

Draft 2024 Budget & Rates Introduced at KPP Rate Forum

Financial projections for 2024 were discussed at the KPP Rate Forum held at the KMU Training Center in McPherson on November 3rd. Each year, KPP holds the November Rate Forum to introduce and seek feedback on the agency’s budget and rates for the following year.

KPP CEO and General Manager Colin Hansen opened the Rate Forum by presenting an update on key programs and activities at KPP Energy. He focused on the two major projects that KPP staff are currently working on – Walnut Energy Center and the U.S. Department of Agriculture (USDA) PACE Loan program. Walnut Energy Center is the 54 megawatt (MW) power plant powered by Wärtsilä dual fuel engines to be located in Winfield. The USDA PACE Loan program is funding for solar energy arrays in nine KPP member communities that KPP is currently seeking.

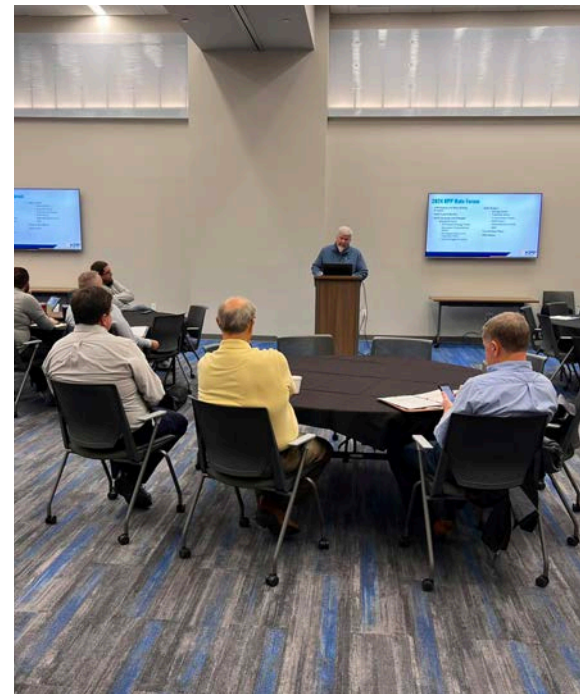
The 2024 Proposed Budget & Rates were then presented by KPP Assistant General Manager of Operations Larry Holloway. In his detailed presentation, Holloway discussed the KPP budget and rate setting process as well as each of the cost drivers affecting projected rates. The 2024 budget is broken down into key components of energy, capacity, transmission and administrative & general costs.

The biggest change drivers in the 2024 budget are a forecasted decrease in energy costs due to projected decreases in natural gas and SPP integrated market prices, a slight increase in transmission costs, and a significant increase in the capacity demand rate. The increased capacity demand rate is due to a planned collection of \$5 million to be utilized for the Walnut Energy Center project. There was also an uptick in the administrative demand rate due to a large increase in KPP’s debt service coverage ratio (DSCR).

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Above: Larry Holloway presents at the KPP 2024 Rate Forum



KPP Energy Members “Survive” GridEx VII

BROOKE CARROLL, DIRECTOR OF MEMBER SERVICES

On November 14th & 15th, KPP Energy hosted GridEx VII in McPherson at the KMU Training Facility with over 200 other electric utilities nationwide. GridEx, organized every two years by the Electric Information Sharing and Analysis Center (E-ISAC), provides a crucial exercise that plays a pivotal role in enhancing the resilience and security of our nation’s energy infrastructure. The E-ISAC works to reduce cyber and physical security risk to the electric industry across North America by providing unique insights, leadership, and collaboration. KPP Energy was pleased on the attendance and participation this year with approximately 60 players, representing 12 KPP Energy member cities.

The primary objective of GridEx is to assess and strengthen the response capabilities of utilities, government agencies, and industry partners in the face of complex and evolving threats to the energy grid. The event provides a realistic platform to assess the industry’s ability to detect, mitigate, and recover from cyber and physical security incidents. In addition to this two-day tabletop exercise, emphasis was placed on crisis and communication plans. Erin McGinnis, Kansas Director of Statewide Cyber Collaboration & Preparedness, collaborated with players to educate on “Addressing the Press and the Public During a Crisis.” Players also had breakout sessions where they prepared, practiced,



Above: Sam Alva, DHS Cybersecurity Advisor



Above: Hillsboro Mayor Lou Thurston. **Below:** Participants in the KPP Energy Grid Ex VII exercise.



KPP Energy Members “Survive” GridEx VII

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and recorded press releases to address how their groups (teams) were responding to the escalating events. Sam Alva, DHS Cybersecurity Advisor, provided a vivid presentation and discussion on “Federal Cybersecurity Resources Available to Municipalities.” Other presentations also occurred through-out the two days and provided additional resources and information on Preparing Crisis Communication Plans, Executive Level Response, and County Emergency Management Resources.

Preparing for the GridEx event takes a year of planning and preparation. The KPP Energy GridEx Planning Team spent the year working with E-ISAC, Custom Internet Services, and others to map out and provide a quality table-top event as a free Members Service to all KPP Energy members. In addition, the event was open to all municipalities in the state of Kansas. The insights gained from GridEx will contribute to the continuous improvement of KPP Energy members’ security measures and response capabilities. The event highlights the importance of ongoing collaboration, information sharing, and investment in advanced technologies to address the evolving landscape of cybersecurity threats.

As the energy sector evolves and faces new challenges, events like GridEx play a crucial role in preparing organizations to respond effectively to emerging threats. KPP Energy remains dedicated to staying at the forefront of grid security, ensuring a resilient energy infrastructure for the benefit of our communities.



Above: Erin McGinnis, Kansas Director of Statewide Cyber Collaboration & Preparedness



Above: Participants react to GridEx emergency situation. **Below:** Marc Cain, Augusta



November Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER

The KPP Energy Board of Directors held their regular monthly meeting on November 16, 2023, at KPP offices in Wichita. A summary of meeting highlights is provided here.

October 2023 ECA Analysis

KPP Director of Engineering Services James Ging presented the monthly update relating to the October 2023 ECA calculation. Total cost was below budget \$1,548,008. Energy costs were below budget \$1,294,183, transmission costs were below budget \$196,479, and capacity costs were below budget \$54,697. The actual October ECA was a negative 1.64 cents per kilowatt-hour (kWh) vs. the budgeted estimate of a positive .00243 cents per kWh. So far in calendar year 2023, the ECA has only been positive in one out of ten months.

September 2023 Financial Statements

Vickie Matney, KPP Controller, presented the financial statements for the period ending September 30, 2023. She pointed out that Net Position Before DAI needs to reach \$9.8 million by the end of the year. As of September



30th, it is currently at \$8.0 million. On the Balance Sheet, she noted the State of Kansas Loan payable has been paid in full, and she has received the Loan Satisfaction letter from State of Kansas.

Preliminary Consideration of 2024 Budget

KPP Assistant General Manager of Operations Larry Holloway provided Board members with an overview of the 2024 Budget and Rates. He explained the impact of predicted 2024 gas prices and weather on the 2024 budget and rates and noted that the 2024 budget does not take into account the expenditures that will be required in 2024 to fix a recently discovered emergent issue on one of the combustion turbines at Dogwood.

Colin Hansen pointed out that the 2024 proposed budget includes funds to hire a second full-time, mid-level engineer in the second quarter but does not account for the fiscal impact of the PACE solar grant project. He emphasized the potential PACE project would require careful consideration from the Board.

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November Board Meeting Review

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PACE Grant Update

KPP Director of Member Services Brooke Carroll and KPP Director of Engineering Services James Ging provided a progress report on the PACE grant application, noting assistance was received from J.T. Klaus, Priority Power, and USDA RUS, through meetings and many hours of work. Though half of the PACE application items are complete, title work and environmental studies will necessitate filing a request for extension.

James Ging asked the Board to consider a list of terms for easements to be provided to the municipalities where the solar facilities will be located.

Open Board of Directors Seat

KPP President Scott Glaves made the Board aware of four (4) individuals who have expressed interest to KPP staff in the seat that will come open as Board Member Rex Reynolds completes his second full term. Board

member Greg Graffman suggested KPP Energy submit to all members an email requesting individuals interested in the open seat make their interest known to KPP Energy. Nominations for the open seat will be brought forth and voted upon at the Annual Membership Meeting in December.



Above (left to right): KPP Board members Stacy Barnes, Rex Reynolds and Jason Newberry.

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At the Rate Forum, rates were estimated to be \$65.09 per megawatt-hour (MWh) for calendar year 2024. This is only a slight increase from 2023 and the second lowest rates since 2014. Holloway reminded KPP members that this estimate would be updated with the latest projections and then voted upon by the full membership at the Annual Meeting on December 8th.

For more information about the KPP 2024 Budget & Rates, please contact Colin Hansen at chansen@kpp.agency.



Above: KPP Assistant General Manager Larry Holloway presents the draft 2024 KPP budget and rates.



KPP Energy Co-Hosts TAPS Fall Conference

The Transmission Access Policy Study (TAPS) Group held their annual conference in Kansas City on November 14 & 15 and KPP Energy served as a co-host of the event. TAPS is the national trade group that represents the interests of transmission-dependent utilities like KPP. The conference brought in public power representatives from across the United States.

Keynote speakers at the event included:

- APPA President & CEO Scott Corwin
- SPP President & CEO Barbara Sugg
- KCC Chairman & SPP Regional State Committee President Andrew French
- NERC MRC Chair Jennifer Flandermeyer

In addition, TAPS members heard important updates on key issues and activities at the North American Electric Reliability Corporation (NERC), Federal Energy Regulatory Commission (FERC) and in the U.S. Congress. Several key issues addressed were FERC Order 2023 regarding interconnection queues in the nation's regional



Above: Southwest Power Pool (SPP) President & CEO Barbara Sugg provides an update to TAPS Fall Conference participants.

transmission organizations (RTOs) and growing concerns about the impact that inverter-based resources (IBR) have on the bulk electric system.

Hansen opened the conference with a presentation about KPP Energy. KPP co-hosted the conference with the Missouri Public Utility Alliance (MPUA). MPUA President & CEO John Twitty followed Hansen with a welcome to Kansas City and an overview of MPUA.



Above: Kansas Corporation Commission Chair and Southwest Power Pool (SPP) Regional State Committee (RSC) President Andrew French.

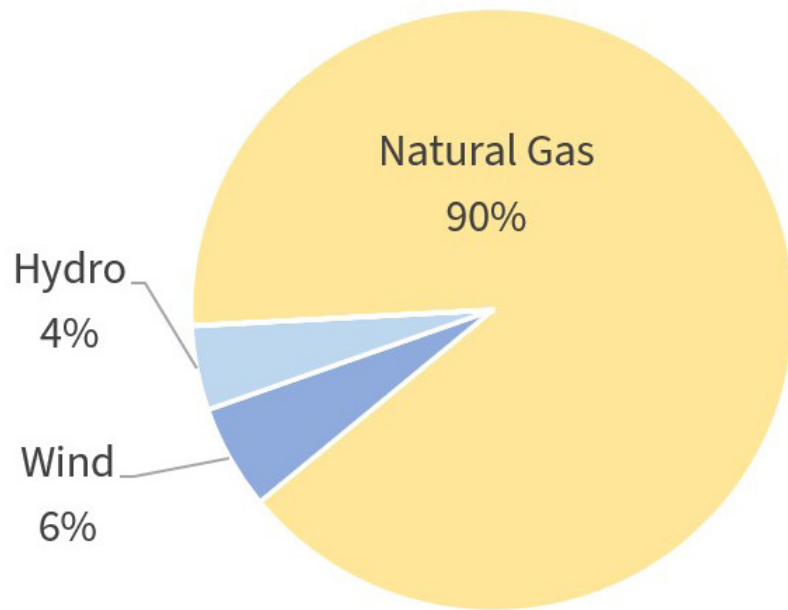


Above: TAPS Fall Conference included a tour of the National World War I Museum and Memoria.



KPP Resources by Fuel Source

OCTOBER 2023



Event Calendar

2023 DATES TO REMEMBER

DECEMBER 8, 2023

KPP Annual Members
Meeting & Board Meeting
McPherson, Kansas