

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BALLARD RURAL)	
TELEPHONE COOPERATIVE CORPORATION, INC.)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY FOR THE CONSTRUCTION OF A)	2009-00119
GIGABIT PASSIVE OPTICAL NETWORK)	

O R D E R

On April 15, 2009,¹ Ballard Rural Telephone Cooperative Corporation, Inc. ("Ballard") filed an application with the Commission seeking a Certificate of Public Convenience and Necessity to construct and upgrade facilities within its service territory in Kentucky. Ballard is a non-profit membership cooperative corporation with its principal business office in LaCenter, Ballard County, Kentucky. Ballard, as an incumbent local exchange carrier, provides local telephone service to the predominantly rural areas of Ballard County and a portion of McCracken County, Kentucky. Ballard serves approximately 4,903 residential and 1,612 business access lines in Kentucky.²

DESCRIPTION OF PROPOSED CONSTRUCTION

Ballard intends to deploy an Internet Protocol based Gigabit Passive Optical Network ("GPON") including fiber-to-the-premise ("FTTP") facilities in its LaCenter, Heath and Kevil exchanges and upgrade switching, transmission, and outside plant facilities. The proposed construction will support a full-service network enabling Ballard

¹ The initial filing in this proceeding was submitted on March 20, 2009 and supplemented on March 30, 2009 and again on April 15, 2009. Also on March 30, 2009, the Commission issued a letter noting deficiencies with the initial March 20, 2009 filing. The Commission later accepted the application as filed on April 15, 2009.

² Application at 2. (Reported by Ballard as of December 31, 2007.)

to provide "triple-play" services to subscribers consisting of a complete array of advanced services, including video and high-speed internet access, and to provide for the expansion of voice services to its rural customers. Additional digital subscriber line equipment will be deployed to the remaining exchanges in Ballard's service territory to service subscribers until future system upgrades to the FTTP network can be made. Ballard intends to continue deployment of GPON FTTP to the remaining exchanges and eventually replace all copper plant system-wide with a complete fiber-based network.

Ballard has evaluated its network and the demands of its members and found that the existing, substantially copper, plant is insufficient for future needs and customer demands. Ballard asserts that upgrading the current network is also critical to the economic and social development of communities in Ballard and McCracken counties of Kentucky and adheres to the requirements of the State Telecommunications Modernization Plan approved by the Rural Utilities Service ("RUS") for Kentucky borrowers. Although the primary purpose of the proposed construction is to expand the capabilities of the existing network to include video, broadband data and other advanced services, Ballard expects the upgrades to further enhance its ability to serve traditional voice customers with added capacity and greater variety and bundling of telecommunications services.

The proposed network upgrades will be deployed over a five-year period with an estimated total cost of \$15,436,000. Ballard has received approval of its loan design and system layout from RUS and is awaiting final approval of the financing for the construction project.

Ballard makes no statements as to whether additional rate adjustments may be needed in the future as a result of the expenditures but advises that the upgraded system will be operated at the same costs as the current system.

DISCUSSION AND FINDINGS

The proposed construction will result in a significant expansion of the services available to subscribers and enhance Ballard's ability to maintain its facilities and provision customers. However, the planned construction is extensive, with substantial costs, and is designed primarily for Ballard to support services that may be beyond the jurisdiction of the Commission.³ The Commission recognizes that the General Assembly has found that the provision of broadband and other state-of-the-art telecommunications technologies is an "essential element to the Commonwealth's initiative to improve the lives of Kentucky citizen. . . ." ⁴ Nevertheless, the Commission remains obligated to ensure that Ballard's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.⁵ Ballard 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.⁶

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

³ KRS 278.5462.

⁴ KRS 278.546(1).

⁵ KRS 278.544(1)(n).

⁶ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

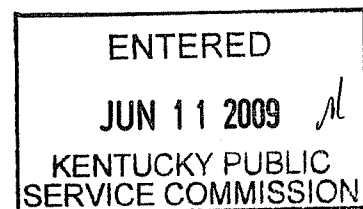
IT IS THEREFORE ORDERED that:

1. Ballard 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, and contingent on final approval of financing from RUS.

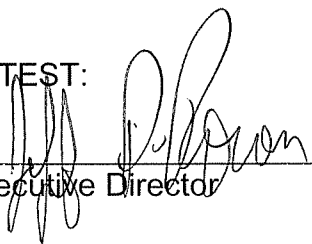
2. Should the costs of the construction authorized herein exceed the estimated costs supplied with the application by more than 10 percent, Ballard shall immediately notify the Commission in writing of the adjustment, including an explanation of the additional cost, for the Commission's approval.

3. As provided for in this Order, Ballard 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.

By the Commission



ATTEST:



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