

AR Members' Power Supply Future

Working Together through

Kentucky Municipal Energy Agency (KyMEA)

- the Members' Interlocal Power Agency

January 25, 2018

Topics of Discussion

1. Business Structure Changes Effective May 1, 2019

2. KyMEA - the Organization

- The Fundamentals of Joint Action
- KyMEA Formed by Members -- for the Benefit of the Members' Customers
- The AR Contract

3. Progress on Power Supply Arrangements

4. Projected Benefits to KyMEA All Requirements Members

Beginning May 1, 2019, FPB's Power Supply will be Obtained Through Joint Efforts with Other KyMEA Members

-- Other Aspects of FPB's Service to Customers Will Remain the Same



* Typical percentages of total charges to retail customers. Not specific to Frankfort.

Through April 2019



Beginning May 2019



Key Reasons KyMEA was Formed?

***Formed By the Members
For the Benefit of the Members and Their Customers***

1. Effective Transition

For the AR Members, to the new power supply program needed beginning in May 2019

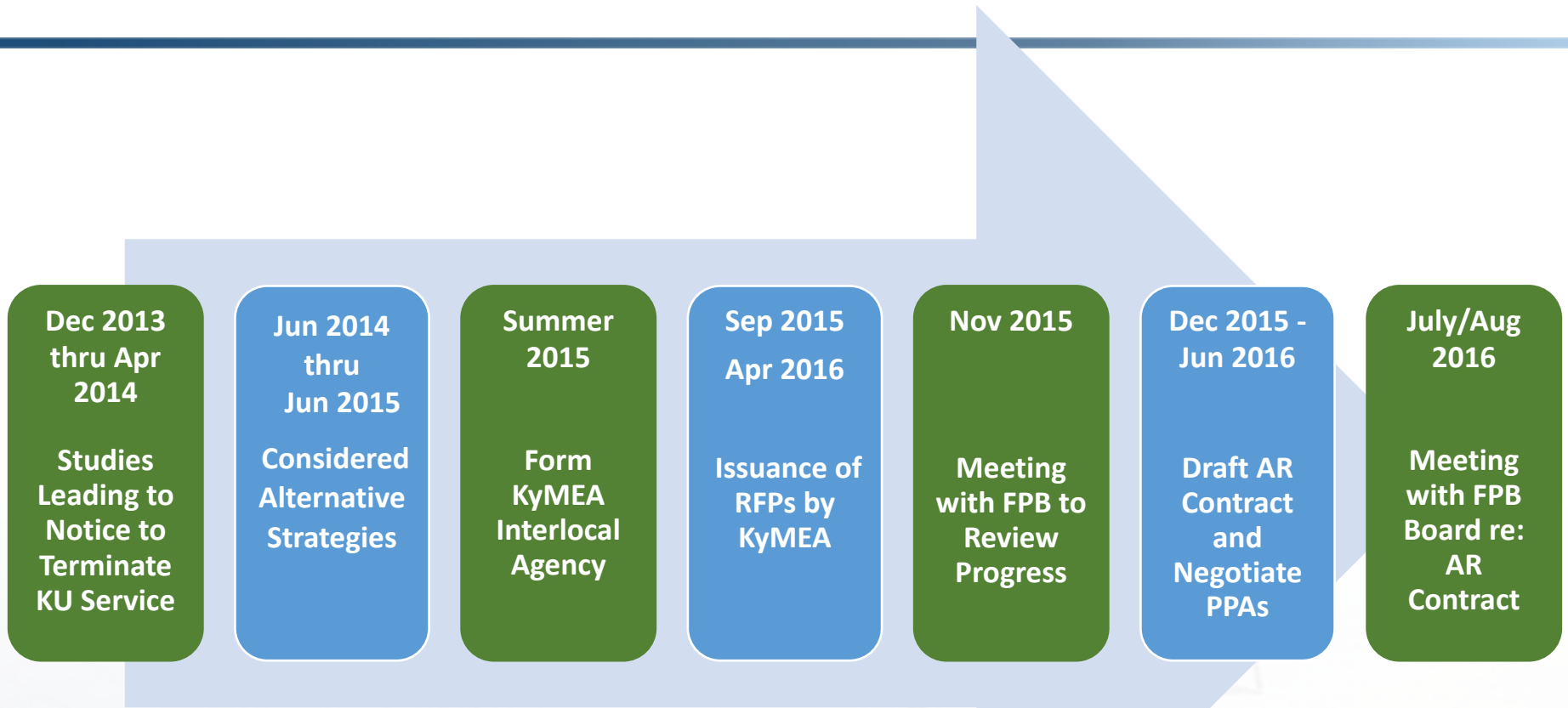
2. Economies of Scale

Acting together will be far more cost effective than acting individually

3. Voice in Decision Making

The members of KyMEA will exercise significantly greater control over their power supply program than existed as a wholesale customer of KU and than would exist under other alternatives.

The AR Contract and KyMEA Power Supply Arrangements Have Been Developed as Directed by the Members



KEY:

Member Action

KyMEA Board

The KyMEA- Member All Requirements Contract Overview

Provides for All Requirements Power Supply for All AR Members

- Beginning May 1, 2019
- Working Together through KyMEA

Balances Individual and Collective Member Interests

For the Benefit of the Members and the Members' Customers

Establishes a Framework for Beneficial Use of Member Resources

- SEPA Hydropower
- Paris Diesels
- Other

Intended to be Long-lasting Arrangement

- Evergreen Term
- Member 5-Year Exit Option

The AR Contract – Developed for and by the Members

The AR Contract

- Result of 2 Year Planning Process
- Gives Effect to Interlocal Cooperation Agreement Approved by FPB in Summer 2015, which Formed KyMEA
- Contract is For the Mutual Benefit of the AR Members
- Not a Contract that Benefits Some Other Entity

Development Process

Reflects
Best Practices

of Other Joint
Action Agencies

KyMEA Board
and Member
Input

6 Month
Process

Key Business Fundamentals

Captures Joint
Action
Benefits

-
- Critical Mass
 - Economies of Scale

Decisions by
Member Reps

-
- Policy
 - AR Rates
 - Power Supply

KyMEA Governance

Governed by Member Representatives – Open Meetings Laws Apply Article II Interlocal Agreement

1. Each Member appoints a Director and an Alternate Director

- member of the governing body or
- senior management employee of the Member or the Member's electrical utility system.

2. All meetings of the Board to be held in compliance:

- the provisions of the Kentucky Open Meetings Act,
- KRS Sections 61.800 through 61.850, and
- Robert's Rules of Order.

KyMEA Board Decision Making Process

Members Developed a Voting Process that Gives Voice to Even the Smallest Member, While Protecting the Larger Members - Article II Interlocal Agreement

1. To give members of all sizes a voice, each Director present casts one vote

2. To protect larger Members:

- Any Director voting in the minority on a motion can call for reconsideration based on a weighted vote
- A motion for reconsideration must receive a majority of the weighted votes of the Directors present in order to vacate the original per capita vote.
- Weighted votes can only vacate a per capita vote on a motion – would send the Board “back to the drawing board”
 - Does not change a “NO” Vote to a “YES” Vote

KyMEA's Roles for its 11 Current Members

Scope of Planned KyMEA Services -- Beginning May 2019

Members

Power Supply Arrangements

24 x 7 Scheduling and Dispatch Operations

Transmission

Barbourville, Bardwell, Corbin, Falmouth, Frankfort Plant Board (FPB), Madisonville, Paris, and Providence

Planning and Supply of Resources to Provide All Requirements (AR) Service

Scheduling, Dispatching, Market Interactions
Energy Pool

Contracting for Point to Point and Network Services

OMU

Note: OMU may in the future transition to All Requirements Service

Working with OMU to Contract for a Natural Gas Combined Cycle Resource

Scheduling, Dispatching, Market Interactions
Energy Pool

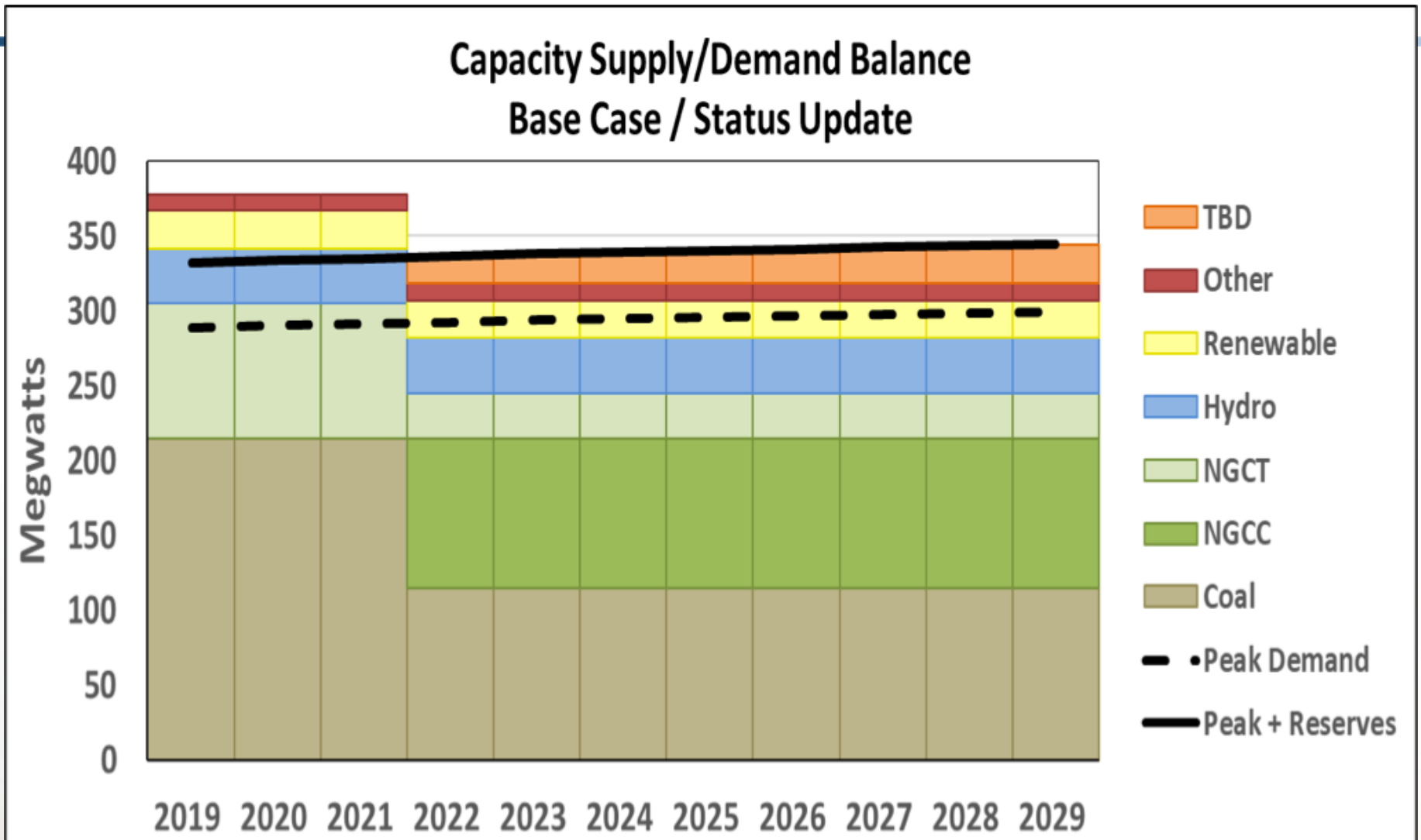
Berea and Benham

Contracting for Point to Point and Network Services

Current Portfolio Plan – Diversity of Resources – Capacity

Subject to Finalization of PPAs in Process for NGCC and Solar Resources;

Assumes FPB's 15 MW of SEPA Hydropower Allocation is Used in the Portfolio

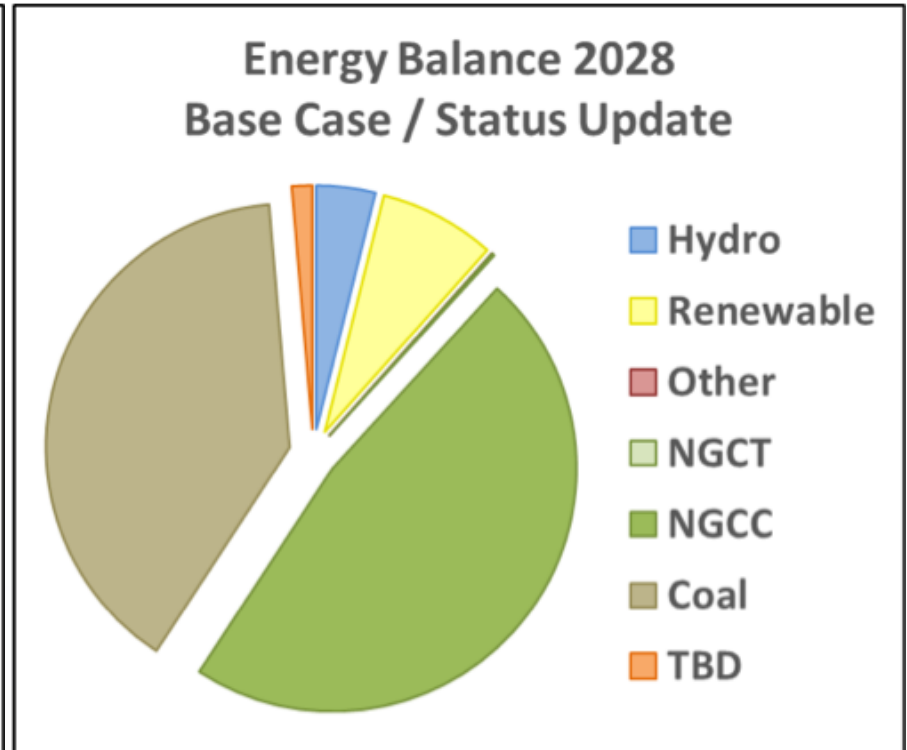
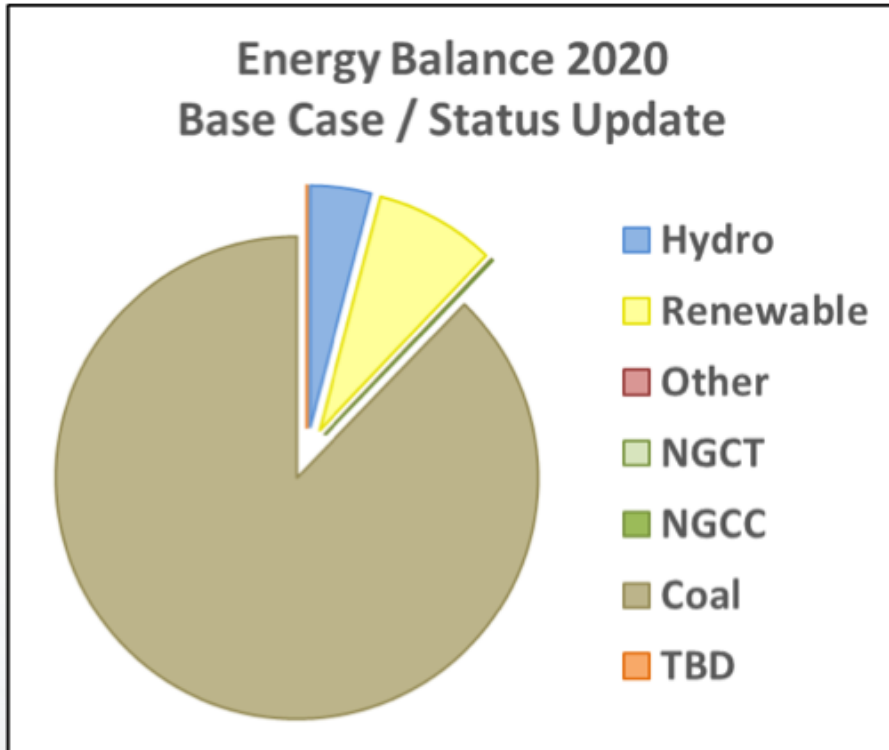


Current Portfolio Plan – Diversity of Resources – Energy

Heavy in Coal at Beginning Like Service from KU – Much More Diversified by June 2022

Typical of the Period
May 2019 thru May 2022

Typical of the Period
June 2022 thru May 2029

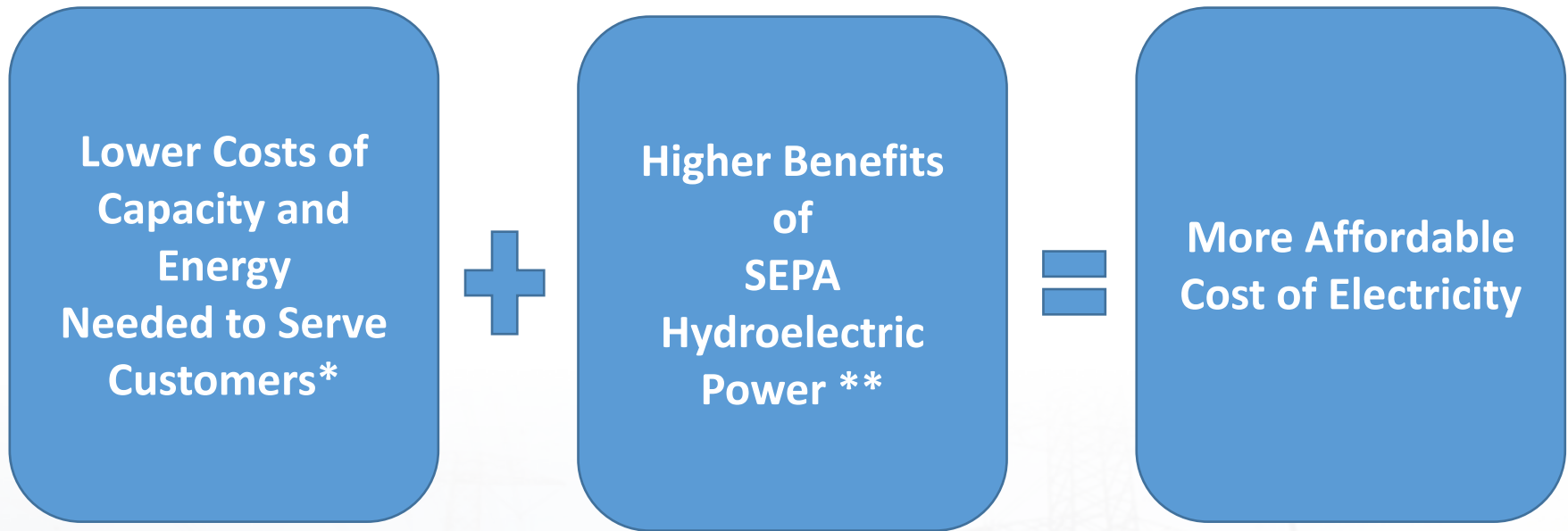


Portfolio Scorecard - Aligned with Objectives Specified by KyMEA's Board

Objective	Scorecard
<p>1. Competitive and More Affordable Future Cost of Electric Service</p>	<p>Significant projected benefits of lower power supply costs – May 2019 thru May 2029</p>
<p>2. Achieve Objective 1 under a Very Wide Range of Future Scenarios</p>	<p>Substantial benefits are projected under very wide ranges of commodity fuel and market price scenarios.</p> <p>Benefits are not likely to be diminished if carbon legislation is enacted – may increase.</p> <p>Resource-based PPA portfolio avoids risks to Members of volatile capacity and energy markets.</p>
<p>3. Assure Reliable, Competitive Cost Power Supply is Available Beginning May 1, 2019</p>	<p>Portfolio will provide and reliably deliver adequate resources beginning May 1, 2019 thru May 2029 – with only a small open position after 6/2022 to allow room for changes in load forecast</p>
<p>4. Accomplish the Above in an Environmentally Responsible Manner</p>	<p>Portfolio will dramatically reduce carbon footprint of Members' electric power supply, particularly beginning June 2022.</p> <p>All resources are required in PPAs to comply with applicable environmental regs.</p>

Benefits to the Communities Served by the AR Members

-- from Joining Together to Provide Power Supply Requirements Through KyMEA



* *As compared to purchases of wholesale power from KU.*

** *As compared to other available options for using hydroelectric resources purchased by each AR Member from the Southeast Power Administration ("SEPA").*

Customers of FPB and KyMEA's Other Members are Poised to Benefit from Forming KyMEA – Beginning May 2019

