

REGULAR SESSION –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 Regular Session on Wednesday, November 4, 2020 at 6:00 P.M. The following Board Members were on the teleconference: Mr. 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; Johnetta Hinson, Executive Director Customer Service; Jeremy Ash, Executive Director Electric Operations; Dong Quach, Executive Director Electric Production; Jerry Ohmes, Executive Director Electric Supply; Robert Kamp, IT Project Manager; Jody Franchett, Director Administrative Services; Dennis Dumovich, Director of Human Resources; Sperlynn Byers, Acting Director of Information Technology; Brian Laverack, Director of Network Operations, and David Mehlhaff, Chief Communications Officer.

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

Mr. Eidson called the Board Meeting to order at 6:00 P.M. He welcomed all that were listening or viewing the meeting. He stated the COVID-19 pandemic had resulted in a State of Emergency disaster declared by the Governor which made it necessary to conduct the meeting using technology instead of in person. Those wishing to offer comments during the Visitors Comments section could click on the raised hand feature at the bottom of the application or window or press Star 9 and be connected by phone. As always, the public could email or call the BPU with any concerns. The Agenda could be found on the BPU website. If they were using Zoom, it would appear on their screen. Mr. Eidson introduced himself and the other Board Members along with the GM, and Legal Counsel.

Roll call was taken and all Board Members were present via teleconference.

**Item #3 – Approval of Agenda**

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

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**Item #4 – Approval of the Work Session Minutes**

A motion was made to approve the Minutes of the Work Session of October 21, 2020 by Mr. Milan, seconded by Ms. Gonzales and unanimously carried.

**Item #5 – Approval of the Regular Session Minutes**

A motion was made to approve the Minutes of the Regular Session of October 21, 2020 by Mr. Bryant, seconded by Mr. Groneman and unanimously carried.

Mr. Eidson turned the meeting over to Mr. Bill Johnson, General Manager.

**Item #5 – Visitors**

Mr. Johnson asked Mr. Robert Kamp, IT Project Manager, if there were any visitors wishing to speak.

Mr. Kamp said that no one had their hand raised via teleconference.

**Item #6 – General Manager’s Reports**

- i. *COVID-19 Update:* Mr. Dumovich gave an update on company COVID -19 matters. He also let the Board know that an email memo had gone out to all employees reminding them to practice safety.
- ii. *Financial Stewardship and Management:* Mr. David MacGillivray and Jack Ryan-Feldman, with Bakertilly Municipal Advisors provided a PowerPoint presentation regarding BPU’s financial stewardship and credit ratings (see attached).
- iii. *2020 Third Quarter Financials:* Ms. Lori Austin, Chief Financial Officer/Chief Administrative Officer gave a PowerPoint presentation outlining the 2020 third quarter financial results (see attached).

A motion was made to approve the 2020 Third Quarter Financial results by Ms. Gonzales, seconded by Mr. Bryant and unanimously carried.

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iv. *Miscellaneous Comments:* Mr. Johnson informed the Board that there would be one more budget presentation and then they would work towards getting the Board all of the information for the 2021 budget.

**Item #7 – Board Comments**

Mr. Eidson had no comment.

Mr. Groneman had no comment.

Mr. Milan had no comment.

Mr. Bryant had no comment.

Ms. Gonzales thanked everyones contributions for the evening's presentations.

Ms. Mulvany Henry encouraged everyone to be mindful of the uptick in positive COVID cases, and to wash their hands, wear a mask, and be safe.

**Item #9 – Adjourn**

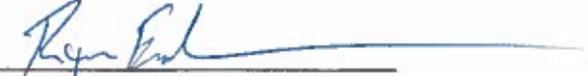
Motion was made to adjourn the meeting at 6:57 P.M. by Mr. Bryant, seconded by Mr. Groneman and carried unanimously.

ATTEST:

Not signed by  
Secretary  
Secretary due to  
Pandemic

Jenny Burley Krenzel  
EXECUTIVE ASSISTANT  
11/23/20

APPROVED:

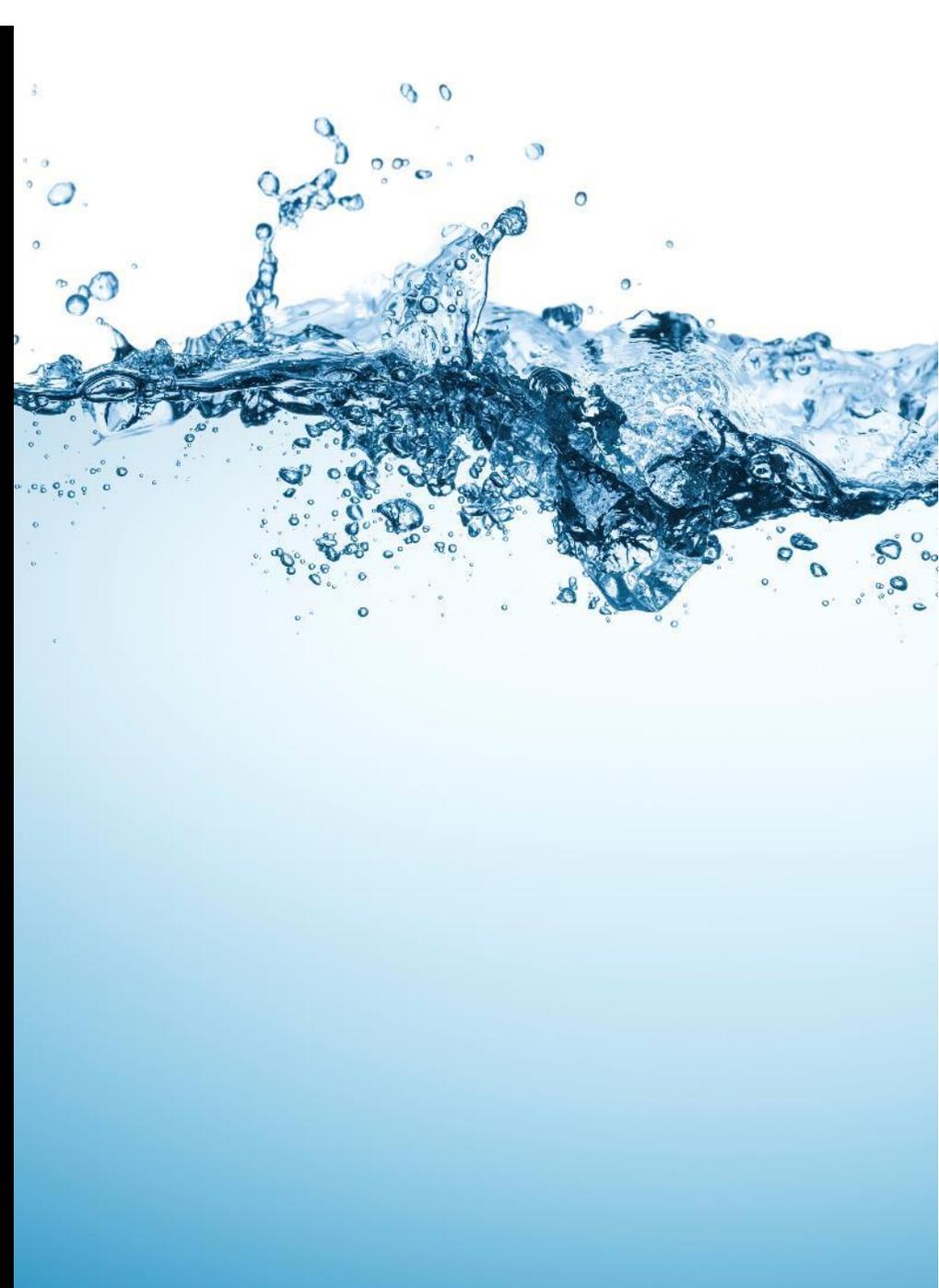
  
\_\_\_\_\_  
President



# Financial stewardship and credit ratings

Board of Public Utilities

Dave MacGillivray, Principal  
Jack Ryan-Feldman, Director



Discussion focus: Linkage between sound financial stewardship and credit ratings

**Credit Ratings: third-party opinion of comparative credit quality**

- Comparative – other utilities with similar financial position profile
- Credit Quality: Financial position profile = cash, debt and coverage
  - Cash/Liquidity – cash available for operations and other annual costs. Days-of-cash
  - Cash Available: everything not contractually restricted.
  - Days-of-cash: Ex: Cash \$100 & Daily Costs \$20. 5 days-of-cash.

Good credit ratings= lower borrowing costs =lower customer rate impacts

Discussion focus: Linkage between sound financial stewardship and credit ratings

Financial stewardship: Concerned with the same measures

Given what the credit rating tells you about your position compared to other utilities and your own specific conditions –

How do you want to position the BPU and your customers?

## Credit ratings and the controllable and non-controllable factors

- BPU rated by Moody's, S&P, Fitch
- A2/A/A
- Investment-grade ratings range: AAA to BBB, A is just above BBB – middle to lower middle
- S&P methodology – Five drivers:
  - \*Governance and management
  - Service area socio-economics
  - \*Industry risk; competitive rates/affordability
  - Market position: Cyclicity/Competitors
  - \*Financial profile: DSC, cash, debt

\* *Controllable Factors*

## BPU liquidity metrics

	Moody's		S&P		Fitch
Aaa	250+	Extremely strong	270+		
Aa	150 - 250	Very strong	150 - 270		
A	90 - 150	Strong	90 - 150	Neutral*	90+
Baa*	30 - 90	Adequate*	45 - 90	Weak	0 - 90
Ba	15 - 30	Vulnerable	15 - 45		
B	0 - 15	Highly vulnerable	0 - 15		

\*BPU From August 2020 rating reports

## BPU ratio of net revenues to debt service

- Critical financial metric to rating agencies (though each handles very differently)
- Rate covenant compliance
- As a result of refunding activities in 2020, debt service payments stable through 2030.



# Why and how much liquidity/cash is right?

## Criteria building blocks and your positioning

### Day-to-day business cashflow

- Incur cost and receive revenue gap
- New rate adoption and collection
- Delinquencies
- Cyclical customer usage/costs and revenues
- Periodic Large Annual Payments: debt
- Major Maintenance

### Cash Funding of Capital Infrastructure

#### Policy positions

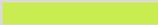
- Rate stabilization Fund
- Customer concentration
- Seasonal variations
- Affordable and competitive rates
- Defined service area and growth

## Why and How much Liquidity/Cash is right?

### **New and/or higher levels of uncertainty**

- Climate Change Impact
- COVID: short term
- Private market COVID reactions
- Fuel source changes
- Energy consumption: Green initiatives
- Regulatory

**In times of uncertainty, more cash is better**



## Looking ahead

- Continue partnership with UG as it relates to economic development
- Continue to pursue a diverse mixture of customer accounts
- Maintain competitive rates and manage ongoing cost drivers
- Increase non-customer charge revenues where possible
- Continue to closely monitor regulatory environment
- Continue to set realistic goals for building liquidity

Discussion?



# **2020 Third Quarter Financial Results**

## **November 4, 2020**

## 2020 Billed kWh (YTD Jan – Sep)

	(CY) 2020 YTD	(PY) 2019 YTD	
<b>Electric</b>			
Residential	457,593,176	454,493,069	
Commercial	692,151,050	737,123,328	
Industrial	385,673,043	436,412,914	
	1,535,417,269	1,628,029,311	-5.7%

Lower usage in 2020 compared to 2019 due to COVID-19 shutdown of businesses.

Residential – up 1%

Commercial – down 6%

Industrial – down 12%

## 2020 Billed CCF's (YTD Jan – Sep)

	(CY) 2020 YTD	(PY) 2019 YTD	
<b>Water</b>			
Residential	2,703,845	2,581,301	
Commercial	1,902,957	1,993,052	
Industrial	1,415,094	1,480,934	
	<b>6,021,896</b>	<b>6,055,287</b>	<b>-0.6%</b>

Slightly lower usage compared to 2019 due to business shutdowns due to COVID-19

Residential – Up 5%      Commercial – Down 5%      Industrial - Down 4%



# Financial Results

## Revenues – Third Quarter 2020

	(CY) 2020 3rd Quarter	(PY) 2019 3rd Quarter		Budget 2020 3rd Quarter	(CY) 2020 3rd Quarter	
Electric	\$ 83.904	\$ 81.526		\$ 82.065	\$ 83.904	
Water	15.569	14.385		15.455	15.569	
Combined	\$ 99.473	\$ 95.911	3.7%	\$ 97.520	\$ 99.473	2.0%

\*\*Dollars in millions

### Actual Compared to 2020 Budget

Electric up 2%

Water up 1%

# Financial Results

## Revenues – 2020 YTD

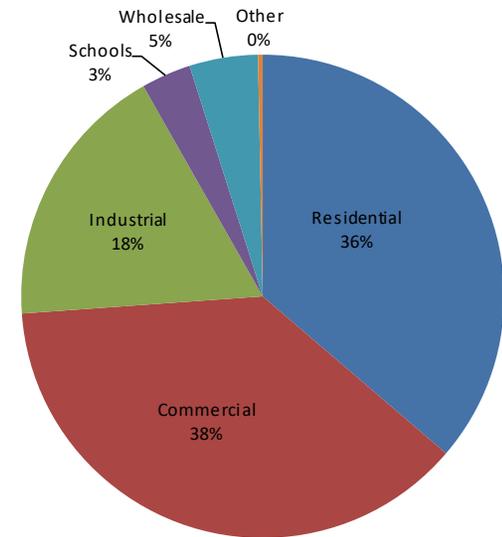
	(CY) 2020 YTD	(PY) 2019 YTD		Budget 2020 YTD	(CY) 2020 YTD	
Electric	\$ 216.342	\$ 217.012		\$ 220.281	\$ 216.342	
Water	39.874	39.105		40.636	39.874	
Combined	\$ 256.216	\$ 256.117	0.0%	\$ 260.917	\$ 256.216	-1.8%

\*\*Dollars in millions

### Variance – YTD comparing Budget to Actual for 2020

**Electric: Down 1.8%**  
 Residential \$61K  
 Commercial (\$3.2M)  
 Industrial (\$1.9M)

**Water: Down 1.9%**  
 Residential (\$229K)  
 Commercial (\$844K)  
 Industrial \$568K



Recognized \$5.5 deferred revenue YTD from the 2019 ERC

## Operating Expenses – Third Quarter 2020

	(CY) 2020 3rd Quarter	(PY) 2019 3rd Quarter		Budget 2020 3rd Quarter	(CY) 2020 3rd Quarter	
Electric	\$ 53.329	\$ 54.921		\$ 55.575	\$ 53.329	
Water	8.796	9.548		9.534	8.796	
<b>Combined</b>	<b>\$ 62.125</b>	<b>\$ 64.469</b>	<b>-3.6%</b>	<b>\$ 65.109</b>	<b>\$ 62.125</b>	<b>-4.6%</b>

\*\*Dollars in millions

### Variance – Comparing Budget to Actual for 2020

**Electric** – Down 4%

Production	- 15% down
Purchased Power	- 4% down
Fuel	- 4% up
T&D	- 5% down
G &A	- 24% down

**Water** – Down 8%

Production	- 15% down
T&D	- 6% down
G &A	- 21% down

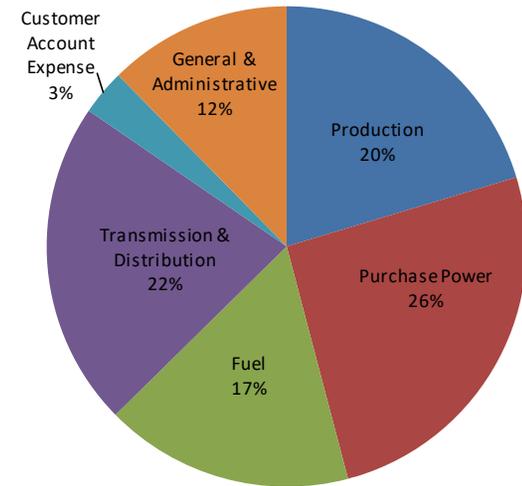
## Operating Expenses – 2020 YTD (Total)

	(CY) 2020 YTD	(PY) 2019 YTD		Budget 2020 YTD	(CY) 2020 YTD	
Electric	\$ 147.159	\$ 153.028		\$ 164.093	\$ 147.159	
Water	25.551	27.393		28.489	25.551	
Combined	\$ 172.710	\$ 180.421	-4.3%	\$ 192.582	\$ 172.710	-10.3%

\*\*Dollars in millions

### Actual Compared to 2020 Budget

- Electric down 10%
- Water down 10%



## Operating Expenses – 2020 YTD less Depreciation

	(CY) 2020 YTD	(PY) 2019 YTD		Budget 2020 YTD	(CY) 2020 YTD	
Electric	\$ 126.080	\$ 131.973		\$ 143.090	\$ 126.080	
Water	19.703	21.554		22.654	19.703	
Combined	\$ 145.783	\$ 153.527	-5.0%	\$ 165.744	\$ 145.783	-12.0%

