



LIGHTNING ROUND

JULY 2017

CALENDAR OF EVENTS

AUGUST 3

Power Supply Meeting
KMU McPherson, KS

AUGUST 17

KPP Board Meeting
Wichita, KS

SEPTEMBER 29

KPP Board Meeting
Wichita, KS

SEPTEMBER 29 & 30

KPP Fall Planning Retreat
Wichita, KS

OCTOBER 19

KPP Board Meeting
Wichita, KS

NOVEMBER 2

KPP Rate Forum
Wichita, KS

NOVEMBER 16

KPP Board Meeting
Wichita, KS

DECEMBER 15

KPP Board Meeting
McPherson, KS

DECEMBER 15

KPP Annual Meeting
McPherson, KS

(CONTINUED ON NEXT PAGE)

KPP Bond Ratings Reaffirmed

KPP received good news during the month of July from both Moody's Investor Services and Fitch Ratings. Both agencies reaffirmed ratings of A3 and A- respectively. Although both firms use different styles for publishing ratings, the two ratings are understood to be equivalent to one other within the financial industry.

In 2015, when KPP sought to acquire an additional portion of the Dogwood Energy Center combined cycle plant, a bond rating was requested from Moody's. Additionally in 2015, KPP inquired to Fitch for the first time. Both agencies recognized the deliberations of the KPP Board and Staff to institute financial and cash management policies which successfully placed upward pressure on KPP's previous rating of Baa1.

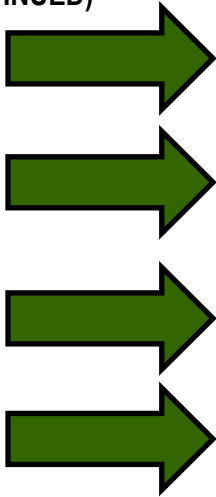
Following the debt issuance in 2015, KPP's bond underwriter, Piper Jaffray, calculated a cost savings attributed directly to the rating upgrade. Not only will nearly \$400,000 be saved over the life of the 2015 debt, but also, savings will be achieved on each future issuance as compared to the costs involved tied to the previous rating. ■

Bond Refinancing "On Hold"

Last month the KPP Board of Directors listened to an unofficial proposal to save more than \$400,000 by completing an advance refunding of the Pool's first bond debt issued in 2012. In the ensuing weeks leading up to last Thursday's July meeting, it was learned that the bond market interest rate had moved. Unfortunately, it did not move in KPP's favor – effectively placing the refunding on hold for the time being.

See **BOND REFINANCING** on page 3

**CALENDAR OF EVENTS
(CONTINUED)**



Reminder: August 3rd Power Supply Meeting in McPherson

Following up KPP's engagement of Tenaska Power Services, the KPP Board of Directors listened last Thursday to a presentation of the preliminary generation study performed by Tenaska. Recalling that Tenaska was engaged to assist with the critical challenge of replacing power resources set to expire beginning in 2022, KPP members are encouraged to attend the next Power Supply Meeting on August 3rd.

The KMU Training Center in McPherson will be the site of the next meeting. Start time is 11:00. Your RSVP is important to the success planning of this timely event. RSVP to James Ging at: jging@kpp.agency

Geographic locations, technology types and timing have been under consideration since KPP members met in March to embark on this phase of resource planning. The KPP Staff and Board are determined to find solutions that cost-effectively provide for the covering of loads and for capturing opportunities in the market as they arise. ■

KPP Board Seats Opening Soon

For the first time in KPP's 12-year history, seats on the KPP Board of Directors are opening due to term limits specified in the Agreement Creating the Kansas Power Pool. At the end of this year, one seat currently held by Gus Collins (filling an unexpired term) expires along with 3 others. Although Gus is eligible to be reappointed to the Board, Barry Hodges (Minneapolis), Bill Callaway (Clay Center) and Bob Peter (Ellinwood) will have served the full length of term provided for in KPP's governing documents.



Noting the wealth of institutional memory and insight possessed by the 3 departing Board members, KPP is at a critical moment in the continuation of needed industry guidance by those holding Board seats in the future.

In the fall of this year, a nominating committee will be empaneled by the KPP Board president. This is according to the Operating Agreement. It is expected that the committee will complete an extensive review of potential candidates before submitting a report to the entire membership at our Annual Membership Meeting in December. In December, voting will take place to install Board members who will later make their own selections for officers in the January meeting of the Board of Directors.

See **BOARD SEATS** on page 4



BOND REFINANCING (continued from page 1)

Earlier in the month, KPP’s bond underwriter of record, Piper Jaffray, suggested exploring a “private placement” of the potential bonds. Unlike a public offering, a private placement would anticipate that only 1 purchaser of the bonds would emerge – typically a bank. With approval from KPP management, Piper Jaffray issued a Request for Proposals which produced various responses. In the end, it was seen that the most favorable offer carried proposed terms inconsistent with KPP’s Master Bond Resolution.



