

# KPP LIGHTNING ROUND

**January 2023**

## Scott Glaves to Serve as 2023 KPP President

KPP Officers are Newberry, Thurston & Wheeler

Scott Glaves, Superintendent of Utilities for Clay Center Public Utilities will continue as KPP Energy President in 2023. The KPP Board of Directors unanimously approved the slate of officers to serve the agency at their regular meeting on January 19<sup>th</sup>. Glaves was first appointed KPP President in January 2022 and will continue a second term in that role. He joined the KPP Board in 2017.

Jason Newberry, Assistant City Manager of Utilities and IT for the City of Wellington is the 2023 KPP 1<sup>st</sup> Vice President. Hillsboro Mayor Lou Thurston will serve as 2023 2<sup>nd</sup> Vice President and John Wheeler (Marion) is KPP's 2023 Secretary/Treasurer. Our thanks to Scott, Jason, Lou and John for their leadership.



KPP 2023 President Scott Glaves (Clay Center Public Utilities)



1<sup>st</sup> Vice President Jason Newberry (Wellington)



2<sup>nd</sup> Vice President Mayor Lou Thurston (Hillsboro)



Secretary / Treasurer John Wheeler (Marion)

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## January Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER



The KPP Energy Board of Directors held their regular monthly meeting on January 19, 2023 at the KPP offices in Wichita. A summary of meeting highlights is provided here.

### December 2022 ECA

KPP Director of Engineering

Services James Ging provided the December 2022 ECA Analysis which was significantly impacted by Winter Storm Elliott. For the month of December, total cost was above budget by \$676,097 – mostly due to significant increases in capacity and energy costs. Capacity costs were above budget by \$433,319 and energy costs were above budget by \$281,309. Transmission costs were below budget by \$37,310. The increase in cost includes the extraordinarily high energy costs – both natural gas and LMP prices – caused by Winter Storm Elliott.

### Financials

KPP Controller Vickie Matney reported the agency's financials to the Board as of November 30, 2022. The financial condition of the agency continues to be strong with one particularly important financial metric – Net Position Before DAI – at \$10.55 million. To satisfy debt reserve levels preferred by rating agencies, KPP Energy's Net Position Before DAI should total \$11.21 million at the end of the calendar year.

The interest rate for the state's City Utility Low-Interest Loan Program to assist in repayment of Winter Storm Uri costs has risen considerably, Matney noted. Loans for the program were initially issued at 0.25%. In accordance

with statutes, the interest was recalculated on January 1<sup>st</sup> to be 2.68%. The additional interest will slightly impact KPP's repayment of their loan with the state, but the agency continues to project total repayment by the end of July of this year should energy sales meet estimates.

### Attica AMI Project

The City of Attica is considering an advanced metering infrastructure (AMI) project in conjunction with KPP. The Board heard a presentation about the project and discussed the possibility of assisting the city both technically and financially. The Board approved a resolution that would enable KPP to present appropriate financing schedules and resolutions to the Attica City Council.

### Energy Efficiency Rebate Program

The Board heard a presentation from KPP Director of Member Services Brooke Carroll about KPP's existing energy efficiency rebate program and discussed whether modifications to the program were warranted. No action was taken and KPP staff will provide additional information to the Board at a subsequent meeting.

### Operations & Engineering Report

KPP Assistant General Manager of Operations Larry Holloway provided the Operations Report. He provided a copy of a recent Southwest Power Pool (SPP) report on December 2022 Winter Storm Elliott and discussed the timeline and key findings of the report. See more on the Winter Storm on page 4.

The Engineering Report was presented by KPP Director of Engineering Services James Ging. Ging gave an update on several key agency projects, including the

*(continued on page 3)*



distribution system project in Marion and the substation and transmission project in Mulvane. He also noted that he is currently working on KPP's resource adequacy which is due February 15<sup>th</sup>.

Ging provided a chart illustrating KPP's load statistics by city for calendar year 2022. In total, KPP's peak load was 201.3 megawatts (MW) down slightly from the 209 MW that was forecasted. The peak load varied from a high of 59.49 MW for the City of Winfield to 0.77 MW for the City of Luray.

### Member Services Report

KPP Director of Member Services Brooke Carroll discussed rate studies and financial assistance that KPP is providing for several member cities. A rate study was presented to and accepted by the Hillsboro City Council in December. A rate study was recently initiated in Wellington and rate study kickoff meetings for the cities of Ellinwood and Kingman will occur over the coming several weeks.

### Cybersecurity Report

Gavin Rose, KPP's Cybersecurity Analyst, provided a report on cyber preparedness and activity for the 4<sup>th</sup> quarter of 2022 and for the month of December.

### Market Report

The KPP Market Update – as provided monthly by Tenaska Power Services – was presented by Ivan Seward, KPP Senior Accountant. Seward noted that the Henry Hub spot natural gas prices in 2022 averaged \$6.45 / MMBtu which is the highest level since 2008. On a daily basis, 2022 Henry Hub spot natural gas prices ranged from \$3.46/MMBtu to \$9.85/MMBtu, reflecting significant range. The volatility in gas markets drove volatility in power markets. In 2022, real-time prices were higher than in 2021 in every region except ERCOT (due to the exceedingly high costs of Winter Storm Uri in Texas in 2021).

### General Counsel Report

KPP General Counsel J.T. Klaus of Triplett Woolf Garretson provided the General Counsel report. In addition to his written report, Klaus noted that 27 cities have completed the necessary resolution and agreement for the KPP Energy name change. At the time of the Board meeting, necessary documents were still needed from four cities.

### CEO Report

Colin Hansen, KPP CEO and General Manager, provided the final staff report. Working with the Beneficial Electrification League – a national trade organization assisting municipal utilities and rural electric cooperatives – KPP was able to get three member cities included in a Community-Owned Grid Resilience and Innovation Program (CO-GRIP) concept paper for potential grant funding of AMI projects. The KPP AMI projects submitted were for the cities of Greensburg, Holyrood and Lucas.

The Kansas Corporation Commission (KCC) is holding a series of work studies regarding generation resource adequacy. There will be approximately seven work studies that were to begin in December and continue through the first of next year. The first work study featuring SPP was scheduled for December 22<sup>nd</sup> but was cancelled due to the state closing offices due to winter weather. As such, the first work study occurred on Wednesday, January 25<sup>th</sup> and featured speakers from consulting engineering group Black & Veatch.

The five public power entities and one independent power company (Dogwood Energy LLC) that are owners of the Dogwood Energy Facility continue to meet with financial and legal representatives to discuss a potential natural gas prepay option for the power plant.



## Winter Storm Elliott

LARRY HOLLOWAY, ASSISTANT GENERAL MANAGER, OPERATIONS



This past December was a useful reminder that while KPP Energy and other utilities are still recovering from the February 2021 Winter Storm Uri cold weather event, large winter storms can still have a major impact on wholesale power markets. From

December 21 to 26, 2022 a huge winter storm impacted the eastern two-thirds of the United States. The storm – called “Winter Storm Elliott” – created record snowfall amounts nearing six feet in some locations, as well as record low temperatures and wind chills across 36 states. Over 18,000 holiday flights were cancelled and it is believed the storm was responsible for over 100 deaths.

Like Winter Storm Uri, Elliott effected a large portion of the country and pushed farther south than most winter storms. While Elliott did create volatility in the power markets in the Southwest Power Pool, its overall effect was not nearly as dramatic as Winter Storm Uri. As shown in Chart 1, KPP Energy’s cost to serve load in the Eversgy footprint was far less during Elliott than during Winter Storm Uri.

Furthermore, while Winter Storm Elliot did affect a large amount of the U.S., in KPP’s area the temperature effects were less dramatic than Uri, as shown in Chart 2.

Nonetheless, Winter Storm Elliott set records in the Southwest Power Pool (SPP) market. On December 22<sup>nd</sup> (day two of the event), SPP set a new winter energy consumption record of 47,157 MW at 18:27. Surprisingly, this is just over 6,000 MW above the summer peak record

Chart 1. Cost to Serve KPP Energy Load During 2021 and 2022 Winter Storms

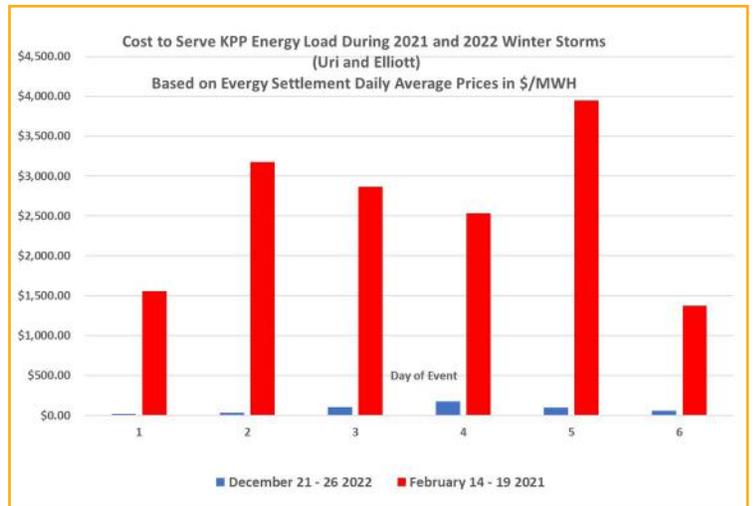
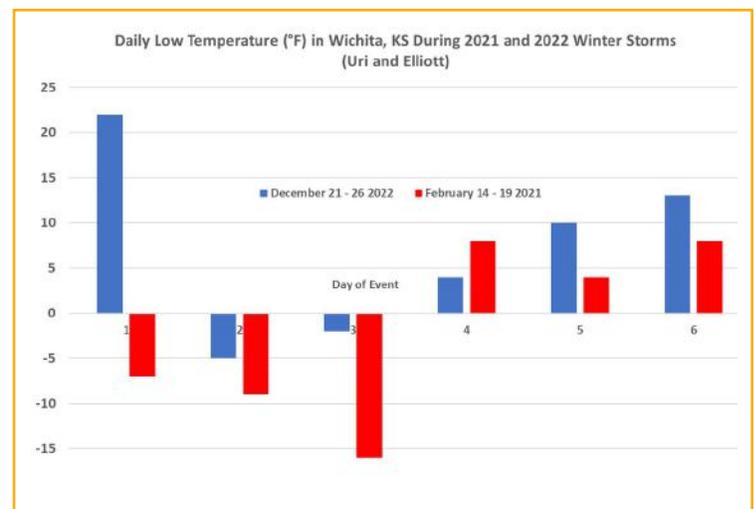


Chart 2. Daily Low Temperatures in Wichita During 2021 & 2022 Winter Storms

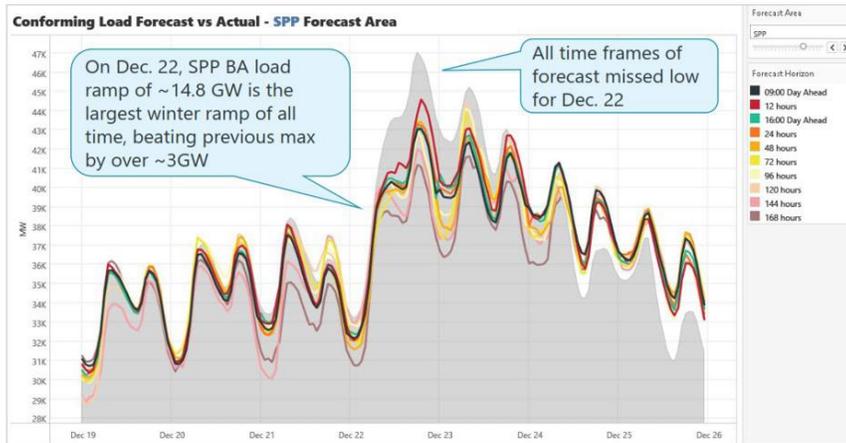


of 53,243 MW set at 16:59 last summer, on July 19<sup>th</sup>, 2022. The biggest shock to the transmission system occurred when the winter storm blew in on December 22<sup>nd</sup>. SPP experienced its largest winter ramp in load, exceeding the previous winter ramp by over 3,000 MW. As shown on the graph prepared by SPP on page 5, load increased from around 32,000 MW in the region to over 47,000 MW over the course of 16 hours.

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## SPP LOAD FORECAST ELLIOTT



While SPP missed the forecast on this load ramp it provided many notices of concern to its members, which KPP Energy passed on to our board and generating cities. The timeline of these notifications is shown below.

### TIMELINE OF OPERATIONAL COMMUNICATIONS: DEC. 19-26, 2022

Fri. 12/16 to Mon. 12/19	Tue. 12/20	Wed. 12/21	Thu. 12/22	Fri. 12/23	Sat. 12/24	Sun. 12/25	Mon. 12/26
<p><b>Fri. 12/16:</b> Internal communication with operations notes upcoming cold weather. Operations monitoring conditions with no identified needs for resource alerts at that date.</p> <p><b>Mon. 12/19, 13:54</b> SPP operations issues a <b>Cold Weather Advisory</b> to begin on 12/21/22 at 20:00.</p> <p><b>Mon. 12/19, 14:30</b> SPP Communications sends Grid Notice email to all subscribers regarding the upcoming Weather Advisory.</p>	<p><b>17:57</b> SPP BA issues a <b>Resource Advisory</b> (suspends <b>Weather Advisory</b>) effective 12/23 00:00 through 12/25 00:00.</p> <p><b>18:01</b> SPP BA moves up start of <b>Resource Advisory</b> to 12/22 00:00.</p>	<p><b>10:00</b> SPP Comms sends Grid Notice of upcoming Resource Advisory.</p>	<p><b>Resource Advisory</b> in effect.</p>	<p><b>Resource Advisory</b> in effect.</p> <p><b>08:27</b> EEA1 declared.</p> <p><b>10:00</b> End of EEA.</p> <p><b>11:00</b> Conservative Operations declared, anticipated end 12/25 00:00.</p> <p><b>17:20</b> EEA1 declared.</p> <p><b>20:20</b> End of EEA. Conservative Operations Continues.</p>	<p><b>Conservative Operations</b> in effect.</p> <p><b>08:29</b> SPP extends anticipated end of <b>Conservative Operations</b> through 12/25 12:00.</p>	<p><b>Conservative Operations</b> in effect.</p> <p><b>12:00</b> Conservative Operations ends but <b>Resource Advisory</b> in effect until midnight.</p>	<p><b>Weather Advisory</b> in effect.</p> <p><b>10:00</b> SPP returns to <b>Normal Operations</b>.</p>

Note that while SPP briefly declared an EEA1 on two occasions on December 23<sup>rd</sup>, both situations were resolved relatively quickly and did not require KPP Energy to bring additional resources online. KPP was in communication with our market based and designated resource generation throughout

this time period. Like Winter Storm Uri, several of our members' generating units that were committed in the SPP market based on their offers, found that they could not obtain natural gas to meet their commitments. As a result, Augusta and Clay Center generated throughout the cold weather event on diesel to meet their market commitments. Throughout Winter Storm Elliott, KPP staff watched market prices and were prepared to bring on all available diesel generation if prices were consistently above \$400/MWH (this is roughly the cost to generate with diesel).

While SPP peak loads were actually greater during Elliott than Uri, the big difference was the availability of generating resources. While less coal units were available during Elliott than Uri (14.7 GW vs 17 GW) more gas units were available (21.7 GW during Elliott and 13 GW during Uri) and much more wind on average (13 GW during Elliott and 4 GW during Uri). Nonetheless, investigations continue on why some units were not able to get gas despite having firm gas transportation in place.

SPP has also indicated that two of the largest areas of concern during Elliott were ice dams on the Missouri River and gas availability. Historically low river levels and low temperatures in the Upper Great Plains combined to create ice blocks that threatened thousands of megawatts of thermal generation that depend on the Missouri River for cooling.

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## Winter Storm Elliott

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Furthermore, as early as December 20<sup>th</sup> SPP began receiving natural gas notifications that non-firm usage of pipelines would be greatly limited through December 28<sup>th</sup>. Fortunately, while natural gas availability created issues for KPP Energy and others, ice issues on the Missouri River and overall gas availability did not have a large effect on generation availability. This, and abundant wind generation through much of the event, combined to keep market prices well below Uri-type levels.

Winter Storm Elliott is much like nearly every other major weather event - SPP and its members, including

KPP Energy, will continue to learn how to operate more effectively and reliably during these major weather events.

With huge amounts of wind generation in the SPP footprint and ever-increasing reliance on renewable generation, challenges will continue. Additionally, SPP will likely have additional initiatives that we will need to implement as they study the event.

At KPP, we will closely monitor the SPP policy process and keep everyone informed as these changes are debated and implemented.

## City Utility Low-Interest Loan Sees Significant Increase in Interest Rate

The City Utility Low-Interest Loan Program has seen a significant increase in interest rate from 0.25 percent to 2.68 percent, reflecting the current inflationary environment. The program was established in March 2021 to issue loans to cities in Kansas that incurred extraordinary electric and/or natural gas costs during the Winter Storm Uri extreme weather event in February of 2021. The program was developed and is administered by the Kansas State Treasurer's Office.

As written in K.S.A. 75-4237, loans through the program were issued at a rate of 2.00% below the market rate. This rate was initially set at the minimum interest rate of 0.25%.

In accordance with Kansas statutes, the market rate is recalculated on the first business day of January using the market rate in effect at that time. As of January 3, 2023, the market rate was determined to be 4.68%. That market rate determines the interest rate for that

year. Those entities that have remaining balances in the program will see the interest rate on the outstanding balance rise to 2.68%.

