

LIGHTNING ROUND

June 2020

In this issue:

- *AMI Financing Approved*
- *Board Member Larry Paine Recognized*
- *Lou Thurston Elected to KPP Board*
- *National Conference Attendance 'Virtually' Enlightening*
- *Capacity Sale to OPPD Approved*
- *Investigation Ordered of Everage and 'Activist' Investor*
- *Moody's Investors Service Affirms A3 Rating*
- *Market Research Shows 'High Satisfaction'*
- *Distribution of Energy Resources*

AMI Financing Approved

Financing Pathway Cleared in Advance of Technical Event in August

Following up to presentations made in May, KPP Director of Administrative Services, Brooke Carroll, reported on prospective discussions to be anticipated in the upcoming AMI technical event to be hosted by KPP later this summer.

The talk of AMI installations among KPP members began many months ago. Last September, at the KPP Fall Planning Summit, Stan Luke and Alan Schneider of Burlington, reported on the highly successful deployment in their city.

As other Members have expressed interest in the technology, KPP Staff has brainstormed as to how the Pool may possibly assist Members.

Early on in the June Board meeting, discussions centered on the methods of selecting providers, the needed interface between meter technologies and utility billing systems and the need for project management. Brooke indicated that these topics and others will be the substance of the technical event to be held in McPherson later this summer. However, she placed emphasis on the belief that near-future deployments in other cities may depend on whether financial assistance is available.

With a focus on the extent to which KPP Member Cities may wish to participate Board member Jason Newberry of Wellington noted that the concept of financing provided by KPP, and repaid individually

by a Member City, is much more attractive and proper than the providing of this technology with costs spread throughout the entire Pool. He commented "if KPP is just going to be the financing entity only, this is helpful because this is a big ticket item. A lot of cities need this but are not able." Board member Rex Reynolds, of Mount Hope, spoke of the Agency's abilities to screen technology providers in ways that smaller cities cannot. In attendance was newly appointed Augusta electric department director, Tim Johnson. He commented that Augusta is planning a "complete and virtually instantaneous replacement" of its system to include AMI. He concluded saying that this is something with which KPP could assist Augusta and perhaps others.

Considering various scenarios of implementation and financing arrangements, Board members voted unanimously on a commitment to provide financing for AMI with the expectation that exact expressions of interest from cities will be known following the technical event.

Deployments of AMI across the country began in the previous decade when both utilities and customers began learning of the full range and merits of the technology development.

The technical event is planned for August. More details will be coming soon.

How AMI works



The technical event is planned for August. More details will be coming soon.

Board Member Larry Paine Recognized

Larry Honored for Two Board Terms and Two Years as President

Hillsboro City Administrator, Larry Paine, who is to retire on June 30th, was honored at the most recent meeting of the KPP Board of Directors. In December 2019, Larry completed two consecutive years as Board President. Had he fulfilled his entire term on the KPP Board, his service would have spanned consecutive years since 2010 when the Board was first organized.

Board President, Gus Collins, took occasion last week to honor Larry and regaled the Board with his expressions of appreciation and admiration. Gus acknowledged, “this is bittersweet for me. I am thankful for him. Three and a half years ago, when I was asked to



serve on the Board, I got a call from Mr. Paine. Quite frankly, he was pretty direct in what he required and what he wanted and expected from a Board member. The biggest thing I got from him was the expectation of commitment. He has certainly served as a mentor for me and others including many young city managers. I just want to thank you for all you service. I appreciate it very much.”

Following the presentation of a retirement gift, CEO/General Manager, Mark Chesney, added his appreciation. “Larry, I thank you for helping me in managing various issues and circumstances – especially during times when you were managing your own circumstances.” Larry has successfully battled cancer during more than the past two years.

Larry commented that at his last City Council meeting he shared a thought referencing also his love for the Los Angeles Dodgers. He added, “a couple of weeks before I was born they hired a black baseball player by the name of Jackie Robinson. Throughout his career he had to deal with a lot of things. He left a quote... ‘A life is not important except in the impact it has on other lives.’ That is the way I have tried to look at my job.” Deeper insight into Larry’s professional career was reported on recently by the *Hillsboro Free Press*. A link to that story is [here](#).



Before the June Board meeting continued with other business, Larry announced that his resignation from the KPP Board would be effective “at the end of this meeting.” Hillsboro Mayor, Lou Thurston, was elected by the Board to fill the remainder of Larry’s term.



Lou Thurston Elected to KPP Board

Mayor of Hillsboro to serve remainder of unexpired term

Hillsboro mayor Lou Thurston was unanimously elected to serve the six remaining months for the term of retiring Board member Larry Paine. Lou, who has been very active in KPP meetings and events since his election as mayor, indicated his willingness and preparedness to serve. His service on the Board became effective at the conclusion of the June meeting last week.

