

**KENTUCKY MUNICIPAL ENERGY AGENCY
MINUTES OF THE BOARD OF DIRECTORS MEETING
HELD ON SEPTEMBER 24, 2015**

The initial meeting of the Board of Directors (the “Board”) of the Kentucky Municipal Energy Agency ("KyMEA") was held at 10:00 A.M., E.T., on September 24, 2015, at the Marriott Hotel at 280 West Jefferson Street in Louisville, Kentucky.

The following directors or alternates of the Members of KyMEA were present:

Josh Callihan	Barbourville Utility Commission
Carl W. Shoupe	Benham Electric Plant Board
Ron Herd	Corbin Utility Commission
Vent Foster	Frankfort Electric Plant Board
Chris Melton	City of Madisonville
Terrance Naulty	Owensboro Utility Commission
Robert Leesman	Owensboro Utility Commission
James McCarty	City of Paris
Jack Snyder	City of Providence

The following directors or alternates of the Members of KyMEA were present by teleconference:

Phillip King	City of Bardwell
Terry King	City of Falmouth

The following persons were also present in person or by teleconference at the meeting:

Ed Fortner	City of Berea
John Painter	nFront Consulting
Brown Thornton	NewGen Strategies
Thomas Trauger	Spiegel & McDiarmid LLP
Charles Musson	Rubin & Hays
Hance Price	Frankfort Electric Plant Board
Patrick Pace	Kamuf, Pace & Kamuf
Stan Conn	Connsulting
James Bruggers	Louisville Courier-Journal
Fred Haddad Jr.	nFront Consulting (by teleconference)

Charles Musson agreed to record the Minutes of the meeting.

* * *

There was presented to the Board a fully executed copy of the Interlocal Cooperation Agreement creating the KyMEA. Charles Musson announced that the Interlocal Agreement had

been filed with the Kentucky Secretary of State, as well as in the offices of the respective County Clerks in Bourbon, Carlisle, Daviess, Franklin, Harlan, Hopkins, Knox, Pendleton, Webster and Whitley Counties in Kentucky in accordance with Kentucky law.

There was then presented to the Board a proposed set of By-Laws of KyMEA. Mr. McCarty moved and Mr. Naulty seconded the following Resolution for consideration:

RESOLUTION

WHEREAS, pursuant to Section 65.210 to 65.300 of the Kentucky Revised Statutes, as amended, commonly known as the "Interlocal Cooperation Act" (the "Act"), the Electric Plant and Water Board of the City of Frankfort, Kentucky; the Electric Plant Board of the City of Benham, Kentucky; the City of Bardwell, Kentucky; the City of Falmouth, Kentucky; the City of Madisonville, Kentucky; the City of Paris, Kentucky; the City of Providence, Kentucky; the Barbourville Utility Commission of the City of Barbourville, Kentucky; the City Utilities Commission of the City of Corbin, Kentucky; and the City Utility Commission of the City of Owensboro, Kentucky joined with each other to form the Kentucky Municipal Energy Agency ("KyMEA") pursuant to an interlocal cooperation agreement; and

WHEREAS, KyMEA desires to organize and establish its business affairs;

NOW, THEREFORE, IT IS RESOLVED AS FOLLOWS:

Section 1. Creation of Joint Public Agency. That the formation, creation and establishment of a joint public agency pursuant to the Act, to be known as the "Kentucky Municipal Energy Agency", is hereby acknowledged and the authorizing Interlocal Cooperation Agreement (the "Agreement") is attached to this Resolution as Exhibit A. The terms, conditions and provisions of the Agreement are hereby ratified and approved by KyMEA and shall be binding upon KyMEA and its members.

Section 2. Approval of By-Laws. That the By-Laws of KyMEA which are attached hereto as Exhibit B are hereby ratified and approved.

After consideration and discussion, a voice vote on the Resolution was held and was approved unanimously. A copy of the executed Interlocal Agreement and the By-Laws were ordered attached to the minutes of the meeting.

In accordance with the By-Laws the Board took nominations and held separate elections for the offices of Chairman, Vice Chairman, Treasurer and Secretary. Upon proper nominations, motions and votes the following persons were elected to serve as initial officers of the Board:

Ron Herd Chairman

Josh Callihan	Vice Chairman
Jim McCarty	Treasurer
Vent Foster	Secretary

There was introduced for consideration a proposed Resolution entitled:

RESOLUTION REGARDING EXECUTIVE COMMITTEE

WHEREAS, the Kentucky Municipal Energy Agency (“KyMEA”) Interlocal Agreement and its Bylaws provide for the establishment of an Executive Committee;

NOW BE IT RESOLVED:

The KyMEA Executive Committee is hereby established and the initial members of the Executive Committee shall be the following:

Ron Herd	Chairman
Josh Callihan	Vice-Chairman
Terry Naulty	Director
Vent Foster	Director

After the introduction of the proposed Resolution, Mr. Naulty moved that said Resolution be adopted. Mr. Foster seconded the motion, and after due consideration thereof, the Chairman put the question, and motion was approved by a voice vote of the Board. Thereupon, the Chairman declared that said motion had carried and that said Resolution had been adopted.

Thereafter there was a presentation made, followed by a discussion, related to weighted voting as provided for in the By-Laws. There was introduced for consideration a proposed Resolution entitled:

RESOLUTION REGARDING WEIGHTED VOTING PROVISIONS

WHEREAS, the Kentucky Municipal Energy Agency (“KyMEA”) Interlocal Agreement and its Bylaws provide that each Director shall be entitled to one vote on a matter submitted to a vote of the Board of Directors; and

WHEREAS, the Agreement and the Bylaws provide that any Director voting in the minority shall have the right to call for reconsideration based on a weighted vote (a “Weighted Vote”), except that no Weighted Vote may be called for election of Board officers or removal of a Director or officer; and

WHEREAS, if a Weighted Vote is called on an eligible matter, the motion for reconsideration must receive a majority of the weighted votes of the Directors present in order to vacate the original per capita vote; and

WHEREAS, for the purpose of determining a Weighted Vote as described in Article III, Section 3 of the KyMEA Agreement, the number of weighted votes of each Member shall be based upon the following formula:

$$(MTER \div TERAM) \times 100$$

WHEREAS, for the purpose of the formula, “MTER” means a Member’s total energy requirements purchased or consumed during KyMEA’s preceding fiscal year by such Member from any resource designated by KyMEA as a resource controlled, managed or dispatched by KyMEA measured at or adjusted to the points of delivery from the transmission system and “TERAM” means the sum of the MTER quantities determined for all Members for the preceding fiscal year of KyMEA. Each Member’s number of weighted votes as determined by the formula shall be rounded to the nearest one-tenth; and

WHEREAS, for the period prior to the provision of power supply to a Member by KyMEA, the Member’s energy requirements shall be based on the appropriate amounts purchased or consumed under the Member’s existing power supply arrangements; and

WHEREAS, KyMEA desires to determine for this fiscal year the weighted votes per member based on the formula;

NOW THEREFORE BE IT RESOLVED:

The weighted votes of the KyMEA Members for this fiscal year which are based upon the formula set forth in the Bylaws and which are attached in Exhibit A hereto are hereby ratified and confirmed.

EXHIBIT A

<u>KyMEA Member</u>	Providence	Energy Requirements (kWh)	304,498,848
	Totals		834,318,537
Barbourville			63,763,592
Bardwell			31,080,131
Benham			2,164,074,854
Corbin		95,055,867	
Falmouth		9,041,361	
Frankfort		6,685,816	
Madisonville		84,074,814	
Owensboro		19,870,243	
Paris		715,685,645	

<u>Votes</u>	<u>Percentage of Total</u>
4.4	
0.4	4.40%
0.3	0.40%
3.9	0.30%
0.9	3.90%
33.1	0.90%
14.1	33.10%
38.6	14.10%
2.9	38.60%
1.4	2.90%
	1.40%
100.0	100.00%

After the introduction of the proposed Resolution, Mr. Naulty moved that said Resolution be adopted. Mr. McCarty seconded the motion, and after due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried and that said Resolution had been adopted.

A discussion was then held regarding a regular meeting date, time and location for the Board. Thereupon Mr. Snyder moved the adoption of the following Resolution. Mr. McCarty seconded the motion. After discussion a motion was made by Mr. Melton, seconded by Mr. Snyder to amend the Resolution to designate the meeting place as the Marriott Hotel located at 280 West Jefferson Street in Louisville, Kentucky. The Amendment to the Resolution was approved by a voice vote and thereafter the Chairman put the question of the Amended Resolution before the Board, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried and that said following Resolution, as amended had been adopted:

RESOLUTION ESTABLISHING REGULAR MEETING DATES

WHEREAS, the Kentucky Municipal Energy Agency (“KyMEA”) desires to establish regular meetings dates and times; and

NOW THEREFORE BE IT RESOLVED:

Section 1. Meeting Dates. 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.

Section 2. Meeting Time. The regular meetings shall convene and commence at 10:00 AM Eastern time on said dates.

Section 3. Meeting Place. The regular meetings shall held at the Marriott Hotel located 280 West Jefferson Street in Louisville, Kentucky or at such location to be designated by the Board.

A presentation was made and discussion held regarding the benefits of adopting a procurement policy to assist the Board when seeking proposals for power supply contracts and the procurement of goods and services. A motion was made by Mr. Naulty, seconded by Mr. Foster to adopt the following Resolution:

RESOLUTION

WHEREAS, from time to time the Kentucky Municipal Energy Agency (“KyMEA”) will need to procure goods and services, including but not limited to power resources for its Members; and

WHEREAS, KyMEA Members want to establish rules and guidelines relating to such procurement; and

WHEREAS, the Kentucky Model Procurement Code set forth in Chapter 45A of the Kentucky Revised Statutes provides guidelines and procedures relating to procurement; and

WHEREAS, local public agencies may adopt the provisions of Sections 45A.345 to 45A.460 of the Kentucky Revised Statutes for the purpose establishing rules relating to procurement by local public agencies;

NOW THEREFORE BE IT RESOLVED:

That KyMEA hereby adopts the provisions of KRS Sections 45A.345 to 45A.460 for the purpose of providing KyMEA with rules, guidelines and provisions for the procurement of goods and services.

After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried and that said Resolution had been adopted.

A discussion was held that the members of KyMEA prior to formally organizing a public agency jointly utilized and entered into contractual relationships with certain consulting and legal entities. A motion was made by Mr. Naulty and seconded by Mr. Shoupe to confirm, ratify and continue those relationships with nFront Consulting, NewGen Strategies, Spiegel & McDiarmid LLP, Rubin & Hays and Public Financial Management. After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

A discussion was held that KyMEA needed to establish a banking relationship. A motion was made by Mr. Callihan and seconded by Mr. Naulty to adopt the following Resolution:

**RESOLUTION OF THE KENTUCKY MUNICIPAL ENERGY AGENCY
AUTHORIZING THE SOLICITATION OF PROPOSALS
FOR THE ESTABLISHMENT OF A
BANKING RELATIONSHIP AND DEPOSITORY ACCOUNTS**

WHEREAS, the Kentucky Municipal Energy Agency (“KyMEA”) needs to establish one or more bank accounts to operate its financial affairs;

NOW THEREFORE BE IT RESOLVED:

The KyMEA Board hereby authorizes and directs its Treasurer, with the assistance of Rubin & Hays and Public Financial Management, to solicit on behalf of KyMEA proposals from various financial institutions for the establishment of a banking relationship and depository accounts.

After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

A discussion was held that KyMEA needed to establish credit and to begin negotiations for a line of credit with a financial institution. A motion was made by Mr. Naulty and seconded by Mr. Melton to adopt the following Resolution:

**RESOLUTION OF THE KENTUCKY MUNICIPAL ENERGY AGENCY
AUTHORIZING THE SOLICITATION OF PROPOSALS
FOR A REVOLVING LINE OF CREDIT
IN AN AMOUNT NOT TO EXCEED \$5,000,000.**

WHEREAS, the Kentucky Municipal Energy Agency (“KyMEA”) needs to establish a revolving line of credit for the purpose of having funds to operate KyMEA and to provide KyMEA with a source of funds to provide collateral or good faith deposits for the negotiation or procurement of power supply resources; and

WHEREAS, certain Members of KyMEA have authorized KyMEA to procure a line of credit in an amount not to exceed \$5,000,000; and

WHEREAS, the KyMEA Board has determined it is in the best interests of KyMEA and its Members to establish financial credit and to have available funds to operate the needs of KyMEA for the benefit of its Members;

NOW THEREFORE BE IT RESOLVED BY THE KENTUCKY MUNICIPAL ENERGY AGENCY AS FOLLOWS:

The KyMEA Board hereby authorizes and directs its Treasurer, with the assistance of Rubin & Hays and Public Financial Management, to solicit on behalf of KyMEA proposals from various financial institutions for the issuance of a revolving line of credit in an amount not to exceed \$5,000,000.

After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

A discussion was held regarding certain administrative procedures and matters that would benefit KyMEA. It moved by Mr. McCarty and seconded by Mr. Foster to participate in and pay the costs associated with the use of the KSBA Portal for the purpose of disseminating Board meeting documentation and general information relating to KyMEA. After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

A discussion was held regarding the potential hiring of an administrative assistant to assist the Board with general administrative matters. After a brief discussion the Chairman announced that the matter would be reviewed at the next meeting of the Board.

A motion was made by Mr. Shoupe and seconded by Mr. Naulty to provide that the mailing and office address for KyMEA would temporarily be established at 450 South Third Street, Louisville, Kentucky 40202. After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

A discussion was held regarding D&O liability insurance. Mr. McCarty said he would begin to review various carriers and would report back to the Board at a future meeting.

A discussion was held regarding future potential members joining KyMEA. It was noted that Mr. Ed Fortner of the City of Berea, Kentucky was in attendance and though Berea has not formally requested membership in KyMEA, that Berea has participated in the organizing of KyMEA. A motion was made by Mr. Foster and seconded by Mr. Callihan to adopt the following Resolution:

RESOLUTION OF THE KENTUCKY MUNICIPAL ENERGY AGENCY

WHEREAS, pursuant to Section 65.210 to 65.300 of the Kentucky Revised Statutes, as amended, commonly known as the "Interlocal Cooperation Act" (the "Act"), the Electric Plant and Water Board of the City of Frankfort, Kentucky; the Electric Plant Board of the City of Benham, Kentucky; the City of Bardwell, Kentucky; the City of Falmouth, Kentucky; the City of Madisonville, Kentucky; the City of Paris, Kentucky; the City of Providence, Kentucky; the Barbourville

Utility Commission of the City of Barbourville, Kentucky; the City Utilities Commission of the City of Corbin, Kentucky; and the City Utility Commission of the City of Owensboro, Kentucky joined with each other to form the Kentucky Municipal Energy Agency ("KyMEA") pursuant to an interlocal cooperation agreement; and

WHEREAS, KyMEA's Interlocal Agreement (the "Agreement") provides that the KyMEA Board may permit any public agency (as defined in the Act) operating a municipal electric system within or without the Commonwealth of Kentucky to become a party to the Agreement and thereby become a Member of KyMEA; and

WHEREAS, KyMEA understands that the City of Berea, Kentucky ("Berea") is soliciting proposals for power resource requirements for Berea; and

WHEREAS, the KyMEA Board acknowledges that it may be mutually beneficial to KyMEA and Berea to have Berea become a Member of KyMEA for the purpose of participating in KyMEA's power resources; and

WHEREAS, the KyMEA Board understands that it might be helpful to Berea to have a representative attend KyMEA Board meetings and to receive certain information relating to the intent and direction of KyMEA in acquiring power resources and the potential availability of such power resources for Berea;

NOW THEREFORE BE IT RESOLVED:

Section 1. Until notice is given to the contrary, that a representative of Berea is welcome to attend and participate in KyMEA Board meetings and such Berea representative shall be entitled to review and receive information relating to KyMEA and its potential power resources, subject however to information which officials of consultants of KyMEA determine should not be disclosed by KyMEA or any of its Members due to its confidential nature or any non-disclosure agreements or inability of KyMEA to provide a non-member proprietary information relating to a potential power resource.

Section 2. The Chairman is authorized and directed to communicate to Berea, for so long as there appears to opportunities for potential benefits of both parties, that KyMEA would like to continue an ongoing relationship with Berea for the purposes of power supply planning and transmission facility planning and coordination.

After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

Thereafter a presentation was made to the Board by Mr. Painter, Mr. Haddad, Mr. Thornton and Mr. Trauger regarding Transmission Service and the request of an overview and

study. Based upon the various power supply resources to be identified and/or utilized by KyMEA members a study will be made to determine if transmission upgrades are necessary.

Thereafter it was discussed that prior to the initial meeting of the KyMEA Board, individual members requested nFront Consulting to prepare and disseminate a Request for Proposals (“RFP”) for power supply resources that would examine utilizing coal; combined cycle – combustion turbine; single cycle – combustion turbine; and peaking/reserves. Mr. Painter presented to the Board the proposed RFP and the process nFront Consulting had undertaken prior to the Board’s initial meeting. He stated that public advertisement requesting proposals was made in the Louisville Courier-Journal and SNL Energy. He stated that nFront Consulting had sent an email to a selected list of market participants advising such market participants of the RFP. He stated that nFront Consulting had sent the RFP to all who had requested a copy. He advised the Board that those market participants which desired to respond to the RFP were required to give a Notice of Intent to Respond by September 30, with the proposals presently due on October 14. He distributed a copy of the RFP and gave a brief description and highlighted the main provisions of the RFP. Thereupon a motion was made by Mr. McCarty and seconded by Mr. Shoupe to ratify the actions undertaken by nFront Consulting for the benefit of KyMEA and to approve the RFP. After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

Thereupon a motion was made by Mr. McCarty and seconded by Mr. Shoupe to adopt the following Resolution:

RESOLUTION

WHEREAS, the procurement of wholesale capacity and energy to meet the needs of the Members of the Kentucky Municipal Energy Agency (“KyMEA”) is its primary mission; and

WHEREAS, KyMEA has issued a preliminary request for proposals (“RFP”) to interested parties soliciting the supply of energy and capacity beginning in May 2019 to one or more of its Members, and

WHEREAS, the RFP requests interested parties to present proposals under the provisions of KRS 45A.370 for multiple products and options; and

WHEREAS, KyMEA, through its committees and consultants, will evaluate each proposal to determine which proposal or proposals will produce the supply of capacity and energy that is most advantageous to KyMEA and its Members, including reliability of supply and transmission, and

WHEREAS, competitive sealed bidding is not feasible for procuring the supply of energy and capacity required by KyMEA and specifications cannot be made sufficiently specific to permit an award on the basis of either the lowest bid price

or the lowest evaluated bid price because the procurement is for nonstandard supplies and requires technical discussions;

NOW THEREFORE BE IT RESOLVED:

That pursuant to KRS 45A.370(1)(a), and as set forth in the recitals above, KyMEA hereby finds and determines, and has found and determined, that competitive sealed bidding is not feasible in the procurement of the above described supply of energy and capacity, and that it is most advantageous for KyMEA, and in its best interests and the interests of its Members, to solicit proposals through competitive negotiation and to issue any addendum or addenda to the preliminary RFP that has been issued, as may be necessary or desirable.

After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

A discussion was held regarding the need pursuant to the By-Laws to establish a Project Committee for members that were anticipating entering into an “all-requirements” power supply arrangement with KyMEA. After significant discussion, the Chairman stated that the establishment of such a committee might be premature and that it would be reviewed and considered at a future meeting of the Board.

Thereupon a motion was made by Mr. McCarty, seconded by Mr. Naulty to have the Board enter into closed session for the purpose of discussing specific proposals to provide Peaking Power Resources to KyMEA members where the proposals contain non-disclosure provisions to competitors the motion citing KRS 61.810(1)(k) and 61.878(1)(c) which allows for a 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 would provide an unfair advantage to competitors of the entity disclosing such information. After due consideration thereof, the Chairman put the question, and the motion was unanimously approved. Thereupon, the Chairman declared that said motion had carried.

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The Board entered into closed session.

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Upon motion being made by Mr. Callihan, seconded by Mr. McCarty, the Board ended its closed session and returned to its regular meeting.

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There being no further business to come before KyMEA, it was moved by Mr. Snyder and seconded by Mr. Melton to adjourn the meeting, which motion was unanimously carried that the meeting be adjourned.

Whereupon, the Chairman declared that the meeting was adjourned.

CERTIFICATE OF SECRETARY

I, Vent Foster, hereby certify as follows:

1. That I am the duly qualified and acting Secretary of the Kentucky Municipal Energy Agency;
2. That the foregoing is a true and accurate excerpt of the Minutes of a special called meeting of the Kentucky Municipal Energy Agency, held on September 24, 2015, insofar as such Minutes pertain to the matters set out in such excerpt;
3. That said meeting was held in accordance with all applicable requirements of Sections 61.805, 61.810, 61.815, 61.820, and 61.823 of the Kentucky Revised Statutes, and that a quorum was present.

IN TESTIMONY WHEREOF, witness my signature as Secretary of the Kentucky Municipal Energy Agency this October 22, 2015.

Secretary