

May 12, 2016

A Special Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at the FPB Clubhouse located at 98 Tanglewood Drive, Frankfort, Kentucky, on Thursday, May 12, 2016, beginning at 2:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Rick Pogrotsky, Vice Chair
Dr. Scott Green, Board Secretary/Treasurer
Walt Baldwin, Board Member
Anna Marie Pavlik Rosen, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
David Billings, Chief Water Engineer
David Denton, Finance Director
Vent Foster, Asst. GM Operations/Chief Electric Engineer
Adam Hellard, Broadband/Security Manager
John Higginbotham, Asst. GM Cable/Telecom
Kathy Poe, Executive Assistant
Hance Price, Staff Attorney/Asst. GM Administration
Glen Waldrop, Public Information Officer

AGENDA

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

May 12, 2016 SPECIAL BOARD MEETING AGENDA

1. **Action Item:** Consider Approving a Request for Public Hearing Regarding a Retail Electric Rate Increase to be effective July 1, 2016.
2. **Action Item:** Consider Approving a Public Hearing Notice on Proposed Water Rates.
3. **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.
4. **Closed Door Session:**

BOARD ACTION

Mr. Ludwig called the meeting to order. Ms. Poe call the roll and noted five (5) board members in attendance.

1. **Action Item:** Consider Approving a Request for Public Hearing Regarding a Retail Electric Rate Increase to be effective July 1, 2016.

Starting in 2009, Kentucky Utilities (KU), with Federal Energy Regulatory Commission (FERC) approval, instituted an annual formulated rate mechanism. This allows KU to change the wholesale electric rate charged to the Frankfort Plant Board (FPB) based on KU's actual charges incurred. FPB is notified of the new rate every May with an effective date of July, 1 of that same year. This year KU has notified the municipal customers of an estimated 10.3% rate increase, effective for energy used from July 1, 2016.

Due to these annual rate changes from KU and in keeping with good utility practice, FPB conducts periodic cost and cost allocation reviews by means of a cost-of-service (COS) study. These reviews ensure that FPB's retail rates generate adequate revenue based on consideration of wholesale power cost, operating expenses as well as adequate working capital and reserves. Based on the most recent electric cost of service study, which was approved by the Board in May 2013, this 10.3% KU increase will translate differently for FPB's various customer classes.

Staff recommends the Board approve a Public Notice for the purpose of conducting a public hearing at a special called meeting of the Frankfort Plant Board on 24th May 2016 at 5:00 p.m. at the Farmers Bank, 4th floor, community room, 125 West Main, Frankfort, Kentucky 40602.

The current and proposed rates for electric services are:

Rate Classification	Existing Rate	Proposed Rate
Residential (Rate 10)		
Energy Charge (all kWh)	\$0.07988	\$0.08899
Power Cost Adjustment (variable)	variable	variable
Customer Charge	\$9.00	\$10.75
General Service (Rate 15 & 18)		
Energy Charge (all kWh)	\$0.08550	\$0.09300
Power Cost Adjustment (variable)	variable	Variable
Customer Charge	\$13.00	\$16.00
Large Power Customer (Rate 20)		
Energy Charge (all kWh)	\$0.05600	\$0.05770
Demand Charge	\$8.30	\$10.80
Power Cost Adjustment (variable)	variable	Variable
Customer Charge	\$40.00	\$70.00
Large Power – High Load Factor (Rate 21)		
Energy Charge (all kWh)	\$0.04737	\$0.05185
Demand Charge	\$9.50	\$10.45
Power Cost Adjustment (variable)	variable	Variable
Customer Charge	\$95.50	\$175.00
Municipal (Rates 2 & 19)		
Energy Charge (all kWh)	\$0.07655	\$0.08500
Power Cost Adjustment (variable)	variable	Variable
Customer Charge	\$13.00	\$16.00
Company Use (Rates 3 & 17)		
Energy Charge (all kWh)	\$0.07655	\$0.08500
Power Cost Adjustment (variable)	variable	Variable
Outdoor Lighting (Rate 1)		
Security Lights		
175 Watt Light (HPS)	\$9.53	\$10.67
400 Watt Light (HPS)	\$12.29	\$13.76
250 Watt Light (HPS)	\$11.04	\$12.36

100 Watt Light (HPS)	\$7.94	\$8.89
91 Watt Light (LED)	\$11.04	\$12.36
Street/Signal Lights		
Energy Charge (all kWh)	\$0.07910	\$0.08859
Power Cost Adjustment (variable)	variable	Variable
Customer Charge	\$13.00	\$16.00
Area Lighting		
1000 Watt Directional Fixture	\$24.41	\$27.58
1000 Watt MH with 35' Metal Pole	\$28.64	\$32.36
1000 Watt MH with 35' Wood Pole	\$26.27	\$29.69
1000 Watt MH with 45' Metal Pole	\$32.48	\$36.70
250 Watt Directional Fixture	\$8.44	\$9.54
250 Watt MH with 35' Metal Pole	\$12.68	\$14.33
250 Watt MH with 35' Wood Pole	\$10.29	\$11.63
320 Watt Directional Fixture	\$11.89	\$13.44
320 Watt MH with 35' Wood Pole	\$13.75	\$15.54
320 Watt MH with 35' Metal Pole	\$16.13	\$18.23
400 Watt Directional Fixture HPS	\$11.89	\$13.44
400 Watt Directional Fixture MH	\$11.89	\$13.44
400 Watt HPS with 35' Metal Pole	\$16.13	\$18.23
400 Watt HPS with 35' Wood Pole	\$13.75	\$15.54
400 Watt MH with 35' Metal Pole	\$16.13	\$18.23
400 Watt MH with 35' Wood Pole	\$13.75	\$15.54

Rates are to become effective July 1, 2016.

Mr. Foster explained the history of FERC and the formulated rate. He stated that Kentucky Utilities had announced that it would be conveying a 10.3% rate increase to all of its wholesale customers. Foster further advised that FPB would need an additional 2.81% increase to meet its internal fixed costs. He advised that pursuant to the most recent electric cost of study report, the actual percent increase would factor out differently for each customer class. He further explained percentages for the various rate classes based on the 2013 cost of service study. He noted that the majority of the rate increases since 2009 have been due to Kentucky Utility rate increases passed on to FPB. Mr. Foster further explained FPB's flat rate structure, demand charge, energy charge, and customer charge.

Dr. Green moved to approve the Public Hearing Notice for a retail electric rate increase to be effective July 1, 2016. Mr. Baldwin seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

Mr. Ludwig advised that the Public Hearing would be held on Tuesday, May 24, 2016 at 5:00 p.m. at Farmers Bank.

2. **Action Item: Consider Approving a Public Hearing Notice on Proposed Water Rates.**

The recent Cost of Service study indicates water revenues fall short of current and future needs. In an effort to minimize larger future rate increases, staff recommends smaller incremental rate increases going forward. As a matter of course, Staff recommends the Board approve a Public Notice for the purpose of conducting a public hearing at a special called meeting of the Frankfort Plant Board on Tuesday, May 24, 2015, at 5:00 p.m., at Farmers Bank and Capital Trust located at 125 W. Main Street, Frankfort, Kentucky, 40601, to solicit oral or written comments regarding:

(1) Increasing water rates as follows:

The current and proposed rates for water services are:

	RATE	<u>Existing Rate</u>	<u>Proposed Rate</u>
	<u>CITY & COUNTY CUSTOMERS</u>		
	Customer Charge Per Month:		
1	5/8 Inch	\$6.00	\$7.60
2	3/4 Inch	\$9.00	\$11.40
3	1 Inch	\$15.00	\$19.00
4	1 ½ Inch	\$30.00	\$38.00
5	2 Inch	\$48.00	\$60.80
6	3 Inch	\$90.00	\$114.00
7	4 Inch	\$150.00	\$190.00
8	6 Inch	\$300.00	\$380.00
9	8 Inch	\$480.00	\$608.00
	<u>CITY CUSTOMERS</u>		
	Consumption Charges, Per Thousand Gallons		
10	Up to 5,000	\$4.89	N/A
11	Next 195,000	\$4.01	N/A
12	Next 800,000	\$2.48	N/A
13	Over 1,000,000	\$1.96	N/A
14	Residential	N/A	\$4.95
15	Commercial/Public	N/A	\$4.50
16	Industrial	N/A	\$2.75
	<u>COUNTY CUSTOMERS</u>		
	Consumption Charges, Per Thousand Gallons		
17	Up to 5,000	\$6.49	N/A
18	Next 195,000	\$4.01	N/A
19	Next 800,000	\$2.48	N/A
20	Over 1,000,000	\$1.96	N/A
21	Residential	N/A	\$6.49
22	Commercial/Public	N/A	\$4.50
23	Industrial	N/A	\$2.75
	<u>FIRE SERVICES</u>		
24	2 Inch Line	\$10.63	\$11.10
25	3 Inch Line	\$21.24	\$22.18
26	4 Inch Line	\$39.75	\$41.50
27	6 Inch Line	\$79.47	\$82.97
28	8 Inch Line	\$105.95	\$110.61
29	10 Inch Line	\$132.46	\$138.29

30	12 Inch Line	\$165.62	\$172.91
	<u>SALES FOR RESALE – WATER PRODUCERS</u>		
31	Consumption Charges, Per Thousand Gallons	\$3.43	\$3.60
	<u>WATER LOADING STATION AND MISC SALES</u>		
32	Consumption Charges, Per Thousand Gallons	\$6.68	\$7.08
	<u>FPB GRATIS WATER</u>		
33	Consumption Charges, Per Thousand Gallons	\$0.796	\$0.819

The above rates are proposed to be effective July 1, 2016.

Mr. Billings explained FPB’s water rate design and discussed the revenue short fall for the water department. He explained a plan to increase rates incrementally in order to bring revenues in line for the water department over the next five (5) years. He further explained the current declining block rate structure and noted that Staff recommended a change to a flat rate structure. He explained increases to the average water customers across the rate classes and stated that Staff was continuing to merge the City and County rates.

In discussion, Mr. Billings noted that FPB water rates were slightly above the average of the Bluegrass Area Development District but were below Kentucky American Water rates. He further noted that Kentucky American had filed for a rate increase at the Public Service Commission.

In response to Ms. Rosen, Mr. Billings stated that the cost of service study did factor in the cost of the new administration building and the cost of a new reservoir. Mr. Billings and Mr. Bannister further explained that the Kentucky River Authority fee was a separate line item on the customer bill and was paid directly to the Kentucky River Authority.

In discussion, Mr. Billings discussed the customer service charge as well as the rates for the commercial and industrial rate classes.

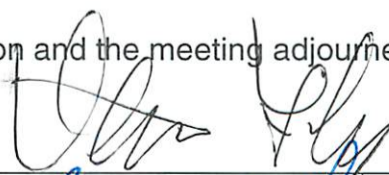
Mr. Pogrotsky moved to approve the Public Hearing Notice on proposed water rates for Tuesday, May 24, 2016 at 5:00 p.m. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed unanimously.


- 3. **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.

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

- 4. **Closed Door Session:**

The Board returned from closed session and the meeting adjourned.





ATTEST: