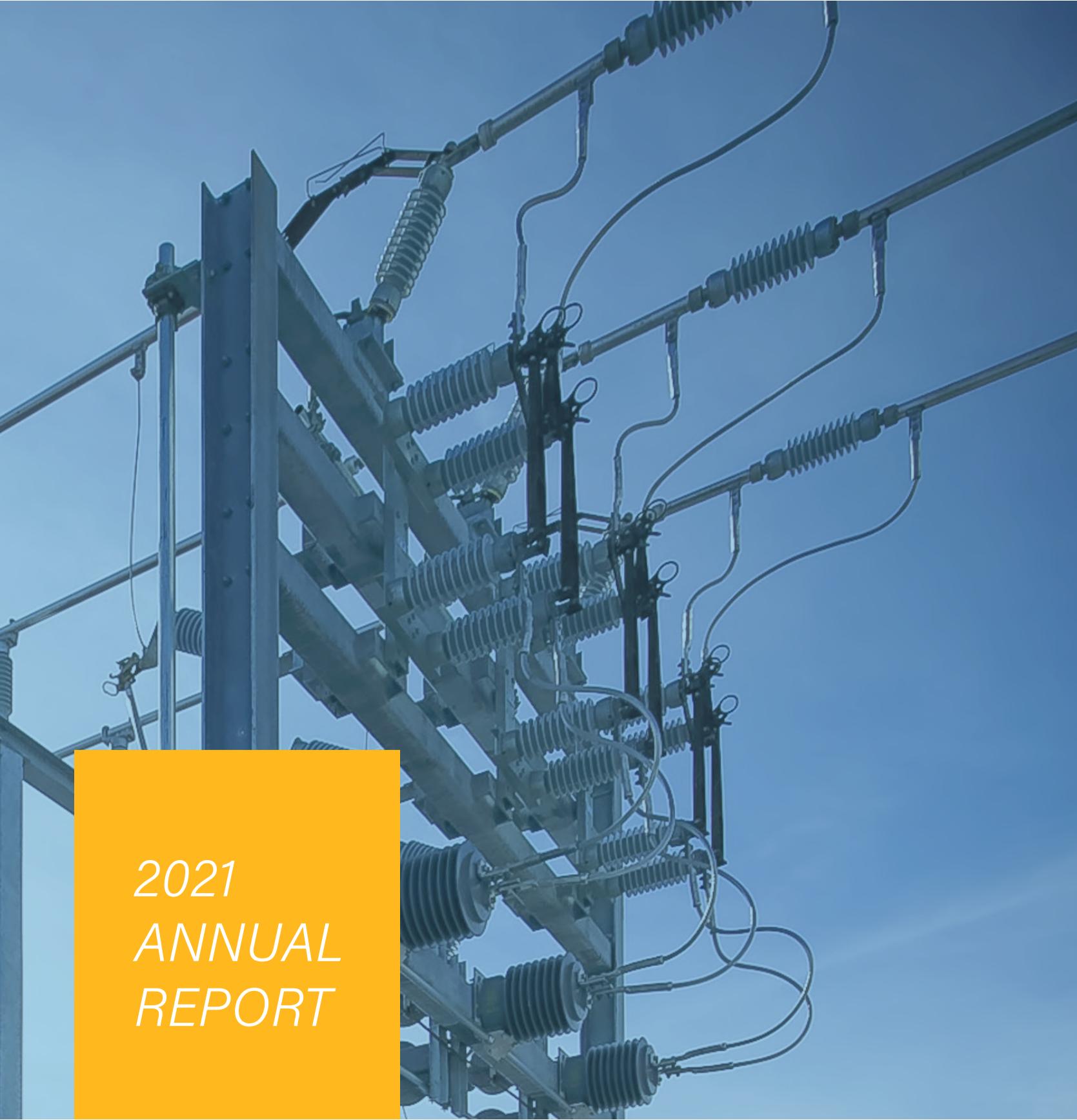




# 21

KPP 2021 ANNUAL REPORT



# Contents

## 2021 ANNUAL REPORT

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# Management Message

## STRENGTH AND RESILIENCE THROUGH JOINT ACTION



Colin Hansen, CEO / General Manager and Scott Glaves, KPP Board President

Over the past two years, one word that perhaps has been used more often than nearly any other is “unprecedented.” An “unprecedented” global pandemic. An “unprecedented” February 2021 winter storm that nearly crippled the electric and natural gas utility industry from the Gulf of Mexico to the Canadian border. “Unprecedented” other challenges across Kansas, the United States and the world. While that word might not be the most appropriate one to describe the past two years, it does capture the serious nature of what the utility industry has faced.

During these challenging times, the critical importance and value of joint action becomes crystal clear. Our collective resilience and success is achieved in the face of difficulties by working together and maintaining a laser focus on our mission and core values. We could not be prouder of how

the agency conducted business in 2021 and achieved great success amidst adverse conditions. Heartfelt thanks to the members of KPP and the Board of Directors for their steady leadership and stewardship.

The Kansas Power Pool (KPP) is committed to building and maintaining partnerships to benefit and empower our member communities. All while maintaining a steady focus on delivering reliable, affordable power, forward-thinking services and effective advocacy.

The KPP mission statement notes that we serve our members by providing cost-effective and reliable public power and services through collaboration and innovation. That collaboration and innovation was abundantly displayed in 2021 through a variety of successful projects and services.

KPP was proud to cut the ribbon on the Solomon Energy Storage Facility, a small battery storage facility in member city Minneapolis that is the first to be offered in the Southwest Power Pool (SPP) Integrated Market. The agency continues construction of the Kingman Cunningham substation that will bring substantial benefits to the City of Kingman and the pool. These are the first transmission assets constructed and owned by the pool. Seven KPP members took advantage of KPP financing and engineering assistance to purchase and install advanced metering infrastructure (AMI). With the assistance of KPP, the City of Marion substantially improved their utility’s distribution system by upgrading the voltage from 2.4 kilovolts (kV) to 12.5 kV. These are but a few of the projects and services provided to the KPP membership in 2021 that are highlighted in this annual report.

2021 was also a year in which a transition began in the leadership of our agency. We would be remiss if we did not pause for several moments to recognize and thank Mark Chesney for his visionary leadership and dedicated management of the agency. For nearly ten years, Mark advanced KPP and charted a course for the agency’s success.

For more than a century, public power has shown resilience in the face of national, regional and state challenges thanks to the core values that make us public power. Now more than ever, those same values provide us with the foundation to not only weather the storm but chart a course for even greater achievement and success ahead.

COLIN HANSEN

CEO / General Manager

SCOTT GLAVES

KPP Board President

# KPP Board of Directors



*Scott Glaves,  
KPP Board President  
Clay Center, Superintendent of Utilities*

Scott Glaves has served as Superintendent of Utilities for the Clay Center Public Utilities Commission since April of 2017. Scott started with the CCPUC in 2005 as an apprentice lineman. He holds a Bachelor of Science from Kansas State University in Criminology/Sociology and an Associates from Manhattan Area Technical College in Electric Power and Distribution. Scott enjoys spending time with his family, hunting, and fishing. He and his wife Amy, have two boys, Brigham and Brady.



*Jason Newberry,  
KPP 1st Vice President  
Wellington, Assistant City Manager for Utilities & IT*

Jason Newberry is a native of Wellington, KS and has worked for the city in various roles for over 20 years; currently serving as Assistant City Manager for Utilities and IT. Jason received his Master of Public Administration from Wichita State University and takes great pride in serving the public with a passion for local government. Jason and his wife Whitney, have two children, Baylee and Easton. In his down time, he enjoys spending time with his family, hunting, and fishing.



*Lou Thurston,  
KPP 2nd Vice-President  
Hillsboro, Mayor*

Lou Thurston is a native Kansan. He received a degree in Public Affairs from Emporia State University. Early in his career he served in the City Manager's office in Emporia. Currently he is employed in the label and packaging industry as an Account Executive for Grace Label, Inc. Lou has served the community of Hillsboro for 14 years as a board member on the Hillsboro Development Corporation and currently serving a third term as Mayor. Lou is married to his wife Lori. They have two children, 5 grandchildren, and 4 great-grandchildren. In his spare time, he loves to travel, read, and spend time with his family.



*John Wheeler,  
KPP Board Secretary  
Marion, Former City Council Member*

John Wheeler was elected to the KPP Board of Directors in 2018. He has served on Marion's Planning & Zoning committee for 4 years, and on the Airport Advisory Board for 4 years. John has been in the lumber industry for 23+ years. He started his career in Idaho during college, transferred to northern Illinois, and currently works for his son and brother at The Building Center in Marion, KS. John and his wife Megan have 3 children, Morgan, Aspen, and Gunnar.



*Gus Collins, KPP Board Member  
Winfield, Director of Utilities*

Gus Collins is currently serving as a Director of Utilities for the City of Winfield, KS since August 2014. A native of Emporia, KS, Gus earned a Bachelor of Science degree in Business from Emporia State University. Prior to accepting the position in Winfield, Gus served as City Manager of Wellington, KS for eight years. Gus has over 36 years of local government experience. Gus has served on the KPP Board for 5 years and as the President of the Board for 2020 and 2021. His hobbies include golfing, hunting, fishing, time with family, including extended family, and watching sport related activities.



*Greg Graffman,  
KPP Board Member  
Kingman, City Manager*

Greg Graffman has been the City Manager for the City of Kingman since September 2017. He also maintains a small legal practice in Kingman as well. Greg earned his Bachelor of Science in Secondary Education from Oklahoma State University, a Master of Education from the University of Southern Mississippi, and a Juris Doctorate from Washburn University. After law school, Greg moved to Kingman in 2003 and has lived there ever since. He was the City Attorney prior to accepting the City Manager position. Greg enjoys time with family, cooking, and watching Oklahoma State sports.

# KPP Board of Directors Continued



*Tim Johnson,  
KPP Board Member  
Augusta, Director of Public Utilities*

Tim Johnson is the Director of Public Utilities in Augusta, KS. With almost 30 years of experience in local government, Tim has served in numerous cities throughout Kansas in areas of city management, budget and finance, community development as well as in water and wastewater utility administration. Tim earned a Bachelor of Arts and a Master of Public Administration – both from Wichita State University. As well, he earned a Master of Arts from Gonzaga University in Organizational Leadership. Tim and his wife Brenda love spending as much time as possible with their four children and nine grandchildren, working in their yard, and traveling.



*Chris Komarek,  
KPP Board Member  
Ellinwood, City Administrator*

Chris Komarek has served as City Administrator in Ellinwood, KS since 2016 and has been employed by the city for more than 4 decades. For 36 years, Chris worked in the city's electrical distribution department – 9 years as its Superintendent. Chris has been a strong supporter of KPP and has helped KPP formulate operating policy and practices pertaining to power supply, transmission adequacy, member services, and the introduction of emerging technologies as part of the KPP portfolio. Chris recently retired from the volunteer fire department after serving for 40 years, 26 years as Fire Chief. Chris has two boys and five grandchildren. He and his fiancé Alexandra enjoy traveling and visiting haunted areas.



*Rex Reynolds,  
KPP Board Member  
Mount Hope, Former City Council Member*

Rex Reynolds is currently the Executive Vice President at Legacy Bank in Wichita, KS. Rex is familiar and well respected in west Sedgwick County where he has spent 30+ years in banking. He and his family currently reside in Mount Hope, KS - their home for over 25 years. Rex has been a member of the KPP Board of Directors since 2016 and a former member of the Mount Hope City Council. In that capacity he has been the Electric Commissioner for the majority of that time. He also participates and supports many community initiatives and activities.



**“ THE KPP BOARD** sets policy for the KPP and makes decisions about the operation of the organization, contracts and other legal matters, programs and services, and staffing level.

# KPP Staff



*Colin Hansen - CEO / General Manager*



*Larry Holloway - Assistant General Manager / Operations*



*Brooke Carroll - Director of Administrative Services*



*Ivan Seward - Senior Accountant*



*Vickie Matney - Controller*



*James Ging - Director of Engineering Services*



*Delaney Hirst, Accounting Intern*



*Linda Joplin - Administrative Assistant*

# WE ARE ALL part of the team



## VISION STATEMENT

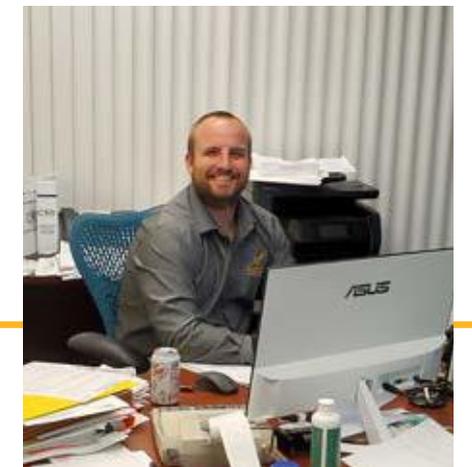
KPP will provide outstanding services and exceed the future requirements, expectations and needs of its member utility customers and communities.



