



February 23, 2023 Regular Meeting of the KYMEA Board of Directors

2/23/2023

Board Room at 10 AM

1700 Eastpoint Pkwy Suite 220

Louisville, KY, 40223

This meeting will also be available as a WebEx video meeting (contact mhixon@kymea.org for attendee information).



Meeting Book - February 23, 2023 Regular Meeting of the KYMEA Board of Directors

Agenda

A. Meeting Opening

- | | |
|------------------------|----------------|
| 1. Attendance | Michelle Hixon |
| 2. Call to Order | Josh Callihan |
| 3. Guest Introductions | Josh Callihan |

B. Previous Meeting Minutes of the KYMEA Board of Directors

Approval of February 7, 2023 meeting minutes

Josh Callihan

C. Financial Reports

Approval of Last Month's Financial Report

Heather Overby

D. Committee Reports

None

E. Administration Reports

- | | |
|--------------------------|----------------|
| 1. CEO | Doug Buresh |
| 2. Market Report | Rob Leesman |
| 3. Member Communications | Michelle Hixon |

F. Discussion Topics

G. Action Items

- | | | |
|--|--|----------------------------|
| 1. FY 2024 Administrative, General, and Capital Budget | Motion to approve the FY 2024 Administrative, General, and Capital Budget. | Chris Melton & Doug Buresh |
| 2. Capitalization Policy | Motion to approve the capitalization policy. | Heather Overby |

Josh Callihan

H. 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.

I. Closed Session

Charlie Musson

J. Upcoming Meetings and Other Business

The next board meeting will be held as a Combined Meeting of the AR Project and Board of Directors on March 23, 2023, at 10 am in KYMEA's board room.

Michelle Hixon

K. Adjournment

Josh Callihan



Minutes for Meeting Book - February 7, 2023, Special Combined Meeting of the AR Project Committee and KYMEA Board of Directors

02/07/2023 | 10:00 AM

Board Room at 10 AM

Attendees (7)

Josh Callihan; Ron Herd; Philip King; Tim Lyons; Chris Melton; Gary Zheng; Jamie Miller; Vent Foster

Additional attendees were Doug Buresh, Rob Leesman, Michelle Hixon, Charlie Musson, Heather Overby, Molly Roesler, and Anna Marie Pavlik Rosen.

Meeting Opening

Previous Meeting Minutes of the KYMEA Board of Directors

ACTION: Motion to approve the January 26, 2023, meeting minutes was made by Gary Zheng and seconded by Chris Melton. The motion passed.

Action Items

Chairman Callihan took a brief recess while the AR Committee Chairman, Chris Melton, called the AR Project Committee to order. A quorum was noted.

1. ECA Update

ACTION: Motion to amend the Rate Schedule and increase the ECA to \$.00675/kWh and according to the resolution was made by Gary Zheng and seconded by Josh Callihan. The AR Member Rate Schedule shall be effective January 1, 2023 and shall remain in effect until amended and revised. The motion passed.

ACTION: Motion to amend the Rate Schedule for AR Members according to the resolution was made by Chris Melton and seconded by Gary Zheng. The motion passed.

Public Comments

There were no public comments.

Upcoming Meetings and Other Business

The next board meeting will be held on February 23rd at 10 am in KYMEA's board room.

Adjournment

***ACTION: Motion to adjourn was made by Chris Melton and seconded by Gary Zheng.
The motion passed.***

X

Chairperson

X

Secretary



KENTUCKY MUNICIPAL ENERGY AGENCY



Financial Presentation

February 23, 2023

Heather Overby

Statement of Net Position – January 2023

CURRENT ASSETS

Jan 2023

Cash And Investments	\$11,182,449	(1)
Other Receivables	\$7,339,850	(2)
Prepayments And Other Current Assets	\$0	
Total Current Assets	\$18,522,299	

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

Statement of Net Position – January 2023

NON-CURRENT ASSETS

Pledge Collateral	\$4,760,816	(3)
Investment In Sedc	\$2,557	
Fixed Asset Clearing Account	\$352,839	
Office Buildout	\$260,238	
Meters - Ar Project	\$215,985	
Meter Comm Equipment	\$330,672	
General Plant	\$2,497,450	
Construction Work In Progress	\$0	
Less Accumulated Depreciation	(\$960,635)	
Total Non-Current Assets	\$7,459,923	

3) Collateral represents \$3.2m at MISO, \$1.6m at PJM, and \$0 in hedge collateral.

Total Assets **\$25,982,222**

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows	\$0
Total Deferred Outflows	\$0

Total Assets & Deferred Outflows of Resources **\$25,982,222**

Statement of Net Position – January 2023

LIABILITIES

Accounts Payable	\$10,203,088	(4)
Accrue Interest Payable	\$14,375	
Total Current Liabilities	\$10,217,463	
Accrue Employee Benefits	\$202,654	
Deferred Lease Liability	\$1,510,834	(5)
Line Of Credit	\$0	(6)
Total Non-Current Liabilities	\$1,713,488	
Total Liabilities	\$11,930,951	

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows	\$0
Total Deferred Inflows	\$0
Total Liabilities & Deferred Inflows	\$11,930,951

NET POSITION

Invested in Capital Assets, Net of Related Debt	\$2,696,550	
Restricted	\$4,760,816	
Unrestricted	\$6,593,905	
Total Net Position	\$14,051,271	(7)

- 4) AP represents purchased power
- 5) Deferred Lease Liability represents the present value of remaining office lease payments
- 6) Line of Credit paid off in August 2019
- 7) Positive net position - LTD

Statement Revenue, Expenses, and Changes in Net Position – January 2023

OPERATING REVENUE

	Jan 2023	YTD FY2023	
Sales To Members	\$7,045,766	\$49,268,944	(8)
Rto Market Revenue	\$465,344	\$19,372,586	(9)
Transmission Services	\$131,298	\$736,836	(10)
Miscellaneous Revenue	\$0	\$0	
Total Operating Revenue	\$7,642,408	\$69,378,366	

OPERATING EXPENSES

Transmission	\$1,175,299	\$9,023,650	(11)
Production	\$6,030,821	\$62,657,738	(12)
Administrative And General	\$223,314	\$1,734,662	
Depreciation Expense	\$27,290	\$191,065	
Total Purchase Power and Operating Expenses	\$7,456,725	\$73,607,115	

Operating Income	\$185,684	(\$4,282,199)	
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NON-OPERATING REVENUE

Interest Expense On Debt	(\$8,456)	(\$59,223)	
Interest Income	\$43,664	\$109,130	
Other Non-Operating Income (Expense)	(\$4,294)	(\$27,491)	
Regulatory Credit/Debit - Cost To Be Recovered	\$0	\$0	
Total Non-Operating Revenues (Expenses)	\$30,914	\$22,417	

NET POSITION CHANGES

Change in Net Position	\$216,598	(\$4,259,783)	(13)
Net Position at Beginning of Period	\$13,834,674	\$18,311,054	
Net Position at End of Period	\$14,051,271	\$14,051,271	

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

Indirect Statement of Cash Flows – January 2023

CASH FROM OPERATING ACTIVITIES

	Jan 2023	YTD FY2023	
Net Income	\$216,598	(\$4,259,783)	(14)
Depreciation Monthly	\$27,290	\$188,821	
Accounts Receivable	\$1,069,877	\$1,531,359	(15)
Prepayments & Other Current Assets	\$0	\$0	
Accounts Payable	(\$2,586,275)	(\$6,493,381)	(15)
Taxes & Interest Accrued	\$3,590	\$8,688	
Other Current Liabilities	(\$5,111)	\$17,497	
Deferred Lease Liability	(\$10,090)	(\$70,130)	
Deferred Inflows Monthly	\$0	\$0	
Net Cash Provided by (Used in) Operations	(\$1,284,121)	(\$9,076,929)	

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Additions to Plant Monthly	(\$2,881)	(\$168,063)	
Net Change in Other Prop & Invest	(\$505,250)	(\$1,270,554)	
Net Cash Provided by (Used in) Investing	(\$508,131)	(\$1,438,617)	

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

Long Term Borrowings	\$0	\$0	
Net Cash Provided By (Used in) Financing	\$0	\$0	

NET INCREASE (DECREASE) IN CASH & TEMP INVESTMENTS

Net Increase (Decrease) in Cash & Temp Investm..	(\$1,792,252)	(\$10,515,546)	
Cash & Temp Investment Beginning of Period	\$12,974,701	\$21,697,995	
Cash & Investments End of Period	\$11,182,449	\$11,182,449	(16)

14) Net Income

15) Timing of Accounts Receivable and Accounts Payable have largest monthly effect of operational items on cash

16) Cash balance in Checking and Rate Stabilization Fund.

Financial Metrics – December 2022



KEY FINANCIAL METRICS

FY2023 Actuals Through January 2023 + Budget

Days Cash on Hand

33.83 ▼

Leverage

8.28 ▼

Coverage of Full Obligations

0.88 ▲

Debt Service Coverage

0.88 ▲

Financial Metrics – January 2023

Days Cash On Hand

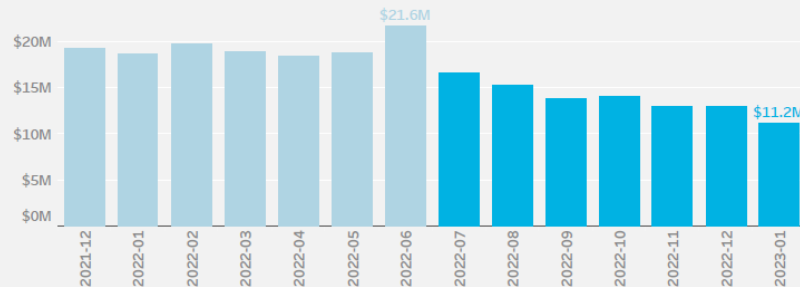
Financial flexibility - the number of days KYMEA can pay its operating expenses with the given cash available.

$$\begin{array}{rclclcl} \$11.2\text{M} & \div & \$330,548 & = & 33.83 \\ \text{Unrestricted Cash} & & \text{Adjusted Operating Expense per Day} & & \text{Days Cash on Hand} \\ & & \$120.65\text{M} / 365 \text{ days} & & \end{array}$$

Unrestricted Cash

Adjusted Operating Expenses

Cash on Hand through Current Month



Days Cash On Hand

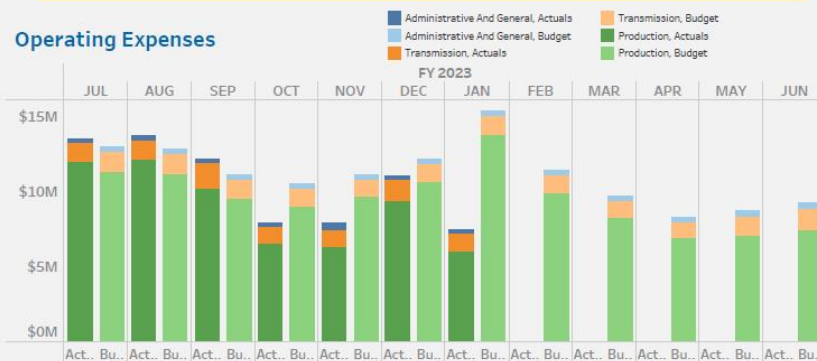
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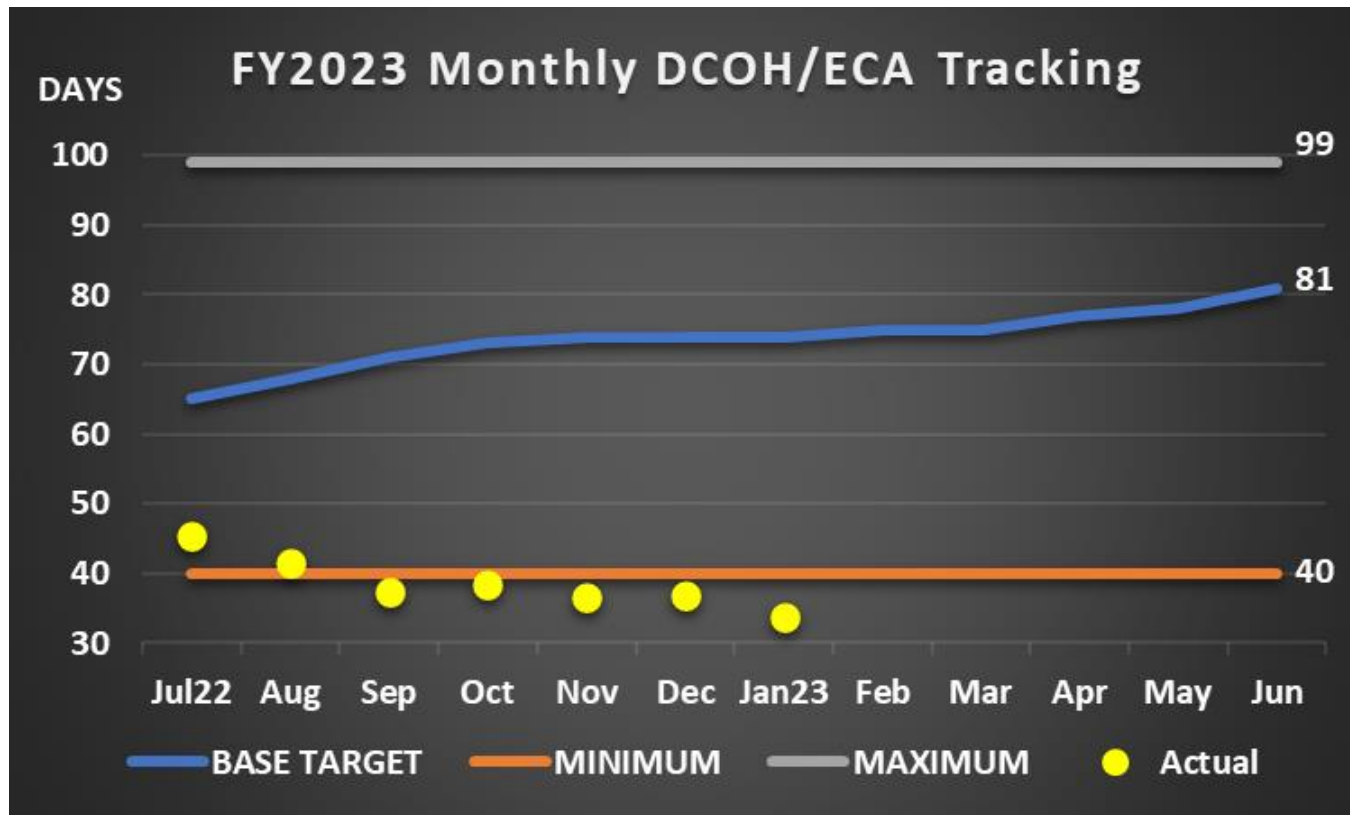
Unrestricted Cash

Adjusted Operating Expenses

Operating Expenses



Financial Metrics – January 2023



Financial Metrics – January 2023

Leverage

The size of the debt to the margin available to cover all debt service and fixed charges.

8.28

Net Adjusted Debt

**Adjusted Funds Available
for Debt Service**

Net Adjusted Debt



Leverage

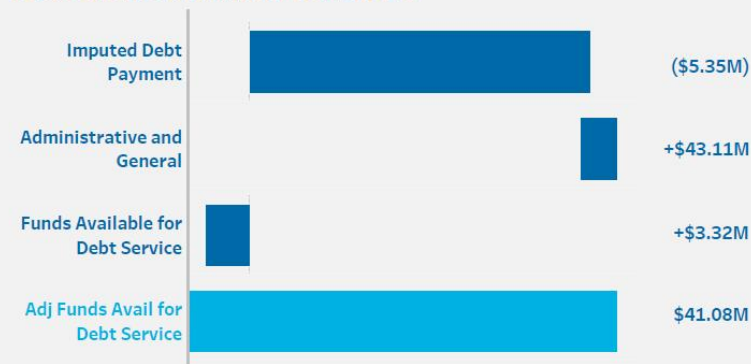
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Net Adjusted Debt

**Adjusted Funds Available
for Debt Service**

Adjusted Funds Available for Debt Service



Financial Metrics – January 2023

Coverage of Full Obligations

0.88

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

Funds Available
for Debt Service

÷

Total Debt Service
& Fixed Charges

Imputed Debt
Payment

\$43.11M

Administrative &
General Expense

\$3.32M

EBITDA &
Interest Income

(\$5.35M)

Debt Service Coverage

0.88

The funds available from operations to cover current debt service.

