

June 16, 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, June 16, 2015 at 5:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Dr. Scott Green, Vice Chair
Rick Pogrotsky, Board Secretary/Treasurer
Arthur McKee, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
David Billings, Chief Water Engineer
Billy Briscoe, Water Dist. Supt.
Harvey Couch, Marketing and Video Content Coordinator
David Denton, Finance Director
Sharmista Dutta, Water Engineer
Vent Foster, Chief Electrical Engineer/Asst. GM Operations
Monique Gilliam, Customer Service Director
Dana Goodlett, Cable/Broadband Installation Manager
Dana Hawkins, Executive Assistant
Angie Hay, HR Assistant
Adam Hellard, Broadband/Security Manager
John Higginbotham, Asst. GM Cable/Telecommunications
Scott Hudson, Electric Supt.
Casey Jones, Asst. IT Director
Ryan Patterson, Computer Programmer II
Leigh Ann Phillips, Purchasing Agent
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
Kim Phillips, Safety Director
Glenn Waldrop, Public Information Officer
Kim Phillips, Safety Director
Zach Hubbard, Cable 10 Videographer
Seth Littrell, State Journal Reporter
John Painter, nFront Consulting
Tom Trauger, Spiegel McDiarmid
Brown Thornton, NewGen Strategies
Charlie Hamilton, Powell Walton Milward

AGENDA

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

JUNE 16, 2015 BOARD MEETING AGENDA

1. **Action Item:** Consider Approval of Workers' Compensation Insurance Renewal.
2. **Action Item:** Consider Approval of Resolution and Agreement Authorizing the Formation of and Participation in the Kentucky Municipal Energy Agency.
3. **Action Item:** Consider Approving Minutes of May 19, 2015 Board Meeting.

4. **Action Item:** Accept Electric, Water and Cable Financial & Statistical Data for May 2015.
5. **Informational Item:** Departmental Reports:
 - Cable Dept.
 - Customer Service
 - Electric Dept.
 - SEPA
 - Safety
 - Water Distribution
 - Water Treatment Plant
 - Administration Building
 - Headend Building
6. **Action Item:** Consider Renewal of the Annual Sale and Removal of Scrap Metals Contract with Stuff Recycling.
7. **Action Item:** Consider Award of Bid Invitation #1601 – Annual Price Contract for the Purchase of Wood Poles to Thomasson Lumber.
8. **Action Item:** Consider Award of Bid Invitation #1602 – Annual Price Contract for Distribution Transformers to Cape Electrical Supply.
9. **Action Item:** Consider Approval of Bid Invitation #1603, Contract Labor for Cable Installation to Custom Cable Services for up to \$300,000.
10. **Action Item:** Consider Award of Bid Invitation #1604 – Annual Price Contract for Water Treatment Chemicals.
11. **Action Item:** Consider Renewal of Annual Price Contract for Ductile Iron Pipe, Ductile Iron Fittings, Valves, and Tapping Sleeves to Ferguson Water Works.
12. **Action Item:** Consider Renewal of Annual Price Contract for Hydrants to East Jordan Iron Works.
13. **Action Item:** Consider Asplundh Tree Expert Company's Contract Renewal Offer for Tree Trimming Services.
14. **Action Item:** Consider Approving Statement of Work from Renegade Communications in the Amount of \$12,020.
15. **Action Item:** Consider Approving RFD-TV Renewal.
16. **Action Item:** Consider Removal of GOLTV from Sports Plus Lineup and Addition of One World Sports to Sports Plus Lineup.
17. **Action Item:** Consider Approving INSP Agreement.
18. **Action Item:** Consider Approving Proposed Water Rate Increase.
19. **Action Item:** Consider Approving Retail Electric Rate Increase.
20. **Informational Item:** Demonstration of FPB's new Customer Web Portal: my.FPB.

21. **Action Item: Consider Approval of General Service, Electric, Water, and Cable Tariff Fee Revisions to Equitably Recover Costs Related to Customer Initiated Service Requests or Actions to be Effective July 1, 2015.**
22. **Action Item: Consider Approval of FPB Paper Bill Fee in the Amount of \$0.60 Per Customer Bill to Recuperate Annual Third-Party Billing Expense, Reduce Overall Billing Expense, and Reduce Environmental Impact Related to Paper Bills.**
23. **Action Item: Consider Approving FY 15-16 Budget and Accept the 5 year plan.**
24. **Action Item: Old & New Business:**
25. **Informational Item: General Manager's Comments.**
26. **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.**
27. **Closed Door Session:**

BOARD ACTION

Mr. Ludwig called the meeting to order at 5:00 p.m. Ms. Poe called the roll. She noted four (4) board members in attendance and noted Ms. Patricia Lynch absent.

1. **Action Item: Consider Approval of Workers' Compensation Insurance Renewal.**

Staff recommends that the Board approve the renewal of its workers' compensation policy with KEMI. FPB's payroll increased by 4.3% from last year, and our annual KEMI premium for workers' compensation coverage has increased by .47%. This is total increase of \$581.84 over last year.

