

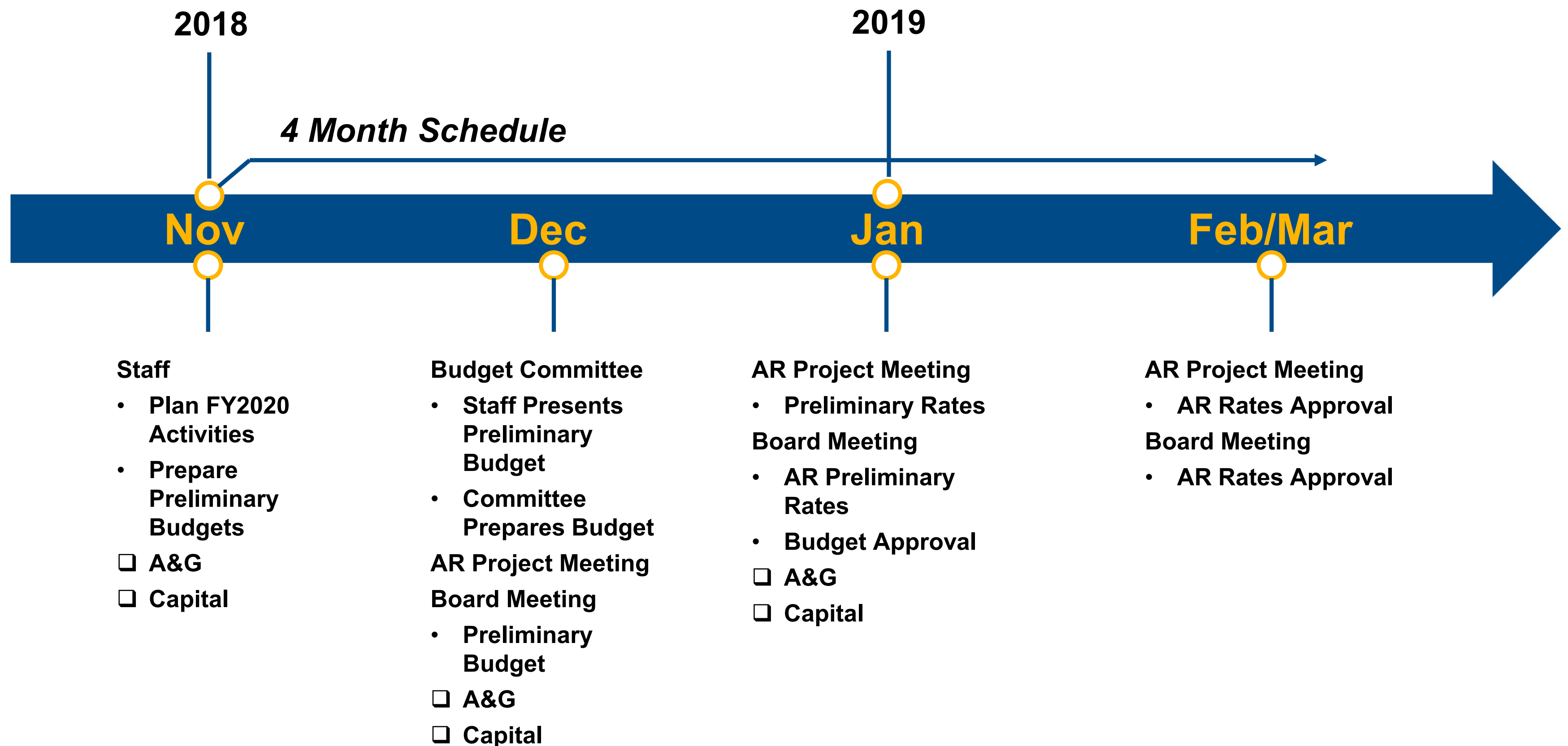


# **FY2020 Operating and Capital Budget**

**Budget Committee Recommendation**

**December 11, 2018**

# FY2020 Budget Process



# Operations Activities



- ◆ Front/Middle/Back Office Set-Up
- ◆ Portfolio Optimization
- ◆ Integrated Resource Planning
  - Power Supply RFP
- ◆ MDMS Operation/Proficiency
- ◆ Modeling/Financial Workflow
  - Budget/Actual/Projection
    - Updated Monthly for Markets/Portfolio
    - Rate Model/ECA/Financial Metrics



