

June 13, 2017

A Special Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at the Frankfort Plant Board Administration Building, located at 151 Flynn Avenue, Frankfort, Kentucky, on Tuesday, June 13, 2017 at 5:00 p.m.

ATTENDANCE:

Ralf Ludwig, Chair
Walt Baldwin, Vice Chair
Dr. Scott Green, Secretary/Treasurer
John Cubine, Board Member
Anna Marie Rosen, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
Katrina Cummins, Asst. Finance Director
Vent Foster, Asst. GM Operations/Chief Electric Engineer
Adam Hellard, Broadband/Security Manager
Ryan Henry, Asst. IT Director
Cathy Lindsey, Public Information Coordinator
William Lynn, Executive Assistant
Hance Price, Staff Attorney/Asst. GM Administration
Julie Roney, WTP Superintendent
Jeremy Blackburn, Cable 10 Videographer
Alfred Miller, State Journal
Austin Horn, State Journal
Michele Chait, E3
John Painter, nFront
Fred Haddad, nFront
Brown Thorton, NewGen
Tom Trauger, Spiegel & McDiarmid
Charlie Musson, Rubin and Hays
Andy McDonald, Envision Franklin County

AGENDA

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

JUNE 13, 2017 SPECIAL BOARD MEETING AGENDA

1. **Informational Item:** Presentation and Open Discussion of Report from Energy and Environmental Economics.
2. **Informational Item:** Presentation from KyMEA Consultants regarding Report from Energy and Environmental Economics, and KyMEA and Open Discussion.
3. **Informational Item:** Presentation from Owensboro Municipal Utility Regarding Report from Energy and Environmental Economics and KyMEA and Open Discussion.
4. **Informational Item:** Comment from Mr. Andy McDonald and Envision Franklin County.
5. **Informational Item:** Public Comment and Discussion.
6. **Request Permission to have Chair call for a Closed Session:** Chair moves for a closed session pursuant to KRS 61.810(1)(k) and 61.810(1)(c) for the purpose of discussing and updating the Board regarding KyMEA power purchase agreements, renewable power purchase agreements and the E3 analysis thereof. Counterparties

to the PPAs and renewable PPAs have disclosed confidential terms and conditions within these agreements. KRS 61.810(1)(k) and 61.878(1)(c) allow for closed session where discussions regarding records or information disclosed to the agency or required to be disclosed to the agency as confidential or proprietary would, if disclosed by the agency, provide an unfair advantage to competitors of the entity disclosing such information.

BOARD ACTION

Mr. Ludwig called the meeting to order. Mr. Lynn called the roll noting five members present.

1. **Informational Item: Presentation and Open Discussion of Report from Energy and Environmental Economics.**

Michele Chait, director of Energy & Environmental Economics (E3), introduced herself and gave a brief description of E3 and current projects. In April 2017, E3 was hired by FPB to: analyze the economic and contractual risk and benefits of KyMEA contracts, provide recommendations for any clarifications and/or changes that should be made to the contracts, and identify any future analysis that should be performed.

Ms. Chait discussed goals of recommendations and the mix of resources expected to serve FPB. She provided analysis and concluded that KyMEA would lower FPB's power costs, using conservative assumptions. She further discussed other options and risks for even lower costs.

Ms. Chait discussed concerns with the current contract regarding procurement at the least cost, as well as obtaining and retaining excess capacity. She suggested KyMEA should conduct an Integrated Resource Plan. She further discussed concerns with how KyMEA will collect annual costs and how rates will be developed.

Ms. Chait explained how KyMEA's administrative costs could be contained, discussed concerns with wording in the contract regarding freely implementing customer programs. She suggested to clarify treatment of NEM and Demand Response program development and coordination. She also suggested the contract with KyMEA be modified to ensure a Member can freely purchase power via a Power Purchase Agreement (PPA). Ms. Chait further suggested modification of the contract to enable a Member to decline participation in a resource that the majority of Members wish to participate in and treatment of renewable attributes.

Other concerns discussed by Ms. Chait were passing risks and benefits of KyMEA's services through to members. She explained that it's critical that Members are aware of and participate in key decisions.

In response from the audience Ms. Chait gave examples of hedging. She further discussed attributes.

2. **Informational Item: Presentation from KyMEA Consultants regarding Report from Energy and Environmental Economics, and KyMEA and Open Discussion.**

Fred Haddad from nFront consulting introduced himself as well as representation from NewGen, Spiegel & McDiarmid, and Rubin and Hays. He explained that KyMEA's board of directors and advisors are available to participate in future workshops and/or meetings to ensure a complete and accurate understanding of the KyMEA organization, AR contracts, and AR power supply portfolio.

Mr. Haddad discussed observations by E3 of importance to FPB, including, competitiveness, energy efficiency, renewable energy, and PPAs with BREC, Paducah, and Joppa.

Mr. Haddad explained the topics discussed with E3 from meetings on June 12th and 13th. He pointed out that KyMEA's board of directors consistently weighs and balances key competing considerations.

Mr. Haddad discussed renewables, and noted KyMEA currently has a RFP for best option, and FPB has received proposals and can also independently consider options. FPB and each other Member can implement renewables through provisions of the AR Contracts that relate to AR Resources, Generation Resource Projects or Member Owned Resources. He then discussed Demand Response (DR) and New Energy Metering Programs (NEM). He stated the AR Contract provides that DR and NEM will reduce AR loads and charges, which requires coordination, but specifically does not limit FPB's authority to implement. FPB can pursue DR and NEM, KyMEA can work to resolve any ambiguities. He then discussed Direct Load Control, and how the AR Contract provides for KyMEA to treat as a Member-Owned Resource and credit FPB for the value of capacity provided. FPB can pursue and is more likely to be successful than if FPB were to be limited to trying to reduce its AR billing demands using direct load control.

Mr. Haddad discussed the matter of the Joppa contract and how KyMEA has no plans to extend the contract. He could not identify a scenario where an extension would be considered through KyMEA. Mr. Haddad also mentioned the extension of the BREC contract. Under the circumstances where KyMEA would be expected to decide to extend the BREC PPA, KyMEA could provide an option to each AR Member to determine whether KyMEA should continue to use BREC to service its load. He then discussed SEPA, and how the arrangements proposed by KyMEA provide the value to FPB recommended by E3. FPB could continue to market independently of KyMEA. He mentioned the option to opt out of new major AR resources. The procurement of an Natural Gas Combined Cycle (NGCC) PPA is already underway, and at various points in the future KyMEA will be planning other AR resources. For long-term PPAs planned in future periods, KyMEA could consider how best to provide an option under which Members could opt out early enough in the planning process to not adversely impact other Members.

Mr. Haddad reviewed the benefits of KyMEA: Lower, more competitive wholesale power costs, direct involvement by All Members in decisions impacting power supply, flexibility to incorporate renewables and implement other programs on a more economic scale, and flexibility in KyMEA contracts to meet local power supply related objectives.

The floor was opened for any questions from the public.

3. Informational Item: Presentation from Owensboro Municipal Utility Regarding Report from Energy and Environmental Economics and KyMEA and Open Discussion.

Mr. Naulty with Owensboro Municipal Utility (OMU) introduced himself and OMU. He discussed OMU's electric system, including the Elmer Smith Station.

He discussed OMU and KyMEA's relationship. OMU was a principal architect of KyMEA. He stated that KyMEA is not a risk warehouse. OMU anticipates that the Agency will be providing the following services to OMU in 2019: Backup energy in the event of an unplanned outage, power marketing, scheduling and dispatch services, resource planning, and asset optimization.

Mr. Naulty discussed KyMEA's initial supply portfolio and how it was responsive to member communities. KyMEA has been designed to meet the needs of its members. Mr. Naulty mentioned renewables, distributed resources and efficiency improvements.

Mr. Naulty reviewed why KyMEA is the best option for FPB. The initial power supply portfolio economics validates the decision of PFB to terminate KU contract. The agency was designed for flexibility to achieve individual member community

expectations. Renewables and energy efficiency will be more cost effective and material in KyMEA, and KyMEA ensures equitable allocation of risks and benefits.

The floor was opened for public comments and questions.

4. **Informational Item: Comment from Mr. Andy McDonald and Envision Franklin County.**

Mr. McDonald expressed Envision Franklin County's concerns with the current KyMEA contract. He discussed concerns regarding start-up conservation programs, and the lack up support from FPB. He further suggested FPB to consider E3's recommendations to amend the current contract with KyMEA or look for other power supply options.

5. **Informational Item: Public Comment and Discussion.**

Ms. Booth expressed her gratitude for the meeting and the ability to ask questions.

Ms. Lemley would like FPB to layout the process for ambiguities.

In response to Mr. Baldwin, Ms. Chait stated she could see agreement from all parties on parts of the contractually agreement. She further stated that future open dialog between the parties will be extremely important.

6. **Request Permission to have Chair call for a Closed Session:** Chair moves for a closed session pursuant to KRS 61.810(1)(k) and 61.810(1)(c) for the purpose of discussing and updating the Board regarding KyMEA power purchase agreements, renewable power purchase agreements and the E3 analysis thereof. Counterparties to the PPAs and renewable PPAs have disclosed confidential terms and conditions within these agreements. KRS 61.810(1)(k) and 61.878(1)(c) allow for closed session where discussions regarding records or information disclosed to the agency or required to be disclosed to the agency as confidential or proprietary would, if disclosed by the agency, provide an unfair advantage to competitors of the entity disclosing such information.

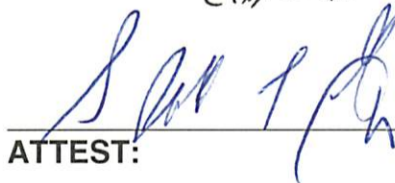
No closed session needed.

7. **Closed Door Session:**

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



CHAIRMAN.



ATTEST: