering significance and the art of mastering human dynamics to achieve success. He has spent the past decade training and educating athletes, entertainers, business leaders, public officials and association executives on how to build value-added customer service programs, create culture, and gain organizational buy-in.

The conference also features Marci Penner, the Executive Director of the Kansas Sampler Foundation, and a presentation titled “Insights From the Road: The Future

(continued on page 2)

IN THIS ISSUE

- 2024 KPP Conference
- SPP Increases Reserve Margin Requirements
- KPP Financial Update
- Financial Crimes Highlighted in KPP Cybersecurity Summit Series
- August Board Meeting Review
- 2024 Calendar of Events
- KPP Resources by Fuel Source



2024 KPP Conference

CONTINUED FROM PAGE 1

of Rural Communities.” Marci and her dad, Mil Penner, founded the Kansas Sampler Foundation to preserve and sustain rural culture. She has gone to every one of the 625 incorporated cities in Kansas twice for research purposes—and is on a third statewide journey with co-director Sarah Green to reframe the future of rural Kansas communities.

Attendees to the conference will receive two books – “Rise Above Chaos” by Erick Rheam and “The Kansas Guidebook 2” by the Kansas Sampler Foundation.

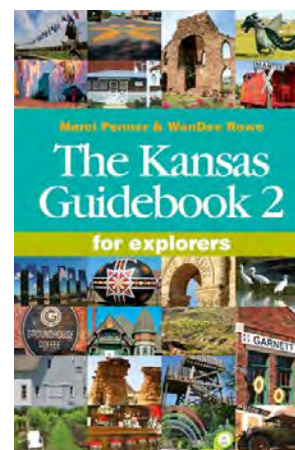
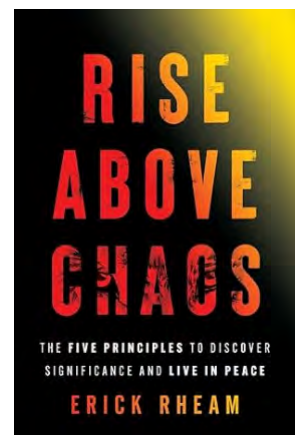
In addition to these interesting and educational presentations, the conference will also include a technical session on solar energy and important updates from KPP Energy staff on such issues as resource adequacy, KPP member generation, financial best practices, and more.

Always popular at the conference are “KPP Member Spotlights” in which three member communities give an update about great things happening in their community. This year’s Member Spotlights will be provided by the cities of Hillsboro, Lucas and Mulvane.

A fun and entertaining evening will be held on the first evening of the conference on Thursday, October 3rd.

Conference attendees will have dinner at Exploration Place along the Arkansas River. With its stunning architecture and beautiful outdoor spaces, it should provide a great backdrop for a fun evening of good food and networking with fellow KPP members.

To view the agenda or to register, [click here](#). If you have questions about the conference or registration, please contact Leslie Atherton at 316.264.3166 or latherton@kpp.agency.



SPP Increases Reserve Margin Requirements

LARRY HOLLOWAY / ASSISTANT GENERAL MANAGER - OPERATIONS



The Southwest Power Pool (SPP) Board of Directors (BOD) recently passed two policy initiatives that will have a profound effect on all SPP members, including KPP Energy.

On August 5th, the SPP Regional State Committee (RSC), passed an increase in Planning Reserve Margin (PRM) for both the summer and winter seasons in addition to a new fuel assurance policy. On the following day, August 6th, the SPP BOD passed the same initiatives. The next step in the process is that SPP will file both as tariff revisions for approval by the Federal Energy Regulatory Commission (FERC).

Under the PRM tariff revision, SPP's summer season planning PRM will increase from 15% to 16% for the summer 2026 season and the winter season PRM will increase from the current summer value of 15% to 36% for the 2026-2027 winter season. For example, if KPP had a summer peak load of 200 MW and a winter peak load of 150 MW, under the new requirements KPP would need a minimum of 232 MW of summer accredited generation capacity (16% excess of 200 MW) and 204 MW of winter accredited generation capacity (36% excess of 150 MW).

