

KPP LIGHTNING ROUND

December 2022

KPP Announces 2023 Rate

Lowest Electric Rates Since 2014

KPP Energy has announced electric rates for 2023 that include a significant decrease from 2022. The overall electric rate will decrease by almost one cent per kilowatt-hour, a 13.1 percent decrease from 2022.

The rates were approved by the KPP membership at the KPP Annual Membership Committee meeting on December 9th in McPherson. Per KPP Bylaws, the KPP Board of Directors approves an annual budget for the agency while the full Membership Committee – made up of voting delegates from each member community – approves rates.

The biggest change affecting rates in 2023 is the termination of a contract with Evergy to receive capacity and energy from Jeffrey Energy Center. The KPP capacity demand rate is estimated to decrease by 52% due to the termination of the contract. The KPP administrative demand rate will also decrease by an estimated 48%, largely due to decreased debt service coverage.

Forecasted energy costs are expected to increase by just over 15 percent due to an expected increase in Southwest Power Pool (SPP) Integrated Market (IM) prices as well as increases in natural gas futures. The increased energy costs also reflect that KPP will have less resources to sell into the SPP IM without the Jeffrey Energy Center contract. Transmission costs continue their upward trend and are expected to increase by 3.25 percent in 2023 due to increased transmission rates.

KPP rates for 2023 approved by the Membership Committee total \$63.21 per megawatt-hour (MWh), a 13.1 percent reduction from rates of \$72.77/MWh for 2022.

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TO OUR VALUED MEMBERS,
HAPPY NEW YEAR!

2023

SPP Sets Record Winter Electricity Use, Issues Advisories for Extreme Cold

Lowest Electric Rates Since 2014

The effects of widespread and extreme cold led to new records and the declaration of several advisories and alerts in Southwest Power Pool’s (SPP) service territory over the Christmas holiday weekend. SPP set a new record for electricity use during the winter season on December 22, with load exceeding 47,000 MW. The previous record was 43,661 MW, set February 15, 2021.

Meanwhile, higher-than-forecast electricity use and persistent cold led the regional transmission organization to declare two important energy alerts. An Energy Emergency Alert 1 (EEA1) was declared by SPP on Friday, December 23 at 8:27 a.m. The alert was triggered by very high load and limited availability of generators. The EEA1 level was maintained until conditions improved and the alert ended 93 minutes later at 10 a.m.

A second EEA Level 1 was issued later in the day on Friday at 5:20 p.m. due again to “higher-than-forecast load and generator availability as we head into our evening peak.” This second EEA1 lasted for three hours and ended at 8:20 p.m. as SPP moved back into a “Conservative Operations Advisory.”

An EEA1 does not require conservation of energy and does not indicate that SPP will be directing controlled service outages. Instead, an EEA1 is an indication that while SPP has enough generation available to meet demand and fulfill its reserve obligations, conditions exist that could put reserves at risk if they worsen.

An EEA1 is the first of three levels of energy emergency alert. An EEA2 would be triggered if SPP could no longer



meet expected energy reserve requirements, or if SPP foresaw or had taken actions up to but excluding the interruption of firm load obligations.

SPP conditions were monitored closely by KPP and member utility staff. KPP members with generation were asked to be ready to come online due to the extreme winter weather conditions. Utility crews in Augusta and Clay Center came online and generated through Christmas Eve and into Christmas morning. “Hats off to the generation crews at Augusta and Clay Center who generated All Christmas eve, last night and are still on this morning. Remember that 24/7 it’s real people that keep the lights on,” KPP Assistant General Manager of Operations Larry Holloway emailed to KPP generating cities on Christmas Day.

SPP finally ended its Conservative Operations Advisory at 12 noon on Christmas Day, but kept the region in a Cold Weather Advisory until warmer conditions arrived.

“Hats off to the generation crews at Augusta and Clay Center who generated All Christmas eve, last night and are still on this morning. Remember that 24/7 it’s real people that keep the lights on.”

- Larry Holloway, KPP Assistant GM



December Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER

The KPP Energy Board of Directors held their regular monthly meeting on December 9, 2022 at the KMU Training Center in McPherson, Kansas. As is typical for December, the meeting was an abbreviated one due to the Annual Membership Meeting being held immediately following the Board meeting. A summary of meeting highlights is provided here.

Consideration of 2023 Budget and Recommendation to Members on 2023 Rates

KPP Assistant General Manager of Operations Larry Holloway provided a comprehensive presentation to the Board regarding the proposed 2023 budget. For calendar year 2023, KPP Energy estimates that operating expenses will total \$57.8 million. The vast majority of the expenditures are in variable and fixed costs related to generation, transmission costs, debt service on various bond issues for KPP generation and membership projects, and remaining repayment of borrowing related to the February 2021 winter storm. Administrative & General (A&G) Expenses for 2023 are budgeted for \$2.98 million, a small decrease from budgeted A&G expenses in 2022. Total operating revenue for 2023 is budgeted at \$60.8 million, a considerable decrease from total operating revenue of \$73.4 million in 2022.