Before the election, Board President, Gus Collins, noted the procedure set forth in the Agreement Creating KPP which calls for the Board to elect persons to fill unexpired terms. The general membership otherwise elects persons to serve terms on the Board. Those elections occur at the Annual Membership Meeting in December. At that time, at least two Board seats are expected to be filled by election.

The December Membership Meeting will again be in McPherson on December 11th.



National Conference Attendance 'Virtually' Enlightening

KMU's Colin Hansen is announced as Board Chair-Elect

With the pervasive risk of exposure to the Corona virus, the American Public Power Association (APPA) conducted its 2020 national conference virtually. Original plans called for the Conference to be held earlier this month in Long Beach, CA. With the dramatically reduced expense of a virtual conference, many more KPP Staff were able to "attend" this year doing so in the comfort of either their home or office.



Several KPP Board members also joined some Staff using social distancing in separate locations equipped with needed technology.

With discussion topics once again crafted to address recurring issues of interest to municipalities, attendees were not only able to watch and listen but also to actively participate through electronic question and answer.

With discussion topics once again crafted to address recurring issues of interest to municipalities, attendees were not only able to watch and listen but also to actively participate through electronic question and answer.

APPA members learned this year that despite current challenges across the world, membership in APPA remains at an all-time high of 1443 members. Like many other organizations, quarantines, labor shortages or other disruptions have adversely impacted APPA's revenues. In spite of those circumstances, APPA is healthy and reports that dues receipts have outpaced figures from this same time last year.

Of special note, this year's business meeting portion of the Conference revealed that KMU's Colin Hansen is APPA's Board Chairman-elect. According to tradition, Colin will serve as Board Chairman beginning in June 2021. Congrats Colin!



Capacity Sale to OPPD Approved

Prior Sale to Omaha Public Power District to be Renewed in 2022

Referencing a previous capacity sale to OPPD that commenced in 2017, James Ging, Director of Engineering Services, advised the Board of Directors of another sale opportunity to commence in June of 2022. James reminded Board members that in 2017 KPP sold capacity in a structured deal commencing with 50 MWs in 2017 and declining to 25 MWs in 2019 through May 2022. Most recently, OPPD was seeking 200 MWs for a period commencing June 2022. Responding to their Request for Proposal, the Pool advised that it could contribute 50 MWs for only one year under agreeable terms.



James reported that the value of the sale is more than \$1 million and that the determination of available capacity for sale in only one year follows a careful analysis of all KPP resources after 2021. In years past, the projection of capacity needed to support a TransCanada pump station project in Clay Center has affected the Agency's resource adequacy and budgets. However, current projections and estimated timing on KPP commitments allow for this offering of capacity to OPPD.

The KPP Board approved documentation for the transaction subject to OPPD final approval.

Investigation Ordered of Evergy and 'Activist' Investor

Fears of increases in electricity rates

Prior to the feature story found in the *Kansas City Star* from June 19th, KPP Assistant General Manager, Larry Holloway, reported to the KPP Board last week that the Kansas Corporation Commission ordered a general investigation on Evergy.



"This a big deal", Larry said, adding that, "this is the type of thing that they issued on Westar in the early 2000s." He reported that the KCC order pertains to actions by Elliott Management Corporation – an entity that some have referred to as an activist investor – with the apparent support of rogue investors. Those actions had sought to change management decisions by Evergy if not the composition of their Board.



Larry reported that he had downloaded the very large report by KCC Staff and that he will continue to monitor and follow any further developments.

On June 19th, the *Kansas City Star* reported that the KCC has concerns that "New York-based activist investor Elliott Management Corporation's ideas for Evergy would likely result in increases in electricity rates paid by Evergy customers and may not be in the public's interest." Elliott, a \$40 billion asset management firm, was previously displeased with Evergy arguing that if needed changes cannot be made timely, then Evergy should consider a merger or sale.

Moody's Investors Service Affirms A3 Rating

KPP's Impressive Credit Quality Merits 'Stable' Outlook

Following a review call with Moody's on June 17th, KPP learned earlier this week that the Pool's current rating of A3 is again affirmed with the notation of a 'stable' outlook. The news is received gladly considering that less favorable reports have been published elsewhere in the U.S. pertaining to similar agencies – COVID 19 and its impact on sales and operations being the principal culprit.

In a press release published on June 24th, Moody's reported that the financial metrics of the Pool, and its performance from the previous 3 or 4 years, were significant contributors to the ratings agency decision to again affirm KPP's investment quality rating. Cash on hand, debt service coverage ratio, the management of cash accounts and the strength of KPP's purchase power contracts with Pool Members were specifically called out as supporting the A3 rating.

