



Board of Directors Meeting
Official Minutes from November 21, 2024
Wichita, KS and Virtually

1. Call to Order and Determination of a Quorum

With the determination of a quorum, Jason Newberry called the November 21, 2024, Board of Directors meeting to order at 10:05 AM.

Board Members Present: Stacy Barnes, Gus Collins, Scott Glaves, Greg Graffman, Chris Komarek, Tim Johnson, Jason Newberry, Alan Schneider, and Lou Thurston.

Board Members Present Virtually: None.

Board Member Absent: None.

Others Present: J.T. Klaus (TWG), Taggart Wall.

Others Present Virtually: Greg Vahrenberg (Raymond James), Dominic Mosier, Jacob Coy, Matt Stiles, Cody Warner.

KPP Staff Present: Leslie Atherton, Andrew Ferris, James Ging, Colin Hansen, Larry Holloway, Vickie Matney, Ivan Seward, Mike Shook.

2. November Monthly Member Call – James Ging

James Ging presented the monthly update relating to the October 2024 ECA calculation. Total costs were below budget by \$72,809.39. Energy costs were below budget \$171,619.16; transmission costs were above budget \$71,297.13, and capacity costs were above budget by \$28,745.04. The actual October 2024 ECA was negative \$0.00027 vs. budgeted negative \$0.00237.

3. Consent Agenda

a. Minutes of the October 3, 2024, Board of Directors Meeting

b. Monthly Invoices & Payment Schedule

Jason Newberry requested a motion to approve consent agenda items as listed above. Motion was made by Gus Collins and seconded by Tim Johnson. Motion passed unanimously.

4. Financial Statements – Vickie Matney

Vickie Matney presented written financial statements for the period ending September 30, 2024, showing a net position before DAI of \$8,661,102.90 for the year, and an increase of \$982,376.10 in net position since last month. Vickie Matney provided information on the collection and disbursement of Walnut Center and PACE ECA funds, showing a total of \$5,250,006 has been collected for 2024. Lou Thurston moved and Chris Komarek seconded to approve the financials as presented. Motion passed unanimously.

5. New Business

a. 2025 Budget Consideration

i. 2025 Budget Options – Colin Hansen

CEO and General Manager, Colin Hansen, addressed the Board by first reminding them, regarding the 2025 budget proposal, that there will still be updates made before the actual rates are approved at the annual meeting on December 13th. These updates include modifications to the Dogwood final budget, IM, gas, and other forecast updates, revisions to out years related to updated financial data, as well as any error correction that may be identified.

Next, Hansen outlined three budget options for the Board's consideration:

- Option 1 would be to accept the budget proposal presented at the November 1 Rate Forum, leaving the capacity demand charge at \$9.63 per kW and resulting in an overall energy rate of \$73.70 per MWH.
- Option 2 would decrease from \$5 million to \$3 million the Walnut Energy Center prepurchase equipment reserve and utilize the \$2 million collected in 2024 for PACE on Walnut Energy Center. Option 2 would also finance the Generation Repair Fund for 2025 using reserve funds. This would decrease the capacity budget by \$500,000 and put the capacity demand charge at \$8.22 per kW, resulting in an overall energy rate of \$70.65 per MWH.
- Under Option 3, the proposal would decrease the Walnut Energy Center prepurchase equipment reserve from \$5 million to \$2 million and finance the Generation Repair Fund for 2025 by using funds remaining from reserve funds, decreasing the budget capacity by \$500,000. This would put the capacity demand charge at \$7.65 per kW and result in an overall energy rate of \$69.44 per MWH.

Hansen noted that the changes suggested in Options 2 and 3 would affect only the capacity demand rate. Holloway and Hansen fielded questions from Board members.

