

## **INFORMATION ITEM**

### Follow-up correspondence from the Kentucky Communications Network Authority (KCNA)

The June 23, 2021 Capital Planning Advisory Board meeting included discussion of the KCNA six-year capital plan and KentuckyWired. Several questions requiring additional follow-up were asked in regard to KentuckyWired.

The attached email correspondence is submitted from Mr. Doug Hendrix, KCNA General Counsel, in response to the questions asked at the June meeting.

**BOARD ACTION:** Information only. No action is required.

**From:** Hendrix, Doug (KCNA) <Doug.Hendrix@ky.gov>  
**Sent:** Monday, July 12, 2021 11:58 AM  
**To:** Bowen, Shawn (LRC)  
**Cc:** Hayden, Mike (KCNA); Murphy, Steve (KCNA); Powers, Mitchell G (KCNA)  
**Subject:** RE: Capital Planning meeting - Follow-up Request  
**Attachments:** Construction Spend Summary.xlsx

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Shawn,

Below are KCNA's responses to the Board members' questions.

1. What was the original cost estimate for the first mile?

***KCNA response:***

<i>Construction Spending Through June 2021</i>		
	<i>Paid to/for</i>	
	<i>Design Build LLC</i>	<i>\$251,792,000</i>
	<i>Project 3rd Parties</i>	<i>28,934,500</i>
	<i>2018 settlement</i>	<i>93,000,000</i>
	<i>MuniNet and Gap</i>	<i>10,839,300</i>
	<i>Designated Equipment</i>	<i>25,330,500</i>
	<b><i>Total</i></b>	<b><i>\$409,896,300</i></b>

KentuckyWired Operations Co. (KWOC) is the prime contractor for construction of the network. Design Build LLC is KWOC's subcontractor. This category and cost is for construction of most of the network, with the exception of areas constructed by "Project 3rd Parties" and the "Gap".

"Project 3rd Parties" are local companies the Commonwealth contracted with directly to construct and maintain portions of the network. The "Project 3rd Parties" include: Cincinnati Bell Telephone; Brandenburg Telephone; East Kentucky Network; Bluegrass Network; Owensboro Municipal; MuniNet; and Gibson Electric. The Commonwealth reached tentative agreements with Cincinnati Bell and MuniNet before signing the contract with KWOC in 2015 but finalized those agreements later. The agreements with the other 3rd parties were negotiated and finalized after signing the contract in 2015.

"2018 settlement" was an agreement reached by the Bevin administration with KWOC and Design Build LLC to resolve 207 outstanding claims (known as "Supervening Events") made by them relating to construction issues. This settlement resolved these Supervening Events, adjusted the construction schedule, amended the contracts to reduce the Commonwealth's risk and increased the speed of the construction.

"MuniNet and Gap" is the cost for construction of portions of the network in western Kentucky. After the Commonwealth signed the contracts with KWOC, MuniNet backed away from the scope originally envisioned in the initial discussions, thereby creating a "gap" in construction for western Kentucky. It fell to the Commonwealth to hire contractors to complete construction of the Gap. The Commonwealth awarded a contract to Fishel to perform this construction.

2. How much are the payments for settlements? ***The Commonwealth paid the contractors \$93 million in the 2018 settlement.***
3. How much have agencies not spent because they transferred to KentuckyWired? ***State agencies pay the same price for internet services with KentuckyWired as they paid for internet services from for-profit companies. However, the agencies receive approximately five (5) times the bandwidth for the same price, resulting in more effective delivery of services to the Commonwealth's citizens.***