

2007-432

RECEIVED

OCT 02 2007

PUBLIC SERVICE
COMMISSION

Dinsmore & Shohl LLP
ATTORNEYS

Holly C. Wallace
502-540-2309
holly.wallace@dinslaw.com

October 2, 2007

VIA HAND DELIVERY

Hon. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

**Re: *Application of North Central Telephone Cooperative Corporation for a
Certificate of Public Convenience and Necessity for the Construction of Fiber
Optic Cable in Allen County, Kentucky***

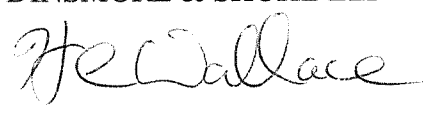
Dear Ms. O'Donnell:

We have enclosed for filing, the original and ten (10) copies of the Application for Certificate of Public Convenience and Necessity for Construction of Fiber Optic Cable in Allen County, Kentucky on behalf of North Central Telephone Cooperative Corporation.

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

Very truly yours,

DINSMORE & SHOHL LLP



Holly C. Wallace

HCW/rk
Enclosure

cc: Tom Rowland
 Johnny McClanahan
 John E. Selent, Esq. (w/o encl.)

125643v1

1400 PNC Plaza, 500 West Jefferson Street Louisville, KY 40202
502.540.2300 502.585.2207 fax www.dinslaw.com

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**THE APPLICATION OF NORTH CENTRAL)
TELEPHONE COOPERATIVE CORPORATION)
FOR A CERTIFICATE OF PUBLIC) Case No. _____
CONVENIENCE AND NECESSITY FOR THE)
CONSTRUCTION OF FIBER OPTIC CABLE)
IN ALLEN COUNTY, KENTUCKY)**

**APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY FOR CONSTRUCTION OF FIBER OPTIC CABLE IN
ALLEN COUNTY, KENTUCKY**

RECEIVED
OCT 02 2007
PUBLIC SERVICE
COMMISSION

North Central Telephone Cooperative Corporation (“North Central”), by counsel, and pursuant to KRS 278.020 and 807 KAR 5:001, Sections 8 and 9, hereby submits this application for a certificate of public convenience and necessity for the construction of fiber optic cable in Allen County, Kentucky.

1. The full name and address of North Central is North Central Telephone Cooperative Corporation, P.O. Box 70, 872 Highway 52 Bypass East, Lafayette, Tennessee 37083.

2. A copy of North Central’s Articles of Incorporation, and all amendments thereto, is attached as Exhibit A.

3. North Central is a rural incumbent local exchange carrier serving essentially all of the rural areas in Allen County, Kentucky. North Central has approximately 5,200 residential customers and 488 business customers in Kentucky. North Central also has approximately 13,652 residential customers and 2,327 business customers in Tennessee.

4. Construction of the fiber optic cable is required by public convenience and necessity. The purpose of the new construction is to deploy a hybrid fiber-copper network including fiber-to-the-home allowing North Central to be a full service network provider. The new facilities will permit North Central to provide video services, high-speed Internet, virtual private networks and multiple lines to its rural members.

5. North Central conducted extensive surveys of its members to evaluate the demand for these services. The surveys revealed that North Central's members demand access to advanced telecommunications services. Today's networks are asking for more than copper plant can provide, however. Many copper-based networks, including North Central's, are reaching the limits of their bandwidth capacity. These limitations translate to slower speeds or, in many cases, no broadband capability at all. Fiber, by comparison, can meet the demand for increased bandwidth at higher speeds without requiring expensive and time-consuming installations of new cable.

6. Advanced telecommunications services, including broadband, are also critical to the economic and social development of communities in Allen County. As Governor Fletcher recognized in his *Prescription for Innovation* plan, deployment of advanced technologies such as fiber networks is vital to enhance economic development.

7. The network will be deployed in three phases. Initial construction will commence in those areas deemed as most economically critical to the company. The long-range plan is to build on the current network of fiber and copper with additional equipment and facilities supplementing, or in many cases replacing, copper deployed in the network where distance and other limitations make the copper ill-suited for broadband applications.

8. The three-phase network deployment encompasses existing subscribers as well as a contingency for growth. In phase I, North Central will deploy fiber to serve approximately 25% of its customers. In phase II, North Central will provide service to an additional 50% of its customers with the remaining 25% reached in Phase III.

9. In compliance with 807 KAR 5:001, section 9(2)(b), North Central states that it does not believe that it requires franchise approval from any public authority to deploy the fiber optic cable. North Central has provided local exchange service for approximately 50 years to its members in Allen County, and does not believe it requires additional franchises or permits to provide service.

10. The deployment of the hybrid fiber-copper network will result in a significant replacement of North Central's existing copper plant to meet the broadband demands of its members. As such, the fiber optic cable will be deployed where much of North Central's copper plant is currently deployed. The fiber deployment will consist of both aerial construction and buried plant as appropriate based on cost. North Central does not anticipate that the new construction will compete with any public utility, corporation or person providing service within its service area, as there are no line-based competitive local exchange carrier or broadband service providers serving customers in the Scottsville Rural exchange.

11. Pursuant to 807 KAR 5:001, section 9(2), three copies of the required map showing the proposed route for the fiber deployment in the Scottsville Rural exchange are attached as Exhibit B.

12. The total estimated cost of the new construction in Kentucky is \$14,740,000. Financing for this project (and for a similar fiber deployment in Tennessee) has already

been secured through the Rural Utilities Service (“RUS”) in the amount of \$22,307,000.00 and through the Rural Telephone Bank (“RTB”) in the amount of \$12,985,350.00. The approval letter from RUS and RTB, and loan application documents pertaining primarily to the Kentucky portion of the project, are attached as Exhibit C.

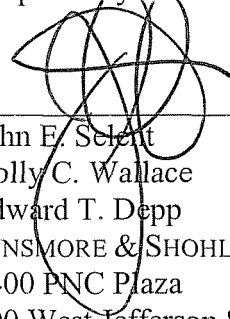
13. The incremental costs to operate the hybrid fiber-copper network after it has been fully deployed will be negligible as demonstrated in the RUS loan documents attached as Exhibit C. The operational costs, which consist primarily of labor, will be met by existing staff. While it has yet to quantify the savings, North Central further anticipates this network deployment will actually result in operational savings over time. Unlike copper networks that are highly sensitive to distance limitations, fiber networks are able to transmit larger quantities of data over much longer distances. Accordingly, North Central’s equipment needs decrease with the deployment of fiber. Given equipment failure is a significant maintenance cost, maintenance expenses decrease with fiber technology. The testing and restoration of service also improves with fiber. In a copper environment, technicians must trouble-shoot a variety of possible issues including interference from other devices to isolate and resolve service reports. This increases the time required to restore service and increases the margin of error in correctly identifying and resolving such problems. Compared to copper, fiber testing is more efficient and customer issues can be more quickly and accurately resolved.

14. An engineering report signed, sealed and dated by a professional engineer is included with the RUS loan application documents attached as Exhibit C.

15. North Central anticipates filing a rate application based on forecasted financials. The rate adjustment sought by North Central, however, is not the result of construction expenditures associated with this project. This rate application will be filed soon.

Based on the foregoing, and in accordance with KRS 278.020 and 807 KAR 5:001, sections 8 and 9, North Central Telephone Cooperative Corporation respectfully requests that the Commission issue a Certificate of Public Convenience and Necessity to deploy fiber optic cable throughout the Scottsville Rural exchange in Allen County, Kentucky.

Respectfully submitted,



John E. Seibert
Holly C. Wallace
Edward T. Depp
DINSMORE & SHOHL LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202
Phone: (502) 540-2300
Fax: (502) 585-2207
*Counsel to North Central Telephone
Cooperative Corporation*