

COMMONWEALTH OF KENTUCKY

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 178

February 24, 2016
1:00 P.M.
Bush Building
403 Wapping Street
Frankfort, Kentucky

APPEARANCES

Ms. Clare Sipple
CHAIR

Mr. Tom Gabbard (Proxy)
Energy & Environment Cabinet
Mr. Houston Wells
Mr. Mike Flynn
Mr. James Kay
Mr. Warner Caines
Mr. Rodney Simpson
Mr. Kevin Rogers
Mr. Jack Stickney
Mr. Charles Bush (Proxy)
Finance & Administration Cabinet
KENTUCKY RIVER AUTHORITY

Mr. Jerry Graves
EXECUTIVE DIRECTOR

CAPITAL CITY COURT REPORTING

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APPEARANCES
(Continued)

Ms. Sue Ann Elliston
Ms. Jennie Wolfe
Mr. David Hamilton
Mr. Tom Russell
KRA STAFF

Mr. Daniel Gilbert
Mr. Ben Webster
Dr. Lindell Ormsbee
Ms. Malissa McAlister
Mr. Lonnie Banks
Mr. Mike Griffin
Mr. Jeff Woods
Mr. Don Lauzon
Mr. Paul Jacob
Mr. David Brown Kinloch
Mr. David Billings
Mr. John Brady
Mr. Ryan Barrow
GUESTS

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MOTIONS

**MOTION TO APPROVE MINUTES OF
MEETING #177.....PAGE 7, LINE 19**

MR. WELLS: So moved.

CHAIR SIPPLE: We have a motion by
Houston Wells. Do we have a second?

MR. KAY: Second.

CHAIR SIPPLE: James Kay. Any further
discussion? All those in favor, signify
by saying aye. Any opposed? The minutes
are approved.

**MOTION TO APPROVE RESOLUTION
OF KRA APPROVING A SUBLEASE
BETWEEN STATE AGENCY AND
FINANCE & ADMINISTRATION
CABINET FOR PURPOSE OF
REFINANCING A PROJECTPAGE 22, LINE 10**

MR. BUSH: I make a motion we proceed.
(Discussion)

CHAIR SIPPLE: Charles has made the
motion. Do we have a second?

MR. SIMPSON: Second.

CHAIR SIPPLE: We have a second. Do we
have any further discussion? Any
questions before Mr. Barrow leaves? I'll
call for a vote, then. All in favor of
approving this Resolution, signify by
saying aye. Any opposed? It passes
unanimously.

**MOTION TO APPROVE FINANCIAL
REPORTPAGE 18, LINE 29**

MR. WELLS: So moved.

CHAIR SIPPLE: We have a motion. Do we
have a second?

MR. KAY: Second.

CHAIR SIPPLE: James Kay is the second.
All those in favor, signify by saying
aye. Any opposed?

MOTIONS
(CONTINUED)

**MOTION TO APPROVE 2015/2016
KRA WATERSHED GRANT APPLICATIONS:
COLONY NEIGHBORHOOD ASSOCIATION, \$1,400
BLUEGRASS GREENSOURCE, \$3,000
LESLIE COUNTY CONSERVATION DISTRICT, \$1,980
HIGH ADVENTURE WILDERNESS SCHOOL, \$2,715
JOSEPH'S DREAM, INC., \$2,905
CITY OF STANFORD, \$3,000PAGE 42, LINE 24**

MR. STICKNEY: I make that motion.
CHAIR SIPPLE: Jack Stickney makes
the motion. Do we have a second?
MR. ROGERS: I'll second.
CHAIR SIPPLE: Kevin makes the second.
Any further discussion? All those who
approve, signify by saying aye. Any
opposed?

**MOTION TO APPROVE FY 2017
UK WATERSHED AGREEMENTPAGE 53, LINE 2**

MR. SIMPSON: Madam Chair, I would move
to renew the 2017 UK Watershed contract.
CHAIR SIPPLE: Do we have a second?
MR. STICKNEY: I second.
CHAIR SIPPLE: Jack Stickney is the
second. Any further discussion? All in
favor, signify by saying aye. Any
opposed? It's unanimous.

**MOTION TO ACCEPT PUBLIC
OFFICIALS' LIABILITY
INSURANCE POLICYPAGE 54, LINE 22**

MR. FLYNN: I'll make a motion to accept
the proposal for the insurance.
CHAIR SIPPLE: Thank you, Mike. We have
a motion. Do we have a second?
MR. SIMPSON: I'll second.
CHAIR SIPPLE: Rodney has made the
second. Do we have any more discussion?
All in favor, signify by saying aye. Any
opposed? Motion carries.

**MOTION TO RENEW STREAMFLOW
GAGING NETWORK WITH USGS
FOR FY 2017, REMOVING HICKMAN
CREEK GAGE, WITH CONDITION
THAT USGS LOOK FOR COST-SHARING
PARTNERSPAGE 66, LINE 7**

MR. WELLS: I'll make the motion
that we go with the \$138,147 mark which
is removal of the Hickman Creek gage.

MR. SIMPSON: I'll second that motion.

CHAIR SIPPLE: We've got a motion and a
second. Are there any other questions
about this? And, remember, that has the
condition that they will look for other
partners for cost-sharing.

MR. WELLS: For cost-sharing.

CHAIR SIPPLE: We have a motion and we
have a second. Any other questions? All
those in favor, signify by saying aye.
Any opposed?

MOTION TO ADJOURNPAGE 98, LINE 24

MR. WELLS: So moved.

MR. BUSH: Second.

CHAIR SIPPLE: All in favor, signify by
saying aye.

1 CHAIR SIPPLE: We will call the
2 meeting to order. This is Kentucky River Authority
3 Meeting No. 178 and we have a lot of guests today,
4 but first I'd like to have the roll called. Sue, do
5 you want to do that?

6 (ROLL CALL)

7 MS. ELLISTON: We do have a
8 quorum.

9 CHAIR SIPPLE: Thank you. And
10 since we have so many guests today, could we start
11 back here and go around the room and introduce
12 yourselves.

13 (INTRODUCTIONS)

14 CHAIR SIPPLE: Thank you all
15 very much. Welcome.

16 We'd like to first make a
17 motion to approve the minutes from the last meeting.
18 Do we have a motion?

19 MR. WELLS: So moved.

20 CHAIR SIPPLE: We have a motion
21 by Houston Wells. Do we have a second?

22 MR. KAY: Second.

23 CHAIR SIPPLE: James Kay. Any
24 further discussion? All those in favor, signify by
25 saying aye. Any opposed? The minutes are approved.

1 Voice Team, what they're about and what they have
2 accomplished so far. Just state your name.

3 (STUDENT INTRODUCTIONS)

4 STUDENT: We wrote a letter to
5 the Board of the Kentucky River Authority of
6 proposals of what we thought could make the river a
7 better place.

8 Dear Kentucky River Authority
9 Board: Do you want to see smiles on the faces of
10 Frankfort's children? If you want this, you should
11 create more recreation on the river for the
12 community. We would like you to create more
13 restaurants on the river, access to public canoes and
14 kayaks and campgrounds along the river to stop at
15 during your ride. Stay with us and we will explain
16 why we feel this way.

17 STUDENT: The first way you can
18 create more recreation on the river is by building
19 restaurants. Most people would like to have
20 restaurants along the river so they don't have to
21 pack food on their boat. It would also prevent
22 pollution and littering on the river so that people
23 don't throw their trash in after they eat. As you
24 know, it is very important to keep our river clean.
25 It would also attract more people to the river and

1 Frankfort. Imagine how fun it would be to go on a
2 boat ride all day and then go eat at a restaurant.
3 This will do many good things for the Kentucky River.

4 STUDENT: The second way you
5 can create more recreation on the river is by giving
6 the public access to canoes and kayaks. Some people
7 can't afford boats but that should not prevent the
8 society from enjoying the river. It will also,
9 again, attract people to the river. It also gives
10 people exercise and keeps them healthy. Do you want
11 the people of Frankfort to be healthy? By doing
12 this, you will not only keep them healthy, but also
13 give them affordable enjoyment on the river.

14 STUDENT: The final way you can
15 create more recreation on the river is by creating
16 picnic and campgrounds. Some people take long trips
17 on the river and they stay overnight so they want to
18 take showers and freshen up. They also may not want
19 to sleep on their boats, so, if they pack tents, they
20 can sleep at the campgrounds. Imagine someone who
21 has a pontoon and they want to stay overnight. If
22 they have a campground, they have more of a
23 comfortable place to sleep.

24 STUDENT: In conclusion, we
25 think that our river is in desperate need of some

1 recreation, and by adding the things we talked about,
2 it could start the process of making the river a
3 better place. We could do this by building
4 restaurants on the river, giving the public easy
5 access to canoes and kayaks, and by building camp and
6 picnic grounds.

7 STUDENT: The reasons why kids
8 need more recreation on the Kentucky River. One of
9 them would be to make people want to go to the
10 Kentucky River more often. As of right now, there's
11 very little parts of the Kentucky River that are
12 constantly on a daily basis used.

13 STUDENT: If people are doing
14 more activities on the river, then, this will
15 hopefully continue to keep it more clean. And if it
16 keeps it clean, then, we can hope to have more clean
17 water to drink from.

18 STUDENT: If kids have more
19 chances to do things at the river, maybe some kids
20 will be more willing to be active.

21 MS. CHAVEZ: Do you want to
22 show your posters? Hold them up really high so they
23 can see.

24 STUDENT: We did a poster of
25 what we would like to do and how to make the river a

1 better place. We did some cabins for like a little
2 camp area, and we did like hiking trips and
3 restrooms.

4 STUDENT: Another thing that we
5 did is we wanted more restaurants. So, we made up a
6 couple of restaurants on the river. And, then, we
7 also wanted, since Canoe Kentucky is downtown, we
8 thought that since it's right by the river, we could
9 make a little place where they could sell boats there
10 so more people could do it and they could have more
11 boats.

12 STUDENT: We also decided that
13 it would be cool if we could go tubing. So, we made
14 a tube shop that you could like buy tubes at to go
15 tubing down the river.

16 STUDENT: We made a restaurant
17 so if you got hungry, you could go eat and it's FKF,
18 "F" for Frankfort, Kentucky Fried Fish.

19 STUDENT: We also made some
20 playground areas. Like we could have a like a rope
21 swing to swing in the water or like a tire swing and
22 we have canoeing trips and a boat area so we could
23 park our boats.

24 STUDENT: And, then, last we
25 have like the houses that live on the river, if they

1 have this, and then we have a fish area like where
2 you can go fishing, and then we have a rope swing and
3 then the tire swing across. And, then, we have Canoe
4 Kentucky right there so that you can walk down and
5 then we have the Kentucky Bridge with the Kentucky
6 River sign.

7 STUDENT: And, then, the last
8 thing we have is cabins that we could stay at to camp
9 at and then a hiking trail and that's really all.

10 STUDENT: So, on our Kentucky
11 River, we have like some kind of water sports we
12 could do. Here you can go fishing, you can go on
13 tour boats, and we have like little porty-potties
14 just in case you have to use the restroom.

15 And if you like to go camping,
16 things, like pack your own camping stuff and you
17 could take kayak lessons. We have water safety
18 classes.

19 STUDENT: Another thing is for
20 like field trips, we could go on field trips and we
21 have field trip safety.

22 STUDENT: Another thing is
23 water skiing lessons, tubing, parasailing, wake-
24 boarding and tubing.

25 STUDENT: We also have dredged

1 the stumps because there's parts of trees in the
2 river, and if people would like to swing into the
3 river, that wouldn't be very pleasant to hit a tree.
4 And there's river patrol in case someone is not
5 watching their kids.

6 STUDENT: I actually said that
7 we could have fishing lessons; and in case you don't
8 have a fishing pole, you could rent one. And then
9 you could go canoeing, and, again, you can rent a
10 canoe. You could have swimming lessons, summer camp
11 in case you wanted to stay there for a while. You
12 also have picnic tables so you could have a place to
13 eat there with your family, trash cans, public
14 bathrooms and parking, park rangers, a dock and more
15 docks where you could fish on or park your boat
16 there.

17 STUDENT: Also a horse riding
18 camp, lifeguards in case there is danger being in the
19 river, they could help them, a place to have a party
20 in case you wanted to have a party there and zip
21 lines in case you want to slide into the river.

22 MS. CHAVEZ: Tell them some
23 other things we have done with Student Voice and what
24 you're about.

25 STUDENT: We have shared our

1 voice like with our school and our cafeteria ladies
2 and we've told them what we want to do with the
3 cafeteria.

4 MS. CHAVEZ: What else?

5 STUDENT: Student Voice means
6 to me is students that help people make a better
7 place.

8 MS. CHAVEZ: Anybody else want
9 to talk about some things that you all impact?

10 STUDENT: We've presented some
11 of the things that we've had ideas of in front of the
12 SBDM Board as in extracurricular activities to
13 increase the mental capacity of our students, and
14 we've gone and we've talked with--we went to
15 Lexington and we talked with one of the education
16 boards about what we do as a Student Voice Team. And
17 how they said with the cafeteria, we've talked about
18 having healthier foods in the cafeterias.

19 MS. CHAVEZ: Anything else you
20 all would like to say and share your voice?

21 MR. GRAVES: I would like to
22 say great job, people. I'm very impressed.
23 Naturally I would be but you've done a good job
24 coming in here and making a presentation in front of
25 people that you are not familiar with. So, I do

1 appreciate it, and we will listen.

2 CHAIR SIPPLE: And we have a
3 Recreation Committee and I've taken notes about some
4 of these things that you all would like to have along
5 the Kentucky River and we will certainly keep that in
6 our thoughts when we're making plans for the river.

7 I'm just really impressed. You
8 students have such a wonderful voice for your school
9 and you've expressed yourself so well to a public
10 group like this, and, so, I thank you very much for
11 coming and enlightening us with your ideas.

12 STUDENT: We forgot to say
13 something. We thought up when we were doing this, we
14 thought up like we could go--there was a mining that
15 she thought of. You could go mine for activities.

16 MS. CHAVEZ: What do you all
17 say?

18 STUDENTS: Thank you.

19 CHAIR SIPPLE: They did a great
20 job, very articulate and self-confident, and I did
21 take notes. When our Recreation Committee meets next
22 time, we'll talk about this.

23 Next on the agenda is the
24 consideration of refunding State Property and
25 Building Commission Project 91. Ryan.

1 MR. BARROW: Jerry, I really
2 appreciate you letting us go early because I have a
3 commitment. Mr. Brady is going to stay, but, wow,
4 it's a tough act to follow. We'll try to bring it up
5 a notch by talking about municipal bonds, just five
6 or six minutes of prepared remarks.

7 What I'm going to refer to,
8 there is a two-pager in your handout. Essentially,
9 we function as the bond issuer's oversight process
10 for the whole Finance Cabinet. We're doing in excess
11 of ten transactions right now. We monitor your
12 bonds. We look for refunding opportunities.

13 So, what we did is we found
14 one. This is no different. There's a lot of nuances
15 but conceptually fifty thousand per level. It's no
16 different than (inaudible). All bonds are refundable
17 at some point.

18 We've done two transactions.
19 Pre-meeting we did what we call a State Prop 91, and,
20 then, I actually worked on State Prop 105
21 transaction, and both of those were new money for
22 various projects.

23 We had a full-blown
24 presentation at that time. We talked about what the
25 Tier II rate is going to go to, how we cover debt

1 service. I'm not going to go into that level of
2 detail. I just want to kind of walk through what
3 we're contemplating.

4 So, the first thing I want to
5 stress is until we sell and get all the numbers, this
6 is all preliminary. If anybody knew exactly where
7 interest rates were going, I wouldn't have a day job.
8 But based on kind of where we're at and where we
9 think we're going to be, we think we can save
10 substantial money.

11 There's two variables, both the
12 market itself and vetting what we can pull out of the
13 DSR's. There's a lot of legal language there. So,
14 these numbers can change.

15 If they do and it becomes
16 adversary to the transaction and it's not enough
17 savings, we'll just pull back and we won't sell the
18 bonds. So, really, there's no risk other than the
19 time listening to me and then the management time of
20 putting together the documents. There will be no
21 fees unless we close and sell and we're only going to
22 close and sell if we save money.

23 So, I'll just walk through a
24 couple of numbers. What we're contemplating now is
25 refunding the Series 91, State Prop 91. It's about

1 \$10.6 million par transaction. We're looking to
2 price these April 20th. So, April 20th, end of the
3 day.

4 April 21st, as long as we stay
5 on schedule, I can tell you what we think we're going
6 to save or tell you what we are going to save. Today
7 I can just tell you an estimate, and it will change.
8 I can guarantee it will change now and in between
9 when we sell just as we all know how the market
10 moves.

11 We're looking at about \$1.6
12 million today, assuming we vet all the, again, DSR's,
13 etcetera and the market stays about where we're at.
14 That's a 15% savings. That's very healthy. That's
15 very healthy.

16 We're doing a General Fund
17 refunder now for about \$600 million. We're getting
18 12%. I thought that was a lot. So, we're looking at
19 15% with this.

20 On here is kind of who we work
21 with. I'm with the Office of Financial Management.
22 We function as an in-house financial advisor, again,
23 paying attention to this. You don't have to have
24 staff to do anything about mini-bonds. We can make
25 sure we take care of these transactions when you need

1 money, which there's a proposal out there for some
2 new money. So, we may be talking about that and then
3 when we can refund like we're talking about today.

4 First Southwest is also
5 external financial advisors, and then there's
6 attorneys, Dinsmore & Shohl.

7 The second page kind of walks
8 through how we think. We're not going to save all
9 this Day One. We're going to essentially issue new
10 bonds at a low rate and we're going to save it over
11 time, and we're looking eighty to ninety thousand
12 dollars kind of in savings, depending on the year.

13 So, what we have for
14 consideration for the Board today - I'm happy to take
15 questions - is basically a Resolution, and that
16 Resolution says, hey, management team, us, Office of
17 Financial Management, attorneys, go out, work on this
18 transaction.

19 We'll obviously pull the
20 trigger if we save money at these levels, if we can
21 save money at close to these levels; but if the
22 market moves against us like it could, we back off
23 the transaction and we come at a later point.

24 I'm again happy to take any
25 questions that you have.

1 MR. WELLS: Are these bonds
2 fixed?

3 MR. BARROW: Yes. The
4 Commonwealth has very little variable debt. We have
5 some swap, but, yeah, these are all fixed rate which
6 I'm a big proponent of personally.

7 MR. GRAVES: And this is eighty
8 to ninety thousand per year?

9 MR. BARROW: Yes. The
10 estimates on the second page, again, I always want to
11 caveat that they're estimates and projections. We've
12 got legal work to do. The rates on April 20th is
13 really what will determine it.

14 MR. GRAVES: And just FYI, and,
15 Jennie, make sure I'm right here, every quarter, we
16 make a debt payment of 579----

17 MS. WOLFE: Yes.

18 MR. GRAVES: ----per quarter
19 and that's for the bonds on 8 and 9.

20 MR. BARROW: Yes. So, that
21 cumulative payment would be for both transactions
22 that we have outstanding, the one I worked on and the
23 one that was pre me.

24 What we're talking about is the
25 first series. So, basically on that first series,

1 we're going to lower the debt service payment. Five
2 years, I'll probably be back hopefully talking about
3 the potential savings on the other transaction.

4 MR. BUSH: Do you need a motion
5 to proceed?

6 MR. GRAVES: Yes, sir, I think
7 so. I think this is a move that we should make.
8 For our agency, that's a lot of money. For anybody,
9 that's a lot of money.

10 MR. BUSH: I make a motion we
11 proceed.

12 CHAIR SIPPLE: We would need a
13 motion for a resolution to approve the furtherance of
14 the investigation into this. Is that correct? How
15 would you like us to word that one?

16 MR. BARROW: I believe there
17 should be a full Resolution that was prepared by the
18 the attorneys in the packet. So, there is a formal
19 Resolution that was drafted. Basically it is what I
20 summarized. It allows us to proceed.

21 It doesn't enforce us to
22 proceed. It allows us to do the sale, the marketing,
23 the analysis, the legal analysis that I'm talking
24 about. Clearly, we don't do everything until you
25 give us the authority to do it. So, that's what

1 we're asking for today is the authority to proceed.

2 Now, we'll work with the
3 management team and we'll be fully apprised. They've
4 got to do some heavy lifting, too, on the offering,
5 circulars, etcetera.

6 MR. WELLS: So, Mr. Bush's
7 motion is to adopt the Resolution.

8 CHAIR SIPPLE: Charles has made
9 the motion. Do we have a second?

10 MR. SIMPSON: Second.

11 CHAIR SIPPLE: We have a
12 second. Do we have any further discussion? Any
13 questions before Mr. Barrow leaves? I'll call for a
14 vote, then. All in favor of approving this
15 Resolution, signify by saying aye. Any opposed? It
16 passes unanimously. Thank you so much for coming.

17 MR. BARROW: Thank you.

18 CHAIR SIPPLE: Now, Jennie, the
19 Financial Report.

20 MS. WOLFE: I will cover the
21 Financial Reports for November, December and January.
22 At the beginning of November, the water user invoices
23 were mailed out for the quarter ending September
24 30th.

25 The Tier I fee receipts in

1 November were \$181,967.97. Interest income was
2 \$86.69. Total revenue in November was \$182,054.66 in
3 the Tier I Fund.

4 In the Tier I Fund,
5 expenditures for the month were \$55,490.50. That
6 included normal salary and operating expense, along
7 with a payment to UK for the Watershed Agreement.
8 The Tier I Fund ended the month of November with a
9 cash balance of \$961,229.49.

10 In the Tier II Fund, the Tier
11 II fee receipts in November were \$763,855.47.
12 Interest income was \$359.10. Total revenue was
13 \$764,214.57. The Tier II Fund ended the month of
14 November with a cash balance of \$4,064,925.02.

15 There was no activity in the
16 Equipment Replacement Fund in November.

17 The General Fund began the
18 month of November with a balance of \$147,158.67.
19 Expenditures for the month included salary and
20 operating, for a total of \$21,480.87. The General
21 Fund ended the month with a balance of \$125,677.80.

22 For the Capital Construction
23 Funds in November, a cash transfer was made from the
24 Lock and Dam Maintenance Pool which is Capital Fund
25 C093 to the Dam 8 Fund for \$2,119.20. That transfer

1 was for a change order on the west closure cell and
2 top-of-rock adjustment. The balance of the Lock and
3 Dam Maintenance Pool, the remainder of the 2013 bond
4 funds is \$256,980.86.

5 The Dam 8 project did not have
6 any expenditures to report for the month but had the
7 transfer in it of \$2,119.20.

8 The Interest Earning Capital
9 Fund had interest income of \$466.11 and ended with a
10 balance of \$31,458.68.

11 Are there any questions about
12 the November Financial Report?

13 Moving on to December, the Tier
14 I fee receipts for the month of December were
15 \$56,861.13. Interest income was \$202.35. Total
16 revenue in the Tier I Fund was \$57,063.48.

17 Expenditures for the month were
18 \$70,403.05. This included normal salary and
19 operating expense, along with a payment to the
20 Auditor's Office for the annual audit and that was
21 \$18,216. Also, we paid the \$5,000 contribution to
22 ORSANCO which was approved at the last Board meeting
23 for the annual River Sweep event in June. And the
24 Tier I Fund ended the month of December with a
25 balance of \$947,889.92.

1 The Tier II fee receipts in
2 December were \$116,278.87. Interest income was
3 \$799.20. Total revenue collected in December in the
4 Tier II Fund was \$117,078.07.

5 A debt service payment was made
6 on December 15th in the amount of \$579,272.67. That
7 is the debt service on Dam 9 and Dam 8.

8 The Tier II Fund ended the
9 month with a cash balance of \$3,602,730.42.

10 The Equipment Replacement Fund
11 had revenue of \$25 and expenditures of \$1,134.60.
12 The fund ended the month with a balance of
13 \$29,661.86.

14 The General Fund had salary and
15 operating expense of \$20,462.71 in December and ended
16 the month with a balance of \$105,215.09.

17 For the Capital Construction
18 Funds in December, the Dam 8 Renovation Fund had
19 expenses of \$475,391.16 and ended the month with a
20 balance of \$3,537,433.21.

21 The Lock 1 and 2 Renovation
22 Project had expenses of \$178,805.13, and this
23 included the final payment to MAC Construction for
24 the work they did on Locks 1 and 2 last year. The
25 balance of the Lock 1 and 2 Renovation Fund at the

1 end of December was \$366,203.96.

2 The Interest Earning Capital
3 Fund had interest income of \$906.75 and ended the
4 month with a cash balance of \$32,365.43.

5 The Dam 10 Design Fund had
6 expenses of \$12,512.76 and ended with a balance of
7 \$18,872.24.

8 Are there any questions on the
9 December report?

10 CHAIR SIPPLE: I just have one
11 question, Jennie. On the Locks 1 and 2 Renovation
12 Fund, will there be more expenses when they begin
13 construction? They have not finished----

14 MS. WOLFE: Right. The second
15 phase of that was the removal of the guard wall, and
16 that was paid, I think it was paid this month.
17 There's going to be more.

18 CHAIR SIPPLE: Thanks.

19 MS. WOLFE: That was just a
20 payment to MAC. The second company was Aquarius
21 Marine. Is that it on December? Okay.

22 I'll move on to January.

23 MR. GRAVES: Let me interrupt
24 you quickly. Our audit was clean, just an FYI.

25 CHAIR SIPPLE: That's a heck of

1 an expense for an audit.

2 MR. GRAVES: It is and it's
3 gone up. It goes through the State Auditor's Office.
4 I gripe about it every year.

5 MR. WELLS: Everybody is
6 griping about it.

7 MR. GRAVES: Everybody is
8 griping about it. It has gone up every year I've
9 been here. So, I guess it's just the norm, whether
10 you like it or not, but we have to have it.

11 MS. WOLFE: In January, the
12 Tier I fee receipts were \$9,850.03. The rental
13 income on Lock 7 Hydro was \$8,300. Interest income
14 was \$185.63. Total revenue in the Tier I Fund in
15 January was \$18,335.66.

16 Total expenditures for the
17 month were \$99,945.57. That included salary,
18 operating expense, the payment of the new Chevrolet
19 work truck and payment to UK for the Watershed
20 Agreement. The Tier I Fund ended the month of
21 January with a cash balance of \$866,280.01.

22 In the Tier II Fund, the fee
23 receipts for the month were \$69,498.78. Interest
24 income was \$709.10. Total revenue in the Tier II
25 Fund in January, \$70,207.88.

1 balance of \$688,091.09.

2 Are there any questions on the
3 January Financial Report?

4 Lastly, the water use invoices
5 for December for quarter ending December 31st were
6 mailed out on February 1st. The Tier I fees billed
7 were \$211,372.99. The Tier II fees billed were
8 \$797,731.80 for a quarterly total revenue of
9 \$1,009,104.79.

10 All fees have been collected
11 expect for \$30,675 and all of those are in the Tier I
12 Fund, and all Tier II fees have been collected.

13 The next debt service payment
14 will be March 15th, and that's all I have.

15 CHAIR SIPPLE: I need to have
16 someone make a motion to accept the Financial Report.

17 MR. WELLS: So moved.

18 CHAIR SIPPLE: We have a
19 motion. Do we have a second?

20 MR. KAY: Second.

21 CHAIR SIPPLE: James Kay is the
22 second. All those in favor, signify by saying aye.
23 Any opposed? Thank you, Jennie. Approved once
24 again.

25 Now, Malissa, you're up.

1 Presentation and consideration of the watershed
2 management grants. And while you're getting set up
3 for this, I did want to welcome our newest Board
4 member, Kevin Rogers, and he's with Kentucky American
5 Water and this is his first meeting. So, if you have
6 any questions, please don't hesitate to ask. We have
7 a lot of stuff going on here.

8 MR. ROGERS: I will. Thank
9 you.

10 MS. McALISTER: All right.
11 Here we are again and I am going to run through this
12 year's slate of watershed grant applications. I'm
13 not going to go into too much detail but feel free to
14 interrupt me if you have any questions.

15 This map shows the county
16 locations of the 11 applications that we received.
17 Every year I think we're not going to get any and
18 then the last day we get like ten. So, we had plenty
19 to look through and I'm not going to be able to fund
20 everything which breaks my heart.

21 Thank you. I always like to
22 express appreciation. This grant opportunity makes
23 my job fun because I have something to offer like an
24 enticement to help people get a little more engaged
25 in their watersheds and do something positive to help

1 water quality. I have a lot of long-term
2 relationships that have been founded on these grants.

3 These are some of the
4 watersheds that I've worked with these people on a
5 regular basis. We just had our Watershed Watch
6 conference that we have every year with the volunteer
7 samplers and I asked for a show of hands of people
8 who had received these grants and there were a lot of
9 hands up. So, that should make you all feel good.

10 So, when we look through these,
11 we kind of have some general considerations in mind
12 to sort through them. We like to kind of distribute
13 them as best we can throughout the Kentucky River
14 Basin to be fair.

15 We look for educational
16 benefits to kind of expand beyond the immediate reach
17 of the applicant. We look for obviously water
18 quality benefits, ideas that will help improve local
19 water quality and then the basin in general.

20 Part of a broader effort is
21 that they are a very good range of partners, again,
22 to kind of expand the reach of the project; the
23 applicant's history, have we funded them several
24 times, and maybe it's time to look at somebody new
25 and give them a chance.

1 students and other people understand their practical
2 applications.

3 So, this would be the
4 development of a video that goes out and shows these
5 practices in place in the real world and explains
6 them and they will use this along with their other
7 tools.

8 MR. STICKNEY: Isn't that
9 formerly the Bluegrass PRIDE group?

10 MS. McALISTER: Yes. They
11 changed their name a few years ago.

12 Pathfinders of Perry County is
13 located in the North Fork of the Kentucky River, and
14 they have been working for several years to encourage
15 especially youth to get out and appreciate the river
16 and be active and do some water quality assessments
17 and things like that.

18 And they just have received a
19 grant to build a 1,200 foot walking trail and it's
20 beside the river but the kudzu apparently has taken
21 over a lot of it. And this grant application was
22 requesting funding to deal with the kudzu, try to
23 clear it out and replant with native trees, and this
24 would be a pilot because it's only a 50-foot stretch
25 of the trail.

1 MR. WELLS: How are they
2 proposing to get rid of that kudzu?

3 MS. McALISTER: It was removal
4 of the crown of the kudzu. So, that part of the
5 plant and then treatment with a light phosphate or
6 Roundup, and I guess this is, like I said, a pilot.

7 This wasn't one that we
8 recommended for funding but I still want to help
9 them. So, Dr. Ormsbee and I are going to go meet
10 with them in March and try to get something maybe a
11 little more substantial going there.

12 MR. WELLS: I'd say there would
13 be a lot of money made if you could figure out a way
14 to get rid of that.

15 MR. STICKNEY: You might want
16 to suggest they check out with UK Extension because I
17 know every year they have certain amounts of gallons
18 of herbicide that they will let people have.

19 CHAIR SIPPLE: And their
20 Conservation District.

21 McALISTER: Okay. Leslie
22 County Conservation District. This would be an area
23 that is up and coming and it's exciting to see some
24 activity in the Middle Fork of the Kentucky River.
25 We haven't had a lot of activity there, but last year

1 we had a Watershed Watch training. We have several
2 new volunteer samplers there.

3 And one of the ladies who has
4 been very involved with that is going to organize an
5 educational field day, environmental field day for
6 students there and she has great partners with a
7 bunch of different state and local agencies to
8 provide different stations where the kids will learn
9 different things.

10 So, this funding is primarily
11 for a bus and some snacks for the kids, getting all
12 of them there, and we did recommend this one as well.

13 High Adventure Wilderness
14 School I consider one of our kind of longer-term
15 partners. Incidentally, Bill Gordon, he's up there
16 and he's the Director of the school, was on Kentucky
17 Life last week. I just watched that and it was
18 interesting.

19 His idea is to get kids, not
20 just school groups but non-traditional education
21 groups like Boy Scouts and others out into nature and
22 teach them hands-on projects, not just water sampling
23 but to critically look at their environment and
24 appreciate it and he does a really good job at that.
25 I think he's very sincere.

1 So, we did recommend this for
2 funding. He's done a lot of watershed improvements
3 there, repairing old logging roads, working with Fish
4 & Wildlife to add different wetlands and ponds and
5 native grasses. He's done some great things.

6 The Kentucky Environmental
7 Foundation is based in Berea, but this project is
8 proposed on the Red River in Powell County to work
9 with the high school students there and do some
10 environmental assessment followed up with some
11 outreach and improvement like cleanup, like liter
12 cleanup and tree planting maybe.

13 I'm very torn about this one.
14 It was one that we didn't cut and it was primarily
15 because some of the budget items didn't seem--I don't
16 think you all get copies of the applications but that
17 was why we didn't recommend this one.

18 MR. STICKNEY: Now, isn't that
19 organization the same one that dealt with the
20 Bluegrass Army Depot?

21 MS. McALISTER: I don't know
22 the history but that is very likely. Their grant
23 request was a lot to do with database development and
24 website development. It wasn't so much directly
25 related to this project, I mean, for the educational

1 component.

2 The Estill Action Group is
3 going along with their effort to have a trail tail
4 there, and they wanted funding for kayaks, canoes,
5 life jackets, other supplies to have a day on the
6 river during their Mushroom Festival, and the idea is
7 that would continue to encourage recreation and
8 appreciation on the river - another one that I'm torn
9 about but it was primarily for kayaks and canoes
10 which wasn't totally a water quality education focus.

11 This is a new area, a new
12 group. It's in Mercer County. They have an historic
13 spring that is associated with Fort Harrod. There
14 are two that deal with pioneer days and forts, but
15 this is the first one and the next one is also with a
16 fort.

17 And they want to remove the
18 invasives, kind of clean it up restore appreciation
19 not just for the spring but to the feeder stream that
20 comes into it, and a walking path is also a part of
21 this and to work with Mercer County schools on
22 reminding them of the importance of this spring and
23 then also water quality education.

24 The City of Stanford is the
25 next fort. St. Asaph's Creek is what the focus is

1 and that is related to Fort Logan in Lincoln County,
2 and this is an effort to work again with students and
3 it's led by an environmental science teacher from the
4 high school and to take them out and do sampling and
5 learn about the creek and then do some outreach to
6 community groups about water quality issues.

7 AdventureServe Ministries you
8 all have funded before a couple of years ago for an
9 Arbor Day, a tree planting and another one of those
10 kind of field day activities.

11 This one I thought was a
12 stretch but I told them to go on and apply. They
13 really want to do more enhancement along this creek,
14 but this old building on their property at
15 AdventureServe Ministries needs to be demolished, and
16 they were going to partner with Asbury to take that
17 away and then enhance that area to the stream and
18 have like an outdoor classroom there.

19 So, I can see their long-range
20 vision and I think it's a good idea but the majority
21 of the funding would be to demolish the building.
22 And we had so many applications, this was one that we
23 did not recommend as strongly.

24 And, then, finally Headwaters
25 is based in Letcher County in Whitesburg and they

1 have been active with us for a long time trying to
2 improve the North Fork of the Kentucky River. And we
3 have helped support a VISTA federal watershed
4 coordinator position there for a few years, and this
5 was for renewed assistance to help support that
6 person.

7 They just hired someone in
8 January. And, so, we're going to try to work with
9 them a little more actively this year and see what we
10 can accomplish and then maybe revisit this for
11 funding next year.

12 So, these are the
13 recommendations, and we dropped Joseph's Dream down a
14 little bit just to make it equal to \$15,000 that we
15 have allocated in the budget, and, then, these would
16 be the ones that were potentially unfunded this year.

17 So, typically what we do is
18 just have any questions, any discussion and then your
19 final recommendation.

20 CHAIR SIPPLE: Does anybody
21 have any questions for Malissa?

22 MR. WELLS: Where would one
23 procure these applications for these grants?

24 MS. McALISTER: I send out an
25 email on that but there's also on our website for

1 Watershed Watch which was just unveiled today a new
2 website. It's www.krww.org. I think it's under
3 Action and then it says KRA Watershed Grants and the
4 application is there for next year. And typically
5 these applications are due in November.

6 MR. STICKNEY: How long has the
7 River Authority been supporting these grants, how
8 many years?

9 MS. McALISTER: Since 2003.

10 MR. STICKNEY: So, 13 years or
11 12 years.

12 CHAIR SIPPLE: Any other
13 questions for Malissa?

14 MS. McALISTER: I'll say one
15 more thing finally. The Division of Water has been
16 talking for years to try to model something after
17 this. And this year it looks like they're going to
18 do that and they're going to offer what they call
19 mini grants for each of the major river basins of up
20 to \$5,000.

21 CHAIR SIPPLE: Great. See,
22 you're a model. So, we need a motion to approve the
23 recommendations for this grant funding.

24 MR. STICKNEY: I make that
25 motion.

1 CHAIR SIPPLE: Jack Stickney
2 makes the motion. Do we have a second?
3 MR. ROGERS: I'll second.
4 CHAIR SIPPLE: Kevin makes the
5 second. Any further discussion? All those who
6 approve, signify by saying aye. Any opposed? Thank
7 you, Malissa. This is a presentation I look forward
8 to every year.
9 Dr. Ormsbee, I believe you're
10 up next for a presentation and consideration for the
11 renewal of the UK Watershed Agreement for fiscal year
12 2017.
13 DR. ORMSBEE: Thank you, Madam
14 Chairman, and it's great to be with you all this
15 afternoon.
16 This is just basically our
17 annual proposal of the Scope of Work. We've enjoyed
18 a partnership with you all since 1997. So, a few
19 more years, we'll be celebrating our 20th anniversary
20 and we thank you for that.
21 But, anyway, you have just seen
22 some of the work that the Water Institute and
23 partnership that we have with you. Malissa kind of
24 went over one of the programs that we have. I want
25 to take just a few minutes to summarize those

1 year. So, we are a congressionally-mandated center
2 and we do have a statewide mission and that's one of
3 the reasons we've been partnering with you all.

4 Back in the late nineties, just
5 a brief overview, the Division of Working, working
6 with EPA, embarked on a comprehensive program to look
7 at how to manage water resources across the state,
8 and one of the things that they did was to start
9 focusing on problems on a river basin basis and they
10 came up with a framework to do that.

11 And at the time, again, we
12 partnered with KRA. KRA really took the lead,
13 talking about how the state is kind of following the
14 lead relative to this grant, but KRA really took the
15 lead in that whole process. The Kentucky River Basin
16 served as the model over a five-year process that all
17 the other river basins in the state have subsequently
18 followed. So, we've had a long partnership together
19 at looking at those different issues.

20 So, the contract that we have
21 to present today really has a couple of components.
22 The major component is just basically serving at your
23 all's discretion with regard to watershed management
24 activities across the basin.

25 There's really kind of four

1 components to that. One of those is to basically
2 serve as the coordinator of the Kentucky River Basin
3 activities in the context of what the state is doing.
4 The state actually has five major river basin
5 management units. Four of those are basically
6 coordinated by employees at the Division of Water,
7 but the Kentucky River Authority is unique in that we
8 have our own coordinator and you obviously heard from
9 Malissa who serves in that capacity.

10 And, so, Malissa also serves as
11 kind of the liaison of the Kentucky River Authority
12 and the Kentucky River Basin in context with all
13 these statewide deliberations that continue to go on.
14 So, that's one component.

15 Another component is we provide
16 technical assistance at times not only for the KRA
17 but also for all the different stakeholders across
18 the basin, and you've seen a little bit of that
19 activity that Malissa has mentioned there.

20 One of the major groups that we
21 partner with is an organization called the Kentucky
22 River Watershed Watch. That's an organization that's
23 made up of several hundred volunteer samplers that
24 live all across the basin.

25 And, so, we provide the

1 Watershed Watch group technical support. We help
2 basically coordinate all their sampling activities,
3 work with the laboratories that do those analyses,
4 handle all the contracting for all of that and so on.

5 And, then, the watershed grants
6 that you've talked about today briefly before my talk
7 with Malissa's presentation, you can see some of the
8 impact of that.

9 And as a small part of the
10 overall contract, we have some project coordination
11 issues. We have our own account that's managing
12 these subcontracts with the various watershed grants
13 and then also the labs that we work with that do the
14 analysis that collect the data and information for
15 that and also, then, Malissa's component.

16 And, then, we also have a
17 little bit of financial management under that project
18 coordination, as I mentioned, but we do have a bunch
19 of subcontracts that we're actually managing.

20 MR. SIMPSON: Watershed
21 management, what would that consist of?

22 DR. ORMSBEE: Watershed
23 management would consist of, basically that's a broad
24 umbrella like everything that Malissa does. So,
25 Malissa goes out - and she could probably speak on

1 her behalf if she wants to - but Malissa is
2 constantly traveling all across the basin from the
3 headwaters down near the Ohio working with various
4 groups trying to help groups that are working to try
5 to improve water quality issues, schools, all kinds
6 of other groups.

7 She works to help them develop
8 plans and basically provides technical support for
9 them, working on developing county sort of watershed
10 summary reports, so, each county will have an
11 assessment as to how things are going on in their
12 basin.

13 Again, she works closely with
14 the Division of Water with coordinating all the
15 activities that they're involved with.

16 Malissa, do you want to add to
17 that?

18 MS. McALISTER: I could go on
19 and on. The watershed is just the catchment area for
20 the river. So, any activities that affect water
21 quality and, then, obviously, we want to educate
22 about ways to live more favorably to protect water
23 quality. So, that's just general community and
24 school education.

25 And, then, with groups that

1 want to go a step further, I help them with like
2 grant applications and technical guidance.

3 DR. ORMSBEE: And, then, she
4 also serves as a liaison between the KRA and other
5 organizations like Bluegrass Greensource. Malissa
6 served on the board of that organization. She has
7 also served on the board of other Kentucky River
8 Watershed Watch groups, so, provides a close liaison
9 and coordination between those organizations as well
10 as the KRA.

11 I just mentioned the Kentucky
12 Watershed Watch. We have sample sites across the
13 river basin. This little map here kind of divides
14 the river into the major sub-basins. We have the
15 three forks and then the middle area with the Red
16 River area and then the center part of the basin.

17 And as indicated relative to
18 this activity, we basically coordinate all of the
19 labs that do samplings of the volunteers. So, we
20 handle checking the specification of laboratories.
21 We handle the billing for them, all that activity.

22 We then work with volunteers,
23 compile all their data. We develop an annual report.
24 I've given you a copy of that.

25 At the bottom of that packet is

1 a synopsis of the sampling results, for example, this
2 year across the river basin and then periodically we
3 compile five- and ten-year summaries to give trends
4 of water quality across the basin.

5 We also provide technical
6 presentations at the annual conference, and Jerry was
7 able to speak at that a couple of weeks, as well as
8 the new Secretary.

9 And, then, we help develop
10 informational fliers to support groups that may be
11 trying to address an issue in their local basin.
12 They may be talking to their local City Council or
13 something. We can help provide them with the
14 technical information to support that.

15 We do have a very extensive
16 website that Malissa mentioned that we support that
17 has past records of information and so on.

18 And, then, we also serve on the
19 actual board of the Kentucky River Watershed Watch
20 and work very closely with them on those activities.

21 And, then, relative to the
22 grants program, somebody had asked how long - I think
23 Jack maybe asked how long we have been doing this.
24 This shows up until this year the kind of
25 distribution of the basins that we've funded projects

1 in. So, you can see it's very extensive across the
2 entire river basin.

3 I will say this program has
4 been immensely successful. I think it has really
5 gotten the name of the Kentucky River Authority out
6 there across the basin. We have certainly a lot of
7 stakeholders at the grassroots level. Everyone knows
8 about the KRA because of this program. So, I think
9 it has generated a lot of goodwill amongst the basin.

10 And one thing we always talked
11 about in the past was I think our Tier II communities
12 that may not be on the main stem, this program has
13 helped those citizens feel like that they're getting
14 something back for their investment as well.

15 So, that's just a brief
16 overview. The last slide had our budget for this
17 year. The total budget is the same that we had for
18 last year. So, we kept that flat from last year.
19 You can kind of see the different activities that are
20 broken down.

21 The bulk of that funding is for
22 Malissa and, then, we have the two major programs,
23 the Watershed Watch. Those funds go to the
24 laboratories that run all the analyses of all the
25 samples and then the watershed grants we just walked

1 through, and the travel is basically to help offset
2 some of Malissa's expenses as she travels all over
3 the river basin.

4 Any questions on that?

5 MR. GRAVES: I would like to
6 say. I think this is part of our Mission Statement,
7 as you stated earlier. I have been to three of the
8 last four watershed meetings that you all have had.
9 It's highly well-attended and we get a lot of kudos -
10 I say we - the Kentucky River Authority.

11 So, it's something that I
12 highly recommend. We can talk about money and we're
13 very good about keeping this thing right where we
14 have budgeted it. So, we watch every penny, and I
15 appreciate your effort on that part.

16 DR. ORMSBEE: We certainly
17 appreciate the partnership we have. It's been
18 fantastic. And, again, it's kind of become a model
19 not only in the state but I think nationally as well.
20 A lot of people are really fascinated about how this
21 whole partnership has worked out - a lot of success
22 stories.

23 CHAIR SIPPLE: I think that we
24 get a really good bang for these bucks as far as
25 awareness of the river and our impact on it.

1 DR. ORMSBEE: Any questions?
2 MR. SIMPSON: Madam Chair, I
3 would move to renew the 2017 UK Watershed contract.
4 CHAIR SIPPLE: Do we have a
5 second?
6 MR. STICKNEY: I second.
7 CHAIR SIPPLE: Jack Stickney is
8 the second. Any further discussion? All in favor,
9 signify by saying aye. Any opposed? It's unanimous.
10 Thank you.
11 Next is the consideration and
12 approval of the public officials' liability
13 insurance. Jerry, are you going to present that to
14 us?
15 MR. GRAVES: Yes, ma'am. If
16 you will look in your package, you will see a copy of
17 next year's liability insurance that I think we
18 definitely need. It protects all of us.
19 The only thing from last year,
20 it's gone up \$174.08. So, that's something that I
21 would recommend. I think we need it. Who knows
22 what's out there or who wants to be shooting at us.
23 MR. WELLS: So, this isn't a
24 requirement? This is just----
25 MR. GRAVES: You know, that's a

1 good question. I don't know if it's a requirement.
2 Charles, do you know?

3 MR. BUSH: No.

4 CHAIR SIPPLE: It's not a
5 requirement, but if anybody in here has ever served
6 on another board, it's very important that you have
7 liability coverage for your board members because you
8 never know what could happen.

9 MR. GRAVES: I think for what
10 we pay, I think we're talking about \$3,400-plus
11 dollars and I think it's money well-spent.

12 MR. WELLS: The reason I ask
13 that is because normally those types of things are a
14 requirement.

15 MR. GRAVES: Yes, and that's a
16 good question. It could very well be but it's
17 something that has been done forever.

18 MR. FLYNN: I'll make a motion
19 to accept the proposal for the insurance.

20 CHAIR SIPPLE: Thank you, Mike.
21 We have a motion. Do we have a second?

22 MR. SIMPSON: I'll second.

23 CHAIR SIPPLE: Rodney has made
24 the second. Do we have any more discussion? All in
25 favor, signify by saying aye. Any opposed? Motion

1 carries.

2 CHAIR SIPPLE: And now the
3 presentation and consideration for the renewal of the
4 streamflow gaging network with USGS.

5 MR. WOODS: Thanks for having
6 us. My name is Jeff Woods. I'm with the USGS. Tom
7 Rudy was my predecessor. He's moved on to another
8 position, so, I have now taken over overseeing the
9 stream gage network that we run, not only in
10 cooperation with you folks but actually across the
11 entire State of Kentucky and Indiana as well. So, I
12 wanted to make sure that my contact information was
13 passed on.

14 I'm here today because our
15 current agreement ends with you folks at the end of
16 June and we want to talk about renewing that here for
17 the coming fiscal year.

18 Right now we operate 23 stream
19 gages across the watershed. They all computer full
20 discharge. That means you're getting water levels
21 but you're also getting the volume of water that
22 moves past each one of those locations.

23 Seven of those all located at
24 the locks are actually complex readings. They take a
25 lot more work and effort than the normal stream gage

1 would and those use slope ratings.

2 And, then, we also have ten
3 rain gages that are co-located across the watershed.
4 You folks pay for four of those and the other six are
5 covered by the Army Corps of Engineers and I think
6 maybe Lexington pays for one, too.

7 This is a list of the stations
8 and the kind of geographical spread that we have
9 right now.

10 So, as I mentioned, all these
11 sites measure discharge. They measure water level.
12 We go out there at least at a minimum of six times a
13 year to quality assure the instrumentation itself but
14 also to check the readings. We're measuring
15 discharge realtime with hydroacoustic
16 instrumentation.

17 The data from these locations,
18 these stations are transmitted via satellite.
19 They've available on the Web within one hour of
20 collection, and you folks, I'm sure, are probably
21 pretty used to seeing that. This is a little example
22 of a hydrographic there.

23 We also have other Web tools
24 you may or may not be aware of. The gages will
25 actually send you text and email alerts if the

1 threshold meets a certain criteria that you're
2 concerned about. We also have the ability for you to
3 text a gage and get the most current values back.

4 And, then, we also have a
5 WaterWatch page which does more heavy-duty
6 statistical analysis either at the gage level all the
7 way up to watershed, state and even national level if
8 you would want to see that.

9 It also combines some information
10 from other places like the National Weather Service's
11 flood forecast points so you could see those right
12 next to these.

13 And I just wanted to let you
14 folks know, too, that we have been starting to
15 collect a lot more water quality data across the
16 state. We're doing realtime nutrient and sediment
17 surrogates in a couple of locations here in Kentucky
18 and, then, I think about eight locations in Indiana
19 right now. So, you can actually quantify the load
20 moving past these gages, either the nutrient or the
21 sediment load.

22 So, compared to last year, we
23 are proposing a 3% cost increase from the current
24 agreement. Part of that is due to a small pot of
25 money that we used to have from a national fund that

1 we don't have anymore. We've been able to make up a
2 chunk of the difference with our National Stream Gage
3 Information Program funding that did get some
4 increases this year, but we've really tried to
5 emphasize keeping the costs down as much as possible.

6 So, I just kind of show that
7 over the past four years, there's only been a \$1,200
8 increase, and, of course, we have to ask for just a
9 little bit more to be \$4,300 in addition to last
10 year's agreement.

11 This slide, you can see what
12 you're paying for versus everyone else. So, KRA is
13 paying approximately 45% right now with what we're
14 proposing of the total network, the rest being made
15 up either from funding from the USGS or from other
16 cooperators, primarily Army Corps of Engineers and
17 also some smaller municipalities and counties as
18 well.

19 There is some discussion, I
20 think, with Jerry about keeping or removing a gage.
21 So, I kind of gave you guys the options here.
22 Hickman Creek near Camp Nelson was a gage that I
23 guess there was some discussion about whether that
24 was still something you folks want or not.

25 So, this will be your cost

1 options. If you kept that gage, KRA would go up from
2 141 I think it was like 800 up to \$146,680. If you
3 decide to drop that gage, then, your annual cost for
4 2017 would be \$138,147.

5 MR. GRIFFIN: Talk about Lock
6 8.

7 MR. WOODS: Lock 8, we're
8 waiting for the construction to wrap up, but I talked
9 to the Weather Service yesterday actually on an
10 unrelated matter and found out that they're going to
11 be putting in place a flood forecast point in the
12 next couple of months at Lock 8.

13 So, I asked them if they're
14 using the Hickman Creek gage to help supplement that
15 forecast. I've not heard back from them yet. So,
16 that would just be something to consider as well.

17 MR. STICKNEY: How long has the
18 Hickman Creek gage be active and what's the reason
19 for----

20 MR. WOODS: Two thousand nine
21 is when it was installed.

22 MR. STICKNEY: And what's the
23 reason for removing it?

24 MR. HAMILTON: That was a staff
25 recommendation. We got the proposal a couple of

1 weeks ago, and, budget-wise, we didn't want to
2 increase the overall network cost.

3 So, we looked at the overall
4 network and there's really two gages that we
5 considered that were kind of outlying gages, that we
6 looked at the possibility of removing one. It's the
7 Hickman Creek gage. The other is Goose Creek up near
8 the City of Manchester.

9 The gages are primarily used
10 for two primary reasons - extremely low water for use
11 during a drought both by the Division of Water to see
12 how much utilities can withdraw without impacting the
13 stream and also, from a planning standpoint, they
14 give us decades of data to tell us exactly how much
15 water we think we could get out of the river during
16 extreme drought. So, that's your extreme on the
17 drought side.

18 And, then, they're also used
19 for flood predictions. So, we've got pretty much all
20 the locks or a good portion of the locks have a flood
21 prediction that comes from the National Weather
22 Service and it uses the flow data from these gages.

23 So, we talked to the Division
24 of Water because originally we were leaning towards
25 the Goose Creek gage. The reasons why we were swayed

1 over to the Hickman Creek gage is, in talking to Bill
2 Caldwell, he said that Goose Creek gets drawn down
3 pretty extensively by the City of Manchester during
4 the summer. Part of it is to supplement Bert Combs
5 Lake which they also draw out of, and that gage has a
6 pretty long history. I think it goes back to the
7 seventies. So, you hate to lose that period of
8 record.

9 Hickman Creek does not have
10 anybody that withdraws out of it, any kind of
11 municipal. There are some small farms around there.
12 There are two gages up in the East Fork Hickman and
13 West Fork Hickman that are funded by the Lexington-
14 Fayette Urban County Government that will, I presume,
15 remain.

16 So, it's a pretty small stream.
17 Goose Creek and Hickman are both, 100 square miles
18 for Hickman, 163 square miles for Goose Creek.
19 They're both pretty small watersheds. So, Hickman
20 will still have two gages in it that are funded by
21 Lexington.

22 The reason why we added Hickman
23 back in '09 was to capture how much flow we could
24 expect would be coming into--that comes in--right at
25 US 27 near Camp Nelson is where that fits into the

1 river. So, we wanted to capture what that pool
2 accumulates during an extreme drought which is
3 primarily leakage through Dam 8 and Hickman Creek
4 inflows and then you've got the stuff coming out of
5 Dix Dam just above Dam 7.

6 So, now we've got seven, eight
7 years of data almost, seven years of data. So, we've
8 got a pretty good window of data that we can use to
9 predict how much load to expect out of that creek.
10 So, if there was one to drop, that would be the one
11 that the staff would recommend.

12 And, again, that would drop us
13 down actually, it would offset not only the increase
14 but it actually would take us below what our total
15 funding cost was from last year.

16 So, after Jennie, Jerry and I
17 met, that would be our recommendation. So, dropping
18 Hickman came from us, not from the USGS.

19 MR. WELLS: So, do you need a
20 motion for approval along with the dropping of the
21 Hickman?

22 MR. HAMILTON: I think it would
23 just be one approval. They basically have drawn it
24 up both ways. So, it would be the approval of the
25 network for a total of whichever you decide, 138, 147

1 or 146.

2 I guess one other thing to
3 consider is when these gages go offline, there is a
4 little more substantial cost to bring them on. So,
5 they gave us a price to bring a gage back online if
6 it's out for a year - you can't just simply flip a
7 switch. It's like the phone company. They charge
8 you to bring it back on line, but I think it's
9 \$26,000 for the first year and close to 14. Now,
10 that would still be cost-shared, I presume.

11 MR. WOODS: Yes.

12 MR. HAMILTON: So, it would be
13 26, so, that's roughly a round 55%. So, fourteen
14 three would be our cost that first year to bring it
15 back.

16 MR. WOODS: Assuming we have
17 the cooperative funds available.

18 MR. HAMILTON: Yes. They would
19 have their side, too. That's one other thing to
20 consider is that if we decide, we would probably want
21 to be pretty certain about it.

22 MR. WOODS: That's what I was
23 going to add. If you guys are sure about it, then,
24 that sounds like a good idea. If you think you're
25 going to bring it back or are kind of wishy-washy on

1 it, you hate to see that break in record because then
2 you lose a lot of the statistical analysis power that
3 you might have otherwise.

4 MR. WELLS: Well, we wouldn't
5 bring it back unless you all recommended it.

6 MR. GRAVES: Right. When this
7 came to me, the first thing was how much is the
8 bottom line. And I asked David, I said, can you go
9 and talk to the Division of Water and Bill Caldwell
10 and find out is there anything out there that we can
11 eliminate to save some money and that was the
12 recommendation if we were to cut.

13 I think we're very comfortable
14 with either one.

15 MR. GRIFFIN: Wasn't there some
16 concern or a question of whether Jessamine County
17 might use it from the Emergency Management side?

18 MR. HAMILTON: We've contacted
19 them to see because I know that has in the past. I
20 think the City of Georgetown and Scott County EM
21 partnered with us to save the North Elkhorn.

22 So, I have reached out to them.
23 I have not heard back. There's a chance like if
24 they--in talking to Tom last week, he said typically
25 once--we've got this gage funded through the end of

1 our fiscal year. So, it's good through the end of
2 June, and Tom said he usually leaves the gage on for
3 a month or so just to see if there's any other people
4 that we could bring on.

5 So, I have contacted Jessamine
6 County to see if there's any partnering interest
7 there. So, if we decide not to fund it, we would
8 bring that back.

9 MR. WOODS: The other thing I
10 could do, too, is talk to the Corps of Engineers.
11 Their agreement with us is a federal fiscal year.
12 So, it would be in October; but if I started the ball
13 rolling now, I could see if they might be able to
14 make up some costs for the gages that they're
15 interested in to offset what you guys had, would that
16 be of interest to keeping Hickman online then?

17 MR. HAMILTON: Yeah, if the
18 costs----

19 MR. WOODS: To keeping your
20 costs about the same.

21 MR. HAMILTON: ----overall
22 costs stayed the same.

23 MR. WOODS: That would be one
24 option. It depends, I guess, on how Hickman----

25 MR. WELLS: What if you voted

1 now to go with the \$138,000 figure with it being
2 removed with the option of if there are some other
3 avenues that come about during this period before you
4 shut it off, that it could stay on?

5 MR. GRAVES: I think that would
6 be good.

7 MR. WELLS: I'll make the
8 motion that we go with the \$138,147 mark which is
9 removal of the Hickman Creek gage.

10 MR. SIMPSON: I'll second that
11 motion.

12 CHAIR SIPPLE: We've got a
13 motion and a second. Are there any other questions
14 about this? And, remember, that has the condition
15 that they will look for other partners for cost-
16 sharing.

17 MR. WELLS: For cost-sharing.

18 CHAIR SIPPLE: We have a motion
19 and we have a second. Any other questions? All
20 those in favor, signify by saying aye. Any opposed?
21 Great. Thanks.

22 MR. ROGERS: When do you think
23 you will bring it back on the cost-sharing?

24 MR. WOODS: I will contact my
25 counterpart at the Corps of Engineers by the first

1 thing next week and just kind of feel them out. I
2 don't know if he has a good idea yet on what his
3 federal allocation will be, so, I'll have to kind of
4 see what that is, but I will try to stay in touch
5 with Jerry, I guess.

6 MR. GRAVES: Our next Board
7 meeting - I was going to bring this up later - will
8 be sometime in the middle of May. So, that will give
9 us time to work through that.

10 MR. RUSSELL: Madam Chair, if I
11 may?

12 CHAIR SIPPLE: Yes, please.

13 MR. RUSSELL: My other job, my
14 other life is I'm the Director of Emergency
15 Management for Frankfort and Franklin County, and I'm
16 sure for all of my constituents that have to plan and
17 provide protection up and down the Kentucky River
18 Basin, that we appreciate this effort immensely or
19 this funding immensely because without USGS gages,
20 it's pretty much a shot in the dark of what water is
21 coming down river to us.

22 I guess I would be calling
23 Beattyville and saying how much rise did you go and
24 just go down the river from there, probably the way
25 Jerry used to boat up and down the river.

1 MR. GRAVES: It sure beats
2 going down the lock every two or three hours.

3 MR. RUSSELL: So, this is a
4 huge service for all of the Emergency Management
5 directors in the basin. Thank you all.

6 CHAIR SIPPLE: And it's
7 available online.

8 MR. RUSSELL: Yes, ma'am. I've
9 gotten pretty good at best guessing how much water
10 we're going to get down here over all these years.
11 Thank you all.

12 CHAIR SIPPLE: Thank you.

13 MR. STICKNEY: I've got a
14 question for USGS. Now, do any of the water
15 utilities, are they partnered on any of these stream
16 gages in the river basin?

17 MR. GRIFFIN: Not in the
18 Kentucky for the most part. This is where I'm going
19 to step in because I did this for sixteen years
20 before I turned it over to Tom and Jeff.

21 No. For the most part, the
22 Kentucky River Authority is the primary funder of
23 gages within the Kentucky River Basin. And there are
24 other partners with the Corps of Engineers in a few
25 gages that the Kentucky Division of Water steps up,

1 but those individual water districts, those haven't
2 had the need to, I guess, in years past.

3 MR. STICKNEY: Because I know
4 here recently, there has been an interest in water
5 quality monitoring for a lot of these municipal water
6 supplies. I know Kentucky American is starting some
7 water quality monitoring. Has that been talked about
8 in your all's work?

9 MR. GRIFFIN: We do quite a bit
10 of that for Louisville-Jefferson County MSD. We do
11 some for Lexington-Fayette. We do it for the
12 Northern Kentucky Sanitation District No. 1.

13 We have an extensive realtime
14 water quality network for those three major areas,
15 but outside of those, no, we've not addressed any
16 others in the state. It's that kind of golden
17 triangle of Louisville, Lexington and Northern
18 Kentucky is where we're getting most of our water
19 quality being collected.

20 And one thing I guess I would
21 just pass on, and it's meant to be visionary, to the
22 Board is because water quality is in your statutes,
23 it would be something that you might want to be
24 thinking about looking down the road, especially if
25 you start increasing your recreational and putting

1 people in the water is having a better feel for water
2 quality in the Kentucky River Basin. And I don't
3 think right now there is any what I would consider
4 available water quality information in a realtime
5 aspect so that you can monitor it on a day-to-day
6 situation.

7 So, it does come with a cost.
8 It's not cheap to do but it does give you data that
9 there's just no other way to get.

10 MR. STICKNEY: With some of
11 these utilities that are already starting some water
12 quality monitoring for their source waters before
13 their intakes, I mean, there's a real need to have
14 communication between these utilities all along the
15 Kentucky River, all 15 or 20 intakes. I'm not sure
16 how many there are.

17 It's something that I think the
18 Kentucky River Authority maybe could assist in is
19 helping develop kind of an overall monitoring
20 mechanism.

21 MR. GRIFFIN: We would welcome
22 it. We would be more than willing to come and sit
23 down and talk to anybody at anytime and talk about
24 what we can do for them and what their needs might
25 be. We would love that preparation and to help the

1 Kentucky River Authority prepare and to help guide
2 it.

3 MR. WELLS: We've got two
4 entities that take water out of the Kentucky River
5 right here. We have one, the Plant Board, and one
6 Kentucky American.

7 MR. FLYNN: And Winchester.

8 MR. WELLS: I'm sorry. You're
9 on the other end. I was just thinking about in
10 Richmond. And I like where you're going but it seems
11 to me like there ought to be a partnership there in
12 working with the water quality.

13 CHAIR SIPPLE: Any other
14 comments? Thanks, Jeff. That was good.

15 Next up will be the
16 presentation for Lock 11 Hydro, Rye Development.

17 MR. JACOB: Thank you. I
18 appreciate it. We're having some technical problems
19 today which is the reason that I'm a hydro developer
20 and not in the computer business.

21 We're Rye Development and we're
22 developing a project at Lock 11. I wanted to start
23 out and just introduce the company a little bit and
24 who we are and then talk about the project.

25 There are handouts in front of

1 you that kind of go through that, but my name is Paul
2 Jacob. I have been with Rye now for about five
3 years. Prior to that, I have been in the power
4 industry for most of my life in different kinds of
5 generation, including hydro as well as coal, wind,
6 gas, not nuke but just about everything else.

7 Don Lauzon, who is with me
8 today, is a retired Army Colonel with the Army Corps
9 of Engineers. Don has been heading up a lot of
10 outreach for this project, as well as a lot of our
11 other projects.

12 We are the largest hydropower
13 developer in the U.S. which you're looking at a third
14 of the company. So, it tells you how big hydropower
15 development is in the U.S. This is not a huge
16 business.

17 Kentucky is unique in that
18 you've actually got two hydropower developers
19 actively in the state. David Kinloch here is also
20 developing hydropower and that's unusual. We're
21 active in a lot of states in this country. Most
22 states are lucky to have any hydropower development
23 going on at all.

24 The reason for that is all
25 hydropower development starts at FERC, the Federal

1 Energy Regulatory Commission, and that's just a very
2 slow process. It's five, six, seven years to get a
3 license.

4 The Federal Energy Regulatory
5 Commission was ordered by Congress to try a two-year
6 pilot program basically to see if they could possibly
7 get a license out in two years. They asked for the
8 industry to submit applications for that, and we
9 submitted Kentucky Lock and Dam 11 Project. That for
10 us seemed like a great project and also a great shot
11 to go through the two-year program.

12 So, we're almost at the end of
13 that program which will be lightening speed for FERC
14 to actually issue a license, but we expect that in
15 the May or June time frame.

16 On the cover there is an
17 overhead that comes off of some of the documents that
18 we have to submit to FERC. These are conceptual
19 level drawings, and I would note that about
20 everything we're doing. We don't get into final
21 design until after we get a license.

22 And in this process, we've been
23 trying to listen to stakeholders, listen to you all,
24 listen to the communities and also look at the
25 economics to help drive what's really the right

1 buildable project for that location.

2 What you see here is basically
3 - and this is basically what we're pursuing at this
4 point - is putting in a generating facility in the
5 unused lock chamber at 11, and that facility in the
6 simplest of terms would fit entirely within the lock
7 chamber without disturbing the outside walls. They
8 would have to be underpinned.

9 When you think about what that
10 consists of, it's basically about a four-story
11 concrete building with thick walls, the bulk of which
12 is under water. The top of that won't be much higher
13 than the existing top of the lock walls.

14 And the idea there is that can
15 be overtopped in terms of when there's high water.
16 It's not going to create any additional obstacle for
17 water flows, but the rest of the time, that will be
18 generating power, again, entirely basically
19 underground.

20 If you go to the next page, we
21 are probably the largest hydropower in the U.S.
22 Again, that doesn't mean much. We've got about 23
23 advanced projects around the U.S. They're in similar
24 stages. This project in particular we're excited
25 about because it's going faster. It lets us line up

1 the financing quicker and do basically the other work
2 that it takes to get a project done.

3 Still, as fast as that can go,
4 hydro is a slow process. This only works with the
5 input of the community, with the input of you as the
6 owner of the facility. That's the only way these
7 projects get done. It's not something--you don't
8 throw up a hydropower project anywhere.

9 So, we're planning at this
10 point, and, again, we're hoping that that license
11 gets issued soon. The COD is planned at this point
12 for 2018, and, that, again, would be pretty fast for
13 hydro from the time we started the process.

14 The total project investment,
15 it's looking like it's creeping up from \$12 million
16 to closer to \$15 million at this point.

17 Jobs during construction,
18 again, it's a lot of civil work. So, you're talking
19 about a lot of concrete, stone, excavation. That's
20 100 to 150 jobs during the construction period which
21 is pretty--you know, that's like probably roughly 18
22 to 24 months.

23 A lot of the duration of that
24 depends on the water conditions. So, it depends on
25 flooding. It depends on what kind of year it is, and

1 that can extend easily. It can't get much slower
2 than 18 months just because of how much work is
3 involved.

4 The other thing about that, and
5 I think you're familiar with that certainly because
6 of the facility you've got at Lock and Dam 7, once
7 those hydropower projects are in, they will stay
8 there pretty much forever. It becomes part of the
9 infrastructure of a community.

10 And that's important on a
11 couple of perspectives. One is that it will keep
12 churning out clean, reliable power pretty much
13 forever.

14 The other advantage of that is
15 that it attracts low-cost capital. And a while ago
16 you were having a discussion earlier about refunding
17 the bonds that you've got outstanding. When we go
18 out and look for capital to build these projects, the
19 cheaper that capital is, the lower price that power
20 is which means the whole project has a better chance
21 of going forward.

22 And hydropower projects are
23 attractive to investors because they last forever.
24 So, they look at that as an investment that's going
25 to be there a long time and, therefore, they don't

1 have really high return expectations. They're
2 interested in just investing and get a relatively low
3 return.

4 If you go to page 3, and I'm
5 telling you something that I'm sure you know, the
6 Kentucky River has a great deal of potential for
7 hydropower. It's a tremendous resource. We're
8 active in a lot of states and we don't see this.

9 We don't see those types of
10 opportunities there from a resource perspective that
11 are basically in the process of being really examined
12 but are largely untapped for the length of the river.

13 And we've got a lot of
14 preliminary permits around the state, particularly on
15 the Kentucky, and that's something we would love to
16 do more of. I think a lot of that for us depends on
17 how this goes, but just as a general principle,
18 you're sitting on a substantial resource here.

19 The project itself, there's a
20 description on page 4. I think what's significant
21 there is just understanding, we're really not
22 touching that except for that lock chamber.

23 When the construction happens,
24 we'll have to put up cofferdams to block water and
25 dig down underneath the lock walls on both sides.

1 We'll have to reinforce that and put in new footings,
2 and that just comes with the depth that we've got to
3 take the powerhouse down, but we shouldn't have to go
4 into either one of those and they should both be
5 completely intact at the end of the process.

6 What you see on the other side
7 there, that illustration with the red lines, that's
8 what we have to study when we do a project like this
9 with FERC. So, the study area includes basically
10 everything upstream to the next dam and the entire
11 route of the transmission line that may or may not be
12 impacted.

13 So, what we've had to do in
14 this process is look at everything - hydrology,
15 cultural impacts, recreational impacts, basically
16 anything that this could possibly impact along the
17 way.

18 In this next one, this page, on
19 page 5, just gives a little more detail. This is an
20 overview on the left-hand side of what those turbines
21 look like. This is a simple technology and this is
22 what you see with hydropower.

23 One of the virtues of it and
24 one of the reasons that these types of projects last
25 a long time is, as our head of engineering always

1 says, there's nothing innovative in what we do.
2 These are old designs. They were done first in 1909
3 for this design. The newest version of this turbine
4 is about 10% more efficient than the original one was
5 and that's over 100 years, so, that's really not a
6 huge efficiency improvement, not a lot of change.

7 The key considerations on page
8 6 for us as we look at that, water surface elevation
9 there, the impacts there are just limited to
10 basically around the crest of the dam because you're
11 taking water, some of the water that would be going
12 over the top and putting it through a turbine.

13 Any project these days that
14 goes through FERC and this in particular operates in
15 run-of-river mode. That means we can't pond water.
16 We can't hold it back. We can only take whatever
17 water was going over the dam anyway and we can't take
18 all of that. We can only take a portion of it.

19 The low-profile powerhouse I
20 discussed earlier, it's designed to be overtopped.
21 It basically has hatches that close and the operators
22 have to leave and that's what happens when it floods
23 because during a flooding period, you're not going to
24 be able to generate anyway. So, it's basically
25 designed to just run on its own.

1 The turbines can be left to
2 spin and pass water underneath in a flooding
3 circumstance which adds a little bit of extra water
4 capacity, but, again, that's something that's more a
5 question on an operating basis for everyone involved
6 as to whether that's a desirable outcome. You can do
7 that with that type of technology.

8 On the dam condition side, this
9 is something that we've also heard. It's just as
10 obviously here, is just to note that the dam
11 condition is always with any existing dam issue.

12 The Federal Energy Regulatory
13 Commission, as well as our investors and I'd say
14 probably our investors more so, before they will put
15 a dollar into this, a dollar more, they're going to
16 require that once we have a license, once we start
17 proceeding, assuming we agree to a lease or not, they
18 will require that we do a lot of investigation
19 because they've got to be comfortable with the
20 investment they're putting in and which they're
21 looking at it as a 100-year investment that has a
22 path to recovery and that depends on the dam.

23 So, it does in a lot of
24 respects make us sort of partners in that respect.
25 We've got a big financial interest in making sure

1 that the dam stays there and operates and is in good
2 shape.

3 In order to do this project, we
4 require a lease from the KRA and that's a part of it.
5 That's the only way this will ever get built. We
6 are, as I said, partners.

7 The new construction will
8 reinforce the lock area and as a part of this
9 maintenance responsibilities we inevitably share
10 because that's something that we've got a lot of
11 responsibility, then, for maintenance of a big
12 section of that going forward just because of the
13 work that we've done and that's a requirement from
14 FERC as well.

15 On the recreation side, I think
16 that the challenges there are more of just getting
17 agreement among the parties as to what's appropriate.
18 We're more than comfortable and happy to add whatever
19 appurtenances are necessary for fishing access or
20 portages but that's also just dependent again on the
21 land control and what sort of access that you want to
22 have with your facilities because this is obviously
23 entirely within your footprint. So, it would have to
24 be negotiated.

25 On the next page, this is just

1 the average generation profile. We've approached
2 this project and are licensing it at five megawatts.
3 Of course, this is based on it's most likely going to
4 be below that. We don't know how much. That's
5 something that will in the final design be worked out
6 but we're hoping for something in that basic size.

7 This is just a profile
8 basically of the river but this is what we think in
9 terms of the multi-generation.

10 And, then, on the next page,
11 this is just a summary. Our steps, we need to get
12 that license. After that, we would like to start to
13 work on what a lease would look like. We've got to
14 get offtake contracted which we're in discussions
15 with a number of parties on that, get the investment
16 and proceed with the operation, but, again, really
17 2018 is where the end of that is.

18 MR. WELLS: You said five
19 megawatts or whatever it is. What does that equate
20 to in lighting up homes?

21 MR. JACOB: About 2,500 homes
22 roughly. The way to think about that easiest, the
23 numbers kind of vary depending on who you ask but
24 it's roughly 500 to 1,000 households per megawatt.
25 So, it's ballpark about 2,500 homes.

1 MR. WELLS: And would you sell
2 this or would the local electric provider be buying
3 this from you?

4 MR. JACOB: We would hope to
5 sell it. We've had discussions with basically a lot
6 of folks in the area, the utilities as well as some
7 of other potential offtakers. So, we would like to
8 sell it to somebody locally who is going to just use
9 it locally, but that's more a question of who will
10 pay for it.

11 The one catch with us when
12 we're doing this kind of project is that that offtake
13 contracted by the power needs to have some length of
14 time to look. So, a two-year agreement doesn't work
15 because we can't finance it. So, you need something
16 at least about ten years long in order to get that
17 done and that's one of our biggest challenges is
18 finding somebody that's going to sign that agreement.

19 MR. STICKNEY: This would be
20 located in Estill County. Are there any fees? Does
21 Estill County have anything to gain from this power
22 plant?

23 MR. JACOB: That's a good
24 question. I don't know the answer to that.

25 MR. KINLOCH: There will be

1 taxes, a lot of property taxes.

2 MR. CAINES: This would be
3 green energy which would be something that utilities
4 would like to have for customers. You have to pay
5 more for it but it's green energy. There are people
6 out there that will pay more.

7 MR. JACOB: It is. And the
8 other thing I would note that's a good point, it's
9 also reliable. And one of the things about
10 hydropower compared to some of the other green energy
11 sources is that hour to hour and day to day, it's
12 very consistent. With wind power, it's less so.
13 With solar power, you have clouds come over. The
14 river doesn't stop running. So, that's an advantage.
15 It's something that makes it worthwhile developing
16 these resources also.

17 MR. WELLS: You said it shuts
18 down during flooding.

19 MR. JACOB: Yes.

20 MR. WELLS: So, what happens
21 then? Is there a battery power or is there backup?

22 MR. JACOB: During flooding,
23 either those gates will shut or they will keep just
24 running but it's not enough power to actually make
25 electricity. And that's just because to generate

1 electricity, what you need is both head, so, a drop,
2 and you need flow. And, so, during a flooding
3 period, you've got plenty of flow but the bridge is
4 flat basically. So, then you don't have any head,
5 so, you can't generate.

6 MR. CAINES: And the same thing
7 with no flow in the summertime.

8 CHAIR SIPPLE: Any other
9 questions?

10 MR. BILLINGS: Can you take a
11 question from the public?

12 CHAIR SIPPLE: Sure.

13 MR. BILLINGS: Has there been
14 any consideration--I don't come to these meetings
15 often but I'm interested in this. I'm an engineer.
16 Has there been any consideration of trying to find an
17 area of the Kentucky River to increase (inaudible)
18 provide water storage for drought protection as well
19 as providing increased head for more generation
20 capabilities?

21 MR. GRAVES: That was tried
22 back in the seventies, I believe, and it just didn't
23 go very far. Too many people were against that.

24 CHAIR SIPPLE: And you have to
25 buy up the property.

1 MR. GRAVES: If you started
2 tomorrow, it would probably take twenty years. It's
3 like the process that they're going through, this is
4 just the initial phase of it, just beginning to come
5 here and talk to us. I've expressed my concerns
6 about I don't want somebody to come in here and open
7 up a turbine to generate electricity and six months
8 later they're gone. Then the Kentucky River
9 Authority now is in the energy business.

