

November 17, 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, November 17, 2015 at 5:00 p.m.

**ATTENDANCE:**

Ralph Ludwig, Board Chair  
Dr. Scott Green, Board Secretary/Treasurer  
Rick Pogrosky, Vice Chair  
Anna Marie Pavlik Rosen, Board Member  
Walt Baldwin, Board Member  
James Liebman, Board Attorney  
Herbbie Bannister, General Manager  
David Billings, Chief Water Engineer  
Harvey Couch, Marketing and Video Coordinator  
David Denton, Finance Director  
Sharmista Dutta, Water Engineer  
Vent Foster, Chief Electrical Engineer/Asst. GM Operations  
Monique Gilliam, Customer Service Director  
Adam Hellard, Broadband/Security Manager  
John Higginbotham, Asst. GM Cable/Telecommunications  
Scott Hudson, Electric Supt.  
Karl Pitzer, IT Director  
Kathy Poe, Executive Assistant  
Hance Price, Staff Attorney/ Asst. GM Administration  
Mark Redmon, Support Services Director  
Chris Riddle, WTP Superintendent  
Dianne Schneider, HR Director  
Kim Phillips, Safety Director  
Glenn Waldrop, Public Information Coordinator  
Zach Hubbard, Cable 10 Videographer  
Seth Littrell, State Journal Reporter  
Lisa Stamm, Sherrill Morgan  
Robin Curry, Sherrill Morgan  
Charlie Hamilton, Powell Walton Milward

**AGENDA**

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

**NOVEMBER 17, 2015 BOARD MEETING AGENDA**

1. **Informational Item:** Explanation of FPB Insurance Policies and Coverages.
2. **Action Item:** Consider Renewal of Stop Loss Coverage with Pan American for the 2016 FPB Employee Health Plan.
3. **Action Item:** Consider Approving Minutes for the October 20, 2015 Board Meeting.
4. **Action Item:** Electric, Water and Cable Financial & Statistical Data for October 2015.

5. **Informational Item: Departmental Reports:**
  - Cable Dept.
  - Customer Service
  - Electric Dept.
    - SEPA
  - KyMEA
  - Safety
  - Water Distribution
  - Water Treatment Plant
  - Administration Building
  - Headend
6. **Action Item: Consider Approval of Change Order No. 2 for the Administration Building for a deduction of \$94,775.42.**
7. **Action Item: Consider Approval of Change Order No. 3 for the Administration Building for a deduction of \$50,753.00.**
8. **Action Item: Consider Approval of Addendum to Windstream Agreement for 10 Gigabit Transport Circuit Solution.**
9. **Action Item: Consider Award of Bid Invitation #1610 for Steel Transmission Poles to Wesco Distribution in the Amount of \$24,159.**
10. **Action Item: Consider Award of Bid Invitation #1611 for Two (2) Pad Mounted Transformers to Cape Electrical in the Amount of \$13,972 and Two (2) Pad Mounted Transformers to Wesco in the Amount of \$40,969.**
11. **Action Item: Consider Acceptance of Herrick Company, Inc.'s Proposal to Repair the Service Center Roof at 305 Hickory Drive in the Amount of \$73,100.**
12. **Action Item: Consider Executing contract with Gannett Flemming, Inc. to conduct a Water Cost of Service and Rate Design Study, for a cost not to exceed \$25,000.**
13. **Action Item: Consider Approval of the Agreement Between The Electric and Water Plant Board of the City of Frankfort, Kentucky and The City of Frankfort 11/4/15 in the Amount of \$80,000 Per Year to Lease the Downtown Building and in the Amount of \$109,000 Per Year for Use of City Facilities.**
14. **Action Item: Consider Approving Public Hearing Notice covering: (1) Increasing rate for Classic Cable service, (2) Reducing rate for Preferred Cable, (3) Increasing rate for Bulk Cable I and II, and (4) Increasing rates for Premium Channel Services.**
15. **Action Item: Consider Establishment of a Committee for Development of Recommendations to Improve Communications by FPB to the Community.**
16. **Action Item: Define a Plan to Consider the Customer Service Experience at the New Administration Building.**
17. **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. Ms. Poe called the roll. She noted five (5) Board members present.

1. **Informational Item: Explanation of FPB Insurance Policies and Coverages.**

Mr. Price introduced Mr. Hamilton. Mr. Hamilton discussed the spreadsheet provided to the Board regarding insurance coverages. He noted that FPB had \$1 million in general liability coverage, \$1 million in automobile liability coverage as well as a \$20 million umbrella general liability policy.

Mr. Hamilton stated that FPB could not name an additional insured unless that person/business had an insurable interest. In response to Mr. Ludwig, Mr. Hamilton stated that the City of Frankfort did not hold an insurable interest with FPB. In response to Ms. Rosen, Mr. Hamilton stated that the largest claim ever made to date was \$50,000. Mr. Hamilton further advised that FPB's largest liability exposure would most likely be with automobile liability due to the size FPB's fleet.

2. **Action Item: Consider Renewal of Stop Loss Coverage with Pan American for the 2016 FPB Employee Health Plan.**

Staff recommends that the Board consider renewing specific and aggregate stop loss insurance coverage with Pan American beginning January 1, 2016. The specific stop loss coverage reimburses the employee health plan in the event any covered individual has claims exceeding the specific deductible (\$75,000 for 2015; \$100,000 proposed for 2016); and the aggregate stop loss coverage reimburses the health plan if the total claims expense for the entire group exceeds projected total claims by more than 25%.

MedBen and Sherrill Morgan compared stop loss proposals from 6 carriers. The recommended renewal option includes a higher specific deductible (referred to as a laser) which may apply for one named participant if specific medical treatment is necessary. The higher deductible is paid by the plan and does not impact the member. See detail pages for MedBen's comparison of stop loss proposals. Details regarding the recommended renewal are included in column 3, page .

The renewal is for plan year 2016; however, it includes a "no new laser provision" (meaning that no new individuals will be subject to a higher specific deductible); and premium increases will be limited to 50% should FPB renew with Pan American for 2017.

The following comparison is based on coverage for 54 Singles and 160 Families:

Plan Year (January through December)	2015	2016
Specific Deductible	\$75,000	\$100,000
Aggregating Specific Deductible	\$75,000	\$75,000
Large Claimant Deductible (one individual)	n/a	\$275,000
Annual Specific Premium	\$313,960	\$230,949
Annual Aggregate Premium	\$15,793	\$ 21,340
<b>Total Annual Stop Loss Premiums</b>	<b>\$329,753</b>	<b>\$252,289</b>
Expected Claims	\$2,284,030	\$2,249,580
Administration Fees	\$115,513	\$119,750
Total Projected Health Care Expense	\$2,729,296	\$2,621,619
Total Projected Expense with Laser	n/a	\$2,896,619

Ms. Schneider explained revisions to this item since the production of the Board meeting materials. She advised that new quotes had been provided to FPB which offered costs that were much more favorable to FPB.

Ms. Stamm further explained the new offer from Pan American and advised that the offer was excellent given the amount of current claims. She stated that the consultants recommended that the Board approve the offer from Pan American given that the new premium was less than the current premium.

In response to Mr. Pogrotsky, Ms. Stamm advised that the laser included in the previous estimate had been removed.

Mr. Pogrotsky moved to approve the renewal of Stop Loss Coverage with Pan American for the 2016 FPB Employee Health Plan as discussed. Dr. Green seconded. Ms. Poe called the vote by member and the motion passed unanimously.

3. **Action Item: Consider Approving Minutes for the October 20, 2015 Board Meeting.**

Dr. Green moved to approve the minutes of the October 20, 2015 Board meeting. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

4. **Action Item: Electric, Water and Cable Financial & Statistical Data for October 2015.**

Mr. Denton explained the statement of net position and balance sheet through October 31, 2015. He discussed assets, liabilities, revenues and expenses for the company as a whole and separately for each line of business. He advised that financial numbers were on track for the period.

At the request of Ms. Rosen, Mr. Denton explained certain specific line items on the financial statements.

Mr. Ludwig moved to accept the Electric, Water, and Cable Financial & Statistical Data for October 2015. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

5. **Informational Item: Departmental Reports:**

**Cable:** Mr. Higginbotham reviewed graphs and discussed the trouble call and outage report numbers. Mr. Baldwin stated that he would like to see trend data on the Cable trouble call reports.

**Customer Service:** Ms. Gilliam discussed monthly and weekly call volumes. She noted a decrease in call volume year over year and advised that customer service representatives handled 7,138 customer calls. She advised that customer service

representatives handled an average of 325 calls per day, 859 walk-in billing customers, and 1075 walk-in service customers for a total of 1934 customers served in the month of October. She further advised that 196 new accounts were opened. Ms. Gilliam discussed the implementation of new rules regarding authorized users for accounts as well as rate classification clean-up.

In response to Ms. Rosen, Ms. Gilliam explained the rate classification clean-up. She stated that customer service and IT were working together to create an automatic account modification in the system with regard to rental property accounts changing from residential to commercial when a tenant leaves the property and those accounts revert back to the landlord.

**Electric:** Mr. Hudson noted 40 electric outages for the month of October most of which were due to wildlife and trees. He further noted that in the past few days, three (3) poles had been hit by cars. He advised that average outage duration was 33 minutes which was well below the national average. He reviewed photos of the East Main Substation project and discussed the status of the project.

**SEPA:** Mr. Bannister noted a loss of approximately \$18,000 for the month of September 2015 and a profit of nearly \$10.4 million since FPB's involvement with SEPA. Mr. Bannister noted that he had included documents from Owensboro Municipal Utility regarding SEPA power for the Board's review.

In response to Ms. Rosen, Mr. Bannister stated that the turbines run more in the summer when there is typically more rain, and the energy is more marketable and profitable. He explained that the turbines do not run as much in the off months.

**KyMEA:** Mr. Foster reminded the Board of the Power Supply meeting to be held Thursday, November 19, 2015. He reiterated the time and location of the meeting. He further noted that the consultants would give a full and complete presentation regarding KyMEA and future power supply for Frankfort and Franklin County.

**Safety:** Ms. Phillips noted no (0) OSHA recordables and no (0) vehicle accidents for the month of October.

**Water Distribution:** Mr. Billings noted eleven (11) new services, one (1) main break, and two (2) outages. He noted that one (1) outage was due to the main break, and one (1) was scheduled for maintenance.

**Water Treatment:** Mr. Riddle reviewed the Water Treatment Plant report and stated that FPB produced more than 233 million gallons of potable water for the month of October for an average daily production of 7.5 million gallons per day. He further compared the difference in the demand from 2010-2015. He noted that the difference in water usage was mainly due to the amount of rain in those years.

**Administration Building:** Ms. Dutta discussed status of the administration building project, and explained specifics of the structure and site. She further reviewed photos included in the Board package.

**Headend Building:** Mr. Hellard discussed status of the construction of the headend project. He noted that construction was moving smoothly despite the weather and that the roof was poured November 5, 2015. He reviewed and explained photos included in the Board package.

6. **Action Item: Consider Approval of Change Order No. 2 for the Administration Building for a deduction of \$94,775.42.**

In March of 2015, the Board awarded the construction contract for the new administration building to Marrillia Design and Construction for \$15,730,293.

During the course of construction, it was determined that there were items that could be removed, could be replaced with lower cost options, and items that needed to be added to the scope.

These change order items were originally presented at the October 20, 2015 board meeting. The board voted to table this item until the next meeting. Since the last meeting, the cost spreadsheet has been revised, resulting in the addition and deletion of items. The original Change Order #2 presented at the last meeting and the revised Change Order #2 are included in the board package.

Summary:

Original Construction Contract	\$15,730,293.00
Change Order #1 (addition):	\$ 23,306.00
Change Order #2: (deduction):	\$ 94,775.42

**New Contract Amount: \$15,658,823.58**

Staff recommends the Board approve Change Order #2 with Marrillia Design and Construction.

Ms. Dutta explained that the change order was a carryover from last month's meeting. She explained the specific items included in this change order and stated that Staff recommended approval of change order #2 for a deduction of \$94,775.42.

Mr. Pogrosky moved to approve Change Order No. 2 for the administration building for a deduction of \$94,775.42. Mr. Ludwig seconded. Ms. Poe called the vote by member and the motion passed unanimously.

7. **Action Item: Consider Approval of Change Order No. 3 for the Administration Building for a deduction of \$50,753.00.**

In March of 2015, the Board awarded the construction contract for the new administration building to Marrillia Design and Construction for \$15,730,293.

During the course of construction, it was determined that there were items that could be removed from the project scope. The Change Order #3 Cost Spreadsheet with the list of items is included in the board package.

These change order items were originally presented at the October 20, 2015 board meeting. The board voted to table the items until the next meeting.

Summary:

Original Construction Contract	\$15,730,293.00
Change Order #1 (addition):	\$ 23,306.00
Change Order #2 (deduction):	\$ 94,775.42
Change Order #3: (deduction):	\$ 50,753.00

**New Contract Amount: \$15,608,070.58**

Staff recommends the Board approve Change Order #3 with Marrillia Design and Construction.

Ms. Dutta explained the items included in change order #3 and advised that they were also included in change order #2 in last month's meeting.

In discussion, Mr. Baldwin expressed his concerns with removing the planter walls and the seating areas. He noted that FPB had a responsibility to create a structure that flowed well with the environment as well as provide an inviting space for customers and employees. He stated that he would like additional time to research the effect of the removal of these items with regard to the aesthetics as well as the

longevity of the replacement seating versus the planter walls and seating as designed.

Ms. Dutta explained that benches and seating walls would be provided as well as seating in the front vestibule to replace the items at a reduced cost. She advised that the reduced payback versus the cost was Staff's reasoning for recommending the removal of the solar panels.

Mr. Baldwin added that he believed FPB should take a more overt presentation of renewable energy sources given that clear changes are to come in the future. He noted that FPB should be a first adopter of renewable energy sources and expose the community to those options as an energy provider. He further advised that he would also like see renderings and cost options for solar lighting for the walkways and seating areas.

In response to Mr. Ludwig, Ms. Dutta noted that the solar panels in the current design would contribute approximately 1% of the energy utilized by the administration building and would equate to approximately \$700 annually in energy cost savings. She further noted that the payback would take approximately 43 years and that the warranty period on the panels was 20 to 25 years.