Mr. McKee abstained from voting on this item due to potential conflict of interest.

Ms. Phillips introduced Charlie Hamilton of Powell Walton Milward. She stated that KEMI has been an excellent partner with FPB and that FPB has received substantial discounts due to FPB's safety program. Ms. Phillips advised that FPB's workers' compensation premiums were less than half the amount in 2006.

Mr. Hamilton stated that projected FPB payroll was up 4.3% yet the total premium only increased by .47%. He noted that the lower percentage increase was due to the experience modification factor and the efforts with FPB's safety program. He further stated that total premium increase by \$581.84 over last year which was driven totally by the increase in payroll.

Mr. Pogrotsky moved to approve the Workers' Compensation Insurance renewal package as presented. Dr. Green seconded. Ms. Poe polled the Board and the motion passed with three (3) Yea's and one (1) abstention.

2. **Action Item Consider Approval of Resolution and Agreement Authorizing the Formation of and Participation in the Kentucky Municipal Energy Agency.**

As the Board will recall, the Frankfort Plant Board (FPB) as well as other Kentucky municipals gave notice to terminate their contracts with Kentucky Utilities (KU) in April 2014. On September 23, 2013, KU had filed a rate case with the Federal Energy Regulatory Commission (FERC) to significantly modify the terms and conditions of FPB's and the other municipals' current power supply contracts. The

termination of the existing contract requires FPB and the other municipals to acquire new electric service and begin taking that service as follows: June 1, 2015 for the Benham Power Board; May 1, 2017 for the City of Paris; and May 1, 2019 for the Frankfort Plant Board and the Cities of Barbourville, Bardwell, Berea, Corbin, Falmouth, Madisonville, and Providence, Kentucky.

To acquire a new energy supply, we have identified a number of major elements that must be addressed before any new service can begin. Some (but not all) of those elements are: creating an interlocal agreement to form a joint action group, identifying and procuring power supply resources, and securing transmission service.

FPB and the other municipal systems have retained the services of a number of specialized consultants to help navigate these processes. Staff and our consulting team believe it is in FPB's best interest to form a joint action group to help realize the benefits from economies of scale in planning, purchasing, selling and operating power supply resources. Staff recommends that the Board approve the interlocal cooperation resolution and agreement authorizing the formation and establishment of the Kentucky Municipal Energy Agency (KMEA) and appoint and approve its representative and an alternate to the KMEA Board of Directors.

Mr. Ludwig noted the importance of this item. He discussed the history of FPB's decision to terminate its contract with Kentucky Utilities for the purchase wholesale electric. Mr. Ludwig stated that electric power is the largest expense for the FPB. He noted that this item is the culmination of approximately two years work and discussion regarding the acquisition of electric power for the community. Mr. Ludwig read the action item and turned the discussion over to Mr. Foster.

Mr. Foster stated that FPB gave termination notice to Kentucky Utilities in April 2014 and has been continually working to acquire new supply of electric power. He advised that in order to accomplish the acquisition, it was necessary to form a joint action agency or interlocal agreement with other municipals or cities to secure power and transmission services. He introduced the consultants, Tom Trauger, with Spiegel McDiarmid, John Painter, nFront Consulting, and Brown Thornton, NewGen Strategies that have been working with FPB and the other municipalities and cities.

Mr. Thornton explained the Kentucky Municipal Energy Agency (KMEA) and FPB's role in the KMEA if the Board approved the Resolution and Agreement. He noted that this agency would allow FPB to work as a group with other municipals and cities to purchase power for their customers. He noted that each member of the agency would have more control over the terms of a power supply contract. Mr. Brown stated that the increased control would translate into better terms and more competitive rates for the customers.

Mr. Painter explained the purpose and phases of the process. He noted that this agency would allow its members to work together to develop a power supply program in a way that each member would benefit from economies of scale. He further noted that each member would benefit from the larger influence on the market.

Mr. Painter discussed the process from the beginning through the purchase of power supply. He explained the formation of KMEA and stated that KMEA would be a public entity pursuant to the Interlocal Cooperation Act of Kentucky. He explained that this agency would organize and purchase the power supply for its members.

Mr. Painter explained the Resolution and Interlocal Agreement. He further explained the need to appoint a representative from FPB for KMEA and stated that the representative would make power supply decisions based on the needs of their company. He further discussed the specifics of the Interlocal Cooperation Act of Kentucky.

Mr. Painter advised that the approval of the Resolution and Interlocal Agreement did not commit the Board or FPB to any power supply program. He noted that they were not granting authority to issue debt or make purchases on behalf of FPB or the Board. Mr. Painter continued with the review and explanation of the Resolution provisions and reiterated the necessity to appoint a representative as well as an alternate representative. He further explained that power supply arrangements would be prepared and reviewed with each member of KMEA at a later date.

Mr. Trauger explained that joint power agencies were not new and have been successful for decades.

