



Board Packet

July 24, 2019



KYMEA COMMITTEE CALENDAR

2019

January

July

February

August

March

September

15th IRC Committee
20th BROC Committee

20th IRC Committee
26th BROC Committee

April

October

23rd Compensation
Committee

May

November

19th Budget Committee
20th Compensation
Committee

June

December

13th IRC Committee
27th BROC Committee

11th Budget Committee
11th AR Committee
13th IRC Committee
18th BROC Committee

JANUARY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

MAY

S	M	T	W	T	F	S
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5	6	7	8	9	10	11
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26	27	28	29	30	31	

SEPTEMBER

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29	30					

FEBRUARY

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17	18	19	20	21	22	23
24	25	26	27	28		

JUNE

S	M	T	W	T	F	S
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

OCTOBER

S	M	T	W	T	F	S
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6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

MARCH

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JULY

S	M	T	W	T	F	S
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

NOVEMBER

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

APRIL

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

AUGUST

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

DECEMBER

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



Committee Members	Term Limit Expiration	Next Election	Meeting Frequency
Officers			
Ron Herd (Chairman)	May 23, 2021	May 23, 2021	
Josh Callihan (Vice Chairman)		May 23, 2021	
Chris Melton (Secretary)		May 23, 2021	
Kevin Howard (Treasurer)		May 23, 2021	
Executive Committee			As Needed
Ron Herd (Chairman)		May 23, 2021	
Josh Callihan (Vice Chairman)		May 23, 2021	
Chris Melton (Secretary)		May 23, 2021	
Kevin Howard (Treasurer)		May 23, 2021	
All Requirements Project Committee			December - February
Chris Melton (Chairman)	All AR Directors hold a seat	May 23, 2021	December: Present prelim rates
All AR Directors			January: Complete committee changes
KYMEA CEO (non-voting)			February: Committee rates approval
KYMEA CFO (non-voting)			March: Present AR Rates to Board
Board Risk Oversight Committee			Quarterly
Gary Zheng (Chairman)		May 23, 2021	
Tim Lyons		May 23, 2021	
KYMEA CEO			
KYMEA CFO			
KYMEA Legal Counsel			
Internal Risk Committee (IRC)			Quarterly
KYMEA CEO (Chairman)			
KYMEA VP of Market Analytics			
KYMEA CFO			
KYMEA Legal Counsel			
Budget Committee			November - January
Chris Melton (Chairman)		May 23, 2021	November: present prelim to committee
Josh Callihan		May 23, 2021	December: Complete committee changes
Mike Withrow		May 23, 2021	January: Committee Approval of Budget
KYMEA CEO (non-voting)			February: Complete board changes
KYMEA CFO (non-voting)			
Compensation Committee			October - December
Ron Herd (Chairman)		May 23, 2021	December: Present CEO Compensation
Josh Callihan		May 23, 2021	
Chris Melton		May 23, 2021	
Kevin Howard		May 23, 2021	
KYMEA Legal Counsel (non-voting)			



KENTUCKY MUNICIPAL ENERGY AGENCY

July 24, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
		CEO		Annual Vote: Schedule "B" Resource Obligation & Weighted Voting
		Finance and Accounting		Rate Schedule Modification
				Paducah Contract Amendment
				Paris Contract Amendment

August 22, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
		CEO		
		Finance and Accounting		
		Market Analytics		
		Member Communications		

September 26, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
	BROC	CEO		Strategic Plan Approval
		Finance and Accounting		
		Market Analytics		
		Member Communications		

October 23, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
	Budget	CEO	Budget	



KENTUCKY MUNICIPAL ENERGY AGENCY

	Compensation	Finance and Accounting	Compensation	
		Market Analytics		
		Member Communications		

November 20, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
	Budget	CEO		
	Compensation	Finance and Accounting		
		Market Analytics		
		Member Communications		

December 18, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
	AR Project	CEO		
	BROC	Finance and Accounting		
	Budget	Market Analytics		
	Compensation	Member Communications		

January 23, 2019	Committee Reports	Administration Reports	Discussion Topics	Action Items
	AR Project	CEO		
	Budget	Finance and Accounting		
		Market Analytics		
		Member Communications		

*** This calendar is intended for planning purposes and may be changed at any time.**



NOTICE OF MEETING

A meeting of the Board of Directors of the Kentucky Municipal Energy Agency ("KYMEA") has been called for Wednesday, July 24, 2019 at 1:00 P.M., E.T., and will be held at the Courtyard by Marriott located at 2254 South Hwy 27 in Somerset, Kentucky.

A. Meeting Opening

- A.1 Attendance
- A.2 Guest Introductions
- A.3 Call to Order

B. Meeting Minutes

C. Financial Reports

D. Committee Reports

- D.1 None

E. Administration Reports

- E.1 CEO
- E.2 Finance & Accounting
- E.3 Member Communications

F. Discussion Topics

- F.1 PURPA
- F.2 Legislative Update
- F.3 Strategic Planning

G. Call AR Project Committee Meeting to Order

- G.1 Annual Vote:
 - i) Annual Update of Schedule "B" Resource Obligation Table
 - ii) Annual Weighted Voting Update
- G.2 Rate Schedule Modifications

H. Adjourn AR Project Committee Meeting and Enter back into KYMEA Board Meeting

I. Action Items



KENTUCKY MUNICIPAL ENERGY AGENCY

I.1 Annual Vote:

- i) Annual Update of Schedule "B" Resource Obligation Table
- ii) Annual Weighted Voting Update

I.2 Rate Schedule Modifications

I.3 Paris Diesel Contract Amendment

I.4 Paducah Power Supply Contract Amendment #4

I.5 FERC Litigation Committee

J. Public Comments

K. Upcoming Meetings & Other Business

L. Closed Session

- L.1 Market Report/Hedging Strategy
- L.2 Other topics

M. Actions Related to Closed Session

N. Adjournment

Meeting Minutes





Meeting Minutes of the KYMEA Board of Directors
Location: KYMEA 1700 Eastpoint Pkwy Ste. 220, Louisville, KY 40223
Thursday, June 27, 2019, 10 AM

A. Meeting Opening

A.1. Attendance: Taken at 10:03 AM

Present Board Members:

Josh Callihan
Chris Melton
Mike Withrow
Kevin Frizzell
Kevin Howard
Gary Zheng

Absent Board Members:

Carl Shoupe
Doug Hammers
Phillip King
Ramona Williams
Ronald Herd

Staff Present:

Michelle Hixon
Heather Overby
Doug Buresh
Rob Leesman

Others Present:

Charles Musson
Pat Pace
Tim Lyons
Vent Foster
Hance Price
Tim Blodgett
Anna Marie Pavlik Rosen (10:20 AM)
Walt Baldwin (10:38 AM)



A.2. Guest Introductions: Josh Callihan thanked Tim Blodgett from Hometown Connections for joining us.

A.3. Call to Order: Vice Chairman, Josh Callihan called the meeting to order at 10:08 am. A quorum of board members was present, and the meeting was ready to proceed with the business.

B. Meeting Minutes

B.1 Approval of the regular minutes of May 23, 2019

Motion Passed: Approval of the previous month's meeting minutes passed with a motion by Chris Melton and a second by Mike Withrow.

6 Yeas - 0 Nays.

Josh Callihan	Yes
Ronald Herd	Absent
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Phillip King	Absent
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

C. Financial Reports

B.2 Approval of April Financial Reports

Motion Passed: Approval of the previous month's financial reports passed with a motion by Kevin Frizzell and a second by Chris Melton.

6 Yeas - 0 Nays.

Josh Callihan	Yes
Ronald Herd	Absent
Chris Melton	Yes



Mike Withrow	Yes
Carl Shoupe	Absent
Phillip King	Absent
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

D. Committee Reports

D.1 BROCC

A report of the quarterly Board Risk Oversight Committee meeting from June 27, 2019 was presented to the board.

E. Administration Reports

E.1 CEO: Doug Buresh presented the CEO report regarding the agency's past and upcoming activities.

E.2 Member Communications: Michelle Hixon communicated to the board any upcoming events and member activities.

F. Discussion Topics

F.1 New Meeting Format

F.2 Strategic Planning: Doug Buresh discussed some details of the Strategic Planning workshop that will be facilitated by Tim Blodgett of Hometown Connections directly after today's board meeting.

G. Action Items

No action needed

H. Public Comments

This was an opportunity for members of the public to provide input to the KYMEA Board and was limited to 5 minutes per speaker. No comments were made.



I. Upcoming Meetings and Other Business

The KYMEA Board of Directors shall hold its regular meetings on the fourth Thursday of each month, except for the months of November and December when the regular meeting shall be held on the third Wednesday. The regular meetings shall convene and commence at 10:00 AM Eastern time on said dates. The regular meetings shall be held at the KYMEA Board Room, 1700 Eastpoint Pkwy, Suite 220, Louisville, Kentucky.

The next meeting is a Special Meeting and will be held on Wednesday, July 24, 1:00 PM at the Courtyard by Marriott, 2254 South Hwy 27, Somerset, KY 42501.

J. Closed Session

Rationale:

Closed Session Authorization for June 27, 2019 KYMEA Board Meeting

Approval to enter into Closed Session pursuant to KRS 61.810(1)(c); KRS 61.810(1)(k); KRS 61.878(1)(c) and KRS 61.878(1)(j) for the purpose of:

- a) discussing proposed, potential or pending litigation relating to KYMEA and its members relating to transmission issues;
- b) discussing matters regarding the IPMC PPA which may lead to potential litigation to preserve KYMEA rights under the PPA as a result of recent decisions of the Illinois Pollution Control Board;
- c) discussing the preliminary financial forecasts and recommendations for exercising a right of first refusal for additional supply pursuant to the Ashwood Solar Project; and
- d) discussing the market report and KYMEA's future and potential hedging strategy

KRS 61.810(1)(c) allows for closed session for the purpose of discussing proposed, potential and pending litigation relating to the agency.

KRS 61.810(1)(k) and 61.878(1)(j) allow for closed session where presentation, discussion and review of preliminary recommendations and preliminary memoranda in which opinions are expressed or policies formulated or recommended.

KRS 61.810(1)(k) and 61.878(1)(c) allow for closed session where discussions regarding records or information disclosed to the agency or required to be disclosed to the agency as confidential or proprietary would, if disclosed by the agency, provide an unfair advantage to competitors of the entity disclosing such information.



Motion Passed: Motion to enter into closed session passed with a motion by Mike Withrow and a second by Chris Melton.

6 Yeas - 0 Nays.

Josh Callihan	Yes
Ronald Herd	Absent
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Phillip King	Absent
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

Motion Passed: Motion to return to open session passed with a motion by Mike Withrow and a second by Chris Melton

6 Yeas - 0 Nays.

Josh Callihan	Yes
Ronald Herd	Absent
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Phillip King	Absent
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

K. Actions Related to Closed Session

No action was needed.



L. Adjournment

Motion Passed: Motion to adjourn the KYMEA board meeting passed with a motion by Chris Melton and Mike Withrow.

6 Yeas - 0 Nays.

Josh Callihan	Yes
Ronald Herd	Absent
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Phillip King	Absent
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

X

Chairperson

X

Secretary

Financial Reports





Financial Presentation

July 24, 2019

Statement of Net Position – June 2019

1. Checking account cash

2. Second month billing to
AR & transmission service
members and ancillary
services



KENTUCKY MUNICIPAL ENERGY AGENCY

DRAFT

Statements of Net Position Jun-19

HRO

June
2019

ASSETS

CURRENT ASSETS

Cash and investments	\$	7,755,194	1
Other receivables		7,975,112	2
Prepayments		10,765	
Total Current Assets		15,741,071	

Statement of Net Position – June 2019

3. Collateral represents \$1M at MISO and \$1.3M at PJM

4. Fixed asset clearing negative balance represents billing to Paris in June, but waiting on AMP to invoice KYMEA for meters.

NON-CURRENT ASSETS

Restricted Assets

Ashwood Solar Pledged Collateral	-
Pledged collateral	2,276,111
Interest receivable	2,360
Total Restricted Assets	2,278,471

3

Capital Assets

Fixed Asset Clearing Account	(18,758)
Office Buildout	253,638
Meters - AR Project	523,973
General Plant	667,104
Construction work in progress	-
Less Accumulated Depreciation	(81,257)
Net Capital Assets	1,344,700

4

Total Non-Current Assets 3,623,171

Total Assets 19,364,242

Statement of Net Position – June 2019

5. AP represents purchase power 6. Deferred Lease Liability represents the difference in average monthly rent for term of office lease and actual lease payments

6. Deferred Lease Liability represents the difference in average monthly rent for term of office lease and actual lease payments

7. Total line of credit withdrawn

8. Positive net position

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	7,981,588	5
Accrued Employee Benefits		92,892	
Accrued interest payable		19,131	
Total Current Liabilities		8,093,611	

NON-CURRENT LIABILITIES

Deferred Lease Liability		32,455	6
Line of Credit		9,032,768	7
Miscellaneous Liabilities - Ashwood Solar		-	
Total Non-Current Liabilities		9,065,223	

Total Liabilities		17,158,834	
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Net Position

Invested in capital assets, net of related debt		(7,669,310)	
Restricted		-	
Unrestricted		9,874,718	
TOTAL NET POSITION		2,205,408	8

Revenue, Expenses, and Changes in Net Position – June 2019

CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	June FY19	YTD FY19
OPERATING REVENUES		
Sales to members	\$ 6,832,990	\$ 14,928,937
Other revenues	108,624	559,678
TOTAL OPERATING REVENUE	6,941,613	15,488,616
OPERATING EXPENSES		
Transmission	681,726	2,942,786
Fuel	-	-
Production	5,098,651	7,306,858
Local facilities	-	7,722
Other operating	380,011	2,588,625
Maintenance	-	6,634
Depreciation	35,681	79,135
Future recoverable costs	-	-
TOTAL PURCHASE POWER AND OPERATING EXPENSES	6,196,070	12,931,758
OPERATING INCOME	745,543	2,556,857
NON-OPERATING REVENUES (EXPENSES)		
Interest expense on revenue bonds	(19,131)	(100,433)
Interest charged to construction	-	5,706
Other non-operating expenses (income)	(5,112)	(48,864)
Regulatory Credit/Debit - Cost to Be Recovered	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(15,772)	(135,119)
CHANGE IN NET POSITION	729,771	2,421,738
NET POSITION AT BEGINNING OF PERIOD	\$ 1,475,636	(216,331)
NET POSITION AT END OF PERIOD	\$ 2,205,408	2,205,408

9. Sales to AR Members

10. Sales of transmission and ancillary services

11. Transmission and purchase power from MISO and PJM

12. PPA purchase power

13. Formerly called “net income” is negative because assessments and 2 months of live billing did not cover all expenses including depreciation.

