

KPP LIGHTNING ROUND

July 2024

KPP Board Approves Generation Task Force Recommendation

The KPP Board of Directors recently approved a recommendation of the KPP Generation Task Force regarding the reimbursement of member generation expenses for training & exercising purposes.

The Generation Task Force was formed last year and is responsible for developing processes, policies, and procedures for improving the operation, availability, and reliability of KPP Energy member generation and providing these recommendations to the KPP Energy Board of Directors for approval.

The GTF has been considering a potential change to KPP policies to pay member cities with generation the fuel costs incurred when operating generating units for training or exercising purposes. The concept is to remove the financial disincentive for starting up engines to better train local power plant operators and to exercise and maintain existing units.

The recommendation approved by the GTF at its meeting on July 9th will compensate members for fuel cost when exercising their reciprocating engine units:

- Up to Eleven (11) Times per Year (per Unit)
- Up to Four (4) Hours Each Run
- Members are Encouraged to Exercise Units at Least Three (3) Times per Year
- Steam & Gas Turbines As Needed, if Not Sufficiently Dispatched in the Market for Training Purposes

The Board considered the recommendation at their regular meeting on July 18th. Following discussion, the GTF recommendation was passed unanimously.

IN THIS ISSUE

- KPP Board Approves GTF Recommendation
- Carroll Departing KPP
- Hillsboro Receives Grants to Update Streetlighting, Issues Bonds for Street Improvements
- July Board Meeting Review
- SPP Staff, REAL Team Recommend Increase of Planning Reserve Margin
- U.S. Supreme Court Reverses Chevron Doctrine
- Moran Joins Colleagues to Protect American Power Plants & Overturn Burdensome Regulations
- Cybersecurity Summit Series - August 13th
- 2024 Calendar of Events
- KPP Resources by Fuel Source

Carroll Departing KPP Energy

TAKES NEW POSITION AS CITY OF GODDARD CHIEF FINANCIAL OFFICER

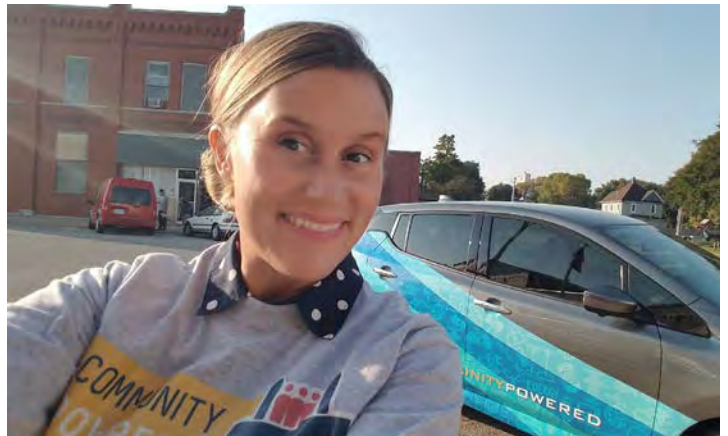
Brooke Carroll, Director of Member Services for KPP Energy, is leaving the KPP team to take on a new opportunity with the City of Goddard. She joins the City of Goddard as the city's new Chief Financial Officer (CFO) on August 1st.

Carroll joined KPP on January 1, 2019 as the Director of Administrative Services. In her five-plus years at KPP Energy, Brooke was an invaluable member of the KPP team. She was promoted to Director of Member Services in 2023 where she continued to oversee the many member services provided by KPP to its members, including cost of service studies, rate designs, annual financial scorecards, cybersecurity and more.

In the KPP staff farewell to Brooke at the July Board meeting, KPP CEO & General Manager Colin Hansen

recognized Brooke for elevating member services during her time at KPP and thanked her for her “dedication, energy, hard work, enthusiasm, expertise and intelligence.” Other Board members and staff also expressed their sincere appreciation and thanks for Brooke’s contributions.

KPP Energy wishes Brooke the very best of luck in her new endeavors!



Hillsboro Receives Grants to Update Streetlighting, Issues Bonds for Street Improvements

KPP MEMBER SPOTLIGHT

The City of Hillsboro has received two grants from the Kansas Corporation Commission (KCC) Energy Efficiency and Conservation Block Grant (EECBG) Program to convert all the remaining High-Pressure Sodium (HPS) in the city's street light system to new energy efficient LED lights. The two grants, totaling \$141,793, will replace the remaining 312 HPS lights in the community. Converting to LEDs is estimated to save Hillsboro over \$30,000 in energy and maintenance cost.