*J.T. Klaus, KPP General Counsel,  
Triplett Woolf Garretson, LLC*



*Gavin Rose, KPP Shared Cyber Analyst,  
Custom Internet Services, LLC*



# Member Cities

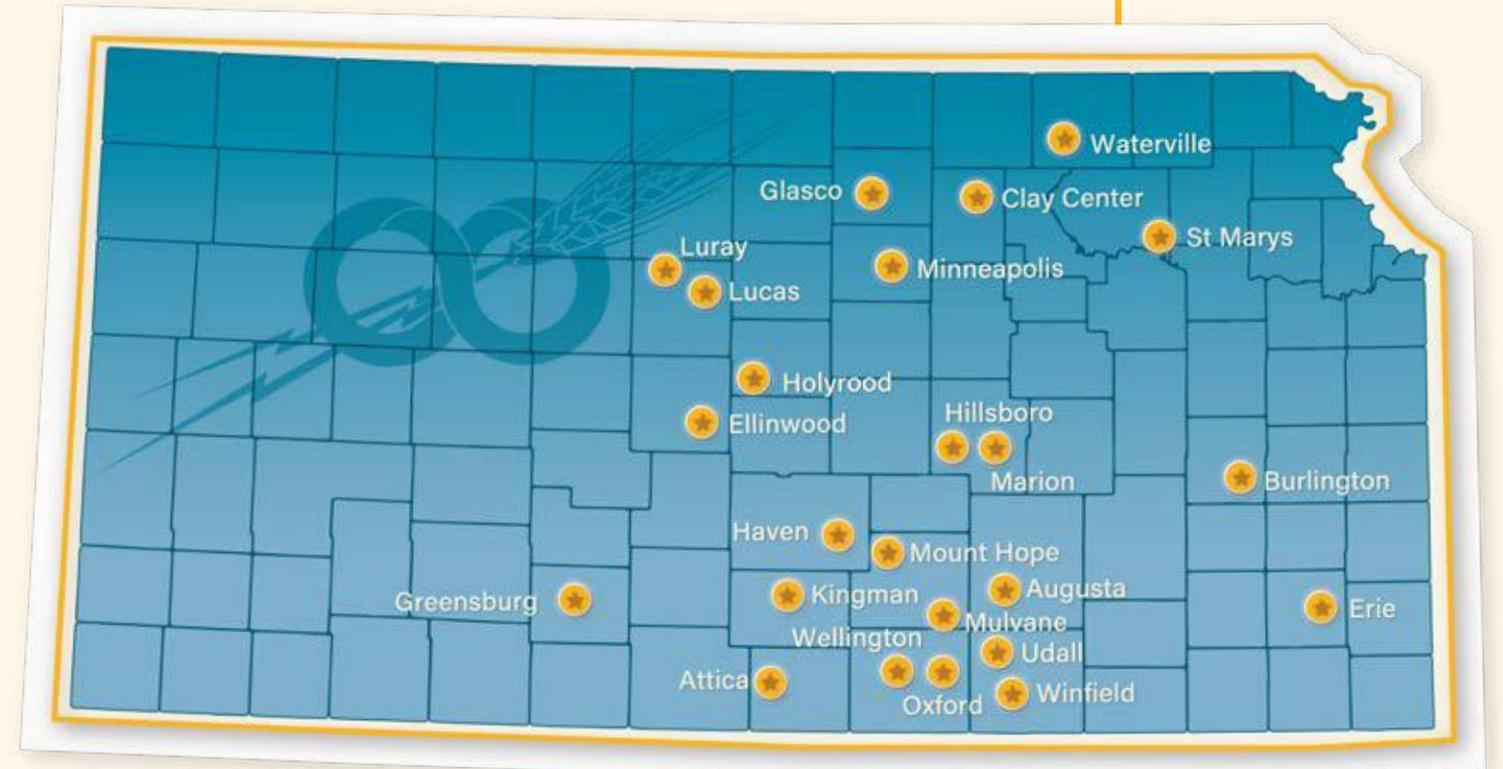
## GENERATING MEMBERS

Generating Members	Population	Electric Meters	2021 Peak Load (kW)
Augusta	9,342	4,359	22,675
Burlington	2,560	1,775	9,233
Clay Center PUC	3,989	2,767	14,212
Ellinwood	1,969	1,250	5,360
Erie	1,085	639	3,223
Kingman	2,906	1,985	11,463
Minneapolis	1,933	1,107	5,726
Mulvane	6,416	2,761	10,996
Oxford	1,005	600	2,633
Wellington	7,504	4,632	28,106
Winfield	11,947	7,357	62,890

## NON-GENERATING MEMBERS

Non-Generating Members	Population	Electric Meters	2021 Peak Load (kW)
Attica	620	437	1,786
Glasco	453	400	1,139
Greensburg	791	556	3,288
Haven	1,196	649	3,496
Hillsboro	2,834	1,480	7,884
Holyrood	422	315	1,134
Lucas	391	338	1,943
Luray	184	151	691
Marion	1,787	1,191	5,394
Mount Hope	800	392	1,791
St. Marys	2,636	1,000	6,432
Udall	695	357	1,580
Waterville	639	428	1,556

## Member Cities Map

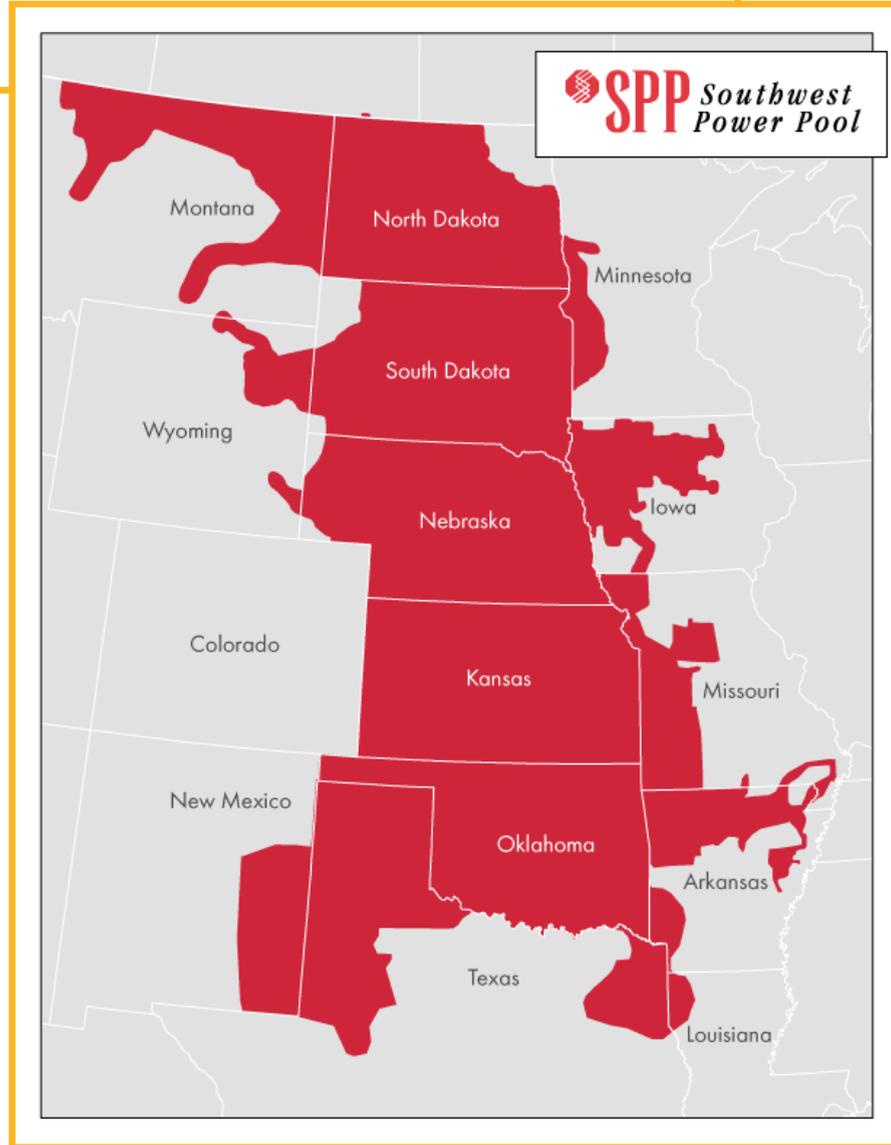


# About the SPP: Southwest Power Pool

## FOOTPRINT

### MEMBERS IN 14 STATES:

- Arkansas
- Iowa
- Kansas
- Louisiana
- Minnesota
- Missouri
- Montana
- Nebraska
- New Mexico
- North Dakota
- Oklahoma
- South Dakota
- Texas
- Wyoming



## SYSTEM METRICS AND MILESTONES

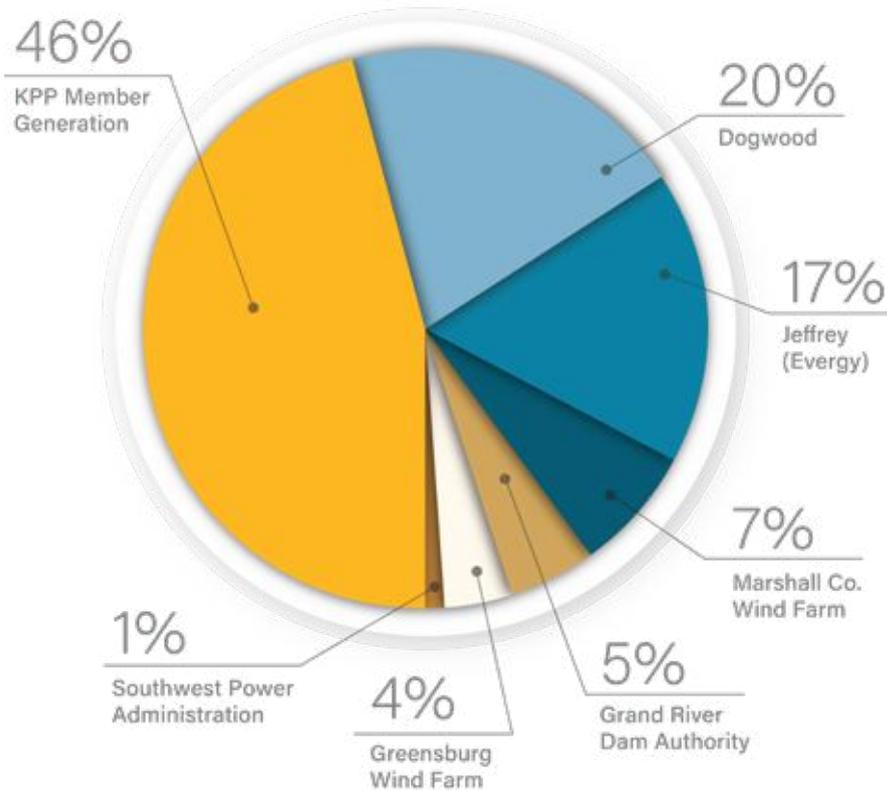
- 
- Wind Penetration Record: 88.5% (3/29/22, 02:42)
  - Renewable Penetration Record: 90.2% (3/29/22, 02:42)
  - Wind Peak: 22,915 MW (3/28/22, 22:34)
  - Renewable Peak: 23,802 MW (3/28/22, 21:25)
  - Peak Load: 51,037 MW (7/28/21 16:24)
  - Miles of Transmission Lines: 70,025
  - Marketplace Savings: \$5.65B (as of April 2022)

# Energy Resources

**GENERATION RESOURCES:**

KPP members are served by resources obtained by either pooling members' purchase power contracts, utilizing member's generation, or directly by KPP purchase power agreements, such as the Jeffrey Energy Center participation agreement, the Greensburg Wind Farm purchase power agreement, Marshall Co. Windfarm Purchase Power Agreement, or KPP owned resources, such as KPP's ownership share of the Dogwood Combined-Cycle Plant.

