

WORK SESSION MINUTES – WEDNESDAY, OCTOBER 21, 2020

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 Work Session on Wednesday, October 21, 2020 at 4:30 P.M. The following Board Members were on the teleconference: Robert L. Milan, Vice President; Mary Gonzales, Secretary; Jeff Bryant, Rose Mulvany Henry and Thomas Groneman. Ryan Eidson, President was absent.

Also on teleconference: William Johnson, General Manager; Angela Lawson, Deputy Chief Counsel; Lori Austin, Chief Financial Officer/Chief Administrative Officer; Jim Epp, Executive Director Water Operations; Johnnetta Hinson, Executive Director Customer Service; Jeremy Ash, Executive Director Electric Operations; Robert Kamp, IT Project Manager; Dennis Dumovich, Director of Human Resources; Tung Nguyen, Director Engineer Production; Ingrid Setzler, Director Environmental Services; Andrew Ferris, Director Electric Supply Planning; Ashley Culp, HR Generalist Employment; Randy Otting, Director Accounting; Dong Quach, Executive Director Electric Production; Brian Laverack, Director of Network Operations; Jerry Ohmes, Executive Director Electric Supply.

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

Mr. Milan called the meeting to order at 4:30 P.M.

Roll call was taken, and all Board Members were present with the exception of Mr. Eidson.

Item #3 – Approval of Agenda

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

Board and General Manager Update:

There were no updates.

Item #5 – 2021 Budget (Staffing)

Dennis Dumovich, Director of Human Resources and Ashley Culp, HR Generalist Employment, offered a PowerPoint presentation to outline the proposed staffing levels for 2021 (see attached).

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Mr. Dumovich, Ms. Culp, Mr. Johnson and Ms. Austin answered questions from the Board.

Item #6 – 2021 Budget (Fuel and Purchase Power)

Mr. Andrew Ferris, Director Electric Supply Planning presented a PowerPoint reviewing 2020 usage and outlining the 2021 Fuel and Purchase Power forecast (see attached).

Mr. Ferris answered questions from the Board.

Item #7 – Adjourn

Motion was made to adjourn the meeting at 5:45 P.M. by Mr. Bryant seconded by Ms. Mulvany Henry and unanimously carried.

ATTEST:

NOT signed by
Secretary

Secretary due to
pandemic

Jenny Burley-Krenzer
Executive Assistant

11/5/20

APPROVED:

[Signature]
President

2021 Staffing Authorization and Statistics

Board Work Session
October 21, 2020

Work Session Presentation Overview

- Budget Goals for 2021 Staffing
- Benchmark Comparisons
- 2021 Proposed Staffing
- Approved Positions with Headcount
- Vacancies and Personnel Requisitions
- Staffing by Locations
- Historical Review of Overtime
- Retirement Data
- Age and Length of Service Statistics

2021 Budget Goals

- Provide cost effective, safe and reliable utility services, including efficient operation of electric and water production facilities.
- Ensure continued fiscal sustainability by effectively managing debt service coverage, cash-on-hand, and credit ratings through open and transparent fiscal and budget policies.
- Continue to focus on employee training and development. Improve utility recruiting efforts to improve employee qualifications and performance
- Continue to focus on corporate reporting programs including data analytics and operational performance metrics. Ensure utility compares favorably with other peer municipal utilities within the region.

- Surveyed Electric and Water Utilities
 - Board of Public Utilities
 - Independence Power and Water (Missouri)
 - Lansing Board of Water & Lights (Michigan)
 - City of Springfield Utilities (Missouri)
 - Rochester Utilities (Minnesota)
 - City of Fort Collins Utilities (Colorado)

- Operation Departments Compared
 - Fleet Maintenance
 - Storeroom Operations
 - Meters and Services
 - Electric Trans & Distribution
 - Electric Production
 - Water Distribution
 - Water Processing

- Comparative Results
 - Surveyed utilities are close to BPU in size and services offered
 - All are municipal electric and water utilities throughout the region
 - All utilities have employees with IBEW membership
 - BPU is competitive when comparing filled positions
 - All utilities are working to manage cost of labor and benefits

2021 Proposed Staffing

Operating Division	2019 Authorized Staffing	2020 Authorized Staffing	2021 Proposed Staffing
Acct./Fin., Pur. & Admin.	53	52	51
Customer Services	51	51	49
Electric Operations	177	174	174
Electric Production	148	134	127
Electric Supply	28	28	28
General Management	13	13	13
Human Resources	9	9	9
Technology	31	31	31
Water Operations	110	108	108
Total:	620	600	590

Approved Positions with Headcount

	2015	2016	2017	2018	2019	As of 10/21/2020
Positions	663	633	632	627	620	600
Employees	557	545	535	534	528	510

Vacancies and Personnel Requisitions

Operating Division	Current Vacancies as of 01/01/2021	Personnel Requisitions
Acct/Fin, Purchasing and Administration	7	1
Customer Services	4	0
Electric Operations	31	7
Electric Production	14	0
Electric Supply	5	1
General Management	4	1
HR	1	0
Technology	9	1
Water Operations	5	1
Total:	80	9

Staffing by Locations

Operating Division	2019 Approved Staffing	2020 Approved Staffing	2021 Proposed Staffing
Administration Building	135	135	133
Energy Control Center	28	28	28
Muncie	77	75	75
Power Plants	147	133	125
Nearman Water Treatment Plant	26	26	26
Service Center	184	181	181
Water Engineering	23	22	22
Total:	620	600	590

Historical Review of Overtime

<u>Division</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 YTD</u>
Accounting/Finance & Purchasing *	\$99,431	\$87,443	\$87,978	\$117,661	\$148,674	\$45,764
Customer Services	\$25,589	\$18,139	\$26,087	\$59,594	\$31,032	\$8,578
General Management	\$20,281	\$14,829	\$15,545	\$14,126	\$0	\$0
Human Resources	\$0	\$0	\$0	\$0	\$0	\$0
Electric Operations	\$2,319,149	\$2,118,771	\$2,401,832	\$1,631,737	\$1,830,529	\$1,194,885
Electric Production	\$1,469,411	\$1,386,969	\$892,587	\$1,190,839	\$970,617	\$483,013
Electric Supply	\$7,153	\$11,173	\$11,651	\$11,178	\$12,304	\$9,022
Technology**	N/A	N/A	N/A	N/A	N/A	\$0
Water Operations	\$783,296	\$927,480	\$966,384	\$1,068,308	\$899,623	\$446,452
	\$4,724,301	\$4,565,164	\$4,402,064	\$4,092,464	\$3,892,778	\$2,187,714

*Administration Services moved to the Accounting/Finance & Purchasing division in 2019.

**In 2020, Technology was moved out of the Electric Operations division.

Retirement Data

Year	Percentage Eligible	Percentage Retired
2016	13%	2%
2017	15%	3%
2018	18%	3%
2019	17%	2%
2020 as of October 1	18%	2%

Age and Length of Service Statistics

- The average age of a full-time BPU employee is 47 years old.
- The average age at retirement 59 years old.
- The average years of service of a full-time BPU employee is **12 years**.
- Turnover for 2019 is 6.17% and 2020 is 3.83%.

	2015	2016	2017	2018	2019	2020 YTD
Age	45	45	45	46	46	47
Length of Service	11	11	11	12	11	12

Questions?



2021 Fuel & Purchase Power Budget Workshop

October 21, 2020

Fuel & Purchase Power Methodology

- Dispatch to Price model
 - Produces a chronological hourly calculation for the economic dispatch of resources
 - Resource dispatch / production is independent of load / system demand
- Load Data
- Resource Data

