

BOARD INFORMATION PACKET



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

Regular Meeting of

February 2, 2022



Table of Contents

February 2, 2022

Agenda Item #III.....Approval of Agenda

Agenda Item #IV.....Approval of the Minutes of the Regular Session of January 19, 2022

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

Agenda Item #VIII.....Executive Session

Approval of Agenda
Agenda Item #III



Board of Public Utilities
Kansas City, Kansas

BOARD AGENDA

Regular Session
February 2, 2022 – 6:00 P.M.

- I. Call to Order
- II. Roll Call
 - _____ David Haley, 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 Regular Session of January 19, 2022
- V. Public Comments
- VI. General Manager / Staff Reports
 - i. KERA Program Update
 - ii. Employee Survey
 - iii. Customer Survey
 - iv. Miscellaneous Comments
- VII. Board Comments
- VIII. Executive Session
- IX. Adjourn

Approval of Minutes
Regular Session 1-19-22
Agenda Item #IV

REGULAR SESSION –WEDNESDAY, JANUARY 19, 2022

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, January 19, 2022 at 6:00 P.M. The following Board Members were present: Robert L. Milan, President; Mary Gonzales, Vice President; Rose Mulvany Henry, Secretary; Jeff Bryant, Thomas Groneman, and David Haley.

Also present: William Johnson, General Manager; Angela Lawson, Deputy Chief Counsel; Lori Austin, Chief Financial Officer/Chief Administrative Officer; Johnetta Hinson, Executive Director Customer Service; Jeremy Ash, Executive Director Electric Operations; Jerin Purtee, Executive Director Electric Supply; Steve Green, Executive Director Water Operations; Dong Quach, Executive Director Electric Production; Maurice Moss, Executive Director Corporate Compliance; David Mehlhaff, Chief Communications Officer; Jerry Sullivan, Chief Information Officer; Robert Kamp, IT Project Manager; Randy Otting, Director Accounting; Dennis Dumovich, Director Human Resources; and, Patrice Townsend, Director Utility Services.

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

Mr. Milan called the Board Meeting to order at 6:00 P.M. He welcomed all that were listening to or viewing the meeting. He stated that the Board felt it was necessary to offer the use of technology for staff as well as for the general public. Members of the community who wished to speak to the Board during the public comment session must be logged in to the Zoom meeting through the internet using their browser or the Zoom application. Those wishing to offer comments during the public comments section could click on the raised hand feature at the bottom of the application or window or press Star 9 if connected by phone only. During the public comment section of the agenda, community members would be asked to provide their name and address and had five minutes to speak. As always, the public could also email or call the BPU with any concerns. The agenda and presentations could be found on the BPU website or if they were using Zoom they would appear on their screen. Mr. Milan introduced himself and the other Board Members along with the General Manager, and Legal Counsel.

Roll call was taken and all Board Members were present.

Item #3 – Approval of Amended Agenda

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

REGULAR SESSION –WEDNESDAY, JANUARY 19, 2022

STATE OF KANSAS)
) SS
CITY OF KANSAS CITY)

Item #4 – Approval of Regular Session Minutes of January 5, 2022

A motion was made to approve the minutes of the Regular Session of January 5, 2022 by Mr. Bryant, seconded by Ms. Gonzales, and unanimously carried.

Item #5 – Public Comments

Mr. Jared Evans 12208 Pebble Beach Dr. commented on the cold weather rule currently in place. He felt that the application and the way the rule was written was vague and allowed for the undermining of the actual purpose of the rule, to protect the consumer. He compared BPU’s rule to that of the Kansas Corporation Commission. He offered suggestions to amend the wording of the rule.

Mr. Johnson thanked Mr. Evans and said he had received his information.

Ms. Mulvany Henry also expressed appreciation for his comments and let him know that that rule had been modified two years ago and offered to speak with him.

Mr. Haley also thanked him for his comments on the cold weather rule and inquired about notifications he had received.

Item #6 – Election of Officers

Ms. Lawson presented the procedure for Election of Officers in the Charter Ordinance.

Mr. Milan announced the vote for the office of President for the term of January 2022 to January 2023.

Motion was made to nominate Mary Gonzales as President by Mr. Milan, seconded by Mr. Bryant.

No other nominations were received.

Roll call was taken on the vote for Ms. Gonzales for President and she was elected unanimously.

Ms. Gonzales announced the vote for the office of Vice President for the term of January 2022 to January 2023.

REGULAR SESSION –WEDNESDAY, JANUARY 19, 2022

STATE OF KANSAS)
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Motion was made to nominate Rose Mulvany Henry as Vice President by Mr. Bryant, seconded by Mr. Groneman.

No other nominations were received.

The President closed the nomination after no other nominations were received.

Roll call was taken on the vote for Ms. Mulvany Henry for Vice President and she was elected unanimously.

Ms. Gonzales announced the vote for the office of Secretary for the term of January 2022 to January 2023.

Motion was made to nominate Tom Groneman as Secretary by Mr. Bryant, seconded by Mr. Milan.

No other nominations were received.

Roll call was taken on the vote for Mr. Groneman for Secretary, and he was elected unanimously.

Item #7 – General Manager / Staff Reports

- i. *COVID-19 Update:* Mr. Dumovich gave an update on the utility’s current COVID statistics. To date, just under 75% of the employees were vaccinated.

Mr. Dumovich addressed questions and comments from the Board.

- ii. *November 2021 Financials:* Ms. Austin gave a PowerPoint presentation reviewing the financials from November 2021 with the Board. (see attached).

Ms. Austin and Mr. Dong Quach, Executive Director Electric Production, Mr. Jeremy Ash, Executive Director Electric Operations, and Mr. Steve Green, Executive Director Water Operations addressed questions from the Board which included equipment and materials costs as well as the ordering and receiving situations for their departments.

A motion was made to accept the November 2021 Financials as presented by Mr. Bryant, seconded by Mr. Milan, and unanimously carried.

REGULAR SESSION –WEDNESDAY, JANUARY 19, 2022

STATE OF KANSAS)
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- iii. *Utility Cost of Service Study:* Mr. Randy Otting, Director Accounting gave an overview to the Board as they prepared to move forward with the Utility Cost of Service Study aka, Rate Study for water and electric. (see attached PowerPoint).

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

- iv. *Miscellaneous Comments:* Mr. Johnson congratulated the newly elected officers on their appointments.

He said he had started Board orientation with Mr. Haley to increase his understanding what we do as an electric and water utility.

He also wished Mr. Milan a happy birthday.

Item #8 – Board Comments

Mr. Haley congratulated the newly elected officers and also thanked Mr. Milan for his service as Chair. He also wished him a happy birthday. He thanked Mr. Johnson and Mr. Mehlhaff for their help digesting all of the information. He suggested sharing the audit information we had with the newly elected Mayor. He also spoke about his interest in looking at various policies.

Mr. Groneman thanked Mr. Otting for his Cost of Service presentation. He wished Mr. Milan a happy birthday, congratulated Ms. Gonzales and Ms. Mulvany Henry on their appointments and Go Chiefs!

Mr. Milan thanked all for the birthday wishes. He congratulated the newly elected officers. He also spoke about the 2021 challenges brought on by COVID and the losses and difficulties that it brought on in areas such as personnel and also revenue from the area industries and residents.

Mr. Bryant said congratulations to the newly elected officers and also thanked Mr. Milan for his leadership in 2021. He also commented on the changes in ordering the pandemic has created. He also spoke about the importance of the Cost of Service study to maintain the utility and the clean water and reliable power it provided.

REGULAR SESSION –WEDNESDAY, JANUARY 19, 2022

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Ms. Mulvany Henry wished Mr. Milan a happy birthday and congratulated her fellow Board members on their new officer roles. She asked Mr. Johnson if they were creating an action plan/policy in regards to the employees and the pandemic if the need arose to have to work from home.

Mr. Johnson said that there was not a written plan as far as having employees work from home but that the utility was better prepared with investments made in technology and also the knowledge gained regarding protecting and separating our workforce. They were working on an operating procedure to help handle not only possible scenarios regarding the pandemic, but other situations that could happen as well and would share it with the Board.

