

February 21, 2017

A Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at United Bank and Capital Trust, located at 125 W. Main Street, Frankfort, Kentucky, on Tuesday, February 21, 2017 at 5:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Dr. Scott Green, Secretary/Treasurer
Walt Baldwin, Vice Chair
Anna Marie Pavlik Rosen, Board Member
John Cubine, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
David Billings, Water Engineer
Brian Bourne, Asst. Water Superintendent
Katrina Cummins, Asst. Finance Director
David Denton, Finance Director
Sharmista Dutta, Water Engineer
Vent Foster, Asst. GM Operations/Chief Electric Engineer
Monique Gilliam-Avery, Customer Service Director
Dana Goodlett, Cable Installation Supervisor
Gary Grider, Media Services Manager
Ryan Henry, Asst. IT Director
Scott Hudson, Electric Superintendent
Casey Jones, IT Director
Kathy Poe, Executive Assistant
Kim Phillips, Safety Director
Hance Price, Staff Attorney/Asst. GM Administration
Mark Redmon, Support Services Director
Julie Roney, WTP Superintendent
Dianne Schneider, HR Director
Alan Smith, Water Dist. Superintendent
Jeremy Blackburn, Cable 10 Videographer
Alfred Miller, State Journal
John Painter, nFront Consulting
Tom Trauger, Spiegel McDiarmid

AGENDA

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

FEBRUARY 21, 2017 BOARD MEETING AGENDA

1. **Action Item:** Consider Approving Minutes for the January 17, 2017 Board Meeting.
2. **Action Item:** Consider Approving Minutes for the February 7, 2017 Special Board Meeting.
3. **Action Item:** Accept Electric, Water and Cable Financial & Statistical Data for January 2017.
4. **Informational Item:** Public Comment Period.
5. **Informational Item:** Departmental Reports:
 - Website Customer Comments
 - Cable Dept.

- Tanglewood
 - Customer Service
 - Electric Dept.
 - SEPA
 - KyMEA
 - Safety
 - Water Distribution
 - Water Treatment Plant
 - Administration Building
6. **Action Item:** Consider Approval of Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy Agency (KyMEA).
 7. **Informational Item:** Discuss FPB's Commitment to Open, Transparent Communication with Community in Response to Change.org Petition Requesting Audit of FPB by the Kentucky Auditor of Public Accounts.
 8. **Action Item:** Consider Adopting the State Auditor Recommendations for Public and Nonprofit Boards as Revised March 4, 2010.
 9. **Action Item:** Consider Engaging Dean Dorton Allen Ford, PLLC to Provide Ethics/Whistleblower Hotline Services in Accordance with FPB's Whistleblower Policy.
 10. **Action Item:** Consider Appointing a Three Member Ethics Committee in Accordance With FPB's Code of Ethics.
 11. **Action Item:** Consider Approving: (1) Increasing rate for Classic Cable service, (2) Increasing rate for Bulk Cable I and Bulk Cable II; (3) Reducing rate for HBO, (4) Changing names and speeds for High Speed Internet Offerings.
 12. **Action Item:** Consider Awarding Cable-Telecom Infrastructure RFP.
 13. **Old & New Business:**
 14. **Informational Item:** General Manager's Comments.
 15. **Request Permission to have Chair call for a Closed Session** Chairman moves for a closed session pursuant to KRS 61.810(1)(c) for the discussion of proposed litigation regarding zoning matters related to the reservoir property.
 16. **Closed Door Session:**

BOARD ACTION

Mr. Ludwig called the meeting to order. Ms. Poe called the roll. She noted five (5) Board members in attendance.

1. **Action Item:** Consider Approving Minutes for the January 17, 2017 Board Meeting.

Mr. Cubine moved to approve the minutes for the January 17, 2017 Board meeting and the February 7, 2017 Special Board meeting. Dr. Green seconded. Mr. Ludwig called the vote and the motion passed unanimously.

2. **Action Item: Consider Approving Minutes for the February 7, 2017 Special Board Meeting.**

Approved in Item 1.

3. **Action Item: Accept Electric, Water and Cable Financial & Statistical Data for January 2017**

Mr. Denton discussed the statement of net position for the period ending January 31, 2017. He discussed assets, debt, liabilities, capital assets, cash and investments, and expenses and revenues. He further discussed bonds, leases and loans payable, and the financial performance companywide.

Dr. Green moved to accept the financial and statistical data. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

4. **Informational Item: Public Comment Period**

Mr. Ludwig opened the floor for public comment.

Frances Ringer Hillard expressed her concerns with cable rate increases. She stated that some residents are on a fixed income and cannot keep up with increases.

Matthew Ringer stated that he would like to see FPB dissolve the ISP and cable services and put them in the hands of a more capable entity. He state that Spectrum was willing to step in and offer reliable service to the Frankfort community. He stated that digital services and customer interaction at FPB were poor.

Lee Waterfield asked what the Tanglewood item on the Agenda would encompass. Mr. Ludwig advised that Staff would be updating the Board on the status of the mitigation at Tanglewood. Ms. Waterfield asked if Tanglewood residents would be able to comment at that time. Mr. Ludwig stated that he did not intend to open the floor for comment during that time. Mr. Cubine advised that nothing would be voted on and that the item was an update from Staff as to the progress of mitigation. Mr. Baldwin advised that comments could be made on the website at any time.

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

Cable: Mr. Goodlett explained graphs and numbers provided to the Board. He discussed trouble call numbers and issues, outage numbers, customer penetration numbers and VOD views.

Tanglewood: Mr. Bannister explained the timeline provided to the Board regarding mitigation. He reiterated the total budget amount for the project and discussed progress made in various meetings with the Tanglewood Neighborhood Association (TNA). He stated that TNA had chosen a fence type and explained specifics of the fence selection as well as the concrete base specifications. Mr. Bannister further discussed meetings with TNA and Inside Out Design, and the status of the proposed schedule. He advised that Staff hoped to have plans and specifications for fencing and landscaping as well as demolition of the parking structure for Board approval at the next board meeting.

In response to Mr. Cubine, Mr. Bannister confirmed that the lights had been removed and that the old headend building had been demolished and removed. He noted that Staff had done an excellent job with the demolition and removal of the old headend building.

In response to Mr. Rosen, Mr. Bannister explained that GRW had previously provided FPB with a cost estimate to demolish the parking structure.

In response to Mr. Cubine, Mr. Bannister stated that concrete installers were not any busier than usual for this time of year.

Customer Service: Ms. Gilliam-Avery explained a decrease in telephone and walk-in customers due to increased customer utilization of the customer web portal. She further discussed the status of advertisements regarding the cycle billing transition.

In response to Ms. Rosen, Ms. Gilliam-Avery further explained data regarding the number of customers utilizing the customer portal and which aspects of the portal were being utilized.

Mr. Cubine added that he had visited customer service for assistance with a billing concern and that the service was fast and that the CSR was very good.

Electric Dept.: Mr. Hudson explained information regarding outages and explained the total number of customers effected for the month of January. He further explained the types and causes of the outages.

SEPA: Mr. Bannister explained information included in the SEPA graphs for the month of December 2016. He noted a profit of \$12,759 for December, the amount of kilowatts sold and the total profit margin since 1997. He further noted that additional information regarding SEPA energy futures would be presented in Item #6 by the consultants.

KyMEA: Mr. Foster stated that this item would be covered under Mr. Painter's presentation in item 6.

SAFETY: Ms. Phillips noted no (0) OSHA recordable accidents and two (2) minor vehicle accidents. Ms. Phillips discussed the upcoming CPR/First Aid/AED training and extended an invitation to the Board members to attend the training.

Water Distribution: Mr. Smith noted four (4) main breaks and one (1) outage for the month of January. He stated that they met with the county parks board and they agreed to put money in their budget to share costs with FPB for approximately 50% of the materials for the community water fountain project. He further stated that Mr. Parrish was going to get FPB on the next work session Agenda for discussion.

In response to Ms. Rosen, Mr. Smith advised that the assumption was that installation of water fountains would begin after July 1, 2017 once all budgets were approved.

Mr. Billings presented an update on the reservoir projects. He stated that a list of the questions and concerns received had been compiled and would be sent to the Board for review the day after the meeting. He further advised that Strand was in the process of addressing those comments and that Staff expected to have the report from Strand at the next regular board meeting.

Mr. Baldwin and Ms. Rosen stated it would make sense to post comments and responses on the website for public access.

Water Treatment Plant: Ms. Roney stated that the water treatment plant produced 253 million gallons of potable water with an average daily production of 8.2 million gallons per day. She further discussed rainfall and river flows.

Administration Building: Ms. Dutta discussed work at the administration building. She advised that site work and exterior work was in the final stages. She further explained work on the interiors as well as furniture installation and finalization with security and IT systems. She discussed coordination with staff on training and office set up.

In response to Mr. Cubine, Ms. Dutta advised that the project was currently under the budgeted cost.

6. **Action Item: Consider Approval of Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy Agency (KyMEA).**

FPB has an entitlement to hydroelectric capacity and energy from the Southeastern Power Administration (SEPA). Currently FPB and the other Kentucky Municipal customers obtain value for their SEPA Entitlements through a contract with Owensboro Municipal Utilities. 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.

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. Foster stated that the next KyMEA meeting would be held at 10:00 a.m. at the FPB Clubhouse on Thursday, February 23, 2017. He discussed items approved at the previous KyMEA Board meeting and advised that John Painter of nFront Consulting and Tom Trauger of Spiegel McDiarmid would make a presentation and answer any questions.

Mr. Painter stated that he would review the presentation in a manner which would answer the questions presented by Mr. Cubine. Mr. Painter explained the advantages to this proposal relative to the process currently being utilized to market SEPA energy. He explained the comparison of revenues with the current process versus the proposed resolution through KyMEA. He explained that through the KyMEA, FPB would obtain revenue from energy as well as capacity. He further advised that FPB would not be able to collect revenue for capacity by selling in the market because the transmission costs would be as much or more than the revenue received in the market.

Mr. Painter explained that under the KyMEA arrangement, SEPA energy would be used as part of the portfolio to serve FPB's load and the load of all the KyMEA All Requirements (AR) members and the members with SEPA energy would receive a credit for their SEPA capacity. He further explained that all of the KyMEA AR members have some SEPA capacity and that this capacity would be utilized to offset the purchase of resources from Paducah.

Mr. Painter advised that by incorporating FPB's SEPA energy and capacity into the KyMEA portfolio, FPB would receive an increase in revenue of more than \$8 million over the ten-year term for its SEPA capacity.

In response to Mr. Cubine, Mr. Bannister stated that additional repairs would be made to the turbines in the SEPA systems over the next 20 years.

In response to Mr. Cubine, Mr. Painter advised that SEPA losses under the KyMEA Resolution would stop on May 1, 2019 because KyMEA cannot utilize the energy or capacity since FPB is still under contract with Kentucky Utilities. He further discussed the status of this Resolution with the other KyMEA members. He advised that Corbin had signed the Resolution. Mr. Trauger explained that the other cities were going through the process with their respective entities but that the expectation was that all were going to approve this Resolution.

In response to Ms. Rosen, Mr. Bannister stated that SEPA had been profitable since 1997 but that FPB has lost money in SEPA the past two years, which was a result of the low natural gas prices reducing the market value.

In response to Mr. Cubine, Mr. Painter acknowledged that regardless of the decision tonight, the options for FPB's SEPA energy losses would not change. He further advised that in 2018 when dam repair work was completed and FPB received its full allotment of SEPA energy resources, that the SEPA numbers could improve. He further noted that if those numbers improved, it would be about a break even.

Mr. Painter advised that the big difference would be the \$8 million increase in revenue over the ten-year period of the Resolution. He explained that FPB had no way to capture the capacity credit for SEPA under the current arrangement.

Mr. Painter further stated that there was no downside to the contract for SEPA through KyMEA. He reiterated the benefit of the capacity credit and explained that the SEPA contract was coterminous with the All Requirements contract. He advised that if at some point the AR Contract was to be terminated, then the SEPA contract terminated. He further noted that if projections changed, FPB had the right to terminate the SEPA contract, and that the Resolution with KyMEA would terminate if FPB were to terminate its contract with SEPA. He advised that it did not create any additional risk to FPB.

Mr. Painter further noted that there was no known way to market SEPA energy between now and May 1, 2019 to make it profitable because of FPB's contract with Kentucky Utilities. In response to Mr. Cubine, Mr. Trauger explained that Kentucky Utilities stated that they were no longer interested in a SEPA arrangement when the new formulated rates went into effect with the 2009 power supply contract. Mr. Painter reiterated that the total ten-year benefit to FPB would be an additional \$8 to \$15 million for the capacity credit depending on the market if the Resolution with KyMEA was approved. He further noted that this would be in addition to the energy credits and savings over the current power supply arrangement through KyMEA.

