

**REGULAR SESSION –WEDNESDAY, JULY 19, 2023**

STATE OF KANSAS        )  
  ) SS  
CITY OF KANSAS CITY )

The Board of Public Utilities of Kansas City, Kansas (aka BPU, We, Us, Our) met in Regular Session on Wednesday, July 19, 2023 at 6:00 P.M. The following Board Members were present: Rose Mulvany Henry, President; Thomas Groneman, Vice President; Robert L. Milan, Secretary; Jeff Bryant, Mary Gonzales, and David Haley.

Also present: William Johnson, General Manager; Angela Lawson, Acting Chief Counsel; Lori Austin, Chief Financial Officer/Chief Administrative Officer; Jeremy Ash, Chief Operating Officer; Maurice Moss, Executive Director Corporate Compliance; Steve Green, Executive Director Water Operations; Glen Brendel, Executive Director Electric Production; Darrin McNew, Executive Director Electric Operations; Jerin Purtee, Executive Director Electric Supply; Jerry Sullivan, Chief Information Officer; David Mehlhaff, Chief Communications Officer; Chris Stewart, Director Civil Engineering; Dennis Dumovich, Director of Human Resources; Randy Otting, Director Accounting; Andrew Ferris, Director Financial Planning; Dustin Miller, Director of Applications; Gabriela Freeman, Supervisor Customer Service; and Robert Kamp, IT Project Manager.

A video of this meeting is on file at the Board of Public Utilities and can be found on the BPU website, [www.bpu.com](http://www.bpu.com).

Ms. Mulvany Henry called the Board meeting to order at 6:00 P.M. She welcomed all that were listening to or viewing the meeting. She informed all that the meeting was being recorded including video and audio. During the public comment section, those attending in person, wishing to speak, should use the sign-up sheet at the entry and provide their name and address. Public comments were limited to five minutes and should be addressed to the Board. She informed all participants that the public comments section of the agenda was not part of the Rate Hearing. Any questions asked about the Rate Hearing would not be answered. Members of the public who wished to speak to the Board using Zoom needed to use the Raise Hand feature at the bottom of the application or window to signal that they wish to address the board during the public comment section. Members of the public connected by phone only, needed to press \*9 to indicate they wished to address the Board in the public comment section. No confidential information should be shared, including, account information. Staff would not provide individual account information during an open meeting. As always, the public could also email or call the BPU with any concerns. She informed that all participants were to act respectfully to each other. Personal attacks or accusations would not be tolerated. All concerns would be directed to the Board only, they would then determine staff involvement. If side discussion was necessary, it was to be conducted outside of the Board room to avoid interfering with presenters or other attendees. If any rules are breached during this meeting, the attendee was subject to

**REGULAR SESSION –WEDNESDAY, JULY 19, 2023**

STATE OF KANSAS        )  
  ) SS  
CITY OF KANSAS CITY )

removal. Ms. Mulvany Henry introduced herself and the other Board Members along with the General Manager, and Legal Counsel.

Roll call was taken and all Board Members were present.

**Item #3 – Approval of Agenda**

A motion was made to approve the Agenda by Ms. Gonzales, seconded by Mr. Bryant, and unanimously carried.

**Item #4 – Approval of Work Session Minutes of July 5, 2023**

A motion was made to approve the minutes of the Work Session of July 5, 2023, by Mr. Bryant, seconded by Mr. Groneman, and unanimously carried.

**Item #5 – Approval of Regular Session Minutes of July 5, 2023**

A motion was made to approve the minutes of the Regular Session of July 5, 2023, by Ms. Gonzales, seconded by Mr. Milan, and unanimously carried.

**Item #6– Public Comments**

Mr. Bill Griffith, Climate Protection Plan Steering Committee in Kansas City, MO, spoke about possible programs available to help reduce utility costs and extended an invitation to work with BPU in regards to the Inflation Reduction Act.

Mr. Johnson confirmed we do have a team working on federal funding and would have a team member follow up with Mr. Griffith.

Mr. Rayan Makarem, CleanAirNow, expressed his view on the Unified Government (UG) and BPU continuing the discussion on how residents are billed and the impact it has on the community.

Ms. Ana Ramos, Wyandotte County resident, through interpreter Ms. Antenas Mena, expressed her thoughts on the possible rate increase, the separation of the UG charges from the BPU charges on the bill and customer service options.

REGULAR SESSION –WEDNESDAY, JULY 19, 2023

STATE OF KANSAS        )  
  ) SS  
CITY OF KANSAS CITY)

Ms. Antenas Mena, CleanAirNow, read a letter on behalf of Ms. Teresa Servin; she spoke about wanting better communication options for Spanish speaking customers and how she was affected by this.

Mr. Johnson asked for additional contact information for this customer so that we could follow up with her regarding her concerns.

Ms. Esther Almanza, 6020 Kansas Ave. Lot 16, expressed her thoughts on the BPU charges and the disconnects.

Mr. Johnson asked Ms. Almanza to speak with Ms. Gabriela Freeman, Supervisor Customer Service.

Mr. Carlos Ramos, 1523 Pacific Ave., voiced his thoughts on the status of the BPU lobby and attending the joint BPU/UG meeting. He also spoke about trash and PILOT fees.

Mr. Johnson thanked him for attending the meeting and clarified the trash and PILOT fees were UG fees.

Ms. Mulvany Henry added the PILOT rate was set by the UG and that the BPU Board had no input. She advised they would continue to work with the UG Commissioners to lower that rate.

Mr. David Smith, 400 Troup Ave., expressed his views on the BPU lobby.

Ms. Valinta Locke, Wyandotte County, provided concern about the possible rate increase and the impact it could have on BPU customers.

**Item #7– General Manager / Staff Reports**

- i. *Continuation of 2023 Electric and Water Rate Hearing:* The official Rate Hearing transcript can be found on the BPU website, [www.bpu.com](http://www.bpu.com).

A motion was made to adopt the original rate increase proposal made by staff for both Electric and Water, by Mr. Bryant, seconded by Mr. Groneman.

Before the vote, Mr. Milan received clarification on what the motion was for. It was further clarified that the vote was on the Proposed Order.

REGULAR SESSION –WEDNESDAY, JULY 19, 2023

STATE OF KANSAS        )  
  ) SS  
CITY OF KANSAS CITY )

Mr. Haley – no

Mr. Milan – yes

Ms. Mulvany Henry – no

Mr. Bryant – yes

Ms. Gonzales – yes

Mr. Groneman - yes

The motion carried, the Order was adopted.

Mr. Moore concluded and closed the rate hearing at 8:06 PM.

ii. *Miscellaneous Comments:*

Mr. Jeremy Ash, Chief Operating Officer, provided an update on the recent storm and the impact it had on the community. He gave an overview of the number of outages that had occurred, how BPU was able to manage the repairs, and how much this event could potentially cost BPU. He added this event might be a recoverable event through FEMA for BPU as well as the UG.

Mr. Johnson added that he would be sending out a message to staff as well as outside utilities, thanking them for their hard work and assistance.

Mr. Bryant also thanked staff for their work in restoring service to the community.

**Item #8 – Board Comments**

Mr. Haley thanked all who responded during the BPU outage. In addition, he thanked staff for their presentation in reference to the Rate Hearing. He provided, in more detail, the reason for his vote as it pertained to the community impact. However, he commended the BPU staff for providing the evidence as to why the increase is necessary for BPU. Mr. Haley would like to focus on relief of the UG taxes and added his support for opening the BPU lobby.

REGULAR SESSION –WEDNESDAY, JULY 19, 2023

STATE OF KANSAS     )  
  ) SS  
CITY OF KANSAS CITY)

Mr. Groneman spoke on why he thought the rate increase was necessary for the viability of the utility but wanted to make sure customers in need were also supported. He also thanked BPU staff for their work during the recent storm.

Mr. Milan thanked staff for restoring power quickly during the storm outages. He added the importance of increasing the rates in a way the community could manage. He also thanked Mr. Johnson for providing education at the Community Ministers meeting. He added that if there was a group that would like more information about the operations of BPU, they could contact Mr. Johnson.

Mr. Bryant stated that rate hearings are difficult, but necessary to maintain financial responsibilities. He was looking forward to getting a policy in place to help offset the price increase for those most vulnerable in the community. He thanked BPU staff and the public for their participation in the Rate Hearing.

Ms. Gonzales echoed Mr. Bryant’s comments regarding the need for the rate increase and how BPU would be able to further assist the customers in need. She thanked the public for their participation. Ms. Gonzales also thanked the BPU staff for their hard work during the storm.

Ms. Mulvany Henry reiterated the challenge of balancing the utility’s needs with the community needs. She provided more detail regarding her vote during the Rate Hearing. She appreciated the BPU staff and Board’s cooperation and effort throughout. She expressed her eagerness to make the changes to help the community, including continued work with the UG. She added appreciation towards BPU staff and those who assisted in storm restoration and voiced the need for BPU to take advantage of the infrastructure funding provided by the federal government.

**Item #10 – Adjourn**

At 8:38 PM a motion to adjourn was made by Mr. Bryant, seconded by Mr. Milan and unanimously carried.

ATTEST:

  
Secretary

APPROVED:

  
President



# Kansas City Board of Public Utilities 2023 Rate Update

July 2023



# ASSUMPTIONS USED IN DEVELOPING REVENUE AND REVENUE REQUIREMENT FORECAST

## Operation and Maintenance (O&M) Expenses forecast

- Basis is 2023 Budget with allowances for inflation

Operations & Maintenance Escalation Rates				
Description	2024	2025	2026	2027
Personnel Costs	2.50%	2.50%	2.50%	2.50%
Services	2.00%	2.00%	2.00%	2.00%
Material and Supplies	2.00%	2.00%	2.00%	2.00%
Other Operating Expenses	1.00%	1.00%	0.00%	0.00%
Employee Healthcare/Medical	5.00%	5.00%	5.00%	5.00%
Retiree Healthcare/Medical	2.00%	2.00%	2.00%	2.00%

Upon review of prior years (2008-2021) actual increases across all categories, the BPU averaged approximately 2.8% inflation.

We believe our escalation rates above (2024-2027) represent a conservative projection of inflation.

