

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BALLARD RURAL)	
TELEPHONE COOPERATIVE CORPORATION,)	
INC. FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY FOR THE)	2013-00418
CONSTRUCTION OF A GIGABIT PASSIVE)	
OPTICAL NETWORK AND FIBER TO THE)	
PREMISES NETWORK)	

ORDER

On November 26, 2013, Ballard Rural Telephone Cooperative Corporation, Inc. (“Ballard RTCC”) tendered for filing an application seeking a Certificate of Public Convenience and Necessity (“CPCN”) for the purpose of upgrading and improving Ballard RTCC’s telecommunications network. The Commission notified Ballard RTCC by letter dated December 5, 2013, that its application was deficient and could not be accepted for filing. Ballard RTCC cured the filing deficiency on February 3, 2014, and its application was accepted for filing as of that date. Ballard RTCC is a non-profit membership cooperative corporation with its main office in LaCenter, Ballard County, Kentucky. As of December 31, 2012, Ballard RTCC had a total of 4,869 access lines providing telephone service to subscribers in Ballard County and parts of McCracken County in Kentucky.¹

Description of Proposed Construction

Ballard RTCC states that the purpose of the new construction is to upgrade the network in its Bandana, Barlow, Gage, and Wickliffe exchanges by deploying a fiber-to-

¹ Ballard RTCC serves 3,843 residential customers and 1,026 business customers.

the-premise (“FTTP”) network. Ballard RTCC has already deployed an FTTP network in its other three exchanges, therefore, the new construction will allow Ballard RTCC to provide the same capability and service to customers within its entire service territory. As part of its proposed construction, Ballard RTCC plans to utilize Gigabit Passive Optical Network (“GPON”) architecture in the proposed FTTP deployment, and plans to make additions to the next generation switching platform and transport network as well.

Ballard RTCC states that upgrades will be needed to the central office equipment, including capacity additions, new server hardware, and voicemail services to the MetaSwitch switching platform. GPON FTTP equipment will be placed in the central offices of the exchanges along with additional corresponding electronic equipment as part of the FTTP deployment in the exchanges. Additionally, Ballard RTCC proposes that approximately 420 route miles, including subscriber drops, of outside plant construction will be needed in the FTTP deployment.² Ballard RTCC proposes a construction schedule plan of four years, with the build out of one exchange each year.³

Ballard RTCC states in its application that, according to its own analysis, the primary reasons for the downward trend of the company’s access lines have been customers upgrading to Digital Subscriber Line (“DSL”) and switching to mobile service only. As a result, customers have been dropping lines used for their home phone service or second phone lines used for dial-up internet service. Ballard RTCC claims

² Ballard RTCC plans to place fiber drops to broadband and/or video subscribers, but basic service subscribers will remain on the copper network.

³ The plan is to build out the Bandana exchange in 2014 (along with softswitch additions and transport equipment upgrades), the Barlow exchange in 2015, the Wickliffe exchange in 2016, and the Gage exchange in 2017.

that the proposed construction will help satisfy customers' demand for state-of-the-art telecommunications services, and will help reverse the downward trend of access lines in its service area. Additionally, Ballard RTCC believes that the construction of a four lane highway along with other highway construction in Ballard County will encourage additional residential and commercial development in the service area resulting in higher demand for sophisticated telecommunications services.

Ballard RTCC believes that the advanced telecommunications services made available through its proposed construction are critical to the economic and social development of the communities it serves in McCracken and Ballard counties. Additionally, Ballard RTCC asserts that the State Telecommunications Modernization Plan recognizes deployment of advanced technologies, including fiber optics, as essential to economic development in the state. Thus, Ballard RTCC believes that the proposed construction and deployment of the technologies noted in its application will draw medical and educational services, and numerous other economic opportunities, to its subscribers. As a result, Ballard RTCC asserts that its proposed construction and other plant upgrades are required for public convenience and necessity.

The total estimated cost of the proposed construction is \$24,019,693. Ballard RTCC submitted a "P42" loan application, with loan design, to Rural Utilities Services ("RUS") in the amount of \$24,020,000. RUS has approved the loan subject to the approval of the Commission. Ballard RTCC was unable to estimate the cost of operations after the proposed facilities are completed, but projects that the utility will be able to maintain the current operating cost, or a decreased cost of current operation,

after the proposed construction is completed. Ballard RTCC does not anticipate requiring any local rate adjustments as a result of the new construction.

Discussion and Findings

The proposed construction will result in a significant expansion of the services available to subscribers and enhance Ballard RTCC's ability to maintain its facilities and provide service to customers. However, the planned construction is extensive with substantial costs and is designed primarily for Ballard RTCC to support services that may be beyond the jurisdiction of the Commission.⁴ The Commission recognizes that the General Assembly has found that the provision of broadband and other state-of-the-art telecommunications technologies are an "essential element to the Commonwealth's initiative to improve the lives of Kentucky citizens"⁵ Nevertheless, the Commission remains obligated to ensure that Ballard RTCC's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.⁶ Ballard RTCC should carefully account for the costs associated with the construction of these facilities, and properly allocate those costs to jurisdictional and non-jurisdictional services, respectively.⁷

⁴ KRS 278.5462 provides, in part, that the provision of broadband services is not subject to state administrative regulation. However, the Commission retains authority to investigate and resolve complaints stemming from broadband service and 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.

⁵ KRS 278.546(1).

⁶ KRS 278.542(1)(n).

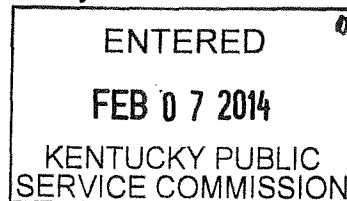
⁷ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

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

IT IS THEREFORE ORDERED that:

1. Ballard RTCC is granted a Certificate of Public Convenience and Necessity to construct new facilities and upgrade existing facilities as set forth in its application and as described herein.
2. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, Ballard RTCC shall immediately notify the Commission, in writing, of the adjustment and include an explanation of the additional costs for the Commission's approval.
3. Ballard RTCC 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.

By the Commission



ATTEST:

Executive Director

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