

# KYMEA POWER POST

*A Quarterly Publication by KYMEA.*



## Lower Rates Than Previous Supplier

**Red Letter Days...** days of special significance. We all have them. It could be a marriage, birth of child or high school graduation. For a young person, it's the day you pass your driver's exam. For that young driver's parents and their insurance company, that's a red letter day for them as well.

In its first two newsletters, KYMEA celebrated two red letter days. The first was the ribbon cutting and dedication of KYMEA's headquarters on November 14, 2018. The second red letter day was May 1, 2019 when KYMEA went live and started delivering power to its members.

In this newsletter, we'll highlight another red letter day. Let's step back in time to September 24, 2015. Concerned about ever-increasing wholesale power rates and new contract demands from Kentucky Utilities, ten Kentucky communities took control of their future. This is when the founding members entered into an Interlocal Cooperation Agreement forming KYMEA and elected Ron Herd, General Manager of Corbin Utilities Commission as KYMEA's first Chairman.

*Continued on page 2*

### Important Dates

#### September

- 26th BROC Meeting
- 26th KYMEA Board Meeting
- 26th Strategic Planning

#### October

- 23rd KYMEA Board Meeting
- 24-25th KMUA Lexington, KY

#### November

- 21st KYMEA Board Meeting
- 28th Thanksgiving Day

**P.3** The Public Power Advantage (Investing in Ourselves)

**P.5** The Power of Energy Options

**P.4** #COMMUNITYpowered

**P.6** Strategic Planning 2019



# Lower Rates Than Previous Supplier

CONTINUED FROM FRONT PAGE



**ABOVE PICTURE: KENTUCKY MUNICIPAL ENERGY AGENCY - FIRST BOARD MEETING (SEPTEMBER 24, 2015)**

As reported by the Louisville Courier-Journal, "Guided by a team of lawyers and energy consultants, the board members came to Louisville from as far away as Owensboro and Benham to elect their first officers, make plans for hiring a staff member, and discuss a request for proposals to buy their electricity on the open market, starting in 2019."

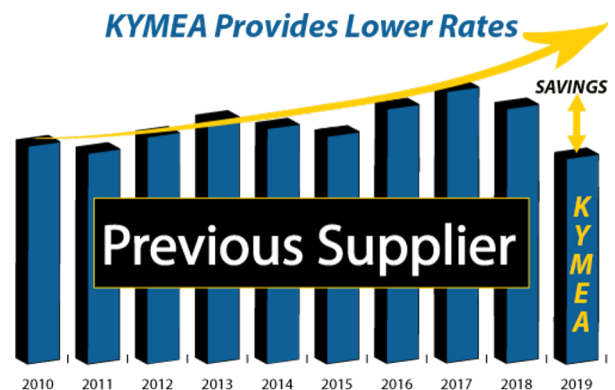
Let's fast forward to September 2019. Following the plan envisioned at the inaugural KYMEA Board meeting, the agency has completed its initial power supply portfolio by purchasing on the open market, is staffed and operational, and best of all, is realizing substantial savings.

As shown in the following chart, from 2010 to 2018, the wholesale power supply rate from Kentucky Utilities was on an ever-increasing trend-line. On May 1, 2019, when KYMEA began operations, that trend came to an abrupt halt instantly saving the KYMEA members millions of dollars.

May 1, 2019 marked the end of KYMEA members filling the coffers of Kentucky Utilities, whose corporate offices are located in Pennsylvania. This also marked the beginning of KYMEA investing in itself and its member communities. As a not-for-profit agency, every percentage point KYMEA can

save in power supply costs goes directly to the KYMEA members. Those savings are used to reduce customer rates, invest in electric distribution infrastructure, and maintained in a rate stabilization fund to guard against future rate uncertainty.

Joint public agencies serve as an engine for economic development, keeping the dollars in the local communities. The KYMEA members can look back to that red letter day on September 24, 2015, when the rate savings were set in motion.



# The Public Power Advantage (Investing in Ourselves)

BY DOUG BURESH



Greetings,

When KYMEA was formed in September of 2015, the agency set three lofty goals: 1) Realize lower rates than its current power supplier, 2) Establish a rate stabilization fund to keep rates stable in the future, 3) Be debt-free by the end of its first year of operations.

