



# **Board Packet**

## **September 24, 2020**



## **NOTICE**

### **September 24, 2020 THE KYMEA BOARD OF DIRECTORS MEETING VIA VIDEO TELECONFERENCE**

As a result of the state of emergency declared by the President of the United States, Governor of Kentucky, and Mayor of the City of Louisville due to the global COVID-19 pandemic, and in accordance with recommended and mandated precautions related thereto and Kentucky Opinion of the Attorney General 20-05, the following Meeting Notice is issued:

The Regular Meeting of the Board of Directors of the Kentucky Municipal Energy Agency for Thursday, September 24, 2020, at 10:00 a.m. ET, in the KYMEA Board Room, 1700 Eastpoint Parkway, Suite 220, Louisville, Kentucky will be held per KRS 61.826, a video teleconference meeting. One or more members of the Board of Directors will participate via Webex or a similar video teleconferencing system. The primary location will be in the KYMEA Board Room, 1700 Eastpoint Parkway, Suite 220, Louisville, Kentucky.

Per Kentucky Attorney General Opinion 20-05, public attendance may be limited at this meeting due to the highly contagious nature of COVID-19, and it is not feasible for KYMEA to provide a large central physical location for public viewing with adequate spacing for a large public gathering. Physical attendance at the meeting will be limited to a small group to comply with social distancing declarations of government officials. Public comments on agenda items will be accepted for the meeting, by emailing comments to [mhixon@kymea.org](mailto:mhixon@kymea.org) by Wednesday, September 23, 2020 at 4:00 p.m. ET.

If you would like to attend the September 24<sup>th</sup> Regular Meeting of the KYMEA Board of Directors video meeting please contact [mhixon@kymea.org](mailto:mhixon@kymea.org).

## **GUIDANCE FOR ATTENDING VIRUTAL BOARD/COMMITTEE MEETINGS**

**Invitation to the Meeting:** KYMEA Board Members will receive a calendar invitation to each committee or Board meeting. Interested members of the general public are encouraged to attend and should send an email request to [mhixon@kymea.org](mailto:mhixon@kymea.org) indicating the meeting they would like to attend. Access will then be provided for the requested meeting.

**Accessing WebEx:** KYMEA committee and Board meetings may be held on occasion as video meetings via WebEx. It is free for attendees to join the WebEx meetings and participants do not need a WebEx account. The WebEx meetings can be accessed from computers, tablets, and smart phones.

**Joining the Meeting:** Attendees can join the meeting 10 minutes before the start of the meeting and should not join the meeting using more than one computer in the same room as it will create feedback.

Please test your video and audio connection by clicking the WebEx link the day prior to the meeting. You will always use the "Call In" audio connection. You will:

1. Dial the phone number given when selecting "Call In" for your audio connection.
2. Enter the access code and attendee ID that pops up on your screen.
3. Please mute your computer during the meeting. This will reduce the possibility of feedback.

**We recommend that virtual meeting attendee uses a headset/earbuds with a microphone during the meeting to prevent feedback. If such headset/earbuds are not available, the volume on your phone should be turned up just enough to be able to hear those speaking, otherwise, there may be feedback.**

**Microphone:** We ask that all virtual meeting attendees keep their microphones muted until you are speaking during a portion of the meeting. All virtual meeting attendees should control their own microphones via the WebEx application.

### **Disruption of Feed for Virtual Attendees:**

If a presenter/speaker experiences a disruption in his/her video feed, it will be up to the Chair to determine if the meeting should be suspended taking into consideration the circumstances at the time. If we experience any technical difficulties that affect the Board and public's ability to see the meeting as a whole, the meeting will be suspended while we attempt to resolve the issue. If the issue cannot be resolved, the Chairperson will have the option of recessing the meeting until a designated time or adjourning the meeting. If the meeting is adjourned, any unfinished or pending business at that time will be addressed at the next meeting of the Board or Committee.

***If you encounter problems while attending the meeting, please send a text to (502) 693-5179. Please also send a text message if you leave the meeting for any reason or are unable to return.***

September 24, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	Executive	CEO	IRP Schedule	Transmission Service Request
	BROC	Finance and Accounting	Audit Report	
		Market Analytics	Open Records Requests	
		Member Communications		

October 22, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	Compensation Committee	CEO	Legislative Update	Audit Report
		Finance and Accounting	IRP Schedule	
		Market Analytics	Budget	
		Member Communications		

November 18, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	Budget	CEO	IRP Schedule	
	Compensation	Finance and Accounting		
		Market Analytics		
		Member Communications		

December 16, 2020	Committee Reports	Administration Reports	Discussion Topics	Action Items
	BROC	CEO	IRP Schedule	CEO Compensations & Performance Bonus
	AR Project	Market Analytics		
	Budget	Member Communications		



KENTUCKY MUNICIPAL ENERGY AGENCY

January 28, 2021	Committee Reports	Administration Reports	Discussion Topics	Action Items
	AR Project Committee	CEO	FY 2022 Administrative, General, and Capital Budget	
	Budget Committee	Finance and Accounting	FY 2022 AR Rates	
		Market Analytics	Legislative Update	
		Member Communications		

February 25, 2021	Committee Reports	Administration Reports	Discussion Topics	Action Items
	AR Project Committee	CEO	IRP Schedule	FY 2022 Administrative, General, and Capital Budget
		Market Analytics	Legislative Update	
		Member Communications	FY 2022 AR Rates	

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



KENTUCKY MUNICIPAL ENERGY AGENCY

## **Notice of the Regular Meeting of the KYMEA Board of Directors (Video Meeting)**

**Location: WebEx Video Meeting (if you would like to attend please contact [mhixon@kymea.org](mailto:mhixon@kymea.org))**

**1700 Eastpoint Pkwy Ste. 220, Louisville, KY 40223**

**Thursday, September 24, 2020, 10 AM**

### **A. Meeting Opening**

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

### **B. Meeting Minutes of the KYMEA Board of Directors**

### **C. Financial Reports**

### **D. Committee Reports**

- D.1 Executive Committee
- D.2 BROOC Report

### **E. Administration Reports**

- E.1 CEO
- E.2 Member Communications
- E.3 Market Report

### **F. Discussion Topics**

- F.1 IRP Schedule
- F.2 Audit Report
- F.3 Open Records Requests

### **G. Action Items**

- G.1 Transmission Service Request

### **H. Public Comments**

### **I. Upcoming Meetings & Other Business**

### **J. Closed Session**

- J.1 Litigation/Depancaking

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

- K.1 None Expected

### **L. Adjournment**

# Meeting Minutes





## Notice of the Combined Meeting of the KYMEA Board of Directors (Video Meeting)

Location: WebEx Video Meeting, 1700 Eastpoint Pkwy Ste. 220, Louisville, KY 40223  
Thursday, August 27, 2020, 10 AM

### A. Meeting Opening

A.1. Attendance: Taken at 10:08 AM

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

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

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

Carl Shoupe  
Doug Hammers  
Philip King  
Ramona Williams

#### **Staff Present:**

Michelle Hixon  
Heather Overby  
Doug Buresh  
Rob Leesman

#### **Others Present:**

Charles Musson  
Adrian Isaacs  
Pat Pace  
Tim Lyons  
Hance Price  
Vent Foster  
Latif Nurani  
Tom Trauger





Anna Marie Pavlik Rosen  
Arthur Dent  
James McWilliams  
Andy McDonald  
John Painter

A.2. Call to Order: Chairman, Ron Herd, called the meeting to order at 10:08 AM. A quorum of board members was present, and the Board was ready to proceed with business.

## B. Meeting Minutes

B.1 Approval of the minutes of the Board of Directors on July 23, 2020.

**Motion Passed:** Approval of the July 23, 2020 meeting minutes of the Board of Directors passed with a motion by Kevin Frizzell 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
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

## C. Financial Reports

B.2 Approval of the July 2020 Financial Reports

**Motion Passed:** Approval of the July 2020 financial reports passed with a motion by Mike Withrow and second by Josh Callihan.

**7 Yeas - 0 Nays.**

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

#### D. Committee Reports

D.1 AR Project Committee Report (combined with the regular meeting minutes)

#### 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 updated the Board on upcoming events and member activities.

E.3 Market Report: Heather Overby discussed the previous month's markets in relation to KYMEA.

#### F. Discussion Topics

F.1 IRP Schedule: Doug Buresh reviewed the IRP schedule and reported on recent progress.

#### G. Action Items

G.1 No actions were taken.

#### H. Public Comments

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

No comments were made.

#### I. Upcoming Meetings and Other Business

The next meeting is Thursday, September 24<sup>th</sup> at 10 AM at the Louisville office.



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, CANCELLED  
Thursday, April 23, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL  
Thursday, May 28, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL  
Thursday, June 25, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL  
Wednesday, July 23, 2020, 1:00 PM Eastern Time, WEBEX VIDEO CALL  
Thursday, August 27, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL  
Thursday, September 24, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL  
Thursday, October 22, 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

#### J. Closed Session

Closed Session Authorization for the August 27, 2020 Board Meeting

Approval to enter into Closed Session pursuant to KRS 61.810(1)(c) for the purpose of discussing proposed, potential or pending litigation relating to KYMEA and its members relating to transmission issues and cost adjustments.

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

**Motion Passed:** Motion to enter into Closed Session was passed with a motion Josh Callihan and second by Chris Melton.

#### 7 Yeas - 0 Nays.

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



Carl Shoupe	Absent
Philip King	Absent
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

#### J.1 Litigation/Depancaking

**Motion Passed:** Motion to return to Open Session was passed with a motion Chris Melton 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
Kevin Frizzell	Yes
Doug Hammers	Absent
Kevin Howard	Yes
Ramona Williams	Absent
Gary Zheng	Yes

#### K. Actions Related to Matters Discussed in Closed Session

No actions were taken.

#### L. Board Strategic Retreat

#### M. Adjournment

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

#### 7 Yeas - 0 Nays.



KENTUCKY MUNICIPAL ENERGY AGENCY

Josh Callihan	Yes
Ronald Herd	Yes
Chris Melton	Yes
Mike Withrow	Yes
Carl Shoupe	Absent
Philip King	Absent
Kevin Frizzell	Yes
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





KENTUCKY MUNICIPAL ENERGY AGENCY



# Financial Presentation

*September 24, 2020*

*Heather Overby*

# Statement of Net Position – August 2020



KENTUCKY MUNICIPAL ENERGY AGENCY

## Statements of Net Position Aug-20

HRO

	August 2020	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 13,096,901	(1)
Other receivables	8,059,556	(2)
Interest receivable	-	
Prepayments	8,651	
<b>Total Current Assets</b>	<b>21,165,108</b>	

- 1) Checking account cash
- 2) Billing to AR & Transmission service members and ancillary services



# Statement of Net Position – August 2020

## NON-CURRENT ASSETS

Restricted Assets		
Pledged collateral	2,679,714	(3)
Total Restricted Assets	<u>2,679,714</u>	
Unrestricted Assets		
Investment in SEDC	757	
Total Unrestricted Assets	<u>757</u>	
Capital Assets		
Fixed Asset Clearing Account	10,605	
Office Buildout	253,638	
Meters - AR Project	225,359	
Meter Comm Equipment	330,672	
General Plant	765,081	
Construction work in progress	-	
Less Accumulated Depreciation	<u>(288,214)</u>	
Net Capital Assets	<u>1,297,141</u>	
<b>Total Non-Current Assets</b>	<u>3,977,612</u>	
<b>Total Assets</b>	<u>25,142,720</u>	

3) Collateral represents  
\$1.9m at MISO and  
\$800k at PJM

# Statement of Net Position – August 2020

<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 10,719,830	(4)
Accrued Employee Benefits	130,528	
Accrued interest payable	132	
<b>Total Current Liabilities</b>	<b>10,850,490</b>	
<b>NON-CURRENT LIABILITIES</b>		
Deferred Lease Liability	39,289	(5)
Line of Credit	-	(6)
<b>Total Non-Current Liabilities</b>	<b>39,289</b>	
<b>Total Liabilities</b>	<b>10,889,779</b>	
<b>Net Position</b>		
Invested in capital assets, net of related debt	1,286,537	
Restricted	-	
Unrestricted	12,966,404	
<b>TOTAL NET POSITION</b>	<b>14,252,941</b>	(7)

- 4) AP represents purchased power
- 5) Deferred Lease Liability represents the difference in average monthly rent for term of office lease and actual lease payments
- 6) Line of Credit paid off in August 2019
- 7) Positive net position - LTD

# Statement Revenue, Expenses, and Changes in Net Position– August 2020

	August 2020	YTD FY21	
<b>OPERATING REVENUES</b>			
Sales to members	\$ 7,408,611	\$ 15,173,934	(8)
RTO Market Revenue	\$ 93,809	\$ 111,380	(9)
Transmission Services	66,155	150,682	(10)
Miscellaneous Revenue	-	-	
<b>TOTAL OPERATING REVENUE</b>	<b>7,568,575</b>	<b>15,435,996</b>	
<b>OPERATING EXPENSES</b>			
Transmission	732,866	\$ 1,493,209	(11)
Production	5,439,866	\$ 11,196,190	(12)
Administrative and General	212,173	400,645	
Depreciation	15,418	30,835	
<b>TOTAL PURCHASE POWER AND OPERATING EXPENSES</b>	<b>6,400,323</b>	<b>13,120,879</b>	
		-	
<b>OPERATING INCOME</b>	<b>1,168,253</b>	<b>2,315,117</b>	
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest expense on debt	\$ -	\$ -	
Interest income	\$ 132	\$ 1,243	
Other non-operating expenses (income)	\$ (4,116)	\$ (8,968)	
Regulatory Credit/Debit - Cost to Be Recovered	-	-	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(3,984)</b>	<b>(7,725)</b>	
		-	
<b>CHANGE IN NET POSITION</b>	<b>1,164,268</b>	<b>2,307,392</b>	(13)
		\$ -	
<b>NET POSITION AT BEGINNING OF PERIOD</b>	<b>\$ 13,088,673</b>	<b>\$ 11,945,549</b>	
<b>NET POSITION AT END OF PERIOD</b>	<b>\$ 14,252,941</b>	<b>\$ 14,252,941</b>	

- 8) Sales to AR Members
- 9) RTO Auction Revenue Rights
- 10) Sales of transmission and ancillary services
- 11) Transmission from MISO, PJM, and KU net of depancaking credit
- 12) All purchased power including PPA, ITO, and SEPA
- 13) Positive Net Income

# Indirect Statement of Cash Flows – August 2020

CONSOLIDATED STATEMENT OF CASH FLOWS	CY Month Ended 8/31/2020	CY YTD FY 2021	
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
NET INCOME	\$ 1,164,268	\$ 2,307,392	(14)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH:			
DEPRECIATION	\$ 15,418	\$ 30,835	
CHANGES IN CURRENT & DEFERRED ITEMS:			
ACCOUNTS RECEIVABLE	\$ 240,799	\$ (439,310)	
PREPAYMENTS & OTHER CURRENT ASSETS	\$ 1,236	\$ 2,472	
DEFERRED DEBITS	\$ -	\$ -	
OTHER REG ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ -	
ACCOUNTS PAYABLE	\$ 276,063	\$ 2,249,550	(15)
COLLATERAL DEPOSITS	\$ -	\$ -	
TAXES & INTEREST ACCRUED	\$ 563	\$ 536	
OTHER CURRENT LIABILITIES	\$ 5,303	\$ 15,036	
DEFERRED CREDITS	\$ 314	\$ 629	
OTHER	\$ -	\$ -	
NET CASH PROVIDED BY (USED IN) OPERATION	\$ 1,703,964	\$ 4,167,140	
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>			
ADDITIONS TO PLANT	\$ -	\$ (10,605)	
NET CHANGE IN OTHER PROP & INVEST	\$ (132)	\$ (1,243)	
OTHER - ASSET RETIREMENT OBLIGATIONS	\$ -	\$ -	
NET CASH PROVIDED BY (USED IN) INVESTING	\$ (132)	\$ (11,848)	
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>			
LONG TERM BORROWINGS	\$ -	\$ -	
OTHER	\$ -	\$ -	
NET CASH PROVIDED BY (USED IN) FINANCING	\$ -	\$ -	
<b>NET INCREASE (DECREASE) IN CASH &amp; TEMP INVESTMENTS</b>	\$ 1,703,832	\$ 4,155,292	
<b>CASH &amp; TEMP INVESTMENTS BEGINNING PERIOD</b>	\$ 11,393,069	\$ 8,941,609	
<b>CASH &amp; TEMP INVESTMENTS END OF PERIOD</b>	\$ 13,096,901	\$ 13,096,901	(16)

14) Net Income

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

16) Cash balance in checking account

# Financial Metrics – August 2020



## KEY FINANCIAL METRICS

FY2021 Actuals Through August 2020

Days Cash on Hand

**61.71 ▲**

Target: 63.00

Leverage

**6.98 ▼**

Target: 7.08

Coverage of Full Obligations

**1.05 ▲**

Target: 1.03

Debt Service Coverage

**1.06 ▲**

Target: 1.04

# Financial Metrics – August 2020

## Days Cash On Hand

Financial flexibility - the number of days KYMEA can pay its operating expenses with the given cash available.

**\$13.1M**

Unrestricted Cash

\$13.0M EOY Projection



**\$212,226**

Adjusted Operating Expense per Day

\$77.46M / 365 days



**61.71**

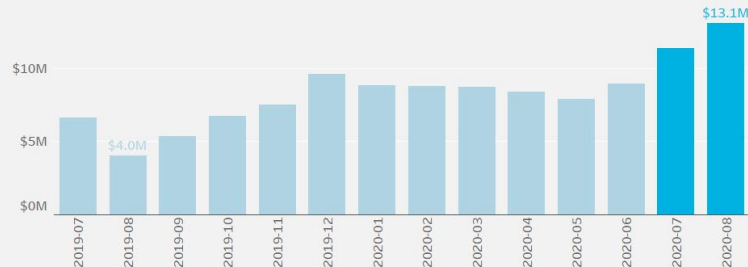
Days Cash on Hand

Target: 63.00

Unrestricted Cash

Adjusted Operating Expenses

Cash on Hand through Current Month



## Days Cash On Hand

Financial flexibility - the number of days KYMEA can pay its operating expenses with the given cash available.

**\$13.1M**

Unrestricted Cash

\$13.0M EOY Projection



**\$212,226**

Adjusted Operating Expense per Day

\$77.46M / 365 days



**61.71**

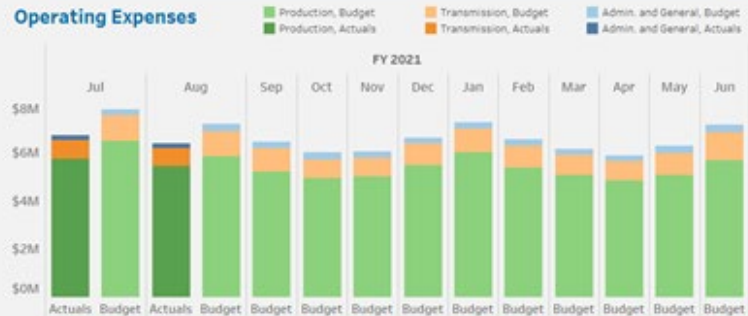
Days Cash on Hand

Target: 63.00

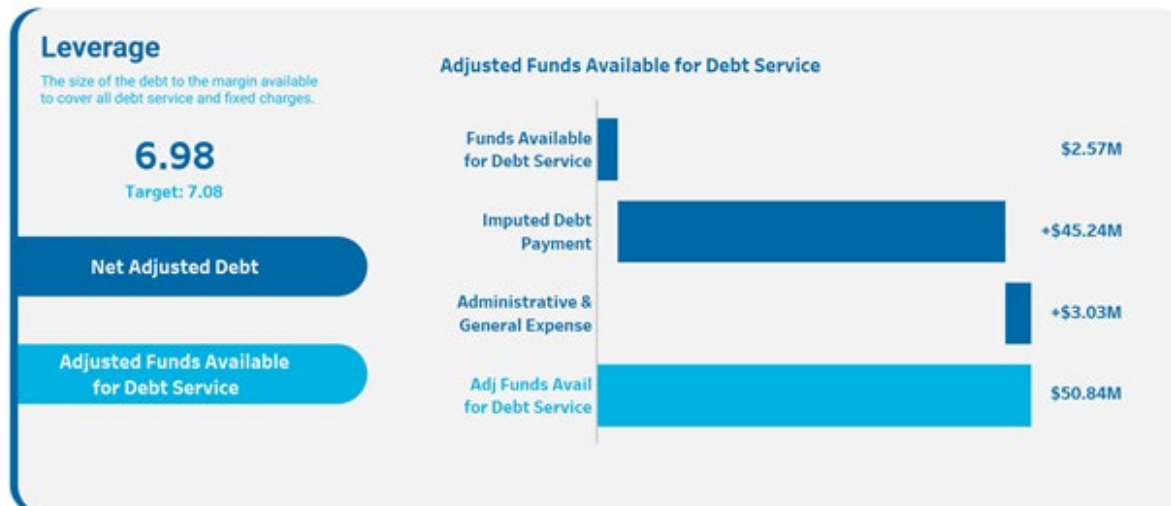
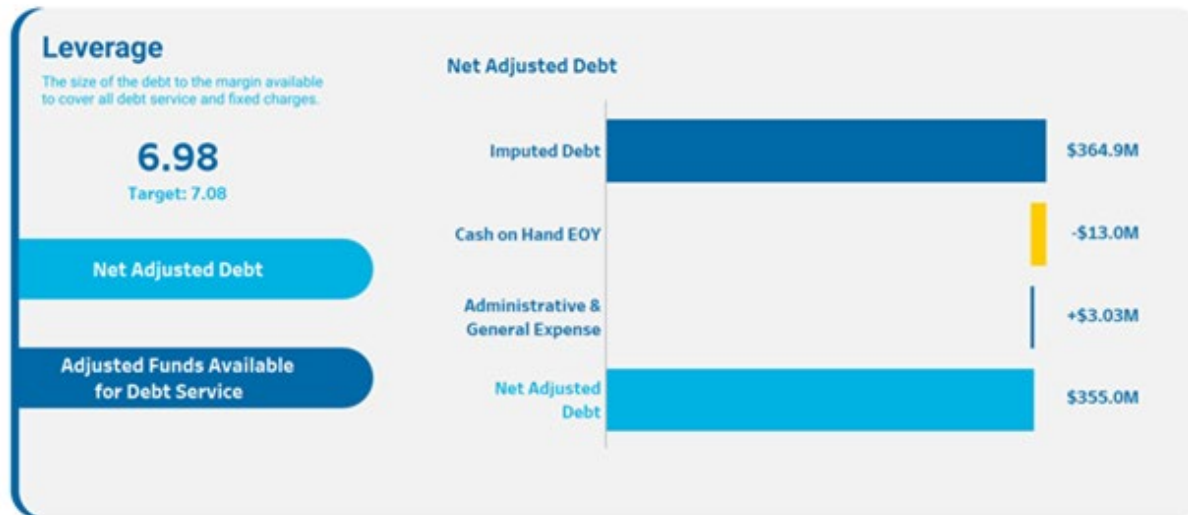
Unrestricted Cash

Adjusted Operating Expenses

Operating Expenses



# Financial Metrics – August 2020



# Financial Metrics – August 2020

## Coverage of Full Obligations 1.05

The funds available from operations to cover current debt service and fixed charges requirements.

Target: 1.03

Funds Available for Debt Service ÷ Total Debt Service & Fixed Charges

Imputed Debt Payment \$45.24M

Administrative & General Expense \$3.03M

EBITDA & Interest Income \$2.57M

## Debt Service Coverage 1.06

The funds available from operations to cover current debt service.

Target: 1.04

Funds Available for Debt Service ÷ Total Debt Service

Imputed Debt Payment \$45.24M

EBITDA & Interest Income \$2.57M





KENTUCKY MUNICIPAL ENERGY AGENCY

## Statements of Net Position Aug-20

HRO

	August 2020
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 13,096,901
Other receivables	8,059,556
Interest receivable	-
Prepayments	8,651
<b>Total Current Assets</b>	<b>21,165,108</b>
<b>NON-CURRENT ASSETS</b>	
Restricted Assets	
Pledged collateral	2,679,714
<b>Total Restricted Assets</b>	<b>2,679,714</b>
Unrestricted Assets	
Investment in SEDC	757
<b>Total Unrestricted Assets</b>	<b>757</b>
Capital Assets	
Fixed Asset Clearing Account	10,605
Office Buildout	253,638
Meters - AR Project	225,359
Meter Comm Equipment	330,672
General Plant	765,081
Construction work in progress	-
Less Accumulated Depreciation	(288,214)
<b>Net Capital Assets</b>	<b>1,297,141</b>
<b>Total Non-Current Assets</b>	<b>3,977,612</b>
<b>Total Assets</b>	<b>25,142,720</b>



KENTUCKY MUNICIPAL ENERGY AGENCY

**Statements of Net Position**  
**Aug-20**

HRO

 August  
 2020
**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable	\$	10,719,830
Accrued Employee Benefits		130,528
Accrued interest payable		132
<b>Total Current Liabilities</b>		<b>10,850,490</b>

**NON-CURRENT LIABILITIES**

Deferred Lease Liability		39,289
Line of Credit		-
<b>Total Non-Current Liabilities</b>		<b>39,289</b>

**Total Liabilities** 10,889,779
**Net Position**

Invested in capital assets, net of related debt	1,286,537
Restricted	-
Unrestricted	12,966,404
<b>TOTAL NET POSITION</b>	<b>14,252,941</b>



KENTUCKY MUNICIPAL ENERGY AGENCY

HRO

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

	August 2020	YTD FY21
<b>OPERATING REVENUES</b>		
Sales to members	\$ 7,408,611	\$ 15,173,934
RTO Market Revenue	\$ 93,809	\$ 111,380
Transmission Services	66,155	\$ 150,682
Miscellaneous Revenue	-	\$ -
<b>TOTAL OPERATING REVENUE</b>	<b>7,568,575</b>	<b>15,435,996</b>
<b>OPERATING EXPENSES</b>		
Transmission	732,866	\$ 1,493,209
Production	5,439,866	\$ 11,196,190
Administrative and General	212,173	\$ 400,645
Depreciation	15,418	\$ 30,835
<b>TOTAL PURCHASE POWER AND OPERATING EXPENSES</b>	<b>6,400,323</b>	<b>13,120,879</b>
		-
<b>OPERATING INCOME</b>	<b>1,168,253</b>	<b>2,315,117</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest expense on debt	\$ -	\$ -
Interest income	\$ 132	\$ 1,243
Other non-operating expenses (income)	\$ (4,116)	\$ (8,968)
Regulatory Credit/Debit - Cost to Be Recovered	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(3,984)</b>	<b>(7,725)</b>
		-
<b>CHANGE IN NET POSITION</b>	<b>1,164,268</b>	<b>2,307,392</b>
		\$ -
<b>NET POSITION AT BEGINNING OF PERIOD</b>	<b>\$ 13,088,673</b>	<b>\$ 11,945,549</b>
<b>NET POSITION AT END OF PERIOD</b>	<b>\$ 14,252,941</b>	<b>\$ 14,252,941</b>