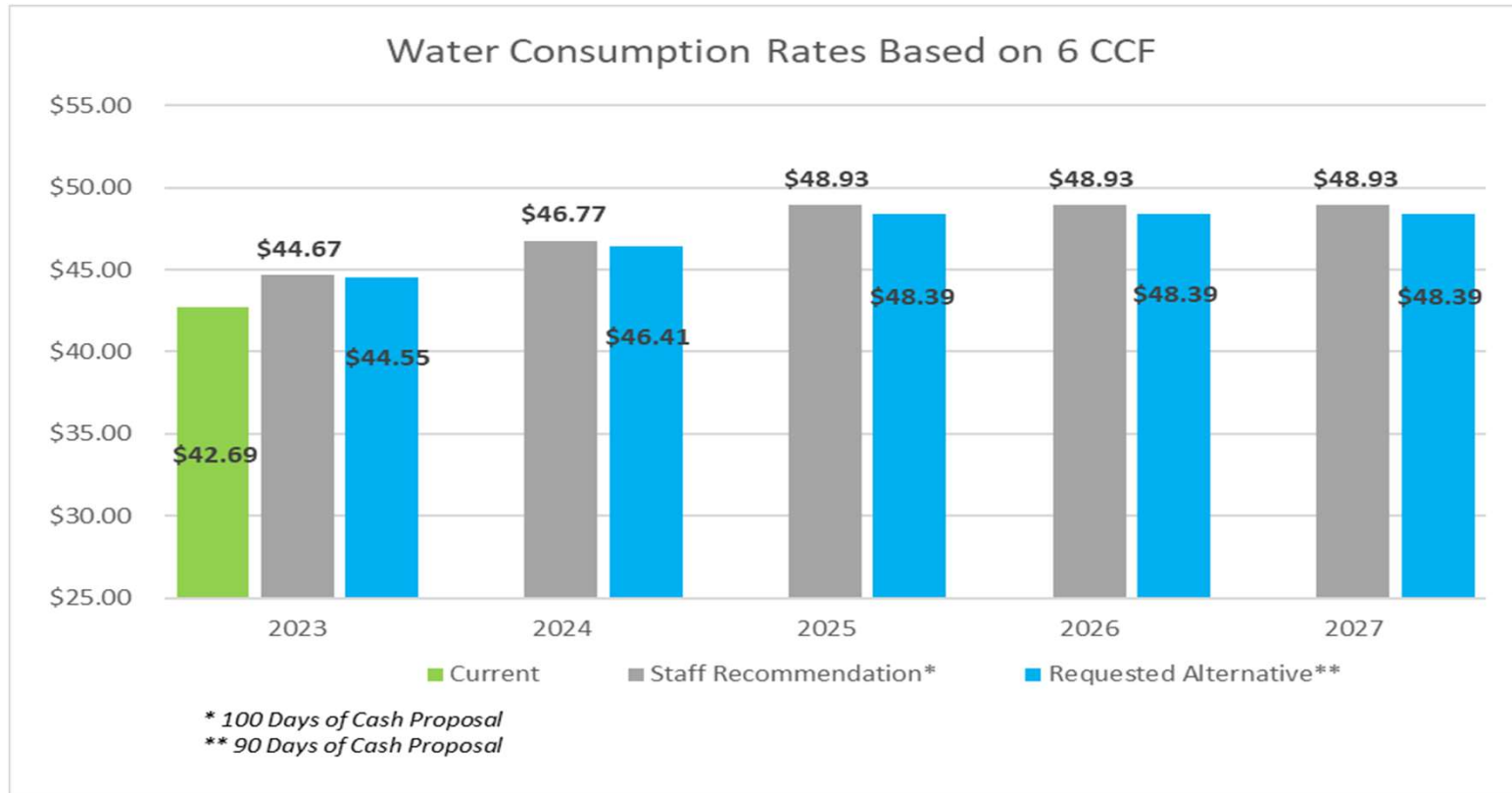
# WATER RATE PROPOSALS

- All the options fail to meet adequate Days of Cash (100 days) beyond 2026.
- Water’s cash levels are expected to be either difficult or critical by 2027.
- Very little margin for error should any unexpected consequences arise.
- Anything below staff’s recommendation may result in additional rate increases beyond 2025.

<b>B&amp;V Recommendation*</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Rate Increase	6%	6%	6%	6%	6%
<b>Days of Cash</b>	<b>159</b>	<b>103</b>	<b>106</b>	<b>119</b>	<b>128</b>
<b>Debt Coverage</b>	<b>1.28</b>	<b>1.68</b>	<b>1.92</b>	<b>2.18</b>	<b>2.48</b>
<b>Staff Recommendation*</b>					
Rate Increase	6%	6%	6%	0%	0%
<b>Days of Cash</b>	<b>159</b>	<b>103</b>	<b>106</b>	<b>101</b>	<b>59</b>
<b>Debt Coverage</b>	<b>1.28</b>	<b>1.68</b>	<b>1.92</b>	<b>2.03</b>	<b>2.02</b>
<b>Requested Alternative**</b>					
Rate Increase	5.5%	5.5%	5.5%	0%	0%
<b>Days of Cash</b>	<b>158</b>	<b>98</b>	<b>95</b>	<b>82</b>	<b>31</b>
<b>Debt Coverage</b>	<b>1.27</b>	<b>1.65</b>	<b>1.86</b>	<b>1.96</b>	<b>1.95</b>
<b>Alternative 2**</b>					
Rate Increase	5.5%	5.5%	5.5%	5.25%	5.25%
<b>Days of Cash</b>	<b>158</b>	<b>98</b>	<b>95</b>	<b>97</b>	<b>91</b>
<b>Debt Coverage</b>	<b>1.27</b>	<b>1.65</b>	<b>1.86</b>	<b>2.09</b>	<b>2.35</b>
<i>* 100 Days of Cash Proposal</i>					
<i>** 90 Days of Cash Proposal</i>					



