



# **Board Packet**

## **December 18, 2019**



# 2020 BOARD MEETING



KENTUCKY MUNICIPAL ENERGY AGENCY

MONTH	DATE	LOCATION	MONTH	DATE	LOCATION
JANUARY	1/23 10 AM EST	KYMEA Board Room	JULY - SPECIAL MEETING	7/22 1 PM	KYMEA Board Room
FEBRUARY	2/27 10 AM EST	KYMEA Board Room	AUGUST	8/27 10 AM EST	KYMEA Board Room
MARCH	3/26 10 AM EST	KYMEA Board Room	SEPTEMBER	9/24 10 AM EST	KYMEA Board Room
APRIL - SPECIAL MEETING	4/22 1 PM CST	KMUA - Bowling Green	OCTOBER - SPECIAL MEETING	10/21 10 AM EST	KYMEA Board Room
MAY - ANNUAL MEETING	5/29 10 AM EST	KYMEA Board Room	NOVEMBER	11/18 10 AM EST	KYMEA Board Room
JUNE	6/25 10 AM EST	KYMEA Board Room	DECEMBER	12/16 10 AM EST	KYMEA Board Room

DISCOVER THE POWER OF ENERGY OPTIONS



JANUARY							FEBRUARY							MARCH							APRIL							MAY							JUNE						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S							
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JULY							AUGUST							SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S							
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							30	31																																	

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.

# KYMEA COMMITTEE CALENDAR

# 2020

<b>January</b>	<b>July</b>
22 <sup>nd</sup> AR Rates Workshop-3pm	
23 <sup>rd</sup> Budget Committee-10am	
<b>February</b>	<b>August</b>
27 <sup>th</sup> Budget Committee-10am	
27 <sup>th</sup> AR Committee-10:30am	
<b>March</b>	<b>September</b>
13 <sup>th</sup> IRC Committee-10am	11 <sup>th</sup> IRC Committee-10am
26 <sup>th</sup> BROC Committee-8:30am	24 <sup>th</sup> BROC Committee-8:30am
26 <sup>th</sup> AR Committee-10am	
<b>April</b>	<b>October</b>
	21 <sup>st</sup> Compensation Committee-10am
<b>May</b>	<b>November</b>
	17 <sup>th</sup> Budget Committee-2pm
	18 <sup>th</sup> Compensation Committee-8:30am
<b>June</b>	<b>December</b>
12 <sup>th</sup> IRC Committee-10am	4 <sup>th</sup> IRC Committee-10am
25 <sup>th</sup> BROC Committee-8:30am	15 <sup>th</sup> Budget Committee-2pm
	16 <sup>th</sup> BROC Committee-8:30am
	16 <sup>th</sup> AR Rates Workshop-2pm

## JANUARY

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## FEBRUARY

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## MARCH

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## APRIL

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## JUNE

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## JULY

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## SEPTEMBER

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## OCTOBER

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31						

## NOVEMBER

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22	23	24	25	26	27	28
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## DECEMBER

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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
<b>Officers</b>			
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	
<b>Executive Committee</b>			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	
<b>All Requirements Project Committee</b>			December - February
Chris Melton (Chairman)	All AR Directors hold a seat	May 23, 2021	December: Workshop - Staff presents current year proforma
All AR Directors			January: Workshop – Staff present preliminary AR rate design
KYMEA CEO (non-voting)			February: Staff presents preliminary AR rates
KYMEA CFO (non-voting)			March: Committee approval/ Board Approval of AR Rates
<b>Board Risk Oversight Committee (BROC)</b>			Quarterly
Gary Zheng (Chairman)		May 23, 2021	March, June, September, & December
Tim Lyons		May 23, 2021	
KYMEA CEO			
KYMEA CFO			
KYMEA Legal Counsel			
<b>Internal Risk Committee (IRC)</b>			Quarterly
KYMEA CEO (Chairman)			March, June, September, & December
KYMEA VP of Market Analytics			
KYMEA CFO			
KYMEA Legal Counsel			
<b>Budget Committee</b>			November - January
Chris Melton (Chairman)		May 23, 2021	November: Staff presents preliminary budget to committee
Josh Callihan		May 23, 2021	December: Complete committee changes/ Budget committee approval
Mike Withrow		May 23, 2021	January: No meeting, Budget presented to board
KYMEA CEO (non-voting)			February: Board approval of budget
KYMEA CFO (non-voting)			
<b>Compensation Committee</b>			October - December
Ron Herd (Chairman)		May 23, 2021	October/ November: Working group to establish CEO compensation
Josh Callihan		May 23, 2021	December: Committee presents the CEO's compensation to the board
Chris Melton		May 23, 2021	
Kevin Howard		May 23, 2021	
KYMEA Legal Counsel (non-voting)			
<b>FERC Litigation Committee</b>			October - December
Chris Melton			Working group during FERC litigation
Gary Zheng (Chairman)			
Tim Lyons			
KYMEA CEO			
KYMEA CFO			
KYMEA Legal Counsel			



KENTUCKY MUNICIPAL ENERGY AGENCY

January 23, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	AR Committee	CEO	FY 2021 Budget	
	Budget	Finance and Accounting		
		Market Analytics		
		Member Communications		

February 27, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	AR Committee	CEO	FY 2021 AR Rates Presentation	FY 2021 Budget
	Budget	Finance and Accounting		
		Market Analytics		
		Member Communications		

March 26, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	IRC	CEO		FY 2021 AR Rates
	BROC	Finance and Accounting		
	AR Committee	Market Analytics		
		Member Communications		

April 22, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	BROC	CEO		
		Finance and Accounting		
		Market Analytics		
		Member Communications		



KENTUCKY MUNICIPAL ENERGY AGENCY

May 29, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
		CEO	Cash Reserve Policy	
		Finance and Accounting		
		Market Analytics		
		Member Communications		

June 25, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	BROC	CEO		
		Finance and Accounting		
		Market Analytics		
		Member Communications		

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



KENTUCKY MUNICIPAL ENERGY AGENCY

## Notice of Meeting of the KYMEA Board of Directors

**Location: 1700 Eastpoint Pkwy Ste. 220  
Wednesday, December 18, 2019, 10 AM**

### 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 BROC Committee
- D.2 Budget Committee
- D.3 Compensation Committee

### E. Administration Reports

- E.1 CEO
- E.2 Member Communications

### F. Discussion Topics

- F.1 Legislative Update
- F.2 KYMEA-Year in Review

### G. Action Items

None Expected

### H. Public Comments

### I. Upcoming Meetings & Other Business

### J. Closed Session

- J.1 Market Report/Hedging Strategy
- J.2 CEO Performance Review
- J.3 Other topics

### K. Actions Related to Closed Session

- K.1 Winter Readiness Agreement

### L. Adjournment

# Meeting Minutes





## **Notice of Meeting of the KYMEA Board of Directors**

**Location: 1700 Eastpoint Parkway Ste. 220, Louisville, KY 40223**

**Wednesday, November 20, 2019, 10 AM**

### **A. Meeting Opening**

A.1. Attendance: Taken at 10:07 AM

#### **Present Board Members:**

Josh Callihan

Ronald Herd

Philip King (Remote Participant entered the meeting at 10:07 AM, left the meeting at 11:07 AM)

Chris Melton

Mike Withrow

Tim Lyons (Proxy for Kevin Frizzell)

Kevin Howard

Gary Zheng

#### **Absent Board Members:**

Carl Shoupe

Doug Hammers

Kevin Frizzell

Ramona Williams

#### **Staff Present:**

Michelle Hixon

Heather Overby

Doug Buresh

Rob Leesman

#### **Others Present:**

Charles Musson

Vent Foster

Pat Pace

Andy McDonald



A.2. Guest Introductions: The Chairman thanked our guests for attending today's meeting. Andy McDonald introduced himself from Earth Tools and Envision Franklin County.

A.3. Call to Order: Chairman, Ron Herd, called the meeting to order at 10:09 AM. A quorum of board members was present, and the Board was ready to proceed with business.

## 2. Meeting Minutes

### 2.1 Approval of the regular minutes of October 23, 2019

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

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Philip King	Absent
Tim Lyons	Yes
(Proxy for Kevin Frizzell)	
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

## C. Financial Reports

### 2.2 Approval of last month's Financial Reports

**Motion Passed:** Approval of the previous month's financial reports passed with a motion by Josh Callihan and second by Mike Withrow.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes



Carl Shoupe	Absent
Philip King	Absent
Tim Lyons	Yes
(Proxy for Kevin Frizzell)	
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

#### D. Committee Reports

D.1 Budget Committee: Chairman, Chris Melton reported that the Budget Committee had a great meeting on 11/19/2019. The committee and staff are working together to make a few changes before bringing a budget recommendation to the Board in January.

D.2 Compensation Committee: Chairman, Ron Herd reported that there was a compensation committee meeting earlier this morning that went well. The committee is still working through a few things but expects to have a recommendation for updating the President and CEO's contract by the next meeting.

#### 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 Legislative Update: Doug Buresh gave an update on legislative activities.

#### G. Action Items

G.1 Paducah Amendment #5: Doug informed the Board on the need for the amendment as discussed last month and requested authority to sign the amendment.

**Motion Passed:** Motion to authorize the CEO to sign the Paducah Amendment #5 passed with a motion by Josh Callihan and a second by Mike Withrow.