KENTUCKY MUNICIPAL ENERGY AGENCY

HRO

CONSOLIDATED STATEMENT OF CASH FLOWS	CY Month Ended 8/31/2020	CY YTD FY 2021
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
NET INCOME	\$ 1,164,268	\$ 2,307,392
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH:		
DEPRECIATION	\$ 15,418	\$ 30,835
CHANGES IN CURRENT & DEFERRED ITEMS:		
ACCOUNTS RECEIVABLE	\$ 240,799	\$ (439,310)
PREPAYMENTS & OTHER CURRENT ASSETS	\$ 1,236	\$ 2,472
DEFERRED DEBITS	\$ -	\$ -
OTHER REG ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ -
ACCOUNTS PAYABLE	\$ 276,063	\$ 2,249,550
COLLATERAL DEPOSITS	\$ -	\$ -
TAXES & INTEREST ACCRUED	\$ 563	\$ 536
OTHER CURRENT LIABILITIES	\$ 5,303	\$ 15,036
DEFERRED CREDITS	\$ 314	\$ 629
OTHER	\$ -	\$ -
NET CASH PROVIDED BY (USED IN) OPERATION	\$ 1,703,964	\$ 4,167,140
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
ADDITIONS TO PLANT	\$ -	\$ (10,605)
NET CHANGE IN OTHER PROP & INVEST	\$ (132)	\$ (1,243)
OTHER - ASSET RETIREMENT OBLIGATIONS	\$ -	\$ -
NET CASH PROVIDED BY (USED IN) INVESTING	\$ (132)	\$ (11,848)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
LONG TERM BORROWINGS	\$ -	\$ -
OTHER	\$ -	\$ -
NET CASH PROVIDED BY (USED IN) FINANCING	\$ -	\$ -
NET INCREASE (DECREASE) IN CASH & TEMP INVESTMENTS	\$ 1,703,832	\$ 4,155,292
CASH & TEMP INVESTMENTS BEGINNING PERIOD	\$ 11,393,069	\$ 8,941,609
CASH & TEMP INVESTMENTS END OF PERIOD	\$ 13,096,901	\$ 13,096,901

Reconciliation Transactions Report

09/16/20 08:28:17 AM

08/01/20-08/31/20 131.00 CASH

User Id: 2014

Statement Ending Balance :	13,106,686.19
Outstanding Payments(-) :	9,785.00
Adjustments in Transit(+) :	.00
Deposits in Transit(+) :	.00
Adjusted Bank Balance :	<div><div></div>13,096,901.19</div>
Book Balance :	13,096,901.19
Pending Adjustments :	.00
Adjusted Book Balance :	<div><div></div>13,096,901.19</div>
Difference :	.00

# Committee Reports

## D. Committee Reports

D.1 Executive Committee

D.2 BROC Meeting



# Administration Reports

## E. Administration Reports

E.1 CEO

E.2 Member Communications

E.3 Market Report





KENTUCKY MUNICIPAL ENERGY AGENCY



# KYMEA President & CEO Report

*Doug Buresh*

*September 24, 2020*



- Introduction of New Staff Accountant/Financial Analyst
- Discussion of KYMEA's first derivative instrument
  - *Summer Off-Peak Fixed-for-Floating Swap*
- DCOH/ECA Tracking
- Annual Report Update
- Ashwood Solar I Townhall
- PSC Order: COVID-19 Disconnections

# Accountant/Financial Analyst

Molly Roesler



- B.S. Accounting (Spalding University)
- M.S. Exercise Physiology (U of L)
- B.S. Exercise Science (Belmont University)

## Job Responsibilities

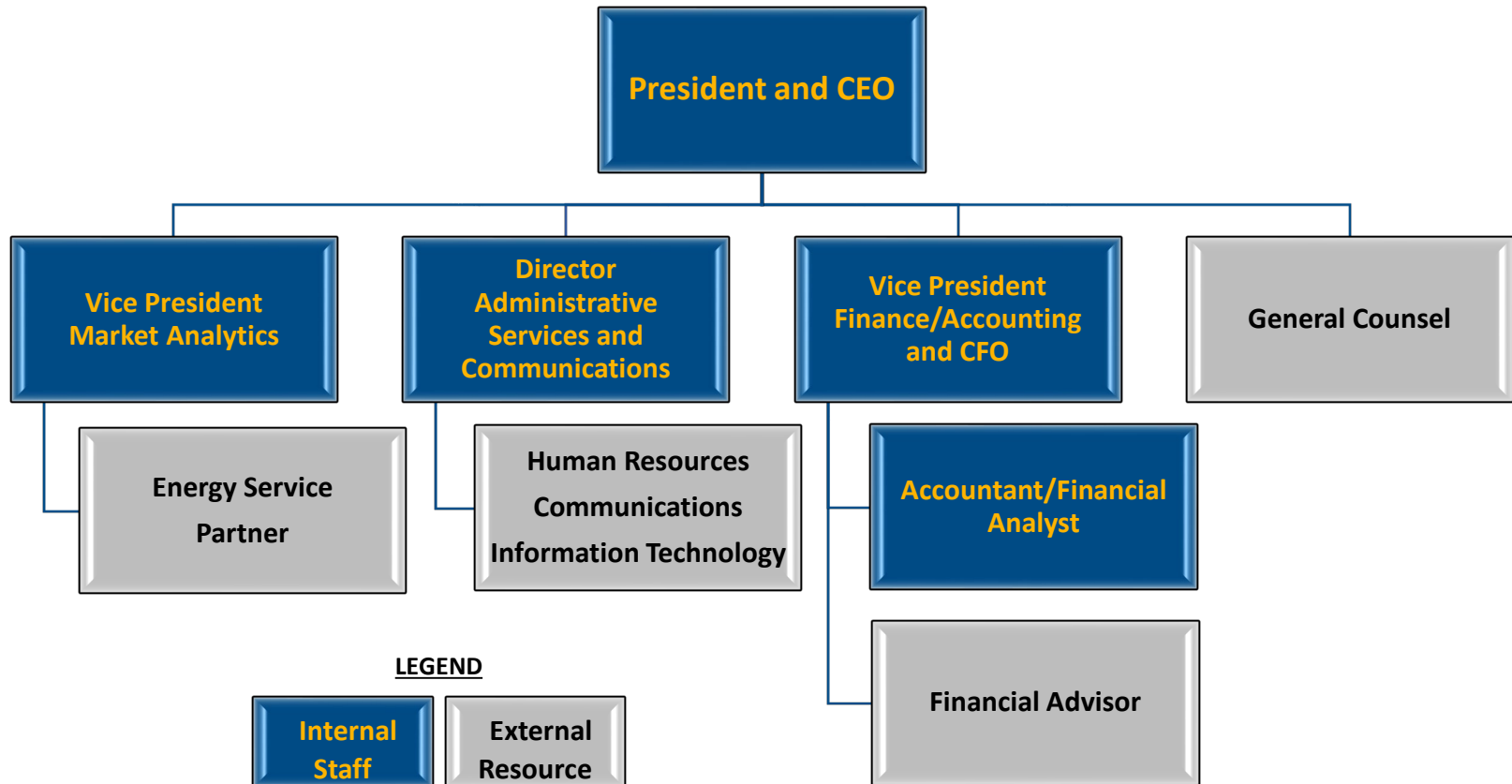
- Supports VP, Finance and Accounting & CFO
- Accounts Payable
- Bank Accounts
- Journal Entries
- Audit and 1099s
- Unclaimed Property
- Document Retention

## Addresses Independent Auditor Report *Segregation of Duties* Deficiency

### *Segregation of Duties*

We noted the Vice President of Finance and Accounting/CFO has incompatible duties within the cash outflows transaction cycle. Proper internal control would have the preparation of checks, authorization of wire transfers, and reconciliation of accounting records performed by different individuals, with these abilities being limited for any individuals with review and approval responsibilities. With the limited number of staff employed by the Agency, complete segregation of duties is challenging, however the Agency does employ mitigating controls to address some of these segregation of duties issues. We acknowledge that the Agency is currently in the process of hiring an accountant/financial analyst to further segregate duties.

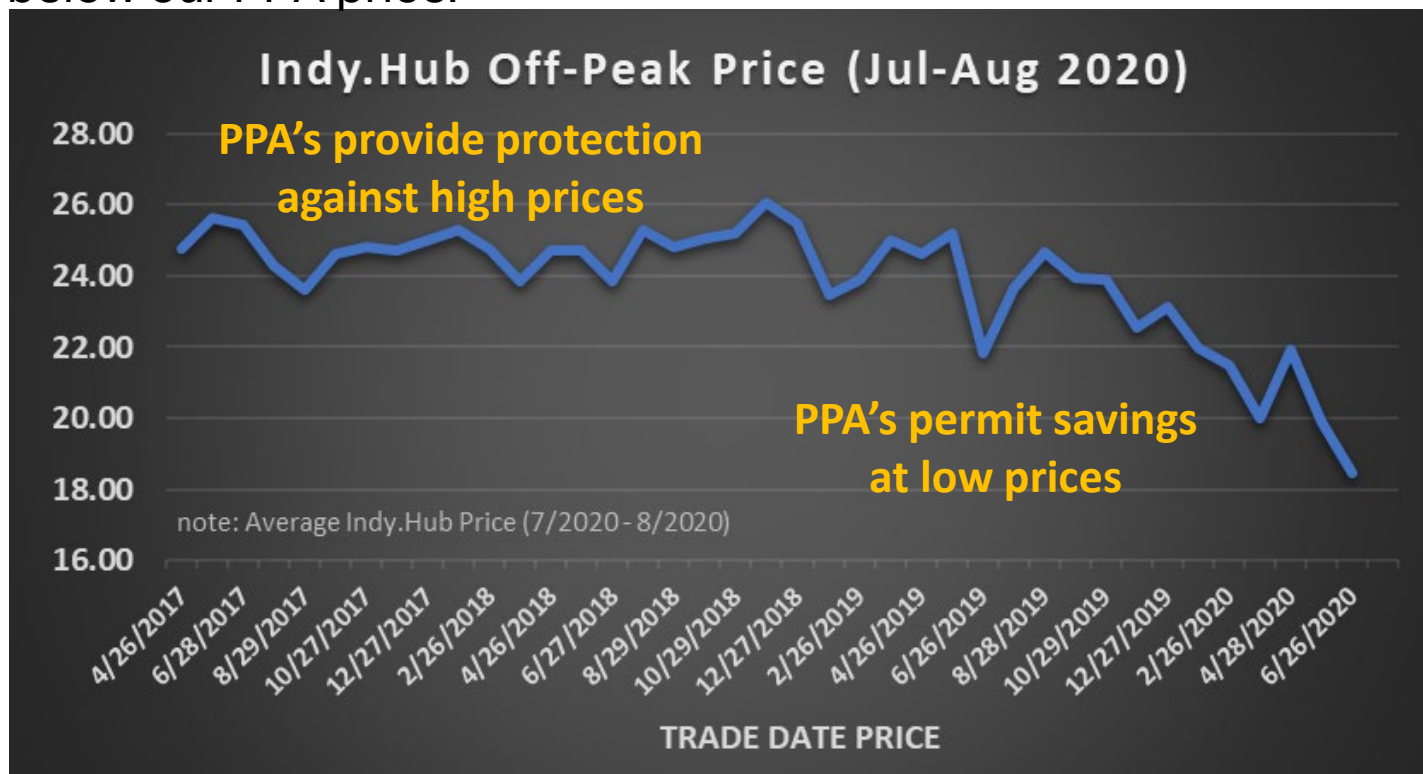
# KYMEA Organizational Chart



- Introduction of New Staff Accountant/Financial Analyst
- Discussion of KYMEA's first derivative instrument
  - *Summer Off-Peak Fixed-for-Floating Swap*
- DCOH/ECA Tracking
- Annual Report Update
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- PSC Order: COVID-19 Disconnections

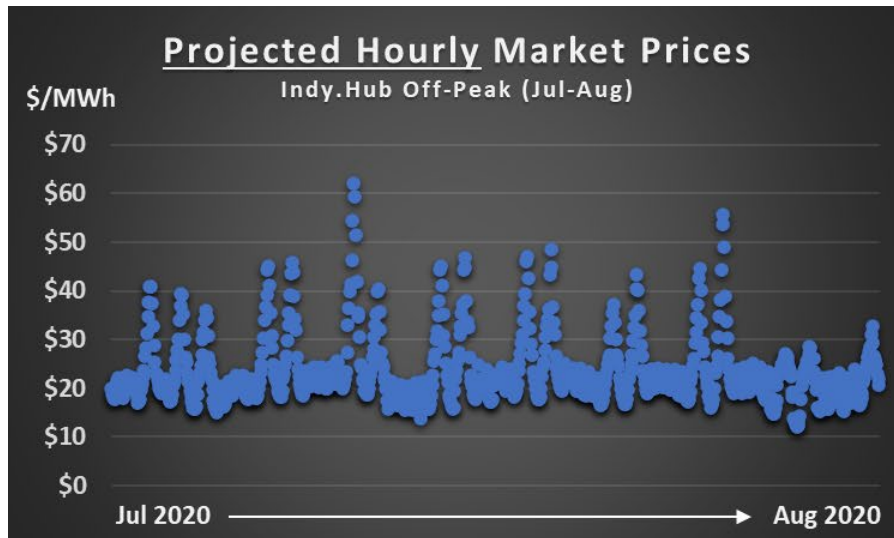
# Summer Off-Peak Hedge

- The KYMEA PPA's provide optionality where the Agency can purchase from the market, if the market is cheaper while providing protection against higher prices.
- KYMEA observed that the impact of COVID-19 was driving down forward prices to the point where the summer (Jul-Aug) off-peak prices were well below our PPA price.



# Projected Market Prices

## *June 9<sup>th</sup> 2020 Projection for Jul-Aug*



### KYMEA Position Report (6/9/2020)

At projected prices, the calculated off-peak hedge quantities were:

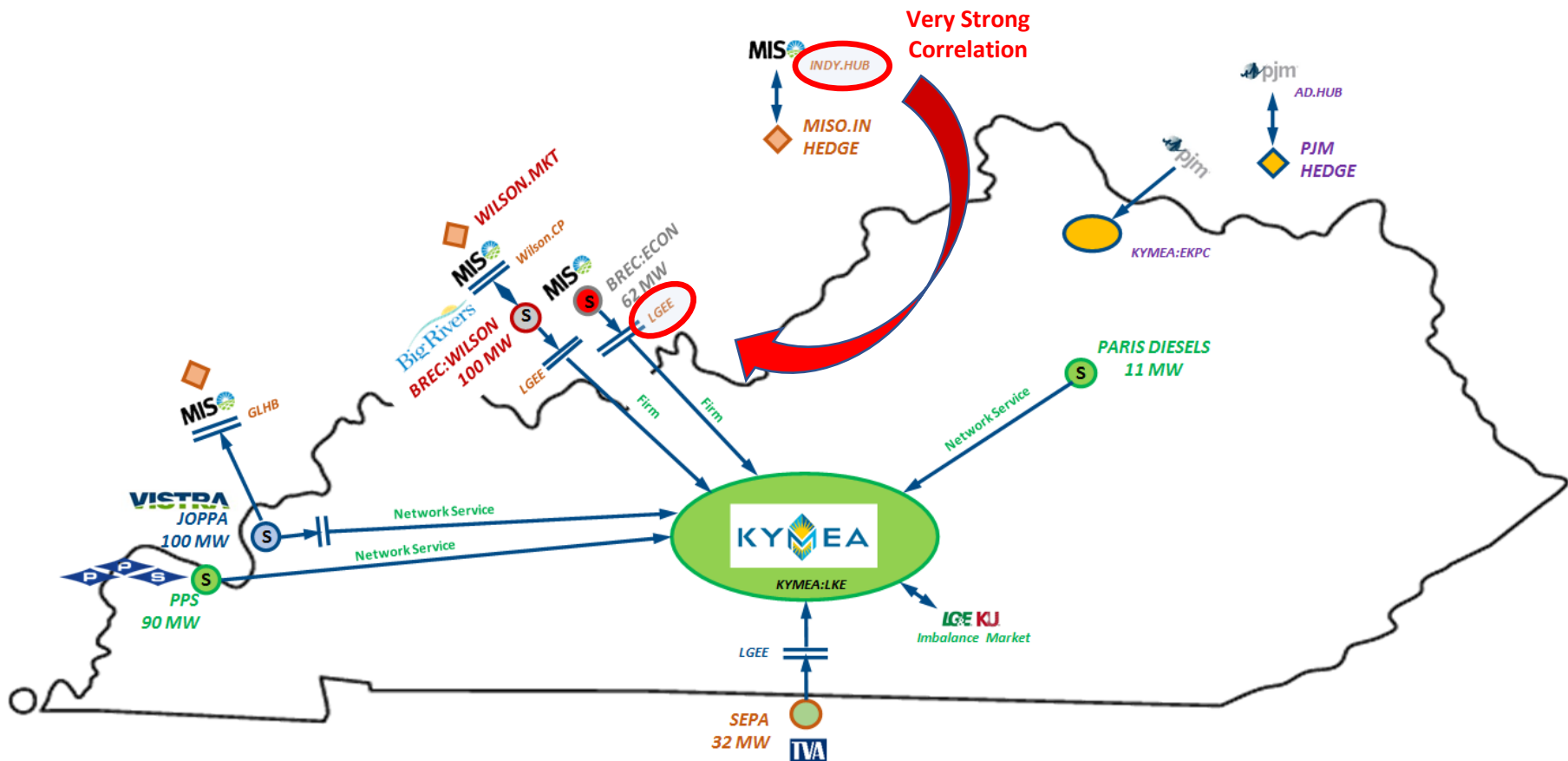
Month	Off-Peak (MW)
July	72
August	95

### COVID-19 Load Impact

Given the load uncertainty from COVID-19, KYMEA decided to hedge no more than 50 MW.

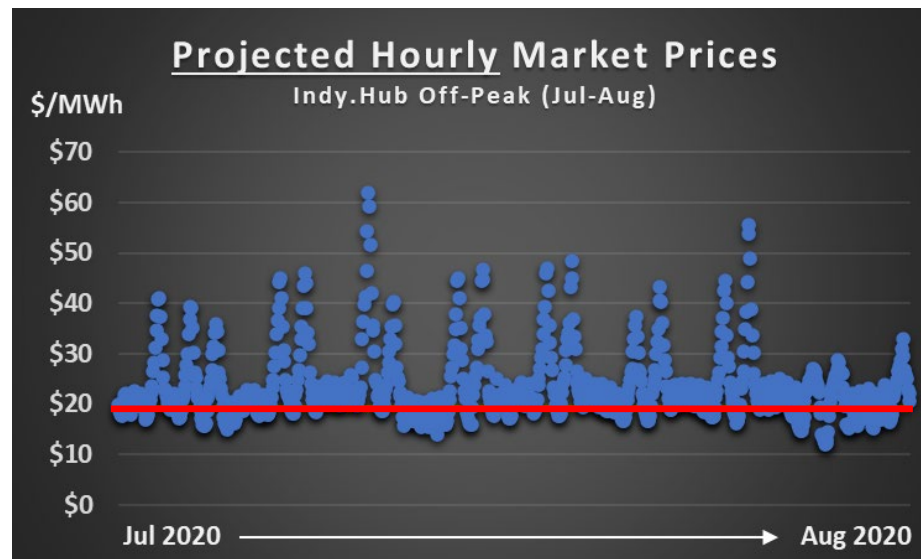
# LGEE | INDY.HUB Correlation

- While KYMEA purchases MISO energy at the LGEE interface point, the MISO INDY.HUB provides far more liquidity.
- The historical (2010-2019) correlation between the LGEE and INDY.HUB is very strong (0.9960) for the Jul-Aug off-peak period.



# Fixed for Floating Swap (Hedge)

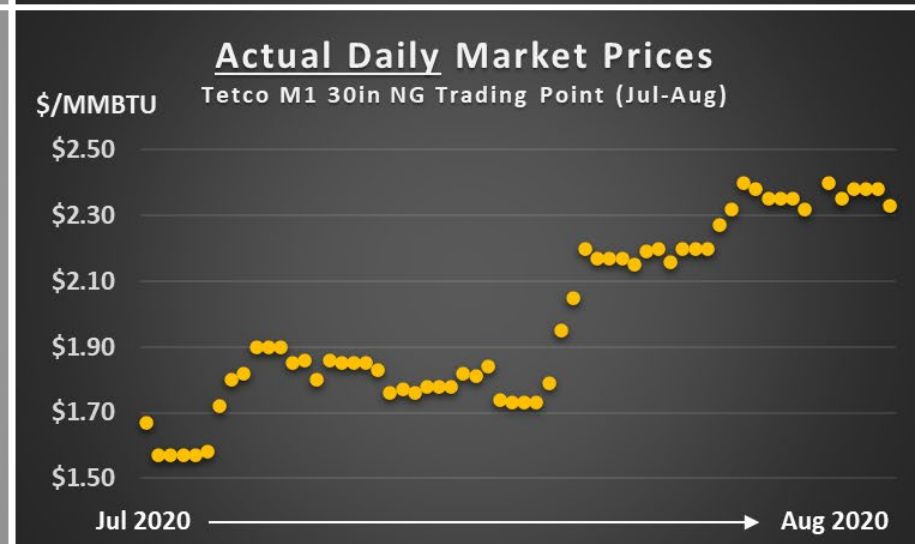
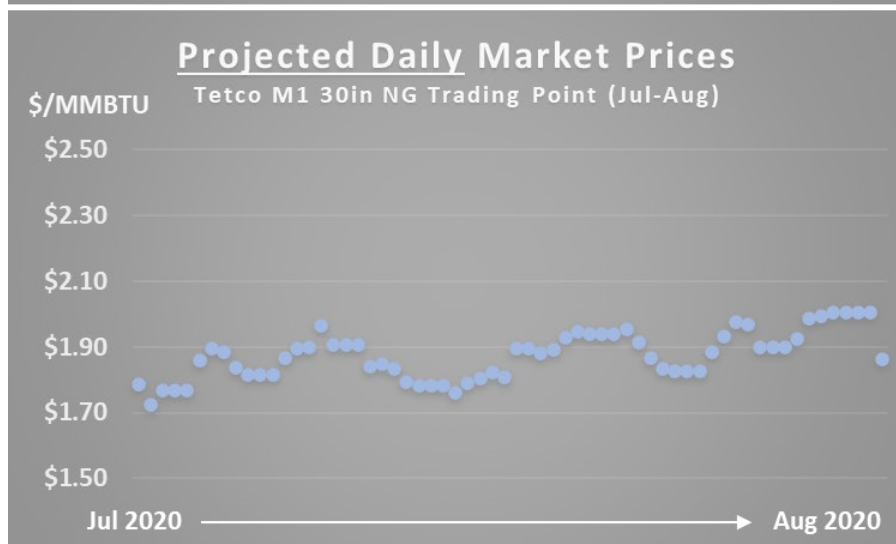
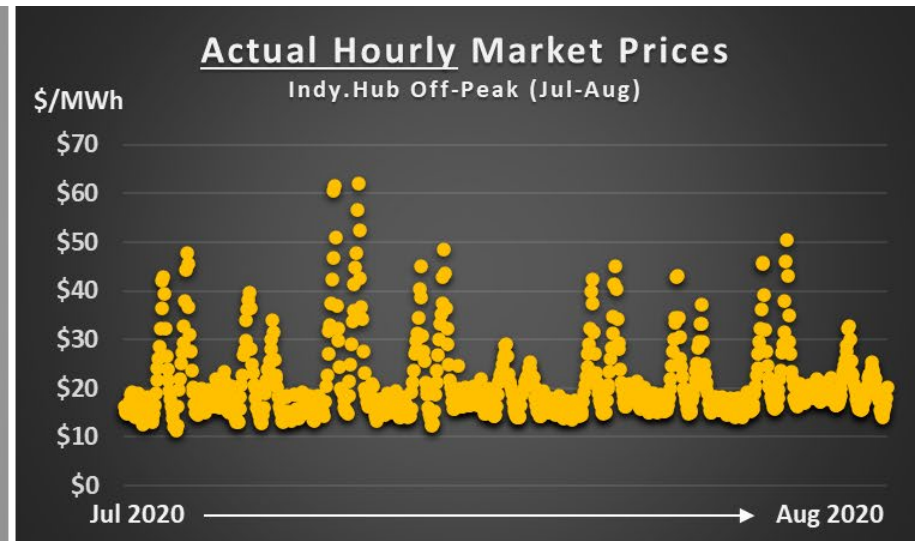
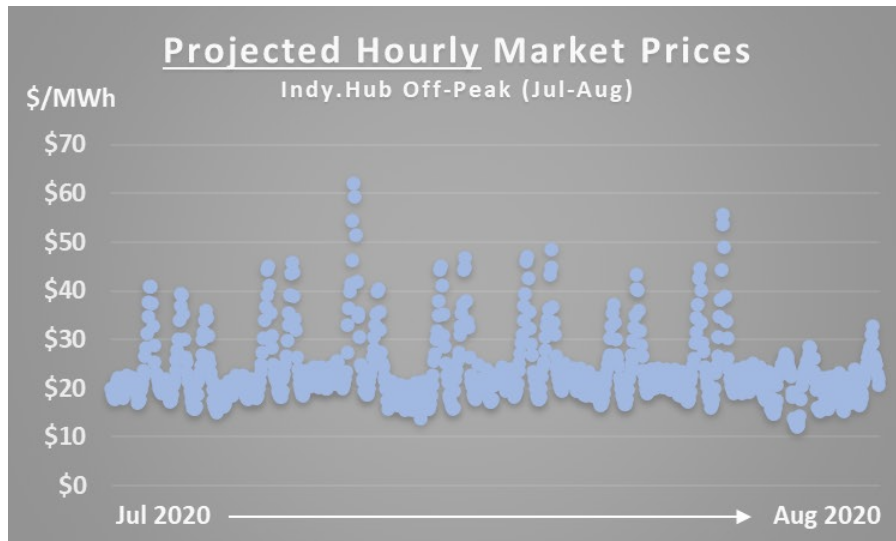
- **Financial Deal:** No physical delivery. No power flows.
- **The swap is settled daily at the INDY.HUB day-ahead index (settlement) price.**



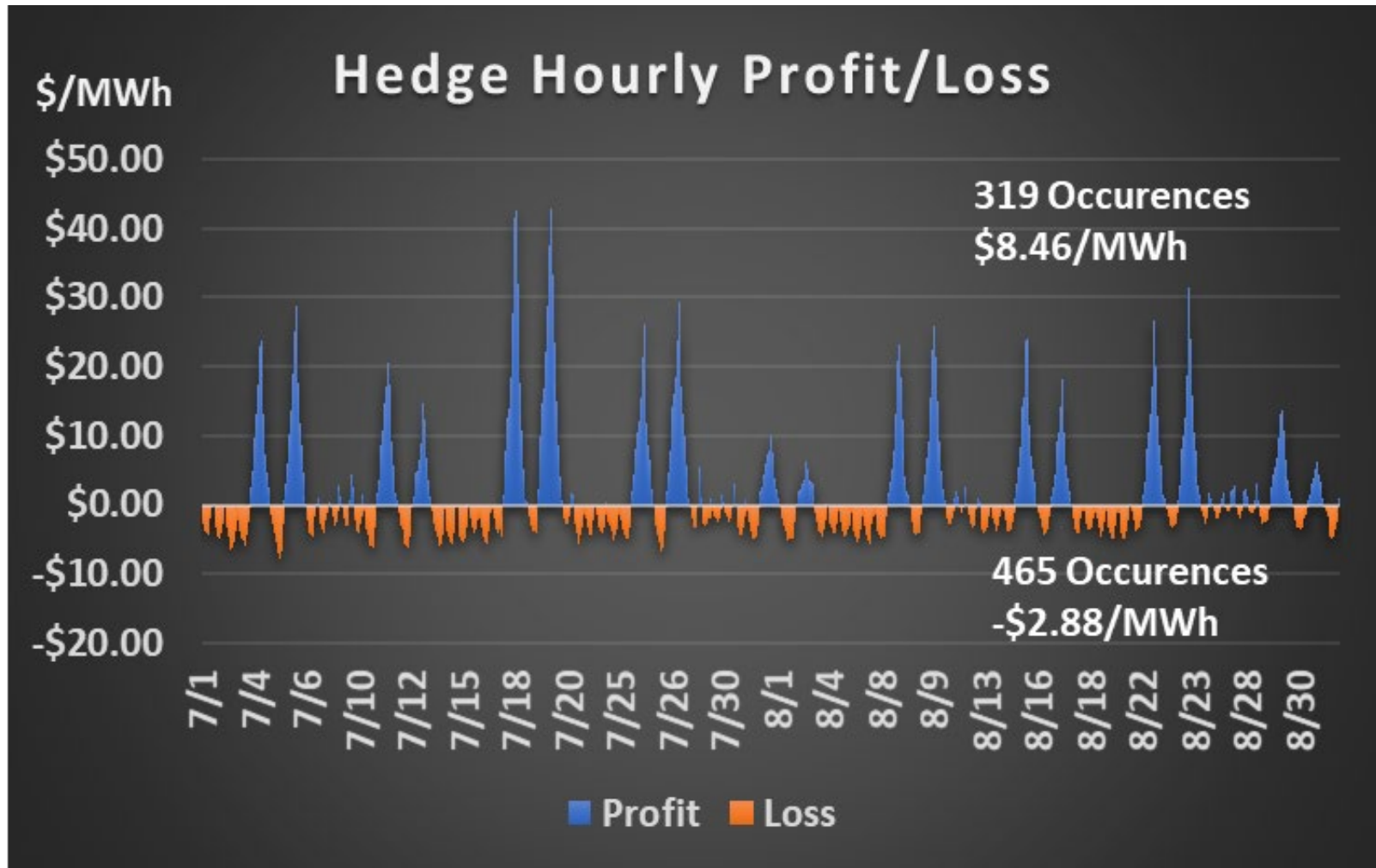


# Actual Market Prices

## *Jul-Aug 2020 Actual*

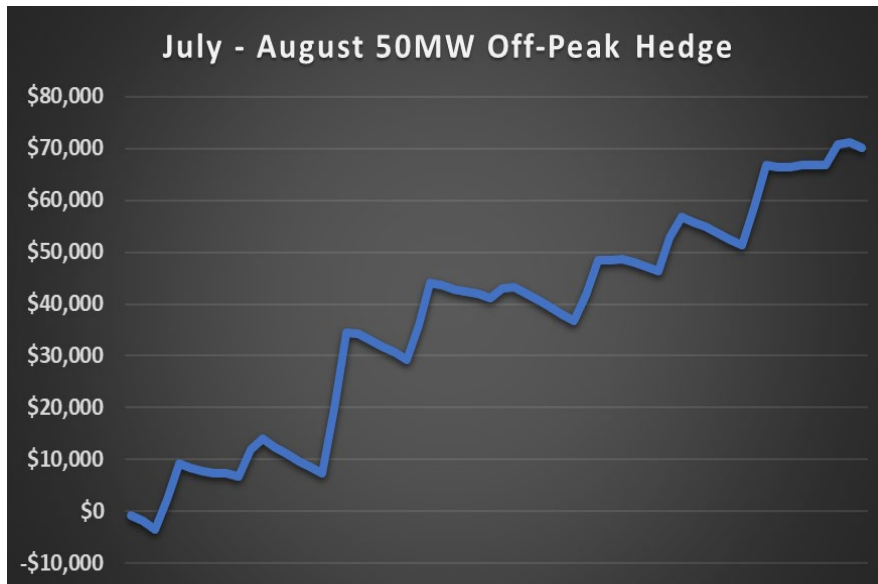


# Hedge Hourly Profit/Loss



# Hedge Cash Flow

- The fixed-for-floating swap is a derivative instrument and is reported as Note 5: Derivative Instruments on page 14 of the Independent Auditor's Report.
- The fair value of the swap is \$70,198.



