

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH CENTRAL	)	
TELEPHONE COOPERATIVE, INC. FOR A	)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	2015-00409
NECESSITY FOR THE CONSTRUCTION OF	)	
FIBER-TO-THE-PREMISE IN ALLEN COUNTY,	)	
KENTUCKY, MOUNT UNION REMOTE SERVING	)	
AREA	)	

ORDER

On December 9, 2015, North Central Telephone Cooperative Corporation, Inc. ("North Central") filed an application seeking a Certificate of Public Convenience and Necessity ("CPCN") to construct and upgrade telecommunications facilities within its certified operating territory.<sup>1</sup> The proposed construction consists of the deployment of a Fiber-to-the-Premises ("FTTP") network with the ability to achieve broadband data speeds of up to one gigabit per second (Gbps) for 475 potential subscribers in a portion of the Scottsville Rural Exchange served exclusively from the Mount Union Remote Serving Area located in the southern portion of Allen County, Kentucky.

North Central was established in 1951 as a non-profit cooperative based in Lafayette, Tennessee, to provide local telephone service to business and individual customers within various exchanges of Kentucky and Tennessee. North Central is a rural incumbent local exchange carrier serving approximately 4,235 residential and 435

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<sup>1</sup> The application was amended to correct certain transcription errors on January 25, 2016.

business lines in Allen County, Kentucky, and an additional 10,822 residential and 2,044 business lines in Tennessee.<sup>2</sup>

#### Description of Proposed Construction

North Central states that the proposed construction is part of a Kentucky Regional Fiber Project that will, upon completion, significantly expand minimally acceptable broadband service levels to approximately 475 subscribers, the majority of which are limited to broadband speeds well below the Federal Communications Commission's ("FCC") defined rate of 25 megabit per second ("Mbps") for downloads and 3 Mbps for uploads while some affected customers continue to rely on dial-up services to access the internet.<sup>3</sup> The proposed improvements will replace existing copper facilities that are at or beyond their useful life with new outside plant, equipment and facilities for an FTTP architecture capable of supporting broadband speeds up to 1 Gbps. The new facilities will consist of approximately 74 miles of FTTP facilities, including the necessary electronic equipment and fiber optic cable extending from the existing Mount Union remote central office to each premises in the targeted portion of the Scottsville Rural exchange. The FTTP project will be deployed over approximately seven months. Customers will be migrated to the new facilities initially as customer demands require, and then as warranted by business considerations, including costs and maintenance issues.

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<sup>2</sup> North Central's Annual Report for calendar year ended December 31, 2014.

<sup>3</sup> FCC 2015 Broadband Progress Report, p. 3 at paragraph 3, available from [https://apps.fcc.gov/edocs\\_public/attachmatch/FCC-15-10A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/FCC-15-10A1.pdf).

The proposed construction project is estimated to cost a total of \$2,143,555<sup>4</sup> and will be funded through an existing Department of Agriculture Rural Utilities Service loan arrangement, Tennessee V-545. The loan arrangement was approved on September 11, 2011, with a remaining term through December 31, 2025, and an interest rate and repayment schedule determined by the Federal Financing Bank Act.<sup>5</sup> North Central states that it does not anticipate any rate adjustments associated with the proposed project.

#### Discussion and Findings

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance North Central'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 North Central to support services that may be beyond the jurisdiction of the Commission.<sup>6</sup> 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

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<sup>4</sup> Attachment A to the amended application appears to erroneously calculate the total costs of the project to be \$2,093,555; however, based on the specific cost estimates provided, the actual total estimated costs should be:

Outside Plant	\$1,553,145
Central Office/Electronic Equipment	\$ 202,410
Engineering	<u>\$ 388,000</u>
TOTAL	\$2,143,555

<sup>5</sup> Pursuant to KRS 278.300(10), indebtedness incurred that is subject to the supervision or control of the federal government or any agency thereof is exempt from approval of the Commission.

<sup>6</sup> 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.

Commonwealth's initiative to improve the lives of Kentucky citizens. . . ."<sup>7</sup> Nevertheless, the Commission remains obligated to ensure that North Central's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.<sup>8</sup> North Central 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.<sup>9</sup>

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

IT IS THEREFORE ORDERED that:

1. North Central 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, North Central 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, North Central 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.

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<sup>7</sup> KRS 278.546(1).

<sup>8</sup> KRS 278.542(1)(n).

<sup>9</sup> The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

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.

By the Commission

ENTERED  
FEB 22 2016  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

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