10 So, there's a lot of "t's" to
11 be crossed and a lot of "i's" to be dotted before
12 this thing becomes actually carved in stone, but this
13 is the first step.

14 And I'm like you, I'm all for
15 cheap energy but they've got to do studies on the
16 lock. Is it stable? We're a long ways away.

17 CHAIR SIPPLE: And we're not
18 asking for a resolution. This is just a
19 presentation.

20 MR. GRAVES: This is a
21 presentation.

22 MR. BUSH: Have you talked to
23 Finance Legal? Will this need to be competed?

24 MR. GRAVES: Good question.
25 That's a very good question.

1 MR. KINLOCH: I can answer that
2 for Lock 7. The answer is no because you have a
3 federal FERC license and that gives you exclusive--no
4 one else can get that license for that site, and that
5 was the basis when the River Authority gave us the
6 lease and operating agreement. It's been in place,
7 what, seven or eight years now.

8 MR. GRAVES: Before I got here.

9 MR. KINLOCH: But that question
10 came up before, and because you're in a unique
11 situation where, because you have a federal license,
12 you have exclusive rights to that site. And the
13 lease that we're talking about is required by the
14 federal government, and the federal government
15 expects you to work out something with the Kentucky
16 River Authority.

17 Now, Sue Ann can tell you
18 because she was there, but when we did it before for
19 Lock 7, being the first one, it took us at least two
20 years, didn't it, Sue Ann?

21 MS. ELLISTON: Yes, if not
22 more.

23 MR. KINLOCH: Yeah, and
24 luckily, these fellows can walk behind and we've got
25 a framework for what it is. It covers a whole lot of

1 things, a whole lot of things including how it's
2 going to operate and what to do during emergencies
3 and droughts. It's a comprehensive document, and we
4 will be talking to you about 12 and 14.

5 MR. BUSH: Does the agreement
6 cover the entire river or is it just for 7?

7 MR. KINLOCH: No, sir, just for
8 that site.

9 CHAIR SIPPLE: Any other
10 questions?

11 MR. GRIFFIN: One question. Is
12 this Lock 1, the one that has the valve operating
13 plan, is that part of that valve operating plan?

14 MR. HAMILTON: It's kind of
15 like 7 because 7 has got a valve in it. You lose
16 some data quality there at 11 because, like 7, you're
17 kind of estimating how much is being run through your
18 treatment plant. Luckily, you've still got gages on
19 both sides of it, 10 and 12, similarly like 7. You
20 can go off 8, 6 and get a good idea of what's going
21 on at 7, but there will be a loss of quality of data
22 there as far as the gage goes.

23 MR. KINLOCH: Just to let you
24 know, part of it, as far as operating that gate, part
25 of the agreement says that the Kentucky River

1 Authority or the Division of Water, all they have to
2 do is call us and we shut down, period, no questions,
3 no discussion. During low-water times, they call us
4 up, we shut down, period, until we get the go-ahead
5 to start operating again.

6 So, at that point, once we're
7 shut down, then, the River Authority can control
8 things with that valve or they can come to us and
9 have us do some releases; but, then, at that point,
10 it's under the River Authority's control completely.
11 All they have to do is just say the word and that's
12 the way he operating agreement is set up.

13 CHAIR SIPPLE: Have you ever
14 had to shut down like that?

15 MR. KINLOCH: Early on, we were
16 in a little bit of a drought situation where the
17 River Authority, it was before we renovated two of
18 the turbines, and the River Authority asked us to put
19 our head gates in on the one that was leaking so bad
20 with one of the turbines but that's all. We did that
21 to try to control the flow as much as possible. Now
22 the turbine is fixed, so, it's not an issue now.
23 That's the only time.

24 CHAIR SIPPLE: Thank you.

25 MR. CAINES: At one time, I saw

1 Dam No. 4 go dry all the way across. There was just
2 no flow, and they started the pumps up and the flow
3 was there, but it had practically stopped and that's
4 something you don't want to happen.

5 CHAIR SIPPLE: Thank you. That
6 was a very interesting presentation.

7 MR. JACOB: Thank you. I
8 appreciate it.

9 CHAIR SIPPLE: All right.
10 David, I think we're ready for you now.

11 MR. HAMILTON: Not too much to
12 report on during these winter months. As Jennie
13 mentioned in her Financial Report, we did move the
14 funds to finance the next stage of the Dam 10 design
15 to Stantec, and that basically takes us through the
16 next four-month stage and will get us to a 30% design
17 report.

18 And we can expect that around
19 the time frame of late May and that includes, like I
20 said, a 30% design report, some of the initial stuff
21 of the environmental permitting process and also some
22 field exploration that will better help define the
23 new footprint of the proposed lock and dam.

24 In the overall schedule of
25 that, again, we've financed through the next four-

1 month segment of that through May. We'll have a 60%
2 design report in September and, then, the 100% design
3 report will be due about January of 2017 with the
4 hopes of having that ready to go to bid early next
5 year and construction begin once the river settles
6 back down in late spring of 2017.

7 The Dam 8 is shut down. I
8 believe that was probably just in the process of
9 being shut down during our last Board meeting. They
10 have got about three months of work left on that
11 project primarily consisting of finishing the grout
12 curtain, the treatment under the bedrock feature
13 under Cell 2, finishing the cap on Cell 2 which was
14 poured just in a portion to keep part of that cell
15 exposed to where they could treat in the future under
16 it, the installation of the toe blocks at the toe of
17 the new dam, and installation of the water release
18 valve.

19 And that project is probably
20 about three months' worth of work left to do. They
21 got all of their equipment out of the river this
22 year. If you will remember last year, I think it was
23 Good Friday, or Bad Friday in their case, I guess,
24 was when their barge broke loose and the crane went
25 down river, but this year they've taken it all out.

1 These gear boxes date back to we think the sixties,
2 seventies maybe.

3 MR. GRAVES: If not before.

4 MR. HAMILTON: There's really
5 not a whole lot of documentation on them. We did
6 take one to a shop to get repaired. It was in the
7 neighborhood of around \$600, \$700 to get it repaired;
8 but while we did that, a couple of our lockmasters
9 went along and they were kind enough to kind of show
10 us a little process of how to tear these things
11 apart, rework them and put them back together.

12 And, so, our lock guys have
13 actually put back together six of these in-house.
14 So, that's a pretty good cost savings when you're
15 figuring on six or seven hundred dollars per box if
16 we were to shop that out each time.

17 But everything is looking
18 pretty good. We've got some other equipment that we
19 will be purchasing pretty soon to do hydraulic
20 cylinders to operate the emptying and filling valves,
21 but overall we're looking pretty good for opening for
22 2016. It will be the same schedule as last year,
23 summer weekends through the end of October.

24 That's pretty much it. Any
25 questions on any of the projects going on or anything

1 else?

2 CHAIR SIPPLE: I got to go down
3 to the Dam 8 project as they were shutting down and
4 it was quite interesting. If any of the members have
5 not been to tour the locks and dams, this is not the
6 time of year to do it but David and Jerry and all the
7 staff is down there pretty regularly and it's
8 definitely something that's very enlightening for us
9 to know what goes into the operation of these,
10 especially during construction.

11 Thanks, David. Jerry.

12 MR. GRAVES: Yesterday, Jennie
13 and I went over to testify at the LRC budget hearings
14 and we were kind of caught off guard. I didn't know
15 exactly what they wanted.

16 So, after about ten minutes
17 into the process and we're going on, I had to redo my
18 presentation, but we made it through. We took an
19 \$11,500 cut. Jennie, is that right?

20 MS. WOLFE: If the Governor's
21 budget is----

22 MR. GRAVES: If the budget goes
23 through. That's on our General Funds. That's the
24 hit we will take this coming year. It's quite a bit
25 of money to us.

1 so, we're going to be taking applications to hire
2 someone to take his place. That's a huge loss but
3 we'll go right now through and make it through it.

4 We also have another employee,
5 he's been on medical leave since November. So, we're
6 not bent but we're kind of bruised up right now as
7 far as lock guys. We're down to four full time and
8 two temps. So, David and I might be lockmasters next
9 summer. I don't know.

10 MR. HAMILTON: And Jennie.

11 MR. GRAVES: And Jennie and
12 Sue. Sue is already one now.

13 I also attended a watershed
14 conference back two or three weeks ago.

15 And, lastly, as we said
16 earlier, we will schedule the next Board meeting
17 sometime mid May. As soon as we get a set date, we
18 will inform the Board as soon as possible.

19 As we said last year, I think
20 we're going to meet in February, May, September and
21 November. So, that's pretty much the schedule.

22 Other than that, I appreciate
23 it. I think we did well. We went under two hours
24 today for as long as we had and everything we had to
25 have done. I appreciate your consideration and your

1 help with this organization. As I say, we run a
2 tight ship. We don't have a lot of room for error,
3 and I appreciate your help.

4 CHAIR SIPPLE: Thank you,
5 Jerry. I have a very short report.

6 I had hoped that Pat Banks
7 would be here. She has been doing a lot of planning
8 for some paddling events, all-river paddling events,
9 and she's not here and I have not been to those
10 meetings.

11 I would like to suggest that
12 our Recreation Committee get back together and have a
13 meeting in the next bit. So, Rodney, do you have a
14 time that we might get the Recreation Committee
15 together?

16 MR. SIMPSON: Certainly. We'll
17 make time.

18 CHAIR SIPPLE: Okay.

19 MR. GRAVES: I need a do-over.

20 CHAIR SIPPLE: All right, one
21 do-over. Sorry. Go ahead.

22 MR. GRAVES: The next Board
23 meeting we're going to try and have at Lock and Dam
24 10 onsite. We will either have it at the shelter or
25 maybe we can make provisions with the Park Service

1 there to have it over in that little building. I
2 think it would be good to have our next meeting at 10
3 since that's our next project. So, the Board can
4 actually walk out and actually see this facility and
5 what's going on. So, that's the schedule, and we'll
6 get more to you as soon as we get information.

7 CHAIR SIPPLE: Great. And
8 we've got some local people that could probably cater
9 a meal there.

10 CHAIR SIPPLE: Jack and Rodney,
11 could you all throw out a date and we can just email
12 each other?

13 MR. STICKNEY: Sure.

14 CHAIR SIPPLE: Okay. Let's do
15 that.

16 MR. SIMPSON: What kind of a
17 month are you talking about? Next month?

18 CHAIR SIPPLE: Next month. I
19 think we need to do one before these races and
20 everything get started.

21 Anybody else have anything they
22 want to add? Thanks, everybody, for your attention.
23 Do I have a motion to adjourn?

24 MR. WELLS: So moved.

25 MR. BUSH: Second.

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CHAIR SIPPLE: All in favor,
signify by saying aye. Thank you all.

MEETING ADJOURNED

STATE OF KENTUCKY
COUNTY OF FRANKLIN

I, Terri H. Pelosi, a notary public in and for the state and county aforesaid, do hereby certify that the foregoing pages are a true, correct and complete transcript of the proceeding taken down by me in the above-styled matter taken at the time and place set out in the caption hereof; that said proceedings were taken down by me in shorthand and afterwards transcribed by me; and that the appearances were as set out in the caption hereof.

Given under my hand as notary public aforesaid, this the 29th day of February, 2016.

Notary Public
State of Kentucky at Large

My commission expires February 10, 2017.