

KPP Energy Issues Mid-Year Rate Update for 2025

As member communities continue in their budgeting process for next year, KPP staff and financial consultants have updated the agency's rate estimates for 2025. While it should be remembered that the new figures are only rough estimates for next year and very much subject to change during KPP's regular rate setting process this fall, they should provide a better approximation for the budget purposes of KPP member cities.

June 2024 Mid-term KPP Energy 2025 Rate Forecast Compared to 2024 Budget			
		2024 Budget Process	Mid-Year Updated Forecast
		2025	2025
Capacity Demand Rate	\$/kW-mo	\$11.38	\$8.41
Transmission Demand Rate	\$/kW-mo	\$8.76	\$8.76
A&G Demand Rate	\$/kW-mo	\$5.90	\$2.34
Energy Rate	\$/MWH	\$24.95	\$25.99
Overall Average Energy Costs	\$/MWH	\$80.57	\$67.62

Note: Actual 2025 rates will be determined in the 2025 budget process, this is intended to provide a "better" estimate of the 2025 rates than presented in the 2024 budget forecast, but does not represent a full forecast of all budget inputs

When calculating 2024 budget and rates last year, KPP issued a 10-year rate forecast that showed an anomaly for forecasted 2025 budget and rates due to the assumed financing costs of the PACE and Walnut projects. After further consultations with the agency's financial experts, some of those assumptions have been modified. Most significantly, by arranging bond issuances and short-term financing estimates as an alternative to a simple bond issue, KPP is able to defer bond payments and the associated

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debt service coverage requirements until the projects are in service. As such, the agency can utilize the associated depreciation to lower the required debt service coverage rider in the administrative costs.

KPP developed a “mid-year” budget forecast for 2025 utilizing these newer financing proposals and estimates. In lieu of making payments on a bond issuance for the Walnut Energy Center project, the estimate sets aside \$5 million for Walnut in 2025 to fund equipment procurement.

It should be noted again that while this update should more accurately reflect the approximate rate numbers that will eventually be a result of KPP’s detailed 2025 budget process, members should expect that the actual numbers for 2025 will be different.



Ellinwood Receives Energy Efficiency Grant for LED Lighting Conversion

Ellinwood has been awarded a grant of \$35,351 from the Energy Efficiency and Conservation Block Grant (EECBG) Program. This funding will enable Ellinwood to complete the city’s LED lighting conversion project, a significant step in improving the town’s energy efficiency and sustainability.

The project will replace outdated 250 and 150-watt High-Pressure Sodium (HPS) and Mercury Vapor lights with new LED fixtures. Specifically, the grant will provide for 38 cobra head style LED lights and 171 residential intersection lights. This upgrade is expected to save the city approximately \$12,500 annually in energy costs.

In addition to the financial savings, the new LED lights will offer better illumination, enhancing public safety and visibility throughout the town. The transition to LED lighting will also contribute to environmental

conservation by reducing the city’s carbon footprint. Congratulations to Ellinwood on the successful grant application.



HAS YOUR CITY RECEIVED A SIMILAR GRANT? PLEASE LET US KNOW BY EMAILING LESLIE ATHERTON AT LATHERTON@KPP.AGENCY



Waterville Energizes New Substation

KPP MEMBER SPOTLIGHT

The City of Waterville, in cooperation with KPP Energy (KPP), is proud to announce the completion of a significant infrastructure project at the Waterville Substation. This infrastructure investment represents the City's commitment to enhancing service reliability and operational efficiency for the City of Waterville and its citizens.

In the spring of 2020, following routine testing, Evergy identified a need to replace the 40-year-old 34.5/4 kV transformer in the Evergy Waterville substation. Evergy decided that, given the age of the transformer and substation, that it would need to rebuild the entire substation. The cost of this project, as proposed by Evergy was estimated to be around \$700,000 (in 2020 dollars) and was estimated to increase the monthly wholesale distribution charge for Waterville from \$310 to around \$8,000.

KPP Energy staff worked with trusted contractor Electricomm to develop an alternative solution that would be owned and operated by the City of Waterville. In October 2020, Electricomm and KPP Energy entered into an agreement to construct a new substation for the City of Waterville at an estimated cost of \$520,000. The new substation design consists of pad mounted construction. Unlike the 40-year-old substation it replaces, the pad mounted construction provides less exposure to the elements and wildlife.

The cost of the substation takes advantage of a tax-free KPP bond issue on behalf of Waterville. As expected, with inflation since that time and delays from material procurement issues, the final cost is greater than the original estimate. However, the overall Waterville monthly payments are expected to be around \$3,500 a month, significantly less than the 2020 Evergy cost estimate, and certainly less than the final cost and charges that would have been expected with the Evergy built and owned project.



On June 13th, the substation was energized. Estimating the expected inflation of the Evergy proposal and their current Evergy wholesale distribution service charge structure, the advantageous financing and lower cost project will allow Waterville to save at least \$5,000/month.

KPP's long-term agreement with the City of Waterville, as one of its 24 member cities, enables the agency to make long-term investments in generation and transmission assets that benefit the community. The Waterville Substation project is a testament to this partnership and KPP's dedication to its member cities.

"This project is a great example of the opportunities that small communities have to make significant reliability improvements and save money through local leadership and vision in partnership with KPP."

- Larry Holloway, KPP Asst. General Mgr. - Operations



Augusta's Cain Receives APPA Robert Roundtree Award

FIRST KANSAN TO RECEIVE APPA RISING STAR AWARD

Marc A. Cain III, Electric Production Superintendent for the City of Augusta, Kansas, Electric Utility, received the Robert E. Roundtree Rising Star Award during the American Public Power Association's National Conference in San Diego, California. The award is a scholarship presented to future leaders in public power. Cain will receive a stipend to travel to one of APPA's conferences or training programs to advance his education and development in public power.

Cain brings initiative, innovation, and technical expertise to his work, identifying opportunities for enhancement and taking proactive steps to effect change. In addition to his contributions on the utility's operational side, Cain has spearheaded an elementary school coloring contest during Public Power Week and organized a food drive to benefit a community center.

Marc regularly participates in city council meetings, endeavors to enhance safety reporting protocols and operational processes, and undertook the process of submitting the utility's application to be recognized as



a Reliable Public Power Provider, for which the utility in April received the Platinum designation this year.

KPP CEO & General Manager Colin Hansen congratulated Cain on the award. "Since the advent of this prestigious APPA award for rising stars in the public power industry, Marc is the first Kansan to receive the recognition. KPP is proud to claim Marc as one of our own and congratulate him on the well-deserved award."

Three New FERC Commissioners Confirmed by Senate

CHANG, ROSNER & SEE BRING FERC TO FULL SLATE OF FIVE COMMISSIONERS

On June 13th, the U.S. Senate confirmed three new members of the Federal Energy Regulatory Commission (FERC):

- David Rosner (D) for a term expiring June 30, 2027
- Lindsay S. See (R) for a term expiring June 30, 2028
- Judy W. Chang (D) for a term expiring June 30, 2029

FERC has been operating with only three of five commissioners following the departure of Richard Glick in January 2023 and James Danly in January 2024. Current Commissioner Allison Clements' term ends on June 30. As such, once the three new members are

sworn in, FERC will be back to operating with a full slate of commissioners. The new members will be joining FERC Chair Willie Phillips and Commissioner Richard Christie.

A statement by FERC Chairman Willie L. Phillips said, "Congratulations to Judy, Lindsay and David on being confirmed by the U.S. Senate to be members of the Federal Energy Regulatory Commission. As I have said many times, the Commission works best when it has five members, so I look forward to welcoming them to the Commission so we can work collaboratively to ensure reliable, affordable and sustainable energy for all consumers."



U.S. Senators Marshall & Moran Assist with Kansas Transmission Costs

U.S. Senators Roger Marshall, M.D. and Jerry Moran announced on June 7th that the Federal Energy Regulatory Commission (FERC) is adjusting its electricity transmission costs that were forcing Kansas consumers to pay exorbitant amounts to transport wind energy produced in Kansas to other states. The Senators noted that the “decision is a tremendous victory for Kansas consumers who will save money by paying less to subsidize the transportation of electricity for other consumers’ use. “

“FERC’s ruling is a major win for Kansan consumers. Our state is proud to be a leader in energy production, but that doesn’t mean Kansas consumers should be forced to foot most of the bill so consumers in other states can enjoy our services at a discount. Not only was this an unnecessary financial burden for Kansans, but FERC was also acting in violation of its own requirement that transmission costs must be based in relation to the benefits received by consumers,” Senator Marshall said.

“I’m glad FERC corrected this misaligned policy and Kansas ratepayers will now save \$9.9 million a year.”

“Kansas is home to an abundance of energy production, and FERC’s ruling to revise transmission costs will benefit families and businesses across the state,” Senator Moran said. “This new adjustment removes unnecessary burdens from Kansans to make life more affordable, and I am grateful FERC has corrected its policies to make sure costs are allocated in a manner that is more commensurate with the benefits received.”

Senators Marshall and Moran first called on FERC in September 2023 to issue an order that would stop Kansans from paying for 67% of wind energy transmission costs when they only need to use about 30% of wind-generated energy. When the concerns of Kansans expressed in the September 2023 letter went unaddressed by FERC, the Senators followed up with the agency in April 2024.



June Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER



The KPP Energy Board of Directors held their regular monthly meeting on June 20, 2024, virtually and at KPP offices in Wichita. A summary of meeting highlights is provided here:

May 2024 ECA

KPP Director of Engineering

Services James Ging presented the May 2024 ECA calculation. Total costs were below budget by \$91,766. Energy costs were below budget \$540,952; transmission costs were above budget \$79,081, and capacity costs were above budget by \$371,836. The actual May 2024 ECA was \$0.00410 vs. budgeted of \$0.00084.

Financial Statements

KPP Controller Vickie Matney presented written financial statements for the period ending April 30, 2024, showing a net position before DAI of \$1,850,439 and an increase of \$14,402 in net position since last month. Vickie Matney also provided information on the collection and disbursement of Walnut Center and PACE ECA funds.

PACE Project

The PACE project continues to move forward with several notable items of progress:

- There remain only a few open items left to submit to USDA, including three system impact studies and an update to the community benefit plan. KPP hopes to have confirmation of the PACE loan from USDA over the next several months.
- Ging demonstrated a dynamic spreadsheet to continue to evaluate the financial feasibility of and rate of return on the project. Plugging in several

educated assumptions - with assistance from Priority Power and KPP Assistant General Manager of Operations Larry Holloway - and basing the annual loan payment at \$1.735 million, the rate of return on the project range is 1.17 to 1.32, illustrating the benefit of the project to the entire KPP membership.

KPP Resource Adequacy

Holloway reviewed the GADS data turned in for April 2023 through March 2024 as a preliminary look at resource adequacy. He said there are some problems with the way the calculation works, particularly in a season where a unit is not operated. It will be critical, Holloway advised, to keep KPP member generating units operable during summer.

Walnut Energy Center Update

Holloway advised that the projected date for the Generation Interconnection Agreement has not changed since the last update and that he remains hopeful to have it by March 2025. The study for the air permit is nearly ready to be submitted to KDHE. Once submitted, it will take an estimated 9-12 months to receive the actual permit. With those two things in mind, Holloway advised the Board may be asked to approve looking at financing in April or May of 2025. KPP staff continues to work with Burns & McDonnell to get equipment specs out to go ahead and order long-term items.

KPP Energy Strategic Plan Update

KPP CEO & General Manager Colin Hansen provided the Board with an update on the work staff has done toward the 2024 Work Plan, a part of the 2024-2028 Strategic Plan. He specifically outlined progress items under the strategic plan's three high-level objectives of "Evaluate Capacity," "Add Capacity," and "Member Engagement & Support."



SPP Forecasts Sufficient Energy for Higher-Than-Normal Summer Temperatures

Southwest Power Pool (SPP), responsible for coordinating electric reliability in a 14-state area in the central United States, expects to have enough generation to meet energy demand despite higher regional temperatures this summer.

“As a regional transmission organization, SPP’s top priority is to ensure reliability” said Bruce Rew, SPP senior vice president of operations. “We work with our member utilities to monitor the electric grid, maintain contingency plans, and collaborate during periods of operational challenges. While we anticipate no major concerns this summer, we are prepared for any circumstance. Despite a forecast of higher-than-normal temperatures, SPP is confident in our ability to keep the lights on for the 18 million people in our region.”

SPP presented its summer forecast to stakeholders during its bi-annual Emergency Communications User Forum meeting on May 21.

SPP conducts this assessment each year to identify and mitigate threats to energy reliability during the summer season lasting from June to September. The analysis considers factors such as historical and predicted future electricity use, weather forecasts, the variability of

