

LIGHTNING ROUND

May 2019

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Kansas Municipals Gather at KMU Conference

Larry Paine Honored with Schowalter Award

The presentation of the Edgar P. Schowalter Award to Hillsboro's Larry Paine was clearly the highlight within the KPP family during the first week in May. But, it is not a KPP award. Honoring his professional contributions in municipal government, Larry was the

recipient of the award during the 2019 KMU Annual Conference. It is KMU's highest honor. During all of the past year, Larry was the

Board President of KMU doing double duty part of that time as KPP Board President while also attending to his "real job" running the City of Hillsboro.



Congratulations, Larry!



For the first time, the annual KPP Member Appreciation Dinner Master of Ceremonies was KPP's Director of Administrative



Services, Brooke Carroll. Before the after-dinner speaker was introduced, Assistant General Manager of Operations, Larry Holloway, received a 10-year KPP service award presented by Larry Paine. Congratulations to the *other* Larry!

Our speaker for the evening, Scot Rigby, Wichita Assistant City Manager, was both entertaining and informative in explaining how Wichita is blazing a leading edge trail to market the City.



In the past, the *Lightning Round* has not taken much space to commend the KMU Staff for a terrific conference although KPP folks have done so privately. Besides well



-planned, it was also well-executed. Respected industry consultant, Steve Collier, presented his aptly titled, "Not Your Grandfather's Utility". It could not have been more timely. The radical changes going on in our industry should give us all deep pause. Also, Troy Adams, of Elk River (Minnesota) Municipal Utilities could not have more expertly laid out challenges and solutions to hiring, training, motivating

and retaining skilled and qualified line workers. There was much more including the KCBPU's own David Melhaff who enlightened on conscientious ways to build and keep customer loyalty.

It was a fantastic conference. Congratulations, KMU.

The Cost of KPP Member Services

Services seen as an indispensable role within "joint action"

When KPP launched a member services effort in 2011, it was seen as a supporting role for KPP Members in addressing local needs within the City. It represented a new addition to KPP's small Staff, but the very idea of member services was not new at all.

On the contrary says KPP CEO/General Manager, Mark Chesney. "There are slightly more than 100 joint action agencies like ours throughout all of Public Power in the country. Every January I get to meet with and listen to all of them. I have yet to find an agency that does not have member services as part of its vital functions." So, because KPP is among the very newest of such agencies, replicating member services was a natural with much tried and true practice.



Somewhere along the line, it became clear that simply providing power to municipal members was not nearly enough. Cities also needed assistance with yet other challenges that small city Staffs and small budgets did not allow. The central effort of an agency was the logical solution.



Just think of it: helping Members to devise sensible transfer policies and to bring expert problem solving analysis to fund balances is a good start. What about assessing the condition of distribution systems? Well, KPP does all of

that and more. But consider this: what with challenges in hiring, training and maintaining skilled line workers, some agencies are centralizing for their Members and lowering the cost of maintaining local distribution systems. That's the case with the Oklahoma Municipal Power Authority and the Missouri River Energy Services. Some are even installing automated metering for their Members and then reading those meters and handling utility billing and collections – all while keeping ownership of the systems local. Such is the case with the Electricities of North Carolina. The logic is easy. Simply take a cost-driving activity and spread it over many billing units. That is the power of *joint* action!

There are other examples, but you get the point.

Okay, but what does member services cost? Let's take a look at a five-year span. In 2012, the first full year that KPP offered member services, the total cost, including Staff, was \$120,141. Dividing that number into the total kWhs sold that year yields a cost per kWh of \$0.000095. Pretty slim wouldn't you say? That cost

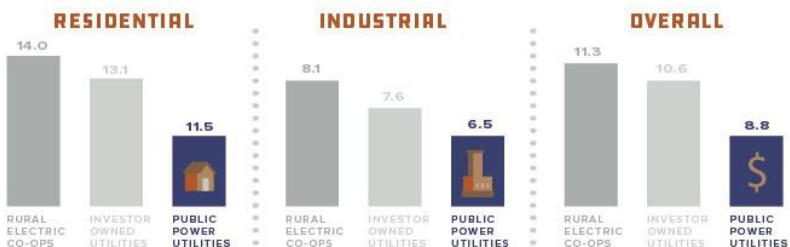
increased by only \$0.0007 in 2017 but that is mostly due to the fact that our Cities sold 1/3rd fewer kWhs in 2017. Efficiency is seen as the most prominent factor in the decreases of kWh sales. That is not unique to KPP. Agencies and utilities throughout the country are giving the same reports. No surprise then that now, more than any other time in the past, Cities need help in building and maintaining strong relationships with customers. So, the better question is: 'what is the cost of *not* providing member services?'

You see, Public Power has a great story to tell. And KPP is determined to help Cities do better in telling that story. Public Power utilities give back to their communities like no one else does. Through payments in lieu of taxes, general fund transfers and even free electricity with things like street lights and lift stations. Cities do for their communities what no one can. It is just that we need to get better explaining it.



IN KANSAS, PUBLIC POWER COSTS LESS

KANSAS AVERAGE RETAIL RATES: CENTS PER KILOWATT HOUR



If retail residential customers of KPP Members bought their electricity from Westar, or from a rural electric cooperative, they would pay 12% and 18% more respectively. Now that's a fact! It was the case in 2018. The numbers have likely improved in favor of Cities since then. We can do better in making that known around town. Actually, we have to do better. Our citizens need the information.

'Let Me Talk to the Mayor!'

Editor's Note: In February KPP introduced this new segment to the [Lightning Round](#). Each month, our intention is to report on a Q&A between CEO/General Manager Mark Chesney and the mayor of a KPP Member City. This edition features Mayor Matt Christenson of Greensburg.



Q: You recently transitioned from Council Member to Mayor. How do you think your thought processes are different now than before?

A: My thought process is essentially the same in my new position. Both the mayor and council are there to serve and grow the community, after all. I have had to remind myself in a couple of meetings that my role as mayor is more to foster discussion rather than make policy, and to

leave those policy decisions to the council. The mayor also has a fair number of ceremonial duties, and as a pretty shy person it's going take me a bit to get fully comfortable in those roles.



Q: I was not working for KPP when the contract was signed for KPP and the City to take energy from the wind project southwest of town. I think both the City and KPP have enjoyed watching that technology continue to develop and make a difference in the economic and environmental landscape. More recently, attention to emerging technologies has been focused on electric vehicles. I wanted to ask you about the electric vehicle chargers installed near the Big Well. How did that come to be and what are the early consequences that you have seen?

A: We were approached by Tesla with an offer to install a set of chargers somewhere in the city. They have been working steadily to expand their national network of charging stations, and Greensburg's reputation as a green community along with our location along a major travel corridor (U.S. Highway 54) made is a natural fit for an installation. City staff was able to work with them to get three fast charging stations installed at The Big Well, our local tourism hub.



The stations have seen moderate use so far. While full electric vehicles are still very rare in rural Kansas, the charging stations do get a fair amount of use from vehicles traveling along Highway 54. Charging a battery takes longer than filling up a gas tank, so drivers tend to stop by the Big Well and other business downtown while topping off. It's always interesting to hear their stories and what brought them through rural Kansas.

Q: That's very interesting to me. Electric vehicles have captured the attention of our Staff and Board – particularly as it pertains to the prospect of electric energy sales. We'll be curious to see how that activity in Greensburg continues to develop downtown. Speaking of downtown, a couple of years ago while I was traveling I needed to stop and work for awhile to answer email and some phone calls. Your City Administrator set me up in your incubator office. I was very impressed with the layout. Can you describe the level and types of activity that space has nowadays?

A: The incubator was one of the first projects the city undertook while we were rebuilding from the 2007 tornado. Since our entire downtown corridor was destroyed in the storm, we knew that providing office and retail space would be critical if we wanted our small businesses to return after the storm.

As originally designed, the incubator dedicated most spaces on the ground floor to general retail business while the second floor was dedicated to small office spaces. As the years have passed, however, we have found that the demand for general retail space has waned. This isn't that surprising, as "brick and mortar" retailers have been struggling all over the country with the continuing rise of online retailers. Demand for office space has remained strong, however, and a couple of years ago we adapted one of the retail spaces to accommodate a small restaurant operation. That space is currently the home of our local Daylight Donuts.

Q: You are so right about current trends in retail. We see that happening elsewhere. Greensburg has really been a great example of the need to adapt and thrive. What are some of the other happenings in Greensburg that I might not be aware of?

A: Greensburg is still in the process of growing and adapting after the 2007 tornado. Just last month the city held the grand opening of our new airport. We've been working with KDOT over the past few years on that project, and we are very happy to have an operational airport again. We still have future plans for the airport, however, as we would like to get it fully paved and capable of handling air ambulance traffic within the next several years.



The city is also working on expanding the public park around our new swimming pool. Council recently set a rough budget for improvements at the park, and staff is currently working on putting together options for new amenities that will be going in.

New Financial Scorecard Underway

Basic Metrics Useful in Uniting the Strength of All Members

The need to enhance and make some changes to the current process of preparing the financial health charts is underway for member cities. KPP Director of Administrative Services, Brooke Carroll, presented a refreshed analytical process when she reported to the KPP Board of Directors on May 16th.



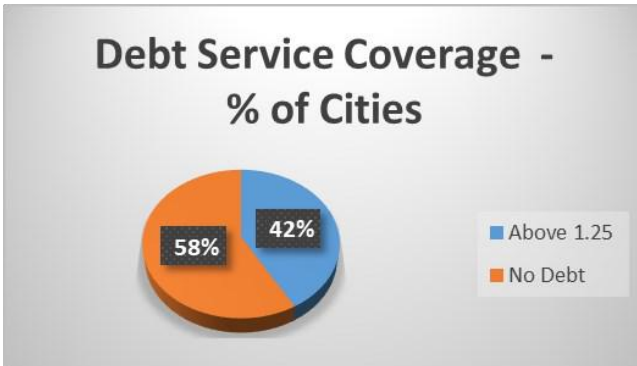
“There is also a need to collect the data from all the cities and present the findings to the Board,” she said. “On an annual basis we’ll report to the Board on how KPP member cities are performing as a whole.” The individual strength of each Member is cumulative to the Pool’s overall strength as evaluated by ratings agencies and contract counterparties of KPP.

In reporting on the 2017 KPP Financial Member Statistics, Brooke noted focus areas for debt service coverage, certain operating ratios, transfers and expense days covered.

Brooke noted that best practices among joint action agencies was a feature discussion at a recent APPA Accounting & Finance Spring Meeting. Presentation and discussion by the Michigan Public Power Agency, an agency nearly identical to KPP, demonstrated financial health information for their member cities in a scorecard format. “Among other things, the format includes items such



as a score for having policies in place and current rate studies completed,” Brooke explained. “These are in addition to the basic metrics KPP has been using for the financial chart calculations. APPA industry standards, medians, and averages are used as benchmarks when applicable. Ideally, KPP Member Cities would have their score within three months of a completed audit.”

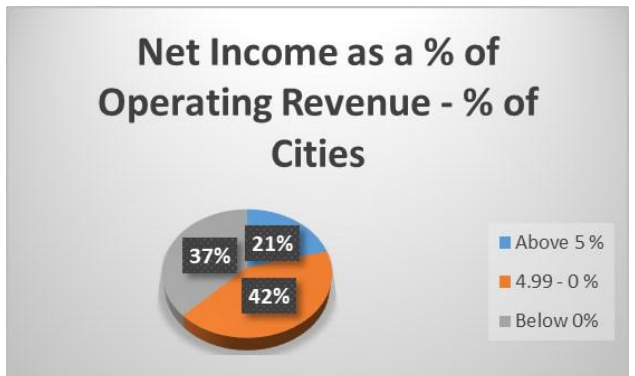


Brooke added that KPP’s goal should be to prepare the scorecard timely and within a three-month window. This being ideal, Members could then use the information in the budget preparation processes. Currently, KPP compares the Member’s data against a KPP High, Low, and Median. Brooke noted that some audits come in really late and this pushes everyone’s

data out way too long.

The new scorecard format gives the member a grade indicating to the City how they are doing on their own. Brooke stated, “sometimes cities are great in one area but not so well in another, but we don’t really have a way of determining if they need special attention or assistance. The scorecard would be a much better indicator overall.”

Brooke mentioned she has received the audits for Haven and Marion. She will begin preparing the new scorecard format on these two cities within the next couple of weeks.



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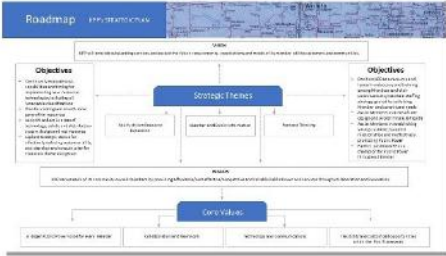
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KPP Strategic Plan Gets Preliminary Approval

Details to be presented at Fall Planning Retreat

With focus on core values, strategic themes and objectives, KPP took another step toward publishing a comprehensive Strategic Plan last week. Plans were set in motion at the May meeting of the KPP Board of Directors. KPP CEO/General Manager Mark Chesney rolled out a preliminary diagram saying that approval of a Strategic Plan will be the first of its kind since the inception of KPP. Significant Board and Staff member input had been previously received.



As two important components are the vision statement and mission statement, Chesney reminded that “vision” indicates where we are going and “mission” forecasts how we will get there. Although preliminary approval was given to the Strategic Plan, it was suggested that precise tactics are needed to describe how KPP will accomplish its objectives. Suggesting that the Plan is essentially a “roadmap”, tactics can be implemented to strengthen the Public

Power brand and enhance the retail customer relationship. Other themes are also addressed last week including resource planning, technology uses, financial health and forward thinking.

During a discussion period it was noted that industry changes since the early part of the decade have become increasing dramatic. The survival of the Public Power brand will call upon all utilities to rethink relationships with their retail customers and call upon KPP for assistance where needed.



Vision Statement	Mission Statement
KPP will provide outstanding services and exceed the future requirements, expectations and needs of its member utility customers and communities.	KPP serves each of its community-owned Members by providing affordable/cost-effective/competitive and reliable Public Power and services through collaboration and innovation.

Board members had previously met in a planning session late last month giving special attention to relationships and communications. Nationally, it was noted that increasing damage is being done to utilities through the subtle but motivated efforts of 3rd parties who insert themselves between the utility and the utility’s customer. Consensus developed around the critical need to establish the utility as a trusted energy advisor and the helpful role KPP should play.

KCC Process Slow and Steady

Commission Order Anticipated in November

GridLiance High Plains continues to push forward at the Kansas Corporation Commission (KCC) seeking approval for the proposed 65% ownership of the Winfield 69KV assets. GridLiance and the City agreed upon an ownership structure in January subject to Commission approval. KPP regards the process as critical to its co-development agreement with GridLiance in ultimately addressing important transmission needs and opportunities.

KPP Director of Engineering Services, James Ging, recently reported that “at this time everyone is busy answering information requests from KCC Staff and intervenors.” He added that on June 20th



direct testimony is due by Staff and Intervenors and that November 19th is the due date for the Commission order.

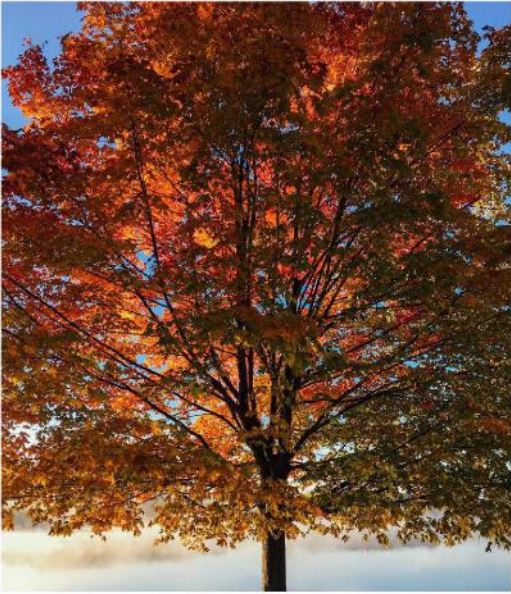
In a related project, the Southwest Power Pool (SPP) had already issued a Notice to Construct (NTC) pertaining to a needed line segment on the Winfield system That NTC, assigned by the City to KPP, was to be further assigned to GridLiance as the initial construction project following asset acquisition approval. The assignment of the project has

been presented and approved by all the SPP working groups and has been approved by the SPP Board of Directors. GridLiance and KPP have cooperated with Westar engineers to work out the interconnection at the Rainbow in substation in Winfield. Final engineering will be completed when the KCC decision is issued. Construction on the NTC is expected to commence in the first quarter of 2020. The NTC need date is June 2021.

In other GridLiance news, the KPP co-development partner recently completed its first transmission study driven by its FERC-approved Local Planning Criteria (LPC). Included in their study were GridLiance assets in Nixa, Missouri, the Oklahoma Panhandle and Central Oklahoma. GridLiance is starting the data collection process for the 2019 LPC study in which Winfield assets will be included.

James noted that “GridLiance continues to represent KPP along with its partners at SPP. They have been a great ally to assist in issues that will ultimately affect our Members and their customers.”

IT'S TIME TO MARK YOUR CALENDARS! DETAILS COMING!



FALL PLANNING RETREAT

September 20-21, 2019

Drury Broadview Hotel

Wichita, Kansas

JOIN US FOR FUN,
FOOD AND FELLOWSHIP

TOPICS INCLUDE:

POWER SUPPLY
PROJECT UPDATE

KPP STRATEGIC
PLAN LAUNCH

EMERGING
TECHNOLOGY
UPDATE

A CASE STUDY IN
FENDING OFF A
COOPERATIVE
TAKEOVER

