

April 21, 2015

A Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at Farmers Bank and Capital Trust, located at 125 W. Main Street, Frankfort, Kentucky, on Tuesday, April 21, 2015 at 5:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Dr. Scott Green, Vice Chair
Rick Pogrotsky, Board Secretary/Treasurer
Patricia B. Lynch, Board Member
Arthur McKee, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
David Billings, Chief Water Engineer
Billy Briscoe, Water Dist. Supt.
Harvey Couch, Marketing and Video Content Coordinator
David Denton, Finance Director
Sharmista Dutta, Water Engineer
Vent Foster, Chief Electrical Engineer/Asst. GM Operations
Monique Gilliam, Customer Service Director
Angie Hart, Human Resources Assistant
Dana Hawkins, Executive Assistant
Adam Hellard, Broadband/Security Manager
Ryan Henry, IT
Scott Hudson, Electric Supt.
Casey Jones, Asst. IT Director
Kathy Poe, Executive Assistant
Hance Price, Staff Attorney/Asst. GM Administration
Mark Redmon, Support Services Director
Chris Riddle, WTP Superintendent
Kim Phillips, Safety Director
Dianne Schneider, Human Resource Director
Glenn Waldrop, Public Information Officer
Dave Pike, Cable 10 Videographer
Seth Littrell, State Journal Reporter
Paula Moore, FPB Customer

AGENDA

The Agenda for the Board Meeting was received and entered into the Minute Book as follows:

APRIL 21, 2015 BOARD MEETING AGENDA

1. **Action Item:** Consider Approving Minutes of March 10, 2015 Special Board Meeting.
2. **Action Item:** Consider Approving Minutes of March 17, 2015 Special Board Meeting.
3. **Action Item:** Accept Electric, Water and Cable Financial & Statistical Data for March 2015.

4. Informational Item: Departmental Reports:

- Cable Dept.
- Customer Service
- Electric Dept.
 - SEPA
- Safety
- Water Distribution
- Water Treatment Plant
- Administration Building
- Headend Building

RECESS FPB – CONVENE MPC

5. Action Item: Conduct Election of Officers the Frankfort Plant Board Municipal Projects Corporation.

ADJOURN MPC – CONVENE FPB

6. Action Item: Consider Award of Bid Invitation #1599 for one 69kV Breaker to Alstom Grid, Inc. in the Amount of \$35,260.
7. Action Item: Consider Approving Information Technology's Security Assessment to be performed by SDGblue.
8. Action Item: Consider modifying the FPB Cable-Telecom tariff (Section V, P. Equipment Deposits) and update equipment deposit cost for Advanced Set Top Boxes.
9. Action Item: Consider Approving Pivot Renewal for the Preferred Cable Line-up.
10. Action Item: Consider Approving AXS TV and HDNet Movies Renewal.
11. Action Item: Consider Approval of Change Order No. 1 on the Traveling Screen Rebuild Project with Atlas Manufacturing Company for \$2,910.
12. Action Item: Consider Award of Bid Invitation #1600 for Two (2) Pad Mounted Transformers to Brownstown Electric in the Amount of \$32,344 and One (1) Pad Mounted Transformer to C.G. Power in the Amount of \$6,583.
13. Action Item: Consider Changes to the FPB Guidelines Governing Employment.
14. Action Item: Consider Approval of a Public Hearing Notice for FPB Paper Bill Fee in the Amount of \$0.60 Per Customer Bill to Recuperate Annual Third-Party Billing Expense, Reduce Overall Billing Expense, and Reduce Environmental Impact Related to Paper Bills to be Effective July 1, 2015.
15. Action Item: Consider Approval of General Service, Electric, Water, and Cable Tariff Fee Revisions to Equitably Recover Costs Related to Customer Initiated Service Requests or Actions to be Effective July 1, 2015.
16. Action Item: Consider Approval of Use of Credit Scoring and Waiver of Deposits for Certain Customer Classes.
17. Action Item: Old & New Business:

18. **Informational Item: General Manager's Comments.**
19. **Request Permission to have Chair call for a Closed Session** pursuant to KRS 61.810 (1)(c) for the discussion of proposed or pending litigation against or on behalf of FPB; KRS 61.810 (1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee; and KRS 61.810(1)(b) for the discussion of the future acquisition or sale of real property.

20. **Closed Door Session:**

BOARD ACTION

Mr. Ludwig called the meeting to order at 5:00 p.m. Ms. Poe called the roll. She noted five (5) board members in attendance.