**8 Yeas - 0 Nays.**

Josh Callihan	Yes
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Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Philip King	Yes
Tim Lyons	Yes
(Proxy for Kevin Frizzell)	
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

## 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.

Andy McDonald shared his concern about possible IRP outcomes. He urged the Agency not to enter into fossil fuel or natural gas generation projects. He requested to review the IRP draft and any completed IRP documents.

## I. Upcoming Meetings and Other Business

Next Meeting is Wednesday December 18th at 10 AM

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.

## J. Closed Session

Closed Session Authorization for November 20, 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;

(ii) discussing proposed or potential power purchases or sales that have been disclosed in confidentiality to KYMEA; and

(iii) 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)(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.

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.

**Motion Passed:** Motion to enter into closed session passed with a motion by Tim Lyons (Proxy for Kevin Frizzell) and a second by Josh Callihan.

### 8 Yeas - 0 Nays.

Josh Callihan	Yes
Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Philip King	Yes
Tim Lyons	Yes
(Proxy for Kevin Frizzell)	
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 Josh Callihan and a second by Tim Lyons (Proxy for Kevin Frizzell).

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Philip King	Absent
Tim Lyons	Yes
(Proxy for Kevin Frizzell)	
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 Josh Callihan and a second by Mike Withrow.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Philip King	Absent
Tim Lyons	Yes
(Proxy for Kevin Frizzell)	
Doug Hammers	Absent
Kevin Howard	Yes



Ramona Williams	Absent
Gary Zheng	Yes

X

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Chairperson

X

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Secretary

# Financial Reports





# Financial Presentation

December 18, 2019

# Statement of Net Position – November 2019

1. Checking account cash

2. Billing to AR &  
Transmission service  
members and ancillary  
services



## Statements of Net Position Nov-19

HRO

		<u>Nov 2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$	7,530,087 <sup>1</sup>
Other receivables		7,355,147 <sup>2</sup>
Prepayments		5,468
<b>Total Current Assets</b>		<b>14,890,702</b>

# Statement of Net Position – November 2019

3. Collateral represents \$1.2M at MISO and \$800k at PJM

4. Fixed asset clearing represents project to date costs to install additional meter equipment at Paducah and Accounting System computer equipment.

## NON-CURRENT ASSETS

### Restricted Assets

Pledged collateral	1,978,471	3
Interest receivable	-	
<b>Total Restricted Assets</b>	<b>1,978,471</b>	

### Capital Assets

Fixed Asset Clearing Account	-	4
Office Buildout	253,638	
Meters - AR Project	210,090	
Meter Comm Equipment	330,672	
General Plant	739,412	
Construction work in progress	-	
Less Accumulated Depreciation	(160,832)	
<b>Net Capital Assets</b>	<b>1,372,980</b>	

**Total Non-Current Assets** 3,351,451

**Total Assets** 18,242,153

# Statement of Net Position – November 2019

## **LIABILITIES**

### **CURRENT LIABILITIES**

Accounts Payable	\$	9,520,582	5
Accrued Employee Benefits		86,541	
Accrued interest payable		41,060	
<b>Total Current Liabilities</b>		<b>9,648,183</b>	

### **NON-CURRENT LIABILITIES**

Deferred Lease Liability		35,047	6
Line of Credit		-	7
<b>Total Non-Current Liabilities</b>		<b>35,047</b>	

<b>Total Liabilities</b>		<b>9,683,230</b>	
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## **Net Position**

Invested in capital assets, net of related debt		1,372,981	
Restricted		-	
Unrestricted		7,185,942	
<b>TOTAL NET POSITION</b>		<b>8,558,923</b>	8

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

7. Line of Credit paid off in August. No activity in November

8. Positive net position - LTD

# Revenue, Expenses, and Changes in Net Position – November 2019

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

	November 2019	YTD FY20	
<b>OPERATING REVENUES</b>			
Sales to members	\$ 6,254,061	\$ 36,636,624	9
Other revenues	109,714	497,282	10
<b>TOTAL OPERATING REVENUE</b>	<b>6,363,775</b>	<b>37,133,906</b>	
<b>OPERATING EXPENSES</b>			
Transmission	635,340	3,462,676	11
Production	5,004,929	26,569,720	12
Administrative and General	172,765	885,356	
Depreciation	24,065	79,574	
Future recoverable costs	-	-	
<b>TOTAL PURCHASE POWER AND OPERATING EXPENSES</b>	<b>5,837,098</b>	<b>30,747,223</b>	
<b>OPERATING INCOME</b>	<b>526,677</b>	<b>6,386,683</b>	
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest expense on debt	-	(21,929)	
Interest income	-	8,597	
Other non-operating expenses (income)	(325)	(18,947)	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(325)</b>	<b>(32,279)</b>	
<b>CHANGE IN NET POSITION</b>	<b>526,352</b>	<b>6,354,404</b>	13
<b>NET POSITION AT BEGINNING OF PERIOD</b>	<b>\$ 8,032,572</b>	<b>2,204,519</b>	
<b>NET POSITION AT END OF PERIOD</b>	<b>\$ 8,558,923</b>	<b>8,558,923</b>	

9. Sales to AR Members

10. Sales of transmission and ancillary services

11. Transmission from MISO, PJM, and KU net of depancaking credit

12. All purchase power including PPA, ITO, and SEPA

13. Positive net income

# Indirect Cash Flow— November 2019

## 14. Net Income

## 15. Timing of Accounts Payable has largest effect of operational items on cash.

## 16. Cash balance in checking account

CONSOLIDATED STATEMENT OF CASH FLOWS		CY Month Ended 11/30/2019	CY YTD FY 2020
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
NET INCOME	\$	526,352	\$ 6,354,404
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH:			
DEPRECIATION	\$	24,065	\$ 79,574
AMORTIZATION OF:			
ACQUISITION ADJUSTMENT			\$ -
			\$ -
CHANGES IN CURRENT & DEFERRED ITEMS:			
ACCOUNTS RECEIVABLE	\$	221,517	\$ 619,965
MATERIALS & SUPPLIES			\$ -
PREPAYMENTS & OTHER CURRENT ASSETS			\$ 1,196
DEFERRED DEBITS	\$	1,367	\$ 6,461
OTHER REG ASSETS AND DEFERRED OUTFLOW OF RESOURCES			\$ -
ACCOUNTS PAYABLE	\$	62,737	\$ 1,511,911
COLLATERAL DEPOSITS			\$ -
TAXES & INTEREST ACCRUED	\$	(838)	\$ 24,989
OTHER CURRENT LIABILITIES	\$	(16,209)	\$ (1,973)
DEFERRED CREDITS	\$	326	\$ 2,591
OTHER			\$ -
NET CASH PROVIDED BY (USED IN) OPERATION	\$	819,316	\$ 8,599,118
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>			
ADDITIONS TO PLANT	\$	(727)	\$ (89,097)
NET CHANGE IN OTHER PROP & INVEST	\$	-	\$ 297,640
PLANT SOLD (PURCHASED) - NONINSTALLMENT METHOD	\$	-	\$ -
OTHER - ASSET RETIREMENT OBLIGATIONS	\$	-	\$ -
NET CASH PROVIDED BY (USED IN) INVESTING	\$	(727)	\$ 208,543
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>			
LONG TERM BORROWINGS	\$	-	\$ -
PAYMENT ON LONG TERM DEBT	\$	-	\$ (9,032,768)
OTHER	\$	-	\$ -
NET CASH PROVIDED BY (USED IN) FINANCING	\$	-	\$ (9,032,768)
NET INCREASE (DECREASE) IN CASH & TEMP INVESTMENTS	\$	818,588	\$ (225,107)
CASH & TEMP INVESTMENTS BEGINNING PERIOD	\$	6,711,499	\$ 7,755,194
CASH & TEMP INVESTMENTS END OF PERIOD	\$	7,530,088	\$ 7,530,088

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KENTUCKY MUNICIPAL ENERGY AGENCY

**Statements of Net Position**  
**Nov-19**

HRO

	Nov 2019
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 7,530,087
Other receivables	7,355,147
Prepayments	5,468
<b>Total Current Assets</b>	<b>14,890,702</b>
<b>NON-CURRENT ASSETS</b>	
Restricted Assets	
Pledged collateral	1,978,471
Interest receivable	-
<b>Total Restricted Assets</b>	<b>1,978,471</b>
Capital Assets	
Fixed Asset Clearing Account	-
Office Buildout	253,638
Meters - AR Project	210,090
Meter Comm Equipment	330,672
General Plant	739,412
Construction work in progress	-
Less Accumulated Depreciation	(160,832)
<b>Net Capital Assets</b>	<b>1,372,980</b>
<b>Total Non-Current Assets</b>	<b>3,351,451</b>
<b>Total Assets</b>	<b>18,242,153</b>



KENTUCKY MUNICIPAL ENERGY AGENCY

**Statements of Net Position**  
**Nov-19**

HRO

Nov  
2019

***LIABILITIES***

**CURRENT LIABILITIES**

Accounts Payable	\$	9,520,582
Accrued Employee Benefits		86,541
Accrued interest payable		41,060
<b>Total Current Liabilities</b>		<b>9,648,183</b>

**NON-CURRENT LIABILITIES**

Deferred Lease Liability	35,047
Line of Credit	-
<b>Total Non-Current Liabilities</b>	<b>35,047</b>

**Total Liabilities** 9,683,230

***Net Position***

Invested in capital assets, net of related debt	1,372,981
Restricted	-
Unrestricted	7,185,942
<b>TOTAL NET POSITION</b>	<b>8,558,923</b>



KENTUCKY MUNICIPAL ENERGY AGENCY

HRO

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

	<b>November 2019</b>	<b>YTD FY20</b>
<b>OPERATING REVENUES</b>		
Sales to members	\$ 6,254,061	\$ 36,636,624
Other revenues	109,714	497,282
<b>TOTAL OPERATING REVENUE</b>	<b>6,363,775</b>	<b>37,133,906</b>
<b>OPERATING EXPENSES</b>		
Transmission	635,340	3,462,676
Production	5,004,929	26,569,720
Administrative and General	172,765	885,356
Depreciation	24,065	79,574
Future recoverable costs	-	-
<b>TOTAL PURCHASE POWER AND OPERATING EXPENSES</b>	<b>5,837,098</b>	<b>30,747,223</b>
<b>OPERATING INCOME</b>	<b>526,677</b>	<b>6,386,683</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest expense on debt	-	(21,929)
Interest income	-	8,597
Other non-operating expenses (income)	(325)	(18,947)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(325)</b>	<b>(32,279)</b>
<b>CHANGE IN NET POSITION</b>	<b>526,352</b>	<b>6,354,404</b>
<b>NET POSITION AT BEGINNING OF PERIOD</b>	<b>\$ 8,032,572</b>	<b>2,204,519</b>
<b>NET POSITION AT END OF PERIOD</b>	<b>\$ 8,558,923</b>	<b>8,558,923</b>



KENTUCKY MUNICIPAL ENERGY AGENCY

HRO  
12/10/2019

CONSOLIDATED STATEMENT OF CASH FLOWS	CY		CY	
	Month Ended		YTD	
	11/30/2019		FY 2020	
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
NET INCOME	\$	526,352	\$	6,354,404
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH:				
DEPRECIATION	\$	24,065	\$	79,574
AMORTIZATION OF:				
ACQUISITION ADJUSTMENT			\$	-
			\$	-
CHANGES IN CURRENT & DEFERRED ITEMS:				
ACCOUNTS RECEIVABLE	\$	221,517	\$	619,965
MATERIALS & SUPPLIES			\$	-
PREPAYMENTS & OTHER CURRENT ASSETS			\$	1,196
DEFERRED DEBITS	\$	1,367	\$	6,461
OTHER REG ASSETS AND DEFERRED OUTFLOW OF RESOURCES			\$	-
ACCOUNTS PAYABLE	\$	62,737	\$	1,511,911
COLLATERAL DEPOSITS			\$	-
TAXES & INTEREST ACCRUED	\$	(838)	\$	24,989
OTHER CURRENT LIABILITIES	\$	(16,209)	\$	(1,973)
DEFERRED CREDITS	\$	326	\$	2,591
OTHER			\$	-
NET CASH PROVIDED BY (USED IN) OPERATION	\$	819,316	\$	8,599,118
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>				
ADDITIONS TO PLANT	\$	(727)	\$	(89,097)
NET CHANGE IN OTHER PROP & INVEST	\$	-	\$	297,640
PLANT SOLD (PURCHASED) - NONINSTALLMENT METHOD	\$	-	\$	-
OTHER - ASSET RETIREMENT OBLIGATIONS	\$	-	\$	-
NET CASH PROVIDED BY (USED IN) INVESTING	\$	(727)	\$	208,543
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>				
LONG TERM BORROWINGS	\$	-	\$	-
PAYMENT ON LONG TERM DEBT	\$	-	\$	(9,032,768)
OTHER	\$	-	\$	-
NET CASH PROVIDED BY (USED IN) FINANCING	\$	-	\$	(9,032,768)
NET INCREASE (DECREASE) IN CASH & TEMP INVESTMENTS	\$	818,588	\$	(225,107)
CASH & TEMP INVESTMENTS BEGINNING PERIOD	\$	6,711,499	\$	7,755,194
CASH & TEMP INVESTMENTS END OF PERIOD	\$	7,530,088	\$	7,530,088

## Reconciliation Transactions Report

12/10/19 10:38:48 AM

11/01/19-11/30/19 131.00 CASH

User Id: 2011

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Statement Ending Balance :	7,890,665.86
Outstanding Payments(-) :	8.10
Adjustments in Transit(+) :	.00
Deposits in Transit(+) :	.00
Adjusted Bank Balance :	<u>7,890,657.76</u>
Book Balance :	7,890,657.76
Pending Adjustments :	.00
Adjusted Book Balance :	<u>7,890,657.76</u>
Difference :	.00



# Committee Reports

## D. Committee Reports

- D.1 BROC Committee
- D.2 Budget Committee
- D.3 Compensation Committee





KENTUCKY MUNICIPAL ENERGY AGENCY

# Report

1700 Eastpoint Pkwy Ste. 220 Louisville, KY 40223  
P: (502) 242-5635 • F: (502) 242-5640  
www.kymea.org

**To:** KYMEA Board of Directors

**From:** Board Risk Oversight Committee (BROC)

**Date:** December 18, 2019

**Re:** BROC Meeting on 12/18/2019

A meeting of the Board Risk Oversight Committee was held on 12/18/2019. Gary Zheng (Chairman), Tim Lyons, Doug Buresh, Heather Overby, Charlie Musson, Rob Leesman, and Michelle Hixon were present.

The chairman, Gary Zheng called the meeting to order at 8:30 AM and Doug Buresh began with an update from the IRC. The committee reviewed the following key responsibilities of the BROC:

- a. **Monitors the activities of the IRC to ensure compliance with the Enterprise Risk Management Policy;** the BROC notes that the IRC is in compliance.
- b. **Receives and reviews from the Internal Risk Committee quarterly Risk Management reports on Business Operations, Energy, and Financial activities;** The BROC reviewed the quarterly report from the 12/13/2019 IRC meeting.
- c. **Reports annually on the Risk Management activities and results to the KYMEA Board;** The Fitch Rating Report was released November 1, 2019 and presented to the BROC.
- d. **Reviews and recommends changes of the Risk Management Policies to the KYMEA Board as it deems appropriate.** The ERM was approved by the board in April and no additions are needed at this time.

## Action Items

There were no actionable items.

The next BROC meeting will be held March 26, 2020 at 8:30 AM in Louisville.

## Attachments

IRC Report – 12/13/2019

Fitch Rating Report



KENTUCKY MUNICIPAL ENERGY AGENCY

**To:** Board Risk Oversight Committee (BROC)

**From:** Internal Risk Committee (IRC)

**Date:** December 13, 2019

**Re:** IRC Meeting on 12/13/2019

A meeting of the Internal Risk Committee took place on 12/13/2019. Doug Buresh, Heather Overby, Rob Leesman, Charlie Musson, and Michelle Hixon were present.

The Chairman, Doug, called the meeting to order at 10:07 AM and began a discussion regarding the status of enabling agreements and EEI's. Rob gave an update on where we are with the individual contracts. A meeting was held on December 5<sup>th</sup> with ACES to review some of the work that the staff had done on the EEI's. We are working to finalize the NextEra agreement and expect it to be executed in the next 30 days. We are currently reviewing agreements with BP and Morgan Stanley. The Chairman reviewed the Enterprise Risk Management Policy and discussed the following risk categories.

## 1. Business Operations Risks

- a. **Business interruption:** An exact replica of the current meter data server is being installed at ACES Offices in Carmel. It will run side by side with the primary server as a back-up if an event would render the KYMEA office non-operational. Fiber has been installed at the Carmel location. Strategic Communications will be completing the redundant server install by the end of December. Staff obtained a quote from Strategic Communications for 24/7 IT support. The staff is currently negotiating the contract terms with Strategic and is also assessing the value and need for 24/7 IT support.
- b. **Winter Readiness:** As part of the Agency's ability to serve load this winter, the Market Analytics team reviewed a number of n-1 winter contingency scenarios. The KYMEA Board will be asked to authorize staff to negotiate a backup power agreement with OMU to provide energy to KYMEA from Elmer Smith in the event of transmission curtailments. KYMEA has determined that PPS gas supply is on an interruptible tariff. There is no history of past curtailment on the system even during polar vortex conditions.

## 2. Energy Risks

- a. **Position Report:** Staff has developed a position report to present to the BROCC.
- b. **Trading Matrix & Hedge Plan:** Staff has developed a trading matrix and is working on finalizing the hedge plan for the BROCC. The plan will mirror the boundaries described in the ERM that has been approved by the Board.
- c. **Volumetric risk**
  - i. **Load forecast/weather variability risk:** KYMEA staff is working with ITRON to consider an annual expected forecast and weather uncertainty for the next fiscal year.

## 3. Financial Risks

- a. **Financial risk** Staff is developing a financial health metrics scorecard for the agency by June 30, 2020 and score annually thereafter. All past due receivables have been addressed.
- b. **Credit risk:** The agency has collateral in place to help mitigate this risk. The agency and ACES are monitoring day to day market prices.
- c. **Credit Rating:** Fitch has reaffirmed KYMEA's "A" rating with a stable outlook.

The next IRC meeting will be held on March 13, 2020, at 10 AM in Louisville.

## Attachments

None

# **FITCH AFFIRMS KENTUCKY MUNI ENERGY AGENCY PROJECT OBLIGATIONS AT 'A'; OUTLOOK STABLE**

Fitch Ratings-New York-01 November 2019: Fitch Ratings has affirmed the 'A' Issuer Default Rating (IDR) of the Kentucky Municipal Energy Agency (KYMEA or the Agency) and the 'A' rating on the all-requirements project obligations (ARP Obligations) of KYMEA.

The Rating Outlook is Stable.

## **ANALYTICAL CONCLUSION**

The IDR and rating on the Kentucky Municipal Energy Agency's (KYMEA) all-requirements project obligations (ARP obligations) primarily reflect the credit quality of the largest member, the Electric and Water Plant Board of Frankfort, KY (FPB) and FPB's ability to support ARP obligations. The rating reliance on FPB further reflects KYMEA's limited operating history.

FPB is an enterprise fund of the City of Frankfort, KY, providing electric, water and telecommunications services throughout the city and to portions of the county and surrounding areas. FPB's strong credit quality is supported by stable financial performance at its electric and water systems, which serve approximately 40,000 customers throughout its service area, and overall improving system leverage. Margins at FPB's telecomm business have been robust, but the business' competitive nature introduces meaningful risk to the overall revenue base. The service area is considered strong with limited customer growth offset by average unemployment and income levels (Franklin County).

Additional rating considerations include the strong revenue framework afforded by the long-term, take-and-pay power sales contracts (PSCs) KYMEA signed with its ARP members, and the rate-setting requirements pursuant to those contracts that provide a de-facto unlimited step-up from FPB and the other seven ARP members.

Until KYMEA has established a multi-year operating and financial performance history sufficient to support an independent assessment, the IDR and ARP ratings will continue to reflect the credit quality of its largest members.

## **CREDIT PROFILE**

KYMEA is a joint action agency created in 2015 to assist its members in serving their current and future power and energy requirements. Eight of KYMEA's 11 members elected to create a separate project - the ARP Project - pursuant to which KYMEA will supply and the members will purchase all power and energy needed to meet their respective retail requirements. The agreement became effective on May 1, 2019.

The eight members are bound by long-term take-and-pay PSCs that collectively obligate the systems, on an absolute and unconditional basis, to provide revenue sufficient to allow KYMEA to meet its ARP obligations. KYMEA is required to set and maintain rates that are sufficient to meet its revenue requirements, providing a de facto unlimited step-up in the event of member default.

The eight ARP members are geographically dispersed throughout the Commonwealth of Kentucky and vary in size. The largest ARP member, FPB, serves the City of Frankfort, KY and surrounding areas, and has experienced stable, albeit modest, economic growth in recent years. The remaining

ARP members all serve relatively small cities. Aside from Frankfort and broader Franklin County, the areas are predominately rural with regional economies dependent upon light manufacturing, regional health facilities and agriculture. Collectively, the ARP members serve approximately 43,500 electric customers and a total population of 92,000.

Operations are limited as KYMEA has contracted to purchase all of its member's power needs pursuant to three multi-year purchase power agreements (PPA) with three entities: Big Rivers Electric Corporation (BBB-/Stable), Paducah Power System (BBB/Positive) and Illinois Power Marketing Co. (IPMC: not rated). ARP obligations are initially limited to payments required under the PPAs and other amounts necessary to secure member power requirements. Other power delivery services, including scheduling, are provided by a third party power marketing service.

## KEY RATING DRIVERS

### Revenue Defensibility: 'a'; Strong Purchaser Credit Quality Drives Rev Defensibility

The strong revenue defensibility assessment primarily reflects KYMEA's reliance on FPB, which is expected to account for about 50% of the ARP project's total revenues, and broadly supports the agency's credit quality. The assessment is further supported by the very strong revenue framework provided by the long-term, take-and-pay power supply contracts KYMEA has signed with FPB and the ARP members. The contract obligations are unconditional, payable as an operating expense of the member systems.

### Operating Risk: 'a'; Power Purchased Through Short and Medium Term Agreements

The operating risk profile is assessed at strong reflecting a diverse and flexible power supply with three separate counterparties, and the anticipated cost of such supply. The relatively short tenor of the initial power contracts coupled with the inherent counterparty risk in the credit quality of the providers somewhat limits the assessment. However, the credit quality of the providers has improved somewhat over the past several years as two of the three are now rated investment grade (rated in the BBB category) by Fitch.

### Financial Profile: 'a'; Financial Profile based on FPB

Financial profile is a lesser consideration in the rating and based largely on FPB's profile given KYMEA's limited operating history and financial results recorded to date.

### Asymmetric Additional Risk Considerations

There are no additional asymmetric risks affecting the rating.

## RATING SENSITIVITIES

**Change in Member Credit Quality:** The rating on KYMEA remains driven by the credit quality of its largest member, the Electric & Water Plant Board of Frankfort, KY (FPB). Changes in the credit quality of the FPB could have a corresponding effect on the rating of KYMEA.

## SECURITY

The ARP obligations are payable from revenues derived from KYMEA's joint interlocal agreement and individual power supply contracts (PSCs) with eight municipally owned electric systems (ARP Members). Pursuant to the PSCs, KYMEA began providing all-requirements power supply to ARP Members on May 1, 2019.

### Revenue Defensibility

All of the ARP members executed PSCs collectively obligating them to provide revenue sufficient to allow KYMEA to meet all ARP obligations, including those related to power procurement, administration and potential prospective debt issuance. The PSCs have an initial term that runs through May 31, 2024, with an evergreen provision that allows for termination thereafter upon five years notice, making the earliest termination date May 31, 2029. Notwithstanding the termination provision, members would remain responsible for their share of contracted or acquired resource obligations after termination. KYMEA currently has no long-term debt outstanding.

The PSCs obligate the ARP members to set and maintain retail electric rates at levels sufficient to meet all of KYMEA's expenses. The agency is required to set rates sufficient to meet its revenue requirements, providing a de-facto unlimited step-up in the event of member default.

Rate flexibility is very strong. Neither KYMEA's rates nor the rates of the ARP members are subject to the jurisdiction of any regulatory authority. Further, the agency's wholesale rates are established by the ARP project committee and ARP members are required under the PSC to maintain retail rates sufficient to meet obligations to the agency. The board expects to review the wholesale rate at least every year as part of the annual budgeting/planning process. Payments to KYMEA by the ARP members will be made as operating expenses of the respective utility systems and paid prior to any direct system debt service.

Purchaser credit quality is strong and based on Fitch's assessment of the FPB's credit quality.

FPB is an enterprise fund of the City of Frankfort, which provides electric, water and telecommunications services throughout the city, and to portions of Franklin, Shelby and Woodford Counties. Governance is provided by a separate five-member board appointed by the mayor and approved by the city commissioners. The telecommunications division introduces heightened revenue variability and risk to the multi-utility system, but Fitch believes consolidated leverage (4.4x net adjusted debt to funds available for debt service [FADS]) and liquidity (152 days cash) are sufficient to offset the revenue risk at the telecomm business.

FPB provides electric, water and telecommunications services to a range of retail customers, many of which receive all three services. Each utility segment within FPB is budgeted and accounted for separately but no legal separations exist. The electric system customer base is predominately residential but roughly (54%) of energy sales are to industrial customers including the commonwealth and local government. FPB's cable telecommunications division accounts for a sizable 29% of consolidated revenue and exposes the consolidated utility to a higher degree of business risk and revenue volatility. Although the division is highly profitable and financially self-sustaining, the system product offerings of cable, broadband and telephone are subject to competitive pressures absent in the electric and water divisions, reducing revenue defensibility.

Frankfort is the capital of Kentucky, and is located north of the I-64 corridor between the larger cities of Louisville and Lexington. As the capital and the seat of Franklin County, the Frankfort-area economy is dominated by state and local government, providing a base for stable, albeit modest growth. The city's population and regional economy continues to expand as evidenced by steady employment growth and a declining unemployment rate. However, customer growth has been modest and electric demand has trended lower over the past five years. The city's population grew by about 1.3% since the 2010 census to approximately 27,679 in 2018, trailing growth throughout the commonwealth and Franklin County.

The regional economy is dominated by commonwealth and local government, accounting for nearly half of the jobs in Franklin County. A range of small manufacturers support economic activity. Unemployment throughout the county declined along with national and state trends to 3.9% in 2018 from 9.0% in 2009. Median household income throughout Franklin County was

\$53,539 in 2017, 15% more than the average in the commonwealth and about 93% of the national average.

### Operating Risk

Fitch expects KYMEA's operating cost burden to be low over the near term reflecting the anticipated cost of power supply pursuant to the PPAs. The PSCs provide for a combination of fixed and cost-based charges, which are based almost entirely on the costs associated with the supply of baseload power from coal facilities through the PPA's, which are expected to be cost competitive.

KYMEA's operating cost flexibility is expected to be neutral. Each of KYMEA's three PPAs provides some flexibility to adjust capacity obligations and extend tenor. The three contracts include: a 10-year arrangement with BREC providing 100 MW of firm base load capacity from the cooperative's portfolio of owned resources; a three-year contract with IPMC for 100 MW of capacity from the 500 MW Joppa Power Station, which consists of three coal-fired generating units; and an initial nomination of 90 MW of peaking capacity from Paducah Power System (PPS), which is also a 10-year agreement.

While most of the agency's capacity is mainly coal-fired, natural gas peaking capacity and the expected addition of new solar power in 2022 helps diversify the resource base and provides the basis for the neutral operating cost flexibility assessment.

Counterparty risk is still a concern although supplier credit quality has recently improved with the upgrade of BREC's rating to 'BBB-' and the revision of PPS' outlook to positive over the past few years. In addition, the risk is partially mitigated by letter of credit support and the three-year tenor of the IPMC contract. The agency's overall operating risk profile remains supportive of the rating.