# Energy Service Partner (ESP)

## ACES Power Marketing acts as KYMEA's Agent

Began Implementation on October 1, 2018

 <b>ACES</b> <i>excellence in energy</i> <b>Role of Energy Services Partner</b>		 <b>Division of Duties</b>
<b>FRONT OFFICE SERVICES</b>	<ul style="list-style-type: none"> <li>• Portfolio Strategy</li> <li>• Short-Term Trading and Operations</li> <li>• Short-Term Load Forecasting</li> <li>• Origination and Long-Term Trading</li> <li>• Portfolio Dispatch and Optimization</li> <li>• Delegated Electric Reliability Standard Compliance</li> <li>• Power Transmission Scheduling and Tagging</li> <li>• Physical Gas Trading and Scheduling</li> <li>• Financial Gas Trading</li> <li>• Gas Service Consulting</li> <li>• Coal and Emissions Consulting</li> <li>• Renewable Analysis and Transactions</li> <li>• Financial Transmission Right Evaluations and Hedge Execution</li> <li>• Transmission Analysis and Advice</li> <li>• Long-Term Generation and Transmission Planning Studies</li> <li>• Standard Portfolio Model and Risk Analytics</li> </ul>	<b>Market Analytics</b> <p>Front Office: Coordinates and handles all the needs with respect to hedging and 24 hour dispatch operations.</p> <hr/> <p><i>Responsibility: Vice President, Market Analytics</i></p> <hr/> <p><i>Oversight: President and CEO</i></p>
	<b>MIDDLE OFFICE SERVICES</b> <ul style="list-style-type: none"> <li>• Credit Analysis and Counterparty Monitoring</li> <li>• Credit Exposure Monitoring and Management</li> <li>• Credit Negotiations</li> <li>• Credit Reports</li> <li>• ISO/RTO Credit Monitoring Service</li> <li>• Master Agreement Negotiations</li> <li>• Emissions Allowances and Renewable Energy Credits Agreement Negotiations</li> <li>• Contract Monitoring and Administration</li> <li>• Trade Capture and Validation</li> <li>• Policy Compliance Monitoring</li> <li>• Forward Curve Development and Mark-to-Market Valuations</li> <li>• Risk Management Policy Development</li> <li>• Education and Training</li> <li>• Regulatory and Market Development Participation</li> <li>• Reliability Compliance Consulting</li> <li>• Dodd-Frank Compliance</li> </ul>	<b>Accounting and Finance</b> <p>Middle Office: Ensures the control and processing of the Front Office.</p> <p>Back Office: Monitors the post-market processing of transactions: confirmation, payment, settlement and accounting.</p> <hr/> <p><i>Responsibility: Vice President, Finance and Accounting and CFO</i></p> <hr/> <p><i>Oversight: President and CEO</i></p> <hr/> <p><i>Subject to External Audit</i></p>
	<b>BACK OFFICE SERVICES</b> <ul style="list-style-type: none"> <li>• Bilateral Power and Transmission Settlements</li> <li>• Bilateral Natural Gas and Transportation Settlements</li> <li>• RTO/ISO Pool Settlements</li> <li>• Energy Imbalance Validation</li> <li>• Cost Allocation Settlement Model</li> <li>• Electric Quarterly Report (EQR) Filing Support</li> </ul>	

