

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN RURAL)
TELEPHONE COOPERATIVE CORPORATION, INC.)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE) CASE NO. 10074
AND NECESSITY TO UPGRADE A PORTION OF)
CENTRAL OFFICE PLANT)

ORDER

On November 2, 1987, Mountain Rural Telephone Cooperative Corporation, Inc., ("Mountain Rural") filed its application for a Certificate of Public Convenience and Necessity to upgrade a portion of its central office plant. Mountain Rural proposed to upgrade the present X-Y step switching equipment in its Sandy Hook, Frenchburg, and Campton exchanges to digital switching equipment. The estimated cost of this conversion was \$1,389,031.

The Commission requested additional information by Order dated December 4, 1987. Mountain Rural filed its response on December 16, 1987.

DISCUSSION

Mountain Rural provides local exchange telephone service in parts of Wolfe, Bath, Menifee, Morgan, and Elliot counties in Kentucky. As of December 31, 1986, Mountain Rural had approximately 9800 access lines in seven exchanges: Sandy Hook, Frenchburg, Campton, West Liberty, Jephtha, Ezel, and Hazel Green. The West Liberty, Jephtha, Ezel and Hazel Green exchanges

presently have TRW Vidar digital switches. In Case No. 8771,¹ Mountain Rural received approval for the conversion of its Sandy Hook central office from step equipment to digital, for an estimated cost of \$775,400. This conversion has not been completed and Mountain Rural proposes to alter its plans and use a digital remote switch in the Sandy Hook exchange, rather than the originally planned digital stand-alone switch. This remote switch will be a satellite office hosted by a new digital switch co-located with the existing TRW Vidar switch in West Liberty. Mountain Rural also proposes to convert its last two step switches in Campton and Frenchburg to digital switching equipment. These two offices will become satellite offices hosted by the new switch in the West Liberty office. The difference in construction costs between Mountain Rural's originally approved plans and its current plans is \$613,631.

In support of its application, Mountain Rural indicated that the central office buildings at Frenchburg and Campton are completely full; therefore, the addition of any more step lines or trunk carrier would require major building additions. Although the step equipment in the Campton and Frenchburg exchanges was installed in 1973 and 1975, respectively, much of the equipment is used equipment resulting from the West Liberty conversion.

¹ The Application of Mountain Rural Telephone Cooperative Corporation, Inc. to Borrow Funds and Execute Notes to Cover Same with the Rural Electrification Administration to Make Additions to Plant and Facilities and for a Certificate of Convenience and Necessity.

The retirement of all of Mountain Rural's step switching equipment will result in a depreciation reserve deficiency in that account. Any amortization of this amount, or any other extraordinary retirement, will require specific Commission approval and should be applied for separately, if necessary.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed and that a Certificate of Public Convenience and Necessity be granted.

2. Mountain Rural should keep the Commission informed of its progress on this construction project by filing a copy of all progress reports submitted to the Rural Electrification Administration with this Commission. This case number should be cited on all reports.

3. Mountain Rural should apply for Commission approval before amortizing any of its plant accounts.

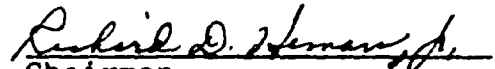
IT IS THEREFORE ORDERED that:

1. Mountain Rural be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as described in this Order and its application.

2. Mountain Rural shall comply with all matters set out in Findings 2 and 3 as if same were individually so ordered.

Done at Frankfort, Kentucky, this 19th day of January, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director