



KANSAS CITY

BPU CONNECTION

A Newsletter for BPU Customers • Serving the Water and Electric Needs of Kansas City, Kansas

WINTER 2017 | ISSUE EIGHTEEN

BPU MISSION: To focus on the needs of our customers, to improve the quality of life in our community while promoting safe, reliable and sustainable utilities.

BPU Board Adopts 2017 Budget

Spending reduced by nearly 25 percent

The BPU Board of Directors approved the utility's 2017 Annual Budget in late December, following a series of public budget hearings throughout the month. The budget for 2017 is \$382 million, \$113 million less than the 2016 budget of \$495 million (a 22.8% reduction). The decrease is primarily due to lower capital expenditures on environmental projects related to state and federal environmental mandates, and BPU's ability to maintain existing staffing levels.

BPU budget priorities for 2017 include:

- Developing and maintaining a stable financial position, including meeting cash-on-hand requirements, ensuring adequate reserve levels, and maintaining credit ratings.
- Focusing on enhanced communications with customers and stakeholder groups, including a biennial customer satisfaction survey, on-going social media and online outreach efforts, etc.
- Ensuring customer service call counts and completion rates are above industry

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BPU Ranks Well in Utility Comparison Review

An external benchmarking analysis comparing BPU against other similar utilities indicates BPU costs are in line or lower than others and the municipally-owned utility (MOU) is doing a good job of managing the assets of its customer owners.

The review looked at three separate areas including: 1) actual costs of electric and water services; 2) trending costs of electric and water services; and, 3) contributions to the community.

Key findings in the 2016 analysis include:

- **Electric Supply costs (per kWh) are lower or comparable to other MOU's** – BPU is 18% less than the industry's median average* and 13% less than the City of Independence, MO.
- **BPU has done an excellent job of controlling Customer Service costs** – 48% lower than the national APPA median, 44% less than Colorado Springs, and 53% less than Independence. While

expanding services, the utility has also created substantial savings for customers.

- **Transmission and Distribution costs are close to median average**** – BPU's cost per kWh sold is 45% less than Independence, decreasing from \$0.99 to \$0.96.

The analysis determined that BPU has done a good job of keeping electric rates as low as possible (9% less than the APPA

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DID YOU KNOW?

The majority of frozen pipes burst when the temperature reaches 20° or below for extended periods. See prevention tips on page 7.

Renewable Green Energy Is the Future



Renewable energy resources like the sun, wind, and water are clean, environmentally friendly alternatives to coal generated electricity. Historically, renewables have been too costly or an unreliable source of energy, but that is changing. As such, over the last several years, BPU has become one of the “greenest” public utilities in the nation.

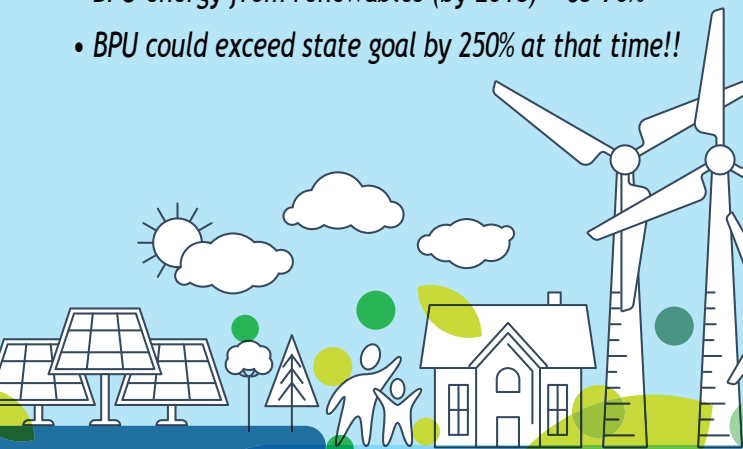
Today, 22% of BPU’s energy comes from renewable energy sources, well beyond the state’s Renewable Energy Standard goal of 15%. By 2018, BPU could achieve a renewable energy capacity of 65-70%, voluntarily exceeding recommended standards by 250% (or 2.5 times higher than is recommended) based on its new Cimarron Bend wind energy initiative, and other existing hydropower, landfill methane gas, and wind projects currently in place. 🏠

TODAY...

