

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF LOGAN TELEPHONE |) | |
| COOPERATIVE, INC. FOR A CERTIFICATE OF |) | |
| PUBLIC CONVENIENCE AND NECESSITY FOR |) | CASE NO. |
| THE CONSTRUCTION OF FIBER-TO-THE- |) | 2014-00168 |
| PREMISES IN A PORTION OF LOGAN COUNTY, |) | |
| KENTUCKY |) | |

ORDER

On May 21, 2014, Logan Telephone Cooperative, Inc. (“Logan”) filed an application seeking a Certificate of Public Convenience and Necessity (“CPCN”) for the construction and deployment of a Fiber-to-the-Premises (“FTTP”) network in a portion of Logan’s telecommunications network.¹ Logan is a non-profit membership cooperative corporation with its main office in Auburn, Logan County, Kentucky. Logan provides telephone service to subscribers in portions of Butler, Logan, Muhlenberg, Ohio, Simpson, Todd, and Warren counties in Kentucky.

Description of Proposed Construction

Logan states that the purpose of the new construction is to deploy an FTTP network in and around an area referred to as Chandlers in Logan County, Kentucky. The area where the proposed construction will take place is currently served by copper cable coming from a number of remote sites. As part of its proposed construction,

¹ The instant application is a continuation of similar FTTP projects planned throughout Logan’s system as previously approved in Case No. 2014-00059, Application of Logan Telephone Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of Fiber-to-the-Premises, (Ky. PSC Mar. 24, 2014); and pending in Case No. 2014-00153, Application of Logan Telephone Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of Fiber-to-the-Premises (Ky. PSC filed Apr. 25, 2014).

Logan plans to place fiber optic cable between a new electronics site to be located within the compound of an existing Bluegrass Cellular tower site and each premises requesting enhanced broadband service along the proposed construction route. Logan projects the proposed construction will be able to provide enhanced service to an additional 508 customer locations and will initially provide customers with service of up to 100 megabits per second. All fiber optic cable will be direct buried.²

Logan states in its application that current subscribers are requesting higher-speed broadband services than are currently available through the existing copper and fiber hybrid network. Logan further indicates that the deployment of the proposed FTTP network is necessary due to the current demand for increased broadband speed, along with the projected demand for increasingly higher speeds in the future.

Logan asserts that the advanced services made available through its proposed construction are critical to long-term economic growth. Additionally, Logan asserts that these services may create new opportunities in employment, education, health care, and entrepreneurship. Logan also states that the proposed construction could improve quality of life for its subscribers through increased work-from-home opportunities, entertainment services, cloud-computing capabilities, and other offerings that require very high-speed broadband service that is available only through FTTP networks such as that proposed by Logan in its application. There are no other competitive fixed broadband service providers currently providing service in the proposed construction area, and there are no other companies providing basic telephone service throughout Logan's service area.

² While this project will not use financing through the Rural Utilities Service ("RUS"), Logan states that the construction will be performed under RUS specifications for direct buried plant and customer premises cable.

The total estimated cost of the proposed construction is \$4,120,127. Logan plans to finance the proposed construction, engineering, and electronics costs through the use of existing capital assets. Logan asserts that the utility currently has sufficient funds available to meet the financial requirement of this project. Logan estimates that the annual cost of operations in areas where the FTTP network will be deployed will significantly decline as a result of the proposed construction.³ Logan does not anticipate requiring any local rate adjustments as a result of the new construction.

Discussion and Findings

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance Logan's ability to maintain its facilities and provide service to customers. However, the planned construction is extensive, with substantial costs, and is designed primarily for Logan to support services that may be beyond the jurisdiction of the Commission.⁴ The Commission recognizes that the General Assembly has found that the provision of broadband and other state-of-the-art telecommunications technologies are an "essential element to the Commonwealth's initiative to improve the lives of Kentucky citizens. . . ."⁵ Nevertheless,

³ Though a specific estimated savings was not provided, Logan cites a study by the FTTP Council which reports an estimated 20 percent savings in operational costs due to active FTTP deployment.

⁴ KRS 278.5462 provides, in part, that the provision of broadband services is not subject to Commission regulation. However, the Commission retains authority to investigate and resolve complaints stemming from broadband service and has the authority to arbitrate and enforce interconnection agreements. Interconnection agreements may include provisions related to remote terminals and central office facilities which may incorporate broadband services.

⁵ KRS 278.546(1).

the Commission remains obligated to ensure that Logan's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.⁶ Logan should carefully account for the costs associated with the construction of these facilities, and properly allocate those costs to jurisdictional and non-jurisdictional services, respectively.⁷

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Logan should be authorized to proceed with the proposed construction as set forth in its application and described herein.

IT IS THEREFORE ORDERED that:

1. Logan is granted a Certificate of Public Convenience and Necessity to construct new facilities as set forth in its application and as described in this order.

2. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, Logan shall immediately notify the Commission in writing of the adjustment and include an explanation of the additional costs for the Commission's approval.

3. As provided for in this Order, Logan shall maintain records that clearly and sufficiently document the proper allocation of costs for jurisdictional and non-jurisdictional services provided as a result of this construction project.

4. Any documents filed pursuant to ordering paragraph 2 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

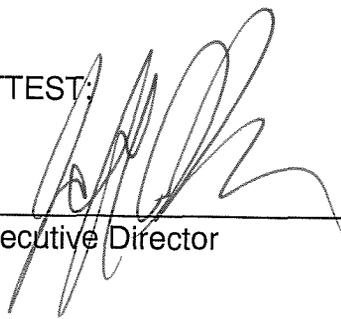
⁶ KRS 278.542(1)(n).

⁷ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

By the Commission

ENTERED ⁴↑
JUN 13 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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