

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THACKER-GRIGSBY)	
TELEPHONE COMPANY, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY FOR THE)	2018-00405
CONSTRUCTION OF FIBER OPTIC CABLE)	
IN KNOTT COUNTY, KENTUCKY)	

ORDER

On December 3, 2018, Thacker-Grigsby Telephone Company, Inc. (Thacker-Grigsby), submitted an application seeking a Certificate of Public Convenience and Necessity (CPCN) for the construction of a fiber optic network in Knott County, Kentucky. There were no motions to intervene or other objections made in this matter. Having reviewed the record and being otherwise sufficiently advised, the Commission grants Thacker's request for a CPCN as discussed herein below.

BACKGROUND

Thacker-Grigsby is a Kentucky corporation and rural incumbent local exchange carrier serving parts of Knott County, Perry County, Floyd County, and Breathitt County, Kentucky.¹ As of September 30, 2018, Thacker-Grigsby had 4,428 residential customers and 965 business customers.² Thacker-Grigsby was previously granted a CPCN to

¹ Application at paragraphs 2-3.

² *Id.* at paragraph 3.

upgraded portions of its network from copper to fiber optic,³ and it has upgraded portions of its network to fiber optic based on that authority.⁴ However, other portions of its network continue to be served by copper cable that is over 50 years old.⁵ Thacker requests a CPCN to construct a Fiber-to-the-Home (FTTH) network in certain areas currently served by that copper cable.⁶

The proposed FTTH network will consist of over 243 route miles of fiber optic cable and 184 miles of fiber drops and associated equipment, which will replace the remaining copper network within the Cody, Pippa Passes, and Hindman exchanges.⁷ The proposed FTTH network will consist primarily of aerial cable and strand attached to poles owned by Thacker-Grigsby or companies with which it has joint use agreements.⁸ However, Thacker-Grigsby will place some cables underground using conventional burying, boring and micro-trenching if it is unable to use utility poles.⁹ The construction schedule for the proposed network is four years with a fifth year to be used as a contingency plan for any delays.¹⁰

³ See *Application of Thacker-Grigsby Company for Certificate of Public Convenience and Necessity for the Construction of Fiber Optic Cable and Next Generation Soft Switch*, Case No. 2014-00397, (Ky. PSC. Dec. 17, 2014) (in which Thacker-Grigsby was granted a CPCN to upgrade a portion of its network from copper to fiber-optic with a proposed construction time of 4 to 5 years).

⁴ See Application at Exhibit B (indicating that the areas within the Cody, Pippa Passes, and Hindman exchanges in which the network has been upgraded or is currently being upgraded and the areas in which it current proposes to upgrade the network).

⁵ Application at paragraph 5.

⁶ See Application at Exhibit B and Exhibit C (describing location of the proposed project and describing the proposed specifications, respectively).

⁷ Application at Exhibit C, Dlc-3.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at Dlc-5.

Thacker-Grigsby asserted that the proposed FTTH network would allow it to provide high-speed broadband service to approximately 3,276 additional customers, including 100 percent of its customers within the Cody, Pippa Passes, and Hindman exchanges.¹¹ Thacker-Grigsby noted the importance of high-speed broadband and other advanced telecommunication services to the economic development of rural communities like those in its service area and indicated that it would be unable to provide that service to the affected areas without the proposed construction.¹² It acknowledged that the new construction might compete with some CATV-based services in the Cody, Pippa Passes, and Hindman exchanges. However, it stated that there are no other line-based competitive local exchange carriers or broadband providers serving in those exchange areas.¹³

Thacker-Grigsby stated that the estimated cost of the new construction in Kentucky is \$25,253,676. It has obtained \$20,527,964 in financing for the project from Rural Utilities Services (RUS) and expects to finance the remainder of the project from its general fund.¹⁴ Based on its current financial condition and reasonably foreseeable operating circumstances, Thacker-Grigsby asserted that it anticipates being able to service the additional debt without requiring any rate adjustments for regulated services.¹⁵ Moreover,

¹¹ *Id.* at Exhibit C, Dlc-3 (indicating that number of current customers that will be provided fiber service by the proposed project); Application at Paragraph 5 (indicating that it will result in fiber service being available to 100 percent of customers in the exchanges identified).

¹² *Id.* at Paragraph 6.

¹³ *Id.* at Paragraph 10.

¹⁴ *Id.* at Paragraph 13.

¹⁵ *Id.* at Paragraph 15.

Thacker-Grigsby stated that that it does not anticipate the proposed construction increasing its annual operating expenses once construction is complete.¹⁶

DISCUSSION AND FINDINGS

It appears that the proposed construction will result in a significant expansion of the services available to subscribers and will enhance Thacker-Grigsby's ability to maintain its facilities and provide service to customers. Thacker-Grigsby also indicated that it did not expect the new construction to result in an increase in its operating expenses or to otherwise require an increase in rates for regulated services. Moreover, because there is competition for services Thacker-Grigsby will offer over the network in at least some of its service area (e.g., cellular telephone internet service, and cable service) where there are market incentives for it to keep costs low that do not apply to other types of utilities. Thus, the Commission finds that Thacker-Grigsby should be authorized to proceed with the proposed construction as set forth in its Application and described herein.

However, the planned construction is extensive and designed primarily for Thacker-Grigsby to support services that may be beyond the jurisdiction of the Commission.¹⁷ 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

¹⁶ *Id.* at Paragraph 11.

¹⁷ KRS 278.5462 provides, in part, that the provision of broadband services is not subject to Commission regulation. However, the Commission may assist in the resolution of consumer 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.

citizens. . . .”¹⁸ Nevertheless, the Commission remains obligated to ensure that Thacker-Grigsby’s ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.¹⁹ Thus, while the Commission finds that Thacker-Grigsby should be authorized to proceed with the proposed construction, Thacker-Grigsby should also carefully account for the costs associated with the construction of these facilities and properly allocate those costs between jurisdictional and non-jurisdictional services.²⁰

IT IS THEREFORE ORDERED that:

1. Thacker-Grigsby is granted a CPCN 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, Thacker-Grigsby 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, Thacker-Grigsby 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 post-case correspondence file.
5. This case is closed and removed from the Commission's docket.

¹⁸ KRS 278.546(1).

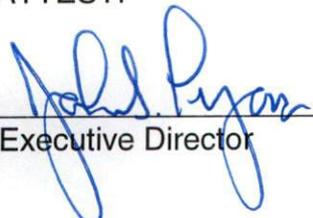
¹⁹ KRS 278.542(1)(n).

²⁰ 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
JAN 10 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

For 

Executive Director

Case No. 2018-00405

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