## Kentucky Municipal Energy Agency

### Notes to Financial Statements

June 30, 2020 and 2019

#### Note 4: Line of Credit

In March 2019, the Agency executed a revolving line of credit agreement, expiring March 1, 2020 for advances up to \$30,000,000. This agreement was later extended to March 1, 2021. Advances under this agreement bear interest at thirty-five basis points (0.35%) above One Month LIBOR, and interest is payable semi-annually. The amount outstanding under this line of credit was \$0 and \$9,032,768 as of June 30, 2020 and June 30, 2019, respectively. This agreement is collateralized by substantially all assets of the Agency and secured by a pledge of the revenues from the Agency's Contracts with the Members.

#### Note 5: Derivative Instruments

##### Objectives and Terms of Derivative Instruments

The Agency has entered into commodity swaps to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of energy. These commodity swaps are considered derivative instruments under the provisions of GASB Codification Section D40, *Derivative Instruments*. The fair value of the commodity swaps are based on actual settlements at June 30, 2020.

**Cash Flow Hedges** – Cash flow hedges are derivative instruments associated with a hedgeable item that significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of the hedgeable item. At June 30, 2020, the positive fair value of commodity swaps considered cash flow hedges is classified as a current asset on the balance sheet, with an offsetting deferred inflow of resources for the same amount. The change in fair value of cash flow hedges was an increase of \$70,198 for 2020. The change in fair value is reflected within deferred inflows from derivative instruments in 2020.

During 2020, the Agency had pay-fixed, receive variable commodity swaps with a national energy corporation. The Agency pays the predetermined fixed price and the counterparty pays the variable price, which is based on the Indiana Hub Day-Ahead settlement price for the contractual hour. As of June 30, 2020, the counterparty was rated A- by Standard & Poor's and Baa1 by Moody's Investors Service.

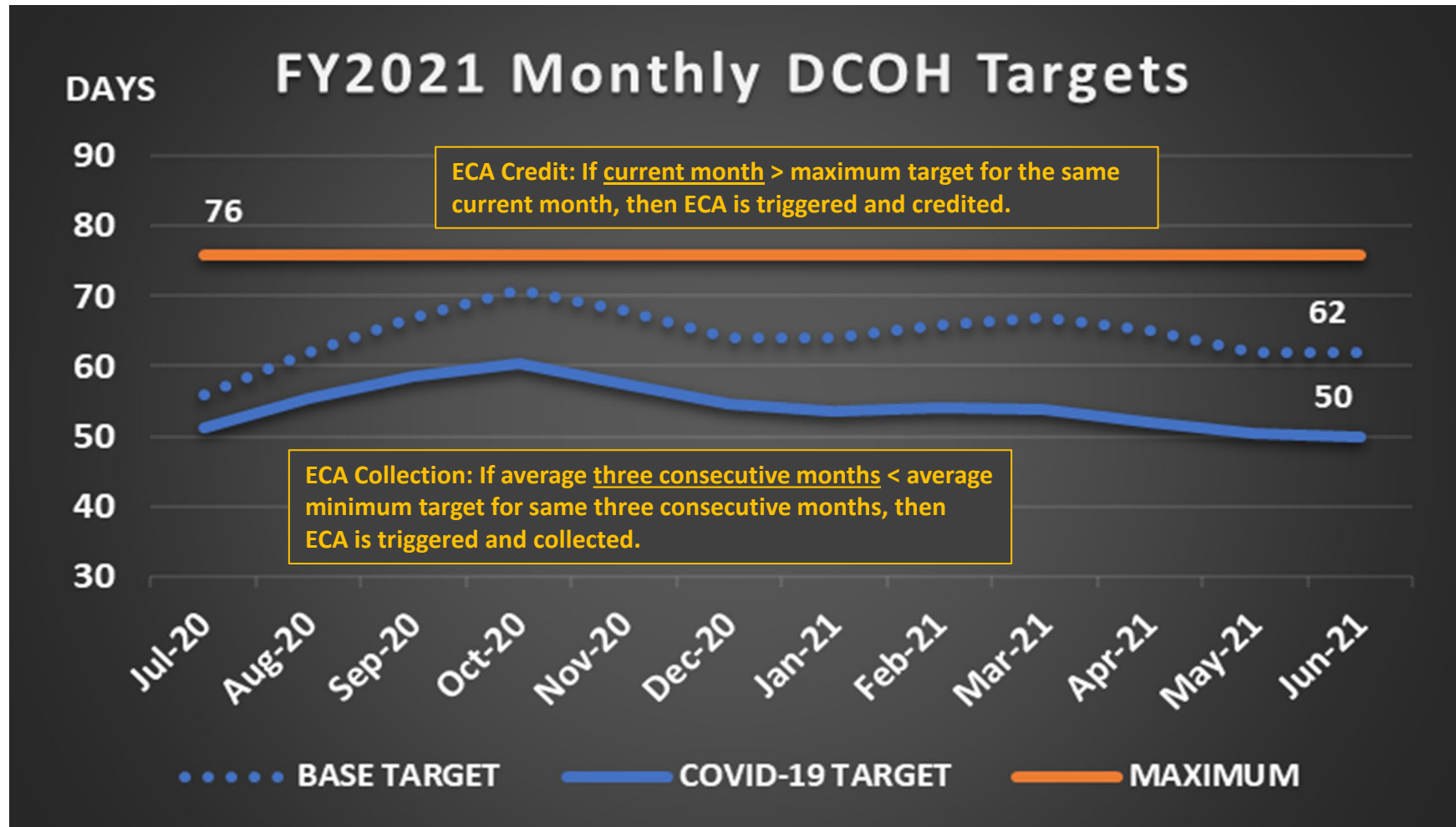
The fair value of the Agency's derivative instruments at June 30, 2020 is \$70,198.

A summary of objectives and terms of the Agency's derivative instruments at June 30, 2020, (all contracts are structured with a quantity of 19,600 MWh per contract) follows:

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Price per MWh
<b>Cash Flow Hedges:</b>				
19,600 MWh	6/15/2020	Hourly starting 7/1/2020	Hourly through 8/31/2020	\$ 19.70
19,600 MWh	6/26/2020	7/1/2020	8/31/2020	\$ 18.50

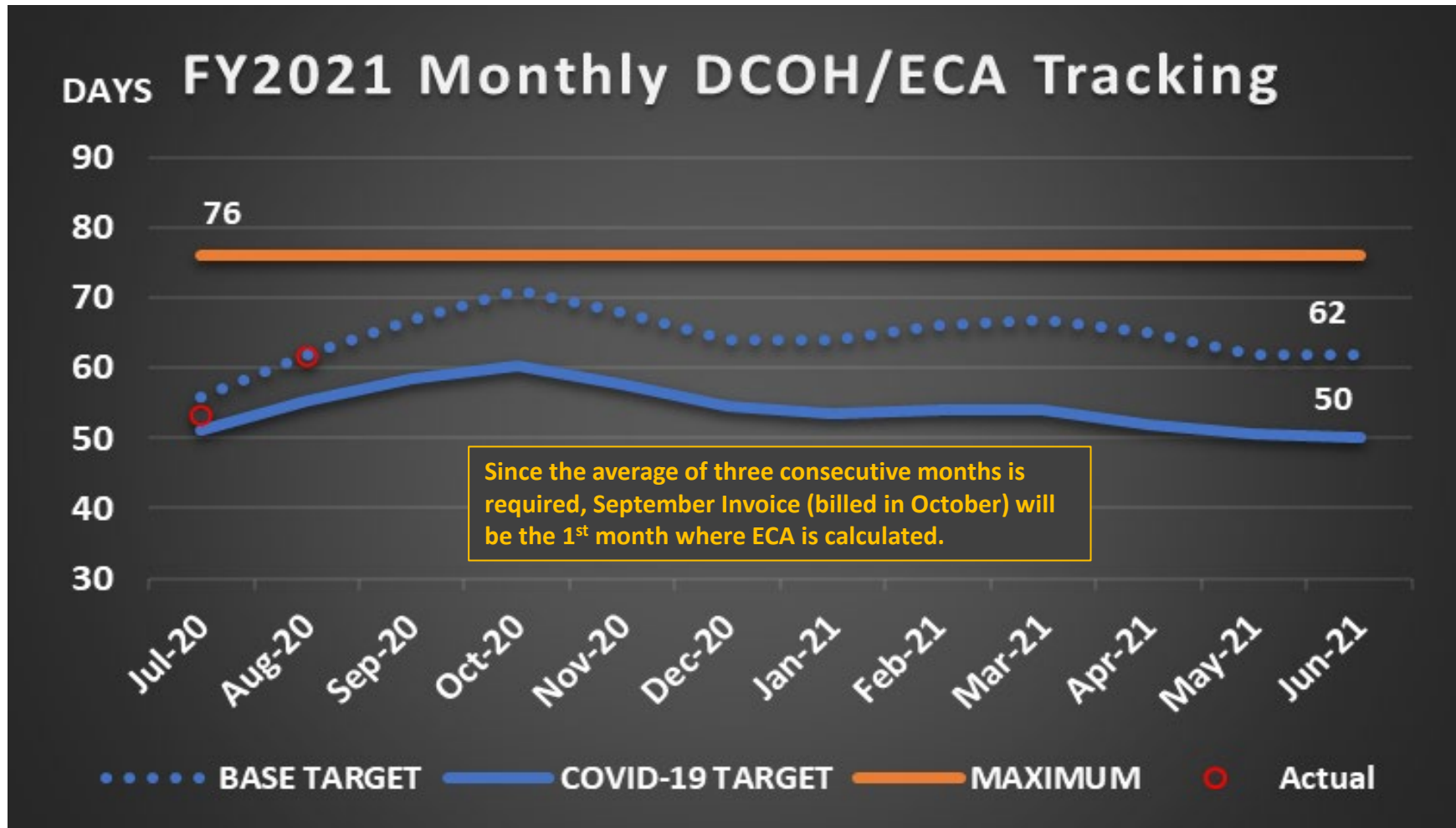
- Introduction of New Staff Accountant/Financial Analyst
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- PSC Order: COVID-19 Disconnections

# FY2021 Budget with RRP



Where RRP = COVID-19 Rate Relief Plan

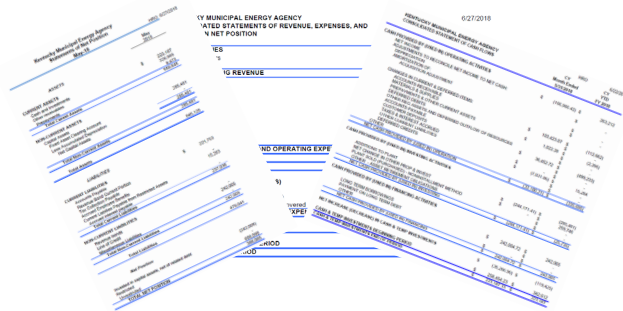
# DCOH/ECA Tracking





- Introduction of New Staff Accountant/Financial Analyst
- Discussion of KYMEA's first derivative instrument
  - *Summer Off-Peak Fixed-for-Floating Swap*
- DCOH/ECA Tracking
- **Annual Report Update**
- Ashwood Solar I Townhall
- PSC Order: COVID-19 Disconnections

# 2020 Audit and Annual Report



2020

4 Months

Jul

Aug

Sep

Oct

Nov

Audit field work  
completed

Independent  
Auditor's Report

**Financial  
Statement**

- Year-End Closing
- BKD Audit Begins

**Annual Report**

- Report Design

**Audit Complete**

- Executive Committee Presentation
- Board Presentation

**Audit Report**

- Seek Board Approval

**KYMEA Board  
Action Required**

**Annual Report**

- Staff Internal Report Review

**Annual Report**

- Release Report



- Introduction of New Staff Accountant/Financial Analyst
- Discussion of KYMEA's first derivative instrument
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- Annual Report Update
- **Ashwood Solar I Townhall**
- PSC Order: COVID-19 Disconnections

# Ashwood Solar I Overview

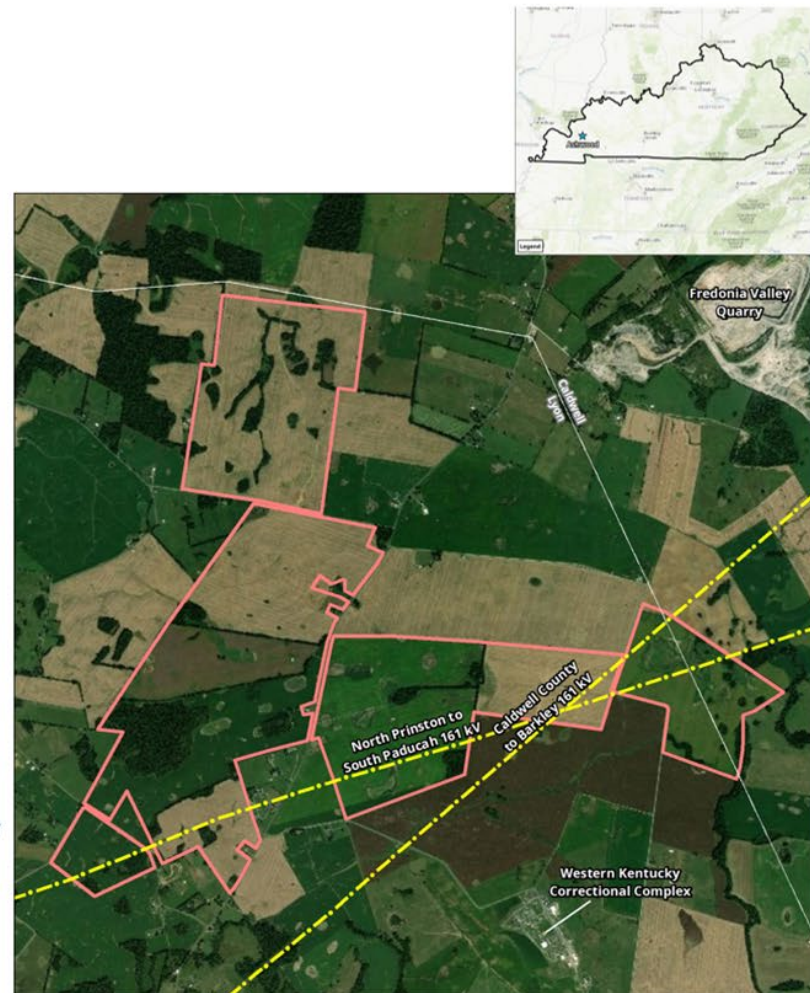
## Ashwood Solar I

### Summary

- Location: Lyon & Caldwell County, Kentucky
- Project Nameplate: 86 MWac
- POI: North Princeton – Livingston County 161kV
- Market: LGE-KU
- Interconnection Status: LGIA fully executed
- Offtake: 20 yr PPA
- Target NTP: Jan 2022
- Target COD: Dec 2022
- Technology: Bi-facial panels, single-axis tracker, central inverters
- Site: Leases executed on 1,680 acres of previously disturbed agricultural parcels that are currently row-cropped and have been in agricultural production for years.

### Outstanding Permits:

- Kentucky State Board on Electric Generation and Transmission Siting (“Siting Board”) Approval
- Kentucky Pollutant Discharge Elimination System (“KPDES”)
- Section 401 Water Quality Certification (“WQC”) in connection with any permit issued by the U.S. Army Corps of Engineers (“USACE”) for minor disturbances of jurisdictional wetlands under Section 404 of the federal Clean Water Act (“CWA”)



# Ashwood Solar I Benefits

## Ashwood Solar I

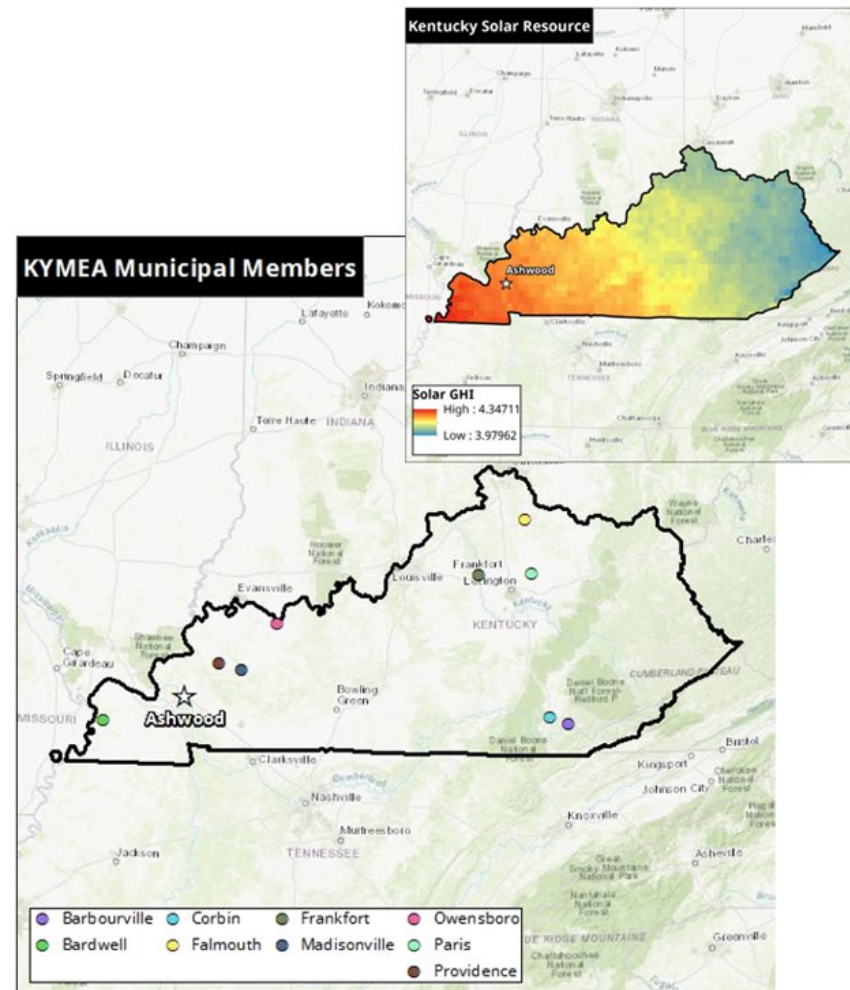
### Key Benefits

- **Renewable Energy** - Project will deliver clean renewable energy for approximately 9% of KYMEA load
- **Direct jobs** - Project will create approximately 100-200 local construction jobs during 9-to-12 month construction phase.
- **Local tax revenue** - Project will implement local Industrial Revenue Bond ("IRB") to ensure tax revenue flows to local community
- **Long term lease revenue** - project will provide stable income for up to 40 years to local families participating in the project
- **Indirect impacts** - local community will benefit from the increased spending that will flow from construction activities to the local restaurants, gas stations, hotels, and other community members.

### Special Considerations

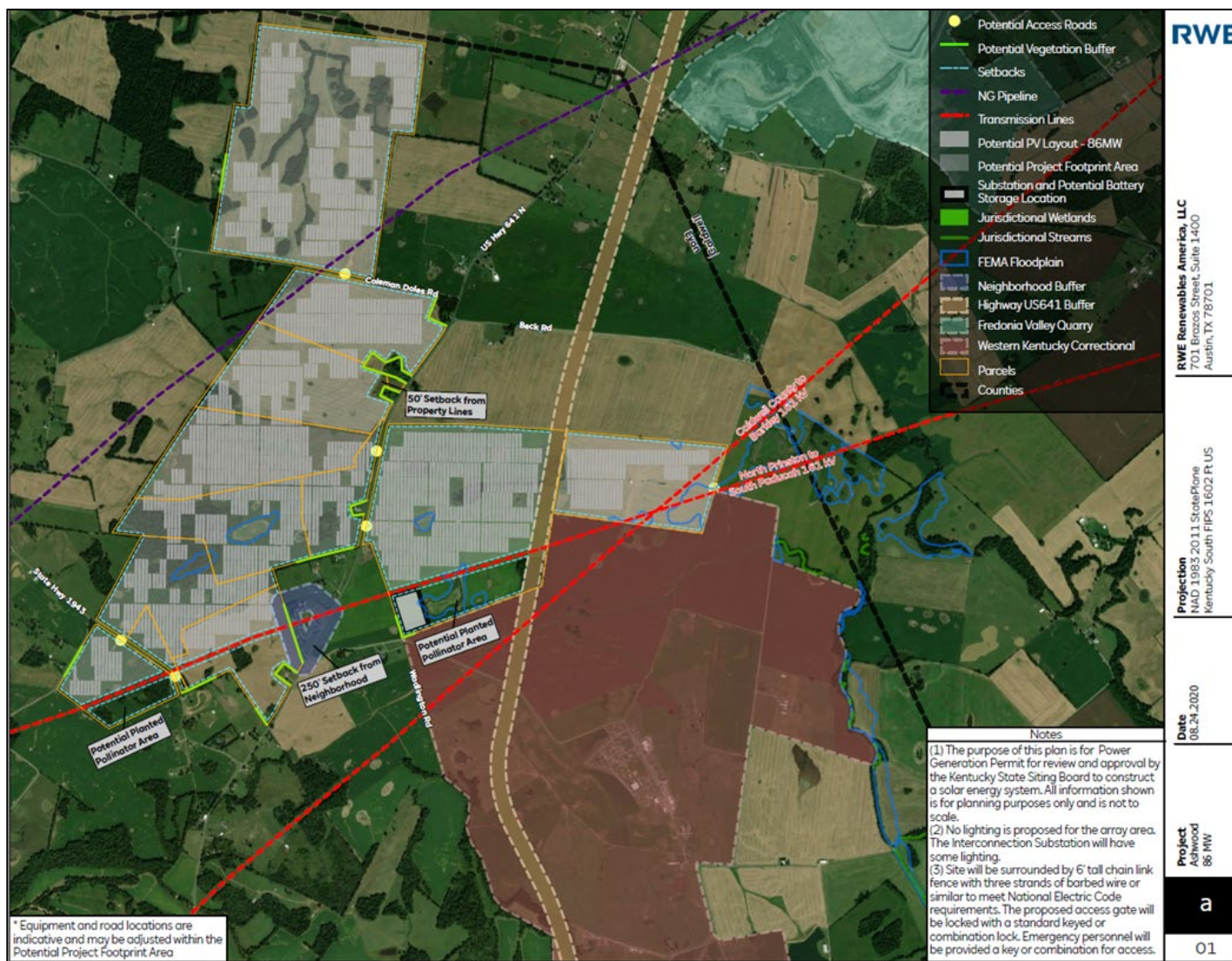
- RWE is proposing vegetative screening to mitigate viewshed issues with neighboring properties
- RWE intends to use native seeding as part of our erosion control plan.
- RWE will selectively use of pollinators to enhance local habitat
- Decommissioning Bond will be put in place to ensure land is restored at end of project life
- RWE is open to pursuing local partnerships with colleges and universities to support Science, Technology, Engineering and Math (STEM) programs.

RWE





# Ashwood Solar I Site Detail



- Introduction of New Staff Accountant/Financial Analyst
- Discussion of KYMEA's first derivative instrument
  - *Summer Off-Peak Fixed-for-Floating Swap*
- DCOH/ECA Tracking
- Annual Report Update
- Ashwood Solar I Townhall
- **PSC Order: COVID-19 Disconnections**

# COVID-19 Disconnections

## PSC Order Dated September 21, 2020

1. Beginning on October 20, 2020, PSC lifts the moratorium on utility disconnects for nonpayment.
2. PSC order continues the moratorium on the assessment of late payment charges through December 31, 2020, for residential customers only.
3. Utilities are to create payment plans for all accumulated arrearages for service rendered on or after March 16, 2020. Payment plans shall be no less than 6 months and no longer than 2 years and shall provide for the payment of a fixed equal installment over the term of the plan. "Work with customers on payment plans."
4. Utilities are to take all reasonable efforts to contact customers to convey information regarding arrearages.
5. If customer fails to maintain an "on-time" status with regard to current service or an agreed upon payment plan, the customer may be subject to disconnection beginning October 20, 2020.
6. "Carrying charges" may be applied to payment plans for any customer so long as the payment plan is for arrearages accumulated on or after March 16, 2020 and before October 1, 2020 (includes payment plans for up to 2 years in length).
7. PSC says moratorium being lifted due to the financial strain on publicly owned utilities that require income to provide service. PSC says permanent solutions are required.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EMERGENCY DOCKET RELATED )	CASE NO.
TO THE NOVEL CORONAVIRUS COVID-19 )	2020-00085

ORDER

On March 16, 2020, the Commission established this docket in response to a state of emergency brought on by the pandemic of the novel coronavirus, COVID-19. The Commission's Order entered on March 16, 2020 (March 16, 2020 Order), *inter alia*, directed utilities to temporarily cease disconnections for nonpayment, waive all late payment charges, and urged utilities to offer lenient payment plans for current unpaid balances.<sup>1</sup> The Commission made clear, however, that customers are not relieved of their obligation to pay for the services that they receive.<sup>2</sup> The March 16, 2020 Order also temporarily relieved utilities from several regulatory requirements, such as filing certain reports,<sup>3</sup> and directed utilities to request relief from the Commission if a utility's tariff interfered with efforts to address the pandemic.<sup>4</sup>

Approximately six months have passed since the Governor's declaration of a state of emergency<sup>5</sup> and the entry of the March 16, 2020 Order, and the Commission now finds

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<sup>1</sup> Order at 3–5 (Ky. PSC Mar. 16, 2020).

