



CASE NO: 2008-00106

RECEIVED

MAR 24 2008

PUBLIC SERVICE
COMMISSION

March 17, 2008

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Dear Ms. Stumbo:

Pursuant to KRS 278.020 and 807 KAR 5:001, Sections 8 and 9, please find enclosed Thacker-Grigsby Telephone Company's Application for a Certificate of Convenience and Necessity. The purpose of the Application is to request authorization to construct a Fiber to the Home network in the Fisty and Mousie exchanges in Knott County and Perry County, Kentucky.

If you have any questions or need additional information please contact me at your convenience.

Sincerely,

William K. Grigsby
General Manager
606-785-9500
b.grigsby@tatel.com

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

MAR 24 2008

In the Matter of:

PUBLIC SERVICE
COMMISSION

**THE APPLICATION OF THACKER-GRIGSBY)
COMPANY INC. FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY FOR THE)
CONSTRUCTION OF FIBER OPTIC CABLE)**

Case No. *2008-00106*

**APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY FOR CONSTRUCTION OF FIBER OPTIC CABLE**

Thacker-Grigsby Telephone Company Inc. (Thacker-Grigsby) pursuant to KRS 278.020 and 807 KAR 5:001, Sections 8 and 9 hereby submits this application for a certificate of convenience and necessity for the construction of fiber optic cable in Knott County and Perry County, Kentucky.

1. The full name and address of Thacker-Grigsby is Thacker-Grigsby Telephone Company, Inc., P.O. Box 789, Hindman, Kentucky 41822.
2. A copy of Thacker-Grigsby's Articles of Incorporation and all amendments thereto, is attached as Exhibit A.
3. Thacker-Grigsby is a rural incumbent local exchange carrier serving essentially parts of Knott County, Perry County, Floyd County, and Breathitt County, Kentucky. Thacker-Grigsby, as of December 31, 2007, has 6,225 residential customers and 1,305 business customers.
4. Construction of the fiber optic cable is required by public convenience and necessity. The purpose of the new construction is to deploy a Fiber-to-the Home (FTTH) overbuild in the designated areas to provide broadband data services to customers that currently do not have this capability. This will permit Thacker-Grigsby to deliver video services, high-speed Internet service, virtual private networks, and multiple lines in these areas.

5. The existing copper cable is over 40 years old and the strand is not reusable. The FTTH overbuild will consist of new strand and fiber optic cable on existing Joint-Use poles and on Thacker-Grigsby owned poles. Plans are to deploy a Gigabyte Passive Optical Network (GPON) system providing sufficient bandwidth for current and future requirements.
6. Advance telecommunications services, including broadband, are critical to the economic and social development of the rural communities in Knott and Perry County, Kentucky. In Governor Fletcher's *Prescription for Innovation* Plan, deployment of advanced technologies such as fiber optics were recognized as essential to economic development. It is this type of technology that will bring medical services, educational services, and numerous other economic opportunities to the customers of Thacker-Grigsby.
7. The network will be developed in two phases. Phase 1 will consist of construction of FTTH in the Fisty exchange. It will commence during the spring season of 2008. Phase 2 will consist of construction in the Mousie exchange commencing at the completion of Phase 1 of the project.
8. The two-phased network deployment encompasses existing subscribers as well as meeting potential growth in the affected exchanges. In phase 1, Thacker-Grigsby will deploy fiber to provide high speed broadband service to 100 percent of its customers in the Fisty exchange. In phase 2, Thacker-Grigsby will be able to provide enhanced broadband service to 100 percent of its customers in the Mousie exchange.
9. In compliance with 807 KAR 5:001, section 9(2)(b), Thacker-Grigsby states that it does not require a franchise approval from any public authority to deploy the fiber optic cable in the affected exchanges.
10. In the affected exchanges the fiber network will result in a significant replacement of existing copper plant to meet the broadband demand of its customers. The fiber optic cable will be deployed where much of Thacker-Grigsby's copper plant is currently deployed. The construction will consist of aerial cable and strand. Thacker-Grigsby does anticipate that the new construction will compete with some CATV based Voice over Internet Protocol (VOIP) services in both the Fisty and Mousie exchanges. There are no other line-based competitive local exchange carriers or broadband providers serving customer in the Fisty or Mousie exchanges.

