



LIGHTNING ROUND

February 2018

CALENDAR OF EVENTS

FEB 26 - MAR 1

APPA Legislative Rally
Washington, D.C.

MARCH 15

KPP Board Meeting
Wichita, KS

MARCH 16

KPP Board Strategic Planning
Wichita, KS

APRIL 19

Power Supply Meeting
McPherson, KS

APRIL 19

KPP Board Meeting
McPherson, KS

MAY 2

Member Appreciation Dinner
Wichita, KS

MAY 17

KPP Board Meeting
Wichita, KS

JUNE 15 - 20

APPA Conference
New Orleans, LA

JUNE 21

KPP Board Meeting
Wichita, KS

JULY 19

KPP Board Meeting
Wichita, KS

A Call for a Membership Meeting

April 19, 2018 will be a big day for the entire KPP membership. The KPP Staff has called for 3 separate meetings – all to be held at the KMU Training Center in McPherson.

First, a Capacity Payment Task Force is now assembled and scheduled to meet at 9:00 that day. This task force is the follow up step to annually review the adequacy of capacity payments to cities having generators pooled for member benefit. Nine individuals from both generating and non-generating cities comprise the task force who will likely be meeting 2 or 3 times before the November Rate Forum held annually each year.

Next, April 19th is the regular day for the KPP Board of Directors meeting. That meeting is scheduled for 10:00 on that day. If necessary, it will be recessed to accommodate a meeting of the entire membership at 11:00. Lunch will be served afterward.

Power supply will be central topic when all the membership meets. The membership received 4 planning updates in 2017. By April it will time for another. We hope to see you there.

(Please contact Carl Myers at cmyers@kpp.agency or 316.295.2312 if you plan to attend). ■



New Service Territory Measure Passes Committees

As expected, Senate Bill 323 was unanimously approved by both the Senate Utilities Committee and the House Energy, Utilities and Telecommunications Committee. The bill, having already been approved by the full Senate on February 15th, now goes to the House Floor on February 21st. It is expected to pass without substantial objection.

See **SERVICE TERRITORY** on page 3

KPP Board Member Larry Paine Recently Hospitalized



Larry Paine was hospitalized at Stormont-Vail in Topeka on January 24th immediately following the effects of a low red blood cell count. Although Larry was released to go home last Saturday, his stay at home follows a heart surgery and precedes yet another planned surgery.

On the morning of the LKM Day at the Capitol, Larry collapsed literally on the steps of the Statehouse. Surgery on February 6th to remove a benign myxoma from his heart was successful but brought the inconvenience of a painful yet strengthening recovery period. Larry has expressed gratitude to the many well-wishers throughout Kansas.

In late January, Larry had asked that friends send greetings and best wishes rather than flowers. During his time away, KPP has tried to keep him up to date on events without (hopefully) taxing his strength. KPP CEO/General Manager Mark Chesney, who has been in frequent contact with Larry, has commented on the strong spirit and cheerful disposition of both Larry and his wife, Susan.

The *Hillsboro Free Press* has reported that the Hillsboro City Council has retained the services of Don Osenbaugh in Larry's absence. Many closely associated with the League of Kansas Municipalities are familiar with Don.

Best wishes to Larry and family! ■

Cost Reduction in Sight Through GRDA Contract

There was a time when the pooled contract for power and energy from the Grand River Dam Authority (Oklahoma) was among the lower cost resources in the KPP portfolio. That isn't necessarily true today. For nearly 2 years KPP has tried to get cooperation from GRDA toward full removal of the Pool's obligations under the contract. With the help of KMEA, it seems we have a notable breakthrough.

See **GRDA CONTRACT** on page 5

Steps Taken to Advance Transmission Projects



When KPP signed a transmission co-development agreement with GridLiance in 2016, plans were made to address reliability concerns in KPP cities and to devise low-risk opportunities to own revenue-producing transmission assets.

The owning of transmission assets is relatively new in the municipal glossary of ambitions. KPP is determined to solve problems and improve service in ways that represent a net positive rather than a net cost. The agreement with GridLiance is calculated to do just that. Nevertheless, cooperation is always needed to some extent with incumbent transmission providers within a given zone or region.

See **TRANSMISSION PROJECTS** on page 5

SERVICE TERRITORY (continued from page 1)

Talked about in numerous meetings of both KPP and KMU, the bill as written presents municipal electric utilities with onerous obligations. The bill, expected to become law within 2-3 weeks, will become expensive for cities both financially and from a planning standpoint.

Less than 2 years ago, select committee members from both KMU and the Kansas Electric Cooperatives (KEC) met repeatedly and finally agreed to “guidelines” intended to address grievances held by rural electric cooperatives in Kansas. At the center of these discussions was the belief by RECs that municipals are systematically infringing on and taking over certified REC service territories throughout the entire state. Among other items noted, the guidelines included the need for training for cities in the process for annexation as well as the need for careful reporting of deliberations and notice to cooperatives. Following mutual agreement to publicize and train the respective members of both organizations, a remarkable turn of events occurred when, merely days after agreeing to the guidelines, the KEC announced that only new legislation would resolve differences between the parties.

A plea by KMU and municipal representatives was part and parcel to their compelling testimonies urging legislators to see and reject the punitive aspects of the bill that had been advanced by the RECs. In a stunning series of subsequent events and conversations it became clear to many that the intention for legislative approval had developed almost fully before the initial Senate hearing. The bill was heard in the Senate Committee and formally passed out on February 8th before going to the Senate Floor on February 15th. Struggles felt on the part of the municipals was not lost on at least one Representative on the House side. In fact, during the Bill hearing in the House Committee on February 19th, Rep. Blaine Finch, of Ottawa, strenuously objected to the Bill’s handling before reaching his Committee. While the motion to approve was under consideration, Rep. Finch criticized prior actions of the Senate Committee calling their behavior “imperial” – a criticism not intended for the entire Senate Committee.

Highlights of the bill are as follows:

- A careful record of deliberations by the governing body when considering annexation and the selection of an electric supplier for the new electric load
- The selection by the governing body of an electric supplier may be appealed in district court
- Where the new supplier is the municipal utility, the compensation to the REC would be that which exists in current law plus 8.5% of the gross revenues from the new electric sales for 10 years following the official action (annexation or termination of service)

When a City contemplates annexation hereafter, it will be KPP’s strong recommendation that the City confer with KMU to assure that all obligations are met under the new law.■



General Manager Message



The challenge and opportunity of customer expectations

By Mark Chesney, KPP CEO/GM

Time flies doesn't it? It seems like last week I was watching the ball drop at midnight in New York. Anyway, the world continues to spin. And for those of us who work in an ever-changing industry, we take as much time as we can to consider what might jump up and bite us. I have a few ideas of my own and I am sure you have some as well. It is a brave new world. Or it better be. Things are changing fast.

When we all met in December at our Annual Membership Meeting I said that there are a few things I am hopeful the Pool will deeply consider as we move into the future. Here's what I said:

- Making firm decisions on the type and timetable for additional power supplies
- Developing plans for controlling transmission costs
- Exploring innovations for more infused revenues
- Elevating the Public Power brand awareness
- Considering how utilities should change to accommodate customer preferences

Change. That is an interesting concept! I once listened to the President of a division of AT&T. It was years ago. His remarks focused on how people change. He said something I am sure I will always remember. He said this:

Most people don't change until the pain of not changing becomes greater than the pain in changing.

Either way there is pain. It is not my intention to deliberately inflict pain on anyone. But believing change is unavoidable, I am inclined to respectfully ask a few questions. Such as:

- a) If you estimated the percentage of your customers (citizens) who could name at least some of the benefits of Public Power, what would that percentage be by your estimation?

If the percentage estimate were to become much higher than at present, how would it matter?

How would it matter in 5 years?

In 10 years?

How do your children in town, or young adults, learn about Public Power?

Does that process need to change? Does it matter?

How do we bring about change?

