



President & CEO Update

Doug Buresh

July 23, 2020

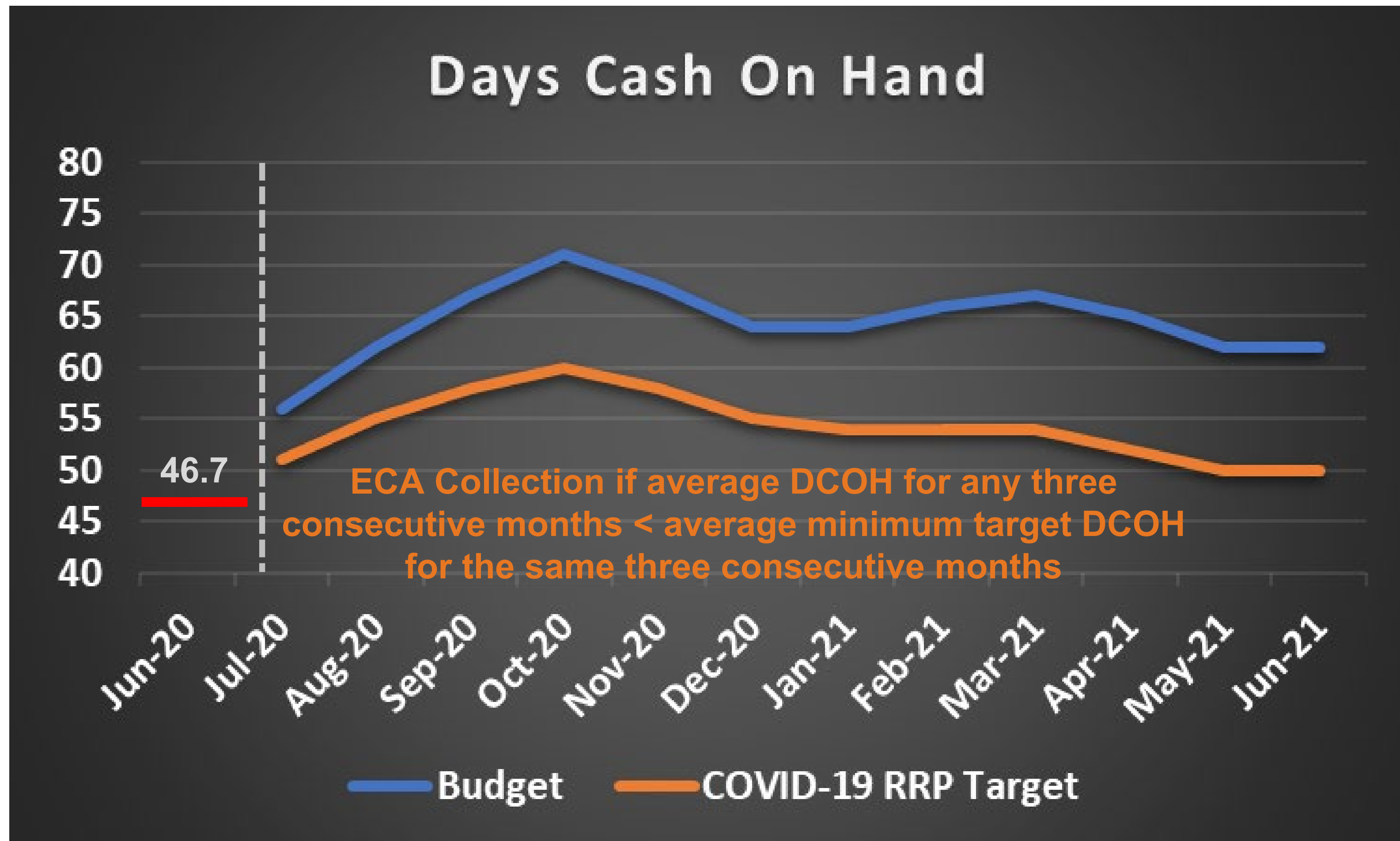
14 Month Comparison (KU vs KYMEA)

