

LIGHTNING ROUND

February / March 2019

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Power Supply Study Formally Underway

Following discussion among Members for more than a year, KPP formally engaged The Brattle Group to study KPP's plans in adding capacity to its portfolio. In a January 30th Special Meeting of the KPP Board of Directors, approval was given to engage the consultant in what KPP CEO/General Manager Mark Chesney has referred to as a "validation" study.

Under typical circumstances, a power supply study would imply that a least cost analysis would be performed to determine the technology type, fuel type, location and associated costs that a utility should expect and plan on as part of a new integration into its portfolio. Also, a typical study would evaluate the options of a resource contract versus ownership. However, KPP's participation in the market has made it clear that the abundance of wind resources has increasingly needed support. Building on the recent preference for equity ownership, KPP Staff internally eliminated from the mix the addition of coal and more combined cycle. Concluding that quick-start RICE technology is the optimum for market performance, KPP has asked the Brattle Group to "validate" the technology taking into account the various locations that emerged from a study performed for KPP by Tenaska in 2017.

Members may recall that KPP Staff had presented preliminary plans for a study in April 2018 and followed up in both November and December. In April, Members gave approval to engage a qualified consultant to review plans to replace KPP's resource contract with Westar for capacity and energy from the Jeffrey Energy Center. That contract, which expires in December 2022, has become KPP's most expensive resource and, apparently, the least costly to replace. Having concluded extensive research on the availability of competitive power purchase agreement options, ownership in fixed assets has emerged as the preferred approach for resource additions.



By logging in to the Members Only section of the KPP website, visitors may access the archives to view Minutes of past Board meetings.

Kansas Contingency in Nation's Capitol

Representatives of KPP, KMU and KMEA converged in Washington DC last week joining the annual Legislative Rally of the American Public Power Association (APPA). Reinforcing the benefits of Public Power to citizens in Kansas were among the coordinated messages.

Good reports returned from Washington with special references to the two newest members of Congress from Kansas – Sharice Davids and Steve Watkins. Visits were completed to all other offices on both the Senate and House sides.

Municipal bond modernization is a theme on which Public Power hopes to get resonance. Reinstating advance refunding on tax exempt municipal bonds was among the messages carried last week. Opportunities for the advance refunding on such bonds was lost with the tax reform act of 2017. KPP had already refunded approximately \$10 million of its 2012 Series A debt saving more than \$500,000 or just over 5%. It is uncertain whether the reinstatement has good prospects although both Davids and Watkins have signed on to a “Dear Colleague” letter being circulated by the House Municipal Finance Caucus to the Ways and Means Committee.

The preservation of local control and the exemption from pole attachment regulation was also a critical message carried. Since 2010, the Federal Communications Commission has urged Congress to eliminate the exemption that Public Power



Congressman Roger Marshall, of the Kansas First Congressional District, led Kansans on a night tour of the U.S. Capitol

has from FCC regulation. Such elimination violates the plain language of the Communications Act of 1934. The ostensible justification for the removal of the exemption is the facilitation of broadband deployment. Both KPP and APPA are opposed to any attempts to weaken Public Power's local control by imposing a one-size-fits-all approach to the make-ready process for attaching to poles. Last September, the FCC asserted authority to preempt state and local laws and agreements. In recent days, Public Power utilities have sent a letter to Congress supporting newly-introduced H.R. 530 seeking to overturn those actions by the FCC. Related legislation is currently under discussion in the Kansas Statehouse. That letter has been signed by KPP, Burlington, Ellinwood, Lucas, Mulvane and 133 other cities and associations.



KPP Board President, Larry Paine, is pictured next to the Dwight D. Eisenhower statue located in National Statuary Hall of the U.S. Capitol

Other notable messages carried to the Kansas Congressional delegation pertained to cyber security, electric transmission policies and policies referencing distributed energy resources.



KPP, and Winfield, to Welcome Taggart Wall

Last week KPP representatives had an opportunity to become more closely acquainted with Taggart Wall, who will assume duties in May as the City Manager of Winfield.



Taggart Wall, right, joins KMU's Colin Hansen in the National Statuary Hall of Washington DC

Currently serving as City Administrator in Sterling, Taggart is not new to the electric utility industry. Although presently associated with KMEA through Sterling's membership, he will return home to Winfield where he was a member of the City Commission at the time of KPP's undertaking ownership in the Dogwood Energy Facility.

Taggart, a member of the KMU Board of Directors, joined other Kansans last week in Washington DC. Kansas delegates made visits to both the House and Senate sides of Congress in carrying messages urgent to Public Power.

NEXT:

**Board of Directors
meeting , Thursday,
March 21, 2019,
11:00 AM**

'Let Me Talk to the Mayor!'

Editor's Note: KPP is proud to introduce this new segment to the Lightning Round. Each month, our intention is to report on a Q&A between CEO/General Manager Mark Chesney and the mayor of a KPP Member City. This inaugural segment features Mayor Lou Thurston of Hillsboro.



Mayor Lou Thurston - Hillsboro

Q: You have just finished your first year as mayor, what has amazed you about the position?

A: It's been quite a year. I think like a lot of things in life, "not knowing what you don't know" was the case for me. There is a lot more to being Mayor than meets the eye when you are on the campaign trail. Especially as it regards services the city provides our citizens; electricity, water, sewer and trash services. Having Larry Paine, a very experienced City Administrator, has been extremely helpful as well as partners we have such as KPP, KMJ, KMIT and the League of Kansas Municipalities. Larry provided me with his "Magnum Opus" of the operations of the City of Hillsboro to start and a great book I picked up on the topic that has been extremely valuable is "Now What? – A Practical Guide For Newly Elected Officials" by Larry Tramutola.

Q: Using your best crystal ball, what are the biggest challenges you see for local government 10 years from now?

A: For a smaller city like Hillsboro, I see our biggest challenges coming in the area of



growth and maintaining a vibrant economy. To maintain the level of services citizens like and want takes more and more money. Without the ability to spread those costs over a wider base it becomes a "taxing" situation. No one wants higher taxes, but no

one wants to be without electricity, police & fire departments, good streets, clean water, etc. Making sure Hillsboro is an affordable and family friendly place to live is key in my opinion to making this happen.



Q: In your view, how are those challenges best addressed today?

A: Insuring that we stay on top of technologies like; renewable energy, high-speed internet access, recycling, increasing green spaces and other healthy lifestyle opportunities. These things all cost money and in smaller communities like ours we have to find ways to collaborate with other interested parties, such as our local school district, our college and our county and state governments to work together to provide these things. These have proven to be successful in the past and we are working on several projects like this now (i.e. Community Plaza & Splash Pad, a Hike/Bike trail, a disc golf course and the like.



Q: People have many private interests and are hurriedly pursuing them. It is impossible to get everyone to assume the same priorities. If you had every citizen simultaneously in a city council meeting, and you knew you had everyone's attention, what would be your message to them concerning the city's electric utility?



A: Number one, I would like everyone to know how effectively Hillsboro leverages our electric costs through membership in KPP. How our electric rates are extremely competitive for a community such as Hillsboro. I have been excited to learn how much of our power comes from renewable sources today and how we are working with KPP on projects like the small footprint solar project that will increase our understanding and ability to integrate these kinds of energy sources into our power mix. Lastly I would like them to know how proud I am of Larry Paine and his leadership in KPP and what that has (and continues) to mean to our community in regards to providing our citizens with reliable, affordable and environmentally sustainable power.

KPP STAFF



BACK ROW: James Ging, Brooke Carroll, Vickie Matney, Linda Joplin, Ivan Seward

FRONT ROW: Ahmad Khan, Larry Holloway, Mark Chesney