Funds Available
for Debt Service

÷

Total Debt
Service

Imputed Debt
Payment

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EBITDA &
Interest Income

(\$5.35M)

Statement of Net Position

FY2023 Actuals as of January 2023

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Month Ending
1/31/2023 11:59:59 PM



KENTUCKY MUNICIPAL ENERGY AGENCY

January 2023 Bank Reconciliation

PNC Statement Balance 1/01/2023:	\$	7,438,355.95
PNC Statement Balance 1/31/2023:	\$	6,135,297.62
Independence Statement Balance 1/01/2023:	\$	5,537,499.39
Independence Statement Balance 1/31/2023:	\$	5,047,262.02
Outstanding Checks (-):		
LGE/KU #2967	\$	(4,819.08)
Crown Trophy #2968	\$	(535.00)
Jeb Advertising #2969	\$	(775.44)
Marceline James #2970	\$	(131.76)
Ladyfingers Catering #2971	\$	(525.80)
Adjusted Bank Balance:	\$	11,175,772.56
Meridian Book Balance (1310000) 1/31/2023:	\$	6,135,186.81
Meridian Book Balance (1310500) 1/31/2023:	\$	5,047,262.02
Other Adjustments (+/-):		
PP3 2023	\$	(6,570.32)
Lumen #624426034	\$	(105.95)
Adjusted Book Balance:	\$	11,175,772.56
Adjusted Bank Balance:	\$	11,175,772.56
Adjusted Book Balance:	\$	11,175,772.56
Difference:	\$	-



KENTUCKY MUNICIPAL ENERGY AGENCY



KYMEA President & CEO Report

Doug Buresh

February 23, 2023

IRP2023

- Will have initial plans for the Board's review in early March.
- The IRP2023 Focus is on 2027 Decision(s) to replace an expiring PPA

IRP2023 Timeline

SEPTEMBER/OCTOBER (2022)

Issue RFP: The Agency will issue an RFP in September/October 2022. The purpose of RFP 2023 is to gauge the market opportunities and options for KYMEA's next power supply tranche.

NOVEMBER/DECEMBER (2022)

Development of Model Input and Framework: Identify and develop scenarios, resource options and business strategies to evaluate how a future portfolio might change under different conditions.

Analysis and evaluation: Develop and evaluate the performance of multiple resource portfolios.

JANUARY/FEBRUARY (2023)

Additional Analysis: Response to Board feedback.

Preliminary results of the study: IRP recommendation, near-term actions and key elements, and the final environmental assessment.

MARCH/APRIL (2023)

Board of Directors Action: Approval of near-term IRP recommendations

Publication of the IRP2023 - July 2023

Ashwood Milestone 1

Construction Update

Presented at January 26 Board Meeting

- First Milestone Achieved: Main Power Transformer Ordered on 11/3/2022.
 - Delivery Window: 11/3/2022 – 3/1/2024 (485 days)
- All Required Permits are in place.
 - Final Permit (Storm Water Runoff) will be issued after project is 60% complete.
 - Final Site Size: 1,506 Acres
- Physical Construction will commence on or before 6/21/2023
 - Fencing, roads, etc.
- Time-Lapse Construction Camera and Drones will memorialize the construction progress.

Ashwood Milestone 2

Construction Update

- Second Milestone Achieved: Solar Panels Ordered.
 - 12 Shipments – 372 shipping containers
 - Delivery Schedule: 6/8/2023 (start) – 8/31/2023 (end)
 - Up to 15 trucks per day

Wattage Class	Product Designation	Whole Pallets	Individual Pieces of Equipment	Watts
535	LR5-72HBD	816	25,295	13,532,825
540	LR5-72HBD	5,313	164,682	88,928,280
545	LR5-72HBD	576	17,858	9,732,610
Total			207,835	112,193,715