**2021 KPP CAPACITY SOURCES**



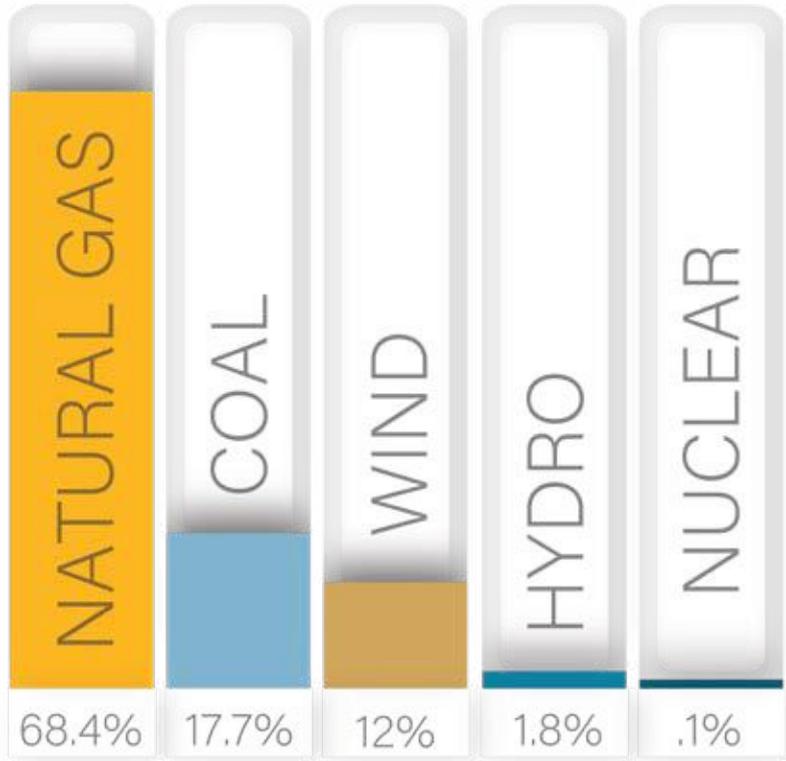
**CAPACITY RESOURCES CHART**

The Capacity Resources chart illustrates the demonstrated deliverable capacity of KPP's generation resources and the percentage of KPP's total capacity each resource represents. As illustrated, KPP's generation resources have a diverse fuel mix. SPP requires KPP to maintain, operate, and offer into the SPP Integrated Market (IM) generation capacity equal to at least 112% of KPP's peak load. Listed wind resources (Greensburg and Marshall) are a combined name plate capacity of 37.5 MW with an SPP accredited capacity of 6 MW toward KPP's capacity requirements. The actual dispatch of KPP capacity resources depends on the need of the SPP market. All KPP resources, even those that are used infrequently, serve to not only meet SPP capacity requirements, but also as a hedge to protect KPP's members from spikes in market prices. As illustration shows, the majority of KPP resources use natural gas as a fuel.

**FUEL MIX OF 2021 KPP RESOURCES**

**FUEL MIX CHART**

The Fuel Mix Chart illustrates the percentage of each type of fuel used by KPP's capacity resources. The use of coal as a fuel has begun to decrease across the nation as coal units are being shut down or converted to natural gas. KPP continues its contract with Evers's Jeffrey Energy Center, which is coal-fired. KPP's 10.3% ownership of the Dogwood combined cycle plant represents a growing trend to utilize efficient natural gas units for their ability to quickly ramp up, down, and dispatch into an increasingly volatile energy market. KPP member resources consist of both natural gas and dual fuel units. These units provide flexibility in times of natural gas shortages.



**TRANSMISSION RESOURCES**

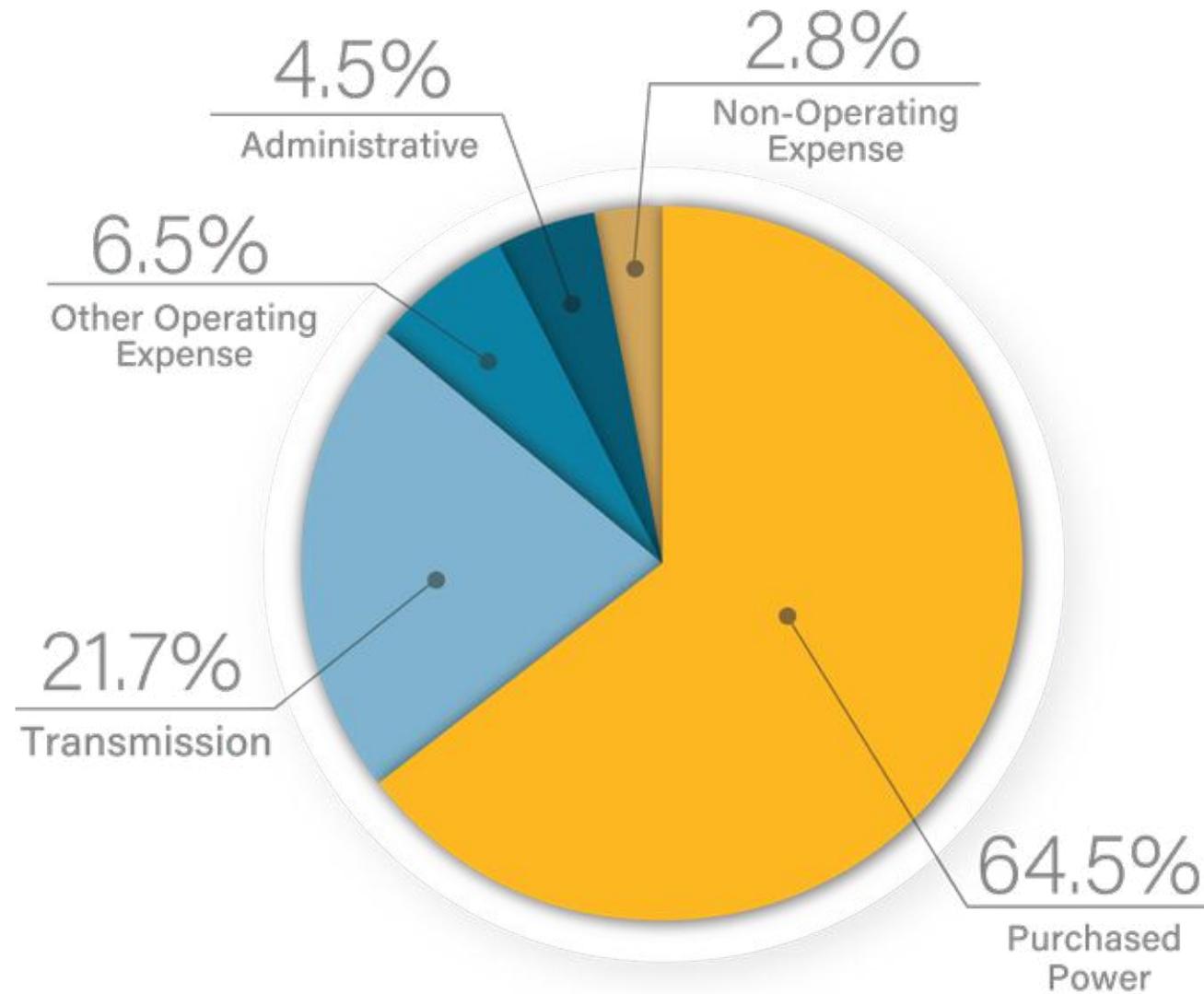
When KPP was founded, its members realized the benefits of firm transmission resources. Starting in 2009, all KPP members benefited from KPP's firm Network Integrated Transmission Service (NITS) in the SPP. This has become increasingly important today because of the SPP Integrated market. In structured electric markets, such as SPP's IM, firm transmission rights allow users to benefit from their generation resources while controlling exposure to congestion costs between resources and loads.

**WHOLESALE RATES**

In 2021 KPP's wholesale rates were greatly affected by Winter Storm Uri. KPP was prepared and overcame due to the great leadership decisions by the KPP Board both past and present. KPP overall costs were about 29% over the forecast budgeted costs. Although capacity and transmission cost were slightly below forecasts, energy was 48% over budget due to the February winter event. The capacity demand peak for KPP was set in August at 207.05 MW, down slightly from forecasted estimates by 4%. KPP energy sales were down slightly from forecasts at just over 861 GWh.

# Financial Highlights

**KPP 2021 AUDITED EXPENSES:** By far the greatest share of KPP's expenses in 2021 were related to the procurement of wholesale energy, capacity, and transmission on behalf of its 24-member municipal utilities at 86.2%. KPP and Dogwood Administrative expenses were 4.5%. While Dogwood operating expenses and depreciation made up the bulk of other operating expenses, interest expense on debt constituted most of the non-operating expense.



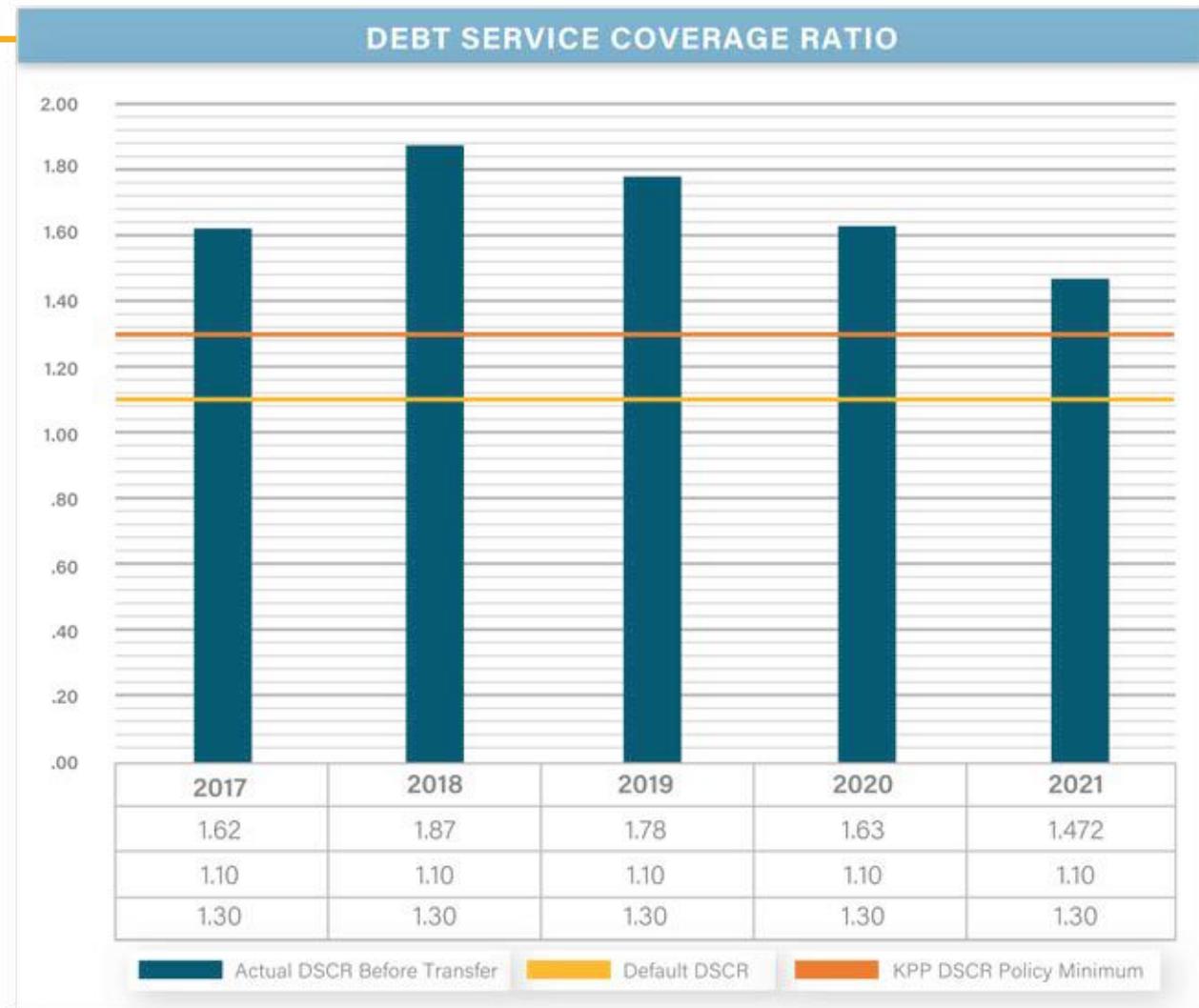
**KPP LIQUIDITY:** Liquidity is the measure of KPP's ability to use cash or cash equivalents to pay short-term debt. The ratio used to illustrate liquidity is the ratio of current assets to current liabilities, or Current Ratio. A Current ratio of 1.0 or above indicates that KPP can cover 100% of its short-term debt for a period of twelve months with accessible resources. A Current Ratio of 1.5 or higher is indicative of a financially healthy organization. The chart also includes a trendline that shows the linear direction of the annual ratios. KPP's trendline continues above 4.5, which suggests a very financially healthy organization.

**KPP Liquidity: Current Assets / Current Liabilities**



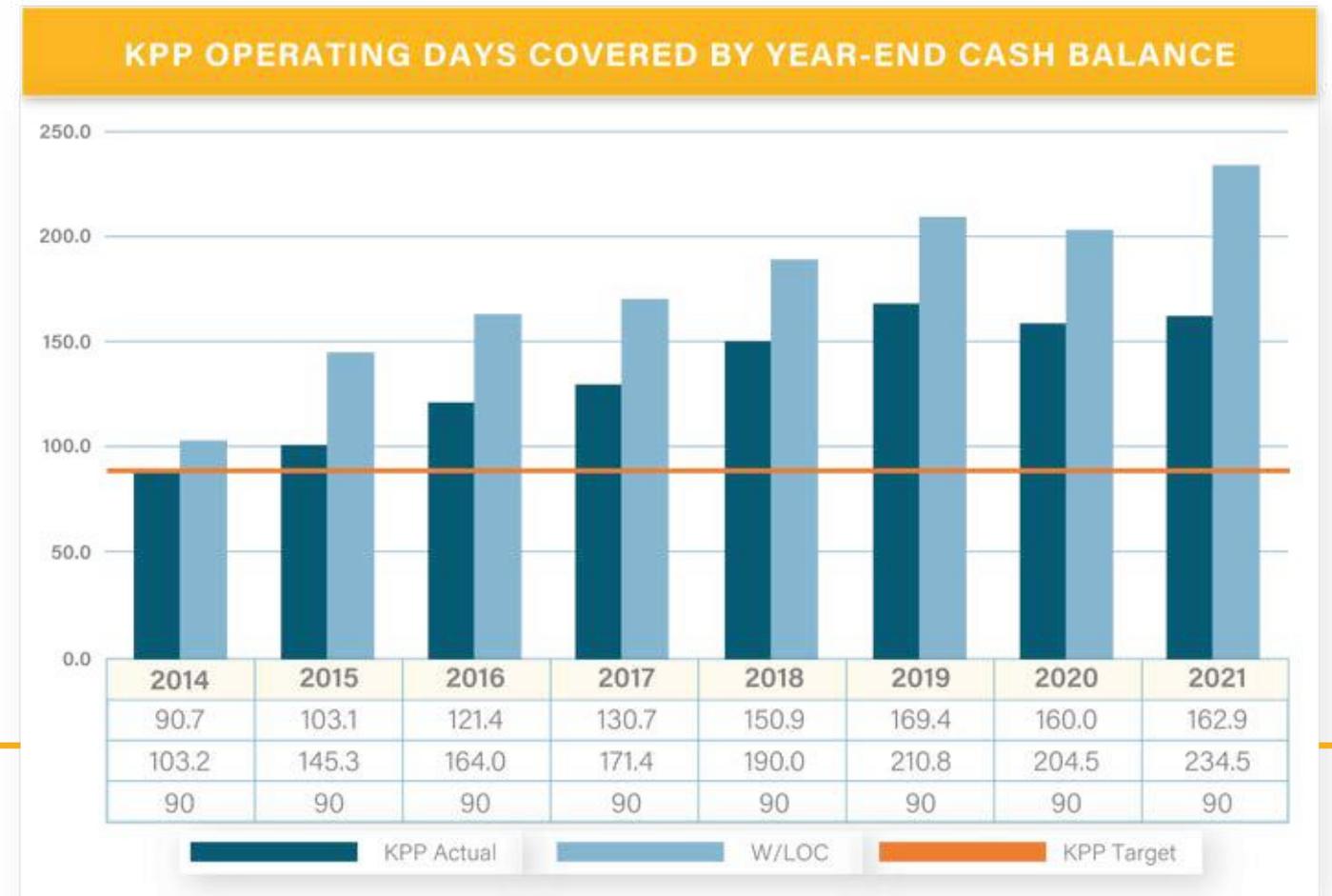
# Financial Highlights Continued

**KPP DEBT SERVICE COVERAGE RATIO:** KPP's bond covenants require that it maintain a ratio of funds available for debt service to annual debt service payment of at least 1.10 to avoid bond default (Default DSCR on chart). Beginning in 2016, the bond rating agencies expect KPP to maintain a ratio of 1.30 to sustain its favorable investment grade bond ratings (KPP DSCR Policy Minimum on chart). The chart below illustrates that KPP, through financial policies approved by the Board of Directors, has met and exceeded its bond requirements. Any funds remaining above the 1.30 ratio are available to the Board of Directors for transfer into KPP's emergency stabilization fund to be used for extraordinary, unanticipated expenses. The chart illustrates the actual DSCR before transfer to the Emergency Stabilization Fund (Actual DSCR Before Transfer on chart).



## KPP EXPENSE DAYS COVERED BY UNRESTRICTED CASH:

In 2012, the KPP Board of Directors approved a policy to maintain a minimum unrestricted cash balance of no less than 90 days of operating expenses. This chart illustrates the progress KPP has made in the past eight years to meet and exceed this financial objective, which is also important for sustaining KPP's bond rating. From 2014 to 2021, KPP maintained a \$6 million line of credit with a rated bank. During 2021, in connection with the February 2021 extreme cold weather event and related financial impacts, the KPP passed a Debt Resolution to increase the line of credit to \$12 million. The gray column in the chart shows the effect of the line of credit on expense days covered on top of KPP's cash reserves.



# Audit Report

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021	2020
<b>Current Assets</b>		
Cash	\$ 21,276,574	\$ 15,564,170
Cash, board-designated for emergency stabilization	6,026,409	6,012,134
Cash and cash equivalents, restricted	250,582	137,975
	<u>27,553,565</u>	<u>21,714,279</u>
Investments, restricted	14,914,518	4,960,378
Accounts receivable	5,554,270	5,971,595
Prepaid expenses and other	3,169,136	2,354,426
Materials and supplies	415,600	409,164
	<u>51,607,089</u>	<u>35,409,842</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	<u>40,263,230</u>	<u>37,369,726</u>
<b>Other Assets</b>	<u>435,488</u>	<u>544,113</u>
<b>Regulatory Assets</b>		
Costs recoverable from future billings	1,004,088	759,502
Unrecovered development costs	3,695,620	3,566,579
	<u>4,699,708</u>	<u>4,326,081</u>
<b>Total regulatory assets</b>	<u>4,699,708</u>	<u>4,326,081</u>
<b>Total assets</b>	<u>97,005,515</u>	<u>77,649,762</u>
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding	13,663,973	1,081,197
Deferred power costs	12,352,290	-
Pensions	198,361	269,652
	<u>13,862,334</u>	<u>1,350,849</u>
<b>Total deferred outflows of resources</b>	<u>13,862,334</u>	<u>1,350,849</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 110,867,849</u>	<u>\$ 79,000,611</u>

# Audit Report

## LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2021	2020
<b>Current Liabilities</b>		
Current portion of bonds payable and state of kansas loan	\$ 6,819,874	\$ 3,015,000
Accounts payable	32,920	130,139
Accounts payable – power bills	3,002,822	2,636,802
Accrued expenses	629,894	450,470
Accrued interest	452,271	177,285
	<u>10,937,781</u>	<u>6,409,696</u>
<b>Total current liabilities</b>	<u>10,937,781</u>	<u>6,409,696</u>
<b>Long-Term Debt</b>		
Revenue bonds payable	47,715,000	37,060,000
State of Kansas loan	9,371,645	-
Unamortized bond premiums and discounts, net	3,166,050	529,397
	<u>60,252,695</u>	<u>37,589,397</u>
<b>Total long-term debt</b>	<u>60,252,695</u>	<u>37,589,397</u>
<b>Net Pension Liability</b>	<u>514,201</u>	<u>843,665</u>
<b>Total liabilities</b>	<u>71,704,677</u>	<u>44,842,758</u>
<b>Deferred Inflows of Resources</b>		
Emergency stabilization fund	12,337,000	11,337,000
Pensions	259,611	27,431
	<u>12,596,611</u>	<u>11,364,431</u>
<b>Total deferred inflows of resources</b>	<u>12,596,611</u>	<u>11,364,431</u>
<b>Net Position</b>		
Net investment in capital assets	7,099,123	5,130,827
Restricted – expendable for debt services	1,596,664	1,317,687
Unrestricted	17,870,774	16,344,908
	<u>26,566,561</u>	<u>22,793,422</u>
<b>Total net position</b>	<u>26,566,561</u>	<u>22,793,422</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 110,867,849</u>	<u>\$ 79,000,611</u>

# Audit Report

	2021	2020
<b>Operating Revenues</b>	\$ 67,916,133	\$ 54,135,640
<b>Operating Expenses</b>		
Purchased power	40,688,522	30,388,555
Transmission expense	13,711,474	12,629,188
Dogwood operating costs	1,710,762	1,672,637
Amortization of unrecovered development costs	520,511	520,511
Depreciation	1,865,021	1,561,629
Total operating expenses	<u>58,496,290</u>	<u>46,772,520</u>
<b>Administrative and General Expenses</b>		
Salaries and benefits	1,173,381	1,223,732
Legal expenses	182,474	280,580
Consulting fees	90,930	72,069
Outside services	405,973	283,542
Insurance	177,487	171,106
Dues and memberships	218,078	216,599
Miscellaneous	437,922	231,655
Rent	60,834	61,478
Payment in lieu of taxes	108,625	108,625
Total administrative and general expenses	<u>2,855,704</u>	<u>2,649,386</u>
<b>Operating Income</b>	<u>6,564,139</u>	<u>4,713,734</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	28,739	228,916
Interest expense on debt	(1,937,278)	(1,746,849)
Amortization of bond premiums and discounts, net	225,099	125,957
Net costs recoverable	(107,560)	(96,781)
Total nonoperating revenues (expenses)	<u>(1,791,000)</u>	<u>(1,488,757)</u>
<b>Deferred Inflows of Resources – Emergency Stabilization</b>	<u>(1,000,000)</u>	<u>-</u>
<b>Change in Net Position</b>	3,773,139	3,224,977
<b>Net Position, Beginning of Year</b>	<u>22,793,422</u>	<u>19,568,445</u>
<b>Net Position, End of Year</b>	<u>\$ 26,566,561</u>	<u>\$ 22,793,422</u>

