

KPP LIGHTNING ROUND

December 2023

KPP Membership Approves 2024 Budget & Rates

The budget and rates for calendar year 2024 were recently set and approved by the membership at the annual meeting of the KPP Membership Committee. KPP's budget and rates are approved each December by the KPP Board of Directors and the Membership Committee for the following calendar year. This year, the KPP Membership Committee meeting took place on December 8th at the KMU Training Center in McPherson.

KPP rates look very favorable for next year. The overall average energy cost for 2024 is \$66.19 per megawatt-hour (MWh). This reflects a slight increase from the average overall energy cost of \$63.21 per MWh in 2023. Even with the modest increase, 2024 rates are the second lowest on record since 2014.

It should be remembered that conditions in the energy and natural gas markets can change quickly and cause higher-than-expected energy cost adjustments (ECAs) that have the potential to push costs upward.

Of particular interest in the budget was the inclusion of funds for the Walnut Energy Center and PACE Solar projects. The 2024 budget includes \$5 million to be set aside for the potential purchase of long lead-time items for Walnut Energy Center. An additional \$2 million is budgeted towards development of the PACE Solar projects in nine KPP member communities. Both projects are expected to bring significant benefits to the entire KPP membership.

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Happy Holidays from  **KPP**
ENERGY

2024-2028 KPP Strategic Plan Adopted

COLIN HANSEN, CEO / GENERAL MANAGER

As the calendar turns to 2024, KPP Energy will have a new strategic plan to serve as a roadmap for the agency's programs, projects and activities. The KPP membership adopted the new four-year strategic plan, developed by the KPP Board of Directors and staff, at the Annual Members Meeting on December 8th.

In late September, a two-day Strategic Planning Retreat was held immediately prior to the KPP 2023 Conference. Steve Wright, the CEO of Inspired Public Service, was selected as the strategic planning facilitator. Having served in numerous public power positions during a long and illustrious career, including CEO of the Bonneville Power Administration (BPA) and General Manager of Chelan Public Utility District, Wright brought with him an extensive background in the electric utility industry and effective strategic planning.

The strategic planning retreat required the Board and staff to spend a great deal of time performing an environmental scan or analysis of the likely opportunities and threats to KPP Energy and its member communities. The scan included subject areas such as technology, economy, politics, utility industry, SPP, and more.



Further refinements to the plan were made following the retreat. The Board then approved the 2024-2028 KPP Strategic Plan and moved to place it into consideration by the full membership at the Annual Members Meeting.

KPP's Mission, Vision, and Values (MVV) were updated to reflect the new changes happening within the agency. KPP's Mission is "to provide affordable, reliable & responsible power and innovative solutions." As I've noted a number of times, I believe that KPP must always stay laser-focused on providing the most reliable and cost-effective electricity possible.

Mission

To provide affordable, reliable & responsible power and innovative solutions.



KPP's new Vision is to "be the trusted leader and partner delivering cost-effective electricity and energy services to help our member communities thrive." The key phrase in the Vision is "to help our member communities thrive" and serves as the "Why?" behind everything that we do at KPP.

Vision

Be the trusted leader and partner delivering cost-effective electricity and energy services to help our member communities thrive.



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2024-2028 KPP Strategic Plan Adopted

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Finally, after identifying and evaluating nearly a dozen potential key “Values” for KPP, the three that were selected were:



The 2024-2028 Strategic Plan identifies three high-level objectives for KPP. These are:

- Evaluate Capacity
- Add Capacity
- Enhance Member Engagement & Support

Under the first high-level objective of “**Evaluate Capacity**” there were three goals identified. These are to:

- Evaluate and Develop Strategies to Keep Existing Member-Owned Generation in Operation as Long as Cost Effective
- Invest in a Long-Term Resource Plan
- Expand Engagement in the Southwest Power Pool to Maximize the Value of Existing Capacity

