

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH CENTRAL TELEPHONE	)	
COOPERATIVE CORPORATION FOR A	)	
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	CASE NO.
NECESSITY FOR THE CONSTRUCTION OF FIBER	)	2007-00432
OPTIC CABLE IN ALLEN COUNTY, KENTUCKY	)	

O R D E R

On October 2, 2007, North Central Telephone Cooperative Corporation, Inc. ("North Central") filed an application with the Commission seeking a Certificate of Public Convenience and Necessity to construct new facilities throughout its service territory in Kentucky.<sup>1</sup> North Central is a non-profit membership cooperative corporation with its principal business office in Lafayette, Tennessee. North Central, as an incumbent local exchange carrier, provides local telephone service to the predominantly rural areas of Allen County surrounding Scottsville, Kentucky along with a small portion of Warren County, Kentucky. North Central serves approximately 5,200 residential and 488 business customers in Kentucky and approximately 13,652 residential and 2,327 business customers in Tennessee.

Description of Proposed Construction

North Central intends to deploy a hybrid fiber-copper (HFC) network including fiber-to-the-home (FTTH) facilities that will support a full service network enabling North

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<sup>1</sup> The proposed construction is only part of a larger, system-wide project encompassing North Central's entire operating territory in both Kentucky and Tennessee.

Central to provide a complete array of advanced services including video, high-speed Internet access, virtual private networks, and multiple voice lines to its rural customers.

North Central has evaluated its network and the demands of its members and found the existing, substantially copper, plant is insufficient for future needs. North Central asserts that upgrading the current network is also critical to the economic and social development of communities in Allen County, Kentucky. There currently are no broadband Internet service providers or competitive local exchange carriers serving customers in North Central's Kentucky operating area. Although the primary purpose of the proposed construction is to expand the capabilities of the existing network to include broadband and other advanced services, North Central expects the upgrades to further enhance its ability to maintain facilities and ultimately result in reduced overall operational expenses.

The proposed network will be deployed in three phases over a 3-year period with initial construction beginning in areas determined most economically critical to the utility. Phase I is scheduled to begin during the third quarter of 2008 and will result in fiber deployment to approximately 25 percent of North Central's customers with Phase II encompassing an additional 50 percent of customers and Phase III completing deployment to the remaining customers.

The Kentucky portion of the project has an estimated cost of \$14,740,000. North Central has already secured financing for the total construction project in both Kentucky and Tennessee from the Rural Utilities Service in the amount of \$22,307,000 and from the Rural Telephone Bank in the amount of \$12,985,350.

North Central currently has a rate application before the Commission.<sup>2</sup> North Central states that the rate adjustment sought is not a result of expenditures associated with this proposed construction project.<sup>3</sup> The rate application is based on a historical test period ending December 31, 2006.<sup>4</sup> North Central makes no further statements as to whether additional rate adjustments may be needed in the future as a result of the expenditures.

### Discussion and Findings

The proposed construction will result in a significant expansion of the services available to subscribers and enhance North Central's ability to maintain its facilities and provision customers. However, the planned construction is extensive with substantial costs and is designed primarily for North Central to support services that may be beyond the jurisdiction of the Commission.<sup>5</sup> The Commission recognizes that the General Assembly has found that the provision of broadband and other state-of-the-art telecommunications technologies are an "essential element to the Commonwealth's

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<sup>2</sup> Case No. 2007-00162, Application of North Central Telephone Cooperative Corporation to Adjust Rates and Charges for Basic Local Exchange Service.

<sup>3</sup> Id. at 5.

<sup>4</sup> November 8, 2007 Letter from John E. Selent, Counsel for North Central Telephone, filed in Case No. 2007-00162.

<sup>5</sup> KRS 278.5462 provides, in part, that the provision of broadband services is not subject to state administrative regulation. However, the Commission retains authority to investigate and resolve complaints stemming from broadband service and authority to arbitrate and enforce interconnection agreements. Interconnection agreements may include provisions related to remote terminals and central office facilities which may incorporate broadband services.

initiative to improve the lives of Kentucky citizens....”<sup>6</sup> Nevertheless, the Commission remains obligated to ensure that North Central’s ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.<sup>7</sup> North Central should carefully account for the costs associated with the construction of these facilities, and properly allocate those costs to jurisdictional and non-jurisdictional services, respectively.<sup>8</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that North Central should be authorized to proceed with the proposed construction as described herein.

IT IS THEREFORE ORDERED that:

1. North Central is granted a Certificate of Public Convenience and Necessity to construct new facilities throughout its service territory in Kentucky as set forth in its application and as described in this Order.

2. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, North Central shall immediately notify the Commission in writing of the adjustment and include an explanation of the additional costs for the Commission's approval.

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<sup>6</sup> KRS 278.546(1).

<sup>7</sup> KRS 278.542(1)(n).

<sup>8</sup> The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

3. As provided for in this Order, North Central shall maintain records that clearly and sufficiently document the proper allocation of costs for jurisdictional and non-jurisdictional services provided as a result of this construction project.

Done at Frankfort, Kentucky, this

By the Commission

ATTEST:

  
Robert A. Amato  
Deputy Executive Director