Life-cycle investment needs are limited as KYMEA does not own any generating assets. KYMEA recently entered into a 20-year PPA to purchase 62.5% of the capacity/energy from Ashwood Solar I, LLC beginning in 2022. The solar contract will replace a portion of the capacity currently provided by IPMC and set to expire in 2022. Approximately 60 MW of additional capacity is expected to be needed. An integrated resource plan is currently underway to identify additional long-term resources.

### Financial Profile

KYMEA's financial profile assessment largely reflects the profile of FPB. The agency has only limited financial operations to date as it only recently began supplying power to ARP members. All of KYMEA's power procurement expenses will be recovered from the ARP members on a monthly basis, with liquidity initially provided by a line of credit but supplemented by staggered payment dates and cash reserves from operations as they accumulate.

Fiscal 2019 results (ended June 30) reflect the agency's administrative costs associated with initial start-up expenses and approximately two months of revenues and expenses related to power delivery. Operating revenues totaled nearly \$15.5 million, which generated operating income of about \$2.5 million for the year. KYMEA repaid all outstanding draws on the initial line of credit in 2019. A one-year extension to the credit line expires in March of 2020 and is not expected to be renewed.

FPB's consolidated financial profile has improved in recent years driven by steady profitability at the telecommunications division, and rate increases at the electric and water divisions. Debt service coverage exceeded 2.2x in fiscal 2019, and coverage of full obligations has steadily improved from 1.12x in 2012 to a healthy 1.37x in 2019.

Adjusted leverage remains relatively low at 4.4x FADS, even after factoring FPB's purchased power obligations. FPB's outstanding debt totaled \$37.8 million at fiscal year-end 2019. All of the outstanding debt is fixed rate and debt service requirements are relatively stable at \$5.0 million-\$5.6 million per year through 2021 before declining thereafter. Liquidity measured in terms of cash on hand has steadily improved since 2012 from 66 days to 152 days at year-end 2019 (\$36.5 million).

KYMEA has no debt outstanding and has no plans to issue any debt over the intermediate term. The integrated resource plan currently being undertaken is not likely to lead to KYMEA building future generation capacity. However, the results of the process are not expected until sometime in 2020 and management remains open to all potential scenarios.

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ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 28 May 2019)  
<https://www.fitchratings.com/site/re/10064680>  
U.S. Public Power Rating Criteria (pub. 03 Apr 2019)  
<https://www.fitchratings.com/site/re/10066654>

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KENTUCKY MUNICIPAL ENERGY AGENCY

# Report

1700 Eastpoint Pkwy Ste. 220 Louisville, KY 40223  
P: (502) 242-5635 • F: (502) 242-5640  
[www.kymea.org](http://www.kymea.org)

---

**To:** Board of Directors

**From:** Budget committee

**Date:** December 17, 2019

**Re:** Budget Meeting on 12/17/2019

---

A meeting of the Budget Committee was held on 12/17/2019. Chris Melton, Josh Callihan, Mike Withrow, Doug Buresh, Heather Overby, Rob Leesman, Charlie Musson, and Michelle Hixon were present.

The Chairman, Chris Melton, called the meeting to order at 2:09 PM. Doug presented the revised Budget based on committee feedback. The committee approved the budget and recommended it for Board review. There will not be a January 23<sup>rd</sup> Budget Committee Meeting. The budget will be presented to the Board of Directors during the January 23<sup>rd</sup> Board Meeting in Louisville.

# Administration Reports

## E. Administration Reports

E.1 CEO

E.2 Member Communications



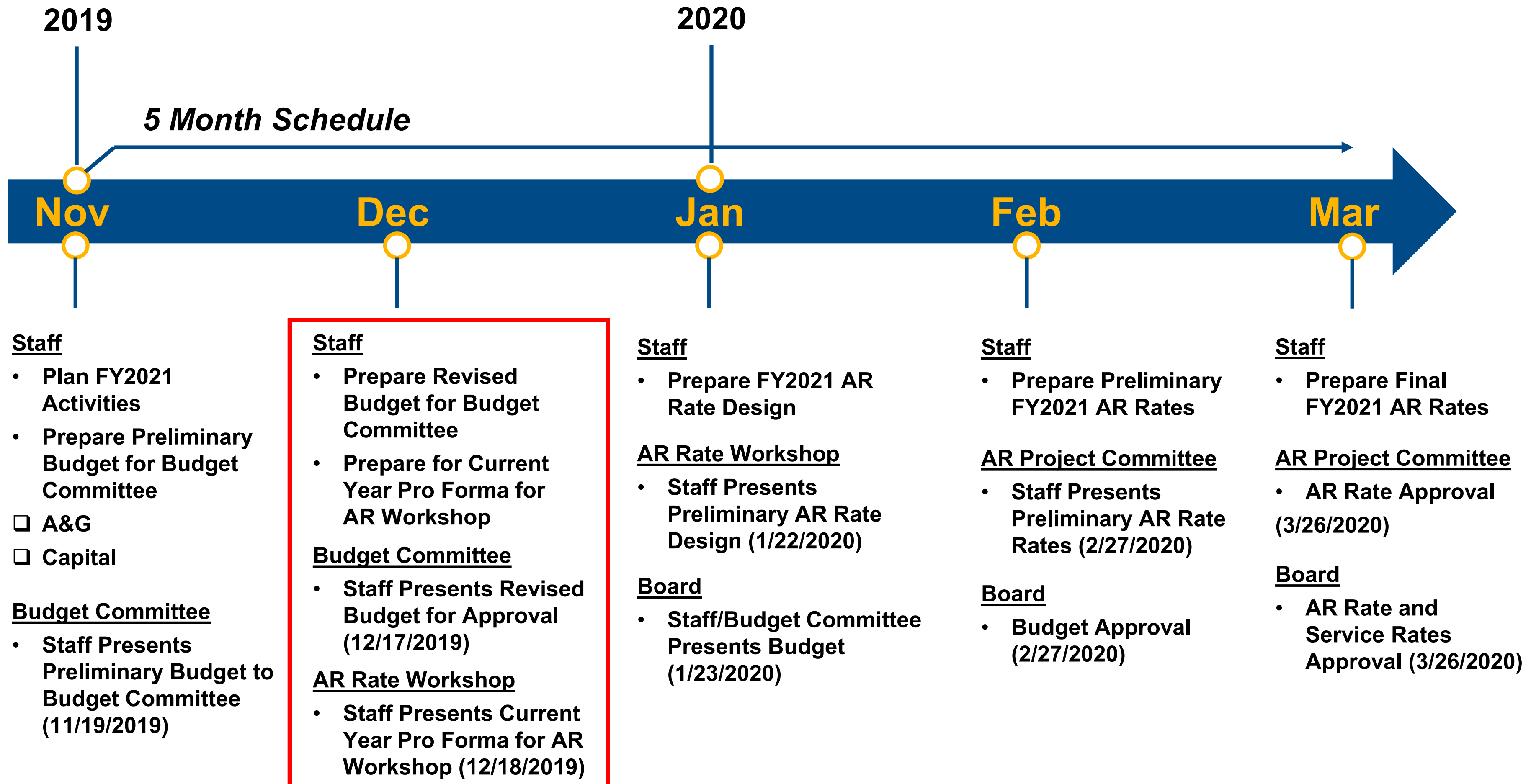


# President & CEO Update

**Doug Buresh**

December 18, 2019

# FY2021 Budget and AR Rate Process



# Rating Agency Report

## Fitch Ratings

- Last Rating: May 2017
- “A” Rating
- Rating Outlook: Stable

## Fitch Rating Update

- Interviewed KYMEA staff (Jan 2019)
- Interviewed FPB staff
- Toured FPB facilities

## Fitch Rating Reaffirmed

- Most Recent Rating: Nov 2019
- “A” Rating
- Rating Outlook: Stable

Fitch		
Long-term	Short-term	
AAA	F1+	Prime
AA+		High grade
AA		
AA-		
A+	F1	Upper medium grade
A		
A-	F2	
BBB+		
BBB	F3	Lower medium grade
BBB-		
BB+	B	Non-investment grade speculative
BB		
BB-		
B+		Highly speculative
B		
B-		
CCC	C	Substantial risks
		Extremely speculative
		In default with little prospect for recovery
DDD	/	In default
DD		
D		

# APPA Legislative Rally

## **Legislative Rally Washington, D.C. February 24-26, 2020**

**KYMEA has reserved a block of rooms and has budgeted travel expenses for up to 10 people. KYMEA encourages our Directors and City Officials to attend if you are able.**

The 2020 Legislative Rally will be held February 24-26, 2020, at the **Mayflower Hotel in Washington, D.C.**

As a public power advocate, you are in the best position to talk to Congress about the direct impact of federal action at the local level. Our coordinated outreach efforts are strengthened because you represent not only your public power community, but also the 49 million Americans served by public power.

### **Who Should Attend**

- Public power staff and leaders
- Mayors, city council, and board members
- Others who want to get involved and advocate for public power

At the Legislative Rally, the American Public Power Association provides the resources, connections, and collective power to help public power communities make your voices heard in Washington, D.C.