# Portfolio Optimization Integrated Resource Planning

**ENC****PASS**  
POWER PLANNING SOFTWARE

## Load Forecasting Software/Data

## National Database/Market Intelligence

# Market Price Forecasting Policy Analysis

## Optimize Decisions Across Multiple Commodities

## Capital Projects

Multiple annual plans with capital costs and constraints

## Capacity

## Regional reserve margin requirements with demand curves

## Environmental Programs

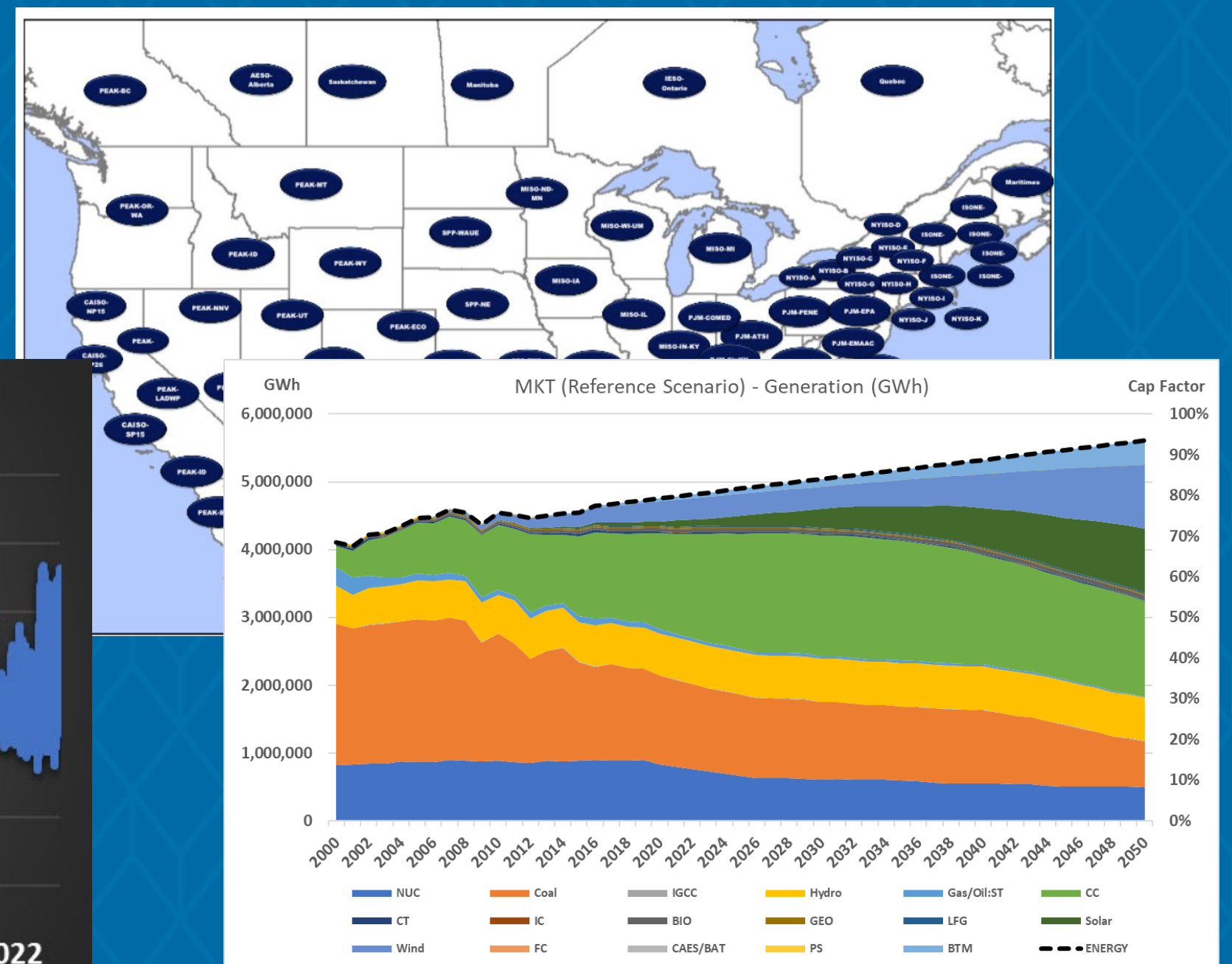
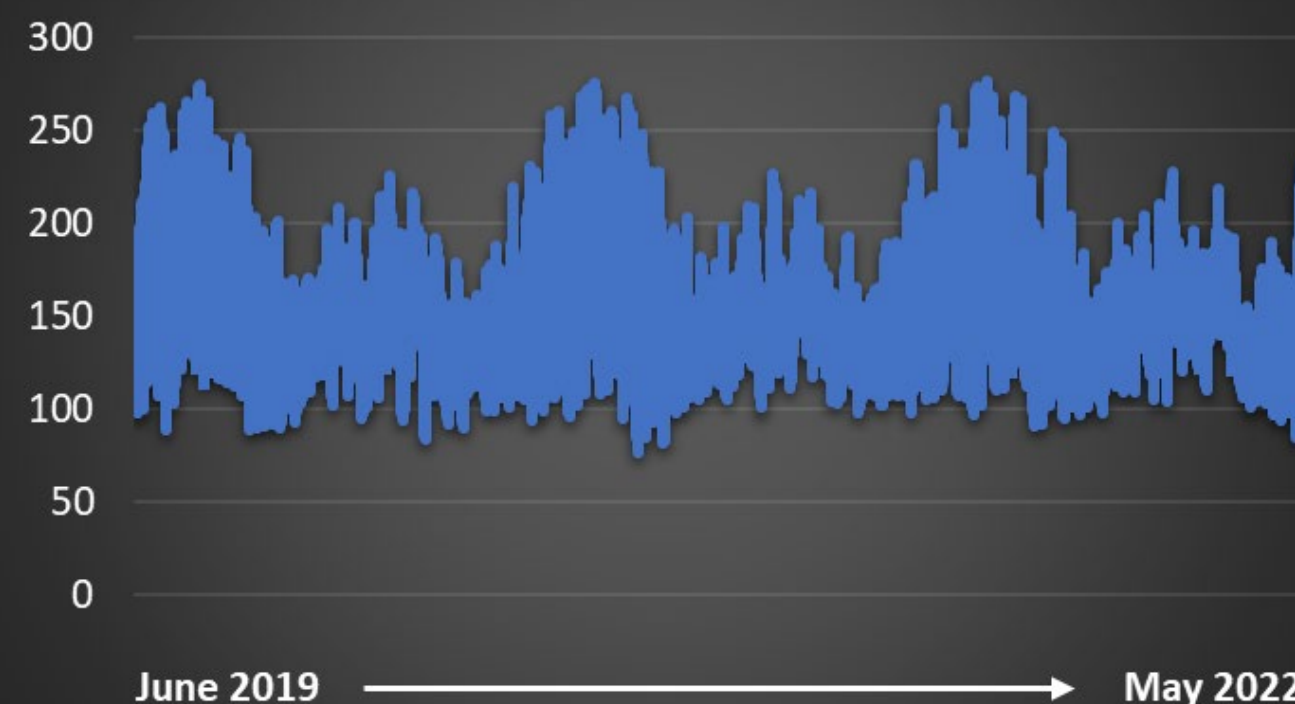
Renewable portfolio standards, mass and rate-based emissions

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## KYMEA Hourly Load





# Meter Data Management System

## ◆ Schneider Electric

Kick-Off Meeting on November 28, 2018

## • Power Monitoring Expert (PME)

### Customized real-time monitoring

- Access real-time status of sensitive power distribution components
- Trend chart tools with customized views to reveal patterns and anomalies quickly

### Data analytics and visualization

- Smart dashboards with configurable presentation widgets and kiosk options
- Powerful graphics templates and libraries
- Automated power quality reports and waveform analysis tools
- Comprehensive templates for energy and power reporting, with flexible report distribution options

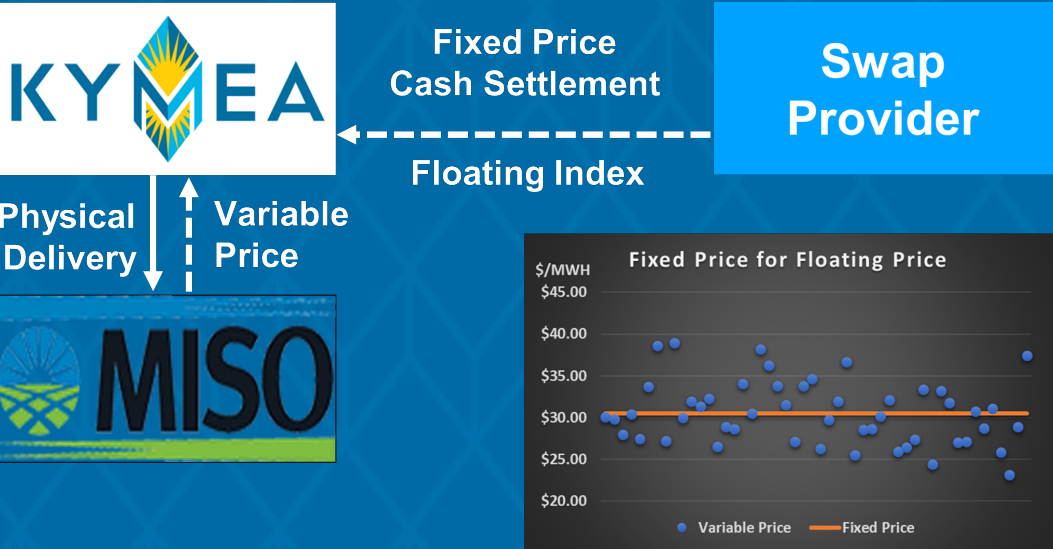


# Modeling/Financial Workflow

## 1 Budget Pro Forma

KYMEA - Pro Forma													
Line No.	Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
	Item	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
<b>Revenue</b>													
1	AR Project	\$ 7,934,079	\$ 7,833,750	\$ 7,210,226	\$ 6,044,441	\$ 5,999,882	\$ 6,589,337	\$ 6,839,847	\$ 6,432,711	\$ 6,025,348	\$ 5,699,333	\$ 6,660,718	\$ 7,412,702
2	Transmission Services	56,962	56,477	54,276	41,801	47,697	58,059	73,796	65,434	53,807	43,787	49,707	56,090
3	Energy Services	44,470	41,218	35,355	31,566	29,100	32,001	34,042	28,343	29,781	28,190	38,026	42,593
4	Market Sales	-	-	-	-	-	-	-	-	-	-	-	-
5	ST - Revenue	\$ 8,035,510	\$ 7,931,445	\$ 7,299,857	\$ 6,117,808	\$ 6,076,679	\$ 6,679,397	\$ 6,947,685	\$ 6,526,488	\$ 6,108,936	\$ 5,771,310	\$ 6,748,451	\$ 7,511,385
<b>Expenses</b>													
6	Purchased Power	\$ 6,072,022	\$ 5,964,593	\$ 5,225,455	\$ 4,871,137	\$ 4,996,832	\$ 5,227,136	\$ 5,398,346	\$ 5,069,711	\$ 4,900,517	\$ 4,934,140	\$ 5,429,618	\$ 5,947,971
7	Transmission Services	903,033	887,349	820,253	663,199	672,644	744,059	791,323	740,601	666,204	631,239	758,167	849,286
8	Energy Service, Schedule and Dispatch	41,613	41,613	41,613	41,613	41,613	41,613	41,613	41,613	41,613	41,613	41,613	41,613
9	Administration & General	192,757	192,688	192,688	192,021	190,902	207,371	215,654	215,654	217,604	219,827	219,552	218,361
10	ST - Operating Expenses	\$ 7,209,425	\$ 7,086,243	\$ 6,280,009	\$ 5,767,970	\$ 5,901,991	\$ 6,220,180	\$ 6,446,936	\$ 6,067,580	\$ 5,825,937	\$ 5,826,819	\$ 6,448,949	\$ 7,057,232
11	Operating Income	\$ 826,085	\$ 845,202	\$ 1,019,848	\$ 349,838	\$ 174,687	\$ 459,217	\$ 500,749	\$ 458,908	\$ 282,998	\$ (55,509)	\$ 299,502	\$ 454,153
<b>Non-Operating Expenses</b>													
12	Depreciation	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169
13	Interest Payment	34,029	34,029	32,929	34,029	32,929	34,029	34,029	31,830	34,029	32,929	34,029	32,929
14	Other Non-Operating Expense	-	-	-	-	-	-	-	-	-	-	-	-
15	ST - Non-Operating Expense	\$ 57,198	\$ 57,198	\$ 56,098	\$ 57,198	\$ 56,098	\$ 57,198	\$ 57,198	\$ 54,999	\$ 57,198	\$ 56,098	\$ 57,198	\$ 56,098
16	Net Margin	768,887	788,004	963,750	292,640	118,589	402,019	443,551	403,909	225,801	(111,608)	242,304	398,055
17	Funds Available for Debt Service and Capital	\$ 826,085	\$ 845,202	\$ 1,019,848	\$ 349,838	\$ 174,687	\$ 459,217	\$ 500,749	\$ 458,908	\$ 282,998	\$ (55,509)	\$ 299,502	\$ 454,153

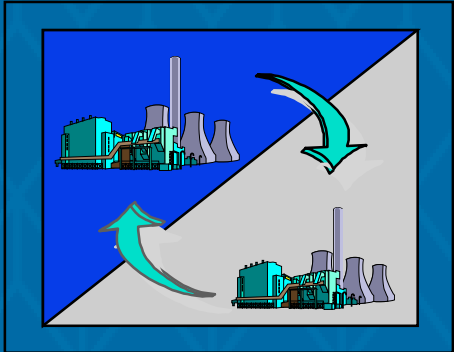
## 4 Risk Management Hedge Adjustments



## 2 Actual Month

Jul
2020
\$ 8,047,234
57,861
44,470
-
\$ 8,149,565
\$ 6,215,163
918,250
42,778
237,592
\$ 7,413,783
\$ 735,782
\$ 23,169
34,029
-
\$ 57,198
678,584
\$ 735,782

