

CASE NO: 2008-00106
RECEIVED

MAR 2 4 2008

PUBLIC SERVICE

COMMISSION

March 17, 2008

Ms. Stephanie Stumbo, Executive Director Kentucky Public Service Commission P.O. Box 615 211 Sower Boulevard Frankfort, Kentucky 40602-0615

Dear Ms. Stumbo:

Pursuant to KRS 278.020 and 807 KAR 5:001, Sections 8 and 9, please find enclosed Thacker-Grigsby Telephone Company's Application for a Certificate of Convenience and Necessity. The purpose of the Application is to request authorization to construct a Fiber to the Home network in the Fisty and Mousie exchanges in Knott County and Perry County, Kentucky.

If you have any questions or need additional information please contact me at your convenience.

Sincerely,

William K. Grigsby

General Manager

606-785-9500

b.grigsby@tgtel.com

## COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 24 2008

PUBLIC SERVICE

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THE APPLICATION OF THACKER-GRIGSBY		COMMISSION
COMPANY INC. FOR A CERTIFICATE OF PUBLIC )	Case No.	2008-00106
CONVENIENCE AND NECESSITY FOR THE )		
CONSTRUCTION OF FIBER OPTIC CABLE )		

## APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR CONSTRUCTION OF FIBER OPTIC CABLE

Thacker-Grigsby Telephone Company Inc. (Thacker-Grigsby) pursuant to KRS 278.020 and 807 KAR 5:001, Sections 8 and 9 hereby submits this application for a certificate of convenience and necessity for the construction of fiber optic cable in Knott County and PerryCounty, Kentucky.

- 1. The full name and address of Thacker-Grigsby is Thacker-Grigsby Telephone Company, Inc., P.O. Box 789, Hindman, Kentucky 41822.
- 2. A copy of Thacker-Grigsby's Articles of Incorporation and all amendments thereto, is attached as Exhibit A.
- 3. Thacker-Grigsby is a rural incumbent local exchange carrier serving essentially parts of Knott County, Perry County, Floyd County, and Breathitt County, Kentucky. Thacker-Grigsby, as of December 31, 2007, has 6,225 residential customers and 1,305 business customers.
- 4. Construction of the fiber optic cable is required by public convenience and necessity. The purpose of the new construction is to deploy a Fiber-to-the Home (FTTH) overbuild in the designated areas to provide broadband data services to customers that currently do not have this capability. This will permit Thacker-Grigsby to deliver video services, high-speed Internet service, virtual private networks, and multiple lines in these areas.

- 5. The existing copper cable is over 40 years old and the strand is not reusable. The FTTH overbuild will consist of new strand and fiber optic cable on existing Joint-Use poles and on Thacker-Grigsby owned poles. Plans are to deploy a Gigabyte Passive Optical Network (GPON) system providing sufficient bandwidth for current and future requirements.
- 6. Advance telecommunications services, including broadband, are critical to the economic and social development of the rural communities in Knott and Perry County, Kentucky. In Governor Fletcher's *Prescription for Innovation* Plan, deployment of advanced technologies such as fiber optics were recognized as essential to economic development. It is this type of technology that will bring medical services, educational services, and numerous other economic opportunities to the customers of Thacker-Grigsby.
- 7. The network will be developed in two phases. Phase 1 will consist of construction of FTTH in the Fisty exchange. It will commence during the spring season of 2008. Phase 2 will consist of construction in the Mousie exchange commencing at the completion of Phase 1 of the project.
- 8. The two-phased network deployment encompasses existing subscribers as well as meeting potential growth in the affected exchanges. In phase 1, Thacker-Grigsby will deploy fiber to provide high speed broadband service to 100 percent of its customers in the Fisty exchange. In phase 2, Thacker-Grigsby will be able to provide enhanced broadband service to 100 percent of its customers in the Mousie exchange.
- 9. In compliance with 807 KAR 5:001, section 9(2)(b), Thacker-Grigsby states that it does not require a franchise approval from any public authority to deploy the fiber optic cable in the affected exchanges.
- 10. In the affected exchanges the fiber network will result in a significant replacement of existing copper plant to meet the broadband demand of its customers. The fiber optic cable will be deployed where much of Thacker-Grigsby's copper plant is currently deployed. The construction will consist of aerial cable and strand. Thacker-Grigsby does anticipate that the new construction will compete with some CATV based Voice over Internet Protocol (VOIP) services in both the Fisty and Mousie exchanges. There are no other line-based competitive local exchange carriers or broadband providers serving customer in the Fisty or Mousie exchanges.

- 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 affected exchanges are attached as Exhibit B.
- 12. The total estimated cost of the new construction in Kentucky is \$8,656,780.00. Financing for this project has been secured through the Rural Utilities Services (RUS) in the amount of \$7,160,151.00 with the remaining expenditures being financed through Thacker-Grigsby's retained earnings. The loan was previously approved by RUS under the H Loan Design. Thacker-Grigsby met the purposes of this loan without exhausting the available funds in the H Loan Design. Thacker-Grigsby requested from RUS a change of method to permit it to use the remaining funds for FTTH overbuild in exchanges where high speed broadband was not available. The approval letter from RUS and relevant loan application documents requesting change of method are attached as Exhibit C.
- 13. Thacker-Grigsby has attached as Exhibit D, the USDA-RUS Operating Report for Telecommunications Borrowers, to demonstrate its ability to meet the financial obligations under the loan and to finance the portion of the project not covered by the RUS funds. At the end of 2006 period, Thacker-Grigsby had retained earnings of \$35,828,527 with a tier of 10.1808. Thacker-Grigsby's financial condition is such that it can service the RUS debt without requiring any rate adjustments.

Based on the foregoing, and in accordance with KRS 278.020 and 807 KAR 5:001, sections 8 and 9, Thacker-Grigsby Telephone Company respectively requests that the Commission issue a Certificate of Public Convenience and Necessity to deploy FTTH capability throughout the Fisty and Mousie exchanges in Knott and Perry County, Kentucky.

Respectively Submitted?

Adam Collins

### ARTICLES OF INCORPORATION

OF

OCT 24 1956

NCORPOBATED.
& LOANS DIVISION

THACKER-GRIGSBY TELEPHONE COMPANY, INCORPOR

Know all men by these presents:

That we, Robert Thacker, Leburn, Knott County, Kentucky, Janice Grigsby, Leburn, Kentucky, and Junealla Thacker, Leburn, Kentucky, do associate to form a corporation under the laws of the State of Kentucky.

Article I. The corporation hereby proposed to be organized shall be named and known as Thacker-Grigsby Telephone Company, Incorporated, by which name it may contract and be contracted with, sue and be sued, adopt a corporate seal and do its business.

Article II. The principal office and place of business of said Corporation shall be in the Town of Hindman, Knott County, Kentucky.

Article III. The nature of the business proposed to be transacted, promoted, and carried on by this corporation shall be constructing, maintaining, promoting, and owning telephones, telephone lines, and telephone equipment and appliances, and carrying on and operating a telephone line and lines in Knott County, Kentucky, and other counties. in the State of Kentucky; also purchasing and owning of rights of way for telephone lines and other real estate necessary for use in its business for offices, plants, and other purposes in carrying on said business; also purchasing, owning, and selling of telephones, telephone equipment and applicances, plants, machinery, and equipment; also with the right and power to do any and all things necessary in carrying on its said business of furnishing telephone service over its lines in Knott County, Kentucky, and adjoining counties, and to obtain and own franchises and certificates of necessity for constructing, maintaining, and operating telephone lines and furnishing telephone service; also with the full right and power to own, buy, sell. lease, or mortoner

BY-LAWS. The place topics of the correspondation should 全成中的主要重要在存在 東鄉 医维耳测测疗。 ARTICLE 1. be oldsed against bransford for a parter of 30 days cafore the day of payment of theme and Location. Now here before week amount Section 1. The name of this corporation shall be

Thacker-Grigsby Telephone Company, Inc. 1210856 of stree. 2: 200 Itabprinoipal office shall bealocated at sof except upon satisfindmen, Prentucky has board of directors of such less Secto 3: The Other offices for the transaction of business to shall be clocated at such places as the board of directors may well from time to time determine the marked " holitate" woom live ARTICLE II. TAGE .

## Capital Stock. ENT THE

Section 1.