# Reasons to Attend the APPA Legislative Rally



Influence those who decide your community's future



Learn more about the issues affecting public power at in-depth pre-Rally seminars



Get tools to help you advocate for public power with your elected representatives and Administration officials



Communicate public power's value and needs to Congress and the Administration during Hill visits



Network with and learn from public power peers



Help shape APPA policy on important issues at the Legislative & Resolutions Committee meeting



Hear about the political landscape from Washington insiders



# Member Communications

December 18, 2019

# 2020 Member Directory

Please fill it out and return it via email or the next board meeting.



## 2020 Directory Update Form

### Member Information

Member Name \_\_\_\_\_

### KYMEA Board Representatives

Director Name \_\_\_\_\_

Email \_\_\_\_\_

Phone \_\_\_\_\_

Alternate Name \_\_\_\_\_

Email \_\_\_\_\_

Phone \_\_\_\_\_

### Governing Body (board members, commissioners, etc.)

Name \_\_\_\_\_

Title \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Name \_\_\_\_\_

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Name \_\_\_\_\_

Title \_\_\_\_\_

### City Officials

Mayor Name \_\_\_\_\_

Other \_\_\_\_\_

### Legal Counsel

Attorney \_\_\_\_\_

Consultant \_\_\_\_\_

# Dates to Remember

**December 24-25**

**Office Closed for Christmas**

**January 1<sup>st</sup>**

**Office Closed for New Years Day**

**January 22<sup>nd</sup>**

**3:00 PM**

**AR Rates Workshop**

**January 23<sup>rd</sup>**

**10:00 AM**

**Board Meeting**

**5:00 PM**

**KMUA Legislative Fish Fry**

*Buffalo Trace*

**January 24<sup>th</sup>**

**8:00 AM**

**KMUA Board Meeting**

*Fairfield Inn, Frankfort*



*Mark your  
calendar!*

# APPA Legislative Rally

**Date:** February 24-26, 2020

**Location:** Washington, DC

**RSVP:** by January 30<sup>th</sup>

## Preliminary Agenda of Activities

### Monday, February 24th

AM: APPA Sessions  
PM: Meetings with Kentucky representatives

### Tuesday, February 25th

AM: APPA Sessions  
PM: Meetings with Kentucky representatives

### Wednesday, February 26th

AM: APPA Sessions  
PM: Head Home



Tabard Inn  
1739 N St NW  
Washington, DC 20036  
TEL: (202) 785-1277

## Room Reservation

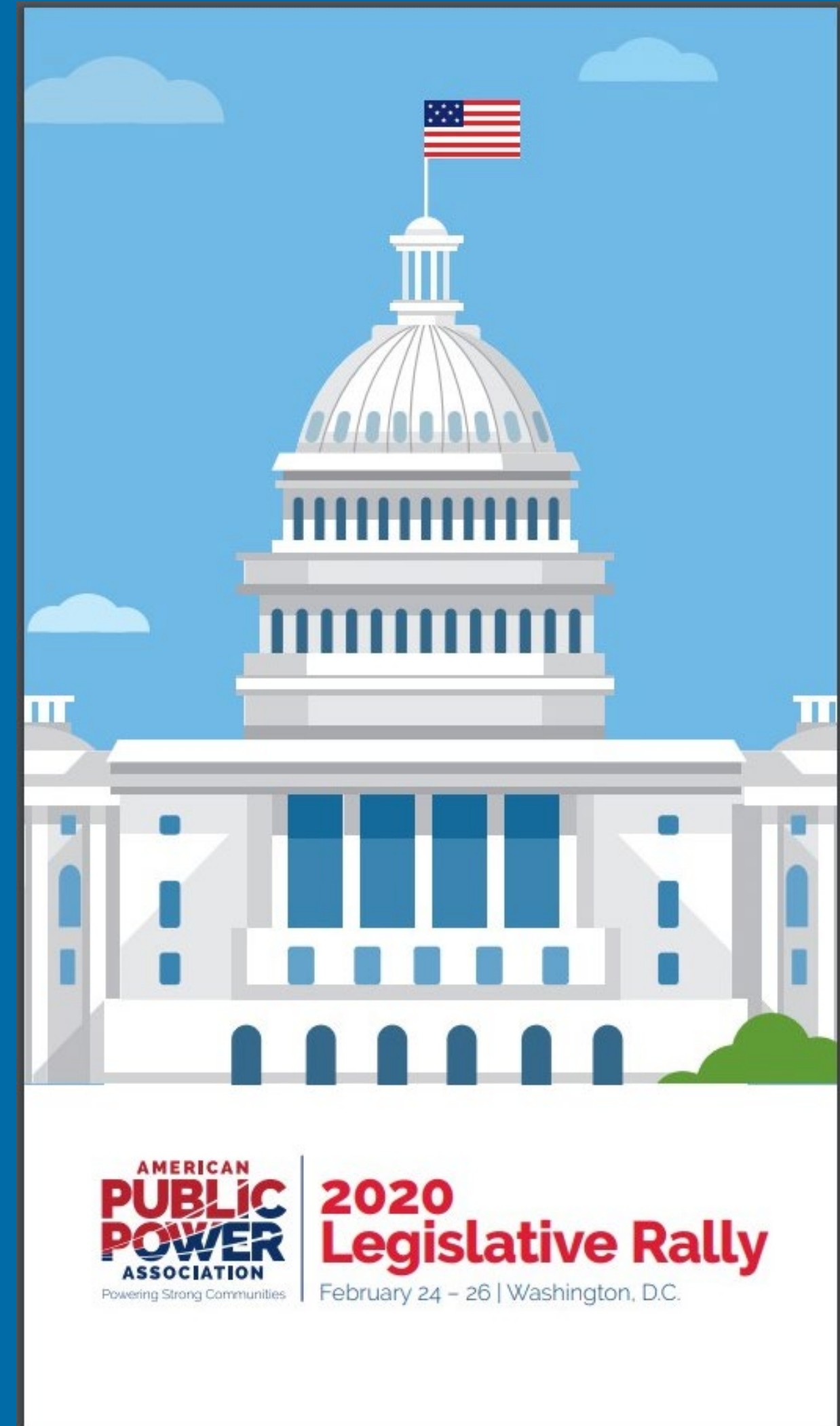
Would you like KYMEA to reserve your room?

Yes

Select

No

Select



# Discussion Topics and Miscellaneous Materials

## F. Discussion Topics

- F.1 Legislative Update
- F.2 KYMEA-Year in Review






# KY Chamber Update

**Doug Buresh**

December 18, 2019

# Kentucky Chamber of Commerce




Kentucky Chamber


Uniting Business. Advancing Kentucky.

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2020



Kentucky Chamber

# LEGISLATIVE PRIORITIES

CREATING A COMPETITIVE COMMONWEALTH

# KY Chamber Pillars



Kentucky Chamber

Uniting Business. Advancing Kentucky.

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Kentucky Chamber  
Uniting Business. Advancing Kentucky.

<

4 Pillars Prosperity



>

Making *Kentucky* More Competitive

WORKFORCE | GOVERNMENT | INFRASTRUCTURE | JOBS

FEBRUARY 2019

# KYMEA has joined the Kentucky Infrastructure Coalition



## Invest in Kentucky Jobs. Invest in Transportation.

Kentucky is at a crossroads in funding transportation infrastructure for the 21st century. While neighboring states have increased their investments, Kentucky has lost ground.

### We Support a Stronger Kentucky

Every Kentucky county has unmet transportation needs that would attract jobs and companies, improve safety and preserve our special quality of life.

That's why the Kentucky Infrastructure Coalition supports a long-term, sustainable funding approach that provides adequate revenues for all modes of transportation – so we can maintain what we have and build what we need to compete.

### What We Need

-  **Roads**  
Sustainable increased funding for state and local roads and bridges
-  **Rail**  
More funding to increase safety at rail crossings on public roads.
-  **River**  
Strategic investments in our riverports, the gateways to \$29 billion in cargo shipping on our rivers.
-  **Air**  
Continued investments to maintain and improve our 59 commercial and regional airports.
-  **Transit**  
Smart investments in transit, the only choice for many workers to stay in the workforce and to connect Kentuckians to health care and higher education.



KIC is made up of manufacturers, farmers, business owners, local leaders and more than 40,000 transportation workers.



More than 300,000 Kentuckians are employed by companies in the manufacturing and logistics industries alone.

More than \$500 billion worth of freight flows through Kentucky's transportation network each year.



[www.kickstartky.com](http://www.kickstartky.com)

For more information on Kick Start KY, contact: Chad LaRue, Kentucky Infrastructure Coalition [chad@kickstartky.com](mailto:chad@kickstartky.com) 502.330.5579

### Supporting Solutions that Make Sense

- KIC supports increasing existing sources of transportation funding to generate needed revenue for maintenance and construction on Kentucky's roads and bridges.
- KIC supports the creation of a multi-modal transportation fund that provides general fund revenues to maintain and improve our transit, rail, riverports and airports.
- KIC supports modernizing the method for distributing transportation revenues to local governments, maintaining funding levels for counties while redirecting a higher proportion of new revenues to cities and higher-traffic streets. KIC, KLC, KACO and others support the current proportional split between cities and counties until total revenues exceed \$825 million; beyond this mark, cities and counties will equally split the local government funding.
- KIC supports focused study on new methods of generating transportation revenues to deal with decreasing fuel consumption, increasing interstate freight and changes in technology.



Since 2015, Kentucky has lost more than \$600 million in gas tax revenues because of decreases in average wholesale gas prices.

In 2020, Kentucky will lose more than \$110 million annually in transportation buying power because of the depletion of federal credits.



Kentucky needs to invest an additional \$500 million each year to meet critical needs in roads, bridges and other transportation projects, according to the Kentucky Transportation Cabinet and an independent economic analysis by Commonwealth Economics.

### Coalition Members



For more information on Kick Start KY, contact: Chad LaRue, Kentucky Infrastructure Coalition [chad@kickstartky.com](mailto:chad@kickstartky.com) 502.330.5579



# KYMEA Year In Review

**Doug Buresh**

December 18, 2019

# Agenda

## **YEAR In Review**

- **Agency Go Live**
- **Policies**
- **Rates**
- **Integrated Resource Planning**
- **De-pancaking**
- **Strategic Planning**
- **Administration/Human Resources**
- **Member Communications**
- **Finance and Accounting**
- **Legislation and Government Affairs**
- **Agency Growth**
- **Culture and Core Values**
- **Appreciation**

# Agency Go Live (Jan – Mar)

## *Dispatching and Settlements Preparation*

**Task 1:** On-site visit and follow-up phone conversations with LG&E/KU Transmission to work through the communication and notification processes for scheduling, metering, and delivering power. KYMEA staff participated in the on-site meeting and follow up coordination and implementation with ACES, LG&E/KU, AMP, KYMEA, P&D Engineering, NewGen, Schneider, and Strategic Communications.

**Task 2:** On-site visits with Vistra, BREC, Paducah, and Paris to work through resource commitment, dispatching, scheduling, and billing processes for each of the PPAs. ACES, nFront, and KYMEA staff participated in the on-site meetings. Phone conference calls with SEPA and NewGen addressed the SEPA hydro scheduling processes.

**Task 3:** Phone conversations with ACES, MISO, PJM, SEPA, AMP, and LG&E/KU to coordinate processes for transmission access, tagging, billing, and settlements.

**Task 4:** Selected ITRON's hourly load forecasting service. KYMEA provided ITRON with 10 years of historical hourly data so the system could "learn". Prior to the implementation of the ITRON solution, the agency created a spreadsheet program which searched for historical weather and corresponding load as an interim load forecasting tool.

# Agency Go Live (Apr)

## *Shadow Settlements and Dispatching (Dry Run)*

**Task 5:** Coordinated with ACES, KYMEA, AMP, Schneider Electric, Strategic Communications, P&D Engineering, and LG&E/KU on the processes and protocols to communicate and pass data between all parties.

**Task 6:** Developed the Member Invoice spreadsheet which produces an invoice for each member. The spreadsheet contains historical data and accommodates a roll-up by month, by year, by member, and by AR Project. The roll-up capability is useful for tracking member sales and comparing past invoices.

**Task 7:** KYMEA and ACES produced dummy tags to test the scheduling and delivery of power in anticipation of the May 1st go-live date.

# Agency Go Live (May) *Went Live*

**Task 8:** KYMEA issued a “Go-Live” press release announcing the event locally and nationally.

**Task 9:** KYMEA monitored ACES to ensure supply and demand balanced each hour. This effort was followed by an assessment that each PPA was being optimally scheduled and delivered. KYMEA suggested changes that were immediately implemented by the ACES hourly desk.

**Task 10:** KYMEA provides transmission service to AR Project members as well as non-AR Project members. As such, the agency created a method to properly allocate the hourly energy imbalance on the KU system and bill each non-AR member appropriately based on their contribution towards the imbalance.

# Agency Go Live (Jun)

## *Member Invoices, PPA Amendments*

**Task 11:** KYMEA utilized its newly created Member Invoice spreadsheet to accurately track each member's usage and create a correct invoice.

**Task 12:** On June 1 KYMEA began receiving power from IPMC. The agency worked with ACES to properly dispatch the Joppa resource to either MISO or the KU System, depending on market prices and AR Project load needs.

**Task 13:** KYMEA reviewed the PPAs with BREC, IPMC, Paducah, and Paris and recommended PPA Amendments for the Board's approval. The Amendments clarified contract language and dispatch parameters.

**Task 14:** KYMEA, ACES, Schneider Electric, and Strategic Communications worked through the data exchange process and structure, which allows the member loads to be fed to ACES. The data is then combined with dispatch and market data and fed back to KYMEA after each completed hour and populated in the PME database.

# Agency Go Live (On Going)

## *MAC Activities*

**Task 15:** KYMEA worked with P&D Engineering to install natural gas metering and power metering for the Paducah peakers to provide real-time information for KYMEA as well as ACES. The next step is to modify the MAC PME System.

**Task 16:** KYMEA is working with ACES, Schneider Electric, and Strategic Communications to install a redundant/back-up PME system at ACES headquarters. The system will be installed after the primary PME configuration is complete.

**Task 17:** Ongoing training of the PME system to increase KYMEA's PME proficiency. The agency has granted access to members who wish to monitor their real-time usage.

# Policies

- **Enterprise Risk Management Policy.** Approved by KYMEA Board in March 2019. The policy included the creation of the Internal Risk Committee (IRC) and the Board Risk Oversight Committee (BROC).
- **Trading Authority Procedures.** Approved by KYMEA Board in April 2019. Trading authority procedures fell in line with the Enterprise Risk Management Policy and introduced the monthly position report that is reported to the BROC to track the agency's power market exposure.
- **Credit Policy.** Approved by KYMEA Board in May 2019. The credit policy fell in line with the Enterprise Risk Management Policy.

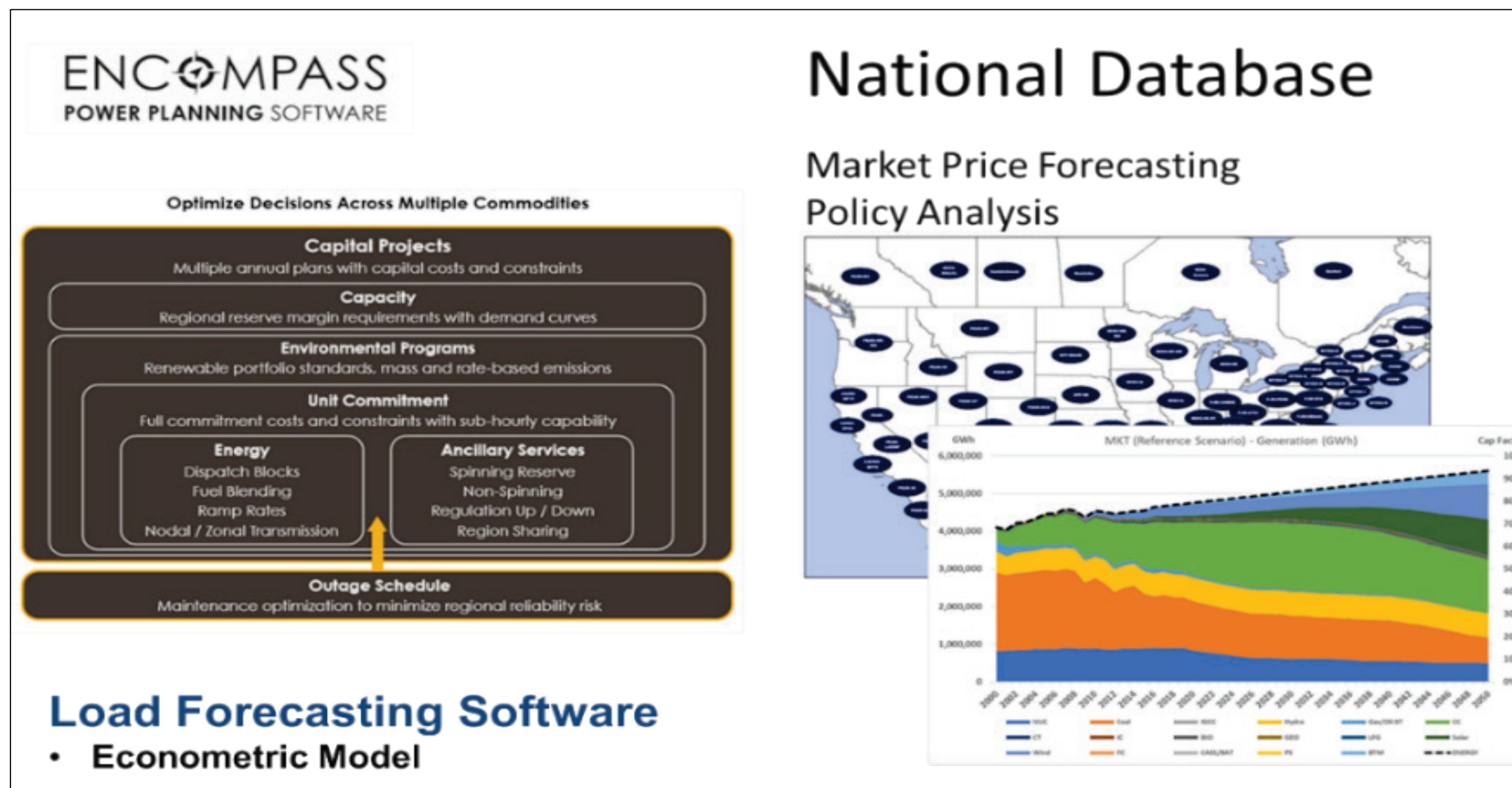
# Rates

- **AR wholesale rate structure.** Approved by KYMEA Board in February 2019. Rates were set to provide 8% savings when compared with KU's 2018 rates. Plus, an additional 8% was set aside in a rate stabilization and de-pancaking fund.
- **Non-AR Project Members' rates.** Rates were established for Membership Services, Dispatch / MAC Service, Transmission Service, Resource Planning Service, Accounting and Finance Service. The service rates allow non-AR Project members such as Benham, Berea, Owensboro, Bardstown, and Nicholasville to receive KYMEA Services.
- **Business Unit and Transfer Pricing Structure.** A business unit and transfer pricing structure was developed where the AR Project was established as the parent company, providing services to non-AR Project members. This streamlined structure provides a fair and equitable sharing of services providing economies of scale.
- **AR Project Projected Net Income and ECA Workshop.** In August, staff recommended, and the AR Project members concurred, with the suspension of collecting ECA1 for FY2020.

# Integrated Resource Planning

In July, the KYMEA Board passed a resolution authorizing KYMEA officers to develop an IRP and undertake and exercise strategies to communicate with Potential Participants in future mutually beneficial power supply and transmission options.

The EnCompass modeling process is now underway with test simulations of the market and the KYMEA portfolio under a variety of market conditions including potential participants.



# De-Pancaking

Significant time was spent reviewing and commenting on the de-pancaking protests, responses, and answers submitted by counsel on behalf of the Kentucky Municipals, LG&E/KU, and FERC.

De-pancaking is an extremely important issue for KYMEA and its members, both financially and strategically, and the agency continues to monitor the situation and search for legal arguments and planning solutions with our Advisory team and Directors.

# Strategic Planning

In October, KYMEA's Board of Directors approved the agency's first strategic plan. The objective of the 2019 Strategic Plan was to create an inspirational vision and to align the agency's efforts to achieve the vision through its mission, core values, and strategic priorities. The vision enables all stakeholders to understand the agency's destination – "We shall positively impact our communities as a trusted leader of power supply and energy-related services." The agency's mission – "Through collaboration and operational excellence, we provide reliable, affordable, and sustainable energy services to the communities we serve" - is the means by which the agency will reach its destination.



# Administration, Human Resources, and Member Communications

- **January:** The agency implemented remote board meeting access for members who are unable to attend in person allowing members to participate and vote in board meetings.
- **March:** KYMEA released its first quarterly newsletter (KYMEA Power Post). The newsletters highlight the agency's success stories, provide industry news, discuss opportunities and challenges, spotlight our member communities and their customers, and announce upcoming events. Subsequent Power Posts were released in June, September, December.
- **April:** The agency switched medical insurance carriers to KLC saving the agency \$8K/year.
- **May:** KYMEA held its annual meeting with an impressive panel of speakers and topics. Participants at the training sessions earned state and professional organization approved CEUs / PDHs / CPEs for their professional development requirements.
- KYMEA redesigned the Board packet and set a schedule to distribute the packet to the Directors eight (8) days prior to each upcoming Board meeting. The schedule is to e-mail the packet on the Wednesday a week prior to the Board meeting including announcements of any upcoming Board action items to be considered. The Board materials are uploaded to the Board portal on the Friday prior to the Board meeting. The goal is to give the Directors a week to read through the materials and ask any questions prior to the upcoming Board meeting.
- **October:** KYMEA received two APPA Excellence in Public Power Communications awards.
- KYMEA launched its redesigned new website, which posts KYMEA Board meeting agendas and calendars.

# Finance and Accounting

- **Line of Credit.** In February, KYMEA switched from Republic Bank to PNC and increased its line of credit from \$5 million to \$30 million at a very favorable rate. KYMEA achieved the LOC through diligent interaction with potential lenders at KYMEA's headquarters, touting the virtues of the agency and playing the videos which provided a professional aura for the agency. The increase was necessary to ensure the agency had adequate access to working capital and sufficient funds for cash flow in its first few months of operation. In October, the agency paid-off the line of credit and is debt-free.
- **Accounting software.** In July, KYMEA switched accounting software systems from Great Plains (GP) to Southeastern Data Cooperative (SEDC). The switch stream-lined the agency's accounting activities and workflows and greatly enhanced reporting and analysis capabilities.
- **Pro Forma.** In August, a process was put in place to run PPA dispatch, market price, and load scenarios to project rates (ECA) and net income. The dispatch portion of the process considers market projections (power and natural gas prices) and the dispatch price of the PPAs. The result is the creation of pro forma(s) providing the agency with a forward view of net income and cash flow.
- **Audit.** In September, KYMEA received a clean audit from BKD with no material findings or non-compliance.
- **Credit Rating.** In November, Fitch Ratings reaffirmed the agency's "A" credit rating.

# Legislation and Government Affairs

- **Interlocal Governmental Cooperation Act (Kentucky Revised Statutes Chapter 65).** Amending certain provisions of the Interlocal Governmental Cooperation Act will provide greater flexibility for governmental entities to act jointly in undertaking joint public projects and conducting joint operations. A bill will be offered in the 2020 legislative session. Engagement is underway with KMUA, KLC, KRW, and others to add sponsorship and support.
- **Outreach Efforts.** To build support for the agency and inform and educate policy makers, the agency undertook a concerted outreach effort. Attended conferences and meetings with the Kentucky Chamber of Commerce (KYMEA is a member), the Kentucky Public Service Commission, Kentucky League of Cities, and the Kentucky Energy and Environmental Department. Also met privately with Kentucky legislators, including the Speaker of the House. Attended the EnVision leadership workshop hosted by FERC Commission Chair Neil Chatterjee.
- **Media.** In November, hosted a reporter from the Frankfort State Journal to provide agency information.

# Agency Growth

- **New Member Opportunities.** KYMEA's strategy, as per the directive from the KYMEA Board, is to investigate new member growth opportunities to further take advantage of economies of scale so long as it is mutually beneficial for KYMEA and the new member. KYMEA will continue to develop relationships with potential new members should they choose to join the agency.

# Culture, Core Values, and Appreciation

## Culture and Core Values

- A critical aspect in creating an agency that will last for decades to come is to create a culture that empowers employees, promotes teamwork, and rewards performance. The culture extends to the relationship between the agency and its governing body. The agency's core values drive our decision-making, culture, and actions.

## Appreciation

- Thank you to the KYMEA Board of Directors for your thoughtful insights and guidance in making 2019 a great success.
- Thank you to the KYMEA Staff and Advisors for your hard work, attention to detail, and standards of excellence.

# Action Items

## G. Action Items

None Expected



# Public Comments

This is an opportunity for members of the public to provide input to the KYMEA Board and is limited to 5 minutes per speaker.



# Upcoming Meetings and Other Business

Next Meeting is Thursday, January 23<sup>rd</sup> at 10 AM

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.



## **2020 Board Meetings**

Thursday, January 23, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Thursday, February 27, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Thursday, March 26, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Wednesday, April 22, 2020, 1:00 PM Central Time, KMUA-Hyatt Place, Bowling Green

Friday, May 29, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Thursday, June 25, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Wednesday, July 22, 2020, 1:00 PM Eastern Time, KYMEA Board Room

Thursday, August 27, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Thursday, September 24, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Wednesday, October 21, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Wednesday, November 18, 2020, 10:00 AM Eastern Time, KYMEA Board Room

Wednesday, December 16, 2020, 10:00 AM Eastern Time, KYMEA Board Room

# Closed Session

## J. Closed Session

- J.1 Market Report/Hedging Strategy
- J.1 CEO Performance Review
- J.1 Other topics



## Closed Session Authorization for December 18, 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); KRS 61.878(1)(j); KRS 61.810(1)(f) and KRS 61.878(1)(a) for the purpose of:

- (i) discussing proposed, potential or pending litigation relating to KYMEA and its members relating to transmission issues;
- (ii) discussing the market report and KYMEA's future and potential hedging strategy; and
- (iii) discussing the annual performance evaluation review of the President and CEO of KyMEA, including review of items of a personal nature, records and privacy.

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)(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.

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)(f) and 61.878(1)(a) allow for closed session where discussions of an individual as an employee and personal records or information thereof disclosed to the agency which if disclosed to the general public could constitute an unwarranted invasion of personal privacy.

# **Actions Related to Matters Discussed in Closed Session**

## **K. Actions Related to Closed Session**

### **K.1 Winter Readiness Agreement**



## RESOLUTION

WHEREAS, the Kentucky Municipal Energy Agency (“KYMEA”) desires to provide backup reliable power supply for its Members during the winter season; and

WHEREAS, KYMEA and Owensboro Municipal Utilities (“OMU”) desire to undertake and enter into a short-term backup power purchase agreement (the “Backup Power Agreement”), to supply power if needed by KYMEA to serve its Members’ load; and

WHEREAS, KYMEA staff recommends to the Board that KYMEA enter into a Backup Power Agreement with OMU for the winter season;

NOW THEREFORE BE IT RESOLVED:

**Section 1. Approval and Authorization of Execution of Backup Power Agreement.** Entering into a Backup Power Agreement with OMU is hereby approved, subject to negotiation and final approval by the President and CEO of KYMEA, such approval to be conclusively evidenced by the execution of the Backup Power Agreement, in order to effectuate the purposes of this Resolution and to provide KYMEA with the a reliable backup power supply for its Members during the winter season; 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.** Pursuant to the Constitution and Laws of the Commonwealth of Kentucky, the President and CEO, any Vice President, the KYMEA Board Officers 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.

### 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 December 18, 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, that 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 18<sup>th</sup> day of December 2019.

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Secretary

# Adjournment