112 MW-dc
86 MW-ac

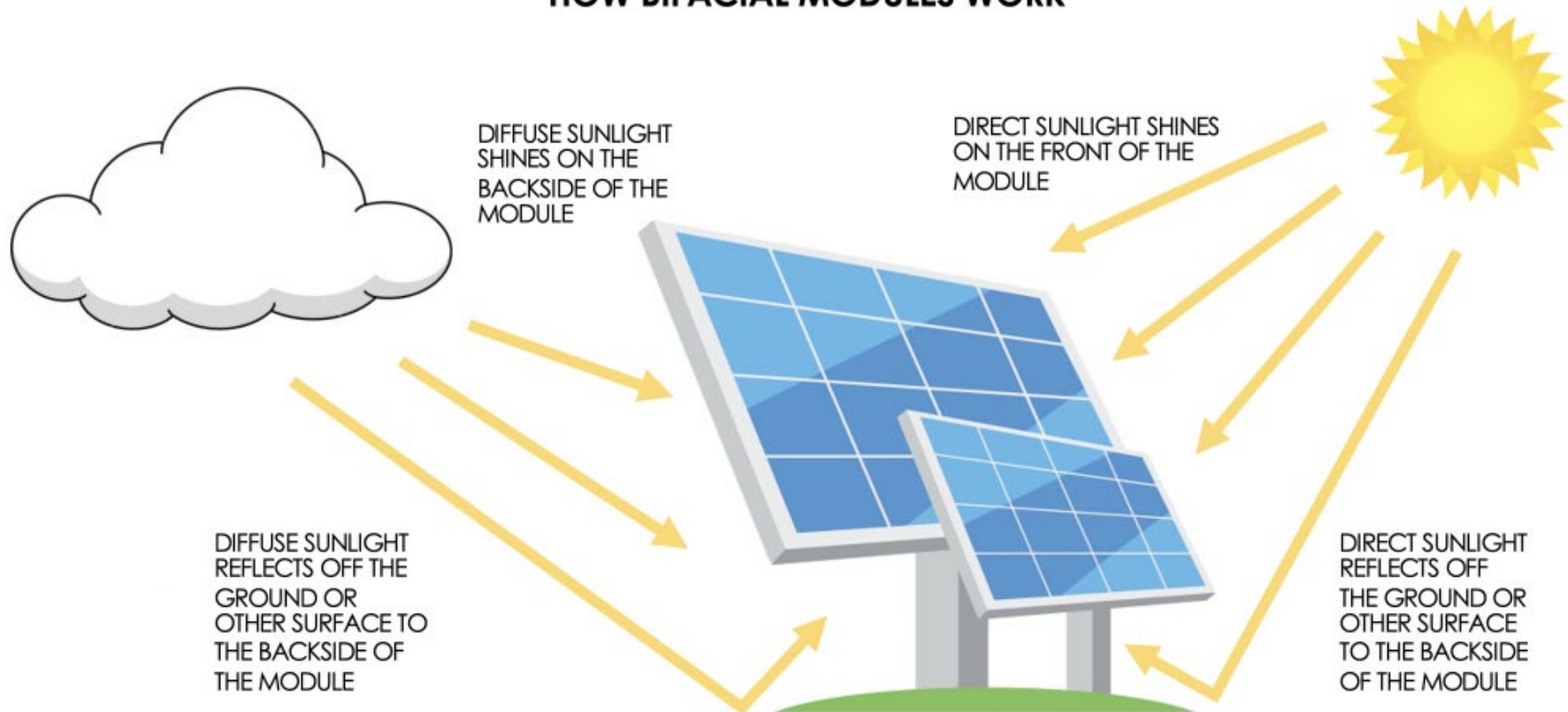


LONGI SOLAR BIFACIAL MODULE

**Panel length and width is
slightly smaller than a
sheet of plywood**

How Bifacial Modules Work

HOW BIFACIAL MODULES WORK





KENTUCKY MUNICIPAL ENERGY AGENCY

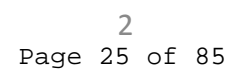


January 2023 Market Report

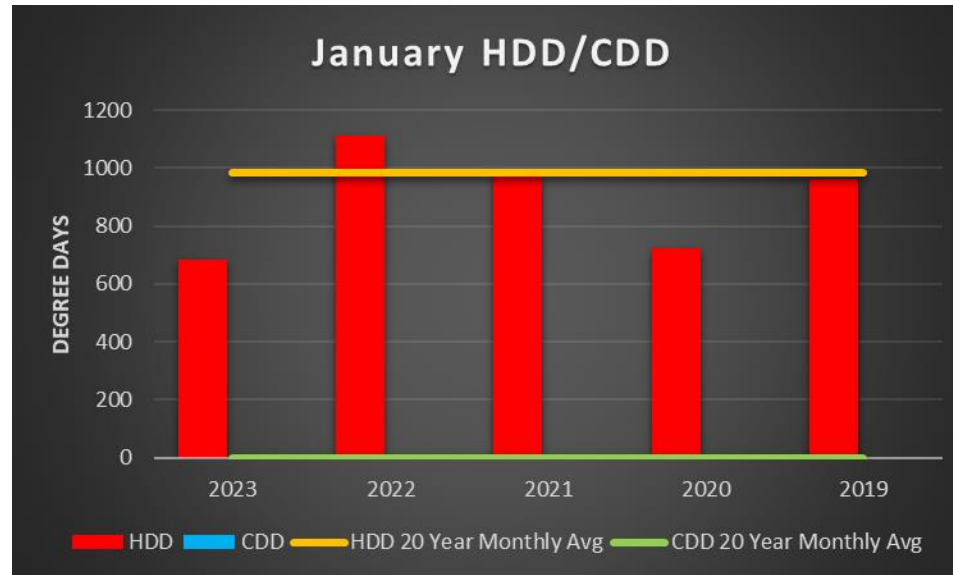
Rob Leesman

February 23, 2023

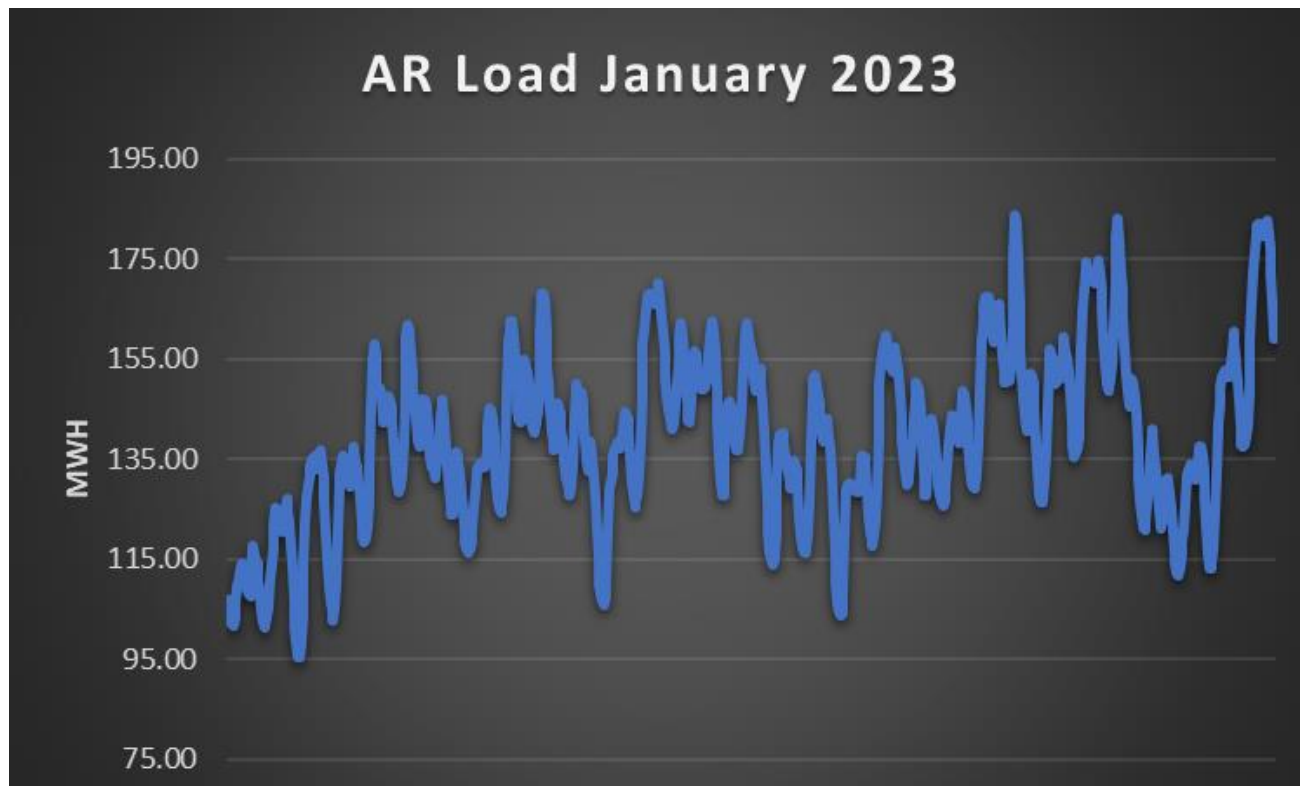
January 2023
Period: 1895–2023



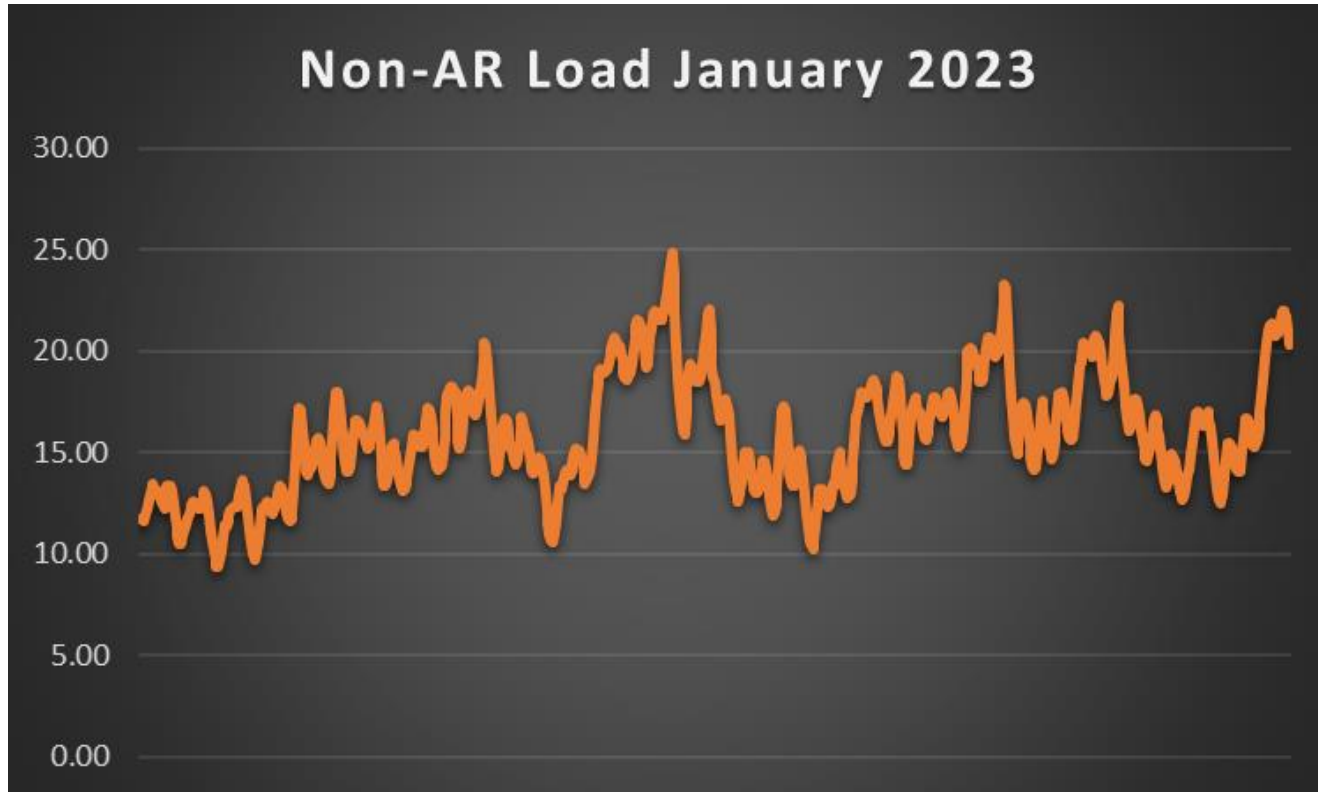
Degree Days



AR Load January 2023



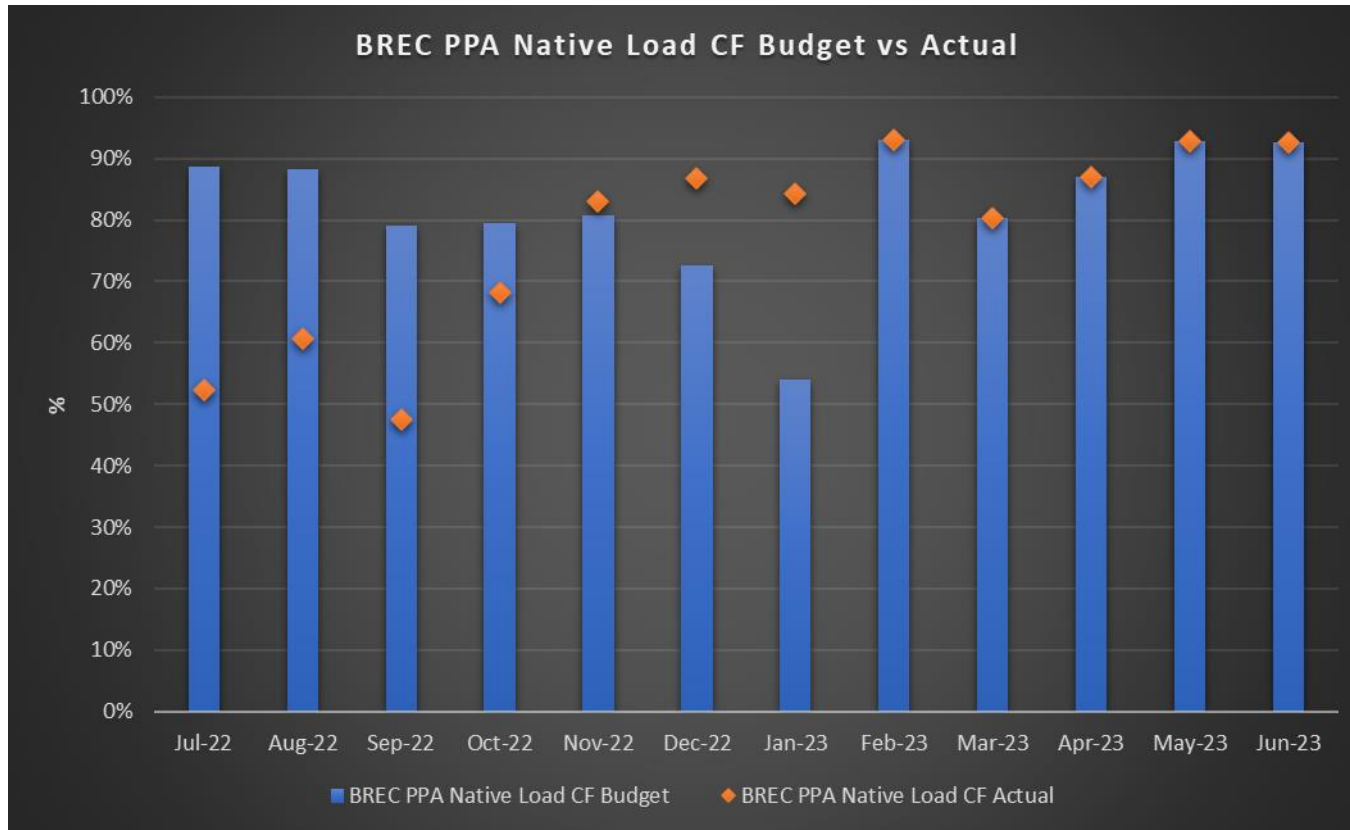
Non-AR Load January 2023



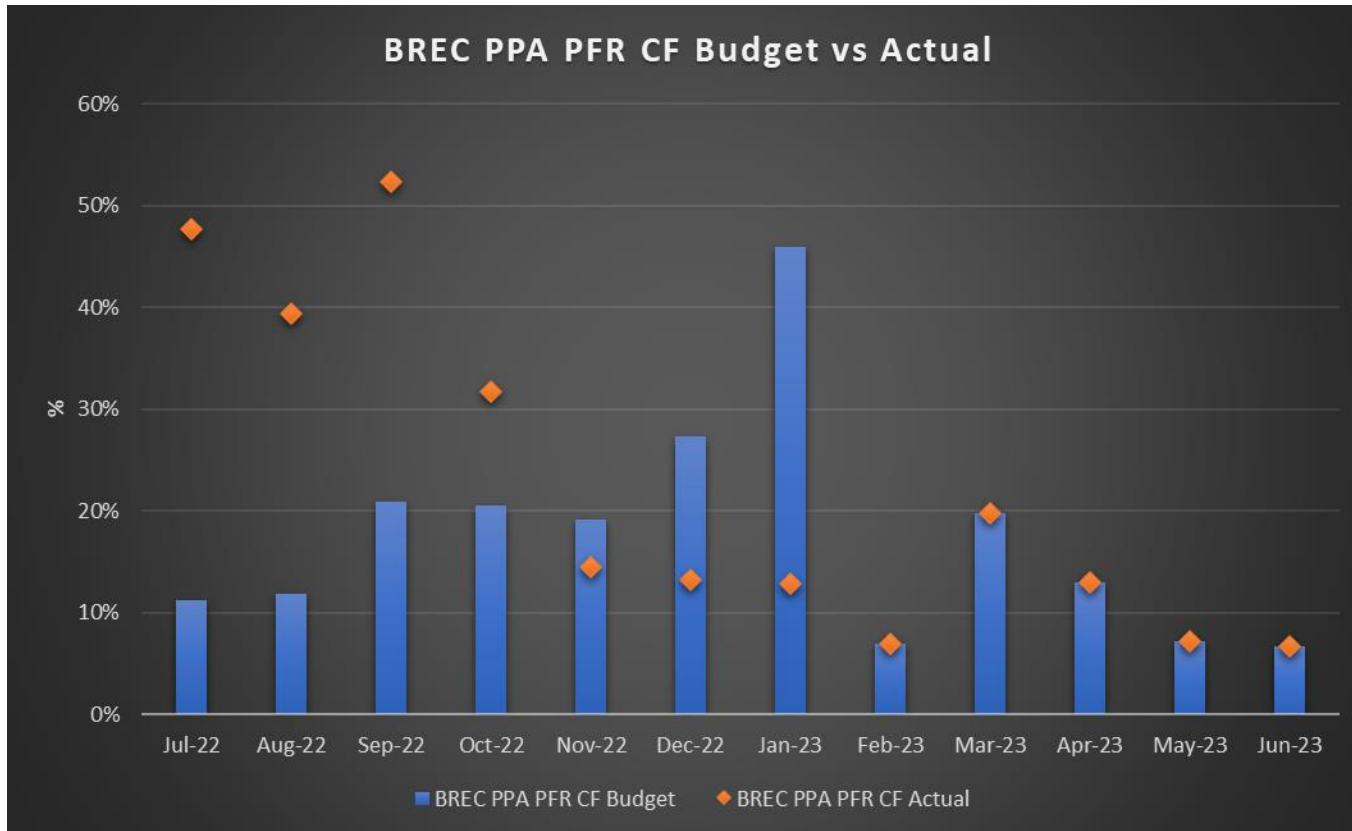
January 2022 Snapshot

Jan-23							
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	8,600	7,566	88%	17.98	15.14	84%	1/24/2023 8:00:00 AM
Bardwell	764	662	87%	1.47	1.40	95%	1/31/2023 8:00:00 PM
Benham	845	708	84%	2.29	2.01	88%	1/15/2023 9:00:00 AM
Berea	13,158	11,127	85%	28.75	22.86	80%	1/15/2023 9:00:00 AM
Corbin	7,869	7,150	91%	16.06	13.94	87%	1/24/2023 8:00:00 AM
Falmouth	1,697	1,507	89%	3.20	2.63	82%	1/31/2023 3:00:00 PM
Frankfort	60,108	57,245	95%	116.15	103.39	89%	1/27/2023 9:00:00 AM
Madisonville	23,944	21,828	91%	41.23	39.89	97%	1/31/2023 7:00:00 PM
Owensboro	61,230	61,123	100%	107.00	106.00	99%	
Paris	6,767	5,385	80%	14.85	10.37	70%	1/31/2023 7:00:00 PM
Providence	2,664	2,353	88%	5.16	4.58	89%	1/31/2023 7:00:00 PM
AR	112,415	103,695	92%	216.08	191.34	89%	
Non-AR	14,003	11,835	85%	31.04	24.87	80%	
All	126,418	115,530	91%	247.12	216.21	87%	
Total	187,648	176,653	94%	354.12	322.21	91%	

