

LIGHTNING ROUND

December 2020

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Members Approve Rates for 2021

Rates approved almost identical to those approved for 2020

Nineteen of KPP's twenty-four Member cities met virtually on December 11th in KPP's Annual Membership Meeting to formally consider rates, Board member elections and other routine business items.

Assistant General Manager, Larry Holloway, stepped Members through a summary recap refreshing his presentation from the Rate Forum held in November. He noted rates to be formally considered in December were slightly improved compared to those from his earlier presentation.

This was true due to year-end updating on fuel costs and other external budget forecasts including Dogwood and the Southwest Power Pool (SPP) market.

Rate Changes Since the Rate Forum

		2021 Budget Rates with Sequential Updates					Final 2021 Rates	2020 Rates for Comparison
		Rate Forum	Market Update	Dogwood Update	A&G Update	DAI Update		
Capacity Demand Rate	\$/kW-mo	\$10.84	\$10.84	\$10.85	\$10.85	\$10.85	\$10.85	\$10.67
Transmission Demand Rate	\$/kW-mo	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$6.50
A&G Demand Rate	\$/kW-mo	\$2.26	\$2.25	\$2.25	\$2.25	\$2.16	\$2.16	\$1.95
Energy Rate	\$/MWH	\$24.04	\$23.81	\$23.76	\$23.76	\$23.76	\$23.76	\$26.54
Overall Average Energy								
Costs	\$/MWH	\$67.16	\$66.92	\$66.87	\$66.87	\$66.68	\$66.68	\$66.66
RICE DNR Project	\$/kW-mo	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26
Rates for Approval by the Membership								

With overall budget decreases, compared to November, amounting to just over \$400,000, rates presented for Member approval combine inclusively at \$66.68/mWh. This compares to \$66.66/mWh approved by Members in December last year. It is also noted that, except for last year, no lower rates have been approved by Members since the Annual Membership Meeting of 2013.

Members Elect and Re-elect KPP Board Members

Stan Luke honored for 10 years of service on the KPP Board

Four Board members were elected by acclamation to serve 4-year terms on the KPP board beginning in December 2020. Larry Paine, former city administrator of Hillsboro and former KPP Board member, presented the slate of nominations at the Annual Membership Meeting held virtually on December 11th.

Brad Modlin, Mulvane, was re-elected to another 4-year term. Lou Thurston, Hillsboro, was also elected. Lou served the final 6 months of Larry Paine's term ending this month and, as such, was eligible for election. Also elected to 4-year terms were Chris Komarek, Ellinwood and Tim Johnson, Augusta.

Board members are elected by KPP Members and are selected from the voting delegates of the KPP Membership Committee. Board members may be elected to 2 consecutive 4-year terms exclusive of any unexpired term filled. The KPP Board appoints persons to fill unexpired terms.

The Membership Committee Chairman, who is the President of the KPP Board, appoints a nominating committee chairman who presents a slate of nominees to the Membership. Nominations may be accepted "from the floor". The detailed Board member election and appointment processes are described in the KPP governing documents.

The Annual Membership Meeting also paused to recognize Stan Luke, mayor of Burlington, who had served 10 years on the KPP Board since its initial creation. Stan also served on the KPP Executive Committee before the creation of the Board in 2010.

KPP 'Monthly Member Call'

What is it and why do we have them?

To put it simply, if actual costs in a month are different than they were budgeted, there is an adjustment to be made. That's the quick explanation for the call. And indeed, until about 4 years ago, the KPP Staff commonly referred to them as the "ECA call". Even then, some KPP Members questioned what need the "call" filled or what was meant to be accomplished by asking Members to come together in a monthly telephone conference.

CEO and General Manager, Mark Chesney, recently explained:

"In February or March of about 2013 or 2014, the energy cost adjustment (ECA) absolutely went through the roof. It was positive way, way beyond what had been budgeted. Naturally, KPP Members wanted to know what had happened. In a word, it was the price of natural gas. But we knew the explanation was really not quite that simple. So, we hurriedly organized a telephone call to explain. Many Members were on the line with us. We explained that there was not the abundance of natural gas in reserve as there has been during many years recently. Then, something unforeseen happened that winter: frigid temperatures caused problems in both the producing of and the delivery of natural gas. On the production side and on the marketing side! A double whammy! Well, spot gas prices spiked. That's what happens when the market wants to send signals to consumers. Our particular concern was Dogwood. Generation was needed because of cold temperatures and energy prices reflected what was going on in the gas market.

"Our Members seemed to understand.

"Almost every year since then, gas prices have either fallen or have remained flat. Consequently, our ECAs have been negative (a credit) seemingly 9 or 10 months out of every year. And, it seems, when they have come in positive, they have come in less positive than budgeted.

"The ECA during that one winter was so positive that it seemed to be a good idea to routinely explain to Members why the ECA has turned out as calculated. We would do so every month. Later, we realized that if we are going to bother to ask everyone to speak to us, we may as well open up the venue to talk about anything. Yes, anything!

November 2020 Highlights

- Total Cost below budget (\$374,243.57)

	Actual Costs	Budget Costs	Difference
Total Transmission Costs	\$17.42	\$16.34	\$1.08
Total Energy Costs	\$15.75	\$33.09	(\$17.34)
Total Capacity Costs	\$37.08	\$25.11	\$11.97
Total Administrative Costs	\$5.07	\$4.94	\$0.13
Margin (\$0.40/MWh)	\$0.40	\$0.40	\$0.00
Total Costs	\$75.71	\$79.87	(\$4.16)

Excerpt shown from December Monthly Member Call

"There are many things that could be discussed. For example, do we have the right resource mix? are we focused sufficiently on helping Members with their needs? and what about helping retail customers appreciate the benefits of public power? are there other services KPP should be providing? do we use the right methods and frequency to communicate with Members? And on and on. There is literally no limit to what we could be talking about.

November 2020 ECA		
Billing Unit	Actual	Budget Forecast
Capacity Demand (kW-Mo)	107,839	117,672
Admin Trans Demand (kW-Mo)	110,211	120,046
Energy (MWh)	59,857	61,425
Average Monthly Cost (\$/MWh)	\$75.71	\$79.87
Average Annual Cost (\$/MWh)	\$66.66	\$66.66
ECA (\$/kWh)	\$0.00905	\$0.01321

Excerpt shown from December Monthly Member Call

ECA as presented to them in the monthly bill – unless it is way positive! But, we'll continue to do them monthly until we are told it is not necessary."

"However, we have learned that all those topics – and others – eventually get discussion in other formats. As for the monthly member call, we have learned that most people are satisfied with the



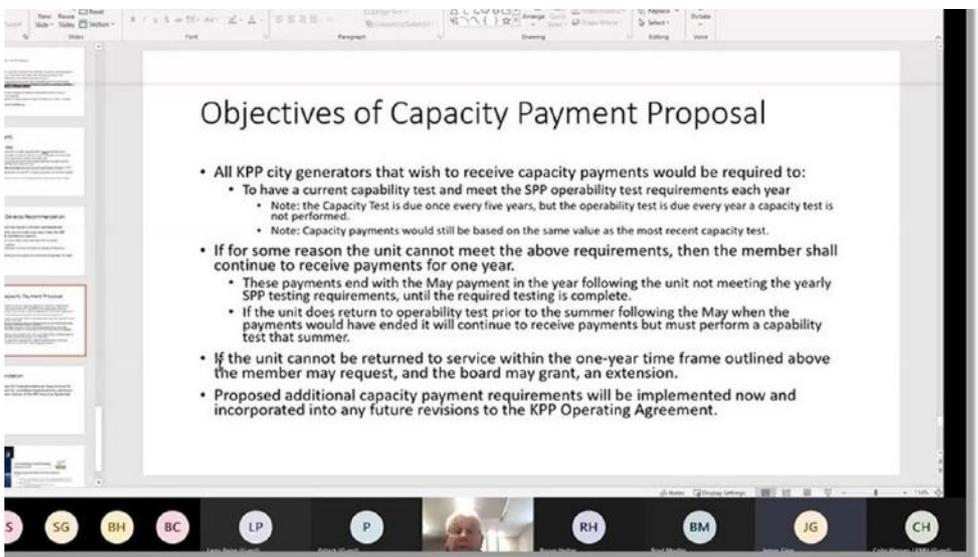
Capacity Payments Policy Receives Approval

Members approve modifications

Following up to a November 17, 2020 virtual meeting attended by KPP generating cities, policy adjustments were recently proposed to Members concerning the making of capacity payments under circumstances where a unit is offline due to repairs needed.

As was done in the November Board meeting, Assistant General Manager, Larry Holloway, reviewed for the entire Membership the current policy and practices which require a valid capacity test upon which capacity payments to generating cities are justified. These testing and payment obligations arise from the Amended Operating Agreement to which all KPP Members are a party.

Larry explained that until recent years, the Southwest Power Pool (SPP) Resource Adequacy Workbook requirements were not in place nor was an annual operability test required. Although the frequency for capacity testing has been recently relaxed by SPP from 3 years to 5 years, KPP must show SPP current capacity tests and operability tests each year in order to designate network resources. This operating condition has given rise to the appropriateness of the capacity payment obligation under circumstances where a capacity test is current, but a unit is nevertheless unavailable.



Recognizing challenges and time needed to get repairs made to the numerous older units in the Pool, and recognizing also the fairness of removing a payment obligation where a unit is not operable, a capacity payment modification was suggested that was meant to accommodate fairness to all KPP Members.

Members then considered and formally approved a modification to the existing policy. In summary, where a unit cannot meet the testing requirement for capacity or operability, such Member will only receive the capacity payment for one year thereafter (ending May the year following a unit not meeting the requirement). Conditions on making the unit available again in time are also included in the modification. Also, it is allowed that an extension of time may be provided by the Board of Directors.

In time, it is intended that such language be approved and reflected in the KPP Amended Operating Agreement. In the meantime, please consult with KPP Staff with any further questions or comments.

New KPP Board Members Elected

Two vacancies filled by first-time members

Chris Komarek of Ellinwood and Tim Johnson of Augusta were recently elected to 4-year terms on the KPP Board of Directors. Earlier this month KPP Members elected Chris and Tim as well appointing two returning Board members.

Chris is the City Administrator in Ellinwood. He has been with the City 40 years working 27 years as a lineman and 9 years as the City's Electric Superintendent. He has served in his role as City Administrator since 2016.

Tim is the Director of Public Utilities in Augusta having been appointed earlier this year. He has been in city government for 30 years with special experience in planning, community development, public utilities and public works administration. He has served as a city administrator and city manager.

These two new Board members began their service on the KPP Board at the conclusion of the Annual Membership Meeting. KPP Staff and Board have extended their congratulations and welcome.

Members Receive Legislative Updates

Evergy Disconnect Moratorium Among Notable Highlights

KPP Members recently received thorough legislative updates from KMU Executive Director, Colin Hansen. Highlights included review of leadership changes and anticipated developments in the upcoming Kansas legislative session.



Noting a surprise development, Colin summarized a new operational decision by Evergy to suspend utility disconnects effective at the end of November through March 2021. Colin suggests that the very fact this has occurred implies potential action from the Governor's office or the legislature. Municipal utilities recall the April Executive

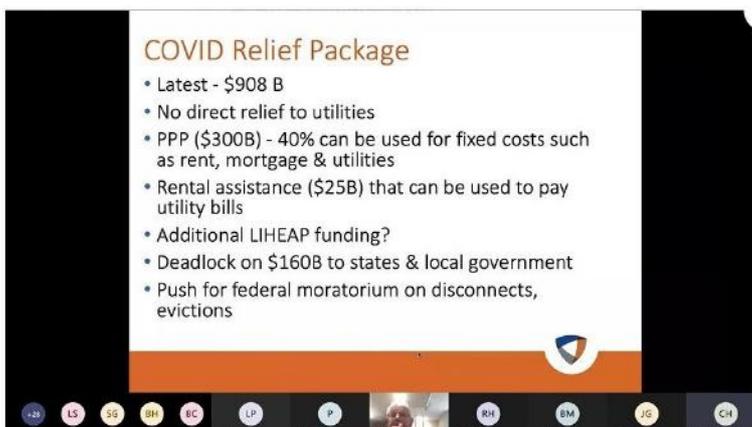
Order by Governor Kelly addressing suspensions. Colin noted that KMU will be watching the issue closely.