\*\*Dollars in millions

Variance – YTD comparing Budget to Actual 2020

**Electric:**

Purchased Power **(\$5.2M)**  
 Fuel **\$ 109K**  
 Production **(\$5.5M)**  
 T&D **(\$4.6M)**  
 G&A **(\$4.7M)**

**Water:**

Production **(\$805K)**  
 T&D **(\$1.4M)**  
 G&A **(\$800K)**



# Financial Results

## Change in Net Position – Third Quarter 2020

	(CY) 2020 3rd Quarter	(PY) 2019 3rd Quarter	Budget 2020 3rd Quarter	(CY) 2020 3rd Quarter
Electric	\$ 14.490	\$ 12.115	\$ 12.120	\$ 14.490
Water	4.521	2.038	3.352	4.521
Combined	\$ 19.011	\$ 14.153	\$ 15.472	\$ 19.011

\*\*Dollars in millions



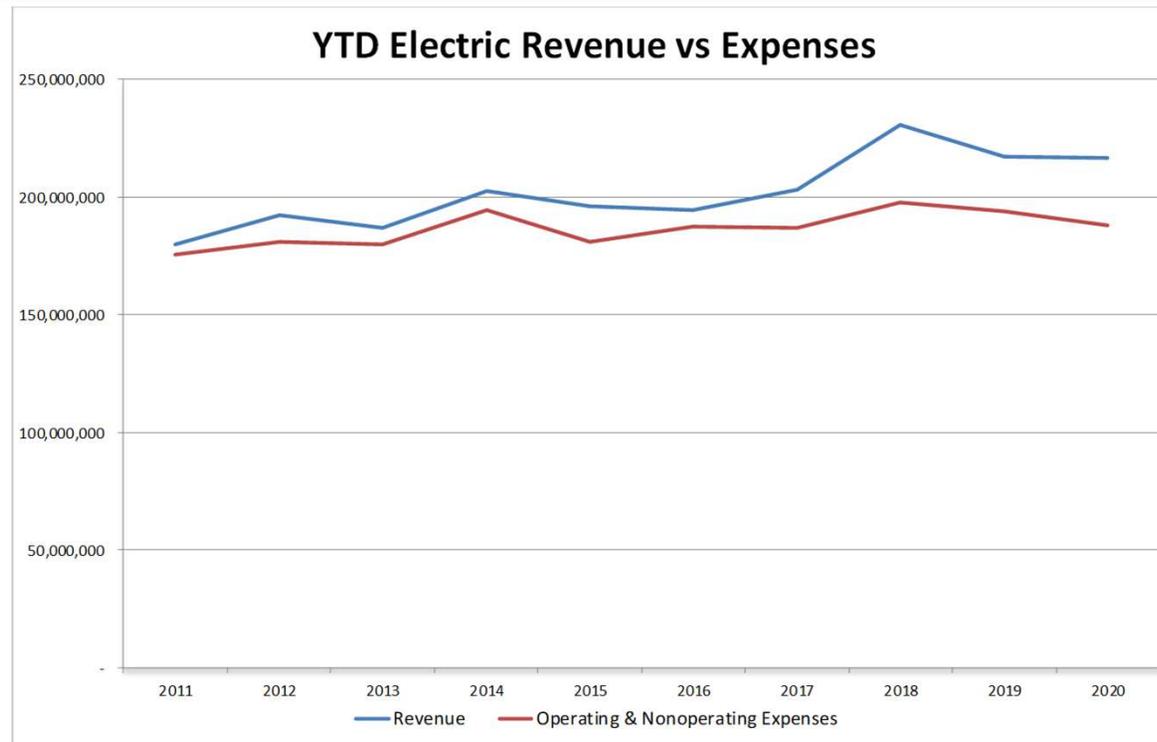
# Financial Results

## Change in Net Position – 2020 YTD

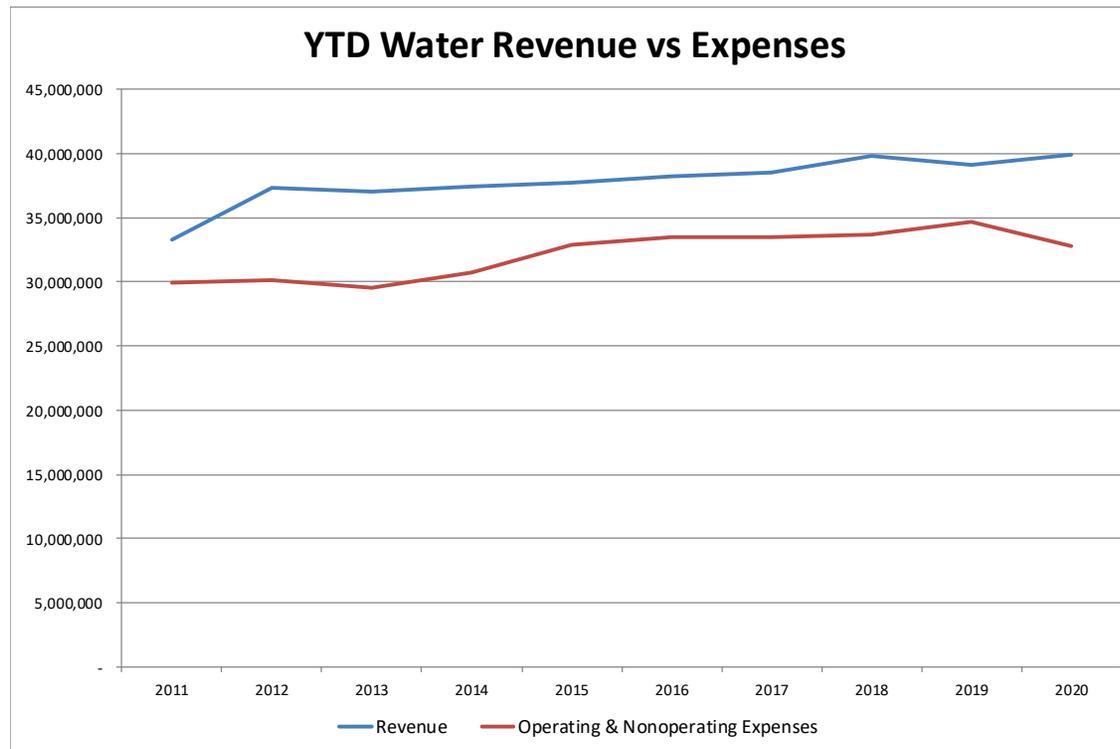
	(CY) 2020 YTD	(PY) 2019 YTD	Budget 2020 YTD	(CY) 2020 YTD
Electric	\$ 28.355	\$ 23.139	\$ 15.588	\$ 28.355
Water	7.754	4.657	5.424	7.754
Combined	\$ 36.109	\$ 27.796	\$ 21.012	\$ 36.109

\*\*Dollars in millions

# Financial Results – 10 Year Trend



# Financial Results – 10 Year Trend





# Financial Results

## Cash Position

	(CY) 2020 September	(PY) 2019 September	2020 August
Combined (E&W)	\$ 49.26	\$ 50.34	\$ 47.82
Days Cash-on-Hand	84	85	80

\*\*Dollars in millions

## Balance Sheet: Notables

	(CY) 2020 September	(PY) 2019 September
Fuel Inventory	\$ 4.801	\$ 4.187
Bond Dollars 2016A (AQC)	\$ -	\$ 1.835
Bond Dollars 2016C (Elec T&D)	\$ 1.542	\$ 24.174
Bond Dollars 2020A (Elec)	\$ 10.000	\$ -

\*\*Dollars in millions

## Capital Spending

	(CY) 2020 YTD	(PY) 2019 YTD	2020 Budget	
Electric	\$ 30.62	\$ 25.25	\$ 41.27	
Water	6.15	3.80	12.73	
Common	1.70	0.26	4.60	
<b>Total YTD Capital</b>	<b>\$ 38.46</b>	<b>\$ 29.32</b>	<b>\$ 58.60</b>	<b>Remaining 34%</b>

\*\*Dollars in millions

Major projects in 2020:

- Rosedale Project - \$12.7M
- N1 Bottom Ash Handling System- \$4.1M
- Nearman 316B Project - \$161K
- Water Leak, Valve, System Imp. - \$1.5M
- UG/CMIP Water Distribution - \$2.4M

## Debt Coverage

### Debt Coverage with PILOT

	(CY) 2020 September	(PY) 2019 September
Electric	2.19	2.20
Water	1.96	1.95
Combined	2.14	2.18

### Debt Coverage w/o PILOT

	(CY) 2020 September	(PY) 2019 September
Electric	1.58	1.58
Water	1.51	1.52
Combined	1.57	1.60

Financial Guideline Target 1.6 to 2.1 times with PILOT