Indirect Cash Flow— June 2019

14. Net Income

15. Increases in AR & AP have offsetting effects on cash

16. Plant decreased due to billing AR members for PT, CT, & meters

17. Line of credit provided \$2.7M

18. Cash balance at end of fiscal year

CONSOLIDATED STATEMENT OF CASH FLOWS		CY Month Ended 6/30/2019	CY YTD FY 2019	
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
NET INCOME	\$	729,771	\$	2,421,738
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH:				
DEPRECIATION	\$	35,681	\$	79,135
AMORTIZATION OF:				
ACQUISITION ADJUSTMENT			\$	-
			\$	-
CHANGES IN CURRENT & DEFERRED ITEMS:				
ACCOUNTS RECEIVABLE	\$	(636,361)	\$	(7,635,536)
MATERIALS & SUPPLIES			\$	-
PREPAYMENTS & OTHER CURRENT ASSETS	\$	949	\$	(2,314)
DEFERRED DEBITS	\$	(2,360)	\$	(2,360)
OTHER REG ASSETS AND DEFERRED OUTFLOW OF RESOURCES			\$	-
ACCOUNTS PAYABLE	\$	4,010,619	\$	7,369,451
COLLATERAL DEPOSITS	\$	(6,111)	\$	(9,374)
TAXES & INTEREST ACCRUED	\$	19,156	\$	18,053
OTHER CURRENT LIABILITIES	\$	7,160	\$	65,785
DEFERRED CREDITS	\$	32,455	\$	32,455
OTHER			\$	-
NET CASH PROVIDED BY (USED IN) OPERATION	\$	4,190,960	\$	2,337,033
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES				
ADDITIONS TO PLANT	\$	235,384	\$	(1,017,307)
NET CHANGE IN OTHER PROP & INVEST	\$	-	\$	(2,266,737)
PLANT SOLD (PURCHASED) - NONINSTALLMENT METHOD	\$	-	\$	-
OTHER - ASSET RETIREMENT OBLIGATIONS	\$	-	\$	-
NET CASH PROVIDED BY (USED IN) INVESTING	\$	235,384	\$	(3,284,044)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
LONG TERM BORROWINGS	\$	2,700,000	\$	8,790,763
PAYMENT ON LONG TERM DEBT	\$	-	\$	(150,000)
OTHER	\$	-	\$	-
NET CASH PROVIDED BY (USED IN) FINANCING	\$	2,700,000	\$	8,640,763
NET INCREASE (DECREASE) IN CASH & TEMP INVESTMENTS	\$	7,126,343	\$	7,693,752
CASH & TEMP INVESTMENTS BEGINNING PERIOD	\$	628,851	\$	61,442
CASH & TEMP INVESTMENTS END OF PERIOD	\$	7,755,194	\$	7,755,194



KENTUCKY MUNICIPAL ENERGY AGENCY

DRAFT

**Statements of Net Position
Jun-19**

HRO

	June 2019
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 7,755,194
Other receivables	7,975,112
Prepayments	10,765
Total Current Assets	15,741,071
NON-CURRENT ASSETS	
Restricted Assets	
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Pledged collateral	2,276,111
Interest receivable	2,360
Total Restricted Assets	2,278,471
Capital Assets	
Fixed Asset Clearing Account	(18,758)
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KENTUCKY MUNICIPAL ENERGY AGENCY

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Statements of Net Position
Jun-19

HRO

June
2019

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Total Liabilities 17,158,834

Net Position

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TOTAL NET POSITION	2,205,408



KENTUCKY MUNICIPAL ENERGY AGENCY

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HRO

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CHANGES IN NET POSITION**

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KENTUCKY MUNICIPAL ENERGY AGENCY

DRAFT

HRO

CONSOLIDATED STATEMENT OF CASH FLOWS

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		\$ -
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MATERIALS & SUPPLIES		\$ -
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NET CASH PROVIDED BY (USED IN) FINANCING	\$ 2,700,000	\$ 8,640,763
NET INCREASE (DECREASE) IN CASH & TEMP INVESTMENTS	\$ 7,126,343	\$ 7,693,752
CASH & TEMP INVESTMENTS BEGINNING PERIOD	\$ 628,851	\$ 61,442
CASH & TEMP INVESTMENTS END OF PERIOD	\$ 7,755,194	\$ 7,755,194

System: 7/19/2019 11:23:30 AM
User Date: 7/19/2019

KyMEA
RECONCILIATION POSTING JOURNAL
Bank Reconciliation

Page: 1
User ID: sa

Audit Trail Code: CMADJ00000029
Checkbook ID: OPER
Description: Operating Checking

Bank Statement Ending Balance: 7,771,132.89
Bank Statement Ending Date: 6/30/2019
Cutoff Date: 6/30/2019

Statement Ending Balance	7,771,132.89
Outstanding Checks (-)	15,309.35
Deposits in Transit (+)	-629.39

Adjusted Bank Balance	7,755,194.15

Checkbook Balance as of Cutoff	7,755,194.15
Adjustments	0.00

Adjusted Book Balance	7,755,194.15

Difference	0.00
	=====



Committee Reports



Administration Reports



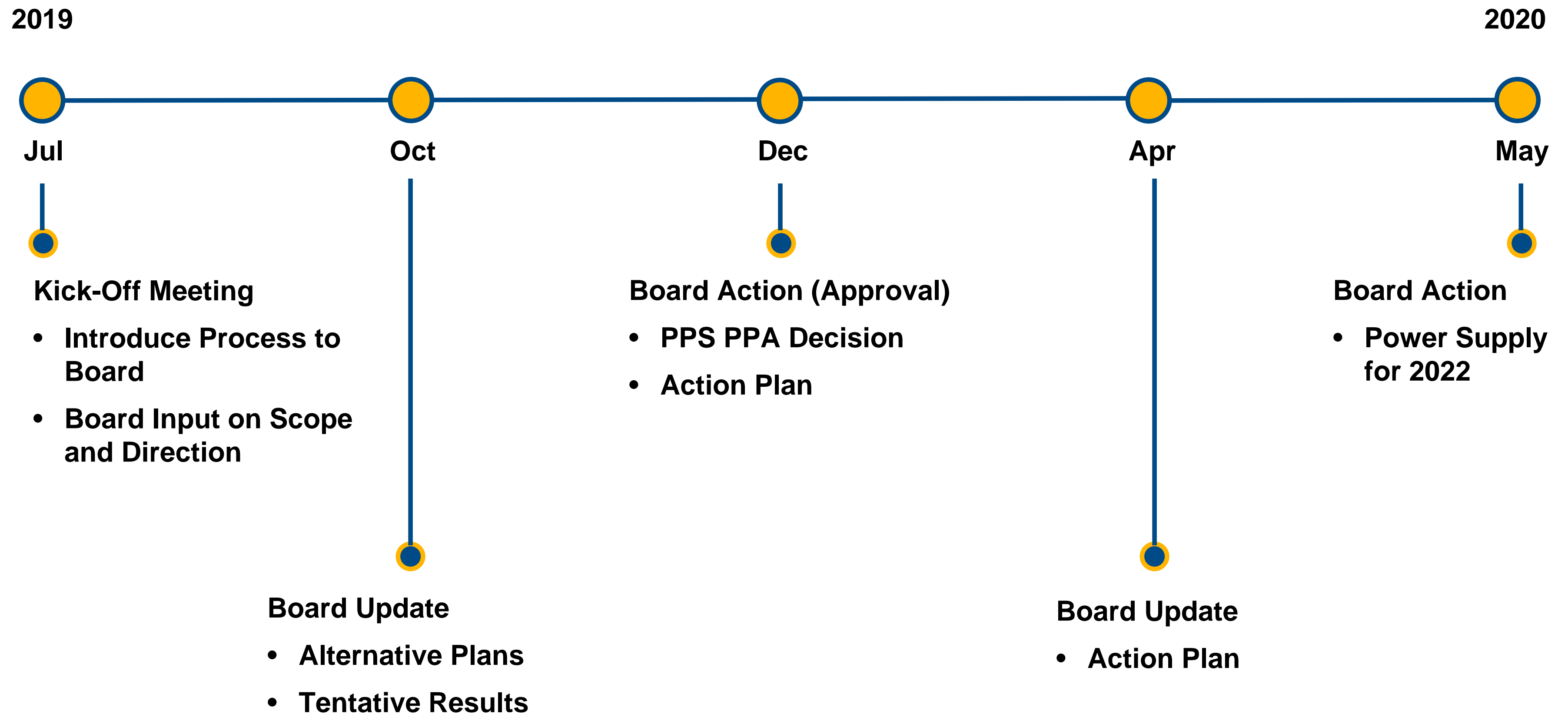


President & CEO Update

Doug Buresh

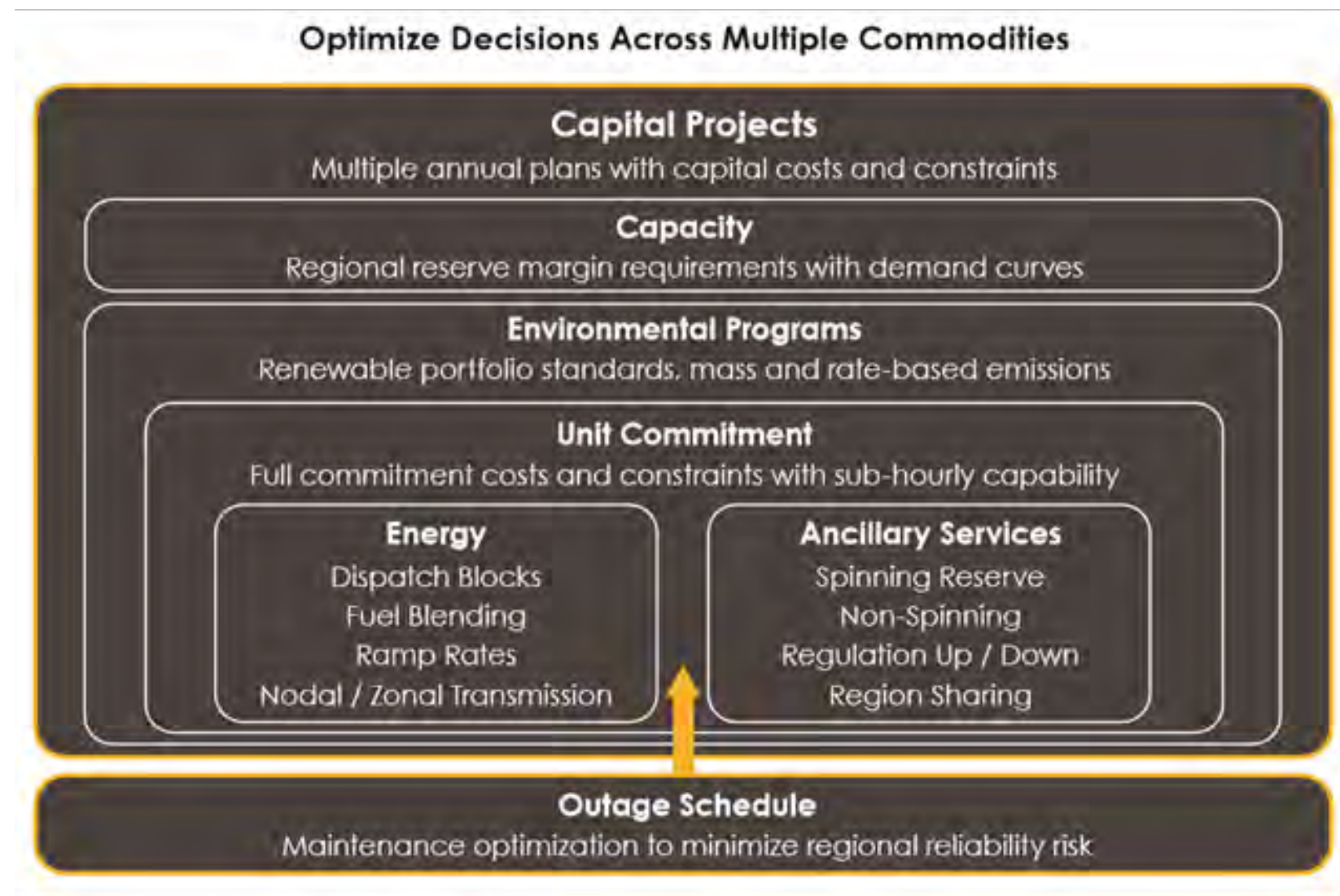
July 24, 2019

IRP Schedule



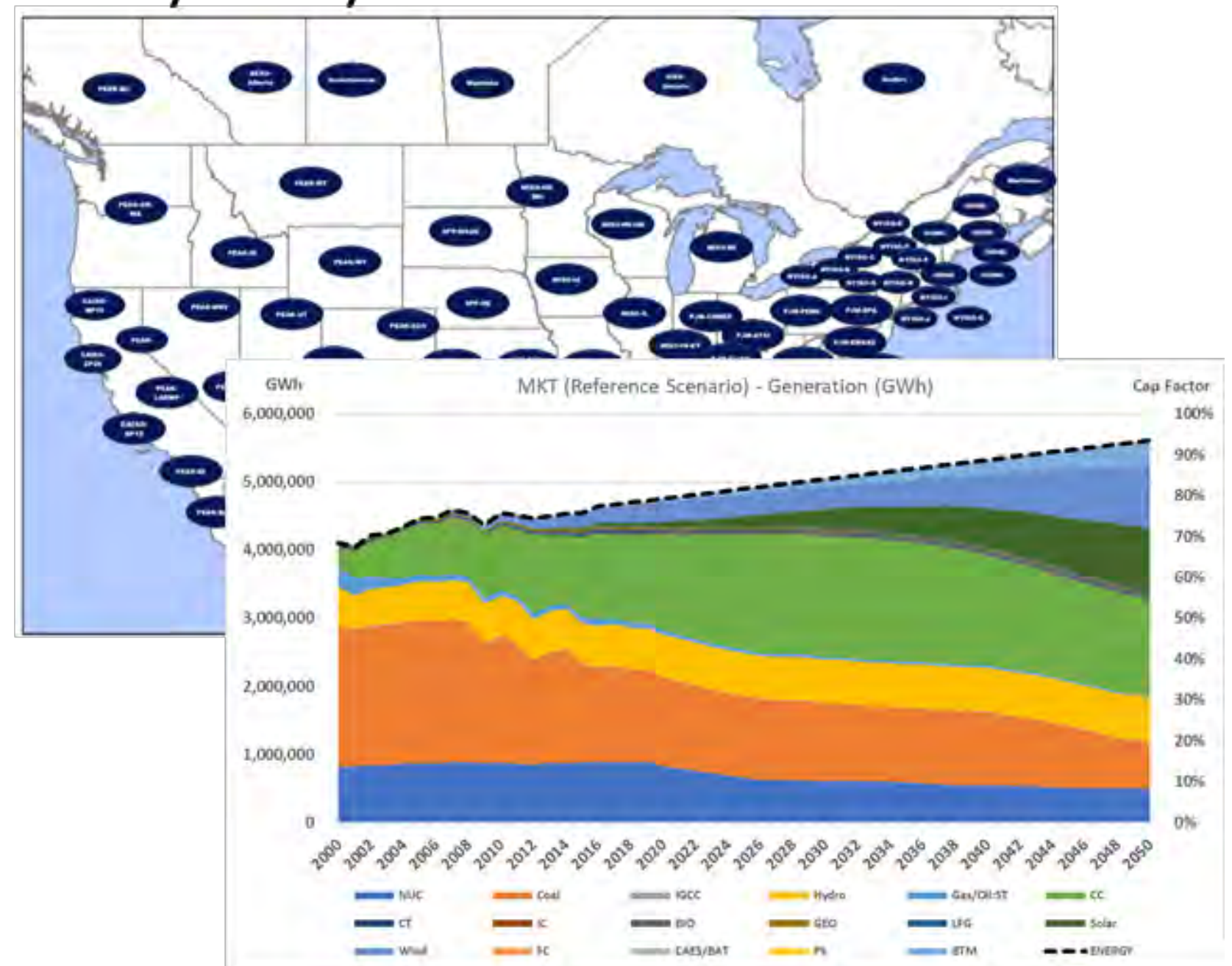
Integrated Resource Planning Process

ENCOMPASS
POWER PLANNING SOFTWARE



National Database

Market Price Forecasting
Policy Analysis



Load Forecasting Software

- Econometric Model

Forecasting wholesale power market prices requires an in-depth understanding of the drivers behind today's market prices, and how the markets will change based on future regulations, investment decisions, and availability of natural resources. Anchor Power Solutions' EnCompass simulation model with the National Database is able to produce accurate price forecasts under expected conditions and multiple future scenarios. Price forecasts can include detailed energy and ancillary service components for mid-term (1 month to 3 years) trading and budgeting purposes, as well as long-term energy and capacity forecasts (out to 30 years) to support capital investment decisions.

Regional ancillary service requirements are co-optimized along with area load to ensure enough resources are available for uncertain events. Contingency reserves may be set with both a spinning (responsive) and a non-spinning (supplemental) component. Regulation reserves are defined with up and down requirements, and resources that provide regulation may be restricted to be dispatched within a given capacity range. Reserve regions may overlap so that subareas must maintain a minimum level of reserves in addition to market-wide requirements, or they may span multiple balancing authorities to provide reserve sharing. EnCompass has the ability to dynamically adjust energy and ancillary bids to account for start-up and no-load costs, and minimize the amount of uplift that would be needed to make generators whole.

New capital projects and resources eligible for retirement will submit capacity bids to recover fixed operating and capital carrying costs, less any profits from the energy and ancillary service markets. If no capacity market is modeled, or if there are still unrecovered costs, EnCompass dynamically adjusts energy and ancillary service bids, similar to the scarcity pricing mechanism used in ERCOT. Each balancing authority modeled may have a reserve margin requirement set which is satisfied based on the firm capacity of existing resources and new capital projects. In addition to the normal zonal transmission constraints, each zone may have net capacity import and/or export limits set. This could potentially force capacity to be shifted into transmission-constrained regions, similar to the New York ISO Local Capacity Requirement (LCR) and the PJM Locational Deliverability Area (LDA).

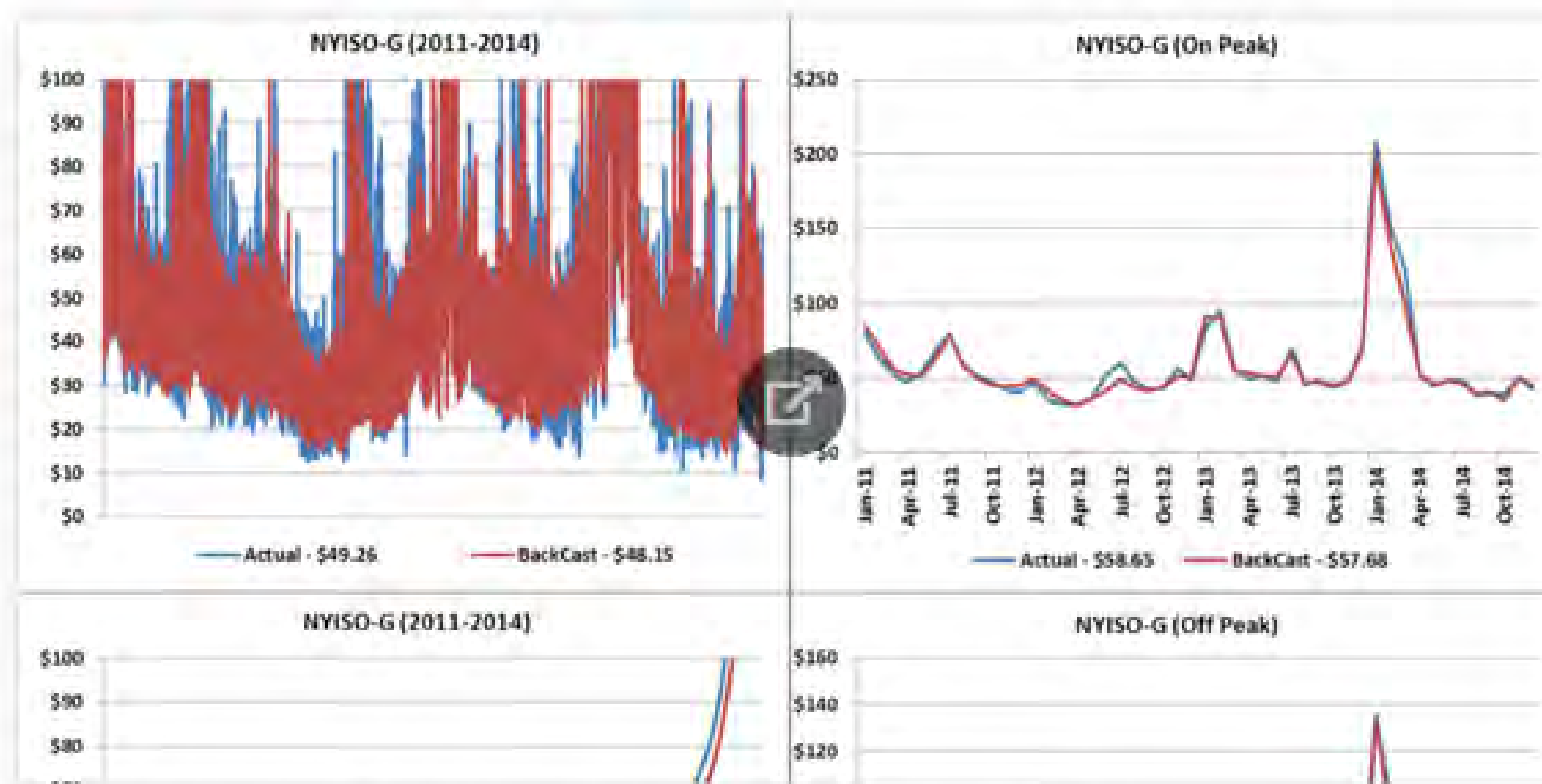


Horizons Energy - National Database

Robust Dataset for the Wholesale Power Market

One of the biggest challenges in forecasting long-term market prices is developing a robust dataset for the wholesale power market. Horizons Energy, an Anchor Power Solutions affiliate, developed and provides a comprehensive EnCompass database for North American power markets. The National Database (NDB) includes all market data needed for performing a wide range of studies, including: market price forecasting, portfolio/asset valuation, resource planning and scenario/stochastic analysis.

Horizons Energy has benchmarked the 76 distinct zonal areas included in NDB, representing hourly demand and over 13,000 generation resources. The NDB contains individual market rules and zonal transmission costs/limits. Underlying technology-specific detail includes multiple block offer curves, start costs, minimum up/down time for thermal resources, hourly representation of wind and solar resources, pondage-based hydro, and interruptible demand. The database also includes Horizon Energy's 30-year forward views of fuel markets, environmental compliance and new resource economics.



Backcast of New York Zone G using EnCompass and the National Database.

Synapse Energy Economics utilized Anchor Power Solutions' EnCompass software to perform several market studies and resource planning projects on behalf of their clients:

- The state policy impacts on New England's natural gas use from the power sector through 2040 used EnCompass to model multiple emission limits and renewable energy standards: [New England's Shrinking Need for Natural Gas](#)
- The Massachusetts renewable portfolio standard (RPS) applied EnCompass to model different future scenarios: [Analysis of Massachusetts Renewable Portfolio Standard](#)
- A pathway for 100 percent renewable energy in Los Angeles by 2030 used EnCompass to model the entire Western Interconnection: [Clean Energy for Los Angeles](#)

EnCompass – Portfolio Resources

Integrated Resource Planning

Electric utilities are faced with increasing complexity in power supply planning, balancing requirements for reliability and environmental compliance in the most cost-effective manner. EnCompass can be used to develop a resource plan that considers all potential options including: central station construction, purchased power agreements, renewable energy, bulk storage, new transmission projects, energy efficiency programs, and demand response. EnCompass can determine not only the best way to utilize resources, but also which technologies should be added in the future, or existing resources that should be converted or retired.



This is accomplished through Capital Projects, which specify not only the operating life and constraints for adding new resources, but also the capital expenditures and project financing parameters, which includes assumptions on debt, taxes, return on equity, property taxes, insurance, and unregulated vs. rate base financing.

The selection of new capital projects and existing resource conversions and retirements is optimized using Mixed Integer Programming. The optimization may span multiple years or be broken up into yearly overlapping segments. And multiple least-cost plans, each one unique up to a specified year within the simulation period, may be generated, ranked, and selected for further analysis. Using the structured scenario approach in EnCompass, the results from a capital project optimization may be used in multiple child scenarios, where a more detailed simulation with the new capacity mix can be evaluated.

EnCompass has the most complete set of functions for modeling complex environmental programs, such as the Clean Power Plan and overlapping renewable portfolio standards.

Date: Friday, July 7, 2017 Interval: 17 Update Flow Diagram

Name	Demand	Energy Price	Net Imports	Generation	Payback	Available Capacity
Anchor Power	16,305	49.90	-450	16,756		17,965
Anchor	16,305	49.90	-450	16,756		17,965
ISO		0.00	450			
ISO Zone		59.90	450			

Region	Non Spinning Price	Spinning Price	Reg Up Price	Reg Down Price	Non Spinning Reserve	Spinning Reserve	Regulation Up	Regulation Down
Anchor		11.62	11.62		24	17	200	1,432

Resource	Category	Description	Available Capacity	Energy Price	Dispatch Bids	Marginal	Units Online	Generation	Payback	Non Spinning	Spinning
Bench 4	Gas/Oil	Steam Turbine	220.00	49.90	35.50		1.00	220.00			
Cocon Coal	Contract	Purchase	495.00	49.90	35.64		3.00	495.00			
Gibson	Gas/Oil	Combined Cycle	1,341.99	49.90	36.61		3.00	1,341.99			
Madison	Gas/Oil	Combined Cycle	616.00	49.90	36.98		2.00	616.00			
Cattaraugus 1	Coal	Conventional	69.00	49.90	37.64		0.00				
Cattaraugus 2	Coal	Conventional	69.00	49.90	37.96		0.00				
Sutton	Gas/Oil	Combustion Turbine	348.00	49.90	38.28		1	251.18			96.82
Brett	Gas/Oil	Combustion Turbine	336.00	49.90	42.92		4.00	336.00			
Schmidt 3.5	Gas/Oil	Combustion Turbine	340.00	49.90	44.30		2.00	170.00		170.00	
Bench 3	Gas/Oil	Steam Turbine	96.00	49.90	45.93		0.00				
Edwards 3	Gas/Oil	Steam Turbine	71.00	49.90	50.70		0.00				

Resources can be part of any number of programs, which may be annual or seasonal mass-based emission allowance programs, rate-based emission programs with subcategories and generation-shifting incentives for natural gas combined cycle units, or generation-based renewable energy credits. Rate-based emission programs may also include designated renewable and energy efficiency resources, which will produce emission rate credits that can be sold to fossil fuel generators.

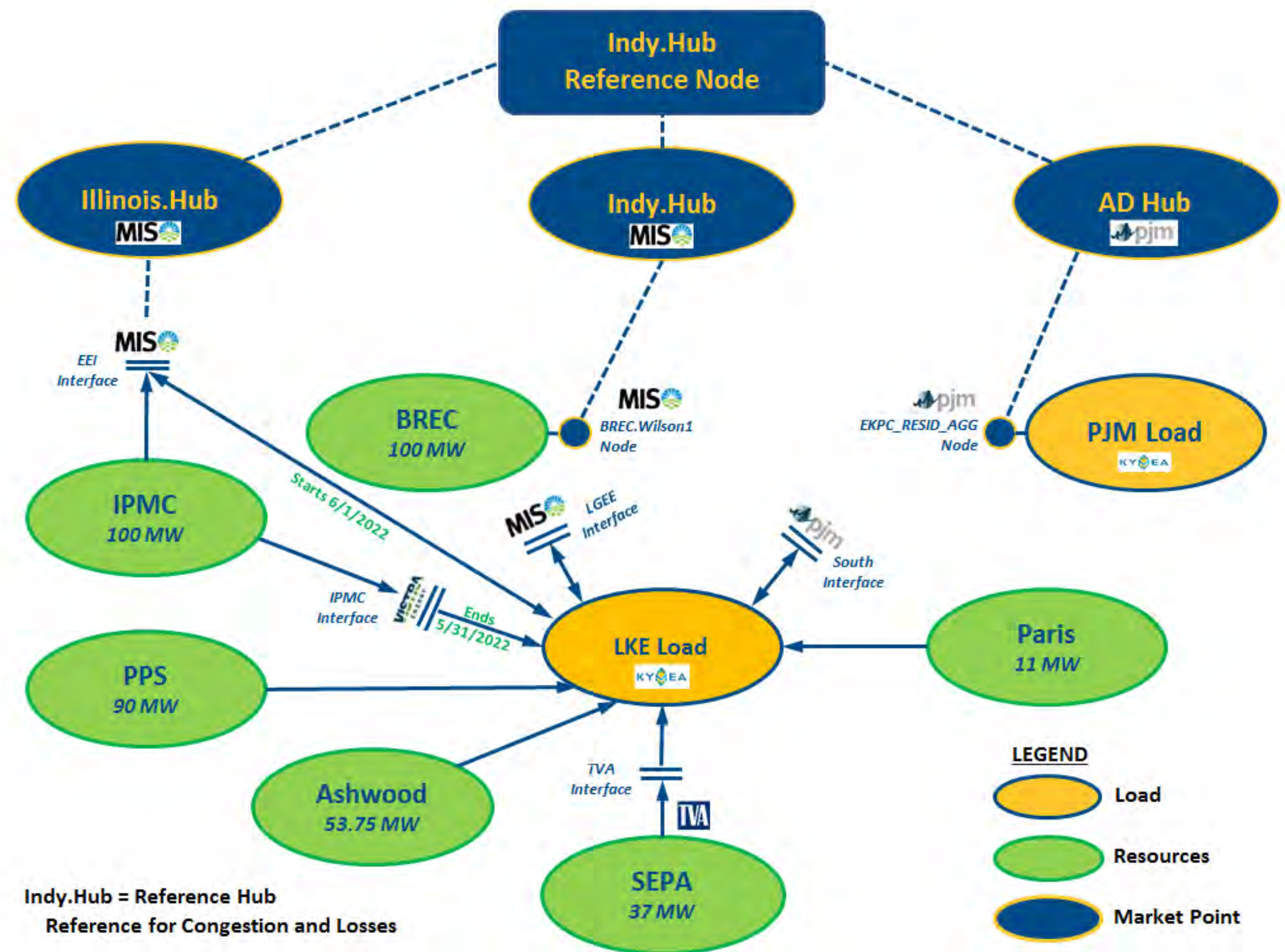
Price forecasts for these allowances and credits may be directly input into EnCompass, or annual program limits can be enforced which will also produce allowance or credit prices. Each program may also include a bank, which allows for over-compliance in early years to offset tighter limits in later years. A penalty price for exceeding annual limits acts as a reliability safety valve, so that allowances or credits can be borrowed from future years under extreme conditions.

By combining the program limits with capital project optimization,

Portfolio Optimization

Continue to work portfolio optimization strategies.

- MISO-LGEE Interface (firm transmission and ramp constraints)
- PJM-South Interface
- IPMC (can either direct to KYMEA load or sell at EEI interface)
- SEPA Dispatch
- PPS Dispatch (optimal number of units to run)
- ITRON Load Forecast
- Working on data feedback loop



IRP Approach

Portfolio Alternatives

- Supply-Side Resources
- Demand-Side Resources
- Transmission Strategies
- BA/RTO Strategies
- Financing Strategies
- Growth Strategies

Currently building EnCompass
portfolio and running test
simulations

Scenarios

- Plausible Futures
(status quo versus paradigm shifts)

Uncertainties

- Fuel Prices
- Market Prices
- Short-Term Load
- Long-Term Demand
- Environmental (carbon)

Kentucky Chamber of Commerce

KYMEA Attended Business Summit and Annual Meeting

- **Well attended conference**
- **Good subject matter and speakers**
- **Agency is looking to become more active as time permits to expand upon economic growth opportunities in our member communities**



Discover the Power
of Energy Options



CFO Report

Heather Overby

June 24, 2019

External Financial Audit

8/6/19 – 8/08/19

BKD on site

9/26/19

**Chris Lindner,
Partner BKD,
presents Audit
Report to
KYMEA Board**

9/27/19

**Audit Report
uploaded to
website and
forwarded to
Fitch**

Accounting System Migration to SEDC

- ◆ Southeastern Data Cooperative to begin migration in July.
- ◆ SEDC IT personnel on site 7/30/19 – 8/1/19.
- ◆ Accounting, Document Retention, and Reporting module implementation personnel on site August.

SEDC's Report IQ Integrates Multiple Data Sources

Statistical Consumer Billing Data

This data is "raw" unadjusted aggregations based on billing history totals. The actual totals may be different based on the size and volume of adjustments. Additionally, metrics are based on Calendar Month totals.

Energy Charges Current Month

\$8,765,072

Demand Charges Current Month

\$536,174

Active Billing Accounts:

68,508

Average Bill Amount by Rate

Rate	Number of Accounts	Average Bill Amount
0001	57,822	\$93
0002	4,502	\$128
0003	887	\$104
0004	401	\$3,021
0005	164	\$653
0006	547	\$42
0007	9	\$30
0009	2	\$117,906
0010	1	\$209,809
0014	1	\$14,711
0015	9	\$45,180
0017	14	\$4,750
0020	16	\$80
0022	2	\$203
0030	3,186	\$124
0036	13	\$63
0066	871	\$36

Energy Charges Previous Month

\$10,449,044

Demand Charges Previous Month

\$550,306

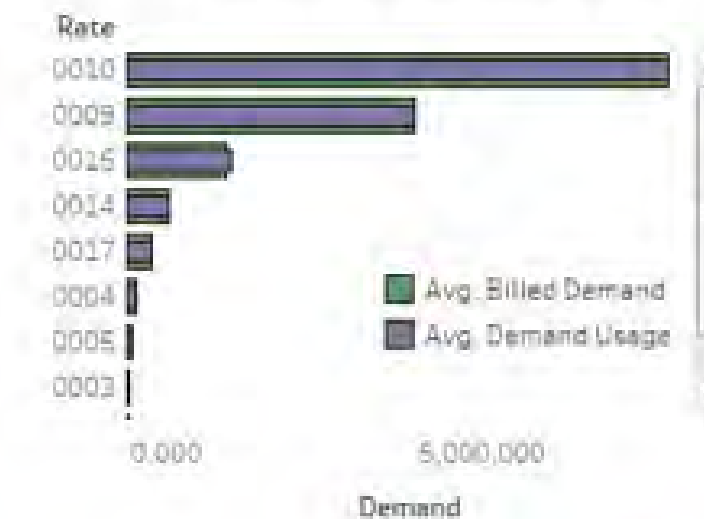
Accounts With Demand Charges:

1,116

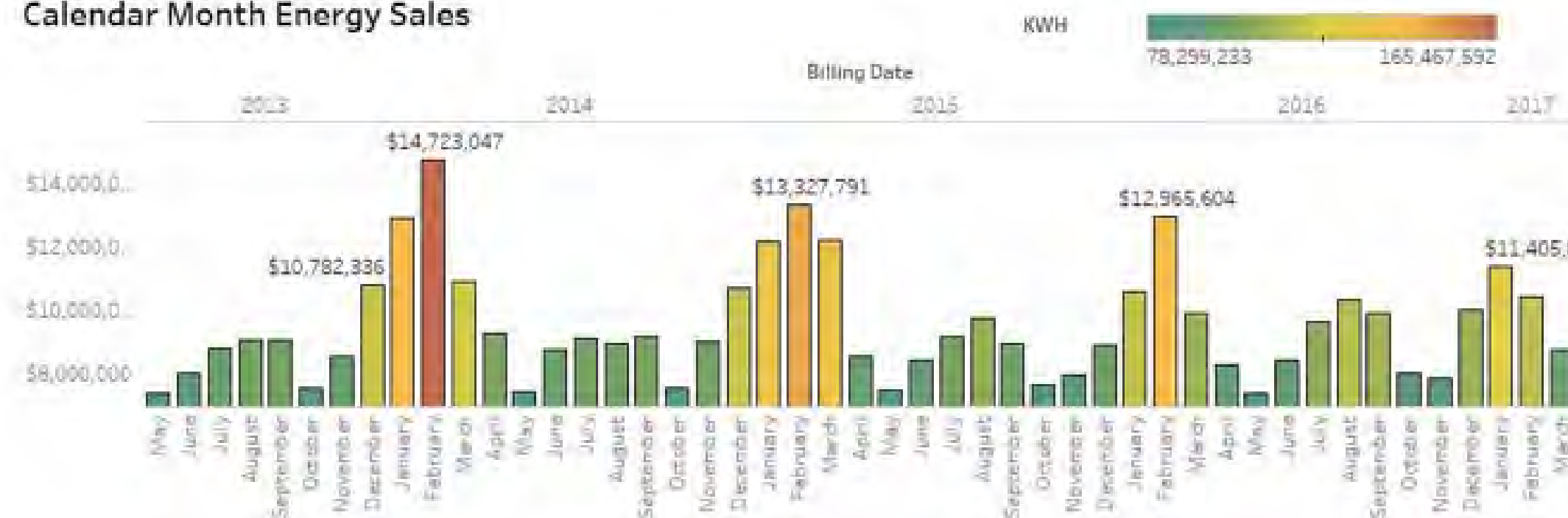
Current Month Actual vs Billed Demand

Rate	Avg. Demand Usage	Avg. Billed Demand	Demand Charges
0001	22,895	22,895	\$0
0002	13,854	13,854	\$821
0003	29,169	29,169	\$0
0004	134,671	134,671	\$361,347
0005	50,328	50,328	\$1,160
0009	3,871,777	3,871,777	\$47,700
0010	7,777,000	7,777,000	\$47,906

This Year AVG Actual vs Billed Demand by Rate



Calendar Month Energy Sales



SEDC Sample EMC
100 Ashford Center North
Atlanta, GA 30338



SEDC's Retriever Imaging System Benefits

- ❖ Built-in templates eliminate the need to scan and input metadata
- ❖ Documents can be viewed as lists or thumbnails in UPN's Document Viewer
- ❖ Viewing, printing, scanning and other preferences are highly customizable
- ❖ Documents can be filtered based on your UPN security permissions
- ❖ Handwritten notes and other supporting documentation can be imaged and stored
- ❖ Comprehensive security settings allow you to set up roles and authorize access levels
- ❖ Pre-populated fields include account number, service order number and location number
- ❖ UPN integration means documents can be easily edited, distributed and shared between departments



Member Communications

July 24, 2019

3rd Quarter KYMEA Power Post



We need your help!