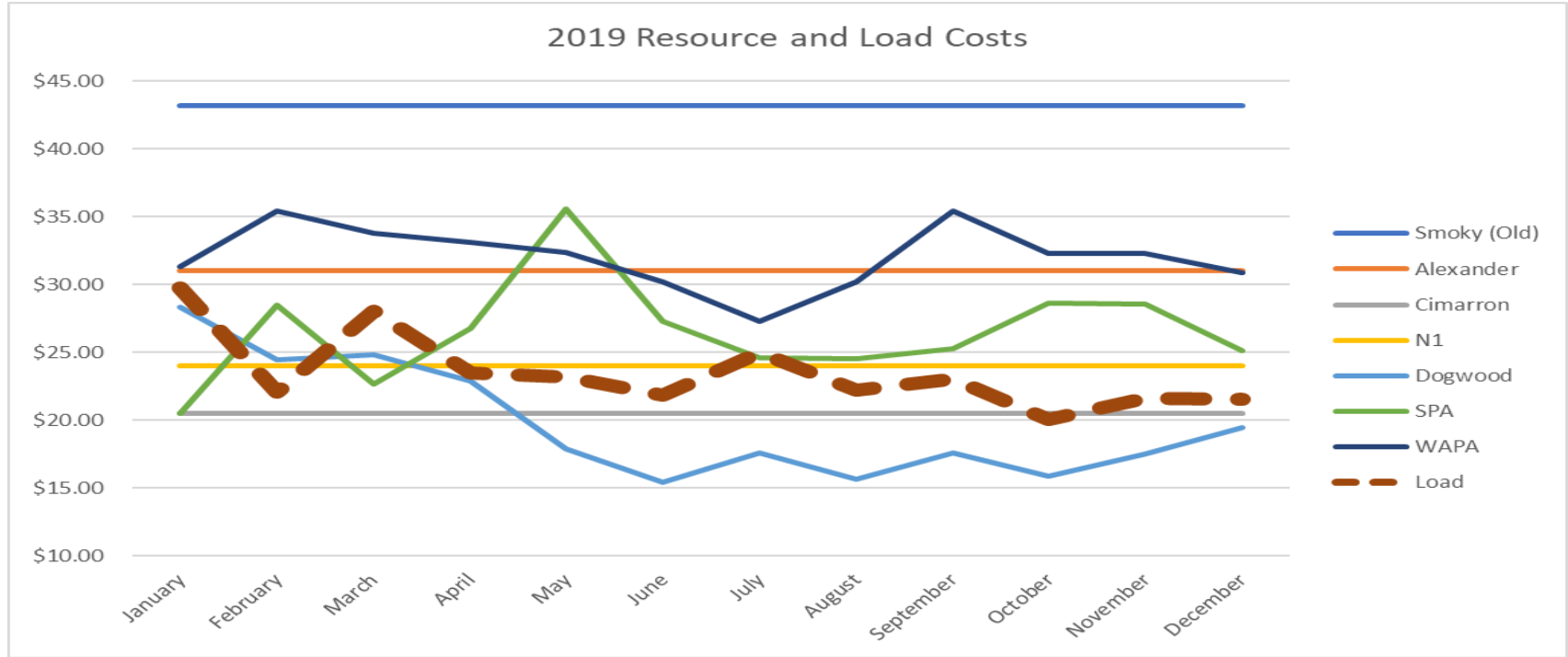
Load Requirement

- Load forecast
 - Historical monthly billing data
 - Current / Long term Trends
 - Weather Data / GDP / Number of Customers
 - Correlate / Normalize data for an average weather year
 - Known customer changes
 - Total energy needs from BPU system (Customers, BPU depts., system losses, UG, Nearman Participants, Borderline)
 - Annual peak requirement

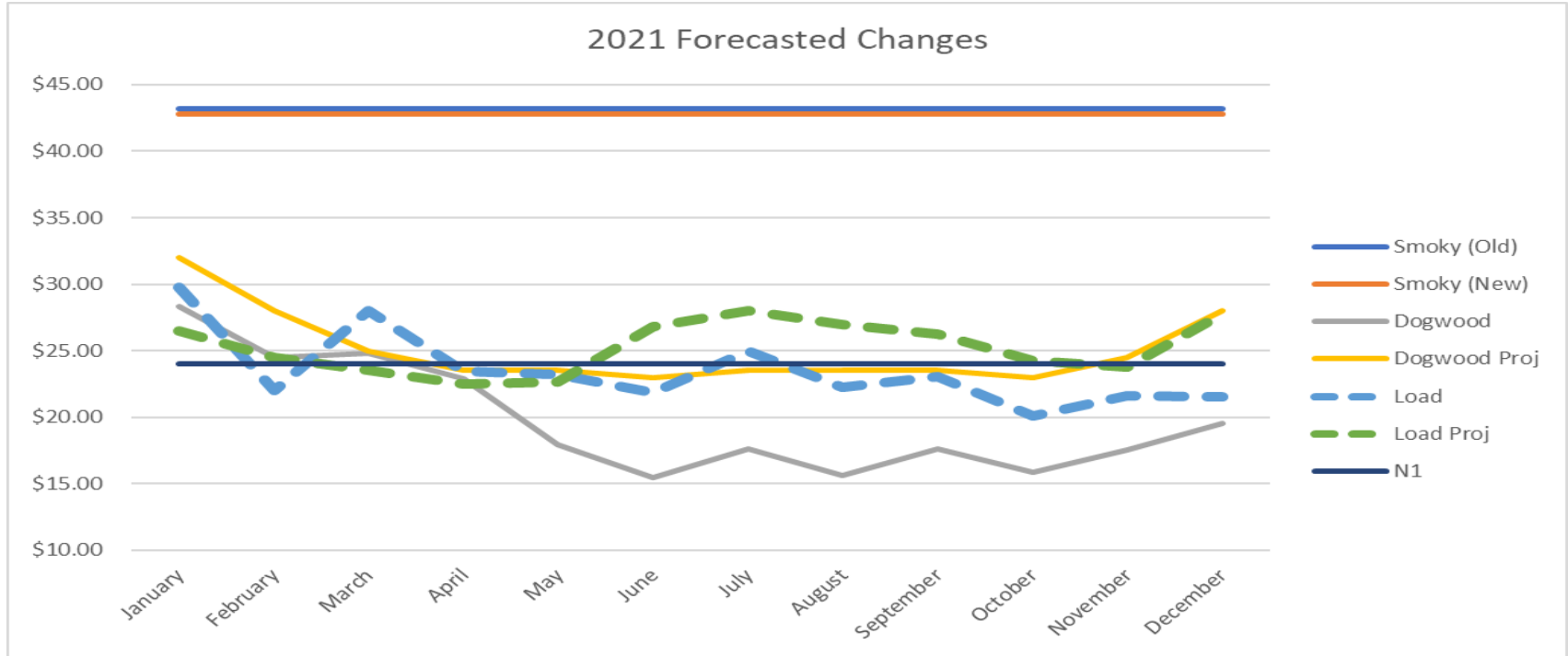
BPU Resource Data

- Examples of Types of BPU Resource Data
 - Generation plants
 - Maximum / minimum capacity
 - Usage - must run vs. economic dispatch
 - Fuel - type / price forecast index
 - Heat rate / curve
 - Scheduled maintenance outages
 - Forced outage rates
 - Fixed and Variable Operating costs
 - Start costs / minimum run times
 - Purchase Power Agreements
 - Capacity costs / energy price
 - Energy patterns (wind, hydro, other contractual scheduling requirements)
 - Transmission costs
 - Market Prices
 - On Peak
 - Off Peak

Resource and Market Cost



Forecasted Resource and Market Cost

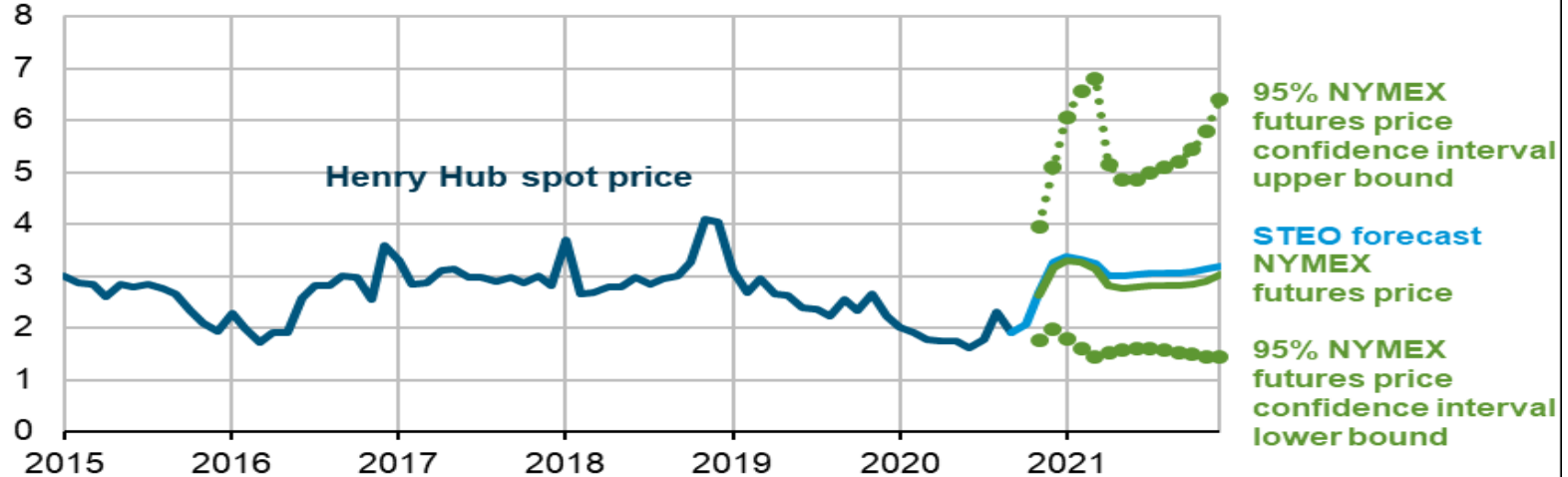


2021 Considerations / Impacts

- **Natural Gas Prices**
 - Delivered gas prices averaged \$2.07 over the past 12 months
 - Delivered prices are expected to average approximately \$3.13 in 2021
- **SPP Integrated Market**
 - Market prices are down approximately 9% over the first nine months of 2020 with an average LMP of \$22.14
 - KACY_KACY traded at a \$3.02 premium to the market on average with 54% of the hours reflecting positive congestion. The premium was driven by the 14% of the hours that traded above \$5 or the 6% of hours that traded above \$15.
 - The congestion was primarily on-peak and driven by transmission and unit outages
 - Average LMP is expected to be approximately \$26.29 in 2020
- **Dogwood production**
 - Expecting production volumes to be about 10% lower in 2021 compared to 2019 actuals
 - Lower output is predominantly due to 30% higher gas prices
- **Wind energy production**
 - SPP has over 27,000 MWs of wind resources and has a wind penetration record of 73% of load, far higher than any other RTO. 36.4% of Kansas' generation comes from wind, higher than any other state.
 - In 2019 wind energy accounted for over 27% of all generation in SPP, while making up 34% over the first half of 2020, and potentially displacing coal as the predominant fuel source in SPP this year.
 - Negative congestion remains an area of concern with wind resources in particular due to location and timing of generation

Natural Gas Pricing

Henry Hub natural gas price and NYMEX confidence intervals
 dollars per million Btu



Note: Confidence interval derived from options market information for the five trading days ending Oct 1, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: U.S. Energy Information Administration, Short-Term Energy Outlook, October 2020, and CME Group

2020 Forecast

- **SPP Purchase Power Energy**
 - Purchase Power Energy accounts for all the energy sales as well as all load purchases
 - The most volatile of any of the Purchase Power accounts as it is highly dependent on numerous variables
 - Expect a budget reduction of approximately 70% or \$10.9 million in this account, primarily due to the change in the way that Dogwood revenue is managed, but a reduction of approximately 3% or \$500,000 when excluding Dogwood from the calculation.
 - **Currently, Dogwood sales are settled by Eversource and recorded as Wholesale revenue. In 2021, settlements for Dogwoods market sales will be managed by SPP and be reflected on the weekly SPP invoice. Impact means lower SPP invoices and lower wholesale sales. Net overall result is zero.**
 -
- **Purchase Power Renewables**
 - Purchase Power Renewables account for the contracted purchase power agreements of the renewable fleet
 - Expect a budget increase of slightly less than 1% or \$300,000 due to some inflationary price changes within some of the contracts
- **Purchase Power Capacity**
 - Purchase Power Capacity accounts for the capacity payments associated with a portion of our purchase power agreements
 - Expect that budget to essentially remain flat as no changes have been announced on those accounts that have the ability to modify terms
- **Purchase Power Transmission**
 - Purchase Power Transmission is the cost of SPP transmission to serve load
 - As of January 1st 2020 BPU became a transmission customer owner within SPP which provides for greater transmission funding flexibility while also lowering the overall budget by approximately 25% compared to previous years.

2020 Forecast

- **Renewable Energy Certificates**
 - Expect a budget decrease of \$200,000 due to stronger market conditions for REC sales
 - Seeing sustained pricing in the \$0.85 - \$1.15 per REC range
- **Other Purchase Power**
 - These are expenses associated with SPP operations, MRO compliance, and other service providers
 - Expect a budget decrease of 84% or \$1.3 million as we have seen a reduction in certain fees.
- **Purchase Power activities fall within the Energy Rate Component and therefore do not materially impact the cash position in the longer-term**

QUESTIONS