

December 15, 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, December 15, 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
John Higginbotham, Asst. GM Cable/Telecommunications
Scott Hudson, Electric Supt.
Casey Jones, Asst. IT Director
Karl Pitzer, IT Director
Kathy Poe, Executive Assistant
Hance Price, Staff Attorney/ Asst. GM Administration
Mark Redmon, Support Services Director
Chris Riddle, WTP Superintendent
Julie Roney, Asst. WTP Superintendent
Alan Smith, Asst. Water Superintendent
Kim Phillips, Safety Director
Glenn Waldrop, Public Information Coordinator
Dave Pike, Cable 10 Videographer
Seth Littrell, State Journal Reporter
Chris Woolery, MACED

AGENDA

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

DECEMBER 15, 2015 BOARD MEETING AGENDA

1. **Action Item:** Consider Approving Minutes for the November 17, 2015 Board Meeting.
2. **Action Item:** Consider Approving Minutes for the November 19, 2015 Special Board Meeting.
3. **Action Item:** Consider Approving Minutes for the December 1, 2015 Special Board Meeting.
4. **Action Item:** Electric, Water and Cable Financial & Statistical Data for November 2015.
5. **Informational Item:** Presentation from Chris Woolery of Mountain Association for Community Economic Development (MACED) regarding Energy Conservation.

6. **Informational Item:** Departmental Reports:
 - Cable Dept.
 - Customer Service
 - Electric Dept.
 - SEPA
 - KyMEA
 - Safety
 - Water Distribution
 - Water Treatment Plant
 - Administration Building
 - Headend
7. **Action Item:** Consider Approving Authorization for Additional Services with Stantec for Phase 2 Geotechnical Services Related to the Seepage in the South Basin of the Reservoir not to Exceed \$25,000.
8. **Action Item:** Consider Approving Master Service Agreement with Jones/NCTI, Inc., for Online Customer Care and Technician Courses (\$18,048).
9. **Action Item:** Consider Approving Addendum to Master Service Agreement with Time Warner Cable Enterprises, LLC (TWC) for Dedicated Internet Access.
10. **Action Item:** Consider Restricting Proceeds from Kentucky Utilities Rate Case Settlements in the Amount of \$2,853,001.90 to be used for FPB's Alternative Power Supply Project with the Kentucky Municipal Energy Agency.
11. **Action Item:** Consider Cable Rate changes: (1) Increasing rate for Classic Cable tier service, (2) Decreasing rate for Preferred Cable tier service, (3) Increasing rate for Bulk Cable I and II, and (4) Increasing rates for Premium Channel services.
12. **Old & New Business:**
13. **Informational Item:** General Manager's Comments.
14. **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.
15. **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. **Action Item:** Consider Approving Minutes for the November 17, 2015 Board Meeting.

Mr. Pogrotsky moved to approve the minutes for the November 17, 2015 Board Meeting, the minutes for the November 19, 2015 Special Board Meeting, and the

minutes for the December 1, 2015 Special Board meeting. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

2. **Action Item: Consider Approving Minutes for the November 19, 2015 Special Board Meeting.**

Approved in Item 1.

3. **Action Item: Consider Approving Minutes for the December 1, 2015 Special Board Meeting.**

Approved in Item 1.

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

Mr. Denton explained the statement of net position and balance sheet through November 30, 2015. He discussed the cash investment schedule as well as the summary of bonds, leases and KIA loans. He further 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.

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

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

Cable: Mr. Higginbotham reviewed graphs and discussed the trouble call, outage report and penetration numbers for Cable/Telecom.

Headend Building: Mr. Higginbotham distributed photos of the new Headend facility and discussed progress and status of the project. He stated that the project was on schedule. In response to Ms. Rosen, Mr. Higginbotham stated that the building should be complete by early April, 2016. He noted that crews were currently working on outside fiber work and would likely begin working to move fiber into the new building by middle to late Spring.

Customer Service: Ms. Gilliam discussed monthly and weekly charts and data provided to the Board. She noted that two new reports had been provided for walk-in customers for both billing and customer service. She noted that the goal would be to utilize this information to improve policies and procedures to improve customer service.

Electric: Mr. Hudson noted 29 electric outages for the month of November and noted that he SAIDI numbers had leveled out for the year.

SEPA: Mr. Bannister noted a loss of approximately \$63,000 for the month of October 2015. He noted that the colder months were typical loss months for SEPA energy and explained the minimum and maximum allotments for FPB. Mr. Bannister further explained the additional transmission fees assessed from the TVA due to a true up for costs. He noted that FPB will pay approximately an additional \$30,000 on the November to pay the remainder of the true up costs to TVA.

KyMEA: Mr. Foster discussed the success of the November 19, 2015 public meeting. He noted positive comments and feedback received in connection with the public meeting.

Mr. Foster discussed the status of KyMEA and stated that the group was still in the organizational establishment stage. He stated that the next KyMEA meeting would be held on December 16, 2016 in Louisville.

Safety: Ms. Phillips noted no (0) OSHA recordables and one (1) vehicle accident for the month of November. She noted that an employee struck a deer in a company vehicle and there were no injuries and moderate damage to the vehicle.

Ms. Phillips discussed photos of pole top rescue training provided to staff.

Water Distribution: Mr. Billings noted five (5) new services, nine (9) main breaks, and three (3) outages. He noted that two (2) outages were due to the main breaks, and one (1) was scheduled for maintenance.

Water Treatment: Mr. Riddle reviewed the Water Treatment Plant report and stated that FPB produced more than 222 million gallons of potable water for the month of October for an average daily production of 7.4 million gallons per day.

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.

In response to Mr. Baldwin, Ms. Dutta stated that there have been some delays but the contractor intends to deliver the completed facility on time. She stated that the building was approximately 30% complete.

5. **Informational Item: Presentation from Chris Woolery of Mountain Association for Community Economic Development (MACED) regarding Energy Conservation.**

Ms. Rosen introduced Mr. Chris Woolery, Program Coordinator for How\$martKY. Mr. Woolery explained specific services offered by How\$martKY, explained examples of energy cost savings versus the cost of energy improvements as well as the types of improvements made to increase energy efficiency.

Mr. Woolery discussed the types of utility companies currently working with How\$martKY and explained financing available. He explained rebates, interest rates and payback period as well as participation requirements.

8. **Action Item: Consider Approving Authorization for Additional Services with Stantec for Phase 2 Geotechnical Services Related to the Seepage in the South Basin of the Reservoir not to Exceed \$25,000.**

As you are aware, the water department recently discovered a wet spot near the toe of slope on the east side of the south basin. Since the discovery, the basin has been taken out of service, inspected by Strand Associates, and is currently in the process of making minor interior surface repairs. The Strand assessment also recommended we engage the services of Stantec for geotechnical direction dealing with the seepage.

Stantec was requested to provide a scope of work to perform additional geotechnical work. Phase 1 services consisted of a site visit and discussion to review new seepage and recommendations for treatment. Phase 2 services consist of installing two monitoring wells after the basin is restored to service, followed by evaluation and reporting.

The seepage issue was not expected therefore the expense in dealing with it was not specifically budgeted in the FY15-16 budget. As such, staff recommends utilizing reserves.

As a matter of course, Staff recommends that the Board approve the addendum with Stantec not to exceed \$25,000.

Mr. Billings explained the history of the seepage and wet spot at the Reservoir as well as the countermeasures and recommendations for repairs. He further explained the recommendation to install monitoring wells. Mr. Billings stated that the cost for

these monitoring wells had not budgeted and that reserve funds would be utilized to complete the project.

After brief discussion, Mr. Pogrotsky moved to approve the authorization for additional services with Stantec for Phase 2 Geotechnical Services related to the seepage in the South Basin of the Reservoir not to exceed \$25,000. Mr. Ludwig seconded. Ms. Poe called the vote by member and the motion passed unanimously.

9. **Action Item: Consider Approving Master Service Agreement with Jones/NCTI, Inc., for Online Customer Care and Technician Courses (\$18,048).**

Staff recommends the approval of the agreement renewal with Jones/NCTi for online training courses. The term of the renewal is 12 months ending December 2016. The Cable-Telecom Dept. has utilized NCTi services for required training for many years and this renewal will continue to allow employees to take as many classes as they'd like from a pre-selected grouping of classes, over the next 12 months. In many cases, the value in purchasing these online classes as a package is equal to the cost of purchasing one class a la carte.

With this renewal, the per-employee cost will not increase but Staff reviewed the training schedule with supervisors and adjustments were made to include five additional employees. The NCTi training for these 38 employees is budgeted in FY16.

The Assistant GM-Administration has reviewed the agreement and it meets with his approval.

Mr. Higginbotham explained training courses available and advised that employees had utilized this training in the past with successful results. He noted that the Agreement would allow employees access to more training for less money since it allowed access to an unlimited number training courses.

Dr. Green moved to approve the Master Service Agreement with Jones/NCTi, Inc., for online customer care and technician courses for a cost of \$18,048. Ms. Rosen seconded.

After additional discussion, Ms. Poe called the vote by member and the motion passed unanimously.

10. **Action Item: Consider Approving Addendum to Master Service Agreement with Time Warner Cable Enterprises, LLC (TWC) for Dedicated Internet Access**

In March 2014 the Board executed a new Master Service Agreement allowing FPB to continue purchasing wholesale Dedicated Internet Access (DIA) from TWC. This addendum increases the total bandwidth purchased from 2 Gigabit to 6 Gigabit at a savings of approximately \$8,100 per month or \$97,200 per year. The additional bandwidth will be utilized to support growing customer demand for Internet Access.

The Assistant GM-Administration has reviewed the agreement and it meets with his approval.

Mr. Higginbotham explained that this purchase would increase the amount bandwidth purchased by FPB yet cost less money. He further noted that the additional bandwidth was necessary to support growing customer demand for internet access.

In discussion, Mr. Higginbotham stated that the term of the Agreement was 12 months with an automatic renewal year after year. Mr. Jones noted that FPB would have full rein of the bandwidth and that saturation was currently approximately 70%.

After additional discussion, Mr. Ludwig moved to approve the Addendum to the Master Service Agreement with Time Warner Cable Enterprises, LLC. Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

11. **Action Item: Consider Restricting Proceeds from Kentucky Utilities Rate Case Settlements in the Amount of \$2,853,001.90 to be used for FPB's Alternative Power Supply Project with the Kentucky Municipal Energy Agency.**

FPB Staff is requesting that the Board restrict \$2,853,001.90 in cash proceeds received from Kentucky Utilities (KU) related to two rate cases and designate the funds to be used for FPB's alternative power supply project with the Kentucky Municipal Energy Agency (KyMEA). In August 2015 FPB received an electric rate refund in the amount of \$1,373,531.14 from a successful Federal Energy Regulatory Commission (FERC) rate case filing between the Kentucky municipals and KU. In October 2015 FPB received \$1,479,470.76 from a successful FERC rate case settlement between the Kentucky municipals and KU related to the removal of Construction Work in Progress (CWIP) from FPB's wholesale electric rates due to FPB giving notice to terminate the KU contract.

Staff would like to restrict these funds to make sure they are available to fund the alternative power supply project through the KyMEA. For example, when FPB transitions from KU to KyMEA for power supply needs in April 2019 FPB will need to make two wholesale power supply payments in one month that could be north of \$8,000,000, so these restricted funds would be available for such power supply needs.

Mr. Denton explained the cash expenditures that would be necessary in the future with the acquisition of new power supply. He explained the need for funding KyMEA as well as additional power costs when FPB leaves Kentucky Utilities and begins its affiliation with a new power supplier. Mr. Denton suggested that FPB would keep \$500,000 in cash with the remainder in certificates of deposit to be utilized as needed in the future. Mr. Foster added that KyMEA should have a better idea of its start-up costs by March 2016.

After a brief discussion, Mr. Baldwin moved to approve the restricting of proceeds from the Kentucky Utilities rates case settlements in the amount of \$2,853,001.90 to be used for FPB's alternative power supply project with KyMEA. Mr. Ludwig seconded. Ms. Poe called the vote by member and the motion passed unanimously.

12. **Action Item: Consider Cable Rate changes: (1) Increasing rate for Classic Cable tier service, (2) Decreasing rate for Preferred Cable tier service, (3) Increasing rate for Bulk Cable I and II, and (4) Increasing rates for Premium Channel services.**

Staff recommends the approval of proposed rate increases effective January 1, 2016. Staff proposed the rate increases in order to keep pace with increases in the wholesale license fees FPB must pay to programmers. If approved, the Classic Cable tier (channels 2-97) rate would increase from \$54.50 per month to \$60.85 per month, Preferred Cable tier (channels 100-249) would decrease from \$11.50 per month to \$10.50 per month, the Bulk Cable I rate would increase from \$7.00 per outlet per month to \$11.10 per outlet per month and Bulk Cable II would increase from \$17.35 per outlet per month to \$19.35 per outlet per month. HBO would increase from \$19.00 per month to \$20.00 per month, Showtime/TMC, 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. On October 20, 2015, the Board approved the public meeting notice and that hearing was conducted on December 1, 2015.

Mr. Higginbotham reiterated the rate changes requested by programmers. Mr. Couch reiterated that the increases were a pass through of rate increases expected with current and upcoming contract renewals. Mr. Couch reiterated that the potential renewal of AMC was a significant portion of the increase but that there were other

renewals that were included in the change requested as well as increases included in current programming agreements.

In discussion, Staff and the Board discussed upcoming renewals, the potential of the Board not approving upcoming agreements, rebating customers if agreements were not approved and channels are discontinued, other options for changing rates, the regulation and process necessary for rate changes, the amount of time needed to complete the process, and FPB prices compared to other area providers.

Mr. Pogrotsky moved to approve the Cable Rate changes: (1) Increasing rate for Classic Cable tier service, (2) Decreasing rate for Preferred Cable tier service, (3) Increasing rate for Bulk Cable I and II, and (4) Increasing rates for Premium Channel services as listed. Dr. Green seconded.

After additional discussion, Mr. Ludwig reiterated the motion on the floor and noted that if passed the customers could be refunded amounts overpaid if new agreements were not approved therefore changing the amount of the increase.

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

13. **Old & New Business:**

Ms. Rosen discussed the cycle billing committee meeting held on December 10, 2015 and noted points for continued discussion in further meetings.

Mr. Baldwin stated that he was encouraged with public involvement at the public power meeting. He moved to strengthen the partnership between the community and FPB by enhancing transparency and encouraging community involvement. He stated that the implementation of this motion will include the following measures:

1. Video Recording of all public hearings and special sessions. Broadcast date will be announced at public meeting and noted on printed announcement.
2. Creation of web based form for submission of public comments. URL or QR code prominently place on any notice or rebroadcast of public meeting. Aggregate report on public comments will be provided at next regular meeting.
3. In addition to the required 24 hour notice of public meetings another notice will be made as far in advance of the scheduled meeting as is practical.
4. Posters shall be made for public hearings and placed conspicuous places around the community as far in advance of scheduled meeting as practical.
5. Press releases will be issued for all public meeting in order to educate the public and foster a constructive dialog.
6. Extend electronic comment period. The comment period shall be open past the hearing date and remain open until the regular meeting where action will be taken on hearing issue.
7. Addition of public comment period to all public meetings.

Ms. Rosen seconded the motion.

After discussion Ms. Poe called the vote by member and the motion failed with a 2-3 vote. Mr. Baldwin and Ms. Rosen voted "Yes". Mr. Ludwig, Dr. Green, and Mr. Pogrotsky voted "No".

Mr. Pogrotsky moved to place this item on the Agenda for the January board meeting. Mr. Ludwig seconded. Ms. Poe called the vote by member and the motion passed unanimously.

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

None

At the request of Ms. Rosen, Mr. Pogrotsky stated that mediation with TNA was scheduled for Tuesday, December 22, 2015 at the office of Linda Hopgood in Lexington, Kentucky.

15. **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; and KRS 61.810(1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee.

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

16. **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.





ATTEST: