



*Testimony Provided to the*

**House Financial Institutions and Rural Development Committee**

March 3, 2021

*Paul Mahlberg, General Manager*

**Testimony in Support of H.B. 2429**

Kansas Municipal Energy Agency (KMEA) was officially formed in 1980 under Kansas law as a quasi-municipal corporation and established as a not-for-profit joint action agency made up of cities operating municipal electric utilities. The Agency was authorized by state statute (the Municipal Energy Agency (MEA) Act) to plan, finance and construct projects for the purchase, sale, generation and transmission of electricity. The mission of KMEA is to secure an adequate, economical and reliable supply of electricity for its members.

As a quasi-municipal, not-for-profit agency established by its member utilities, KMEA is dedicated to serving the power supply and transmission needs of our 81 consumer-owned utilities and the citizens, businesses and industries that they serve. These cities have come together to strengthen their effectiveness in dealing with common challenges. Through the joint action approach, the cities employ KMEA to undertake projects that they would find impractical if attempted separately. Today, KMEA manages nine power supply projects for our members.

KMEA runs its operations out of an office located in Overland Park with 29 employees. Together with the power supply projects, our total annual budget is just approximately \$85 million.

It is important to note that KMEA's business affairs are governed by a Board of Directors consisting of representatives from all our member cities. This full representation Board, through an elected Executive Committee, manages the operation of KMEA. Just like our member cities, we are also subject to and operate under the Kansas Open Records Act and our meetings are public meetings under the Kansas Open Meetings Act.

KMEA strongly supports House Bill 2429.

**Extreme Cold Weather/Effect on Prices**

Starting on February 10, the price of natural gas began to rise due to the extreme cold weather event that was encompassing the entire middle section of the United States. The extreme cold temperatures caused natural gas supply issues (wellhead freeze-offs) as well as significant increase in gas consumption by the end-users. Due to the limited supply and increased demand,

the natural gas prices rose to unprecedented levels. Natural gas that was trading at around \$3/MMBtu on February 8 rose to over \$300/MMBtu by February 12, doubling again to over \$600/MMBtu on February 17. For context, the previous high price for natural gas on the Southern Star pipeline was just over \$31/MMBtu back in February 2014.

Natural gas is the fuel that powers a significant amount of generation in the SPP region, and the run up in prices correlated to increases in the price of electricity prices throughout the region. Southwest Power Pool (SPP) real-time electricity prices began to rise on February 14 and continued at unheard of prices through February 19. The average day-ahead price for this 6 day period averaged over \$2,300 per megawatt-hour and reached as high as \$4,000 per megawatt-hour on an hourly basis. Again for context, the average price that KMEA pay in 2020 was \$20-30 per megawatt-hour.

### **Impact on KMEA and its Members**

KMEA manages the power supply and transmission needs and act as the SPP market participant for 41 of our member cities (see attached). Under the SPP Integrated Marketplace (an organized real-time and day-ahead energy market), KMEA purchases the energy needs for the 41 members and also sells the output of our members' power supply resources.

Although the full extent of the price increases to our 41 members is still not fully known, KMEA estimates the cost increase due to the higher natural gas prices and electricity prices will exceed \$35 million. This is a combination of higher SPP electric prices, purchases of natural gas for one of our projects, purchases of diesel fuel for our city-owned power plants, and expected increases in a purchase power agreement (through an automatic power cost adjustment clause).

As a project-based joint action agency, each of our members has a different power supply portfolio that is composed of KMEA projects and city-owned generation. Therefore, each of our 41 members were affected differently. Those members that own power plants in their community were able to soften the impact by running their electric generation.

For many of our members, the share of this cost will approach 50-100% of their annual electric budgets.

### **Proposed Bill**

The proposed House Bill No. 2429 will provide an opportunity for our member cities to access the funds to help pay for these unprecedented costs. It will create the ability to spread these costs out over time which allow for the Cities to, likewise, spread the costs out to their residents and businesses in their communities.

KMEA appreciates the House Financial Institutions and Rural Development Committee consideration of H.B. 2429.



## List of Members

Alma	<b>Altamont *</b>	<b>Anthony *</b>
Arcadia	<b>Arma *</b>	<b>Ashland *</b>
Augusta	<b>Baldwin City *</b>	Belleville
<b>Beloit *</b>	<b>Blue Mound *</b>	Bronson
<b>Burlingame *</b>	Burlington	Cawker City
Centralia	Chanute	<b>Chapman *</b>
<b>Chetopa *</b>	<b>Cimarron *</b>	Coffeyville
Colby	Dighton	Enterprise
Erie	<b>Eudora *</b>	Fredonia
<b>Garden City *</b>	<b>Gardner *</b>	<b>Garnett *</b>
<b>Girard *</b>	Glasco	Glen Elder
Goodland	Herington	Hill City
<b>Hoisington *</b>	<b>Holton *</b>	<b>Horton *</b>
Hugoton	Iola	<b>Jetmore *</b>
Johnson City	Kansas City	<b>Kiowa *</b>
LaCrosse	<b>LaHarpe *</b>	Lakin
Larned	<b>Lincoln *</b>	<b>Lindsborg *</b>
<b>Mankato *</b>	<b>Meade *</b>	Montezuma
<b>Moran *</b>	Morrill	Moundridge
<b>Neodesha *</b>	Norton	Oberlin
<b>Osage City *</b>	<b>Osawatomie *</b>	<b>Osborne *</b>
<b>Ottawa *</b>	<b>Pomona *</b>	Pratt
<b>Prescott *</b>	Robinson	<b>Russell *</b>
<b>Seneca *</b>	<b>Sharon Springs *</b>	St. Francis
St. John	Stafford	<b>Sterling *</b>
<b>Stockton *</b>	Troy	<b>Wamego *</b>
<b>Washington *</b>	Wellington	Winfield

\* The 41 Cities that KMEA manages power supply.