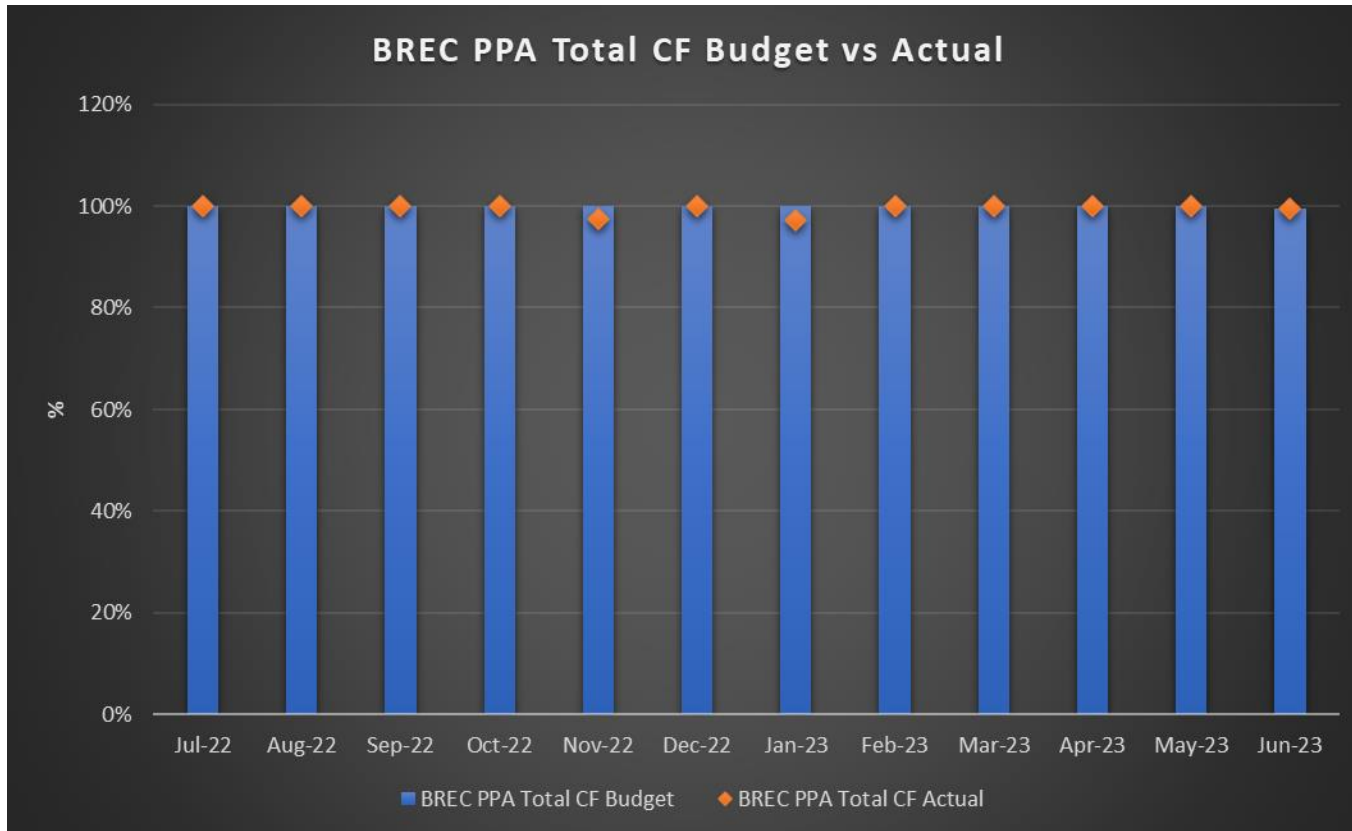
BREC PPA Load Capacity Factor FY 23



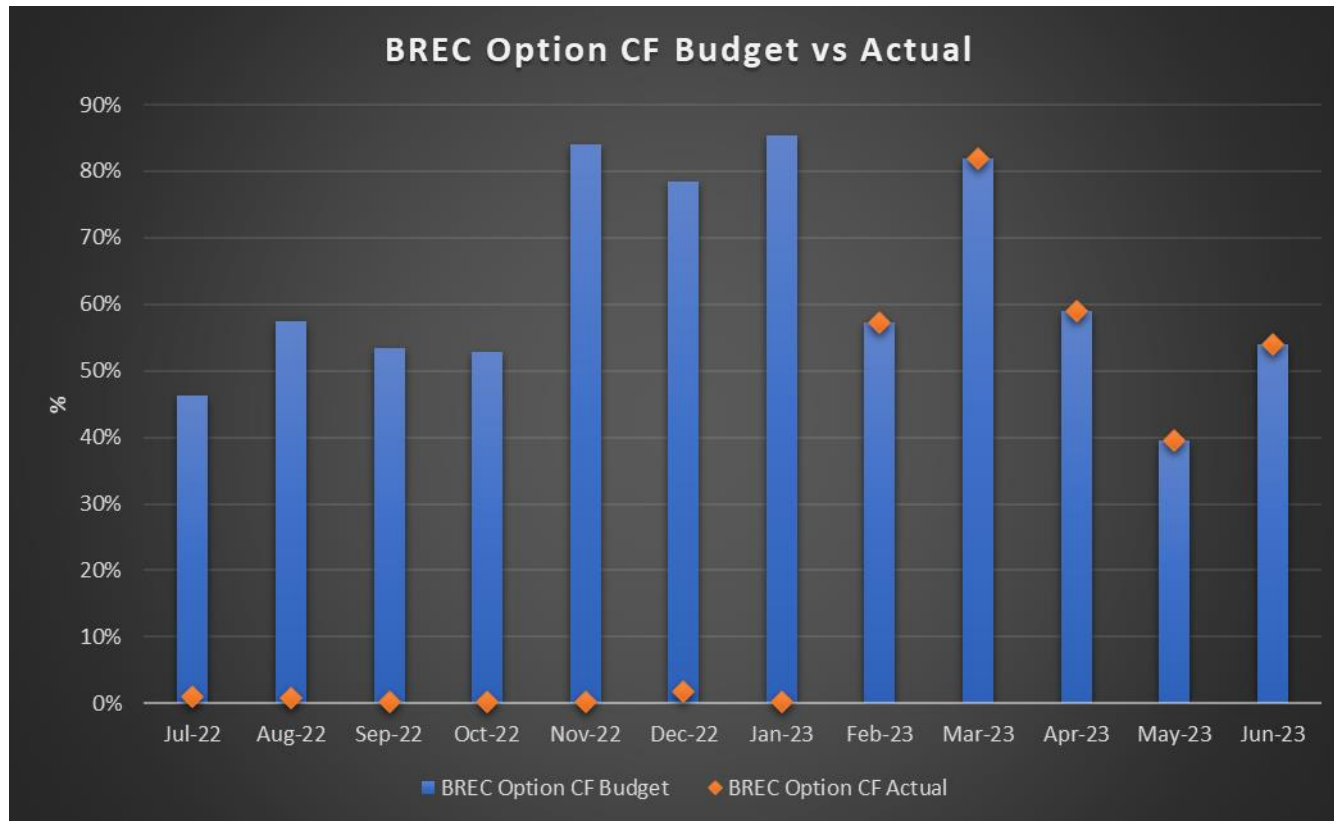
BREC PPA PFR Capacity Factor FY 23



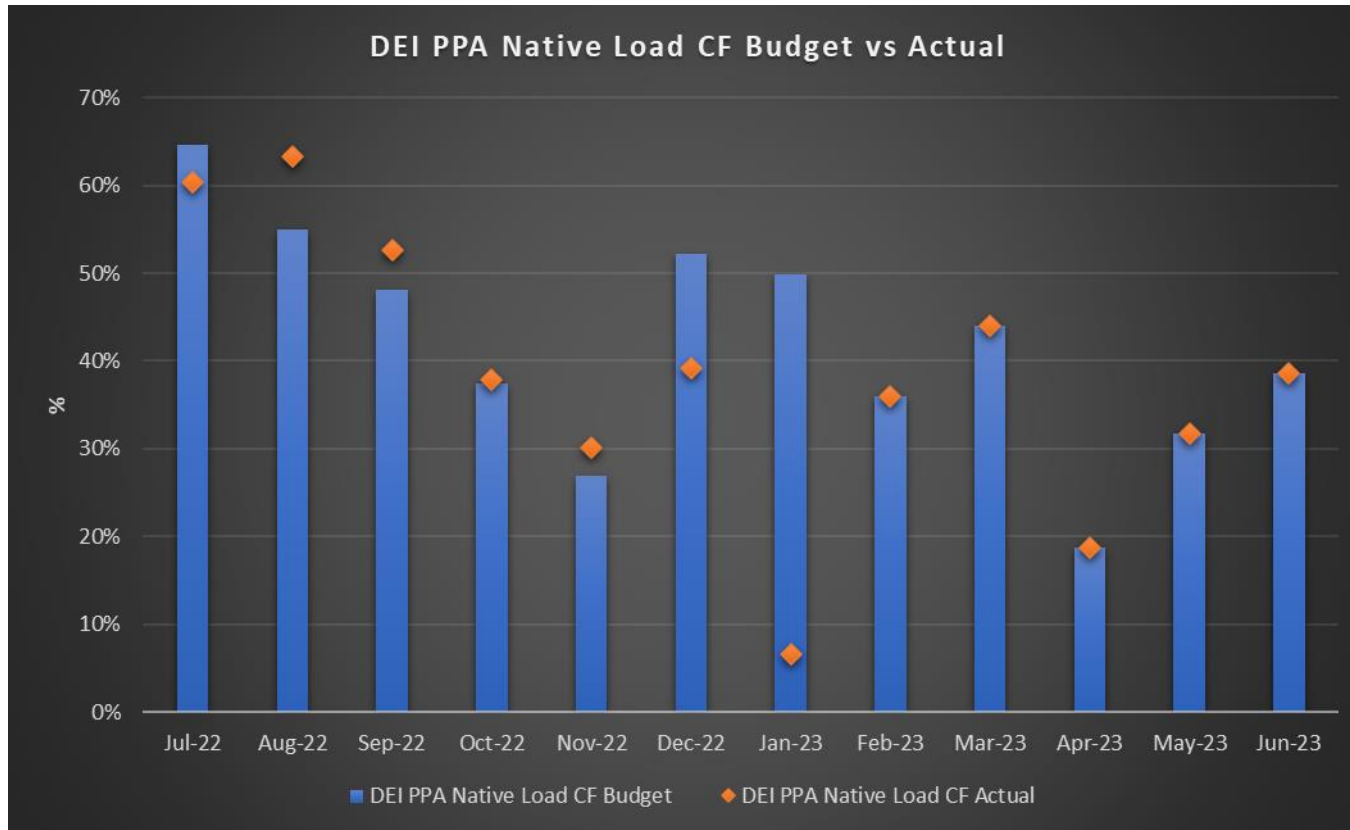
BREC PPA Capacity Factor FY 23



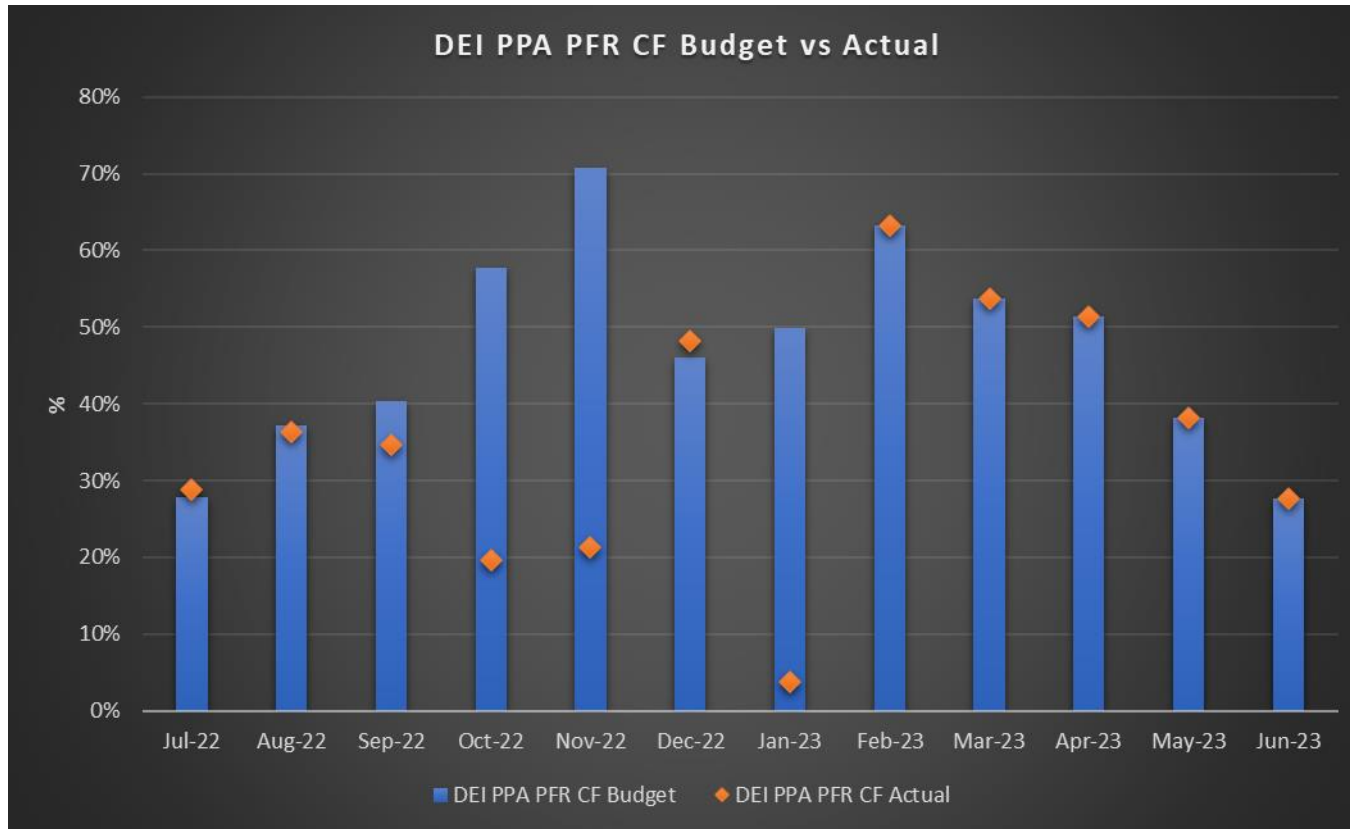
BREC Option Capacity Factor FY 23



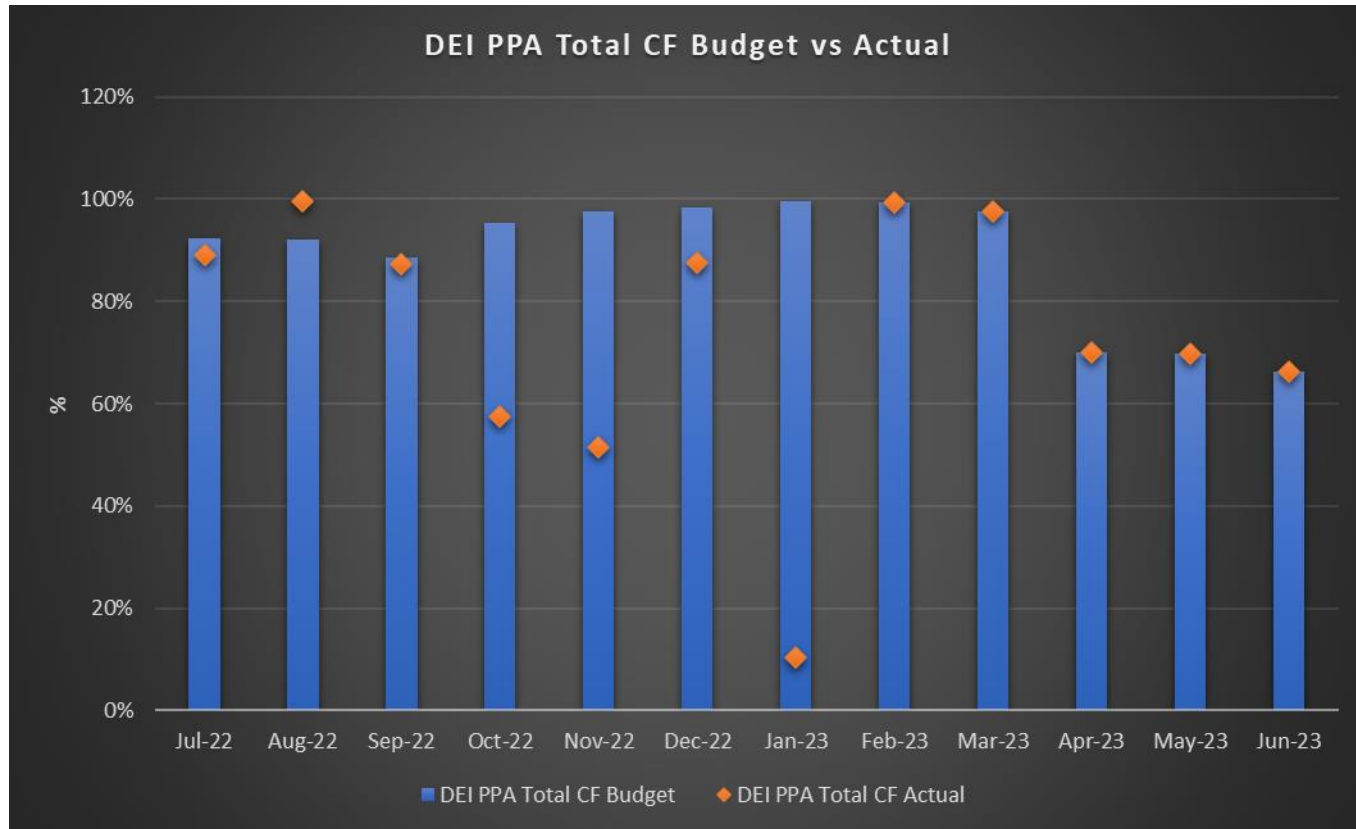
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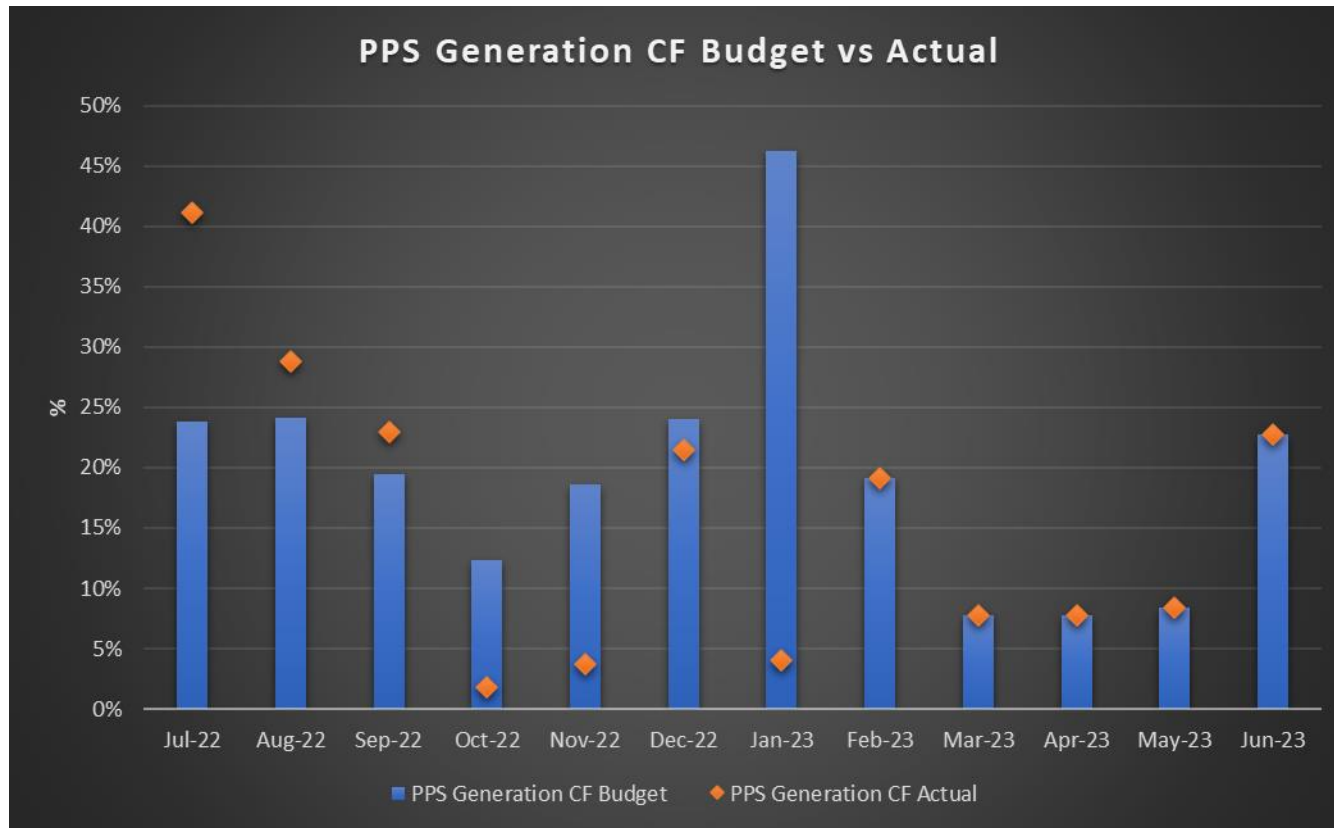
DEI PPA PFR Capacity Factor FY 23



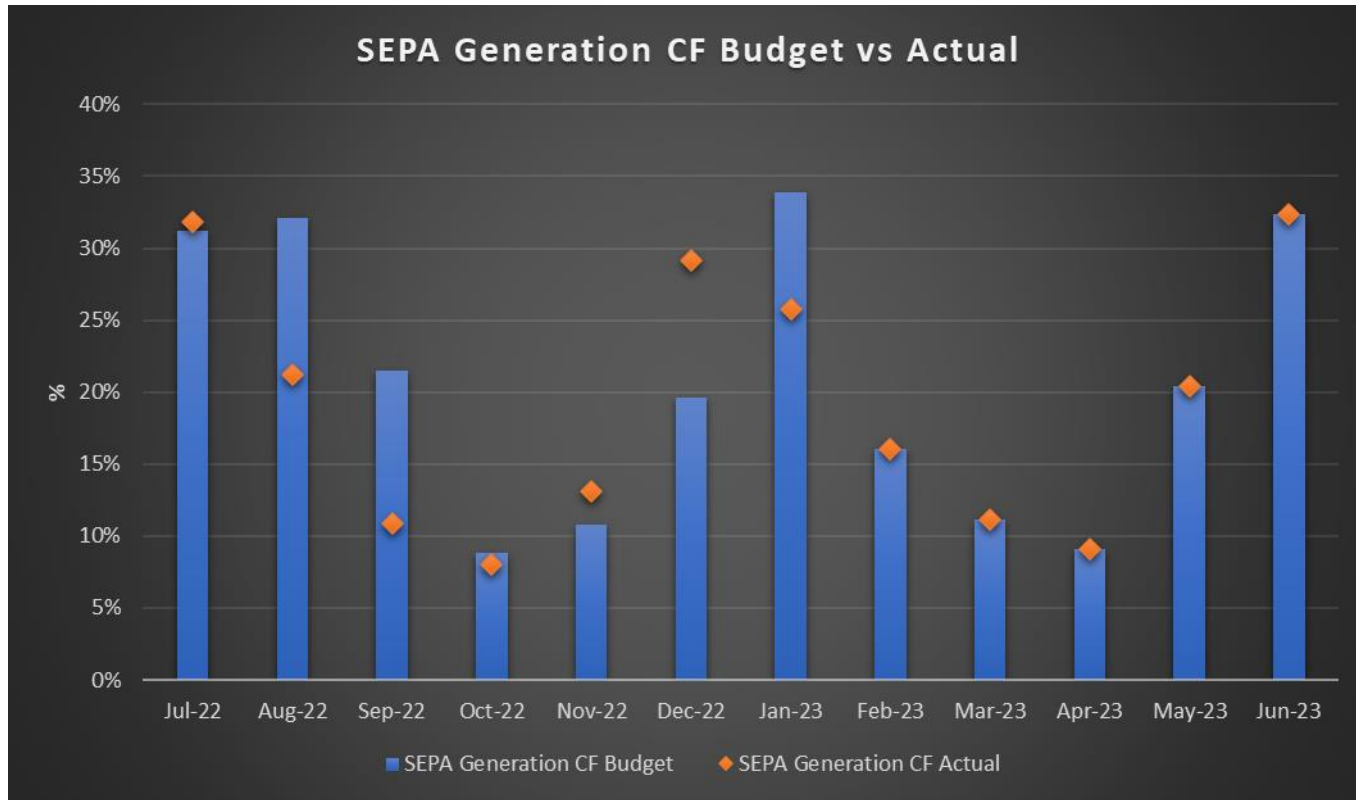
DEI Capacity Factor FY 23



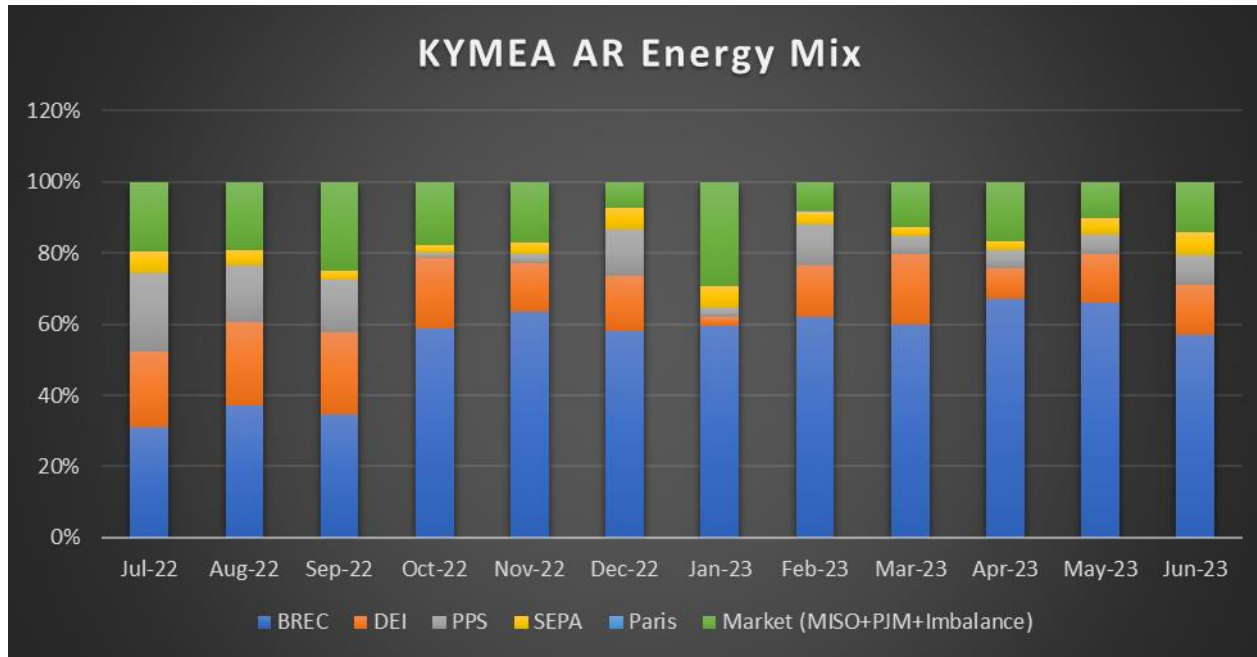
PPS PPA Capacity Factor FY 23



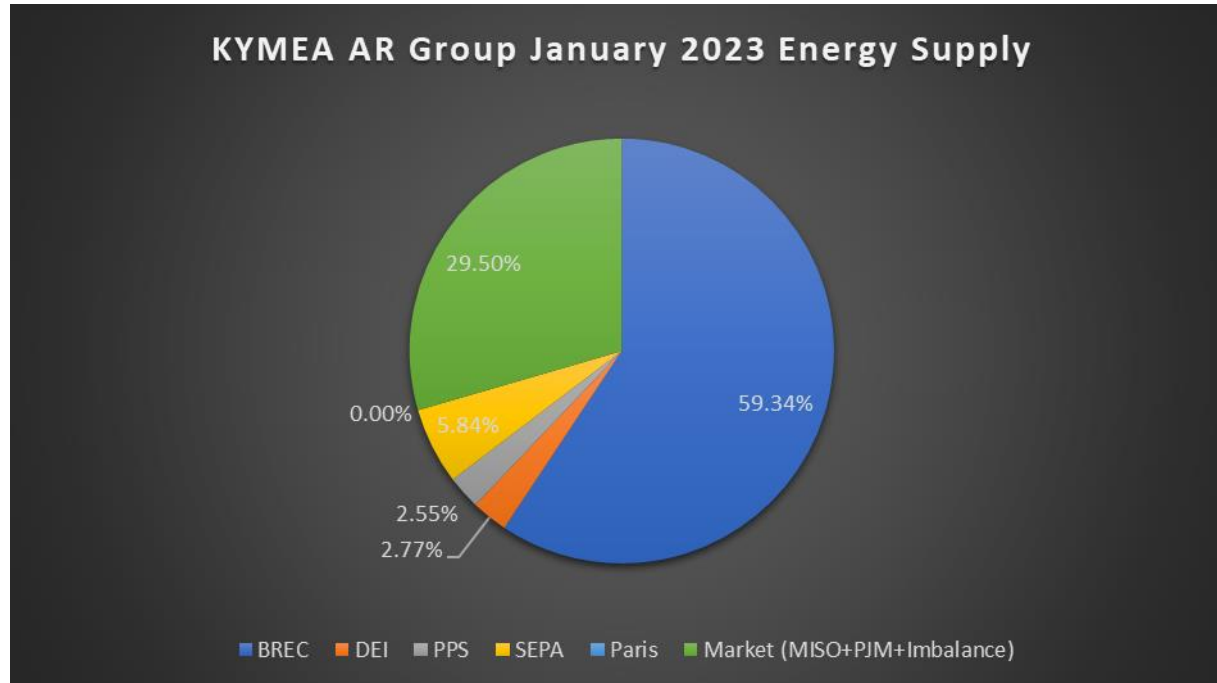
SEPA Capacity Factor FY 23



KYMEA AR Energy Mix FY 23

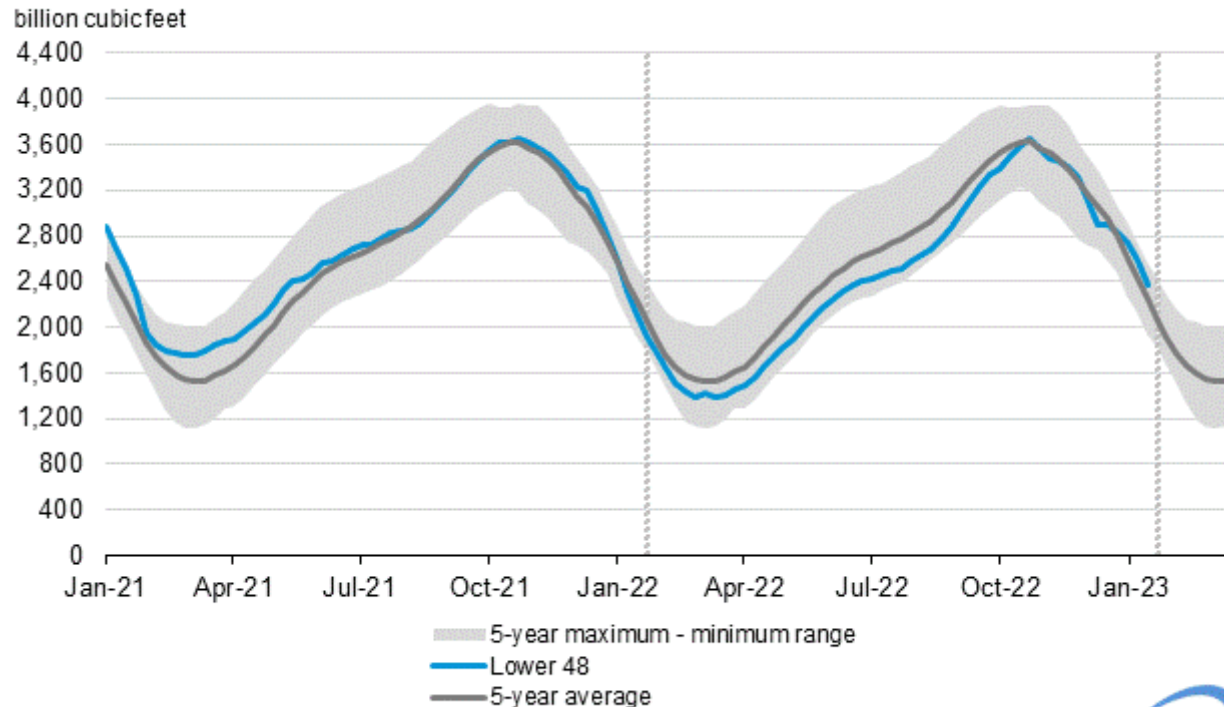


KYMEA AR Energy Mix



Working Gas in Storage

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



Data source: U.S. Energy Information Administration



Natural Gas Spot Prices

Natural gas spot prices (Henry Hub)

dollars per million British thermal units



Data source: Natural Gas Intelligence

Note: Henry Hub prices reported for February 16 and 17, 2021, exceeded the published range, averaging \$16.96/MMBtu and \$23.61/MMBtu, respectively.

Total Rig Count

Rigs graph

Rigs table

Rigs

	Tue, January 31, 2023	Change from	
		last week	last year
Oil rigs	599	-1.6%	20.5%
Natural gas rigs	158	-1.3%	36.2%

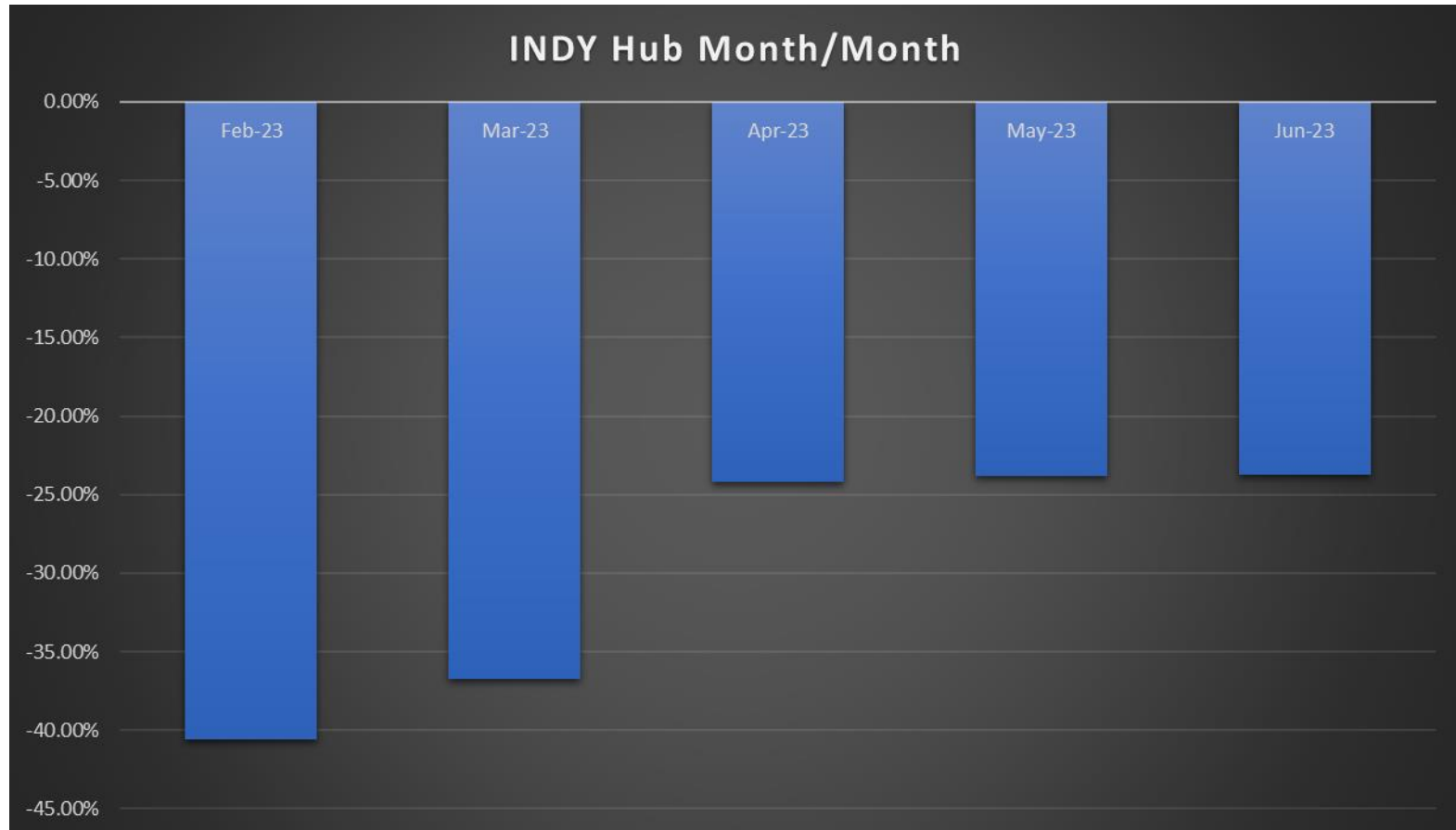
Note: Excludes any miscellaneous rigs

Rig numbers by type

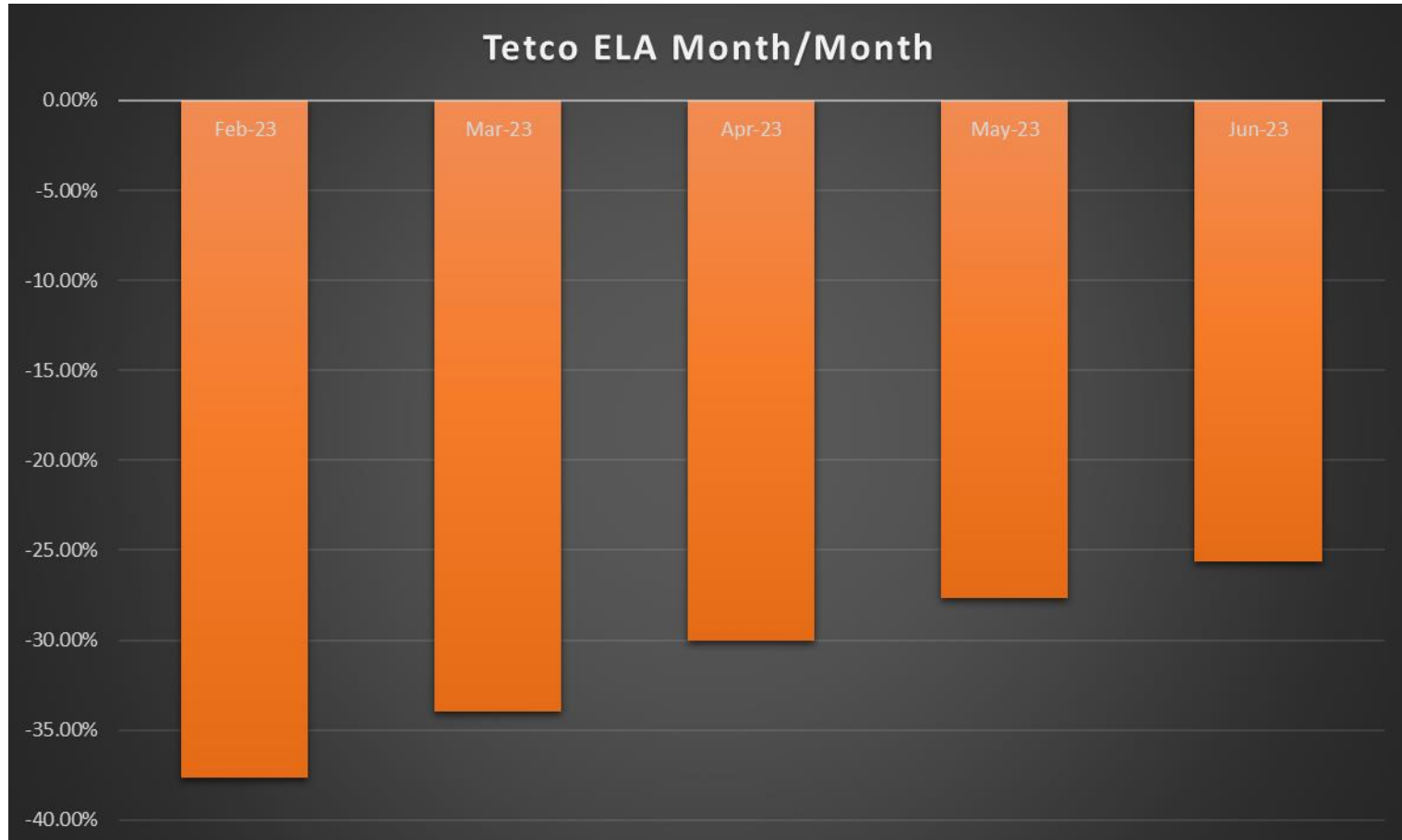
	Tue, January 31, 2023	Change from	
		last week	last year
Vertical	21	0.0%	-12.5%
Horizontal	700	-0.7%	26.1%
Directional	38	-15.6%	11.8%

Data source: Baker Hughes Company

Indiana Hub ATC



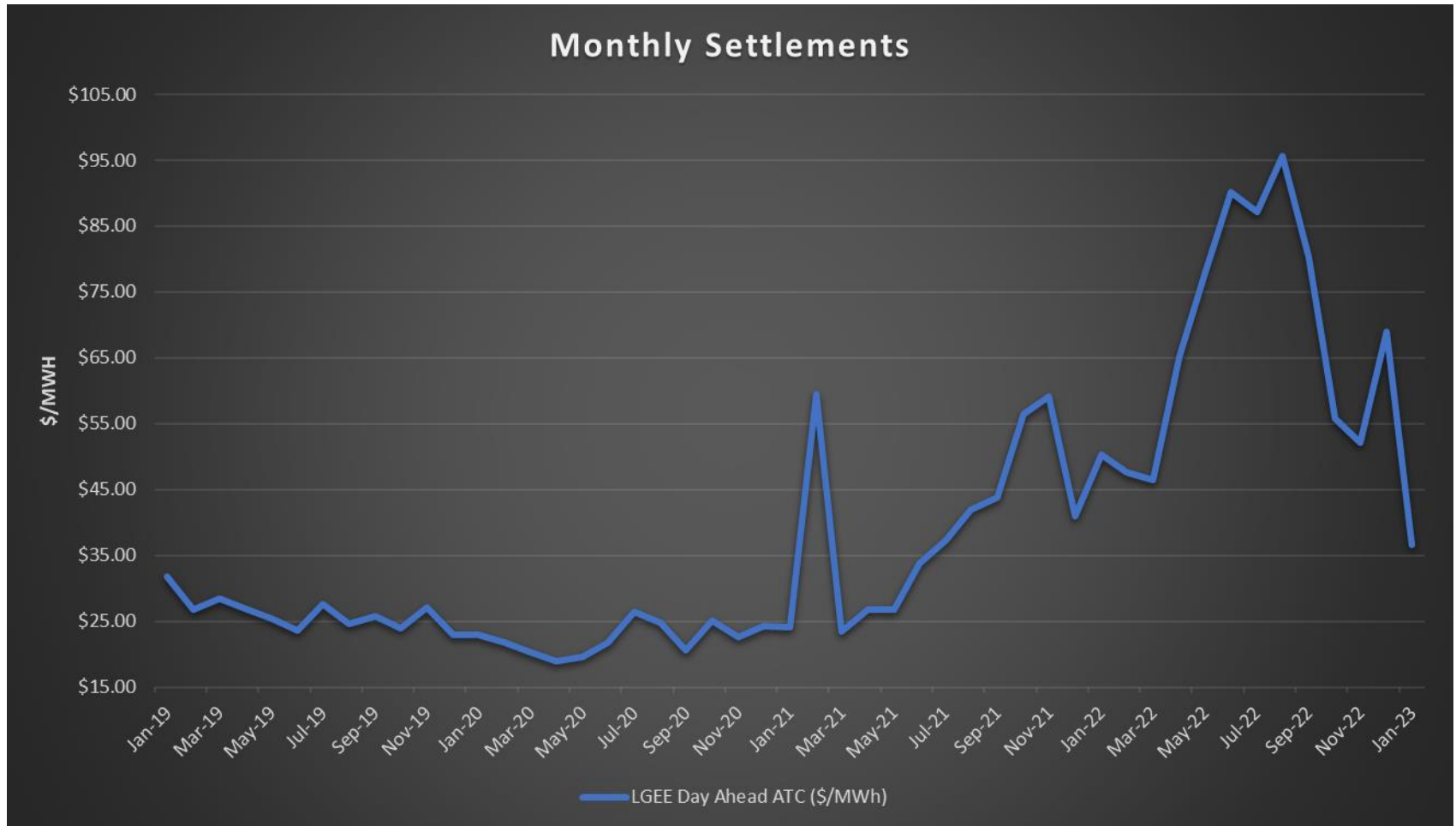
Texas Eastern Transmission East Louisiana Zone



Texas Eastern Transmission East Louisiana Zone



Historical Pricing





KENTUCKY MUNICIPAL ENERGY AGENCY



Member Communications

Michelle Hixon

February 23, 2023

Dates to Remember

March

15 th at 1 PM	Cybersecurity Awareness Training
23 rd at 8:30 AM	BROC Committee
23 rd at 10 AM	Combined Meeting of the AR Project and KYMEA Board

April

27 th at 10 AM	Combined Meeting of the AR Project and KYMEA Board
---------------------------	--

Cybersecurity Awareness Training

When? March 15, 2023, at 1 pm eastern time

Where? KYMEA, 1700 Eastpoint Parkway Ste. 220, Louisville, KY 40223

How long? 1 hour

Will I receive an education certificate?
Yes, they will be emailed to attendees.

Please register your team by sending an email with the list of attendees to mhixon@kymea.org.



**JOIN US
FOR FREE
TRAINING**

Presented by:
Michael O'Coners



What will I learn?

- How does cybersecurity affect me?
- Phishing
- Password security
- Multifactor Authentication (MFA)
- Situational Awareness

KYMEA is partnering with LightChange to provide free training to KYMEA members.



Annual Members Conference



When? May 18, 2023, at 9 am eastern time

Where? Hilton Garden Inn Louisville Airport, 2735 Crittenden Dr, Louisville, KY 40209

Will I receive an education certificate? Yes, they will be emailed to attendees for all sessions attended.

We will be sending an email with registration information soon.

FY2024 Operation Budget

FY2024 Total Operational Costs			From FY2023 Budget				
Administration/Advisory/Projects	FY2022 Actual	FY2023 Budget	FY2024 Budget	Variance \$	Variance %	6 Month Actual	% of FY2023
100 Salaries	896,132	985,542	985,542	-	0.0%	406,361	41.2%
Retirement Contribution	89,613	98,554	98,554	-	0.0%	47,302	48.0%
Health, Life, Disability, FICA, Medicare, Accrued PTO	187,681	350,316	385,716	35,399	10.1%	150,696	43.0%
200 Legal Counsel	81,841	160,000	160,000	-	0.0%	79,998	50.0%
300 Advisory Support	166,084	300,000	300,000	-	0.0%	182,357	60.8%
400 Office Space Lease & Costs	140,704	180,743	174,756	(5,987)	-3.3%	70,407	39.0%
500 Member Services, Board Meetings, Training	120,185	134,850	125,800	(9,050)	-6.7%	28,978	21.5%
600 Auto Expense	9,323	15,008	18,000	2,992	19.9%	1,937	12.9%
700 IT/AV/Software/Dynamic Schedule/Office Supplies	257,804	321,463	373,783	52,320	16.3%	140,494	43.7%
800 Insurance	11,629	10,259	11,286	1,027	10.0%	3,853	37.6%
900 Advertising & Marketing	19,050	10,700	13,200	2,500	23.4%	6,116	57.2%
1000 Audit & Annual Report	49,358	57,000	70,000	13,000	22.8%	54,803	96.1%
1100 Rating Agency	10,000	10,000	10,000	-	0.0%	-	0.0%
1200 Associations & Lobbyist	6,942	60,280	60,280	-	0.0%	1,200	2.0%
1300 Project Planning	60,698	57,600	67,000	9,400	16.3%	(26,725)	-46.4%
Subtotals - Administration/Advisory/Projects	2,107,044	2,752,316	2,853,917	101,601	3.7%	1,147,776	41.7%
Dispatch, Scheduling, Modeling							
1400 Energy Services Partner	597,981	659,516	703,698	44,182	6.7%	305,700	46.4%
1500 MAC Software, Data, and Subscriptions	127,166	189,010	191,150	2,140	1.1%	71,067	37.6%
1600 MDMS/Communications/Meters/Dynamic Schedule	99,618	427,016	352,016	(75,000)	-17.6%	52,602	12.3%
Subtotals - Dispatch, Scheduling, Modeling	824,765	1,275,542	1,246,864	(28,678)	-2.2%	429,370	33.7%
Total Budget	2,931,808	4,027,859	4,100,781	72,923	1.8%	1,577,146	39.2%
Service Fees (Benham, Berea, Owensboro)			From FY2023 Budget				
	FY2022 Actual	FY2023 Budget	FY2024 Budget	Variance \$	Variance %	6 Month Actual	% of FY2023
2100 Membership Fee	(111,063)	(111,347)	(126,058)	(14,711)	13.2%	(58,527)	52.6%
2200 Transmission Service + Energy Carrying Charge	(73,254)	(73,930)	(130,153)	(56,223)	76.1%	(43,486)	58.8%
2300 Dispatch/MAC Service	(201)	(200)	(238)	(38)	19.1%	(105)	52.4%
	(184,518)	(185,476)	(256,449)	(70,973)	38.3%	(102,117)	55.1%
All Requirements Group - Net Service Fees	2,747,290	3,842,383	3,844,332	1,949	0.1%	1,475,029	38.4%
Capital Expenditures			From FY2023 Budget				
	FY2022 Actual	FY2023 Budget	FY2024 Budget	Variance \$	Variance %		
3100 Information Technology	33,877	90,594	76,000	(14,594)	-16.1%		
3200 Dynamic Schedule	49,424	58,163	-	(58,163)	-100.0%		
3300 Metering	9,848	101,243	114,000	12,757	12.6%		
3400 Automobile	-	-	60,000	60,000	0.0%		
3500 Office	1,662	-	-	-	0.0%		
Total Capital Expenditures	94,811	250,000	250,000	-	0.0%		

100. Salaries, Benefits, Retirement, Accrued PTO

Increase of \$35,399 over FY2023: Increase due to health insurance and accrued PTO increase.

No increase in salary or retirement contribution. Salaries, medical, dental, vision, life, disability, FICA, Medicare, accrued vacation/personal leave.

200. Legal Counsel

No change from FY2023: General legal support.

300. Advisory Support

No change from FY2023: Special Counsel and Advisory. FERC and specialized legal support, transmission and communications support, and power supply advisory support. Advisory services in FY2024 in support of Agency's 2024 portfolio changes.

400. Office Space Lease & Costs

Decrease of \$5,987 under FY2023: Decrease due to adjustment in office maintenance cost. Lease, IT closet utilities, maintenance. Contractual lease payment and expenses.

500. Member Services, Board Meetings, Training

Decrease of \$9,050 under FY2023: Decrease due to reassessment. Member meetings including annual meeting, portal design, member services travel. Training and fees to APPA, TAPS, TVPPA, legislative, HR, member communications, financial, software classes, certifications, etc.

600. Auto Expense

Increase of \$2,992 over FY2023: Increase due to fuel increases, inflation, and additional expected maintenance. CEO vehicle fuel, maintenance, insurance, taxes, staff vehicle mileage.

700. IT/AV/Software/Dynamic Schedule/Office Supplies

Increase of \$52,320 over FY2023: Increase due to SEDC (Meridian), Analytic Vision dashboards, IT support for cybersecurity, redundancy, ELAN, and dynamic scheduling internet access. Phones, copier, office supplies, IT service contract, internet, software subscriptions.

800. Insurance

Increase of \$1,027 over FY2023: Property and professional liability.

900. Advertising & Marketing

Increase of \$2,500 over FY2023: Newsletters, website support, branding. Increase due to inflation.

1000. Audit & Annual Report

Increase of \$13,000 over FY2023: Increase due to increase in audit and annual report production and printing.

1100. Rating Agency

No change from FY2023: Fitch Rating Agency rating.

1200. Associations and Lobbyist

No change from FY2023: APPA, TAPS, TVPPA, and KYMEA Lobbyists.

1300. Project Planning

Increase of \$9,400 over FY2023: Increase due to increase in transmission planning budget. Transmission system impact studies and strategic planning.

1400. Energy Services Partner

Increase of \$44,182 over FY2023: Increase due to FTR analysis service. ESP services, model runs, trading accounts, trading fees and services, back-up server fee.

1500. MAC Software, Data, Training, and Subscriptions

Increase of \$2,140 over FY2023: Increase due to inflation. Optimization model, data and market intelligence, load forecasting, RTO membership, training

1600. MDMS/Communications/Meters

Decrease of \$75,000 from FY2023: Decrease due to reassessment of dynamic schedule fees. MDMS license and maintenance, communications expense, meter testing, dynamic scheduling (engineering support, software, OATIWeb, LG&E/KU, TVA, and MISO).

SERVICE FEES

Contra-Accounts – Increase over FY2023 due to inflation.

- Membership Fee - 13.2¢ per kWh.
 - Was 12¢ per kWh. Last increase 5/1/2020
- Dispatch Service Fee – 53.6¢ per kWh.
 - Was 45¢ per kWh. Last increase 5/1/2020
- Transmission Service Fee – 53.2¢ per kWh.
 - Was 38¢ per kWh. Last increase 7/1/2021
- Energy Carrying Charge – 44.6¢ per kWh.
 - Was 18¢ per kWh. Last increase 7/1/2021
- Resource Planning Service Fee – 36.7¢ per kWh.
 - Was 20¢ per kWh. Last increase 5/1/2020

NET OPERATING BUDGET

Increase of \$72,923 (1.8%) over FY2023.

CAPITAL BUDGET

\$250,000. Same as FY2023 Budget. Supports MAC and office hardware needs, spare equipment, redundancy, dynamic scheduling hardware, software, and communications requirements. Includes new CEO vehicle.

Document: [FY2024 Operating Budget Committee 01-26-2023.docx](#)

Spreadsheet: [KYMEA Income Statement FY24 Budget 01-26-2023.xlsx](#)



KENTUCKY MUNICIPAL ENERGY AGENCY



FY2024 Service Rates

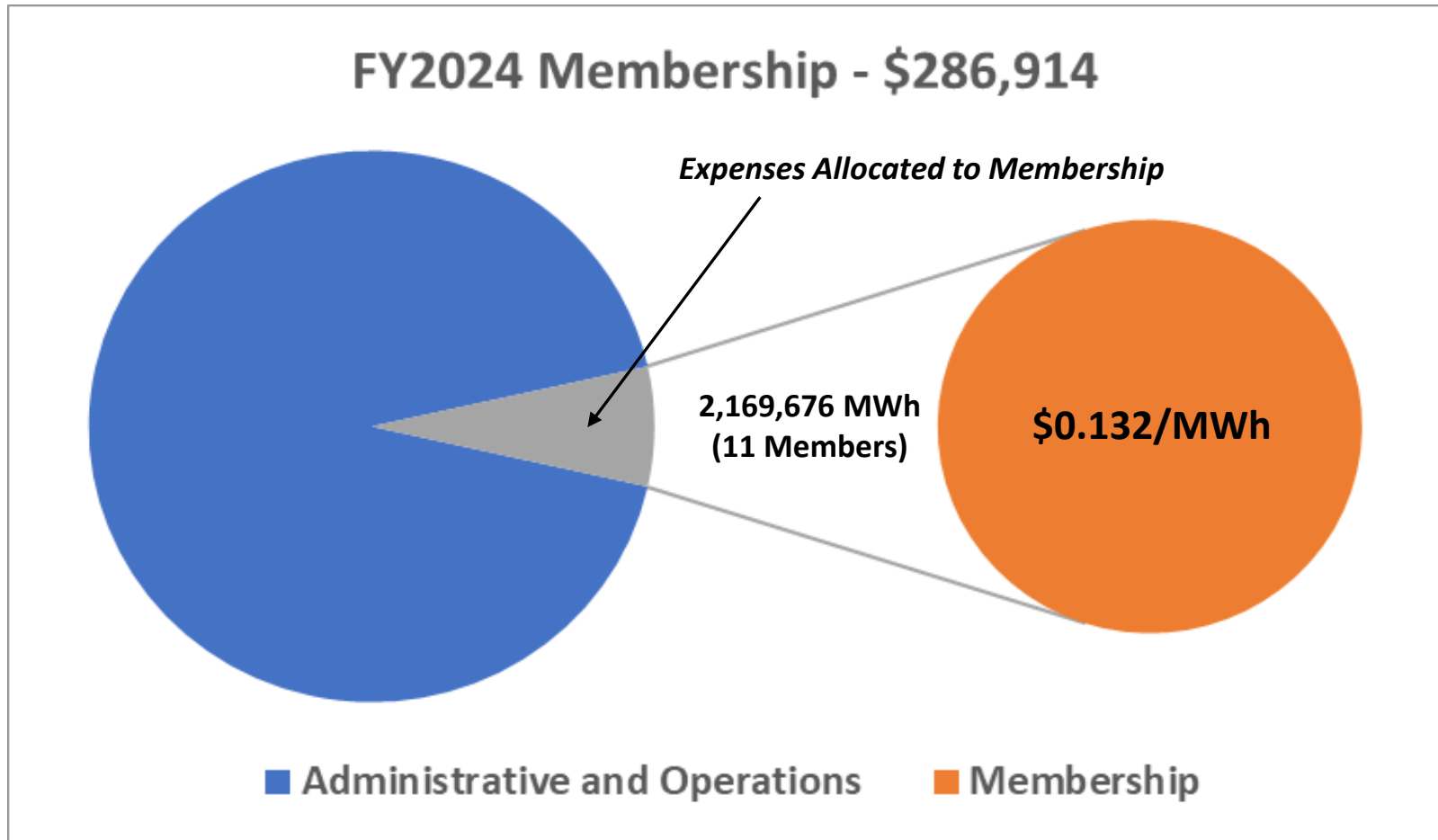
Service Rates

- Effective July 1, 2023
 1. Membership - \$0.132/MWh
 2. Dispatch - \$0.536/MWh
 3. Transmission - \$0.978/MWh
 - \$0.532/MWh for transmission service
 - \$0.446/MWh for energy carrying charge
 4. Resource Planning - \$0.367/MWh

Membership Rate

- \$286,914 allocated across 11 members (\$0.132/MWh)
- Allocated Expenses: 10% of Salaries/Benefits, General Counsel, Advisors, Select Administrative Office Expenses, and Board Expenses
- Direct Expenses: APPA, KMUA, Kentucky Chamber, Lobbyist, Strategic Planning

Membership/User Rate

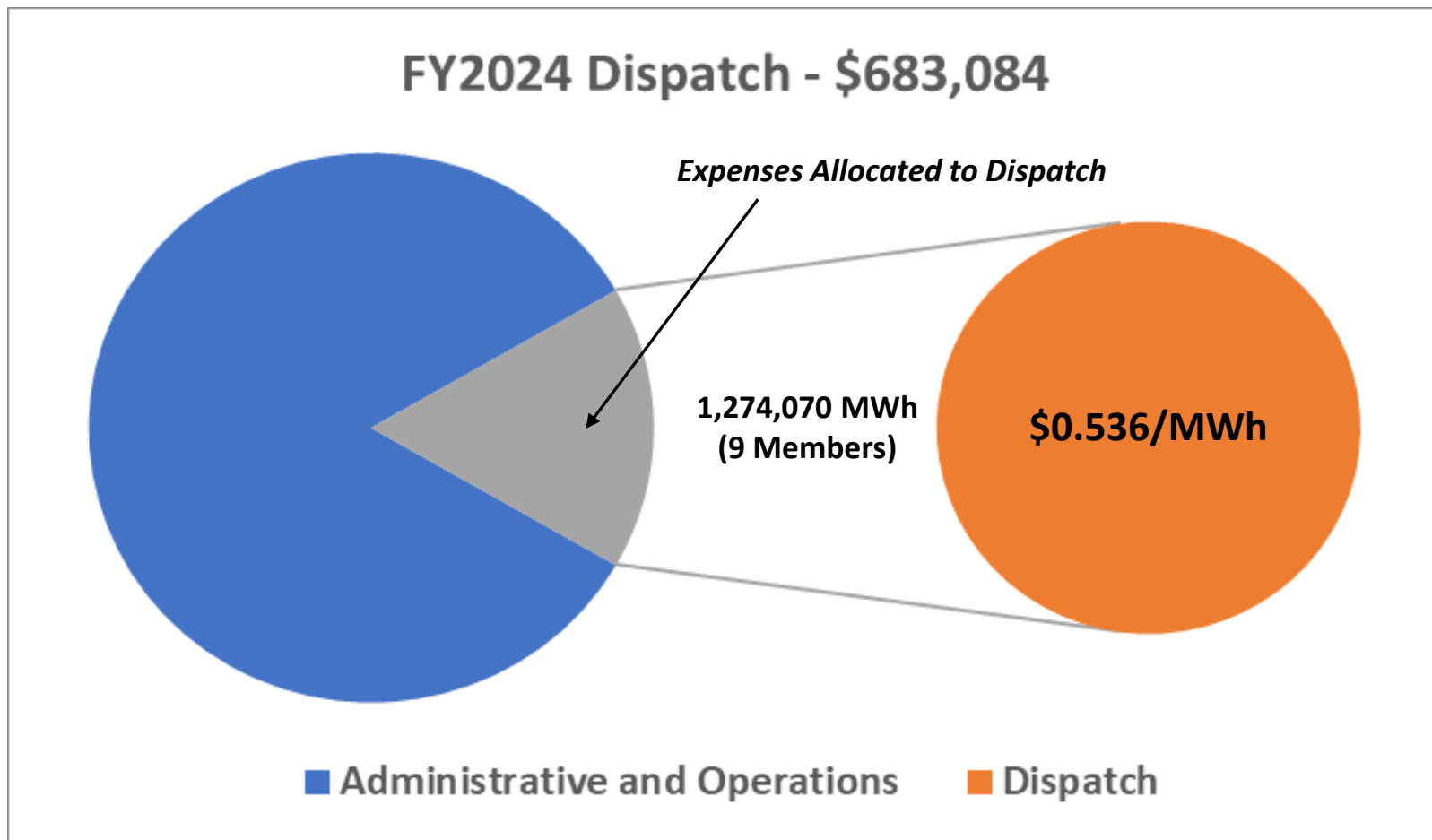


Fee applied for membership with eligibility to receive agency services

Dispatch Rate

- \$683,084 allocated across 9 members (\$0.536/MWh)
- Total Dispatch (1,274,070 MWh)
 - Load Dispatch for 8 AR Members (1,216,410 MWh)
 - SEPA Dispatch for 9 SEPA Members (57,660 MWh)
- Allocated Expenses: 10% of Salaries/Benefits and Select Administrative Office Expenses
- Direct MAC Expenses: ACES Standard Service

Dispatch/MAC Rate

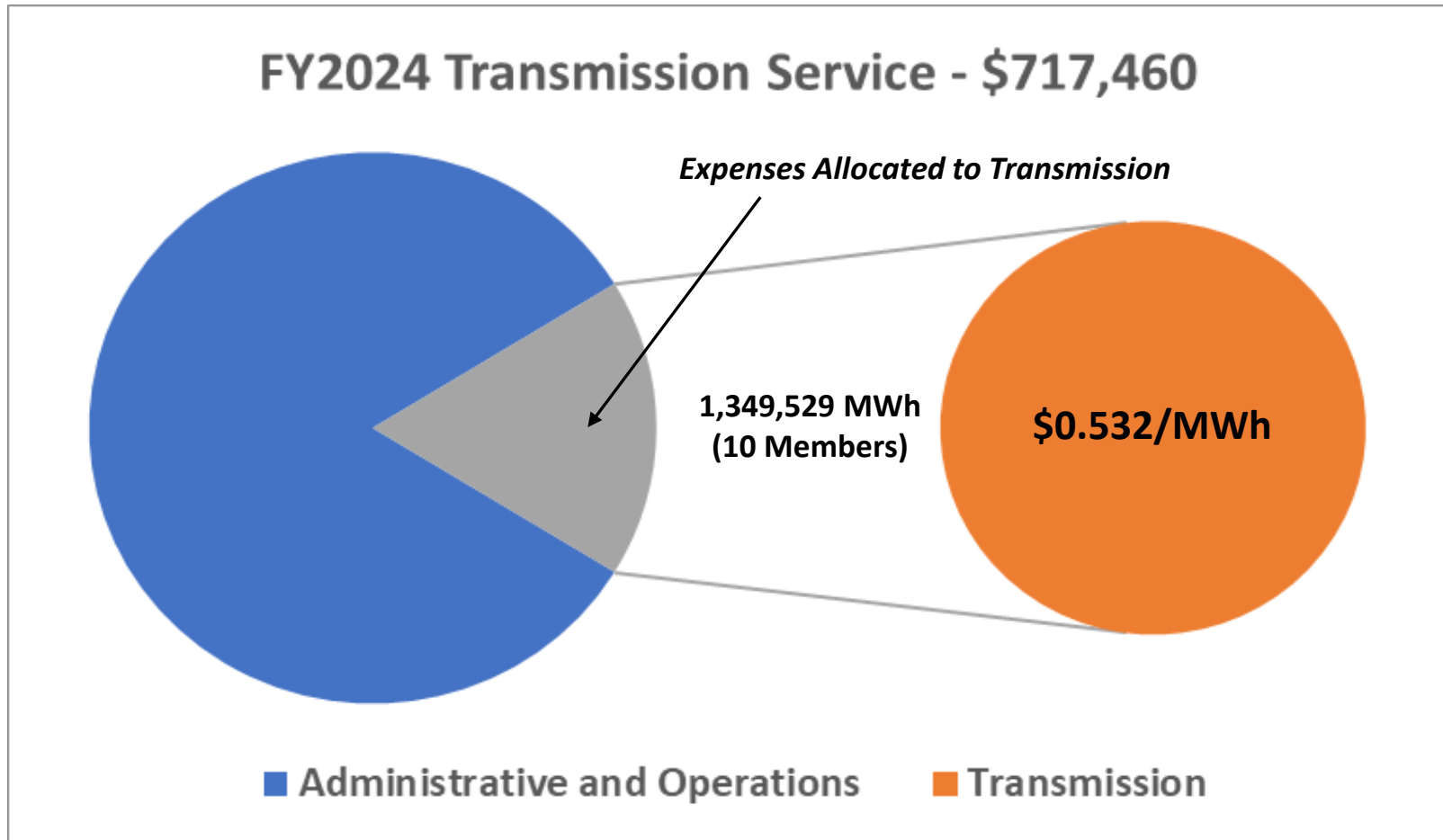


Includes load and SEPA dispatch services

Transmission Service

- \$717,460 allocated across 10 members (\$0.532/MWh)
- Allocated Expenses: 10% of Salaries/Benefits, General Counsel, Consultants, and Select Administrative Office Expenses
- Direct Expenses: TAPS, Transmission Study Fees, PME Hardware/Software, Engineering Support, Communications Expenses

Transmission Service (A&G Portion)



Includes agency transmission service

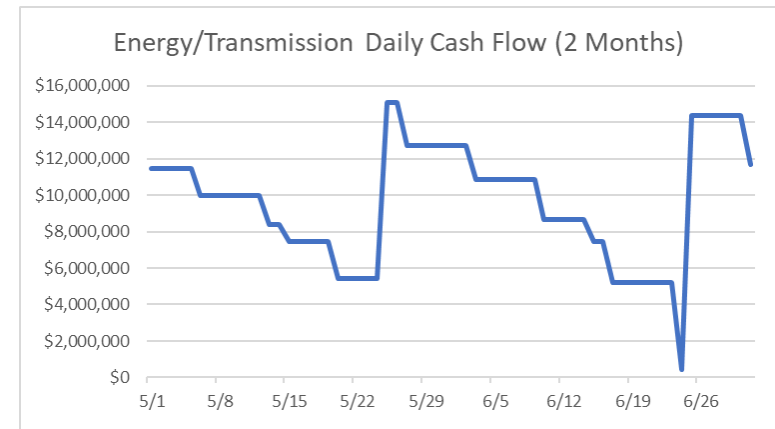
Energy Carrying Charge (ECC)

Energy Carrying Charge (ECC)

- The ECC is the RTO (MISO and PJM) daily cash flow needs plus collateral requirements to participate in the RTO markets. The ECC is the cost of carry.

Daily Cash Flow

- The RTO expense payments for energy, transmission, and ancillary services occurs earlier than the collection of payments (either directly from the AR member or from the non-AR member power provider). KYMEA maintains \$10 million in working capital to maintain a positive cash position.



RTO Market Participant

- To ensure fair, efficient and competitive markets, MISO and PJM require organizations to register as Market Participants before participating in their Open Access Transmission, Energy and Operating Reserve Markets. As a Market Participant, KYMEA becomes a legal entity certified by MISO to submit bids to purchase energy, submit offers to supply energy and operating reserve, hold financial transmission or auction revenue rights and other market-related activities. As a market participant, KYMEA is required to maintain \$4 million in combined collateral at MISO and PJM.

Timing: Payments and Receipts

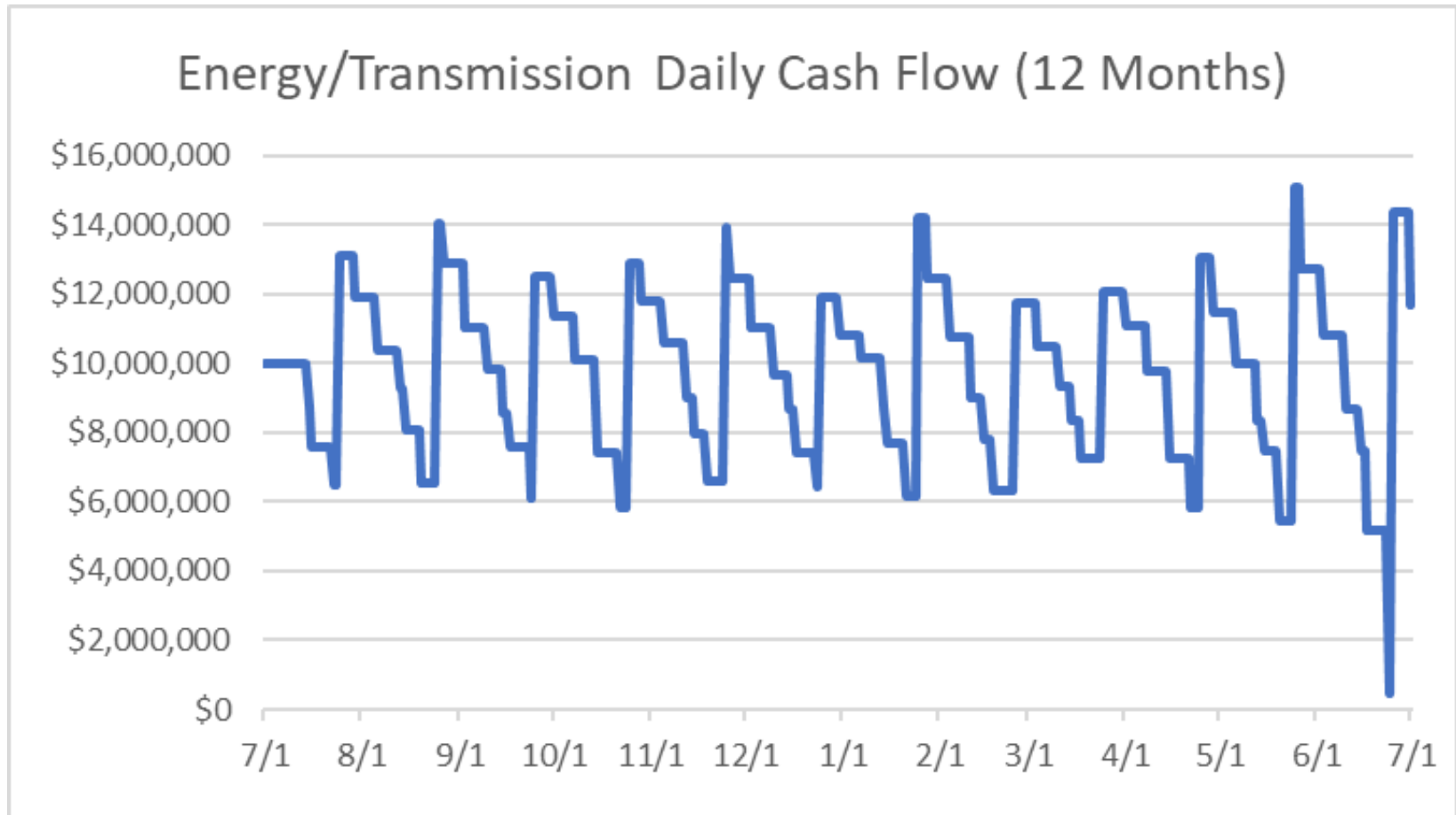
Payments

- MISO/PJM Energy: Paid each Friday for all MISO energy, ancillary services, and other energy related charges (previous week balance)
- PJM Network Transmission: Paid on the 15th (previous month balance)
- MISO Point-to-Point Transmission: Paid on the 15th (previous month balance)
- LGE/KU Network Transmission: Paid on the 15th of next month (previous balance – 45-day lag)

Receipts

- MISO/PJM Energy
 - AR Members: Payment on 25th (previous month balance). Payment is recovered via demand and energy rate.
 - AMP Members: Payment on 25th (previous month balance)
- MISO Point-to-Point Transmission
 - AR Members: Non-depancake payment on 25th (previous month balance). Payment is recovered via demand rate.
 - AMP Members: Non-depancake payment on 25th (previous month balance)
 - LGE/KU Reimbursement: Depancake payment on 15th of next month (previous balance – 45-day lag)
- LGE/KU and PJM Network Transmission
 - AR and AMP Members: Payment on 25th (previous month balance)

Timing: Fiscal Year Daily Cash Flow



Working Capital Contribution

Two Ways for Transmission Members to Contribute

1. Contribute load weighted share of \$14 million working capital fund (based on Peak NCP).
2. Or, pay the annual energy carrying charge of \$0.446 per MWh for each MWh of load.

Annual Energy Carrying Charge is assessed each month based on actual energy as measured at the high-side of the transformer.

Member	Peak (NCP) MW	Working Capital \$	Energy MWh	Carrying Charge \$
Barbourville	194.398	\$917,662	88,458	\$39,459
Bardwell	18.551	\$89,102	8,589	\$3,831
Benham	16.436	\$61,663	5,944	\$2,652
Berea	270.673	\$1,319,312	127,175	\$56,730
Corbin	181.319	\$858,883	82,792	\$36,932
Falmouth	39.489	\$191,940	18,502	\$8,253
Frankfort	1,336.053	\$6,845,267	659,849	\$294,346
Madisonville	520.278	\$2,779,047	267,886	\$119,499
Paris	136.781	\$631,195	60,844	\$27,141
Providence	62.312	\$305,929	29,490	\$13,155
TOTALS	2,776.290	\$14,000,000	1,349,529	\$602,000

Interest Rate 4.30%

Working Capital \$14,000,000

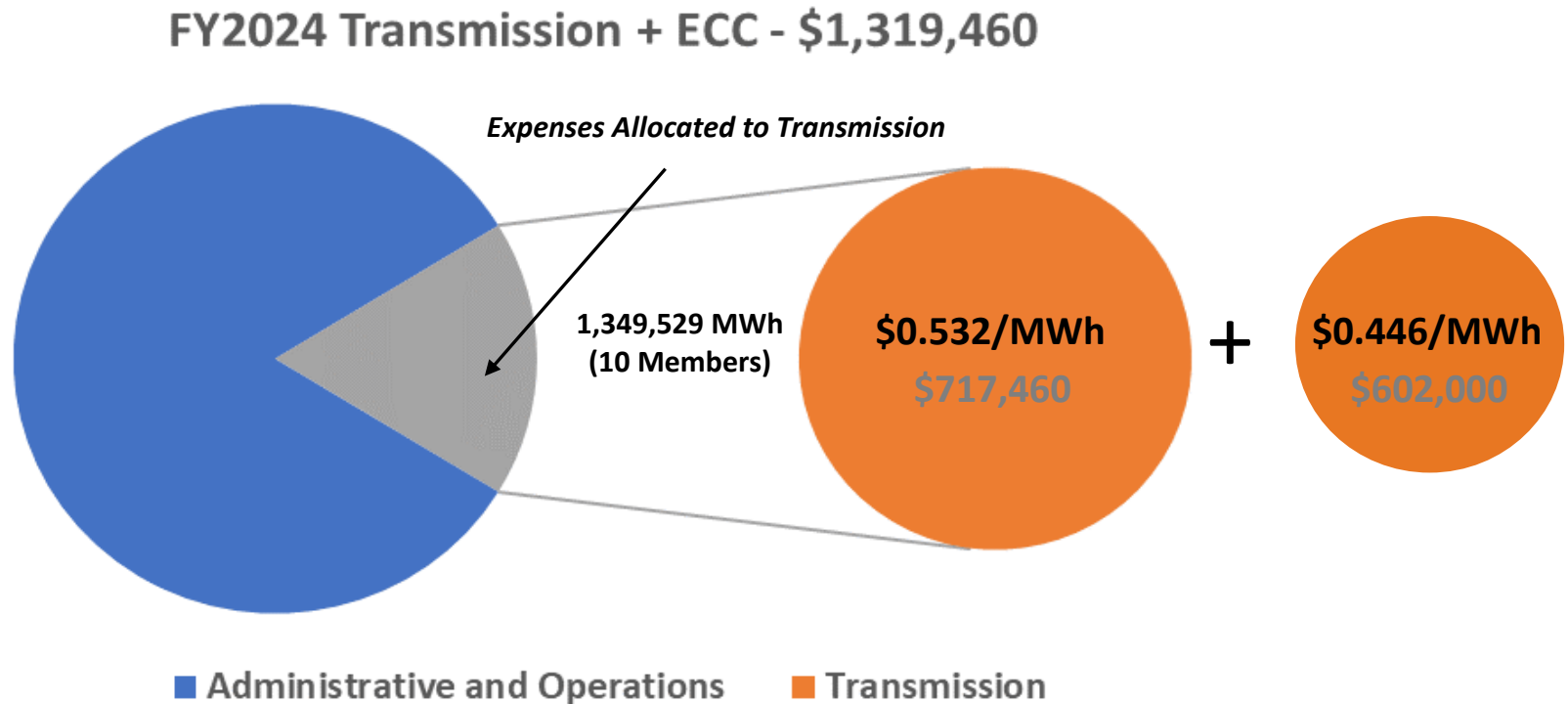
Interest Rate \$602,000

Members 10

MWh 1,349,529

\$/MWh \$0.446

Transmission Fee + Carrying Charge

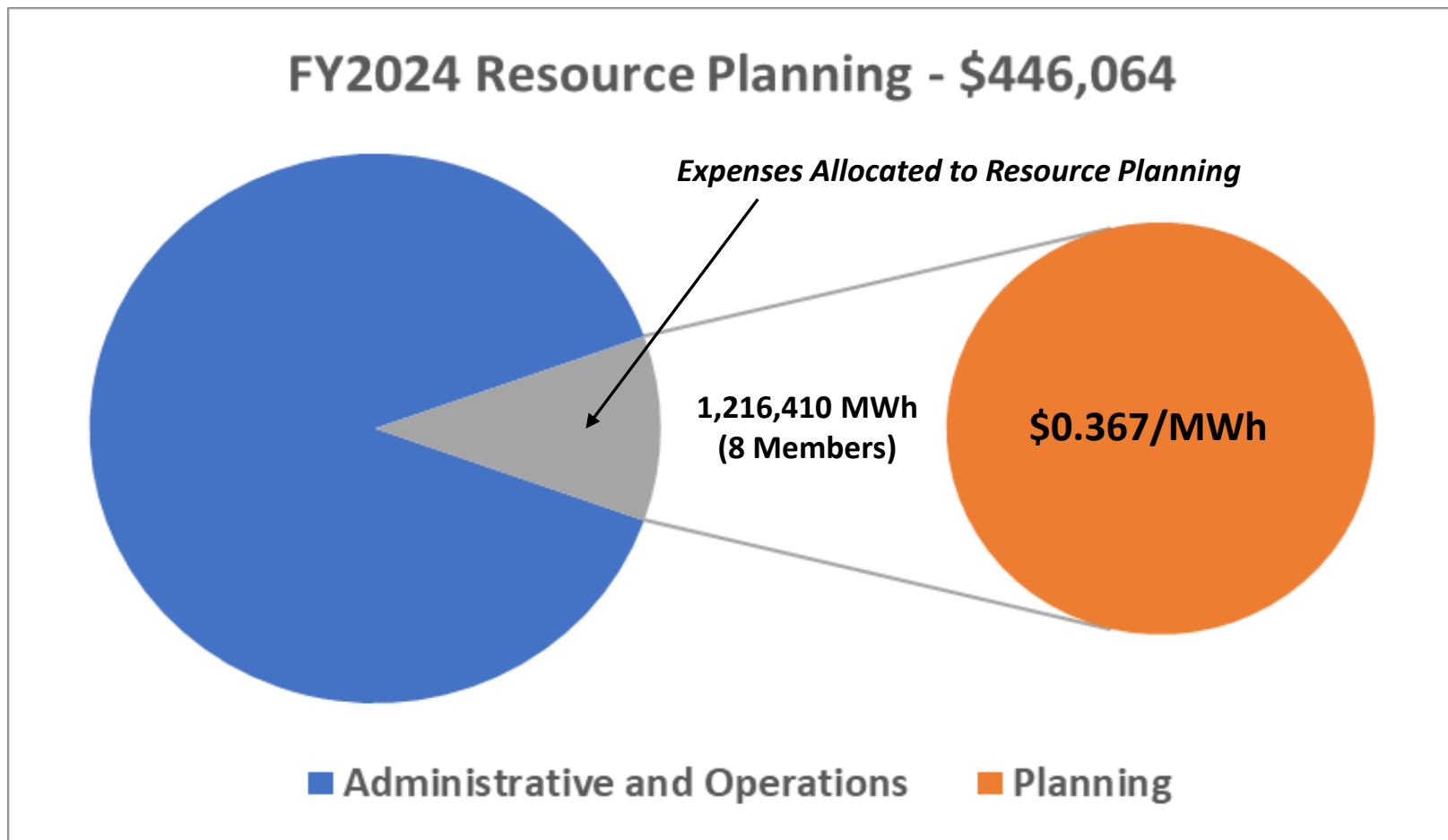


Includes agency transmission service + energy carrying charge

Resource Planning Service

- \$446,064 allocated across 8 members (\$0.367/MWh)
- Allocated Expenses: 10% of Salaries/Benefits, General Counsel, Consultants, and Select Administrative Office Expenses
- Direct Expenses: Software, Data, Market Intelligence, and Study Support

Resource Planning Rate



Non-AR Members Projected Expense

Service	Benham	Berea	Owensboro
Membership	\$786	\$16,817	\$108,455
Power Supply	\$0	\$0	\$0
Transmission	\$5,812	\$124,341	\$0
Dispatch	\$238	\$0	\$0
Accounting	\$0	\$0	\$0
Planning	\$0	\$0	\$0
TOTAL	\$6,836	\$141,159	\$108,455
MWh	5,944	127,175	820,147
\$/MWh	\$1.15	\$1.11	\$0.13

MWh will be updated based on actual MWh from July 2022 – June 2023



KENTUCKY MUNICIPAL ENERGY AGENCY

Capitalization Policy



KYMEA Capitalization Policy

VERSION	DATE	DESCRIPTION
Version 1.0	01-26-2023	Draft (presented at the Board Meeting)
		Approved by the Board

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SECTION 1.1

KYMEA CAPITALIZATION POLICY

Purpose

The purpose of this document is to establish set guidelines for the Kentucky Municipal Energy Agency (“KYMEA”) regarding its Capitalization Policy:

SECTION 1.2

CAPITALIZATION GUIDELINES

KYMEA utilizes the following guidelines for determining whether purchases and expenditures of resources are capitalized or recorded as operating/maintenance expenses. Assets are capitalized, as appropriate, so that costs which have future benefit are shared between current and future members through the depreciation of assets in conformance with the Federal Energy Regulatory Commission's (FERC's) useful life guidelines.

SECTION 1.3

DEFINITIONS

KYMEA is operating under normal conditions.

Capital Costs - the costs of constructing or acquiring fixed assets, the benefits from which will be realized in future periods as expensed over their useful life through depreciation. The costs of adding, removing, and replacing Units of Property are capitalized. Capital Costs are summarized through the use of task orders relating to specific assets or projects. Capital Costs may also be directly capitalized on an individual basis. If an existing asset is repaired or improved beyond its original condition the associated costs are typically capitalized.

Direct Capital Costs – the costs which meet the definition for Capitalization that are able to be traced to a specific capital project and recorded directly to a capital project.

Examples of Direct Capital Costs include, but are not limited to: labor, contractor labor, transportation expense, land, land rights, equipment, materials and supplies directly consumed or used in the construction of a capital project.

General Plant – capital assets that are not related to construction activities which include, but are not limited to: computer equipment, furniture, tools, and vehicles.

Indirect Capital Costs – the costs which meet the definition for Capitalization which are not able to be traced to a specific capital project or which benefit multiple projects. Indirect Capital Costs are recorded to blanket task orders and allocated to capital projects via an adder.

Maintenance Expenses – the activities involved in preserving property in an efficient operating condition, restoring property to a normal condition, arresting of deterioration, and adding, removing, or replacing minor items (refer to Section D). If an existing asset is restored to its original condition the costs are recorded as Maintenance Expenses.

Maintenance Expenses are expensed, meaning the costs are recognized and reported as operating expenses when they occur.

Examples of Maintenance Expenses include, but are not limited to: rearranging equipment, moving a meter from one location to another, shifting partitions in a building, replacement of worn out or damaged parts, cleaning and adjusting equipment, painting of equipment, and repairing minor storm damage.

Operations Expenses – the costs related to KYMEA which are not related to the procurement of or extending the life of a capital asset.

Examples of Operations Expenses include, but are not limited to: fuel, administrative support, labor recording, and budgeting.

SECTION 1.4

ACTIVITIES

In general, in order to be capitalized, work activities should prepare an asset for use and/or add value to the asset. Repairing, restoring, or maintaining a piece of property to its original condition is an O&M Expense.

The below list displays examples of activities and whether they meet KYMEA's capitalization guidelines (not an all-inclusive list).

Expense

- Studies/analysis to determine if work needs to be completed
- Investigation of capital assets to determine if or what work is necessary
- Design for an asset that is later canceled
- Planning and scheduling activities such as Resource Planning and Budget Planning
- Maintenance of the project schedule by support staff
- Other support activities including catering, janitorial, and security
- Activities in support of the project but not directing the efforts of those completing the capital work
- Administrative and accounting support for capital projects including office supplies
- Maintenance/warranty agreements on capital equipment
- Procedures, operating documentation, and reports
- Development and maintenance of engineering standards
- Training

Capital

- Work activities directly related to designing the capital asset that is to be installed.
 - ▶ This may include iterations of design activities as long as the end product will be a capital asset
- Package prep, including design drafting support

- Project management time/costs associated with supervising project
- Supervision and management of activities related to asset construction
- Inspection of capital work to assure that it is properly completed

SECTION 1.5

DOLLAR LIMITS ON GENERAL PLANT

Individual items of furniture and equipment costing \$5,000 or more and having a useful life of at least five years will be capitalized. Furniture and equipment costing less than \$5,000 will be expensed even if similar items have been capitalized in the past.

An exception allows for the capitalization of General Plant items that are less than \$5,000 when purchased as part of a transaction (i.e. invoice) of \$30,000 or more under the following conditions:

- Life expectancy is three years or greater
- Purchase is part of the project
- Purchases consist of “like items”
- The item(s) purchased cannot be a component of an asset

An example could be a project to replace a large portion of the company’s desktop computers. The per-item cost may be less than \$5,000, but if the total costs in a transaction are greater than \$30,000, the computers would be eligible for capitalization.

Another example could be a project to reconfigure entire floors of a building with new desks, cubicles, and like office equipment. Individual items may be under \$5,000 but if the total cost for like items in a transaction for the entire floor is greater than \$30,000 the reconfiguration project would be eligible

SECTION 1.6

PROPERTY DAMAGE BY OTHERS

If Units of Property are damaged by and charged to others (e.g., car/pole accident) an addition and retirement will be made, and the amount collected credited to the retirement work order as salvage.



PUBLIC POWER FOR KENTUCKY

The objective of KYMEA is to provide cost-effective resources and services for the benefit of its members to enable them to achieve objectives they have set for themselves more efficiently and at lower costs than they could achieve individually.

KENTUCKY MUNICIPAL ENERGY AGENCY • 1700 EASTPOINT PARKWAY, SUITE 220 LOUISVILLE, KY 40223
(502) 242-5635 • KYMEA.ORG

Closed Session Authorization for February 23, 2023 KYMEA Board Meeting

Approval to enter into Closed Session pursuant to KRS 66.810(1)(g) and KRS 61.878(1)(c) for the purpose of:

- (i) presenting and discussing a specific proposal between the agency and a business entity.

KRS 61.810(1)(g) allows for closed session relating to discussions concerning a specific proposal between a public agency and a representative of a business entity, which, if discuss in open session, would jeopardize the siting, retention, expansion, or upgrading of the business.

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