What is your utility doing to tell the public power story?

How does your utility give back to the community?

Discussion Topics and Miscellaneous Materials





FERC PURPA Filing

July 24, 2019

What is PURPA?

- **Public Utility Regulatory Policies Act (PURPA) - 1978**
- **Congress response to mid-70's energy crisis**
 - **Promote energy efficiency**
 - **Mandate all electric utilities purchase electricity from qualifying facilities (QFs)**
 - **Power must be purchased at Avoided Costs**

KYMEA Joint Implementation Plan

Per the KYMEA All Requirements Power Sales Contract, KYMEA assumes all PURPA purchase obligations from each AR Member (see below).

SECTION 3. Sale and Purchase of Electricity

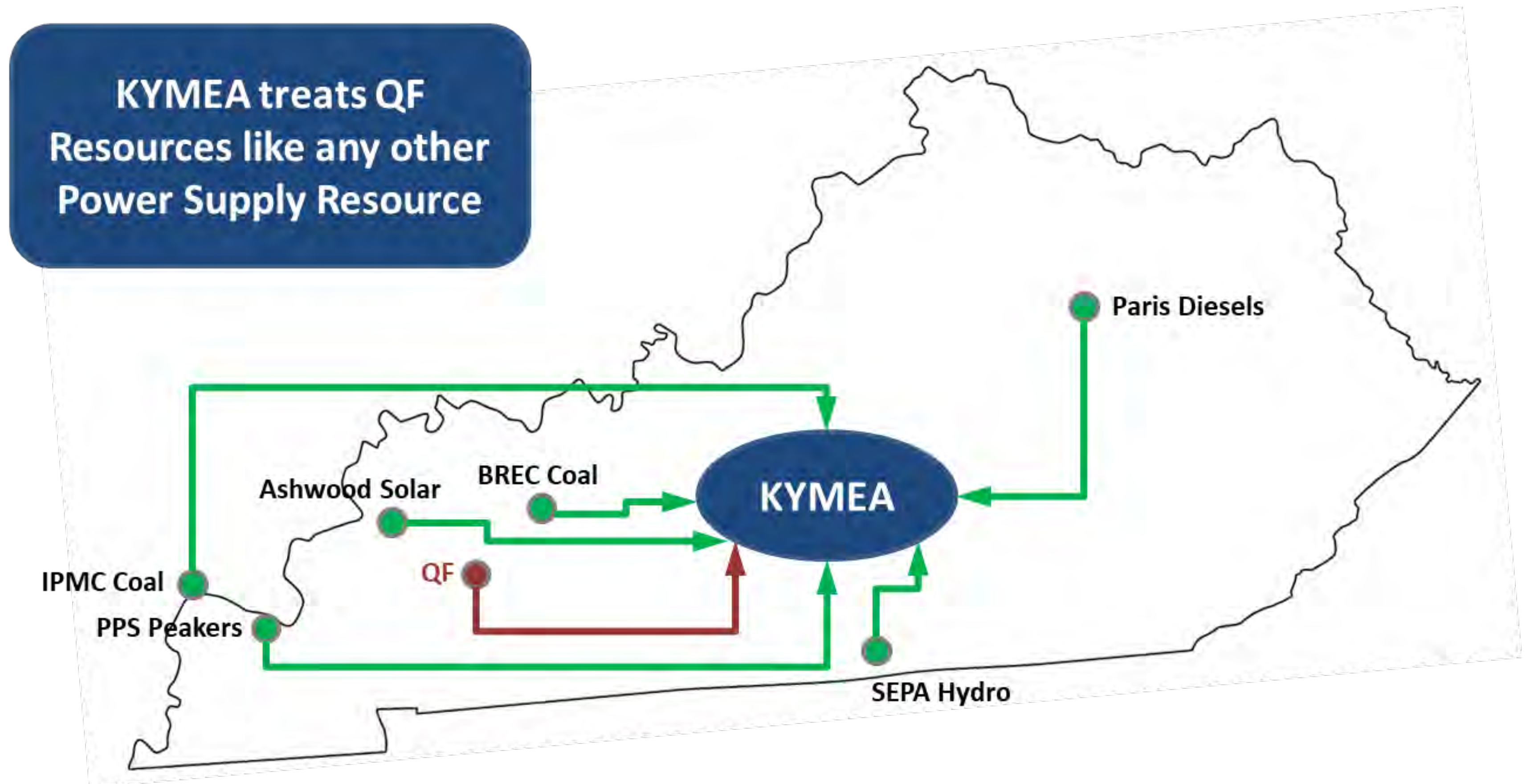
- (b) The Agency and the Member agree, in furtherance of the purposes of this Contract, to submit a request to the Federal Energy Regulatory Commission for waiver of the Member's purchase obligations under the Public Utility Regulatory Policies Act of 1978 ("PURPA") and for approval of the Agency's undertaking of such PURPA purchase obligations, all for the period of the Service Term. The Agency shall be responsible for filing the request and taking such actions as it deems reasonable to obtain FERC's approval thereof. The Agency's costs of preparing and making such filing and other activities in connection with FERC proceedings to obtain or retain such approvals shall be included in the Revenue Requirements hereunder or otherwise equitably assessed to the All Requirements Members. Each PURPA purchase made by the Agency in an All Requirements Member's stead pursuant to the FERC waiver shall be an All Requirements Power Supply Resource.

Joint Implementation Plan Advantages

Joint PURPA Implementation Plan Advantages

- **Relieves AR Member of the obligation to purchase electricity from PURPA Qualifying Facilities**
- **Obligates AR Member to sell at retail any electricity needed by a QF located in the Member's service territory**

KYMEA Power Supply with QF



Completed and Next Steps

- ✓ **AR Members ADOPT KYMEA PURPA Joint Implementation Plan**
- ✓ **AR Members AUTHORIZE Filing of a Request with FERC**
- ✓ **KYMEA publishes NOTICE of INTENT to FILE KYMEA PURPA Joint Implementation Plan**
- **NEXT Step – File with FERC**

**KENTUCKY MUNICIPAL ENERGY AGENCY
NOTICE OF INTENT TO FILE
WITH THE FEDERAL ENERGY REGULATORY COMMISSION
FOR APPROVAL OF A JOINT PURPA IMPLEMENTATION PLAN**

The Kentucky Municipal Energy Agency ("KYMEA"), on behalf of itself and its member utilities listed below (the "Participating Members"), hereby gives notice of its intent to file with the Federal Energy Regulatory Commission ("FERC") requesting approval of a proposed Joint PURPA Implementation Plan (the "Plan") to jointly implement their respective obligations under Section 210 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. § 824a-3) ("PURPA") and under Part 292 of the FERC's Regulations. The Plan provides that (i) the Participating Members will interconnect with any Qualifying Facility ("QF") that appropriately requests interconnection with their respective electric distribution systems in accordance with PURPA; (ii) KYMEA will purchase the energy and capacity offered by the interconnected QFs at rates that comply with the requirements of PURPA; and (iii) the Participating Members will supply interconnected QFs with backup and supplementary power at rates that comply with PURPA. In the filing with FERC, KYMEA, on behalf of itself and the Participating Members, plans to apply for waiver of certain obligations under Section 292.303 of FERC's Regulations which, if granted, would result in all purchases from QFs being made by KYMEA and all sales to QFs interconnected with the Participating Member electric distribution systems being made by the Participating Members.

Copies of the proposed Plan will be sent to interested parties upon request. KYMEA will also accept written comments on the proposed Plan. KYMEA intends to file for approval of the Plan with FERC on or after July 30, 2019. FERC will publish notice of KYMEA's filing in the Federal Register following receipt of the filing. That notice will specify that any person desiring to be heard in this matter can make the appropriate filing with FERC.

Inquiries concerning this matter should be addressed to:

Kentucky Municipal Energy Agency
1700 Eastpoint Parkway, Suite 220
Louisville, Kentucky 40223
Phone: (502) 242-5635

The Participating Members:

Barbourville Utility Commission of the City of Barbourville, Kentucky
City of Bardwell, Kentucky
Cities Utilities Commission of the City of Corbin, Kentucky
Electric and Water Plant Board of the City of Frankfort, Kentucky
City of Falmouth, Kentucky
City of Madisonville, Kentucky
City of Paris, Kentucky
City of Providence, Kentucky

KENTUCKY MUNICIPAL ENERGY AGENCY

JOINT PURPA IMPLEMENTATION PLAN

I. Overview of Plan

This Joint PURPA Implementation Plan (“Plan”) sets forth the manner in which Kentucky Municipal Energy Agency (“KYMEDIA”) and its authorizing member municipal electric utilities (“authorizing Members”) plan to implement the requirements imposed upon them under Section 210 of the Public Utility Regulatory Policies Act of 1978, as amended (“PURPA”) and the rules adopted by the Federal Energy Regulatory Commission (“FERC”) thereunder.

KYMEDIA has drafted these rules to develop and coordinate implementation of a plan for meeting the obligations imposed on KYMEDIA and the authorizing Members under Section 210 of PURPA and FERC’s Regulations thereunder. Before these rules go into effect with regard to any Member, a Member must adopt these rules through written authorization. Appendix I to this Plan is a list of the authorizing Members. This list will be updated to include additional authorizing Members as necessary.

KYMEDIA and the authorizing Members are electric utilities subject to the purchase and sale obligations under PURPA. KYMEDIA is a joint public agency established pursuant to Section 65.210 to 65.300 of the Kentucky Revised Statutes, as amended, known as the “Interlocal Cooperation Act,” and was created by virtue of the Interlocal Cooperation Agreement Creating the Kentucky Municipal Energy Agency by and among municipal electric systems in the Commonwealth of Kentucky (the “Interlocal Cooperation Agreement”), which was filed with and approved by the Attorney General of the Commonwealth of Kentucky in accordance with law. KYMEDIA was created with the purpose of providing adequate, reliable, and economic sources of electric power and energy to Kentucky municipalities operating municipal electric systems. KYMEDIA has contracts to become the all-requirements wholesale

power supplier to eight of its members (the “All Requirements Members”), beginning on May 1, 2019. KYMEA expects to initially meet its power-supply obligations to the All Requirements Members primarily using electric power resources acquired through various power purchase agreements, through contractual entitlements to resources of some of its All Requirements Members, and through opportunity energy market transactions.

The Plan reflects the policy of KYMEA and the authorizing Members that will be jointly implemented to provide a program to facilitate cogeneration and small power production. The Plan is intended to advise the public of the basic approach and general guidelines for allowing Qualifying Facilities (“QFs”) to interconnect with the electric utility systems of KYMEA and the authorizing Members, to sell electric energy and capacity to KYMEA, and to purchase retail electric service from the authorizing Members.

Under the Plan,

- KYMEA will purchase all energy and capacity offered by QFs to KYMEA or any of the authorizing Members.
- The authorizing Members will sell, at retail, all energy and capacity required by QFs located in their retail service territories.

KYMEA will offer a standard purchase rate or a negotiated rate for energy and capacity (if avoided) produced by QFs interconnected with KYMEA¹ or an authorizing Member. This standard purchase rate will be determined by KYMEA based on its “avoided cost,” i.e., the costs to KYMEA of the electric energy that KYMEA would otherwise generate or purchase from another source if not purchased from the QF. The rate and methodology will be

¹ KYMEA does not currently own any transmission facilities. The authorizing Members will receive network transmission service under the Louisville Gas and Electric Co./Kentucky Utilities Co. Open Access Transmission Tariff (“OATT”), either directly as an OATT customer or indirectly through OATT service procured for them by KYMEA.

reviewed periodically, and will be subject to revision based on future changes to various factors, which may include KYMEA's delivered cost of fuel, plant generation characteristics, capacity needs, cost of purchased power, transmission costs, operating experience with QFs, KYMEA's ability to dispatch the QF, the expected or demonstrated reliability of the QF, the terms of any legally enforceable obligation, the extent to which the QF's scheduled outages can be usefully coordinated with those of KYMEA, the usefulness of the QF's energy and capacity during system emergencies and the QF's ability to separate its load from its generation, the individual and aggregate value of energy and capacity from QFs, and the smaller capacity increments and shorter lead times available with additions of capacity from QFs. KYMEA reserves the right to analyze each QF's cost impact and adjust rate provisions to reflect power supply characteristics.

Upon request by a QF located within an authorizing Member's retail service territory, the Member shall offer supplemental, back-up, and maintenance power on a firm or interruptible basis. The authorizing Members will sell energy and capacity to QFs located within their retail service territories under their applicable retail tariffs or at rates equal to the rates to the authorizing Members' other customers with similar load and other cost-related characteristics. Each authorizing Member has undertaken to sell energy and capacity at rates that are nondiscriminatory, just and reasonable, and in the public interest.

By implementing the purchase and sale requirements in this manner, the QFs will have a market for their power at rates comparable to the rates the authorizing Members could offer and will meet the needs of QFs for supplementary, back-up, and maintenance power in a manner consistent with the retail functions of the authorizing Members.

KYMEA has not included a form of contract in the Plan since the purchases and sales rates will be calculated pursuant to the standard purchase rate, identified by tariff, or negotiated on a case-by-case basis. However, KYMEA and the authorizing Members intend

to require that a contract be executed by each QF. The contract will provide detailed terms and conditions, including interconnection requirements, metering, rates, and those terms necessary to accommodate safety and reliability concerns.

KYMEA intends to file with FERC, on behalf of KYMEA and the authorizing Members, a petition seeking waiver of Sections 292.303(a) and 292.303(b) of FERC's Regulations² to permit the Plan to be placed in effect as proposed. If granted, the effect of the waiver will be to transfer the must-purchase obligation of the authorizing Members from them to KYMEA. Additionally, KYMEA intends to file with FERC one or more applications seeking waiver of KYMEA's must-purchase obligation for QFs greater than 20MW pursuant to Section 292.309(a) of FERC's Regulations,³ and waiver of KYMEA's obligation to make sales of retail power to QFs, in recognition of the fact that the QF interconnection would be with an authorizing Member's facilities and the commitment of the authorizing Members to make such sales within their retail service territories.

FERC has granted waivers under Section 202.303(a) and 292.303(b) in other similar situations.⁴ KYMEA and its authorizing Members are promulgating a Plan similar to those adopted by other cooperatives and joint action agencies and their members, with such additions as were deemed necessary to meet the PURPA requirements and FERC regulations.

² 18 CFR §§ 292.303(a) and (b) (2014).

³ 18 CFR § 292.309(a).

⁴ See *Oglethorpe Power Corp.*, 32 FERC ¶ 61,103 (1985), *reh'g granted in part and denied in part*, 35 FERC ¶ 61,069 (1986), *aff'd sub nom. Greensboro Lumber Co. v. FERC*, 825 F.2d 518 (D.C. Cir. 1987); *Seminole Electric Cooperative, Inc.*, 39 FERC ¶ 61,354 (1987); *Missouri Basin Municipal Power Agency*, 69 FERC ¶ 62,250 (1994); *Corn Belt Cooperative*, 68 FERC ¶ 62,249 (1994); *Southern Illinois Power Cooperative*, 66 FERC ¶ 62,010 (1994); *Northwest Iowa Power Cooperative*, 57 FERC ¶ 62,079 (1991); *Soyland Power Cooperative, Inc.*, 50 FERC ¶ 62,072 (1990); *Western Farmers Electric Cooperative*, 115 FERC ¶ 61,323 (2006); *Missouri Basin Municipal Power Agency*, Docket No. EL09-13-000, Letter Order (Feb. 6, 2009); *Arkansas Public Service Comm'n, et al.*, Docket No. EL09-37-000, Letter Order (April 30, 2009); *Missouri River Energy Servs.*, 145 FERC ¶ 62,022 (2013); *Oklahoma Municipal Power Authority*, 156 FERC ¶ 62,015 (2016), Docket No. EL16-67-000, Letter Order (July 7, 2016).

If the requested waiver is not granted, KYMEA and the authorizing Members will take such other actions, if any, as may be required to comply with PURPA and the rules adopted thereunder by FERC.

KYMEA and the authorizing Members believe that the integrated approach to PURPA implementation as described herein will not adversely affect QFs. Indeed, KYMEA and the authorizing Members believe the proposed approach will facilitate the development of QFs.

II. Introduction

A. Intent of Plan

The Plan is intended to set forth the basic approach and general guidelines for allowing QFs to interconnect with KYMEA and authorizing Members' electric utility systems in accordance with rules adopted by FERC implementing PURPA Section 210.

B. Utilities Subject to Plan

KYMEA and all Members that adopt the rules through written authorization, as listed in Appendix I, are subject to the Plan. The Plan addresses purchases from and sales to all QFs seeking to interconnect to transmission or distribution facilities owned by KYMEA or any authorizing Member.

III. Statement of Policy

A. The Joint Policy

It is the policy of KYMEA and the authorizing Members: (i) to permit any QF to interconnect with the electric systems of KYMEA or any authorizing Member; (ii) to permit any QF to sell energy and capacity to KYMEA at rates equal to KYMEA's full avoided costs or at a negotiated rate; and (iii) to permit any QF to purchase supplemental, back-up and maintenance power from an authorizing Member on either a firm or interruptible basis, at rates that are nondiscriminatory, just and reasonable, and in the public interest. In order to

effectuate this policy, KYMEA and the authorizing Members expressly undertake the following obligations as a condition to the joint policy: (a) KYMEA will be ready and willing to purchase power from any QF from which an authorizing Member would otherwise be required to purchase; (b) no QF will be subject to duplicative interconnection charges or duplicative charges for wheeling power to KYMEA across the lines of an authorizing Member; (c) no QF will be subject to duplicative charges or additional fees as a result of KYMEA's purchase of QF power that would otherwise be purchased by an authorizing Member; (d) no QF will be subject to duplicative interconnection charges or duplicative charges for wheeling of supplemental, back-up, or maintenance power from an authorizing Member; and (e) no QF interconnected directly with KYMEA and purchasing supplemental, back-up, or maintenance power from an authorizing Member will be charged for the cost of facilities required to receive such power other than the cost of such facilities had the QF purchased such power from KYMEA. KYMEA and the authorizing Members' undertakings expressed above are, in each case, subject to the other express and implied terms and conditions of the Plan and the other requirements imposed by law.

Because this Plan outlines the basic approach that KYMEA and the authorizing Members intend to use to fulfill their separate obligations under PURPA, KYMEA and/or a given authorizing Member may modify it to the extent authorized by law if such utility determines that the modification is reasonably necessary. In addition, this Plan shall be modified as necessary or appropriate to comply with requirements imposed by FERC or any other governmental entity having jurisdiction over KYMEA and/or the authorizing Members, or any other entity with authority to establish reliability requirements applicable to, or impose such requirements on, KYMEA and/or the authorizing Members.

This Plan reflects an integrated approach to implementing KYMEA's and the authorizing Members' obligations under PURPA and the FERC Rules. This approach

recognizes the function of KYMEA as wholesale supplier to the authorizing Members and the retail service function of the authorizing Members, while assuring each QF of both a market for its power and any necessary back-up, maintenance, and supplemental service, on either a firm or interruptible basis. Pursuant to Section 292.303 (a) of FERC's Regulations,⁵ an electric utility is obligated to purchase only the energy and capacity which is "made available" from a QF. Section 292.304(d) of FERC's Regulations⁶ clarifies that each QF shall have the option to determine the amount of energy or capacity "available" for purchase. Accordingly, the Plan does not require a QF to sell all of its energy and capacity to KYMEA, but rather just the amount the QF wishes to make "available" for such purchases.

No QF will be permitted to interconnect and operate in parallel with an authorizing Member without the prior knowledge and approval of such utility and without entering into a satisfactory written contract. A QF interconnecting with an authorizing Member and selling to KYMEA will not be subject to duplicative interconnections or wheeling charges. To the extent that additional costs of wheeling (*i.e.*, beyond the authorizing Member's facilities) are necessitated by KYMEA's purchases of the QF's power (rather than the authorizing Member's purchases), such costs will be borne by KYMEA (rather than the QF). The Plan does not require any authorizing Member to transmit QF output in connection with sales to a purchaser other than KYMEA.

Where a QF is interconnected to transmission or distribution facilities owned by KYMEA or an authorizing Member and located within the retail service territory of an authorizing Member, the purchase of capacity and energy by the QF will be made pursuant to separate arrangements between the QF and the applicable authorizing Member and shall be in accordance with applicable law and the authorizing Member's applicable rates, rules, and

⁵ 18 CFR §292.303(a).

⁶ 18 CFR §292.304(d).

regulations governing retail service. The terms of the arrangement between KYMEA, the authorizing Member, and the QF shall be consistent with the authorizing Member's tariff or consistent with rates to the authorizing Member's other customers with similar load or other cost-related characteristics.

If in the future KYMEA owns transmission facilities, and a QF seeks to interconnect with KYMEA-owned transmission facilities that are not located within the retail service territory of an authorizing Member, upon request KYMEA will assist the QF in locating a supplier of supplemental, backup, maintenance, and interruptible power. KYMEA makes no commitments regarding the availability of such suppliers, nor their rates and charges or terms of service.

B. Metering Requirements

KYMEA and the authorizing Members require as a condition to the purchase of capacity and energy from a QF the installation of proper metering equipment to permit inclusion of the quantities in KYMEA's monthly energy and capacity accounting. The amount of energy and capacity purchases from the QF by KYMEA shall not normally be netted against the energy and capacity purchased by the QF from the authorizing Members, unless required by applicable rules and regulations adopted by entities having jurisdiction over KYMEA and the authorizing Members.

KYMEA shall adopt nondiscriminatory policies and procedures concerning metering requirements applicable to QFs as required. KYMEA shall make such policies and procedures available to QFs for review.

C. Additional Interconnection Requirements

The following additional requirements shall apply to all purchases from QFs under the Plan:

- (i) The operator of the QF shall be responsible for all costs associated with electric interconnection of the QF to KYMEA's or the authorizing Member's system, including such automatic relaying and system protection which KYMEA or the authorizing Member believes necessary for safety reasons, electric wiring and apparatus, protective equipment and an interconnection switch. KYMEA and the authorizing Members have the right to refuse to interconnect or to discontinue the QF's connection if wiring and apparatus do not meet appropriate safety requirements and all applicable codes, including, but not limited to, the National Electrical Code, National Electrical Safety Codes, or other local, state, or national codes.
- (ii) KYMEA or the authorizing Members shall own, install and maintain the required metering equipment to integrate the input quantities into KYMEA's monthly source energy and power accounting. The operator of the QF shall be responsible for all reasonable costs for purchase, installation and maintenance of such metering equipment and shall provide adequate access to its premises so that KYMEA or the authorizing Members may install and maintain such metering equipment. KYMEA or the authorizing Members may assess interconnection costs against a QF on a nondiscriminatory basis with respect to other customers with similar load characteristics and shall determine how such payments are to be made.
- (iii) Neither KYMEA nor any authorizing Member will permit interconnection between its system and a QF unless the QF meets the applicable standards and/or regulations, rules and policies for interconnection, safety, and operating reliability, as the same may be amended from time to time. Further, in order to

remain interconnected, the QF must continue to satisfy appropriate safety and reliability standards.

- (iv) KYMEA and the authorizing Members reserve the right to adopt additional nondiscriminatory policies and procedures concerning interconnection requirements applicable to QFs. KYMEA shall make such policies and procedures available to QFs for review.

IV. Request for Waiver

The FERC Rules require each wholesale electric utility, such as KYMEA, and each retail electric utility, such as the authorizing Members, to buy energy and capacity from, and to sell energy and capacity to, QFs. As stated above, KYMEA and the authorizing Members will adopt an integrated approach to implementing their obligations under PURPA, and the FERC Rules, under which (1) KYMEA would purchase energy and capacity from QFs and the authorizing Members would provide retail service to QFs located within their retail service territories, (2) KYMEA will seek a waiver of the obligation to sell retail power to any QF, and (3) the authorizing Members will seek a waiver of their obligations to purchase from any QFs located within their retail service territories.

In order to adopt this integrated approach, KYMEA and the authorizing Members will request waivers of certain of the FERC Rules implementing PURPA in order to allow KYMEA and the authorizing Members to continue to operate, for wholesale supply purposes, as a single integrated entity. KYMEA and the authorizing Members have concluded that, given the benefits of the proposed integrated approach to PURPA implementation, requiring the authorizing Members to purchase from QFs and KYMEA to sell to QFs is not necessary to facilitate cogeneration and small power production. KYMEA and the authorizing Members have determined that purchases by KYMEA on behalf of the authorizing Members will

adequately facilitate cogeneration and small power production in part because each authorizing Member's avoided costs should be equal to KYMEA's avoided costs.

Therefore, by centralizing purchases from QFs, QFs will be afforded a greater market for their power while at the same time receiving the same price for their power as they would have by selling to an individual authorizing Member.

This Plan is written on the assumption that the waivers previously mentioned will be granted. Because this integrated approach will not adversely affect QFs and is intended to facilitate cogeneration and small power production, KYMEA and the authorizing Members intend to operate under this Plan during the pendency of the waiver requests. If FERC denies any of the requested waivers, this Plan will be revised or may be terminated. Any revision required as a result of a denial of a waiver request, or upon order of FERC as a condition to the waiver, will be made available as soon as practicable. KYMEA and the authorizing Members do not contemplate that an additional notice and comment period will be conducted prior to making such changes.

Persons desiring information about this Plan, including a copy of the waiver request filed by KYMEA and the authorizing Members with FERC, may contact:

Kentucky Municipal Energy Agency
Attn: Doug Buresh, President & CEO
1700 Eastpoint Parkway, Suite 220
Louisville, Kentucky 40223
Email: dburesh@kymea.org

IV. Additional Information

Persons requiring additional information concerning the interconnection of a QF with KYMEA or an authorizing Member, or the rates, terms and conditions of purchases from or sales to QFs, should contact:

Kentucky Municipal Energy Agency
Attn: Doug Buresh, President & CEO
1700 Eastpoint Parkway, Suite 220
Louisville, Kentucky 40223
Email: dburesh@kymea.org

APPENDIX I

AUTHORIZING MEMBERS

Barbourville Utility Commission of the City of Barbourville, Kentucky
City of Bardwell, Kentucky
Cities Utilities Commission of the City of Corbin, Kentucky
Electric and Water Plant Board of the City of Frankfort, Kentucky
City of Falmouth, Kentucky
City of Madisonville, Kentucky
City of Paris, Kentucky
City of Providence, Kentucky

The Hometown Connections Smart Cities Advantage

Leading community-owned
utilities to a powerful future



Elements of KYMEA's Strategic Plan

Strategic Plan	A 5-year “roadmap” that guides the Agency toward achieving its Vision
Vision	What does KYMEA want to achieve overall from a high-level perspective
Mission	How does KYMEA plan to reach the Vision
Core Values	Attributes that are fundamental to the way you do business
Strategic Priorities	A problem, concern or challenge of strategic importance that KYMEA must address

Board's Role in Strategic Planning



- Board involved in:
 - Discovery
 - Development
 - Focus
- Staff responsible for:
 - Goals
 - Actions
 - Accountability

Strengths, Weaknesses, Opportunities and Threats

How does the Agency respond to changing external conditions?

How does the internal (organization) relate to the external (environment)?



KYMEA SWOT

INTERNAL

S

Members

- Economies of scale
- Diverse, experienced and strong membership core
- History of collaboration
- Small membership
- Local control and willing to take bold steps
- Local to KY but not bound by KY borders

Organization

- Experience, knowledgeable, efficient staff
- Highly qualified and experienced consultants
- Professional office, and a culture of excellence, best practices, and continued learning

Power Supply

- Low cost, diverse, and flexible PPA's
- Stable and predictable rates
- Combined load of members
- KYMEA does not own generation
- Rate stabilization fund established

W

Members

- Some lack power supply experience
- Geographic location
- No director succession planning
- Not all members actively participate

Organization

- Startup with lack of defined governance model
- Agency's relatively small size and bench strength
- Using same consultants, and some perceive agency is run by consultants
- Lack of brand recognition and public power education

Power Supply

- Voted to realize less savings in first year than originally projected
- Small agency makes diversity and power supply more challenging

Regulatory/Legislative

- Depancaking
- No true JAA/weak interlocal legislation

KYMEA SWOT

EXTERNAL

O

Members

- Addition of more members
- Branding in member communities

Organization

- Additional staff & skill sets beyond power supply
- Choice of consultants to align with future vision
- Cash reserve fund to smooth future rate pressure
- New business model (away from monopoly)
- Increase brand recognition
- Become experts that members will look to in solving problems leadership in energy policy (state and national)

Power Supply

- Enhance portfolio, Diversity and new technologies including renewables
- Soft energy market for future power supply
- Transmission investment

Member Services

- Further sharing of resource costs common goals
- New services; mutual aid, group purchasing
- Economic development – low costs energy efficiency, renewables, electrification
- Financial metric analysis

T

Members

- Loss of members and/or load
- Lack of member participation and unity
- Financial stability (state retirement fund)
- Sale of municipal electric systems

Organization

- Turnover in staff, governance, consultants, members, and member boards, and lack of staff
- Consultants become too close to situation
- Loss of tax-exempt financing
- Execution
- Negative Press

Power Supply

- Competition from IOUs and others
- Not part of RTO and IOUs transmission monopoly
- Too small in the market
- Uneconomic capacity

Regulatory/Legislative

- Repercussions/retaliation by LG&E/KU
- Federal/state regulations/deregulations
- FERC transmission issues (depancaking)
- Joint action/interlocal legislation
- Environmental legislation

KYMEA Vision Statement

“We shall positively impact our member communities as a trusted leader of power supply and energy-related services.”

KYMEA Mission Statement

“Through collaboration and operational excellence, we provide reliable, affordable, and sustainable energy services to our member communities.”

KYMEA Core Values

- **Integrity:** To conduct business in an honest, transparent, just, compliant and environmentally responsible manner by holding ourselves to high ethical and accountability standards.
- **Respect:** Encouraging constructive dialogue that promotes a culture of inclusiveness, and recognizes our differences while valuing the perspective, talents and experiences of others.
- **Fiscal Responsibility:** An obligation to be accountable to the fiscal policies of the agency with budgetary discipline and affordable rates while practicing long-term planning and prudent use of debt.
- **Member Focused:** We are committed to listening and responding positively to our members and their customers.
- **Operational Excellence:** We seek to achieve and maintain the highest level of excellence by performing in a productive and proficient manner and adhering to best practices while providing a quality workforce.

What are Members needs?

