

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOGAN TELEPHONE)	
COOPERATIVE, INC. FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY FOR)	2015-00007
CONSTRUCTION OF A FIBER TO THE)	
PREMISES NETWORK)	

ORDER

On January 21, 2015, Logan Telephone Cooperative, Inc. (“Logan”) filed an application seeking a Certificate of Public Convenience and Necessity (“CPCN”) for the construction and deployment of a Fiber-to-the-Premises (“FTTP”) network in a portion of Logan’s telecommunications network.¹ Logan is a non-profit membership cooperative corporation with its main office in Auburn, Logan County, Kentucky. Logan provides telephone service to approximately 506 business and 4,804 residential subscribers in portions of Butler, Logan, Muhlenberg, Ohio, Simpson, Todd, and Warren counties in Kentucky.²

Description of Proposed Construction

Logan states that the purpose of the new construction is to deploy an FTTP network in and around an area referred to as the Dennis community served via the

¹ The instant application is a continuation of similar FTTP projects initiated throughout Logan's system as previously approved in Case Nos. 2014-00059, *Application of Logan Telephone Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of Fiber-to-the-Premises*, (Ky. PSC Mar. 24, 2014); 2014-00153, *Application of Logan Telephone Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of Fiber-to-the-Premises in a Portion of Logan County, Kentucky* (Ky. PSC June 13, 2014) and 2014-00168, *Application of Logan Telephone Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of Fiber-to-the-Premises in a Portion of Logan County, Kentucky* (Ky. PSC June 13, 2014).

² Logan's Annual Report for calendar year ending December 31, 2013.

Auburn exchange in Logan County. The area targeted for the proposed construction is currently served by copper cable distributed from a number of remote sites. As part of its proposed construction, Logan plans to install approximately 81 miles of direct buried³ fiber optic cable and necessary electronics between the Auburn central office and each property desiring enhanced broadband service along the proposed construction route.⁴

Logan states in its application that current subscribers are requesting higher-speed broadband services than is available through the existing copper and fiber hybrid network. Logan further indicates that the deployment of the proposed FTTP network is necessary due to the current demand for increased broadband speed, along with the projected demand for increasingly higher speeds in the future.

Logan asserts that the advanced services made available through its proposed construction are critical to long-term economic growth and that these services may create new opportunities in employment, education, health care, and entrepreneurship. Logan also states that the proposed construction could improve quality of life for its subscribers through increased work-from-home opportunities, entertainment services, and cloud-computing capabilities, as well as other offerings which require very high-speed broadband service that is only available through FTTP networks such as that proposed by Logan in its application. There is currently only one provider of competitive fixed broadband service in the proposed construction area, and there are no other companies providing basic telephone service throughout Logan's service area.

³ While this project will not use financing through the Rural Utilities Service ("RUS"), Logan states that the construction will be performed under RUS specifications for direct buried plant and customer premises cable.

⁴ Logan projects the proposed construction will be able to provide enhanced service to an additional 455 customer locations and will initially provide customers with service of up to 100 megabits per second.

The total estimated cost of the proposed construction is \$4,226,445.⁵ Logan plans to fund the proposed construction, engineering and electronics costs through the use of existing cash on hand, and asserts that it has sufficient funds available to meet the financial requirement of this project. Logan estimates that the annual cost of operations in areas where the FTTP network will be deployed will significantly decline as a result of the proposed construction.⁶ Logan does not anticipate requiring any local rate adjustments as a result of the new construction.

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'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 to support services that may be beyond the jurisdiction of the Commission.⁷ The Commission recognizes that the General Assembly has found that the provision of broadband and other state-of-the-art telecommunications technologies are an "essential element to the

⁵ The costs of the project are estimated at:

Outside Plant	\$3,326,613
Central Office/Electronic Equipment	\$ 310,893
Engineering	<u>\$ 588,938</u>
TOTAL	\$4,226,445

⁶ Though a specific estimated savings was not provided, Logan cites a study by the FTTP Council which reports an estimated 20 percent savings in operational costs due to active FTTP deployment.

⁷ 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.

Commonwealth's initiative to improve the lives of Kentucky citizens"⁸
Nevertheless, the Commission remains obligated to ensure that Logan's ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.⁹ Logan 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.¹⁰

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

IT IS THEREFORE ORDERED that:

1. Logan 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, Logan 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, Logan 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.

⁸ KRS 278.546(1).

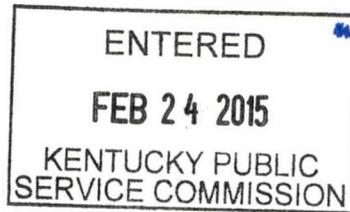
⁹ KRS 278.542(1)(n).

¹⁰ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

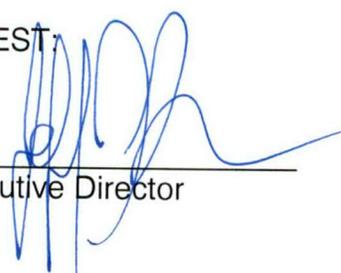
4. Any documents filed pursuant to ordering paragraph 2 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

By the Commission

Commissioner Daniel E. Logsdon, Jr. abstains.



ATTEST:



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