



PUBLIC POWER STEERING COMMITTEE AGENDA

October 6th, 2022

MEETING HELD AT 6:00pm VIA MICROSOFT TEAMS:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_YTRIZDkxYzctODk0Yy00Y2lyLWE4YmQtODBI0GVlY2lxNTUz%40thread.v2/0?context=%7b%22Tid%22%3a%223ef5d8e2-e4e7-4dab-bc8f-5190df727166%22%2c%22Oid%22%3a%220d110dcf-a0c2-4a43-8f43-96940ecef06%22%7d

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. APPROVAL OF AGENDA**
- 4. NEW BUSINESS**
 - A. Discussion of Valley Center Electric Utility Feasibility Study
 - Overall Approach
 - Engineering Assessment
 - Financial Analysis
 - Legal Considerations
 - Next Steps
 - B. General Discussion
- 5. ADJOURN**

All items listed on this agenda are potential action items unless otherwise noted. The agenda may be modified or changed at the meeting without prior notice.

At any time during the meeting, the Public Power Steering Committee may meet in executive session for consultation concerning several matters (real estate, litigation, non-elected personnel and security).

This is an open meeting, open to the public, subject to the Kansas Open Meetings Act (KOMA). The City of Valley Center is committed to providing reasonable accommodations for persons with disabilities upon request of the individual. Individuals with disabilities requiring an accommodation to attend the meeting

should contact the City Administrator in a timely manner, at bclark@valleycenterks.org or by phone at (316)755-7310 ext. 105.

For additional information on any item on the agenda, please visit www.valleycenterks.org or call (316) 755-7310.



October 6, 2022 – Public Power Steering Committee

VALLEY CENTER ELECTRIC UTILITY FEASIBILITY STUDY – STATUS REPORT

**Duncan
& Allen** LLP



Exponential Engineering Company

**NewGen
Strategies & Solutions**

AGENDA

- Introductions/Project Roles
- Overall Project Approach
 - Strategy
 - Project Tasks
- Engineering Assessment
- Financial Analysis
- Legal Considerations
- Next Steps
- Questions

PROJECT LEADS



NewGen Strategies and Solutions, LLC

- Prime Consultant; Financial and Economic Analysis
- Scott Burnham, Project Manager
- 24 years of experience in project management, COSA/rate design, financial feasibility analysis, and asset evaluation



Exponential Engineering Company

- Subconsultant; Engineering
- Tom Ghidossi
- Founded EEC in 1993; extensive background in the design and analysis of power generation, transmission, and distribution systems



Duncan & Allen, LLP

- Subconsultant; Legal
- John Coyle, Esq.
- 35 years representing municipalities, consumer-owned utilities, and other consumer interests in legal proceedings

STRATEGIC PROCESS

- For successful municipalization, City must have:
 - Clear mandate
 - Equitable funding mechanism
 - Strong political will
- Define Project Success:
 - What are the City's goals and objectives for this Study?
 - What is City attempting to achieve?
 - Why become a municipal electric utility?

PHASE I STUDY

Task 1: Data Acquisition



Task 2: Project Kickoff/Conduct Strategic Assessment



Task 3: Develop Preliminary Financial Model



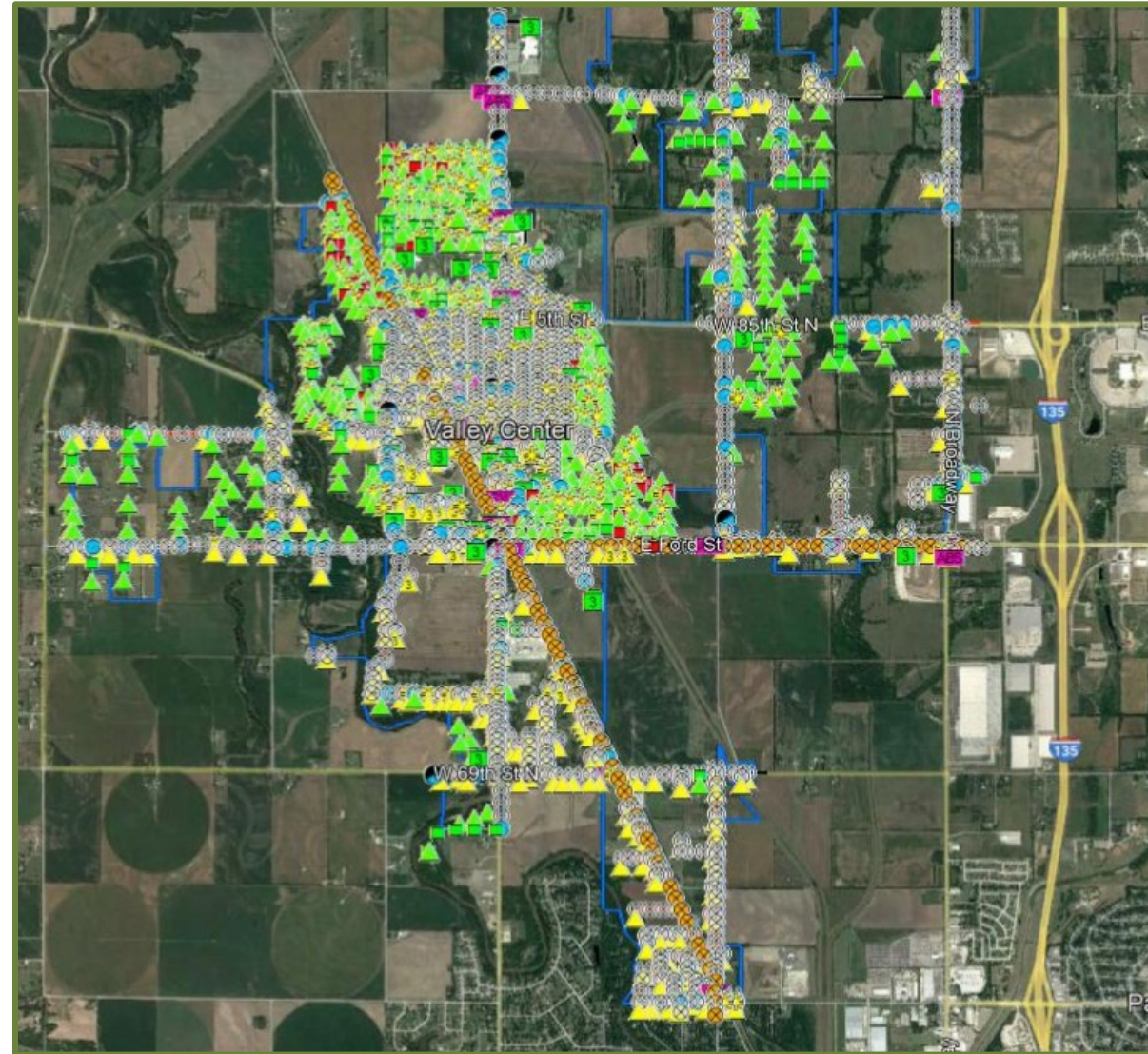
Task 4: Prepare Report/Presentation

FIELD ASSESSMENT/ DATA ACQUISITION

- System Mapping:

- Municipal Boundaries
- Substation/Distribution Assets
- Publicly available data
- Field confirmation

- ▲ Pad mount Transformers
- ▲ Pole mount Transformers
- ⊗ Distribution Pole
- Sectionalizing Equipment



FIELD ASSESSMENT/ DATA ACQUISITION

- Condition Assessment:
 - Estimated Age by Decade
 - Condition of Facilities



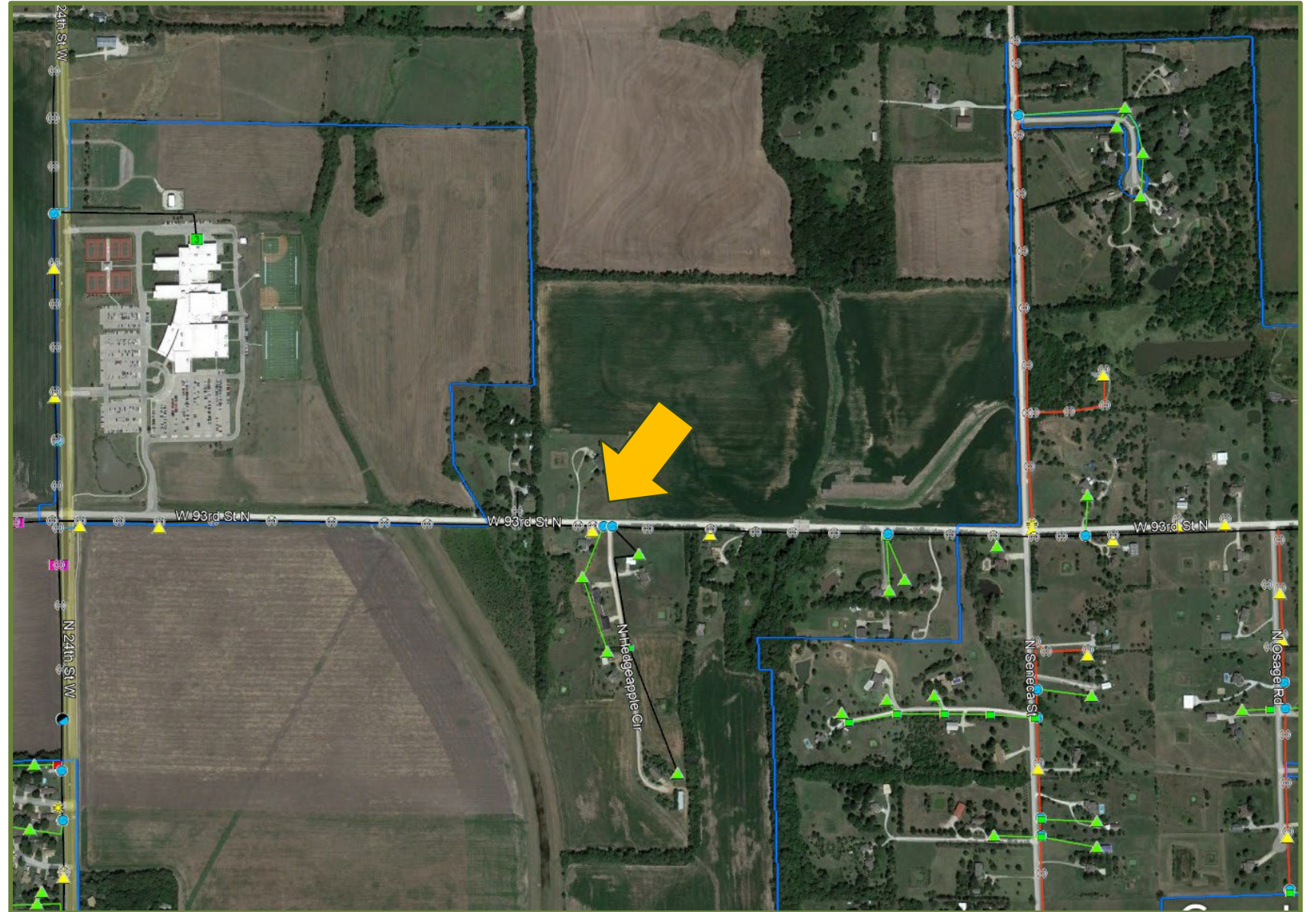
FIELD ASSESSMENT/ RESULTS

- Range of Values:
 - Categorize by FERC Account
 - Develop Replacement Costs for Assets



FIELD ASSESSMENT/ RESULTS

- Re-integration/severance



FINANCIAL MODEL

- Financial Model:
 - Estimate Municipal Electric Utility (MEU) costs over 10-year period.
 - Purchase price:
 - Utilize values developed by Exponential Engineering field assessment.
 - Assign estimated depreciation to each asset class (by FERC code).
 - Develop estimate of costs based on depreciated assets.
 - Severance/Reintegration
 - Stranded cost
 - Estimated Load
 - Power supply costs:
 - Based on market purchases for power (Southwest Power Pool).
 - Regulated transmission service costs.

FINANCIAL MODEL

- Financial Model:
 - Estimate MEU costs over 10-year period.
 - Start-Up:
 - Regulatory/legal/consulting fees
 - Inventory/cash needs
 - Ongoing operations & maintenance:
 - Distribution O&M costs
 - Customer O&M costs
 - General and Administrative Costs
 - Long-range capital plan:
 - Renewal and replacement of assets over time
 - Potential upgrades as necessary
 - Financing costs:
 - Issuance of bonds to acquire assets and fund start-up

FINANCIAL MODEL

- Financial Model:
 - Estimate MEU costs over 10-year period.
 - Replacement of Municipal Revenues:
 - 5% Payment-In-Lieu-of-Taxes (PILOT)
 - Cash Flow Analysis:
 - Develop Revenue Requirement to cover MEU costs.
 - Divide by total sales in Valley Center.
 - Develop “all-in” rate (\$/kWh sold).
 - Compare to estimated “all-in” rate from Evergy:
 - Based on published tariffs
 - Estimates of customer class/customer load
 - Project rate comparison over time.

Strengths, Weaknesses, Opportunities, Threats (SWOT)

- Examples:
 - Strengths: Community and City support
 - Weaknesses: Evergy resistance/funding from stockholders
 - Opportunities: Growth in City load
 - Threats: High market rates for electricity

LEGAL ANALYSIS

- Significance of Municipal Franchise Authority
- Potential Paths to Purchase Price:
 - Negotiated
 - KSA § 12-811
 - Kansas District Court decides, based on report of three Commissioners, one appointed by each of:
 - City
 - Incumbent utility
 - District Court
 - Eminent Domain (Condemnation)
- Construction – Build Your Own

LEGAL ANALYSIS

- Stranded costs:
 - Open Access Transmission Rationale: Use of incumbent's transmission system to reach new supplier = exposure.
 - FERC Regulation: 18 CFR § 35.26
 - Formula: Stranded Cost Obligation ("SCO") = (Revenue Stream Expected ("RSE") – Competitive Market Value Estimate ("CMVE")) x Expected Length of Continued Service ("L")
- Extraterritorial Service – K.S.A. §§ 66-1170 *et seq.*
- Legal Analysis – Summary of Preliminary Findings

NEXT STEPS

- Review Strategy with City
- Finalize financial model
- Review/Discuss legal analysis with City
- Issue Report
- Present findings to City



QUESTIONS/REVIEW

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