	Last 14 Months with LG&E/KU (3/2017-4/2019)			First 14 Months with KYMEA (5/2019-6/2020)			Change
	<u>\$/kW-mo</u>	<u>kW</u>	<u>\$</u>	<u>\$/kW-mo</u>	<u>kW</u>	<u>\$</u>	<u>\$</u>
Billing Demand	\$17.179000	2,894,787	\$49,729,547	\$13.515000	3,016,069	\$40,762,170	-\$8,967,377
	<u>\$/kWh</u>	<u>kWh</u>	<u>\$</u>	<u>\$/kWh</u>	<u>kWh</u>	<u>\$</u>	<u>\$</u>
Energy	\$0.031401	1,482,570,678	\$46,553,492	\$0.024279	1,422,398,265	\$34,534,407	-\$12,019,085
ECA	(\$0.002679)	1,492,953,778	-\$3,999,883	\$0.000000	1,402,699,142	\$0	\$3,999,883
Transmission	<u>\$/kW-mo</u>	<u>kW</u>	<u>\$</u>	<u>\$/kW-mo</u>	<u>kW</u>	<u>\$</u>	<u>\$</u>
KU Transmission 12-CP	\$2.081894	2,930,612	\$6,101,224	\$2.154477	2,888,560	\$6,223,337	\$122,113
MISO Transmission NCP	\$0.000000	-	\$0	\$3.531000	3,016,069	\$10,649,739	\$10,649,739
PJM Transmission 1-CP	\$2.070446	44,400	\$91,928	\$2.546735	48,600	\$123,771	\$31,844
KU Direct Assigned Facilities and True-Up			<u>\$</u>			<u>\$</u>	<u>\$</u>
Fixed Facility Charges and True-Up			\$3,341,416			\$249,479	-\$3,091,937
SEPA Member Resource Credit	<u>\$/kW-mo</u>	<u>kW</u>	<u>\$</u>	<u>\$/kW-mo</u>	<u>kW</u>	<u>\$</u>	<u>\$</u>
Capacity Payment	\$0.000000	-	\$0	(\$3.850000)	476,457	-\$1,834,358	-\$1,834,358
AR Project Member Invoice			\$105,817,607			\$90,708,546	-\$15,109,061
			7.137 ¢			6.377 ¢	-0.760
Change from Previous 14 Months						-10.65%	-10.65%
AR Project Member Power Supply (Without NITS)			\$99,624,455			\$84,361,438	-\$15,263,017
			6.720 ¢			5.931 ¢	-0.789
Change from Previous Fiscal Year (Without NITS)						-11.74%	-11.74%
Net Income						\$12,001,756	
Days Cash On Hand (June)						46.700	
Coverage of Full Fixed Obligations (June)						1.240	
Preferred Leverage (June)						5.890	

Notes

1. Full 14 months (not annualized)
2. For comparison purposes, assumes Paris was served LG&E/KU rates

FY2021 DCOH Targets



KYMEA Strategic Plan

Strategic Plan (2019-2024)

- Approved by the KYMEA Board (October 2019)
- Identified Four Strategic Priorities
- Set 13 specific goals to achieve (one time or annually)

4.4 Strategic Retreat: KYMEA will facilitate an annual strategic retreat with the Board of Directors as a way to review and update the agency's strategic plan.



Strategic Planning Goals

1 FINANCIAL STABILITY

KYMEA will provide stable and competitive rates in a fiduciarly responsible manner.

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- 1.1 **Rates:** Annually establish rates that support the agency's financial health metric and cash reserve policy.
 - 1.2 **Reserve Fund:** Adopt cash reserve policy by June 30, 2020.
 - 1.3 **Financial Health Metrics:** Develop financial health metrics scorecard for the agency by June 30, 2020 and score annually thereafter.

2 GROWTH

KYMEA will promote organic growth within our communities and seek mutually beneficial new membership opportunities.

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- 2.1 **Communication & Education:** Enhance KYMEA's brand by hosting two training and educational events annually, beginning January 1, 2020.
 - 2.2 **Membership Growth:** Seek to grow membership by visiting three potential members annually over the next three years.
 - 2.3 **Member Services:** KYMEA will identify and evaluate a minimum of one new member service annually for the next three years that brings value to the agency and the communities we serve.

3 RESOURCE PLANNING

The KYMEA resource planning process applies modern portfolio theory when assembling its power supply portfolio; focusing on long-term, low-cost, reliable, and sustainable supply while minimizing risk.

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- 3.1 **Long-Term Planning:** KYMEA will investigate, analyze, and report on potential resource, and transmission options as part of its 2020 Integrated Resource Plan with updates thereafter.
 - 3.2 **Low-Cost Power Supply:** Develop wholesale rate benchmarks for the agency by June 30, 2021 and refresh annually thereafter.
 - 3.3 **Risk Mitigation:** The Internal Risk Committee (IRC) and Board Risk Oversight Committee (BROC) will, at a minimum, hold quarterly meetings to assess, report on, and develop mitigation measures for the board's consideration regarding identified business, energy, and financial risks.

