

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH CENTRAL)	
TELEPHONE COOPERATIVE, INC. FOR A)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND)	2015-00033
NECESSITY FOR THE CONSTRUCTION OF)	
FIBER-TO-THE-PREMISES IN ALLEN COUNTY,)	
KENTUCKY)	

ORDER

On January 28, 2015, North Central Telephone Cooperative Corporation, Inc. (“North Central”) filed an application seeking a Certificate of Public Convenience and Necessity (“CPCN”) to construct and upgrade telecommunications facilities within its certified operating territory. The proposed construction consists of the deployment of a Fiber-to-the-Premises (“FTTP”) network with the ability to achieve broadband data speeds of up to one gigabit per second (Gbps) for 171 potential subscribers in a portion of the Scottsville Rural exchange located in the southern portion of Allen County, Kentucky.

North Central was established in 1951 as a non-profit cooperative based in Lafayette, Tennessee, to provide local telephone service to business and individual customers within various exchanges of Kentucky and Tennessee. North Central is a rural incumbent local exchange carrier serving approximately 4,228 residential and 394 business lines in Allen County, Kentucky, and an additional 10,886 residential and 2,012 business customers in Tennessee.¹

¹ *North Central's Annual Report for Calendar Year Ending December 31, 2013.*

Description of Proposed Construction

North Central states that it applied for and received a grant from the Community-Oriented Connectivity Broadband Grant Program² for funding the extension of fiber plant in the southern portion of the Mount Zion serving area to support broadband services. The project will, upon completion, expand on very limited availability of broadband services to 171 potential subscribers, the majority of which currently continue to rely upon dial-up services to access the Internet. The proposed improvements will replace existing copper facilities that are at or beyond their useful life with new outside plant, equipment and facilities to support an Active Ethernet FTTP architecture capable of supporting broadband speeds from 5 megabits per second (Mbps) to 1 gigabit per second (Gbps). The new facilities will consist of approximately 40 miles of FTTP facilities, including the necessary electronic equipment and fiber optic cable extending from the existing Mount Zion central office to each premises in the targeted portion of the Scottsville Rural exchange. The FTTP project will be deployed over approximately seven months, and customers will be migrated to the new facilities initially as customer demands require, and then as warranted by business considerations, including costs and maintenance issues.

² The Community Connect Grant Program is a United States Department of Agriculture – Rural Utilities Service program intended to provide financial assistance in the form of grants to eligible applicants that will provide currently unserved areas, on a “community-oriented connectivity” basis, with broadband service that fosters economic growth and delivers enhanced educational, health care, and public safety services. (7 CFR part 1739, Subpart A)

The proposed construction project is estimated to cost a total of \$1,990,095³ and will be funded substantially through the Community Connect Grant Program with \$312,836 in matching funds provided from North Central's general funds. North Central states that it does not anticipate any rate adjustments associated with the proposed project.

Discussion and Findings

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance North Central'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 North Central 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 is an "essential element to the Commonwealth's initiative to improve the lives of Kentucky citizens. . . ."⁵ Nevertheless, the Commission remains obligated to ensure that North Central's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.⁶

³ The application indicates a total project cost of \$2,083,871; however, based on the plans and specs supplied with the application, the costs of the project are estimated at:

Outside Plant	\$1,552,040
Central Office/Electronic Equipment	\$ 79,414
Engineering	<u>\$ 358,641</u>
TOTAL	\$1,990,095

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

North Central 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

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

IT IS THEREFORE ORDERED that:

1. North Central is granted a Certificate of Public Convenience and Necessity to construct new facilities as set forth in its application and as described in this Order.

2. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, North Central shall immediately notify the Commission in writing of the adjustment and include an explanation of the additional costs for the Commission's approval.

3. As provided for in this Order, North Central 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.


4. Any documents filed pursuant to ordering paragraph 2 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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

By the Commission

ENTERED
MAR 19 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2015-00033

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