

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF INTENT OF NORTH CENTRAL)	
TELEPHONE COOPERATIVE CORPORATION)	CASE NO.
TO FILE RATE APPLICATION)	2007-00162

O R D E R

On April 20, 2007, North Central Telephone Cooperative Corporation, Inc. ("North Central") filed with the Commission, pursuant to 807 KAR 5:011, Section 8(1), and 807 KAR 5:001, Section 10(2), its notice of intent to file a rate application with the Commission to increase its residential and business rates. On April 25, 2007, North Central revised its notice to the Commission, noting that it would support its rate application by a fully forecasted test year. To date, no one has requested intervention.

However, on June 28, 2007, North Central filed revisions to PSC Kentucky Tariff 3 – Local Exchange Tariff.¹ In the new filing, North Central proposed new rates for residential and business local exchange services. Specifically, the proposed monthly residential rate will cost \$14.90, resulting in a \$3.00 increase per month, and the proposed monthly business rate will cost \$23.03, resulting in a \$5.00 increase per month. The proposed effective date for the tariff is July 28, 2007. Additionally, North

¹ Filed as PSC KY Tariff No. 3, Section C, First Revised Sheet No. 5 and First Revised Sheet No. 14, as well as PSC KY Tariff No. 3, Section G, First Revised Sheet No. 6.

Central stated that it was withdrawing its previously filed notice of intent to file a rate application.

North Central's proposed tariff was accompanied by a letter from its vice president of finance and administrative services, Mr. Johnny L. McClanahan. In the letter, Mr. McClanahan explains that the proposed tariff filing will affect only the business and residential rates for basic local service and the proposed rates will be comparable to those charged by other local exchange carriers in the general geographic area. He also explains that the competitive landscape of the telecommunications industry has changed and the loss of access lines and the need for network modernization have each contributed to North Central's need for an increase in basic rates. North Central has not increased the rates for basic local service in 23 years. On July 2, 2007, counsel for North Central and Commission Staff held an emergency informal conference, by telephone, in this matter. On July 5, 2007, North Central filed a letter with the Commission outlining its position and purpose in filing the new tariff.

FINDINGS

While North Central outlines particular facts and reasons justifying its need to increase its basic rates, the Commission cannot simply ignore Kentucky statutes and its own regulations. The proposed rates constitute significant changes in North Central's tariff, and such changes must be accompanied by sufficient data to support the prices sought to be charged.

North Central has not made a previous election for alternative regulation under either KRS 278.516 or KRS 278.543. Therefore, it must abide by the standard method for Commission approval for rate increases and follow the requirements of KRS 278.180

and KRS 278.190, as well as 807 KAR 5:001, Section 10, and 807 KAR 5:011, Section 6, and other applicable law. North Central is not only required to submit evidence to support its proposed rate increases, but it must also specifically follow the applicable rules. The Commission finds that North Central's tariff filing of June 28, 2007 fails to adhere to these prerequisites and, therefore, it must be rejected.


IT IS HEREBY ORDERED:

1. The revised tariff, as submitted by North Central on June 28, 2007, is rejected.
2. The Attorney General, through his Office of Rate Intervention, shall be served a copy of this Order.
3. The Commission will hold in abeyance North Central's request to withdraw its rate application for 10 days following the date of this Order. North Central shall notify the Commission, in writing, no later than 10 days following the date of this Order of its intent to file a rate application. If no such request is received, the Commission shall remove this case from the docket by supplemental Order.

Done at Frankfort, Kentucky, this 27th day of July, 2007.

By the Commission

ATTEST:



Executive Director