1. **Action Item: Consider Approving Minutes of the March 10, 2015 Special Board Meeting.**

Ms. Lynch moved to approve the minutes of the March 10, 2015 Special Board meeting and the March 17, 2015 Special Board meeting. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed.

2. **Action Item: Consider Approving Minutes of March 17, 2015 Special Board Meeting.**

Approved in Item 1.

3. **Action Item: Accept Electric, Water and Cable Financial & Statistical Data for March 2015.**

Mr. Denton explained the statement of net position and balance sheet. He discussed revenues and expenses for the company as a whole and separately for each line of business.

Dr. Green moved to accept the financial and statistical data for March 2015. Ms. Lynch seconded. Mr. Ludwig called for the vote and the motion passed.

4. **Informational Item: Departmental Reports:**

Cable: Mr. Couch reviewed the graphs and noted broadband continued to add customers while cable and telephone customer numbers continued to decline. He further discussed trouble calls and outages.

Mr. Hellard reviewed the preliminary Headend construction schedule. He noted that construction meetings would be held the second Tuesday of each month and that the substantial completion date for the building was April 6, 2016.

Customer Service: Ms. Gilliam noted the number of calls and walk-in customers assisted for the month of March. She further noted that Staff continues to look at options to increase the customer experience and improve efficiency while improving customer wait times.

In response to Ms. Lynch, Ms. Gilliam explained the number of employees available to answer calls and noted that all of those employees must be available to assist walk in customers as well. She advised that there are certain days in which call traffic and walk in customers are unusually heavy and it can take longer to return calls on those days.

Electric: Mr. Hudson stated that there were 21 outages in March and discussed the SAIDI graph. He discussed the failure of a transmission line which caused a spike in the SAIDI graph numbers.

SEPA: Mr. Bannister noted a profit of \$43,360 for the month of February. He advised that new SEPA rates had not yet been formalized. He further advised that the Department of Energy and the Department of Defense were still working out the classification of the repairs which would have a direct bearing on rates. He noted that SEPA was pushing for the repairs to be classified as dam safety which would reduce the responsibility of payment for SEPA members significantly.

Safety: Ms. Phillips noted one (1) OSHA recordable accident which someone fell on some ice and noted no (0) vehicle accidents.

Water Distribution: Mr. Briscoe noted one (1) new service, two (2) main breaks, and one (1) outage.

Water Treatment: Mr. Riddle reviewed the Water Treatment Plant reports and stated that FPB produced more than 266 million gallons of potable water for the month of March for an average daily production of 8.6 million gallons per day. He noted that production had increased from past years.

Administration Building: Mr. Bannister discussed the status report and stated that construction began early in the week of April 13 which consisted of general site preparation and top soil removal. He noted that erosion protection was in place, the security fencing had been installed and the contractor's office trailer would be relocated closer to the PSC building. He noted that top soil removal should be completed by April 21 and that the next phase was mass excavation which would take approximately three (3) weeks. Mr. Bannister discussed completion of gas line relocation and blasting surveys, and noted that the next phase was construction of the building pad. He further advised that the project is progressing well and that Staff will continue to monitor progress.

Mr. Ludwig commended Staff for the excellent planning and execution of the groundbreaking ceremony.

Dr. Green moved to recess the FPB Board meeting and convene the MPC Special Meeting. Mr. Pogrotsky seconded.

RECESS FPB – CONVENE MPC

5. **Action Item: Conduct Election of Officers and Appoint Registered Agent for the Frankfort Plant Board Municipal Projects Corporation.**

The current Officers of the Frankfort Plant Board Municipal Projects Corporation consist of Board Members and Staff. The current Officers are President, Ralph Ludwig; Secretary/Treasurer, Patricia B. Lynch; and Vice President, Scott Green. The terms of the current officers expire May 1, 2015.

Article VII of the Corporation's Articles explains that the Corporation has five directors. These Directors are the Frankfort Plant Board's Board members. FPB Board members continue to serve as Directors of the Municipal Projects Corporation as long as they are members of the Board. Upon leaving the Board, the Board member automatically ceases to be a Director of the Corporation. Thereafter, the new Board member assumes the directorship.

Article X notes that the Corporation shall have a President, Vice President, Secretary and Treasurer (which Secretary and Treasurer need not be a Director and may be the same person) each of whom shall be elected or appointed by the Board of Directors for such term, not exceeding three (3) years.

Staff respectfully requests that the Directors of the Corporation move to elect new officers. The terms of the new officers would run through May 1, 2018.

Mr. Ludwig noted that the Board members for FPB are the same Board members for the FPB Municipal Projects Corporation.

Ms. Poe called the roll of the FPB Municipal Projects Corporation (MPC) and noted all five (5) members in attendance.

Mr. Ludwig stated that the primary business of the corporation was to elect new officers of the MPC beginning May 1, 2015 with terms through May 1, 2018. He noted the current officers as himself, President, Ms. Lynch, Secretary/Treasurer, and Dr. Green, Vice President. Mr. Ludwig turned the meeting over to Mr. Liebman to facilitate the election process.

Mr. Liebman reiterated the office terms and opened the floor to nominations for the office of President. Dr. Green nominated Ms. Patricia Lynch for the office of President and Mr. Pogrotsky seconded. With no other nominations, Mr. Pogrotsky moved to cease nominations and Mr. McKee seconded. Mr. Liebman called for the vote and nominations for President closed. Ms. Lynch was elected President of the MPC by acclamation and by unanimous vote.

Mr. Liebman opened the floor to nominations for the office of Vice President. Mr. Ludwig nominated Arthur McKee for the office of Vice President and Dr. Green seconded. With no other nominations, Mr. Pogrotsky moved to cease nominations and Dr. Green seconded. Mr. Liebman called for the vote and nominations for Vice President closed. Mr. McKee was elected Vice President of the MPC by acclamation and by unanimous vote.

Mr. Liebman opened the floor to nominations for the office of Secretary/Treasurer. Mr. Ludwig nominated Mr. Pogrotsky for the office of Secretary/Treasurer. Mr. McKee seconded. With no other nominations, Mr. McKee moved to cease nominations. Mr. Liebman called for the vote and nominations for Secretary/Treasurer closed. Mr. Pogrotsky was elected Secretary/Treasurer of the MPC by acclamation and by unanimous vote.

With no further business, Dr. Green moved to adjourn the MPC meeting. Mr. McKee seconded. The MPC meeting adjourned and the FPB meeting reconvened.

ADJOURN MPC – CONVENE FPB

6. **Action Item: Consider Award of Bid Invitation #1599 for one 69kV Breaker to Alstom Grid, Inc. in the Amount of \$35,260.**

Staff prepared an invitation for one 69kV breaker and sent it to 17 vendors. Five responses were received. After reviewing all bids, staff recommends awarding to Alstom Grid in the amount of \$35,260 with a delivery time of 14 to 18 weeks. Alstom Grid submitted the lowest bid and met the specifications.

This breaker will be used to protect the new transformer for East Main substation that was approved at the October 2014 board meeting. This purchase is included in the 2014-2015 Electric Capital Additions Budget, Section 2, page 30, Item 2-1. \$1,165,000 is included in the budget for this project.

Mr. Foster discussed bid invitation and responses received. He advised that funds for this purchase were included in the 14-15 fiscal year budget. He further noted that FPB had utilized this company in the past with good experience.

Mr. Ludwig moved to award bid invitation #1599 for one 69kV breaker to Alstom Grid, Inc. in the amount of \$35,260. Ms. Lynch seconded. Mr. Ludwig called for the vote and the motion passed.

7. **Action Item: Consider Approving Information Technology’s Security Assessment to be performed by SDGblue.**

This is a budgeted item found in Section 9, Page 6, Item 15 for \$30,000. The total cost for the assessment is \$32,925.60. The additional funds will be used from Section 9, Page 6, Item 2. This would be a reallocation of IT expense funds for 2014-2015. This service is under the Kentucky State Price Contract MA 758 1300000621. This includes a review of procedures and practices to protect against a security breach.

Next year, we plan on budgeting approximately \$20,000 for a NERC CIP (North America Reliability Corporation Critical Infrastructure Protection) review. This includes an enhanced review of security management controls, electronic security and physical security just to name a few which may important as FPB explores its future power supply options.

Staff recommends that the Board approve the contract for a Security Assessment and the budget amendment in the amount of \$32,925.60.

Mr. Jones explained the internal network security assessment and explained that assessments were required under House Bill 5 and HIPAA. He further explained additional requirements to be met in the future and other potential weaknesses in the system.

Mr. Jones explained budgeted funds for this assessment and the need to reallocate additional funds for this item.

Mr. Jones stated that no problems prompted this assessment and noted that this would allow Staff to improve the system security. He further noted that it is good business practice and reiterated regulatory compliance. Mr. Jones advised that the purchase would be made through the State price contract and that the State government also utilizes this company.

Mr. Pogrotsky moved to approve Information Technology’s security assessment to be performed by SDGblue in the amount of \$32,925.60. Ms. Lynch seconded. Ms. Poe polled the Board and the motion passed unanimously.

