

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOGAN TELEPHONE	)	
COOPERATIVE, INC. FOR A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY FOR	)	
THE CONSTRUCTION OF FIBER-TO-THE-	)	
PREMISE IN PORTIONS OF LOGAN,	)	CASE NO.
SIMPSON, BUTLER, MUHLENBERG, TODD,	)	2017-00476
WARREN, AND OHIO COUNTIES, KENTUCKY	)	

ORDER

On December 22, 2017, Logan Telephone Cooperative, Inc. (“Logan Telephone”) submitted an application (“Application”) seeking a Certificate of Public Convenience and Necessity (“CPCN”) to construct and upgrade telecommunications facilities within its certified operating territory. Logan also requests a deviation from certain filing requirements set forth in 807 KAR 5:001, Section 15(2)(e).<sup>1</sup>

Logan Telephone is a rural incumbent local exchange carrier incorporated in 1954, with its primary business office in Auburn, Kentucky. Logan Telephone provides telecommunications services to approximately 4,858 residential and 493 business customers in Butler, Logan, Muhlenberg, Ohio, Simpson, Todd, and Warren counties of Kentucky.<sup>2</sup>

The proposed construction consists of the deployment of a Fiber-to-the-Premises

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<sup>1</sup> Logan Telephone inadvertently omitted a subsection, requesting a deviation from 807 KAR 5:001, Section 15(e).

<sup>2</sup> Logan Telephone’s Annual Report for Calendar Year Ending December 31, 2016, page 28.

(“FTTP”) network with the ability to achieve broadband data speeds of up to one gigabit per second for 2,905 potential subscribers in the exchanges of Adairville, Auburn, Dunmor, Lewisburg, Logansport, and Rochester, Kentucky. In addition, Logan Telephone plans to install new electronic equipment in each central office, along with supporting equipment and facilities that will be deployed throughout Logan Telephone’s operating area.

#### Description of Proposed Construction

Logan Telephone states that the proposed construction is necessary to expand broadband service in the exchanges where the current copper/fiber hybrid network’s broadband speeds are insufficient to meet customer demand. The Federal Communications Commission recently found that the median download speed reached 41 megabits per second for downloads in September 2015.<sup>3</sup> Logan Telephone’s fiber optic cable will be placed between the respective central office, and each inhabitable residential premise and each business premise covered in this construction plan. For reliability, the fiber cables will be predominately direct buried at a minimum depth of 30 inches. When there is no economical alternative, a small part of the fiber cable construction will be aerial installation. The interface between the buried main line cable and the subscriber cable will be either in a below-ground-level hand hole or an above-ground pedestal. In addition to the fiber optic cable facilities, Logan Telephone will place additional electronic equipment in each central office to aggregate, administer, manage, monitor, and transport optical signals downstream to each customer and upstream to the

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<sup>3</sup><http://data.fcc.gov/download/measuring-broadband-america/2016/2016-Fixed-Measuring-Broadband-America-Report.pdf> (accessed December 13, 2017), page 15. See Application, Exhibit A.

higher order interconnecting network. The downstream optical signal will be converted at the customer premise to Internet Protocol electrical signal for connection to the customer computer or other network device. The proposed FTTP project is expected to begin in the first quarter of 2018 with completion by December 2022. Customers will be migrated to the new facilities as each segment is completed.

The proposed construction project is estimated to cost a total of \$30,159,252<sup>4</sup> and will be funded through a Rural Utilities Service (“RUS”) “N” loan of \$30,159,000 that includes interim financing authority of \$179,000 pending final approval of the RUS loan application. Until Logan Telephone and RUS complete the execution of the loan documents, Logan Telephone cannot state with certainty the terms of the loan. Therefore, Logan Telephone requests a deviation from 807 KAR 5:001, Section 15(e), which requires an applicant to provide specifications of how a utility “proposes to finance the proposed construction.” Logan Telephone requested an 18-year term but the interest rate and repayment schedule will be determined by the Federal Financing Bank Act.<sup>5</sup> Logan Telephone states that it does not anticipate any rate adjustments associated with the proposed project.

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<sup>4</sup> Based on information provided with the Application, the costs are estimated as follows:

Total Outside Plant Construction	\$ 24,484,221
Total Electronics	\$ 1,799,838
Total Engineering and Inspections	<u>\$ 3,875,195</u>
Total Project Amount	\$ 30,159,252

<sup>5</sup> Pursuant to KRS 278.300(10), indebtedness incurred that is subject to the supervision or control of the federal government or any agency thereof is exempt from approval of the Commission.

## Discussion and Findings

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance Logan Telephone'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 Logan Telephone to support services that may be beyond the jurisdiction of the Commission.<sup>6</sup> 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 initiatives to improve the lives of Kentucky citizens . . . ."<sup>7</sup> Nevertheless, the Commission remains obligated to ensure that Logan Telephone's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.<sup>8</sup> Logan Telephone 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.<sup>9</sup>

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

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<sup>6</sup> 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.

<sup>7</sup> KRS 278.546(1).

<sup>8</sup> KRS 278.542(1)(n).

<sup>9</sup> The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

Commission further finds that Logan Telephone has established good cause to deviate from 807 KAR 5:001, Section 15(2)(e), and thus its request for deviation should be granted.

IT IS THEREFORE ORDERED that:

1. Logan Telephone is granted a CPCN to construct new facilities as set forth in its Application and as described in this order.

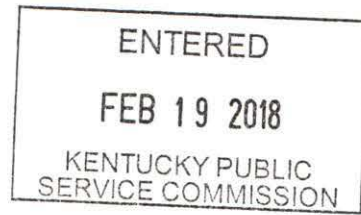
2. Logan Telephone's request for deviation from 807 KAR 5:001, Section 15(2)(e), is granted.

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

4. As provided for in this Order, Logan Telephone 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.

5. Any documents filed pursuant to ordering paragraph 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:

  
Executive Director

Case No. 2017-00476

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