

REGULAR SESSION –WEDNESDAY, MARCH 17, 2021

STATE OF KANSAS)
) SS
CITY OF KANSAS CITY)

The Board of Public Utilities of Kansas City, Kansas (aka BPU, We, Us, Our) met remotely in Regular Session on Wednesday, March 17, 2021 at 6:00 P.M. The following Board Members were on the teleconference: Robert L. Milan, President; Mary Gonzales, Vice President; Rose Mulvany Henry, Secretary; Jeff Bryant, and Thomas Groneman, and Ryan Eidson.

Also on teleconference: William Johnson, General Manager; Angela Lawson, Deputy Chief Counsel; Lori Austin, Chief Financial Officer/Chief Administrative Officer; Steve Green, Executive Director Water Operations; Johnetta Hinson, Executive Director Customer Service; Jeremy Ash, Executive Director Electric Operations; Dong Quach, Executive Director Electric Production; Jerry Ohmes, Executive Director Electric Supply; Jerry Sullivan, Chief Information Officer; David Mehlhaff, Chief Communications Officer, Robert Kamp, IT Project Manager; Dennis Dumovich, Director of Human Resources; Andrew Ferris, Director Electric Supply Planning; Chris Stewart, Director Civil Engineering; Glen Brendel, Director Electric Production Operations/Maintenance; Randy Otting, Director Accounting; and Patrice Townsend, Director Utility Services.

A tape of this meeting is on file at the Board of Public Utilities.

Mr. Milan called the Board Meeting to order at 6:00 P.M. He welcomed all that were listening or viewing the meeting. He stated the COVID-19 pandemic had resulted in a State of Emergency disaster declared by the Governor which made it necessary to conduct the meeting using technology instead of in person. Those wishing to offer comments during the Visitors Comments section could click on the raised hand feature at the bottom of the application or window or press Star 9 and be connected by phone. As always, the public could email or call the BPU with any concerns. The Agenda could be found on the BPU website. If they were using Zoom, it would appear on their screen. Mr. Milan introduced himself and the other Board Members along with the General Manager, and Legal Counsel.

Roll call was taken and all Board Members were present via teleconference.

Item #3 – Approval of Amended Agenda

A motion was made to approve the Amended Agenda by Mr. Bryant, seconded by Ms. Gonzales, and unanimously carried.

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Item #4 – Approval of the Work Session Minutes

A motion was made to approve the minutes of the Work Session of March 3, 2021 by Ms. Gonzales, seconded by Mr. Eidson, and unanimously carried.

Item #5 – Approval of Regular Session Minutes

A motion was made to approve the minutes of the Regular Session of March 3, 2021 by Mr. Groneman, seconded by Mr. Bryant, and unanimously carried.

Item #6 – Public Comments

Mr. William Johnson, General Manager, asked Mr. Robert Kamp, IT Project Manager, if there were any visitors wishing to speak.

Mr. Kamp said that no one had their hand raised via teleconference.

Item #7 – General Manager / Staff Reports

- i. *COVID-19 Update:* Mr. Johnson, gave an update on company COVID-19 matters.
- ii. *State Legislative Update:* Mr. David Mehlhaff, Chief Communications Officer, updated the Board on Senate Bill 167, which would allow certain public utility vehicles to be authorized as emergency vehicles. That bill was passed. He also informed the Board that written testimony had been submitted regarding House Bill 2429. The bill would create a low-interest loan program from which a city could borrow from the State in order to cover costs related to the extreme weather crisis which occurred in February. That legislation was signed by Governor Kelly.

Mr. Mehlhaff introduced Ms. Kimberly Svaty of Gencur Svaty Public Affairs who updated the Board on key issues pertaining to utilities in the State House including the following:

- Energy Choice - This bill would prohibit municipalities from imposing restrictions on customers' use of energy based on its source. The bill was introduced in response to more than 40 cities proposing to ban the use of natural gas in new residential and commercial construction.

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- Electrical Vehicle (EV) Charging - This bill would allow for EV charging stations not be considered public utilities if the business where they were located charged for power.
- Transmission Line Siting – This bill would create an additional element in transmission siting process for a city with more than 300,000 individuals. Currently the bill only affects the city of Wichita.
- Securitization – SB 245 would allow Evergy to issue bonds to retire older generating units. There was an addition made to the bill that would allow for the investor owned natural gas utilities who had gone to the private market to securitize the extraordinary costs associated with the February weather emergency. It was a necessary tool needed for natural gas and in some cases electric customers in Kansas to deal with the financial aftermath of the weather event so that it wouldn't create economic and financial hardship for residential, commercial, or industrial customers.

Ms. Svaty addressed questions from the Board.

- iii. *Public Hearing - KDHE Water Supply Loan:* Ms. Kathy Peters, Kutak Rock LLP, explained that before the water loan could be granted by the Kansas Department of Health and Environment (KDHE), a public hearing was required. Notice of the public hearing had been placed in the Wyandotte Echo and Kansas City Star more than 30 days ago. Mr. Chris Stewart, Director Civil Engineering, reviewed the projects and the proposed water loan financing for the public, the Board, and staff (see attached).

Mr. Milan asked for a motion to open the KDHE Water Supply Loan Public Hearing.

A motion was made to open the KDHE Water Supply Loan Public Hearing by Mr. Bryant, seconded by Ms. Gonzales and unanimously carried.

Mr. Kamp said that no one had their hand raised via teleconference.

A motion was made to approve Resolution #5260, authorizing the completion of an application to the Kansas Department of Health and Environment regarding a loan from the Kansas Public Water Supply Fund, by Ms. Gonzales, seconded by Mr. Eidson, and unanimously carried.

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A motion was made to close the KDHE Water Supply Loan Public Hearing by Ms. Gonzales, seconded by Mr. Bryant, and unanimously carried.

- iv. *Energy Rate Component:* Lori Austin, Chief Financial Officer/Chief Administrative Officer, gave a PowerPoint presentation reviewing our Energy Rate Component (ERC). The ERC represented the BPU’s projected cost of fuel used to generate electricity and the cost of power that must be purchased from the market to meet our load. All of our energy was called on by Southwest Power Pool (SPP) to support the grid. We purchased back what we need to support our load. The 2020 COVID-19 situation and the February 2021 Cold Weather Event resulted in an ERC overcollection. Ms. Austin explained the overcollection and reconciliation (see attached).

Ms. Austin and Mr. Andrew Ferris, Director Electric Supply Planning, answered questions from the Board.

- v. *Nearman Plant Spring Outage:* Mr. Glen Brendel, Director Electric Production Operations/Maintenance gave a PowerPoint presentation to review the upcoming Spring outage scheduled for the Nearman Power Plant (see attached).

Mr. Brendel addressed comments from the Board.

Item #8 – Board Comments

Mr. Eidson thanked all for their presentations. He asked Mr. Johnson and Mr. Dumovich how the union contract was coming along.

Mr. Dumovich said that they had presented a counter-proposal and that it was currently under review by the union. Afterwards, a final draft of the agreement would be put together, and after union approval it would be voted on.

Mr. Groneman thanked everyone for their presentations.

Mr. Bryant had no comments.

Ms. Gonzales echoed thanks and welcomed Mr. Brendel.

Ms. Mulvany Henry had no comments.

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Mr. Milan had no comments.

Item #9 – Adjourn

A motion was made to adjourn the meeting at 7:210 P.M. by Ms. Mulvany Henry, seconded by Mr. Eidson, and carried unanimously.

ATTEST:

DocuSigned by:

Rose Mulvany Henry
732C225A5806456
Secretary

APPROVED:

Robert Milan Jr.
President

RESOLUTION NO. 5260

A RESOLUTION AUTHORIZING THE COMPLETION OF AN APPLICATION TO THE KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT REGARDING A LOAN FROM THE KANSAS PUBLIC WATER SUPPLY FUND.

WHEREAS, the Board of Public Utilities (the "BPU") of the Unified Government of Wyandotte County/Kansas City, Kansas (the "Unified Government"), an administrative agency of the Unified Government, operates the Unified Government's public water supply and distribution system (the "System"); and

WHEREAS, the Board of Directors of the BPU (the "BPU Governing Body") has heretofore determined it to be in the best needs of the customers of the System to undertake certain modifications and improvements to the System, including (i) 7 MG Argentine Reservoir at an estimated cost of \$10,000,000, (ii) replace aging distribution mains at an estimated cost of \$9,000,000, (iii) transmission main from 90th and Parallel to I-435 and France Family Drive at an estimated cost of \$2,000,000, (iv) electrical improvements at Nearman Water Treatment Plant and pumping stations at an estimated cost of \$1,500,000 and (v) replace 24-inch main at 12th Street and Kansas River at an estimated cost of \$2,500,000 (collectively, the "Projects"), and to pay Loan origination costs; and

WHEREAS, pursuant to K.S.A. 65-163c *et seq.* (the "Act"), the Kansas Department of Health and Environment ("KDHE") administers the Kansas Public Water Supply Fund (the "Fund") from which loans are made to certain qualified Municipalities (as said term is defined in the Act) to finance modification and improvements to public water supply systems; and

WHEREAS, the BPU has heretofore made an application to KDHE for a loan in an aggregate amount not to exceed \$25,000,000 (the "Loan") to finance the Projects; and

WHEREAS, the BPU Governing Body has conducted a public hearing this date on the advisability of proceeding with the completion of the application for the Loan and desires to authorize the appropriate officials of the BPU to accomplish the completion process.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BOARD OF PUBLIC UTILITIES OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

Section 1. Loan Application. The General Manager of the BPU is hereby authorized to cause to be prepared and to execute a Loan Application – Part II, including all attachments thereto (jointly, the "Application"), for each of the improvement projects comprising the Projects, in order to provide financing for the Projects. The Application shall be forwarded to KDHE as soon as possible.

Section 2. Further Proceedings. The President, Secretary, General Manager and other officers and representatives of the BPU are hereby authorized and directed to take such other action as may be necessary to complete the Application and to coordinate processing of a loan agreement

for the Loan (the "Loan Agreement"); provided that the authorization to execute the Loan Agreement shall be subject further resolution of the BPU Governing Body.

Section 3. Effective Date. This Resolution shall take effect and be in full force from and after its adoption by the Board of Directors of the BPU.

ADOPTED by the Board of Directors of the Board of Public Utilities of the Unified Government of Wyandotte County/Kansas City, Kansas, this 17th day of March, 2021.

BOARD OF PUBLIC UTILITIES

By: _____
President

ATTEST:

Secretary

CERTIFICATE OF RECORDING OFFICER

The undersigned, duly qualified and acting Secretary of the Board of Public Utilities of the Unified Government of Wyandotte County/Kansas City, Kansas, does hereby certify:

That the Board of Directors of the Board of Public Utilities of the Unified Government of Wyandotte County/Kansas City, Kansas held a public hearing on the advisability of proceeding with the completion of the application for the Loan on March 17, 2021.

That the attached resolution is a true and correct copy of the resolution adopted at a legally convened meeting of the Board of Directors of the Board of Public Utilities of the Unified Government of Wyandotte County/Kansas City, Kansas held on the 17th day of March, 2021; and, further, that such resolution has been fully recorded in the journal of proceedings and records in the official BPU records.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of March, 2021.

Secretary

REVIEW OF KDHE LOAN

January 20, 2021



KDHE Loan Projects (2021 - 2024)

- 7 MG Argentine Reservoir - \$10,000,000 (2021-2023)
- Replace Aging Distribution Mains - \$ 9,000,000 (2021-2024)
- T-Main 90th and Parallel to I 435 & France Family Drive - \$2,000,000 (2021-2023)
- Electrical Improvements at NWTP & Pumping Stations - \$1,500,000 (2022-2023)
- Replace 24 inch Main at 12th Street & Kansas River - \$2,500,000 (2021-2023)
- KDHE Loan Amount - \$25,000,000

Argentine 7 MG Reservoir



Aging Infrastructure - Small Diameter Mains

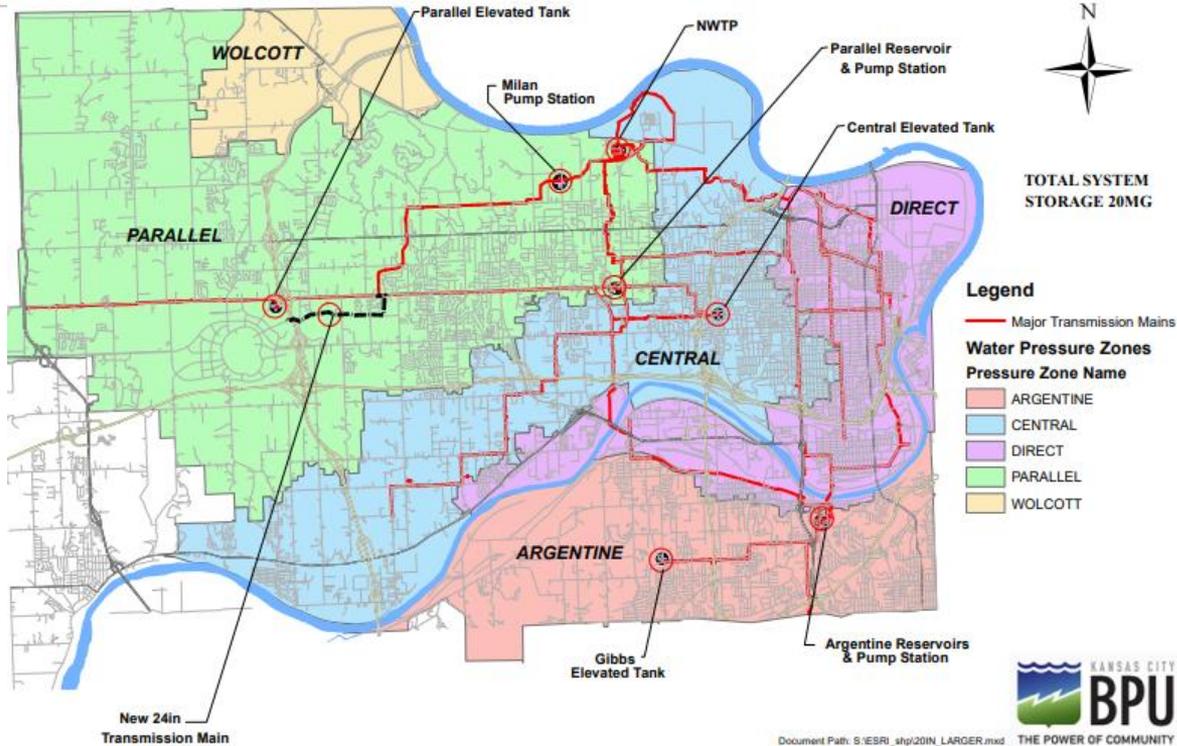


Highland Crest Area

Existing 4 inch Main

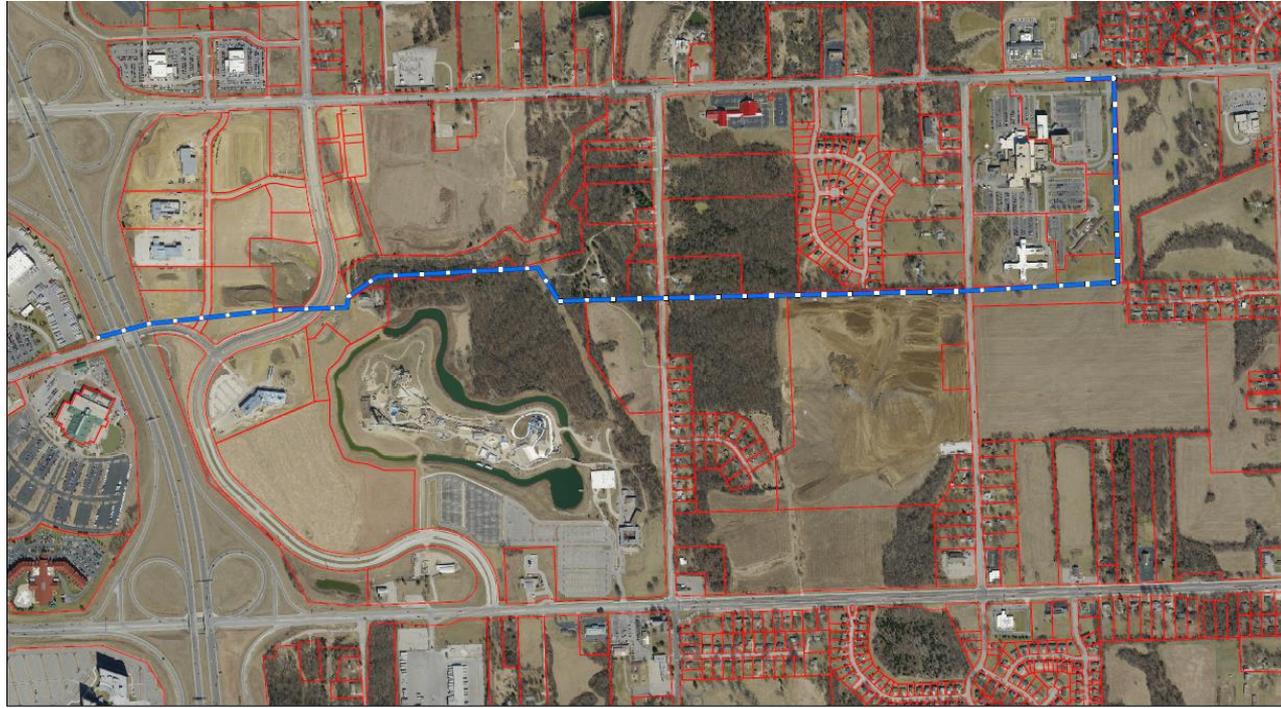


24 inch Transmission Main - 90th and Parallel to France Family Drive



24 inch Transmission Main - 90th and Parallel to France Family Drive

1435



Parallel

State Avenue

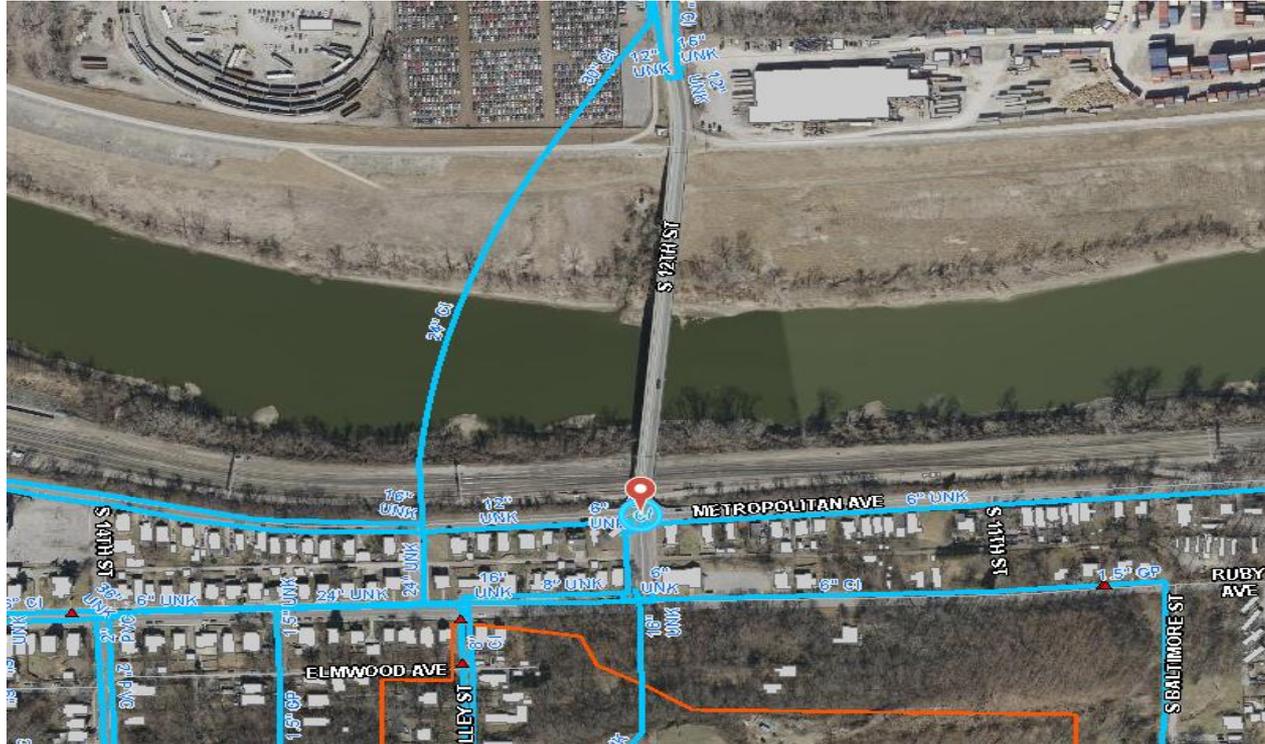
Electrical Improvements at NWTP & Pump Stations



New Project - 12th Street River Crossing

- Transmission Main Crossings on the Kansas River
 - Turner Diagonal: Channel Crossing with 24 inch main installed 2002
 - 18th St. : Bridge Crossing with 24 inch main installed 1959 and anticipate replacement with KDOT Bridge Project Scheduled for 2025
 - 12th Street : Channel Crossing with 24 inch main Installed in 1940

12th Street River Crossing



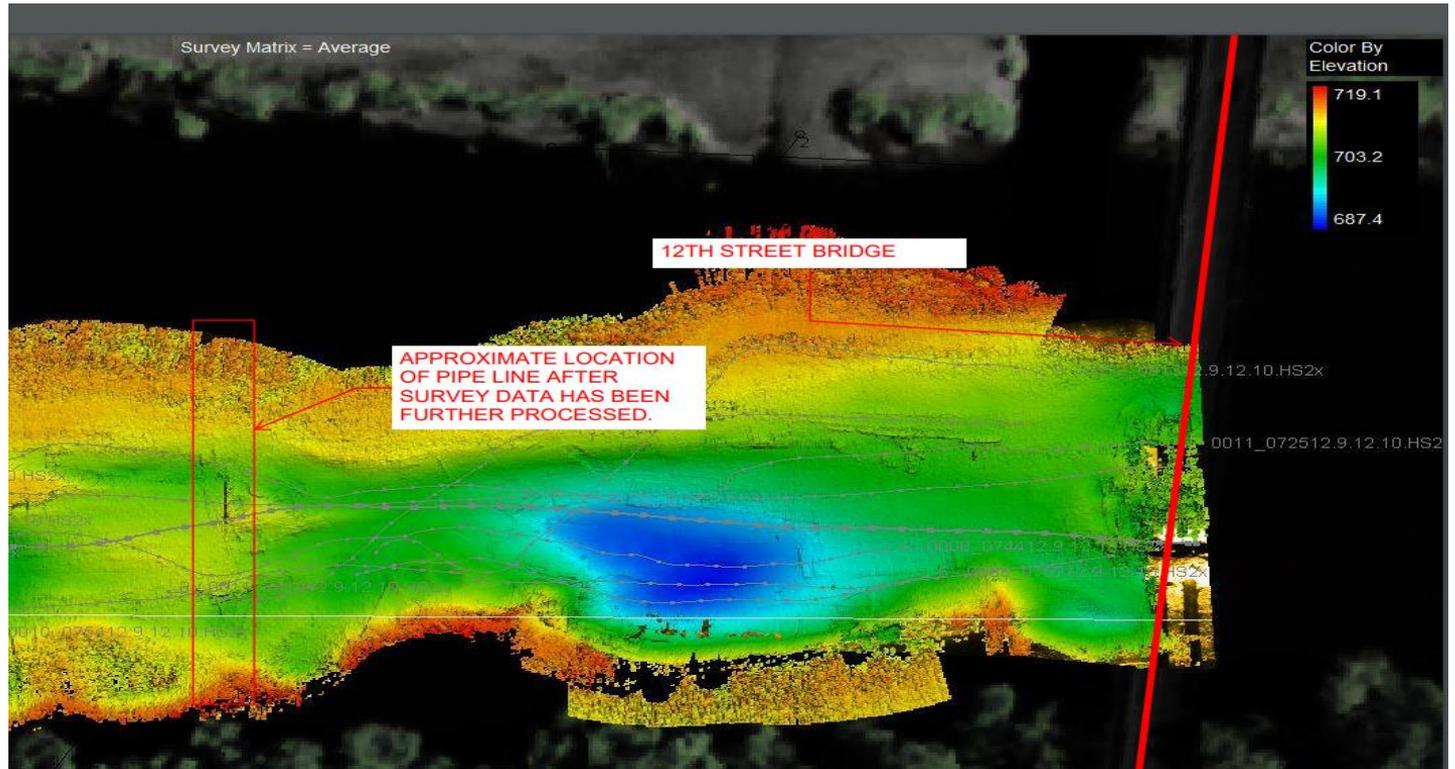
12th Street River Crossing - New Project

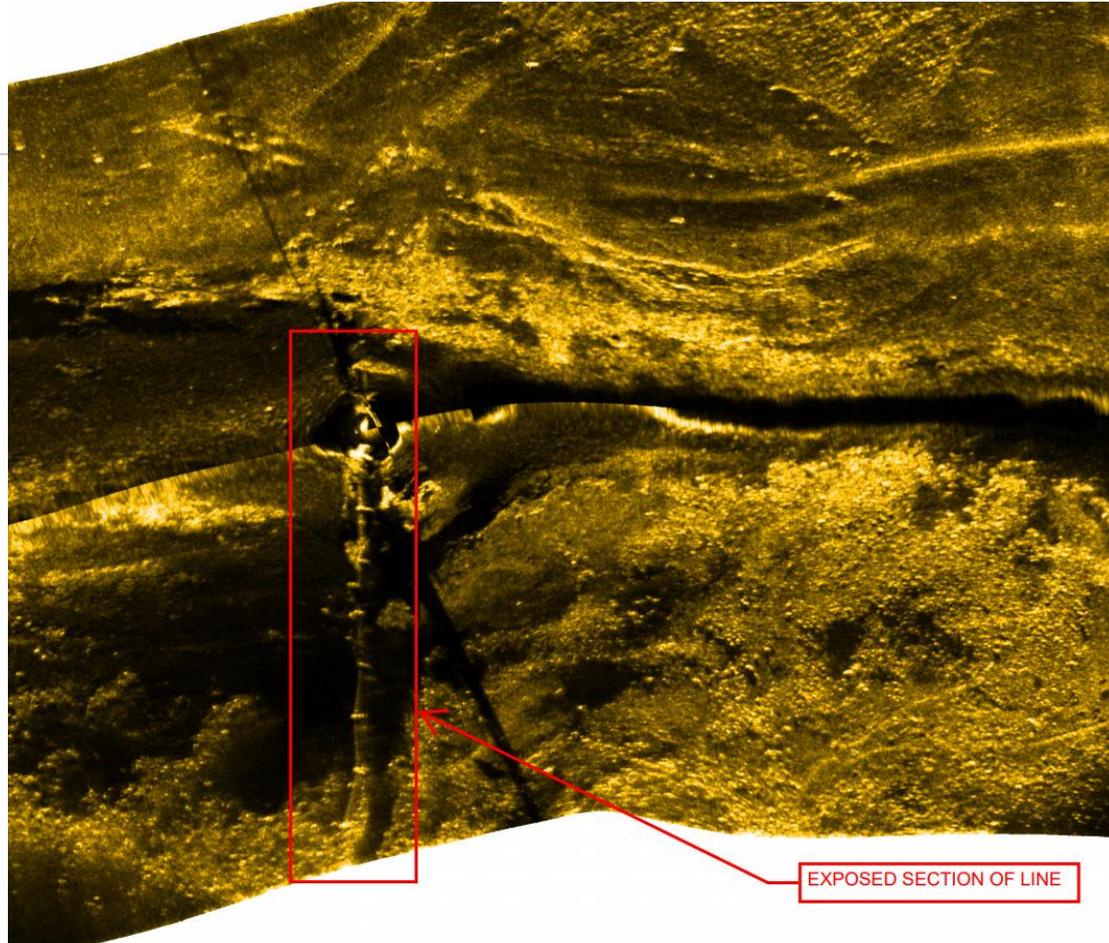
- 12th st River Crossing - Installed in 1940
 - 1940 Pipeline Centerline approximately = 706 Elevation
 - 1940 River Bed approximately = 719 Elevation
 - 1940 Cover depth over top of Pipe = 12 feet
 - Restrained joint pipe

12th Street River Crossing - New Project

- Current Pipe / River Conditions
 - Confirmed by Bathymetric Survey and Divers
 - River Bed at Crossing is approximately Elevation 703 to 706
 - 140 ft of Pipe Exposed
 - 30 ft of pipe undermined with 2 ft of separation from river bed
 - 32 ft of pipe undermined with 1 ft -1.5 ft of separation from river bed

Sonar and Sounding of River Channel





Inspection by Divers - 1/12/2021





KDHE Loan - Proposed Schedule

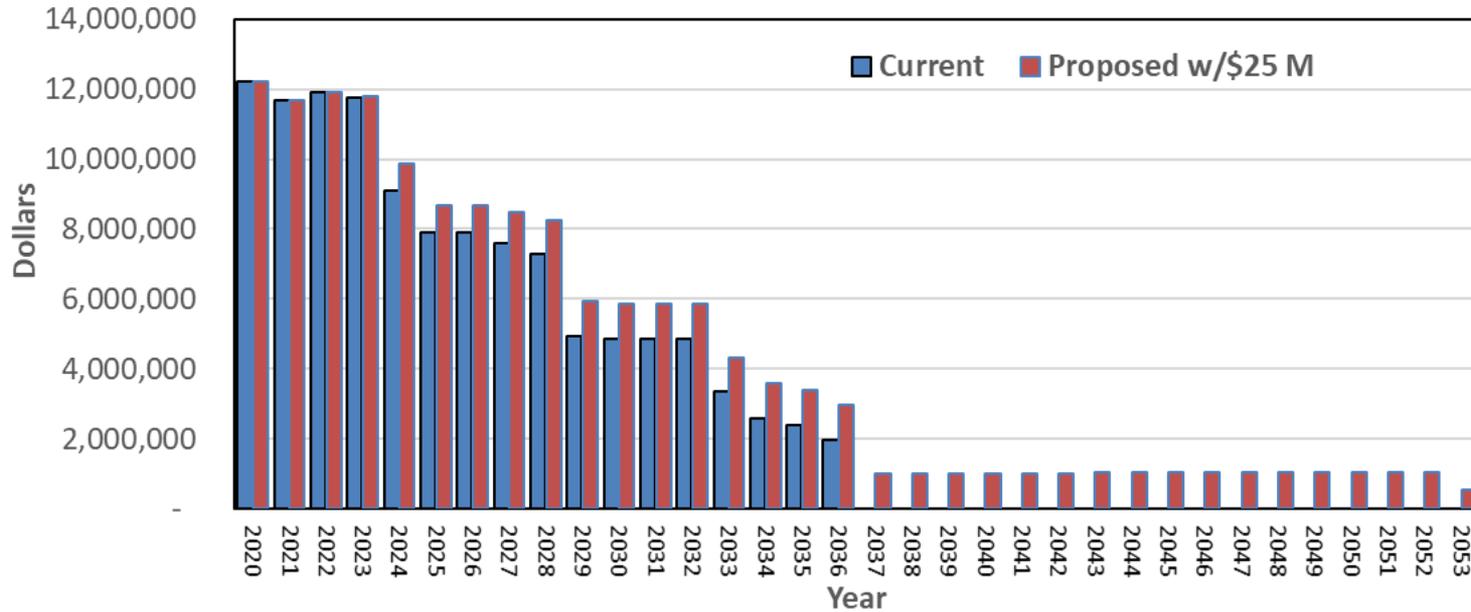
- Review Process & Answer Questions - January 20th
- Board Approval for 30 day Notice of Public Hearing - February 3rd
- Public Hearing & Board Resolution - March 17th
- UG Finance Committee Presentation - March 29th
- UG Commission Resolution / Approval - April 29th

Estimated Loan Parameters

- \$25,000,000 Principal
- 30 Year Loan
- Projected Interest rate - 1.56 %
- Projected First Payment - 8/1/2024
- Number of Payments - 60 (twice per year)
- Projected Annual Payment - \$1,060,562

Current Debt Schedule vs Proposed Debt

Current Debt vs Proposed Debt





Questions

- Thank You

Energy Rate Component (ERC) Review

March 17, 2021



Energy Rate Component (ERC) Review

Energy Rate Component (ERC) Rider

- Approved by BPU Board in 2002
- The ERC represents the BPU's projected cost of fuel used to generate electricity and the cost of power that must be purchased from the market to meet our load. All of our energy is called on by SPP to support the grid. We purchase back what we need to support our load.
 - Coal, Natural Gas, Fuel Oil, SPP Costs, Ash Disposal, & PPA (Increases Rate)
 - SPP Market Sales, Renewable Energy Credits (Reduces Rate)
- ERC rate is adjusted every quarter



Energy Rate Component (ERC) Review

- The ERC changes every three months and is based on the projected fuel and purchased power costs that BPU incurs. Once final costs for the quarter are known, a quarterly true-up is performed.
- These costs (over/under collected) are then incorporated in BPU customers' electric portion of the bill. The ERC charge is listed as a rider on the billing statement, separate from electric base rates. The ERC rate is approximately one-third of the total electric bill.



Energy Rate Component (ERC) Review

- Costs for coal, natural gas and purchased power vary due to several factors. Plant availability and weather can dramatically impact the costs and sales that go into the ERC rate.

2020 ERC Overcollection



- When businesses shut down due to COVID-19, the demand dropped causing lower prices than projected.
- Within the BPU service territory, Commercial and Industrial businesses either shut down or their load was reduced.
- Resulted in \$11.7 million overcollection of the ERC in 2020
 - \$9.0M – 3rd Quarter
 - \$2.7M – 4th Quarter



Cold Weather Event



- **Historic Weather Event**
- **73% of mainland U.S. was covered in snow**
- **Extreme weather in February across the SPP Region**
 - **A number of all-time low records were broken in the region**
 - **Last comparable cold snap in history – 1899 & 1905**
- **Energy prices were higher than forecasted due to demand**
- **Record winter energy consumption during this period**



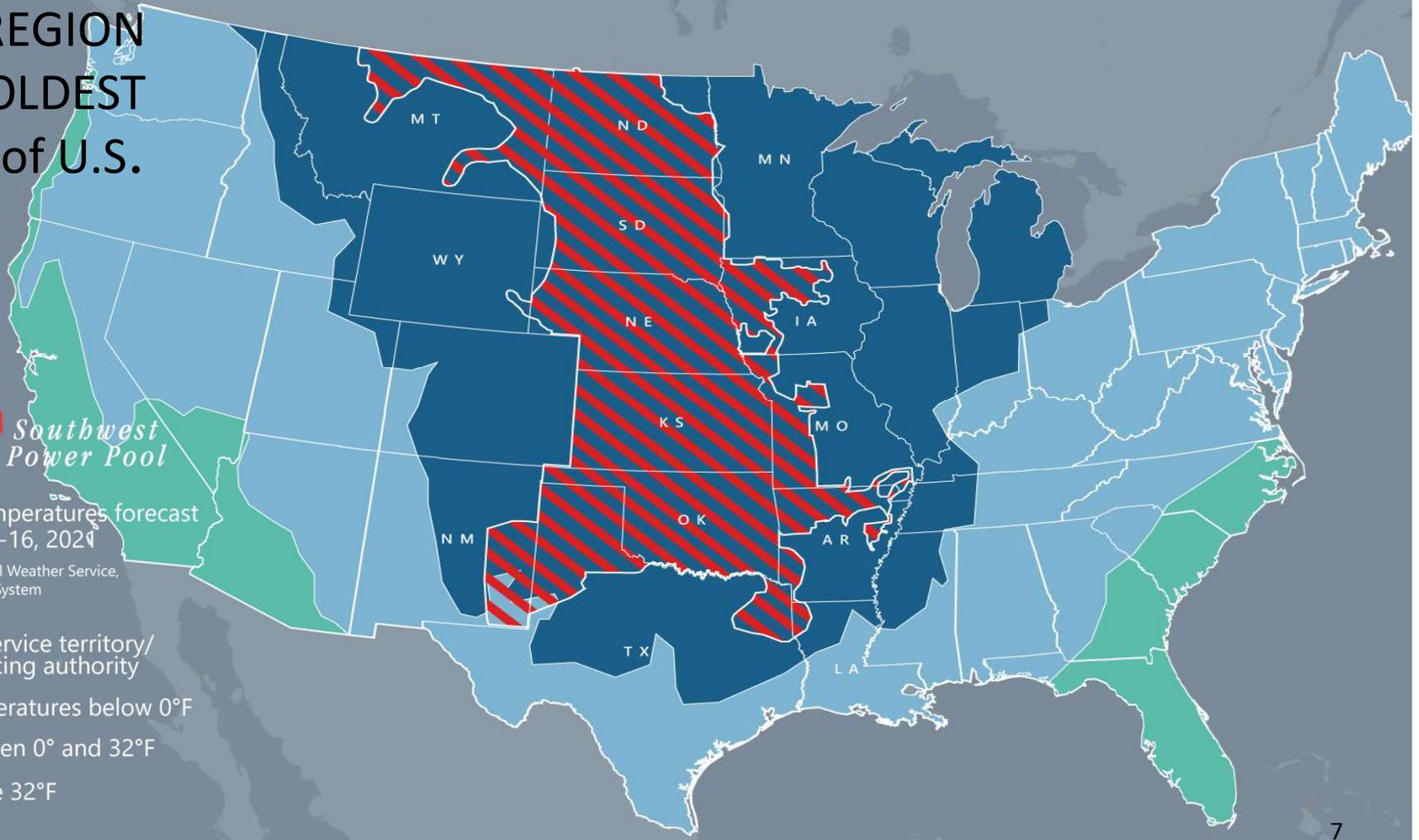
SPP REGION IN COLDEST part of U.S.



Lowest temperatures forecast
for Feb. 14-16, 2021

Sources: National Weather Service,
Global Forecast System

- SPP service territory/
balancing authority
- Temperatures below 0°F
- Between 0° and 32°F
- Above 32°F



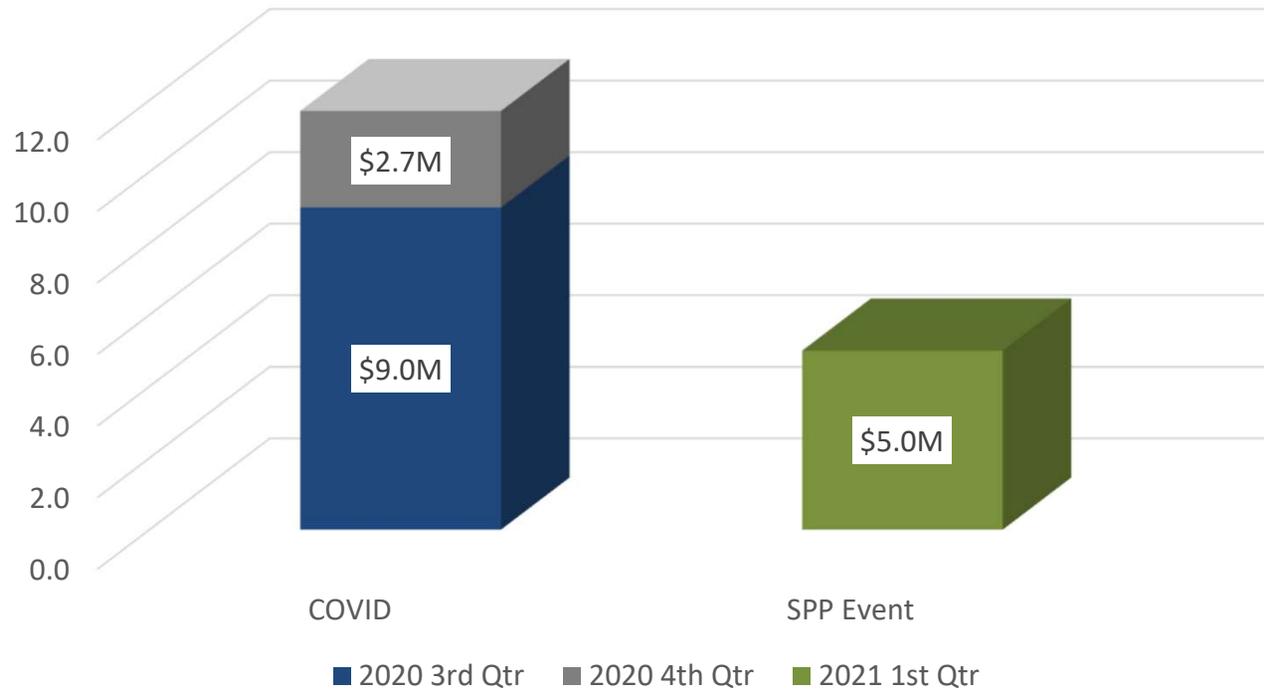
Positive Outcome for BPU

BPU sold more energy into the market than was required to serve our load

**Having a mixed fuel supply for generation was beneficial during this time
Gas prices were high / Coal and Oil not as extreme**

All resources were called upon and operated throughout the event

ERC Over Collection Amounts by Periods



2021 ERC Overcollection

The over collection from 3rd quarter 2020 (\$9M) is refunded in the 1st quarter of 2021

The combined over collection (\$7.7M) is being refunded in the 2nd quarter.

- 2020 Over Collection - \$2.7 million
- 2021 Over Collection - \$5.0 million

Over collection from the cold weather event is \$5 million

The 2021 over collection is being refunded earlier than during a normal cycle.

1st Quarter (current) ERC rate - 2.6 cents per kWh

2nd Quarter rate ERC rate - 1.6 cents per kWh



Energy Rate Component (ERC) Review

Questions?

Nearman 2021 Outage



Glen Brendel

Capital Projects

Nearman 1 Generator Step Up Transformer High Side Bushing and Lightning Arrestor Replacement



- Coal Handling 5KV Underground Cable Replacement
- Coal Handling conveyor 6 Motor starter Replacement
- Coal Handling 480 Volt Breaker Replacement
- Coal Handling 5KV Breaker Replacement
- Coal Handling Protection Relay Replacement
- RTU Schweitzer relay Installation



Outage Expensed Projects

- Selective Catalytic Reduction Module Dry Ice Cleaning
- B1 Crusher Dryer Rebuild
- Hydrolyzer Tube Bundle Inspection (Urea to NH₃ converter)
- PJFF Inspection and Bag Samples
- Boiler Tube Shield Replacement From Soot blower Wear
- Boiler- Bottom Ash Liner Inspection and Repairs
- Boiler- Burner, OFA, and UFA Port Repairs and Inspection
- High Energy Piping Inspection
- Economizer Tube Replacements
- Feed Water Heater 5 repair and replacement study
- Outage Required Planned Maintenance

Polar Vortex 2021 Lessons Learned