- **Board Responses**

- Members: Direction in general; Economies of scale for other services; Assistance in educating retail customers; Joint purchasing; Mutual aid; Attention no matter the size of member; Be more progressive/proactive in management of new technology and economies of scale for new projects within and outside of power supply
- Power Supply: Stable, diverse, economic power supply; Power supply planning; Transmission support; Stable competitive rates and simplified processes and billing
- Organization: Stability in staff and membership

- **Staff Responses**

- Today
 - Low cost, reliable and stable power supply
 - Well run organization which the members can feel confident in
 - Community outreach and an advocate for public power
 - Optimized portfolio and planning for the future
 - Financial stability
 - Economic development
- Future
 - Today's needs plus,
 - Growth and additional services to provide greater economies of scale
 - Cost effectively meet additional power supply needs
 - Investigate new technologies
 - Member service
 - Diversity

Next Steps (August Board Meeting)

A: Strategic Planning Workshop with the Board: The purpose of this half-day workshop is for Staff to update the Board work to date and seek approval of Steps 1 through 4. Next, there will be a discussion with the Board on Strategic Priorities and input on the development of Goals. Tentative agenda items for this workshop include:

- Staff presentation on Vision, Mission, Values, Customers (Members) Needs and SWOT
- Board provide input on work to date
- Discussion on Strategic Priorities and Goal development
- Next steps such as timeline and deliverables for Staff

Deliverables for Task 4

- Workshop agendas & facilitation

Schedule

- Strategic Planning workshop – August 22-23

Facilitator

- Tim Blodgett

Strategic Planning Process



SCHEDULE B**KENTUCKY MUNICIPAL ENERGY AGENCY
RESOURCE OBLIGATION TABLE***Updated as of June 30, 2019*

Agency Obligation	Contract Date	Expiration Date
Big Rivers Electric Corporation	July 13, 2016	May 31, 2029
Illinois Power Marketing Company	July 13, 2016	May 31, 2022
Electric Plant Board of the City of Paducah, Kentucky d/b/a Paducah Power System	July 13, 2016	May 31, 2029
MISO PTP Transmission Service Agreement (CIN)	July 14, 2016	May 1, 2027
MISO PTP Transmission Service Agreement (BREC)	July 14, 2016	May 1, 2029
Barbourville Utility Commission of the City Of Barbourville, Kentucky – SEPA	March 1, 2017	May 31, 2029
Cities Utilities Commission of the City of Corbin, Kentucky – SEPA	March 1, 2017	May 31, 2029
City of Falmouth, Kentucky – SEPA	March 1, 2017	May 31, 2029
City of Paris, Kentucky – SEPA	March 1, 2017	May 31, 2029
City of Providence, Kentucky – SEPA	March 1, 2017	May 31, 2029
City of Madisonville, Kentucky – SEPA	June 1, 2017	May 31, 2029
City of Bardwell, Kentucky - SEPA	February 1, 2018	May 31, 2029
Electric and Water Plant Board of the City of Frankfort, Kentucky - SEPA	February 1, 2018	May 31, 2029

City of Paris, Kentucky – Seven Diesel Units	February 1, 2018	May 31, 2029
Ashwood Solar I, LLC	August 23, 2018	November 30, 2042



FY 2020 Weighted Voting Update

July 24, 2019

FY 2020 Weighted Voting Update

- 1. Weighted vote calculation is updated annually to reflect Members' annual energy requirements**
- 2. Calculation of weighted votes is determined by KYMEA Bylaws, Article II, Section 10**
- 3. For the primary delivery points, metered amounts are loss-adjusted to transmission-level amounts**
- 4. FY 2020 weighted votes have been updated to reflect purchases for 12 months ending June 2019**
- 5. Update shows very little change in FY 2020 weighted votes versus FY 2019 amounts**

Calculation of Weighted Votes

Excerpt from KYMEA Bylaws – Article II, Section 10

Section 10. For the purpose of determining a Weighted Vote as described in Article III, Section 3 of the Agency Agreement, the number of weighted votes of each Member shall be based upon the following formula:

$$(MTER \div TERAM) \times 100$$

For the purpose of the formula, “*MTER*” means a Member’s total energy requirements purchased or consumed during the Agency’s preceding fiscal year by such Member from any resource designated by the Agency as a resource controlled, managed or dispatched by the Agency measured at or adjusted to the points of delivery from the transmission system and “*TERAM*” means the sum of the *MTER* quantities determined for all Members for the preceding fiscal year of the Agency. Each Member’s number of weighted votes as determined by the formula shall be rounded to the nearest one-tenth.

For the period prior to the provision of power supply to a Member by the Agency, the Member’s energy requirements shall be based on the appropriate amounts purchased or consumed under the Member’s existing power supply arrangements.

FY 2020 Weighted Voting

Annual update of Weighted Voting for FY 2020 is included on the following page

KYMEA Weighted Voting for FY 2020

			All KYMEA Members		AR Members	
	Voting Member	MWh	Votes	% of Total	Votes	% of Total
1	Barbourville	89,248	4.0	4.01%	4.0	7.02%
2	Bardwell	9,007	0.4	0.40%	0.4	0.70%
3	Benham	6,277	0.3	0.28%	-	n/a
4	Berea	132,721	6.0	5.96%	-	n/a
5	Corbin	83,960	3.8	3.77%	3.8	6.67%
6	Falmouth	19,242	0.9	0.86%	0.9	1.58%
7	Frankfort	689,693	31.0	30.99%	31.0	54.39%
8	Madisonville	289,666	13.0	13.02%	13.0	22.81%
9	Owensboro	817,779	36.7	36.75%	-	n/a
10	Paris	60,247	2.7	2.71%	2.7	4.74%
11	Providence	27,614	1.2	1.24%	1.2	2.11%
TOTALS		2,225,454	100.0	100.00%	57.0	100.00%

Notes:

Weighted Votes effective July 1, 2019

Energy amounts above based on FY 2019 Energy Requirements loss-adjusted to transmission service level

File: KYMEA_Member_Invoices_07-2019.xlsm

FY 2017-2019 Energy Purchases Comparison

Comparison of energy purchases for FY 2017, FY 2018, and FY 2019 is included on the following page for information

Year-to-Year Comparison

Year-to-Year Comparison of Energy Purchases by Member

	Municipal	FY 2019		FY 2018		FY 2017	
		MWh	% of Total	MWh	% of Total	MWh	% of Total
1	Barbourville	89,248	4.0%	91,892	4.1%	90,484	4.0%
2	Bardwell	9,007	0.4%	8,976	0.4%	8,971	0.4%
3	Benham	6,277	0.3%	6,549	0.3%	5,927	0.3%
4	Berea	132,721	6.0%	131,028	5.8%	125,454	5.5%
5	Corbin	83,960	3.8%	83,951	3.7%	82,395	3.6%
6	Falmouth	19,242	0.9%	19,756	0.9%	19,524	0.9%
7	Frankfort	689,693	31.0%	707,052	31.2%	702,806	31.1%
8	Madisonville	289,666	13.0%	299,750	13.2%	303,936	13.4%
9	Owensboro	817,779	36.7%	829,368	36.6%	833,428	36.9%
10	Paris	60,247	2.7%	60,742	2.7%	58,949	2.6%
11	Providence	27,614	1.2%	29,119	1.3%	29,183	1.3%
TOTALS		2,225,454	100.0%	2,268,184	100.0%	2,261,056	100.0%

Year-to-Year Change

	Municipal	FY 2019 - FY 2018		FY 2018 - FY 2017		FY 2017 - FY 2016	
		Diff (MWh)	Diff (%)	Diff (MWh)	Diff (%)	Diff (MWh)	Diff (%)
1	Barbourville	(2,644)	-0.04%	1,408	0.05%	539	0.02%
2	Bardwell	31	0.01%	5	0.00%	154	0.01%
3	Benham	(272)	-0.01%	622	0.03%	(169)	-0.01%
4	Berea	1,693	0.19%	5,574	0.23%	1,425	0.05%
5	Corbin	9	0.07%	1,556	0.06%	1,134	0.04%
6	Falmouth	(514)	-0.01%	232	0.01%	166	0.01%
7	Frankfort	(17,359)	-0.18%	4,246	0.09%	(375)	-0.08%
8	Madisonville	(10,084)	-0.20%	(4,186)	-0.23%	3,864	0.14%
9	Owensboro	(11,589)	0.18%	(4,060)	-0.29%	(639)	-0.11%
10	Paris	(495)	0.03%	1,793	0.07%	(614)	-0.03%
11	Providence	(1,505)	-0.04%	(64)	-0.01%	(582)	-0.03%
TOTALS		(42,730)	0.00%	7,128	0.00%	4,902	0.00%

Actions

AR Project Committee Requested Action

- **Staff recommends the AR Project Committee approve the Weighted Voting for FY 2020.**

Board Requested Action

- **Staff recommends the KYMEA Board approve the Weighted Voting for FY 2020.**



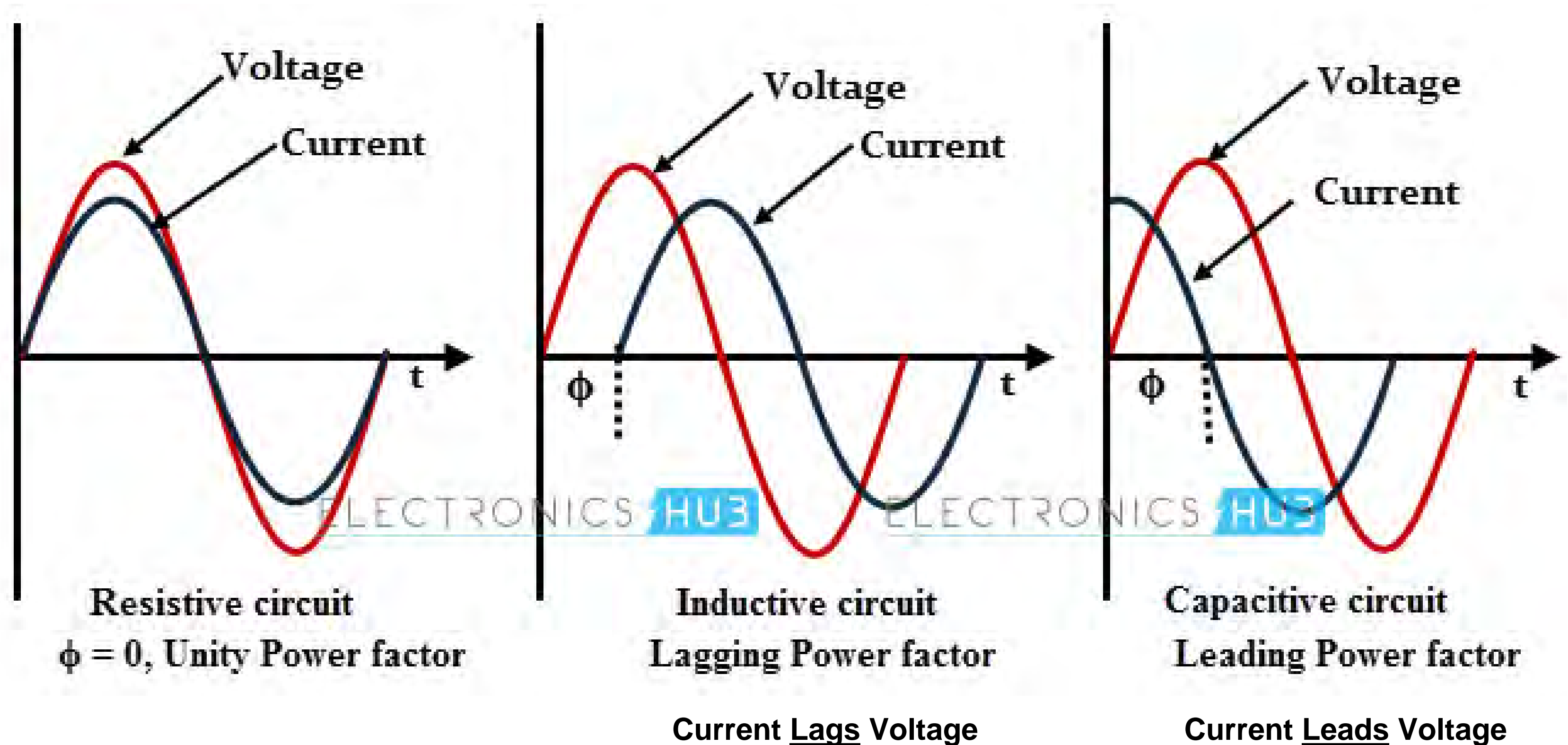
Rate Schedule Modifications

July 24, 2019

Rate Schedule Modifications

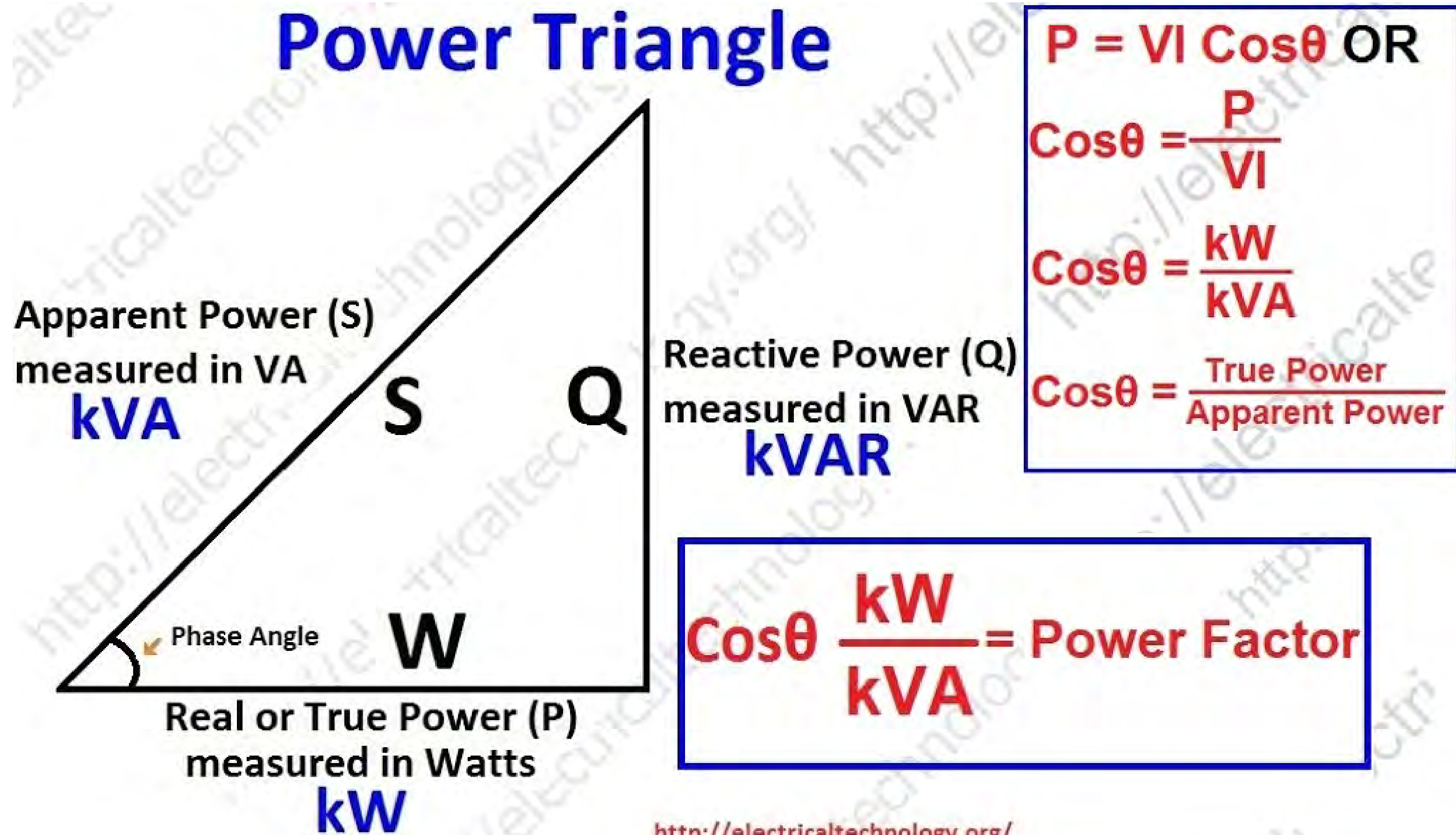
Power Factor Charge

Power Factor Refresher (Current and Voltage)



*Adding Capacitors Remedies
a Lagging Power Factor*

Power Factor Refresher (Power Triangle)



<http://electricaltechnology.org/>

Power Factor Charge – Member Invoice



Kentucky Municipal Energy Agency
1700 Eastpoint Pkwy
Ste. 220
Louisville, KY 40223

Inv No: N/A
 Date: 7/31/2019
 Due: 8/20/2019
 July
 2019

Time Period: Jul-2019

KYMEA AR Group
 Attn: Heather Overby
 1700 Eastpoint Parkway
 Ste. 220
 Louisville, KY 40223

<u>Demand Billing kW</u>		<u>Current and Historical Statistics</u>			
3 Yr Max Summer	N/A		<u>Energy kWh</u>	<u>NCP-Demand kW</u>	<u>Load Factor</u>
Current Month	274,347	Month: Jul-2019	132,124,320	274,347	64.7%
Lesser of Above	274,347	Month: Jul-2018	124,762,649	253,526	66.1%

	KYMEA Rate	Quantity	Charge
Billing Demand (7/17/2019 @ HE 15)	<u>\$/kW-mo</u> \$ 13.515000	<u>kW</u> 274,346.860	\$ 3,707,797.81
Energy	<u>\$/kWh</u>	<u>kWh</u>	
Energy Charge	\$ 0.024279	132,124,320.310	\$ 3,207,846.37
Energy Cost Adjustment (Jun-2019)	\$ -	-	\$ -
KU Imbalance Charge	\$ -	-	\$ -
Total Energy			\$ 3,207,846.37
Transmission	<u>\$/kW-mo</u>	<u>kW</u>	
KU Transmission (CP - 7/16/2019 @ HE 15) - 95.5%	\$ 2.140400	262,103.020	\$ 561,005.30
KU Ancillary (CP - 7/16/2019 @ HE 15) - 95.5%	\$ -	-	\$ -
MISO Transmission NCP	\$ 3.531000	274,346.860	\$ 968,718.76
PJM Transmission 1-CP	\$ 2.520917	3,600.000	\$ 9,075.30
Power Factor Charge: 85.5%	<u>\$/kVAR</u> \$ 2.800000	<u>kVAR</u> 23,187.322	\$ 64,924.50
Total Transmission and Power Factor Charge			\$ 1,603,723.87

Power Factor Charge
@ 85.5% Power Factor

Power Factor Charge

Excerpt from RESOLUTION ESTABLISHING RATE SCHEDULES – Item 8

8. Power Factor Charge

Transmission Member

Each ~~AR Member~~ is encouraged to take and use power in such a manner that the power factor, at the time of its monthly non-coincident peak demand, will not be less than ninety percent (90%).

Transmission Member

If the ~~AR Member~~'s measured power factor, at the time of its monthly non-coincident peak demand, is less than ninety percent (90%), the Member will be assessed a Power Factor Charge as follows:

Power Factor Charge

\$2.80 per kVAR applied to the amount of reactive demand in kVAR by which the metered reactive demand exceeds the reactive demand at a 90% power factor

*** NEW ***

The Power Factor Charge will be assessed to the Member only if the Agency is assessed a corresponding Power Factor Charge by the Regional Transmission Organization (RTO) or Balancing Authority (BA).

Rate Schedule Modifications

Membership Services

KYMEA Membership and User Fees

Membership Services

Excerpt from RESOLUTION ESTABLISHING RATE SCHEDULES – Exhibit B, Item 3. Rates and Charges

3. Rates and Charges

The Member’s monthly bill will include the following charges as applicable:

Membership Services	<div><div>\$0.12 per MWh applied to total Member retail energy sales</div><div>*** NEW ***</div><div>\$0.12 per MWh applied to total Member wholesale energy transmitted, as measured at the transmission voltage side of the delivery facilities</div></div>
Dispatch / MAC Service	\$0.45 per MWh applied to total energy dispatched for the Member by the Agency
Transmission Service	\$0.20 per MWh applied to total Member wholesale energy transmitted, as measured at the transmission voltage side of the delivery facilities
Resource Planning Service	\$0.20 per MWh applied to total Member wholesale energy requirements, as measured at the transmission voltage side of the delivery facilities
Accounting and Finance Service	\$0.10 per MWh applied to total Member wholesale energy requirements, as measured at the transmission voltage side of the delivery facilities

Actions

AR Project Committee Requested Action

- **Staff recommends the AR Project Committee approve the requested Rate Schedule Modifications.**

Board Requested Action

- **Staff recommends the KYMEA Board approve the requested Rate Schedule Modifications.**



Member Generation Paris Diesels – First Amendment

July 24, 2019

Paris Diesels – Compensation for Energy and other Attributes

Excerpt from Paris Member Generation Contract

- (b) Compensation for Energy. The Agency shall compensate the Member each month for the energy scheduled by and delivered for the Agency from the Paris Resource during that month. The compensation each month shall be the sum of the amounts calculated for each hour of delivery in the month, as follows: either (i) the kilowatt-hours of energy delivered from the Paris Resource during that hour times a rate per kilowatt-hour that reflects the actual cost of energy avoided by the Agency during that hour, or (ii) if energy from the Paris Resource is marketed to a third party during the hour, any actual increase in revenues to the Agency, net of associated marketing costs, attributable to the Agency's marketing of such energy during that hour. The foregoing hourly actual energy rate shall be determined using the after-the-fact energy accounting methodology that the Agency uses to settle its other energy transactions each month.
- (c) Compensation for other Attributes. If and to the extent the Agency avoids power supply costs or realizes a net increase in revenues as a result of other Attributes of the Paris Resource that are not accounted for in the compensation for capacity and energy as provided in Sections 5(a) and 5(b), the Agency shall compensate the Member in the amount of the avoided costs or increase in net revenues, after subtracting any costs the Agency incurs in achieving such additional value.

Issues Using Avoided Costs

- 1. KYMEA's energy costs are largely based on energy imports from MISO (LGEE interface), PJM (South Import Interface), SEPA (TVA Interface), Joppa imports, and internal resources such as the PPS Peakers and the Ashwood Solar.**
- 2. The calculation of avoided energy costs is the cost of energy the Agency would avoid (not have to purchase).**
 - Per the contract, KYMEA could run the Paris diesels anytime it desires and since Paris is responsible for the fuel, Paris could experience large financial losses if the avoided energy cost (market price) < fuel expense.**
 - Further, it is possible that the Paris diesels could be run for reliability reasons if KYMEA energy import interfaces are constrained. In that instance, it is virtually impossible to calculate the avoided energy cost because no comparable (avoided) energy is available.**

Paris Diesels – Compensation for Energy

Excerpt from Proposed Amendment

- (b) Compensation for Energy. The Agency shall compensate the Member each month for the energy scheduled by and delivered for the Agency from the Paris Resource (the “Delivered Firm Energy”) during that month (a “Service Month”). The compensation each month shall be a “Monthly Energy Charge” which shall be equal to the product of the Delivered Firm Energy in that Service Month and the Facility Energy Price for that Service Month as determined in accordance with and pursuant to Appendix C to this Contract.

Summary

- **Switch from an avoided cost calculation, to a cost-based calculation where KYMEA reimburses Paris for the cost of fuel (based on a published index) and lubrication oil.**
- **This provides KYMEA with a daily dispatch price allowing the Paris Diesels to be more easily dispatched as an available resource for the Agency’s 24-hour operations.**

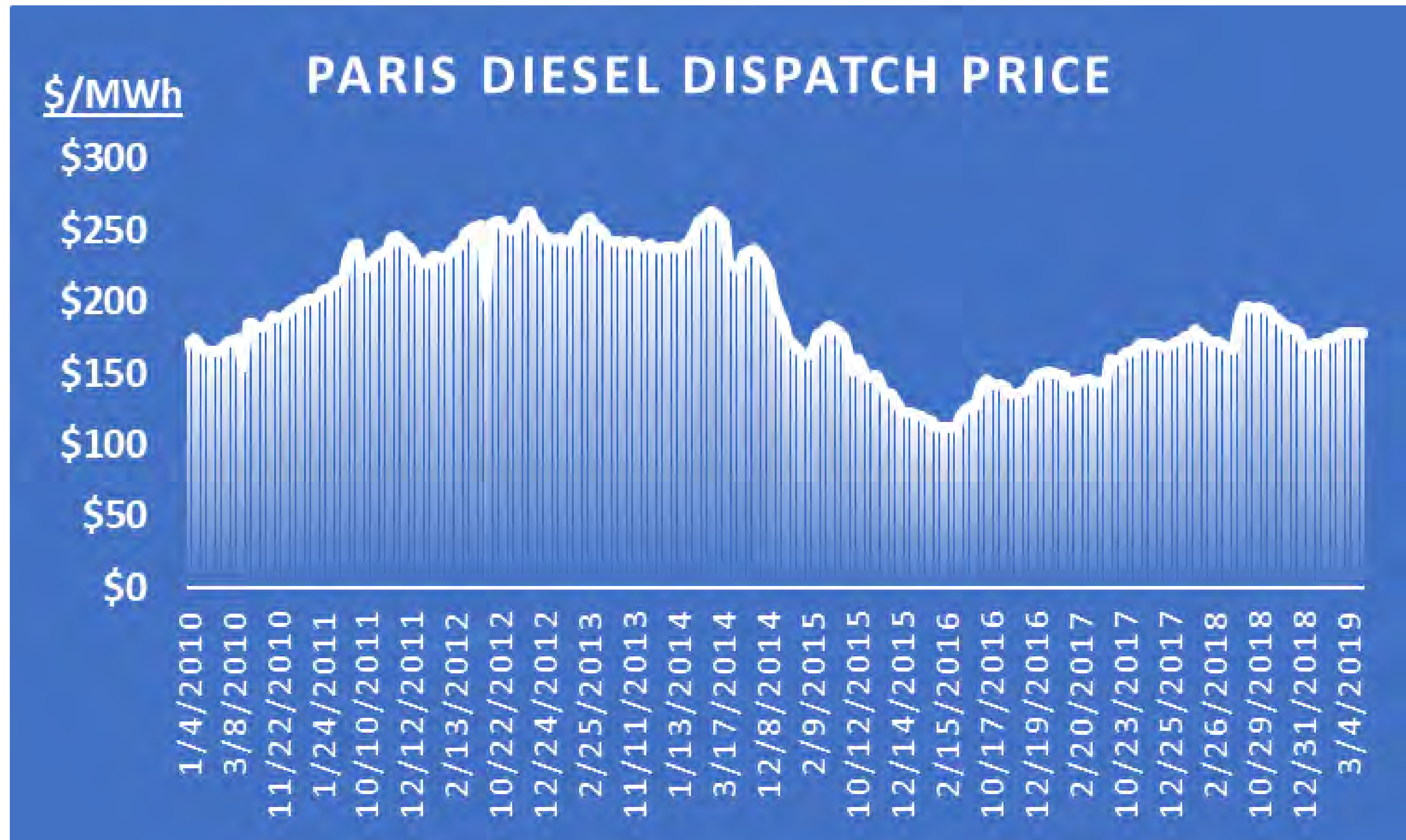
Paris Diesels - First Amendment

Proposed First Amendment

SECTION 5 (b). Compensation for Energy

1. Currently set at KYMEA's Avoided Cost
2. Proposed Change
 1. Fuel Price: Average heat rate (11.185 MMBtu/MWh) x the Agency's most current ultra-low-sulfur diesel (ULSD) price in \$/Gal. Where 1 gallon = 137,571 Btu (heat content)
 2. Plus, Lubrication Oil: 0.628 Gal/MWh x lubrication oil price in \$/Gal.
 - Example: If ULSD is \$1.97 per gallon and lubrication oil is \$12.73 per gallon, then dispatch price is \$168.2/MWh.

Paris Diesels – Dispatch Price



Board Action

Board Requested Action

- **Staff recommends the Board approve the Resolution allowing the President and CEO, the Vice President for Market Analytics, and all appropriate officials of KYMEA to executive the amended contract with Paris.**
- **The contract amendment switches from an avoided energy cost calculation, to a cost-based energy calculation where KYMEA reimburses Paris for the cost of fuel (based on a published index) and lubrication oil.**

**FIRST AMENDMENT
TO THE
CONTRACT FOR USE OF MEMBER-OWNED RESOURCE OF THE
CITY OF PARIS, KENTUCKY
(Diesel Units)**

The City of Paris, Kentucky (hereinafter referred to as “Member”), a city and political subdivision organized and existing under the laws of the Commonwealth of Kentucky, and the **Kentucky Municipal Energy Agency**, an inter-local agency organized and existing under the laws of the Commonwealth of Kentucky (hereinafter referred to as “Agency”), hereby agree to and adopt this **First Amendment to the Contract for Use of the Member-Owned Resource of the City of Paris, Kentucky (Diesel Units)** as of this 1st day of July, 2019 (“Contract”).

RECITALS

WHEREAS, Member and Agency entered into the Contract as of the 1st day of October, 2018 for the Agency to use the Attributes of the Paris diesel generating units as an All Requirements Power Supply Resource;

WHEREAS, Member and Agency now wish to amend the Contract in order to make certain changes regarding the calculation of the compensation to be paid to the Member for the Attributes described in the recital above;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Member and Agency agree as follows:

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Contract.

1. Amendments to Contract

Section 5 of the Contract is hereby amended to read in its entirety as follows:

SECTION 5. AGENCY COMPENSATION TO MEMBER

- (a) Compensation for Capacity. The Agency shall compensate the Member for the Member’s Accredited Paris Resource Capacity each month during the Service Term. For the period from the beginning May 1, 2019 through May 31, 2022, the Agency shall pay a capacity price of \$3.85 per kilowatt-month. During the remainder of the Service Term, the monthly capacity price shall be adjusted as specified in Appendix B to this Contract, entitled “CPI Adjustment of Monthly Capacity Price.” Appendix B is incorporated into this Contract as if fully set forth herein.

- (b) Compensation for Energy. The Agency shall compensate the Member each month for the energy scheduled by and delivered for the Agency from the Paris Resource (the "Delivered Firm Energy") during that month (a "Service Month"). The compensation each month shall be a "Monthly Energy Charge" which shall be equal to the product of the Delivered Firm Energy on that Service Month and the Facility Energy Price for that Service Month as determined in accordance with and pursuant to Appendix C to this Contract.
- (c) The Agency's payment to the Member of the compensation prescribed in this Contract shall be made each month as a credit on the Agency's next monthly invoice to the Member under the All Requirements Contract. If the compensation owed to the Member in a month exceeds the amount owed by the Member for that month, the Agency shall pay the Member the difference no later than the last day of the immediately following month. Any disputes over the amount of compensation owed under this Contract shall be addressed in the manner specified for billing disputes in Section 9(c) (Payment of Bills) and Section 25 (Dispute Resolution) of the All Requirements Contract, as it may be amended from time to time.

2. Incorporation of Appendix C to Contract.

Appendix C which is attached to this First Amendment is hereby incorporated in its entirety to, and made a part of, the Contract.

3. No other change, modification or amendment to Contract.

Except as specified herein, all of the remaining terms, provisions and conditions of the Contract shall remain unchanged, in full force and effect and fully binding on Agency and Member.

4. Execution.

This First Amendment may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Any facsimile copies hereof or signature hereon shall, for all purposes, be deemed originals.

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to the Contract to be executed as of the date first above written.

CITY OF PARIS, KENTUCKY

By: _____
Name:
Title:

ATTEST:

By: _____
Name:
Title:

KENTUCKY MUNICIPAL ENERGY AGENCY

By: _____
Name:
Title:

Appendix C

Facility Energy Price

The Facility Energy Price, expressed in dollars per megawatt-hour, shall be determined as follows:

$$(\text{Fuel Price} \times \text{Facility Heat Rate}) + (\text{Lubrication Oil Price} \times \text{Lubrication Oil Usage Rate})$$

Where:

Fuel Price will be the Midwest Diesel Price expressed in \$/MMBtu using the Agency's published price curve for each day the facility is dispatched.

Facility Heat Rate will be the average heat rate expressed in MMBtu/MWh based on the facility's most recent heat rate analysis.

a) Facility Heat Rate

a. Test Year Results

i. 2013 - Last Full Year of Operations

ii. Average kWh per gallon = 12.30

b. Diesel Fuel Heat Content = 5.778 MMBtu/BBL

c. 1 BBL = 42 Gal

$$11.185 \text{ MMBtu} / \text{MWh} =$$

$$(5.778 \text{ MMBTU} / \text{BBL}) \times (\text{BBL} / 42 \text{ Gal}) \times (\text{Gal} / 12.30 \text{ kWh}) \times (1,000 \text{ kWh} / \text{MWh})$$

Lubrication Oil Price will be the price Member pays for lubricating oil expressed in \$/Gal. Member will provide Agency with a lubrication oil price which will be updated at the end of each month for the following month, only if a change occurs in the previous month's price.

Lubrication Oil Usage Rate will be the average usage rate expressed in Gal/MWh based on the facility's most recent lubrication oil analysis.

a) Facility Lubrication Oil Rate

a. Test Year Results

i. 2013 - Last Full Year of Operations

ii. Average kWh per gallon = 0.000628

$$0.628 \text{ Gal} / \text{MWh} =$$

$$(\text{Gal} / 0.000628 \text{ kWh}) \times (1,000 \text{ kWh} / \text{MWh})$$

RESOLUTION

WHEREAS, the Kentucky Municipal Energy Agency (“KYMEA”) and the City of Paris, Kentucky (“Paris”) have entered into a Contract for Use of a Member-Owned Resource for the City of Paris, Kentucky ((Diesel Units) dated as of February 1, 2018 (the “Paris Diesel Contract”); and

WHEREAS, KYMEA and Paris have agreed to certain amendments to the Paris Diesel Contract;

NOW THEREFORE BE IT RESOLVED:

Section 1. Approval and Authorization of Execution of Amendment No. 1 to the Paris Diesel Contract. The Amendment No. 1 to the Paris Diesel Contract by and between KYMEA and Paris is hereby approved, subject to such minor changes, changes of dates, insertions or deletions as may be approved by the President and CEO of KYMEA, such approval to be conclusively evidenced by the execution of said document, in order to effectuate the purposes of this Resolution; and the President and CEO is hereby authorized to execute and acknowledge same for and on behalf of KYMEA.

Section 2. KYMEA Officers to Take Any Other Necessary Action. The President and CEO, the Vice President for Market Analytics, and all other appropriate officials of KYMEA are hereby authorized and directed to take any and all further actions and to execute and deliver all other documents as may be reasonably necessary to effect the purpose of this Resolution and to amend the Paris Diesel Contract.



Paducah Peakers PPA Fourth Amendment

July 24, 2019

Paducah Peakers PPA

Excerpt from Paducah PPA

Exhibit A

FACILITY OPERATIONAL LIMITS

All Day-Ahead Schedules and Day-Ahead Schedule Revisions must be consistent with the Facility units' minimum run time of at least two (2) consecutive hours.