<sup>2</sup> March 16, 2020 Order at 5.

<sup>3</sup> *Id.* at 6–7.

<sup>4</sup> *Id.* at 8.

<sup>5</sup> See Executive Order 2020-215.

that circumstances dictate modifications of its previous actions and Orders in this docket, including the moratorium on disconnections for nonpayment. We take these initial steps cautiously and will closely monitor the effects of our actions and the ongoing pandemic.

Although the initial closing of schools and businesses, and resulting effect of most being at home, has passed, a substantial number of Kentuckians are still at home, whether for work or school or out of necessity.<sup>6</sup> The Commission's March 16, 2020 Order primarily focused on continuity of service, ensuring people had access to safe and clean premises, rather than a direct response to historic unemployment and business closures. In light of the unabated viral pandemic, concerns around health and safety nevertheless persist. Many schools are following the Governor's recommendation to conduct virtual education in lieu of in-person instruction. Although many businesses have or may soon reopen, a historic number of individuals are nevertheless, for a variety of reasons, confined primarily to their homes.

In order to assess the impact of COVID-19 and the March 16, 2020 Order on utilities and their customers, the Commission conducted discovery on a number of items.<sup>7</sup>

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<sup>6</sup> For example, the Governor has requested that public schools delay in-person classes until at least September 28, 2020. <https://www.courier-journal.com/story/news/education/2020/08/10/beshear-kentucky-school-superintendents-talk-covid-19-updates/3324357001/> (Last visited Sept. 7, 2020).

<sup>7</sup> Commission Staff's Initial Request For Information to Duke Energy Kentucky, Inc., Kentucky Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Columbia Gas of Kentucky, Inc., Atmos Energy Corporation, Delta Natural Gas Company, Inc., and Kentucky-American Water Company (Ky. PSC June 23, 2020); Commission Staff's Initial Request for Information to Each of East Kentucky Power Cooperative, Inc.'s Member Cooperatives and Big Rivers Electric Corporation's Member Cooperatives (Ky. PSC June 23, 2020); and Commission Staff's Initial Request for Information to Warren County Water District, Butler County Water System, Simpson County Water District, Oldham County Water District, Ohio County Water District, Northern Kentucky Water District, Boone County Water District, Hardin County Water District #1, Hardin County Water District #2, Mountain Water District, South Hopkins Water District, McCreary County Water District, Wood Creek Water District, Hyden-Leslie County Water District, Henderson County Water District, Cannonsburg Water District, Green River Valley Water District, Muhlenberg County Water District #3, and Grayson County Water District (Ky. PSC June 23, 2020).



The utilities were chosen to allow the Commission to review how a variety of types of utilities were functioning. The Commission believes the utilities (and their respective customers) chosen for the discovery are reflective of the utilities regulated by the Commission that provide gas, water, electric, and sewer service and provide a reasonable data set from which to make decisions moving forward.<sup>8</sup>

The results of the Commission's discovery were mixed. There seems to exist a significant dichotomy between two distinct groups of utility customers for nearly every utility that provided information. On the whole, it appears that the on-time payment rates for customers, that is, the percentage of customers who pay on time each month, has changed little, and in some instances increased, as compared to multiple periods preceding the outbreak of COVID-19 in Kentucky. Considering all utilities surveyed were unable to assess the late fees that nearly all of them ordinarily charge and were unable to disconnect for nonpayment, this result was unanticipated and indicates that late fees may have little impact on the timeliness of at least residential utility payments. Generally, the same percentage of customers who have always paid on time continued to do so during the first half of 2020. Simply put, the Commission finds that the evidence indicates that late fees have little discernible effect on the timeliness of residential customer payments for utility service. At best, late fees should represent the cost of a utility's short-term financing of arrearages, but even then, they are not currently calculated based on actual costs or the time value of money. The "on-time" group represents anywhere from 65 percent of a utility's customer base to 90 percent. The remainder of customers,

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<sup>8</sup> The Commission Staff's requests for information were served on Kentucky's eight largest nontelecommunications investor-owned utilities, all 19 rural electric cooperatives; and 19 water districts and associations.

whether they are designated as prepay or postpay, are seemingly indifferent, either in perception or by necessity, to fees for late payments for utility service.

Nevertheless, it appears from the evidence in this matter that the behavior of the minority of customers in each system that do not pay on time, either by design or necessity, regardless of the assessment of late payments, is impacted by the prospect or action of disconnection. Evidence provided in response to the Commission indicates that for some systems, nearly the entirety of customers who have not paid on time have some sort of arrearage that has accrued since mid-March 2020. Accordingly, the Commission, based on the evidence, finds that a minority of utility customers, but nevertheless a significant number, are influenced by the prospect or reality of utility service disconnection insofar as they eventually pay, albeit late.

A meaningful portion of this group of customers represents the outer bound of utility payment assistance needed within each system. Take, for instance, the rules in place for Low Income Home Energy Assistance Program (LIHEAP) assistance, which requires that a customer be “late” or have received a notice of termination in order to qualify.<sup>9</sup> The late fee applicable to the service is still added to a bill that many of these “late” customers cannot pay and will not be able to pay at all until the initial bill is actually late. Only then can the customer request and receive assistance, so that the late fee is included in the amount of assistance provided, thereby reducing the amount of assistance available to other customers.

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<sup>9</sup> See 921 KAR 4:116, Section 3(4)(b) (indicating that a utility customer is eligible for the crisis component of LIHEAP assistance if they have received a past due or disconnection notice); *see also* 921 KAR 4:116E (an emergency regulation promulgated in response to additional funding provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act that expanded eligibility for LIHEAP assistance); and 807 KAR 5:006, Section 15(3)(a)-(d) (Commission rules extending the termination date for 30 days for certain customers that apply for LIHEAP assistance).

Based on its review of data request responses filed in this matter, the Commission finds that the number of customers in arrearage and the amount they owe is increasing, but as of the end of June 2020, neither of these totals were materially in excess of historical averages. Such a conclusion regarding the totality of responses does not change the fact that this is not necessarily the case for every utility. For instance, as of June 20, 2020, Hyden-Leslie County Water District had 323 customers subject to disconnection but for the Commission's moratorium, while in 2019 the utility only disconnected 242 customers.<sup>10</sup> Nevertheless, the range of late payment notices issued by the utility each month, the utility action immediately preceding a disconnection, was between 325 and 457, all more than the total that would be subject to disconnection midyear 2020.<sup>11</sup> Although the average total bill<sup>12</sup> is increasing during the pandemic, these amounts are not materially different from past years. This data indicates a relatively minor impact to utility income statements. These figures do not indicate that there are not customers struggling to pay their bills though. In fact, the data merely reflects that the need for utility assistance frequently outpaces supply. Although the availability of payment assistance has consistently been a problem, including the lack of funding or programs to assist customers with water or sewer bills, the pandemic merely exacerbated the issue. Given the changed circumstances regarding the pandemic, including the movement from Governor Beshear's "*Healthy at Home*"<sup>13</sup> initiative to his "*Healthy at*

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<sup>10</sup> Response of Hyden-Leslie County Water District to Commission Staff's Initial Request for Information (filed July 23, 2020), Response to Question No. 8.

<sup>11</sup> *Id.*, Response to Question No. 10.

<sup>12</sup> Total bill is defined in this context as the bill for current service plus arrearages and fees.

<sup>13</sup> Executive Order No. 2020-257

*Work*<sup>14</sup> program, the accumulation of arrearages for both customers and utilities, and the need for certainty prior to the winter, the Commission finds that modifications to its Orders in this matter are necessary.

Regardless of the Commission's modifications herein, the reality is that the Commonwealth is still dealing with a viral pandemic that requires all of us, including utilities, to prioritize the health and safety of our communities. Utilities in the Commonwealth have considerable experience operating in a safe manner. Now though, it is more important than ever to maintain healthy and safe conditions through the provision of utility service. Although the Commission finds it necessary to modify its previous Orders in this docket, it stresses that the continued health and safety of Kentuckians, including the ability to occupy their dwellings, is paramount.

Based on the foregoing, the Commission lifts its moratorium on utility disconnects for nonpayment beginning October 20, 2020, with the following caveats and conditions. Although utilities under the Commission's jurisdiction may choose to disconnect for nonpayment of service, subject to the conditions herein, nothing in this Order should be construed as requiring utilities to do so. As the Commission noted in its March 16, 2020 Order in this matter, a number of utilities chose to voluntarily suspend disconnections for nonpayment. Those and other utilities maintain their ability to continue to do so after October 20, 2020, on a voluntary basis. Although the Commission's moratorium on disconnections for nonpayment will be lifted beginning October 20, 2020, according to the conditions required in this Order, the Commission finds good cause to continue its moratorium on the assessment of late payment charges for residential customers only

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<sup>14</sup> Executive Order No. 2020-323

until December 31, 2020. Even though utilities will be unable to assess late fees on bills rendered for service through the end of this year, they should continue to track the “lost revenue” they would have otherwise collected from late fees. Furthermore, the Commission finds that late fees shall not be assessed on any past due residential amounts accrued between March 16, 2020, and December 31, 2020, following the December 31, 2020 deadline.

Between the date of entry of this Order and October 20, 2020, **with regard to residential customers with postpay accounts**, utilities shall:

1. By default for all affected customers, create payment plans for all accumulated arrearages from service rendered on or after March 16, 2020, and before October 1, 2020, to the extent that past due balances exist. The term of the default payment plans shall be no less than six months and no longer than two years. Six months reflects the approximate length of time the Commission’s moratorium on disconnections will have been in place until the entry of this Order. Regardless of the length of the payment plan, default payment plans shall only require the customer to pay a fixed, equal installment over the term of the plan. For instance, with an arrearage of \$36.00, using a payment plan of six months in duration, the monthly charge for the payment plan would be \$6.00.
2. Take all reasonable efforts to contact the customers who have received default payment plans. Utility contact and communication with customers is necessary for utilities to convey information regarding customer arrearages, ways to pay, avenues for assistance, and the details of payment plans.

3. If customers request alternatives to the default payment plan ordered by the Commission, work with customers on payment plans that accommodate customer circumstances while balancing the concern of the utility, including its income and cash flow.
4. Consider customers with arrearages subject to a payment plan “on-time” for all purposes, except those explicitly exempted herein, as long as they timely pay their bill for current service *and* the amount required under the default or an alternative, agreed-upon payment plan.

If a customer fails to maintain an “on-time” status with regard to current service and a default or agreed-upon payment plan, the customer may be subject to disconnection beginning on October 20, 2020. Utilities are not required, but are encouraged, to offer subsequent payment plans to customers who have an initial payment plan for arrearages accumulated between March 16, 2020, and October 1, 2020, and are unable to maintain an “on-time” status as explained above. At no time though will a utility be permitted to deviate from their tariffs, particularly regarding disconnections, unless permitted herein or by a subsequent Commission Order. When a customer is no longer considered “on-time” regarding arrearage amounts accumulated between March 16, 2020, and October 1, 2020, utilities shall follow their tariffed procedures for disconnection should they choose to disconnect the customer.

Understanding that some assistance programs require customers to be late or subject to disconnection in order to qualify for utility assistance, the Commission makes an explicit finding that any customer with an agreed-upon or default payment plan for the next two years is late and subject to disconnection for assistance program purposes only.

But for the Commission's Orders in this matter, those customers would be late and would be subject to utility disconnection. To make a finding otherwise would create the most perverse instance: If customers have to fail to pay in order to receive assistance, but failing to pay will subject them to disconnection and terminate the opportunity to maintain their fair payment plans, assistance itself is of little help. Finding that those with payment plans are late or subject to disconnection for assistance purposes in order for them to receive the assistance required to maintain their "on-time" status is the only path that makes logical sense.

During the rest of the pandemic, communication between utilities and their customers is of utmost importance. Based on responses to data requests filed in this matter, the Commission is concerned with the number of utilities that have not kept communicating with customers during the pandemic. Utilities must be diligent in communicating options to customers during these unprecedented times, especially between the time of entry of this Order and October 20, 2020.

When communicating with customers, utilities should use all safe avenues available to them in order to communicate payment options and important dates to their customers. The Commission expects and prefers that confirmation of payment plans be in writing or electronically recorded;<sup>15</sup> however, an electronic signature or an email confirming customer understanding of default payment plans or agreement to agreed-upon plans will suffice given the unprecedented circumstances. If, because of safety concerns, a utility is unable to establish a written record, the utility may confirm a default payment plan or establish an agreed-upon payment plan by phone, in which case the

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<sup>15</sup> This is consistent with the requirements of 807 KAR 5:006, Section 14(2).

utility shall keep meticulous records describing all communications. Utilities must also keep detailed records describing their attempts to communicate with customers with past due accounts or who will otherwise be subject to disconnection. Similar to the requirements in 807 KAR 5:006, Section 10(2), these records should reflect the customer's name and address, the dates and nature of the communication, and the agreed-upon payment plan (if any). Upon request by the Commission, these records shall be timely made available for review.

In an attempt to provide additional incentive for utilities to offer longer-term payment plans, any utility, but particularly investor-owned utilities, are expressly permitted, but not required, to apply and defer carrying charges in order to finance the arrearage payment plans for arrearages accumulated on or after March 16, 2020, until October 1, 2020. The carrying charges, if a utility chooses to apply them, shall be applied to arrearages beginning on the date the payment plan is instituted and end the day the arrearage is either paid in full or the agreement is terminated by failure to maintain an on-time status. Carrying charges may be applied to payment plans for customers of any class, including residential, commercial or industrial customers, so long as the payment plan is for arrearages accumulated on or after March 16, 2020 and before October 1, 2020. Utilities may apply these carrying charges to arrearage amounts for payment plans up to two years in length. The rate applied to these arrearages shall be no more than each utility's weighted average long-term debt rate. Although applied to the arrearage, carrying costs will not be charged to the customer. Rather, the Commission finds the financing costs, should a utility choose to apply them, are approved for deferral accounting to be recovered in a subsequent matter. The regulatory asset itself will not



accrue carrying charges, but the Commission will allow it to be recovered either via rate base or as part of capitalization in later proceedings, not just amortized.

With regard to residential customers who have prepay accounts but have fallen into arrears (i.e., their account is active but currently negative), utilities are permitted to either offer payment plans for any arrearage accumulated between March 16, 2020, and October 1, 2020, or use the current sharing/splitting percentages in their prepay tariffs to allocate payments between current and past due amounts.<sup>16</sup> If the utility chooses to offer payment plans for the arrearages accumulated between March 16, 2020, and October 1, 2020, for prepay customers, those payment plans shall be for no less than one year and no longer than two years. Similar to the postpay residential payment programs, utilities may not offer consumers payment plans that require the customer to pay more than a fixed, equal installment over the term of the plan. In addition to having the opportunity to offer payment plans to prepay customers for arrearages owed, utilities that have prepay programs may also offer plans to customers who have amassed arrearages with prepay accounts between March 16, 2020, and October 1, 2020, using their current offering to split future payments according to the terms of their tariffs. Deviations or modifications to the tariff provisions may be sought in this matter by verified application or motion.

Industrial, public, and commercial accounts, and their associated arrearages, are materially different from those of residential customers. During the pandemic, businesses across the nation have been afforded the opportunity to participate in the Paycheck

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<sup>16</sup> For example, Big Sandy Rural Electric Cooperative Corporation's prepay metering tariff provides for a 70/30 percent split, with 70 percent of the payment applied to the daily usage account and 30 percent to the unpaid debt. Big Sandy Rural Electric Cooperative Corporation's Tariff Prepay Metering Program, Sheet No. 2.

Protection Plan,<sup>17</sup> whereby those receiving loans can apply those amounts to utility bills for certain periods and those amounts will ultimately be forgiven. Further, because industrial and commercial customers have access to financing options that residential customers do not, the Commission will not extend the payment plan requirement nor the prohibition against assessing late fees to nonresidential customers. As of October 20, 2020, a moratorium no longer exists on disconnection for nonpayment or the assessment of late charges for nonresidential accounts. The Commission still urges utilities to establish nondiscriminatory payment plans and extend leniency, if necessary or advisable, for these customers or otherwise work with them to address any past due amounts.

The Commission is concerned about some utilities' accrual of bad debt expense and their write-off practices. Although a change in circumstances may necessitate changes in how utilities accrue or estimate bad debt expense, the Commission will defer passing judgment on those impacts on rates until a utility's next rate case or another appropriate matter. The Commission is sincerely concerned with smaller utilities' processes for writing off bad debt, where it is apparent from data request responses that many utilities merely give up on amounts owed and make little attempt to recover the monies. Additionally, the Commission is concerned by the degree at which jurisdictional utilities depend on late payment fees and nonrecurring charges to meet their income requirements. As noted before, late payment fees are merely used to incentivize on-time payment, and nonrecurring charges are supported as being merely cost-based. The Commission will likely address these concerns in a subsequent forum. Finally, based on

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<sup>17</sup> S.3548, Pub. Law 116-136

its experience during this pandemic, the Commission is concerned with the number of utilities subject to its jurisdiction that use the prospect of disconnecting service as their primary tool to ensure that customers timely pay. The Commission notes, however, the prospect or reality of disconnection should be the final action a utility takes regarding customer nonpayment. Disconnection of utility service is a drastic and life-altering circumstance and should not be treated so lightly.

It is undisputed that water and sewer service, even above electric and gas service, is necessary for customers to maintain the sanitary and healthy conditions required to combat a viral pandemic. Because of the economic climate in Kentucky, which only recently recovered from historic levels of unemployment and still maintains an unemployment rate higher than before the pandemic,<sup>18</sup> many customers will struggle to pay their current bills as well as their past due accounts. In an attempt to avoid the mass disconnection of water and sanitary sewer service, thus exacerbating the current state of emergency and public health crisis, we plead for organized, robust utility financial assistance. Whether it is a state earmark of federal COVID-19-related assistance, use of local funds received via community development block grant (CDBG) offerings, or direct federal assistance, what is clear is that the demand exists for significant funding to assist with water and sewer bills across the Commonwealth.

As important as electric and gas services are, heating and cooling programs exist for assistance with these services, including LIHEAP. As a result of continued federal assistance, the Commonwealth's LIHEAP programs received historic funding amounts

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<sup>18</sup> The unemployment rate in February 2020 was 4.4 percent, in April 2020 it was 16.2 percent, and it was 6.2 percent at the end of July 2020. <https://fred.stlouisfed.org/series/KYURN> (Last visited Sept. 7, 2020).

during this pandemic to help offset electric bills for our most vulnerable. Also, as a result of a mild winter, there were leftover LIHEAP funds and Community Action Kentucky (CAK) administered an increasingly-rare cooling program with LIHEAP money as well.<sup>19</sup>

Unlike the LIHEAP program for electric and gas bills, however, organized water and sewer assistance, particularly from the federal government, does not exist. As previously mentioned in this Order, the need for utility assistance, but particularly for water and sewer assistance, has been growing for decades. This pandemic has merely exacerbated the demand for such assistance. Given the levels of arrearages, late payments, and struggling communities, the Commission urges stakeholders to endeavor to find creative solutions to ensure the continuity of water and sewer services. For example, funds from CDBGs provided to respond to COVID-19 (CDBG-CV) could be earmarked, upon being allocated to local governments, for water and sewer needs brought on by the viral pandemic. The Commission conservatively calculates that the demand and need for water and sewer assistance exceeds \$15 million today. That need will certainly increase over the coming months. Coupled with the unmet need of customers' gas and electric demands, the Commission calculates that as of the date of entry of this Order, Kentucky consumers require at least \$75 million to ensure continuity of utility service. This need however follows a relatively mild winter and summer, and with winter approaching, the demand for utility assistance to protect Kentuckians from disconnection during an unprecedented global viral pandemic will likely be at least \$150 million before the end of 2020. Kentucky residential consumers spend nearly \$3 billion

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<sup>19</sup> <https://www.capky.org/home-page/community-action-agencies-accepting-applications-for-liheap-summer-cooling/> (Last visited Sept. 7, 2020).

on electricity alone each year.<sup>20</sup> The amount of assistance available now, and historically, represents a relative pittance when compared to the Commonwealth's need. The Commission acknowledged and attempted to address within its limited power, the growing demand for utility assistance when it investigated and modified Home Energy Assistance (HEA) programs subject to its jurisdiction within the last year.<sup>21</sup> The Commission's ability to address this growing demand for assistance is limited though, and as such, it seeks additional help in addressing this growing concern.

The Commission respectfully requests that the Commonwealth earmark COVID-19 relief funds intended to be provided to local governments specifically for water and sewer service, whether through CDBG-CV or other avenues. Furthermore, to the extent monies are available, the Commission respectfully requests that the Commonwealth dedicate other federal CARES Act<sup>22</sup> money, similar to the recently announced eviction fund,<sup>23</sup> with half of the amount provided dedicated to addressing water and sewer arrearages and the remainder available for any type of utility assistance. Based on its experience with the organization, the Commission preliminarily recommends funds not directly allocated to local governments be administered by CAK and its affiliates. CAK and the associated community action agencies across the state are already tasked with administering the Commission-jurisdictional HEA funds, LIHEAP, and the TEAM

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<sup>20</sup> United States Energy Information Administration, Kentucky Electricity Profile 2018, <https://www.eia.gov/electricity/state/kentucky/> (Last Visited Sept. 16, 2020).

<sup>21</sup> Case No. 2019-00366, *Electronic Investigation of Home Energy Assistance Programs Offered By Investor-Owned Utilities Pursuant to KRS 278.285(4)* (Ky. PSC May 4, 2020).

<sup>22</sup> S.3548, Pub. Law 116-136.

<sup>23</sup> Executive Order 2020-700.

Kentucky Fund.<sup>24</sup> CAK's structure, reach, and experience would reduce inefficiencies and ensure statewide coverage while allowing funds be applied to jurisdictional utilities and nonjurisdictional providers, such as municipalities, alike. Nevertheless, any allocation of currently available funds will be inadequate to address the mounting need for utility assistance our Commonwealth has and had before the pandemic. As such, the Commission finds it necessary to serve this Order on Kentucky's federal Congressional delegation, in order to inform their decision-making during this state of emergency and during the next few years.

Since its inception, the Commission has endeavored to ensure adequate service at fair, just, and reasonable rates.<sup>25</sup> The Commission takes its statutory obligations seriously and has done its utmost to ensure that when a switch is flipped or a faucet is turned, the utility service flows. For many, regardless of the fact that rates are fair, just, and reasonable under Kentucky law, circumstances dictate that service is unavailable because of personalized impediments. As one Kentucky consumer recently wrote to the Commission regarding a possible increase in rates, "I get \$465.00 a month to live on. I would be better off dead. I am only existing, not living. My life should be better than this in a country so rich." Circumstances demand that we all take action to address the dilemmas facing our Commonwealth. Staring us in the face is the reality that without help, thousands of Kentuckians will be unable to pay utility bills during a viral pandemic and the corresponding economic downturn. Instituting the Commission's moratorium on disconnections was a necessary, albeit temporary act. Maintaining this moratorium

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<sup>24</sup> Executive Order 2020-253.

<sup>25</sup> KRS 278.020 and KRS 278.030.

though is unsustainable in light of the eventual impact to utilities (in particular publicly owned utilities with already slim margins) that require adequate income to provide service. As such, permanent solutions are required. Therefore, the Commission implores Kentucky's Congressional delegation to review the need and lack of utility assistance in the Commonwealth, both during this current pandemic and moving forward. Thousands of Kentuckians' ability to keep their lights on or water running depends on their attention to this pressing issue.

The Commission's March 16, 2020 Order and its related effects will require additional Orders in this matter, including addressing waivers and deviations already granted, and issues regarding deferral accounting, sample meter testing and numerous other miscellaneous issues that will surely arise. The Commission will address those items in due time, but for now, its attention is focused on the matter at hand: ensuring availability of necessary utility service for Kentuckians at a time it is most needed. As noted in the Commission's March 16, 2020 Order, any questions, concerns, or relief may be addressed upon motion in this docket or informally through the electronic mail inbox of the Commission's Executive Director.<sup>26</sup> As in the March 16, 2020 Order establishing this proceeding, a utility should petition the Commission for relief from its tariff or Commission regulations or statutes that the utility believes would prevent the utility from achieving the dictates of this or any other related Order.

IT IS THEREFORE ORDERED that:

1. The Executive Director shall serve a copy of this Order upon The Kentucky Office of the Governor, Senator Rand Paul, Senator Mitch McConnell, Representative

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<sup>26</sup> [PSCED@ky.gov](mailto:PSCED@ky.gov)

James Comer, Representative Brett Guthrie, Representative John Yarmuth, Representative Thomas Massie, Representative Hal Rogers, and Representative Andy Barr.

2. Utilities shall create payment plans of arrearages of no less than six months and no longer than two years in duration for all customers who have accumulated arrearages from service rendered on or after March 16, 2020, and before October 1, 2020. Regardless of the length of the payment plan, default payment plans shall only require the customer to pay a fixed, equal installment over the term of the plan.

3. Utilities shall make all reasonable efforts to contact the customers who have received default payment plans.

4. Utilities shall, for customers that request alternative payment plans to the default payment plan ordered by the Commission, work with customers on payment plans that accommodate customer circumstances while balancing the concern of the utility, including its income and cash flow.

5. Utilities shall consider a customer with arrearages subject to a payment plan “on-time” for all purposes, except those explicitly exempted in this Order, as long they timely pay their bill for current service *and* the amount required under the default or alternative, agreed-upon payment plan.

6. A utility shall not be permitted to deviate from its tariffs, particularly regarding disconnections, unless permitted herein or by a subsequent Commission Order.

7. A utility, with regard to residential customers who have prepay accounts but have fallen into arrears, shall be permitted to either offer payment plans for the arrearage



accumulated between March 16, 2020, and October 1, 2020, or use the current sharing/splitting percentages in their prepay tariff to allocate payments between current and past due amounts. If the utility chooses to offer payment plans for the arrearages accumulated between March 16, 2020, and October 1, 2020, for prepay customers, those payment plans shall be for no less than one year and no longer than two years and shall only require the customer to pay a fixed, equal installment over the term of the plan.

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By the Commission



ATTEST:

A blue ink signature of the Acting Executive Director.  
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Acting Executive Director





KENTUCKY MUNICIPAL ENERGY AGENCY



# Member Communications

*Michelle Hixon*

*September 24, 2020*

# Dates to Remember

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- October 22<sup>nd</sup> Compensation Committee Meeting (8:30 AM)
- October 22<sup>nd</sup> KYMEA Board Meeting (10 AM)

# Public Power Week 2020

OCTOBER 4-10



AMERICAN PUBLIC POWER ASSOCIATION

80 Years of Powering Strong Communities

Log in | Join | Shop | Subscribe | Jobs | Contact | f | t | in | y | i

TOPICS MEMBERS

ASSOCIATION PUBLIC POWER ISSUES & POLICY EDUCATION & EVENTS NEWS

**Public Power Week**

Public power utilities across the U.S. celebrate Public Power Week the first full week of October every year to help customers and stakeholders understand how they can better engage with their community-owned utility and benefit from all its offerings.

**WHEN**  
October 4 - 10, 2020

Home / Event / Public Power Week

EVENT INFO RESOURCES

**Resources & Templates**

You can download these resources and templates to customize for Public Power Week celebrations in your community.

