
Doug Buresh
KYMEA President & CEO Performance Evaluation
2019 Self-Review and Accomplishments
November 20, 2019

Dear KYMEA Board of Directors,

As the agency's President & CEO, I am responsible for creating, planning, and implementing the strategic direction of the agency. This includes responsibility for all components and departments of KYMEA. It is also my responsibility to ensure that the agency maintains constant awareness of both the external and internal competitive landscape, investigate opportunities for expansion and growth, maintain the agency's member base, evaluate power markets and opportunities, and keep abreast of industry developments. It is my obligation and desire to build a strong relationship with the KYMEA Board of Directors, providing constant communication, transparency, guidance, and recommendations on matters which require board action.

Performance Review Process

Buresh Employment Agreement – section 3, paragraph 3

KYMEA's Board shall review and evaluate the performance of Buresh at least once annually. The Board and Buresh shall jointly develop the performance evaluation process and criteria to be utilized. Buresh will be evaluated on or about December of each year. The Chairman of KYMEA shall provide Buresh with a summary statement of the findings of the Board and provide an adequate opportunity for Buresh to discuss his evaluation with the Board.

CEO Accomplishments

Agency Go Live

The primary focus for the first half of 2019 was to prepare and execute the operational plan for the May 1st "Go Live" date to ensure KYMEA reliably and economically delivers power to its members. Many tasks were undertaken to ensure that: the delivery of power, the execution of the PPA's, the coordination with outside entities, and the member billing went flawlessly.

1. Dispatching and Settlements Preparation

From January through March, KYMEA and ACES worked to develop the processes necessary to balance supply and demand for the AR Project members.

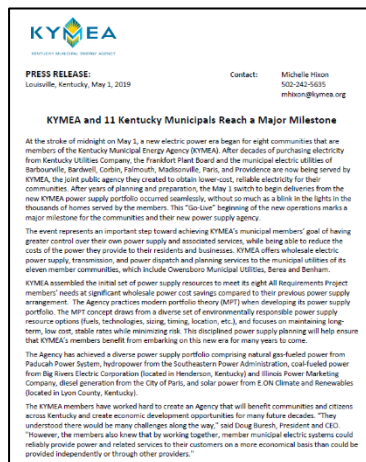
- Task 1: On-site visit and follow-up phone conversations with LG&E/KU Transmission to work through the communication and notification processes for scheduling, metering, and delivering power. KYMEA staff participated in the on-site meeting and follow up coordination and implementation with ACES, LG&E/KU,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

2. In April, ACES and KYMEA performed shadow dispatching and settlements.

- Task 5: Coordinated with ACES, KYMEA, AMP, Schneider, 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.

3. In May, KYMEA 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.

4. In June, KYMEA issued its first set of member invoices.

- 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.

5. Ongoing activities

- Task 15: KYMEA is working 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.
- 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

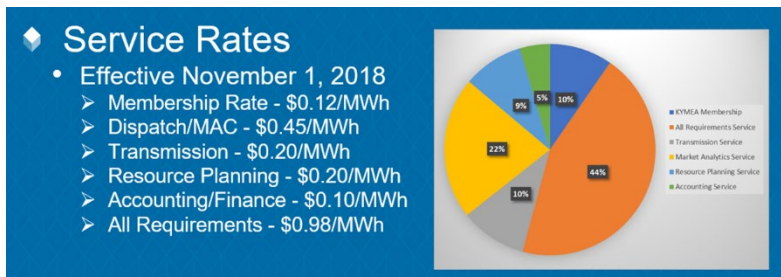
In 2019, the agency completed several policies for Board approval.

- 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

- a. 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.

- b. 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.