I am not naïve. Neither are you. With all respect, the answers to these questions we give purely from a personal perspective might be different than the answers we give formally, officially or in our capacity as employees or community leaders.

See **MANAGER MESSAGE** on page 5

GRDA CONTRACT (continued from page 2)

Many KPP members know that after KMEA contracted with GRDA, that agency then contracted with its own members for an entitlement to be proportionally allocated among them. Those cities who subsequently became KPP members brought that resource to KPP's portfolio.

In a formal understanding with GRDA, the contract will be effectively modified to permit KPP to not take GRDA energy when our locational margin price at market is significantly more favorable than the GRDA contract cost. That arrangement requires the payment to GRDA of the fixed cost component of the energy rate. That component is only around \$8/MWH. KMEA has projected that the annual savings, to include all affected cities, will be around \$400,000 per year. Attributable to the affected KPP cities including, Augusta, Ellinwood, Erie, Wellington and Winfield, the savings may be perhaps 1/4th of that total amount. The governing bodies of those Cities have adopted Resolutions to comply with the requirements of the negotiated arrangement.

TRANSMISSION PROJECTS (continued from page 2)

In early 2017, KPP and GridLiance presented a reliability transmission concept and project to be situated in Winfield. That project was meant to bring value to all parties – including the incumbent transmission provider, Westar. Earlier this month a letter co-signed by KPP, the City of Winfield and GridLiance was directed to Westar following up to previous meetings. That letter elaborated on information requested by Westar as part of the formal evaluation.

Mutual reliability, resiliency, the hardening of the bulk system and safety have all been brought to the forefront as justifications for this project. It is anticipated that those same characteristics will be emphasized in future projects elsewhere in KPP's footprint. For now, a follow up meeting is set for May 20th. ■

MANAGER MESSAGE (continued from page 4)

In March the Board of Directors are meeting in a strategic session to explore solutions for the immediate future, the near future and the distant future. Recently, I asked all our members to provide some food for thought. I received one provocative response that I greatly appreciated. His noted that as people in the city come and go, there is a loss of insight and personal knowledge pertaining to our industry. Can we devise a way to routinely keep people well-informed and knowledgeable, he asked? He spoke of the complexity of electricity and electricity markets. He spoke of the need for a "nuts and bolts" workshop.

But his point goes even deeper. Our industry is continually changing. Increasingly, citizens are going to expect more from their utility. Even though the customer may not speak with industry jargon, they will expect their utility to know what they need before they even ask for it. Today, one issue is rooftop solar. I predict that tomorrow they will wonder if the city provides real time data on customer electricity usage. They will ask about AMI and smart grid technologies. They will wonder if the utility is already prepared to accommodate metering for an electric vehicle charging station at home. Also at home, they will wonder about microgrids and energy storage.

The fact that modern technologies have made life so much more comfortable in the 21st century makes it easy to predict that those things will happen. The crowning question from customers will be 'can public power do as well as other providers – or better?'

Let's think about this, shall we?

Things You Might Like to Know:

- ⇒ Tim Goldston is the new Superintendent of Electric Utilities for the City of Kingman. Tim takes the position held by Ira Hart who retired in December.
- ⇒ Augusta is celebrating its Sesquicentennial (150 yrs.) this year.
- ⇒ Next year, St. Marys celebrates its Sesquicentennial. Please let us know if your community has historic celebrations coming up.
- ⇒ As we enter the construction months, let us know of any large projects planned in your city this year. We like to take photos and post them on the KPP website.

KANSAS POWER POOL STAFF

MARK CHESNEY

CEO/General Manager

LARRY HOLLOWAY

Assistant General Manager

VICKIE MATNEY

Controller

AHMAD KHAN

*Senior Director of Wholesale
Electric Origination
and Resource Planning*

CARL MYERS

Director of Member Services

IVAN SEWARD

Senior Accountant

JAMES GING

Director of Engineering Services



KANSAS POWER POOL

100 N Broadway, Suite L110
Wichita, KS 67202
316.264.3166

Email: info@kpp.agency
Website: www.kpp.agency