4 ORGANIZATION

KYMEA will achieve and maintain an organizational structure that supports our vision, mission, and core values.

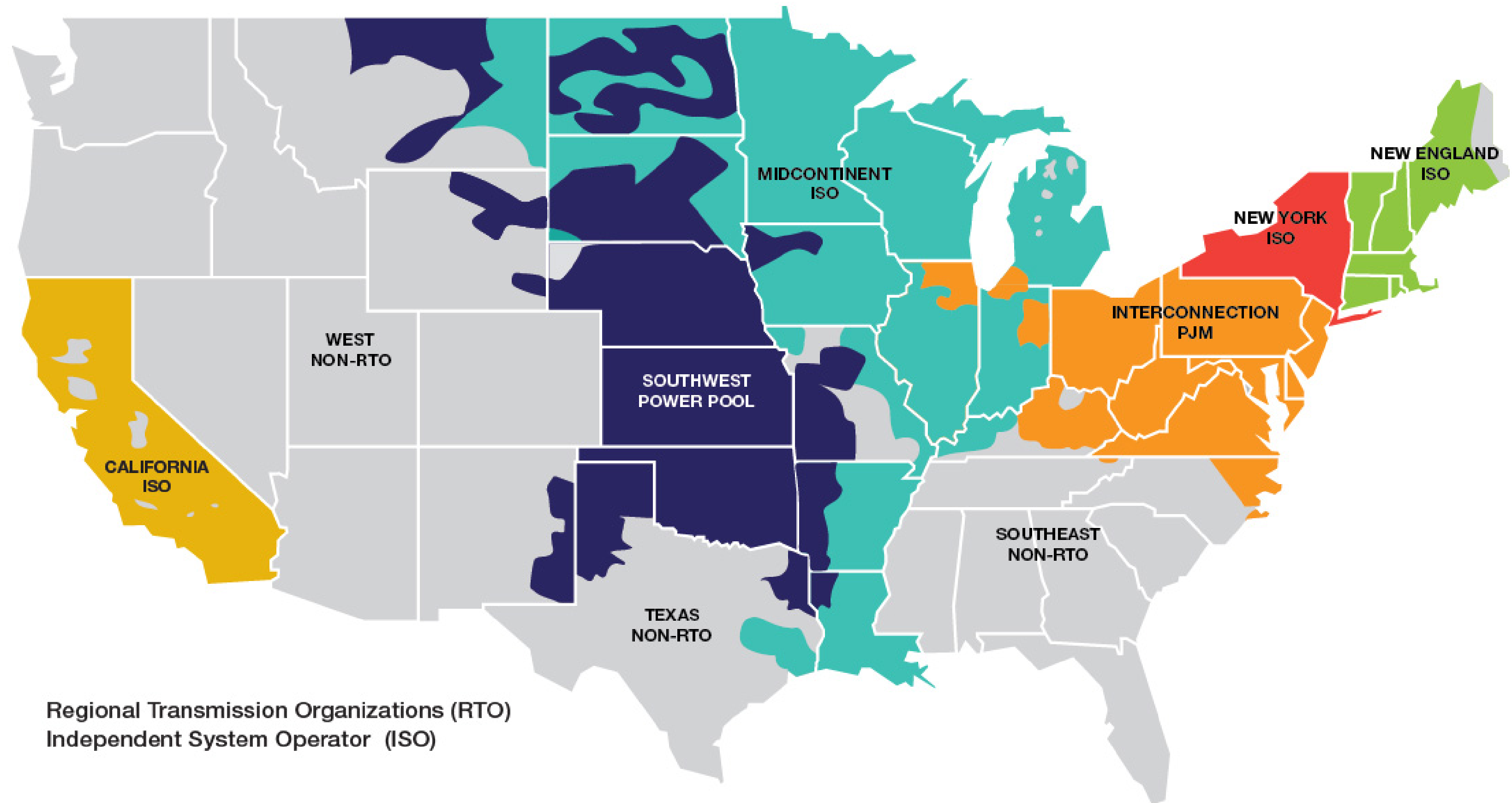
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- 4.1 **Operations:** The budget committee and staff will evaluate resource needs, compare operations to industry benchmarks, and recommend necessary solutions for the boards consideration as part of the annual budget process.
 - 4.2 **Governance:** KYMEA will annually provide Board member orientation and materials containing information needed to fulfill their role in the organization.
 - 4.3 **Legislation:** Promote and support federal, state, and local legislative initiatives that benefit KYMEA and its communities through lobbying efforts by participating in a minimum of two legislative events annually.
 - 4.4 **Strategic Retreat:** KYMEA will facilitate an annual strategic retreat with the Board of Directors as a way to review and update the agency's strategic plan.

