

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF PEOPLES RURAL TELEPHONE)	
COOPERATIVE CORPORATION, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY FOR THE CONSTRUCTION OF FIBER-)	2010-00190
TO-THE-HOME IN JACKSON AND OWSLEY)	
COUNTIES, KENTUCKY)	

O R D E R

On April 30, 2010, Peoples Rural Telephone Cooperative Corporation, Inc. ("Peoples RTCC") filed an application with the Commission seeking a Certificate of Public Convenience and Necessity ("CPCN") to construct and upgrade facilities within its service territory in Kentucky. Peoples RTCC is a non-profit membership cooperative corporation with its principal business office in McKee, Kentucky. Peoples RTCC, as an incumbent local exchange carrier, provides local telephone service to Jackson and Owsley counties in Kentucky. According to the application, Peoples RTCC serves approximately 8,000 access lines in Kentucky.¹

Peoples RTCC asserts that the construction project proposed herein is a result of its application for funding pursuant to the American Recovery and Reinvestment Act ("ARRA") Broadband Initiatives Program. The ARRA funding will potentially provide \$25,478,994 for the construction described herein. Peoples RTCC explains that any further consideration of its ARRA funding requires application for necessary approvals prior to receipt of the ARRA funds.

¹ Peoples RTCC reported 7,463 access lines as of December 31, 2009.

DESCRIPTION OF PROPOSED CONSTRUCTION

Peoples RTCC intends to complete the upgrade of its system as originally proposed and described in Case No. 2008-00081² by extending Fiber-to-the-Premise (“FTTP”) infrastructure to the remaining under-served customer base within its service area. The existing facilities and equipment will be upgraded to support FTTP-based service arrangements, including next-generation digital loop carrier systems and a state-of-the-art, packet-based soft switch. The proposed construction will support a full-service network enabling Peoples RTCC to provide “triple-play” services to all subscribers, consisting of a complete array of advanced services, including video and high-speed internet access as well as continued expansion of voice services to its rural customers.

Peoples RTCC plans to complete its fiber-optic cable overbuild utilizing existing copper cable and fiber optics for the “last mile.” Initially, subscribers of high-bandwidth service offerings will be provisioned with fiber optics with the long-term objective of transitioning all subscribers to FTTP facilities. Peoples RTCC states that the proposed construction adheres to the requirements of the State Telecommunications Modernization Plan, approved by the Rural Utilities Service (“RUS”) for Kentucky borrowers, which recognizes that deployment of advanced technologies is essential to rural economic development. Although the primary purpose of the proposed construction is to expand the capabilities of the existing network to include video,

² Case No. 2008-00081, The Application of Peoples Rural Telephone Cooperative Corporation, Inc. for a Certificate of Public Convenience and Necessity for the Construction of Fiber-to-the-Home in Jackson and Owsley Counties, Kentucky (Ky. PSC April 14, 2008).

broadband data and other advanced services, Peoples RTCC expects the upgrades to further enhance its ability to serve traditional voice customers.

The proposed network upgrades will be deployed over a three-year period with an estimated total cost of \$25,478,994. Peoples RTCC expects funding to be secured from an ARRA grant in the amount of \$17,835,296 combined with an RUS loan in the amount of \$7,643,698.

Peoples RTCC states that it does not anticipate requiring any local rate adjustments as a result of the proposed construction.

DISCUSSION AND FINDINGS

The proposed construction will result in a significant expansion of the services available to subscribers and will enhance Peoples RTCC's ability to maintain its facilities and provision customers with advanced services. However, the planned construction is extensive, with substantial costs, and is designed primarily for Peoples RTCC 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 citizens. . . ."4 Nevertheless, the Commission remains obligated to ensure that Peoples RTCC's ability to offer safe, adequate and reasonable basic local exchange service is not adversely affected.⁵ Peoples RTCC should carefully account for the costs associated with the

³ KRS 278.5462.

⁴ KRS 278.546(1).

⁵ KRS 278.544(1)(n).

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 Peoples RTCC should be authorized to proceed with the proposed construction as described herein.

IT IS THEREFORE ORDERED that:

1. Peoples RTCC is granted a CPCN 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 the estimated costs supplied with the application by more than 10 percent, Peoples RTCC shall immediately notify the Commission in writing of the adjustment, including an explanation of the additional cost for the Commission's approval.

3. Peoples RTCC 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.

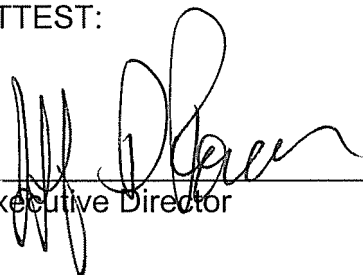
4. Any documents filed in the future pursuant to ordering paragraph 2 herein shall reference this case number and shall be retained in the utility's general correspondence file.

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

By the Commission

ENTERED
JUN -4 2010 *AL*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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