

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH CENTRAL	)	
TELEPHONE COOPERATIVE, INC. FOR A	)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	2015-00032
NECESSITY FOR THE CONSTRUCTION OF	)	
FIBER-TO-THE-PREMISE IN ALLEN COUNTY,	)	
KENTUCKY	)	

ORDER

On January 28, 2015, North Central Telephone Cooperative Corporation, Inc. (“North Central”) filed an application seeking a Certificate of Public Convenience and Necessity (“CPCN”) to construct and upgrade telecommunications facilities within its certified operating territory.<sup>1</sup> The proposed construction consists of the deployment of a Fiber-to-the-Premises (“FTTP”) network with the ability to achieve broadband data speeds of up to one Gigabit per second for 351 potential subscribers in a portion of the Scottsville Rural exchange located in the southern portion of Allen County, Kentucky.

North Central was established in 1951 as a non-profit cooperative based in Lafayette, Tennessee, to provide local telephone service to business and individual customers within various exchanges of Kentucky and Tennessee. North Central is a rural incumbent local exchange carrier serving approximately 4,228 residential and 394 business lines in Allen County, Kentucky, and an additional 10,886 residential and 2,012 business customers in Tennessee.<sup>2</sup>

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<sup>1</sup> The application was supplemented on February 23, 2015, and amended on February 25, 2015.

<sup>2</sup> *North Central's Annual Report for Calendar Year Ended December 31, 2013.*

### Description of Proposed Construction

North Central states that the new construction is part of what it labels as a Kentucky Regional Fiber Project that will, upon completion, expand on broadband service currently available to 351 potential subscribers, the majority of which are currently unable to obtain even minimum broadband speeds, which are substantially lower than the minimums specified by the Federal Communications Commission ("FCC") of 4 Megabits per second ("Mbps") for downloads and 1 Mbps for uploads.<sup>3</sup> The proposed improvements will replace existing copper facilities that are at or beyond their useful life. North Central currently provides data services over the existing copper facilities using digital subscriber line (DSL) technology that has inherent bandwidth and distance limitations. The new facilities will consist of approximately 70 miles of FTTP facilities, including the necessary electronic equipment and fiber optic cable extending from a new remote central office in the Stoney Point serving area to each premises in the targeted portion of the Scottsville Rural exchange. The FTTP project will be deployed over approximately seven months, and customers will be migrated to the new facilities initially as customer demands require and then as warranted by business considerations, including costs and maintenance issues.

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<sup>3</sup> In its application, North Central mistakenly reversed the FCC specifications for the "up" and "down" broadband speeds. It should be further noted that the FCC recently extended its broadband specification to 25 Mbps for downloads and 3 Mbps for uploads. See FCC News Release dated January 29, 2015 at [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2015/db0129/DOC-331760A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0129/DOC-331760A1.pdf).

The proposed construction project is estimated to cost a total of \$1,956,953<sup>4</sup> and will be funded substantially through financing obtained from the Rural Utilities Service,<sup>5</sup> with any remaining costs provided from North Central's general funds on hand and applicable end-user installation fees. North Central states that it does not anticipate any rate adjustments associated with the proposed project.<sup>6</sup>

Discussion and Findings

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance North Central's ability to maintain its facilities and provide service to 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>7</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>8</sup> Nevertheless, the Commission remains obligated to ensure that North Central's ability to offer safe,

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<sup>4</sup> The costs of the project are estimated at:	
Outside Plant	\$1,491,563
Central Office/Electronic Equipment	\$ 92,500
Engineering	<u>\$ 372,890</u>
TOTAL	\$1,956,953

<sup>5</sup> Pursuant to KRS 278.300(10), indebtedness incurred that is subject to the supervision or control of the federal government or any agency thereof is exempt from approval of the Commission.

<sup>6</sup> See amendment to application filed February 25, 2015.

<sup>7</sup> KRS 278.5462 provides, in part, that the provision of broadband services is not subject to Commission regulation. However, the Commission retains authority to investigate and resolve complaints stemming from broadband service and has the 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.

<sup>8</sup> KRS 278.546(1).

adequate, and reasonable basic local exchange service is not adversely affected.<sup>9</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>10</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 set forth in its application and described herein.

IT IS THEREFORE ORDERED that:

1. North Central is granted a Certificate of Public Convenience and Necessity to construct new facilities 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.

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.

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

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<sup>9</sup> KRS 278.542(1)(n).

<sup>10</sup> 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  
MAR 19 2015  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2015-00032

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