# AVERAGE WATER CONSUMPTION RATES





# Electric Rate Proposal

Staff Recommendation						Requested Alternative						Alternative Option					
<b>120 Day ERC / 120 Day O&amp;M</b>						<b>90 Day ERC / 90 Day O&amp;M</b>						<b>90 Day ERC / 120 Day O&amp;M</b>					
	2023	2024	2025	2026	2027		2023	2024	2025	2026	2027		2023	2024	2025	2026	2027
Rate	2.5%	2.5%	0.0%	0.0%	0.0%	Rate	2.5%	0.0%	0.0%	0.0%	0.0%	Rate	1.5%	1.5%	0.0%	0.0%	0.0%
Days of Cash	84	108	130	130	132	Days of Cash	84	91	94	96	81	Days of Cash	83	99	113	97	83
<b>Residential</b>	Present Rate	2023	2024			<b>Residential</b>	Present Rate	2023	2024			<b>Residential</b>	Present Rate	2023	2024		
Customer Charge	\$ 22.00	\$ 24.00	\$ 26.00			Customer Charge	\$ 22.00	\$ 24.00				Customer Charge	\$ 22.00	\$ 24.00	\$ 26.00		
Energy Charge						Energy Charge						Energy Charge					
First 1000 kWh						First 1000 kWh						First 1000 kWh					
Summer	\$ 0.06466	\$ 0.06911	\$ 0.06923			Summer	\$ 0.06466	\$ 0.06911				Summer	\$ 0.06466	\$ 0.0663	\$ 0.0659		
Winter	\$ 0.06466	\$ 0.06650	\$ 0.06850			Winter	\$ 0.06466	\$ 0.0665				Winter	\$ 0.06466	\$ 0.0663	\$ 0.0659		
All Additional kWh						All Additional kWh						All Additional kWh					
Summer	\$ 0.06466	\$ 0.06911	\$ 0.06923			Summer	\$ 0.06466	\$ 0.0663				Summer	\$ 0.06466	\$ 0.0663	\$ 0.0659		
Winter	\$ 0.06466	\$ 0.03750	\$ 0.03800			Winter	\$ 0.06466	\$ 0.0368				Winter	\$ 0.06466	\$ 0.0368	\$ 0.0363		
Average Residential Bill	Present Rate	2023	2024			Average Residential Bill	Present Rate	2023				Average Residential Bill	Present Rate	2023	2024		
	\$ 74.98	\$ 79.42	\$ 82.39				\$ 74.98	\$ 79.42					\$ 74.98	\$ 78.32	\$ 79.99		
ERC Reserve Rider		\$1.49	\$1.49			ERC Reserve Rider		\$0.93				ERC Reserve Rider		\$0.93	\$0.93		
Total Changes		\$ 5.93	\$ 2.97			Total Changes		\$ 5.37				Total Changes		\$ 4.27	\$ 1.67		

Customer usage information is based on the average customer usage for each month over the past 12 months. Therefore these values reflect higher summer consumption and lower consumption in non-summer months, with a 12 month average of 820 kWh per month.

# ENERGY RATE COMPONENT

## Energy Rate Component (ERC)

- The ERC is a rider meant to provide for the recovery of the Utility's power supply costs. These costs are predominantly made up of fuel, purchase power, reagents, and Regional Transmission costs.
- As part of some Purchase Power Agreements the BPU pays a capacity charge associated with that resource. Currently \$2.6 million of those capacity payments are recovered as part of the Base Rates. Staff is recommending to re-allocate the remaining \$2 million in capacity payments currently recovered through the ERC to Base Rates. This will be a reduction of \$2 million annually in ERC cost recovery items. The \$2 million added to the base rates is a part of the 2.5% increase.
- Due to the volatility within the fuel and purchase power costs over the past few years staff is recommending establishing a reserve fund to cover up to 120 days of ERC expenses and to hedge against future volatility in the market.

## ERC RESERVE FUND

**The ERC Reserve Fund is only collected through the ERC and the funds within the ERC Reserve Fund can only be utilized for and within the ERC.**

- It is expected to take approximately 18 quarters (4.5 years) to collect 120 days of ERC expenses assuming the funds are collected every quarter.
- Staff is proposing adding “guard rail” language to prevent the collection or holding of ERC Reserve Funds in periods of upward volatility.
- If the ERC projection is set to climb by 20% or more, the ERC Reserve Fund will not be billed for that quarter.
- If the ERC reconciliation reflects an under-recovery of \$5 million or more, any ERC Reserve Funds collected during the quarter will be applied to the ERC with no funds crediting the Reserve Fund.
- If the ERC reconciliation reflects an under-recovery of greater than \$8 million any and all funds necessary will be pulled from the existing ERC Reserve Fund to limit the under-recovery to a maximum of \$8 million, assuming funds are available to do so.

# QUESTIONS

