

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HIGHLAND TELEPHONE)
COOPERATIVE, INC., FOR AUTHORITY)
TO BORROW FUNDS FROM THE RURAL) CASE NO. 8315
ELECTRIFICATION ADMINISTRATION)

O R D E R

On August 18, 1981, Highland Telephone Cooperative, Inc., ("Highland") filed with the Commission its application for authority to borrow \$5,900,000 from the United States of America, acting through the Administrator of the Rural Electrification Administration ("REA") to be amortized over a period of 35 years at an interest rate of five percent per annum. Highland further requested authority to execute the necessary notes for the proposed loan.

On September 14, 1981, Highland amended its application, requesting that the Commission grant a certificate of public convenience and necessity for the purpose of constructing additional telephone lines and facilities, all as more specifically set out in the application and record. Highland proposed to use the loan funds for the following purposes:

- (a) Add 2,710 new subscribers;
- (b) Expend \$900,000 to complete uncompleted prior loan proposals;

- (c) Provide for related system improvements including toll and EAS additions; and
- (d) Provide for engineering fees.

This matter was set for hearing in the Commission's offices at Frankfort, Kentucky, on October 1, 1981, at 11:30 a.m., Eastern Daylight Time. The hearing was held as scheduled and all parties of interest were given the opportunity to be heard. There were no intervenors represented at the hearing.

DISCUSSION

Highland presently provides one-party service to subscribers in the Pine Knot exchange in Kentucky, and to the Tennessee exchanges of Deer Lodge, Oakdale, Petros, Sunbright, and Wartburg. Additionally, one, two, and four-party service is provided to the Stearns-Whitley City exchange in Kentucky, and to the Tennessee exchanges of Huntsville, Robbins, and Oneida. After the completion of the construction proposed in this application, all of Highland's exchanges will be served with all one-party service. Highland proposes to spend \$3,462,235 of the loan proceeds in its two Kentucky exchanges of Stearns-Whitley City and Pine Knot.

There are two items which were discussed at the hearing which require comment. The first is the engineering fees provided for in this loan proposal. Engineering costs amount to \$789,900, or 13.4%, of the total loan. This is an increase as compared to loan proposals of other telephone

utilities, which more normally have provided for engineering fees amounting to 10-11% of the proposed loans. This is a matter of concern to the Commission, and Highland is cautioned to be more diligent in the future in insuring that engineering fees, as well as other costs ancillary to actual construction, are controlled in the most efficient possible manner.

The second matter of concern is Highland's failure to provide the Commission with a monthly summary concerning service objectives, as required by the regulations of the Commission. Highland testified at the hearing of its intentions to provide this summary, and in fact has since provided a summary report for the month of September of this year. However, Highland will be expected to comply with this requirement on a monthly basis in the future.

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 should be performed, and that a certificate of public convenience and necessity should be granted; and

(2) The proposed borrowing is for a lawful object within the corporate purposes of Highland, is necessary and appropriate for and consistent with the proper performance by Highland of its service to the public and will not impair

its ability to perform that service, is reasonably necessary and appropriate for such purpose, and should be approved.

IT IS THEREFORE ORDERED that Highland Telephone Cooperative, Inc., 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 Highland be and it hereby is authorized to borrow \$5,900,000 from the United States of America, acting through the administrator of the Rural Electrification Administration, 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.

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 26th day of October, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohy
Chairman

Katherine Kaudall
Vice Chairman

W. M. Carver
Commissioner

ATTEST:

Secretary