**2020 Public Power Week logo**  
JPG | EPS | PNG

**Video: Public Power Week**  
Use this video to enhance your Public Power Week outreach and engage your customers.

- Whiteboard video
- Whiteboard video (OC version)

**Video: About Public Power**  
An animated video explains the benefits of a community-owned utility.

- 15 seconds: Version 1, Version 2
- 30 seconds: Version 1, Version 2
- 90 seconds: Version 1, Version 2

More videos, infographics, and fact sheets on public power benefits are available here.

**More resources**

- Infographic NEW!
- Coloring sheet: happy pylon NEW!
- Coloring sheet: community powered town NEW!
- Sample social media messages and graphics NEW!
- Coloring sheet: powering strong communities

**5G**  
MAKING THE MOST OF EVERY CONNECTION

**CONTACT THE PUBLIC POWER WEEK TEAM**

Contact our Public Power Week team for information on the how you can participate and let us know about your Public Power Week celebrations.

local efr app

Communications@PublicPower.org

# Newsletter

Released September 15<sup>th</sup>

- You should receive your copy in the mail.
- Visit <https://www.kymea.org/news> to access previous newsletter issues.



# IRP Website: Participant Resources

The screenshot shows the KYMEA website's 'PARTICIPANT RESOURCES' page. The header includes the KYMEA logo and navigation links: ABOUT, IRP COVID-19 RESOURCES, POWER RESOURCES, IRP ROADMAP, COMPLIANCE, NEWS, INFORMATION, and CONTACT. The main content area is titled 'PARTICIPANT RESOURCES' and includes a sub-header 'Public participation is encouraged and will be a significant element within the IRP process.' Below this are five sections: 'PRESENTATIONS' (June and September Community Focus Group Presentations), 'COMMUNITY FEEDBACK' (June and September Community Focus Group Feedback), 'DOCUMENTS' (June and September Community Focus Group Documents), 'VIDEOS' (June and September Community Focus Group Videos), and 'FEEDBACK REQUESTED' (a button for 'FEEDBACK FORM'). A blue footer bar contains the text 'CONTACT US TODAY' and 'Please feel free to reach out if you have additional questions or concerns regarding the IRP by emailing [contact@kymea.org](mailto:contact@kymea.org)'.

## Presentations



## Feedback



## Videos







KENTUCKY MUNICIPAL ENERGY AGENCY

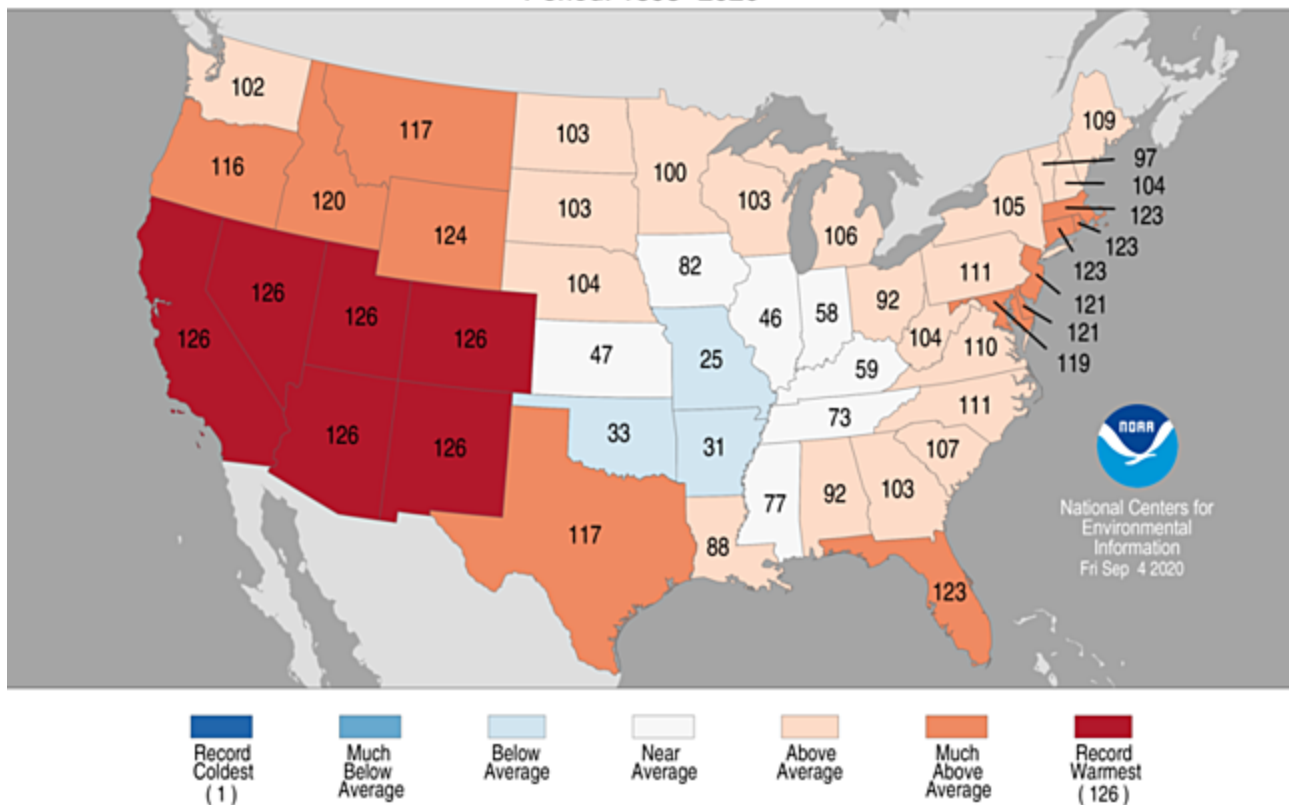


# August 2020 in Review

*September 24, 2020*

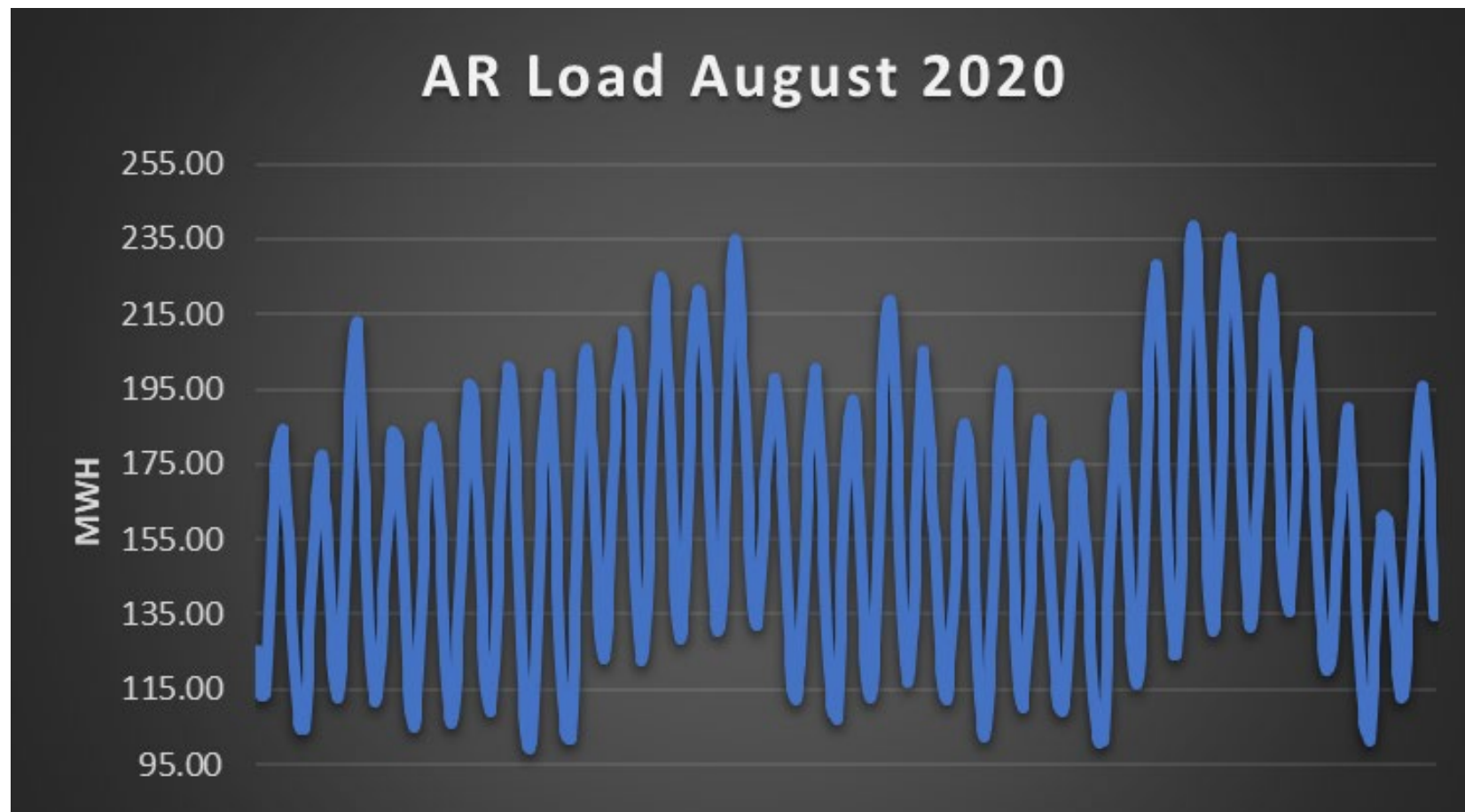
## Statewide Average Temperature Ranks

August 2020  
Period: 1895–2020

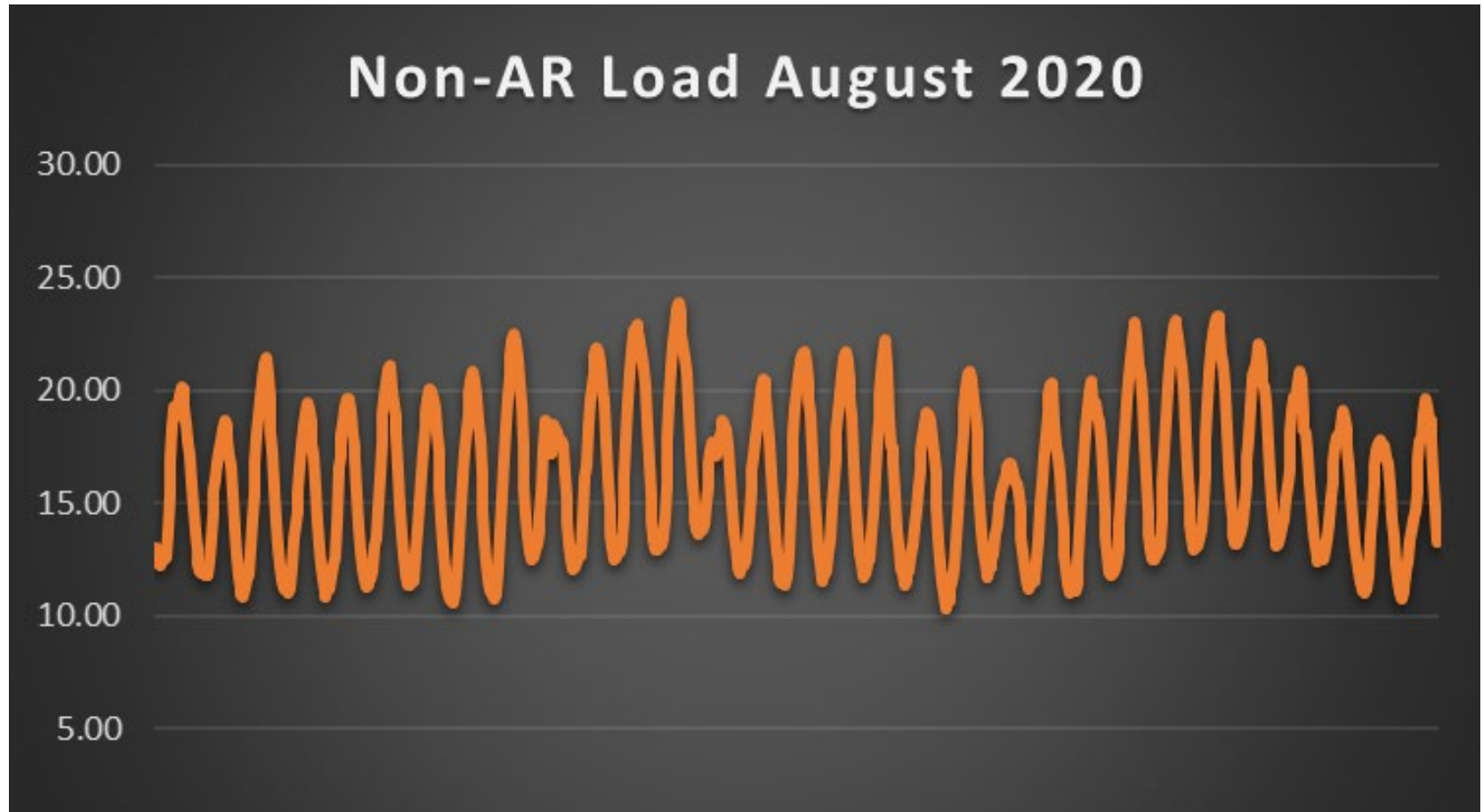


<https://www.ncdc.noaa.gov/temp-and-precip/us-maps/>

# AR Load August 2020



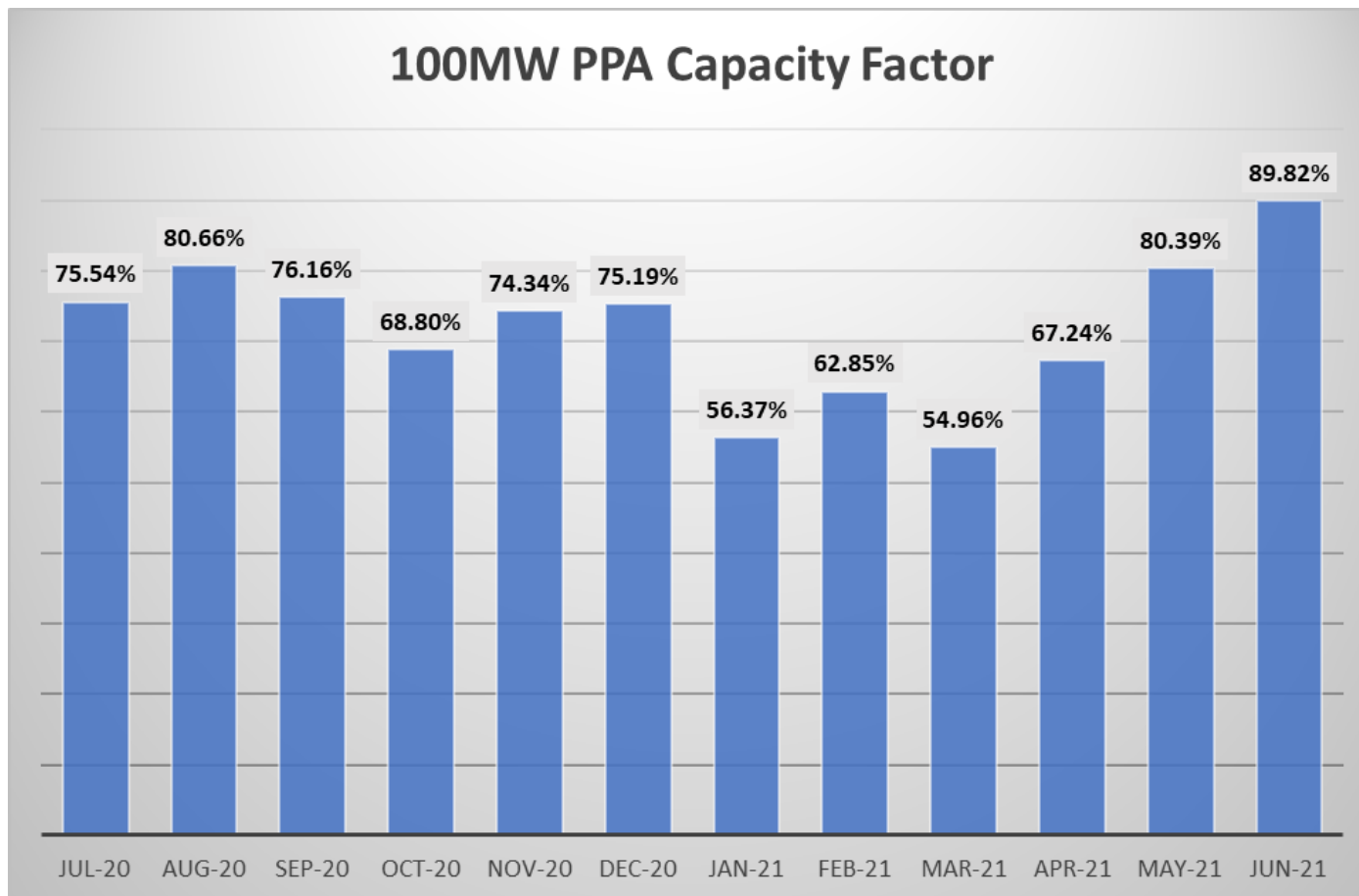
# Non-AR Load August 2020



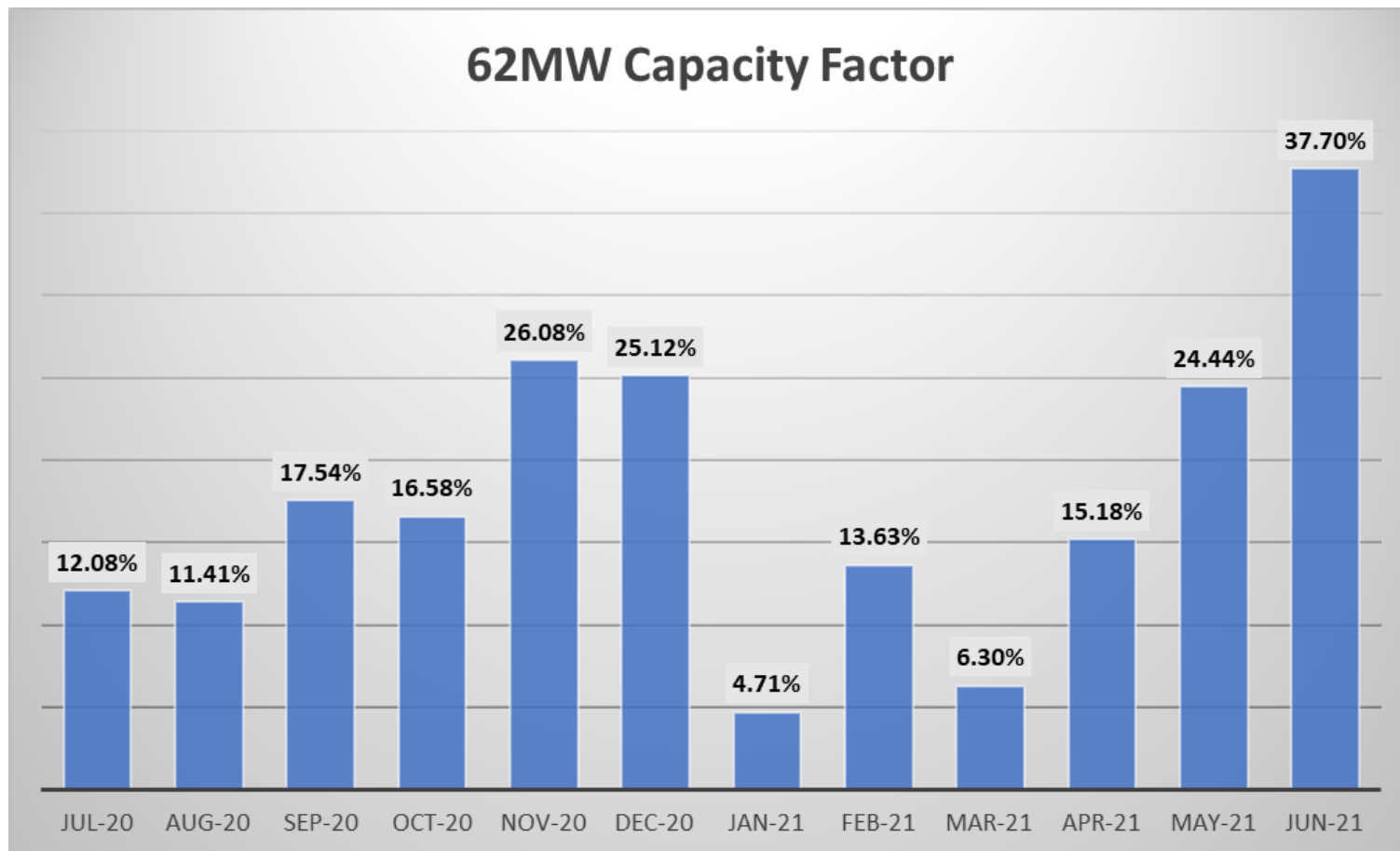
# August 2020 Snapshot

Aug-20							
Member	Budget Energy (MWh)	Actual Energy (MWh)	Actual vs. Budget Energy	Budget NCP (MW)	Actual NCP (MW)	Actual vs. Budget NCP	Timestamp (HE EST)
Barbourville	8,659	8,286	96%	18.49	18.03	98%	8/26/2020 4:00 PM
Bardwell	950	855	90%	2.17	2.02	93%	8/10/2020 5:00 PM
Benham	439	420	96%	0.89	0.94	106%	8/25/2020 5:00 PM
Berea	13,264	11,499	87%	25.27	23.07	91%	8/13/2020 4:00 PM
Corbin	8,751	8,053	92%	18.92	17.53	93%	8/26/2020 3:00 PM
Falmouth	1,924	1,874	97%	3.85	4.21	109%	8/26/2020 4:00 PM
Frankfort	67,542	63,008	93%	136.44	127.76	94%	8/26/2020 4:00 PM
Madisonville	30,573	26,440	86%	62.76	56.72	90%	8/10/2020 3:00 PM
Owensboro	84,514	80,861	96%	172.00	171.00	99%	
Paris	5,442	6,043	111%	11.29	14.91	132%	8/26/2020 4:00 PM
Providence	3,010	2,873	95%	6.65	6.61	99%	8/10/2020 5:00 PM
AR	126,850	117,433	93%	260.56	247.80	95%	
Non-AR	13,703	11,919	87%	26.16	24.01	92%	
All	140,553	129,353	92%	286.71	271.81	95%	
Total	225,067	210,214	93%	458.71	442.81	97%	

