

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF PEOPLES RURAL TELEPHONE)	
COOPERATIVE, INC., FOR A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY AUTHORIZING IT)	CASE NO. 89-373
TO CONSTRUCT ADDITIONAL TELEPHONE LINES)	
AND OTHER FACILITIES)	

O R D E R

On December 14, 1989, Peoples Rural Telephone Cooperative Corporation, Inc. ("Peoples Rural") filed its application for a Certificate of Public Convenience and Necessity to replace or construct additional telephone facilities, as described below. Additional information was requested by Order dated January 26, 1990. Responses were filed on February 6, 1990.

Peoples Rural proposes to replace central office equipment in its Annville and Sand Gap exchanges with remote switching equipment hosted by the McKee switch; upgrade the software in the McKee exchange; change two digital satellite remotes to remote line switch remotes; purchase additional land and construct a new central office building at Annville; purchase standby power generators at Annville and Sand Gap; add new fiber optic cable between McKee, Annville, and Booneville; replace buried air core cable with buried filled cable; make "T" carrier additions; and provide routine cable additions to meet subscriber demands.

In support of its application, Peoples Rural indicated that central office equipment in its Annville and Sand Gap exchanges

are in need of replacement. The equipment is step-by-step equipment installed in 1968, and the Annville office is almost filled to capacity. A new central office building is required at Annville as the existing building has no available space for new equipment. The Booneville and McKee offices already use digital technology; however, the present software will not support remote switching equipment, toll ticketing, equal access, or emergency 911 services, necessitating the software upgrade.

The addition of the fiber optic cable between the McKee host and the Annville remote is to provide route diversity and accommodate future growth. The fiber optic route from McKee to Booneville will be required to poll the toll ticketing machine and transmit intra-system traffic. The buried air core cable has become wet and replacement is required to ensure continuous service.

The remainder of the proposed construction, such as the T-carrier additions and routine line extensions, do not require Commission approval as these are extensions in the ordinary course of business.

The retirement of some of the equipment, such as the electromechanical switching equipment, may result in a depreciation reserve deficiency; however, any amortization will require specific Commission approval and should be applied for separately, if necessary.

On February 15, 1990, Peoples Rural filed a letter requesting advisement on whether or not the Commission's approval is required for the financing of the proposed construction. Peoples Rural

will obtain financing from the Rural Telephone Bank, an instrumentality of the Rural Electrification Administration ("REA"), which is an agency of the federal government. As KRS 278.300 exempts loans from the federal government from Commission regulation, the Commission's approval of REA financing is not required.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The proposed construction is reasonable and should be approved.

2. The Commission is not empowered to either approve or disapprove the financing of this construction.

3. The proposed T-carrier additions and routine extensions are extensions in the ordinary course of business and do not require specific Commission approval.

4. Retirements may result in depreciation reserve deficiencies; however, any amortization will require specific Commission approval and should be applied for separately, if necessary.

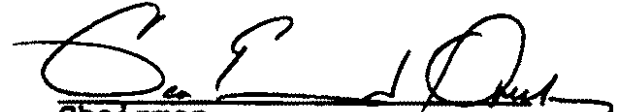
IT IS THEREFORE ORDERED that:


1. Peoples Rural be and hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction.


2. Peoples Rural shall file with this Commission copies of all progress reports, or similar documents, submitted to the REA, within 30 days of filing such documents with the REA.

Done at Frankfort, Kentucky, this 12th day of March, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director