

January 16, 2018

A Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at the Frankfort Plant Board Administration Building at 151 Flynn Ave. Frankfort, KY on Tuesday January 16, 2018 at 5:00 p.m.

ATTENDANCE:

Anna Marie Pavlik Rosen, Board Chair
Walt Baldwin, Vice Chair
Dawn Hale, Board Member
Ralph Ludwig, Board Member
James Liebman, Board Attorney
David Billings, Water Engineer
Harvey Couch, Marketing Video Content Coordinator
Katrina Cummins, Interim Finance Director
David Denton, Interim General Manager
Sharmista Dutta, Water Engineer
Vent Foster, Asst. GM Operations
Cassie Estill, Customer Service Supervisor
Adam Hellard, Security Broadband Technology Manager
Ryan Henry, Asst. IT Director
Scott Hudson, Electric Superintendent
Casey Jones, IT Director
Cathy Jennings, Executive Assistant
Cathy Lindsey, Public Information Officer
Kim Phillips, Safety Director
Kathy Poe, Executive Assistant
Hance Price, Staff Attorney/Asst. GM Administration
Mark Redmon, Support Services Director
Julie Roney, WTP Superintendent
Alan Smith, Water Dist. Superintendent
Jeremy Blackburn, Cable 10 Videographer
Alfred Miller, State Journal
Charlie Hamilton, Powell Walton Milward
Stanley Marcinek, Powell Walton Milward
Brown Thornton, NewGen Strategies & Solutions, LLC

AGENDA

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

1. **Conduct:** Public Hearing for Cable Rate Increases Due to Retransmission Charges and Increased Multi Service Discounts.
2. **Action Item:** Consider Approving Renewal of FPB's Insurance Policies in the Amount of \$769,943.32.
3. **Action Item:** Consider Approving Minutes from the December 19, 2017 Board Meeting and December 29, 2017 Special Board Meeting, and Accept the December 12, 2017 Cable Advisory Meeting Minutes.
4. **Action Item:** Accept Electric, Water and Cable Financials for December 2017.
5. **Information Item:** Public Comment Period.
6. **Informational Item:** Departmental Reports:
 - Website Customer Comments
 - Cable Dept.

- Customer Service
 - Electric Dept.
 - SEPA
 - KyMEA
 - Safety
 - Water Distribution
 - Water Treatment Plant
7. **Action Item:** Consider Award of Bid Invitation #1649 for Pad Mounted Transformers to Cape Electrical in the Amount of \$69,341 and WEG Transformers in the Amount of \$29,283.
 8. **Action Item:** Consider Approval of Reed Smith Invoice Number 2982811 Dated November 30, 2017 in the amount of \$14,612.00 and Reed Smith Invoice Number 2992055 Dated December 29, 2017 in the amount of \$35,514.45 for a Total of \$50,126.45.
 9. **Informational Item:** Discuss Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy Agency (KyMEA).
 - 9a. **Action Item:** Extend E3 on going budget, to advise on Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy (KyMEA).
 - 9b. **Action Item:** Extend Reed Smith Contract to Coordinate with E3 and Advise on Resolution and Contract as above (9a).
 10. **Action Item:** Consider Approval of Planning and Zoning Submittal Package for Reservoir Replacement together with Phase II Boundary Fence and Landscaping.
 11. **Informational Item:** AG Open Meetings and Open Records Agenda.
 12. **Informational Item:** General Manager's Comments.
 13. **Informational Item:** New and Old Business.
 14. **Request Permission to Have Chair Call for a Closed Session:** Move to call a closed session to discuss potential litigation about liquidated damages regarding the administration building pursuant to KRS 61.810(1)(c).
 15. **Closed Door Session:**

BOARD ACTION

Ms. Rosen called the meeting to order and noted four (4) Board members in attendance: Mr. Baldwin, Ms. Rosen, Ms. Hale. and Mr. Ludwig.

1. **Conduct:** Public Hearing for Cable Rate Increases Due to Retransmission Charges and Increased Multi Service Discounts.

Mr. Baldwin convened the public hearing and read the opening statement. Mr. Couch reviewed the changes to cable rates and the Multi Service Discounts.

Cable TV Rates	Existing Rate	Proposed Rate 2018	Proposed Rate 2019	Proposed Rate 2020
Retrans Surchage	\$12.03	\$16.39	\$18.00	\$19.98

Bulk Cable TV	Existing Rate	Monthly	Proposed Rate	Monthly
Bulk I	\$11.80		\$12.46	
Bulk II	\$20.57		\$21.73	

Multi-Service Discounts	Existing Discount	Monthly	Proposed Discounts	Monthly
2 Service Discount	\$3.00		\$6.00	
3 Service Discount	\$6.00		\$12.00	

The new retransmission rates are proposed to be effective March 1, 2018; January 1, 2019; and January 1, 2020 respectively.

The new Bulk Cable TV rates are proposed to be effective March 1, 2018.

The new Multi-Service Discounts are proposed to be effective March 1, 2018.

Mr. Baldwin opened the floor for public comment.

Mr. Richard Rosen gave a proposal regarding the Multi Service Discount and customer retention.

After discussion between Board members and Mr. Rosen, Mr. Baldwin asked for additional comments and there were none. Mr. Baldwin reiterated that comments could be received by FPB until close of business on February 19, 2018 and closed the public hearing.

2. Action Item: Consider Approving Renewal of FPB’s Insurance Policies in the Amount of \$769,943.32.

FPB’s current insurance coverages expire February 5, 2018. Staff is prepared to renew the coverages shown in the detail section upon the Board’s approval.

FPB has several different types of policies that cover a variety of risks. These policies are with several different companies. The overall premium to renew is \$765,944. This price does not include our pollution policy, which renewed in 2016 for a three (3) year term and the Workers’ Compensation policy which renews on July 1, 2018.

Powell Walton Milward has surveyed the marketplace and found that these policies offer the broadest coverages at the most competitive prices. Staff recommends renewal of FPB’s insurance policies in the amount of \$765,944.

Mr. Price summarized the proposed insurance policies and stated that representatives from Powell Walton Milward were available for questions.

After a brief discussion, Mr. Ludwig moved to renew FPB’s Insurance Policies in the amount of \$769,943.32. Ms. Hale seconded. The motion passed unanimously.

3. **Action Item: Consider Approving Minutes from the December 19, 2017 Board Meeting and December 29, 2017 Special Board Meeting, and Accept the December 12, 2017 Cable Advisory Meeting Minutes.**

After a brief discussion, Ms. Hale moved to approve the December 19 and 29 board meeting minutes and to accept the December 12, 2017 Cable Advisory Meeting Minutes. Mr. Ludwig seconded. The motion passed unanimously.

4. **Action Item: Accept Electric, Water and Cable Financials for December 2017.**

Ms. Cummins discussed the financials for December.

Mr. Baldwin moved to accept the Electric, Water and Cable Financials for December. Mr. Ludwig seconded. The motion passed unanimously.

5. **Information Item: Public Comment Period.**

Nathan Van Sickel: Mr. Van Sickel spoke regarding the Reservoir Replacement Project.

David Hecker: Mr. Hecker spoke about the KyMEA contracts.

Ms. Hale thanked staff for their hard work during cold weather conditions.

6. **Informational Item: Departmental Reports:**

- **Website Customer Comments:** Mr. Denton noted that customer comments were included in the board package for the Board's review.
- **Public Information Coordinator:** Ms. Lindsey explained upcoming events. She discussed the status of the water branding and marketing project and stated that the name chosen was "Frankfort on Tap" for the branding project. Ms. Lindsey further stated that 2018 marked the 75th Anniversary for the Frankfort Plant Board and discussed planning for events to celebrate.
- **Cable Dept.:** Mr. Hellard reviewed cable reports provided to the Board. He discussed equipment failures and trouble calls as well as penetration numbers.
- **Customer Service:** Ms. Estill reviewed reports and data provided to the Board. Ms. Estill stated that data for wait times from CMS would be included in the board reports.
- **Electric Dept.:** Mr. Hudson discussed electric reports provided to the Board.
- **SEPA:** Mr. Foster stated that there was a loss for the month of November as well as annually for 2017.
- **KyMEA:** Mr. Denton stated that the next meeting would be held on January 25, 2018 at FPB. He noted that a CEO had been hired by KyMEA. Ms. Rosen requested information regarding the status of the KyMEA's RFP's on renewable energy. Mr. Brown explained that KyMEA was currently in negotiation and that an update would be discussed at the January KyMEA meeting.

After additional board discussion regarding KyMEA headquarter location and CEO salary, Mr. Denton suggested the board members attend the January meeting or schedule separate meetings to request answers from Mr. Buresh on specific questions.

- **Safety:** Ms. Phillips stated that there was one (1) OSHA recordable accident. She advised that FPB was in the process of finalizing and publishing a safety manual.
- **Water Distribution:** Mr. Smith explained water distribution reports and discussed outages. He discussed the reservoir liner project.
- **Water Treatment Plant:** Ms. Roney discussed the amount of water treated, rainfall and river flow for the month of December as well as for 2017. She explained that status of repair of the raw water pump.

7. **Action Item: Consider Award of Bid Invitation #1649 for Pad Mounted Transformers to Cape Electrical in the Amount of \$69,341 and WEG Transformers in the Amount of \$29,283.**

Staff prepared a bid invitation for pad mounted transformers. The invitation was sent to eight vendors with eight responses received. After reviewing all bids, staff recommends awarding to the following as they are the low bidder meeting specifications:

Items #1 (2 - 750kVA, \$19,165 each), #3 (1 - 1000kVA, \$19,325) and #4 (1 - 500kVA, \$11,686)

Item #2 (1 - 2000kVA, \$29,283) to WEG transformers
These transformers will be used to replenish depleting inventory levels.

Mr. Redmon read the above information. Mr. Baldwin moved to award Bid invitation #1649 for Pad Mounted Transformers to Cape Electrical in the amount of \$69,341 and WEG Transformers in the amount of \$29,283. Mr. Ludwig seconded. The motion passed unanimously.

8. **Action Item: Consider Approval of Reed Smith Invoice Number 2982811 Dated November 30, 2017 in the amount of \$14,612.00 and Reed Smith Invoice Number 2992055 Dated December 29, 2017 in the amount of \$35,514.45 for a Total of \$50,126.45.**

At the October 17, 2017 Frankfort Plant Board (FPB) board meeting the FPB Board of Directors voted to award a contract based upon a Request for Proposal (RFP) for legal counsel regarding a legal review of KyMEA for an amount not to exceed \$50,000.00.

The engagement of Reed Smith was initiated and controlled by the Board, FPB staff is asking the Board to approve invoice number 2982811 from Reed Smith dated November 30, 2017 for work performed through October 31, 2017 in the amount of \$14,612.00 and Reed Smith invoice number 2992055 dated December 29, 2017 in the amount of \$35,514.45 for work performed through November 29, 2017.

The Board approved spending limit of \$50,000.00 has been surpassed without including work performed since November 29, 2017 that has yet to be invoiced to the FPB. The engagement letter with Reed Smith did not include language stating the spending limit for this engagement was \$50,000.00. Staff feels the Board should be aware that Reed Smith will continue to perform work for the FPB Board of Directors until they are instructed to stop. The Reed Smith invoices in questions and engagement letter from Reed Smith are in this board packet for your review.

After discussion **Mr. Baldwin moved to pay the Reed-Smith invoices.** Ms. Rosen seconded. After additional discussion, the motion failed with a 2-2 vote. Mr. Baldwin and Ms. Rosen voted yes and Mr. Ludwig and Ms. Hale voted no.

Mr. Ludwig moved to pay Reed-Smith the maximum amount not to exceed \$50,000.00 and upon receipt of the final report conclude the contract with Reed-Smith. Ms. Hale seconded. The motion passed unanimously.

9. **Informational Item: Discuss Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy Agency (KyMEA).**

In recent years, the Kentucky Municipals have been able to realize value for their SEPA energy, but not for the SEPA capacity, due to operating limitations and market conditions. KyMEA is willing to integrate the SEPA Entitlements of FPB and others into the power supply portfolio it is planning for FPB and the other all-requirements KyMEA Members. This offers the advantage that KyMEA is in a position to compensate FPB and the others for both the capacity and the energy components of their SEPA entitlements, thereby providing a high likelihood that the value received by FPB will consistently exceed the cost of its SEPA Entitlement.

The all-requirements contract between KyMEA and FPB (Section 3(d)) provides that KyMEA and FPB may enter into mutually beneficial agreements for the scheduling and integration by KyMEA of certain FPB-owned generation resources or other entitlements that FPB may have to generation resource Attributes (e.g., capacity and energy). The contract refers to those resources as "Member-Owned Resources."

The all-requirements contract provides three options for Member-Owned Resources:

1. If requested, KyMEA will integrate Member-Owned Resources into the power supply portfolio and provide payments or credits to the applicable Member based on the value KyMEA realizes by that use (i.e., the costs KyMEA avoids, plus any net revenue KyMEA receives from 3rd party sales);
2. If requested, KyMEA will market the output of the resource on the Member's behalf and provide payments or credits based on the net revenues received; or
3. Any Member may work with another party to market the output of the resource.

As previously presented at the February 21, 2017 FPB Board meeting, KyMEA and its Members have developed a contract that would implement Option 1. Having reviewed the existing SEPA arrangement, the terms of the contract being offered by KyMEA, and the all-requirements contract, KyMEA, its FPB appointed directors and FPB Staff Attorney have determined that it would be mutually beneficial for KyMEA to schedule and integrate on FPB's behalf the Attributes of the Board's SEPA Entitlement under the terms of the contract offered by KyMEA. Thus, we are proposing that FPB implement Option 1 and approve and execute the proposed resolution and contract.

Mr. Brown Thornton made presentation to the board regarding the benefits of SEPA integration with KyMEA. He recommended that FPB implement option one as listed above tonight.

9a. **Action Item: Extend E3 on going budget, to advise on Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy (KyMEA).**

Mr. Baldwin discussed consulting with E3 on the Resolution prior to bringing it to a vote and the board discussed this at length.

Mr. Foster and Mr. Thornton reminded the board that this is a time sensitive issue and needed to be decided as soon as possible.

After much debate, Mr. Baldwin moved to extend E3's ongoing budget to advise on Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and KyMEA. The motion failed with a 2-2 vote. Mr. Ludwig and Ms. Hale voted No, Ms. Rosen and Mr. Baldwin voted Yes.

The Board further discussed the need to consult E3 to make this decision.

9b. Action Item: Extend Reed Smith Contract to Coordinate with E3 and Advise on Resolution and Contract as above (9a).

The board decided that due to the conclusion of the Reed-Smith contract in Item #8 that this item was not relevant.

The Board discussed the option of foregoing the legal review and revisiting Item 9a. Mr. Baldwin reiterated the reasons for checking with E3 prior to executing the SEPA contract.

After further discussion, Mr. Baldwin re-submitted the motion to have E3 review the contract and advise as to whether it resolves their concerns from the report in June and have the Board Attorney reach out to them to initiate that process as soon as possible. Ms. Rosen seconded.

After additional discussion, the motion passed with a 3-1 vote. Mr. Ludwig, Ms. Rosen and Mr. Baldwin voted Yes and Ms. Hale voted No.

10. Action Item: Consider Approval of Planning and Zoning Submittal Package for Reservoir Replacement together with Phase II Boundary Fence and Landscaping.

Staff and Strand has been working diligently on plans related to replacing the Reservoir. Over the last 16 months or so, we have had public meetings discussing design criteria, roof options, provided renderings as well as six-3 dimensional interactive models, solicited input from the public, and applied for a KIA low interest loan for construction.

Last September, Strand's scope of work was increased to provide Phase II Boundary Fence, additional landscaping, and provide documentation suitable for submittal to Planning and Zoning.

The FY 17-18 budget includes \$165,000 for engineering and \$4,000,000 for construction of the project. Staff recommend the Board accept the planning and zoning package and direct staff to submit to planning and zoning department and city manager.

Mr. Billings reviewed the information above and stated that the plans were ready to submit to Planning and Zoning.

Mr. Ludwig moved to approve the Planning and Zoning submittal Package for the Reservoir Replacement together with Phase II Boundary Fence and Landscaping. Ms. Hale seconded. The motion passed unanimously.

11. Informational Item: AG Open Meetings and Open Records Agenda.

Ms. Hale presented the board with information regarding the Open Meetings and Open Records Law and the board discussed communication and sharing information. The Board discussed future training ideas and decided to seek training for open meetings law and open records at a time when all five (5) board seats are filled.

There was some discussion on the Reed-Smith report. Ms. Hale moved that the report be shared with Staff members David Denton, Hance Price and Vent Foster. Mr. Ludwig seconded. The motion failed with a 2-2 vote. Mr. Ludwig and Ms. Hale voted Yes and Mr. Baldwin and Ms. Rosen voted No.

After additional board discussion regarding the Reed-Smith report, Mr. Denton stated that "due to the inability for me to perform my duties under the fiduciary duty I have to FPB and the fiduciary duty I have to KyMEA, I immediately resign as a

director of KyMEA. I think withholding information and sending me into a meeting is absolutely improper and I give my resignation.” Mr. Hance Price also stated that “I likewise tender my resignation as the alternate of KyMEA.”

12. Informational Item: General Manager’s Comments.

Mr. Denton made a demonstration on FPB’s website to share with the public the location of KyMEA meeting minutes and other important pieces of information.

13. Informational Item: New and Old Business.

At the request of Ms. Rosen, Mr. Foster discussed the status of the LED street lighting project with the City of Frankfort.

14. Request Permission to Have Chair Call for a Closed Session: Move to call a closed session to discuss potential litigation about liquidated damages regarding the administration building pursuant to KRS 61.810(1)(c).

Mr. Baldwin moved to go into closed session. Ms. Rosen seconded. Ms. Rosen called for the vote and the motion passed unanimously.

15. Closed Door Session:

Mr. Baldwin moved to return to the meeting. Mr. Ludwig seconded. Ms. Rosen called for the vote and the motion passed unanimously. Ms. Rosen stated that no action was taken.

Mr. Baldwin moved to adjourn the meeting and Mr. Ludwig seconded. Ms. Rosen called for the vote and the motion passed unanimously. The meeting was adjourned.


Board Chair


ATTEST: Board Secretary/Treasurer