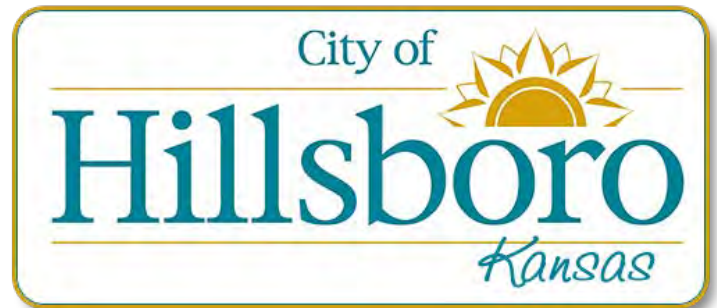
The first grant focused on safety, replacing lights in areas with heavy pedestrian and kid traffic. After consulting with the KCC program manager, the city submitted a second grant application to complete the communities planned LED conversion. The lights will be replaced by city staff in an estimated 8-month time frame pending securing the streetlamps.

In other city news, Hillsboro recently issued bonds to finance, along with proceeds of a KDOT Grant, certain street improvements within the City. The City of Hillsboro, Kansas, General Obligation Bonds, Series 2024 were rated "A-" by S&P, which was an affirmation of the existing rating of the City. The bond rating is generally a reflection of the financial management of the City along with other factors such as the local economy, debt ratios, fund balances and budgetary performance, among others. The City received an upgrade to its bond rating during 2022 from "BBB+" to "A-" and the current rating report outlined continued financial improvements since the upgrade.

The City utilized Raymond James & Associates as Municipal Advisor for the issuance. Prior to completing a competitive sale of the Bonds, Raymond James requested proposals for a direct placement of the

bonds from institutional investors. This approach of quickly exploring a direct placement has the potential of reducing the costs of issuance and allows for a comparison of the results the City can expect for a direct placement and a public offering. For this issue, it became clear that a public offering would result in a favorable borrowing cost for the City.

The City conducted a competitive sale, during which the City received three bids for the Bonds. The bids ranged from 3.87% to 4.34%. The Series 2024 General Obligation Bonds were sold at a Net Interest Cost (NIC) of 3.94% and a True Interest Cost (TIC) of 3.87%. The Bonds have a final maturity in 2034 and an average life of 6.891 years.



July Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER



The KPP Energy Board of Directors held their regular monthly meeting on July 18, 2024 at the KPP offices in Wichita and virtually. A summary of meeting highlights is provided here.

June 2024 ECA

James Ging presented the June 2024 ECA calculation. Total costs were below budget by \$57,145. Energy costs were below budget \$490,644; transmission costs were above budget \$75,251, and capacity costs were above budget by \$358,461. The actual June 2024 ECA was negative \$0.00399 vs. budgeted of negative \$0.00371.

Financial Statements

Vickie Matney presented written financial statements for the period ending May 31, 2024, showing a net position before DAI of \$1,850,439 and an increase of \$1,054,554 in net position. Matney also provided information on the collection of Walnut Energy Center and PACE funding.

Reimbursement of Generation Expenses for Training & Exercising Purposes

Larry Holloway presented the recommendation of the KPP Generation Task Force for compensating member generation for training and exercising purposes. KPP Energy currently compensates members for generation costs in situations when KPP or SPP directs the member to run its units, when the member is doing annual operability or capability testing, and when there is a transmission outage (though this does not apply if generation is due to a limit on the member's tie or distribution facilities). In some situations, within outlined

parameters, KPP Energy will also pay a member's fuel costs for additional operation related to training and exercising units. After discussion of the policy, the parameters of compensation, as well as the positive impact the policy will have on encouraging reliability measures, the policy was unanimously adopted.

Revision to Generation Testing Procedures

Holloway asked the Board to consider revising KPP Energy's generation testing procedures due to changes in the SPP Planning Criteria (v4.4), the need to reflect KPP's name change, and to change language in Section 1.4 to reflect KPP's current capacity reimbursement policy. The Board unanimously approved moving forward with the revisions.



July Board Meeting Review

CONTINUED FROM PAGE 4

Luray Service Extension Financing Request

James Ging provided the Board with an eight-page presentation on a City of Luray project to install a new interconnection substation and a new service extension to the city's local coop. On behalf of Luray, Ging asked the Board to consider assisting Luray with the project by financing around \$600,000, either over 20 years at 4.728% annual interest or over 30 years at 5.064% annual interest. KPP General Counsel J.T. Klaus noted that if the financial assistance were to be put into a later bond issue, it would require the adoption of a reimbursement resolution. No action was taken by the Board pending additional information about the project.

PACE Solar Project

James Ging and Brooke Carroll provided an update to the Board on the PACE project. Carroll noted that everything is to the underwriters, and hopefully, by August 15, items will be ready for action. Weekly calls with USDA continue to keep the project moving forward.

KPP Resource Adequacy

Holloway provided an update regarding KPP potentially purchasing paper capacity. Recently, the SPP Market and Operations Policy Committee passed a fuel assurance requirement, which KPP is protesting, due to the additional difficulty it will place on meeting resource adequacy requirements with dual fuel units.

CEO Report

CEO and General Manager, Colin Hansen, recognized exiting Director of Member Services, Brooke Carroll, for elevating Member Services at KPP Energy during her tenure. He thanked her for being an invaluable member of staff and expressed appreciation for the dedication and hard work that she contributed to KPP Energy, acknowledging she will be missed.

Executive Sessions

Two executive sessions were held with no action from the Board following.

SPP Staff, REAL Team Recommend Increase of Planning Reserve Margin

On July 2nd, the Southwest Power Pool (SPP) took the unusual action of issuing a Planning Reserve Margin (PRM) recommendation to a broad audience. While the statement is careful to mention that it is an SPP Staff recommendation, it does state that it is based on "an extensive analysis that has occurred under the direction of the Supply Adequacy Working Group (SAWG), as well as input and approval received from the Resource Energy and Adequacy Leadership (REAL) team."

The stated recommendation is to increase the summer PRM from the current 15% to 16% beginning in the

summer of 2026 and to implement a 36% winter PRM beginning in the 2026/2027 winter season.

This is expected to be highly controversial. In fact, while the recommendation implies the SAWG approved the PRM recommendation, it did not. The recommendation was instead rejected by SAWG and instead approved only by the REAL team, which is not a full representation working group, but rather made up of a few SAWG members as well as state regulators and board members. This appears to be one of the only times in memory when SPP Staff has tried to influence broad acceptance of an important policy change that has not approved by the SPP membership and board.



U.S. Supreme Court Reverses Chevron Doctrine

LIKELY TO HAVE SIGNIFICANT EFFECT ON UTILITY REGULATIONS

The U.S. Supreme Court recently issued a decision that reverses the 40-year-old rule called the Chevron Doctrine. This rule said that courts had to accept the decisions made by government agencies, like the Environmental Protection Agency (EPA), when the law was unclear. Now, the court says that judges can use their own judgment to decide if an agency is following the law. Reversing the Chevron Doctrine could make it easier to challenge decisions made by government agencies.

Another recent decision by the court said that people have the right to a jury trial when they are charged with fraud by the Securities and Exchange Commission (SEC). This decision has implications for many agencies that allow or require enforcement proceedings to be heard before an Administrative Law Judge.

These decisions are likely to shift power away from government agencies and Congress and give more power to judges. Federal judges will now have the first and final word about what statutes mean. While the impact remains to be seen, these cases will likely have a significant effect on how agencies proceed with complex rulemakings, the types of enforcement actions they decide to pursue, and where proceedings will be conducted.



Moran Joins Colleagues to Protect American Power Plants & Overturn Burdensome Regulations

U.S. Senator Jerry Moran (R-Kan.) joined Senator Shelley Moore Capito (R-W.V.) – Ranking Member of the Senate Environment and Public Works (EPW) Committee – in introducing a resolution to disapprove of the Biden administration’s regulations intended to shut down American power plants.

The resolution comes after the Environmental Protection Agency (EPA) issued its final rules that impose harmful emissions requirements on existing coal-fired power plants and newly constructed gas-fired power plants. This attempt to force the closure of power plants that supply America’s baseload electricity was previously tried under President Obama and overturned by the Supreme Court in *West Virginia v. EPA*.

“American energy production bolsters our economy and keeps us on track towards energy independence,” said Sen. Moran. “Energy generated from existing power plants help support families and communities in Kansas and across the country, and imposing harmful emission regulations will only drive-up energy costs for ratepayers.”

“With this Congressional Review Act resolution of disapproval, every member of Congress will have the opportunity to protect America’s energy future, heed the warnings of our nation’s electric grid operators, and adhere to the precedent set by the Supreme Court,” said Sen. Capito. “This vote is an important one because the Biden administration’s Clean Power Plan 2.0 makes it clear it will stand with climate activists, regardless of the harm that is sure to be done to families, workers, and communities across West Virginia and the rest of the country.”





CYBERSECURITY SUMMIT SERIES

A thorough and detailed series aimed at empowering your municipality with the essential strategies and practices for complete cybersecurity readiness.

4-Part Series Include:

- Basic Cyber Hygiene - 3/12/24
- Electric Utility Security & SCADA Hacking Lab - 5/14/24
- Financial Crimes - 8/13/24
- Preparing for Cyber Disasters - 10/15/24

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.



Event Calendar

2024 DATES TO REMEMBER

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 1, 2024
RP3 Working Group

OCTOBER 3-4, 2024
KPP 2024 Conference

OCTOBER 17, 2024
KPP Board Meeting

NOVEMBER 1, 2024
KPP Rate Forum

NOVEMBER 20, 2024
KPP Board Meeting

DECEMBER 11, 2024
KPP Annual Members Meeting

KPP Resources by Fuel Source

JUNE 2024