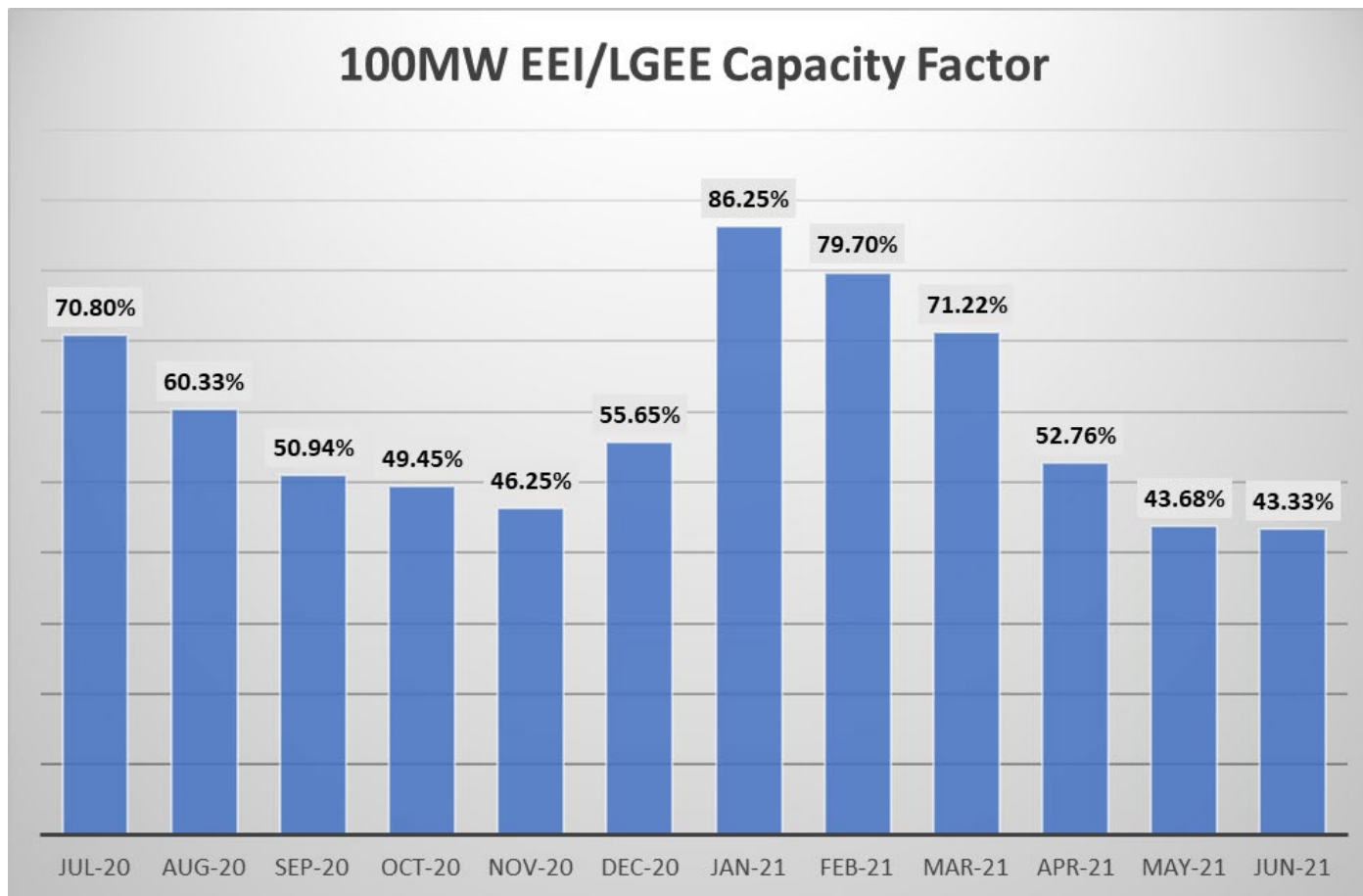
# BREC PPA Capacity Factor



# BREC Option Capacity Factor

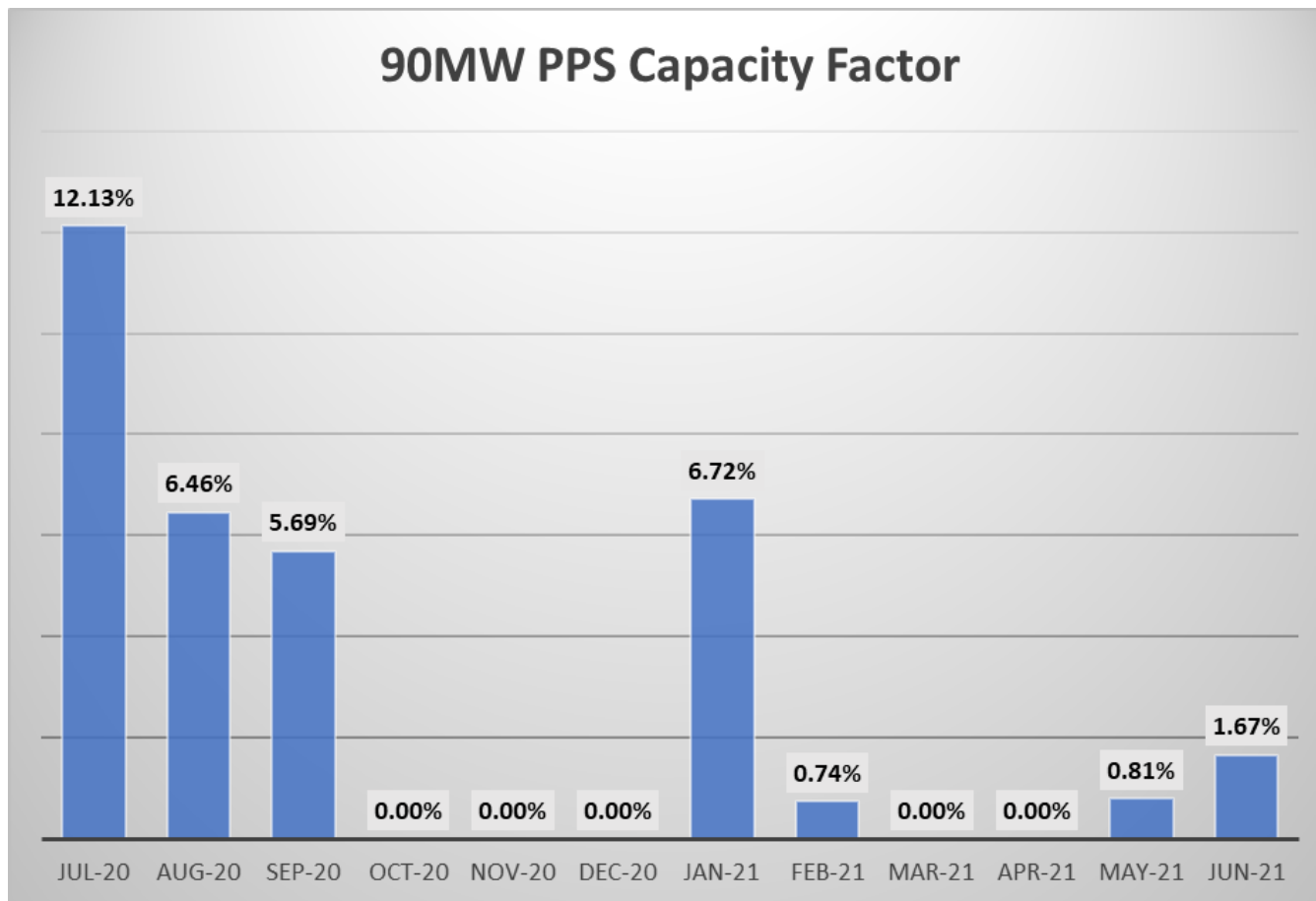


# EEI/LGEE Capacity Factor

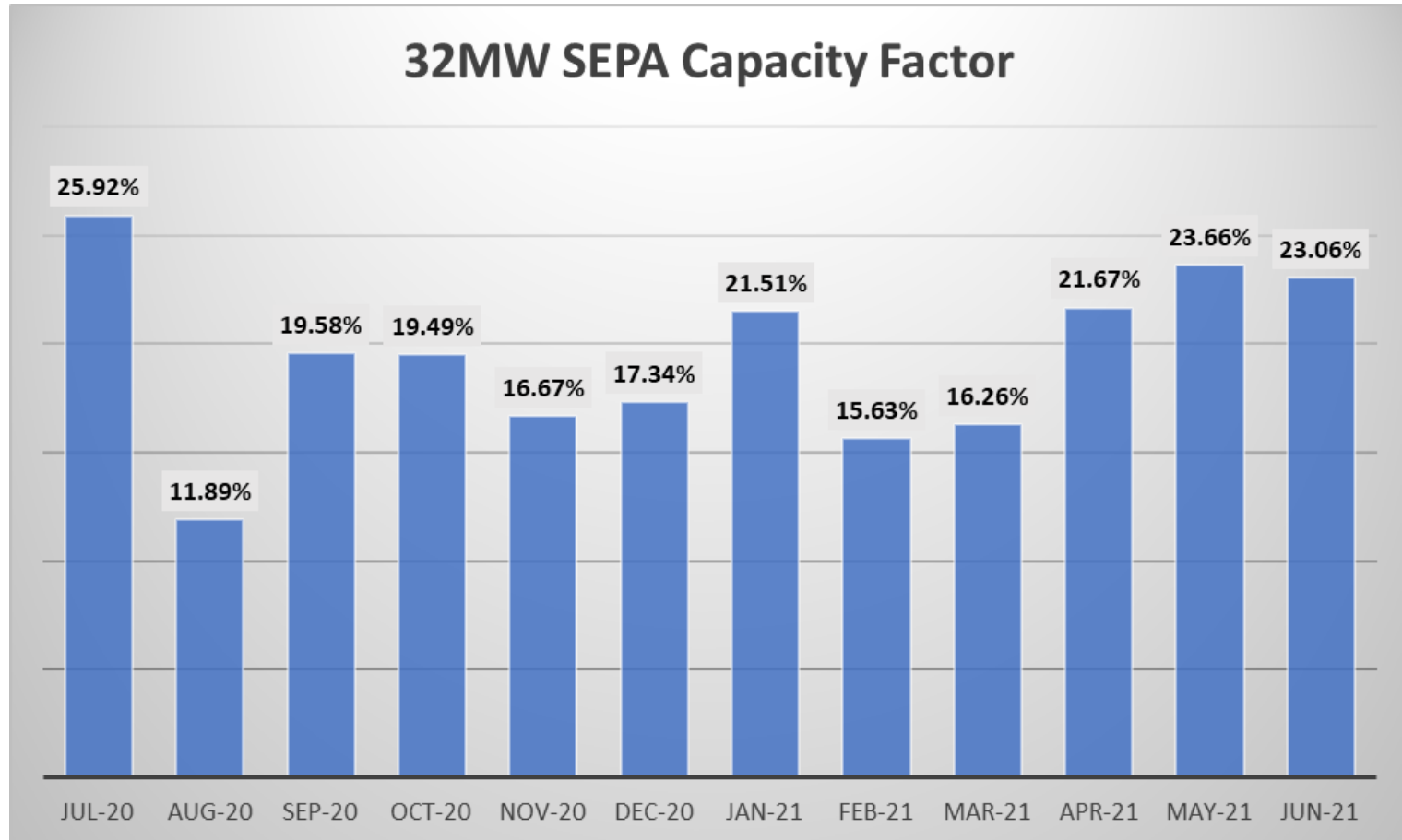




# PPS PPA Capacity Factor

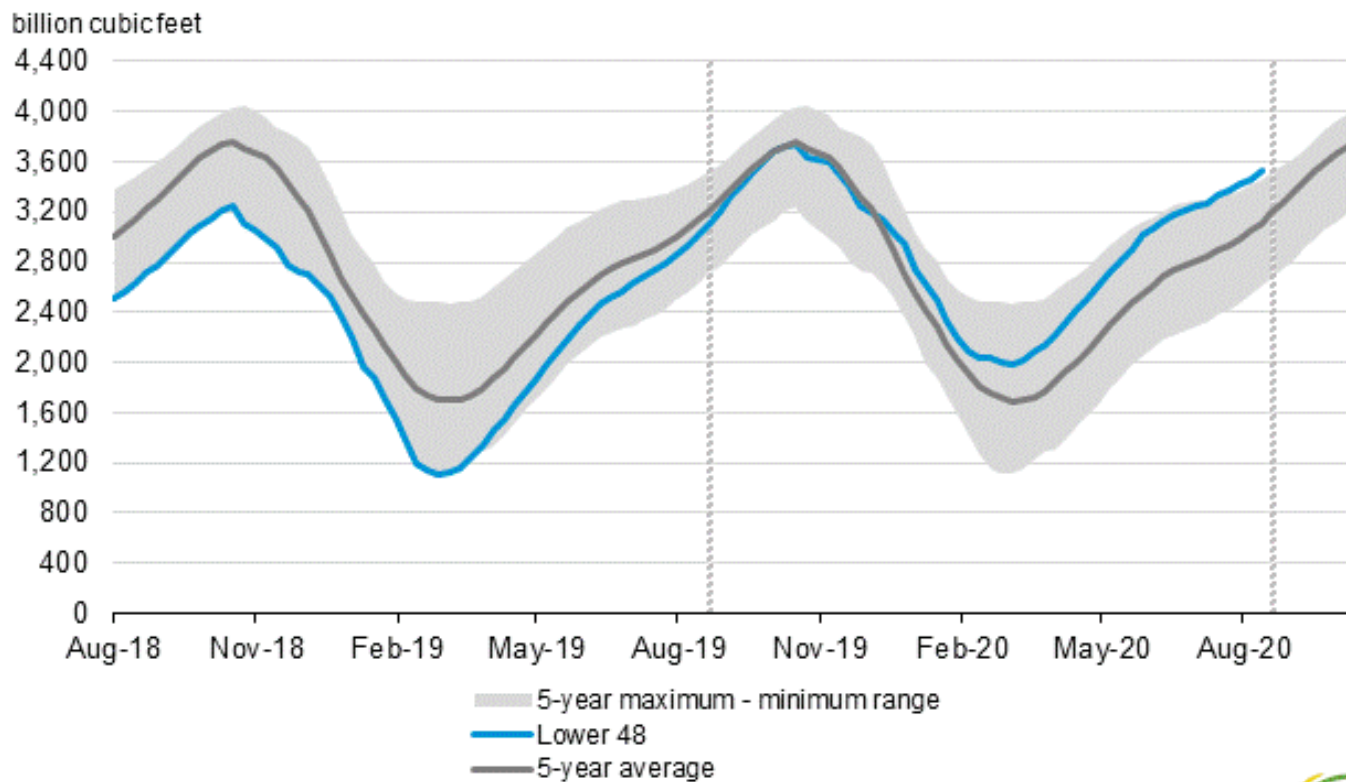


# SEPA Capacity Factor



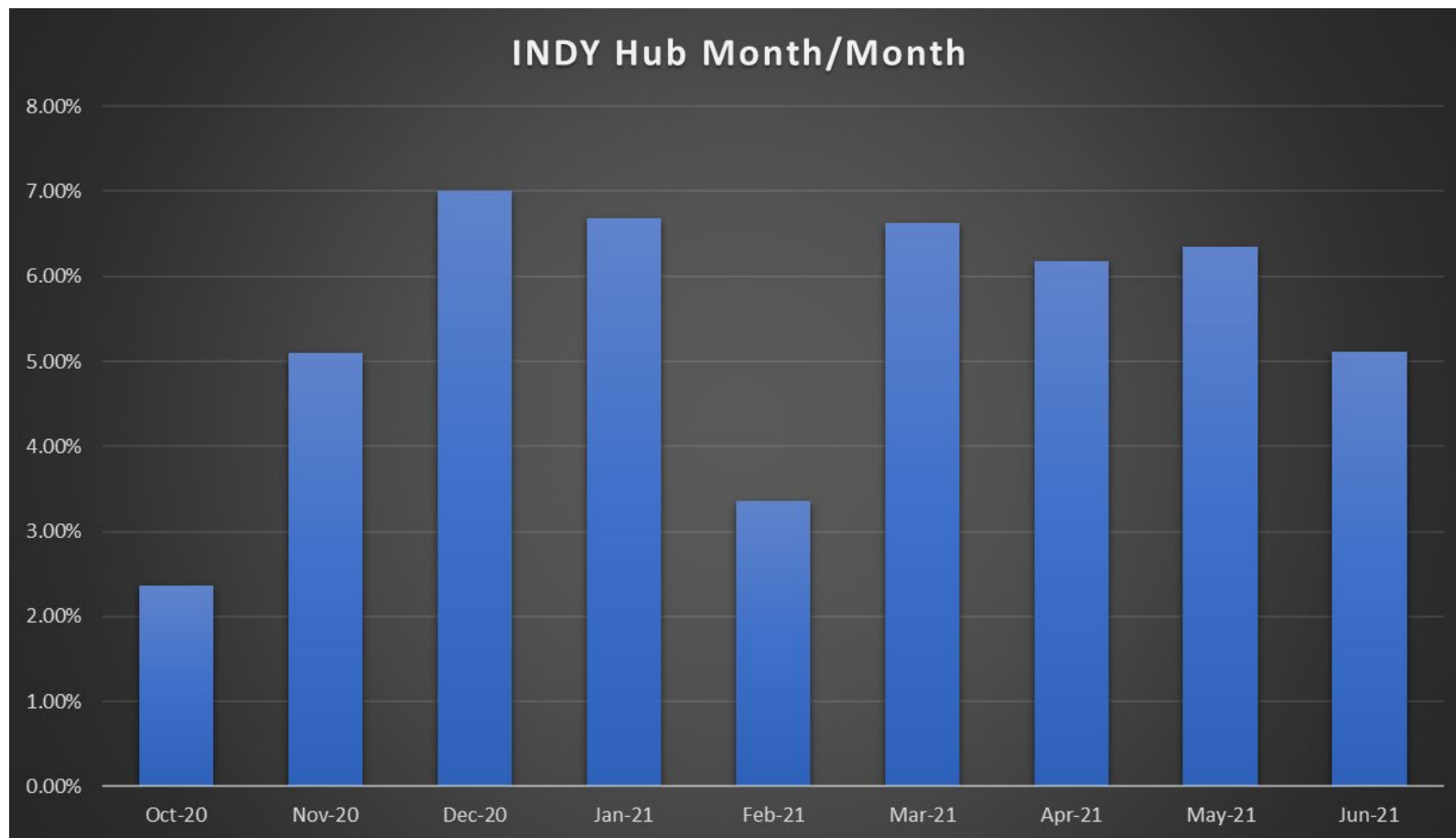
# Working Gas in Storage

Working gas in underground storage compared with the 5-year maximum and minimum

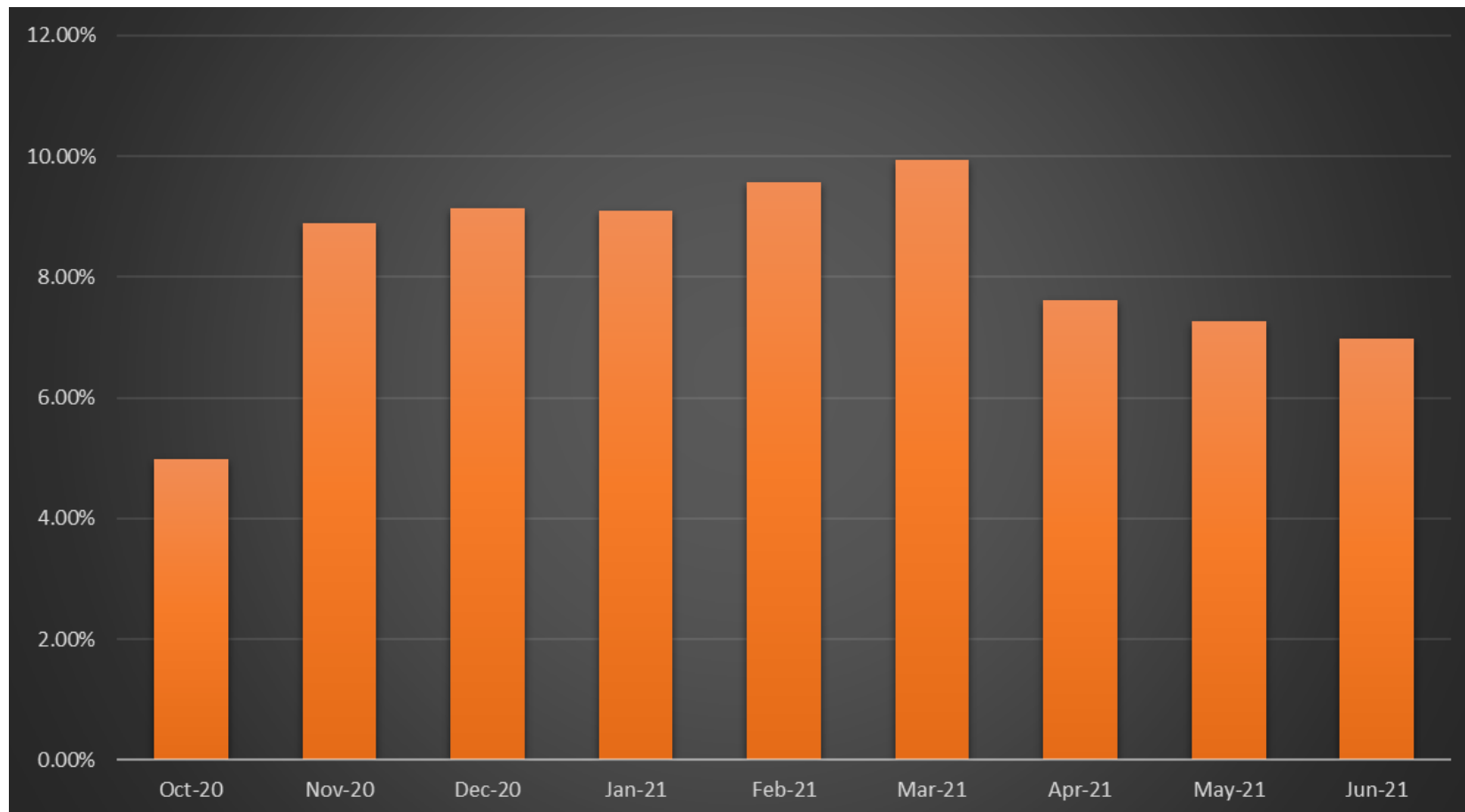


Source: U.S. Energy Information Administration

# Indiana Hub ATC



# Tetco M1 30"



# Discussion Topics and Miscellaneous Materials

## F. Discussion Topics

- F.1 IRP Schedule
- F.2 Audit Report
- F.3 Open Records Requests





KENTUCKY MUNICIPAL ENERGY AGENCY

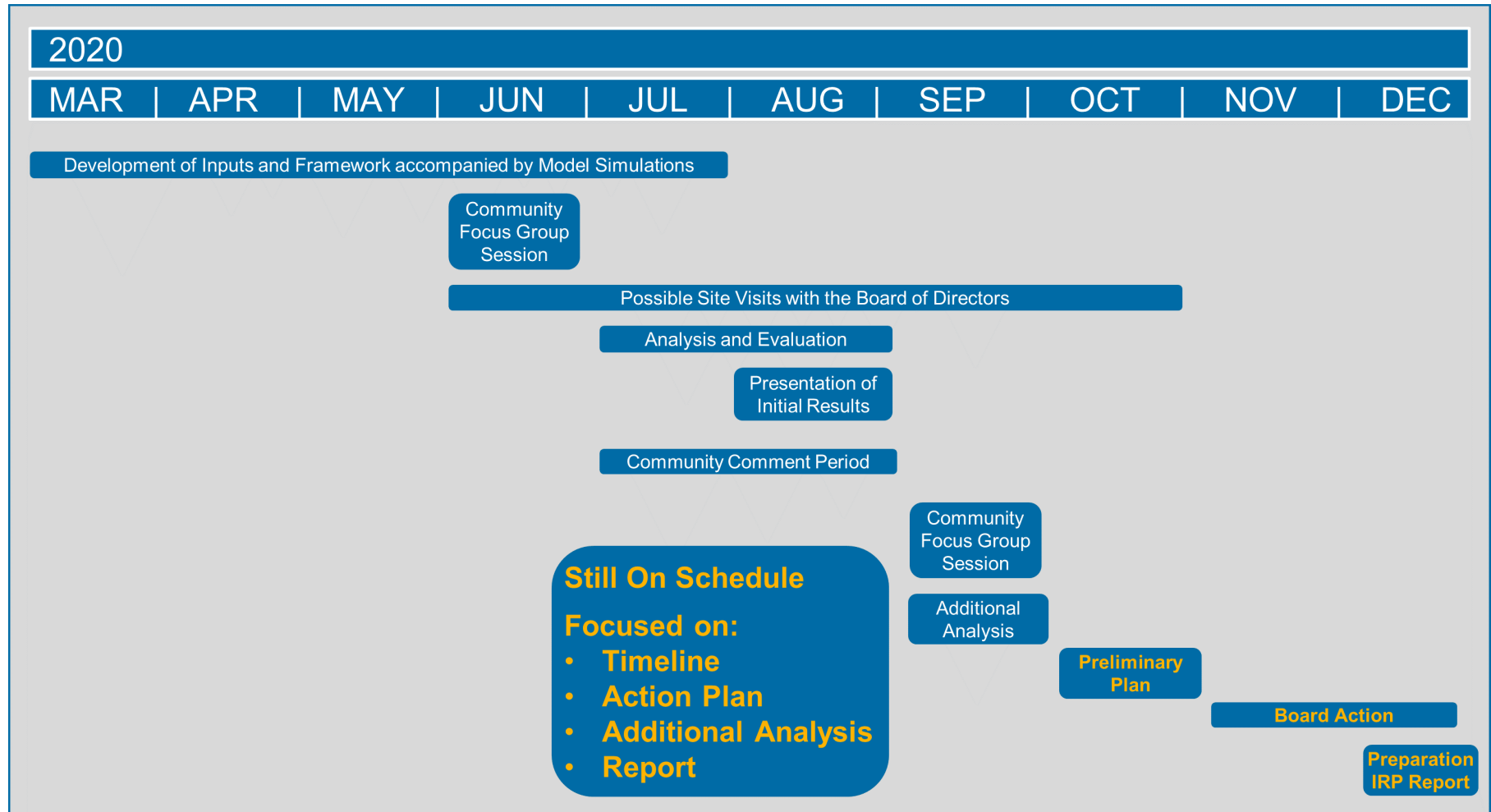


# Integrated Resource Planning Schedule

*Doug Buresh*

*September 24, 2020*

# IRP Key Tasks Timeline - 2020





# Conditions for Peak Demand

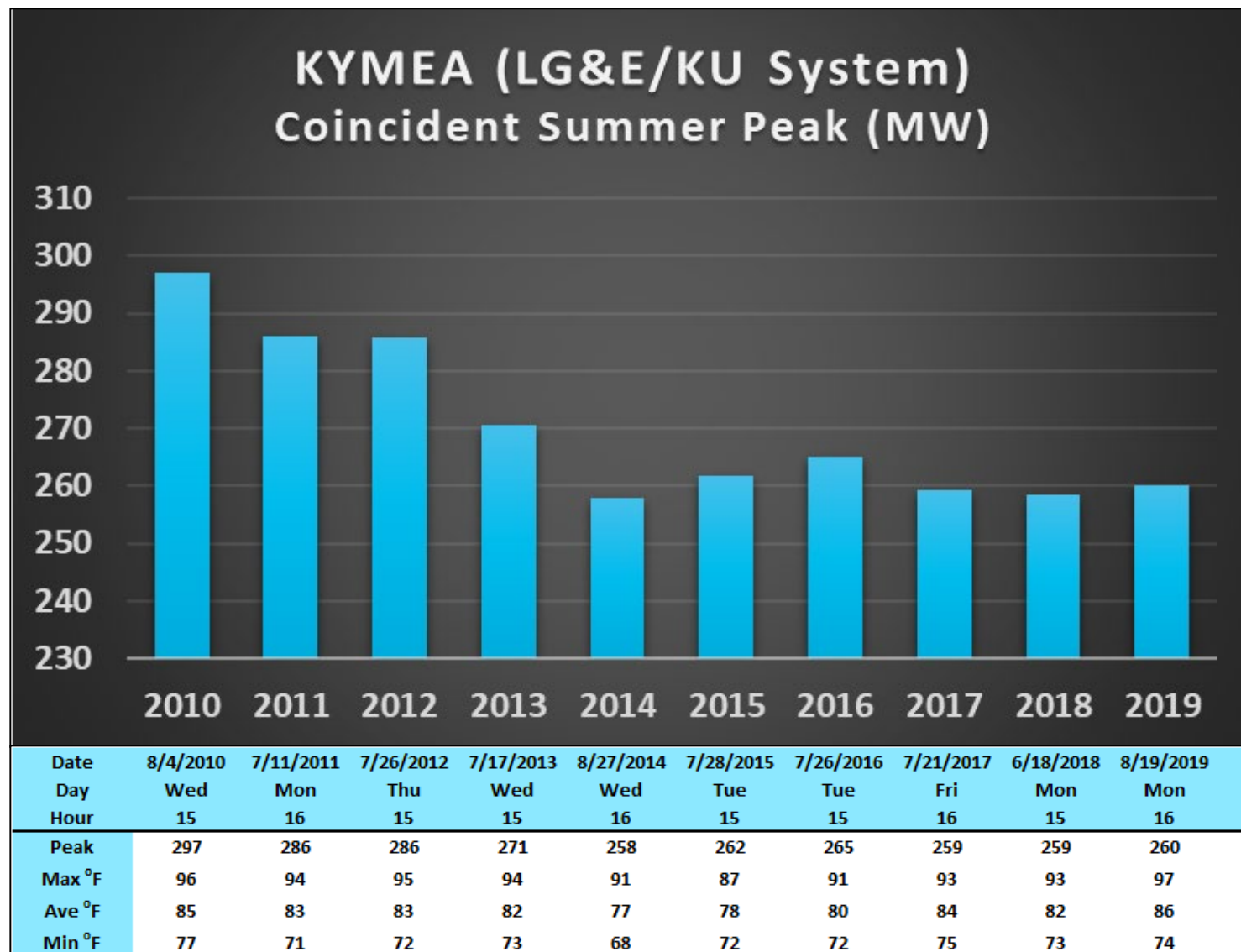
## Occurrence of Peak Demand

- KYMEA is a summer peaking system
- Since 2010, KYMEA has winter peaked twice (2014 and 2015); however, maximum peak conditions occur in the summer

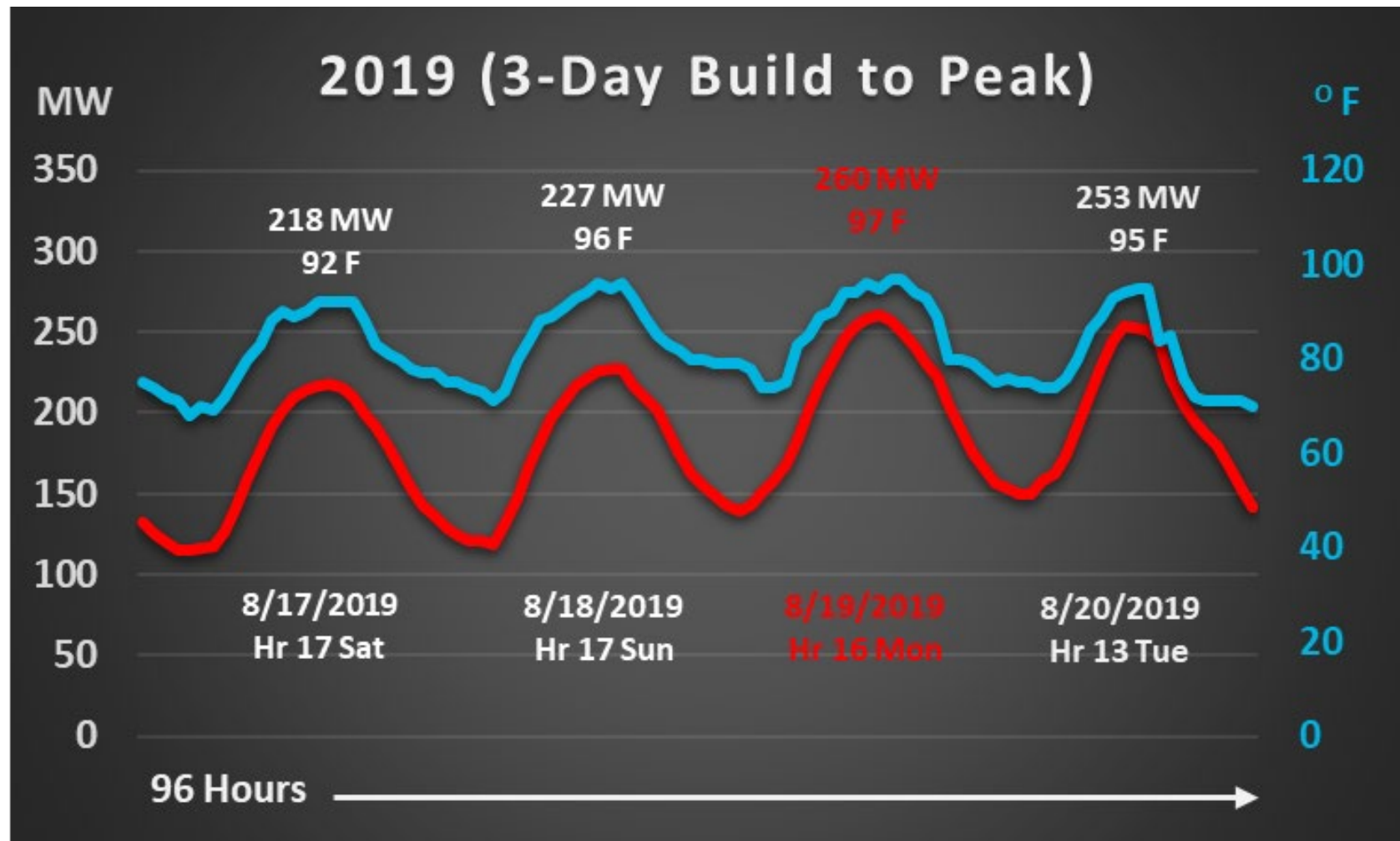
## For Maximum Peak Conditions

- 3-day build of hot weather
- Third day occurs during the week

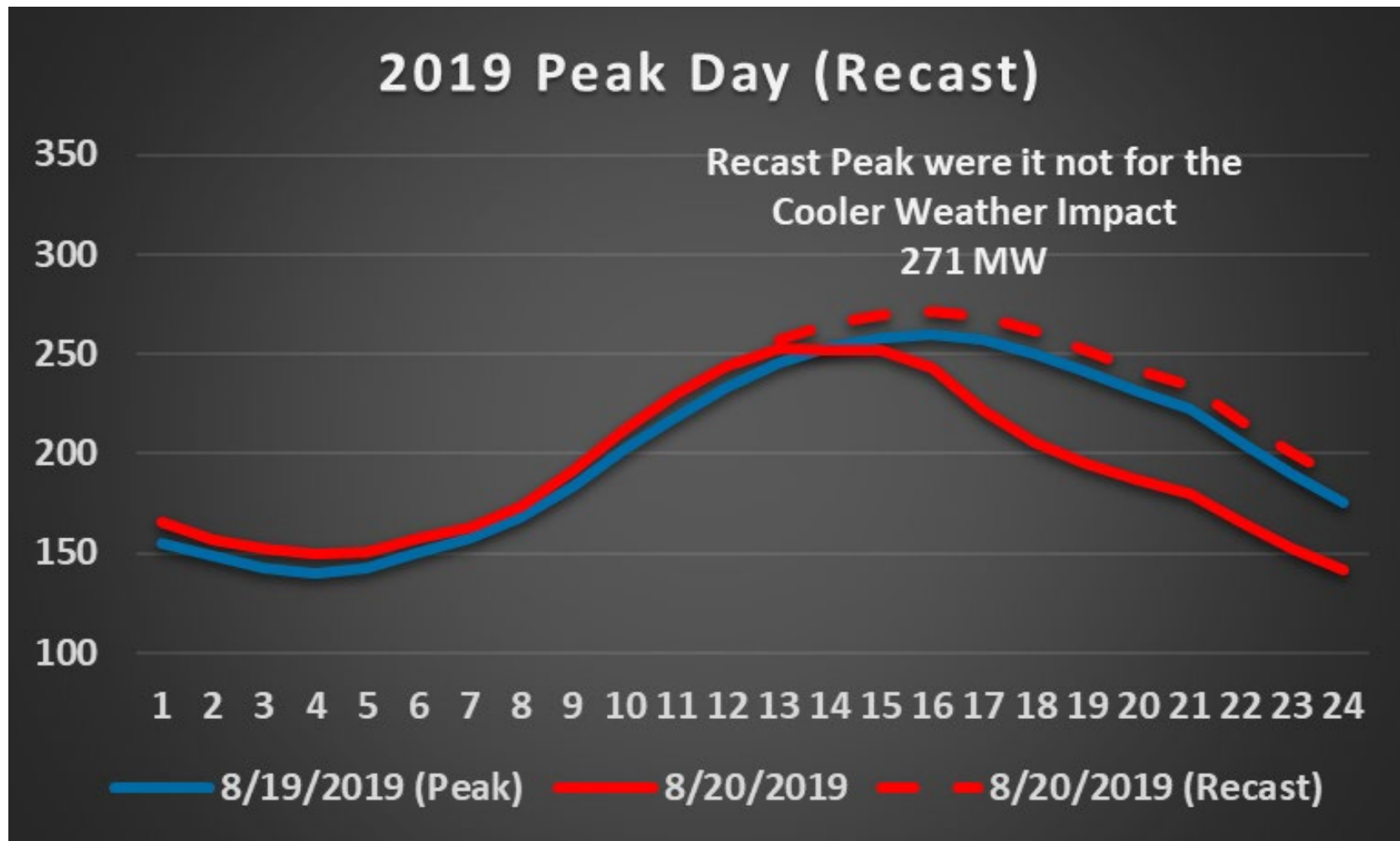
# Historical Summer Peaks



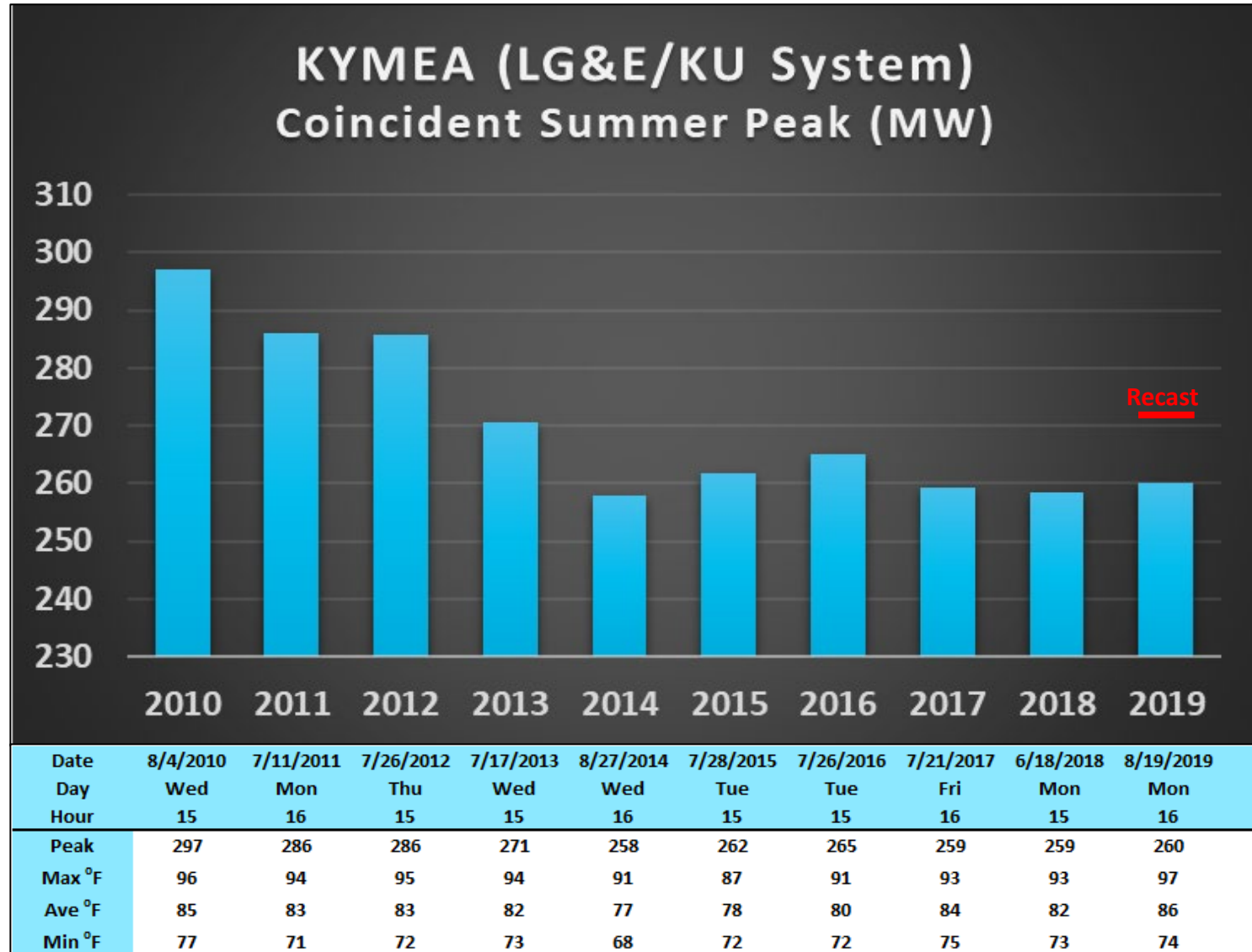
# 2019 Peak Demand



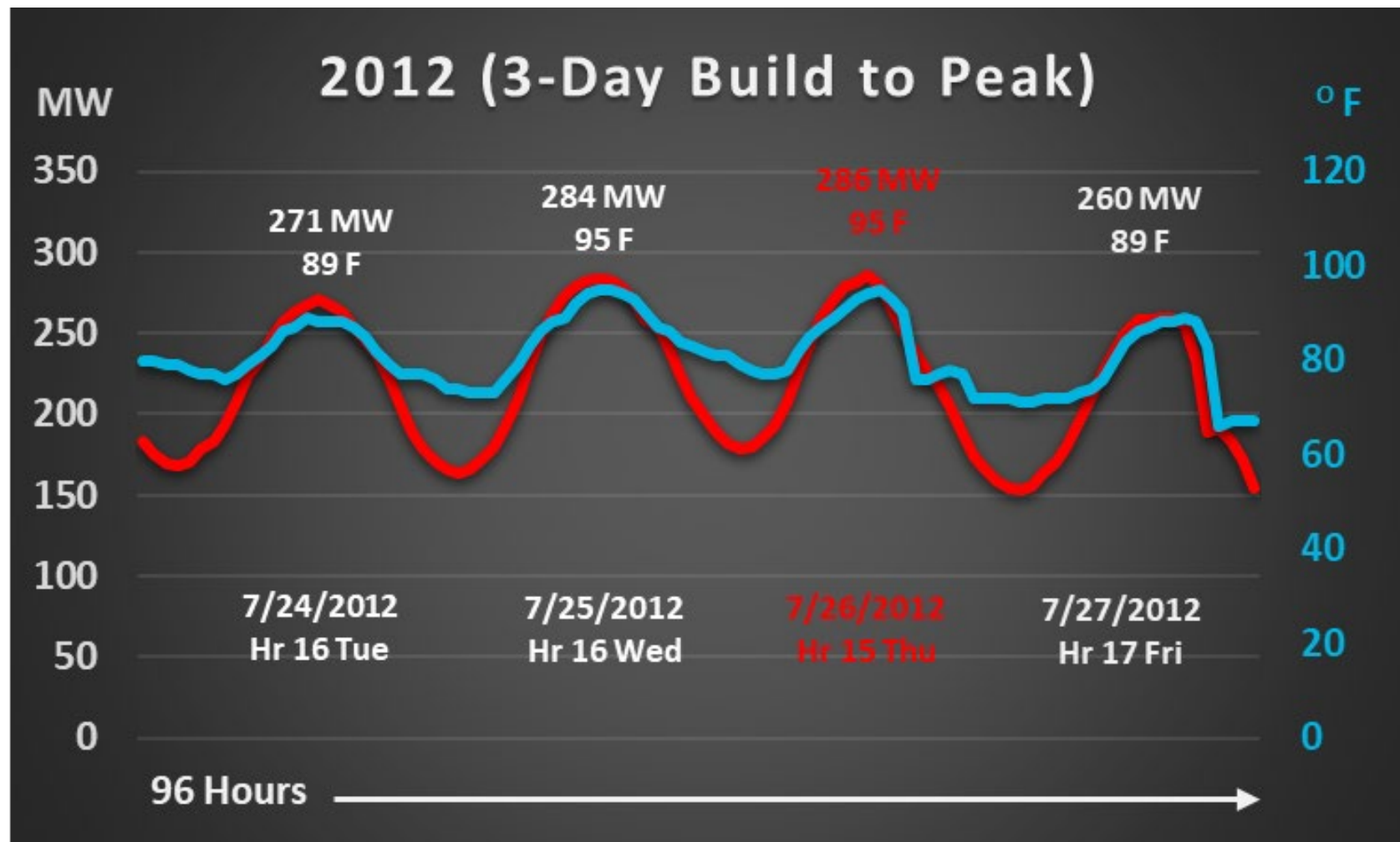
# 2019 Peak Demand "Recast"



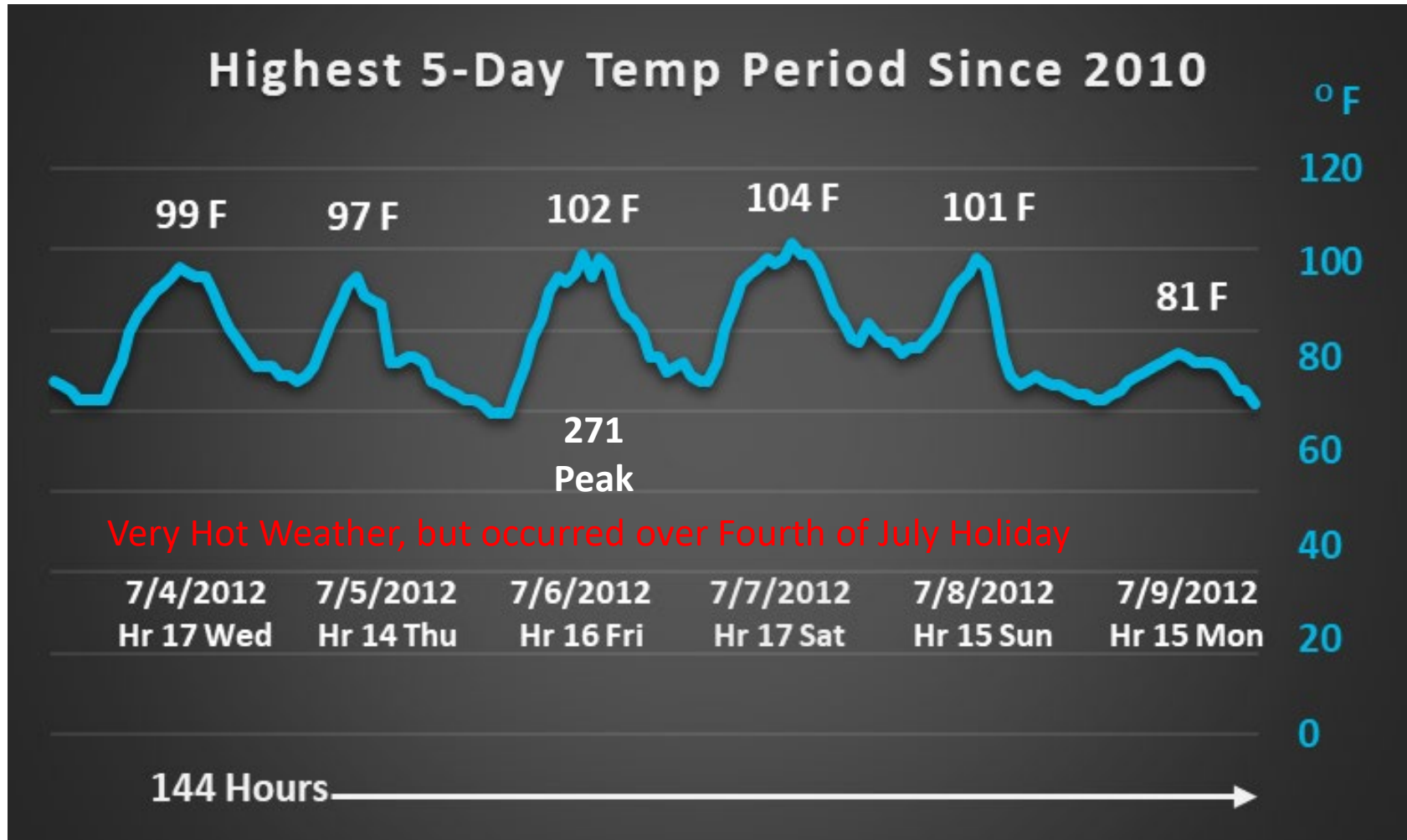
# Comparing 2019 Recast Peak



# 2012 Peak Demand



# 1-in-10 Peaking Temperature





Board of Directors and Management  
Kentucky Municipal Energy Agency  
Louisville, Kentucky

As part of our audit of the financial statements of Kentucky Municipal Energy Agency (the "Agency") as of and for the year ended June 30, 2020, we wish to communicate the following to you.

## **AUDIT SCOPE AND RESULTS**

### **Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America**

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### **Significant Accounting Policies**

The Agency's significant accounting policies are described in Note 1 of the audited financial statements.

#### **Alternative Accounting Treatments**

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Proper accounting treatment in accordance with the regulated operations provisions of Governmental Accounting Standards Board (GASB) Statement No. 62



### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Derivative instruments

### Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Commitments
- Derivative instruments

### Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. No audit adjustments were proposed as a result of the fiscal year 2020 audit engagement.

### Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Agency's application of accounting principles. The Agency implemented the following Governmental Accounting Standards Board (GASB) Statements for its fiscal year ended June 30, 2020:

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

### Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (attached)

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of Kentucky Municipal Energy Agency (the "Agency") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of

expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matter that we consider to be a deficiency.

### **Deficiency**

#### *Segregation of Duties*

We noted the Vice President of Finance and Accounting/CFO has incompatible duties within the cash outflows transaction cycle. Proper internal control would have the preparation of checks, authorization of wire transfers, and reconciliation of accounting records performed by different individuals, with these abilities being limited for any individuals with review and approval responsibilities. With the limited number of staff employed by the Agency, complete segregation of duties is challenging, however the Agency does employ mitigating controls to address some of these segregation of duties issues. We acknowledge that the Agency is currently in the process of hiring an accountant/financial analyst to further segregate duties.

### **OTHER MATTERS**

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

*New Accounting Standards*

**Governmental Accounting Standards Board Statement No. 87**

The Governmental Accounting Standards Board has issued Statement No. 87, *Leases* (GASB 87). GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

This statement will be effective for the Agency's fiscal year ending June 30, 2022.

**Governmental Accounting Standards Board Statement No. 89**

The Governmental Accounting Standards Board has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported on the Balance Sheet.

This statement will be effective for the Agency's fiscal year ending June 30, 2022.

**Governmental Accounting Standards Board Statement No. 96**

The Governmental Accounting Standards Board has issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires not disclosures regarding a SBITA.

This statement will be effective for the Agency's fiscal year ending June 30, 2023.

\*\*\*\*\*

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

September 11, 2020

September 11, 2020

**BKD, LLP**

Certified Public Accountants  
1248 "O" Street, Suite 1040  
Lincoln, Nebraska 68508

We are providing this letter in connection with your audits of our financial statements as of and for the years ended June 30, 2020 and 2019. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated July 27, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes



referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:
  - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - (b) Additional information that you have requested from us for the purpose of the audit.
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - (d) All minutes of meetings of the governing body held through the date of this letter.
  - (e) All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
  - (a) Misappropriation of assets.
  - (b) Misrepresented or misstated assets, liabilities or net position.
8. We have no knowledge of any known or suspected:
  - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
  - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency received in communications from employees, customers, regulators, suppliers or others.
10. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
12. Except as reflected in the financial statements, there are no:
  - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - (b) Material transactions omitted or improperly recorded in the financial statements.
  - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - (e) Agreements to purchase assets previously sold.
  - (f) Restrictions on cash balances or compensating balance agreements.
  - (g) Guarantees, whether written or oral, under which the Agency is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the Agency owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
15. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims

during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.

16. Adequate provisions and allowances have been accrued for any material losses from:
  - (a) Uncollectible receivables.
  - (b) Sales commitments, including those unable to be fulfilled.
  - (c) Purchase commitments in excess of normal requirements or above prevailing market prices.
17. Except as disclosed in the financial statements, we have:
  - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
  - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
19. With regard to deposit and investment activities:
  - (a) All deposit and investment transactions have been made in accordance with legal and contractual requirements.
  - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
20. With respect to any nonattest services you have provided us during the year, including assistance with drafting of the financial statements and related notes:
  - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.



- (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
21. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
22. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
23. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
24. We believe the commodity swaps are effective in hedging the risk of market price fluctuations and should be considered qualifying hedging derivative instruments, as defined by GASB Codification Section D40, for financial statement presentation purposes.
25. We acknowledge the current protracted economic decline presents difficult circumstances and challenges for the governmental industry. Governmental entities are facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the





financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, etc. that could negatively impact the Agency's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Agency's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Agency, including questioning the quality and valuation of investments, other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.



Doug Buresh, President and CEO



Heather Overby, Vice President of Finance  
& Accounting / CFO



# **Kentucky Municipal Energy Agency**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

# Kentucky Municipal Energy Agency

## June 30, 2020 and 2019

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## Independent Auditor's Report

Board of Directors  
Kentucky Municipal Energy Agency  
Louisville, Kentucky

We have audited the accompanying financial statements of Kentucky Municipal Energy Agency (the Agency), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Municipal Energy Agency as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**BKD, LLP**

Lincoln, Nebraska  
September 11, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Kentucky Municipal Energy Agency's ("KYMEA" or the "Agency") financial performance provides an overview of the Agency's activities for the fiscal years ended June 30, 2020, 2019 and 2018. It should be read in conjunction with the basic financial statements and the accompanying notes.

### ***Background***

KYMEA is a joint agency organized under the Interlocal Cooperation Act of the State of Kentucky. KYMEA was created to allow its Members to collaborate effectively to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to provide assistance to the Members related to their electric power and energy utility systems. The Agency's Members currently consist of the following Kentucky municipalities: Barbourville, Bardwell, Benham, Berea, Corbin, Falmouth, Frankfort, Madisonville, Owensboro, Paris, and Providence (the "Members").

KYMEA was created in 2015 and began supplying power to Members beginning on May 1, 2019. The Agency also incurred costs for administration, which were billed to the Members.

### ***Summary of the Financial Statements***

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about KYMEA's financial position and activities.

**Management's Discussion and Analysis** – provides an objective and easily readable analysis of the financial activities of KYMEA based on currently known facts, decisions or conditions.

**Balance Sheets** – provide a summary of the assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position of KYMEA, as of the Agency's fiscal year end.

**Statements of Revenues, Expenses and Changes in Net Position** – present the operating results of KYMEA into various categories of operating revenues and expenses, and non-operating revenues and expenses.

**Statements of Cash Flows** – report the cash provided by and used for operating activities, as well as other cash sources and uses.

**Notes to the Financial Statements** – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

## Financial Analysis

The following comparative condensed financial information summarizes the Agency's financial position, operating results and cash flows for the years ended June 30, 2020, 2019 and 2018.

### Condensed Balance Sheets

	2020	2019	2018
<b>Assets</b>			
Current assets	\$ 16,643,933	\$ 15,743,430	\$ 410,198
Other noncurrent assets	2,678,471	2,276,111	-
Capital assets	1,317,371	1,363,459	406,037
Total assets	<u>\$ 20,639,775</u>	<u>\$ 19,383,000</u>	<u>\$ 816,235</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
Current liabilities	\$ 8,614,537	\$ 8,145,713	\$ 640,561
Noncurrent liabilities	-	9,032,768	392,005
Deferred inflows of resources	70,198	-	-
Total liabilities and deferred inflows of resources	<u>8,684,735</u>	<u>17,178,481</u>	<u>1,032,566</u>
Net position			
Investment in capital assets	1,317,371	1,363,459	54,487
Unrestricted	10,637,669	841,060	(270,818)
Total net position	<u>11,955,040</u>	<u>2,204,519</u>	<u>(216,331)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,639,775</u>	<u>\$ 19,383,000</u>	<u>\$ 816,235</u>

Current assets increased \$0.9 million from the fiscal year ending June 30, 2019 to the fiscal year ending June 30, 2020. This increase resulted from an increase in unrestricted cash from normal operations during the year. Noncurrent assets increased by \$0.4 million in the same period due to an increase in collateral deposits held by regional transmission organizations.

Current assets increased \$15.3 million from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019. This increase resulted from cash drawn from the line of credit of \$7.7 million and accounts receivable from energy sales to members beginning on May 1, 2019 of \$7.6 million. Noncurrent assets increased by \$2.3 million in the same period due to collateral deposits held by regional transmission organizations.

Current liabilities increased \$0.5 million from the fiscal year ending June 30, 2019 to the fiscal year ending June 30, 2020. This increase was related to the timing of purchased power expenses to serve the electricity needs of KYMEA's members. Noncurrent liabilities decreased by \$9.0 million in the same period due to the line of credit being paid off during fiscal year 2020.

Current liabilities increased \$7.5 million from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019. This increase was entirely related to purchased power expenses to serve the electricity needs of KYMEA's All Requirements members beginning on May 1, 2019.

### **Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 80,073,606	\$ 15,488,616	\$ 2,195,330
Operating expenses	70,316,505	12,968,750	2,514,447
Operating income (loss)	9,757,101	2,519,866	(319,117)
Net nonoperating revenues (expenses)	(6,580)	(99,016)	(88)
Change in net position	9,750,521	2,420,850	(319,205)
Net position - Beginning of Year	2,204,519	(216,331)	102,874
Net position - End of Year	\$ 11,955,040	\$ 2,204,519	\$ (216,331)

During May 2019, KYMEA began providing electricity to its All Requirements member communities; therefore, the fiscal year ended June 30, 2020 contains a full twelve months of related operating revenues, as well as purchased power and production costs, related to this service and the fiscal year ended June 30, 2019 contains two months of related operating revenues, as well as purchased power and production costs, related to this service. All increases in operating revenues and operating expenses from the fiscal years ending June 30, 2018 to 2019, and June 30, 2019 to 2020 are a result of this activity.

### **Financing**

In December 2018, the Board approved the Agency to execute a revolving line of credit agreement, expiring March 1, 2021 for advances up to \$30,000,000. Advances under this agreement bear interest at thirty-five basis points (0.35%) above One Month LIBOR, and interest is payable semi-annually. The amount outstanding under this line of credit was \$9,032,768 as of June 30, 2019. There were no amounts outstanding under this line of credit as of June 30, 2020.

In July 2017, the Board approved the Agency to execute a revolving line of credit agreement, expiring October 19, 2019 for advances up to \$5,000,000. Advances under this agreement bear interest at two percent (2%) above One Month LIBOR, and interest is payable semi-annually. The amount outstanding under this line of credit was \$392,005 as of June 30, 2018.

### **Capital Assets**

The agency's investment in capital assets (net of accumulated depreciation) as of June 30, 2020 and 2019 totaled \$1,317,371 and \$1,363,459, respectively. This investment includes transportation equipment and building improvements and other equipment related to the Agency's office headquarters.

### **General Trends and Significant Events**

KYMEA will continue to search for additional power and energy resources for its Members, which may include purchased power agreements, investments in power projects and other sources. KYMEA's goal is to establish a portfolio with renewable, coal and natural gas resources to provide more flexibility in response to market changes and future regulations.



**Contact Information**

This financial report is designed to provide a general overview of KYMEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Heather Overby, Chief Financial Officer, 1700 Eastpoint Parkway, Louisville, KY 40223, (502) 640-1304.

# Kentucky Municipal Energy Agency

## Balance Sheets

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 8,941,609	\$ 7,755,194
Accounts receivable	7,620,246	7,977,472
Prepaid expenses and other assets	11,880	10,764
Fair value of derivative instruments	70,198	-
Total current assets	<u>16,643,933</u>	<u>15,743,430</u>
<b>Collateral Deposit</b>	<u>2,678,471</u>	<u>2,276,111</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	<u>1,317,371</u>	<u>1,363,459</u>
Total assets	<u><u>\$ 20,639,775</u></u>	<u><u>\$ 19,383,000</u></u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,428,989	\$ 8,001,235
Accrued liabilities	185,416	125,347
Accrued interest payable	132	19,131
Total current liabilities	<u>8,614,537</u>	<u>8,145,713</u>
<b>Line of Credit</b>	<u>-</u>	<u>9,032,768</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from derivative instruments	<u>70,198</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>8,684,735</u>	<u>17,178,481</u>
<b>Net Position</b>		
Investment in capital assets	1,317,371	1,363,459
Unrestricted	<u>10,637,669</u>	<u>841,060</u>
Total net position	<u>11,955,040</u>	<u>2,204,519</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 20,639,775</u></u>	<u><u>\$ 19,383,000</u></u>

**Kentucky Municipal Energy Agency**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Billings to members	<u>\$ 80,073,606</u>	<u>\$ 15,488,616</u>
Total operating revenues	<u>80,073,606</u>	<u>15,488,616</u>
<b>Operating Expenses</b>		
Production and purchased power	61,031,150	7,314,580
Transmission	7,401,625	2,942,783
Depreciation	176,122	79,134
Other operating expenses	<u>1,707,608</u>	<u>2,632,253</u>
Total operating expenses	<u>70,316,505</u>	<u>12,968,750</u>
<b>Operating Income</b>	<u>9,757,101</u>	<u>2,519,866</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(26,302)	(107,487)
Interest income	<u>19,722</u>	<u>8,471</u>
Total nonoperating revenues (expenses)	<u>(6,580)</u>	<u>(99,016)</u>
<b>Change in Net Position</b>	<u>9,750,521</u>	<u>2,420,850</u>
<b>Net Position, Beginning of Year</b>	<u>2,204,519</u>	<u>(216,331)</u>
<b>Net Position, End of Year</b>	<u><u>\$ 11,955,040</u></u>	<u><u>\$ 2,204,519</u></u>

# Kentucky Municipal Energy Agency

## Statements of Cash Flows

### Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from members	\$ 80,430,832	\$ 7,851,449
Payments to service providers and others	(68,786,310)	(4,480,061)
Payments to employees	(867,366)	(917,210)
Collateral deposit remittances	(402,360)	(2,276,111)
	<u>10,374,796</u>	<u>178,067</u>
<b>Net cash provided by operating activities</b>	<u>10,374,796</u>	<u>178,067</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Advances from line of credit	37,000,000	11,445,933
Payments on line of credit	(46,032,768)	(2,805,170)
Interest payments	(45,301)	-
	<u>(9,078,069)</u>	<u>8,640,763</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(9,078,069)</u>	<u>8,640,763</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(130,034)	(1,043,902)
Interest payments	-	(89,647)
	<u>(130,034)</u>	<u>(1,133,549)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(130,034)</u>	<u>(1,133,549)</u>
<b>Cash Flows From Investing Activities</b>		
Interest income	19,722	8,471
	<u>19,722</u>	<u>8,471</u>
<b>Net cash provided by investing activities</b>	<u>19,722</u>	<u>8,471</u>
<b>Net Increase in Cash</b>	1,186,415	7,693,752
<b>Cash, Beginning of Year</b>	<u>7,755,194</u>	<u>61,442</u>
<b>Cash, End of Year</b>	<u><u>\$ 8,941,609</u></u>	<u><u>\$ 7,755,194</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 9,757,101	\$ 2,519,866
Depreciation	176,122	79,134
Changes in operating assets and liabilities		
Accounts receivable	357,226	(7,637,167)
Prepaid expenses and other assets	(1,116)	(2,313)
Fair value of derivative instruments	(70,198)	-
Collateral deposit	(402,360)	(2,276,111)
Accounts payable	427,754	7,395,734
Accrued expenses	60,069	98,924
Deferred inflows from derivative instruments	70,198	-
	<u>10,374,796</u>	<u>178,067</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 10,374,796</u></u>	<u><u>\$ 178,067</u></u>

# **Kentucky Municipal Energy Agency**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

Kentucky Municipal Energy Agency (“KYMEA” or the “Agency”) is a joint agency organized under the Interlocal Cooperation Act of the State of Kentucky. KYMEA was formed in 2015 to allow its Members to collaborate effectively to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to provide assistance to the Members related to their electric power and energy utility systems. The Agency’s Members currently consist of the following Kentucky municipalities: Barbourville, Bardwell, Benham, Berea, Corbin, Falmouth, Frankfort, Madisonville, Owensboro, Paris, and Providence (the “Members”).

Eight of the eleven Members have entered into All Requirements Power Sales Contracts (“Contracts”). Under the Contracts, these eight members will purchase all power and energy needed to meet their respective retail requirements, beginning May 1, 2019, and the Contracts also obligate these members to provide revenue sufficient to allow the Agency to meet its obligations, including those related to power purchases, administration and prospective debt issuance.

KYMEA’s Board of Directors (the “Board”) is comprised of representatives from each of the Members. The Board directs and makes all significant decisions relating to the operations of the Agency.

#### ***Reporting Entity***

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency’s ability to appoint a voting majority of another entity’s governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity’s fiscal dependency on the Agency. Based upon the above criteria, KYMEA has determined that it has no reportable component units.

#### ***Basis of Presentation***

KYMEA’s activities are accounted for on the economic resources measurement focus and use the accrual basis of accounting. KYMEA’s accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). KYMEA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

# Kentucky Municipal Energy Agency

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported balance sheet amounts and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Accounts Receivable***

Accounts receivable are stated at the amount billed to the Members. Accounts receivable are due immediately upon issuance of the invoice, which is ordinarily 20 days after the end of the prior month. Management does not believe an allowance for doubtful accounts is necessary at June 30, 2020 and 2019.

#### ***Collateral Deposit***

KYMEA is a transmission dependent utility of both the Midcontinent Independent System Operator (MISO) and PJM Interconnection LLC (PJM), regional transmission organizations whose purpose is to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve electric system reliability.

The collateral deposit represents funds remitted to these organizations as a form of financial assurance to secure the Agency's performance under the terms and conditions of the respective MISO or PJM Tariffs related to the purchase of transmission service, market services, ancillary services, and related products or services.

#### ***Capital Assets***

Capital assets are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. The following estimated useful lives are being used by the Agency:

Building improvements	15 years
Equipment	5 - 10 years

#### ***Compensated Absences***

Agency policies permit employees to accumulate vacation, personal time and sick leave benefits that may be realized as paid time off or as a cash payment upon retirement. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absences are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

# Kentucky Municipal Energy Agency

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

#### **Net Position Classification**

Net position is required to be classified into three components – investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Investment in capital assets**- This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Agency has no net position that meets the restricted definition at June 30, 2020 and 2019.

**Unrestricted** - This component of net position consists of the net amount of assets and liabilities that do not meet the definition of “restricted” or “investment in capital assets.”

#### **Classification of Revenues and Expenses**

Operating revenues and expenses are defined as revenues and expenses directly related to, or incurred in support of, the future procurement and distribution of power and energy to KYMEA’s Members. Operating revenues currently include billings to Members to cover Agency administration costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Derivative Instruments**

Derivative instruments are utilized by the Agency to manage market risk and reduce exposure resulting from fluctuations in prices of power and energy. These instruments include commodity swap agreements. Additional information regarding these instruments is shown in Note 5.

#### **Income Taxes**

KYMEA, as a unit of local government of the State of Kentucky, is exempt from federal and state income taxes.

#### **Adoption of Accounting Standards**

At the beginning of the year ended June 30, 2020, the Agency adopted GASB Statement No. 84, *Fiduciary Activities* and paragraphs 4 and 5 of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Adoption of GASB No. 84 and GASB No. 97 had no effect on the Agency’s financial statements.

# Kentucky Municipal Energy Agency

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The Agency's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Kentucky, bonds of any city, county, school district or special road district of the State of Kentucky or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to \$250,000 per official custodian at each covered institution. At June 30, 2020 and 2019, the carrying amount of the Agency's deposits were \$8,941,609 and \$7,755,194 and the bank balances were \$8,942,109 and \$7,771,133, respectively. At June 30, 2020 the Agency's deposits exceeded FDIC coverage and collateral held by approximately \$8,692,109.

### Note 3: Capital Assets

Capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	July 1, 2019	Increase	Decrease	Transfers	June 30, 2020
Equipment	\$ 1,191,078	\$ 130,034	\$ -	\$ -	\$ 1,321,112
Building improvements	253,638	-	-	-	253,638
Less: accumulated depreciation	(81,257)	(176,122)	-	-	(257,379)
Totals	<u>\$ 1,363,459</u>	<u>\$ (46,088)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,317,371</u>

	July 1, 2018	Increase	Decrease	Transfers	June 30, 2019
Construction work in progress	\$ 372,498	\$ 1,036,556	\$ -	\$ (1,409,054)	\$ -
Equipment	35,662	-	-	1,155,416	1,191,078
Building improvements	-	-	-	253,638	253,638
Less: accumulated depreciation	(2,123)	(79,134)	-	-	(81,257)
Totals	<u>\$ 406,037</u>	<u>\$ 957,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,363,459</u>



# Kentucky Municipal Energy Agency

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 4: Line of Credit

In March 2019, the Agency executed a revolving line of credit agreement, expiring March 1, 2020 for advances up to \$30,000,000. This agreement was later extended to March 1, 2021. Advances under this agreement bear interest at thirty-five basis points (0.35%) above One Month LIBOR, and interest is payable semi-annually. The amount outstanding under this line of credit was \$0 and \$9,032,768 as of June 30, 2020 and June 30, 2019, respectively. This agreement is collateralized by substantially all assets of the Agency and secured by a pledge of the revenues from the Agency's Contracts with the Members.

### Note 5: Derivative Instruments

#### *Objectives and Terms of Derivative Instruments*

The Agency has entered into commodity swaps to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of energy. These commodity swaps are considered derivative instruments under the provisions of GASB Codification Section D40, *Derivative Instruments*. The fair value of the commodity swaps are based on actual settlements at June 30, 2020.

*Cash Flow Hedges* – Cash flow hedges are derivative instruments associated with a hedgeable item that significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of the hedgeable item. At June 30, 2020, the positive fair value of commodity swaps considered cash flow hedges is classified as a current asset on the balance sheet, with an offsetting deferred inflow of resources for the same amount. The change in fair value of cash flow hedges was an increase of \$70,198 for 2020. The change in fair value is reflected within deferred inflows from derivative instruments in 2020.

During 2020, the Agency had pay-fixed, receive variable commodity swaps with a national energy corporation. The Agency pays the predetermined fixed price and the counterparty pays the variable price, which is based on the Indiana Hub Day-Ahead settlement price for the contractual hour. As of June 30, 2020, the counterparty was rated A- by Standard & Poor's and Baa1 by Moody's Investors Service.

The fair value of the Agency's derivative instruments at June 30, 2020 is \$70,198.

A summary of objectives and terms of the Agency's derivative instruments at June 30, 2020, (all contracts are structured with a quantity of 19,600 MWh per contract) follows:

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Price per MWh
<b>Cash Flow Hedges:</b>				
		Hourly starting	Hourly through	
19,600 MWh	6/15/2020	7/1/2020	8/31/2020	\$ 19.70
19,600 MWh	6/26/2020	7/1/2020	8/31/2020	\$ 18.50

# Kentucky Municipal Energy Agency

## Notes to Financial Statements

### June 30, 2020 and 2019

#### Note 5: Derivative Instruments – Continued

##### *Objectives and Terms of Derivative Instruments – Continued*

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to a transaction will not fulfill its obligations. At June 30, 2020, for the swaps with a positive fair value, the Agency was exposed to credit risk in the amount of the fair value of the swaps. The Agency reduces its exposure to credit risk by requiring the counterparty to maintain credit ratings as defined in contract documents.

**Termination Risk** – The Agency or the counterparties may terminate the swaps if either party fails to perform as outlined in the terms of the contracts. If a swap agreement is terminated, each party will make the calculations on its part, and will provide to the other party a statement showing relevant quotations and specifying any amount payable according to the applicable swap agreements.

**Basis Risk** – The Agency is exposed to basis risk on the swaps because the variable payments on the commodity swaps are based on the Indiana Hub Day-Ahead pricing point, which is different than the pricing point used by the Agency to purchase power. The basis difference can vary depending on the geographical location of the pricing point.

#### Note 6: Operating Leases

The Agency has entered into a noncancellable operating lease for office space expiring in fiscal year 2024. The lease contains two renewal options for 60 months each. The Agency took occupancy of the office space on August 1, 2018 and recorded rent expense of \$163,587 and \$146,490 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments at June 30, 2020 were:

2021	\$ 162,695
2022	164,426
2023	164,426
2024	41,107

#### Note 7: Retirement Plans

The Agency offers all employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457 (“457 Plan”). The 457 Plan permits employees to defer a portion of their salary until termination, retirement or death.

The Agency also sponsors a defined contribution retirement savings plan, created in accordance with Internal Revenue Code Section 401(a). All full-time employees are eligible to participate in this plan. The Agency contributes 10% of base wages to eligible employees. Eligible employees are those that contribute a minimum of 3% to the 457 Plan. Employer contributions of \$72,032 and \$74,747 were made for the fiscal years ended June 30, 2020 and 2019, respectively.

# Kentucky Municipal Energy Agency

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 7: Retirement Plans - Continued

Assets and liabilities of the retirement plans are not included in the Agency's financial statements as all assets are held and managed by a third-party administrator and the retirement plans are not considered to be component units of the Agency under the applicable accounting guidance.

### Note 8: Commitments

#### *Purchased Power Agreements*

KYMEA expects to supply nearly all of its power requirements through a portfolio of purchased power agreements. The Agency currently has three purchased power agreements in effect, with varying terms, to supply its power requirements beginning May 1, 2019. The first agreement is a 10 year arrangement with Big Rivers Electric Corporation (BREC) for 100 megawatts (MW) of firm base load capacity from BREC's portfolio of owned resources. The second agreement is a three year contract with Illinois Power Marketing Company (IPMC) for 100 MW of capacity from IPMC's 500MW Joppa Power Station, which consists of three coal-fired generating units. The final agreement provides for an initial nomination of 90 MW of peaking capacity from Paducah Power System.

KYMEA has also entered into an agreement to purchase 62.5% of the capacity from Ashwood Solar I, LLC upon Commercial Operation, for a period of 20 years. KYMEA expects to start receiving energy from Ashwood Solar I, LLC in 2022.

### Note 9: Risk Management

KYMEA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to agents and others; and natural disasters. The Agency carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

### Note 10: Subsequent Event

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Agency. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**From:** [Walt Baldwin](#)  
**To:** [Doug Buresh](#)  
**Cc:** [Charlie Musson](#)  
**Subject:** Open Records Request  
**Date:** Monday, September 14, 2020 4:26:27 PM

---

Mr. Buresh,

Pursuant to Kentucky's Open Records Act, KRS 61.870-61.884, I am writing to request copies of the following public records from KyMEA:

1. Aggregate agency load data from the beginning of service in 2019 through to the present at 15 minute intervals or higher granularity if available. Please provide in original, machine readable, digital format.
2. Individual member load data from the beginning of service in 2019 through to the present at 15 minute intervals or higher granularity if available. Please provide in original, machine readable, digital format.
3. The most recent agency load forecast and supporting data (i.e. load, coefficients, demographic and economic data, etc). Please provide in original digital format.

I am not requesting the creation of any new documents summarizing or reproducing the records above or any other data.

The requested information is not being sought for commercial purposes.

If KyMEA makes a determination that any responsive record, or any portion within the requested record, is exempt from disclosure, please provide "a statement of the specific exception authorizing the withholding of the record and a brief explanation of how the exception applies to the record withheld" as required by KRS 61.880(1). To the extent KyMEA may deny any portion of my request and claim the information is proprietary, please cite to the applicable federal and/or state law that supports your withholding of the public record. If KyMEA validly deems any portion of a record exempt, I ask that the remainder of the records to be provided, as required by KRS 61.878(4).

Further, KRS 61.874(2)(a) requires KyMEA to provide the requested records electronically, where KyMEA maintains the records electronically. Please supply the requested records in the most convenient and natural format. I am not asking KyMEA to reproduce the records or data in an Excel spreadsheet, as I did not request the data, but rather the original records. A digital file such as a PDF containing the records and delivered by e-mail is preferred, especially given the current health crisis. A disc, thumb drive, or other form is acceptable if absolutely necessary.

I look forward to your response within three business days.

If you are not the official custodian of records please forward this request as appropriate.

Regards,

Walt Baldwin



316 Wapping St., Suite 204  
Frankfort, KY 40601  
[www.ApogeeClimate.org](http://www.ApogeeClimate.org)  
502-699-2553

To: Doug Buresh, CEO, Kentucky Municipal Energy Agency  
From: Andy McDonald, Director, Apogee – Climate & Energy Transitions  
Date: September 17, 2020  
Re: Open Records Request

Dear Mr. Buresh,

In accordance with the Kentucky Open Records Act, please provide me with the following information.

For the following requests, please provide responses in native, machine readable formats with formulas intact. If KYMEA provides additional information it believes would be helpful, please be sure to separate it to the extent reasonably feasible from the information requested.

### **Capacity and Generation**

1. For each existing generation unit owned, operated, or under contract by KYMEA, please provide the following actual information by unit for each year from 2017 through 2019:
  - a. Nameplate capacity (MW)
  - b. Unforced capacity (MW)
  - c. Net generation (MWh)
  - d. Fuel consumption (MMBtu)
  - e. Fuel costs (\$)
  - f. Variable O&M costs (\$)
  - g. Fixed O&M costs (\$)
  - h. Capital costs (\$)
  - i. Equivalent Availability Factor (%)
  - j. Random Outage Factor (%)

- k. Planned Outage Factor (%)
  - l. Estimated or planned retirement date (year)
2. For each existing generation unit owned, operated, or under contract by KYMEA *that generated off-system sales*, please provide the following actual information by unit for each year from 2017 through 2019:
- a. Net generation of off-system sales (MWh)
  - b. Energy revenues (\$)
  - c. Capacity revenues (\$)
  - d. Ancillary revenues (\$)
3. For each (not-currently-owned) actual or hypothetical generation unit considered by KYMEA, please provide the following information used in capacity resource planning:
- a. Nameplate capacity (MW)
  - b. Unforced capacity (MW)
  - c. Fuel consumption rate (MMBtu/MWh)
  - d. Fuel cost rate (\$/MMBtu or \$/MWh)
  - e. Variable O&M costs (\$/MWh)
  - f. Fixed O&M costs (\$/MW)
  - g. Capital costs (\$/MW)
  - h. Equivalent Availability Factor (%)
  - i. Random Outage Factor (%)
  - j. Planned Outage Factor (%)
4. For each (not-currently-owned) actual or hypothetical energy storage unit considered by KYMEA, please provide the following information used in capacity resource planning:
- a. Nameplate capacity (MW)
  - b. Total energy capacity (MWh)
  - c. Roundtrip efficiency (%)
  - d. Variable O&M costs (\$/MWh)
  - e. Fixed O&M costs (\$/MW)
  - f. Capital costs (\$/MW)

5. Did KYMEA consider the availability of short- or long-term PPA contracts available to KYMEA?
  - a. If yes, please provide assumptions for available MW and MWh, and associated cost
  - b. If no, why not?
6. Did KYMEA consider purchasing power directly from MISO?
  - a. If yes, please provide assumptions for capacity and energy costs
  - b. If no, why not?

### **Fuel Contracts**

7. For each coal contract to which KYMEA is a party, please provide the following information:
  - a. The annual minimum quantity (tons)
  - b. The annual maximum quantity (tons)
  - c. The price per ton (\$/ton)
  - d. The energy content (MMBtu/ton)
  - e. The date of contract expiration
  - f. The nature of the contract (e.g. take-or-pay, the percentage of spot coal purchases, the ability to alter volume at fixed intervals, seasonal deliveries, etc.)
  - g. Any narrative necessary to best understand the contract relevant to resource planning

### **Load Forecasting**

8. Please provide a complete list and description of inputs used to generate the forecasts, such as population, macroeconomic indicators, and weather variables
9. For each forecast used for KYMEA resource planning, please provide:
  - a. The forecast itself, in the highest resolution available (e.g. hourly, weekly, etc.), including both energy and capacity requirements for each interval
  - b. A narrative describing the forecast (e.g. strong economic growth, high EE adoption, etc.)
  - c. The values of the inputs used to generate the forecast, such as population, macroeconomic indicators, and weather variables



10. Please describe the date and hour associated with the 10 hours of largest demand in each of 2017, 2018, 2019
11. Please characterize the expected peak load hours in the coming decade (e.g. summer weekday late afternoons, early morning on winter days, etc.)

### **Energy Efficiency**

12. For each energy efficiency program deployed by KYMEA currently, please provide the following information:
  - a. The name and brief description of the program
  - b. The total MW saved or avoided in 2017, 2018, and 2019
  - c. The total MWh saved or avoided in 2017, 2018, and 2019
  - d. The expected average measure life for the program
  - e. The cost (\$) to achieve those savings
  - f. For resource planning purposes, please provide the assumptions made for energy efficiency programs possible for KYMEA to deploy, including MW, MWh, and cost information

### **Transmission and Losses**

13. Please provide the average line losses associated with delivering power from KYMEA's generation resources to the distribution circuits in the communities for which KYMEA serves
14. Please provide an estimate for the *marginal* line losses associated with delivering power from KYMEA's generation resources to the distribution circuits at the hours of the expected peak load hours in the coming decade

Thank you very much for your assistance providing this information.

Sincerely,

Andy McDonald, Director

Apogee – Climate & Energy Transitions

Email: [andyboeke@yahoo.com](mailto:andyboeke@yahoo.com)

**From:** [Walt Baldwin](#)  
**To:** [Doug Buresh](#)  
**Cc:** [Charlie Musson](#)  
**Subject:** Open Records Request  
**Date:** Monday, September 21, 2020 5:05:53 PM

---

Mr. Buresh,

Pursuant to Kentucky's Open Records Act, KRS 61.870-61.884, I am writing to request copies of the following public records from KyMEA:

1. All invoices/bills issued by LG&E/KU, MISO, and PJM to KyMEA from the beginning of service in 2019 through to the present. Please provide in original digital format.
2. All records of metered peak watts and watt-hour usage from LG&E interface and PJM interface from the beginning of service in 2019 through to the present. Please provide in original, machine readable, digital format.
3. All records detailing metered peak watts and watt-hour member load at the highest granularity available for each unit of measure prior to the beginning of service in 2019. Please provide in original, machine readable, digital format.
4. All records detailing individual member metered peak watts load data from the beginning of service in 2019 through to the present at 15 minute intervals or higher granularity if available. Please provide in original, machine readable, digital format.

I am not requesting the creation of any new documents summarizing or reproducing the records above or any other data.

The requested information is not being sought for commercial purposes.

If KyMEA makes a determination that any responsive record, or any portion within the requested record, is exempt from disclosure, please provide "a statement of the specific exception authorizing the withholding of the record and a brief explanation of how the exception applies to the record withheld" as required by KRS 61.880(1). To the extent KyMEA may deny any portion of my request and claim the information is proprietary, please cite to the applicable federal and/or state law that supports your withholding of the public record. If KyMEA validly deems any portion of a record exempt, I ask that the remainder of the records to be provided, as required by KRS 61.878(4).

Further, KRS 61.874(2)(a) requires KyMEA to provide the requested records electronically, where KyMEA maintains the records electronically. Please supply the requested records in the most convenient and natural format. I am not asking KyMEA to reproduce the records or data but rather to provide the original records or exports from their storage system(s). A digital file containing the records and delivered by e-mail is preferred, especially given the current health crisis. A disc, thumb drive, or other form is acceptable if absolutely necessary.

I look forward to your response within three business days.

If you are not the official custodian of records please forward this request as appropriate.

Regards,  
Walt Baldwin

**From:** [Walt Baldwin](#)  
**To:** [Doug Buresh](#)  
**Cc:** [Charlie Musson](#)  
**Subject:** Open Records Request  
**Date:** Tuesday, September 22, 2020 4:51:01 PM

---

Mr. Buresh,

Pursuant to Kentucky's Open Records Act, KRS 61.870-61.884, I am writing to request copies of the following public records from KyMEA:

1. All records pertaining to all scenarios and any data used to create the scenarios discussed in the September 9th and June 6th 2020 IRP focus group presentations. Including, but not limited to, the following scenarios: BaseCase, HighGas, LowGas, HighDemand, LowDemand, CarbonLimitwithHighGas, CarbonLimitwithLowGas, NationalCarbonTax, and ZeroCarbonAdditions. Please include all records detailing all supporting data which were used to derive each scenario including, but not limited to, any forecasts and the data (coefficients, economic data, weather data, fuel costs, carbon pricing, load, etc) used to create those forecasts. Please provide in original, machine readable, digital format.

I am not requesting the creation of any new documents summarizing or reproducing the records above or any other data.

The requested information is not being sought for commercial purposes.

If KyMEA makes a determination that any responsive record, or any portion within the requested record, is exempt from disclosure, please provide "a statement of the specific exception authorizing the withholding of the record and a brief explanation of how the exception applies to the record withheld" as required by KRS 61.880(1). To the extent KyMEA may deny any portion of my request and claim the information is proprietary, please cite to the applicable federal and/or state law that supports your withholding of the public record. If KyMEA validly deems any portion of a record exempt, I ask that the remainder of the records to be provided, as required by KRS 61.878(4).

Further, KRS 61.874(2)(a) requires KyMEA to provide the requested records electronically, where KyMEA maintains the records electronically. Please supply the requested records in the most convenient and natural format. I am not asking KyMEA to reproduce the records or data but rather to provide the original records or exports from their respective system(s). A digital file containing the records and delivered by e-mail is preferred, especially given the current health crisis. A disc, thumb drive, or other form is acceptable if absolutely necessary.

I look forward to your response within three business days.

If you are not the official custodian of records please forward this request as appropriate.

Regards,

Walt Baldwin

# Action Items

## G. Action Items

### G.1 Transmission Service Request





KENTUCKY MUNICIPAL ENERGY AGENCY



# Transmission System Impact Study Approval

*Doug Buresh*

*September 24, 2020*

# MISO PPA Strategy

The MISO PPA Strategy requires MISO point-to-point transmission service coupled with LG&E/KU network integrated network service.





## MISO PPA with Transmission Next Steps

- FY2021 Budget includes \$52K for transmission studies
- For the new transmission service, staff will determine the maximum transmission MW size to be requested.
  - 5-Year MISO Firm Point-To-Point Transmission Service
  - 5-Year LG&E/KU Firm Network Integrated Transmission Service
  - 5-Year Service permits rollover rights

*Note: Depending upon Board Approved IRP short-term plan, the existing 62 MW path may need to be redirected requiring an additional MISO system impact study (\$20K).*

# Requested Board Approval

1. Staff recommends KYMEA Board Approval for the necessary LG&E/KU and MISO System Impact Studies.
2. If the results of the System Impact Studies require Facilities Studies, staff will bring a new recommendation to the Board regarding authorization of the Facilities Studies.

# 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, October 22<sup>nd</sup> at 10 AM at the KYMEA offices

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 (updated 09/07/20)**

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, CANCELLED

Thursday, April 23, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL

Thursday, May 28, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL

Thursday, June 25, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL

Thursday, July 23, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL

Thursday, August 27, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL

Thursday, September 24, 2020, 10:00 AM Eastern Time, WEBEX VIDEO CALL

Thursday, October 22, 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

## K. Closed Session

### K.1 Litigation/Depancaking



## Closed Session Authorization for the September 24, 2020 Board Meeting

Approval to enter into Closed Session pursuant to KRS 61.810(1)(c) for the purpose of discussing proposed, potential or pending litigation relating to KYMEA and its members relating to transmission issues and cost adjustments..

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

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

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

None expected





# Adjournment