11. Pursuant to 807 KAR 5:001, section 9(2), three copies of the required map showing the proposed route for the fiber deployment in the affected exchanges are attached as Exhibit B.

12. The total estimated cost of the new construction in Kentucky is \$8,656,780.00. Financing for this project has been secured through the Rural Utilities Services (RUS) in the amount of \$7,160,151.00 with the remaining expenditures being financed through Thacker-Grigsby's retained earnings. The loan was previously approved by RUS under the H Loan Design. Thacker-Grigsby met the purposes of this loan without exhausting the available funds in the H Loan Design. Thacker-Grigsby requested from RUS a change of method to permit it to use the remaining funds for FTTH overbuild in exchanges where high speed broadband was not available. The approval letter from RUS and relevant loan application documents requesting change of method are attached as Exhibit C.

13. Thacker-Grigsby has attached as Exhibit D, the USDA-RUS Operating Report for Telecommunications Borrowers, to demonstrate its ability to meet the financial obligations under the loan and to finance the portion of the project not covered by the RUS funds. At the end of 2006 period, Thacker-Grigsby had retained earnings of \$35,828,527 with a tier of 10.1808. Thacker-Grigsby's financial condition is such that it can service the RUS debt without requiring any rate adjustments.

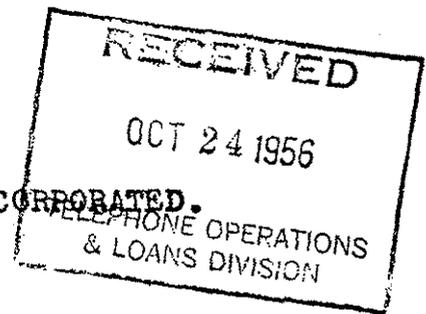
Based on the foregoing, and in accordance with KRS 278.020 and 807 KAR 5:001, sections 8 and 9, Thacker-Grigsby Telephone Company respectively requests that the Commission issue a Certificate of Public Convenience and Necessity to deploy FTTH capability throughout the Fisty and Mousie exchanges in Knott and Perry County, Kentucky.

Respectively Submitted,



Adam Collins

ARTICLES OF INCORPORATION
OF
THACKER-GRIGSBY TELEPHONE COMPANY, INCORPORATED.



Know all men by these presents:

That we, Robert Thacker, Leburn, Knott County, Kentucky, Janice Grigsby, Leburn, Kentucky, and Junealla Thacker, Leburn, Kentucky, do associate to form a corporation under the laws of the State of Kentucky.

Article I. The corporation hereby proposed to be organized shall be named and known as Thacker-Grigsby Telephone Company, Incorporated, by which name it may contract and be contracted with, sue and be sued, adopt a corporate seal and do its business.

Article II. The principal office and place of business of said Corporation shall be in the Town of Hindman, Knott County, Kentucky.

Article III. The nature of the business proposed to be transacted, promoted, and carried on by this corporation shall be constructing, maintaining, promoting, and owning telephones, telephone lines, and telephone equipment and appliances, and carrying on and operating a telephone line and lines in Knott County, Kentucky, and other counties in the State of Kentucky; also purchasing and owning of rights of way for telephone lines and other real estate necessary for use in its business for offices, plants, and other purposes in carrying on said business; also purchasing, owning, and selling of telephones, telephone equipment and appliances, plants, machinery, and equipment; also with the right and power to do any and all things necessary in carrying on its said business of furnishing telephone service over its lines in Knott County, Kentucky, and adjoining counties, and to obtain and own franchises and certificates of necessity for constructing, maintaining, and operating telephone lines and furnishing telephone service; also with the full right and power to own, buy, sell, lease, or mortgage

BY-LAWS.

certificate is issued. The stock books of the corporation shall

ARTICLE I.

be closed against transfers for a period of 30 days before the day of payment of **Name and Location.** ten days before each annual

meeting. **Section 1.** The name of this corporation shall be

Sec. 1. **Thacker-Grigsby Telephone Company, Inc.**

Sec. 2. Its principal office shall be located at **Hindman, Kentucky.** except upon satisfaction of such

Sec. 3. Other offices for the transaction of business shall be located at such places as the board of directors may from time to time determine.

ARTICLE II.

Capital Stock.

ARTICLE III.

Section 1. The amount of the capital stock shall be **Stockholders' Meetings.**

Thirty Thousand Dollars, which shall be divided into 300 shares, of the value of One Hundred dollars each. **Section 1.** The annual meeting of the stockholders shall be held at two o'clock P.M., on the first Monday in February in

Sec. 2. All certificates of stock shall be signed by the President and the Secretary, and shall be sealed with the corporate seal. However, that whenever such day shall fall upon a Sunday, or a legal holiday, the meeting shall be held on the next succeeding

Sec. 3. Treasury stock shall be held by the corporation subject to the disposal of the board of directors, and shall neither vote nor participate in dividends. **Sec. 4.** The corporation shall have a first lien on all

the shares of its capital stock, and upon all dividends declared upon the same, for any indebtedness of the respective holders any time by the President, and in his absence by the Vice-President, or by the directors. It shall be the duty of the

Sec. 5. Transfers of stock shall be made only on the directors, President, or Vice-President to call such a meeting

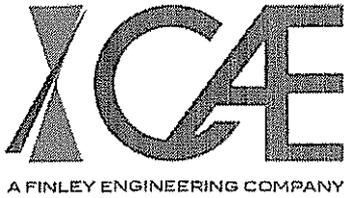
ARTICLE VII.

AMendments.

Section 1. Amendments to these by-laws may be made, by a vote of the stockholders representing a majority of all the stock issued and outstanding, at any annual stockholders' meeting; or at any special stockholders' meeting when the proposed amendment has been set out in the notice of such meeting.

I, Janice Grigsby, Secretary of the Thacker-Grigsby Telephone Company, Inc., hereby certify that the foregoing is a true and correct copy of By-Laws of said Company as contained in Book Record of Minutes in my said office.

Janice Grigsby
Secretary.



**Finley Engineering Company dba
Central Associated Engineers, Inc.**

Telecommunications Planning, Design & Engineering

1500 Bull Lea Road, Suite 194 • Lexington, Kentucky 40511

Telephone: (859) 231-9831 • Fax: (859) 233-0046 • www.CAEeng.com

August 22, 2007

Mr. Peter Amiable
Engineering Branch Chief
Southern Division - Telecommunications
USDA-RUS
Stop 1597, Room 2831
1400 Independence Ave., S.W.
Washington, DC 20250

RE: Thacker-Grigsby Telephone Company
RUS KY 536 H
Change of Method
Project TG07093

On behalf of and at the direction of Thacker-Grigsby Telephone company (RUS KY 536 H), we are requesting a Change of Method for the remaining funds under the H Loan Design. The original purposes of this loan are as follows:

- ✓ Upgrade Transmission Facilities
- ✓ Upgrade Outside Plant
- ✓ Accommodate Growth

These purposes have all been accomplished. Thacker-Grigsby has some areas that do not have facilities capable of providing broadband data service to their subscribers. It is these areas, as outlined on the attached spreadsheet, that they would like to upgrade. The upgrade plans for these areas are a Fiber-to-the-Home overbuild. The existing copper is over 40 years old and the strand is not reusable.

The FTTH overbuild will consist of new strand and fiber cable on existing Joint-Use poles or on Thacker-Grigsby owned poles. Plans are to deploy a GPON system providing sufficient bandwidth for current and future requirements. The estimated costs for this upgrade are outlined on the attached spreadsheet.

We appreciate your consideration of this request. If you have any questions or require additional information please contact us.

Ann M. Keller, P.E.

Enclosures:

Cc: James Wilson, KY GFR
Bill Grigsby, Thacker-Grigsby General Manager

Exhibit C

AUG 31 2007

Mr. Robert Thacker
General Manager
Thacker-Grigsby Telephone
Company, Inc.
P.O. Box 789
Hindman, Kentucky 41822

Dear Mr. Thacker:

We have reviewed and are approving your "Change on Method" request to utilize the remaining "H" loan funds to provide broadband data service to subscribers in areas not equipped to provide this service. We understand that the original "H" loan purposes were accomplished and that you plan to utilize the remaining loan funds to establish a Fiber-to-the-Home (FTTH) overbuild system to upgrade these areas. We also understand that the remaining "H" loan funds are sufficient to accomplish the FTTH upgrade which is estimated at \$7,949,800.

If you have any questions, please feel free to contact Mr. James Wilson, General Field Representative, at (859) 335-5483 or our office at (202) 720-0806.

Sincerely,

FOR

RUHUL CHOUDHURY

PETER AIMABLE, Chief
Southern Division Engineering Branch
Telecommunications Program
Rural Development Utilities Program

cc:

Official File-SDEB (KY 536-H)

Reading File

✓ GER:Wilson

RDUP:SDT:SDEB:LSargeant:08-31-07:ejj

KY536-H-Change-of-method2007

Site	Lines	Proposed FTTH		
Fisty Exchange	646			
Cutoff	57	57		
Fisty	241	241		
Ritchie	179	179		
Starfire	1	1		
Talcum	189	189		
	667	667		
Cody Exchange	979			
Cody	129	129		
Mousie Exchange	611			
Motts Branch	87	87		
Mousie	390	390		
White Oak	144	144		
	63%	621	621	
Hindman Exchange	4021			
Clear Fork	60	60		
cordia	145	145		
Garner	347	347		
Kelly fork	102	102		
	654	654		
System Totals		2,071		
Cost Estimate (GPON)				
Outside Plant	\$3,000	\$6,213,000		
Electronics (incl NIDS)	\$800	\$1,656,800		
	\$3,800	\$7,869,800		
Engineering	10%	\$786,980	\$ 605,314.00	Contract H40E
		\$8,656,780		
Last FRS				
COE		\$ 2,022,492.00		
OSP		\$ 4,463,971.00		
BLDGs		\$ 158,799.00		
ENGR		\$ 1,147,000.00		
Contingency		\$ 225,417.00		
		\$ 8,017,679.00		
FRS updated 03 14 08				
COE		\$ 1,164,560.00		
OSP		\$ 4,463,971.00		
BLDGs		\$ 158,799.00		
ENGR		\$ 1,147,000.00		
Contingency		\$ 225,821.00		
		\$ 7,160,151.00		

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION
	KY0536
INSTRUCTIONS- See RUS Bulletin 1744-2	PERIOD ENDING
	December, 2006

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	1,245,075	1,249,126
2. Network Access Services Revenues	6,264,464	6,571,631
3. Long Distance Network Services Revenues	0	0
4. Carrier Billing and Collection Revenues	261,496	258,707
5. Miscellaneous Revenues	322,605	318,349
6. Uncollectible Revenues	48,000	48,000
7. Net Operating Revenues (1 thru 5 less 6)	8,045,640	8,349,813
8. Plant Specific Operations Expense	941,350	975,444
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	352,901	340,027
10. Depreciation Expense	1,290,573	1,300,305
11. Amortization Expense	1,280	1,604
12. Customer Operations Expense	617,156	688,515
13. Corporate Operations Expense	1,338,260	1,361,848
14. Total Operating Expenses (8 thru 13)	4,541,520	4,667,743
15. Operating Income or Margins (7 less 14)	3,504,120	3,682,070
16. Other Operating Income and Expenses	0	0
17. State and Local Taxes	387,917	472,416
18. Federal Income Taxes	877,958	2,522,220
19. Other Taxes	267,059	17,396
20. Total Operating Taxes (17+18+19)	1,532,934	3,012,032
21. Net Operating Income or Margins (15+16-20)	1,971,186	670,038
22. Interest on Funded Debt	240,590	210,181
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	10,969	10,781
25. Allowance for Funds Used During Construction	0	0
26. Total Fixed Charges (22+23+24-25)	251,559	220,962
27. Nonoperating Net Income	1,615,095	5,978,857
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	118,055	172,819
31. Total Net Income or Margins (21+27+28+29+30-26)	3,452,777	6,600,752
32. Total Taxes Based on Income	1,265,875	4,093,000
33. Retained Earnings or Margins Beginning-of-Year	26,198,704	29,439,625
34. Miscellaneous Credits Year-to-Date	0	0
35. Dividends Declared (Common)	211,686	211,680
36. Dividends Declared (Preferred)	170	170
37. Other Debits Year-to-Date	0	0
38. Transfers to Patronage Capital	0	0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	29,439,625	35,828,527
40. Patronage Capital Beginning-of-Year	0	0
41. Transfers to Patronage Capital	0	0
42. Patronage Capital Credits Retired	0	0
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	759,761	797,938
45. Cash Ratio [(14+20-10-11) / 7]	0.5944	0.7638
46. Operating Accrual Ratio [(14+20+26) / 7]	0.7863	0.9462
47. TIER [(31+26) / 26]	14.7255	30.8728
48. DSCR [(31+26+10+11) / 44]	6.5760	10.1808