Ms. Rosen suggested researching the option to expand the solar energy capacity for the building to examine the possibility of the energy being more cost effective if capacity were expanded.

In response to Mr. Pogrotsky, Ms. Dutta stated that the cost of the solar panels were approximately \$15,000 each and that she did not know the exact dimensions of the panels. Ms. Dutta further advised that she did not have the numbers to compare the cost of increasing the number of solar panels and the energy they would potentially provide but that she could develop that at the request of the Board. Mr. Foster stated that he did not believe that FPB could ever increase the payback of the panels to equal the warranty period of the panels regardless of the number of panels added.

Mr. Baldwin stated that having renewables as a part of the energy structure for the new administration building would provide demonstration and education to the community and employees as the power structure mix and the governmental regulatory requirements change over the coming years. He stated that more and more solar power was going to be included in the mix and that getting in front of the changes and spreading out the cost of those changes would be of benefit.

In response to Mr. Baldwin, Ms. Dutta stated that FPB had not looked at any federal or state funds for solar or other renewable energy sources. Ms. Rosen noted there was the potential of other benefits of the solar panels aside from just the energy benefit such as creating shade or a better environment. Ms. Dutta stated that Staff could research whatever options the Board determined were necessary.

Mr. Ludwig explained the history of the project and that the bids came in higher than anticipated. He noted that the Board decided to move ahead with the project and directed Staff to look at ways to reduce the overall cost of the project. He noted that Staff had done as the Board requested and that these three items constituted over \$50,000 in savings. Ms. Rosen and Mr. Baldwin acknowledged and stated that the Board had previously approved more than \$90,000 in savings with approval of the previous change order.

Dr. Green further explained research and testing completed during the design of the building which allowed the Board to make design decisions to this point. He advised that the Board and Staff looked at many options during the design phase and decided to take the most economically feasible path.

Mr. Baldwin discussed energy cost numbers and reiterated the potential for government funds to help offset the cost of the solar panel project. He further stated

he believed that FPB could move forward with the panels or even expand the solar project for the administration building without additional costs to the community.

In response Mr. Ludwig, Ms. Dutta stated that Staff would like an answer sooner rather than later but that the items could be deferred for maybe a month. Mr. Baldwin suggested that time sensitivity would be greater for the first two items on the change order but not as much for the solar panels. Ms. Dutta agreed.

In response to Mr. Pogrotsky, Mr. Baldwin explained that solar panels are designed to be outdoors and are rugged. Mr. Baldwin further discussed a Stanford study which included a study for Kentucky and stated that solar energy was a large component in the energy mix for Kentucky in the 2030-2050 timeframe.

Ms. Rosen discussed members of the community of whom she was aware that had found solar energy to be very efficient. She also discussed the solar panel farm in Berea.

Mr. Ludwig reiterated the three components of the action item.

Mr. Pogrotsky moved to approve action item number 7, Change Order #3 for the administration building for a deduction of \$50,753.00. Dr. Green seconded.

Mr. Ludwig stated that the turning point for him with regard to the solar panels was the return versus the benefit. Mr. Baldwin stated that he believed the Board did not truly know what the financial impact would be because grant funds and low interest loans for these items have not been explored. He stated he further believed that the Board should take a broader view of their responsibility to the community and not only view the financial impact. Mr. Baldwin stated that he did not believe the Board had sufficient knowledge to make a decision at this point. Ms. Rosen reiterated that a decision could wait while further research could be conducted.

In response to Mr. Pogrotsky, Ms. Rosen stated that the new State office building on Sower Avenue did not have solar panels on the building but that the parking lot would have them for electric vehicles. She further stated that the State did not have a vested interest in solar energy whereas FPB does as an electric supplier. She stated that FPB should want to show that it wants to be part of the future with regard to renewable energy sources. Dr. Green agreed if it would be economical. Ms. Rosen and Mr. Baldwin stated that FPB should study further the potential of renewable solar energy use and benefits at the new administration prior to making a decision on this item.

Ms. Poe called the vote by member and the motion passed with a vote of 3 "yes" and 2 "No". Mr. Ludwig, Dr. Green and Mr. Pogrotsky voted "Yes". Mr. Baldwin and Ms. Rosen voted "No".

8. **Action Item: Consider Approval of Addendum to Windstream Agreement for 10 Gigabit Transport Circuit Solution**

Staff recommends the approval of the Addendum to the June 2013 Windstream Customer Service Agreement for Broadband Services in order to lease a 10 Gigabit Transport Circuit. The circuit is needed to move streaming video traffic from long-haul Internet links to a point-to-point fiber circuit. Moving the traffic from the Internet to this point-to-point peering connection with streaming video providers (i.e. Netflix, iTunes, Facebook, Amazon and Hulu) will improve the FPB Internet customer experience and is less expensive than Internet bandwidth. FPB is working with other providers to eventually lease a redundant point-to-point circuit.