As an avid watcher of the television show Shark Tank, if KYMEA had presented an investment opportunity to the "tank" in 2015; its pitch to the sharks (investors) would have been, "We're starting an agency which will be debt-free, will have cash reserves to keep our rates stable, and will have among the lowest wholesale electricity rates in Kentucky; all in our first year of operation. We should also mention, we are a start-up agency with no employees, no headquarters, no name or branding, and no power supply assets or purchase power agreements currently in place. Who wants to invest?" How many sharks do you believe would have stepped up and invested? Likely none because of the large number of unknowns.

However, you know who did invest? The KYMEA member communities made the investment.

Believing in ourselves and investing in ourselves. That's the secret sauce of public power and joint public agencies such as KYMEA. Prior to KYMEA beginning operations on May 1, 2019, the individual agency members purchased their power from Kentucky Utilities, an investor-owned utility (IOU). Unlike not-for-profit public power, IOU's earn a profit for their shareholders based on their capital investment (rate base) times their allowed rate of return, which includes a return on equity for their shareholders. That's the profit component. There is nothing inherently wrong with the IOU business model. However, when given a choice, wouldn't you rather keep the shareholder profit and reinvest those dollars in your own communities? That's precisely what the founders of KYMEA decided to do.

KYMEA didn't stumble into its early success. The founding members of the agency, with the assistance of attorneys and energy experts, spent 18 months studying and discussing the risks and rewards of forming their own agency before creating KYMEA. It's those deliberate discussions and studies that will continue to guide KYMEA into the future.

In this edition of the KYMEA Power Post, we invited our members to share how lower rates are impacting their communities. To a member, the common responses were savings, benefits, and customers. How refreshing to hear that the first thing every member thought of was how the lower costs benefit their customers. It's clear the municipal electric utilities have a common cause that does not align with investor-owned utilities. Namely, public power is focused on low and stable rates for its customers.

Earlier I posed the question, "When given a choice, wouldn't you rather keep the profits?" It's worth noting that only 29 of the 665 cities and towns in Kentucky have the great fortune of owning their municipal electric system. Owning their own system provides them with the opportunity to make that choice. The eleven members of KYMEA chose to band together and form an agency to take advantage of economies of scale, efficient operations, and portfolio optimization; managed by professional staff and governed by its members. The realized savings of forming the agency directly benefits the customers in their communities by providing lower rates which leads to utility infrastructure investments, economic development opportunities, and more jobs for the local economy.

Investing in ourselves, it was the right choice!



## Lower Rates



# #COMMUNITYpowered

WeAreCommunityPowered.com #CommunityPowered



## PUBLIC POWER AND ECONOMIC DEVELOPEMENT

KYMEA is a tremendous asset to our member communities. As a public power agency, we are not focused on bringing profits to investors but rather bringing reliability and stability to power supply in our member communities. The health of our members local economy is contingent on its local industries. KYMEA and public power fosters economic development across the State of Kentucky.



### SAVE MONEY AND ENERGY

**\$160**

Public power customers pay an average of \$160 less per year than corporate utility customers.\*

### COMMUNITIES BENEFIT

**\$2  
Billion**

Public power communities see \$2 billion in annual revenue because of investments from public power. Public power produces more than 93,000 hometown jobs annually.



### LOCAL CONTROL

**You  
Decide**

Our member communities help in making decisions that will directly effect their own customer's energy supply future.

\*Based on 2016 average home electricity use of 10,766 kWh per year, according to the U.S. Energy Information Administration. Retrieved from <https://www.eia.gov/tools/faqs/faq.php?id=97&t=3>



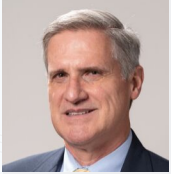
[publicpower.org](http://publicpower.org)





# THE POWER OF ENERGY OPTIONS

We invited our members to share how lower rates are impacting their communities



Ron Herd  
General Manager, Corbin

KYMEA's stable, lower wholesale electric rate is helping to provide Corbin's residential and commercial customers with lower electric costs than other surrounding electric providers' customers.

Gary Zheng  
General Manager, Frankfort

FPB's membership in KYMEA has allowed our community to have more control over our power supply decisions while providing almost \$5 million per year in wholesale power cost savings that will be used to provide \$1.6 million in rebates to our electric customers and fund the investment of Advanced Metering Infrastructure (AMI) that will bring valuable benefits to our customers and utility operations in general.



Philip King  
Mayor of Bardwell

We are seeing savings already that is being used to help Bardwell upgrade its street lighting and other equipment. We are so glad to be part of such a great team as KYMEA who is assisting Bardwell and giving us back our voice.



As we begin to see actual numbers and comparisons to a year ago for the same time frame; it is apparent Falmouth will be saving significant monies with the change to KYMEA. It is our goal to start talking long-term capital improvement plans as well as potential customer rebate programs. We will begin discussions to that effect in the upcoming meetings.



Ramona Williams  
City Clerk, Falmouth



Kevin Howard  
Utility Director, Berea

KYMEA benefits the City of Berea by being a low cost alternative for power supply through advantages of the Public Power business model. Berea now has an active role in the decisions which are made regarding our future power supply alternatives and a voice in the decisions that will affect our rates in the near and long-term future. This enables our utility to offer our customers reliable power at the lowest rates possible and enables us to look into energy efficiency and savings programs that were economically impossible in the past.



Josh Callihan  
General Manager, Barbourville

KYMEA benefits our community by providing a lower cost reliable energy option. It also allows us for the first time to participate in the power portfolio and financial decision making process for our power supply.



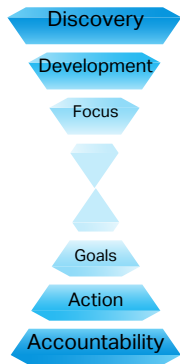
# STRATEGIC PLANNING 2019

Over the past couple of months, KYMEA's management team and Board of Directors has worked closely with Tim Blodgett from Hometown Connections to develop a Strategic Plan. Strategic planning is the tool to position the Agency to assist our members in successfully serving their communities in the years to come. As we worked through the process, we developed our vision, mission, and core values.

These steps are important as the Agency moves forward to communicate the principles, beliefs, and philosophy that will shape its future.

"Efforts and courage are not enough without purpose and direction"

John F. Kennedy



## KYMEA VISION STATEMENT

We shall positively impact our communities as a trusted leader of power supply and energy-related services.

## KYMEA MISSION STATEMENT

Through collaboration and operational excellence, we provide reliable, affordable, and sustainable energy services to the communities we serve.

## KYMEA CORE VALUES

**INTEGRITY:** We conduct business in an honest, transparent, just, compliant and environmentally responsible manner by holding ourselves to high ethical and accountability standards.

**RESPECT:** We encourage constructive dialogue that promotes a culture of inclusiveness, and recognizes our differences while valuing the perspective, talents and experiences of others.

**FISCAL RESPONSIBILITY:** We have an obligation to be accountable to the fiscal policies of the agency with budgetary discipline and affordable rates while practicing long-term planning and prudent use of debt.

**MEMBER FOCUSED:** We are committed to listening and responding positively to our members and their customers.

**OPERATIONAL EXCELLENCE:** We seek to achieve and maintain the highest level of excellence by performing in a productive and proficient manner, and adhering to best practices while providing a quality workforce.





Whats happening in our communities?

## SEPTEMBER

- 8th: Fall Arts Festival - Frankfort
- 14th: EweNique Art Walk - Falmouth
- 14th: MoonBow Egg Fest - Corbin
- 20-22: Spoonbread Festival - Berea
- 21st: Pumpkin Festival - Paris

## OCTOBER

- 4-6th: The Kentucky Wool Festival - Falmouth
- 6-12th: Daniel Boone Festival - Barboursville
- 11th: Bourbon County Secretariat Festival - Paris
- 12th: Capital Pride Festival - Frankfort
- 12-13th: KGAC Fall Fair - Berea
- 12-13th: Bourbonanza - Frankfort
- 14th: The October Festival - Corbin
- 19th: Paddlepalooza - Frankfort
- 19-20th: Apple Festival - Owensboro

## NOVEMBER

- 9-10th: Home and Hearth Christmas Bazaar - Berea



## BARBOURVILLE, KY

## DID YOU KNOW?

- Barbourville is home to the first log cabin built in Kentucky. It was built by Dr Thomas Walker who organized the first English expedition through the Cumberland Gap in 1750.
- Began electric services in 1938, and currently has 4103 electric customers.
- The city was established in 1812, and is the center of Knox County and the county seat.
- It is also the location of the first Civil War skirmish in the state of Kentucky.
- The Wilderness Road, Warriors Path and the Daniel Boone Trail all cross here.
- In 1879, 35 Local residents established Union College to create opportunity to the Appalachia. 100% of the students receive grants or scholarships.







Kentucky Municipal Energy Agency  
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Louisville, KY 40223

DISCOVER THE POWER OF ENERGY OPTIONS



## PUBLIC POWER FOR KENTUCKY

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[contact@kymea.org](mailto:contact@kymea.org)

If you have ideas for the next Power Post, please email Michelle Hixon at [mhixon@kymea.org](mailto:mhixon@kymea.org).