The Fuel Assurance initiative will further affect KPP's ability to cover its load allocation with the needed accredited generation capacity. This initiative was adopted by SPP in response to concerns regarding the failure of the natural gas market to provide adequate fuel during winter events the last few years, in particular Winter Storm Uri. Unfortunately, the

policy passed would seem to merely increase the amount of conventional generation installed and does nothing to promote standby fuel supplies that are unaffected by natural gas shortages. To better understand how this proposed policy will affect KPP, it is helpful to recall the current conventional generation performance policy initiatives in place.

As we have discussed before, the current SPP policy is to begin derating conventional generation capacity based on performance. In 2023, KPP was required to begin reporting to SPP historic performance data for KPP member units used for generation capacity, starting with the summer of 2022. Beginning in the summer of 2026, this data will be used, along with class historic averages, to adjust the amount of generation capacity KPP can claim for these units. The adjustment will be based on the Effective Forced Outage Demand Rate (EFORd), a calculated derate presentation using the amount and length of forced outages among other operating data.

How will this work? Currently, under SPP policy, KPP can take credit for the generating units capability test without adjustment. For example, if a unit performs a capability test and shows that it can generate 5 Megawatts (MW) in one hour during a hot summer day, its rating is 5 MW. In the future if that same unit has a summer EFORd of 10%, then its accredited generation capacity will decrease to 4.5 MW (5 MW minus 10% of 5 MW). Similarly, if the winter EFORd of the unit is 20%, then its accredited generation capacity will decrease to 4 MW (5 MW minus 20% of 5 MW).

The Fuel Assurance Policy (FAP) will be a further adjustment of accredited capacity for conventional generation. Instead of calculating a performance indicator for the entire season, the FAP will use an Effective Forced Outage Factor (EFOF)

(continued on page 4)



SPP Increase Reserve Margin Requirements

CONTINUED FROM PAGE 3

calculated from the forced outage hours recorded for a unit during the top 3% of hours each season when the SPP peak load minus the available wind and solar generation is the highest, defined as “net load”. For example, if the SPP peak load is 40,000 MW and the wind and solar generation is 10,000 MW then the net load is 30,000 MW. The FAP will only be in effect in the winter season under the current tariff revision.

In our previous example, we had a unit that was tested at 5 MW but had a winter EFORD of 20%. Beginning in the winter of 2026 – 2027 this unit would only be accredited 4 MW, without the FAP adjustment. As a further illustration, suppose that the same unit had a calculated EFOF of 20%, now the same 5 MW units could only be counted for 3.2 MW (a further reduction of 20% of the 4 MW).

Recently, SPP Staff put together some historical unit performance data to illustrate the expected effect of

these new policies. The table at the bottom of this page illustrates some of this analysis provided to the SPP Supply Adequacy Working Group (SAWG) last week. This table has been adjusted just to show KPP member units technology (dual fuel reciprocating engines, gas fired combustion turbines and gas fired steam generators).

How would this affect KPP? The following illustrates the value of KPP generation capacity as tested (and currently accredited) compared to the value of this generation if adjusted by the historic average values KPP Staff has calculated.

While these changes will not take place until the summer of 2026, generation capacity additions take time to put in place. In the future when KPP announces projects and initiatives to obtain additional generation capacity it will be to meet the obligations created by these new SPP policies.

SPP Historic Performance Factors

Category	Fuel Configuration	Season	Weighted EFORD	Weighted EFOF
Combustion Turbine (Fuel Oil, Natural Gas, Kerosene)	Single Fuel	Summer	8.0%	
		Winter	20.7%	25.1%
	Dual Fuel	Summer	10.9%	
		Winter	18.4%	10.8%
Reciprocating Internal Combustion Engine (Natural Gas, Landfill Gas, Fuel Oil, Other Biomass Liquids, Other Gas)	Single Fuel	Summer	6.6%	
		Winter	9.3%	5.7%
	Dual Fuel	Summer	10.3%	
		Winter	7.8%	1.5%
Steam Turbine (Natural and other gas)	Single and Dual Fuel	Summer	13.5%	
		Winter	20.4%	15.6%



KPP Financial Update

VICKIE MATNEY, CONTROLLER



Fitch Ratings Affirms KPP Energy's A- Rating

KPP Energy has maintained its A- rating from Fitch Ratings, a leading provider of credit ratings and research. Fitch Ratings issued a "Review No Action, A-" for KPP Energy after its committee met in late July.

Prior to the meeting, KPP staff met with Tim Morilla, Fitch Ratings Director, to review KPP's yearly information, along with member cities financial health. KPP Energy is pleased with the outcome of the rating review and will continue to pursue its mission of providing affordable, reliable and responsible power and innovative solutions.

KPP Line of Credit Renewal

KPP Energy has secured a longer-term line of credit with BMO Commercial Bank, which will convert the existing \$18 million agreement from a one-year to a three-year renewal. This will benefit KPP by reducing administrative time and enhancing the financial flexibility. The credit approval was obtained on July 30th and the modification agreement was reviewed by J.T. Klaus and executed on July 31. The three-year revolving LOC will be beneficial as KPP moves forward with both the PACE Solar and Walnut Energy Center projects.

SAVE THE DATE

**2024 KPP
CONFERENCE**

**OCTOBER
3 & 4, 2024**

**HYATT
WICHITA, KS**

**REGISTER
HERE**



CONTACT: Leslie Atherton
latherton@kpp.agency



Financial Crimes Highlighted in KPP Cybersecurity Summit Series

LESLIE ATHERTON, ADMINISTRATIVE MANAGER



KPP is excited to share highlights and key takeaways from the third session of the KPP Energy Cybersecurity Summit Series. Held on August 13, this event was the third in a four-part series aimed at strengthening cybersecurity infrastructure and awareness across KPP

member communities. Participants from Augusta, Ellinwood, Haven, Hillsboro, Kingman, Wellington, and Winfield received vital training during this summit.

The session was led by Casey Davis, Chief Product Officer for Skyhelm, who focused on Financial Crimes. Davis defined financial cyber crimes, identifying the “good guys” and “bad guys,” and explained why cities and small utilities are prime targets. He provided real-world examples of financial crimes and highlighted techniques for fraud detection, such as spotting fake invoices, using Google Dorking, and leveraging Open-Source Intelligence (OSINT).

Davis also emphasized cybersecurity best practices in financial transactions, offering actionable steps to protect organizations. This included strategies for creating and managing strong passwords, along with the critical role of Multi-Factor Authentication. He then tackled phishing, teaching participants how to identify and respond to phishing attempts and stressing the need for ongoing training in email security to prevent malware and data breaches.

The session concluded with a discussion on Incident Response Planning. Davis provided a sample Cyber Incident Response Plan and a comprehensive implementation checklist to guide participants in creating and adopting their own plans.

The final session of the Cybersecurity Summit Series will be held on October 15, 2024, at the KMU Training Center in McPherson, where participants will learn how to effectively respond to and recover from cyber disasters in municipal settings. We encourage all members to attend this session. For more information, please contact Leslie Atherton at latherton@kpp.agency.



August Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER



The KPP Energy Board of Directors held their regular monthly meeting on August 15, 2024, virtually and at KPP offices in Wichita. A summary of meeting highlights is provided here.

July 2024 ECA

James Ging, KPP Director

of Engineering Services, presented the monthly update relating to the July 2024 ECA calculation. Total costs were below budget by \$698,795. Energy costs were below budget \$899,040; transmission costs were above budget \$76,951, and capacity costs were above budget by \$125,488. The actual July 2024 ECA was a negative 0.943 cents per kilowatt-hour (kWh) versus a budgeted ECA of negative 0.531 cents per kWh.



Financial Statements

Controller Vickie Matney presented written financial statements for the period ending June 30, 2024, showing a net position before DAI of \$4,600,432 and an increase of \$1,695,439 in net position since last month. Matney also provided information on the collection and disbursement of Walnut Energy Center and PACE ECA

funds and reported that Fitch reaffirmed KPP Energy's A- rating.

Amendment to Mulvane Purchase Power Agreement

In 2021, bonds were issued to fund several KPP member projects. All projects but the one in Mulvane are now complete. Originally, two million dollars was allocated to partially fund the Mulvane project; with a significant change in scope, their project will well exceed that amount. KPP staff recommended that remaining proceeds from the bond issuance be allocated to the Mulvane project.

Assistant General Manager Larry Holloway provided additional background, noting the initial scope of the Mulvane project was to buy another 69kV transformer and place it redundantly where the current one was. However, the project grew to adding a 69kV line in another part of Mulvane after consultations with Evergy. The overall cost of the new project is likely to be an estimated \$6 million.

The Board agreed to allocate the final funds of \$462,940.28 to Mulvane and directed staff to prepare a new power purchase contract reflecting the new payment schedule including repayment of this allocation.

(continued on page 8)



August Board Meeting Review

CONTINUED FROM PAGE 7

KPP Office Update

CEO and General Manager Colin Hansen gave a presentation to the Board on progress being made at 2229 S. West, detailing completed and still-to-come improvements. Current plans are to move KPP headquarters to the West Street building the week of October 7 – 11 with a potential ribbon cutting for members to occur at a later date.

PACE Project

James Ging provided the following updates on the PACE Loan Application / Project:

- Regular meetings with Priority Power and USDA representatives continue.
- The financial piece of the project is ready to go, and the community benefit plan has been approved by USDA.
- Three solar impact studies remain to meet the requirements of the engineering study.

KPP Resource Adequacy

Larry Holloway advised that the SPP Board of Directors approved the 16% summer reserve margin for summer of 2026 and 36% for the winter of 2026 and 2027. They also approved the Fuel Assurance Policy.

Holloway noted he and James Ging have had several discussions about how to meet these future requirements, and one thing they are considering is the effect of factoring in RICE units as designated network resources or using them as behind the meter load modifiers. Essentially, those units could be used for peak-shaving. Secondly, depending on the price of paper capacity, it may make sense to spend money on RICE upgrades for member-city units, currently designated as emergency units, that were not previously upgraded.

Holloway advised he is working to put together a group made up of representatives from SPP entities to discuss treatment of Behind-the-Meter (BTM) generating units. Currently, fifteen public power or rural electric cooperative entities have indicated interest in participating.

Walnut Energy Center Update

Holloway provided the following updates about the Walnut Energy Center project:

- A Generation Interconnection Agreement should be in place by this time next year.
- Regarding the air permit, Burns & McDonnell has responded to several information requests from KDHE. This is believed to be a good sign that KDHE is actively working on it.
- At a recent meeting with Burns & McDonnell, it was learned that the EPA will be implementing new air particulate limits in February of 2025. Due to the timing, WEC may be subject to those new limits. Solutions to meet those limits will need to be considered.

Executive Sessions

Two executive sessions were held with no action from the Board following.



Event Calender

DATES TO REMEMBER

OCTOBER 3, 2024

KPP Board Meeting

OCTOBER 3-4, 2024

KPP 2024 Conference

NOVEMBER 1, 2024

KPP Rate Forum

NOVEMBER 20, 2024

KPP Board Meeting

DECEMBER 13, 2024

KPP Annual Members Meeting

DECEMBER 13, 2024

KPP Board Meeting

JANUARY 16, 2025

KPP Board Meeting

FEBRUARY 20, 2025

KPP Board Meeting

MARCH 20, 2025

KPP Board Meeting

KPP Resources by Fuel Source

JULY 2024