In response to Dr. Green, Mr. Foster stated that the majority of the members of the municipal group have approved and passed this Agreement. He advised that the members who had not fully passed the Agreement were currently considering or finalizing the final steps to become a part of KMEA. Mr. Brown stated that FPB would be the fifth member of the group to pass the Agreement if it were approved and the remainder were in the process of passing the Agreement.

Mr. Ludwig stated that a decision must be made because the termination notice had been given to Kentucky Utilities. He stated that the Board must decide whether FPB should set out on its own to negotiate and acquire power supply, or join the group with like interests. He noted that joining the group would be more beneficial for FPB customers.

Dr. Green moved to approve the Resolution and Agreement authorizing the formation of and participation in the Kentucky Municipal Energy Agency and appoint Vent Foster as representative with Herbbie Bannister as an alternate representative. Mr. Pogrotsky seconded. Ms. Poe called for the vote and the motion passed.

3. **Action Item: Consider Approving Minutes of May 19, 2015 Board Meeting.**

Mr. Pogrotsky moved to approve the minutes as presented. Mr. McKee seconded. Mr. Ludwig called for the vote and the motion passed.

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

Mr. Denton explained the statement of net position and balance sheet for the eleven (11) months ending May 31, 2015. He discussed assets, liabilities, revenues and expenses for the company as a whole and separately for each line of business.

Mr. Denton requested that the Board allow his Staff to present June and July financials in August to allow additional time for year-end close out. Mr. Ludwig stated that was acceptable.

Mr. McKee moved to accept the financial and statistical data for May 2015. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed.

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

Headend Building: Mr. Hellard discussed the most recent construction meeting and explained the updated construction schedule. He noted the building was scheduled to be under roof in October 2015. He noted limited space and subcontractor issues as the reason for the slow start-up of construction. Mr. Hellard further explained photos included in the Board package.

In response to Dr. Green, Mr. Higginbotham explained plans for new equipment. He discussed plans for Cable and IT representatives to meet with equipment vendors to review the list of necessary equipment for improvements in Cable and Internet systems.

Administration Building: Ms. Dutta stated that site work was complete and that storm sewer construction was in progress. She further advised that mechanical, electrical and concrete contractors were also onsite. Ms. Dutta noted that the building dry-in date was scheduled for December 11, 2015.

Ms. Dutta discussed the upcoming visit with Gate Pre-cast to view panels for the exterior and discussed the parking lot summary.

In response to Mr. Pogrotsky, Ms. Dutta stated that the professional photographer has begun taking photos and the website is being constructed.

SEPA: Mr. Bannister discussed information forwarded to the Board with the proposed 32% SEPA rate increase to be effective October 1, 2015. He noted that Staff will be evaluating FPB's long term involvement with SEPA. Mr. Bannister advised that this rate will only be effective for one year and that early indications are that FPB will continue with SEPA for another year and continue to monitor the profit margin. He stated that there is value in maintaining capacity in the Hydro plant. He further discussed the upcoming meeting in Nashville to solicit public comments on the SEPA rate increases.

In response to Mr. Ludwig, Mr. Bannister stated termination can be completed within one (1) if notice is given within 30-90 days of the rate issuance or three (3) years if notice is given after 90 days.

6. **Action Item: Consider Renewal of the Annual Sale and Removal of Scrap Metals Contract with Stuff Recycling.**

Background – FPB sells its operational generated scrap metals on an annual contract. The scrap company provides a monetary deduction meaning that they keep that dollar amount per pound of metal that they pick up from FPB. The only exception is miscellaneous metal, it is sold per gross ton (2,240 lbs per gross ton). The price that FPB receives fluctuates with the American Metals Market, Cincinnati Market. For example, if aluminum is worth \$4 per pound and the scrap company's monetary deduction is \$.32 per pound, FPB would receive \$3.68 per pound picked up by the scrap company. The scrap vendor provides the luggers to FPB and picks them up when they are full. They then send payment within 15 days with a copy of the Metal Market Journal, Cincinnati prices for the day prior to pickup.

The scrap metal bid was issued last year and awarded to Stuff Recycling as they were the best overall bid. The renewal would keep the same monetary deductions for another year. Stuff Recycling has provided satisfactory service over the last year. Staff recommends renewing this contract.

After deductions, FPB has received \$19,578 for the sale of scrap metal in the present fiscal year. Last year's tab sheet is included for your reference.

Mr. Ludwig read and discussed Agenda Items 6, 11, 12, and 13. He noted that these items were all renewals of existing annual purchase contracts. He requested that the Board consider approval of all items in one motion.

Mr. Ludwig moved to approve the following four (4) renewal contracts:

Item 6 – Renewal of the annual sale and removal of scrap metals contract with Stuff Recycling.

Item 11 – Renewal of annual price contract for ductile iron pipe, ductile iron fittings, valves, and tapping sleeves to Ferguson Water Works.

Item 12 - Renewal of annual price contract for hydrants to East Jordan Iron Works.

Item 13 –Asplundh Tree Expert Company's contract renewal offer for tree trimming services.

Dr. Green seconded the motion.

In response to Mr. McKee, Ms. Phillips stated that there were no problems with any vendors' prior performance and all renewals were satisfactory.

Ms. Poe polled the Board and the motion passed to approve Agenda Items 6, 11, 12 and 13.

11. **Action Item: Consider Renewal of Annual Price Contract for Ductile Iron Pipe, Ductile Iron Fittings, Valves, and Tapping Sleeves to Ferguson Water Works.**

Ferguson Water Works has offered FPB a contract renewal of last year's annual price contract for ductile iron pipe, ductile iron fittings, valves and tapping sleeves with no price increase. This material was put out for bid in 2014 with Ferguson Water Works being the low bidder. At that time, pipe prices were down 1.5%, fittings and valves were both down 30%. Due to a specification change, tapping sleeves were down 63%. Staff does not anticipate prices being lower if we were to rebid this year. As of April 2015, FPB has purchased approximately \$47,000 from the current contract. These materials are ordered on an as needed basis for inventory levels.

Approved with Item 6.

12. **Action Item: Consider Renewal of Annual Price Contract for Hydrants to East Jordan Iron Works.**

East Jordan Iron Works has offered FPB a contract renewal of last year's annual price contract for fire hydrants with no cost increase. Hydrants were put out for bid in 2014 with East Jordan being the low bidder. At that time, hydrant prices went up 6.5%. Staff does not anticipate prices being lower if we were to rebid this year. As of April 2015, FPB has purchased approximately \$24,000 in hydrants. Hydrants are ordered on an as needed basis for inventory levels.

Approved with Item 6.

13. **Action Item: Consider Asplundh Tree Expert Company's Contract Renewal Offer for Tree Trimming Services.**

Asplundh Tree Expert Company has offered FPB a contract renewal of last year's contract with no pay increase for labor or equipment. Tree trimming services were bid in 2012 with Asplundh being the lowest bidder. FPB renewed the contract last year as the contract allows five renewals. FPB has utilized Asplundh's services for many years with satisfactory services. Staff believes it to be in the best interest of FPB to accept the renewal offer. Funds for tree trimming are included in the proposed FY 2015-2016 budget (Electric Dept. \$545,000; Cable \$150,000). As of May 15, FPB has paid \$532,039 for routine tree trimming services. The total cost for the upcoming year depends on services performed.

Approved with Item 6.

7. **Action Item: Consider Award of Bid Invitation #1601 – Annual Price Contract for the Purchase of Wood Poles to Thomasson Lumber.**

FPB's inventory of wood poles is purchased from an annual price contract. These poles are ordered as needed to maintain inventory levels. The bid is to obtain the best price and to hold pricing for the entire fiscal year. Staff estimates the quantity of poles on the annual bid. Vendors bid with the understanding that orders may fall short of estimated quantities.

This year's bid invitation was sent to 13 vendors with seven responses. Staff reviewed all bids and recommends awarding to Thomasson Lumber as they are the lowest bid meeting specifications.

FPB has purchase approximately \$31,394 in wood poles so far in the current fiscal year. The new pricing reflects a price decrease of 11%.

Ms. Phillips explained the specifics of the price contract and noted that the contract was for the purchase of wood poles. She further noted a decrease in annual pricing and stated that it was a different company from the previous year.

In response to Dr. Green, Mr. Foster discussed the cost of wood and metal poles.

Dr. Green moved to approve bid invitation #1601 for the annual price contract for the purchase of wood poles to Thomasson Lumber. Mr. McKee seconded. Mr. Ludwig called for the vote and the motion passed.

8. **Action Item: Consider Award of Bid Invitation #1602 – Annual Price Contract for Distribution Transformers to Cape Electrical Supply.**

Most of FPB's distribution transformers are purchased from an annual price contract. These transformers are kept in FPB's inventory and need to be replenished periodically. Orders for transformers depend on new development and the replacement of bad transformers. Vendors bid with the understanding that they are locking in unit pricing for the year and not for a certain quantity of transformers.

This year's bid invitation was sent to nine vendors with seven responses. After evaluating all bids, staff recommends awarding to Cape Electrical Supply as they are the low bidder meeting specifications. The apparent low bidder, Wesco, did not bid all transformers. The bid invitation states that this is an "all or nothing" bid.

FPB has purchased approximately \$161,375 from the current contract. The proposed contract reflects a 3.8% decrease in pricing.

Ms. Phillips explained the specifics of the bid invitation. She noted a decrease in pricing of 3.8% from last year. She noted that the apparent low bidder did not bid on all transformers and was disqualified as the invitation was an all or nothing bid.

Mr. Ludwig moved to award bid invitation #1602 for the annual price contract for distribution transformers to Cape Electrical Supply. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed.

9. **Action Item: Consider Approval of Bid Invitation #1603, Contract Labor for Cable Installation to Custom Cable Services for up to \$300,000.**

Staff recommends the award of Bid Invitation #1603 for Contract Cable Installations to Custom Cable Services. These services are needed to assist in the installation of cable TV, telephone and broadband products in the Cable/Telecom Dept. The invitation was publically issued on March 25, 2015, and was advertised and sent to three potential bidders. Bids were received and opened on April 9, 2015 with Custom Cable Services and Standafer and Sons submitting bids. Custom Cable was the lower bidder. Custom Cable has successfully provided these services to FPB for several years and has met all of the requirements in the bid specifications. With one exception, the prices for services quoted in the bid are unchanged from Custom Cable's previous bid award in 2012 and 2013. Staff has budgeted \$300,000 for these services in the FY16 budget and expects to utilize all of the available funds for the assistance in installation of Cable-Telecom services.

Mr. Higginbotham discussed the utilization of contract labor for cable installation and introduced Dana Goodlett as manager of cable installation to discuss the item.

Mr. Goodlett explained the contract and discussed work to be performed by the contractors.

In response to Mr. Pogrotsky, Mr. Goodlett explained that the contractors have signs on their vehicles for identification.

Mr. Ludwig moved to approve bid invitation #1603 for contract labor for cable installation to Custom Cable Services for up to \$300,000. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed.

10. **Action Item: Consider Award of Bid Invitation #1604 – Annual Price Contract for Water Treatment Chemicals.**

Staff prepares an annual bid for the chemicals used in water treatment. The bid includes estimated quantities and also explains that orders could exceed or fall short of the estimates. Vendors bid with the understanding that the bid's purpose is to hold unit price throughout FPB's fiscal year.

This bid received 24 responses. Staff reviewed each bid and recommends awarding to the low bidders meeting specifications with the exception of the Powdered Activated Carbon (explanation below):

- Ferric Chloride to PVS Technologies for \$183 (10.24% increase from last bid)
- Liquid Sodium Hydroxide to Brenntag for \$0.109 (9.16% decrease from last bid)
- Powdered Activated Carbon to Brenntag for \$0.67 (5.63% decrease from last bid) – *Brenntag was not the lowest bid but was found to be the best product for FPB's water treatment. This chemical is for taste and odor issues due to changing raw water conditions. All four bidders submitted samples and Brenntag's product provided the best results.*
- Fluorosilicic Acid to Key Chemical for \$0.234 (2.49% decrease from last bid)
- Anhydrous Ammonia to Airgas Specialty Products for \$0.92 (3.83% increase from last bid)
- Potassium Permanganate to Marubeni Specialty Chemical for \$1.71 (9% decrease from last bid)
- Sulfuric Acid to Chemical Resources for \$0.10 (1% decrease from last bid)
- Zinc Orthophosphate to Shannon Chemical for \$0.51 (0.59% increase from last bid)
- Sodium Chloride to PVS Nolwood for \$200 (3.15% increase from last bid)
- Water Softener Salt to Culligan of Danville for \$0.088 (38% decrease from last bid)
- Polyaluminum Chloride to USALCO for \$0.184 (5.15% decrease from last bid)

As of June 2, 2015, chemical purchases are approximately \$198,908 for the year with one month remaining. Staff has requested \$350,000 in the proposed budget for chemical purchases. Due to the installation and implementation of the SCADA system, staff is in hopes that chemical usage will be reduced. However, staff anticipates that it will take a couple of bidding cycles to collect data from the SCADA system prior to reducing the budgeted amount.

Ms. Phillips explained specifics of the bid for each chemical. She stated that some prices increased slightly but many prices reflected decreases. She discussed amounts spent to date in the current fiscal year.

Mr. Riddle stated that funds spent for chemicals varied from year to year. He advised that Staff maintained the current costs for budgeting but the cost may be decreased in future budgets.

Dr. Green moved to approve bid invitation #1604 for the annual price contract for water treatment chemicals. Mr. McKee seconded. Mr. Ludwig called for the vote and the motion passed.

14. **Action Item: Consider Approving Statement of Work from Renegade Communications in the Amount of \$12,020.**

Staff recommends approval of the Statement of Work from Renegade Communications in the amount of \$12,020. Renegade will come to Frankfort and provide four days of training for FPB Customer Service Representatives and Supervisors in order to give them tools they can use to better answer customer questions regarding FPB Cable-Telecom services. They will also provide 36 “refresher” activities for FPB Customer Service supervisors to conduct throughout the year. This training will focus primarily on Cable-Telecom services, and because of that, will be paid out of the FPB Cable-Telecom Marketing budget, where there are funds remaining in this fiscal year to pay for it. The Cable-Telecom marketing department and Customer Service department are coordinating on this project and both agree that it will be extremely beneficial for customer service employees and FPB customers. The Assistant GM for Administration has reviewed the agreement and it meets with his approval.

Mr. Couch explained that the training would be used to assist customer service representatives to answer questions and enable them to market additional cable/telecommunication services. He explained how the training would be completed and noted that the training would be onsite.

Ms. Gilliam noted that the training would be beneficial to the customer service representatives, to the customers and to the company.

Mr. Ludwig moved to approve the Statement of Work from Renegade Communications in the amount of \$12,020. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed.

