

2007-162

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ATTORNEYS

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June 28, 2007

RECEIVED

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**PUBLIC SERVICE
COMMISSION**

VIA HAND DELIVERY

Hon. Beth O'Donnell
Executive Director
Public Service Commission
of the Commonwealth of Kentucky
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40601

Re: North Central Telephone Cooperative Corporation

Dear Ms. O'Donnell:

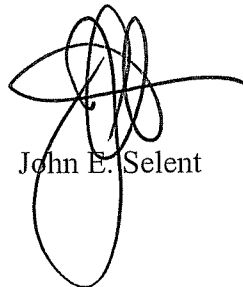
We are legal counsel to North Central Telephone Cooperative Corporation ("North Central").

We have enclosed, for filing, North Central's tariff revision.

Thank you, and if you have any questions, please call me.

Very truly yours,

DINSMORE & SHOHL LLP



John E. Selent

JES/lb
Enclosure

cc: Attorney General of the Commonwealth of Kentucky,
Utility Intervention and Rate Division
David S. Samford, Esq.
Amy E. Dougherty, Esq.

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Lafayette, TN 37083
615-666-2151
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June 28, 2007

Via U.S. Mail

Beth A. O'Donnell,
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: Tariff Revision

Dear Ms. O'Donnell:

North Central Telephone Cooperative Corporation ("North Central") has enclosed, for filing, one original and four (4) copies of its revisions to North Central Telephone Cooperative Corporation PSC Kentucky Tariff 3 – Local Exchange Tariff.* (See Attachment 1.)

This filing proposes to modify rates for residential and business local exchange services.

Concurrently with this filing, North Central notifies the Public Service Commission of the Commonwealth of Kentucky (the "Commission") and the Attorney General's office that it is withdrawing its previously filed notices of intent to file a rate application. For reasons discussed in greater detail, below, North Central believes a tariff revision filing is appropriate in this particular case because: (i) as a cooperative, North Central is bound to protect the member-owners' interests by ensuring the continued viability of the company; (ii) the competitive landscape for wireline local exchange carriers has changed dramatically in the last two decades; and (iii) more than twenty-three years have passed since its last basic local service rates have increased.

I.
Proposed Tariff Revisions.

As the enclosed, revised tariff indicates, North Central's residential and business rates for basic local service are being increased by \$3.00 and \$5.00 respectively. Accordingly, basic local residential service will cost \$14.90 per month, and basic local business service will cost \$23.03 per month as of the effective date of the revised tariff. Even with its requested increase, the rates proposed here will bring North Central's rates into alignment with other companies operating in its general geographic area. In fact, the rates proposed herein are comparable to, or less than, rates charged by other telephone companies in the area, including those with much larger, more urban operations, such as BellSouth and Windstream. For the reasons discussed below, the proposed tariff revision should be allowed to become effective.

* Notice of this filing and cover letter is being provided (concurrently herewith) by United States mail to the Attorney General, Utility Intervention and Rate Division. In addition, North Central is providing the public with notice of this filing (see Attachment 2 to this letter) pursuant to the provisions of 807 KAR 5:011 § 8 ("Notices").

II. **North Central Is a Cooperative.**

North Central is a cooperative, and as such, its rate-paying customers are also owners with the voting power to control the election of the directors who manage the day-to-day operational and business decisions of the company. Those member-owners receive North Central's annual financial statements illustrating the company's ongoing performance. Moreover, these owners have the opportunity to discuss performance, operational, or other matters during open meetings with North Central's owner-elected board of directors. Thus, North Central's business decisions are, for all practical purposes, tantamount to the business decisions of its individual owners. The directors of the cooperative are elected by the owners to meet the demands of the members, and recognizing their accountability to the members they serve, they did not make the decision to seek a rate increase lightly. This difficult decision was simply necessary to ensure the ongoing viability of the company.

On December 12, 2006 – following a review of the 2007 projected financial budget – North Central's board of directors approved a motion to increase both basic and non-basic service rates to offset annual losses to the company. North Central's non-basic rate revisions became effective on January 15, 2007. On June 12, 2007, the board reaffirmed its decision to adjust basic rates.

North Central operates in both the states of Tennessee and Kentucky. The majority of its lines (78%) are in Tennessee, where it is unregulated as a cooperative under TRA rules. Despite operating in two different states, however, the company is run on a consolidated basis and all retail end-user rates are uniform between the two operating area. Accordingly, all financials reported to the members are also consolidated. Accordingly, North Central will modify its Tennessee rates concurrently and consistently with approval of the rates proposed herein. Even with this increase, the company anticipates only a 6.5% overall increase in annual revenues based on its 2006 financial results.

III. **The Competitive Landscape for Wireline LEC's Has Shifted.**

In addition to the fact that North Central acts only through its rate-paying owners, changes in the telecommunications industry have compelled this filing. No longer is a wireline LEC viewed by the public as the monopoly provider of telecommunications service. The wireless market has exploded, particularly in light of the functionally "free" long-distance that is ubiquitous in wireless plans. Cable television companies offer telephone service. Internet-based "telephone" services like Vonage have made strong inroads into the voice market. All of these factors have contributed to traditional wireline carriers losing total access lines. A phenomenon like this has never been seen before, and with the dawning of this new reality, traditional wireline LEC's like North Central are left with the choice of modernizing or getting left behind; the latter is not an option.

Accordingly, North Central, like many rural LEC's across the country, is responding to this changing competitive environment by planning significant network modernization. Traditional copper-wire telephony no longer supports the universal demand for bandwidth, and with encroaching competition from wireless, cable, and internet-based providers of local exchange service, North Central has no choice but to commence with preparations to deploy a fiber network that can support the bandwidth that customers demand. Fiber network construction is unquestionably an expensive undertaking, but it is an expense that North Central can no longer avoid. Thus, the Rural Utilities Service division of the United States Department of Agriculture's Rural Development branch recently extended North Central a loan to fund this project, thereby ensuring North Central's continued relevance and long-term viability in the telecommunications marketplace.

IV.
North Central's Basic Rates
Have Not Increased in 23 Years.

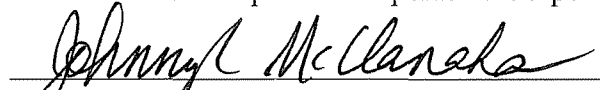
Finally, North Central has held its basic business and residential rates static for more than twenty-three years. In effect, its owners are still receiving the benefit of 1984 rates in 2007. Unfortunately, while this rate has remained steady, costs clearly have not. As a result, North Central can no longer afford to operate at its existing rates. In fact, North Central experienced an operating loss of approximately \$303,000 in 2006, and with costs continuing to climb while revenues decline, that loss is expected to grow in 2007, absent implementation of the rate changes proposed in this tariff revision. Any delay in implementation of rates described herein will serve only to further injure North Central and the members it serves by extending the time frame within which North Central must continue to operate at a loss.

V.
Conclusion.

North Central respectfully requests that the Commission approve the enclosed tariff revision as of the effective date stated therein. As a member-owned, non-profit cooperative, North Central has made the difficult decision to modify its business and residential rates to ensure the continued viability of the company. Moreover, this revision is necessary to ensure that North Central is able to modernize its network to meet the demands of its members in the new competitive landscape in which the company operates. And finally, North Central has not increased its basic service rates since 1984. The proposed rates are comparable to the rates of similarly-situated carriers within the Commonwealth, and they are instrumental to the continued viability of North Central's operations. Therefore, North Central requests that the Commission approve the enclosed tariff revision as of the effective date stated therein.

Sincerely,

North Central Telephone Cooperative Corporation



By: Johnny L. McClanahan

Its: VP Finance & Adm. Services

cc: Attorney General of the Commonwealth of Kentucky,
Utility Intervention and Rate Division (w/ encl.)

BASIC LOCAL EXCHANGE SERVICE (Cont'd)

C.2 Local Calling Areas

C.2.1 General

The rates in this Tariff entitle callers to receive local calling (i.e., toll-free) to the local calling areas indicated in Section C.2.2, below. Calls to areas not listed in Section C.2.2 will be subject to applicable long distance charges by the long distance provider.

C.2.2 List of Local Calling Exchanges

Exchange (NPA is 615 unless otherwise noted)

Hillsdale (633)
Westmoreland (644)
Green Grove (655)
Lafayette (666,688)
Pleasant Shade (677)
Red Boiling Springs (699)
Defeated (774)
Bethpage (841)
Oakgrove (888)
Scottsville Rural (270-618, 270-622)

In addition to local calling to all North Central exchanges subscribers in these exchanges will receive local calling to any exchange within the subscriber's county.

C.3 Local Exchange Rates

Rates do not include a charge for instrument or other customer premises equipment. Rates for additional services, including installation charges, are shown elsewhere in this Tariff.

| | <u>Monthly Rate</u> | |
|------------------------|---------------------|-------|
| 1. Residential Service | \$ 14.90 | (I) * |
| 2. Business Service | \$ 23.03 | (I) * |

* Rates will be effective first bill cycle following approval.

Issue Date: June 28, 2007

Effective Date: July 28, 2007

Issued By: 
Jerry N. Kirby, Chairman of the Board

BASIC LOCAL EXCHANGE SERVICE (Cont'd)

C.8 Exchange Trunk Service

C.8.1 Description

Exchange Trunk Service provides a Customer with a single, voice-grade, analog telephonic communications channel that can be used to place or receive one call at a time. Exchange Trunks are provided for connection of Customer-provided private branch; exchanges (PBX) to the public switched telecommunications network. Each Trunk is provided with touch-tone signaling.

C.8.2 Tie Lines

Tie Lines to connect two manual switchboards or the switching equipment of two dial systems, or to connect a manual board with a dial unit are furnished at the rates specified in Section K.3 of this Tariff for Off-Premise extension rates.

C.8.3 Monthly Service Rates

Rates do not include a charge for instrument or other customer premises equipment. Rates for additional services shown elsewhere in this Tariff.

Monthly Rate

Per Trunk \$23.03 (I)

Issue Date: June 28, 2007

Effective Date: July 28, 2007

Issued By: 
Jerry N. Kirby, Chairman of the Board

PUBLIC TELEPHONE SERVICE (Cont'd)

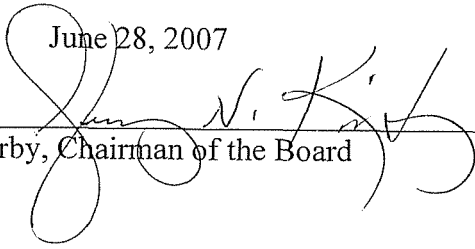
G.3 Rates and Charges (a)(b)(c)

| | <u>Monthly Rate</u> |
|---|---------------------|
| 1. Public Telephone Access Line, per Access Line | \$ 23.03 (I) |
| 2. Coin Supervision Additive Service | \$ 0.50 |

- (a) Service charges are applied on the same basis as apply for individual business line service.
- (b) The subscriber is responsible for Directory Assistance service charges equivalent to those billed on business individual line service.
- (c) Charges for call screening and/or toll restrictions shall be in concurrence with BellSouth General Subscriber Services Tariff.

Issue Date: June 28, 2007

Effective Date: July 28, 2007

Issued By: 
Jerry N. Kirby, Chairman of the Board

THE CITIZEN-TIMES, Scottsville, Ky., Thursday, June 21, 2007—PAGE 26

Classifieds

PUBLIC NOTICE OF TARIFF REVISION FILING TO SUBSCRIBERS OF NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION

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Notice is hereby given that on June 28, 2007, North Central Telephone Cooperative Corporation will file with the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), for approval, revisions to its local service tariff, Kentucky PSC Tariff No. 3. The rates contained in this notice and its revised tariff, Kentucky PSC TARIFF No. 3, are the rates proposed by North Central Telephone Cooperative Corporation. Pursuant to this notice and its proposed tariff rate revisions, North Central Telephone Cooperative Corporation is requesting to increase its basic residential subscriber rate to \$14.90 per month and its basic business subscriber rate to \$23.03 per month. If approved by the Commission, the revised tariff rates will become effective on July 28, 2007.

However, the Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than those rates set forth in this notice, which are identical to those rates proposed in North Central Telephone Cooperative Corporation's revised tariff filing. Any corporation, association, body politic or person may, by motion, within thirty (30) days after the proposed tariff revision is filed with the Commission, advise the Commission of any comments with respect to the proposed tariff revision. The comments shall be submitted to the Public Service Commission of the Commonwealth of Kentucky, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request, including the status and interest of party. Parties intending to file comments may obtain a copy of the tariff revision filing by contacting North Central Telephone Cooperative Corporation at 1630 Bowling Green Road, Scottsville, Ky. 42164. In addition, copies of the tariff revision filing are available for public inspection at the office of North Central Telephone Cooperative Corporation during normal business hours. (21J3tc)

LEGAL NOTICE

MASTER COMMISSIONER'S SALE

ALLEN CIRCUIT COURT

CIVIL ACTION NO. 05-CI-00104