

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN RURAL TELEPHONE)	
COOPERATIVE CORPORATION, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY FOR CONSTRUCTION OF A NEW)	2010-00224
HEADQUARTERS BUILDING IN WEST LIBERTY,)	
KENTUCKY)	

O R D E R

On June 3, 2010, Mountain Rural Telephone Cooperative Corporation, Inc. ("Mountain") filed an application with the Commission seeking a Certificate of Public Convenience and Necessity ("CPCN") to construct a new headquarters building in West Liberty, Kentucky. Mountain is a non-profit membership cooperative corporation with its principal business office in West Liberty, Kentucky. Mountain, as an incumbent local exchange carrier, provides local telephone service to approximately 12,611 residential and 2,914 business access lines to Morgan, Elliott, Menifee and Wolfe counties along with small portions of Bath and Lee counties of Kentucky.¹

Proposed Construction

Mountain proposes to construct a new office building on previously acquired real estate located immediately adjacent to its existing headquarters building. The existing building consists of 12,206 square feet, including the main office area and cable plant facilities, that will remain in use for employee workspace and storage after completion of the new headquarters building. No change in the street or mailing address will occur for the proposed new headquarters building.

¹ Access lines reported by Mountain as of December 31, 2009.

According to Mountain, the existing building utilized for its headquarters was built in the late 1960s and fails to meet current and anticipated needs. Handicap accessibility, both inside and outside the building, is limited and the facility is not sufficient to support current or future employee or customer requirements. The lack of adequate restroom facilities, absence of a loading dock and storage space, inappropriately organized office space, nonexistent building security, insufficient drive-through facilities, and no room for future expansion result in inefficiencies and additional costs incurred by Mountain and unreasonable conditions below the expectations of both employees and customers. Mountain asserts that the existing structure was evaluated for modifications to address existing and future requirements but was found incapable of accommodating those needs.

The proposed new construction is planned to commence during the third quarter of 2010 and be completed within approximately one year. The estimated total cost of the construction is budgeted at \$5,276,498, including all equipment, fixtures and essential furnishings.² The building will be 33,945 square feet with a per-square-foot cost of approximately \$155. Mountain proposes to fund the construction with existing cash or equivalents and does not anticipate requiring any local rate adjustments as a result of the new construction.

In response to the Commission Staff's information request, Mountain provided additional information and explanations describing in more detail various aspects of the

² The estimated budgeted amount also includes a five percent fee for the architectural firm totaling \$249,559.

proposed construction.³ Mountain explained that it had considered proposals from four architectural firms selected from portfolios of fourteen potential candidates before selecting the architect for the new headquarters facility.⁴ Bidding for the construction project involved consideration of four bid proposals, of which the lowest winning bid proposal of \$4,897,295 was awarded pending final approvals. Mountain also explained that Rural Utilities Services' restrictions and approval procedures ensure that America Recovery and Reinvestment Act monies associated with the construction authorized in Case No. 2009-00538⁵ will not be utilized for construction of the proposed new headquarters facility. Mountain further described how it determined that the costs associated with the proposed construction were reasonable and reflective of the current construction market.⁶ Mountain explained that it had reviewed comparable construction projects by similarly-situated telecommunications carriers in Kentucky, and determined that Mountain's construction budget was in line with experiences of those surveyed carriers.⁷

Discussion and Findings

Having reviewed the information in this proceeding, the Commission finds that Mountain has provided sufficient justification for the proposed construction of the new

³ The information request was issued on August 6, 2010. Mountain submitted responses on August 16, 2010.

⁴ Information Request Response at 3.

⁵ Case No. 2009-00538, Application of Mountain Rural Telephone Cooperative Corporation, Inc. for a Certificate of Public Convenience and Necessity for the Construction of an Internet Protocol and Ethernet Network (Ky. PSC Jan. 6, 2010).

⁶ Information Request Response at 7.

⁷ Id.

headquarters building and has identified specific requirements that cannot be met by the existing structure. The Commission notes that Mountain's considerable expansion of services was authorized by this Commission in Case No. 2009-00538. This expansion of services has resulted in the need for additional equipment space and employee workspace that the proposed new construction will effectively accommodate. Other enhancements of the new building are likely to improve conditions experienced by employees, business associates and customers. The Commission finds that the proposed construction is necessary to accommodate Mountain's existing and future needs and ensure that safe, adequate and efficient services are maintained by the utility without wasteful duplication of facilities.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Mountain should be authorized to proceed with the proposed construction as described herein.

IT IS THEREFORE ORDERED that:

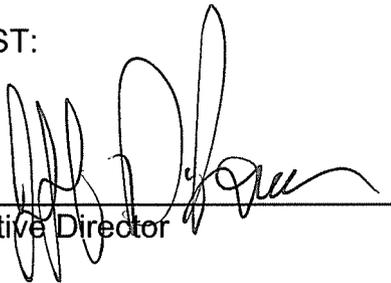
1. Mountain is granted a Certificate of Public Convenience and Necessity to construct a new headquarters office building in West Liberty, Kentucky as set forth in its application and as described in this Order.
2. Mountain shall obtain approval of the Commission prior to performing any additional construction not expressly authorized by this Order.
3. Any material deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Any documents filed in the future pursuant to ordering paragraphs 2 or 3 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED *al*
SEP 16 2010
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Honorable D. Joleen Frederick
City Attorney, City of West Liberty
P. O. Box 508
West Liberty, KY 41472