In response to Mr. Ludwig, Mr. Painter stated that this savings was one of the benefits of joining KyMEA.

In response to Mr. Baldwin, Mr. Painter explained the energy and capacity attributes and advised that there were no other attributes that would produce revenue at this time. He stated that if other attributes became valuable that those credits would be added and passed on to the member. Mr. Painter advised that the market value of

the energy would be the same regardless of the avenue in which it was sold. He reiterated that KyMEA was the only avenue identified in which FPB could receive revenue for the capacity attribute. Mr. Painter stated that this was a vehicle for utilizing the capacity to its maximum effect for FPB. He further noted it would be possible for FPB to utilize SEPA to serve its load but that the market value would remain the same regardless.

In response to Mr. Cubine, Mr. Painter explained that a decision was not critical to be made at this meeting but that it would be extremely helpful to the group to make a decision as soon as possible in order to make future decisions.

Mr. Cubine asked why FPB's board attorney or general counsel are not signing off on all FPB contracts? Mr. Painter stated that Mr. Price has reviewed the contract. Mr. Price advised that he had never signed a contract for FPB but reviewed all contracts. He further advised that Staff explains to the Board that he has reviewed and approved the contracts prior to presentation to the Board for approval. Mr. Price further stated that the statute requires the Board Chair to execute contracts and the Board Secretary/Treasurer to attest. He further noted that Staff would proceed with whatever procedure the Board was comfortable with. Mr. Price and Mr. Trauger added that a line could be added for general counsel signature. Mr. Cubine noted that he would like to see the general counsel sign.

In response to Ms. Rosen, Mr. Painter stated that Owensboro Municipal Utility (OMU) is not yet a KyMEA All Requirements customer. He explained that they are going through changes with regard to their coal fired generator. In response to Mr. Baldwin, Mr. Painter added the OMU's integrated resource plan identified the potential of OMU becoming a KyMEA All Requirements customer as one of their best alternatives.

In response to Mr. Cubine, Mr. Painter stated that the consultants' focus for SEPA had been reviewing options from May 1, 2019 forward and that staff and consultants have been looking for options to make SEPA profitable in the interim. He further stated that additional discussions and ideas could be researched and reviewed.

In response to Ms. Rosen, Mr. Painter reiterated that there was not a sensible way to sell SEPA capacity due to the transmission costs.

Ms. Rosen asked if it was something the Board would like to think about longer? Mr. Baldwin stated that his preference would be to wait on a decision. Mr. Cubine added that he would like Mr. Price to do his review and would like to hear further from Mr. Painter or Mr. Foster if there were any interim action to be taken in the next 26 months to reduce losses. Mr. Painter stated that the consultants would look at the options again.

Mr. Painter discussed the option of terminating SEPA. He further noted that if FPB terminates now then the options for profitability in the future would disappear. In response to Mr. Cubine, Mr. Painter and Mr. Foster explained that profitability with SEPA, if the KyMEA Resolution was approved, would be \$800,000 to \$1.1 million in the first full year. Mr. Foster reiterated that there did not appear to be any means for SEPA profitability in the interim. He stated that Staff would review options again and noted that any losses taken within the next 26 months would easily be absorbed and SEPA would be profitable under the KyMEA Resolution being considered.

Mr. Bannister further explained to two revenue streams of SEPA if the KyMEA Resolution was approved. He reviewed the numbers based on FPB's SEPA allotment and advised that FPB would receive a capacity credit of \$60,140 per month in revenue through the proposed KyMEA Resolution for SEPA in addition to what FPB is receiving for SEPA now. Mr. Painter explained an additional 15% of revenue due to the reduction of capacity needed for reserve requirements.

Dr. Green moved to approve the Resolution and Contract for Integration of Member-Owned Resource (SEPA Entitlement) between Frankfort Plant Board and Kentucky Municipal Energy Agency (KyMEA). Mr. Ludwig seconded.

Ms. Rosen requested an update on the status of the independent study of joining KyMEA. Mr. Liebman advised that RFPs had been sent out and that the deadline for responses was coming soon. He noted that a recommendation for selection of firm would be forthcoming. Mr. Liebman stated that they have requested a report as soon possible after a firm has been hired. Mr. Baldwin added that he believed the turn around on the work product to be short, possibly a week or something like that. Ms. Rosen stated that it was reasonable to have the study complete, review the results before committing further at this point. Mr. Baldwin agreed.

Mr. Ludwig asked for additional discussion. He stated that he saw no reason to delay any longer. Ms. Rosen stated that it was a long term commitment and should be reviewed further. Mr. Baldwin stated that there was no reason to sign now and no negative to waiting.

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

Mr. Cubine added that he was not rejecting or saying he does not agree with the proposal. He advised that he wanted to see the legal review done and Mr. Price to sign off on the documents and have this item brought back to the board for further discussion and consideration. Mr. Baldwin agreed.

7. **Informational Item: Discuss FPB's Commitment to Open, Transparent Communication with Community in Response to Change.org Petition Requesting Audit of FPB by the Kentucky Auditor of Public Accounts.**

[A change.org online petition demanding a complete audit of the Frankfort Plant Board by the Kentucky Auditor of Public accounts has been initiated and signed by over 200 individuals. FPB's mission is to enhance our community and benefit customers by safely, reliably and economically providing services while maintaining a responsive, well-managed, environmentally sensitive and sound organization, grounded in integrity. The board of directors, management and over 200 employees of the Frankfort Plant Board work diligently each day to make sure this mission is realized.](#)

[The Frankfort Plant Board is already required by KRS § 96.185 to have an annual, external audit by a certified public accountant, which we do each year receiving unmodified audit opinions, the highest opinion possible. To address this online petition and show our customers and stakeholders our commitment to open, transparent operations, FPB's General Manager is proposing a letter be sent to Mike Harmon, Kentucky's Auditor of Public Accounts, to offer full access to our organization.](#)

[Please see a draft of the letter in this board package.](#)

Mr. Bannister discussed a petition circulated on change.org. He advised that FPB was audited annually as required by State statute by an independent accounting firm and stated that FPB had always received favorable and unqualified opinions from its annual audits. Mr. Bannister stated that a letter had been drafted to State Auditor Mike Harmon and the Staff recommended the Board approve dissemination of the letter inviting them to review all FPB divisions.