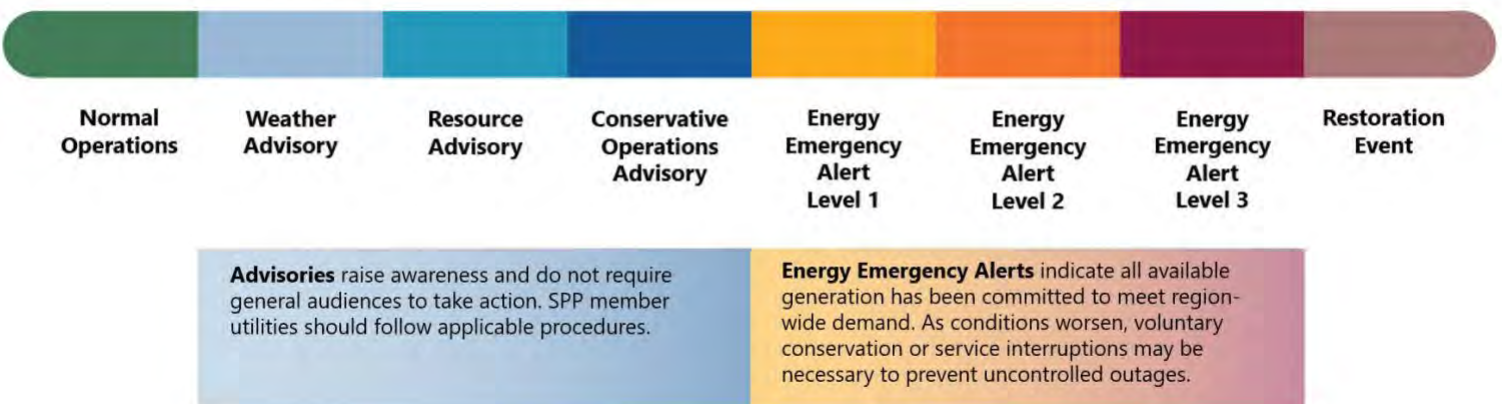
available wind energy, drought conditions and generation and transmission outages.

Meteorological models predict a 33-50% chance of greater temperatures this summer at varying levels in the SPP footprint. There are similar percentages of chances for below normal rainfall in the states served by SPP. There is a 90% probability of SPP serving all loads during summer peak usage hours.

If extreme weather, unexpected outages or other circumstances affect the region, SPP has systems, tools and procedures ready to mitigate risks and maintain electric reliability. Under different scenarios, the grid operator may call on generating units to commit to run earlier or more often than usual, delay planned outages, import energy from neighboring systems or tap into available reserves depending on the severity and duration of events affecting energy reliability.

If conditions threaten reliability, SPP will communicate with members, stakeholders and the public through the grid notice email distribution list and social media. Current grid conditions can be found at www.SPP.org/grid-conditions.

SOUTHWEST POWER POOL GRID CONDITIONS





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All KPP Energy Members & Guests are Invited
KMU Training Center, McPherson, KS
9AM to 3:30PM
Lunch Will Be Provided

Register at
www.kpp.agency
or by contacting Brooke Carroll
at bcarroll@kpp.agency.



KPP Energy CEO Receives American Public Power Association’s Exceptional Leadership Award

APPA PRESS RELEASE

Colin Hansen, CEO and General Manager of KPP Energy, received the Alex Radin Distinguished Service Award during the American Public Power Association’s National Conference in San Diego, California. The award is the highest award granted by APPA. It recognizes exceptional leadership and dedication to public power.

Hansen has been a leader in the public power industry for more than 30 years. He began his career with the Iowa Association of Municipal Utilities, where he authored a book on the evaluation of demand-side management and earned the role of Assistant Executive Director. After seven years, he transitioned to the role of Executive Director with Kansas Municipal Utilities, where Hansen oversaw tenfold revenue increases and growth in membership by thirty utilities. During this tenure, he led the development of the KMU training center, which hosts more than 150 events each year and continues to play a pivotal role in training municipal utility employees.

In 2021, Hansen transitioned to his current position of CEO and General Manager with KPP Energy. Hansen has helped prepare the joint action agency for the future by spearheading the development of a new 54-megawatt power plant to come online in 2026, in addition to overseeing the implementation of 20-megawatt solar arrays across nine KPP Energy member cities.

During his career, Hansen has advocated on behalf of public power at the local, state, and national levels, responding in the wake of 2021’s Winter Storm Uri to help establish a \$100 million state loan fund for communities experiencing unprecedented costs. From 2021-2022, he served as Chair of the APPA Board of Directors. Moreover, Hansen has represented the American Public Power Association on the Consumer Federation of America Board of Directors.



Event Calender

2024 DATES TO REMEMBER

JULY 9, 2024

KPP Generation Task Force Meeting

JULY 18, 2024

KPP Board Meeting

AUGUST 1, 2024

RP3 Working Group

AUGUST 13, 2024

Cybersecurity Summit
McPherson, Kansas

AUGUST 15, 2024

KPP Board Meeting

AUGUST 29, 2024

RP3 Working Group

SEPTEMBER 19, 2024

KPP Board Meeting

OCTOBER 3-4, 2024

KPP 2024 Conference

OCTOBER 17, 2024

KPP Board Meeting

NOVEMBER 1, 2024

KPP Rate Forum

DECEMBER 11, 2024

KPP Annual Members Meeting

KPP Resources by Fuel Source

MAY 2024