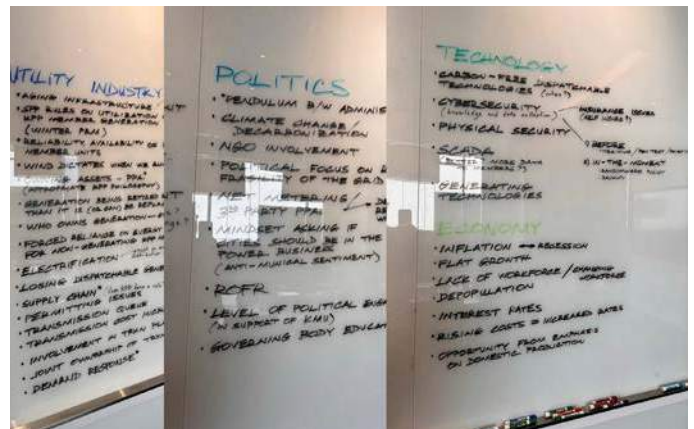
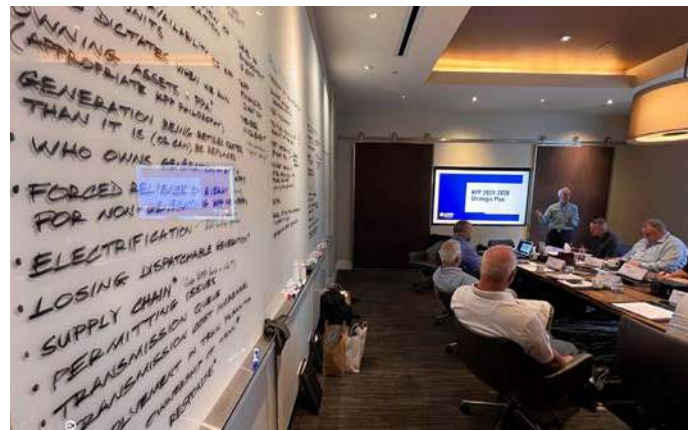
The second high-level objective of “**Add Capacity**” included four strategic goals:

- Focus on Short-Term Development of Additional 50+ Megawatts
- Research Opportunities for Additional Generating Capacity to Further Diversify Our Portfolio
- Investigate Adding Generation in Non-Generating Cities
- Develop the Financial Resources Needed to Build Additional Generation to Create the Least-Cost Long-Term Generation Supply

The last high-level objective – “**Enhance Member Engagement & Support**” – contains three key goals:

- Create Pathways for Expanded Member Participation and Engagement
- Assist Members in Community & Economic Development Efforts
- Continue to Explore Member-Driven Services that Enhance Quality of Life in KPP Communities

The 2024-2028 KPP Strategic Plan is aggressive and ambitious, but achievable. I would like to personally thank the Board, staff and membership for their time and effort in developing the strategic plan. Your staff at KPP Energy looks forward to implementing the plan and working continually to expand and refine the service that we provide.



2024 KPP Annual Members Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER

The membership of KPP Energy held their annual meeting on December 8, 2023, at Kansas Municipal Utilities in McPherson, Kansas, with sixteen member cities in attendance. A summary of meeting highlights is provided here.



CEO Report

KPP Energy CEO Colin Hansen provided a report to the membership covering progress on KPP Energy's PACE grant application and the status of the Walnut Energy Center.

Strategic Plan

In October, the Board of Directors and KPP Staff worked with a respected facilitator to formulate KPP Energy's 2024 – 2028 Strategic Plan. Hansen summarized the plan and future strategic goals and then requested the Membership Committee's approval of the same. The 2024 – 2028 Strategic Plan was unanimously approved by the Membership.

2024 Rate Presentation

KPP Assistant General Manager of Operations Larry Holloway presented to the Membership Committee the Board of Directors' recommendation for 2024 budget and rates. He provided detailed information on changes made to the recommended overall average energy



rate of \$65.09 per megawatt-hour (MWh) presented at the November Rate Forum. One major adjustment was the inclusion of the PACE solar project in the 2024 budget, ultimately arriving at a proposed overall average energy rate of \$66.19/MWh. At the request of Chairperson Scott Glaves, Membership unanimously approved the rates as presented.

Report of the Nominating Committee

Chairperson Scott Glaves thanked those who submitted their name for consideration for the open board seat and then presented the recommendation of the Nominating Committee to appoint Alan Schneider, Burlington's Electric Superintendent, to the open Board seat. This appointment was unanimously approved by the Membership Committee.



December Board Meeting Review

COLIN HANSEN, CEO / GENERAL MANAGER

The KPP Energy Board of Directors held their monthly meeting on December 8, 2023, at Kansas Municipal Utilities in McPherson, KS. A summary of meeting highlights is provided here.

PACE Cost Considerations & Timeline

KPP Director of Engineering Services James Ging updated the Board on progress of the PACE grant application for KPP's solar project, involving nine sites in member cities.

Costs to meet USDA requirements for application submittal, Ging advised, are nearing \$700,000, due to environmental studies. If KPP is awarded a PACE grant, those costs would be reimbursable through the project. If KPP's application is rejected, however, there would be no relief. While KPP's chances of award are thought to be favorable, the information was shared with the Board in the interest of transparency and to keep them fully apprised of the application process and its costs.

Ging and Brooke Carroll, Director of Member Services, noted they will keep pushing the application forward until the Board advises otherwise. No action was taken. KPP's application deadline has been extended to January 26, 2024.



Consideration of 2024 Budget and Recommendation to Members on 2024 Rates

KPP Assistant General Manager of Operations Larry Holloway presented the Board with two options for the 2024 budget and rates. Previously, at the Rate Forum, Holloway presented a budget with an overall average energy rate of \$65.09 per MWH. The first option included the following adjustments: formula correction on proforma worksheet, change in assumption of the Walnut in-service date from 2028 to 2026, the final adopted 2024 Budget for Dogwood, new Tenaska 2024 monthly market price forecasts for settlement locations, and updated gas future prices from NYMEX. With these changes, Holloway's Option One resulted in an overall average energy rate of \$63.39 per MWH.

Option Two included the first option's assumptions plus 2024 funding for the PACE solar projects, resulting in an overall energy rate of \$66.19 per MWH. KPP Energy staff recommended Option Two for the Board's adoption, and Option Two was indeed unanimously approved for presentation to the Membership Committee.

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December Board Meeting Review

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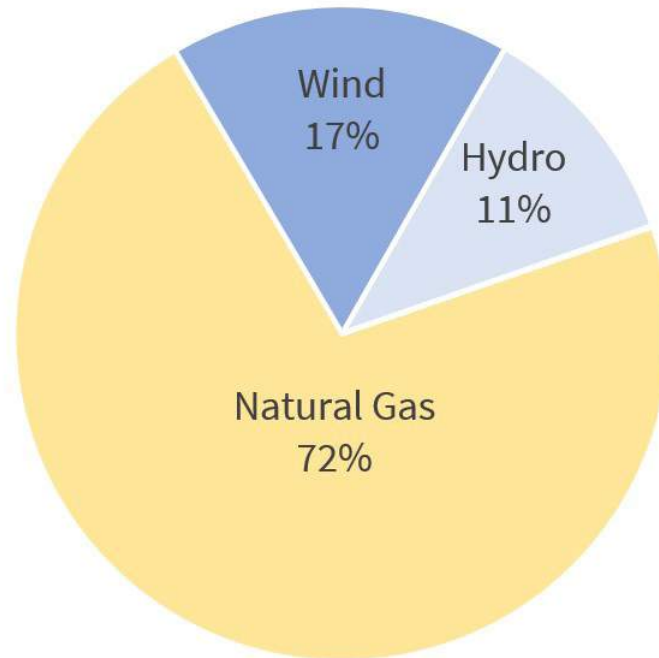
Open Board Seat Update

Board of Directors' Chairperson Scott Glaves advised that the Nominating Committee considered three viable candidates for the seat to be vacant following the expiration of Rex Reynolds's term and ultimately decided to put forth Alan Schneider, the Electric Superintendent at Burlington, for the seat.



KPP Resources by Fuel Source

NOVEMBER 2023



KPP LIGHTNING ROUND

Mount Hope Voltage Conversion Project Underway

JAMES GING, DIRECTOR OF ENGINEERING SERVICES

The City of Mount Hope has officially kicked off the final phase of their Voltage Conversion Project. This final phase will culminate in the voltage upgrade of the last remaining 4,160-volt circuit in the community. In addition, the project will include the retirement of a fully depreciated substation.

The final 4,160 volt circuit will be upgraded to 12, 470 V to match the rest of the city's distribution system. By retiring the old substation, the project will significantly increase Mount Hope's resilience. Were the old substation to fail, it would likely result in an extended outage for half of the city.

KPP has assisted in the project by facilitating in the design of the project, pulling together material costs for bid, and developing bidding documents for the contractors. KPP staff also participated in the bid opening and in the

evaluation of the bids and will be the final inspector to make sure the work meets code. KPP is also assisting in the financing of the project as well.

Mount Hope has selected Kilian Electric as the contractor to assist in the electric improvements. The city's commitment to modernizing its electrical infrastructure will result in improved reliability, and a forward-looking foundation for future energy needs. As a result, residents and businesses will enjoy a more resilient electrical system.



Event Calendar

2024 DATES TO REMEMBER

JANUARY 18, 2024

KPP Board of Directors Meeting

FEBRUARY 15, 2024

KPP Board of Directors Meeting

wishing our members

JOY

this holiday season

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100 N BROADWAY, SUITE L110 WICHITA, KS 67202

316.264.3166 | INFO@KPP.AGENCY

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