Mr. Cubine moved to approve sending the invitation to the State Auditor's office. Ms. Rosen seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

8. **Action Item: Consider Adopting the State Auditor Recommendations for Public and Nonprofit Boards as Revised March 4, 2010.**

Staff and the Board have been working with the understanding that the State Auditors Recommendations for Public and Nonprofit Boards were approved and adopted by the FPB's board of directors. However, upon Staff's review of past minutes dating back to 2009 it appears that the recommendations were not clearly adopted. Staff recommends the Board move to adopt the State Auditors Recommendations for Public and Nonprofit Boards as revised March 4, 2010. The Auditors recommendations can be found in the detail section of this Board package.

Mr. Bannister explained that Board and Staff had been working under the belief that the Board approved the State Auditor Recommendations for Public and Nonprofit Boards as written in 2009. He explained that after Staff's audit of the minutes there was no indication that a clear motion had been made to adopt those recommendations. He discussed the subsequent revision of those guidelines by the State Auditor and advised that Staff recommended the Board make a clear motion to adopt the revised recommendations from the State Auditor's office as provided to the Board prior to the meeting.

In response to Mr. Cubine, Mr. Bannister acknowledged that these are the same rules as discussed in 2010 and what Staff and the Board had been operating under all along.

Mr. Cubine moved to adopt the State Auditor Recommendations for Public and Nonprofit Boards as revised March 4, 2010. Mr. Baldwin seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

9. **Action Item: Consider Engaging Dean Dorton Allen Ford, PLLC to Provide Ethics/Whistleblower Hotline Services in Accordance with FPB's Whistleblower Policy.**

FPB has a board approved whistleblower policy in place that states the FPB board of directors of FPB will designate a specific individual or an independent third-party to receive reports of actual or suspected violation of any law, mismanagement, waste, fraud, abuse of authority, or substantial and specific danger to public health or safety. Today, there are no established procedures in place to receive whistleblower reports.

Staff recommends engaging Dean Dorton Allen Ford, PLLC, an independent third party, to collect, review, and forward complaints to the appropriate FPB contact. Dean Dorton will charge FPB \$1,295 (\$500 one-time setup fee, \$675 annual fee, \$120 for posters and wallet cards to inform employees) for the first year and \$675 per year going forward. Staff researched alternatives for this type of service and received four different quotes with Dean Dorton being the lowest. Dean Dorton was selected as the recommended reporting option due to the fact a Certified Fraud Examiner receives the initial report instead of it going directly to the client like most other services, which gives reporters comfort their concerns will be handled in a confidential and anonymous manner. Some of the key benefits of the Dean Dorton solution includes:

- Web reporting and live, 24/7 phone reporting via toll-free number. They offer collateral material that helps keep the hotline top of mind, including wallet cards, posters and quarterly emails.
- Reports do not go straight to FPB. Each report first goes to an experienced fraud examiner who provides the report to the appropriate person within your organization and is available to provide assistance, if needed.
- By putting this hotline in place, you convey to the employees of FPB that the organization is committed to an ethical culture. The hotline provides FPB with a safeguard that may identify employee concerns or complaints before they develop into a crisis.
- Utilizing a third-party expert provider provides employees with comfort that their concerns will be handled in a confidential and anonymous manner.

Staff recommends engaging Dean Dorton for whistleblower hotline report collection and management in order to fully implement FPB's whistleblower policy. If approved, the policy and reporting procedures will be distributed to FPB employees as stipulated in FPB's whistleblower policy. A copy of FPB's whistleblower policy and Dean Dorton's proposal has been included in this board packet for your review.

Mr. Denton explained the whistleblower policy as approved by the Board in January 2011. He stated that there was no procedure or method to submit a report or for those reports to be received, processed and sent back to FPB. He explained that Staff was looking to designate a specific individual or independent third party to receive reports of actual or suspected violation of any law, mismanagement, waste, fraud, abuse of authority or substantial and specific danger to public health or safety.

Mr. Denton advised that Staff was looking at a 3-pronged approach in that the vendors, community and customers could report to the State Auditor or the State Attorney General, and for an employee hotline or web reporting wherein FPB would engage Dean Dorton. He stated that Dean Dorton worked with RedFlag.com to receive any employee comments, then review those comments and send them to the appropriate personnel within FPB.

Mr. Denton explained the initial and reoccurring fees associated with the engagement of Dean Dorton.

In response to Mr. Cubine, Mr. Denton explained that any vendor, customer or member of the community could report to the State Auditor or the State Attorney General, as has always been available, and that only employees would utilize Dean Dorton.

In response to Mr. Cubine, Mr. Price explained the difference between KRS 61.102 and the whistleblower policy. Mr. Price stated that this was an anti-retaliation policy for FPB employees.

Mr. Baldwin moved to engage Dean Dorton to provide Ethics/Whistleblower hotline services in accordance with FPB's Whistleblower Policy. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

10. **Action Item: Consider Appointing a Three Member Ethics Committee in Accordance With FPB's Code of Ethics.**

The Frankfort Plant Board has adopted a code of ethics that establishes an ethics committee that shall have jurisdiction over the administration of the ethics code, receive and initiate complaints, conduct hearings, render advisory opinions and prepare forms required by the code. Section IV, subsection A of the code of ethics policy states FPB's ethics committee shall consist of three members appointed by the board. The ethics policy is included in the detail section for your review.

Staff recommends developing a slate of potential committee members for FPB board members to pick from with the final committee installed by June 30, 2017.

Mr. Bannister explained the current code of ethics and stated that the ethics committee had not yet been formed. He noted that the committee should be a three-member committee. He stated that Staff could recommend potential candidates. In response to Mr. Cubine, Mr. Bannister stated that this would be an unpaid position and would meet as needed.

Mr. Price discussed changes incorporated into the code as requested by Mr. Cubine. Mr. Cubine discussed the County ethics code and Mr. Price advised that those changes had been incorporated into FPB's ethics code. Mr. Cubine stated that the ethics committee should not be investigating criminal behavior and should report suspected criminal behavior to the appropriate office for investigation.

In response to Mr. Ludwig, Mr. Price discussed the incompatible office rule and stated that the language had been provided to the Board. Mr. Price stated that suggested candidates would need to be vetted per those rules and noted that Staff could vet candidates.