Ms. Mulvany Henry also asked about the status on the job description for the “second in command” job position.

Mr. Johnson said that he was continuing to work on it with Human Resources.

She also wanted to extend condolences on the passing of BPU employee Brett Ewing.

Ms. Gonzales thanked Mr. Milan for his leadership over the past year and also wished him a happy birthday. She also thanked Mr. Otting for the information provided in his presentation.

Item #9 – Adjourn

A motion was made to adjourn the Regular Session at 7:21 P.M. by Mr. Bryant, seconded by Mr. Milan, and unanimously carried.

ATTEST:

APPROVED:

Secretary

President

November 2021 Financial Results

January 19, 2022

2021 Billed kWh (YTD Jan – Nov)

Electric	(CY) 2021 YTD	(PY) 2020 YTD	
Residential	548,695,433	530,910,662	
Commercial	881,710,019	834,283,555	
Industrial	431,044,429	472,723,957	
	1,861,449,881	1,837,918,174	1.3%

Lower usage for Industrial customers in 2021 compared to 2020 due to continued slowdown of businesses

Residential – Up 3% Commercial – Up 6% Industrial – Down 9%

2021 Billed CCF's (YTD Jan – Nov)

Water	(CY) 2021 YTD	(PY) 2020 YTD	
Residential	3,241,046	3,309,571	
Commercial	2,379,774	2,348,149	
Industrial	1,631,579	1,725,974	
	7,252,399	7,383,694	-1.8%

Slightly lower usage compared to 2020 due to business slowdowns as a result of COVID-19

Residential – Down 2% Commercial – Up 1% Industrial - Down 5%



Financial Results

Revenues – November 2021

**Dollars in millions

	(CY) 2021 November	(PY) 2020 November		Budget 2021 November	(CY) 2021 November	
Electric	\$ 18.091	\$ 17.305		\$ 19.570	\$ 18.091	
Water	4.085	3.915		4.210	4.085	
Combined	\$ 22.176	\$ 21.220	4.5%	\$ 23.780	\$ 22.176	-6.7%

Actual Compared to 2021 Budget

Electric down 7%

Water down 3%

Revenues – 2021 YTD

	(CY) 2021 YTD	(PY) 2020 YTD		Budget 2021 YTD	(CY) 2021 YTD	
Electric	\$ 261.072	\$ 254.418		\$ 237.473	\$ 261.072	
Water	47.431	48.437		48.181	47.431	
Combined	\$ 308.503	\$ 302.855	1.9%	\$ 285.654	\$ 308.503	8.0%

**Dollars in millions

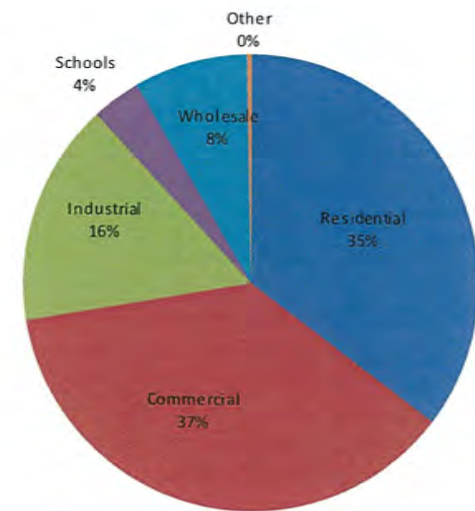
Variance – YTD comparing Budget to Actual for 2021

Electric: *Up 10%*

Residential	\$650K
Commercial	\$1.4M
Industrial	(\$4.9M)
Schools	\$736K
Wholesale	\$16.4M

Water: *Down 1%*

Residential	\$447K
Commercial	(\$124K)
Industrial	(\$410K)



Recognized \$11.7M deferral of revenue YTD from the 2020 ERC in 2021

Operating Expenses – November 2021

	(CY) 2021 November	(PY) 2020 November		Budget 2021 November	(CY) 2021 November	
Electric	\$ 15.886	\$ 18.737		\$ 16.643	\$ 15.886	
Water	3.090	2.969		3.305	3.090	
Combined	\$ 18.976	\$ 21.706	-12.6%	\$ 19.948	\$ 18.976	-4.9%

**Dollars in millions

Variance – Comparing Budget to Actual for 2021

Electric – Down 4%

Production	-	1% up
Purchased Power	-	9% down
Fuel	-	19% up
T&D	-	13% down
G &A	-	25% down

Water – Down 6%

Production	-	15% down
T&D	-	5% up
G &A	-	33% down

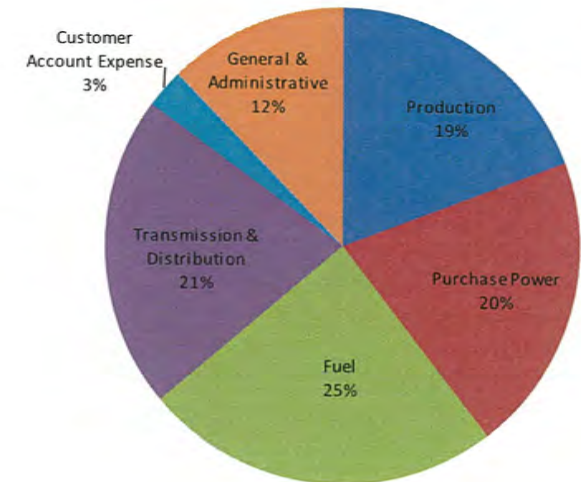
Operating Expenses – 2021 YTD (Total)

	(CY) 2021 YTD	(PY) 2020 YTD		Budget 2021 YTD	(CY) 2021 YTD	
Electric	\$ 189.981	\$ 182.919		\$ 187.322	\$ 189.981	
Water	32.726	31.560		35.347	32.726	
Combined	\$ 222.707	\$ 214.479	3.8%	\$ 222.669	\$ 222.707	0.0%

**Dollars in millions

Actual Compared to 2021 Budget

- Electric up 1%
- Water down 7%



Operating Expenses – 2021 YTD less Depreciation

	(CY) 2021 YTD	(PY) 2020 YTD		Budget 2021 YTD	(CY) 2021 YTD	
Electric	\$ 161.898	\$ 156.130		\$ 160.888	\$ 161.898	
Water	25.052	24.313		28.075	25.052	
Combined	\$ 186.950	\$ 180.443	3.6%	\$ 188.963	\$ 186.950	-1.1%

**Dollars in millions

Variance – YTD comparing Budget to Actual 2021

Electric:

Purchased Power	(\$2.8M)
Fuel	\$15.9M
Production	(\$3.5M)
T&D	(\$4.0M)
G&A	(\$4.2M)

Water:

Production	(\$ 1.2M)
T&D	(\$612K)
G&A	(\$1.1M)

Financial Results

Change in Net Position – November 2021

	(CY) 2021 November	(PY) 2020 November	Budget 2021 November	(CY) 2021 November
Electric	\$ (1.591)	\$ (4.611)	\$ (0.674)	\$ (1.591)
Water	0.448	0.333	0.420	0.448
Combined	\$ (1.143)	\$ (4.278)	\$ (0.254)	\$ (1.143)

**Dollars in millions

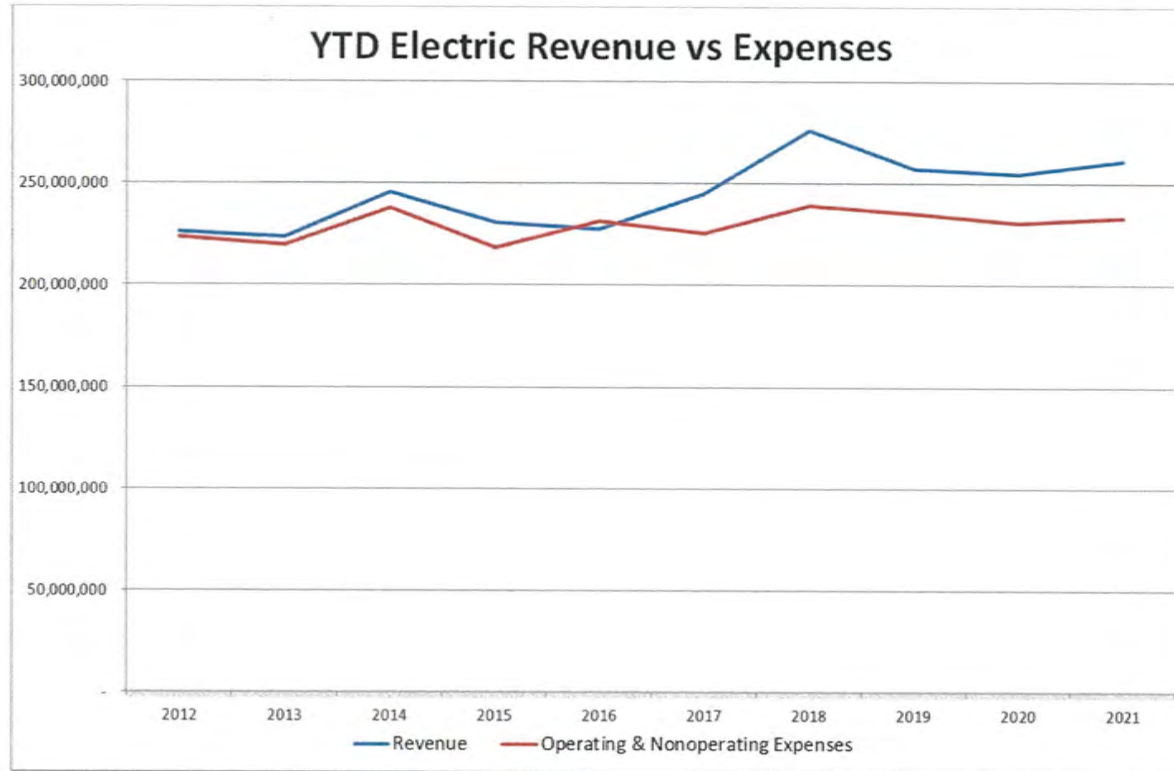
Change in Net Position – 2021 YTD

	(CY) 2021 YTD	(PY) 2020 YTD
Electric	\$ 27.622	\$ 23.624
Water	8.521	9.117
Combined	\$ 36.143	\$ 32.741

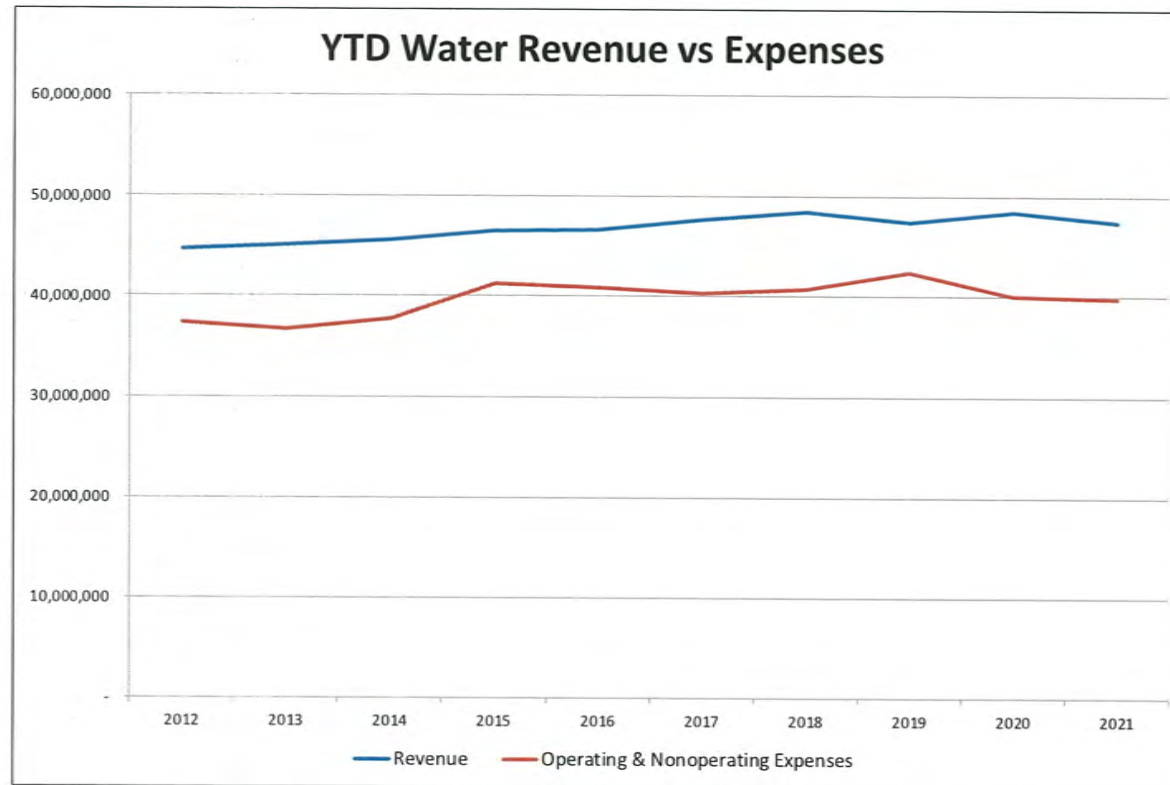
Budget 2021 YTD	(CY) 2021 YTD
\$ 7.816	\$ 27.622
6.411	8.521
\$ 14.227	\$ 36.143

**Dollars in millions

Financial Results - 10 Year Trend



Financial Results - 10 Year Trend



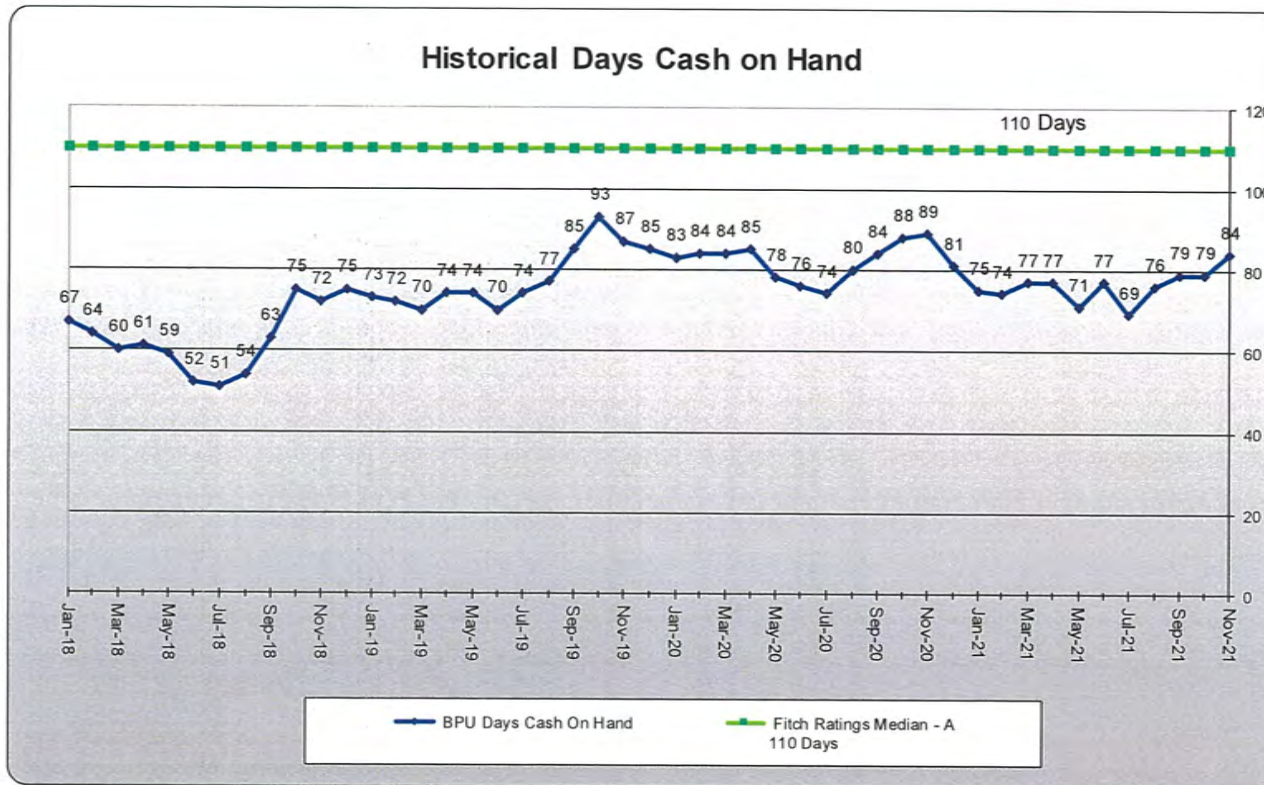
Cash Position

	(CY) 2021 November	(PY) 2020 November	2021 October
Combined (E&W)	\$ 49.25	\$ 52.98	\$ 46.22
Days Cash-on-Hand	84	89	79

1 Day = Approximately \$550K-\$600K

**Dollars in millions

Financial Results



Balance Sheet: Notables

	(CY) 2021 November	(PY) 2020 November
Fuel Inventory	\$ 4.519	\$ 8.133
Bond Dollars 2016C (Elec T&D)	\$ 0.709	\$ 1.542
Bond Dollars 2020A (Elec)	\$ 7.814	\$ 10.000

**Dollars in millions

Capital Spending

	(CY) 2021 YTD	(PY) 2020 YTD	2021 Budget	
Electric	\$ 18.32	\$ 33.67	\$ 38.94	
Water	7.66	7.31	12.34	
Common	3.42	2.16	5.91	
Total YTD Capital	\$ 29.41	\$ 43.14	\$ 57.20	Remaining 49%

**Dollars in millions

Major projects in 2021:

- Dogwood Capital (BPU's portion) - \$1.6M
- Piper OH Feeders - \$1.1M
- Dist Pole Inspection Replacement - \$2.1M
- Annual UG & OH Construction - \$1.9
- Water Leak, Valve, System Imp. - \$1.7M
- UG/CMIP Water Distribution - \$841K
- Water Dist System Relocations - \$1.1M

Debt Coverage

