

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HIGHLAND TELEPHONE	)	CASE NO.
COOPERATIVE, INC., FOR A CERTIFICATE OF	)	2009-00048
PUBLIC CONVENIENCE AND NECESSITY	)	

O R D E R

On March 3, 2009, Highland Telephone Cooperative, Inc. ("Highland") filed an application seeking a Certificate of Public Convenience and Necessity to expand and deploy fiber-to-the-home ("FTTH") in McCreary County, Kentucky. Highland is a cooperative, nonprofit membership corporation with its main office in Sunbright, Tennessee. Highland is authorized to do business in the Commonwealth of Kentucky and provides telephone service in McCreary County, Kentucky and adjoining areas of Tennessee.

Highland proposes to finance the installation of FTTH by borrowing up to \$48,611,000 from the United States of America, acting through the Administrator of the Rural Utilities Service ("RUS"). RUS has approved the loan as proposed by Highland. Highland states that it does not anticipate any rate adjustments as a result of the expenditures associated with the proposed construction. The costs of operating the FTTH system are estimated to be approximately the same as the costs of operating the existing copper cable system. In fact, Highland asserts that replacing copper cable ranging from 25 to 40 years old with new FTTH cable will reduce operational cost.

The purpose of the proposed construction is to launch FTTH in order to allow Highland to provide broadband service to its customers in McCreary County, Kentucky.

Highland states that the proposed FTTH will allow them to provide internet access that offers the capability to transmit information at a rate of at least 200 kilobits per second in at least one direction. Additionally, FTTH will enable Highland to offer service that combines computer processing, information storage, and protocol conversion which enables users to access internet content and services. Highland also anticipates that FTTH will enable them to provide video to their customers.

Highland states that the FTTH will be installed by independent contractors who have not yet been selected. The FTTH will be installed on existing poles owned by Highland or used jointly with Rural Electric Cooperative Corporations, Kentucky Utilities, and Cumberland Valley Cooperative. No new routes will be constructed as part of the FTTH expansion and deployment. Additionally, Highland states that the broadband service they will be able to provide is not likely to compete with any public utilities, as no other incumbent local exchange carrier and no competitive local exchange carriers currently serve McCreary County. The service may, however, compete with Access Cable, which provides cable television in McCreary County, and with companies that provide satellite television service.

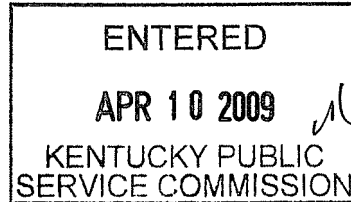
The Commission finds that Highland has demonstrated that the proposed construction is necessary to maintain adequate utility service. The Commission, therefore, finds that Highland should be issued a Certificate of Public Convenience and Necessity to construct the proposed facilities as described in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

IT IS THEREFORE ORDERED that:

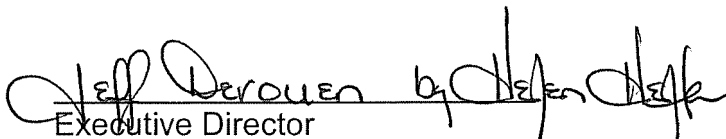
1. Highland is granted a Certificate of Public Convenience and Necessity to construct the proposed facilities as described in this Order and its application.

2. Highland 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 shall thoroughly explain the reason for the adjustment.

By the Commission



ATTEST:

  
Executive Director

Jeffrey J Yost  
Jackson Kelly PLLC  
175 East Main Street  
Suite 500, P. O. Box 2150  
Lexington, KY 40595-0000