General Counsel J.T. Klaus recommended changing how PACE and Walnut Energy funds are labeled within the budget to something like "resource fund" so that purpose of the use of the money could be broadened if necessary.

ii. Generation Repair Fund – Larry Holloway

Larry Holloway brought to the Board the Generation Task Force's recommendation for implementation of a Generation Repair Fund. This recommendation came with details covering which generators and repairs would qualify, repayment of generation repair loans, as well as limits on generation repair grants. The method to access the Generation Repair Fund and how it should be established and maintained was also outlined. A decision flow-chart was provided to aid in demonstrating the process. Holloway and Ging fielded questions from Board members Gus Collins and Scott Glaves. Collins suggested reviewing the policy each year. A proposed KPP Energy Generation Repair Fund Policy Rev. 0, consisting of three pages, was unanimously approved by the Board after motion from Greg Graffman and second from Chris Komarek.

iii. Chanute Paper Capacity Agreement – Larry Holloway / J.T. Klaus

For consideration, members were provided with the four-page Master Power Purchase and Sale Agreement Confirmation Letter between City of Chanute, Kansas, and KPP Energy, covering delivery period June 1, 2025, through May 31, 2030, for a contract quantity of 5,000 kW at \$5.10 per kW per month. This agreement will give KPP Energy firm transmission of 5 MW towards resource adequacy for the next five years. Holloway explained this does not get KPP Energy in the clear for resource adequacy particularly for Summer of 2026. Ging noted this agreement would certainly not be excess resource. Lou Thurston moved to authorize signing of the agreement once the contractual details are worked out. Chris Komarek seconded, and all members voted in favor of the same.

The Board then returned to discussion of the 2025 budget options. Chris Komarek agreed with Lou Thurston's comments and voiced preference for Option 1 recognizing where the prices are going in the future. Jason Newberry expressed concern about the optics of implementing a higher rate with some of the large things that have occurred with KPP Energy in the last year – purchase of the building, hiring of Chief Strategy Officer, and hiring of Director of Energy Services, even though that is not the reason for the rate increase. Gus Collins agreed that perception is not reality but still leaned toward Option 3 and not closed to Option 2. Greg Graffman voiced the same opinion. Scott Glaves said he was leaning toward Option 2, the middle-of-the-road option, but said he would vote against Option 1. Alan Schneider agreed with Glaves's opinion. Tim Johnson voiced support for Option 3, particularly if membership is made aware of the additional options before the Board. Ultimately, Greg Graffman made a motion to adopt Option 3. Gus Collins seconded the motion. Motion carried seven to two; Chris Komarek and Lou Thurston voted in opposition.

b. PACE Solar Project

i. Project Overview – Colin Hansen and James Ging

Chief Operating Officer, James Ging, provided the Board with a project overview including a timeline estimating construction commencement on February 1, 2025, and estimating project completion on October 1, 2025.

Before committing to a public offering of the bonds for the PACE project, Hansen advised, direct placement has been sought. Only one interested party, J.P. Morgan, has submitted a proposal and will not require ITC insurance. However, it seemed Moody's would have a more favorable view of the project if ITC insurance were in place.

Greg Vahrenberg from Raymond James addressed the Board and outlined the processes that have already occurred in pursuit of placement of the subordinated, taxable bonds for the PACE Project. The only proposal received came from JP Morgan at 5.64% rate. After being asked to consider lowering the rate, they offered 5.61%. If offered publicly, Vahrenberg predicted KPP might get a slightly better rate (5.33% – 5.58%). However, rates would not be firm until December 13 and would be subject to whatever rates are at that time. Furthermore, marketing bonds to investors in December is difficult because people begin to close their books in mid-December. That may lead to difficulty getting the offering closed in 2024 which could jeopardize the 40% investment tax credits. Having the offering in hand and the

ability to begin working towards closing may be beneficial and worth considering by KPP Energy.

J.T. Klaus said that legally both the private placement and public offering have been pursued but the process is hitting a point where one direction must be chosen. Direct placement provides one potential safety net that public offering does not. If KPP gets to the maturity date and something has gone wrong, with private placement, there's at least the possibility that KPP could negotiate with the bond holder for a longer term or whatever else is needed. Furthermore, Klaus suggested the Board consider ITC insurance even if the bondholder does not require it.

