

The Council of the City of Wellington, Kansas, met in a Work Session on July 24, 2018 at 6:30 p.m., in the meeting room at the Public Safety Building, with Mayor Shelley Hansel presiding.

The Pledge of Allegiance was led by Mayor Shelley Hansel.

Council members Jennifer Heersche, Kevin Dodds, Joe Soria, and Jim Valentine were present at roll call. Council members Kip Etter and Kelly Hawley were absent at roll call.

Members of the Staff present were, City Manager Shane Shields, Administrative Clerk Stacey Fair, and Assistant Public Utilities Director Jason Newberry.

#### **REPORTS OF CITY OFFICIALS**

**Kansas Power Pool Orientation of Council.** Mark Chesney, Chief Executive Officer, Larry Holloway, Assistant General Manager of Operations, and Angela Hottle, Executive Assistant, were present to deliver the Orientation. Mayor Hansel welcomed the representatives from KPP. Mark Chesney told of the Fall Planning Retreat that will be held on Sept 14-15<sup>th</sup>, 2018. The retreat will be held in Wichita, KS at the Broadview Hotel. There are no fees with this retreat, and hotel accommodations are taken care of. Your spouses are welcome to attend as well. The history of the formation and growth of KPP was discussed at length. KPP is a quasi-municipal energy agency that was formed under the Municipal Energy statute. It is comprised strictly of municipal electric utilities. KPP is a not-for-profit agency that is governed by a Board of Directors that are selected from its membership. All members approve rates and budgets for KPP, and the staff answers to the membership. KPP was formed in 2005 by 6 Westar wholesale customers. Since that time KPP has grown to include 24 cities without internal generation. The members of KPP are subject to 2 governing documents. Those documents are an agreement creating KPP, and an operating agreement. The statute requires an agreement predating the agents and makes provisions for by-laws and for governments. The operating agreement is signed by members. Whatever assets that the members have, gets committed to the pool for the benefit of everyone and all of the costs are proportionally split between all members. Mark Chesney spoke about Carl Myers retirement recently. Angela Hottle has taken on some of Carl's duties as well as other KPP employees have. Mark Chesney introduced Larry Holloway who presented the operational aspects of the company. The basic structure of the electric system can be very complex as there is generation located in many places. He further explained the structure of the electric system. Mr. Holloway continued to tell the way a transmission grid works with everyone that has customers has to have generation that is being put into the grid. If everyone does that then the lights stay on. Some of the resources KPP uses its members' generation and pays these members for the use of their internal generation capacity. KPP members' purchase power agreements from the Grand River Dam Authority and the Southwest Power Administration. KPP has taken all contracts and pooled them, however that is not enough. Some resources have been obtained such as the Dogwood Combined Cycle ownership position, Greensburg and Marshall County Wind Contract, and the Jeffrey Energy Center Westar contract. Mayor Hansel asked if Wellington had a Purchase Power agreement. Larry Holloway told that Wellington does and all cities involved have agreements with KPP. The pool pays for the Purchase Power agreements. The pooled Purchase Power Agreements are the Grand River Dam Authority-15.3 MW, Southwest Power Administration-5.4 MW, and KPP facilitates Western Area Power Administration-3 MW. The member owned generation is about 184 MW- KPP uses 158 MW as network resources with transmission. Members have other resources that are not environmentally compliant but can be used for emergency use only, and cannot get generation capacity pay for it. He told that Wellington has two emergency small diesel generators that are used for only 50 hours a year or in an emergency situation. The steam plant and the gas turbine that Wellington has, when used, the City gets paid by KPP. Council member Heersche asked if the amount of energy

produced by the municipalities was equally distributed. Mr. Holloway explained that not a lot of energy is used by the municipal units. But those units being in the market are like a hedge. Those are very important resources to KPP but are not running all the time. Council member Heersche asked if Greensburg generated their own utilities. Mr. Holloway answered no, they use renewable energy credits to meet their goal. The KPP arranges for transmission services to serve its members through the Southwest Power Pool. The Southwest Power Pool is a big 14 state region. It operates in an integrated market. Before 2014 the way KPP did business was to run and Imbalance Market. KPP would do an hourly load forecast for the next day and then schedule generation resources to run to provide power for that load. If cheap power was found it would be purchased in the short term market. If not enough was scheduled they had to buy it in the SPP Imbalance Market. If too much power was scheduled they had to sell on the Imbalance Market. Today it works so KPP offers resource into the market and then they tell Southwest Power Pool how much load KPP has in the market. Southwest Power Pool decides which units run. If power is cheaper in the market then all units may not run. If power in the market is more expensive they may decide all units will run and then KPP will use that to offset cost and are then used as a credit. Each day operators go out and find the cost of natural gas and plug it into the spread sheet. With that information it creates a bunch of offers for tomorrow's market that is submitted to Southwest Power Pool. Every day KPP deals with the resource and the load offers in the market for the next day. KPP can do some congestion hedging to optimize resources. KPP and the Southwest Power Pool market has an in-house energy market expert so that they can maximize the value of the load and resources offered into the day ahead market. KPP utilizes Teneska Power Services for market facilitation and a 24-hour desk. KPP also works with several cities to offer units in the market.

Mr. Holloway continued that KPP has legal counsel Triplett Woolf Garretson, LLC Wolf, who helps with bond counsel, legislative support, and general counsel support. KPP also has legal counsel Spiegel and McDiarmid who helps with Federal Energy Regulatory Commission support, EPA and Federal regulations support, and Federal Legislation support, as well as financial advisor Ranson Financial Group LLC. KPP is currently rated by Moody's and Fitch and showed as being improved and improving. Mr. Holloway spoke about the rate process and budget. Angela Hottle told about the value added member services that KPP has to offer. KPP provides each full service member utility with an annual financial health trend analysis, a review of the electric utility financial status, an assessment of a member utility's electric distribution system infrastructure, a pole testing drill, and cybersecurity training. Beyond the regular meetings of the KPP Board of Director's KPP hosts multiple meetings of the Membership Committee each year. Such meetings include the Annual Planning Retreat-a two day event in September for all members, a Rate Forum in November to allow KPP staff to present a detailed analysis of the proposed operating budget and wholesale rates to support the budget for next year, the Annual Membership Meeting held in December to allow the full membership to vote on the proposed Operating Budget, and a monthly Member conference call to discuss Energy Cost Adjustment. KPP provides a monthly newsletter, a website full of information, and it pays member city membership. KPP provides reimbursement to full member cities who provide energy efficient rebates to retail customers, and they give grant awards if a new business front comes up that brings jobs into our city. KPP believes it is important to take an interest in each member community. KPP wants to belong to each community Chamber of Commerce and will look for opportunities to help sponsor community events and programs.

Council member Heersche asked how many cities have been added to the KPP membership in the last year or two. Mr. Chesney told that since 2013 there have been three cities added to the KPP membership.

City Manager Shields told that KPP made an interesting proposition on solar power to the City. The estimated cost is \$22,500 that would be the cities portion. Assistant Public Director of Utilities Jason Newberry told of the proposition using a covered solar powered parking lot across from the Regent Theater. The City also has a dam at the lake facing the south easily attaching to the grid and could be used for solar power. He also talked about the redesign project that is going on with USD #353. It would be a great opportunity to work with the School District and Cowley College to use solar power programs. Mr. Chesney explained the project that KPP is proposing is that the pool, that includes all members, and the benefits and costs are split between everyone. In this case KPP has a fund called the Rice repayment fund, outside of the KPP budget. The project must be low cost, low profile, and low risk so it does not touch the KPP budget. This project is a 25 Kilowatt project, and the fund would be used to install this facility. The cities are providing labor so therefore gets the energy for free. It will show up as a credit on our bill. Checks won't be written to cities. If the consensus is to move forward then all cities will have the opportunity to do the 25 Kilowatt program. At this time Marion, Winfield, and Hillsboro have made commitments to the KPP. Mayor Hansel told of her wants to proceed with the project. Council member Dodds asked if this is partially researched and planned for the future. Mr. Chesney told that KPP sized up the project so they could show some proof of the concept. It will have a 20% capacity factor. There was discussion on City customers that might want to contribute to this solar project. Mr. Chesney told that the IRS has stated rather than going to the rooftop solar route, citizens can buy into this with a 30% tax credit. Jason Newberry shared that the City has two customers who are using roof top solar panels at this time. Council member Soria asked if the City will lose funds if everyone in town goes to this. Mr. Holloway stated the City may possibly choose a higher rate for solar customers. During the Fall Retreat break out session this project will be explained in great detail. Mr. Chesney told that if you have the \$22,500 in your 2019 budget it could be accomplished. Mayor Hansel asked about a specific time line. Mark Chesney stated no time line was given.

The meeting was adjourned.

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Mayor

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City Clerk