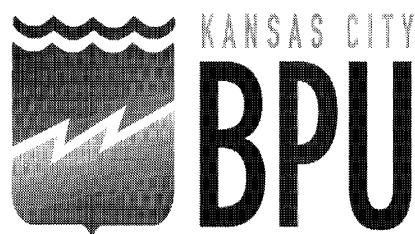


BOARD INFORMATION PACKET



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

Regular Meeting of

November 18, 2020



**Gold Award
for
Competitiveness
Achievement**



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November 18, 2020

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Agenda Item #VI.....General Manager / Staff Reports

Approval of Agenda
Agenda Item #III



Board of Public Utilities
Kansas City, Kansas

BOARD AGENDA

Regular Session
November 18, 2020 – 6:00 P.M.

- I. Call to Order
- II. Roll Call
 - ____ Ryan Eidson, At Large, Position 2
 - ____ Tom Groneman, District 2
 - ____ Robert L. Milan, Sr., District 1
 - ____ Jeff Bryant, District 3
 - ____ Mary L. Gonzales, At Large, Position 1
 - ____ Rose Mulvany Henry, At Large, Position 3
- III. Approval of Agenda
- IV. Approval of the Minutes of the Work Session of November 4, 2020
- V. Approval of the Minutes of the Regular Session of November 4, 2020
- VI. General Manager / Staff Reports
 - i. COVID-19 Update
 - ii. Utility Bill Print Update
 - iii. United Way Campaign Drive
 - iv. Miscellaneous Comments
- VII. Board Comments
- VIII. Adjourn

Approval of Minutes
Work Session 11-4-20
Agenda Item #IV

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.

WORK SESSION MINUTES – WEDNESDAY, NOVEMBER 4, 2020

STATE OF KANSAS)
) SS
CITY OF KANSAS CITY)

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:

APPROVED:

Secretary

President

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	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			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

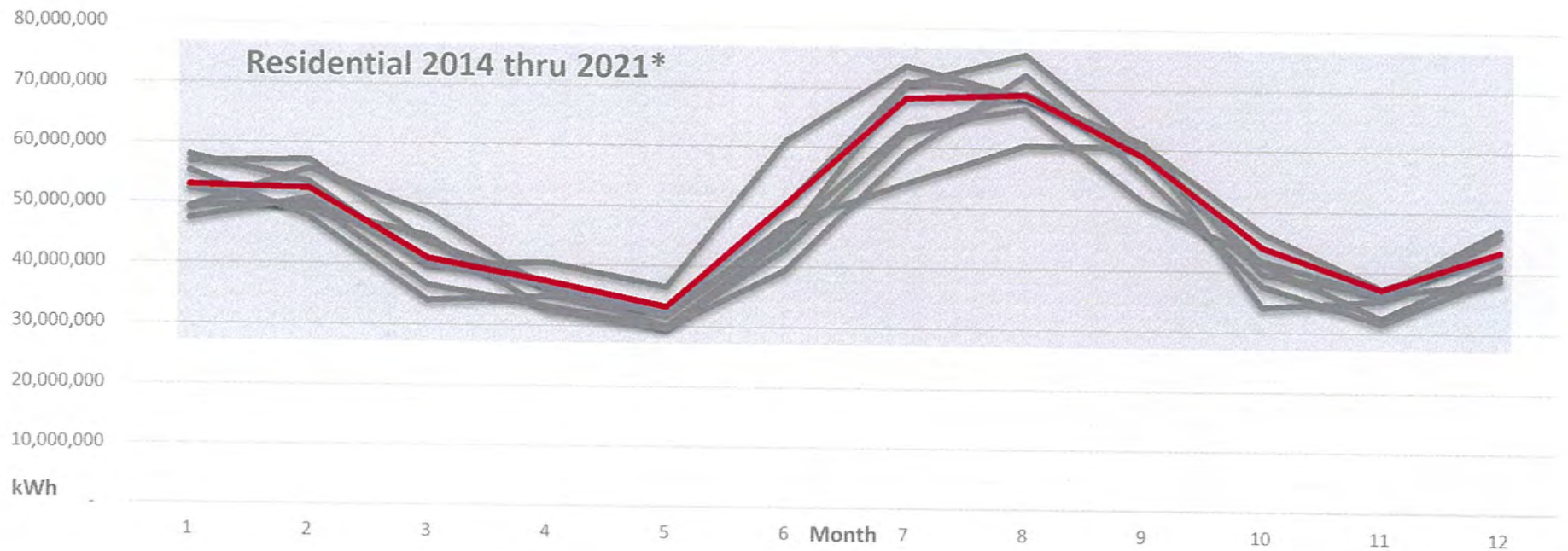
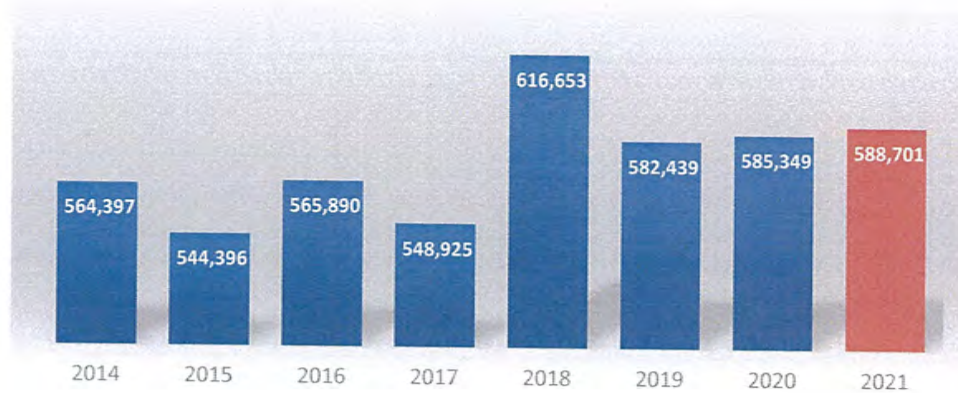
	<u>Access</u>	<u>Base</u>	<u>ERC</u>	<u>ESC</u>
Residential	20%	48%	25%	7%
C&I	3%	56%	32%	9%

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%)

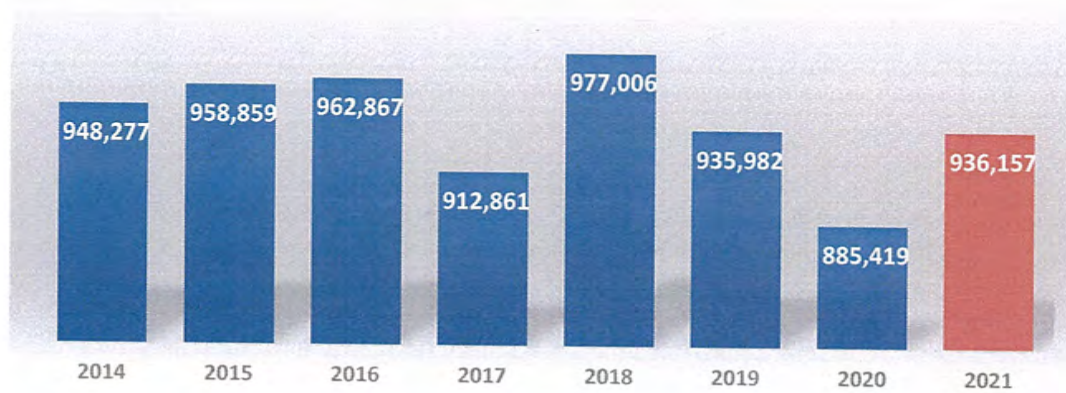
ANNUAL LOAD FORECAST - RESIDENTIAL

Annual kWh - Residential



ANNUAL LOAD FORECAST - COMMERCIAL

Annual kWh Commercial



120,000,000

Commercial – 2014 thru 2021*

100,000,000

80,000,000