## 3 Projected Months



Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
\$ 7,935,837	\$ 7,313,806	\$ 6,130,334	\$ 6,082,731	\$ 6,674,236	\$ 6,941,972	\$ 6,434,980	\$ 6,115,493	\$ 5,784,827	\$ 6,761,314	\$ 7,514,284
57,218	55,100	42,424	48,455	58,863	74,744	67,572	54,644	44,582	50,529	57,006
41,218	35,355	31,566	29,100	32,001	34,042	28,343	29,781	28,190	38,026	42,593
-	-	-	-	-	-	-	-	-	-	-
\$ 8,034,273	\$ 7,404,261	\$ 6,204,323	\$ 6,160,286	\$ 6,765,101	\$ 7,050,758	\$ 6,530,895	\$ 6,199,918	\$ 5,857,600	\$ 6,849,868	\$ 7,613,883
\$ 6,269,145	\$ 5,436,216	\$ 5,059,056	\$ 5,204,792	\$ 5,345,077	\$ 5,502,808	\$ 5,238,107	\$ 4,971,672	\$ 4,986,171	\$ 5,497,639	\$ 6,085,384
900,263	836,870	676,099	685,844	757,370	805,415	768,125	679,621	644,130	773,379	865,241
42,778	42,778	42,778	42,778	42,778	42,778	42,778	42,778	42,778	42,778	42,778
237,592	237,133	235,534	235,277	235,277	240,881	240,881	241,147	243,798	243,514	242,288
\$ 7,449,778	\$ 6,552,998	\$ 6,013,468	\$ 6,168,692	\$ 6,380,502	\$ 6,591,882	\$ 6,289,892	\$ 5,935,218	\$ 5,916,876	\$ 6,557,310	\$ 7,235,691
\$ 584,495	\$ 851,263	\$ 190,855	\$ (8,406)	\$ 384,599	\$ 458,876	\$ 241,004	\$ 264,700	\$ (59,276)	\$ 292,558	\$ 378,192
\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169	\$ 23,169
34,029	32,929	34,029	32,929	34,029	34,029	30,730	34,029	32,929	34,029	32,929
-	-	-	-	-	-	-	-	-	-	-
\$ 57,198	\$ 56,098	\$ 57,198	\$ 56,098	\$ 57,198	\$ 57,198	\$ 53,900	\$ 57,198	\$ 56,098	\$ 57,198	\$ 56,098
527,297	795,165	133,657	(64,504)	327,401	401,678	187,104	207,502	(115,375)	235,360	322,094
\$ 584,495	\$ 851,263	\$ 190,855	\$ (8,406)	\$ 384,599	\$ 458,876	\$ 241,004	\$ 264,700	\$ (59,276)	\$ 292,558	\$ 378,192

# Budget – Dispatch, Scheduling, Modeling

Dispatch, Scheduling, Modeling	Total
<b>1600. Energy Services Partner</b>	
1600.01 ACES - Standard Service	\$ 456,140
1600.02 ACES - Additional Services	\$ 108,615
1600.03 ACES - Additional RTOs	\$ 80,000
1600.04 Front/Middle/Back Office Services	\$ 144,900
1600.xx Contingency	\$ -
<b>Energy Services Partner</b>	<b>\$ 644,755</b>
<b>1700. MAC Software, Data, Training, and Subscriptions</b>	
1700.01 MAC Software	\$ 47,500
1700.02 Data and Market Intelligence	\$ 45,500
1700.03 RTO Membership Fee	\$ 5,000
1700.04 Events & Training	\$ 56,000
1700.xx Contingency	\$ 52,000
<b>MAC Software, Data, and Subscriptions</b>	<b>\$ 206,000</b>
<b>1800. MDMS/Communications/Meters</b>	
1800.01 Annual License/Maintenance	\$ 36,266
1800.02 Communications	\$ 23,040
1800.03 Meter Testing	\$ 12,000
1800.xx Contingency	\$ 9,500
<b>MDMS/Communications/Meters</b>	<b>\$ 80,806</b>
<b>Subtotal Dispatch, Scheduling, Modeling</b>	<b>\$ 931,561</b>



# Administrative/Project Activities

- ◆ Administration
- ◆ Accounting and Finance
  - Rating Agency
  - Audit and Annual Report
  - Records Retention
- ◆ Strategic Plan
- ◆ Transmission Studies
- ◆ Members Services/Communications
- ◆ Government Relations

# Audit and Annual Report

Financial statement document for Kentucky Municipal Energy Agency, dated 6/27/2018. The document includes sections for Assets, Liabilities, and Net Position, with various line items and amounts.