The existing agreement had an initial one-year term that includes a successive 12-month renewal each June. FPB has 8 months remaining on the current rollover and expects to renew this agreement again in June 2016. The item is budgeted in FY16. The Assistant GM-Administration has reviewed the amendment and it meets with his approval.



This item was removed from the Agenda.

9. **Action Item: Consider Award of Bid Invitation #1610 for Steel Transmission Poles to Wesco Distribution in the Amount of \$24,159.**

Staff prepared a bid invitation for steel transmission poles. The invitation was sent to six (6) vendors with four (4) responses received. After reviewing all bids, staff recommends awarding to Wesco Distribution in the amount of \$24,159. Wesco was the lowest bidder meeting our specifications.

These poles will be used to replenish depleting inventory levels.

Mr. Redmon explained bid specifications, the bid invitation, responses and Staff's review of the responses. He advised that the purchase was to replenish depleting inventory levels. He stated that Staff recommended approval of the bid to Wesco as the lowest bidder meeting specifications. In response to Mr. Pogrotsky, Mr. Redmon stated that the poles were not a specific line item in the budget but that the cost for the poles was budgeted.

Mr. Ludwig moved to approve bid invitation #1610 for steel transmission poles to Wesco Distribution for \$24,159. Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

10. **Action Item: Consider Award of Bid Invitation #1611 for Two (2) Pad Mounted Transformers to Cape Electrical in the Amount of \$13,972 and Two (2) Pad Mounted Transformers to Wesco in the Amount of \$40,969.**

Staff prepared a bid invitation for four (4) pad mounted transformers. The invitation was sent to six vendors with five (5) responses received. After reviewing all bids, staff recommends awarding to Cape Electrical and Wesco as they are the lowest bids meeting specifications. Language in the bid allows for the bid to be divided. Award recommendations are:

- Item #1 to Cape Electrical - \$6,259
- Item #2 to Cape Electrical - \$7,713
- Item #3 to Wesco - \$15,209
- Item #4 to Wesco - \$25,760

These transformers will be used to replenish depleting inventory levels.

Mr. Redmon explained bid specifications, the bid invitation, responses and Staff's review of the responses. He advised that the purchase was to replenish depleting inventory levels. He stated that Staff recommended approval of the bid to Cape Electrical and Wesco as they were the lowest bids meeting specifications. He noted that the bid included language to allow Staff to split the bid between vendors.

Mr. Ludwig moved to approve bid invitation #1611 for two (2) pad mounted transformers to Cape Electrical in the amount of \$13,972 and two (2) pad mounted transformers to Wesco in the amount of \$40,969. Dr. Green seconded. Ms. Poe called the vote by member and the motion passed unanimously.

11. **Action Item: Consider Acceptance of Herrick Company, Inc.'s Proposal to Repair the Service Center Roof at 305 Hickory Drive in the Amount of \$73,100.**

The weight of last winter's snowfall has caused damage to the roof purlins at the FPB Service Center. This structure was built in 1968 and still has the original metal roof. The damage started as small leaks throughout the front portion of the building. Multiple repairs have been attempted but have not fixed the problem. Numerous leaks remain during inclement weather. The leaks are large enough that some desks have to be covered in plastic and trash cans used to catch the water.

Staff prepared a request for proposals (RFP #2015-2) on July 9, 2015. The request was sent to five (5) roofing contractors with no responses. Another request for proposals (RFP #2015-3) was issued on August 20, 2015. The request was sent to ten (10) roofing contractors with no proposals received.

The bid process was completed twice without a satisfactory result. After investigations and discussions with staff attorney it was determined that the next appropriate step was to negotiate with a contractor to complete the work. Herrick Company, a general contractor, has satisfactorily completed other projects for FPB. Staff contacted them to provide a proposal for the service center roof. Their proposal has been reviewed and has been found to be acceptable. The proposal amount is \$73,100.

With winter approaching, this project needs to take place as soon as possible. Work is expected to begin in late November or early December and should provide enough time to complete the project prior to the worst winter weather and heaviest snowfalls. While not ideal, this schedule is the best that can be provided in light of the bidding delays.

Funds for the roof repair are included in the current budget. \$40,000 will be used from the Support Services Capital Additions section. The remaining \$33,100 is included in Support Services Maintenance section.

Mr. Redmon explained roof damage at the service center building. He stated that the bid process was completed twice with no responses. He advised that Staff met with the Staff attorney regarding options and contacted Herrick Company who provided a bid of \$73,100 to complete the necessary repairs. Mr. Redmon further advised that funds for this repair were included in the current fiscal year budget and Staff recommended approval of the bid in order to have the repairs complete prior to winter.

Dr. Green moved to accept Herrick Company, Inc.'s proposal to repair the Service Center roof at 305 Hickory Drive in the amount of \$73,100. Mr. Ludwig seconded.

In response to Ms. Rosen, Mr. Redmon stated that FPB had used this contractor in the past and they had completed satisfactory work.

Ms. Poe called the vote by member and the motion passed unanimously.

12. **Action Item: Consider Executing contract with Gannett Flemming, Inc. to conduct a Water Cost of Service and Rate Design Study, for a cost not to exceed \$25,000.**

The last Water Cost of Service (COS) study utilized to adjust retail water rates was performed by Gannett Flemming in 2013. The goal of staff is to conduct COS studies every two years to ensure revenue requirements are being properly addressed. Over the next few years, the water department's capital funding requirements will increase due to additional borrowing for the Reservoir and other capital projects. As a result, a COS study in 2015 is prudent.

As a matter of course, Gannett Flemming has provided a proposal for a COS study not to exceed \$25,000. The proposal and the contract are included in the detail and have been forwarded to the Staff Attorney for his review.

The water department budgeted \$25,000 in the FY15-16 budget for the work. Staff recommends the Board approve the contract with Gannett Flemming for a cost not to exceed \$25,000.

Mr. Billings explained that the last cost of service study was completed in 2013 in order to adjust retail water rates. He further stated that a study was necessary every two years to ensure rate requirements are being appropriately addressed. Mr.

Billings stated that the study was prudent this year given the current and upcoming projects and infrastructure improvements for the water department.

Mr. Billing stated that funds were included in the fiscal year budget for the cost of service study. He stated that Staff recommended approval of the contract with Gannett Flemming for a cost not to exceed \$25,000.

Mr. Pogrotsky moved to consider executing a contract with Gannett Flemming, Inc. to conduct a Water Cost of Service and Rate Design Study, for a cost not to exceed \$25,000. Dr. Green seconded. Ms. Poe called the vote by member and the motion passed unanimously.

13. **Action Item: Consider Approval of the Agreement Between The Electric and Water Plant Board of the City of Frankfort, Kentucky and The City of Frankfort 11/4/15 in the Amount of \$80,000 Per Year to Lease the Downtown Building and in the Amount of \$109,000 Per Year for Use of City Facilities.**

FPB and the City have had several discussions since July 1, 2014 regarding payment of rent and project cost sharing. Attached is a draft agreement negotiated by FPB Board Attorney James Liebman and City Solicitor Rob Moore. Per the agreement, FPB would pay \$80,000 per year rent for the downtown office effective October 1, 2014. In addition, FPB will pay the City \$109,000 per year effective January 1, 2015 for the use of City facilities.

Staff recommends execution of this Agreement.

Mr. Price explained the City license fees in connection with the work that FPB does in the course of business. He explained that an agreement had been negotiated between the City and FPB to finalize and address those fees as well as other outstanding issues. Mr. Liebman added that FPB and the City had been working for some time to formalize rent and other fees as well as finalize some other issues and release all claims either party may have with the other. He further advised that if the Board approved the agreement, it would also be necessary for the City Commission to approve the agreement.

Mr. Ludwig moved to approve the Agreement between The Electric and Water Plant Board of the City of Frankfort, Kentucky and The City of Frankfort 11/4/15 in the amount of \$80,000 per year to lease the downtown building and in the amount of \$109,000 per year for use of City facilities as presented in the package. Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

14. **Action Item: Consider Approving Public Hearing Notice covering: (1) Increasing rate for Classic Cable service, (2) Reducing rate for Preferred Cable, (3) Increasing rate for Bulk Cable I and II, and (4) Increasing rates for Premium Channel Services.**

Staff recommends the Board approve the Public Notice for the purpose of conducting a public hearing at a special meeting of the Frankfort Plant Board on December 1, 2015 at 5 pm at the Farmers Bank Community Room.

- 1) Increase rate for the Classic Cable tier:

The public notice proposes to increase the Classic Cable tier (channels 2-95) rate from \$54.50 per month to \$60.85 per month effective January 1, 2016. The increase is needed to keep pace with increases in the wholesale license fees FPB must pay to programmers.

- 2) Reduce rate for the Preferred Cable tier:

The public notice proposes to decrease the Preferred Cable tier (channels 100-249) rate from \$11.50 to \$10.50. The decrease is a result of being forced to move

channels from Preferred to Classic Cable and as such, our programming expense is lower for Preferred Cable.

3) Increase rates for Bulk Cable I and II:

The public notice proposes to increase the Bulk Cable I from \$7.00 per outlet per month to \$11.10 per outlet per month effective January 1, 2016. Bulk Cable I, as defined in the FPB Tariff, typically includes hotels and KSU dormitories. The increase is needed to keep pace with increases in the wholesale license fees FPB must pay to programmers.

Staff proposes to increase Bulk Cable II from \$17.35 per outlet per month to \$19.35 per outlet per month effective January 1, 2016. Bulk Cable II, as defined in the FPB Tariff, typically includes office complexes with more than 8 outlets. This increase is needed to keep pace with increases in the wholesale license fees FPB must pay to programmers.

4) Increase rates for Premium Channel services:

The public notice proposes to increase the rates for the optional premium channels HBO effective January 1, 2016. HBO is proposed to increase from \$19.00 per month to \$20.00 per month. Showtime/The Movie Channel, Starz/Encore, and Cinemax would each increase from \$14.50 to \$15.00 per month. The current multi-premium discounts of \$3, \$6, and \$13 would also remain at current levels. These increases are needed to keep pace with increases in the wholesale license fees FPB must pay to programmers.

Mr. Higginbotham explained that the increase was a straight pass through of increased programming fees. He explained the timing of programming agreement terms and renewals. Mr. Higginbotham discussed the upcoming renewals for NBCUniversal, TNT and AMC. He noted that Staff budgeted well for these increases with the exception of AMC. He advised that Staff budgeted for a 30%-40% increase for AMC, however AMC's agreement, which is still being negotiated, would require an approximate 300%-400% increase for their networks. He noted AMC's larger than expected demands as the reason that Staff was requesting a higher than expected rate increase.

Mr. Couch advised that the NCTC continued to negotiate with AMC with little movement in AMC's demands. He explained the four (4) channels currently carried by FPB: AMC on Classic Tier and WeTV, IFC, and BBC America on the Preferred Tier. He noted that AMC's demands included not only a significant price increase but would also require that FPB move the three (3) AMC affiliate channels currently on the Preferred Tier to the Classic Tier as well as launch two (2) new AMC affiliate channels on the Classic Tier. Mr. Couch advised that these demands would force the majority of FPB cable customers to purchase the channels whether they want them or not. He further advised that the three (3) Preferred channels were lightly viewed and that customers had not requested the two (2) new channels required by AMC. Mr. Couch stated that AMC refused to negotiate these distribution terms.

Mr. Couch stated that the consistent message which FPB receives most often from its customers was that they have the ability to choose what channels they receive and Staff believes that AMC's demands go straight in the face of that request. He further advised that AMC made it clear that the agreement would require that FPB take all six (6) of their channels whether customers wanted them or not. Mr. Couch stated that Staff planned to bring the AMC agreement to the Board for consideration at the regular December meeting. If the Board decided not to approve the agreement, then Staff would recommend a reduction of the \$6.35 proposed increase at that time. He stated that Staff recommended holding the public hearing on December 1, 2015 for the above noted rate changes.

In response to Mr. Ludwig, Mr. Couch stated that the rate increase for Classic Cable proposed in this public hearing notice assumes that the Board would accept the

terms of the AMC agreement presented at this time. He reiterated that current AMC channels carried by FPB.

In response to Mr. Ludwig, Mr. Couch acknowledged that Staff conducted a survey when the most recent retransmission agreements and rates were being considered which occurred approximately one year ago. Mr. Higginbotham stated that Staff was currently reviewing viewership data regularly on just over 50% of the FPB cable customers.

Mr. Ludwig reiterated that at this time, Staff was only requesting that a Public Hearing be scheduled on December 1, 2015 to discuss potential rate increases.

In response to Ms. Rosen, Mr. Higginbotham stated that Staff believed there would be a small percentage of the customer base that would be unhappy if AMC was dropped from the lineup. Mr. Higginbotham and Mr. Couch further explained other methods by which the programming could be viewed. Mr. Higginbotham explained communications with customers and stated that previous Boards have dropped channels in the past. He further explained some of the "scare" tactics utilized by AMC with other cable providers.

In discussion, Mr. Higginbotham stated that there was no change in demands as of the beginning of the meeting. He stated that the terms were to take all six (6) channels or get none, the 10 year term requested by AMC and confidentiality terms of the contract regarding specific dollar amounts paid. He stated that FPB could give percentages for increases and Mr. Couch noted that the AMC request equated to an approximate 400% increase for AMC's programming on the Classic Tier.

In response to Mr. Baldwin, Mr. Higginbotham and Mr. Couch explained the manner in which Staff planned to communicate with the community and FPB customers.

Dr. Green moved to approve holding the public hearing notice for: 1) Increasing rate for Classic Cable service, (2) Reducing rate for Preferred Cable, (3) Increasing rate for Bulk Cable I and II, and (4) Increasing rates for Premium Channel Services for December 1, 2015. Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

15. **Action Item: Consider Establishment of a Committee for Development of Recommendations to Improve Communications by FPB to the Community.**

- [Develop Webpage Related to Board Member Contact Information](#)
- [Publish Board Meeting Minutes on Webpage](#)
- [List Major Projects on Webpage](#)

Mr. Baldwin explained that the goal was to extend FPB communications to the public by making the Board more accessible, soliciting feedback and telling the FPB story regarding major projects and initiatives. His initial suggestions were to add a comment form, as well as a link for meeting announcements, videos, minutes and agendas that can be searched and linked on the FPB website.

Mr. Baldwin moved to establish a committee comprised of appropriate Staff and one or more Board members as a liaison to make the above changes to the FPB website to improve communication. Ms. Rosen seconded. Ms. Poe called the vote by member and the motion passed unanimously.

16. **Action Item: Define a Plan to Consider the Customer Service Experience at the New Administration Building.**

- [Halt approval/further progress on customer facing spaces pending completion](#)
- [Conduct Internal Discussions](#)
- [Conduct Public Discussions](#)

Mr. Baldwin stated that the goal was to establish a committee to consider ways to improve the customer service experience at the new Administration Building.

Mr. Baldwin explained that FPB had an opportunity with the new building to improve customer service and be a better community steward. He stated that FPB needed to do its due diligence to consider all areas of the customer experience as much as possible. He acknowledged that physical feature improvements and policy improvements could achieve those goals. He suggested an improved customer layout, staggered billing, pre-pay, accepting credit cards online, via telephone and in person, and reducing or eliminating credit card fees to simplify the payment process.

Mr. Baldwin moved to develop a committee to study the means by which FPB can, through policy and physical aspects of the new building, improve the customer service experience and provide the best customer service experience possible.

Mr. Ludwig expressed his concerns regarding potential changes to the design of the layout in the new building at this stage. He noted that a great deal of time, effort and money had been expended at this point, and that Staff and the Board were comfortable with the design and layout of the building. Ms. Rosen agreed but stated that she believed it was considered only from the employee perspective and not from the customer perspective to reduce customer frustrations.

In discussion, Mr. Ludwig noted his concern about delaying architectural drawings. Mr. Baldwin noted that he believed the Board had a time range to solicit and receive customer input.

Mr. Ludwig reiterated the motion on the table.

Dr. Green stated that an architect had studied the means to improve customer flow. Mr. Baldwin stated that significant consideration was given to the employee perspective but little consideration was given to the customer perspective. Ms. Rosen stated that the environment itself could lead customers to act a particular way.

Ms. Dutta stated that Staff had thorough discussions regarding the overall customer experience from the time the customer walked into the building throughout the process of what the customer came into the building to accomplish. She stated that it may be productive for Staff to sit down with the two new Board members to discuss what factors were considered from the customer perspective.

Mr. Pogrotsky stated that everyone realized the issues with the current customer service set-up, cramped space, long lines at certain times, and the police officer. He stated that Board and Staff took those considerations into account when the new customer service area was designed. Mr. Baldwin responded that the point of security was well taken, but he felt that given the poor security environment at the current facility he believed that it was important not to overcompensate in the new facility. He further advised that Staff and the Board should consider that a hardened facility in the new building could cause an escalation of customer tensions. Mr. Pogrotsky stated that he could agree to establish a committee to look at procedures and policy to make improvements, but could not agree to significant changes to the layout and design of the customer services area in the new building.

Ms. Rosen discussed the layout at new Courthouse and stated that the employees were very dissatisfied with the glass at the Clerk's window. Mr. Pogrotsky discussed his visit to the driver's license area of the Courthouse. He stated that the employee he spoke with in that area loved the protective glass barrier between them and the customer except that there was not enough space on the customer side of the glass.

In response to Mr. Baldwin, Ms. Dutta stated that shop drawings had already been sent to the architect but they were waiting on direction from Staff to move forward.

She stated that there was at least 30-60 day lead time to construct the glass and that installation would likely begin in the Spring.

Ms. Rosen seconded the motion to develop a committee to study the means by which FPB can through policy and physical aspects of the building improve the customer service experience and provide the best customer service experience possible.

Ms. Poe called the vote by member. With a vote of 2 "Yes" and 3 "No" the motion failed to pass. Mr. Ludwig, Dr. Green and Mr. Pogrotsky voted "No" and Mr. Baldwin and Ms. Rosen voted "Yes".

Ms. Rosen moved to establish a committee to look at customer service policies including accepting credit cards in person, on the phone and via the web, reducing or eliminating credit card fees, account prepay, staggered billing and other things that may tie into policy. Mr. Pogrotsky seconded. Mr. Ludwig suggested the committee be made up of one or more Board members and appropriate Staff. Ms. Rosen volunteered to be the Board liaison for the committee.

Ms. Poe called the vote by member and the motion passed unanimously.

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.

Dr. Green moved to go into closed session. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

20. **Closed Door Session:**

With no further business to discuss, Dr. Green moved to adjourn. Mr. Pogrotsky seconded. The motion passed unanimously and the meeting adjourned.

  
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**ATTEST:**