60,000,000

40,000,000

20,000,000

KWH

1

2

3

4

5

6

MONTH

7

8

9

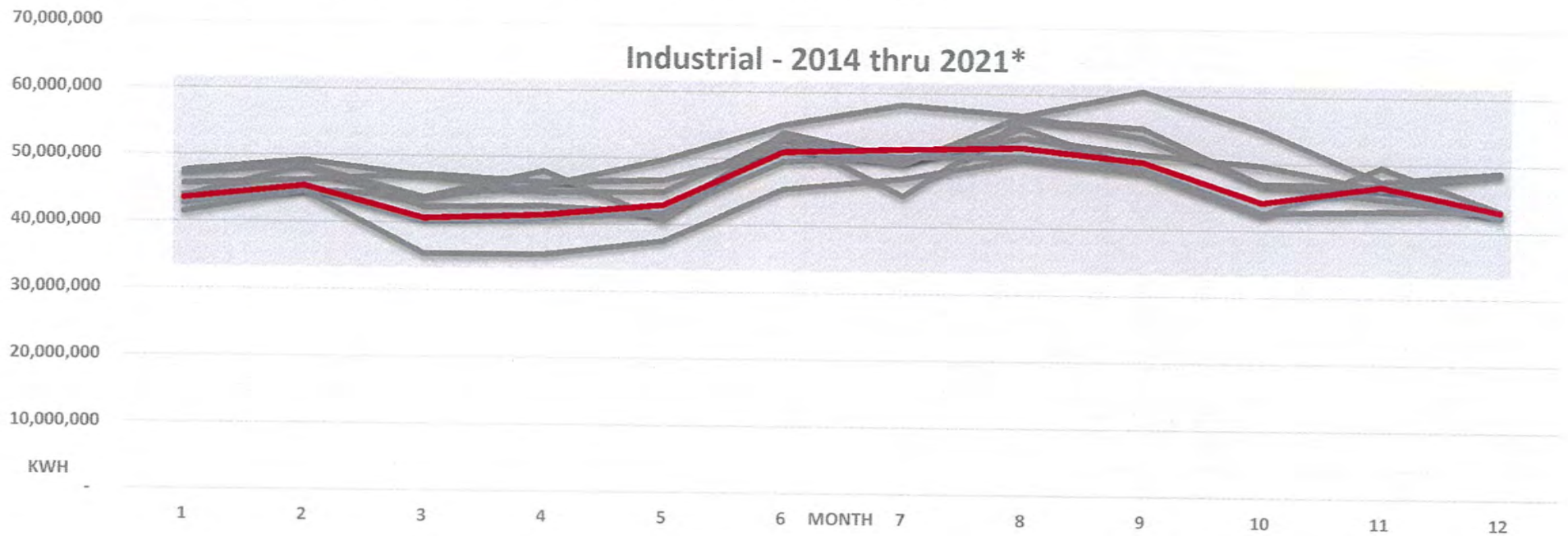
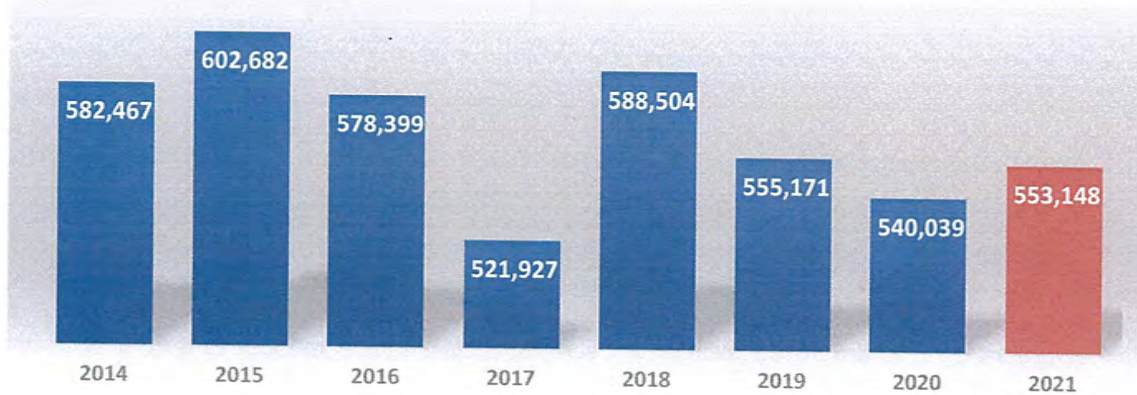
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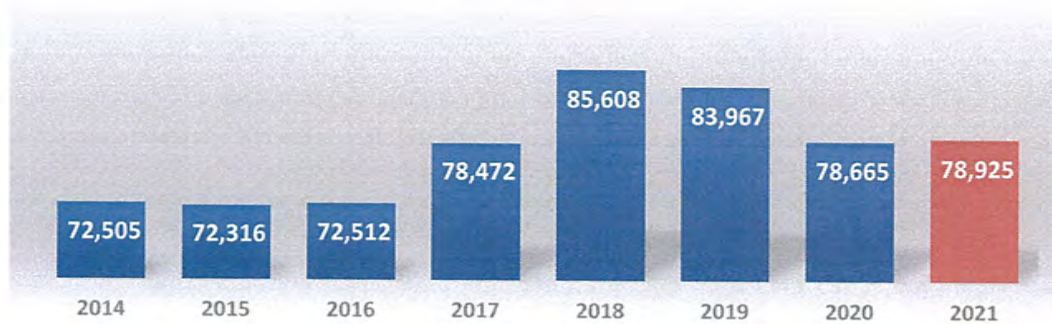
ANNUAL LOAD FORECAST - INDUSTRIAL

