

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF
THE APPLICATION OF:

SOUTH CENTRAL RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.,
GLASGOW, KENTUCKY 42141

I. FOR AN ORDER APPROVING AND AUTHORIZING
IT TO BORROW \$10,710,000.00 FROM THE RURAL
ELECTRIC AND TELEPHONE REVOLVING FUND AND
ISSUE ITS NOTE AND MORTGAGE OR OTHER SECURITY
INSTRUMENTS TO SECURE THE SAME.

II. FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY TO CONSTRUCT ADDITIONAL TELE-
PHONE LINES AND OTHER FACILITIES.

CASE NO. 8620

O R D E R

On August 10, 1982, South Central Rural Telephone Cooperative Corporation, Inc., ("South Central") filed with the Commission its Application for the above-mentioned matters. More specifically, South Central requests authorization to borrow \$10,710,000 at an interest rate of 5 percent per annum, to be repaid over a 35-year period. The loan proceeds are to be used for providing service to 3,613 anticipated subscribers; replacing the Bonnieville, Buffalo, Canmer, Center, and Magnolia step offices with digital equipment; constructing 18 digital remote switches; upgrading the Cave City, Center, Hiseville, Horse Cave, Lucas, Summer Shade, and Temple Hill exchanges to all one-party services; and reimbursing general funds for \$50,218, for work orders completed as of June 30, 1982.

A hearing was held in Glasgow, Kentucky, on September 22, 1982, at which South Central, the Attorney General's Division of Consumer Protection, and members of the public participated.

This loan is one of a series, designed to modernize and upgrade South Central's facilities. \$720,781 of the loan proceeds would be used for construction and expenditures related to South Central's last loan authorization. Although South Central indicated that this loan, in and of itself, would not require a rate increase, it is expected that the entire modernization and construction program will require a rate increase by the first quarter of 1985.

In this proceeding questions have been raised about the appropriateness of the improvements program for which the money is to be borrowed. Those questions take on additional significance when it is borne in mind that South Central has perhaps the highest rate for basic local exchange telephone service in Kentucky. In spite of those questions, however, the Commission believes the improvements program should continue to completion. The Commission is of the opinion that to terminate the improvements program at this time would deny to perhaps 30 percent of South Central subscribers the upgraded service which 70 percent of South Central subscribers currently enjoy, and for which all subscribers are, and have been, paying higher rates. Moreover, in the very limited public comment which the Commission received in its recent public meeting in Glasgow, Kentucky, concerning this matter, several

South Central subscribers indicated considerable dissatisfaction with their current multi-party service.

A substantial portion of South Central's revenue requirement has been necessitated by unusually large extended area service ("EAS") complexes within its service area. Accordingly, the Commission, on its own motion, has established a separate proceeding (Case No. 8658), to investigate the feasibility of adjustments in the calling scope of South Central's EAS complexes as a means of reducing the revenue otherwise required to be paid by basic service subscribers.

The Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

(1) Public convenience and necessity require that such construction and system improvements as are proposed in the application and record be performed, and that a certificate of public convenience and necessity be granted; and,

(2) The proposed borrowing is for a lawful object within the corporate purposes of South Central, is necessary and appropriate for and consistent with the proper performance by South Central of its service to the public and will not impair its ability to perform that service, is reasonably necessary and appropriate for such purpose, and should be approved.

IT IS THEREFORE ORDERED that South Central Rural Telephone Cooperative Corporation, Inc., be and it hereby is granted a certificate of public convenience and necessity to proceed with

the proposed construction as set forth in the application and record.

IT IS FURTHER ORDERED that South Central Rural Telephone Cooperative Corporation, Inc., be and it hereby is authorized to borrow \$10,710,000 from the United States of America, acting through the administrator of the Rural Electrification Administration ("REA"), to be amortized over a period of 35 years at an interest rate of 5 percent per annum, and to execute and deliver to REA the necessary notes therefor.

IT IS FURTHER ORDERED that the proceeds from the borrowing authorized herein shall be used only for the lawful purposes as set out in the application and record.

Nothing contained herein shall be deemed a finding of value for any purpose nor construed as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 28th day of September, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Votz
Chairman

Katherine Bondall
Vice Chairman

Don Carrigan
Commissioner

ATTEST:

Secretary