

February 7, 2017

A Special Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at Farmers Bank & Capital Trust, located at 125 W. Main Street, Frankfort, Kentucky, on Tuesday, February 7, 2017 at 5:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Walt Baldwin, Board Vice Chair
Anna Marie Pavlik Rosen, Board Member
John Cubine, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
Hance Price, Staff Attorney/Asst. GM Administration
John Higginbotham, Asst. GM Cable/Telecommunications
David Denton, Finance Director
Adam Hellard, Broadband/Security Manager
Harvey Couch, Marketing and Video Coordinator
Casey Jones, IT Director
Ryan Henry, Asst IT Director
Zach Hubbard, Cable 10 Videographer
Jeremy Blackburn, Cable 10 Videographer
William Lynn, Executive Assistant
Rosalind Essig, State Journal
Paula Moore, Customer
Ken Ryder, Customer
Shelly Spillman, Customer

AGENDA

The Agenda for the Board Meeting was received and entered into the Minute Book as follows:

February 7, 2017 SPECIAL BOARD MEETING AGENDA

1. **Conduct Public Hearing Regarding:** (1) Increasing rate for Classic Cable service, (2) Increasing rate for Bulk cable I and Bulk cable II; (3) Reducing rate for HBO, (4) Changing names and speeds for High Speed Internet Offerings.

BOARD ACTION

Mr. Ludwig called the meeting to order at 5:00 p.m. Mr. Lynn noted four (4) board members in attendance and Dr. Green absent. Mr. Ludwig stated the reason for the public hearing was regarding increasing rate for Classic Cable service, increasing the rate for Bulk Cable I and Bulk Cable II, reducing the rate for HBO, and changing the names and High Speed Internet Offerings. Mr. Ludwig turned the meeting over to vice chair Walt Baldwin.

1. **Conduct Public Hearing Regarding:** (1) Increasing rate for Classic Cable service, (2) Increasing rate for Bulk cable I and Bulk cable II; (3) Reducing rate for HBO, (4) Changing names and speeds for High Speed Internet Offerings.

Mr. Baldwin called the public hearing to order.

This Hearing will now come to order. My name is Walt Baldwin. I will be conducting this Public Hearing. With me today are the Board Members and Staff of the Frankfort Electric and Water Plant Board. We are here to receive comments regarding the following: 1) Increasing rate for Classic Cable service, (2) Increasing rate for Bulk cable I and Bulk cable II; (3) Reducing rate for HBO, (4) Changing names and

speeds for High Speed Internet Offerings. This Public Hearing was advertised in accordance with the Regulations for Public Notification and appeared on Sunday, January 29, 2017 in The State Journal newspaper.

We have asked that you register if you request to speak. If you have not already done so, please register with the Secretary so that we will have a record of those in attendance and wishing to speak today.

A brief statement about the conduct of this Public Hearing is in order. This Hearing will be conducted informally. This Hearing is being conducted voluntarily by the Frankfort Electric & Water Plant Board in order to accept comments on the above items. Formal rules of evidence will not apply. Both oral and written comments will be accepted. Any and all persons present who wish to make a statement will be afforded an opportunity to do so. If you have a written statement to accompany your oral presentation, a copy of the written statement should be provided to me prior to your presentation. If you have a lengthy statement, I ask that you summarize your comments. Oral presentations should be limited to no more than 3 minutes. If necessary, I may interrupt and request the presentation to be completed due to this time limit. I may ask questions of any person presenting oral comments where it is necessary to clarify the nature or substance of the comments.

The reasons for conducting the Hearing by these rules are so that we can collect information, especially information that the Board has not previously considered, and take it under review.

The Board may not answer questions because we do not want to make hasty judgments on specific issues that are brought out if technical in nature. This is especially true since different points of view may come up during the course of the hearing from different speakers. It is the job of the Board to fairly consider these points of view and information as part of the setting. We do want public input and involvement and I hope you do not find our standard procedures restrictive.

The oral comment period for this Hearing will end at the close of business on February 20, 2017. Written comments received on or before February 20, 2017, will be accepted and considered.

Before we open the floor for comments, John Higginbotham and Harvey Couch will provide a summary.

Mr. Higginbotham proposed that all questions during the meeting be collected and answered at the same time in one document by close of business Friday, February 10, 2017. Then each additional question collected through February 20th be added to the document and resent. Mr. Baldwin suggested having a living document on FPB's website.

Mr. Higginbotham then reiterated the necessity for the increases. He stated that staff recommended increasing Classic Cable to \$63.50 from \$60.15, Bulk I to \$11.80 from \$11.10, and Bulk II to \$20.57 from 19.5. Mr. Higginbotham also proposed decreasing HBO from \$20.00 to \$18.50. All rates would be effective March 1, 2017. Mr. Cubine clarified that none of the increases were being retained by FPB, and that the increase was necessary due to increases from the network providers.

Mr. Couch recommended leaving all the current pricing the same for the existing broadband tiers, changing 30 Mbps to 50 Mbps, the upload speed for 20 Mbps to 3 Mbps from 2 Mbps, and the upload speed for the 50 Mbps to 5 Mbps from 3 Mbps. Mr. Couch proposed adding a fifth tier of 100 Mbps with the upload speed of 10 mbps. The pricing would be \$80 for residential customers and \$172 for business customers. Mr. Couch proposed changing the names of the tiers to Lite, Standard, Ultra, and Elite respectively.

Ms. Rosen asked if there were any channels that had been offered to FPB that had not been added to the schedule. Mr. Couch stated that he believed no channels had been offered that did not include adding additional expense. Mr. Baldwin asked to

clarify if there were any channels that could be added without any cost. Mr. Couch and Mr. Higginbotham stated they would double check to make sure there were no additional channels offered that FPB could add without occurring any additional costs. Mr. Higginbotham advised that usually additional equipment purchases were necessary in order to add additional channels.

Mr. Baldwin asked if there were any public comments.

Two (2) customers registered to address the Board: Paula Moore, and Ken Rider.

Paula Moore started by saying she was a longtime resident of Frankfort and Franklin County, and made her decision to live where she could receive FPB services. She stated she understood the need for increases, but felt Classic Package customer should not incur increases based on sports programming alone. Ms. Moore stated there are currently 12 full time sports channels on the Classic lineup, not including the sports channels on other packages. She proposed to carve out the sports channels and have a sports tier, allowing customers who are interested in sports to purchase them. She noted the rise of online programming and would have already joined them if should could get both Lexington and Louisville stations.

Ken Rider started by saying he had been a Frankfort resident for 30 years. He was concerned about the AMC increase of \$6 and that FPB stated they would add more channels. However, none of the additional channels were in HD. He was concerned about not getting the best value possible. He asked if FPB were losing subscribers due to the rate increases. He stated Frankfort was dominate State Government employees and they had not had a raise in years. Mr. Rider asked if losing subscribers would then effect Net Income and about possibly cutting some channels. He addressed Mr. Higginbotham about NBC Universal channels and if the increases were based solely on NBC channels to possibly consider cutting those channels. Mr. Rider also stated possibly cutting the Louisville channels, and asked to consider adding Paducah or Bowling Green channels.

Mr. Baldwin asked if Mr. Higginbotham would like to comment on the concerns of the customers before concluding the hearing.

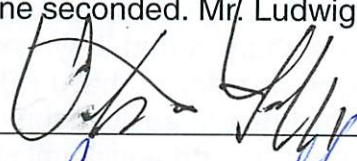
Mr. Higginbotham stated that the vast majority of FPB contracts are made through a Cooperative. He advised that the cooperative was made up of smaller cable providers, about 850 members around the country, totaling about 22-23 Million subscribers. He noted that the programming agreements from the network providers dictate the structure of the cable packages. He stated there were only eight or nine providers which own about 90% of the market. He explained that FPB receives ESPN, Disney, and ABC all as one agreement. In order to add Disney, FPB is required to add ESPN, ESPN2, ESPNU, and ESPN News to its most subscribed to service package. He stated that the agreements for the other major networks were structured the same manner.

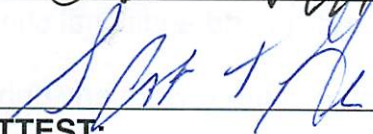
Mr. Higginbotham also stated that the agreements for both Louisville and Lexington stations were due up for renewal at the end of the year, and FPB will be asking customers for their input on whether they would like to keep both Lexington and Louisville because the cost for those channels would be even more expensive than they were currently. He also stated that legally, FPB can only provide local channels from Lexington or Louisville, and FPB was not allowed to provide local channels from other areas.

Mr. Baldwin asked if there were any more public comments.

With no additional customer comments on these items, Mr. Baldwin concluded the public hearing.

Mr. Baldwin moved to adjourn. Mr. Cubine seconded. Mr. Ludwig called for the vote and the motion passed unanimously.





ATTEST: