



Commonwealth of Kentucky
Finance and Administration Cabinet
OFFICE OF THE SECRETARY
Room 383, Capitol Annex
702 Capital Avenue
Frankfort, KY 40601-3462
(502) 564-4240
Fax (502) 564-6785

Matthew G. Bevin
Governor

William M. Landrum III
Secretary

June 28, 2018

The Honorable Stan Humphries, Co-Chairman
The Honorable Larry Brown, Co-Chairman
Capital Projects and Bond Oversight Committee
Legislative Research Commission
Frankfort, Kentucky 40601

Dear Senator Humphries, Representative Brown, and Members of the Capital Projects and Bond Oversight Committee:

Pursuant to 2016 Ky. Acts ch. 149, Section 1., Part I, A., 32., (1), I hereby certify that the amount of General Fund moneys appropriated to the Finance and Administration Cabinet for debt service in fiscal year 2017-2018 that are not needed to satisfy debt service obligations is \$45,733,126.54. Of this amount, \$22,753,775.05 is hereby made available to the Kentucky Communications Network Authority to support availability payments required by the Authority's public-private partnership contract. The remainder will lapse to the General Fund pursuant to KRS 48.720.

Sincerely,

for: [Signature] Deputy Secretary
William M. Landrum III
Secretary

SENATE MEMBERS

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LEGISLATIVE RESEARCH COMMISSION

State Capitol 700 Capitol Avenue Frankfort KY 40601

502-564-8100

Capitol Fax 502-564-2922

Annex Fax 502-564-6543

lrc.ky.gov

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June 22, 2018

William M. Landrum III, Secretary
Finance and Administration Cabinet
Room 383, Capitol Annex
702 Capital Avenue
Frankfort, Kentucky 40601

Dear Secretary Landrum:

Pursuant to KRS 45.800, this letter is to notify you that the Capital Projects and Bond Oversight Committee, at its June 19, 2018 meeting, did not approve two loans and a loan increase submitted by the Kentucky Infrastructure Authority (KIA), through the Office of Financial Management (OFM), for two broadband projects as follows:

- Hopkinsville Electric System's (HES) Fiber to Home (Phase 2) - \$1.8 million Infrastructure Revolving Fund Program (Fund B/B18-009) loan and \$2.5 million Governmental Agencies Program (Fund C/C18-008) loan
- MuniNet Fiber Agency's Project 2 (Completed) - \$514,000 Fund C (C12-01) loan increase

If you or representatives of KIA would like to discuss the proposed loans and loan increase further with the committee, then time will be made available at our next meeting, scheduled for July 18 at 1:00 p.m. in Room 169 of the Capitol Annex. Please be advised that this invitation does not guarantee committee approval.

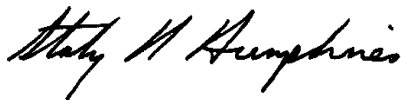
With respect to HES's project, clarification of KIA's projections of the residential broadband customers within Hopkinsville's city limits switching to HES from its competitors, such as the competitors' offered Mbps within the project area, may address the objections of committee members.

Secretary Landrum
June 22, 2018
Page Two

With respect to MuniNet's project, detail of MuniNet's infrastructure services to be provided to KentuckyWired may address the objections of committee members.

If you have any questions, then please contact Katherine Halloran, Committee Staff Administrator, (502) 564-8100, extension 352.

Sincerely,



Senator Stan Humphries, Co-Chair
Capital Projects and Bond Oversight
Committee

Sincerely,



Representative Larry Brown, Co-Chair
Capital Projects and Bond Oversight
Committee

cc: Members, Capital Projects and Bond Oversight Committee
Mark D. Bunning, Deputy Secretary, Finance and Administration Cabinet
Melinda M. Hill, Chief of Staff, Finance and Administration Cabinet
Judy Piazza, Director, Office of Legislative and Intergovernmental Affairs
Ryan Barrow, Executive Director, Office of Financial Management
Sandy Dunahoo, Commissioner, Department for Local Government
Donna McNeil, Executive Director, Kentucky Infrastructure Authority



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Donna McNeil
Executive Director

July 3, 2018

Senator Stan Humphries, Co-Chair
Representative Larry Brown, Co-Chair
Capital Projects and Bond Oversight Committee
Legislative Research Commission
State Capitol
700 Capitol Avenue
Frankfort, KY 40601

RE: Hopkinsville Electric System's (HES) Fiber to Home (Phase 2) - \$1.8 million Infrastructure Revolving Fund Program (Fund B/B18-009) loan and \$2.5 million Governmental Agencies Program (Fund C/C18-008) loan; MuniNet Fiber Agency's Project 2 (Completed) - \$514,000 Fund C (C12-01) loan increase not approved at June 19, 2018 CPBOC meeting

Dear Senator Humphries and Representative Brown:

This letter is to advise you that the Kentucky Infrastructure Authority (KIA) plans to submit the subject projects for reconsideration at the July 18 meeting of the Committee. The information below is intended to address the Committee's concerns.

HES – clarification of KIA's projections of the residential broadband customers within Hopkinsville's city limits switching to HES from its competitors, such as the competitors' offered Mbps within the project area, may address the objections of committee members.

Response - In 1997, high speed internet was not available. Businesses were paying over \$3,000 per month for T-1 (1.5 Mbps) from the local telephone provider. Residential internet was mainly by dial-up modem service. HES began providing internet services in 1999. Businesses were charged \$350 for T-1 service. HES has expanded during the last 20 years to service the City of Hopkinsville as well as other areas in Christian, Trigg and Todd counties. Many of the customers have no other options for internet service.

Most, if not all, of the service area of the proposed project has access to internet services either through HES or other providers but is considered underserved. There are 3,600 potential residential customers. HES projects obtaining 900 new customers in this area. HES has stated that potential customers call daily looking for service, their primary complaints being slow speed and lack of customer service.

Senator Stan Humphries, Co-Chair
Representative Larry Brown, Co-Chair
July 3, 2018
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HES will be able to provide up to gigabit speed with voice services. Speeds and pricing vary for HES and their competitors internet services. The two primary providers are AT&T and Spectrum. Their connection medium for services are copper/DSL or coax cable. The advertised speeds are up to 50meg with a rate of \$40 to \$50 plus.

MuniNet Fiber Agency - detail of MuniNet's infrastructure services to be provided to Kentucky Wired may address the objections of committee members.

Response - MuniNet consists of seven municipal systems that also provide electric service. The cities joined together to form a regional provider that purchases bulk bandwidth from Tier 1 providers.

MuniNet has completed construction for a fiber network built along part of the path of the proposed Kentucky Wired infrastructure. Kentucky Wired will purchase an Indefeasible Right of Use (IRU) that will allow them to utilize MuniNet's lines and will thus avoid construction of duplicate infrastructure. The IRU contract has a 30 year term.

MuniNet serves two banks, the Graves and Marshall county schools, Marshall county libraries, Murray State University, Murray Calloway County Hospital, CIS Telecom Group (13 customers), Dialog Telecommunications (93 customers), e-Tel, LLC (35 customers), Paducah Power System (8 customers), System Solutions (4 customers) and Windstream (4 customers). Kentucky Wired will be one of MuniNet's customers.

If you have any additional questions or wish to discuss further, please feel free to contact me at 502-892-3496 or Donna.McNeil@KY.gov.

Sincerely,



Donna McNeil
Executive Director

JA

cc: Members, Capital Projects and Bond Oversight Committee
Mark D. Bunning, Deputy Secretary, Finance and Administration Cabinet
Melinda M. Hill, Chief of Staff, Finance and Administration Cabinet
Judy Piazza, Director, Office of Legislative and Intergovernmental Affairs
Ryan Barrow, Executive Director, Office of Financial Management
Sandra K. Dunahoo, Commissioner, Department for Local Government