

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GEARHEART)	
COMMUNICATIONS, INC. DBA COALFIELDS)	
TELEPHONE COMPANY FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	CASE NO.
FOR THE CONSTRUCTION OF FIBER-TO-THE-)	2016-00037
PREMISE AND ADDITIONAL NETWORK)	
UPGRADES IN FLOYD AND PIKE COUNTIES,)	
KENTUCKY)	

ORDER

On January 8, 2016, Gearheart Communications, Inc. d/b/a Coalfields Telephone Company ("Coalfields Telephone") submitted an application seeking a Certificate of Public Convenience and Necessity ("CPCN") to construct and upgrade telecommunications facilities within its certified operating territory. The application was subsequently deemed filed by the Commission on January 28, 2016.¹

Coalfields Telephone is a rural incumbent local exchange carrier incorporated in 1997 with its primary business office in Harold, Kentucky. Coalfields Telephone provides telecommunications services to approximately 4,204 residential and 787 business customers in Floyd and Pike counties of Kentucky.²

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

¹ The application included a request for waiver, which the Commission treated as a motion for deviation, from certain filing requirements established by 807 KAR 5:001, Section 15(2)(e), regarding information regarding the manner in which the proposed construction was to be financed. The Commission issued an Order granting the requested relief and deemed the application filed on January 28, 2016.

² Coalfields Telephone's Annual Report for Calendar Year Ending December 31, 2014.

per second (“Gbps”) for 3,862 potential subscribers in the Harold exchange that serves portions of Floyd and Pike counties of Kentucky. In addition, Coalfields Telephone plans to install a new electronic “softswitch” at the Harold central office, along with supporting equipment and facilities that will be deployed throughout Coalfields Telephone’s operating area in the Harold, Grethel and Wheelwright exchanges.

Description of Proposed Construction

Coalfields Telephone states that the proposed construction is necessary to expand broadband service in the Harold exchange where the current copper-based network’s broadband speeds are insufficient to meet the Federal Communications Commission’s (“FCC”) recently defined rate of 25 megabit per second (“Mbps”) for downloads and 3 Mbps for uploads.³ While subscribers in the Grethel and Wheelwright exchanges will continue to be served using hybrid copper and fiber facilities with broadband speeds limited to approximately 10 Mbps, Coalfields Telephone eventually intends to extend the FTTP facilities being deployed with this project to reach all subscribers throughout its service area. The proposed improvements will upgrade existing switching facilities and replace copper facilities in the Harold exchange that have exceeded their useful life. The improvements consist of a new electronic Metaswitch Softswitch in the Harold central office, deployment of seven broadband loop carrier remote units and subscriber equipment with approximately 114.4 miles of primarily aerial distribution fiber required to serve the estimated 3,862 potential subscribers in the Harold exchange. The newly constructed FTTP architecture will be capable of supporting broadband speeds up to 1 Gbps in the Harold exchange and is

³ FCC 2015 Broadband Progress Report at 3, numbered paragraph 3, available at https://apps.fcc.gov/edocs_public/attachmatch/FCC-15-10A1.pdf.

expected to reduce maintenance and provisioning costs. The proposed FTTP project is expected to begin in the first quarter of 2016, with completion in approximately five years. 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.

The proposed construction project is estimated to cost a total of \$12,306,019⁴ and is expected to be funded through a Rural Utilities Service (“RUS”) “M” loan that includes interim financing authority of \$1,052,000 pending final approval of the RUS loan application. Coalfields Telephone has requested a 20-year term, but the interest rate and repayment schedule will be determined by the Federal Financing Bank Act.⁵ Coalfields Telephone states that it does not anticipate any rate adjustments associated with the proposed project.

Discussion and Findings

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance Coalfields Telephone’s ability to maintain its facilities and provide service to customers. However, the planned

⁴ Based on information provided with the Application, the costs are estimated as follows:

	FTTP	Harold Exchange	\$ 5,705,604
	Equipment Additions Including Softswitch	Harold Exchange	3,082,492
	Equipment Additions	Grethel Exchange	208,209
92,822	Equipment Additions	Wheelwright Exchange	
	Back Bone Facilities	Harold Exchange	851,695
508,654	Back Bone Facilities	Grethel Exchange	
	Engineering		<u>1,856,543</u>
	TOTAL		\$12,306,019

⁵ 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.

construction is extensive, with substantial costs, and is designed primarily for Coalfields Telephone to support services that may be beyond the jurisdiction of the Commission.⁶ 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. . . .”⁷ Nevertheless, the Commission remains obligated to ensure that Coalfields Telephone’s ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.⁸ Coalfields Telephone should carefully account for the costs associated with the construction of these facilities, and should properly allocate those costs to jurisdictional and non-jurisdictional services, respectively.⁹

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Coalfields Telephone should be authorized to proceed with the proposed construction as set forth in its application and described herein.

IT IS THEREFORE ORDERED that:

1. Coalfields Telephone 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.

⁶ 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.

⁷ KRS 278.546(1).

⁸ KRS 278.542(1)(n).

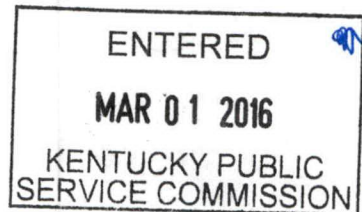
⁹ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

2. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, Coalfields Telephone 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, Coalfields Telephone 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.

By the Commission



ATTEST:


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