The amount of the capital stock shall be stockholders a Messings. Thirty Thousand Dollars, which shall be divided into 300 shares, of the value of One Hundred dollars each. Sec. 2. All certificates of stock shall be signed by such year at the principal diffice of the outputation. Provide **学学会学生成功信息** the President and the Secretary, and shall be sealed with the however, that whenever such day shall finil appead a Sanday, or a corporate seal. legal Boliday, the meeting shall be held on the maxt succeeding Treasury stock shall be held by the corporation at such meeting the stochholisers whall elect Sec. 3. subject to the disposal of the board of directors, and shall dispose to serve until their speedsoors shall be elected and neither vote nor participate in dividends.

The corporation shall have a first lien on all a special meching of the stockholders, to be Sec. 4 the shares of its capital stock, and upon all dividends declared upon the same, for any indebtedness of the respective holders any time by the President, and in his absence by the Vicethereof to the corporation. President; or by the directors. It shall be the duty of the Sec. 5. Transfers of stock shall be made only on the directors, President, or Vice-President to call such a meating

### ARTICLE VII.

#### AMendments.

Section 1. Amendments to these by-laws may be made, by a vote of the stockholders representing a majority of all the stock issued and outstanding, at any annual stockholders' meeting; or at any special stockholders' meeting when the proposed amendment has been set out in the notice of such meeting.

#### <del>\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*</del>

I, Janice Grigsby, Secretary of the Thacker-Grigsby
Telephone Company, Inc., hereby certify that the foregoing is
a true and correct copy of By-Laws of said Company as contained
in Book Record of Minutes in my said office.

Secretary.



## Finley Engineering Company dba Central Associated Engineers, Inc.

Telecommunications Planning, Design & Engineering
1500 Bull Lea Road, Suite 194 • Lexington, Kentucky 40511
Telephone: (859) 231-9831 • Fax: (859) 233-0046 • www.CAEeng.com

August 22, 2007

Mr. Peter Amiable
Engineering Branch Chief
Southern Division - Telecommunications
USDA-RUS
Stop 1597, Room 2831
1400 Independence Ave., S.W.
Washington, DC 20250

RE: Thacker-Grigsby Telephone Company

RUS KY 536 H Change of Method Project TG07093

On behalf of and at the direction of Thacker-Grigsby Telephone company (RUS KY 536 H), we are requesting a Change of Method for the remaining funds under the H Loan Design. The original purposes of this loan are as follows:

- ✓ Upgrade Transmission Facilities
- ✓ Upgrade Outside Plant
- ✓ Accommodate Growth

These purposes have all been accomplished. Thacker-Grigsby has some areas that do not have facilities capable of providing broadband data service to their subscribers. It is these areas, as outlined on the attached spreadsheet, that they would like to upgrade. The upgrade plans for these areas are a Fiber-to-the-Home overbuild. The existing copper is over 40 years old and the strand is not reusable.

The FTTH overbuild will consist of new strand and fiber cable on existing Joint-Use poles or on Thacker-Grigsby owned poles. Plans are to deploy a GPON system providing sufficient bandwidth for current and future requirements. The estimated costs for this upgrade are outlined on the attached spreadsheet.

We appreciate your consideration of this request. If you have any questions or require additional information please contact us.

Ann M. Keller, P.E.

Enclosures:

Cc: James Wilson, KY GFR

Bill Grigsby, Thacker-Grigsby General Manager

Mr. Robert Thacker General Manager Thacker-Grigsby Telephone Company, Inc. P.O. Box 789 Hindman, Kentucky 41822

Dear Mr. Thacker:

We have reviewed and are approving your "Change on Method" request to utilize the remaining "H" loan funds to provide broadband data service to subscribers in areas not equipped to provide this service. We understand that the original "H" loan purposes were accomplished and that you plan to utilize the remaining loan funds to establish a Fiber-to-the-Home (FTTH) overbuild system to upgrade these areas. We also understand that the remaining "H" loan funds are sufficient to accomplish the FTTH upgrade which is estimated at \$7,949,800.

If you have any questions, please feel free to contact Mr. James Wilson, General Field Representative, at (859) 335-5483 or our office at (202) 720-0806.