John Haas explains financing options to the KPP Board

Knowing that bond markets frequently move up and down throughout the year, it is anticipated that KPP may yet be able to achieve the savings hoped for last month. As explained in the June meeting of the Board, an interest savings was anticipated of the portion of the bonds refunded. The “advance” part of the refunding uses the proceeds from the new bond issue to defease, or retire, the portion of the original bonds that is refunded at the time they are callable (payable) in the future. General Counsel JT Klaus had previously explained that the issuance contemplated would not technically create additional debt; the money would simply be placed into escrow, earning interest, to pay off the equivalent amount when bonds are callable. ■

General Manager Message

Contract Re-Alignment Task: a final update and a comment

By Mark Chesney, KPP CEO/GM

As you may know, March was the month in which KPP Staff first proposed a different contract to 15 of our 24 members. Many will no doubt recall our discussion at the 2016 Fall Planning Retreat when the reasoning was set forth that all members adopt a power purchase contract with identical terms and conditions. We are able to report that 23 of 24 members now have adopted that contract. Attica, who has chosen so far not to sign on, takes service through its contract with KPP which expires January, 2032



The entire exercise was most beneficial and enlightening to the individual member utility, the KPP Staff and the KPP Board. Only one reason why this is so (there are many) is because all those parties were forced – perhaps for the first time – to consider the unique nature of the relationship between the individual member and “the Pool”. Another reason is that those who joined the Pool between 4 and 12 years ago, came recently to understand that the commitment carries lasting implications that may become obvious only over time.

I doubt that anyone actively contemplated in 2005 that KPP would one day issue debt and begin purchasing fixed assets – and yet that has happened. Further, with each passing day, every City accrues more “equity” in those assets. It is difficult to abandon those assets and withdraw from the Pool. And we’re not finished. Soon we will own valuable revenue producing transmission assets. You can see that the commitment only becomes deeper with each passing day.

Many know that when attending meetings of the governing body, I quite often use the word “we” in reference to the Pool. “We” is obviously the correct word, but use of the word is potentially misleading and even risky. In my 5 years at KPP I have become convinced that some citizens, who are in attendance where I may be speaking, assume that I am someone with something to sell. You cannot begrudge human nature. There is surely on occasion a quiet moment in such a person’s mind when a little bit of suspicion enters. Indeed, there were only a few times when I heard someone whisper discontent from the gallery audience as a motion was passed to adopt our contract having a very long term.

See **MANAGER MESSAGE** on page 4

Mark Your Calendar! Fall Planning Retreat is September 29 & 30

KPP's 4th annual Fall Planning Retreat is set to convene in Wichita on Sep 29 and 30. This year's event will again be held at the Hotel at Old Town with meetings across the street at the Conference Center.

The Fall Planning Retreat has become the center stage for members' contribution to critical decisions. In 2014, the green light was given to pursue an additional portion of Dogwood. In the 2015, plans were made to aggressively pursue transmission ownership. And 2016 set the stage for a major alignment of KPP's Purchase Power Contracts. This year's Saturday morning discussion will seek to reach consensus on the proper approach for securing future power resource.

KPP has traditionally assumed the lodging and meal expenses for 3 representatives (and spouses!) from our member communities. Many members have chosen to arrive on Thursday evening. Our start time is Friday at 10:00 AM. Soon we will need your RSVPs and we will be contacting again separately.

Well respected industry experts from throughout the country will be attending to present and lead discussions on the hot topics of our industry. Check out our plans so far:

- Examining the true value of solar
- Net metering and parallel generation requirements
- Revisiting customer (meter) charges – are yours appropriate
- National advocacy of municipals
- Legislative updates
- Transmission construction updates
- KPP Budget overview
- Much more

There are lasting consequences to our decisions. Make plans now to join us for these important discussions. ■

BOARD SEATS (continued from page 2)

According to the terms of our governing documents, persons who serve on KPP's Membership Committee (or alternates to the Committee) are preliminarily eligible to serve on the KPP Board of Directors. Delegation to the Membership Committee is an official action of the City's governing body. The governing documents make no limit on the number of alternates to the Committee.

Earlier this year, a call was made to cities in providing names of persons who may potentially be nominated to serve on the Board. That call is again renewed. The submitting of a name is done according to a response submitted to KPP of a questionnaire provided to the City by KPP Staff. With a deadline of September 30th, cities wanting any additional copies of that questionnaire should contact Mark Chesney at: mchesney@kpp.agency. ■

MANAGER MESSAGE (continued from page 3)

If I say to a city council that "we" (meaning the Pool) appreciate the City and the City's membership, it runs the risk of causing the misunderstanding that somehow the Pool and the City are counterparties – actually, they aren't. As far as electricity is concerned, the Pool is the City and the City is the Pool. You could not reasonably expect someone from the general public to understand this at first. Hopefully, all members of the governing body do understand it. With the fear that it may not be instantly understood, particularly as new policy makers come and go, I am committed to orienting them to the Pool concept and its value. Perhaps you will agree with me, it is not altogether impossible to assume that 12 years from now, a city council member may ask, 'just who is this Kansas Power Pool; why do we pay them so much money each month; and, what on earth is this ECA'.

I am determined to do my part to assure that this never happens. ■

Things You Might Like to Know:

- ⇒ The KPP Board voted at its July meeting to purchase a pole testing drill for use by KPP member utilities.
- ⇒ Not everyone in the KPP family knew that earlier in July Carl Myers, KPP Member Services Director, underwent triple bypass heart surgery in Wichita. He is at home recovering nicely. Although everyone's main concern is for Carl to fully recover, he is expected to return to the office around mid-August.



KANSAS POWER POOL STAFF

MARK CHESNEY

CEO/General Manager

LARRY HOLLOWAY

*Assistant General Manager
for Operations*

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