

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FOOTHILLS RURAL)	
TELEPHONE COOPERATIVE CORPORATION,)	
INC., FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT)	2002-00470
NEW FACILITIES)	

O R D E R

On December 17, 2002, Foothills Rural Telephone Cooperative Corporation, Inc. (Foothills) filed an application seeking a Certificate of Public Convenience and Necessity to construct new facilities and upgrade existing facilities throughout its seven exchanges in parts of Magoffin, Johnson, Lawrence, and Breathitt counties in eastern Kentucky. Currently, Foothills serves 15,235 access lines within their service area. Foothills is a non-stock, non-profit, membership-owned cooperative corporation with its main office in Staffordsville, Johnson County, Kentucky.

The total estimated cost of the proposed construction, including engineering, over the 5 year loan period is \$19,268,350. The construction will be financed through separate loans with the Rural Utilities Service (RUS) and the Rural Telephone Bank (RTB) in the total amount of \$16,743,350. RUS will provide \$10,583,000, and RTB will provide the remaining \$6,160,350 of the total loan funding. Foothills has an additional \$2,525,000 in non-loan funds available for the proposed construction. Foothills states that it does not anticipate any rate adjustments as a result of the expenditures associated with the proposed construction.

The purpose of the proposed construction is to launch a fiber-to-the-home network (FTTH) allowing Foothills to become a Full Service Network (FSN) provider. This will allow Foothills to provide services including video, high-speed Internet, virtual private networks, and multiple voice lines to its rural members. Foothills plans to build the network in several phases beginning with the most populated areas and proceeding to areas of lower population density over time. The long-range plan is ultimately to replace Foothills copper facilities with fiber optics.

A number of Foothills members reside in communities designated as rural and do not currently have access to national news coverage and information services. As a result of Foothills proposed construction, state-of-the-art video and communications services will be made available to all Foothills members at the completion of the final phase of construction. Certain upgrades to central office equipment, transmission, and outside plant will be necessary for system growth. Only middleware upgrades will be required for the switching system. Electronic equipment will be placed at each exchange office, and the optical line termination will be installed at each facility to provide the necessary conversion from electrical to optical.

The Commission finds that Foothills has demonstrated that the proposed construction is necessary to maintain adequate utility service. The Commission, therefore, finds that Foothills should be issued a Certificate of Public Convenience and Necessity to construct the proposed facilities as described in this Order and the application.

IT IS THEREFORE ORDERED that:

1. Foothills is granted a Certificate of Public Convenience and Necessity to construct the proposed facilities as described in this Order and its application.

2. Foothills shall notify the Commission, in writing, if the actual costs of the proposed construction exceed the estimated expenditures reported herein by more than 10 percent and thoroughly describe in its notification the reason for the adjustment.

Done at Frankfort, Kentucky, this 30th day of January, 2003.

By the Commission

ATTEST:


Executive Director