Mr. Cubine suggested that names of potential candidates be submitted to staff. Mr. Baldwin suggested that the names be submitted to Mr. Price. Mr. Price advised that staff could vet the candidates and provide a viable list of candidates to the Board. Mr. Ludwig called for the vote and the suggestion was unanimously approved.

11. **Action Item: Consider Approving: (1) Increasing rate for Classic Cable service, (2) Increasing rate for Bulk Cable I and Bulk Cable II; (3) Reducing rate for HBO, (4) Changing names and speeds for High Speed Internet Offerings.**

Staff recommends the approval of proposed rate increases effective March 1, 2017. 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 \$60.15 per month to \$63.50 per month, the Bulk Cable I rate would increase from \$11.10 per outlet per month to \$11.80 per outlet per month and Bulk Cable II would increase from \$19.35 per outlet per month to \$20.57 per outlet per month. Due to a reduction in the wholesale license fee, HBO would decrease from \$20.00 per month to \$18.50 per month.

Residential and business Highspeed Internet speeds would change as follows: 20/2Mbps would increase to 25/3Mbps; 30/3Mbps would increase to 50/5Mbps with no rate increase. The 100/10Mbps speed would be established with the residential rate being \$80 per month and the business rate being \$172 per month – each before eligible discounts are applied. Additionally, name descriptions will be utilized for each speed including; 1Mbps/128K – Lite; 10/1Mbps – Standard; 25/5Mbps – Premium; 50/5Mbps – Ultra; and 100/10Mbps – Elite.

On January 17, 2017, the Board approved the public meeting notice and that hearing was conducted on February 7, 2017. Customer comments were received between January 18 and February 20, 2017 and are included in the detail section.

Mr. Denton reiterated the proposed rate increases/decreases as well as broadband speed/name changes and stated that the changes, if approved, would be effective March 1, 2017.

Mr. Cubine stated that Mr. Higginbotham was in the process of researching the potential of additional offerings but there were many obstacles due to current contracts and agreements. Mr. Ludwig stated that it was very difficult with contractual constraints. Mr. Baldwin suggested research for any precedent for offering a discount to people on a fixed income. Mr. Denton reiterated that this increase was a pass through due to an increase of all programming fees and he reiterated that FPB was not passing through the entire program fee increase, and that FPB was absorbing a portion of those increases.

Ms. Rosen requested follow up regarding BBC News and anything other programming that is available that we are not airing at this time.

Mr. Cubine moved to approve the staff recommendation as a result of the public hearing for the recommended cable rates. Mr. Baldwin seconded. Ms. Poe called the vote by member and the motion passed unanimously.

12. **Action Item: Consider Awarding Cable-Telecom Infrastructure RFP.**

Staff recommends the award of the Cable-Telecom Infrastructure Study to either Finley Engineering/CCG Consulting or Engineering Associates. Both firms have experience and good references. Scoring by Staff showed a slightly better score for Engineering Associates but both are exceptionally qualified. Finley/CCG offered the optional business overview evaluation of current business in order to look for

efficiencies and opportunities to reduce operating expenses. Staff believes this a good value but is not necessarily a disqualifier for Engineering Associates.

As part of the FY17 budget, \$56,000 was budgeted for the study. Staff issued an RFP to identify and hire an outside consultant to provide:

- * Assessment of FPB's existing outside plant and alternatives for improving the infrastructure in order to meet current and future wholesale and retail demands by subscribers in the offering of voice, video and data products.
- * Capital and operating costs of alternate infrastructure design versus costs associated with improving the existing plant and design.
- * As applicable, a business case and deployment plan that allows FPB to provide services during a transition and/or maintain existing services long term while migrating services to a new infrastructure.

The RFP was sent to nine companies on October 3, 2016 and the responses were due on November 4, 2016. Five of the initial nine firms submitted a response to the RFP and one additional company submitted a response by the deadline. Eight staff members scored and then ranked the submittals and based on the factors included in the RFP, Engineering Associates had the best score. Finley/CCG had the second best score – but had the lower cost and the added financial analysis. Staff negotiated both agreements and the Assistant GM-Administration has review the agreements and each meets with his approval. Below is a comparison of cost.

	<u>Engineering Associates</u>	<u>Finley Engineering/ CCG Consulting</u>
Study cost	\$61,140	\$55,500
Travel Estimate	\$6,800	\$3,000
TOTAL	<u>\$68,600</u>	<u>\$58,500</u>
Optional Business Overview	N/A	\$7,500
NEW TOTAL	<u>\$68,600</u>	<u>\$66,000</u>

If awarded, the evaluation would begin later this month with the project competition set for 120 days.

Mr. Jones stated that Staff recommended the award of the Cable Infrastructure RFP to either Finley Engineering or Engineering Associates. He explained scoring and qualifications of both firms. He stated that staffs' scoring was slightly higher for Engineering Associates and noted that both firms were highly qualified. Mr. Jones explained the additional optional offering of Finley Associates and stated that it was a good value but did not disqualify Engineering Associates. He explained that funds had been budgeted for this project and reiterated that Staff recommended the approval of either firm.

In discussion, Mr. Cubine stated that the Board could make a motion to approve a contract tonight and Mr. Baldwin could work with Staff to come up with language to make changes to the scope of work to be considered and adopted later. Mr. Price stated that the award would be based on the specifications as issued in the RFP and that FPB could look at making a small change or addition later. Mr. Cubine suggested that Mr. Higginbotham and Mr. Baldwin work directly together regarding potential changes in the scope of work.

Mr. Bannister stated that it was his understanding that Mr. Higginbotham had discussed the added benefit of the overall business evaluation with Engineering Associates, that they may be willing to offer that service, and that it may be included in the price estimate as noted. Mr. Baldwin stated that his preference would be to go with the firm that scored highest with Staff which was the Engineering Associates.

Mr. Cubine moved to approve the contract based Staff's recommendation of Engineering Associates. Mr. Baldwin seconded. Ms. Poe called the vote by member and the motion passed unanimously.

13. **Old & New Business:**

1. Mr. Cubine discussed the budget process and suggested that the Board schedule a work session in the next 30-45 days to meet with Staff to discuss preliminary budget numbers. Mr. Denton disseminated a proposed schedule for budget preparation and review. Mr. Denton suggested that the Board as a group let Staff know what initiatives or projects that the Board would like to see in the budget. He suggested a date in the last week of March (potentially March 28) for a special meeting to discuss preliminary budget items and numbers.
2. Mr. Cubine suggested that Staff include language in FPB bid documents to encourage the use of local vendors when feasible if quality and price is comparable, and if contractors are not using local vendors they should explain their reason.
3. Mr. Cubine suggested that Staff give the Board notice prior to finalizing RFP's on major projects so that the Board could provide input on the scope of work.

The board made a consensus decision that these items should be followed by Staff. Mr. Bannister acknowledged that Staff understood and would incorporate these items.

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

None

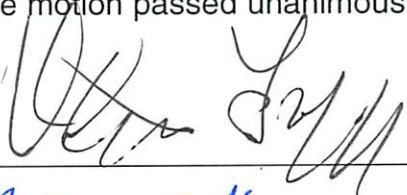
15. **Request Permission to have Chair call for a Closed Session** Chairman moves for a closed session pursuant to KRS 61.810(1)(c) for the discussion of proposed litigation regarding zoning matters related to the reservoir property.


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

16. **Closed Door Session:**

The Board adjourned from closed session and returned to open session. Mr. Cubine moved to retain Frost Brown Todd for possible zoning litigation regarding the reservoir property and to execute an engagement letter. Dr. Green seconded and the motion passed unanimously.

With no further business to discuss, Mr. Baldwin moved to adjourn. Dr. Green seconded. Mr. Ludwig called for the vote. The motion passed unanimously and the meeting adjourned.





ATTEST:

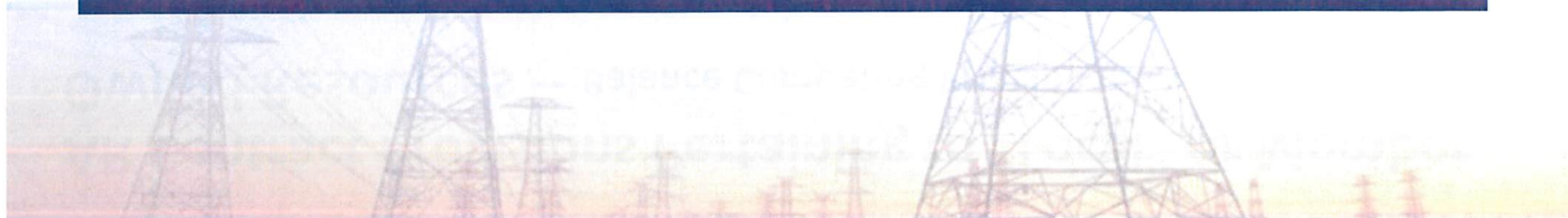


Presentation to KyMEA AR Members

Regarding Potential
SEPA Arrangement Options

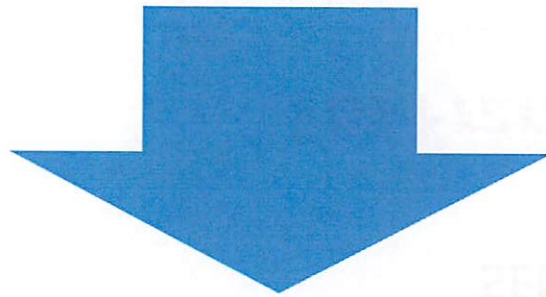
For Frankfort Plant Board (FPB)

January 26, 2017

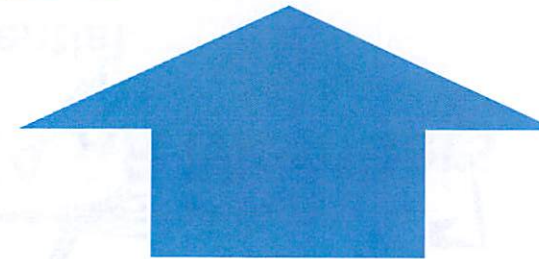


AR Contract Provisions Pertaining to “Local” or Member Owned Resources -- Balance Competing Principles

Avoid Shifting Costs to Other Members



Key Principles Driving Pertinent Provisions of the AR Contract



Maximize Value to the Member

Member-Owned, or Local, Resource Examples



The All Requirements Contract Provides for KyMEA to Facilitate Member-Owned, or Local, Resources in One of Three Ways

Member's Options:

Option 1.

KyMEA will Contract to Use and Provide Value-Based Credits to Member

Credit to Member
Based on
100% of Value to
KyMEA

Option 2.

KyMEA will Contract to Market Output on Behalf of Member

Credit to Member
Based on
Revenue Received,
Less Marketing Costs

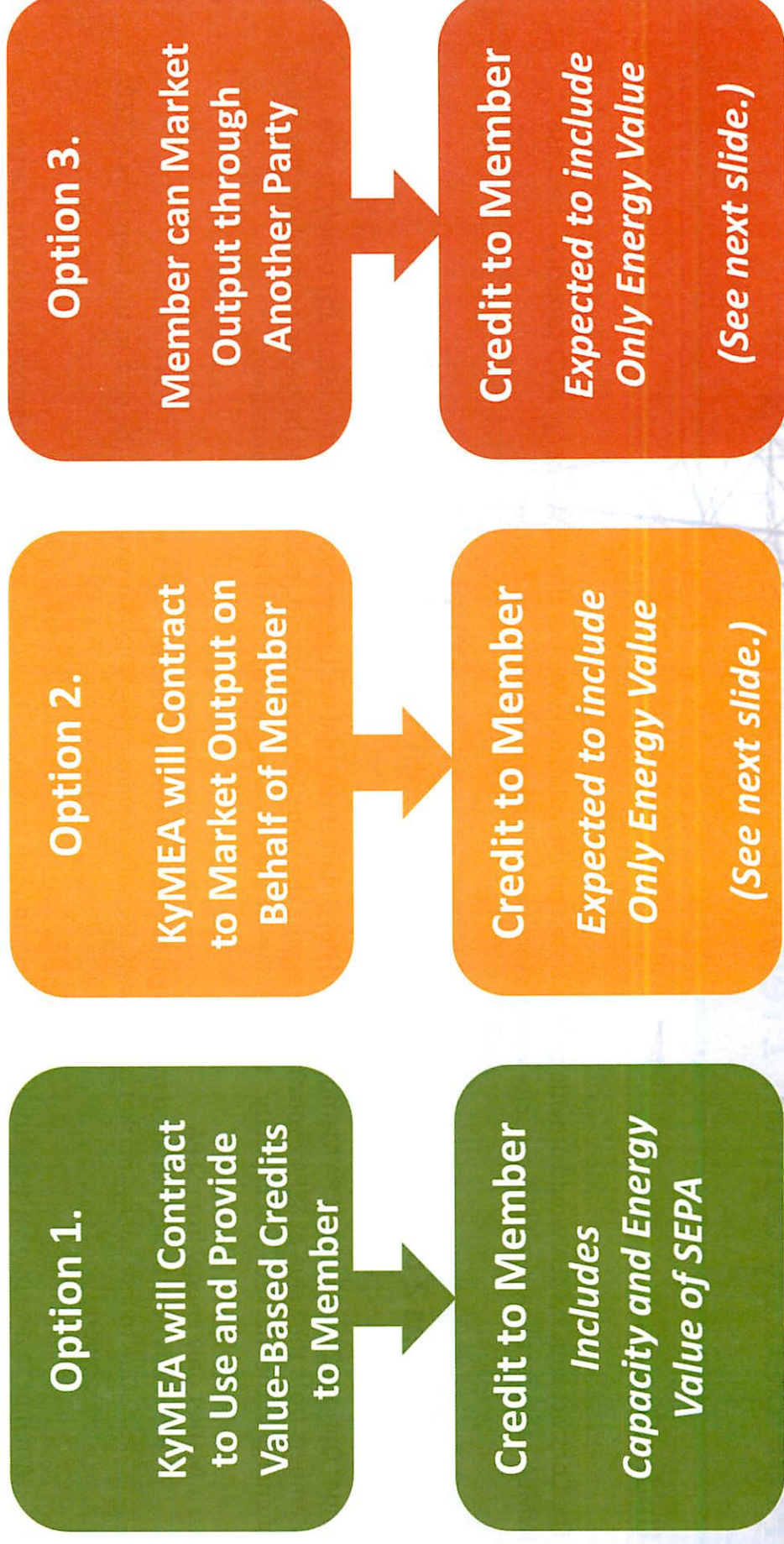
Option 3.

Member can Market Output through Another Party

Credit to Member
Expect to be based on
Revenue Received,
Less Marketing Costs

Option 1 provides Benefits to each SEPA Member from the Value of SEPA Capacity and Energy

– Options 2 and 3 are Expected to Only Provide Energy Value



Reasons for the Difference in Value Provided by Option 1 relative to Options 2 and 3

Under Option 1:

The Contract with KyMEA would provide credits based on the value to KyMEA of the SEPA energy **AND capacity** – because KyMEA can effectively use SEPA capacity without incurring additional transmission charges.

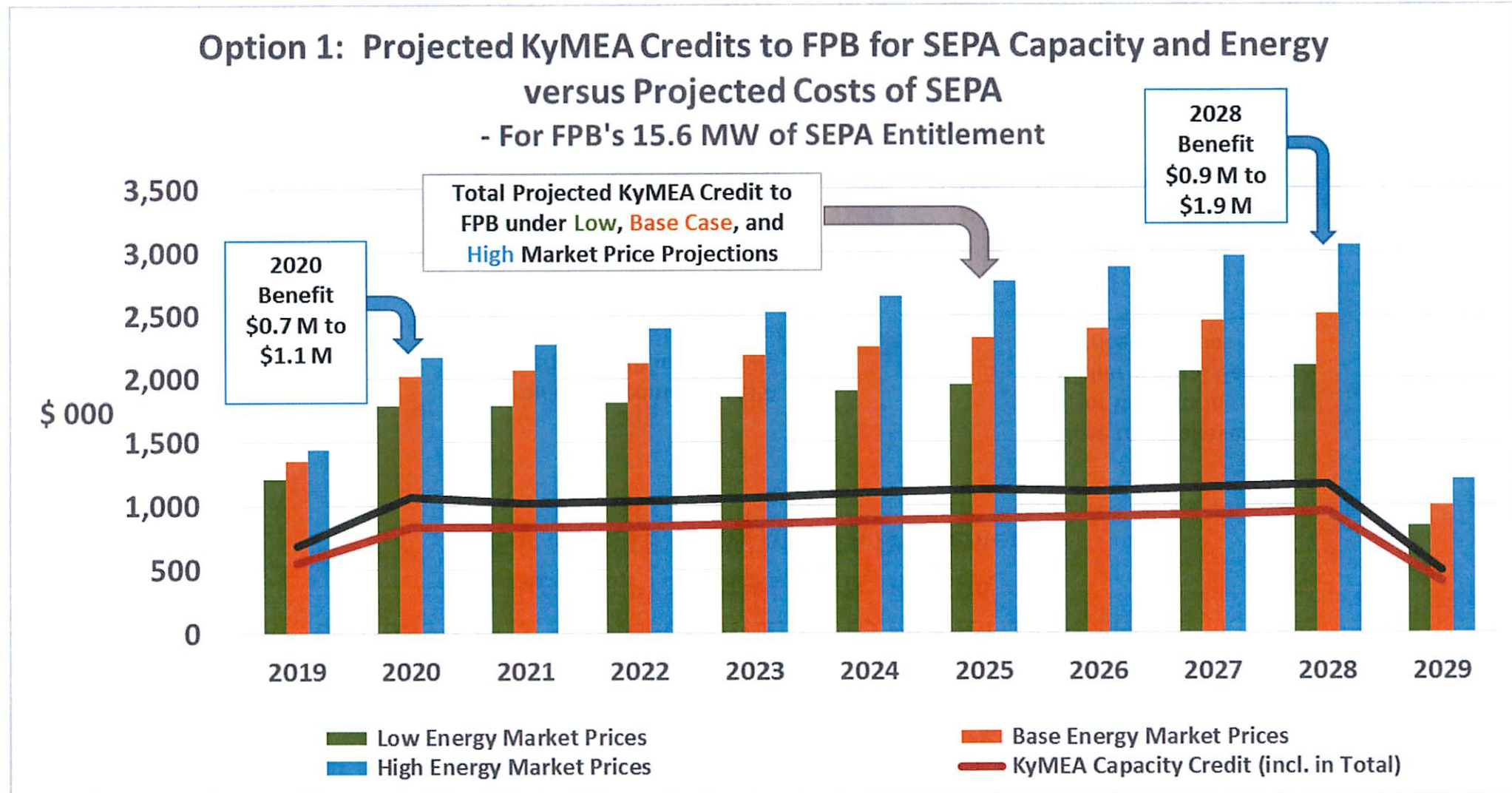
Under Options 2 or 3:

Under Options 2 and 3, the SEPA Members would have market risk that we believe would result in less if any benefit to the Members from the value of SEPA **capacity**. We expect the value Members would realize would be based primarily on the value of energy in the market – not **capacity** - through one of the following two basic marketing approaches:

1. Market only energy from SEPA
 - As is now being managed by OMU on the SEPA Members' behalf
 - Due to low energy market price levels, recently, revenue levels have not covered the cost to the Members of SEPA power
2. Attempt to also market capacity and energy from SEPA to others - However, additional transmission capacity charges to wheel the SEPA from TVA to the purchaser may be incurred and if so:
 - Can be expected to offset much if not all of the resulting additional revenue, and
 - Increase risks to the Members

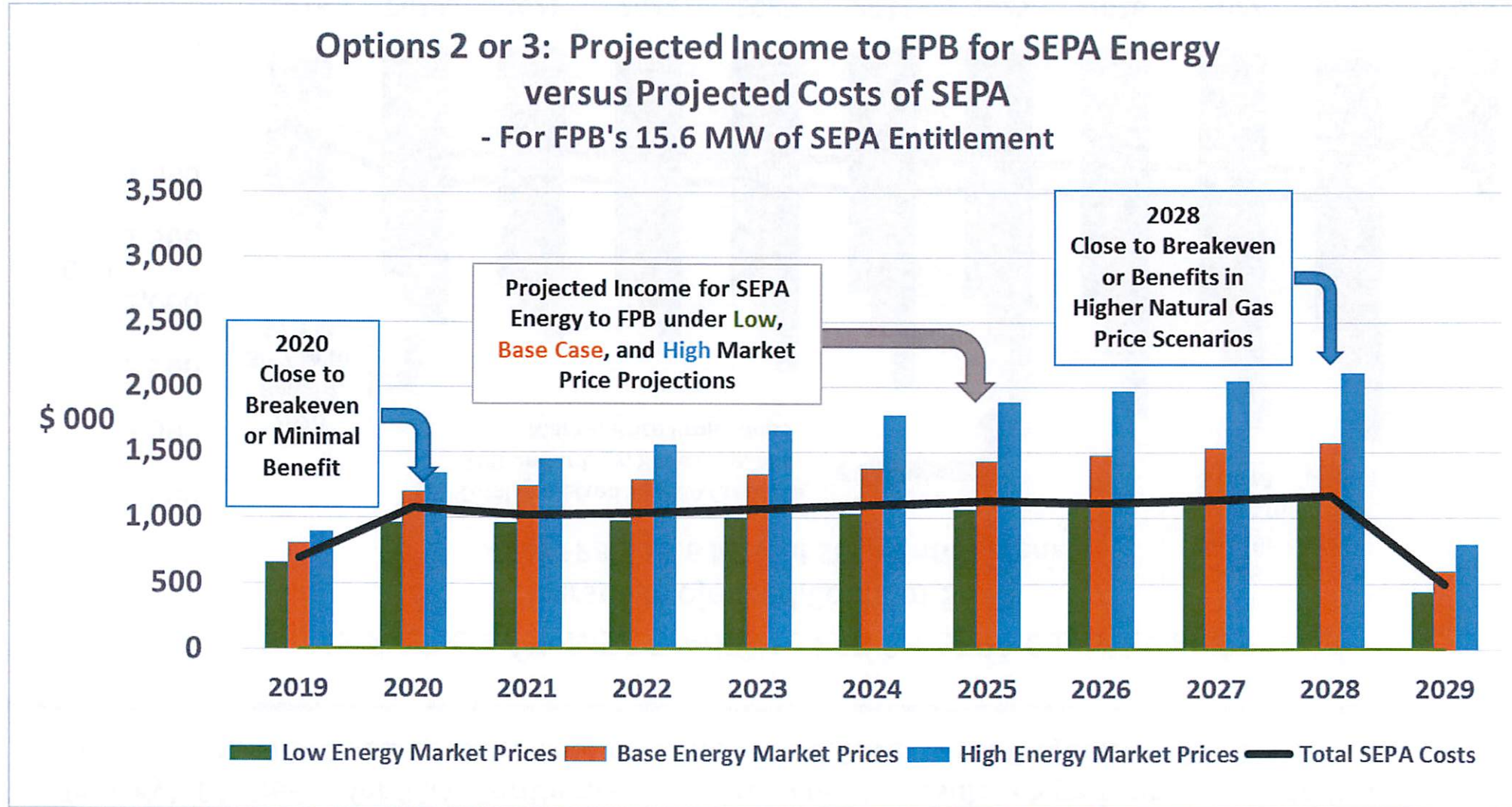
Under Option 1:

Total KyMEA Credits for SEPA Entitlements are Projected to Result in Significant Net Benefit to the Member -- KyMEA Fixed Capacity Credits Alone Would Cover Most Projected SEPA Costs



Under Options 2 and 3:

Credits for to Members for SEPA Entitlements are Projected to Much Lower than under Option 1



6 Key Provisions

of the Proposed Contract between KyMEA and the AR Members that have SEPA

1. KyMEA commits to use SEPA as part of its AR Power Supply Portfolio to serve the loads of the AR Members
2. Because of that use, KyMEA requires less capacity and energy from other resources and passes along the resulting avoided costs and any other benefits to the SEPA Members
3. The capacity rate used to determine the credit is specified in the Member's contract with KyMEA – it tracks the capacity rate that KyMEA would have paid to Paducah for a greater entitlement to the capacity of their combustion turbine plant – fairly represents KyMEA's current long-term cost of peaking capacity
4. The energy rate will track the cost of energy avoided by KyMEA in each hour over the term of the contract – which will be close to the cost of energy purchased from MISO at the interface between MISO and the LGE/KU transmission system.
5. The proposed contract would also credit the Member for any other value that KyMEA realizes from the attributes (for example, renewable energy credits) of the project. At this time, no additional value is assumed, but circumstances could change in which additional value would be realized.
6. The term of the contract begins May 1, 2019 (or June 1, 2019 at Members' option) and continues until the earlier of May 31, 2029, termination of the AR Contract, or termination of the Member's contract with SEPA.

Overall Conclusion:

The proposed contract for KyMEA to use SEPA provides significant benefits to the SEPA Members and is consistent with the AR Contract. Therefore, we recommended approval of the contract by KyMEA and each SEPA Member.

