COMMONWEALTH OF KENTUCKY

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 188

September 10, 2018
1:00 P.M.
Bush Building
Wapping Street
Frankfort, Kentucky

APPEARANCES

Mike Flynn
CHAIR

Rodney Simpson
Huston Wells
James Kay
Jonathan Lang
Thomas Stephens
Mark Smith
Barry Sanders
Kevin Rogers
Harold Rainwater
Melinda Hill
(Proxy for Finance & Admin. Cabinet)
Bruce Scott
(Proxy for Energy & Environment Cabinet)
KENTUCKY RIVER AUTHORITY

Mr. David Hamilton
EXECUTIVE DIRECTOR

CAPITAL CITY COURT REPORTING
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APPEARANCES
(Continued)

Sue Ann Elliston
Bobby Webb
KRA STAFF

Andrew Blystra
David Brown Kinloch
Robin Antenucci
Jim Parrish
Malissa McAlister
Ed Wilcox
John Brady
Billy Aldridge
Bill Bushwald
Ronnie Penn
Jamie Penn
Kathy Moore
Kevin Moore
Kara Smothermon
Daniel Gilbert
Ben Webster
GUESTS
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MOTIONS

MOTION TO APPROVE
REGULAR MEETING NO. 187 .......... PAGE 12, LINE 2

CHAIRMAN FLYNN: Yes, we can. With that, we will take a motion, then, Ms. Hill, for the Regular Meeting No. 187. Does your motion stand for the Regular Meeting 187?
MS. HILL: Yes.
CHAIRMAN FLYNN: I have a second from Mr. Smith. Does that stand?
MR. SMITH: Yes.
CHAIRMAN FLYNN: Discussion on 187? Is that the one that you were absent from?
MR. STEPHENS: No, sir. I was at that one.
CHAIRMAN FLYNN: All right. Seeing there’s no further discussion, all in favor, say aye. With no objection, the motion passes.

MOTION TO APPROVE
SPECIAL MEETING OF
AUGUST 14, 2018 .......PAGE 12, LINE 17

CHAIRMAN FLYNN: All right. Special-Called Meeting of August 14th of 2018, do I have a motion?
MR. STEPHENS: So moved.
MR. WELLS: Second.
CHAIRMAN FLYNN: I have a motion and a second on the floor. Any discussion? All in favor, say aye. The motion passes on that one as well.

MOTION TO APPROVE
SPECIAL MEETING OF
AUGUST 28, 2018, WITH A
CORRECTION THAT MR. WELLS
AND MR. STEPHENS WERE
NOT IN ATTENDANCE AT
THE MEETING.............PAGE 12, LINE 25

CHAIRMAN FLYNN: Special-Called Meeting of August 28th.
MS. HILL: So moved.
MOTIONS
(Continued)

MR. ROGERS: Second.
CHAIRMAN FLYNN: Motion and a second on the floor. Any discussion?
MR. STEPHENS: I believe that that’s the one that I was absent.
MR. WELLS: And I wasn’t there either.
CHAIRMAN FLYNN: And I remember the Judge not being here and Secretary Stephens. We’ll make that amendment to the meeting minutes. Any further discussion? Seeing none, all in favor, say aye. The motion passes.

MOTION TO APPROVE
FINANCIAL REPORT........PAGE 25, LINE 5

MR. KAY: I’ll make a motion.
CHAIRMAN FLYNN: I have a motion from Mr. Kay to approve, and that is to approve April, May and June, all three of the reports that were provided. I have a motion on the floor.
MS. HILL: Second.
CHAIRMAN FLYNN: I have a second from Ms. Hill. Any further discussion on those? Being none, all in favor, say aye. Motion passes.

MOTION TO APPROVE
LEASE AGREEMENT BETWEEN
DJ WILLIAMS, KY. DEPT.
OF PARKS AND KRA......PAGE 67, LINE 22

MR. STEPHENS: I’ll make a motion to approve the agreement.
MR. LANG: I’ll second it.
(Discussion)
CHAIRMAN FLYNN: All right. We’ve got a motion and a second on the floor and I’ll take that as the discussion portion of that. So, is there any further discussion on the item that’s before us for approval of this lease agreement? All right. Seeing there’s no further
discussion, all in favor, say aye. The motion passes.

MOTION TO ADJOURN......PAGE 85, LINE 1

MR. WELLS: So moved.
MR. SANDERS: Second.
CHAIRMAN FLYNN: The hour is 1:00, so, we will call the regular meeting of the Kentucky River Authority, Meeting No. 188 to order. The first item of business is comments from the general public, but I guess the first thing we need to do is have a roll call for the Board. Sue, if you would do that, please.

(ROLL CALL)

MS. ELLISTON: We do have a quorum.

CHAIRMAN FLYNN: With that, we do have a lot of visitors with us today, and if would start to my left and go around the room and introduce those that are in the room and maybe who you represent as well.

(INTRODUCTIONS)

CHAIRMAN FLYNN: Thank you all for being here. This is the portion of our meeting that I’ve designated for specific comments. There are several of you that have presentations that will follow, but if there’s any specific comments from anybody that they want to make known to the Board, you are more than welcome to do so. We’ll go in an orderly fashion as we went around the room. If not, then, we’ll move forward with the business that’s on
the agenda for us today.

All right. Seeing that there’s comments from the general public, then, we’ll move forward with Item No. 3 on the agenda which is approval of the minutes.

MR. PARRISH: I did want to make a comment.

CHAIRMAN FLYNN: Yes, sir.

MR. PARRISH: I’m sorry.

CHAIRMAN FLYNN: No. You go right ahead.

MR. PARRISH: I’m Jim Parrish with the City of Frankfort and I’ve not spoken yet, and if I have, I didn’t want to duplicate anything, but we operate Riverview Park Boat Dock under the City of Frankfort and also Blanton Landing Boat Dock, City of Frankfort.

We run the Nancy Wilkinson Historical Pontoon. Most all the boats here load and unload at Riverview Park, even though they come through the locks, and I just wanted to voice support for continuing what we’ve done with the locks and for river tourism and how important it is here in Pool 4 with Frankfort and seeing it advance forward to possibly Lock 5.
And we’re very interested and appreciate all what has happened in the past, and I’ve seen it firsthand being at Riverview which is usually the unload port, load and unload, and it has really helped a lot for recreation on the river and we appreciate.

Riverview Park was built by KRA funds back in ’95, Sue Ann and Steve Reeder when they were here. So, we appreciate it and want to continue moving forward. Thank you all.

CHAIRMAN FLYNN: Thank you, Mr. Parrish.

MS. ANTENUCCI: Can I say something?

CHAIRMAN FLYNN: Yes, ma’am.

MS. ANTENUCCI: I was here I guess last month and I talked a little bit about what was going on in Pool 4 here in Frankfort.

As a couple of weeks ago, the Kentucky River Tours Company started operation in Pool 3 at a dock from Buffalo Trace Distillery. So, they will be offering tours in Pool 3 and Pool 4 during the boating season.

And I also wanted to share with you, I think I mentioned last time, some of the
marketing efforts we do related to the Kentucky River and from here to the Ohio. So, these are some of the materials that we’ve got on different activities on the river and tour groups and things like that that we have distributed at the Louisville Boat Show, the Kentucky State Fair and through some regional distribution services in the region of Ohio, Indiana and Kentucky. Thank you.

CHAIRMAN FLYNN: Thank you, ma’am. You mentioned the Louisville Boat Show and I think that we’ll be part of a booth that will be at the Louisville Boat Show to show our support and the importance of the KRA and the Kentucky River.

Yes, ma’am.

MS. MOORE: I’ve only been involved and been around the river for the past three or four years but the improvements and the things that have come along have been immense and numerous, and as it has been said, it’s been a great thing and as Robin says for tourism, and we’d like to see that to continue to move forward.

It would be a ashamed for the potential that we have not to be recognized and to keep that moving. There’s great potential to add on to and improve even what’s already been done.
CHAIRMAN FLYNN: Thank you, ma’am. Any further comments?

All right. Moving to Item 3, I guess we can take each of these individually or take them as a group. I put them on the agenda as three bullet points. We have the Regular Meeting 187, the Special-Called Meeting of August 14, 2018 and the Special-Called Meeting of August 28, 2018.

Are there any comments, additions or deletions to the minutes that have been presented? You should have got those in an email able to review or print those out. Is there anything that needs to be added to those? If not, then, I will take a motion. We’ll just take a motion to approve all of those in one.

MS. HILL: So moved.

CHAIRMAN FLYNN: So moved. I have a motion from Ms. Hill. Do I have a second?

MR. SMITH: Second.

CHAIRMAN FLYNN: I have a second from Mr. Smith. Any discussion?

MR. STEPHENS: There’s one of these that I wasn’t in attendance at.

MR. WELLS: Mr. Chairman, would you mind, then, because I missed one, too,
could we do them one at a time?

CHAIRMAN FLYNN: Yes, we can.

With that, we will take a motion, then, Ms. Hill, for the Regular Meeting No. 187. Does your motion stand for the Regular Meeting 187?

MS. HILL: Yes.

CHAIRMAN FLYNN: I have a second from Mr. Smith. Does that stand?

MR. SMITH: Yes.

CHAIRMAN FLYNN: Discussion on 187? Is that the one that you were absent from?

MR. STEPHENS: No, sir. I was at that one.

CHAIRMAN FLYNN: All right.

Seeing there’s no further discussion, all in favor, say aye. With no objection, the motion passes.

All right. Special-Called Meeting of August 14th of 2018, do I have a motion?

MR. STEPHENS: So moved.

MR. WELLS: Second.

CHAIRMAN FLYNN: I have a motion and a second on the floor. Any discussion?

All in favor, say aye. The motion passes on that one as well.

Special-Called Meeting of
August 28th.

MS. HILL: So moved.

MR. ROGERS: Second.

CHAIRMAN FLYNN: Motion and a second on the floor. Any discussion?

MR. STEPHENS: I believe that that’s the one that I was absent.

MR. WELLS: And I wasn’t there either.

CHAIRMAN FLYNN: And I remember the Judge not being here and Secretary Stephens. We’ll make that amendment to the meeting minutes. Any further discussion? Seeing none, all in favor, say aye. The motion passes.

Moving on, then, we’ve changed the agenda around a little bit and it’s a little bit probably unfamiliar from previous meetings, but David is going to provide as much of a Financial Report as he can at this time and go over those finances.

I think he and Sue have kind of double-teamed to get us to this point from where we were two weeks ago and having the meeting that we had. So, David, if you want to go over that.

MR. HAMILTON: I will start by
just letting everybody know that the Office of Administrative Services has been taking care of billing, accounts receivable for the last couple of months and I would just like to publicly thank them for their efforts.

It’s not the most fun thing when you get more work dumped into your lap and they’ve been very gracious to do a lot of that these last couple of months.

Secondly, I apologize for the late delivery of the financials for this meeting. It went out on email this morning. At future Board meetings, I hope to have that to you in a little more timely fashion. So, feel free to interject any questions or comments as we go through these.

What you should have in front of you is the monthly financials for April, May and June. It should be three sheets for each month - a narrative, a summary of the funds that the KRA has and a summary of the capital funds.

So, we’ll begin with the April statements. The beginning cash balance in our General Operations Fund which is our Tier I fees was $720,665.39. Tier I fee receipts for the month were $432.85 and interest income totaled $977.71 for a
total revenue in April of $1,410.56.

The expenditures out of this fund for the month were $43,436.69 which included salaries, benefits, professional services and operating expenses. The total, $3,424.80, of professional services were comprised entirely of payments to Crown Services for our three lockmasters. The cash balance for this fund at the end of the month was $678,639.26.

Moving on to the Tier II fee, the Dam Maintenance Fund, the beginning cash balance was $5,28,469.33. There were no Tier II fee receipts this month. We did have interest income of $7,393.96. There were no expenditures out of this fund, leaving a cash balance of $5,287,863.29.

The Equipment Replacement Fund, there were no revenues or expenditures in April, leaving an unchanged cash balance of $22,529.68.

Our General Fund allotment began the month with a balance of $33,726.89. Expenditures for the month were $20,369.25 which included salary and benefits, professional services and operating expenses. The professional services were comprised of employee training (GSC) and a
mandatory security guard fee for our offices here which comes up quarterly.

MR. STEPHENS: The GSC fee, is that the Governmental Services Center?

MR. HAMILTON: Yes. That’s kind of an automatic. It doesn’t seem like it changes. It’s like a hundred bucks or something like every two or three months.

And, then, the other part of that was we tried getting out of the security fee for a while and it’s pretty much mandatory it seems like but that comes up quarterly for our current office.

The General Fund allotment ended the month with a balance of $13,357.64.

Moving on to the second sheet for April, the Capital Project Funds, the Dam 8 Renovation Fund (C5RQ) had expenses of $1,845.50 in April and ended the month with a balance of $66,363.35.

The interest earning capital account tied to that had interest income in April of $163.55 and ended the month with a balance of $48,960.55.

And, then, finally, the Dam 10
Design Fund (C72K) had expenditures of $15,099.00 in April and ended the month with a balance of $2.

Any questions on the April statements?

MR. ROGERS: I have one. On the design, that 2.2, how much of that is left?

MR. HAMILTON: That is just $2.

MR. ROGERS: So, that is the remainder?

MR. HAMILTON: That is the remainder.

MR. ROGERS: So, we’ve expired that fund.

MR. HAMILTON: Yes. Two dollars was found left in there by DECA. They needed to keep that account alive. I think they said it would make it easier for them to do that which ended up happening which you will see in the next month is they opened up a new capital fund for the actual construction and construction oversight.

Any other questions on that month?

We’ll move on to May.

Beginning with the General Operations Fund, the
beginning cash balance was $678,639.26. Tier I fee receipts were $173,311.10 and interest income was $947.35 for a total monthly revenue of $174,258.45. Expenditures out of Tier I for the month were $97,224.91 which included salary and benefits, professional services, operating expenses and inter-governmental contracts. The $6,616.40 of professional services were comprised entirely of payments to Crown Services for lockmasters and the inter-governmental contract payments included a $14,757.01 payment to UK for the Watershed Management contract and a quarterly payment to the USGS of $34,537.50 for the streamflow gage network. The cash balance at the month end was $755,672.80.

Moving on to the Dam Maintenance Fund, our Tier II funds, the beginning cash balance was $5,287,863.29. Tier II fee receipts for the month were $708,207.90 and interest was $7,199.57. We transferred out of this fund $1.3 million into the Debt Service Reserve Fund as part of the bond sale for the Dam 10 construction which was SPBC 118, and this left a cash balance of $4,703,270.76.
The KRA Equipment Replacement Fund had a chart sale in May. So, we had $25 in revenue, leaving the month-end cash balance at $22,554.68.

General Fund allotment for the month began with a balance of $13,357.64. Expenditures for the month were $19,216.89 which included salary and benefits and operating expenses.

You will notice that the General Fund ended the month with a negative balance of $5,859.25 and the reason why that ran into the red is, as I learned from Kara, the payroll will run. They will obviously pay that out but they let you know pretty quickly to fix that and you will see that in the next month’s statements.

The Capital Project Funds, a new capital fund, like I just said a minute ago, a new capital fund C86X was created for the construction and oversight for the project at Dam 10. Revenues for the fund included an initial deposit of $28,334,000.00 from the bond sale (SPBC118). Expenditures for the month totaled $8,642.50 and the fund closed the month with a cash balance of $28,325,357.50.
A little side to this. Capital fund C8Z8 was created as the agency clearing account for the Dam 10 project. It had an initial balance of zero but had interest income of $11,379.12 and ended with a cash balance of $11,379.12.

The Dam 8 Renovation Fund (C5RQ) had expenses in May of $15,071.09 and ended the month with a balance of $51,292.26.

And, again, the interest earning capital account alongside of it (C6TR) had interest income during May of $157.71 and ended the month with a balance of $49,118.26.

Any questions or comments on the May reports?

MR. KAY: What was done on Dam 8? What was it?

MR. HAMILTON: That would have been E701 and that would have been architect/engineers’ fees, I believe, and it probably was project wrap-up going over as-builts and, then, there was also a one-year warranty——

CHAIRMAN FLYNN: Warranty.

MR. HAMILTON: Because after the project closed out, it was quite a while before the contractor got the as-builts to us.
MR. KAY: I couldn’t remember what it was.

MR. HAMILTON: Again, you’ll see this next one, there’s not a lot of activity going on with that.

Moving on to June, beginning with the General Operations Fund, the Tier I, the beginning cash balance was $755,672.80. We had Tier I fee receipts for the month of $28,647.82. There was no interest revenue posted to this or any of our funds in June due to the eMars upgrade. June interest will be posted in July and will be treated as an FY 2019 income.

The expenditures for the month were $129,467.46 which included salary and benefits, professional services, operating expenses and inter-governmental contracts.

The professional services included $375 for court reporting services and $320 for CPR training with the remainder of the balance of those expenses comprised of payments to Crown Services for three lockmasters.

The inter-governmental contract payments included a $41,140.14 payment to UK for the Watershed Management contract and a
quarterly payment of $34,537.50 to the USGS for the river gage network, ending with a cash balance at the end of the month of $654,853.16.

You will notice we had another quarterly payment to USGS on the other ones. We did squeeze it in this year so that it could go in on our FY 2018 budget to give us a little more freedom with our budget for FY 2019. That’s why you had two quarterly payments so close together.

Moving on to the Dam Maintenance Fund, Tier II, the beginning cash balance was $4,703,270.76. We had Tier II fee receipts totaling $25,046.97. We did have our quarterly debt service payment that was made that totaled $551,797.50, leaving a cash balance in Tier II of $4,176,520.23.

In the Equipment Replacement Fund, we had a chart sale for $20. We had a slightly damaged book, so, we gave them a little rebate on it. And, then, we also got a Power co-op member receipt of $41.03 leaving the month-end cash balance in this fund at $22,615.71.

The General Fund allotment, again, you will remember from last month, we were in the red. We began the month with a negative balance.
of $5,859.25. The prior month’s salaries of that total $5,859.25 were adjusted so that they came out of the Tier I funds. Also, the salary and benefits which only one payroll runs in June, the salary and benefits that would normally have been paid out of the General Fund allotment this month were paid out of Tier I including that shortfall of $5,859.25 from last month.

So, including that and, then, this month’s one pay period, a total of $13,766.75 was paid from Tier I that would normally have been paid from the General Fund allotment for salaries and benefits. This left us with a perfect ending balance of zero with our General Fund allotment.

It was pretty close. If you will remember, in December, we had a cut to our General Fund that affected most state agencies of around 5%. Our cut was $13,200. So, we came in just a little bit above that as far as having to use Tier I.

And, then, finally, moving on to the Capital Project Funds, the Dam 10 construction fund (C86X) had expenditures of $423,640.13. The fund closed the month with a cash balance of $27,901.717.37.
And, again, like I stated before, there were no interest revenues posted this month due to the eMars upgrade.

All other capital funds had no revenues or expenses.

And you will notice on the June capital fund reports, we have a couple of funds that we will look to close out. The Dam 8 renovation still has a cash balance in its associated capital fund interest earning account, and we’ll need to get with the Budget Director’s Office and OFM to see about closing that out.

There are certain rules regarding arbitrage to make sure that money can be released, but the good thing about this position, I don’t have to know everything about everything but I do at least have to know some people that know how to do some of this stuff.

So, I’ll lean on them to figure that out to see whether we can get those funds, and I’m assuming those will go back into 135M which is our Tier II fund.

Any questions on the April, May or June Financial Reports?

CHAIRMAN FLYNN: All right.
Good job, David. Appreciate that. I guess it would be proper order for us to take a motion to approve the financials as provided by David in order that they are a matter of the record.

MR. KAY: I’ll make a motion.

CHAIRMAN FLYNN: I have a motion from Mr. Kay to approve, and that is to approve April, May and June, all three of the reports that were provided. I have a motion on the floor.

MS. HILL: Second.

CHAIRMAN FLYNN: I have a second from Ms. Hill. Any further discussion on those? Being none, all in favor, say aye. Motion passes.

Next on the agenda is a couple of presentations. And, David, you know much more about this than I do and those that will be presenting. So, I will let you introduce our guests for us and we’ll go from there.

MR. HAMILTON: We’ve got a couple of hydro projects. The first is the Lock 11 hydro. That’s a project that has been looked at for several years or more than that really, four or five years.
It is a company called Rye Development. The status of this project is they currently have a FERC license. They do not have any type of lease agreement with the State at this point but they do have their full FERC license. What they are presenting today is a proposed amendment to their plans.

The second project, you may be familiar with Dave Brown Kinloch who has presented here several times and he also has FERC licenses at Dams No. 12 and 14 and he also has a lease and operating agreement with the Commonwealth of Kentucky and has begun construction on the project at Lock 12 in Irvine.

So, we will begin with Rye Development. Where they stand in this process is they have to submit this amendment to FERC. FERC is independent of us but they do wish to see what kind of comments the KRA would have amongst other agencies regarding any kind of amendments to the licensing that they currently hold.

So, I will turn it over to Rye and whatever kind of comments you would have, we’ll collect those and provide those to FERC.

MR. BLYSTRA: Thank you,
David. I’m Andrew Blystra and I work as a consulting engineer for Rye Development.

The license for the Lock and Dam 11 was issued in May of 2016. And according to the license, normally you have two years to begin construction. And you can get a two-year extension and they filed for that and that has been issued. So, construction now will have to begin by May 5 actually of year 2020.

And one of the reasons that the process has taken longer than normal is that this has been a difficult time for hydro projects. The reason is what is happening, the potential to get a power sales agreement is very difficult.

Even though they have the license, getting a power sales agreement that justifies the construction cost has been a real challenge, and this is one of twenty-three licensed projects that Rye has and it’s essentially the same. Whether it’s in Kentucky or Indiana, Ohio, Pennsylvania where I’m located, it’s the same situation really.

And, so, one of the things that Rye has done is taken a hard look at their projects including Kentucky 11 and come up with some
cost-savings. That’s one of the drivers for this license amendment.

And a second is that there were some concerns that KRA issued originally and David was in on those. I met with David and some other members of Rye probably about three years ago and they expressed some concerns about the potential layout and we’ll get into that in a moment.

What I thought first to do is to show just a few pictures of what the facility is like today. This is an aerial view. It shows the overflow dam and the lock on the bottom and the esplanade.

I took these pictures about a year ago. It was September of last year when I was out there for an inspection that FERC did. One of the engineers from the Chicago office came out to do an inspection.

This is a photograph of the upstream miter gate, and on the downstream side of the gate, there’s a concrete bulkhead so that the gate stays in place. The FERC engineer was a brave soul and he walked across that upper miter gate.

Again, you can see in the lock chamber, you can see the concrete bulkhead up
against the upper miter gate. This is one of the lower miter gates and it shows part of the landward lock wall.

This is the miter gate on the river side of the lock wall and it shows the staff gage that’s in place there.

The next slide is the esplanade, the concrete surface along the landward lock wall.

This is just a plan view of everything that is in place. You see the site photo in the upper right-hand corner. This shows the existing dam and then the lock chamber. The river flow here would be from right to left.

This is just a project comparison of a few of the items. And getting into this, one of the main issues that KRA objected to - there will be a slide showing this coming up - the proposed project went outside of the limits of the lock and that would have entailed removing the landside lock wall and that was a major concern that David and Jerry Graves had at the time.

So, that was one of the drivers that forced us to take a real hard look at this, as well as changing some of the economics.
So, the project as licensed, the powerhouse was 140 feet long, 65 feet wide, and the amended project, to keep it inside the lock chamber, is a little over 60 feet long and 52 feet wide. The inside dimensions of the lock chamber are 52 feet.

The intake channel coming into the powerhouse in the project as licensed was 275 feet long, 75 feet wide; and, then, in the amended project, it would be inside the lock chamber and 52 feet wide.

The tailrace where the water comes out of the powerhouse in the licensed project was 190 feet long, 64-1/2 feet wide; and in the amended project, it’s again inside the lock chamber which is 52 feet wide.

As far as the generation is concerned, the project as licensed had two pit Kaplan turbines with an installed capacity of 500 kilowatts. Minimum flow for one unit was 200 cubic feet per second with a maximum flow for the two units of 4,000.

In the amended project, it would have five submersible Flygt units, installed capacity about half, slightly over half, 2,640
kilowatts, a minimum flow of 360 cfs and a maximum flow of 2,250 cfs.

So, essentially, the amended project is about half the capacity, roughly half the installed capacity, and this shows the project as licensed. The red boundary which is significant here is that it’s the project boundary and the project boundary has not changed.

The only thing that has changed inside that project boundary is where the powerhouse sits. So, this is really about the only thing that has changed, plus we had to add a control building to the outside because in the original design of the powerhouse, the controls would have been inside the powerhouse. The powerhouse would have been a structure that would have been sealed. It could have been overtopped. There’s a number of projects like that.

This type of project with the Flygt units, they’re submersible. So, that doesn’t take that into account but we still have to have a place for the electrical controls.

Now, this slide shows the concern that KRA had initially. This is the landward lock wall and you can see how the project
goes outside of that. And, so, that would have
required the removal of the landward lock wall.
So, the intent here, then, with the amendment was to
keep everything inside the lock chamber.

So, this is the amended
project. This shows the five Flygt units. The
intake area would be here. The tailways area would
be down there. And, so, everything is contained
within the lock chamber.

I mentioned we did have to add
a control building as a place to have the switch
gear and everything because with a Flygt unit
powerhouse, that doesn’t go inside the powerhouse,
per se.

A couple of enlarged slides of
the proposed powerhouse. And what you see here is
almost a duplicate of what Mr. Kinloch is doing
upstream at 12.

People at Rye Development have
been in contact with David to discuss technical
things and so forth and this is very, very similar
to what he is doing upstream.

Another view showing cross-
sections.

This is in the handout that
you have. You have a complete set of the slides that are in the Powerpoint presentation.

This is the proposed Exhibit G. Exhibit G that would be filed with FERC primarily deals with the project boundaries.

And, again, the project boundary has not changed because the project boundary over here is below where that control building would go up. And the only other change is actually inside the lock chamber itself.

This is some text that’s taken directly from the license amendment. You folks have a complete copy of the text of the license amendment and this just gives kind of a summary of what was on a couple of the previous slides but this is, again, in the complete text that you have.

One of the things that is also in the printed amendment but I wanted to mention it here is that it really does not affect water quality at the site.

The four articles that deal with that, one is Article 403, Sediment contaminant testing and solid waste disposal plan, that initial plan was submitted to FERC. FERC approved it and, then, they said we had to come back and tell them
what we were going to do and how we were going to
dispose of any solid waste that might be
contaminated.

Well, now with everything
contained within the lock chamber, there’s not going
to be excavation upstream or downstream, so, it
really minimizes that.

Article 404, the post-
construction erosion monitoring plan, that has been,
again, submitted to FERC and has been approved.
There are things that Rye Development will be
required to do after the project goes into operation
to monitor whether or not there is any erosion that
is occurring and this is both upstream and
downstream.

Article 405 is spill
prevention, containment and countermeasures plan.
That, again, has been prepared and approved. It’s a
plan that deals with things like what happens if
there’s a problem with a turbine and some oil gets
into the water or grease, something like that. It’s
a plan that you have something onsite to deal with
that immediately.

And, finally, Article 406, a
water quality monitoring plan. There’s certain
monitoring that has to be done during construction, looking at things like turbidity and, then, after construction, particularly dealing with dissolved oxygen. That’s one of the main concerns here.

We have submitted this to forty-some stakeholders. The only one that we’ve heard back from is the State environmental folks, the ones that issue the 401 water quality certification. They had no comments.

KRA is a prime entity in looking at this. So, it’s important for us to get your feedback on this. If there are issues that you have, please bring them up and we will address them.

We have to do that before this gets filed with FERC. We’re trying to get this filed with FERC by the end of September. That’s the date that FERC has given us.

So, any questions? Yes.

MR. STEPHENS: Am I correct, where this dam is located, this is immediately upriver from where the power plant was at Ford? Is that right? It was a coal-powered plant.

MR. HAMILTON: It’s quite a ways.

MR. STEPHENS: But it’s the
same pool, right?

MR. HAMILTON: Same pool.

Yes, it’s upstream of Ford. The Ford plant is right upstream of 10. So, you’ve got maybe a 60-mile run or so.

MR. STEPHENS: Okay. I notice on the chart, you identify a fishing area and a launch area or two launch areas. Is that public access?

MR. BLYSTRA: Yes.

MR. STEPHENS: And the launch area, is that for motorized stuff, kayaks? Can you explain that?

MR. BLYSTRA: I think what’s on the slide is actually what was in the recreation plan and that’s really a portage facility. So, it’s primarily for canoeists and kayakers.

MR. STEPHENS: Thank you.

MR. BLYSTRA: There are a couple of access points for the public. They may be privately-owned but they’re open for the public to use, and that also is part of the recreation plan that was approved prior.

The amendment doesn’t affect any of that. It really is just right at the site,
right at the lock site to keep everything within the lock chamber and significantly reduce the cost.

One of the other things that we’re trying to do is work something out so that we don’t have to actually have a four-and-a-half-mile long transmission line.

The voltage that comes off from the Flygt generators is fairly low, and David is a lot more familiar with that than I am, but if there’s a possibility of tying this in with a distribution system, it makes the whole project a lot more feasible.

MR. WELLS: In your projected comparison, you have two pumps, two turbines. You change it to five; but with five, you have half the amount of kilowatts than you originally planned with two. Are these five turbines that much smaller?

MR. BLYSTRA: These are turbines that are about 500 kilowatts apiece, slightly over 500 kilowatts apiece. The two Kaplan turbines, each one was 2,500 kilowatts apiece. They’re simply bigger units, the ones that were originally proposed.

MR. WELLS: So, the two of those bigger units would not fit in instead of the
five to produce more kilowatts? I mean, is that the objective?

MR. BLYSTRA: The two would have required removal of that landward lock.

MR. WELLS: Okay, because they’re so much larger.

MR. BLYSTRA: Yes, because they’re so much larger. And it would have required removal of a lot of the upward--on the upstream side, the approach walls coming in and the exit walls coming out. It all would had to have been replaced and changed.

I know in some of the early discussions that Rye Development had with KRA once the plan was filed with FERC, that was one of the main concerns that KRA had. It took us a while to get to this point but the economics were working themselves through this whole process as well.

MR. WELLS: What happens if one of these five or two of the five become damaged and inoperable? How do you change those out?

MR. BLYSTRA: Remove them, lift them out, change them. You change them out.

MR. WELLS: You don’t have to block the water off or anything like that to do
that?

MR. BLYSTRA: Well, you would have a provision so that you could stop the flow on the upstream side. Here with the upstream miter gate still in place, there’s that concrete bulkhead there, but there would be the possibility of using those and close them to shut off all the flow to the powerhouse.

The other aspect of this, though, is that you like to have each unit isolated so you can shut off the flow of the water----

MR. WELLS: So you can work in one.

MR. BLYSTRA: Yes, so, you can still be generating with four, four of the five. And there’s times that you have to do maintenance. You have to do inspections periodically.

So, ideally, you would do those during low-flow times which we haven’t had much of this year, but you would ideally do that during low-flow times, but, again, so you wouldn’t have to shut the plant completely off and you would isolation for each of the units.

MR. SCOTT: Who is your power being sold to?
MR. BLYSTRA: I’m not sure. I haven’t been involved in that discussion.

MR. SCOTT: Is there a power purchaser agreement that has already been----

MR. BLYSTRA: There’s not a power purchase agreement that Rye has at present. I know Paul Jacob, the CEO, is working on that and I know he has talked to David about that, but I’ve only been involved in some of the engineering and a lot of the regulatory. They asked me to draft this amendment. So, I have not been involved in that.

MR. SCOTT: Did you get any feedback from the Corps of Engineers on the project?

MR. BLYSTRA: The Corps of Engineers, everything was positive.

So, we would like to have comments, positive, negative, things you would like changed or whatever in the license amendment. We would like to have that provided so that we can get this wrapped up and filed with FERC.

Any other questions?

MR. SANDERS: You mentioned that the upper gates would possibly be able to be closed. So, are they going to make them functional, then? Is that part of the project?
MR. BLYSTRA: That would be the idea, yes. And I know we have some things structurally to deal with, the lock walls and their existing condition.

Once the powerhouse is in place in there, the walls would be completely stabilized. It’s just getting to that point during construction. So, there’s probably some bracing and so forth and maybe some tiebacks and so forth that would have to be done but that would be part of the project.

MR. SCOTT: Is there a total project cost?

MR. BLYSTRA: There is. I don’t have that offhand. I think in the handout, I think there is an estimate of the annual generation from this in terms of megawatt hours.

MR. SCOTT: 2.64 megawatts.

MR. BLYSTRA: Yes, 2.64, but, then, it gives you an annual generation cost. And I think in terms of megawatt hours, if you take the capacity and multiply it by the number of hours that it runs. And if you multiply that by 600 or so is a ballpark number of what the full project would cost.

CHAIRMAN FLYNN: Any
additional questions of Mr. Blystra?

So, what you’re asking this Board to do is to get together any comments or any items that we might take exception with or anything that might be there and provide those comments to you by the end of this month? Is that correct?

MR. BLYSTRA: If possible. If that’s not possible, we would have to go to FERC to get an extension of time on submitting it.

CHAIRMAN FLYNN: What I think we can do as a Board or what I will suggest as a Board that we can look at the information that you’ve provided us. We can provide our comments to David. David can take those comments and put them together and submit those comments to you and, then, he can provide us the information as a Board at the next meeting that he provided to you.

That’s what I would suggest.

Now, if the Board wants to do something different, I’m totally fine with that, but I’ll let David coordinate all of that and we can submit our comments to him. Does that meet the needs that you have?

MR. BLYSTRA: That would work.

CHAIRMAN FLYNN: Is that okay
with you, David?

MR. HAMILTON: Yes.

CHAIRMAN FLYNN: Is that okay with the Board? All right. That sounds good. I appreciate your presentation.

MR. BLYSTRA: I appreciate the opportunity to present this to you. Thank you very much.

CHAIRMAN FLYNN: Mr. Brown, you’re next on the agenda here.

MR. BROWN KINLOCH: If you would pass these down. This is my card. If any of you ever have any question at all, just give me a call directly. I’m available anytime to answer any of your questions.

While they’re getting that set up, I might let you all know that one of the reasons you saw that at Lock 11 is we just turned over not our construction plans but our general plans to Rye Development so they could make that amendment.

We had told Rye from the beginning that--well, first of all, I need to say that this is the fifth presentation I’m making to the KRA Board on this.

But one of the things that we
went in with ten years ago to our engineers and said
was here is what you’re working with. This is the
existing lock chamber. We’re making zero changes to
it. We’re not making any changes at all and that
was the starting point and we worked from there
which is a little bit different approach than Rye
initially took.

What I tried to do, Sue told
me five to six minutes, so, I’m trying to keep it
brief, but I wanted to give you a quick review for
folks that may not have seen the previous six
presentations of where we are but also give you an
update of where we are because we are in
construction right now up at Lock 12.

We’re Appalachian Hydro
Associates, and you had seen us here previously as
Shaker Landing Hydro. That company has spun off our
company now. This company right now is doing just
new developments. Shaker Landing Hydro is operating
the Lock 7 plant which we’ve rehabilitated that’s on
the river.

So, you may have seen me here
under a different name before but this is our
development arm.

The actual project is being
done by Lock 12 Hydro Partners, LLC, and this is a partnership between my company that is doing the construction, and once it’s completed, we will be doing the operations of the plant.

Our financial and management partner is Berea College. Berea College, we’ve worked with them now for about four years getting everything together. And when we’re all done, they will own 55% of this project, the college will.

My company will own 40% of the project and 5% will be owned by our tax equity partner which is Hardscuffle.

Hardscuffle is the parent – they’re based in Louisville – that owns American Life Insurance. Anybody who grew up in Kentucky probably remembers Dinwiddie Lampton saying be wise, be insured. Well, this is that company. They are coming in.

They’re getting the investment tax credits, federal tax credits. In exchange, they’re putting up money for construction of the project. They’ll end up owning 5% of the project on a going-forward basis after we’re through the tax credit period.

Just to give you a summary, it
took us seven and a half years to get the federal license for this project. Rye got theirs on a little bit faster schedule, but that number looks familiar, again, because that’s what Rye is using but it’s 2.64 megawatts.

We’ll be producing about 10 gigawatt hours of electricity per year. That’s 10,000 megawatt hours or 10 million kilowatt hours of electricity a year.

To put it in perspective, we’ll probably be making enough electricity for about 1,200 average Kentucky homes for that, and the project is going to cost about $8 million to built. And I should say that our investors have all the money in place. We’re now in the building stage of that.

To give you a quick timeline here, we started looking at this project back in 2004. We started doing the detailed investigations on it in 2006.

We submitted an application for a preliminary permit which is the first step in licensing back in 2008. We actually made our application with FERC in 2012. And at the end of 2015, we finally got the license for this project.
And just to let you know, it was done with a sister project which is Lock 14 which we did fall in parallel. And as you’ll see in just a minute, we’ll be doing that one next year.

On May 10th of this year, we had our financial closing on the project with Berea and Hardscuffle, and in July, we began construction.

One of the things to note that we had done is we and Berea have made a commitment to Eastern Kentucky.

So, normally, the way you would do a project like this is you would put it out for bid. We did not do that. We went through Eastern Kentucky and found what we thought was one of the very best concrete contractors, Wright Concrete out of Pikeville, and we said you’ve got the job and, so, that’s who we are using.

They’re using labor from Eastern Kentucky. We’re trying to keep as much as the money going to Eastern Kentucky as possible with this project.

We still have a target date of finishing the project by the end of the year. We had initially talked about having a twelve-month construction period. And I don’t mean to offend
anybody in here, but the lawyers chewed up about
five months of that. So, we had the closing in May
and, then, the lawyers chewed up another month
getting us to the contract with Wright. So, they’ve
put us on a tight time schedule but we are still on
schedule. It is compressed.

Not only are we doing
hydropower, and as Andrew said, very little of it is
being built right now, but we’re also doing some
innovative things which we’ll make Kentucky as far
as small hydro - this is the place that people will
be coming to to see this.

We’re using the submersible
turbine generators. Flygt that we’re getting them
from was in the market years ago. They got out of
the market. This is their first project back in
North America, and one of the reasons we like their
equipment is that they make a similar pump to this.

This is a large pump like you
would pump out the City of New Orleans and that kind
of thing. They make about 200,000 of those a year
sold worldwide. Xylem, which is their parent, it’s
the largest pump and water company in the world -
Goulds pumps, Flygt, a lot of them.

So, we are using a known
product but we believe that – and we’ll get to it in a second – but we believe that the future is with submersible, and the reason is is when you design a hydroelectric plant, you design it for a 100-year flood. And we started saying which 100 years are we talking about, the last 100 years or the next 100 years?

And if you’ve seen the climate models, they’re all talking about us getting a lot more rain instead of less rain in this part of the country. So, we started saying we need to go submersible just to protect equipment.

We installed, my company installed the first variable-speed generator at a hydroelectric plant in the United States at the Weisenberger Mill as part of a federal Department of Energy grant a few years back. We have scaled that technology up and this will be the first new hydroelectric plant built in the United States that uses variable-speed technology.

The significance of that is all wind turbines are variable speed. All hydroplants are not and hydro has been slowed to adopt this new technology, but what it allows us to do is to get 10 to 15% more power out of an existing
site, again, making it more economical to do small hydro.

We’re also using — we won’t get into the details — but a special coating developed by NASA on all our steel called polyset. Most epoxies go on the surface. This actually bonds with the steel. It was developed by NASA. This is innovative. It’s been used at some hydroplants as retrofits. This will be the first new plant where we’re doing it.

And the other important thing is we have a strong partnership with a college. We’ve done that also at Lock 7 with Centre College. We believe — you see I’m not a spring chicken, okay. I’m not going to be bringing this technology. This is the next generation that’s going to be doing this. So, an educational component is very important to us as well as actually doing green energy.

This is looking at it from a side view. Here you see the lock chamber and we have the five like units down there and you see we have a mobile crane up here, and that’s brought down, assembled. We can use it to raise and lower and it is taken apart and taken away. So, it’s out
of the way of floodwaters.

But what you see is, then, the cables run up the hill to our control building which is on the right and you see the two lines there that are going across? The lower one is the 100-year flood level. The top one is the 500-year flood level.

We are five feet above the 500-year flood level because if you remember the flood of 2010, May of 2010, we got seven inches of rain in the headwaters, okay? Nashville got fourteen inches. So, the question is, what would it have been like if we had gotten the fourteen inches instead of Nashville?

So, we’re putting all of our electrical equipment five feet above the 500-year flood, and, then, on top of that, we’ve got flood insurance with Lloyds of London. So, I think we’ve got our bases covered. When you’re working with Berea College, they want to make sure everything is covered.

So, we go to the next slide. This is looking down from above. Again, here is your lock chamber. Everything fits in there, the five turbine generators. And, then, up on the hill,
up where the lockhouses used to sit, that’s where
the control building is. And this line goes out
here and, then, a line goes across the river.

We are interconnecting with
Jackson Energy Cooperative. As Andrew said, it’s
very difficult to get power purchase agreements
these days. We have a power purchase agreement for
Lock 12 and Lock 14. We are actually going to be
selling to Jackson Energy at 6% below their
wholesale rate. So, their members will be getting a
savings on every kilowatt hour that we sell to them.
So, they will be benefitting from it.

MR. SCOTT: How long is your
PPA for, David?

MR. BROWN KINLOCH: Our PPA is
for ten years and it’s automatically renewing as
long as we keep our FERC license. Just the way that
the lease and operating agreement we have with the
KRA and the Commonwealth is, it automatically renews
as long as we can keep our FERC license.

There’s all kinds of
conditions in the FERC license. If we mess up,
they’re coming after us.

If we can go to the next
slide.
MR. WELLS: The electricity that you’re generating, will that operate your building?

MR. BROWN KINLOCH: It will operate our building----

MR. WELLS: Just turn around and operate the pumps and everything else, too?

MR. BROWN KINLOCH: Yes. We use our own electricity----

MR. WELLS: You use your own electricity.

MR. BROWN KINLOCH: If we don’t have anything online, we’re taking energy in from Jackson Energy. But, yes, we run our own stuff and, then, whatever the surplus is which is 99.8% of it gets sold to Jackson Energy.

For anybody in the area around Irvine, the Rice Station substations where we’re feeding in, we will supply the majority of electricity for that area, and there will be 3% of the time that we’re making too much power and we’re actually selling that to East Kentucky Power when we’re completely satisfying the customers in that substation.

Back to some of the questions
you had here, if there’s a problem with the turbine
generators, believe it or not, these turbine
generators just sit in there. They’re not nailed
down. They’re not bolted down. They sit with their
own weight and, then, we can just lift them out.

So, when they’re delivered to
us and their technician comes from Cincinnati and
makes the final connections to there, we’ll be able
to lower that in. And assuming everything else is
ready to go, we’ll open up the gates and bingo –
we’re making electricity just that quickly and
that’s another advantage.

A traditional hydro turbine
has what are called wicket gates that open and close
to control the water going in. These do not. And I
can tell you at Lock 7, 95% of our trouble with the
turbines is the wicket gates.

So, this doesn’t have wicket
gates. Instead, it has a slide gate that opens and
closes and that slide gate is weighted with a one-
and-three-quarter-inch steel plate on the front of
it. So, if anything goes wrong, this thing closes
by its own weight. It’s like a big guillotine
coming down. So, it’s a failsafe system if anything
goes wrong.
If we need to do maintenance, this is down and the water comes out of here and we simply lift it up, do whatever maintenance. These units need annual maintenance which is sort of minimal once a year; and every ten years, you take them out and do a major overhaul on them, replacing bearings and other things like that.

Here’s what we have done to date as far as construction. The site preparation is complete. The crane is onsite. Wright Concrete has mobilized.

The control building is underway. The structural steel is onsite and there’s a metal building that goes over the top of everything. That was delivered this morning.

The cofferdam has been installed. The conduit trench that goes between the control building and the lock chamber where the powerhouse is, that has begun. We have a canoe portage also. Work on the canoe portage has begun.

One of the big unknowns with this project was the stability of the landside lockwall during construction. Kleinschmidt, our engineers, have done all the stability analysis and everything and they had identified a particular
level of water behind that lockwall that could cause a problem, and they’ve told us based on their experience where they expected that water to be.

Well, when we got out there, we put in a monitoring well to make sure that their assumption of where the water was was correct and it was wrong.

The water was higher than we thought. So, we are now in the middle of putting in rock anchors that will stabilize that wall to make sure that it does not become unstable during construction. It’s a system of thirty-four rock anchors in the five monoliths that could be a problem and it has been approved by FERC.

It just turns out that Wright Concrete that does most of their work for the coal industry is one of the top companies in the United States in installing rock anchors because of the coal industry. So, it’s just fortunate that we happen to have them as our primary contractor.

So, last week, we issued the purchase order for those. They are mobilizing right now. In fact, I’ve got a meeting later this week on it.

Jackson Energy
interconnection. That work was supposed to start today. That has been paid for and Jackson Energy is in the midst of putting that interconnection line in. We want it to get in soon because right now we’re using generators for construction power but we’ll have temporary power. They say they can get it in in a week. So, maybe by the end of this week or early next week, we’ll have temporary power out there.

This is to just give you an idea. A lot of the components are being built. The control cabinet which my company is building has been designed, all the parts procured and it’s about 75% complete as far as building it and ready to go in.

The turbine generators, the hydraulic system, the switch gear, the draft tubes, etcetera, etcetera are all in production.

The one thing that we did not have - it’s a long story - but our automatic trash rack cleaning system, the manufacturer had been held up on that. We issued the purchase order for that this morning. I did that this morning. So, that was the last major component.

Here’s the boom down at the
bottom. I don’t know if you all have noticed, but you do construction in the dry season. We’ve had the wettest July on record, the wettest August on record. We just had Hurricane Gordon come through. Florence is bearing down on us.

So, it’s been a challenge.

It’s been a challenge and things have not gone in as quickly as we had hoped because of the weather.

Here are some pictures. This is the control building. This was taken right after they finished the footers and they had stripped it off. Right now, they’re working on getting all of the rebar steel, the reinforcing steel in place, getting ready to pour the walls.

Again, all that heavy equipment, our regen drives and everything sit up on a concrete floor to get them five feet above the 500-year flood. So, this all has to be pretty darn heavy duty to hold all that weight up there and the transformer. Everything that could be affected by water is sitting up five feet above the 500-year flood.

There’s one of the things out there. We have a 230-ton crawler crane with a 250-foot boom on it. This was done to keep construction
equipment from being down on the lockwall which
could make it more unstable. So, we’ve had to rent
pretty much a monster crane to be able to do all of
our work out there.

This is the beam. This is the
main beam on the cofferdam being installed right
there.

This is the cofferdam in
place. This is down at the end, and you’ll see
there’s a cutout here with a hole there. There’s a
plate that goes in there. That’s our safety valve.
If anything goes wrong, we simply yank that plate
out and let the area flood.

We will be doing daily checks
to make sure that the lockwalls have not moved at
all during construction before we allow any
employees in to the lock chamber to work.

As I said, the cofferdam is
in. We’re in the process of sealing it now, sealing
it against the old concrete that’s in there.

And just to finish up, you
heard me talk about other projects. We do have the
hydroelectric plant at Lock 7. It was built in 1927
and retired by Kentucky Utilities in the late
1990's. We purchased it from them in a partnership
with Salt River Electric Cooperative in Bardstown.
We’ve put about $2½ million in the project so far
renovating it. We’re always doing upgrades out
there but got that up and running and David and Sue
can tell you, we pay a fee to the KRA each year for
that. It’s been in operation for about twelve years
now, at least one of the units.

I’ll mention we have a sister
project which is Lock 14. It is licensed. We have
a power purchase agreement with Jackson Energy on
that one also and approved by East Kentucky Power.

We have the license in place.
We have the lease and operating agreement in place,
and actually I’ve now got two colleges fighting over
it. Centre and Berea are both fighting over who is
going to be the college to partner with us. There
are some legal contracts and certain people had to
do some certain things.

And sort of the funny thing is
that our tax equity investor, Hardscuffle has said
if the colleges don’t want to do it, we’ll do it.
So, we’ve got three investors lined up for those.

Lock 13. We’re currently
licensing that. Or draft license application should
be issued sometime this month. It will come to the
KRA for comments. We’ve been working with the KRA on that. It looks an awful lot like the other two. We have paid probably $600,000 now for the design work on the plans for this plant that could be done in three or four different lock chambers.

We also have a preliminary permit on Lock 9. I don’t think it’s a secret to tell any of you all, it would be much more difficult to develop 9 than any of these upstream.

So, we’re looking at it. I’ve got a guy over in Germany that’s looking at doing an innovative design there but we’re concentrating on 12, 13 and 14 right now.

MR. STEPHENS: What’s the reason on 9?

MR. BROWN KINLOCH: Well, you have put a new dam in there and it goes all the way across.

So, this guy over in Germany that’s looking at it who is the real expert says, you know, you’re going to have to remove some of that concrete on the auxiliary dam. I said, well, I don’t know if KRA would like it; but even if we did, that would cost a lot of money.

So, the deal is, why it’s
tough to get power purchase agreements to make it work is you’ve got to come up with innovative ways to do it. Our innovative way, one of them was building in the existing lock chamber.

If you had to build a huge cofferdam, that could be 30% of the cost of the project. And just to put it in perspective, we’re building this project for about $3,000 a kilowatt, okay? The new ones just built on the Ohio River were built for $11,800 a kilowatt.

So, we’re at about 30% of it and we can make it work. We can make it work with a PPA from Jackson Energy at that cost. If we were building it at the cost they did on the Ohio River, there’s no way. Nobody would even talk to us.

MR. SCOTT: David, what is your capacity factor typically on these?

MR. BROWN KINLOCH: Let me put it to you two ways, okay?

We have the equipment which is rated at 528 kilowatts but that’s oversized. For example, this one is 2.64 megawatts. We would be lucky to ever get 2.3 megawatts out of it because you can run one unit; but once you start putting the other units on, your tailwater comes up and your
headwater comes down and you can’t get that.

So, if you put it versus the maximum we can get out of it, we’re probably 56% capacity factor versus our name plate, we’re at 47%, I believe.

MR. SCOTT: You’re set on 6% below.

MR. BROWN KINLOCH: Six percent below----

MR. SCOTT: So, what is your ROI on that?

MR. BROWN KINLOCH: I don’t know if Berea would let me disclose that.

MR. SCOTT: But if they have a trust fund, they’re invested in this for a good reason.

MR. BROWN KINLOCH: Yes, and that’s what we’ve been struggling with. And I’ll tell you, we had everything worked out with Berea and, then, they had the federal tax cuts which sounds great, right, except we’re selling our tax credits to an investor; and all of a sudden, their tax rate went from 35% to 21%.

So, all of a sudden, what we’re giving them isn’t worth as much. So,
basically it came out of my hide, came out of our pocket.

And, so, once we got that, we got it signed and we start to work and everything, then, immediately we get hit with the steel tariff. And if you think the steel tariff is 25%, don’t believe it because some of the steel has gone up by 100% because there aren’t American suppliers or enough American suppliers.

We had one component jump 87% in its cost and it’s a major component. And just today, I got another $15,000 increase because of tariffs. Because of the tariffs, they were getting some stuff that was uniquely built in Europe they can’t get because the supplier no longer will sell in the United States.

I’m not trying to get political or anything. A lot of that stuff is going to be cleaned up in the future, I’m sure, but the timing of doing this right now has hit us some but we’re making it work.

CHAIRMAN FLYNN: All right.

Thank you, David. We appreciate----

MR. BROWN KINLOCH: And if anybody has got questions, please give me a call.
Everybody has got a card.

CHAIRMAN FLYNN: We will move on to Item No. 7 on our agenda - consideration of approval for a lease agreement between DJ Williams and Kentucky Department of Parks and KRA. I think this is more for informational purposes.

MR. HAMILTON: We did want to get everybody’s approval, I guess. I think it’s got a spot for your signature, Mr. Chair, and I can briefly explain what it is.

CHAIRMAN FLYNN: Yes, please.

MR. HAMILTON: This is in relation to Dam 10 construction. You may remember we had a lease agreement with Parks. A lot of that bottom land, we only own a small sliver of that footprint down by the dam.

And to utilize park property for construction equipment lay down and also for the placement of fill to get that excavated from the river, we had a no-cost agreement with Parks to utilize that land which potentially saved the KRA a lot of money on the project, whereas, the contractor would have had to dispose of all of that material offsite.

But one of the repercussions
of that agreement was we displaced--the main use
that Parks has for that area is they have a big car
show in October. It’s a three-day event in October.
That bottomland they utilize for parking.

So, that event was displaced, and part of the agreement that we had with Parks was
to utilize the adjacent farm and have an additional
agreement with that landowner and they could utilize
that farm for the three-day car show event.

The main things in this agreement, the lady that owns the property is
actually operated under a land trust. That’s why
it’s written up that way, but really the very small
provisions there, the usual hold harmless type
stuff. And, again, this is after several iterations
between KRA, Parks, Finance, Office of General
Counsel, the land trust.

So, this is kind of the end result of all parties kind of going back and forth
on what kind of requirements.

Financially, what it requires of the KRA, it’s just $100 a day to the land trust
which is $300 a year. It is a one-year term. It
will be renewable at the end of each year. So, we
anticipate renewing it through each year of
construction until construction is complete. 

The spot that we’re filling in on Park property, it is usable land. It will be graded down. Obviously, it will be a lot higher than it is today but it will be reusable.

So, the plan on this is to utilize this to provide parking for that car show that we’ve displaced, and it is part of the agreement that we had previously with Parks. So, if we don’t have an agreement with this landowner, we’d have to find somebody else, but $100 a day is very gracious. Our guys agreed to go down there and do some mowing to try to get it cleaned up.

It is operated by a farm manager and he’s already been in talks with Parks to make sure he—he utilizes it for hay. So, he’s making sure he gets his hay cut and off by the time the show is here in just a few weeks.

So, I just need Board approval before we got signatures on this.

MR. STEPHENS: I’ll make a motion to approve the agreement.

MR. LANG: I’ll second it.

MR. SANDERS: Could I ask just
one question about that? There is a Whereas right there, the KRA has agreed to be responsible and pay for all costs associated with the Department of Parks. And, of course, there is a hold harmless agreement with the property owner over there.

What would be KRA’s responsibility, liability actually?

MR. HAMILTON: On the----

MR. SANDERS: For the use of the property?

MR. HAMILTON: Like if there’s an accident?

MR. SANDERS: Accidents, harmful and that sort of thing.

MR. HAMILTON: There is a disclaimer that people have to sign that are utilizing it. That is in----

CHAIRMAN FLYNN: Item No. 7, is that it, waiver forms? All participants in the three-day car show event shall be required to sign a waiver. Is that what you’re referring to?

MR. HAMILTON: Yes. That’s what I was referring to. So, there is that. Obviously, I’m not a lawyer. It has gone through legal counsel with Finance. So, I assume they have
a certain comfort level with it but I couldn’t give you a very good answer without pretending to be a lawyer.

MR. ROGERS: David, one question I had. Does the KRA have a relationship with like Clean Harbors or HAZMAT for potentially if there is an oil and gas spill on the property, somebody that would be called?

MR. HAMILTON: There would be something. The State, I’m sure, has a master agreement with companies. We don’t specifically have one.

CHAIRMAN FLYNN: All right. We’ve got a motion and a second on the floor and I’ll take that as the discussion portion of that. So, is there any further discussion on the item that’s before us for approval of this lease agreement?

All right. Seeing there’s no further discussion, all in favor, say aye. The motion passes. David, we’ll execute that after the meeting.

Item No. 8 is the Executive Director’s report. David.

MR. HAMILTON: I kind of
jumped in with the Financial Report and the lease agreement.

So, I want to start out before just thanking everybody for the opportunity to be here. I really appreciate the opportunity to come in as Director.

I’d like to thank Jerry who is not here today. We will be having a little get-together at Bourbon on Main tomorrow at 4:30 if anybody wants to stop by.

Jerry did a lot for the organization while he was here. I always thought Jerry and I had a pretty good good cop/bad cop thing going on. A lot of you know Jerry, so, I’ll let you guess who the good cop and bad cop was, kind of the tough nose, back-room supervisor thing going on but appreciate working with Jerry and just wanted to mention that.

A couple of things. Just the fifth day on the job, so, I didn’t have a lot of opportunity to get stuff ready for the Board; but I think at the next Board meeting in November, I’d like to prepare - and we’ve talked about it in the past - is prepare some better packets for Board members just to kind of give everybody - we have a
lot of new Board members - and even those people
that have been here a while just an overall synopsis
financially, program-wise what the KRA is and just
kind of a nice single packet to where you can have a
lot of information at your fingertips.

So, hopefully we’ll have that
put together at the next Board meeting.

Some of the items that have
occurred since the last KRA Board meeting. We did
perform the dredging this summer. That came in
pretty good financially. The total on it was
$124,002.01.

So, that’s a little bit less
than we had budgeted. It just varies year to year,
depending on what kind of winter we’ve had, how much
timber and silt we had to clean out, but that did
come in a little under budget which is always a good
thing.

There were a couple of items
also that you may have seen where the dredge worked
on getting a sunken boat out. That was not KRA. It
was piggybacked with the same contractor but that
was the county, correct?

MR. WELLS:  We paid for it.

MR. HAMILTON:  And, then, the
barge that sits down below Lock 4 was cut up, not by
the dredge barge but by another outfit and that was
actually the distillery.

MR. WELLS: Buffalo Trace paid
for that.

MR. HAMILTON: Buffalo Trace
paid for that. They’re really pushing the effort to
beautify that stretch of the river for tourism but
those were separate efforts from ours.

Dam 10 is well underway. To
date, they have completed just over $2½ million or
at least they have billed for just over $2½ million,
slightly less than that. We do have a 10% retainage
on their billing up to halfway through the project.

So, that puts that at about
10% of completion based on their contract amount. A
large part of that so far has been mobilizing to the
site, getting the concrete batch plant built which
so happens to be built on the same property that
we’re going to have the land agreement with on
another chunk.

So, a lot of that is
mobilization. They have begun driving sheets for
Cell 1. They’ve got their templates in place or
they’re constructing their templates for the cells
that will be out in the river. They’re starting to get rid of some of the structures that will be taken out at the upstream guard pier and the upper guidewall.

So, it’s well underway, obviously dealing with the same problems that Dave Brown Kinloch has been dealing with with all the wet weather that we’ve had, and they plan to work for as long as the river will allow which could be a week. It could be a couple of months. Who knows.

Another item, the new Tier II fee is in effect. That went into effect July 1. We will not see collections on that since we invoice quarterly. We will see that for this quarter that ends at the end of this month. In late October or early November is when those invoices will go out.

And, then, the final thing that I wanted to mention was we were contacted by one of the golf course owners. As you are aware, the Tier I fee applies to any water withdrawals out of the basin at this time and that includes golf courses.

The only exemption currently in our regs is for agriculture; but they had contacted us about the possibility of looking into
exempting golf courses.

We have been contacted by Senator John Schickel’s office with some interest on the issue. He hasn’t really weighed in saying do this, do that, just showing interest in the issue.

So, I wanted to bring it before the Board. Is that something that you would want to direct us to look into and bring back to the KRA Board in November with information such as how many golf courses are there, what kind of impacts would it have, or do you want to just table that for right now?

We’ve got a lot of that information that we can get pretty quickly. Probably ten, eleven years ago was really the last time we took a hard look at our tier fee system.

That’s back when Don Morse was here. He made a proposal to the Board at that time of actually pretty wide-sweeping changes to the Tier I fee payors and who was exempt.

At that time, the KRA Board voted to not make any changes and it really has not been re-looked at since then. There hasn’t been any discussions since.

So, we would be willing to at
least pull together some data to bring before the
Board if they would want to consider that. It also
coincides with we’ve been asked by the Department of
Revenue - I think statewide, they’re kind of looking
at everybody’s regulations and updating those. So,
if we did make any changes, it would jive with that
a little bit.

MR. WELLS: I think it would
be helpful looking at it. It’s just information at
this point in time.

MR. HAMILTON: And that would
be part of the packet that I was talking about
earlier is kind of give the KRA Board a better
synopsis of who are our fee payors, what are these
seventy entities that are paying this river fee and
who is paying what and it would give you an idea.

I know there is some concern
of, well, if you let this group out, then. So,
there’s a lot of things to talk about other than
just them, but I could begin the process of pulling
that information together and take it up a little
more earnestly in November.

MR. ROGERS: I would like to
see it more from the perspective not necessarily
from the golf courses but just as a general overview
of our income, what are we drawing on, what are we getting, who is paying what.

MR. WELLS: I think that’s what you said you were going to do, wasn’t it?

MR. HAMILTON: Yes, and I mentioned mainly golf courses but I can break it down into “x” amount from rock quarries, “x” amount from distilleries, not many. It’s mostly water utilities and then there’s Fish & Wildlife.

So, I will go ahead and I’ll put together some information. As that November meeting starts getting closer, we can maybe have some dialogue and take it up then.

I think that’s all I have.

CHAIRMAN FLYNN: Anybody have any questions for David?

MR. HAMILTON: Again, thank you for the opportunity. I really appreciate it and the vote of confidence and allowing me to come in as Director.

CHAIRMAN FLYNN: Thank you, David. We appreciate the report.

I’ve got a few things that I will mention. Our meeting in November I think is scheduled on a holiday. Our next regular meeting,
if I’m not mistaken is Veteran’s Day. That was the scheduled date. So, I know that all State offices and others will be down for that day. So, we will need to look at a rescheduled date for that meeting. Am I right, David? Was it the 11th?

MR. HAMILTON: It was on that Monday. So, we’ll have to look. Is everybody okay with bumping it a day to that Tuesday? Will that be okay with the Board?

And if that’s the pleasure of the Board, then, that’s the way we will move forward and we’ll just schedule it on that date and try to have a quorum. We’ll have Sue to prepare that way.

MR. WELLS: Are you saying it will be on the 11th?

MR. HAMILTON: It was originally scheduled for the holiday that was the 11th.

MS. ELLISTON: It was November 12th.

MR. HAMILTON: It was scheduled for that date but the State is closed. So, we’re going to move it to Tuesday.

MR. WELLS: Tuesday, the 13th?

CHAIRMAN WELL: Yes, sir. I
apologize for that. So, that’s one item.

And, then, I do want to thank David. He has been working very hard since his hire date and pushing forward.

And I want to thank Sue during the interim as well. She communicated with me pretty much on a daily basis about the needs and the things that we’re going on there and helped me out a lot. It took both of us to do a lot of things, mainly her and I want to thank her for the assistance that she provided to me during that time as well.

And Bobby is in the room. I don’t know if you’ve met Bobby. Bobby is our head lockmaster for those of you that are new appointees to the Board and Bobby is a very integral part of the staff here and he’s very valuable and I appreciate the work that he does and the things that he does.

Every time I’ve been onsite somewhere, Bobby has been there and he’s doing the job that I’m sure a lot of us wouldn’t like to do at the times that we don’t like to do it and he works those hours that nobody else wants to work.

So, Bobby, I appreciate what
you do and the things that you do otherwise.

    The last thing is I think,

Board Member Stephens, did you send something that we ought to do as a Board, the oath that this Board should take?

    It’s something that’s in the statute, and I didn’t know how you wanted to handle it. I want to make sure that your request is brought before the group and as a Board do the oath.

MR. STEPHENS: What came up, when I had come in to the first meeting, I was about five minutes late. And, so, I didn’t know if anybody had been sworn.

    And, candidly, it didn’t cross my mind, but all the boards I’ve sat on, normally we go through this process of the oath, the swearing thou has not committed a duel or served as a second, whatever, but it is a formal requirement under state law.

    So, the risk is thus that if we haven’t been doing that, Board action going back that time is not valid.

    So, I’m not qualified to give you an answer on it, but I think maybe Finance legal needs to take a look at that. And if so, we’re
going to have to do some corrective action.

CHAIRMAN FLYNN: Okay. Well, I definitely appreciate you bringing that to our attention. It’s something that we need to be doing.

MS. HILL: Their response was, Chair, that we did need to be sworn in.

CHAIRMAN FLYNN: Okay.

MR. STEPHENS: So, that’s part of a much bigger discussion, like going back in time and ascertaining how long that--I mean, here, can you all identify who was sworn? Has anybody taken an oath?

MR. WELLS: Are you saying sworn to this Board or sworn as----

MR. STEPHENS: There’s an oath you have to take under state law and the State Constitution.

MR. WELLS: For this Board.

MR. STEPHENS: For this Board, yes.

MS. HILL: And it’s similar to what you took for office.

CHAIRMAN FLYNN: It would be just like office, notary public or anything that you do. They ask you all those questions and you’re
certified under that.

MR. STEPHENS: I would move that maybe we get a position from Finance legal or whoever gives us advice and let them opine on it because, if so, it might even be something we need to come in and have a special meeting to ascertain because, candidly, I don’t know that there’s any authority to do anything at this point if nobody has been sworn on here.

In fact, the motion I’m making has no validity.

CHAIRMAN FLYNN: I don’t know where to go from there. So, I don’t have any authority to do anything. Okay. David, if you will work and try to inquire through the Finance Cabinet the legality there and see what we need to do as Board members.

And I’d say Ms. Melinda will work with you on that, too, and try to help get you in the right direction on what we need to do.

Anything that I’m missing?

MR. ROGERS: David, there was one attachment on the email, the Corps of Engineers’ letter.

MR. HAMILTON: Yes. That is
kind of a culmination of the effort that we started several years ago to try to get ownership of Locks 1 through 4. I know that was a big push when Jerry was here.

They finally did fund a disposition study. Anytime the Corps wants to get rid of property, they study it pretty intensely.

So, that was presented to the Transportation something committee on Friday. If that gets approved, that will become part of the Water Resources Development Act which is a big part of what the Corps of Engineers does for their fiscal year.

The way it’s stated in there, if it becomes part of WRDA, then, they are proposing to dispose of those properties as federal properties and turn them over to the Commonwealth of Kentucky for the benefit of the Kentucky River Authority and that would be through the use of special legislation that the federal government would create.

Typically, when the federal government gets rid of property, there’s a certain process they have to go through. They have to offer it up to other federal agencies.

If they don’t have any federal
agencies to take it over like US Fish and Wildlife or US Parks, then, they turn it over to the state. So, with special legislation, it would be a direct transfer.

I did not hear how that went Friday but that would be the process if that gets approved.

Again, for the new folks, we, the Commonwealth, owns Locks and Dams 5 through 14. We operate Locks 1 through 4 under a 25-year lease agreement which is probably in the year thirteen or twelve or so.

The main gist of taking ownership, obviously you spend a lot of money on these properties which we’ve already done. We’ve done complete renovation of Dam 3 and the renovation of Locks 1 through 4. We’d certainly like to own the properties when you’re expending that much money to upkeep them.

The benefit of having the Corps own them, the days I believe of the Corps or the federal government spending funds on the locks and dams are not coming back anytime soon. So, there is not any benefit that I see of them retaining ownership and us just continuing to
operate under a lease agreement.

So, that’s what that was about.

CHAIRMAN FLYNN: One other thing. In September, at the end of this month, we have three appointments for the Board that are coming up.

I do want to thank Judge Wells, Mayor Rainwater and Rodney Simpson. Those are the three appointments. I have no idea how the appointment process will go.

So, some chance we don’t see you at the next Board meeting, I definitely want to thank you for your service on this Board.

When I was appointed to this Board, all three of you were already on here and provided a lot of guidance and help. So, I do want to thank you for your service and what you have offered to this Board and the people that utilize the river.

I don’t know if any of you want to make any comments or not.

All right. With that, no executive session to discuss today.

I’ll take a motion to adjourn
MR. WELLS: So moved.

MR. SANDERS: Second.

CHAIRMAN FLYNN: Motion and a second. All in favor, aye. Thank you.

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 17th day of September, 2018.

_____________________
Notary Public
State of Kentucky at Large