WORK SESSION MINUTES - WEDNESDAY, NOVEMBER 4, 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, November 4, 2020 at 5:00 P.M. The following Board Members were on the teleconference: Ryan Eidson, President; Robert L. Milan, Vice President; Mary Gonzales, Secretary; Jeff Bryant, Rose Mulvany Henry and Thomas Groneman.

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; Robert Kamp, IT Project Manager; Dennis Dumovich, Director of Human Resources; Andrew Ferris, Director Electric Supply Planning; Randy Otting, Director Accounting; Dong Quach, Executive Director Electric Production; Jerry Ohmes, Executive Director Electric Supply and David Mehlhaff, Chief Communications Officer.

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

Mr. Eidson called the meeting to order at 5:00 P.M.

Roll call was taken, and all Board Members were present.

Item #3 – Approval of Agenda

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

Item #5 - 2021 Budget- Revenue Forecast

Randy Otting, Director Accounting and Andrew Ferris, Director Electric Supply, gave a PowerPoint presentation to discuss the impact that the year 2020 would have on the projecting revenues for 2021 (see attached).

Mr. Otting and Mr. Ferris answered questions from the Board.

Mr. Eidson asked if there were any other Board comments.

Mr. Bryant reported on the UG Finance Committee meeting. The committee had acted on the upcoming Homefield youth sports complex which would be developed on the former Schlitterbahn site.

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Mr. Groneman had virtually attended the Public Works and Safety meeting. There was nothing significant to report.

Mr. Eidson had a call with Dr. Mosier and Commissioner Bynum regarding the Kansas City Kansas Community College. They were discussing purchasing some property downtown and would be scheduling a meeting with Mr. Johnson and other BPU leadership to discuss.

Mr. Johnson reported that he had been in conversations with the Lanier group regarding parking needs for the upcoming apartments coming to the corner of 5th and Minnesota.

Ms. Gonzales asked if there were any discussions regarding a proposed Menard's development in the Argentine area.

Mr. Johnson said he had a conversation with Mr. Kindle with Wyandotte EDC but did not have information on their schedule.

Mr. Groneman inquired about the building being erected in the Turner diagonal area.

Mr. Johnson said the Turner diagonal development was going to be a mix of warehousing, logistics, ecommerce, etc., however there was not yet any specifics on tenant names.

Mr. Bryant said that one of the upcoming buildings would be used for Plastic Packaging manufacturing.

Item #7 – Adjourn

A motion was made to adjourn the meeting at 5:40 P.M. by Mr. Bryant, seconded by Ms. Groneman and unanimously carried.

ATTEST:

NOT SIGNED by Secretary due to Pondernic Jenny Burley-Henzel EXEcutive Assistant

APPROVED:

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Kansas City Board of Public Utilities

November 4, 2020

REVENUE FORECAST 2021

REVENUE FORECAST PART 3 OF 4



CONSIDERATIONS FOR NEXT YEAR

- 2020 RESULTS & PANDEMIC IMPACT
- RATE CHANGES/ADJUSTMENTS
 - ERC & ESC RATES LOWER IN 2021
 - WATER BASE RATES ADJUSTMENT PROPOSED FEBRUARY 2020
 - NO CHANGE TO ELECTRIC BASE RATES
- SLIGHT GROWTH IN RESIDENTIAL SECTOR
- YTD COMMERCIAL USAGE
 - DOWN ~ -7% (REBOUND?)
- NEW COMMERCIAL GROWTH POTENTIAL IN 2022 & 2023
 - (ANY MATERIAL IMPACT TO 2021?) WOODLANDS & TURNER DIA AREAS
- INDUSTRIAL SECTOR STABLE
- OVERALL CONSERVATION TRENDS

ELECTRIC RATE BASICS

| | DETAIL METER AND/OR SERVICE INFORMATION | | | | | | | | | | | | |
|------|---|---------------------------------|-------|-------|--------|--------|------|-------|------|-------|------|--------|------------|
| SERV | SERV RATE METER NUMBER OR SERVICE PREVIOUS PRESENT READ METER CURRENT USAGE CURRENT | | | | | | | | | | | | |
| TYPE | CODE | SERVICE DESCRIPTION | FROM | TO | READ | READ | TYPE | CONST | DAYS | USAGE | TYPE | AMOUNT | |
| ELEC | 101 | 13571903 | 09/03 | 10/03 | 102723 | 103651 | | 1 | 30 | 928 | KWH | 60.00 | 50% |
| ELEC | ERC | Energy Rate Comp @ 0.03096 | | | | | | | | | | 28.73 | 24% |
| ELEC | ESC | Environmental Sur @ 0.00892 | | | | | | | | | | 8.28 | 7% |
| ELEC | ECC | Electric Customer Access Charge | | | | | | | | | | 22.00 | 18% |

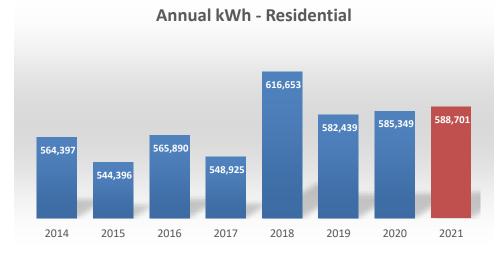
2019 Annual Percent of Bill

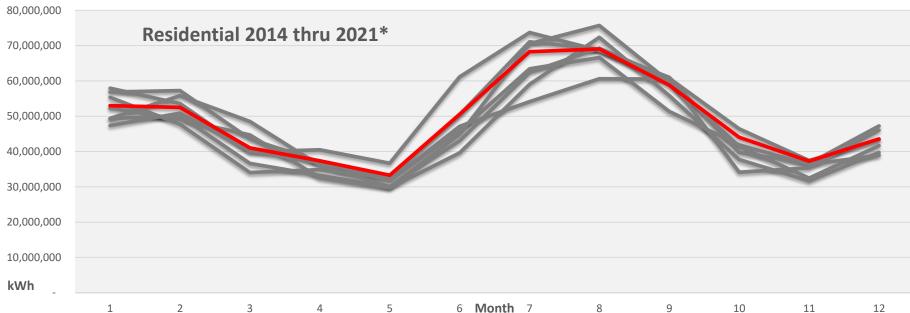
| | <u>Access</u> | Base | <u>ERC</u> | <u>ESC</u> |
|-------------|---------------|------|------------|------------|
| Residential | 20% | 48% | 25% | 7% |
| C&I | 3% | 56% | 32% | 9% |

4 Main Components on Electric Bill:

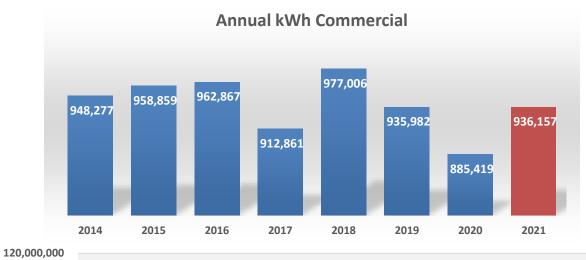
- 1. Customer Access Charge (18%)
- 2. Base Rate Charge (kWh/Energy & kW/Demand) (50%)
- 3. ERC (Fuel & Purchase Power) (25%)
- 4. ESC (Environmental Regulations) (7%)

ANNUAL LOAD FORECAST - RESIDENTIAL

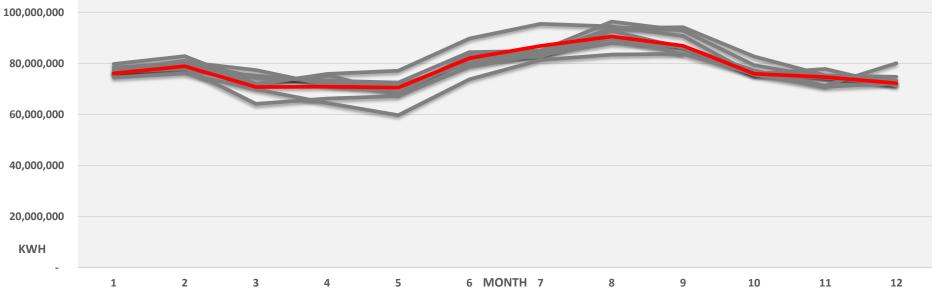




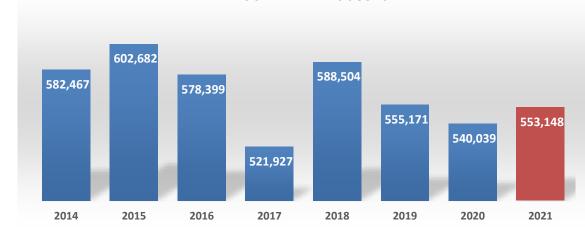
ANNUAL LOAD FORECAST - COMMERCIAL



Commercial – 2014 thru 2021*



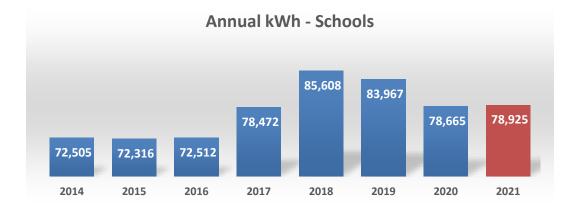
ANNUAL LOAD FORECAST - INDUSTRIAL

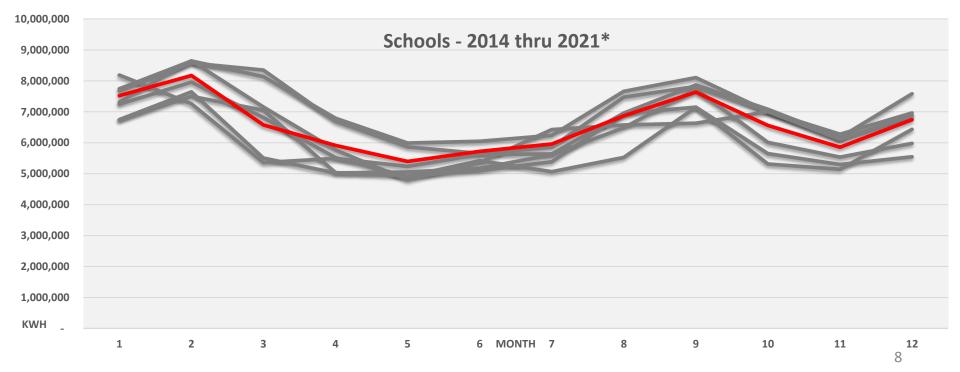


Annual kWh - Industrial

70,000,000 Industrial - 2014 thru 2021* 60,000,000 50,000,000 40,000,000 30,000,000 20,000,000 10,000,000 KWH 1 2 3 4 5 6 8 9 10 11 12 MONTH 7

ANNUAL LOAD FORECAST - SCHOOLS





ASSUMPTIONS FOR ELECTRIC

- No Base Rate changes (No change for all classes)
- Customer Access Fees (No change for all classes)
- ERC = Lower due to overcollections in 2020 (est. 2.6 to 2.9 cents per kWh)
- ESC = Lower due to refinanced debt service (next slide)
- Annual Load Growth & Average number of accounts in FY21:
 - 250 new Residential (5-year average is 355)
 - Residential growth ~ .50%
 - Commercial & Industrial (C&I) (4-year average) Made adjustments for Pandemic
 - C&I similar to 2019's numbers
 - Schools Flat (5 yr. Average) Added new square footage unknown impact
 - Schools consumption ~ .33%

ENVIRONMENTAL SURCHARGE NEARMAN POWER – AQC, TURBINE, LOW NOX , ASH POND, 316B

| Year | Orig -Debt Payments on ESC | Refunded Amount |
|------|----------------------------------|--------------------|
| 2011 | 1,462,500 | 1,462,500 |
| 2012 | 2,023,743 | 2,023,743 |
| 2013 | 1,776,525 | 1,776,525 |
| 2014 | 2,381,525 | 2,381,525 |
| 2015 | 5,407,982 | 5,407,982 |
| 2016 | 8,901,180 | 8,901,180 |
| 2017 | 13,516,902 | 13,516,902 |
| 2018 | 14,471,550 | 14,471,550 |
| 2019 | 14,492,031 | 14,492,031 |
| 2020 | 14,486,640 | 14,486,640 |
| 2021 | 15,892,197 | 13,261,788 |
| 2022 | 18,666,552 | 16,670,298 |
| 2023 | 18,095,767 | 16,823,590 |
| 2024 | 17,288,243 | 17,288,479 |
| 2025 | 17,598,932 | 17,598,945 |

■ Original ■ Refunded 20,000,000 18,000,000 16,000,000 14,000,000 12,000,000 10,000,000 8,000,000 6,000,000 4,000,000 2,000,000 0 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

Debt Service Related to the ESC

Total ESC Recovery for 2021 = \$13,261,788 x 1.30 = \$ 17,240,324

~ \$1.6M lower compared to 2020

ENERGY REVENUE PROJECTION

| Class | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Budget | 2021 Budget |
|------------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Residential | \$65,823,214 | \$72,054,974 | \$81,811,709 | \$75,952,160 | \$78,350,000 | \$74,539,000 |
| Commercial | 90,335,199 | 102,217,692 | 106,882,111 | 101,781,643 | 103,270,000 | 92,238,000 |
| Industrial | 44,967,833 | 48,680,080 | 51,385,553 | 49,601,656 | 49,020,000 | 44,362,000 |
| Schools | 7,564,437 | 8,623,896 | 10,145,011 | 9,830,695 | 9,980,000 | 8,615,000 |
| Highway Lighting | 303,335 | 335,322 | 350,209 | 329,670 | 333,900 | 333,900 |
| Total | \$ 208,994,018 | \$ 231,911,964 | \$ 250,574,593 | \$ 239,179,500 | \$240,953,900 | \$220,087,900 |

WATER REVENUES

Fixed Customer Access Charge & Variable Consumption Charge

- Fixed Charge based on Meter Size
- Consumption Charge is declining (greater volume = cheaper rate)

Historically used a Conservative Forecast

Historical 5-year trends growth ~ 1.3%/yr. (minus 2020)

- YTD billed retail consumption down ~ 2.1%
- YTD billed Wholesale down ~ 7.5%

Rate Adjustment 2021 ~ (\$2.2 Million)

• 2013 was last Water rate adjustment

Retail Bills ~ 53,300 (+400 over prior year) Some growth

5 Wholesale Accounts

WATER REVENUES

2021 Reflects No Rate Adjustment

| Class | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Budget | 2021 Estimate |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Residential | \$ 23,956,301 | \$ 24,209,408 | \$ 24,235,761 | \$ 24,036,511 | \$ 25,039,000 | \$ 24,228,000 |
| Commercial | 11,160,588 | 11,390,321 | 11,553,570 | 11,184,854 | 12,169,000 | 11,243,000 |
| Industrial | 5,658,555 | 5,973,841 | 5,860,912 | 5,937,471 | 5,619,000 | 6,200,000 |
| Schools | 643,637 | 637,691 | 655,705 | 683,839 | 680,000 | 658,000 |
| Fire Protection - Private | 540,910 | 555,110 | 560,998 | 562,114 | 575,000 | 575,000 |
| Public Authority | 28,000 | 28,000 | 28,000 | 28,000 | 28,000 | 28,000 |
| Wholesale Water Sales | 1,104,484 | 1,153,785 | 1,487,644 | 1,425,619 | 1,400,000 | 1,421,000 |
| Total | \$ 43,092,475 | \$ 43,948,156 | \$ 44,382,590 | \$ 43,858,408 | \$ 45,510,000 | \$ 44,353,000 |

Impact of Rate Adjustment (est.)

| Class | | 5% | 4% | | |
|-----------------------|----|-----------|-----------------|--|--|
| Residential | \$ | 1,221,500 | \$ 916,000 | | |
| Commercial | | 567,800 | \$ 425,900 | | |
| Industrial | \$ | 301,400 | \$ 225,800 | | |
| Schools | \$ | 34,100 | \$ 25,500 | | |
| Wholesale Water Sales | \$ | 72,000 | \$ 53,800 | | |
| Total | \$ | 2,196,800 | \$ 1,647,000 | | |

Other Utility Revenues

| Class | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Budget | 2021 Estimate | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--|
| Forfeited Discounts (late fees) | \$ 2,794,416 | \$ 2,999,510 | \$ 3,186,533 | \$ 2,828,024 | \$ 2,795,000 | \$ 2,984,935 | |
| Connect/Disconnect Fees | 2,070,260 | 2,444,272 | 2,127,240 | 2,206,447 | 2,364,000 | 2,161,664 | |
| Ash Disposal | 124,995 | - | - | - | - | - | |
| Diversion Fines | 33,306 | 44,811 | 43,684 | 52,156 | 38,525 | 45,525 | |
| Tower/Pole Attachment Rentals | 2,476,073 | 1,694,031 | 2,745,925 | 3,035,281 | 2,340,000 | 2,070,000 | |
| Service Fees | 559,222 | 1,179,477 | 795,596 | 804,519 | 1,198,600 | 1,138,000 | |
| Total | \$ 8,058,272 | \$ 8,362,101 | \$ 8,898,978 | \$ 8,926,427 | \$ 8,736,125 | \$ 8,400,124 | |

Fees are generally stable with no changes to fee structure

No change expected to Other Utility Revenues

COMMENTS / QUESTIONS

