

# LIGHTNING ROUND

November 2020

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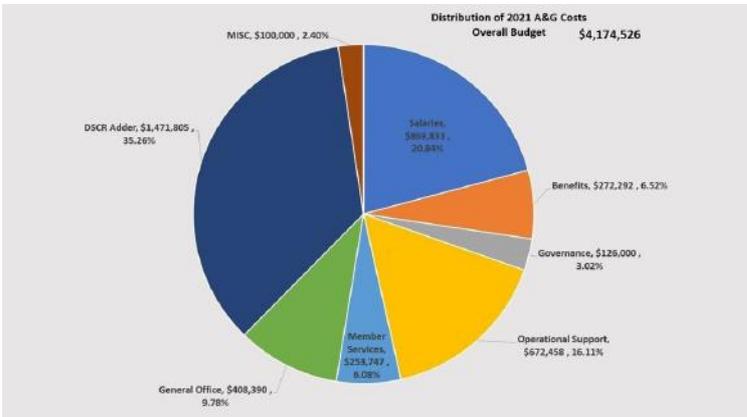
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## Rates Planned for 2021

*Members are Invited to the Annual Membership Meeting on December 11th*

In a virtual event held on Nov 6, 2020, seventeen KPP Member cities gathered to hear careful details of planned rates for 2021. Although the presentation of rates was preliminary, final approval is to be considered by all Members in December.

KPP CEO/General Manager, Mark Chesney, welcomed Members to the annual event explaining that “by the time the presentation today is concluded we will show how we



arrived at what is planned at this point to be an approximate rate increase of 0.6% to 0.7% above last year.” He noted also that except for 2019, five years ago was the last time KPP Members approved a rate more than that which is currently proposed.

A careful review of sales forecasts, fuel price forecasts and other budget forecasts were then presented by Assistant General Manager, Larry Holloway, with assistance from James Ging, KPP Director of Engineering Services. Mark briefly assisted with an overview of Administrative and General budget figures.

Most notable this year is a 13.5% increase in the Westar zone, where the vast majority of KPP cities’ loads are settled. That increase will become effective in 2021. Larry also explained an inaccurate budget forecast from the Southwest

**2021 KPP Budget and Rates – Proposed and 10 Yr Forecast**

KPP Rate Forecast	Rate Forecast									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Capacity Demand Rate \$/kW-mo	\$10.84	\$10.70	\$9.40	\$9.56	\$9.86	\$9.78	\$8.97	\$8.99	\$9.00	\$9.14
Transmission Demand Rate \$/kW-mo	\$7.50	\$7.58	\$7.71	\$7.73	\$7.83	\$7.92	\$7.99	\$8.08	\$8.16	\$8.25
A&G Demand Rate \$/kW-mo	\$2.26	\$2.37	\$3.57	\$3.15	\$3.30	\$3.52	\$3.64	\$3.86	\$4.03	\$4.02
Energy Rate \$/MWH	\$24.04	\$21.42	\$17.14	\$16.66	\$16.71	\$17.12	\$16.37	\$16.64	\$16.97	\$16.81
<b>Overall Average Energy Costs \$/MWH</b>	<b>\$67.16</b>	<b>\$64.59</b>	<b>\$60.23</b>	<b>\$59.38</b>	<b>\$60.57</b>	<b>\$61.41</b>	<b>\$59.42</b>	<b>\$60.37</b>	<b>\$61.27</b>	<b>\$61.55</b>
RICE DNR Project \$/kW-mo	\$0.26	\$0.26	\$0.16							

Power Pool (SPP) for 2020 that is resulting in a large forecasted increase in the 2021 transmission cost – approximately 20% higher than 2020 is expected.

Other primary contributors to rate planning are expected decreases in electric loads compared to 2020 as well as needed increases in debt service coverage amounts due to several planned projects not included in the 2020 budget.

As customary, Larry showed Members the 10-year forecast for all cost components contributing to the overall rates. The trend shows a fairly steady decline in rates from \$67.16 in 2021 to \$61.55 in 2030 (per MWH). In other settings, KPP staff has continually briefed Members on planned power supply changes involving contract expirations and replacements promising significant declines in future power costs.

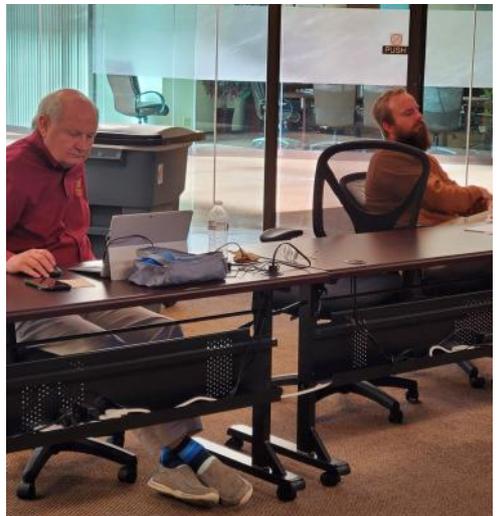
The Annual Membership Meeting will be held virtually on December 11, 2020 at 11:00. Members will formally consider proposed rates and other routine business items in preparation for 2021. Members are encouraged to register their attendance at KPP’s website where a registration banner is shown prominently. Go to: [www.kpp.agency.com](http://www.kpp.agency.com)

## November Board Meeting Highlights



Almost all Board members were present for the November 19th meeting. Shown here are Lou Thurston (upper right), Rex Reynolds (lower left), J.T. Klaus (General Counsel, upper left) and Mark Chesney.

- Staff reports that the Administrative & General expenses for 2020 are coming in under budget for the year by more than \$400,000 due to several under budget expense items. This amount will be a true-up in the November Energy Cost Adjustment (ECA) reflected on the December bill.
- The Board approved a \$1000 economic development grant favoring a commercial customer in the City of Oxford.
- Dirt work continues on the Cunningham/Kingman direct connection. Gravel road work and drainage has been completed. Concrete work will commence soon. The transformer is in storage waiting for the appropriate time for installation.
- Updates were given on the KPP-led AMI project emphasizing which cities are on board and which vendors are likely to be selected.



Jacob Stark, KPP Intern

- The likelihood of more KPP-written USDA grants was noted along with reports on cities desiring KPP-led rate studies.
- An update was given on KPP's new "value of public power" initiative. Introduction of Jacob Stark, a college student intern, was made. Jacob is doing well in a central data gathering and calculation role for KPP. A reminder was given that soon KPP Staff will be reaching out to cities for some specific data not already provided to KPP through other channels.
- Reminder was given as to the deadline of December 1<sup>st</sup> for cities wishing to be included in the financing of the AMI project installations. That information is appropriately communicated to Director of Administrative Services, Brooke Carroll.



# Capacity Payments Get Renewed Consideration

## Members are Soon to Receive Proposals for Policy Adjustments

Representatives of KPP generating cities were assembled on November 17, 2020 for the purpose of considering the applicability of making capacity payments under circumstances where a unit is offline due to repairs needed.

Led by Assistant General Manager, Larry Holloway, a careful review was given of the current policy and practice arising from the Amended Operating Agreement which creates obligations for both testing and payment.

In the KPP Board meeting on November 19, Director of Engineering Services, James Ging, reported the outcome of the conference with generating cities. Various KPP Members had voiced concern for fairness to cities, including those who are not generating cities. James reported that various comments from the 17<sup>th</sup> seemed to culminate in a consensus that adjustments to the capacity payment policy are needed and should be presented for consideration by the entire KPP membership at the first opportunity.



Regarding the appropriateness of making payment, James noted that of particular concern was the length of time that a unit is unavailable before discontinuing payment. The relevance of the KPP generation testing policy and extenuating circumstances were also recognized as influential.

James summarized saying that a draft adjustment to the existing policy is soon intended to be circulated to generating cities before bringing the same to the entire KPP membership.