Prior to the press release, senior KPP Staff spoke with Moody's analysts by telephone. CEO/ General Manager Mark Chesney reported that a fair amount of discussion centered on Moody's knowledge of the Pool's intended plans for bond issuances to support both transmission and battery storage asset additions. He noted that Moody's believes that a responsible performance in managing those leverages may indeed warrant upward and positive pressure on the bond rating ahead of a future issuance for the planned power supply addition after 2022. "Every positive rating and every stable outlook has the effect of lowering borrowing cost. This rating news from this week is very welcomed", Mark noted.

Market Research Shows 'High Satisfaction'

Part Two of Member Satisfaction Report Detailed to Board

In a follow up report to research findings discovered by Great-Blue Research, Director of Administrative Services, Brooke Carroll, completed a close look at areas of examination before concluding with the top areas of expectation by KPP Members.

The 2020 Kansas Power Pool Member Satisfaction Study leveraged a quantitative research methodology to address the following areas of investigation:

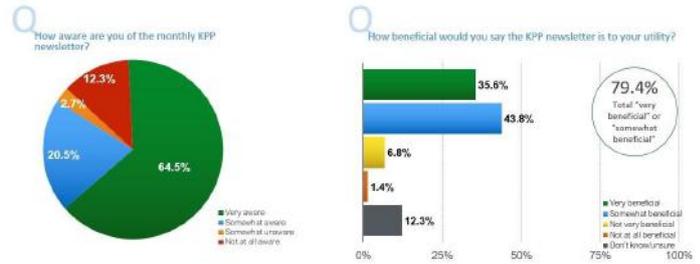
- Overall satisfaction with KPP
- Assessment of various programs and services
- Overall perception of KPP
- Perceived benefit of programs and services
- Current and preferred communication methods
- Member's relationship with customer base
- Demographic profile of respondents

More than 97% of respondents were either highly satisfied or somewhat satisfied with the Agency's communications to Members. In the survey among Members, focus was given on communication methods including email, newsletter and website, etc. 1.4% of the 73 respondents was "not very satisfied". With possibilities including meetings, telephone, social media, etc., there was strong emphasis placed by Members on the preference of email (85%) and the KPP newsletter (57%).

Brooke noted research results showing the extent to which Members felt the *Lightning Round* is beneficial. She noted the 12% of respondents who are unaware of the newsletter's existence. She mentioned that Staff has taken more aggressive steps to ensure that many more are receiving the newsletter regularly.

Majority Rate KPP Newsletter 'Beneficial'

Over eight-out-of-ten respondents, 84.9%, indicated they were either "very aware" (64.5%) or "somewhat aware" (20.5%) of the monthly KPP newsletter and 79.4% of surveyed members reported the KPP newsletter was either "very beneficial" (35.6%) or "somewhat beneficial" (43.8%) to their utility.

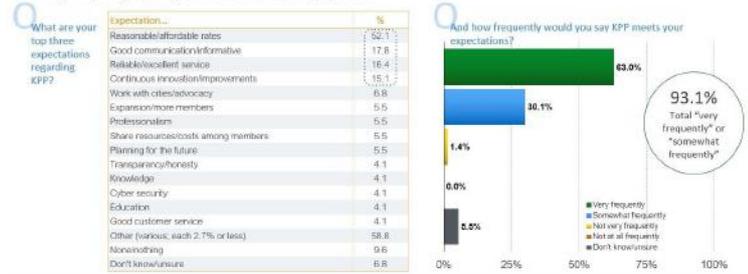


Other research comments pertained to demographics generally and the effectiveness that Members feel they have in securing relationships with their own retail customers.

Brooke concluded noting the top four expectations of the Pool given. Also, indicated on the graph shown here, slightly more than 58% of the respondents mentioned yet other ways improvement can be made in addition to the template options provided by the research tool.

Expectations Met at a High Frequency

The most frequently indicated expectation respondents reported they have regarding KPP was "reasonable/affordable rates" (52.1%), followed by "good communication/informative" (17.8%), "reliable/excellent service" (16.4%) and "continuous innovation/improvements" (15.1%). The strong majority of respondents, 93.1%, indicated KPP meets their expectations either "very frequently" (63.0%) or "somewhat frequently" (30.1%).



KPP Staff members indicated that they do not know the identity of the respondents. However, Staff are most interested in comments given as a means to evaluate the potential offering of other programs, services or communication tools meant to solidify the membership experience.

May 2020 Distribution of Energy Resources

