

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * *

In the Matter of:

APPLICATION OF THE LESLIE COUNTY)
TELEPHONE COMPANY FOR AUTHORITY) CASE NO. 8190
TO ISSUE NOTES)

O R D E R

On March 30, 1981, Leslie County Telephone Company ("Applicant") filed with the Commission its application for authority to borrow \$6,834,000 from the United States of America acting thru the administrator of the Rural Electrification and Telephone Revolving Fund ("REA"), to be amortized over a period of 35 years at an interest rate of five percent per annum. Applicant further requested authority to execute the necessary notes for the proposed loan, and for a certificate of public convenience and necessity for the purpose of making improvements in its existing plant and to construct additional telephone lines and other facilities, all as more specifically outlined in the application and record.

The matter was set for hearing in the Commission's offices at Frankfort, Kentucky on May 27, 1981, at 2:30 p.m., Eastern Daylight Time. The hearing was held as scheduled and all parties of interest were given the opportunity to be heard. Intervention was made on behalf of Mr. Wayne Sheffel of Breathitt County, Kentucky, requesting that Applicant be required to provide telephone service to Mr. Sheffel as a condition to granting the requested certificate of public convenience and necessity.

Discussion

Applicant presently provides telephone service to 4,533 subscribers in its service area, with an original cost of \$6,415,199 less depreciation and amortization of \$1,630,132 and a remaining total net telephone plant of \$4,785,067. The proceeds of the proposed loan would be used as follows:

- (a) To add 1,732 new subscribers over a five-year period;
- (b) To provide for related system improvements including toll and EAS additions;
- (c) To install new digital central office equipment in the Hyden exchange; and
- (d) To provide for engineering fees.

The Commission is concerned over the size of the proposed loan. Applicant testified that the loan in and of itself would generate the necessity for a future rate adjustment application in order that adequate provisions be made to cover the debt service requirement of \$341,700 per annum on the proposed loan.

However, the Commission is also concerned about the continuing problems which applicant has had in being able to provide basic telephone service to applicants for service within its service area. The letter received May 26, 1981, which requested that the intervenor Mr. Sheffel receive telephone service is representative of many similar letters received from persons residing in Applicant's service area who have had problems not only in obtaining telephone service, but also even in being given a date by which they could expect to receive a telephone.

The subject of Applicant's problems in providing service is not new, having been documented in Case No. 7994. In the final Order in that matter dated February 2, 1981, Applicant was given notice that in future applications for loan approval and/or a certificate of public convenience and necessity, Applicant must demonstrate to the Commission that the proposed construction plans pertaining thereto could reasonably be expected to provide service to applicants for new service in a timely manner.

Applicant's testimony and the proposed construction plans affirmatively asserted that this criteria will be met. Existing applicants for service, and projected new applicants, should reasonably expect to receive service during the period covered by the proposed construction program. Since the testimony and record clearly shows that existing service will not be improved nor adequate new service provided without this construction, the loan should be approved. However, the Commission cautions Applicant to insure that new applicants for service in the future are provided with service in a reasonable and timely manner.

Findings

The Commission, after consideration of the application and all evidence of record, and being advised, is of the opinion and finds that:

- 1) The public convenience and necessity require that such construction and system improvements as are proposed in the application and record be performed, and that a certificate of public convenience and necessity should be granted;

2) The proposed borrowing is for a lawful object within the corporate purposes of the Applicant, is necessary and appropriate for and consistent with the proper performance by the Applicant of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose; and

3) Applicant should insure that present and future applicants for service are given a reasonable and timely date by which they may expect to receive service, and further should provide service by such dates.

IT IS THEREFORE ORDERED that Leslie County Telephone Company be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the application and record.

IT IS FURTHER ORDERED that Leslie County Telephone Company be and it hereby is authorized to borrow \$6,834,000 from the United States of America, acting thru the administrator of the Rural Electrification and Telephone Revolving Fund, to be amortized over a period of 35 years at an interest rate of five percent per annum, and to execute and deliver to REA the necessary notes therefor.

IT IS FURTHER ORDERED that the proceeds from the borrowing authorized herein shall be used only for the lawful purposes as set out in the application and record.

IT IS FURTHER ORDERED that Leslie County Telephone Company shall provide present and future applicants for service with a reasonable date, within the period of the approved construction program, by which such applicants can expect telephone service, and further shall provide service by such dates.

Nothing contained herein shall be deemed a finding of value for any purpose nor construed as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 9th day of June 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohy
Chairman

Katharine Bunsell
Vice Chairman

L. M. Harigan
Commissioner

ATTEST:

Secretary