2019

**5 Month Schedule**

**Jul**

**Aug**

**Sep**

**Oct**

**Nov**

**Financial Statement**

- Year-End Closing
- Audit Begins

**Annual Report**

- Report Design

**Audit Complete**

- Seek Board Approval

**Annual Report**

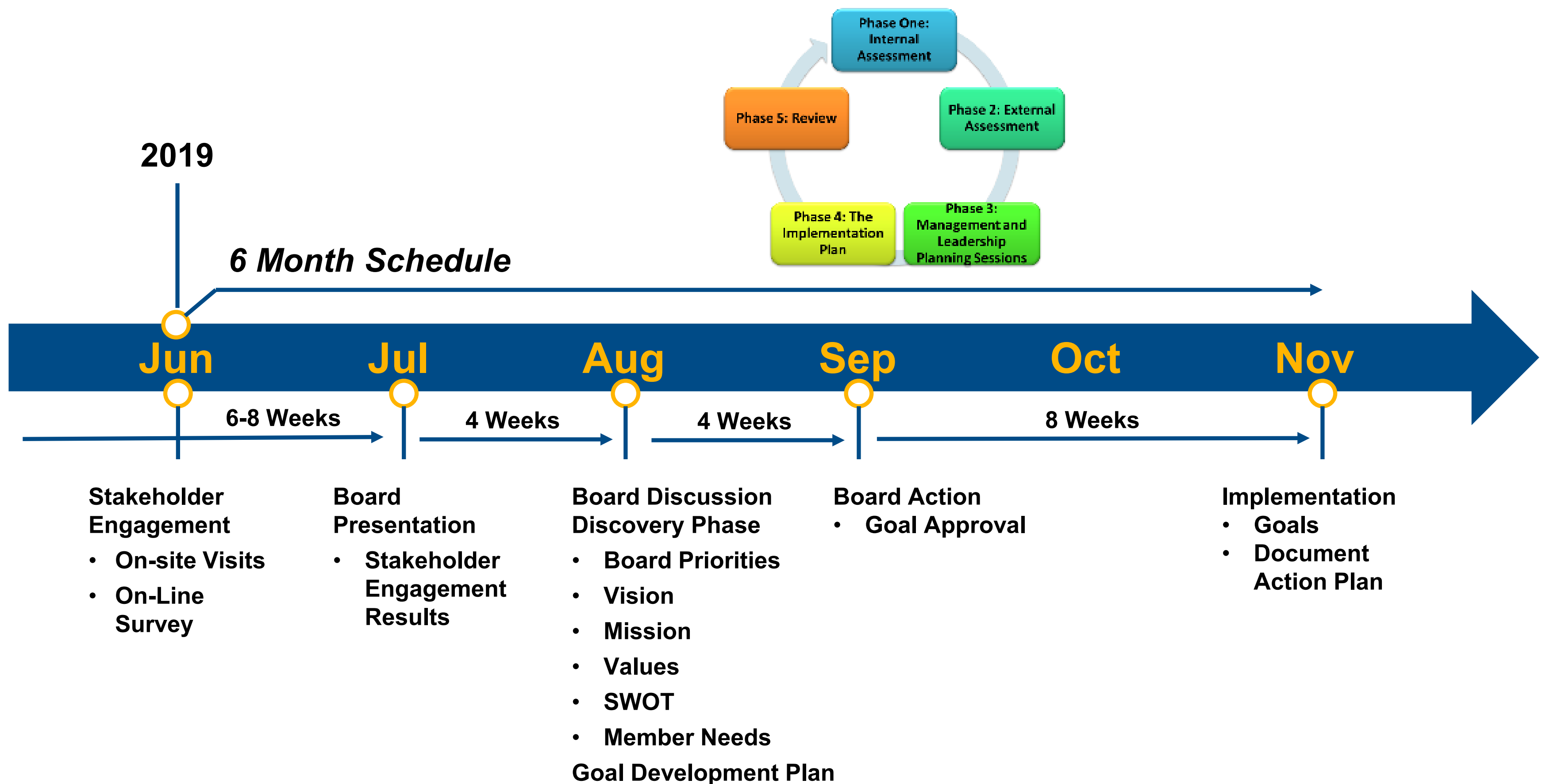
- Preliminary Report

**Annual Report**

- Release Report

# Strategic Plan

## Strategic Planning Process



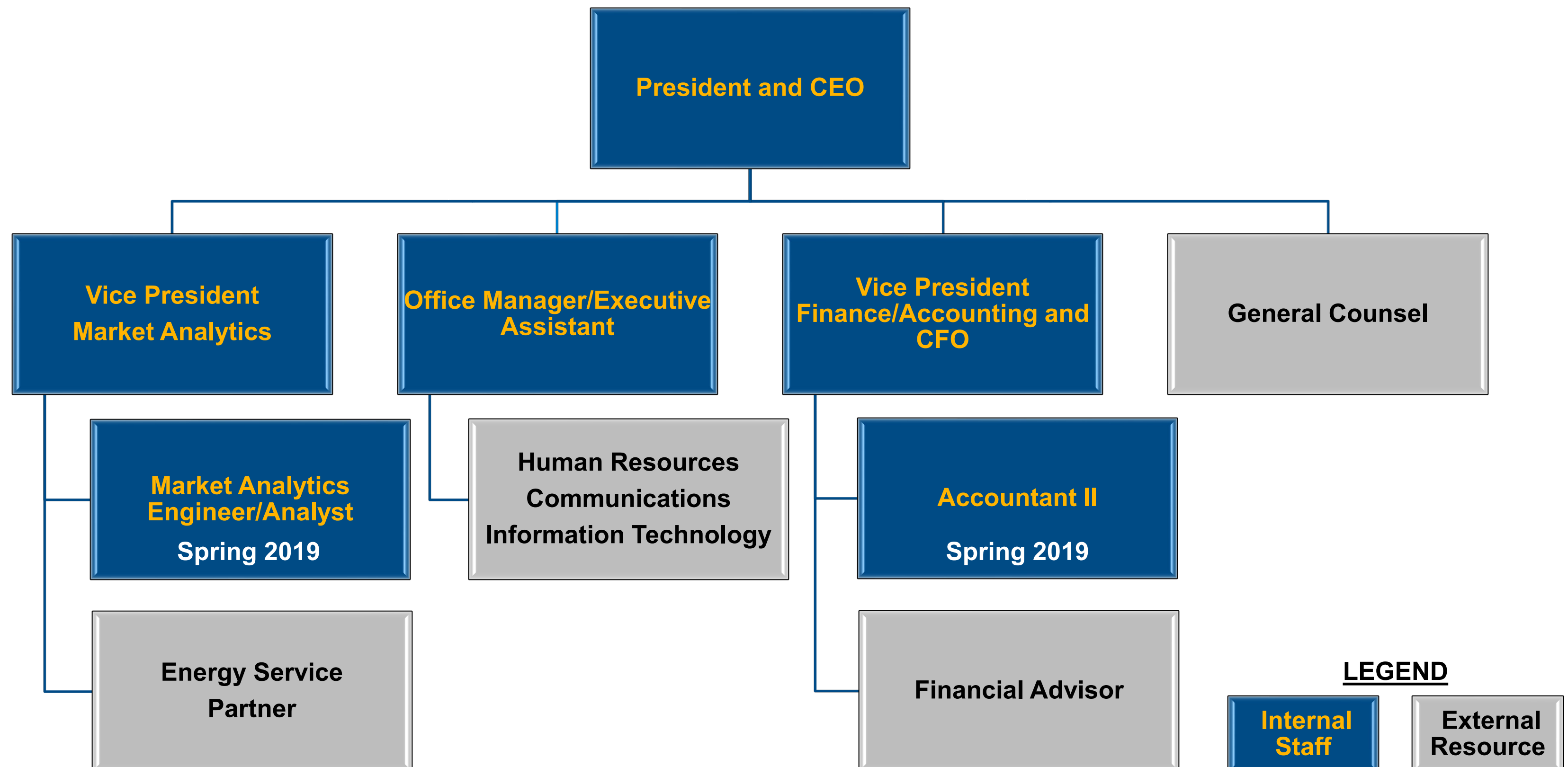


# Member Communications

- KYMEA News
- Published Quarterly
- Targeting 1<sup>st</sup> Issue (Mar 2019)
- Audience
  - Member Community Stakeholders



# FY2020 Staffing



# Budget – Administration & General

	<b>Total Operational Costs</b>	
	Administration/Advisory/Projects	<b>FY2020</b>
100	Salaries, Benefits, Retirement, Accrued PTO, Contingency	1,357,161
200	Employee Relocation	0
300	Legal Counsel	96,000
400	Advisory Support	397,056
500	Office Space Lease & Costs	165,000
600	Travel & Training	44,000
700	Meetings & Member Services	60,000
800	Auto Expense	10,600
900	IT/AV/Software	96,348
1000	Insurance	9,491
1100	Branding & Marketing	45,200
1200	Audit & Annual Report	55,000
1300	Rating Agency	10,000
1400	Associations & Lobbyist	47,000
1500	Project Planning	215,000
	Subtotals - Administration/Advisory/Projects	2,607,855



# FY2020 Capital Budget

- ◆ Capital Budget Needs (\$200,000)
  - Member Signs - \$100,000
  - IT Equipment - \$25,000
  - Transmission Contingency
    - Delivery Equipment - \$75,000