

A special called meeting of the City Council of the City of Iola was held on January 3 2012 at 4:30 p.m., at City Hall 2 W Jackson, Iola, Kansas. The purpose of the meeting was to discuss electric generation.

## **CALL MEETING TO ORDER**

Mayor Shirley called the meeting to order at 4:30 p.m.

## **ROLL CALL**

Mayor Shirley, Council Members Becker, Kilby, Wicoff, Rowe, Stewart, Callahan, French and Franklin were present. Also present was Administrator Slaugh, and City Clerk Hutton.

- Scott Shreve, Iola's energy consultant, reviewed the Kansas Power Pool bill. How the calculations were generated.
- Council Member Callahan asked if the best way to control cost was to cut down on the demand charge? Scott Shreve commented that if the city were able to generate more the demand charge would be lower, however KPP restricts the city from peak shaving.
- If the city were able to peak shave a \$200,000 savings could be seen.
- Council Member Callahan asked why can't we get out of the contract with KPP when they have changed their side of the contract and they won't allow us to peak shave? Why can't we just put in smaller transformers and then we wouldn't be able to take all of the power from KPP and would have to generate. Mike Phillips noted that transformers are about \$50,000.
- Administrator Slaugh stated that KPP is noticing that with the cities that have given their notice they will start to see a loss of funding, which could possibly make them unable to pay their obligations. The KPP Board are the ones that made the decision that cities couldn't peak shave because of the loss of revenue in 2009 when cities were allowed to peak shave.
- Mike Phillips noted that several of the systems around us in the KPP couldn't generate their own power; therefore they are dependent upon Iola and Chanute bringing in the extra power. While helpful to those cities around us it hurts Iola and Chanute because they are not allowed to peak shave.
- Scott noted that we could go back to KPP and tell them that we are going to run everything above 20 MGW.
- Administrator Slaugh asked what would the penalty be if we just peak shaved? Scott and Mike have fought the battle hard with KPP to allow the city to peak shave. In 2010 the city generated and just paid the KPP bill.
- Council Member French thought it would be a good idea to get the KPP agreement and just look to see if there would be a penalty.
- Council members wondered which cities are on the board that are in the same boat we are in as far as the generation capacity and not being allowed to peak shave? Scott will look into this. Council members wondered if it would be possible to look at other cities agreements to make sure it is fair across the board.

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- Council Member Rowe questioned if there were law firms out there that are well versed in this kind of litigation. Scott noted that Chuck has been involved in the process with KPP and has visited with the Chanute city attorney; therefore he is well versed in the matter.
- Scott Shreve noted that the city could start peak shaving in May and just not pay that part of the bill. Administrator Slaugh noted that the city attorney would need to be consulted first. Council Member Callahan noted that this is just a roundtable discussion everything would need to be checked into first.
- Council Member Wicoff was concerned that the KPP might come back with an offer the city can't refuse if they see the other cities are getting out and they need them to continue shouldn't we stay on their good side?
- Council Member Callahan estimated that the city can save around \$300,000 plus the additional cost of the penalty KPP will be subjecting the cities to that have given their notice. Noting that the city would have to subtract the cost of natural gas to run the Wartsila generators.
- Mike is looking into being able to generate in the winter months to lower the demand charges.
- The city will have to participate in an aggregate study mandated by the Southwest Power Pool, which takes 12-18 months.
- Scott, Mike and Carl will be meeting with other cities to look at pooling resources on Thursday.
- Administrator Slaugh noted that with KMEA the city has a vote at the table and with Westar they will not. Council Member French noted that when an option is chosen the city needs to pay attention to the agreement.
- Donna Houser noted that Scott seems to be doing a good job for the city and is looking into the best price for the city. Mayor Shirley noted that Scott is doing a great job for the city.

**ADJOURNMENT**

**5:53 p.m.** Motion made by Council Member Callahan and was seconded by Council Member Wicoff to adjourn the meeting. The vote was eight ayes. As the vote was unanimous, the meeting was declared adjourned.

Approved by the City Council of the City of Iola, Kansas this 9<sup>th</sup> day of January 2012.

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Mayor, William A. Shirley

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City Clerk, Roxanne Hutton