Annual kWh - Industrial

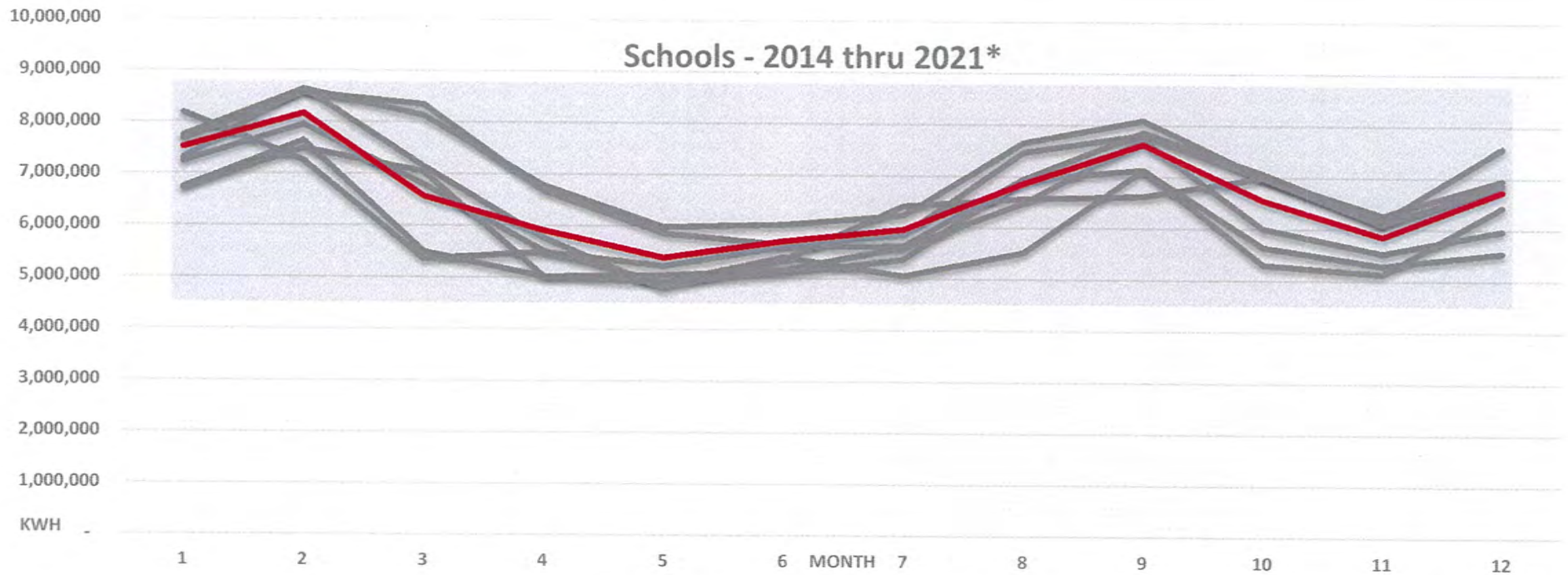


ANNUAL LOAD FORECAST - SCHOOLS

Annual kWh - Schools



Schools - 2014 thru 2021*



ASSUMPTIONS FOR ELECTRIC

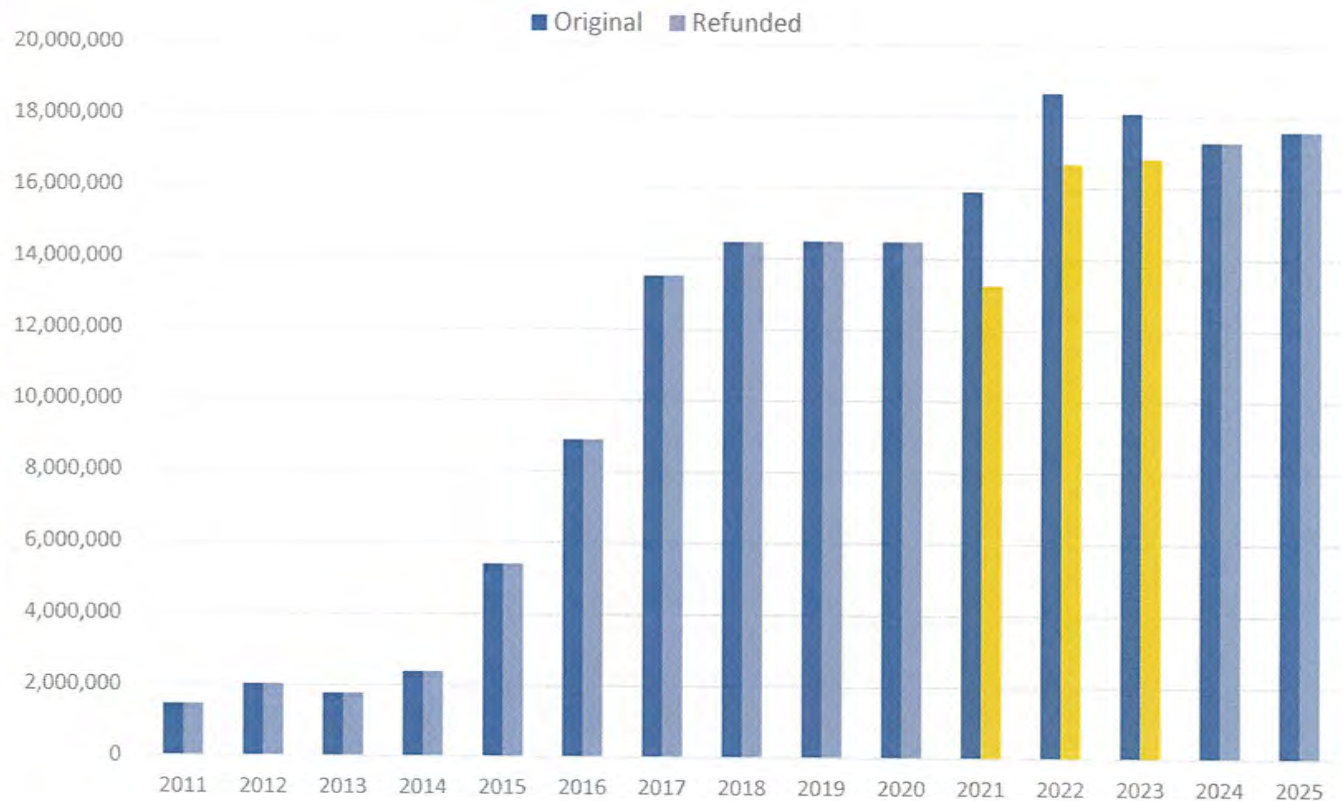
- No Base Rate changes (No change for all classes)
- Customer Access Fees (No change for all classes)
- ERC = Lower due to overcollections in 2020 (est. 2.6 to 2.9 cents per kWh)
- ESC = Lower due to refinanced debt service (next slide)
- Annual Load Growth & Average number of accounts in FY21:
 - 250 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

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



Approval of Minutes
Regular Session 11-4-20
Agenda Item #V

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.

REGULAR SESSION –WEDNESDAY, NOVEMBER 4, 2020

STATE OF KANSAS)
) SS
CITY OF KANSAS CITY)

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.

REGULAR SESSION –WEDNESDAY, NOVEMBER 4, 2020

STATE OF KANSAS)
) SS
CITY OF KANSAS CITY)

- 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:

Secretary

APPROVED:

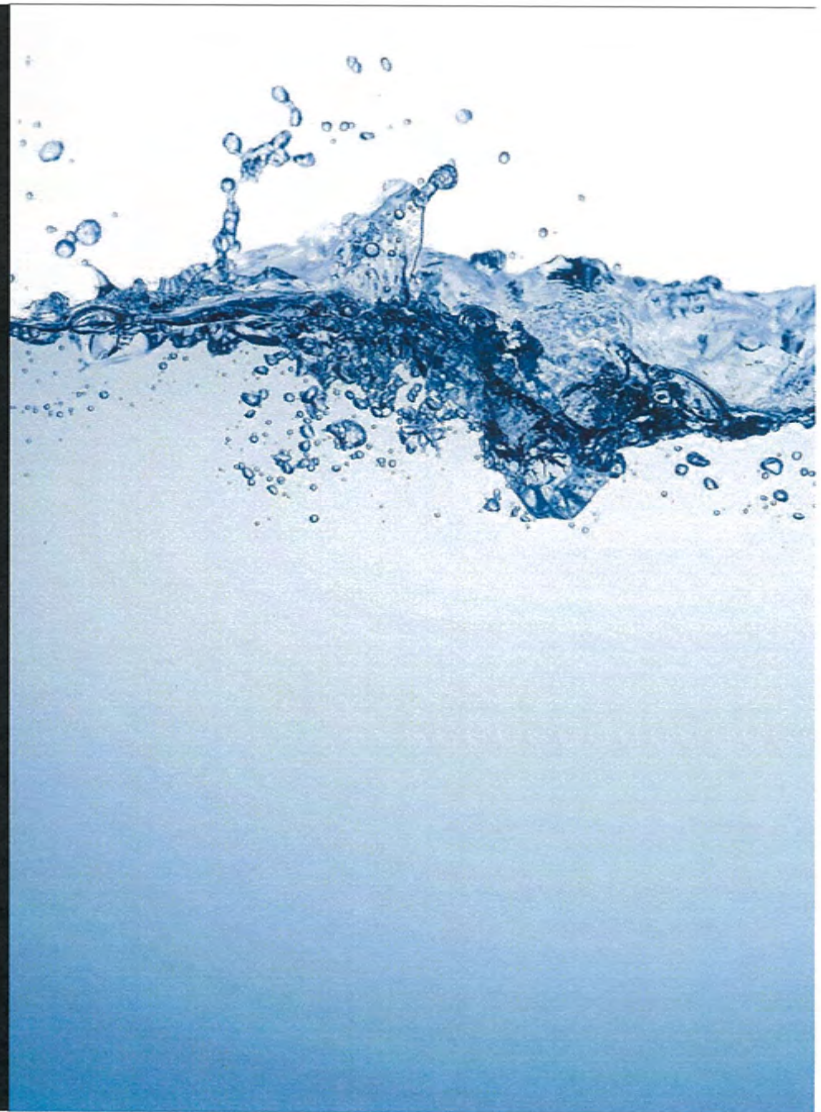
President



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*

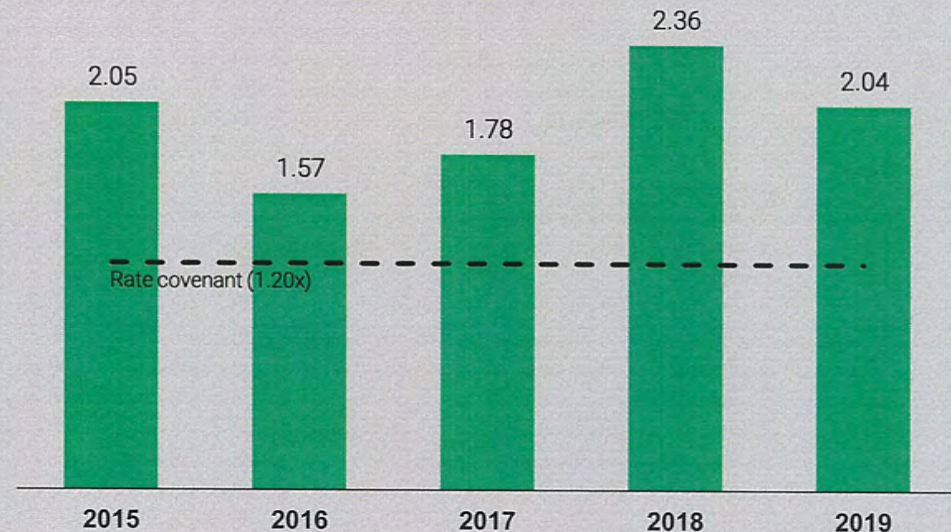
BPU liquidity metrics

	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?