8. **Action Item: Consider modifying the FPB Cable-Telecom tariff (Section V, P. Equipment Deposits) and update equipment deposit cost for Advanced Set Top Boxes.**

Staff recommends Board approval for the modification of the current Cable-Telecom tariff (*Section V, P. Equipment Deposits*) which states “Management will annually update the equipment cost and accordingly adjust the actual deposit based on cost”. The equipment cost for: Standard Definition Advanced Set Top Box (SD ASTB); the High Definition Advanced Set Top Box (HD ASTB); and the High Definition/Digital Video Recorder Advanced Set Top Box (HD/DVR ASTB), have not been updated to current wholesale cost in more than two years. In that time, the price of SD ASTB’s have come down dramatically and with the long-term phase out of DTA’s, the high deposit cost can be a barrier to some customers seeking service but utilizing an older, analog TV. If approved, Staff requests the modification be implemented immediately.

	<u>Current Deposit/Non-returned price</u>	<u>Proposed Deposit/Non-returned price</u>
SD ASTB	\$143.00	\$20.00
HD ASTB	\$159.50	\$155.50
HD/DVR ASTB	\$306.90	\$265.00

Mr. Couch explained current equipment deposits and the price changes for equipment over the last two years. He noted that Staff recommended reducing the deposit amount for SD ASTB boxes, HD ASTB boxes and HD/DVR ASTB boxes accordingly.

In response to Mr. McKee, Mr. Couch stated that Staff recommended reducing the deposit amount down to the current cost of the equipment.

Ms. Lynch moved to approve modifying the FPB Cable-Telecom tariff (Section V, P. Equipment Deposits) and update equipment deposit cost for Advanced Set Top Boxes. Mr. Pogrotsky seconded.

In response to Mr. McKee, Mr. Couch noted that the information would be published on the website and would be discussed one on one between customers and customer service representatives at the time service was requested.

After additional discussion, Ms. Lynch amended her motion to include an effective date of May 1, 2015. Mr. Pogrotsky seconded the amended motion. Mr. Ludwig called for the vote and the motion passed.

9. **Action Item: Consider Approving Pivot Renewal for the Preferred Cable line-up.**

Staff recommends approval of the Pivot renewal. This National Cable Television Cooperative (NCTC) agreement has a term through December 31, 2019. This renewal affords FPB the opportunity to lower their current Pivot subscriber rate. The annual increases are below budgeted projections. Pivot is a Preferred Cable channel, which exists on channel 118 and contains a diverse mix of original series, acquired programming, films and documentaries. This new agreement includes VOD and TVE rights. No additional carriage requirements obligations are included in this agreement. The Assistant GM for Administration has reviewed the agreement and it meets with his approval.

Mr. Couch explained the NCTC agreement noting the term ending December 31, 2019. He advised that the cost was below the budgeted projection and the agreement includes VOD and TVE rights.

Dr. Green moved to approve the Pivot Renewal for the Preferred Cable line-up. Ms. Lynch seconded. Mr. Ludwig called for the vote and the motion passed.

10. **Action Item: Consider Approving AXS TV and HDNet Movies Renewal.**

Staff recommends approval of the AXS TV and HDNet Movies renewal. This National Cable Television Cooperative (NCTC) agreement has a term through March 31, 2020. The initial rate reset and the annual increases are all below budgeted projections. AXS TV is a Preferred Cable channel, which exists in HD only on channel 611 and is dedicated to providing the best in music programming and festivals, comedy performances, current events and mixed martial arts promotions. HDNet Movies is an HD Plus channel, which exists on channel 777 and contains the best films from the classics of the 1950s-1970s, to favorite films from the 1980s and 1990s, to recently released theatrical films. This new agreement includes VOD and TVE rights. No additional carriage requirements obligations are included in this agreement. The Assistant GM for Administration has reviewed the agreement and it meets with his approval.

Mr. Couch explained the NCTC agreement and noted a term ending of March 31, 2020. He advised that the cost was below the budgeted projection. He further explained the genre of content carried on these channels and their locations on the line-up.

Dr. Green moved to approve the AXS TV and HDNet Movies renewal. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed.

11. **Action Item: Consider Approval of Change Order No. 1 on the Traveling Screen Rebuild Project with Atlas Manufacturing Company for \$2,910.**

In November of 2014, the Board awarded the project to Atlas Manufacturing in the amount of \$54,751. The purpose of the project was to rebuild one of two screens at the Water Treatment Plant to like-new condition.

Change Order #1 is for providing an improved seal strip, new head shaft, and new spray nozzles not originally identified in the original scope of work. The change order will increase the contract amount by \$2,910 but not change the substantial completion date.

Original Contract	\$ 54,751.00
Change Order #1	<u>\$ 2,910.00</u>
	\$ 57,661.00 (new contract amount)

Change Order No. 1 represents only 5.3% of the original contract price. The FY 14-15 budget includes \$74,000 for the project. No additional change orders are expected. As a matter of course, Staff recommends that the Board approve Change Order No. 1 with Atlas Manufacturing Company.

Mr. Billings reviewed the photos of the rebuilt traveling screen and its placement back in service.

Mr. Billings discussed the scope of work and cost of the change order. He further explained the necessity of the additional work. He advised that the work was not included in the initial scope due to additional wear and tear after initial inspection, and because some issues could not be detected until the screen was disassembled. He further advised that the additional items were necessary. Mr. Billings discussed budgeted funds and noted that the project was still well under budget and that Staff did not expect any additional change orders.

Mr. Ludwig moved to approve Change Order #1 on the traveling screen rebuild project with Atlas Manufacturing Company for \$2,910. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed.

12. **Action Item: Consider Award of Bid Invitation #1600 for Two (2) Pad Mounted Transformers to Brownstown Electric in the Amount of \$32,344 and One (1) Pad Mounted Transformer to C.G. Power in the Amount of \$6,583.**

Staff prepared a bid invitation for three (3) pad mounted transformers. The invitation was sent to nine (9) vendors with seven (7) responses received. After reviewing all bids, staff recommends awarding to Brownstown Electric and C. G. Power as they are the lowest bids meeting specifications. Language in this bid allows for the bid to be divided. Award recommendations are:

Item #1 to Brownstown Electric - \$32,344 (2 @ \$16,172)
Item #2 to C. G. Power - \$6,583

These transformers will be used to replenish depleting inventory levels.

Mr. Redmon explained the bid invitation and responses received. He noted that the purchase would be utilized to replenish inventory.

Ms. Lynch moved to approve bid invitation #1600 for two (2) pad mounted transformers to Brownstown Electric in the amount of \$32,344 and one (1) pad mounted transformer to C.G. Power in the amount of \$6,583. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed.

13. **Action Item: Consider Changes to the FPB Guidelines Governing Employment.**

Staff asks that the Board consider changes to the FPB Guidelines Governing Employment to revise the sections on Hiring, Job Reclassification and Promotions (see selected sections in the detail pages: section VI. Hiring Guidelines; section X. Compensation Plan; section XI. Job Classification Plan).

At the February 2015 Board meeting, the Board requested that Staff review the policy on posting vacancies. The process of posting vacancies for internal applicants encourages employee advancement and skill development; and demonstrates fairness and equal employment opportunity.

Staff formed a work group consisting of Vent Foster, Assistant General Manager Operations; Hance Price, Assistant General Manager Administration/Staff Attorney; John Higginbotham, Assistant General Manager for Cable Telecommunications; Angie Hart, Human Resource Specialist; Dianne Schneider, Human Resources Director; and Herbbie Bannister, General Manager. The work group reviewed FPB's current policy, the policies of other organizations including public utilities, and conducted additional research.

The proposed changes provide more detail on the process of posting job vacancies; and more clearly define job reclassification and promotion. If approved, the revised policies provide employees with opportunities for advancement, while reserving the Board's option not to post a position if the Board determines it is in FPB's best interest.

The proposed changes are included in the detail pages for this Board item.

Ms. Schneider explained the changes in the guidelines governing employment for the sections governing hiring, reclassification and promotions. She discussed the work group and specific changes regarding posting vacancies for internal candidates. She advised that the proposed changes provide more detail regarding the job posting process and would more clearly define job reclassification and promotions.

Mr. McKee noted his concern regarding the subjectivity of the language in paragraph #3. Ms. Schneider explained that other utility companies utilize similar language in order to maintain some flexibility when it was in the best interest of the utility. Mr. Bannister further explained situations where this flexibility would be necessary and utilized. Mr. Ludwig noted that it would allow flexibility if needed to fill a vacancy quickly. Mr. McKee stated that he believed all open positions should be posted and let everyone who desires to apply.

After additional discussion Mr. Pogrotsky moved to table the item until May. Dr. Green seconded. Ms. Lynch suggested that the Board may wait until June to allow for more time for discussion. Mr. Pogrotsky amended his motion to table until June. Ms. Lynch seconded. Mr. Ludwig called for the vote and the Board tabled the item until June.