Fifty-four cities submitted applications in addition to KPP. The total amount approved was \$78.4 million. Seven cities have repaid their loans in full.

KPP's loan was for \$18.1 million, of which \$4.7 million remains outstanding. KPP currently anticipates paying the loan off in full in July 2023.



## Kansas City BPU to Host 2023 Public Power Lineworkers Rodeo

Kansas will be the host of the national Public Power Lineworkers Rodeo for the first time in recent memory. Kansas City BPU will host the national APPA Lineworker Rodeo that will be held March 31 - April 1, 2023 in Kansas City, Kansas.

The rodeo, dubbed “The Showdown in the Sunflower State” is the premier showcase of public power lineworker skill and knowledge. Journeyman and apprentice lineworkers compete for professional recognition, attend training, and practice essential skills in a safe environment.

For municipal utility lineworkers, the rodeo offers a unique opportunity to:

- Compete with the best in public power while learning and practicing safe work practices.
- Interact with vendors and discover new products and services at the sponsor showcase.
- Participate in hands-on training to expand your knowledge and expertise.
- Connect with peers from other public power utilities to share best practices.
- Learn techniques that lineworkers can use while they compete.

In addition to competing, lineworkers can also participate in two pre-Rodeo training courses:

- Bucket Truck Self-Rescue Techniques
- Proper Cover-up for Lineworkers

The rodeo competition takes place at the National Agriculture Center & Hall of Fame, Bonner Springs, Kansas. Following an opening ceremony at 7:30 a.m. on April 1<sup>st</sup>, the rodeo competition begins and the best lineworkers in the country will compete in such events as cross arm & insulator changeout, cutout relocate, hurtman rescue and more.

More information is available at <https://www.publicpower.org/event/lineworkers-rodeo>



## LIEAP Application Period Opens

The Low Income Energy Assistance Program (LIEAP) is a federally funded program that helps eligible households pay a portion of their home energy costs by providing a one-time per year benefit. The application period for utility customers recently opened.

The 2023 LIEAP application period is from Tuesday, January 3, 2023, through Friday, March 31, 2023. Utility customers may apply online through the [“DCF Self-Service Portal”](#) or by downloading the fillable PDF – LIEAP paper application on the Kansas Department for Children and Families website

In order to qualify, applicants must meet the following requirements:

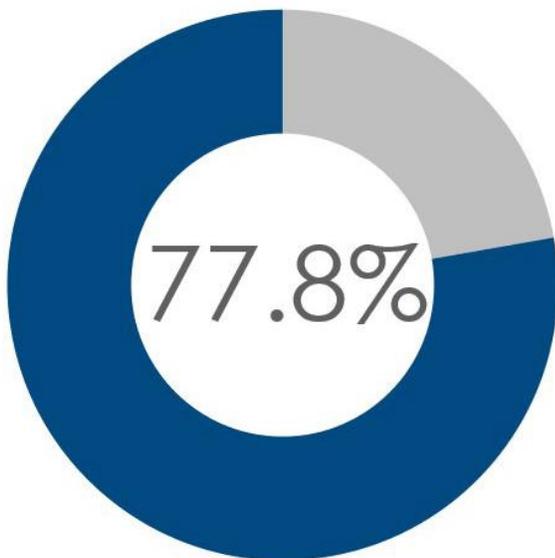
- An adult living at the address must be personally responsible for paying the heating costs incurred at the current residence, payable either to the landlord or the fuel vendor.
- Applicants must demonstrate a recent history of payments toward purchase of the primary heating energy.
- The combined gross income (before deductions) of all persons living at the address may not exceed 150% of the federal poverty level.

Learn more about LIEAP by reading through the [Frequently Asked Questions - LIEAP Frequently Asked Questions](#). Additional information may be obtained by calling 1-800-432-0043.



## Winter Storm Uri Progress

PERCENTAGE OF EXPENSES RECOVERED THROUGH NOVEMBER 2022



Winter Storm Uri Total Expenses

\$21,063,883

Surcharge Recovered

\$16,379,878

Balance Remaining

\$4,684,005



## Event Calender

### 2023 DATES TO REMEMBER

**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

**MAY 18, 2023**

KPP Board Meeting

**JUNE 17-21, 2023**

APPA National Conference  
Seattle, Washington

**JUNE 19, 2023**

KPP Board Meeting

**JULY 20, 2023**

KPP Board Meeting

**AUGUST 17, 2023**

KPP Board Meeting

## KPP Resources by Fuel Source

DECEMBER 2022