Sincerely,



## RUHUL CHOUDHURY

PETER AIMABLE, Chief Southern Division Engineering Branch Telecommunications Program Rural Development Utilities Program

cc:
Official File-SDEB (KY 536-H)
Reading File
GFR: Wilson

RDUP:SDT:SDEB:LSargeant:08-31-07:ejj

KY536-H-Change-of-method2007

Ic:us	1	-	·			
Site	Lines	Pr	oposed FTTH			
Fisty Exchange	646			i		
Cuttoff	57		57			
Fisty	241		241			10
Ritchie	179		179			No. 12. No. of Art Later Printed Mark Street Control
Starfire	1		1		**	TALLER AND COMMISSION AND ADDRESS OF THE
Talcum	189		189	:		
	667	-	667	•		
A contract	007		007			
	070					
Cody Exchange	979			į		
Cody	129		129			
Mousie Exchange	611					
Motts Branch	87		87			
Mousie	390		390			
White Oak	144				error or or or or	
I am a second of the second of			144			
63%	621		621	!		
	i			ĺ		
Hindman Exchange	4021					1
Clear Fork	60		60			The second of the second of the second
cordia	145		145			
Garner	347		347			
Kelly fork	102		102			
Treaty fork						
	654		654			The state of the s
System Totals						
			2,071			
						The first of the first of the same of the
						The court beautiful and committee the court of the court
1					*	100 statement of the st
Cost Estimate (GPON)					ere e	
Outside Plant	\$3,000		\$6,213,000			, to the contract of the terminal of the termi
Electronics (incl NIDS)	\$800		\$1,656,800			
Licenomics (inclivibe)						
	\$3,800		\$7,869,800			
Engineering	10%		\$786,980	\$	605,314.00	Contract H40E
			\$8,656,780			
						1 to 100 to 100 to 100 miles and 100 to 100
Last FRS	:					
ÍCOE		S	2,022,492.00			
OSP		\$	4,463,971.00			
BLDGs		\$	158,799.00			
ENGR	!					* **** Lunda 'A 100' AAL IA 30
	į	\$ \$	1,147,000.00			** **
Contingency	!		225,417.00			
· ·		\$	8,017,679.00			
						S. C. St. Communication of the communication
FRS updated 03 14 08						
COE		\$	1,164,560.00			
OSP		\$	4,463,971.00			
BLDGs	j	\$	158,799.00			
ENGR		Φ				
		\$	1,147,000.00			to the second second
Contingency		\$	225,821.00			
	**************************************	\$	7,160,151.00			



15. Deferred Charges

16. Jurisdictional Differences

18. Telecom, Plant-in-Service

20. Plant Under Construction

19. Property Held for Future Use

17. Total Noncurrent Assets (11 thru 16)

PLANT, PROPERTY, AND EQUIPMENT

21. Plant Adj., Nonop. Plant & Goodwill

22. Less Accumulated Depreciation

23. Net Plant (18 thru 21 less 22)

24. TOTAL ASSETS (10+17+23)

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid

USDA-RU	/S		This data will be used by RUS to review your financial situation. You	response is required by 7 U	S.C. 901 et sea.		
			and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.				
			BORROWER NAME				
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS			Thacker Grigsby Tele Co Inc				
			(Prepared with Audited Data)				
INSTRUCTIONS-Submit report to RUS within 30 days after close of the period.			PERIOD ENDING	ORROWER DESIGNATION	N		
For detailed instructions, see RUS Bulletin 1744-2,	Report in whole dollar	rs only.	December, 2006	KY0536			
to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY	7 CFR PART 1788	dance with the acc , CHAPTER XVI	ERTIFICATION counts and other records of the system and reflect the state I, RUS, WAS IN FORCE DURING THE REPORTING				
RENEWALS HAVE BEEN OBTAIN DURING THE PERI		THIS REPORT	PURSUANT TO PART 1788 OF 7CFR CHAPTER X	VII			
		(Cneck on	of the following)				
All of the obligations under the RUS loan do have been fulfilled in all material respects.	ocuments		There has been a default in the fulfillment of the obligation under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report				
William Grigsby		4/30/2007					
		DATE	-				
		PART	A. BALANCE SHEET				
	BALANCE	BALANCE	I .	BALANCE	BALANCE		
ASSETS	PRIOR YEAR	END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	PRIOR YEAR	END OF PERIO		
CURRENT ASSETS		11 11 11 11 11 11 11	CURRENT LIABILITIES				
Cash and Equivalents	17,583,474	6,413,768	25. Accounts Payable	312,250	211,35		
2. Cash-RUS Construction Fund	2,388		26. Notes Payable	0			
3. Affiliates:			27. Advance Billings and Payments	0			
a. Telecom, Accounts Receivable	37,654	(197,944)	28. Customer Deposits	190,683	194,91		
b. Other Accounts Receivable	146,482		29. Current Mat. L/T Debt	562,000	635,00		
c. Notes Receivable	. 0	0	30. Current Mat. L/T Debt-Rur. Dev.	0			
4. Non-Affiliates:			31. Current MatCapital Leases	0			
a. Telecom, Accounts Receivable	453,486	288,368	32. Income Taxes Accrued	0			
b. Other Accounts Receivable	0		33. Other Taxes Accrued	224	136,60		
c. Notes Receivable	,	0	34. Other Current Liabilities	36,857	32,46		
5. Interest and Dividends Receivable	87,863		35. Total Current Liabilities (25 thru 34)	1,102,014	1,210,34		
6. Material-Regulated	179,113		LONG-TERM DEBT				
7. Material-Nonregulated	53,129	50,537	36. Funded Debt-RUS Notes	3,278,869	2,818,70		
8. Prepayments	56,985	44,283	37. Funded Debt-RTB Notes	788,439	596,52		
Other Current Assets	0	_	38. Funded Debt-FFB Notes	0			
10. Total Current Assets (1 Thru 9)	18,600,574	7,091,292	39. Funded Debt-Other	118,830	110,14		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0			
11. Investment In Affiliated Companies	فليونونا خواف		41. Premium (Discount) on L/T Debt	0			
a. Rural Dévelopment	1,082,630	2,267,313	42. Reacquired Debt	0			
b. Nonrural Development	7,363,075	23,436,747	43. Obligations Under Capital Lease	0			
12. Other investments			44. Adv. From Affiliated Companies	0			
a. Rural Development	0	0	45. Other Long-Term Debt	0			
b. Nonrural Development	403,893		46. Total Long-Term Debt (36 thru 45)	4,186,138	3,525,38		
13. Nonregulated Investments	45,088		OTHER LIAB. & DEF, CREDITS		eli Medes di		
14. Other Noncurrent Assets	0		47. Other Long-Term Liabilities	1,527,182	1,274,25		

Total Equity =	85	.738%	of Total	Assets

33,308 48. Other Deferred Credits

24,884,862 51. Cap. Stock Outstand. & Subscribed

0 53. Treasury Stock

9,231,061 56. Patronage Capital Credits

0 52. Additional Paid-in-Capital

0 54. Membership and Cap. Certificates

57. Retained Eamings or Margins

59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)

58. Total Equity (51 thru 57)

EQUITY

15,653,801 55. Other Capital

0 49. Other Jurisdictional Differences 25, 784, 152 50. Total Other Liabilities and Deferred Credits (47 thru 49)

34,913

24,397,423

15,404,637

8,992,786

36,522,959 42,106,505

35,828,527

36,096,527

1,274,253

268,000

0

29,439,625

29,707,625

1,527,182

268,000

0

36,522,959 42,106,505

## OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER DESIGNATION

KY0536

PERIOD ENDING

INSTRUCTIONS- See RUS Bulletin 1744-2

December, 2006

#### PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
Local Network Services Revenues	1,245,075	1,249,126
Network Access Services Revenues	6,264,464	6,571,631
Long Distance Network Services Revenues	0	0
4. Carrier Billing and Collection Revenues	261,496	258,707
5. Miscellaneous Revenues	322,605	318,349
6. Uncollectible Revenues	48,000	48,000
7. Net Operating Revenues (1 thru 5 less 6)	8,045,640	8,349,813
Plant Specific Operations Expense	941,350	975,444
Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	352,901	340,027
10. Depreciation Expense	1,290,573	1,300,305
11. Amortization Expense	1,280	1,604
12. Customer Operations Expense	617,156	688,515
13. Corporate Operations Expense	1,338,260	1,361,848
14. Total Operating Expenses (8 thru 13)	4,541,520	4,667,743
15. Operating Income or Margins (7 less 14)	3,504,120	3,682,070
16. Other Operating Income and Expenses	0	0
17. State and Local Taxes	387,917	472,416
18. Federal Income Taxes	877,958	2,522,220
19. Other Taxes	267,059	17,396
20. Total Operating Taxes (17+18+19)	1,532,934	3,012,032
21. Net Operating Income or Margins (15+16-20)	1,971,186	670,038
22. Interest on Funded Debt	240,590	210,181
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	10,969	10,781
25. Allowance for Funds Used During Construction	0	0
26. Total Fixed Charges (22+23+24-25)	251,559	220,962
27. Nonoperating Net Income	1,615,095	5,978,857
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	8
30. Nonregulated Net Income	118,055	172,819
31. Total Net Income or Margins (21+27+28+29+30-26)	3,452,777	6,600,752
32. Total Taxes Based on Income	1,265,875	4,093,000
33. Retained Earnings or Margins Beginning-of-Year	26,198,704	29,439,625
34. Miscellaneous Credits Year-to-Date	. 0	
35. Dividends Declared (Common)	211,686	211,680
36. Dividends Declared (Preferred)	170	170
37. Other Debits Year-to-Date	0	
38. Transfers to Patronage Capital	0	Q
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	29,439,625	35,828,527
40. Patronage Capital Beginning-of-Year	0	33,020,32,
41. Transfers to Patronage Capital	Ö	រ
42. Patronage Capital Credits Retired	0	0
43. Patronage Capital End-of-Year (40+41-42)	0	٤
44. Annual Debt Service Payments	759,761	797,938
45. Cash Ratio [(14+20-10-11) / 7]	0.5944	0.7638
46. Operating Accrual Ratio [(14+20+26) / 7]	0.7863	0.7636
47. TIER [(31+26) / 26]	14.7255	30.8728
48 DSCR [(31+26+10+11) / 44]	6.5760	10.1808

## OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER DESIGNATION

KY0536

PERIOD ENDED

December, 2006

INSTRUCTIONS - See RUS Bulletin 1744-2

	<u>Part</u>	C. SUBSCRIBER	(ACCESS LINE), ROUTE	MILE, & HIGH SPEED I	DATA INFORMATIC	N		
	1. RAT	ES	2. SUBSC	RIBERS (ACCESS LINE	S)	3. ROUTE MILES		
EXCHANGE	B-1	R-1	BUSINESS	RESIDENTIAL	TOTAL.	TOTAL (including fiber)	FIBER	
	(a)	(b)	(a)	(b)	(c)	(a) '	(b)	
Fisty	9.16	5.74	58	588	646	94.18	17.14	
Pippa Passes	9.16	5.74	74	375	449	37,77	10.00	
Topmost	9.16	5.74	109	957	1,066	121.51	26.16	
Cody XA	9.16	5.74	127	852	979	137.63	40.46	
Hindman	9.16	5.74	867	3,199	4,066	342.80	106.38	
Mousie	9.16	5.74	77	534	611	61.72	18.69	
MobileWireless					0			
Route Mileage Outside Exchange Area						0.00	0.00	
Total			1,312	6,505	7,817	795.61	218.83	
No. Exchanges	6							

## OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER DESIGNATION KY0536

PERIOD ENDED

December, 2006

INSTRUCTIONS - See RUS Bulletin 1744-2

	, ROUTE MILE, & HIGH SPEED DATA INFORMATION
Date CIBSCRIRER (ACCESS LINE)	I ROILLE MILE & HIGH SPEED DATA INFORMATION
Part C. SUDGUNDEN (ACCEDE ENVE)	, 1,00. = 111. Ed, 0.11101. 0.

			4. B	ROADBAND SER	VICE			
	Details on Least Expensive Broadvand Service							
EXCHANGE	with BB	No Of Broadband Subscribers	Number Of Subscribers	Advertised Download Rate	Advertised Upload Rate (Kbps)	Price Per Month	Standalone/Pckg	Type Of Technology
	available (a)	(b)	(c)	(Kbps) (d)	Hate (Rops)	(f)	(f)	(g)
Fisty	646	146	106	512	256	34.95	Package	DSL
Pippa Passes	449	1	49	512	256	34.95	Package	DSL.
Topmost	1,066		86	512	256	34.95	Package	DSL
Cody XA	979		78	512	256	34.95	Package	DSL
Hindman	4,066	t	364	512	256	34.95	Package	DSI.
Mousie	611		37	512	256	34,95	Package	DSL
Total	7,817	977						

	USDA-RUS			BORROWER DES	IGNATION	
	OPERATING DEPORT FOR		KY0536			
-	OPERATING REPORT FOR ELECOMMUNICATIONS BORRO		PERIOD ENDING			
•:	LLLCOMMONIOA HONS BONNO	**LINO		December, 2006		
INSTRUCTIONS- See RUS Bulletin	1744-2					
		PART D. SYSTEM	DATA			
I. No. Plant Employees 23	2. No. Other Employees	3. Square Miles Served	360	4. Access Lines per Square	Mile 21.71	5. Subscribers per Route Mile 9 . 8 3
	J	PART E. TOLL D				
Study Area ID Code(s)	2. Types of Toll Set	tlements (Check one	)			
a.	.260419		Interstate:	X Average Schedule		Cost Basis
			r	X Average Schedule	1	Cost Basis
	·		Intrastate:	X Average Schedule	1	Cost Basis
g.						
h.						
4.						
j	•					
	PART F. FUI	NDS INVESTED IN P	LANT DURING YEA	NR		
1. RUS, RTB, & FFB Loan Funds Ex	xpended				:	
<ol><li>Other Long-Term Loan Funds Ex</li></ol>	pended					
<ol><li>Funds Expended Under RUS Inte</li></ol>	erim Approval					
<ol> <li>Other Short-Term Loan Funds Ex</li> </ol>	pended					
5. General Funds Expended (Other	than Interim)					1,538,580 1,695
7. Contribution in Aid to Construction  8. Gross Additions to Telecom. Plant (1 thru 7)  1,540,27						
O. Cross reduktions to ressession reco	5(1,000,7)					2/020/0/0
	PART G. INV	ESTMENTS IN AFFI	LIATED COMPANII	ES		
	•	CURRENT Y	EAR DATA		CUMULATIVE DA	ATA
				Cumulative	Cumulative	
INVE	STMENTS	Investment	Income/Loss	Investment	Income/Loss	Current
		This Year	This Year	To Date	To Date	Balance
	(a)	(b)	(0)	(d)	(e) 6 202 775	<i>0</i>
Investment in Affiliated Companie     Investment in Affiliated Companie		16,278,397	979,958	19,501,285 0	6,202,775 0	25,704,060 0
<ol><li>Investment in Affiliated Companie</li></ol>	es - Nontural Development	(403,893)	0	0	U	U

## **OPERATING REPORT FOR**

BORROWER DESIGNATION
KY0536
PERIOD ENDING

#### **TELECOMMUNICATIONS BORROWERS** December, 2006 PART H. CURRENT DEPRECIATION RATES Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one) Х YES NO **EQUIPMENT CATEGORY DEPRECIATION RATE** 12.10% Land and support assets - Motor Vehicles Land and support assets - Aircraft 7.50% Land and support assets - Special purpose vehicles 7.50% Land and support assets - Garage and other work equipment Land and support assets - Buildings 2.70% 8.70% Land and support assets - Furniture and Office equipment 15.80% Land and support assets - General purpose computers 7.50% Central Office Switching - Digital Central Office Switching - Analog & Electro-mechanical 11.70% 9.80% 10. Central Office Switching - Operator Systems 11. Central Office Transmission - Radio Systems 9.10% 12. Central Office Transmission - Circuit equipment 10.00% 15.00% 13. Information origination/termination - Station apparatus 14. Information origination/termination - Customer premises wiring 15.00% 14.29% 15. Information origination/termination - Large private branch exchanges 7.70% 16. Information origination/termination - Public telephone terminal equipment 17. Information origination/termination - Other terminal equipment 5.60% 18. Cable and wire facilities - Poles 6.60% 19. Cable and wire facilities - Aerial cable - Metal 5.10% 20. Cable and wire facilities - Aerial cable - Fiber 21. Cable and wire facilities - Underground cable - Metal 4.70% 4.70% 22. Cable and wire facilities - Underground cable - Fiber 4.70% 23. Cable and wire facilities - Buried cable - Metal 24. Cable and wire facilities - Buried cable - Fiber 4.70% 2.20% 25. Cable and wire facilities - Conduit systems 26. Cable and wire facilities - Other

## OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER DESIGNATION

KY0536

PERIOD ENDED

December, 2006

INSTRUCTIONS - See RUS Bulletin 1744-2

NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

The difference in the total assets reported on the Operating Report (RUS 479) and the audit report is due to the other comprehensive income (unrealized loss on investment securities, \$289,292).

Part C - Broadband services are provided by affiliated company.

# CASE NO: 2008-00106

# CONTAINS LARGE OR OVERSIZED MAP(S)

RECEIVED ON: March 24, 2008