14. **Action Item: Consider Approval of a Public Hearing Notice for FPB Paper Bill Fee in the Amount of \$0.60 Per Customer Bill to Recuperate Annual Third-Party Billing Expense, Reduce Overall Billing Expense, and Reduce Environmental Impact Related to Paper Bills to be Effective July 1, 2015.**

In the most recent 12 months from April 2014 to March 2015 FPB mailed 349,346 initial customer paper bills and 61,343 second notice customer bills to FPB customers totaling 778,682 pages of paper at a cost of \$0.60 per statement totaling approximately \$250,000 in annual customer billing expense. Staff would like to significantly reduce this annual expense by encouraging customers to sign up for electronic, paperless billing that cost FPB relatively little comparably.

Companies, banks for example, have been utilizing electronic billing for years and charging customers for paper bills. Today FPB has an electronic billing service available to customers through our third party billing vendor that costs FPB a flat online hosting fee of \$350 and an online bill storage fee of \$0.025 per page at an estimated annual cost of \$17,933. FPB's IT department is currently testing an internally developed customer portal that will provide electronic customer statements, plus much more, that we plan to roll out in calendar 2015 that will eliminate all third party e-billing costs. Today only 6,346 customers are registered for the paperless billing service and of those 4,573 also receive a paper bill.

Staff would like to start heavily advertising this paperless billing option to customers to reduce our annual billing expense. Since FPB has a low cost electronic billing option available to customers we would like to implement a paper bill fee to customers who choose to receive paper bills. The paper bills cost approximately \$250,000 to produce and mail per year and we ask that the customer cover this exact cost with a paper bill fee. This move to encourage electronic billing and to recover the cost of any paper bills requested will free up approximately \$250,000 per year that will be used to absorb other vendor cost increases or lessen the rate of service fee rate increases necessary to meet FPB revenue requirements needed for operating costs, infrastructure capital improvements, and reserve requirements. Like all FPB utility service and customer initiated service rates/fees the goal is to identify the customers driving any given cost and to recover that cost from the exact customers creating the cost, which is exactly what this paper bill fee would accomplish. Also, this move by the Board would benefit the environment by reducing a significant amount of paper with one source stating the average American family will throw away more than 2,000 pounds of paper each year, which is the equivalent of 17 trees.

The \$.60 paper bill fee that is being recommended for approval is the exact cost to produce and mail the paper bills and is therefore completely cost recovery and exempt from reporting to the City of Frankfort under KRS 65A.100. Staff requests a public hearing at the May 19, 2015 regular board meeting to discuss this new fee proposal to be effective July 1, 2015.

Mr. Denton stated that Staff was constantly looking to improve services and reduce costs. He noted that Staff was looking to utilize paperless electronic billing in order to reduce expenses to FPB and to be more environmentally friendly. He further advised that Staff was looking to reduce the pace of rate increases to all customers.

Mr. Denton explained the amount of paper invoices mailed to customers and advised that the cost to produce and mail invoices to customers was approximately \$250,000 annually. He advised that the true cost was \$.60 per invoice. He acknowledged that currently FPB was recouping that expense through general operation fees to all customers.

Mr. Denton explained that FPB already offers a paperless billing service to its customers. He stated that in an effort to recover the expenses from the customers who are ultimately driving that expense, Staff recommended implementing a \$.60 paper bill fee for the customers who want to continue to receive paper bills.

In response to Dr. Green, Mr. Denton stated that approximately 38% of FPB customers already pay via electronic means and Staff believes at least 40% of customers would be open to this idea. Mr. Denton further noted that no additional employees and no additional funds would be needed as FPB already has a customer portal in place. He further advised that IT staff was currently completing testing on the customer portal and hoped to have it fully operational prior to the end of the 2015 calendar year.

Mr. Denton explained that Staff was hopeful that utilization of the customer portal to handle customer issues would reduce the traffic and congestion at the downtown office and in turn increase the customer experience.

In response to Ms. Lynch, Mr. Denton stated that the cost of invoicing could be reviewed annually or as often as the Board would prefer. He further stated that access to the data needed is readily available.

In response to Mr. Ludwig, Mr. Denton stated that Staff would adequately advertise this option to the community. He noted that if the customer does not elect to sign up for electronic billing then a \$.60 charge will be added to the bill each month. He further stated that cost is calculated on a per statement basis and that second notices would be charged an additional \$.60.

In response to Mr. Pogrotsky, Mr. Denton stated that Staff's goal was to allocate and recoup the actual cost from the customer who is specifically driving the cost. He noted that if no one signed up for paper billing that FPB would still recoup the \$250,000 from the customers who were driving the cost.

In response to Mr. McKee, Mr. Foster explained the flat "customer charge" for electric and water customers. He further explained the process of reallocating the cost of producing a paper bill to those who want the paper bill and allowing those who don't want the paper bill to not have to take on that expense.

Ms. Lynch moved to hold a public hearing at the May regular meeting to allow the public to make comments regarding the proposed paper bill fee. Mr. Ludwig seconded.

In response to Mr. McKee, Ms. Poe explained advertisement of the public hearing notices. Mr. Bannister reiterated that management has established a goal to run FPB more efficiently. He discussed the Board's transition to utilizing iPads in place of paper board package and noted that this change is just one more step in running the company more efficiently.

Ms. Poe polled the Board and the motion passed unanimously.

15. **Action Item: Consider Approval of General Service, Electric, Water, and Cable Tariff Fee Revisions to Equitably Recover Costs Related to Customer Initiated Service Requests or Actions to be Effective July 1, 2015.**

Staff has performed an internal cost review of various customer initiated service requests or actions in the FPB general service, electric, water, and cable sections of the FPB tariff and has identified various fees that are significantly below FPB's cost to provide the service. Staff looked at employee wages, fringe benefit rate, vehicle/equipment rates, and inventory costs needed to perform each service and calculated the true cost of each activity with the results of this exercise provided in this board packet. It has been over 20 years since these tariff fees have been reviewed creating an imbalance between what it cost FPB to provide these various services and the fee charged to customers to recover the revenue needed to cover costs.

FPB is recovering the cost to perform these services today, but the difference between the fee charged to customers and the actual cost to provide the service is being made up through higher customer utility rates. The idea of cost studies is to identify the customers or customer classes driving any particular cost and working to set rates and fees targeted to recover costs from the exact customers driving the cost. Today, for example, a customer that does not pay their electric bill by the utility cut-off date is charged a \$25 reconnection charge to turn to power back on after it has been cut-off. It costs FPB \$68 for FPB to roll a truck to the customer's residence once to cut off the power and another time to turn to power back on after the bill has been paid with late fees and the reconnection charge. In this example the \$43 dollar difference between cost and the fee charged to the late paying customer is coming out of the pocket of all utility rate customers that do pay their bill on time each month.

In order to correct this revenue recovery imbalance staff is requesting a public hearing to be held on May 19, 2015 to consider increasing the fees provided on the attached summary to the actual cost effective July 1, 2015. If these new rates were to be approved the next electric and water utility rate cost of service studies would give a more accurate true utility rate needed to recover costs, which is the way it should be. The fees being recommended for approval are the exact cost to perform each service and is therefore completely cost recovery and exempt from reporting to the City of Frankfort under KRS 65A.100.

Mr. Denton explained FPB's general tariff service fees for certain customer initiated services. He advised that Staff calculated true cost for each service and explained the information provided to the Board. He further advised that these fees had not been adjusted in more than two (2) decades.

Mr. Denton explained that these fees are currently being subsidized by all customers instead of charging the true cost to the certain customer or customers requesting the services and thus initiating the cost. He advised that Staff's goal was to identify the customer class driving the cost, and charge that fee to that specific customer instead of to the entire customer base. Mr. Denton explained fees for which Staff was requesting an increase for full recovery of costs. He further requested the Board approve a public hearing to solicit customer comments.

Dr. Green stated that he could not go along with the fees as proposed because the increases were too much at one time. In response, Mr. Denton reiterated that these fee increases were significant because they had not been revised for more than 20 years. Ms. Lynch stated she believed that it was not remotely fair to ask the entire customer base to pay for costs initiated by only a certain number of customers for special services not all customers require or request.

Mr. Denton reiterated that Staff was requesting a public hearing to solicit public comments and was not asking the Board to vote on the item tonight.

Ms. Lynch moved to hold a public hearing for general service, electric, water, and cable tariff fee revisions to equitably recover costs related to customer initiated service requests or actions to be effective July 1, 2015. Mr. McKee seconded.

In response to Mr. McKee, Ms. Poe advised that the notice for this public hearing would be separate from the other public hearing notice in an effort to avoid any confusion.

Ms. Poe polled the Board and the motion passed unanimously.

16. **Action Item: Consider Approval of Use of Credit Scoring and Waiver of Deposits for Certain Customer Classes.**

Recall that in September 2013 the Board suspended the practice of waiving deposits. At that time, some Board members expressed concern that FPB may need to revise its deposit policy to ensure that it has adequate security. Attached is a memorandum explaining how deposits are calculated and proposed tariff language. Since that memo was drafted, Staff met and some of the recommendations contained in the memo have changed. However, it still provides helpful background as to the rules surrounding the calculation of deposits. The attached tariff contains Staff's current recommendations regarding deposits.

Staff recommends requiring deposits for all customer classes except for City, State and County facilities. Staff recommends permitting waiver of deposits for residential customers upon a showing of satisfactory credit history. Deposits for commercial class customers would not be waived. However, industrial customer class customers could apply to the board for a waiver. This could help promote growth or expansion of existing industrial customers. If this approach is acceptable to the Board, Staff will issue an RFP and select a vendor to conduct the credit

scoring. Staff will then finalize the proposed tariff language and incorporate any necessary credit ranges and the proportionate amounts of any deposit that is due and any other changes the Board would like to incorporate after it reviews the proposed materials. Staff will then schedule a public hearing to adopt the modifications.

Initially, this evening, Staff asks that the Board determine whether waiver of deposits for residential class customers based on credit scoring is acceptable to it and, if so, to approve the use of credit scoring in the determination of an appropriate deposit.

Mr. Denton explained that Staff was looking for direction to improve the security deposit procedure and policy to ensure FPB is receiving adequate security for products and services. He stated that Staff was looking at requiring all customers to pay a deposit and basing the amount of the deposit on a credit score.

Mr. Denton noted that the goal is to encourage customers to take more services and to reduce the amount of bad debt that FPB would incur. He further explained bad debt amounts and the suggested revisions to be made to the policy.

Mr. Denton advised that Staff was asking the Board to approve the use of credit scoring to determine the amount of deposit for a customer and that language remained in the revised tariff for the Board to waive deposits for commercial customers if they deemed it appropriate. He further explained that if the use of credit scoring was approved that Staff would complete and send out an RFP, choose a vendor and bring that back to the Board for approval.

In response to Ms. Lynch, Mr. Denton noted that this type of scoring would only look at a customer's utility payment history. Mr. Price advised that it was not a full credit scoring for a number but instead a red/yellow/green type system based on the potential customer's utility payment history. Mr. Price further noted that the goal was to potentially reduce the deposit amount for many customers which would hopefully incentivize customers to purchase more FPB services.

In discussion, Mr. Price noted that FPB does not have pre-paid metering for residential customers and could not do a "pre-paid" deposit for that reason. He noted that it could be an option for large power users under certain criteria.

In response to Dr. Green, Mr. Price noted that there are several companies that would facilitate credit scoring and some which also provide debt collection services. Ms. Gilliam stated that the cost would likely be between \$2.70 and \$2.85 per customer.

Mr. Denton explained that twelve (12) other municipals, who are members of the KMUA, are currently utilizing this method and that it is the industry standard. He further noted that utilizing this method could significantly reduce FPB's \$600,000 plus per year write-off expense. He reiterated that new residential customers would be required to pay a deposit based on their utility credit score.

In discussion, Mr. Price stated that Staff would look at and consider issues with landlord agreements. Mr. Denton noted that the credit scoring process would only take a few minutes to complete and can be done at the customer service desk when applying for services. He further advised that the customer could opt out of the credit scoring but would be required to pay the maximum deposit.

Mr. Ludwig noted that the Board needed to look at the issue in more depth. Mr. Denton stated that he could provide additional data to the Board regarding the process and the amount of various deposits. Mr. Price reviewed information included in the Board package for review regarding deposit amounts and waiving deposits.

Mr. Ludwig moved that the Board not take action and asked for additional discussion and information on the subject prior to the Board making a decision. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed.

Mr. Ludwig requested that Staff supply the Board with the percentage amount of bad debt each year. Mr. Denton acknowledged that Staff would gather that data.

17. **Old & New Business:** None

18. **Informational Item:** General Manager's Comments.

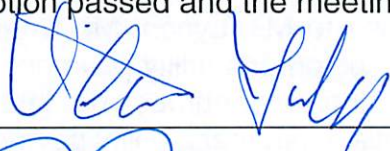
None


19. **Request Permission to have Chair call for a Closed Session** pursuant to KRS 61.810 (1)(c) for the discussion of proposed or pending litigation against or on behalf of FPB; KRS 61.810 (1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee; KRS 61.810(1)(b) for the discussion of the future acquisition or sale of real property.

Ms. Lynch moved to go into closed session. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed. The Board moved into closed session.

20. **Closed Door Session:**

Dr. Green moved to come out of closed session. Mr. Pogrotsky seconded. The motion passed and the Board moved into open session. Dr. Green moved to adjourn. Mr. Pogrotsky seconded. The motion passed and the meeting adjourned.





ATTEST: