

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUO COUNTY TELEPHONE)
COOPERATIVE CORPORATION, INC.)
JAMESTOWN, KENTUCKY 42629)

FOR)

AUTHORITY TO BORROW MONEY AND)
EXECUTE AND DELIVER NOTES)
EVIDENCING SAID INDEBTEDNESS AND)
A MORTGAGE SECURING THE SAME)

CASE NO. 8769

AND)

THE GRANTING OF A CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO)
CONSTRUCT AND INSTALL NEW)
TELEPHONE FACILITIES AND MAKE)
VARIOUS SYSTEM ADDITIONS AND)
IMPROVEMENTS TO ITS EXISTING)
TELEPHONE PLANT)

O R D E R

On February 7, 1983, Duo County Telephone Cooperative Corporation, Inc., ("Duo County") filed with the Commission its application for authorization to borrow \$3,785,450 from the United States of America, acting through the Rural Electrification Administration ("REA") and the Rural Telephone Bank ("RTB"). The proceeds of the proposed loans would be used to provide service to projected new subscribers and complete Duo County's service upgrade program. Duo County also requested a certificate of public convenience and necessity to construct new facilities.

DISCUSSION

Duo County, an REA borrower utility, serves subscribers by the operation of a four-exchange system located in South Central Kentucky. The Jamestown and Russell Springs exchanges are located primarily in Russell County, the Burkesville rural exchange is located in Cumberland County, and the Fairplay exchange serves a portion of Adair County. As of December 31, 1982, Duo County was providing telephone service in the four exchanges to 6,741 main line subscribers.

Duo County proposes to borrow \$2,348,000 from REA at an interest rate of 5 percent per annum, to be repaid over a 35-year period. An additional \$1,437,450 would be borrowed from RTB at an interest rate of 11.5 percent per annum, to be repaid over a 35-year period. Together the two loans total \$3,785,450 at a composite interest rate of 7.47 percent. Principal payments on both loans would begin 3 years after the date of the notes.

The proceeds of the proposed loans will be used to extend service to approximately 1,818 new subscribers from the base study date of December 31, 1981. The additional funds will also allow the upgrading of the Burkesville and Fairplay exchanges to all one-party service. Jamestown and Russell Springs, the two largest exchanges, were upgraded during prior construction projects. The proposed project will therefore place all of Duo County's subscribers on one-party lines at a flat rate regardless of location.

The Commission has previously approved the one-party rates for upgraded exchanges,¹ modified by subsequent tariff filings relating to the "unbundling" of access line and terminal equipment charges.

FINDINGS AND ORDER

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

(1) A public hearing is not required in this matter since questions related to the proposed construction program have been addressed in the written record, and Duo County has stated affirmatively in its application that the approval sought herein will not result in a request for a rate adjustment;

(2) 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

(3) Duo County's proposed indebtedness from REA and RTB is subject to the supervision and control of the federal government through its agent, REA. In West Kentucky R.E.C.C. v. Energy Regulatory Commission, issued November 12, 1982,

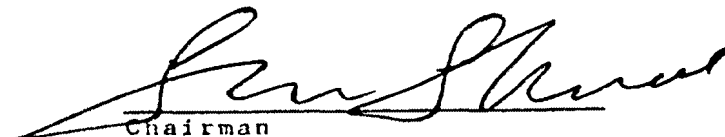
¹ Case No. 8153, In the Matter of Application of Duo County Telephone Cooperative Corporation, Inc. Jamestown, Kentucky 42629 for Authority to Implement an Adjustment in Its Uniform Subscriber Rates. Final Order Issued September 28, 1981.

the Franklin Circuit Court held that KRS 278.300(10) exempts utility borrowings from the REA from the regulatory authority of the Kentucky PSC. Accordingly, the Commission will take no action regarding the proposed loan.

IT IS THEREFORE ORDERED that Duo County 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.

Done at Frankfort, Kentucky, this 4th day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary