

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WEST KENTUCKY RURAL )  
TELEPHONE COOPERATIVE CORPORATION, INC. )  
FOR A CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY FOR THE CONSTRUCTION OF )  
FIBER-TO-THE-HOME IN CALLOWAY, FULTON, )  
GRAVES, HICKMAN, MARSHALL, AND MCCRACKEN )  
COUNTIES, KENTUCKY )

CASE NO.  
2010-00336

O R D E R

On August 30, 2010, West Kentucky Rural Telephone Cooperative Corporation, Inc. ("West Kentucky 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. West Kentucky RTCC is a non-profit membership cooperative corporation with its principal business office in Mayfield, Kentucky. West Kentucky RTCC, as an incumbent local exchange carrier, provides local telephone service to all or portions of Calloway, Fulton, Graves, Hickman, Marshall and McCracken counties of Kentucky along with Henry, Weakley and Obion counties in Tennessee. According to the application, West Kentucky RTCC serves approximately 12,524 access lines in Kentucky<sup>1</sup> and another 3,500 access lines in Tennessee.

West Kentucky RTCC asserts that the construction project proposed herein is a result of its acceptance of an offer for funding pursuant to the American Recovery and Reinvestment Act ("ARRA") Broadband Initiatives Program. The ARRA funding will provide a total of \$123,800,000 for the construction described herein with \$95,100,000

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<sup>1</sup> West Kentucky RTCC reported 12,362 access lines as of December 31, 2009.

allocated to Kentucky service areas. The ARRA funds will be provided through a combination of a grant in the amount of \$61,899,999 and a cost-of-money interest loan for 26 years in the amount of \$61,900,001. The funding for the proposed construction will be administered by the Rural Utilities Service ("RUS"), an agency of the federal government, to ensure compliance with ARRA requirements and RUS guidelines. Pursuant to KRS 278.300(10), any evidences of indebtedness that are subject to the supervisory authority of a federal agency are exempt from Commission approval.

#### DESCRIPTION OF PROPOSED CONSTRUCTION

West Kentucky RTCC intends to upgrade its system by deploying an advanced fiber-optic network, referred to as Fiber-to-the-Home or Fiber-to-the-Premise ("FTTP"), to its entire customer base within its Kentucky and Tennessee service areas. The deployment of the fiber-optic infrastructure will encompass 2,477 miles of facilities in Kentucky. The FTTP construction will permit West Kentucky RTCC to provide enhanced broadband services at substantially greater capacity and speeds than currently available. The existing, primarily copper facilities and equipment will be upgraded to support FTTP-based service arrangements including the ability to offer internet access speeds of up to 20 Mbps (megabits per second). West Kentucky RTCC projects that its broadband customer subscriptions will grow from approximately 8,000 today to 14,500 over the next five years.

The proposed construction will be deployed over a three-year period with an estimated total cost of \$123,800,000. West Kentucky 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 West Kentucky RTCC's ability to maintain its facilities and provision customers. However, the planned construction is extensive, with substantial costs, and is designed primarily for West Kentucky RTCC to support services that may be beyond the jurisdiction of the Commission.<sup>2</sup> 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 . . . ."<sup>3</sup> Nevertheless, the Commission remains obligated to ensure that West Kentucky RTCC's ability to offer safe, adequate and reasonable basic local exchange service is not adversely affected.<sup>4</sup> West Kentucky RTCC 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>5</sup>

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

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<sup>2</sup> KRS 278.5462.

<sup>3</sup> KRS 278.546(1).

<sup>4</sup> KRS 278.542(1)(n).

<sup>5</sup> 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:

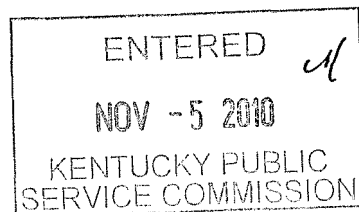
1. West Kentucky RTCC is granted a Certificate of Public Convenience and Necessity to construct new facilities throughout its service territory in Kentucky as set forth in its application and as described in this Order.

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

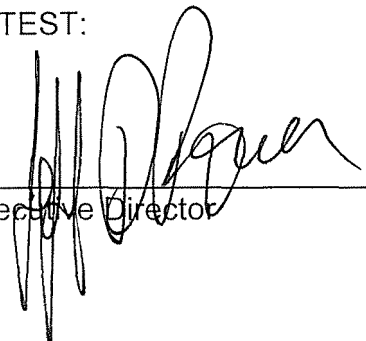
3. As provided for in this Order, West Kentucky RTCC shall maintain records that clearly and sufficiently document the proper allocation of costs for jurisdictional and non-jurisdictional services provided as a result of this construction project.

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.

By the Commission



ATTEST:

  
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Executive Director

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Regulatory Manager  
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