Lou Thurston moved to direct staff to proceed with and execute all necessary documents toward the private placement offer from J.P Morgan. Greg Graffman seconded, and the motion passed unanimously.

ii. Investment Tax Credit Insurance – *Colin Hansen*

Colin Hansen provided the Board with background information on Investment Tax Credit Insurance as well as risk categories. He reported the cost of ITC insurance would likely be \$525,000 – \$800,000, equal to 3% of risk and would not offer loan forgiveness. He advised the Board that ITC insurance may be required by investors; he is aware of at least one private placement proposal that would require it. ITC insurance may also be important for the project credit rating. Obtaining quotes for ITC insurance will take one to two weeks.

iii. ITC Low-Income Project – *Andrew Ferris*

Chief Strategy Officer Andrew Ferris briefed the Board on bonus credits available related to the PACE solar project. Being awarded the bonus credits is expected to reduce the capital investment by about \$450,000 for every MW awarded to a Low-Income Economic Benefit Project status. Half of the energy savings of the project, however, would need to be returned directly to low-income households in the community. Ferris said, based on the energy savings calculation, he expects this to be roughly \$30,000 annually. In summary, the PACE project has 12 MW of available projects eligible for this tax credit status, which could result in direct project savings of nearly \$5.4 million and low-income household funding of up to \$1.8 million.

Ferris provided the Board with additional requirements of the program as well as next steps to pursue this status, noting the application period does not open until January 1.

iv. City of Luray Financing Request –*James Ging*

In relation to the City of Luray project discussed at the previous meeting, members were provided with a proposed resolution to declare official intent to issue certain electrical utility revenue bonds and authorize the officers of KPP Energy to execute and deliver such documents as are necessary in connection with such declaration. Lou Thurston moved to adopt Resolution 2024-11-21 as presented. Scott Glaves seconded, and all members voted in favor of the same.

6. Operations Reports – Larry Holloway / James Ging

The written Operations Report and Engineering Report were provided to the Board. Holloway emphasized the statistics and happenings of the 4th Quarter Dogwood Energy meeting. He also spoke to capacity availability within KPP membership.

CEO Colin Hansen mentioned a suggestion from Board member, Greg Graffman, to get on the PR trail about Walnut Energy Center. Graffman spoke up and pointed out that moving forward with Walnut Energy Center when the time comes will be the biggest decision Board members make while on the Board, and he thinks the project information and the reasons for the pursuit of it are owed to the governing bodies of member cities. The Board discussed such an initiative in detail.

Board President Jason Newberry agreed with all viewpoints expressed and suggested looking to Holloway for guidance on the information to be shared as well as the timing of the information release.

7. Member Services Report – Leslie Atherton

Members were provided with Leslie Atherton's written report. Plans for KPP Energy's 2025 Annual Conference were briefly discussed.

8. Market Update – Ivan Seward

Ivan Seward's written report was provided to the Board.

9. General Counsel Report – J.T. Klaus

Members were provided with J.T. Klaus's written report.

10. CEO / General Manager Report – Colin Hansen

Members were provided with Colin Hansen's written report. He highlighted the following items:

- The recent additions to staff of Andrew Ferris, Chief Strategy Officer, and Mike Shook, Director of Energy Services.
- KPP filed a petition to intervene on Evergy's KCC filing for predetermination of ratemaking principles and treatment for the costs associated with the two new 705 MW combined-cycle natural gas plants they have announced investment to construct.
- KPP is one of six public power entities nationally participating in APPA's Energy Storage for Rural Resilience (ES4RR) Technical Assistance grant. The current plan is for Pacific Northwest National Laboratory (PNNL) to develop a case study on how a 1 MW battery storage application could be utilized in one of KPP's small member communities, like Hillsboro, which makes sense as the PACE project will install a 1 MW solar array there.
- Hansen was named to the TAPS Board of Directors at the TAPS Fall Conference and TAPS has nominated him for a seat on the North American Electric Reliability Corporation Member Representatives Committee. This Committee elects independent trustees, votes on amendments to bylaws, and provides advice and recommendations to the NERC Board. The election takes place in December.
- At Hillsboro's request, Hansen has been serving as facilitator of Strategic Planning there.

11. Special Announcements: None.

12. Adjournment

The meeting adjourned at 1:22 PM after motion from Lou Thurston and second by Scott Glaves.

Respectfully submitted by KPP Energy Board Secretary:



Chris Komarek, Secretary

Date: 12-13-24

Approved by KPP Energy Board President:



Jason Newberry, President

Date: 12/13/24