Debt Coverage with PILOT

	(CY) 2021 November	(PY) 2020 November
Electric	1.97	2.11
Water	1.98	2.02
Combined	2.14	2.09

Debt Coverage w/o PILOT

	(CY) 2021 November	(PY) 2020 November
Electric	1.39	1.51
Water	1.53	1.57
Combined	1.54	1.52

Financial Guideline Target 1.6 to 2.1 times with PILOT



KANSAS CITY BOARD OF PUBLIC UTILITIES

UTILITY COST OF SERVICE REVIEW

JANUARY 2022

THE BPU IS A COST OF SERVICE UTILITY

- BASE RATES COVERS THE OPERATING, CAPITAL AND DEBT SERVICE. (RECOVER ACTUAL COST)
- RECOMMENDED THE UTILITY PERFORM A COST OF SERVICE STUDY AT LEAST EVERY 5 YEARS.

THE PURPOSE OF THE STUDY:

- GATHER REVENUE, EXPENSE, CAPITAL AND DEBT REQUIREMENTS
- PROJECT THEM OVER A 5 YEAR PERIOD
- ALLOCATE THE REVENUE AND EXPENSES ACROSS THE CUSTOMER CLASSES
- DESIGN OF RATES AND RIDERS

LAST COST OF SERVICE STUDIES:

- ELECTRIC - 2016
- WATER - 2020 (DELAYED DUE TO PANDEMIC)
- LAST BASE RATE ADJUSTMENT(S) WATER = 2013 & ELECTRIC = 2018

OBJECTIVES OF THE RATE STUDY

ENSURE RATE REVENUES ARE BEING RECOVERED EQUITABLY FROM CUSTOMERS:

- ARE CUSTOMER CLASSES PAYING THEIR SHARE OF THE COST OF SERVICE?

OFFER INNOVATIVE RATE OPTIONS:

- ADDRESS CHANGING LANDSCAPE
- ADDRESS REQUESTS OF CUSTOMERS
- POTENTIAL ADD NEW RATE DESIGNS OR RIDERS

REVIEW EXISTING FINANCIAL POLICIES & RATE MANUAL LANGUAGE

EVALUATE OPERATING RESERVES:

- (DAYS CASH ON HAND & DEBT SERVICE COVERAGE & OTHER METRICS)

MAINTAIN OR IMPROVE CREDIT RATING



COMPONENTS OF COST OF SERVICE RATE STUDY

FINANCIAL POLICY REVIEW

- REVIEW EXISTING FINANCIAL POLICIES AND GOALS

REVENUE REQUIREMENTS ANALYSIS

- ANALYSIS DETERMINES REVENUE NEEDED TO MEET UTILITY COSTS.
- THE REVENUE REQUIREMENT ANALYSIS PROJECTS O&M, CAPITAL AND DEBT SERVICE COSTS FOR FUTURE YEARS.
- 5-YEAR FINANCIAL FORECAST

COST ALLOCATION STUDY

- ELECTRIC & WATER SERVICE COSTS ARE SPREAD OR ALLOCATED TO THE CUSTOMER CLASSES.
- GUIDE FOR DESIGNING RATES, HELPS ENSURE THAT EACH RATE CLASS PAYS ITS SHARE OF THE UTILITY'S COSTS.

RATE DESIGN REVIEW

- ANALYSIS TO DEVELOP RATE STRUCTURES FOR EACH CUSTOMER CLASS NEEDED TO COLLECT APPROPRIATE LEVELS OF REVENUE TO MEET THE DETERMINED REVENUE REQUIREMENT.

REVENUE REQUIREMENT INPUTS

OPERATION AND MAINTENANCE (O&M) EXPENSES

- LABOR (WAGES & BENEFITS), MATERIALS AND SERVICES
- FUTURE COST ESCALATION ASSUMPTION

CAPITAL IMPROVEMENT PROGRAM (CIP)

- 5-YEAR PLAN - REVISIONS & UPDATED BASED ON LATEST INFORMATION

FINANCING (HOW ARE WE GOING TO PAY FOR THE CIP?)

- RATIO OF BOND FINANCING AND CASH FINANCING
- BOND ASSUMPTIONS (TERM & RATES)
- YEARS OF POTENTIAL BOND ISSUES



REVENUE REQUIREMENT INPUTS (CONT'D)

LOAD FORECAST ASSUMPTIONS

- PROJECTED USAGE OVER 5-YEAR PERIOD

POWER & FUEL COST ASSUMPTIONS (ERC RIDER)

- REVIEW SPP COSTS
- REVIEW COAL CONTRACT



KEY OUTCOMES DESIRED

REVENUE SUFFICIENCY

- FUND COSTS AND PROVIDING SUSTAINABLE UTILITY SERVICES WHILE MINIMIZING CUSTOMER IMPACT

EQUITABILITY

- RATES MUST FAIRLY ALLOCATE EXPENSES TO THOSE CUSTOMER CLASSES INCURRING THE COSTS

LOGICAL

- EASIER TO UNDERSTAND RATE DESIGN AND FEASIBLE TO IMPLEMENT

DEFENSIBILITY - RECOMMENDATIONS MUST:

- MEET REVIEW FROM OUTSIDE PARTIES
- COMPLY WITH THE RULES OF PROCEDURE OUTLINED IN KSA 13-1228A
- COMPETITIVE WHEN COMPARED TO OTHER REGIONAL UTILITIES

SUMMARY AND CONCLUSIONS

WHY IS THIS NECESSARY?

RESPONSIBILITY OF MANAGEMENT AND THE BOARD

- ENSURE THAT THE BPU CONTINUES TO OPERATE IN A FINANCIALLY SOUND MANNER
- TO ENSURE ALL CUSTOMERS CLASSES ARE BILLED THEIR SHARE OF THE COSTS
- PLANNING TOOL TO GUIDE FUTURE FINANCIAL PLAN
- GUIDES THE BPU TO DETERMINE NEXT STEPS WITH RATE REQUEST AND POTENTIAL RATE HEARING PROCESS

QUESTIONS / COMMENTS