Industry News – SEEM Regional Energy Market

Southeastern Energy Exchange Market (SEEM)

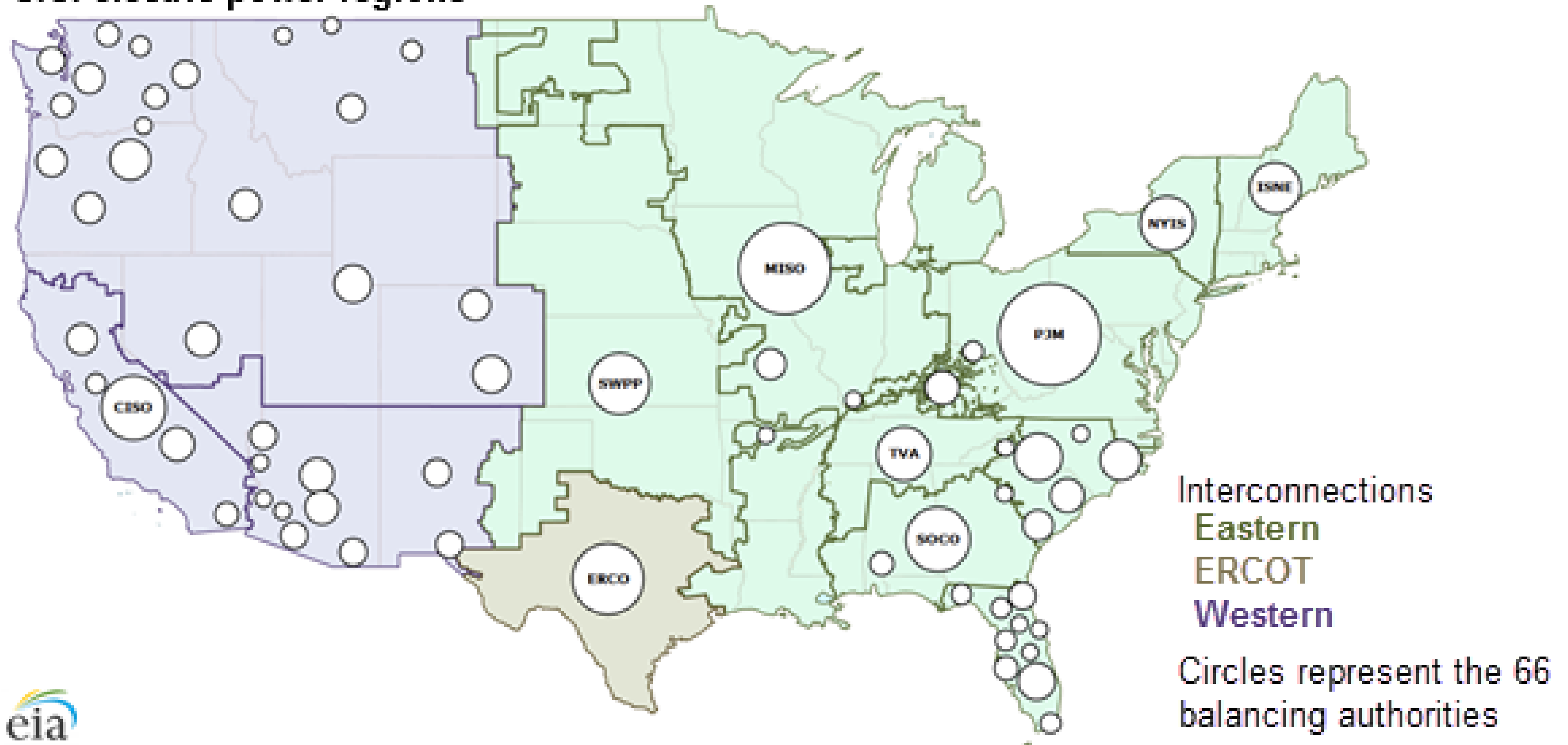
- **Exploratory Stage**
- **Discussion Participants: Duke Energy, Southern Company, Dominion Energy, Oglethorpe Power, TVA, LG&E/KU, Santee Cooper plus some Cooperatives**
- **Goals: Lower costs to customers, optimize renewable energy resources, improve reliability**
- **Voluntary 15 minute “intra-hour” energy exchange, no capacity market**
- **Not an RTO, same principles as an imbalance market, but not as granular or costly to set-up**

Regional Transmission Organizations

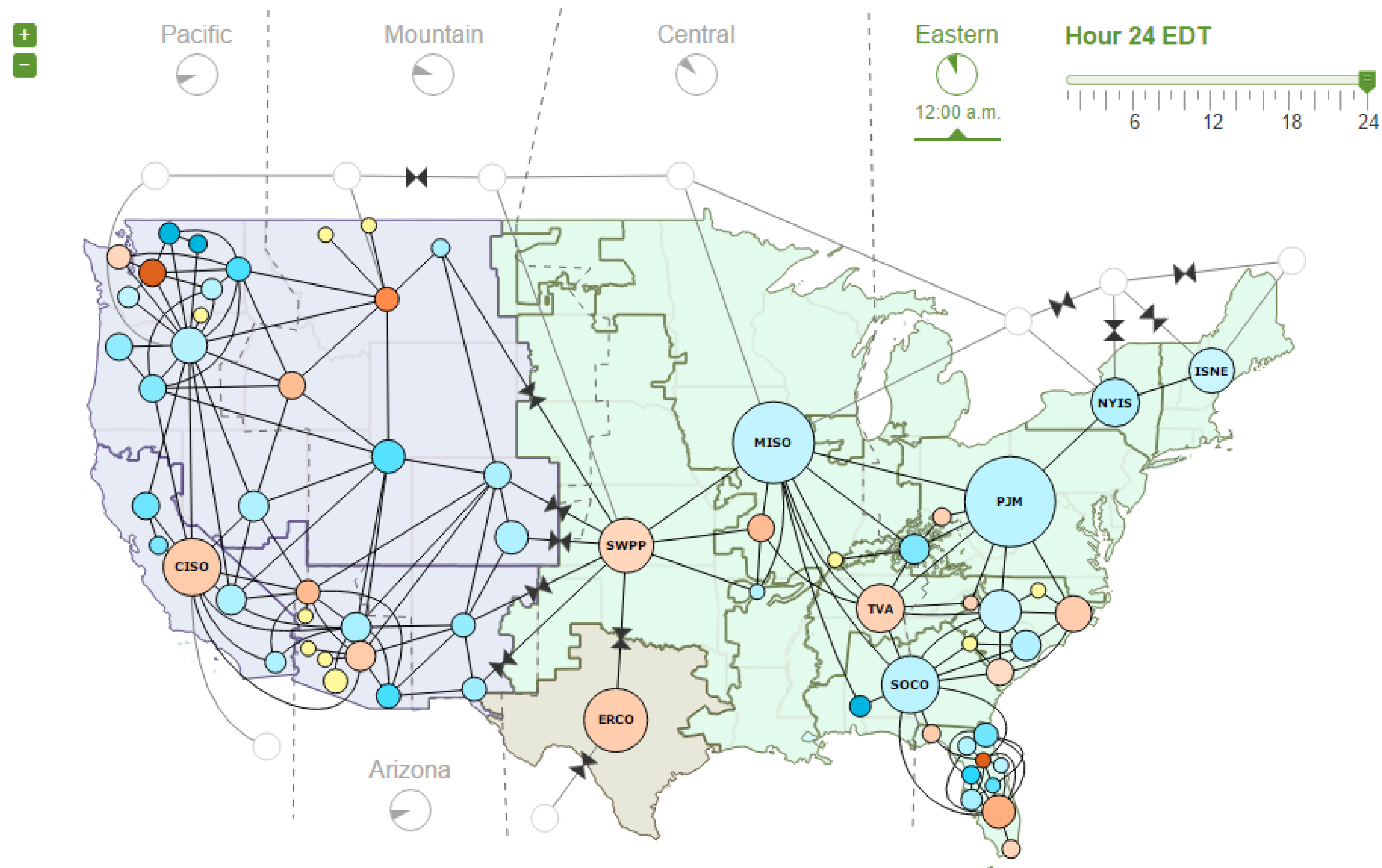


Balancing Authorities

U.S. electric power regions