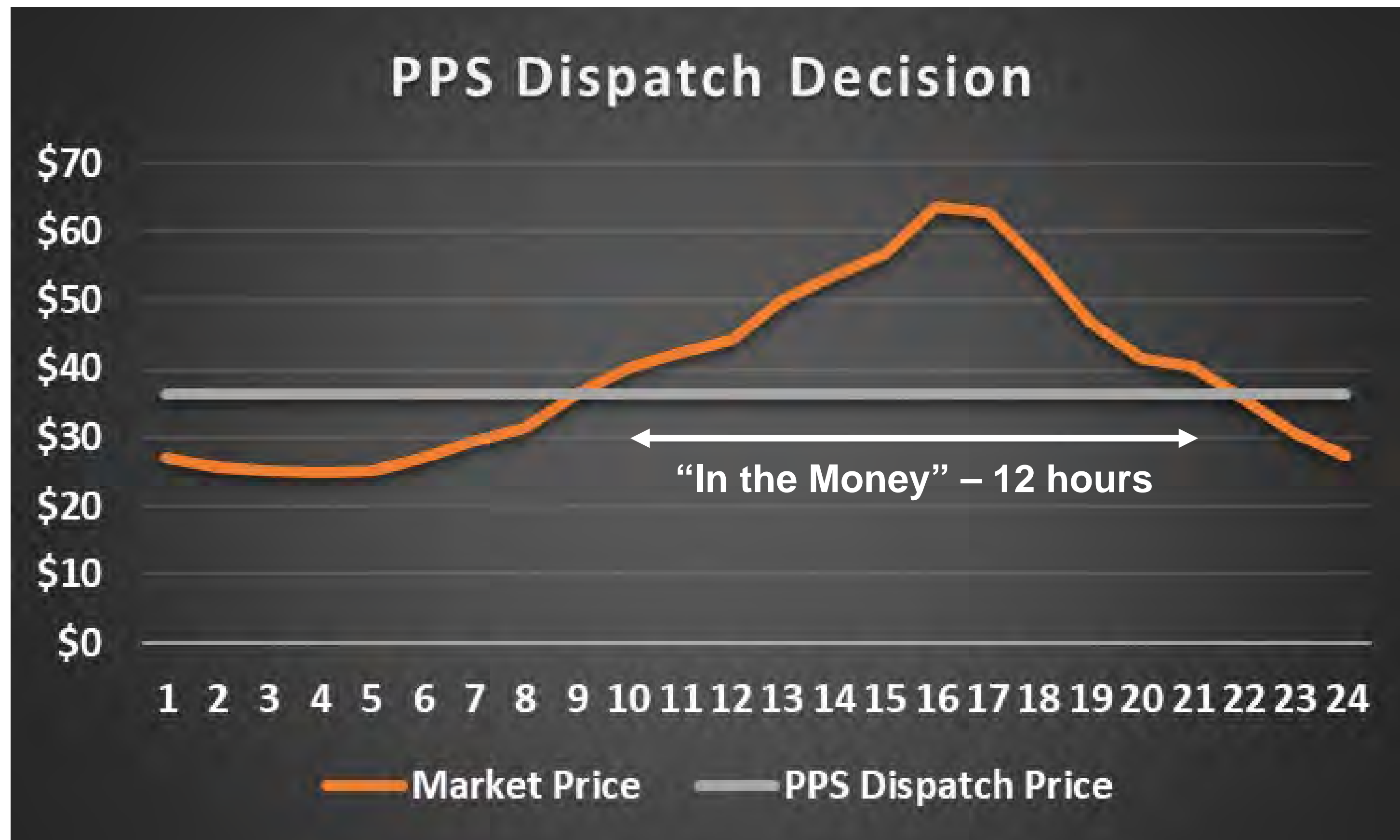
For any calendar day in which the Facility is called on to run for a total of more than 12 hours, each hour of service during such calendar day will be billed to Buyer at twice the applicable VOM_m rate set forth in Exhibit C.

Minimum Hourly Schedule	15 MW
Maximum Hourly Schedule	contracted Peaking Capacity

If the cumulative hours of operation of the Facility on behalf of Buyer exceed 800 during any transmission planning year (i.e., June 1 through May 31), Buyer will be billed at twice the applicable VOM_m rate set forth in Exhibit C for each hour of operation in excess of 800 hours during such transmission planning year.

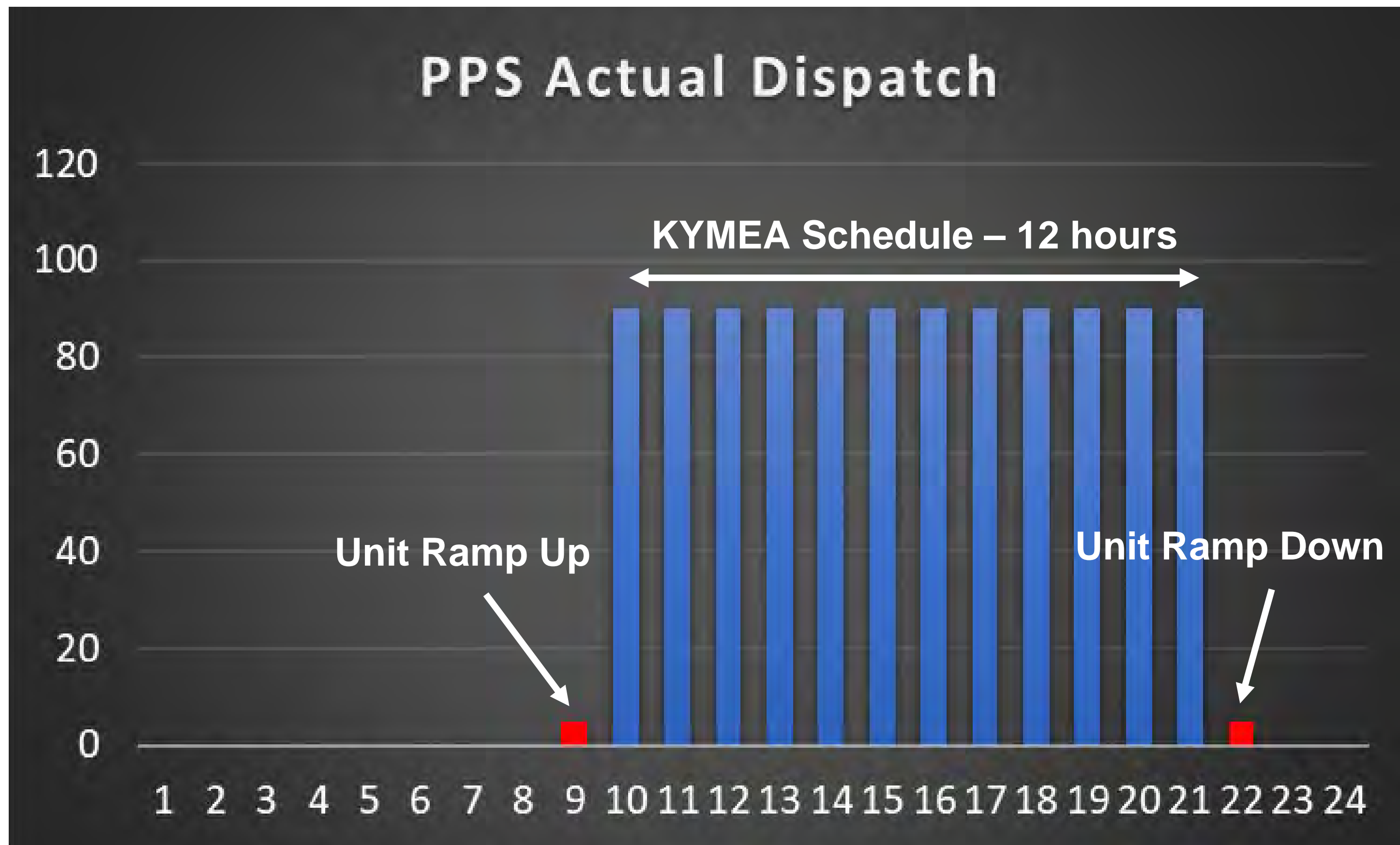
Paducah Scheduling

In most cases, scheduling is determined by market price versus dispatch price. (exceptions for reliability)



Paducah Actual Dispatch

The PPA did not consider schedule versus actual dispatch imbalances due to ramp up and ramp down.



Ramping Issues

- 1. During ramp up and ramp down, KYMEA pays for the fuel and variable O&M as per the monthly energy charge in the contract.**
- 2. However, since KYMEA did not schedule the energy, it does not receive the energy.**
 - One remedy would be to estimate the ramp MWs and schedule them accordingly; however, as the contract stands now the ramp hours would count towards the daily and annual VOM limits.**
 - A second remedy would be for PPS to only operate during the scheduled hours and “over dispatch” within the first and last hour to account for the ramp (make up the difference). However, this may cause less efficient operation of the machines and may exceed maximum unit limitations.**
 - The third remedy is to modify the contract to address financially settling the ramp hours through the LG&E/KU imbalance market. The imbalance market already tracks the difference between scheduled flows and actual flow for both KYMEA and PPS so the MW balancing already occurs.**

Paducah - Fourth Amendment

Proposed Fourth Amendment

- 1. KYMEA will pay fuel and VOM of the energy generated during the unit ramping imbalance period.**
- 2. PPS, not KYMEA, will receive the energy generated during the unit ramping imbalance period.**
- 3. PPS will reimburse KYMEA the imbalance energy based on the LG&E/KU imbalance price.**
- 4. Unit Ramping and Imbalance hours shall not count towards the daily hours run as it applies to the 12-hour daily VOM threshold**
- 5. Unit Ramping and Imbalance hours shall not count towards the annual hours run as it applies to the 800-hour annual VOM threshold**

Board Action

Board Requested Action

- **Staff recommends the Board approve the Resolution allowing the President and CEO, the Vice President for Market Analytics, and all appropriate officials of KYMEA to executive the amended contract with Paducah.**
- **The contract amendment addresses the ramping imbalance issues and allows KYMEA and PPS to settlement the imbalance financially.**

**FOURTH AMENDMENT
TO THE
AGREEMENT FOR THE PURCHASE AND SALE
OF PEAKING CAPACITY AND ENERGY
BETWEEN
ELECTRIC PLANT BOARD OF THE CITY OF PADUCAH, KENTUCKY
DBA PADUCAH POWER SYSTEM AND
KENTUCKY MUNICIPAL ENERGY AGENCY
JULY __, 2019**

The Electric Plant Board of the City of Paducah, Kentucky dba Paducah Power System (hereinafter referred to as “Seller”), a municipal electric corporation organized and existing under the laws of the Commonwealth of Kentucky, and **Kentucky Municipal Energy Agency**, an inter-local agency organized and existing under the laws of the Commonwealth of Kentucky (hereinafter referred to as “Buyer”), hereby agree to and adopt this Fourth Amendment to the AGREEMENT FOR THE PURCHASE AND SALE OF PEAKING CAPACITY AND ENERGY (“Agreement”).

RECITALS

WHEREAS, the Buyer and Seller entered into the Agreement as of the 13th day of July, 2016 for the sale and purchase of certain capacity and energy for a period commencing on June 1, 2019;

WHEREAS, in April 2017 Buyer and Seller agreed to certain modifications to Exhibit B to the Agreement to clarify the escalation calculations;

WHEREAS, in September 2017 Buyer and Seller agreed to certain modifications to amend the Agreement in order to commence the sale and purchase thereunder one month earlier:

WHEREAS, in April 2019 Buyer and Seller agreed to certain modifications to Exhibit A and Exhibit B to the Agreement relating to operations:

WHEREAS, Buyer and Seller now wish to amend the Agreement in order to make certain other changes that the parties have agreed to subsequent to the execution of the original Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Buyer and Seller agree as follows:

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Agreement.

1. Amendments to Agreement

A new Section 5.12 shall be added to the Agreement which shall read as follows:

Section 5.12. Unit Ramping and Scheduling Imbalances

Due to the physical characteristics of thermal generating units, imbalances between the scheduled energy and the energy generated by the units can occur as the unit ramps up during start-up and ramps down during shutdown. During unit start-up, the ramp imbalance occurs on the hour prior to the Buyer's scheduled energy as the unit is warmed up to be brought on-line for the upcoming hour. Conversely, during unit shutdown, generation will continue to occur on the hour after the schedule has been completed for unit cool down.

To address the physical inability to instantly be either on or off, the Seller and Buyer agree to settle the unit ramping and scheduling imbalances as follows.

- (a) Buyer will pay fuel and VOM of the energy generated during the unit ramping imbalance period.
- (b) Seller, not the Buyer, will receive the energy generated during the unit ramping imbalance period.
- (c) Seller will reimburse Buyer the imbalance energy based on the Balancing Authority's Monthly Weighted Average imbalance price used in Tier 1 purchase and sale of energy.
- (d) Unit Ramping and Imbalance hours shall not count towards the daily hours run as it applies to the 12 hour daily VOM threshold.
- (e) Unit Ramping and Imbalance hours shall not count towards the annual hours run as it applies to the 800 hour annual VOM threshold.

2. No other change, modification or amendment to Agreement.

Except as specified herein, all of the remaining terms, provisions and conditions of the Agreement shall remain unchanged, in full force and effect and fully binding on Buyer and Seller.

3. Execution.

This Fourth Amendment may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Any facsimile copies hereof or signature hereon shall, for all purposes, be deemed originals.

IN WITNESS WHEREOF, the Parties hereto have caused this Fourth Amendment to the Agreement to be executed as of the date first above written.

**ELECTRIC PLANT BOARD OF THE CITY OF PADUCAH, KENTUCKY DBA
PADUCAH POWER SYSTEM**

By: _____
Name: David Carroll
Title: General Manager

ATTEST:

By: _____
Name: Hardy Roberts
Title: Chairman of the Board

KENTUCKY MUNICIPAL ENERGY AGENCY

By: _____
Name: Doug Buresh
Title: President & CEO

RESOLUTION

WHEREAS, the Kentucky Municipal Energy Agency (“KYMEA”) and the Electric Plant Board of the City of Paducah, Kentucky d/b/a Paducah Power System (“Paducah Power”) have entered into an Agreement for the Purchased and Sale of Peaking Capacity and Energy dated as of July 13, 2016 (the “Paducah Power PPA”); and

WHEREAS, KYMEA and Paducah Power have agreed to certain amendments to the Paducah Power PPA;

NOW THEREFORE BE IT RESOLVED:

Section 1. Approval and Authorization of Execution of Fourth Amendment to the Paducah Power PPA. The Fourth Amendment to the Paducah Power PPA by and between KYMEA and Paducah Power is hereby approved, subject to such minor changes, changes of dates, insertions or deletions as may be approved by the President and CEO of KYMEA, such approval to be conclusively evidenced by the execution of said document, in order to effectuate the purposes of this Resolution; and the President and CEO is hereby authorized to execute and acknowledge same for and on behalf of KYMEA.

Section 2. KYMEA Officers to Take Any Other Necessary Action. The President and CEO, the Vice President for Market Analytics, and all other appropriate officials of KYMEA are hereby authorized and directed to take any and all further actions and to execute and deliver all other documents as may be reasonably necessary to effect the purpose of this Resolution and to amend the Paducah Power PPA.

CERTIFICATE OF SECRETARY

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Kentucky Municipal Energy Agency, that the foregoing Resolution is a true copy of a Resolution introduced, read and adopted at a properly convened meeting of said Agency's Board of Directors on July 24, 2019, as shown by the official records in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823, that a quorum was present at said meeting, which said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN WITNESS WHEREOF, I have hereto set my hand as Secretary of the Agency this 24th day of July, 2019.

Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Kentucky Municipal Energy Agency, that the foregoing Resolution is a true copy of a Resolution introduced, read and adopted at a properly convened meeting of said Agency's Board of Directors on July 24, 2019, as shown by the official records in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823, that a quorum was present at said meeting, which said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN WITNESS WHEREOF, I have hereto set my hand as Secretary of the Agency this 24th day of July, 2019.

Secretary



FERC Litigation Committee

Ron Herd

July 24, 2019

Special Committees

Excerpt from KYMEA Bylaws

Section 6. The Board of Directors, the Executive Committee or the Chairman shall have the power to appoint special committees of the Board of Directors and the Agency as deemed necessary and appropriate for conduct of the Agency's business. All such committees shall be subject to the guidance of the Board.

KYMEA Special Committees

- **Budget Committee**
- **Board Risk Oversight Committee (BROC)**
- **Compensation Committee**

FERC Litigation Committee

FERC Litigation Committee

Purpose: Temporary working group to address pending FERC litigation issues.

Committee Members

- **Board Risk Oversight Committee (BROC)**
- **AR Project Chairman**
- **KYMEA FERC Counsel**

Board Action

Board Requested Action

- **Chairman recommends the Board approve the Resolution creating a temporary FERC Litigation Committee consisting of the Chairman of the AR Project Committee, the Board Risk Oversight Committee, and KYMEA's FERC Counsel.**

Closed Session Authorization for July 24, 2019 KYMEA Board Meeting

Approval to enter into Closed Session pursuant to KRS 61.810(1)(c); KRS 61.810(1)(k); KRS 61.878(1)(c) and KRS 61.878(1)(j) for the purpose of:

- (i) discussing proposed, potential or pending litigation relating to KYMEA and its members relating to transmission issues; and
- (ii) discussing the market report and KYMEA's future and potential hedging strategy

KRS 61.810(1)(c) allows for closed session for the purpose of discussing proposed, potential and pending litigation relating to the agency.

KRS 61.810(1)(k) and 61.878(1)(j) allow for closed session where presentation, discussion and review of preliminary recommendations and preliminary memoranda in which opinions are expressed or policies formulated or recommended.