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

KY0536

PERIOD ENDED

December, 2006

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Fisty	9.16	5.74	58	588	646	94.18	17.14
Pippa Passes	9.16	5.74	74	375	449	37.77	10.00
Topmost	9.16	5.74	109	957	1,066	121.51	26.16
Cody XA	9.16	5.74	127	852	979	137.63	40.46
Hindman	9.16	5.74	867	3,199	4,066	342.80	106.38
Mousie	9.16	5.74	77	534	611	61.72	18.69
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			1,312	6,505	7,817	795.61	218.83
No. Exchanges	6						

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

KY0536

PERIOD ENDED

December, 2006

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service									
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)	
Fisty	646	146	106	512	256	34.95	Package	DSL	
Pippa Passes	449	65	49	512	256	34.95	Package	DSL	
Topmost	1,066	118	86	512	256	34.95	Package	DSL	
Cody XA	979	106	78	512	256	34.95	Package	DSL	
Hindman	4,066	483	364	512	256	34.95	Package	DSL	
Mousie	611	59	37	512	256	34.95	Package	DSL	
Total	7,817	977							

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

KY0536

PERIOD ENDING

December, 2006

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees 23	2. No. Other Employees 22	3. Square Miles Served 360	4. Access Lines per Square Mile 21.71	5. Subscribers per Route Mile 9.83
------------------------------	------------------------------	-------------------------------	--	---------------------------------------

PART E. TOLL DATA

1. Study Area ID Code(s) a. 260419 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one)			
	Interstate:	<input checked="" type="checkbox"/> Average Schedule	<input type="checkbox"/> Cost Basis	
	Intrastate:	<input checked="" type="checkbox"/> Average Schedule	<input type="checkbox"/> Cost Basis	

PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	1,538,580
6. Salvaged Materials	1,695
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	1,540,275

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
	1. Investment in Affiliated Companies - Rural Development	16,278,397	979,958	19,501,285	6,202,775
2. Investment in Affiliated Companies - Nonrural Development	(403,893)	0	0	0	0

**USDA-RUS
OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION
KY0536
PERIOD ENDING
December, 2006

PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	12.10%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	7.50%
4. Land and support assets - Garage and other work equipment	7.50%
5. Land and support assets - Buildings	2.70%
6. Land and support assets - Furniture and Office equipment	8.70%
7. Land and support assets - General purpose computers	15.80%
8. Central Office Switching - Digital	7.50%
9. Central Office Switching - Analog & Electro-mechanical	11.70%
10. Central Office Switching - Operator Systems	9.80%
11. Central Office Transmission - Radio Systems	9.10%
12. Central Office Transmission - Circuit equipment	10.00%
13. Information origination/termination - Station apparatus	15.00%
14. Information origination/termination - Customer premises wiring	15.00%
15. Information origination/termination - Large private branch exchanges	14.29%
16. Information origination/termination - Public telephone terminal equipment	7.70%
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	5.60%
19. Cable and wire facilities - Aerial cable - Metal	6.60%
20. Cable and wire facilities - Aerial cable - Fiber	5.10%
21. Cable and wire facilities - Underground cable - Metal	4.70%
22. Cable and wire facilities - Underground cable - Fiber	4.70%
23. Cable and wire facilities - Buried cable - Metal	4.70%
24. Cable and wire facilities - Buried cable - Fiber	4.70%
25. Cable and wire facilities - Conduit systems	2.20%
26. Cable and wire facilities - Other	

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

KY0536

PERIOD ENDED

December, 2006

NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

The difference in the total assets reported on the Operating Report (RUS 479) and the audit report is due to the other comprehensive income (unrealized loss on investment securities, \$289,292).

Part C - Broadband services are provided by affiliated company.

CASE NO: 2008-00106

CONTAINS
LARGE OR OVERSIZED
MAP(S)

RECEIVED ON: March 24, 2008