

**Special Meeting of Kentucky Municipal Energy Agency**

April 26, 2017 11:00 AM

DoubleTree Suites by Hilton Hotel Lexington

2601 Richmond Road, Lexington, Kentucky, 40509, USA

**Attendance Taken at 11:20 AM:**

Present Board Members:

Josh Callihan

Vent Foster

Ronald Herd

Chris Melton

Terrance Naulty

Mike Withrow

Ed Fortner

Absent Board Members:

Eddie Gooch

Phillip King

Chrissy O'Hara

Carl Shoupe

**A. MEETING OPENING**

Discussion:

Also in attendance: Brown Thornton (NewGen Strategies)Tom Trauger (Spiegel McDiarmid)Charles Musson (Rubin & Hays)Carolina Price (Tenaska)Pat Pace Herbie Bannister (Frankfort Electric Plant Board)Cathy Lindsey (Frankfort Electric Plant Board)Hance Price (Frankfort Electric Plant Board)Rob Leesman (Owensboro Municipal Utilities)

**B. REPORTS**

**B.1. Executive Committee Report**

Rationale:

The executive committee recommends to institute a policy in regard to health insurance for the future agency employees wherein KyMEA will cover 90% of the employee's premium and 30% of family premium conditioned upon the spouse taking health insurance from their employer.

Discussion:

Action on this item will occur at the May Board Meeting.

**B.2. Financial Report**

**Motion Passed:** passed with a motion by Vent Foster and a second by Mike Withrow.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes

Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Yes

### **C. Consent Agenda**

**Motion Passed:** Approval of the Consent Agenda as presented passed with a motion by Terrance Naulty and a second by Ed Fortner.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Yes

**C.1. Approve Minutes of KyMEA Regular Board Meeting on March, 23, 2017.**

**C.2. Approve Amended Minutes of KyMEA Special Board Meeting on February 23, 2017.**

### **D. Discussion Agenda**

#### **D.1. Initial Credit Rating Application Process Update**

Rationale:

Great news from Fitch Ratings regarding the KyMEA credit rating - it is an A (Stable) rating!

The Fitch folks were very appreciative of the volume of information provided. They were especially appreciative of the amount of time the Frankfort team was able to spend on the phone and in gathering information.

Dennis Pidherny (leader of Fitch's public power team) remarked on multiple occasions that the KyMEA power supply portfolio was well thought out, well executed, and contained provisions that should be effective in managing the risks inherent in any power supply contract.

A copy of the Fitch report has been uploaded for your review. Mike Mace plans to be available to review it with you and answer your questions.

Discussion:

Charles Musson discussed the Fitch rating, as Mike Mace could not be present. KU is working on recognizing Fitch in their tariff as a rating agency.

#### **D.2. Transmission Arrangements Update/NITSA and NOA**

Rationale:

We plan to provide a brief update regarding further discussions with LGE/KU as to the Service Agreement for Network Integration Services ("NITSA") and Network

Operating Agreement ("NOA"). These agreements were approved by the Board at the March meeting subject to further discussion with LGE/KU regarding certain issues not settled at FERC.

We also plan to discuss steps taken to address certain related credit support matters.

An overview of the status of transmission service applications will be provided for arrangements involving:

1. LGE/KU transmission system
2. MISO transmission system
3. EKPC (or PJM) transmission system (for Falmouth)

Discussion:

Discussion followed. Transmission service to Benham and Paris will begin on May 1, 2017. Everything is in place. Brown will begin working with the other members well in advance of May 2019 to get all delivery point information before transmission service commences.

### **D.3. Update from Heather regarding Ongoing Activities**

Rationale:

This will be an update from Heather on activities in the past month and planned for the coming month.

Member Statements of Assessments v/s Allocated Expenditures

Discussion:

Ms. Overby distributed member assessment/expenditure statements through March, 2017. Discussion followed.

### **D.4. Metering Requirement Assessment**

Rationale:

An assessment of existing metering equipment and metering requirements is being prepared as a precursor to establishing a plan and budget for obtaining and installing necessary metering and telecommunications equipment that must be in place by May 2019.

A brief summary of the assessment was provided at the March Board meeting. Additional discussion is needed.

Discussion:

Discussion followed.

### **D.5. OMU adoption of Cooperative Purchasing Agreement**

Rationale:

OMU adopted the Cooperative Purchasing Agreement at its last meeting.

Discussion:

Mr. Musson will send all other members a resolution to adopt the Cooperative Purchasing Agreement at their discession.

## **E. ITEMS PRESENTED FOR ACTION AT THIS MEETING**

### **E.1. Amendment of Exhibit B of the Power Purchase Agreement between KyMEA and Paducah Clarifying Escalation of the Monthly Capacity Price**

Rationale:

During preparation of the SEPA Contracts between KyMEA and its Members, it was recognized that it would be helpful to clarify an exhibit that specifies escalation of the Monthly Capacity Price under the Paducah PPA.

Paducah has agreed with the proposed clarifications and approved a resolution adopting the amendment.

We anticipate that the Board would be asked to approve a resolution to amend Exhibit B to the Paducah PPA.

**Motion Passed:** Motion to adopt the following resolution: Resolved that the Agreement for the Purchase and Sale of Peaking Capacity and Energy between the Kentucky Municipal Energy Agency and the Electric Plant Board of the City of Paducah, Kentucky d/b/a Paducah Power System, dated July 13, 2016 (the Agreement, be amended so as to incorporate the changes and additions to Exhibit B - Monthly Reservation charge of the Agreement as are shown in redline format in the attached version of Exhibit B, and that the Chairman be authorized to take all actions deemed necessary to substitute the amended Exhibit B for the original Exhibit B in said Agreement. passed with a motion by Josh Callihan and a second by Chris Melton.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Yes

**E.2. Initial Risk Management Policy to Meet MISO requirements**

Rationale:

A draft of the subject Risk Management Policy has been prepared and will be discussed with the Board.

We anticipate that the Board would be asked to approve the policy.

Discussion:

Mr. Thornton discussed the fact that no policies need to be developed to meet current MISO Certification requirements. Mr. Naulty asked that a scope of consulting tasks and a budget be prepared to control costs. The consulting group will provide at next Board Meeting.

**E.3. Funding of Ongoing Implementation Costs**

Rationale:

At the March meeting, a projection of the costs that KyMEA is expected to incur through June 2019 to complete its implementation plan and a plan for funding

those costs from a bank borrowing program and assessments to KyMEA Members was discussed.

Heather has prepared an assessment to fund KyMEA costs in the near term. The plan is to review that assessment and seek the Board's approval.

Charlie will present a plan for setting up the credit facility discussed last month.

We also plan to seek approval of the near term assessment calculations prepared by Heather.

**Motion Passed:** Motion approve a resolution authorizing the solicitation of proposals for a revolving line of credit in an amount not to exceed \$5,000,000. passed with a motion by Terrance Naulty and a second by Chris Melton.

**6 Yeas - 0 Nays - 1 Abstained.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Abstain

**E.4. KyMEA Contingency Releases for BREC, Dynegy and PPS relating to the existing Power Supply Agreements.**

Rationale:

Discussion:

Mr. Musson explained that contingencies that allow KyMEA to get out of PPAs have been satisfied. PPAs require KyMEA to notify counterparties releasing the contingencies.

**Motion Passed:** Motion to authorize the Chairman to send letters to the three suppliers stating that the KyMEA contingencies have been satisfied passed with a motion by Mike Withrow and a second by Josh Callihan.

**6 Yeas - 0 Nays - 1 Abstained.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Abstain
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent

Ed Fortner

Yes

#### **F. UPCOMING MEETINGS**

##### Rationale:

The KyMEA Board of Directors shall hold its regular meetings on the fourth Thursday of each month, except for the months of November and December when the regular meeting shall be held on the third Thursday.

The regular meetings shall convene and commence at 10:00 AM Central time on said dates.

The regular meetings shall be held at the Bowling Green Municipal Utility located at 801 Center St, Bowling Green, KY 42101 in Bowling Green, Kentucky or at such location to be designated by the Board.

Thursday, May 25, 2017, 10:00AM Central Time, Bowling Green Municipal Utility

Thursday, June 22, 2017, 10:00AM Central Time, Bowling Green Municipal Utility

WEDNESDAY, July 26, 2017, 11:00AM EASTERN Time, Embassy Suites, 201 South Fourth St, Louisville, KY 40202 \*Date and Location held in conjunction with KMUA meeting July 27-28 in Louisville. \*\*Heather to confirm date and location

##### Discussion:

The next Regular meeting

Thursday, May 25, 2017 10:00AM Central Time, Bowling Green Municipal Utility

#### **G. Approval to enter into Closed Session pursuant to KRS 61.810 (1)(k) and 61.878 (1)(c) for the purpose of:**

(i) discussing and updating indicative proposals and alternatives for providing 30 day short term power supply agreements for the month of May, 2019 to All Requirements Members;

(ii) presenting and discussing the proposals received in response to the RFP for Renewable Resources; and

(iii) presenting and discussing of interest from potential proposers to the Natural Gas/Combined Cycle Resource RFP.

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

##### Rationale:

Enter into closed session pursuant to KRS 61.810 (1)(k) and 61.878 (1)(c) for the purpose of:

(i) discussing and updating indicative proposals and alternatives for providing 30 day short term power supply agreements for the month of May, 2019 to All Requirements Members;

(ii) presenting and discussing the proposals received in response to the RFP for Renewable Resources; and

(iii) presenting and discussing of interest from potential proposers to the Natural Gas/Combined Cycle Resource RFP.

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

**Motion Passed:** Approval to enter into Closed Session pursuant to KRS 61.810 (1)(k) and 61.878 (1)(c) for the purpose of:(i) discussing and updating indicative proposals and alternatives for providing 30 day short term power supply agreements for the month of May, 2019 to All Requirements Members;(ii) presenting and discussing the proposals received in response to the RFP for Renewable Resources; and(iii) presenting and discussing of interest from potential proposers to the Natural Gas/Combined Cycle Resource RFP.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 passed with a motion by Terrance Naulty and a second by Chris Melton.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Yes

#### **H. RETURN TO OPEN SESSION**

**Motion Passed:** Approval to return to Open Session passed with a motion by Terrance Naulty and a second by Mike Withrow.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Yes

#### **I. ADJOURNMENT**

**Motion Passed:** Motion to adjourn passed with a motion by Mike Withrow and a second by Chris Melton.

**7 Yeas - 0 Nays.**

Josh Callihan	Yes
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Vent Foster	Yes
Ronald Herd	Yes
Chris Melton	Yes
Terrance Naulty	Yes
Mike Withrow	Yes
Eddie Gooch	Absent
Carl Shoupe	Absent
Phillip King	Absent
Chrissy O'Hara	Absent
Ed Fortner	Yes

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Chairperson

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Secretary