- *KS Renewable Energy Standard Goal = 15%*
- *BPU energy from renewables (2016) = 22%*
- *BPU exceeds state goal by 47% today!!*

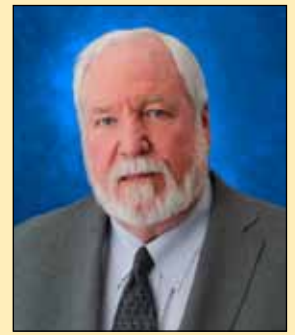
THE FUTURE...

- *KS Renewable Energy Standard Goal (by 2020) = 20%*
- *BPU energy from renewables (by 2018) = 65-70%*
- *BPU could exceed state goal by 250% at that time!!*



TOM GRONEMAN

President
BPU Board of Directors



After achieving a number of significant milestones over the last year, the Kansas City Board of Public Utilities is well positioned to continue these successes over the next 12 months. Achievements in 2016 include improving customer communications through a redesigned website (winning a national award for ease-of-use and content), launch of the Energy Engage online portal giving customers immediate access to their utility usage levels, a new Paperless Billing option, partnering on the 200-turbine Cimarron Bend wind farm project over the next 20 years, and receiving the public utility industry’s highest recognition for Community Service and social responsibility, among numerous other accomplishments.

In mid-December the Board of Directors unanimously adopted BPU’s 2017 Budget, cutting utility spending by 22.8 percent compared to last year. While this \$113 million reduction was achieved primarily through cuts in capital spending related to mandated environmental projects, BPU simultaneously held the line on staff positions. Moreover, BPU has effectively managed a steady reduction of costs, with Operating and Maintenance (O&M) expenses in 2016 only one percent higher than they were in 2010.

As a municipally-owned not for profit utility, BPU remains committed to making Wyandotte County a better place to live. Be it through Employee Foundation volunteerism efforts, donations to local organizations that support the community, or through responsible environmental policy,

BPU continually gives back to the community it serves. For example, BPU has committed itself to being one of the “greenest” public utilities in the nation, hoping to achieve an unprecedented 65-70 percent renewable energy capacity by 2018, utilizing hydropower, wind, and landfill gas to meet its energy needs and exceeding recommended guidelines by 250 percent.

As BPU prepares to meet the future electric and water needs of the community, the utility has scheduled an upcoming rate hearing procedure. As part of this process, the Board will take into consideration staff recommendations as well as public input to determine the priorities and requirements necessary to maintain this public utility today, and in the near future.

As the community BPU serves continues to grow and develop, this award-winning utility remains focused on the sustainability of this organization. This includes maintenance and replacement of an aging infrastructure, ensuring future power generation and water production needs, meeting environmental regulatory mandates, improving overall efficiencies to reduce costs, and continuing open and transparent communications.

BPU’s primary mission remains much the same as it’s been for the last 100 years: offering quality dependable utility services at the lowest possible price. We continually strive to remain one of the top-ranked public utilities in the country and remain committed to improving the quality of life in our community. 🏠

BPU Ranks Well in Utility Review

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national median), in spite of rising costs from federal environmental mandates. In addition to contributing to the local community through donations, volunteerism efforts, etc., BPU also provides more than \$44 million in services to the Unified Government annually – including \$5.5 million for streetlight maintenance, \$1.5 million for fire hydrants, etc. 🏠

**American Public Power Association (169 other utilities)*

***Conducted by MGT of America, Inc., findings are based on comparisons with both municipally-owned utilities like BPU, and investor owned utilities like Westar and KCP&L, as well as national statistics from the APPA.*

Neighborhood Communications Through Social Networking



See what your neighbors are talking about at www.Nextdoor.com

BPU recently partnered with Nextdoor, the free private social network for neighborhoods to increase communication among their residents. BPU can now share updates on key issues such as outages, main breaks, and special events within an area through this network, and is the first electric utility in the KC metro area to partner with Nextdoor.

This latest tool provides an additional outlet for BPU to communicate with its customers, with more than 70 neighborhoods in Kansas City, KS already using this service. Each neighborhood has its own private Nextdoor website, accessible only to residents of that neighborhood where they can share information including: neighborhood public safety issues, community events and activities, local services, garages sales, and even lost pets.

BPU will not be able to access residents' websites, contact information, or content – merely share timely and helpful information as necessary. Those interested in joining their neighborhood's Nextdoor website or with questions can visit www.nextdoor.com and enter their address. Based in San Francisco, more than 109,000 neighborhoods across the United States are using this social network today.

BPU Receives Water System Management Award

The Association of Metropolitan Water Agencies (AMWA) recently honored the utility with a top water utility management award, the "Platinum Award" for Utility Excellence, for exceeding the association's Attributes of Effective Utility Management. The award spotlights advances and substantial achievements made by public drinking water utilities like BPU through innovative management practices, executive leadership and employee engagement.

BPU was recognized specifically for several water improvement initiatives including: valve, hydrant, and customer leak detection programs; water treatment plant upgrades; water distribution facility maintenance; and a new four-million gallon water reservoir, among other things.



BPU Water Operations Manager Jim Epp receives the "Platinum Award" from AMWA President Scott Potter.

Newsletter Recognized for Communications Excellence

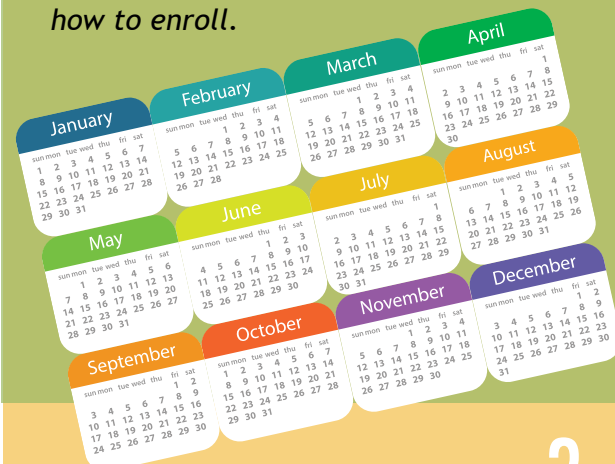


BPU's customer newsletter, BPU Connection, recently received an Award of Merit from the American Public Power Association (APPA) for its helpful content, easy-to-read format, and colorful graphics. Distributed bi-annually to all utility customers, the printed newsletter contains information and resources about the utility, electric and water issues, the local community, and the environment. It is just one component of BPU's on-going efforts to communicate and share information with customers and key stakeholders.

BPU was one of 27 utilities to earn an award at the annual APPA Customer Connections Conference. More than 2,000 community-owned electric utilities are represented by APPA providing electricity to more than 48 million customers across the nation.

The Equal Pay Plan

Take the surprise out of your bill with the BPU Equal Pay Plan. Pay for the exact amount of energy and water you use, but the total cost is spread out equally throughout the year. Call 913-573-9190 to learn how to enroll.



2017 BPU Electric Rates

Background:

- Every three years, BPU is required to complete a Cost of Service Rate Study to determine if rates are just and reasonable.
- In 2016, staff completed a rate study recommending an increase in the utility's electric base rates.
- A public hearing process has been initiated to determine what, if any, electric rate adjustments should be implemented.
- Meetings and the hearing process will provide opportunities to discuss rate adjustments, environmental surcharges, billing processes, fuel cost procedures, and capital improvement projects required to meet the future energy needs of our community.

What's Being Proposed:

- Studies recommend an overall 4.0% increase in electric base rates for 2017 beginning March 1, and 4.0% in 2018.
- Adjustments will vary among customer groups based on cost of service and usage levels.
- Modifications to existing rate designs are also being proposed.

Impact on Customers:

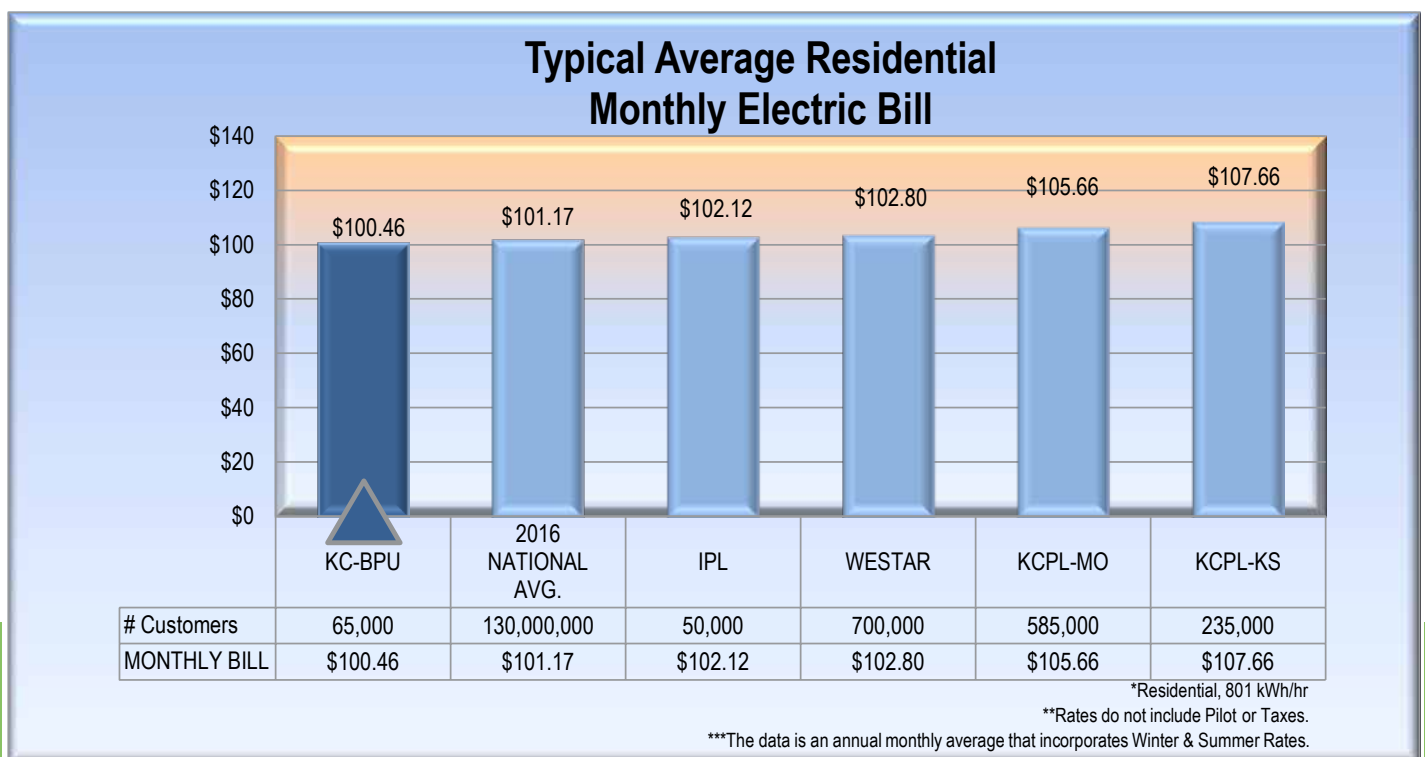
- Average residential customer's bill will increase approximately \$5.14 a month in 2017 under this proposal.

Why This Is Necessary:

- BPU plans to invest more than \$222 million in non-environmental capital improvements to maintain the integrity of the utility's electrical system, and meet growth needs in our community over the next five years. Includes transmission, distribution, and production.
- BPU hasn't adjusted its rates in three years, with the last increase in 2013. Rates are below the national average and lower than surrounding utilities.
- Postponing a rate increase would delay capital and aging infrastructure improvements needed to support new growth in our community and may cause delays and service disruptions in certain areas.
- Inflationary pressure on costs of outside services, materials, and labor continue to increase.
- The utility has worked with an average of only 65 days of operating cash on hand over the last three years (with 90 recommended to maintain solid credit ratings).
- BPU won't be able to meet and maintain financial policy objectives and support the projected capital construction needs without additional revenue.

BPU: Competitive Rates

- BPU's rates are lower than other surrounding utilities, and below the national average.
- BPU hasn't adjusted its rates in the last three years (2013), while other electric utilities have repeatedly proposed and implemented double-digit increases.



Rate Proposal

BPU: Fiscal Responsibility

- Taken steps to control costs and streamline operations, without threatening service interruptions or future growth needs. Introduced new standards and technology to help streamline operations and control costs.
- FY16 Budget reduced 30 full-time equivalent (FTE) staff positions from the previous year. BPU has decreased overall staff levels over the last six years by 55 positions.
- Effectively managed reduction of expenses, with Operating and Maintenance (O&M) expenses in 2016 only 1 percent higher than they were in 2010. By “holding the line,” today BPU has the same O&M budget as in 2012.

BPU: A Community Asset

- One of the top-ranked publicly-owned utilities in the country, BPU has provided affordable and reliable energy to Wyandotte County for nearly 110 years.
- Nationally recognized *Corporate Social Responsibility (CSR)* program, supporting and giving back to the community.
- 65,000 electric customers - 2 active power stations - 29 substations - 3,000 miles of electrical lines - 19,000 street lights - 9,000 traffic signal heads.

Critical Capital Improvement Projects: (2016-2020) = \$222 million

- Electric Transmission - \$23.4 million
- Electric Substations - \$40.1 million
- Electric Overhead Distribution - \$28.6 million
- Electric Underground Distribution - \$9.9 million
- Electric General Construction - \$5.6 million
- New Technology - \$5.1 million
- Electric Transformers - \$4.5 million
- Traffic signals and lights - \$1.4 million



*“Average residential customer bill will increase only \$5.14 a month in 2017, a little more than fifteen cents a day.” **

* Will vary depending on consumption use and customer type.



Environmental Surcharge:

In addition to base rate adjustments, modifications to the Environmental Surcharge (ESC), which is used to support capital improvements resulting from federal, state, and local environmental regulations is also proposed.

Adjusted on an annual basis, the ESC is only used to recover the repayment of debt service associated with environmental capital improvements. Other utilities have a similar surcharge, including Westar.

What's Being Proposed:

The Electric Rate Study recommended modifying the ESC to allow for the recovery of an additional .30 coverage or 1.3 times the annual debt service on bonds associated with environmental capital projects. Currently the ESC rider recovers 1.0 times the annual debt service. Without this proposed ESC modification additional base rate increases would be needed to meet debt coverage requirements.

Why This Is Necessary:

To ensure credit ratings are maintained and BPU maintains a stable financial position so future borrowing needs aren't jeopardized due to poor debt coverage metrics.

Impact on Customers:

The average residential customer's bill would increase approximately \$2.50 a month in 2017 above the existing ESC rider. This does not take into account current or future ESC adjustments that are scheduled to occur as the result of regularly scheduled debt repayments.

BPU Board Adopts 2017 Budget

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standards and decreasing lobby wait times.

- Promoting energy and water efficiency through programs and customer education; including coordination of efficiency workshops in the community, and the development of new efficiency programs such as Community Solar.
- Providing safe and reliable electric services, including monitoring and assessing environmental regulations, looking to future generation needs, mitigating risks of outages due to aging infrastructure, and meeting or exceeding industry averages in system reliability and energy loss percentages.
- Ensuring good quality water in an efficient manner that meets or exceeds state and federal water quality standards, while trending down main breaks and reducing main leak response times.
- Completion of a rate hearing process by March 1, 2017.

BPU will continue working to improve internal efficiencies and reduce costs, assist and support community partners and other governmental units, and meet and prepare for future customer growth – all while maintaining world-class customer service. 🇺🇸

Home Repair Service Plans Now Available Through HomeServe



BPU and the Unified Government (UG) have partnered with HomeServe USA, a leading provider of home repair service solutions, to offer residential customers access to a variety of home repair service plans. This includes water service line repairs, sewer line repairs, and in-home plumbing plans.

The service plans available through HomeServe provide homeowners with an affordable, cost-effective way to manage the unexpected expense and inconvenience of home repair emergencies. Many are often unaware that such repairs are not covered by basic homeowner's insurance policies or by the local utility and usually have to take on the burden of repair costs themselves.

The Water Service Line Coverage is available now to BPU and UG customers

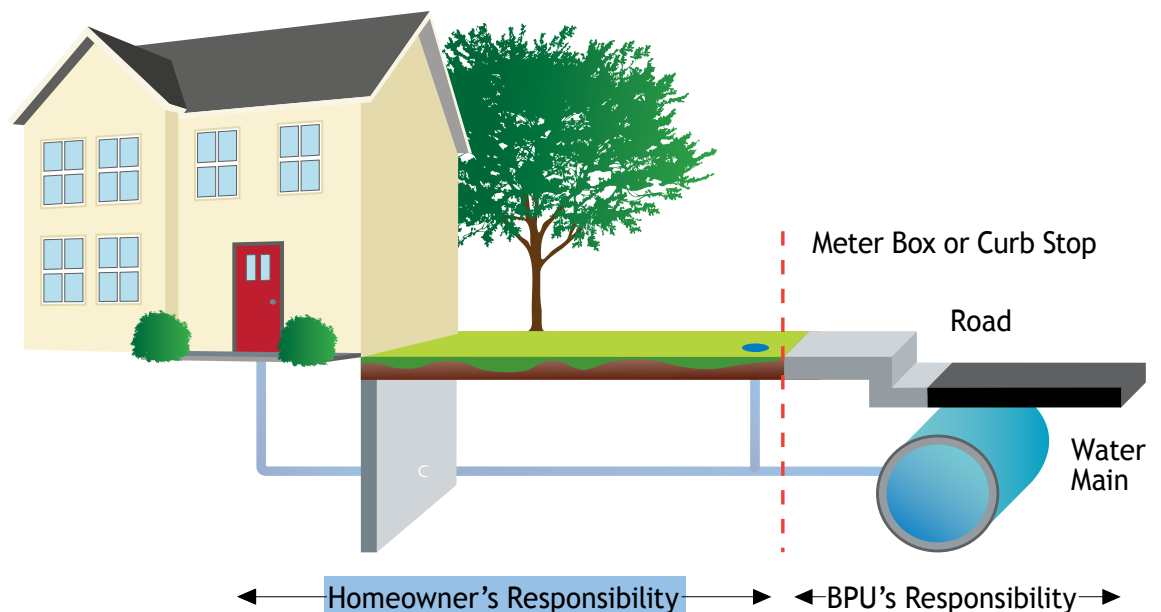
for \$3.99/month. HomeServe will also offer Sewer/Septic Line coverage for \$5.99/month and Interior Plumbing and Drainage System Coverage for \$10.99/month. Convenient payment options are available for the service plans from HomeServe.

HomeServe plan holders will also have access to a Repair Hotline that is available 24 hours a day, 365 days a year as well as local, licensed, and insured contractors available to provide high-quality home repair services to customers.

Residents can learn more about the services by calling HomeServe toll-free at 1-866-219-2162 or visiting www.HomeServeUSA.com. 🇺🇸

Water Service Customer Responsibilities

Owner is responsible for the water service line from the home to the 1st control valve. Water service is supplied using an indoor or outdoor meter.



2 Degrees 2 Save Thermostat Program Discontinued

BPU no longer offers the *2 Degrees 2 Save (2D2S)* programmable thermostat program effective January 1, 2017. Although the program is ending, current participants will be able to keep their thermostats and continue to enjoy the energy efficiency advantages that programmable thermostats offer. Programmable thermostats save most households between 5 – 15% on their annual heating and cooling costs each year and therefore are a wise investment. While BPU is no longer offering the 2D2S program moving forward, it will continue to offer other opportunities that drive efficiencies and cost savings for customers and the utility.

This was originally set up as a demand response program to reduce demand at the

customer level during certain peak hours of the day, in turn allowing BPU to reduce the amount of energy required to serve the system during those peak hours. However, due to marketplace changes, energy price volatility is not as severe as it once was and therefore the program costs outweighed its benefits.

Customers that have a programmable thermostat through this program will simply keep them and continue enjoying the benefits they offer. BPU has numerous programs in place to reduce energy costs, including the Energy Engage portal, the Home Energy Audit, and Heat Pump rebates. For more information on any of these initiatives, or to find ways to save on your utility costs, go to www.bpu.com/forhome.aspx.



How to Prevent and Thaw Frozen Water Pipes

Water has a unique property in that it expands as it freezes. This expansion puts tremendous pressure on whatever is containing it, including metal or plastic pipes. Pipes that freeze most frequently are those that are exposed to severe cold, like outdoor hose bibs, swimming pool supply lines, water sprinkler lines, and water supply pipes in unheated interior areas like basements and crawl spaces, attics, garages, or kitchen cabinets.

Prevent freezing water pipes by doing the following...

- ✓ Remove, drain, and store hoses used outdoors. Close inside valves supplying outdoor hose bibs. Open the outside hose bibs to allow water to drain. Keep the outside valve open so that any water remaining in the pipe can expand without causing the pipe to break.
- ✓ Check around the home for other areas where water supply lines are located and are in unheated areas. Both hot and cold water pipes should be insulated. A hot water supply line can freeze just like a cold water supply line.

- ✓ Consider installing specific products made to insulate water pipes like a “pipe sleeve” or installing UL-listed “heat tape,” or similar materials on exposed water pipes. Newspaper can provide some degree of insulation and protection to exposed pipes - even ¼” of newspaper can provide significant protection in areas that usually do not have frequent or prolonged temperatures below freezing.

During cold weather, take preventative action...

- ✓ Keep garage doors closed if there are water supply lines in the garage.
- ✓ Open kitchen and bathroom cabinet doors to allow warmer air to circulate around the plumbing.
- ✓ When the weather is predicted to drop below 20 degrees or below, or remain below freezing for an extended period of time, leave a drip of water running from the highest faucet in the house or those served by exposed pipes. Running water through the pipe - even at a trickle - helps prevent pipes from freezing because the temperature of the water running through it is above freezing.

Water Heating is 2nd LARGEST Expense in Your Home!

Everyone is guilty of using a little too much hot water in their daily lives -- whether it is spending an extra two minutes in the shower, leaving the water running while washing dishes or washing clothes on hot water instead of cold. Taken together, these habits of wasting water add up. So it is no surprise that the average household spends \$400-\$600 a year on water heating -- accounting for 14-18 percent of homeowners' utility bills. If you are looking for ways to save on water heating costs, you have plenty of options. 🏠

Tips for Reducing Water Heater Bills

- ◆ Install **LOW-FLOW FAUCETS AND SHOWER HEADS**. Low-flow fixtures cost about \$10-20 a piece and achieve water savings of 25-60%.
- ◆ Purchase **ENERGY STAR APPLIANCES** such as dishwashers and clothes washers.
- ◆ Wash your clothes in **COLD WATER**.
- ◆ Buy a more efficient water heater model.
- ◆ Set water heater thermostat to **120 DEGREES F**.
- ◆ **FIX LEAKS**: A leak of one drip per second can cost \$1.00 a month.
- ◆ Follow the manufacturer's recommendations for ways to **INSULATE YOUR WATER HEATER tank and pipes**.

**US Dept. of Energy*



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BPU | *contact information*

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Visit our Website at: www.bpu.com

OFFICE HOURS:

8:00 a.m. - 5:00 p.m. Monday-Friday



WHAT NUMBERS TO CALL:

| | |
|--|----------------|
| Main number | 573-9000 |
| Customer Service | 573-9190 |
| Billing Inquiries by phone-7 a.m. to 6 p.m., Monday-Friday | |
| If your electricity is out | 573-9522 |
| If your water service is out | 573-9622 |
| If you need service turned on or off..... | 573-9190 |
| Billing questions..... | 573-9190 |
| If you need to make payment arrangements on your bill..... | 573-9145 |
| BPU Job Line | 573-6900 |
| BPU Ethics Commission Hotline..... | 271-6337 |
| To request public information | 573-9173 |
| If you have administrative questions | 573-9000 |
| Heat Pump Hotline | 573-9988 |
| If you need a "dig" check for electrical cables or water lines..... | 1-800-DIG-SAFE |
| Contact your BPU Board Member | 573-9024 |

WHAT'S NEW?

BEWARE OF PHONE SCAMS!

BPU continues to get reports of scam calls targeting businesses and residents in Kansas City, Kansas. Please know that BPU will never call and demand an immediate utility payment over-the-phone. If you receive a call like this, hang up. Then, let us know about it at 913-573-9190 so we can warn others, as these criminals are always changing their tactics.



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