Also referenced was the Kansas Energy Choice Act, drafted by gas suppliers in Kansas as a move to protect deliveries within the State. Noting that Berkeley, CA was the first US city to ban natural gas, the San Francisco Board of Supervisors more recently voted unanimously to ban natural gas in new construction of homes. Although resistance is generally not expected, the Kansas bill will simply protect against such actions that might otherwise be taken by Kansas municipals.



Other highlights included potential processes for siting transmission lines in "urban" settings, the potential of requests for KCC jurisdiction over boards of public utilities (particularly Kansas City) and more attention to electric rates and utility operations in Kansas (particularly those of Evergy).

Yet other highlights were reported on including KMU's monitoring of potential regulation pertaining to Class II air permits and also the fallout from Evergy's desire to impose a fee structure



for grid access by distributed generators (DG). These matters may also impact municipals eventually. The DG issue has significant potential to affect utility operations. KPP continues to recommend to Members, as has been done in times past, that utilities preemptively examine the

prospect of shifting portions of cost recovery away from the "per kWh" charge to a fixed charge. KPP Members should speak with KPP Staff for additional details.

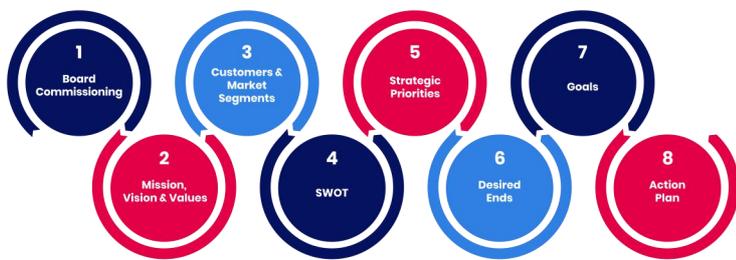
Of curious concern to municipals is the possibility of federal legislation favoring public power with the equivalent of investment tax credits pertaining to renewable resources. The American Public Power Association (APPA) has long been advocating that should such incentives be further extended to private utilities or developers, that some equivalent characteristic be extended also to municipals. Many believe that the prospect of such is more realistic today than in recent years.



Strategic Planning Puts Utilities on the Right Track

Targeted assistance for lower budget utilities now in place

Like your public power peers, you must map out your utility's future through a rocky terrain. But you don't have much time or the budget to commit to an elaborate endeavor. That's why Hometown Connections has perfected a simple technique for evaluating your operations and determining your priorities and goals for the next five years. Our facilitators will lead your team through a process to assist you in solidifying a clear and unified future directions for your utility.



The Hometown Connections Proven Technique for Strategic Planning Hometown Connections, Inc. is the non-profit organization empowering community-owned utilities to maximize their potential. The Hometown staff has facilitated strategic planning initiatives for hundreds of public utilities. Rather than result in a thick document that collects dust on a shelf, Hometown enables each utility to create a practical and goal-oriented plan for the road ahead.

The Hometown Connections strategic planning process includes:

- Engaging your governing board and other stakeholders
- Defining your utility's vision, mission, and core values
- Determining your utility's strengths, limitations, opportunities and threats
- Focusing on what your customers/target markets think and want
- Identifying and prioritizing issues your utility must address within the next five years
- Defining outcomes and actions for implementing your strategic plan

Hometown's recent strategic planning clients include:

- Provo Power
- Bryan Texas Utilities
- ALP Utilities, MN
- Groton Utilities, CT
- Kansas Municipal Utilities
- City of Hillsboro, KS
- Fayetteville Public Works Commission, NC
- Delaware Municipal Electric Corporations
- Connecticut Municipal Electric Energy Cooperative
- Kentucky Municipal Energy Agency
- Missouri Public Utility Alliance
- SAGE Development Authority

For more information on how the Hometown Connections team can help you create a strategic plan that works, send an e-mail to info@hometownconnections.com.

