

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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IN THE MATTER OF:

THE APPLICATION OF HIGHLAND TELEPHONE)
COOPERATIVE, INC., SUNBRIGHT, TENNESSEE)
37872, FOR:)

I. AN ORDER APPROVING AND AUTHORIZING)
IT TO BORROW \$1,373.284 FROM THE)
RURAL ELECTRIC AND TELEPHONE)
REVOLVING FUND AND ISSUE ITS NOTE)
AND MORTGAGE OR OTHER SECURITY IN-) CASE NO. 9399
STRUMENTS TO SECURE THE SAME.) (S-8 Loan)

II. FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY TO CONSTRUCT)
ADDITIONAL TELEPHONE LINES AND)
OTHER FACILITIES.)

O R D E R

IT IS ORDERED that Highland Telephone Cooperative ("Highland") shall file an original and 10 copies of the information requested in this Order with the Commission within twenty days from the date of this Order. Where information requested herein has been provided along with the original application in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Has Highland considered the effect that the proposed construction will have upon future revenue and expenses? If so, provide those findings with pertinent supporting documentation. If not, then explain why these effects have not been considered.

2. Provide an amortization schedule for the total proposed loan in the amount of \$6,384,000.

3. Provide a detailed breakdown of the cost of the proposed construction in the amount of \$6,384,000. (If construction costs are above the proposed loan amount of \$6,384,000, provide how Highland plans to finance any difference.)

4. Provide a detailed explanation for the basis of both the cost of the proposed Kentucky construction and the amount of the proposed loan to be allocated to Kentucky. Are these costs based on actual amounts or are they based on allocated amounts. If so, provide the basis of the allocation used.

5. Provide a detailed explanation indicating the method used to derive the Exhibit K "Outside Plant-Aerial" amounts. As a minimum, this explanation should include:

- (a) The criteria used in selecting the Wartburg and Huntsville exchanges for design studies. If imminent construction time is a factor, explain the reason for excluding the Oneida exchange;
- (b) Cost studies, estimates, and assumptions used in selecting physical plant versus CXR;
- (c) Calculations showing how the Wartburg and Huntsville figures as listed in Exhibit K, Item 3A were obtained from Exhibit J;
- (d) Calculations showing how these figures were averaged together in order to obtain an average

cost per subscriber and justification for using this average as a basis to estimate costs for the remaining exchanges; and

- (e) Identification of all amounts listed in Exhibit K that were derived using an average cost per subscriber method.

6. Provide justification for the use of lightguide between the Stearns-Whitley City and Burnside exchanges. Justification should include:

- (a) A comparative analysis of various alternatives considered. Identify any assumptions and estimates; and
- (b) If T-carrier or expansion of the present analog system were not studied as alternatives, provide an explanation.

7. Specify the provisions that have been made for lightguide operation and maintenance.

- (a) Will fiber splicing be handled internally or contracted out? Specify costs, such as training and lightguide splicing equipment, or the complete details of any contractual arrangements. What is the system margin for additional splicing and possible reroutes?
- (b) Costs include \$15,000 for test equipment. Does Highland have employees that are trained to use it? If not, what sort of training will be required and at what cost?

8. Specify transmission and reception costs.

Done at Frankfort, Kentucky, this 30th day of September, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hansen, Jr.
For the Commission

ATTEST:

Secretary