# Audit Report

	2021	2020
<b>Operating Activities</b>		
Receipts from members	\$ 68,333,458	\$ 53,099,216
Payments to suppliers	(71,104,568)	(47,123,492)
Payments to employees	(1,192,879)	(1,172,595)
Net cash provided by (used in) operating activities	<u>(3,963,989)</u>	<u>4,803,129</u>
<b>Noncapital Financing Activities</b>		
Principal payments on noncapital bonds	(780,000)	(740,000)
Proceeds from issuance of noncapital debt	18,000,000	-
Principal payments on noncapital debt	(5,383,481)	-
Payments of issuance costs on noncapital bonds	(66,488)	-
Proceeds from discounts of noncapital debt	301,943	-
Proceeds from revolving line of credit	6,000,000	-
Payments on revolving line of credit	(6,000,000)	-
Interest payments on line of credit and noncapital debt	(40,860)	-
Interest payments on noncapital bonds	(168,089)	(197,716)
Net cash provided by (used in) noncapital financing activities	<u>11,863,025</u>	<u>(937,716)</u>
<b>Capital and Related Financing Activities</b>		
Capital expenditures	(4,758,525)	(3,538,519)
Proceeds from issuance of revenue bonds	14,570,000	-
Payments of issuance costs on revenue bonds	(439,533)	-
Proceeds from discounts of capital debt	2,650,224	-
Principal payments on revenue bonds	(2,250,000)	(2,105,000)
Interest payments on revenue bonds	(1,185,871)	(1,376,069)
Net cash provided by (used in) capital and related financing activities	<u>8,586,295</u>	<u>(7,019,588)</u>
<b>Investing Activities</b>		
Interest income	28,739	228,916
Proceeds from sales and maturities of investments	10,430,762	4,418,785
Purchases of investments	(21,105,546)	(4,275,927)
Net cash provided by (used in) investing activities	<u>(10,646,045)</u>	<u>371,774</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	5,839,286	(2,782,401)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>21,714,279</u>	<u>24,496,680</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 27,553,565</u>	<u>\$ 21,714,279</u>

# Audit Report Continued

## Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 6,564,139	\$ 4,713,734
Depreciation and amortization	2,494,157	2,197,019
Net pension liability	(329,464)	164,247
Changes in		
Accounts receivable	417,325	(1,036,424)
Accounts payable and accrued expenses	409,371	(438,785)
Deferred inflows of resources	232,180	(12,757)
Deferred outflows of resources	(12,280,999)	(85,210)
Prepaid expenses and other current assets	(821,146)	(693,894)
Unrecovered development costs	(649,552)	(4,801)
	<u>\$ (3,963,989)</u>	<u>\$ 4,803,129</u>
Net cash provided by operating activities		

## Noncash Capital and Financing and Noncapital Financing Activities

Advance refunding of Series 2012A, Series 2012B, Series 2021C, and Series 2013A bonds through issuance of Series 2021B and Series 2021C bonds in a trustee escrow account		
Proceeds received from Series 2021B and Series 2021C bonds issuance less costs to issue	\$ 8,375,000	\$ -
Retirement of certain Series 2012A, Series 2012B, Series 2012C, and Series 2013A bonds	\$ (8,700,000)	\$ -
Deferred outflows of resources from advance refunding	\$ 459,104	\$ -
Advance refunding of Series 2012A and Series 2013A bonds through issuance of Series 2020A, Series 2020B, and Series 2020C bonds in a trustee escrow account		
Proceeds received from Series 2020A, Series 2020B, and Series 2020C bonds issuance less costs to issue	\$ -	\$ 6,878,132
Retirement of certain Series 2012A and Series 2013A bonds	\$ -	\$ (6,385,000)
Deferred outflows of resources from advance refunding	\$ -	\$ 451,305



## MISSION STATEMENT

KPP serves each of its community-owned members by providing cost-effective and reliable public power and services through collaboration and innovation.



## Winter Storm URI

In February 2021, extreme cold temperatures throughout the Midwest caused a disruption in the supply of natural gas due to frozen and damaged pumps and pipelines. For a brief period, natural gas prices and related electricity prices increased exponentially and the KPP's costs to provide power to its members similarly increased. The KPP utilized approximately \$18,000,000 from its accounts, including its money market and Emergency Stabilization Fund to pay such costs. In response to this emergency, the State of Kansas established the City Utility Low Interest Loan Program administered by the State Treasurer. Such loans are only available to municipalities (including municipal energy agencies) to pay the costs of gas and electricity during February 2021. The KPP has replenished the balance of the money market and Emergency Stabilization Fund from a loan from the State of Kansas' City Utility Low-Interest Loan Program. The KPP received such loan in the amount of \$18,000,000 bearing interest at an initial variable rate of 0.25% and to be repaid to the state in monthly payments over five years. The loan was incurred as junior lien indebtedness under the Master Finance Resolution. The KPP intends to generate revenues to repay the loan through additional surcharges from its members.



## Kingman Cunningham Substation

KINGMAN, KS

Before 2005, less than 2 decades ago, the City of Kingman had such a weak transmission intertie that it had to generate all of its energy internally. In 2005 the City of Kingman constructed its own 26-mile, 34.5 kV transmission line to interconnect with an existing 34.5 kV transmission line. This allowed Kingman to import six megawatts of energy, about 1/2 of its peak, and for the first time ever allowed the City not to run its generation for six to seven months out of the year.

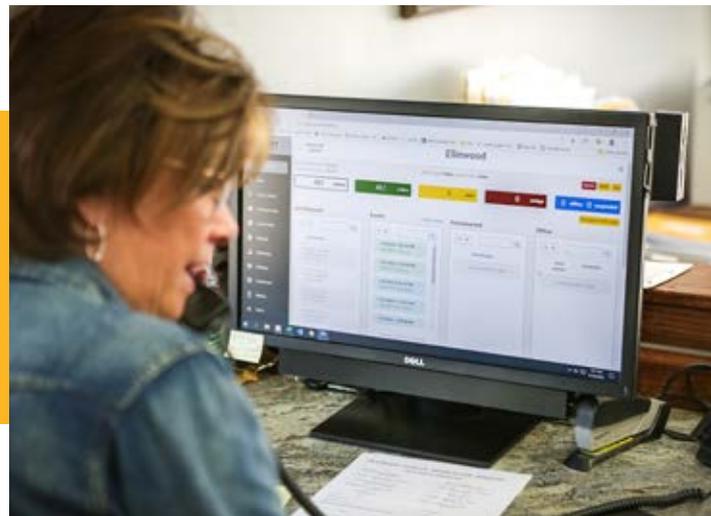
When Kingman joined KPP, KPP began work immediately to see if Kingman could be fully interconnected to the grid. As part of this effort, beginning in 2009, KPP was involved in several efforts to place the 34.5 kV line owned by Southern Pioneer Electric Company under the SPP tariff. When that litigation effort failed, KPP was able to negotiate a settlement for Mid-Kansas Electric Company, LLC (today operating as Sunflower Electric Power Corporation) to purchase and place under the SPP tariff a 115 kV line from a local cooperative. KPP then worked to develop a project to interconnect Kingman's 34.5 kV line to this new 115 kV source northwest of Cunningham, Kansas.

This Spring, for the first time ever, the city of Kingman will no longer have transmission import limits. Furthermore, Kingman's generation facilities will be able to fully dispatch in the Southwest Power Pool Integrated Market. Not only will this project allow Kingman to meet future customer needs and maximize the value of its generation, the money saved by all KPP members on transmission service will provide a net savings, even after KPP's bond and maintenance costs for the new facilities.



# Advanced Metering Infrastructure (AMI)

In 2021 KPP made progress towards the goals defined in the KPP Strategic Plan with assisting members in the areas of technology, safety, distribution design, and maintenance through the assistance of vendor research and project management implementation of Advanced Metering Infrastructure (AMI). Seven KPP members committed to advancing smart metering technology and took advantage of KPP financing to purchase and install AMI electric meters in their city. Those cities included: Ellinwood, Erie, Hillsboro, Mount Hope, Waterville, Wellington, and Winfield. Each city had the opportunity to select the system they felt was best for their needs and requirements. KPP staff have worked with these members to assist with purchasing, installing, integrating billing software and mass meter exchanges, communicating to customers, and troubleshooting.



# Distribution System Voltage Conversion Project

MARION, KS

The City of Marion determined several years ago to add electric system upgrades to their capital improvement plan. These improvements included rebuilding circuits and increasing the distribution system voltage from 2.4KV to 12.5KV. The city chose an engineering firm to formulate a plan and prepare a scope of work to meet this goal. With the assistance of the KPP, a project was developed to assist in financing, project management, ordering of materials, selecting contractors, and final GIS mapping.