15. **Action Item: Consider Approving RFD-TV Renewal.**

Staff recommends approval of the RFD-TV renewal. This direct agreement has a term through July 15, 2020. This renewal affords FPB the opportunity to maintain their current RFD-TV subscriber rate through the remainder of the calendar year. The annual increases that follow are based upon CPI. RFD-TV is a Preferred Cable channel, which exists on channel 123 and contains programming focused on agribusiness, equine and the rural lifestyle. The network rates in the middle of the pack of our Preferred Cable networks with regards to viewership. This new agreement includes VOD and TVE rights. No additional carriage requirements obligations are included in this agreement. The agreement includes National Cable Television Cooperative (NCTC) opt-in rights should they complete an agreement with NCTC. The Assistant GM for Administration has reviewed the agreement and it meets with his approval.

Mr. Couch explained the programming as well as noted the channel location on the FPB line-up. He explained rates and all rights included in the Agreement. He noted no price increase for the first year of the renewal.

Mr. Pogrotsky moved to approve the RFD-TV Renewal. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed.

16. **Action Item: Consider Removal of GOLTV from Sports Plus Lineup and Addition of One World Sports to Sports Plus Lineup.**

Staff recommends Board approval of the removal of GOLTV from the Sports Plus Lineup. It was launched in August of last year coinciding with the launch of the Sports Plus tier. FPB only committed to a one year agreement with GOLTV because of the imminent awarding of some major soccer league broadcast rights. Since launching GOLTV, the rights for the German soccer league, Bundesliga, have moved from GOLTV to Fox Cable. Bundesliga was by far the most watched content

on GOLTV. Because of this, staff is recommending FPB provide notice to GOLTV of our intent to remove it from our system on or before August 15, 2015.

As a result of this, staff recommends the addition of One World Sports to the Sports Plus lineup. This NCTC agreement has a term through December 15, 2018. ONE World Sports features live and exclusive action from America's popular sports played outside the U.S. – basketball, baseball, ice hockey and golf – plus sports with a large global following including soccer and cricket. If approved, One World Sports would be placed in high definition on Sports Plus channel 789 – replacing GOLTV on or before August 15, 2015. This agreement includes VOD and TVE rights as soon as the programmer begins to offer them. The license fee associated with this channel is not higher than the channel it is replacing. The Assistant GM for Administration has reviewed the agreement and it meets with his approval.

Mr. Couch explained specifics in connection with the removal of GOLTV as well as the addition of One World Sports to the Sports Tier. He noted the location of these channels on the optional Sports Tier. Mr. Couch discussed programming content for One World Sports. He further noted that the changes would be simultaneous and that no price increase would be necessary.

In response to Mr. McKee, Mr. Couch advised that the Sports Tier includes approximately 100 subscribers at this time.

Mr. McKee moved to remove GOLTV from Sports Plus Lineup and addition of One World Sports to Sports Plus Lineup. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed.

17. **Action Item: Consider Approving INSP Agreement.**

Staff recommends approval of the INSP agreement. This NCTC agreement has a term through March 31, 2017. INSP is focused on religious, inspirational, spiritual, family-friendly, general entertainment, and motivational programming. If approved, INSP would be placed in standard definition on Preferred Cable channel 164 on 6/30/15. This agreement includes VOD and TVE rights. We have had several customers request this channel over the past several years. There is no license fee associated with this channel and the network has agreed to provide a satellite receiver to FPB free of charge, so there is no financial requirement by FPB to launch this network. The Assistant GM for Administration has reviewed the agreement and it meets with his approval.

Mr. Couch explained the terms of the Agreement as well as the programming content and location on FPB channel line-up. He advised that there were no additional fees were required to launch, and all equipment necessary for broadcasting would be included at no additional cost to FPB.

Mr. Pogrotsky moved to approve the INSP Agreement. Dr. Green seconded.

At the request of Mr. McKee, Mr. Couch explained new line-up catalogs and stated those should go out in July. Mr. Couch stated that new line-up announcements will be made via social media, FPB website, FPB Tv, in customer bills and in the downtown office.

Mr. Ludwig called for the vote and the motion passed.

18. **Action Item: Consider Approving Proposed Water Rate Increase.**

The Board approved the Notice of a Public Hearing at the May 2015 Board meeting and a Public Hearing was conducted on June 2, 2015. No oral or written comments were received. Staff recommends that the Board approve the proposed water rate increase effective for water usage beginning August 1, 2015.

Overview of proposed rate design

- Moves City rates closer to County water rates.
 - Increases average City residential bill* from \$25.00 to \$25.56 (\$0.56 increase)
 - Average County residential bill* remains at \$31.96
*typical 4,000 gallons per month usage, 5/8" meter
- Sales for Resale (Wholesale) - No change allowed until November 2017
- Increases Resale - Water Producer (Georgetown's) rates from \$3.33 per thousand gallons to \$3.43 per thousand gallons

Mr. Ludwig discussed the public hearing held on June 2, 2015. He reiterated that this information had already been before the Board and had been thoroughly discussed.

Mr. Pogrotsky moved to approve the proposed water rate increases. Mr. McKee seconded.

Dr. Green stated that it was good to note that the average residential monthly bill would see an increase of approximately \$.56 which is a minimal increase.

Mr. Ludwig noted that it was Staff's intention to have smaller increases in more frequent intervals as they become necessary.

Ms. Poe polled the Board and the motion passed.

In response to Mr. McKee, Mr. Billings explained that the effective date of August 1, 2015 would allow Staff to give notice pursuant to KRS 65A.

19. **Action Item: Consider Approving Retail Electric Rate Increase.**

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 8% rate increase, effective for energy used from July 1, 2015.

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 insure 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 8% KU increase will translate differently for FPB's various customer classes.

Staff recommends approval of the proposed retail rate increases for FPB's electric rate classes effective for energy used from July 1, 2015. This proposed rate changes to FPB customers, reflects a pass thru of the KU rate increase applied to the rate classes based on the most recent electric cost of service study.

Mr. Ludwig discussed the public hearing held on June 2, 2015. He stated that this information had already been before the Board and had been previously discussed. He reiterated that this was a pass through increase from Kentucky Utilities.

Mr. McKee moved to approve the retail electric rate increases. Dr. Green seconded. Ms. Poe polled the Board and the motion passed.

20. **Informational Item: Demonstration of FPB's new Customer Web Portal: my.FPB.**

Staff would like to give you a brief demonstration and introduction to our new customer web portal – **my.FPB**

We would like to introduce **my.FPB** as a replacement for our current eBill viewing service. However, **my.FPB** will be capable of much more. Besides Online Bill View, many customers will enjoy the easy access to Usage Reports and Graphs, Billing and Payment History, and the ability to view multiple accounts from a single login. Customers will also have the ability to receive Notifications via Email, SMS Text Messages, and/or Phone Call for events like a New Bill Ready to View, Account Past Due, and Disconnect Notices.

The **my.FPB** customer web portal currently includes:

- Online Bill View
- Utility Usage Reports
- Payment History
- Single Login for Multiple FPB Accounts
- Billing Notifications - by Email, Text, and/or Phone
- With more features to come...

We launched the portal to a small set of customers during the first week of June for early adoption (paperless eBill-only customers). The portal has a Feedback form so that we can collect additional recommendations from users for further additions and improvements (where feasible).

Mr. Patterson demonstrated the new customer web portal. He stated that Staff had completed a soft launch to current eBill customers and planned to launch the portal to all customers beginning July 1, 2015. Mr. Patterson explained the features and benefits of the customer portal including the ability to view all bills, to compare usage data and view bills for all services and accounts. Mr. Patterson further advised that there would be additional features added to benefit the customers over time.

Mr. Denton explained the notification set up as well as the type of notifications the customer can receive. He further noted payment methods and stated that the online payment feature had not changed. Mr. Patterson stated that Staff was prepared to heavily advertise and encourage customers to register and participate. He advised that approximately 450 customers had already registered accounts and were utilizing the portal.

21. **Action Item: Consider Approval of General Service, Electric, Water, and Cable Tariff Fee Revisions to Equitably Recover Costs Related to Customer Initiated Service Requests or Actions to be Effective July 1, 2015.**

Staff has performed an internal cost review of various customer initiated service requests or actions in the FPB general service, electric, water, and cable sections of the FPB tariff and has identified various fees that are significantly below FPB's cost to provide the service. Staff looked at employee wages, fringe benefit rate, vehicle/equipment rates, and inventory costs needed to perform each service and calculated the true cost of each activity with the results of this exercise provided in this board packet. It has been over 20 years since these tariff fees have been reviewed creating an imbalance between what it cost FPB to provide these various services and the fee charged to customers to recover the revenue needed to cover costs. If these new rates were to be approved the next electric and water utility rate cost of service studies would give a more accurate true utility rate needed to recover costs, which is the way it should be.

FPB had a public hearing on this matter on May 19, 2015. Based on comments received staff has prepared to implementation options below with both being effective July 1, 2015. Option 1 would revise all tariff fees below to the actual cost

of service calculated effective July 1, 2015 and is the recommended option by FPB staff. Option 2 would revise all tariff fees below to actual cost of service calculated effective July 1, 2015 except the returned bank draft fee, returned check fee, bad check fee, and reconnection charges for residential and general customers due to non-payment or violation of Board rules, which would be implemented to full cost of service calculated over a two year period on July 1, 2015 and July 1, 2016 with half the increase from current fee to proposed fee in year one and the rest of the increase from current to proposed fee in year two. Staff requests the board to approve either the recommended option 1 implementation or option 2. The fees being recommended for approval are the exact cost to perform each service and is therefore completely cost recovery and exempt from reporting to the City of Frankfort under KRS 65A.100.

Mr. Ludwig noted that the Tariff fee changes had been in front of the Board for some time and stated that the changes were necessary for cost recovery.

Mr. Denton advised that the changes would only affect a few customers requesting certain additional services and that Staff had received very little feedback on the changes. He also noted that some of the fees were being decreased as well. Mr. Denton further explained Option 1 which was to increase all fees to the full amount necessary for cost recovery on July 1, 2015, and Option 2 which would allow a phase in of the fees associated with re-connect or disconnect, bad check fee, return bank draft fee and any fees associated with non-payment for half of the increase amount implemented on July 1, 2015 and the remaining half to be implemented on July 1, 2016.

Mr. Ludwig moved to approve general service, electric, water, and cable tariff fee revisions as proposed in Option 2 for the phase in of fee changes. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed.

22. **Action Item: Consider Approval of FPB Paper Bill Fee in the Amount of \$0.60 Per Customer Bill to Recuperate Annual Third-Party Billing Expense, Reduce Overall Billing Expense, and Reduce Environmental Impact Related to Paper Bills.**

In the most recent 12 months from April 2014 to March 2015 FPB mailed 349,346 initial customer paper bills and 61,343 second notice customer bills to FPB customers totaling 778,682 pages of paper at a cost of \$0.60 per statement totaling approximately \$250,000 in annual customer billing expense. Staff would like to significantly reduce this annual expense by encouraging customers to sign up for electronic, paperless billing that cost FPB relatively little comparably. Companies, banks for example, have been utilizing electronic billing for years and charging customers for paper bills. Today FPB has an electronic billing service available to customers through our third party billing vendor that costs FPB a flat online hosting fee of \$350 and an online bill storage fee of \$0.025 per page at an estimated annual cost of \$17,933. FPB's IT department has developed a customer portal that will provide electronic customer statements, plus much more, that we have already made available to current e-billing customers and will roll out to all FPB customers on July 1, 2015 that will eliminate all third party e-billing costs.

FPB will be actively advertising the customer portal and making customers aware of this paperless billing option to reduce our annual billing expense with FPB saving \$0.60 per month for each customer that opts for paperless over paper billing. Since FPB has a low cost electronic billing option available to customers we would like to implement a paper bill fee to customers who choose to receive paper bills. The paper bills cost approximately \$250,000 to produce and mail per customer and we ask that the customer cover this exact cost with a paper bill fee. This move to encourage electronic billing and to recover the cost of any paper bills requested will free up approximately \$200,000 per year that will be used to absorb other vendor cost increases or lessen the rate of service fee rate increases necessary to meet FPB revenue requirements needed for operating costs, infrastructure capital

improvements, and reserve requirements. FPB would continue to send second invoices to all customers in paper format. Like all FPB utility service and customer initiated service rates/fees the goal is to identify the customers driving any given cost and to recover that cost from the exact customers creating the cost, which is exactly what this paper bill fee would accomplish. Also, this move by the Board would benefit the environment by reducing a significant amount of paper with one source stating the average American family will throw away more than 2,000 pounds of paper each year, which is the equivalent of 17 trees.

The \$.60 paper bill fee that is being recommended for approval is the exact cost to produce and mail the paper bills and is therefore completely cost recovery and exempt from reporting to the City of Frankfort under KRS 65A.100. FPB held a public hearing on this matter on May 19, 2015 and is asking for the board to approve this fee at the June 16, 2015 regular board meeting to be effective 7/1/15 with the first fees being on the August 2015 bills after significant advertising has been done to inform FPB customers.

Mr. Ludwig noted that this item had been before the Board and discussed in prior meetings. He stated that there were a number of customers that were against the implementation of this paper bill fee.

Mr. Ludwig requested a motion. The item died for lack of a motion.

23. **Action Item: Consider Approving FY 15-16 Budget and Accept the 5 year plan.**

Mr. Ludwig stated that the Budget has been reviewed and discussed in previous open meetings.

Mr. Pogrotsky moved to approve the fiscal year 15-16 Budget and accept the 5 year plan as prepared. Dr. Green seconded.

Dr. Green commended Staff on the preparation and presentation of the Budget.

In response to Mr. McKee, Mr. Bannister stated that reducing costs was an ongoing process. He explained that Staff was in the process of looking at every expense and making cuts where possible to reduce costs in every department. He discussed changes with printers to reduce maintenance and ink costs. He advised that cost cutting would be the culture of FPB going forward. He explained that Staff would next be looking at the vehicle replacement policy to look at maintaining vehicles longer versus purchasing new ones.

Mr. Ludwig called for the vote and the motion passed.

Mr. Denton added that Staff would be posting the fiscal year 15-16 budget to the Department of Local Government website as well as the Amendments to the fiscal year 14-15 budget for compliance with all DLOG reporting by the July 15, 2015 deadline.

24. **Old & New Business:**

None

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

None

26. **Request Permission to have Chair call for a Closed Session** pursuant to KRS 61.810 (1)(c) for the discussion of proposed or pending litigation against or on behalf of FPB; KRS 61.810 (1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee; KRS 61.810(1)(b) for the discussion of the future acquisition or sale of real property.

27. **Closed Door Session:**

No closed door session was needed.

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





ATTEST: