

REGULAR SESSION –WEDNESDAY, JUNE 7, 2023

STATE OF KANSAS)
) SS
CITY OF KANSAS CITY)

The Board of Public Utilities of Kansas City, Kansas (aka BPU, We, Us, Our) met in Regular Session on Wednesday, June 7, 2023 at 6:00 P.M. The following Board Members were present: Rose Mulvany Henry, President; Robert L. Milan, Secretary; Jeff Bryant, Mary Gonzales, and David Haley. Thomas Groneman, Vice President; attended via Zoom.

Also present: William Johnson, General Manager; Angela Lawson, Acting Chief Counsel; Lori Austin, Chief Financial Officer/Chief Administrative Officer; Jeremy Ash, Chief Operating Officer; Steve Green, Executive Director Water Operations; Maurice Moss, Executive Director Corporate Compliance; Jerin Purtee, Executive Director Electric Supply; Glen Brendel, Executive Director Electric Production; Darrin McNew, Executive Director Electric Operations; Dustin Miller, Director of Applications; Jerry Sullivan, Chief Information Officer; Johnetta Hinson, Executive Director Customer Service; Patrice Townsend, Director Utility Services; Carlos Quijas, Development Coordinator; Dennis Dumovich, Director of Human Resources; and Rick Hardman, IT Project Manager.

A video of this meeting is on file at the Board of Public Utilities and can be found on the BPU website, www.bpu.com.

Ms. Mulvany Henry called the Board meeting to order at 6:00 P.M. She welcomed all that were listening to or viewing the meeting. She informed all that the meeting was being recorded including video and audio. During the public comment section, those attending in person, wishing to speak, should use the sign-up sheet at the entry and provide their name and address. Public comments were limited to five minutes and should be addressed to the Board. Members of the public who wished to speak to the Board using Zoom needed to use the Raise Hand feature at the bottom of the application or window to signal that they wish to address the board during the public comment section. Members of the public connected by phone only, needed to press *9 to indicate they wished to address the Board in the public comment section. No confidential information should be shared, including, account information. Staff would not provide individual account information during an open meeting. As always, the public could also email or call the BPU with any concerns. Ms. Mulvany Henry introduced herself and the other Board Members along with the General Manager, and Legal Counsel.

Roll call was taken and all Board Members were present, Mr. Groneman via Zoom.

Item #3 – Approval of Agenda

Mr. Bryant requested that item iii under General Managers/Staff Reports be plural; correcting to Economic Development Fund Requests.

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

Item #4 – Approval of Work Session Minutes of May 17, 2023

A motion was made to approve the minutes of the Work Session of May 17, 2023, by Ms. Gonzales, seconded by Mr. Bryant, and unanimously carried.

Item #5 – Approval of Regular Session Minutes of May 17, 2023

A motion was made to approve the minutes of the Regular Session of May 17, 2023, by Ms. Gonzales, seconded by Mr. Groneman, and unanimously carried.

Item #6 – Public Comments

Mr. Rayan Makarem with CleanAirNow, 3730 Metropolitan Ave., asked the Board to consider a disconnect moratorium during the summer months for residential customers. He commented that Unified Government (UG) charges should not be bundled with BPU charges. He also spoke about how money from federal funding could be utilized.

Ms. Mulvany Henry spoke about the importance of sharing this communication with the UG as well.

Mr. Haley said he would like to see how BPU was affected by the change in the Cold Weather Policy to gauge how a summer moratorium might affect the Utility.

Ms. Tscher Manck, Wyandotte County, asked a question about the BPU 2018 Budget.

Ms. Lori Austin, Chief Financial Officer/Chief Administrative Officer, asked Ms. Manck to provide the document she referenced and advised they could further discuss.

Item #7– General Manager / Staff Reports

- i. *2022 Annual Audit:* Ms. Austin, presented the final results and highlights for the 2022 Audited Financial Results. (See attached PowerPoint.) Ms. Austin then introduced Mr. Jacob Holman of Forvis, LLP to review the year-end audit and process.

Mr. Austin and Mr. Holman, responded to questions and comments from the Board.

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“I move that after taking a seven minute break the Board go into Executive Session for 30 minutes in the Board room to discuss confidential matters related to employment of the general manager, a personnel matter of nonelected personnel as justified under the exception in the Kansas Open Meetings Act; and that the General Manager, William Johnson and Counsel Angela Lawson, be present to participate in the discussion, all others to be dismissed from the room and electronic and telephonic transmissions to cease, and that we reconvene in open session returning to both electronic and telephonic broadcasting at 8:05 PM to either take action in an Open Session or to adjourn.

A motion to go into Executive Session and reconvene at 8:05 PM was made by Mr. Bryant, seconded by Ms. Gonzales.

Mr. Haley expressed his point of view regarding Board members not being able to participate in the Executive Session if they are attending via the use of technology.

Ms. Mulvany Henry said that the topic would be discussed at a Board Policy Committee meeting.

Roll call was taken:

Mr. Haley – no

Mr. Milan – yes

Ms. Mulvany Henry – yes

Mr. Bryant - yes

Ms. Gonzales – yes

Mr. Groneman – yes

The motion carried. The Board without Mr. Groneman, moved into Executive Session.

At 8:05 PM the meeting returned to Open Session.

A motion was made by Mr. Bryant to extend the Executive Session for 10 minutes to end at 8:15 PM, seconded by Ms. Gonzales, and unanimously carried.

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At 8:15 PM the meeting returned to Open Session.

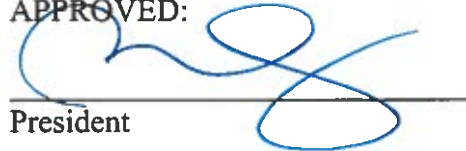
Item #10 – Adjourn

At 8:15 PM a motion to adjourn was made by Mr. Bryant, seconded by Ms. Gonzales and unanimously carried.

ATTEST:


Secretary

APPROVED:


President

2022 Audited Financial Results

June 7, 2023

Revenues – 2022 YTD

	(CY) 2022 YTD	(PY) 2021 YTD		Budget 2022 YTD	(CY) 2022 YTD	
Electric	\$ 332.255	\$ 298.438		\$ 277.447	\$ 332.255	
Water	52.824	50.927		52.325	52.824	
Combined	\$ 385.079	\$ 349.365	10.2%	\$ 329.772	\$ 385.079	16.8%

**Dollars in millions

Variance – YTD comparing 2021 Actual to 2022 Actual

Electric:

Residential \$11.4M
Commercial \$21.4M
Industrial \$12.0M

Water:

Residential \$172K
Commercial \$667K
Industrial \$493K

**Recognized ERC Under Collection for 2022 3rd & 4th Quarter of \$14.8M. Recognized in Jan-June of 2023

Operating Expenses – 2022 YTD

	(CY) 2022 YTD	(PY) 2021 YTD		Budget 2022 YTD	(CY) 2022 YTD	
Electric	\$ 244.131	\$ 224.648		\$ 208.510	\$ 244.131	
Water	35.645	36.275		38.905	35.645	
Combined	\$ 279.776	\$ 260.923	7.2%	\$ 247.415	\$ 279.776	13.1%

**Dollars in millions

Variance – YTD comparing 2021 Actual to 2022 Actual

Electric:

Purchased Power	\$9.4M
Fuel	\$7.9M
Production	\$2.5M
T&D	(\$217K)
G&A	(\$2.4M)

Water:

Production	(\$32K)
T&D	\$167K
G&A	(\$705K)

Change in Net Position – 2022 YTD

	(CY) 2022 YTD	(PY) 2021 YTD
Electric	\$ 38.006	\$ 26.887
Water	11.344	7.959
Combined	\$ 49.350	\$ 34.846

Budget 2022 YTD	(CY) 2022 YTD
\$ 21.486	\$ 38.006
6.697	11.344
\$ 28.183	\$ 49.350

**Dollars in millions

Cash Position & Debt Coverage

Cash Position

	(CY) 2022 December	(PY) 2021 December	2022 November
Combined (E&W)	\$ 44.56	\$ 44.09	\$ 44.80
Days Cash-on-Hand	68	72	63

1 Day = Approximately \$700K-\$750K

(Based on 12 month rolling average of expenses)

Debt Coverage with PILOT

	(CY) 2022 December	(PY) 2021 December
Electric	2.73	2.34
Water	2.19	1.94
Combined	2.83	2.45

Debt Coverage w/o PILOT

	(CY) 2022 December	(PY) 2021 December
Electric	2.03	1.75
Water	1.72	1.49
Combined	2.12	1.85

FORVIS

Report to Board of Directors, Audit Committee and Management

**Board of Public Utilities of Kansas
City, Kansas**

**Results of the 2022 Financial Statement
Audit, Including Required Communications**

**Kansas City, Missouri
December 31, 2022**

forvis.com

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6/2/23



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Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements: <ul style="list-style-type: none">• As of and for the year ended December 31, 2022• Conducted in accordance with our contract dated January 23, 2023
Our Responsibilities	FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP)
Audit Scope & Inherent Limitations to Reasonable Assurance	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.

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Matter	Discussion
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> • Board of Directors, Audit Committee, and Management • Others within BPU

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Government Audit Standards

Matter	Discussion
Additional GAGAS Reporting	We also provided reports as of December 31, 2022, on the following as required by GAGAS: <ul style="list-style-type: none">• Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

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Other Information Accompanying the Audited Financial Statements

The audited financial statements are presented along with management's Annual Comprehensive Financial Report. Management, or those charged with governance, is responsible for preparing the annual report.

We were not engaged to audit the information contained in the annual report, and as a result, our opinion does not provide assurance as to the completeness and accuracy of the information contained therein.

As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management's attention and review subsequent revisions.

Auditor Objectives Related to Other Information

Our objectives related to the other information accompanying the audited financial statements were to:

- Consider whether a material inconsistency exists between the other information and the financial statements
- Remain alert for indications that:
 - A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, or
 - A material misstatement of fact exists or the other information is otherwise misleading
- Respond appropriately when we identify that such material inconsistencies appear to exist or when we otherwise become aware that other information appears to be materially misstated. Potential responsive actions would include requesting management to correct the identified inconsistency
- Include the appropriate communication in our auditor's report, disclosing the procedures performed on the Other Information, as well as the results obtained



Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies

Significant accounting policies are described in *Note 1* of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- GASB 87, *Leases*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Allowance for doubtful accounts
- Deferred costs of revenues, including amortization periods
- Accrued liabilities
- Composite rate depreciation methods
- Net pension liability
- Other post-employment benefits

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- *Note 12: Leases*

Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

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Significant Accounting Policies & Alternative Treatments – Details

GASB 87, Leases

Effective January 1, 2021, the BPU adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee’s statement of net position.

In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the BPU’s key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

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Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

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Nature of Uncorrected Misstatements

- Additional accrual for self insured healthcare expenses
- CWIP addition related to 2021 that was recorded in 2022
- Reclass PILOT from non-operating expense to transfer

Other Required Communications

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Impacts of future accounting standards including GASB 96; *Subscription-Based Information Technology Arrangements*
- Inflation Reduction Act Considerations

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Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

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Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

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Manual Load Shed

Possible Reasons for Load Shed

- BPU Initiated
 - May be necessary to alleviate an overload where there is no other option capable of being deployed in time to prevent equipment damage
 - More likely to be localized to a specific area within BPU footprint
- Southwest Power Pool (SPP) Initiated
 - Results from a greater issue for the entire Balancing Authority (BA) or wider area than just BPU's service area
 - More likely to be dispersed throughout BPU
 - Possibility to be cycled (rolling blackouts) to lessen burden on customers

Why was load shed in 2021

- A Balancing Authority must be able to support current customer load plus carry enough reserves to withstand a potential contingency that could result in a total collapse of its area
 - High number of generation outages, inability of neighboring areas to support via imports and high load resulted in the SPP BA to not be able to meet these requirements during certain periods
- On Monday, February 15th, SPP directed approximately 1.5% of its total load be shed
- On Tuesday, February 16th, an approximate 6.5% load shed was directed

February 2021 Event

- All SPP Balancing Authority members were required to shed load
 - Was not a result of an internal issue isolated to BPU
- High number of Generation outages coupled with record setting customer load within SPP region was a significant driver of the event
- The coldest temperatures experienced in Winter Storm Uri covered the entire SPP region

How Load Shed List is Determined

- Critical Loads that impact continuity of service and public safety are identified and excluded from Manual Load Shed
- Certain Automatic Load Shed schemes exist and are also excluded from Manual Load Shed, but with provisions within BPU Procedures to be utilized for Manual Load shed if precautions are met
 - All remaining circuits are considered available for Manual Load Shed
- When directed to shed load by SPP, BPU must comply without intentional delay
 - The amount of load required to be shed and the amount of load on the available circuits will be primary drivers of which circuits are initially shed

How was BPU Impacted

- SPP allocated the amount of load that needed to be shed on a pro-rata basis amongst its members
 - BPU's portion of the total was slightly below 1% of the total load shed within SPP
- February 15th Load Shed event lasted about 1 hour
 - Roughly 1-2% of BPU load
- February 16th Load Shed event lasted around 3 ½ hours
 - Roughly 7-8% of BPU load
- Due to the extreme cold temperatures, attempts were made to cycle the load that was shed on set intervals to reduce the impact on BPU's customers

How was BPU Impacted

- The second day (2/16) required BPU to shed nearly 4x that amount of load than what was shed on day one
 - The magnitude of load that needed to be shed resulted in some industrial customers to be impacted
 - Provisions exist within BPU's Procedure to limit impact on industrial sector where possible, but cannot always be excluded
- Circuits contained within Automatic Load Shed schemes were utilized due to the duration and amount of load shed required
- Constant open line of communication was maintained throughout both events to maintain efficient utilization of personnel

Lessons Learned

- As with any major event, personnel from various departments within BPU met to discuss lessons learned and ways to reduce the burden on customers in future scenarios
- Reconfiguration of load to allow more circuits available to be cycled during lengthy events is an ongoing effort
- Development of additional EMS SCADA display functionality
- Industry wide, more regulatory requirements are being implemented centered around cold weather preparedness to potentially reduce the frequency of future events

Looking Forward

- BPU operators continue to receive ongoing/refresher training both internally and in coordination with SPP to remain prepared for future events
- Policies and Procedures are maintained and updated on a regular basis to stay current with changing requirements
- While we hope to not experience another load shed event, our goal is to be as prepared as possible and limit the impact on BPU customers if another event occurs