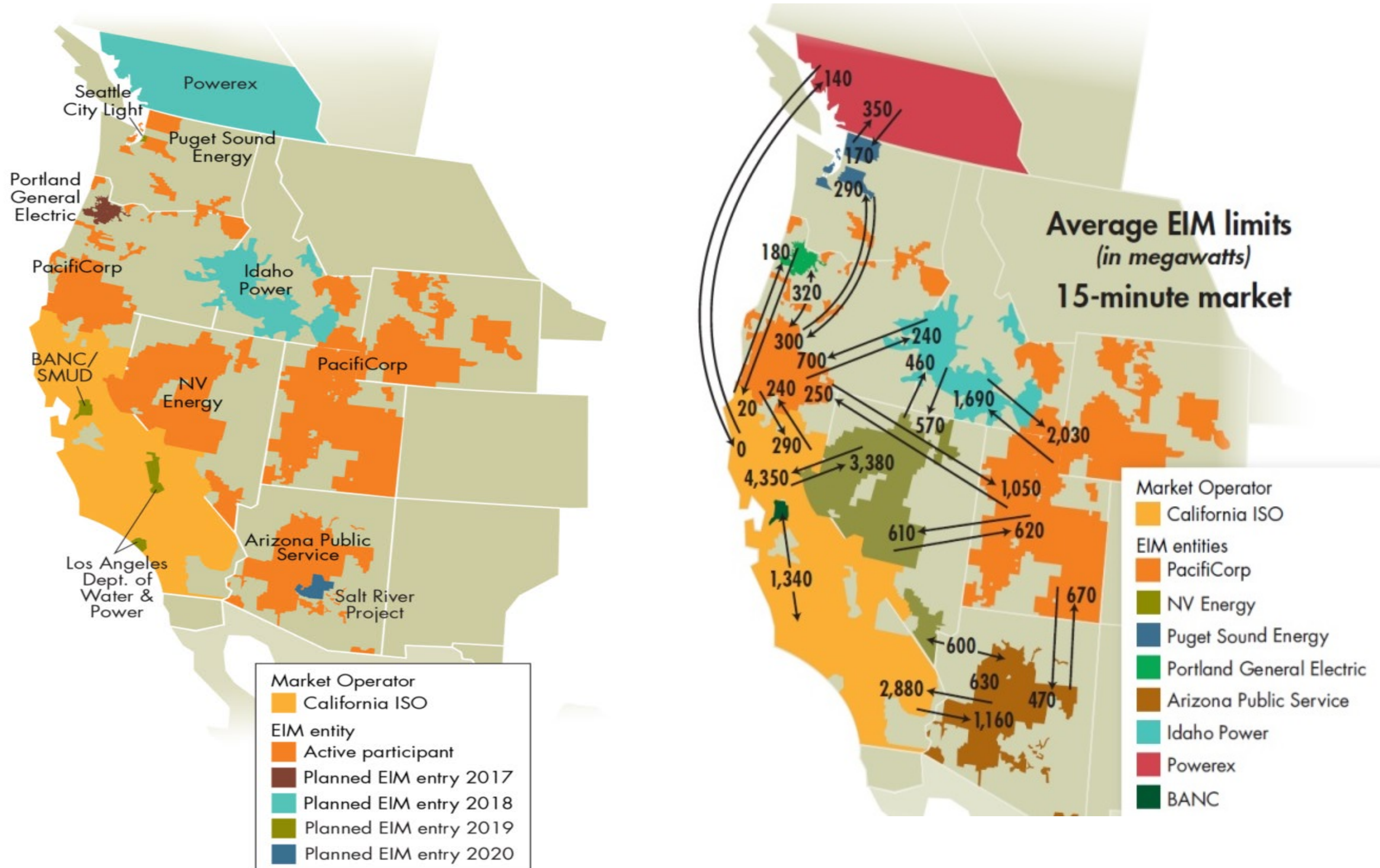
BA Interconnections



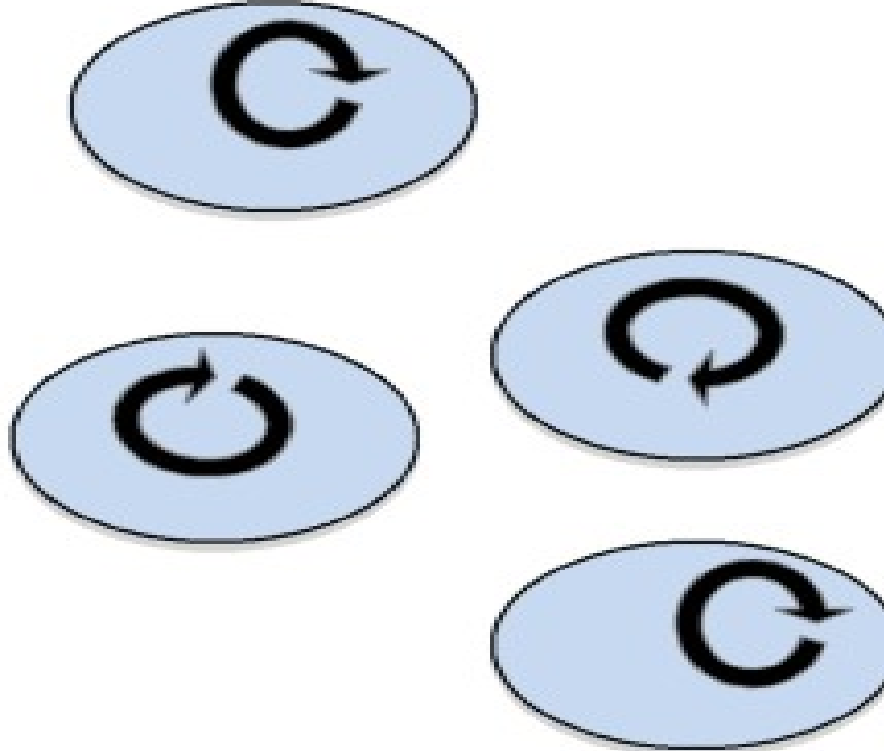
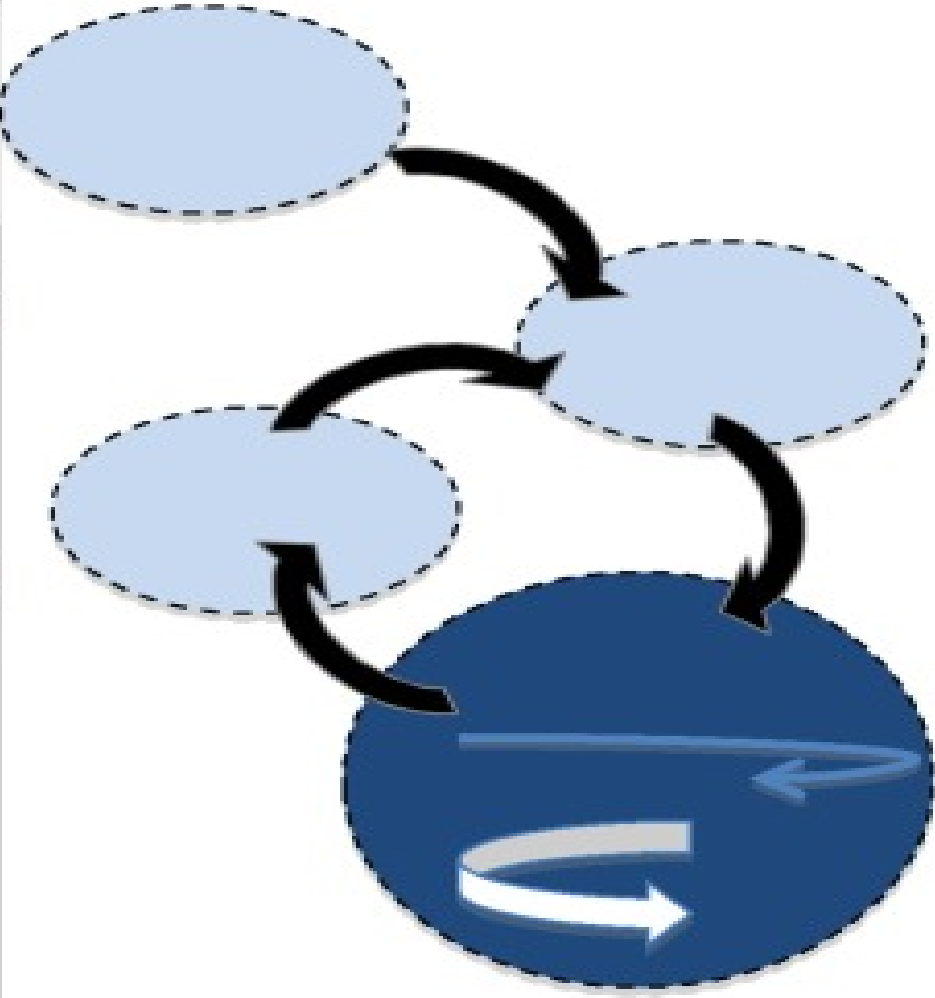
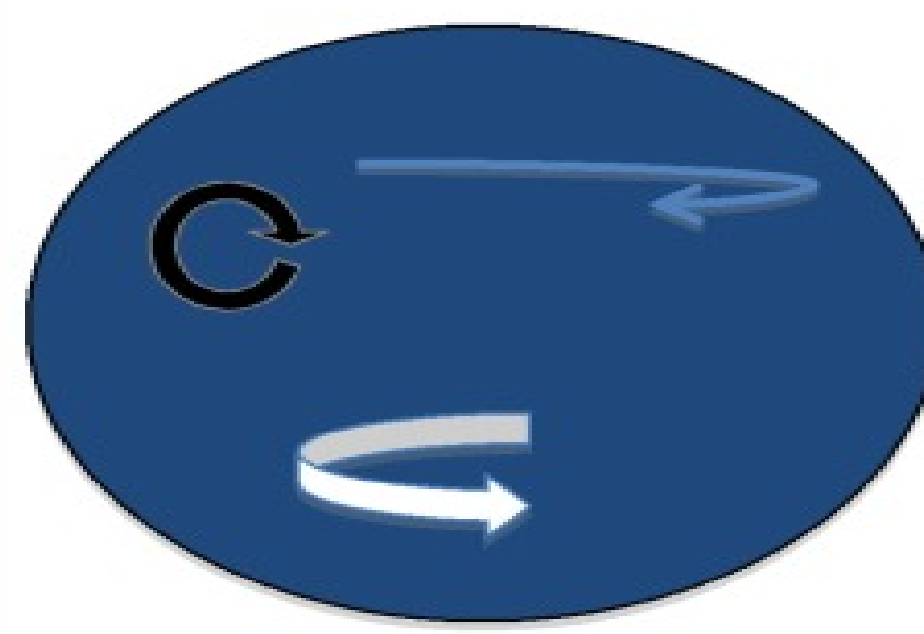
Circle sizes roughly indicative of system size. | All data shown by hour end time.

*Data are withheld for two days for some balancing authorities. | [Balancing Authority Acronyms](#)

Western Energy Imbalance Market (EIM)



BA vs EIM vs RTO

		
Separate BAs	Energy Imbalance Market	CAISO
37 separate balancing authorities	Participation is voluntary and determined by each balancing authority	Largest balancing authority and the only RTO
Manual dispatch and procurement	Rules allow balancing authorities to participate in existing real-time market; no access to day-ahead or ancillary services markets	Economic dispatch and procurement through real-time, day-ahead, and ancillary service markets
Reliability and transmission service responsibilities at each balancing authority	Preserves balancing authority autonomy over reliability and transmission, including reserve and capacity requirements	ISO responsible for reliability and transmission service
Electricity rates determined by respective PUC	Imbalance transfer rates determined by market and subject to market monitoring	Market rates subject to market monitoring
Black Arrows = real-time imbalance market. Blue and White Arrows = day-ahead and ancillary services markets.		

LG&E/KU Imbalance Service

KYMEA Current Imbalance Service

- **OATT Schedule 4: Transmission Owner (TO) establishes charges for imbalance service**

Summary of Charges

- **Tier 1 Deviations: +/- 1.5% demand (hourly demand + losses) at the LG&E/KU incremental cost. Last 12 months incremental costs was approximately 6% greater than the LG&E interface price.**
- **Tier 2 Deviations: Next 6% at incremental cost x 1.1 if purchasing and decremental cost x 0.9 if selling.**
- **Tier 3 Deviations: Greater than 7.5% at incremental cost x 1.25 if purchasing and decremental cost x 0.75 if selling. Required to provide mitigation plan.**

SEEM Market Impact on KYMEA

If applied fairly, SEEM should provide benefits to KYMEA.

- **Improves reliability as KYMEA can lean on an energy market to ensure deliverability.**
- **Penalties associated with Tier 1 and Tier 2 would no longer be applied.**
- **Will greatly improve KYMEA's ability to adjust to real-time changes in load as well as Ashwood Solar I.**

However, the SEEM does not provide access to MISO, PJM or even other SERC utilities without purchasing pancaked transmission.

