

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PEOPLES RURAL)	
TELEPHONE COOPERATIVE CORPORATION, INC.)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY FOR THE CONSTRUCTION OF)	2008-00081
FIBER-TO-THE-HOME IN JACKSON AND OWSLEY)	
COUNTIES, KENTUCKY)	

ORDER

On March 4, 2008, Peoples Rural Telephone Cooperative Corporation, Inc. (“Peoples”) filed an application seeking a Certificate of Public Convenience and Necessity for the construction of fiber optic cable in Jackson and Owsley counties, Kentucky. Peoples is a non-stock, non-profit, membership-owned cooperative corporation with its main office in McKee, Jackson County, Kentucky. Peoples serves 8,133 single-party access lines providing telephone service to its members in Jackson and Owsley counties in Kentucky.

Description of Proposed Construction

Peoples states that the construction of the fiber optic cable is necessary to meet its estimated growth in lines and to modernize the company’s plant. Peoples asserts that the proposed construction will allow the company to upgrade all Host and Remote access equipment from the rapidly exhausting capabilities of the existing circuit-based platform to a “Next Generation Digital Loop Carrier” packet-based platform. These new facilities will enable Peoples to provide high speed digital access via xDSL and Fiber-To-The-Home/Premises (“FTTH/P”) for the delivery of Triple-Play Multimedia broadband

services.¹ Upon completion, Peoples states that all wire centers will be equipped with packet-based digital high-speed interfaces with FTTH/P deployed to approximately 50 percent of subscriber locations.

Peoples states that its customers' demands for increasingly high levels of bandwidth cannot be met with its current network. Many future services sought by its members will require capability; therefore, Peoples plans to implement FTTH/P construction. The new construction will allow the use of the new broadband technologies in the company's network and will minimize copper cable construction cost and plant maintenance. Peoples intends to deploy state-of-the-art, digital-signaling facilities, along with new related services as they become available to meet its members' requirements. Diverse routing and support for remotes will continually be a priority in order that subscribers will receive uninterrupted service.

There are currently no lines, facilities, or systems of any other telephone company in the area to be served by the proposed fiber construction project. Further, none of the subscribers to be served by the proposed fiber construction receive any type of telephone services from the facilities of other competing telephone companies other than cellular communications providers.

Peoples has not estimated an ongoing cost of maintenance of the fiber upon completion. Peoples anticipates that its ongoing maintenance and provisioning costs will be no more, and likely less, than its costs for its current network.

¹ Triple-Play Multimedia broadband services include voice, data, and video services.

Peoples intends for the proposed construction to be completed on a 5-year construction schedule. During this time, Peoples estimates that it will complete 20 percent of the total project in each of the five years of the construction cycle.

The total cost of the proposed construction is estimated to be \$19,200,000 and will be funded primarily through a new cost of money loan from the Rural Utilities Service (“RUS”).² On January 14, 2008, Peoples submitted its “P” loan application to RUS for \$19,200,000, and the final determination from RUS is pending. Peoples does not anticipate requiring any local rate adjustments as a result of the new construction.

Discussion and Findings

The proposed construction will result in a significant expansion of the services available to subscribers and enhance Peoples’ ability to maintain its facilities and provision customers. However, the planned construction is extensive with substantial costs and is designed primarily for Peoples to support services that may be beyond the jurisdiction of the Commission.³ The Commission recognizes that the General Assembly has found the provision of broadband and other state-of-the-art telecommunications technologies are an “essential element to the Commonwealth’s initiative to improve the lives of Kentucky citizens. . . .”⁴ Nevertheless, the Commission

² Some of the proposed construction costs will be financed with unencumbered “N” loan funds previously acquired from RUS.

³ KRS 278.5462 provides, in part, the provision of broadband services is not subject to state administrative regulation. However, the Commission retains authority to investigate and resolve complaints stemming from broadband service and 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.

⁴ KRS 278.546(1).

remains obligated to ensure that there is no adverse effect on Peoples' continuing ability to offer safe, adequate, and reasonable basic local exchange service.⁵ Peoples 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.⁶

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

IT IS THEREFORE ORDERED that:

1. Peoples is granted a Certificate of Public Convenience and Necessity for the construction of fiber optic cable in Jackson and Owsley counties, Kentucky as set forth in its application and as described in the Order.
2. Peoples shall file evidence with the Commission of the final approval by RUS for the financing of the proposed construction with 10 days of receipt of the approval.
3. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, Peoples shall immediately notify the Commission in writing of the adjustment and include an explanation of the additional costs for the Commission's approval.

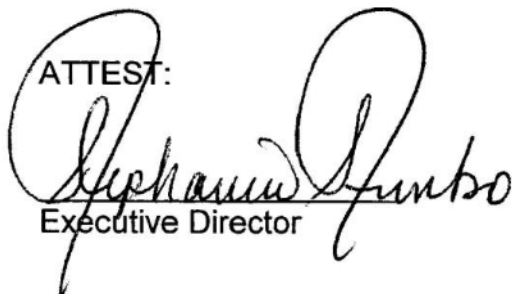
⁵ KRS 278.542(1)(n).

⁶ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

4. As provided for in this Order, Peoples 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.

Done at Frankfort, Kentucky, this 14th day of April, 2008.

By the Commission

ATTEST:

Executive Director