Holloway then reviewed updates made to 2023 KPP rates since the KPP Rate Forum on November 4th. The updates included a corrected rounding calculation, an increase in Evergy transmission rates, GRDA contract modifications, the Dogwood Energy Facility budget and updates to the integrated market and natural gas forecasts.

Evergy filed an update to their 2023 transmission rates in their East Central Kansas area (the old Westar area) that included an increase of roughly three percent. This



KPP President Scott Glaves calls the KPP Annual Membership Committee meeting to order.

increased overall zonal revenue in the area from \$258 million to \$265 million. GRDA contract expenses will increase in 2023 as KPP opted to take 100% of the GRDA contract in January through March of 2023 as a hedge against extreme winter weather.

Meanwhile, there were also slight changes in the final Dogwood Energy budget for 2023 since the Rate Forum. The final Dogwood budget was approved on November 16, 2022. The changes included a slight decrease in margins and fixed operations & maintenance (O&M) costs.

Holloway described the updates made to update budget estimates regarding the SPP Integrated Market (IM) and the price of natural gas. Projections for the SPP IM market have a significant impact on the cost of KPP load served from the SPP market as well as the value of KPP generation resources sold. The SPP IM changes made since the Rate Forum lowered overall energy rates.

(continued on page 4)



December Board Meeting Update (continued)

The final update to rates reflected changes in the estimated cost of natural gas. Natural gas market price forecasts are used to estimate the cost to operate KPP member city unit generation and to project energy costs into future years. As expected, there was a slight increase in gas forecasts since the KPP Rate Forum. KPP rate forecasts utilize Nymex futures for Henry Hub gas. For the Rate Forum, the cost of futures was captured on October 27, 2022. The updated and final rates are based on Nymex Henry Hub natural gas futures on December 1, 2022 which increased member generation costs by an estimated \$116,840.

As described on page 1 of this edition of the KPP Lightning Round, the final 2023 KPP rate is \$63.21 per megawatt-hour (MWh). This reflects a significant decrease from 2022. Rates decreased \$9.56 from 2022, a 13.1 percent reduction. This is the lowest KPP rate since 2014.

Staff Reports

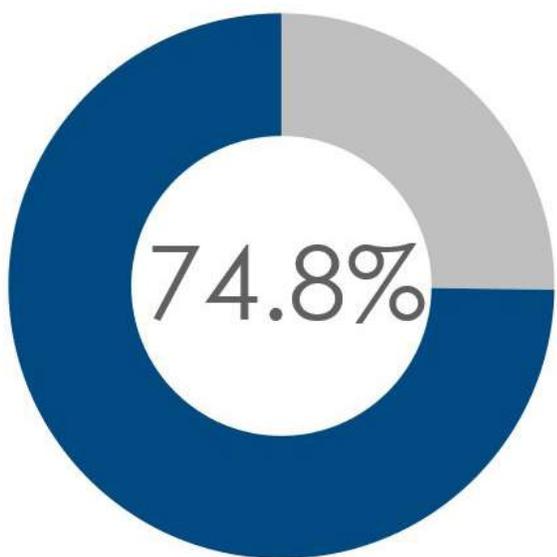
Due to the abbreviated nature of the December Board meeting, all staff reports were provided to the Board in writing.



KPP Assistant General Manager of Operations Larry Holloway presents the 2023 Rates which were approved unanimously by the KPP Membership Committee.

Winter Storm Uri

PERCENTAGE OF EXPENSES RECOVERED THROUGH NOVEMBER 2022



Winter Storm Uri Total Expenses

\$21,063,883

Surcharge Recovered

\$15,750,687

Balance Remaining

\$5,313,196



Event Calendar

2023 DATES TO REMEMBER

JANUARY 19, 2023

KPP Board Meeting

FEBRUARY 1, 2023

KMU Day at the Capitol

FEBRUARY 16, 2023

KPP Board Meeting

FEBRUARY 26 -

MARCH 1, 2023

APPA Legislative Rally

MARCH 16, 2023

KPP Board Meeting

APRIL 20, 2023

KPP Board Meeting

APRIL 26-27, 2023

KMU 2023 Conference
Wichita Hyatt Regency

APRIL 26, 2023

KPP Appreciation Dinner

MAY 18, 2023

KPP Board Meeting

JUNE 17-21, 2023

APPA National Conference
Seattle, Washington

JUNE 19, 2023

KPP Board Meeting

KPP Resources by Fuel Source

NOVEMBER 2022