The contractual services of Utility HelpNet, Inc. were agreed upon to perform the substation improvements. Working with the footprint of the existing substation they would design the breaker configuration and relay scheme to remove the 2.4KV transformers and breakers installing two new 12KV breakers in their place while upgrading the three already installed 12KV breakers with current relaying technology. The substation fence was also brought up to code to ensure a safe working environment.

The services of IESC will be used to perform the distribution circuit improvements. The project scope predicted that the contractors would replace roughly 200 poles and several miles of copper conductor with ACSR. They will also re-insulate the system to handle the increased voltage and replace all transformers to 12.5KV. Proper fusing will be installed to coordinate with the substation breakers providing reliable power delivery to the customers of the City of Marion.

# Solomon Energy Storage Center

MINNEAPOLIS, KS



In 2020, KPP entered into a project management agreement with Kelson Energy to provide project management services to develop a small battery energy storage facility. The concept of the project, as envisioned by KPP members and the KPP board, was to demonstrate a small facility that would store energy when market prices were high and dispatch that energy into the market when prices were high. After preliminary discussions, KPP and Kelson decided on a unit that would charge and discharge at a maximum rate of 1 megawatt per hour and would store at least 4 megawatt hours of energy.

A modern relatively efficient diesel generator needs about 80 gallons of diesel fuel to produce one megawatt hour of electricity. The Solomon Energy Storage Facility, which is designed to store four megawatt hours of electricity, the same amount that 320 gallons of diesel fuel would produce. Because it is not unusual for electric market prices to be very low in the middle of the night and much higher, often by a factor of 2 to 10 times as much, this is potentially the same as buying 320 gallons of diesel for \$1 a gallon and turning around and selling it for \$2 to \$10 a gallon 12 hours later. KPP hopes to gain valuable market information by charging and discharging this unit into the market and learning how to optimize energy storage facilities.

After some research, it was decided to locate the facility in the KPP member city of Minneapolis. Because Minneapolis is on a long 34.5 kV Eversource line, the city must often generate during peak hours in the summertime for voltage control. Minneapolis also has a minimum load just above one MW, meeting the necessary criteria to avoid a lengthy SPP generation interconnection study process. Furthermore, Minneapolis is making some additional modifications to use the new storage facility to black start its units quicker, thus avoiding the normal time it takes to put their generation online, when they lose transmission.

Named after the nearby Solomon River, the energy storage facility consists of 13 cabinets each capable of storing 377 kilowatt-hours of energy. While battery storage facilities do lose energy storage capability over time, KPP's facility is oversized today, with a storage capacity of around 4.7 megawatt hours today with a guarantee to still provide four megawatt hours of energy storage after ten years. KPP members should take pride in the fact that while many more of these facilities are planned in the 14-state Southwest Power Pool region, the Solomon Energy Storage Center is the first one to be offered in the Southwest Power Pool Integrated Market.

# GridEx VI

GRID SECURITY EXERCISE

On November 16-17, approximately 60 participants from KPP member cities, along with over 700 organizations from across the electric power industry and federal and state governments, participated in GridEx VI, the North American Electric Reliability Corporation's (NERC's) biennial energy grid security and incident response exercise. This was the first time KPP had offered the opportunity and coordination of the program to its members. The two-day exercise was designed to test cyber and physical security incident response protocols and coordination among industry and government stakeholders from the United States, Canada, and Mexico.

The event allowed for a review of the individual city emergency response and recovery plans and identified areas in need of improvement. Steve Strom, Custom Internet Services, LLC provided several mini learning sessions on relevant cyber materials throughout the two days. Geoffrey Jenista, Department of Homeland Security and Thomas Ensz, FBI provided presentations and information on resources and assistance available to municipalities in the case of a cyber or physical attack.





- The Chesney Family, Retirement Party

# Mark Chesney

RETIREMENT FROM KPP IN JANUARY 2022  
CAREER SPANS MORE THAN 31 YEARS IN PUBLIC POWER

Kansas Power Pool CEO/General Manager Mark Chesney, who began his work at KPP more than nine years ago, retired in January 2022. He was succeeded by Colin Hansen, former Executive Director of Kansas Municipal Utilities. Mark has proudly spent almost all of his 44-year career associated with the providing of energy. Prior to his service in public power, Mark had a seven-year period in the oil and gas exploration industry working as a petroleum landman. Earlier, while in college, he commenced a five-year run in the land title industry.

Mark started his career in public power with the Grand River Dam Authority in his native Oklahoma. "When I started at GRDA, I didn't know a kilowatt hour from a light switch! I was hired as a Marketing Director and I am so thankful to the CEO/General Manager, Ron Coker. He hired me at a time when there were surely many others better qualified. In those days, GRDA had about 400 employees and there were three or four assistant general managers who included me in almost every significant activity they were working on. This was an enormous career blessing but, from the very beginning, I was in many meetings where I clearly didn't belong." Mark stated.

Working 10 years at GRDA, his first duties were economic development where he was a member of, and led, three commissions devoted to development in northeast Oklahoma. Later, he led GRDA staff in industrial key account management, purchase power contract negotiation/administration, as well as media services management. Eventually, as Assistant General Manager of Energy Marketing and Development, he supervised market and transmission operations personnel at GRDA's energy control center. Mark recently noted that among his final tasks at GRDA was his negotiation with KMEA in its first contract with GRDA.

In the year 2000 Mark was aggressively recruited by the Utah Municipal Power Agency to join them as their Operations Manager. Headquartered in Spanish Fork, Utah, UMPA is a joint action agency comprised of six Utah municipal electric utilities. "While trying to recruit me, they were patient to the point of disbelief. We talked for six months before I said yes. I wasn't looking for a job, but Julie and I decided that because we had three children in college in Utah, it was not a horrible idea." Mark said.

His 10 years in Utah included supervising personnel in the



Mark Chesney Retirement Party



Scott Glaves, KPP Board President & Mark Chesney



Mark Chesney Retirement Party

scheduling, trading, and dispatching of energy. At UMPA is where he had his first involvement in new power supply screening. Among his other duties were the management of the agency's transmission dependent relationship with PacificCorp and the hydro allocation entitlements from the Colorado River Storage Projects of the Western Area Power Administration (WAPA). While at UMPA, he composed two comprehensive Integrated Resource Plans required by WAPA.

Returning to Oklahoma in 2010, Mark served just over two years as the General Manager of the Tahlequah Public Works Authority. Independent of the City of Tahlequah, this position involved managing TPWA's 100 employees, overseeing water distribution, wastewater management, and the Authority's retail electric utility.

Since late 2012, Mark has served in his current position with KPP. His tenure has been marked by increases in the KPP resource portfolio, improved cash reserves and liquidity, and an upgrade in the KPP bond rating. Achieving member city contract uniformity was also a notable KPP milestone. Mark believes that underlying those successes has been opportunities for members to gain greater familiarity with one another.

Continually professing a deep commitment to joint action and "the pool concept" Mark wanted his thanks and appreciation for KPP members to be known. "Although there are occasionally trade-offs in consequence, I believe the economic benefits and wisdom of our joint action are flatly undeniable. Fortunately, we often have good opportunities to look into the rear-view mirror and see all that we have done together. I am so appreciative for the cooperation and collaboration among our members, which have made our accomplishments so impressive." Mark recently stated.

Mark was elected in 2018 to serve on the Board of Directors of the American Public Power Association. He also received APPA's James D. Donovan Individual Achievement Award in 2020. At Mark's final KPP board meeting in January 2022, in honor of Mark's dedicated and extraordinary service as General Manager and Chief Executive Officer of KPP, the Board of Directors bestowed Mark the title of "General Manager Emeritus" of the KPP.

In March of 2021, Mark and his wife purchased a home in American Fork, Utah where they plan to move after retirement. They had previously lived there from 2000 to 2010. Currently, three of their four children live there along with many grandchildren. Mark and Julie plan to spend countless hours with all of their family.



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100 N Broadway, Suite L110 Wichita, KS 67202 | 316.264.3166 | [www.kpp.agency](http://www.kpp.agency)