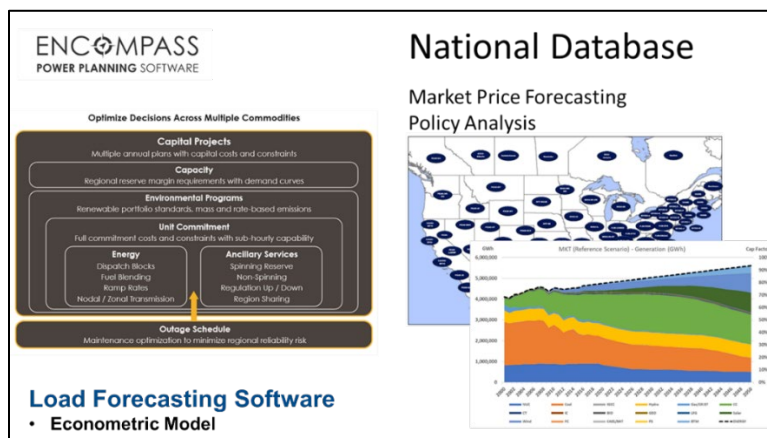


- c. Business Unit and Transfer Pricing Structure. A business unit and transfer pricing structure was developed where the AR Project was established as the parent company, providing services to non-AR Project members. This streamlined structure provides a fair and equitable sharing of services providing economies of scale.
- d. 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.

The creation of the strategic plan began with the board of directors and staff surveys, followed by a series of workshops to identify the agency's strengths, weaknesses, opportunities, and threats (SWOT). The SWOT analysis is an important tool that allowed KYMEA to examine both its positive and negative attributes within a single analysis.

KYMEA established its core values of: 1) Integrity, 2) Respect, 3) Fiscal Responsibility, 4) Member Focused, and 5) Operational Excellence. KYMEA identified its strategic priorities as: 1) Financial Stability, 2) Growth, 3) Resource Planning, and 4) Organization. Within each strategic priority are specific goals that are both realistic and measurable.



Administration/Human Resources

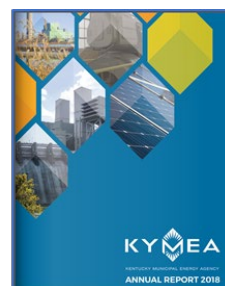
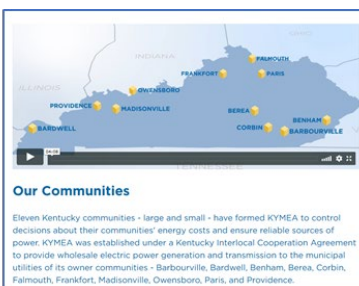
In April, the agency switched medical insurance carriers to KLC saving the agency \$8K per year.

Member Communications

- In 2019, the agency implemented remote board meeting access for members who are unable to attend in person. Remote access allows the members to participate and vote in board meetings.
- In 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 and September.



- In 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.
- In May, 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.
- In October, KYMEA received two APPA Excellence in Public Power Communications awards.
 - The first award (Video Category) was for the Member Communities Video.
 - The second award (Print/Digital Category) was for the 2018 Annual Report.



- In October, 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. Informal discussions have been made with Paducah, Princeton, KMPA, Bardstown, Nicholasville, Vanceburg, Olive Hill, Henderson, and the TVA distributors. KYMEA will continue to develop relationships with potential new members should they choose to join the agency.

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.

OUR 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 differences while valuing the perspective, talents, and experience 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.



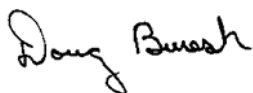
OPERATIONAL EXCELLENCE: We seek to achieve and maintain the highest level of excellence by performing in a productive and proficient manner, and adhering to best practices while providing a quality workforce.



Closing Remarks

2019 has been an incredibly busy and productive year. The agency members are achieving the savings they envisioned when the agency was formed, and we have quickly gained the attention and respect of entities inside and outside the Commonwealth. I am honored to serve as KYMEA's President and CEO. It is a responsibility I take very seriously. I appreciate the board's support and guidance and look forward to discussing this performance evaluation with the Board.

Sincerely,



Doug Buresh
President & CEO
Kentucky Municipal Energy Agency