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2010-00335

RECEIVED

AUG 17 2010

PUBLIC SERVICE
COMMISSION

August 17, 2010

Mr. Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

In Re: Application of Foothills Rural Telephone Cooperative Corporation, Inc. for a
Certificate of Convenience and Necessity to Construct New Facilities

Dear Mr. Derouen:

Pursuant to KRS 278.020 (1) and 807 KAR 5:069, Foothills Rural Telephone Cooperative Corporation, Inc ("Foothills") submits the enclosed Verified Application ("Application") for authority and approval from the Kentucky Public Service Commission ("Commission") for the construction of new facilities and to upgrade of existing facilities in rural areas of Magoffin and Lawrence counties in the eastern region of Kentucky within its certified territory.

On March 26, 2010 Foothills submitted an application under the American Recovery and Reinvestment Act Broadband Initiatives Program ("ARRA") administered by the Rural Utility Service ("RUS") for grants and loans for the purpose of completing its Fiber to the Premises project.

On August 9, 2010, the RUS provided notification to Foothills that its' application had been approved for a loan/grant combination by the RUS under the ARRA. A copy of the RUS award letter is enclosed herein as well as attached to the enclosed Verified Application.

Foothills is required to have all necessary certifications in place or pending prior to receipt of ARRA funds.

Foothills is enclosing herein one original Application with attachments and ten copies of

Kentucky Public service Commission
Page 2
August 17th, 2010

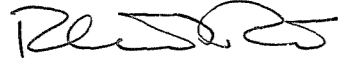
the entire filing. Additional copies will be provided promptly upon request.

Foothills' personnel will be available to meet with members of the Commission's engineering staff and other concerned Commission personnel at any mutually convenient time during or subsequent to processing the Application.

In the event that there are other filing requirements or information requests associated with this Application, please advise me at your earliest convenience. I can be reached directly at 606-477-2546 (rjpatton@bellsouth.net) or feel free to contact Foothills' General Manager, Mr. Tom Preston at 606-297-9111 (tpreston@foothills.coop.).

I trust this is satisfactory and look forward to discussing this matter further at your request.

Very Yours Truly



Hon. Robert J. Patton
Counsel for the Applicant

c: Mr. Thomas E. Preston

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF
KENTUCKY

RECEIVED

AUG 17 2010
PUBLIC SERVICE
COMMISSION

VERIFIED PETITION FOR CERTIFICATE OF PUBLIC CONVIENIENCE AND NECESSITY

In the Matter of:

The Application of Foothills Rural Telephone)
Cooperative Corporation Inc., for a Certificate) **CASE No.**
of Public Convenience and Necessity to Construct)
New Facilities)

Pursuant to the provisions of KRS 278.020 and 807 KAR 5:001 the Applicant, Foothills Rural Telephone Cooperative Corporation, Inc. ("Foothills RTCC") respectively submits this verified Application and ten (10) copies, to the Kentucky Public Service Commission ("Commission") and in support of its request hereby states:

I.

Foothills RTCC is a non-stock, non-profit membership cooperative corporation, duly organized and existing under and by virtue of the provisions of KRS 279 and pursuant to 807 KAR 5:001: Section 9(1)(a) attaches a copy of Foothills RTCC' Articles of Incorporation and any amendments collectively as Exhibit "1".

II.

Foothills RTCC's mailing address of its' headquarters office is:

Foothills Rural Telephone Cooperative Corporation, Inc.
P.O. Box 240
Staffordsville, Kentucky 41256

Foothills RTCC hereby submits this disclosure in compliance with and pursuant to 807 KAR 5:001 Section 8(1).

III.

Foothills RTCC is an authorized Rural Utilities Services (“RUS”) borrower and operates a local telephone system containing seven (7) exchanges in eastern Kentucky. As of June 30, 2010, the Applicant had a total of 14,287 access lines providing telephone service to subscribers in parts of Magoffin, Johnson, Lawrence, and Breathitt Counties of eastern Kentucky.

IV.

On March 26, 2010 Foothills RTCC submitted an application under the American Recovery and Reinvestment Act Broadband Initiatives Program (“BIP”) Round 2, administered by the Rural Utility Service (“RUS”) for grants and loans in the amount of \$21,818,512 for the purposes of deploying Fiber-to-the-Premises (“FTTP”) in the most rural parts of Magoffin and Lawrence Counties. RUS provided notification of approval of Foothills RTCC’s application on August 6, 2010. A copy of the RUS “award letter” is attached hereto as Exhibit “3” (“RUS Award Letter”). The RUS’ approval of Foothills RTCC’s application consisted of a seventy percent (70%) grant in the amount of \$14,680,738, and a thirty percent (30%) loan in the amount of \$6,291,744. An additional \$864,030 will be used by Foothills RTCC from existing independent funding for this proposed project.

V.

The proposed project will pass 3,035 customer premises resulting in construction of approximately 390 route miles of telecommunication fiber. Once built and operating, these premises will be capable of receiving high quality high speed Internet, HD television service, and state of the art telecommunications services. The proposed project

will add to and nearly complete the availability of FTTP within Foothills RTCC's designated service area.

Gigabit Passive Optical Networking ("GPON") standards are planned to be used in implementing the FTTP technology. The implementation of GPON will require upgrades, additions, and replacements of central office equipment throughout the construction area. It will also require upgrades and additions in the main hub central offices that feed into these areas.

VI.

Foothills RTCC does not anticipate seeking any rate adjustments as a result of the construction expenditures associated with this proposed project with the approved RUS funding including a seventy percent (70%) grant in the amount of \$14,680,738.

VII.

Foothills RTCC does not require any additional franchise approval from any public authority for the proposed construction within the designated areas. Foothills RTCC makes this disclosure in conformity with 807 KAR 001 Section 9(2)(b).

VIII.

The Applicant does not anticipate that the proposed new construction will compete with any public utility, corporation, or persons providing telecommunications services within its service area. Limited competition may exist with cablevision providers within the service area.

IX.

The map depicting the areas of construction within the proposed project in accordance with 807 KAR 500:1; section 9(2)(d) is attached hereto in triplicate as

Exhibit 2”.

X.

Foothills RTCC hereby files its Articles of Incorporation with any amendments collectively as Exhibit “1”.

Foothills RTCC hereby further files as Exhibits, and by this reference make the Exhibits a part of this application, the following documents required under 807 KAR

5:001 Section 9(2):

- (a) the Verified Petition complies with said section;
- (b) no additional franchises or permits are required;
- (c) the Verified Petition together with the “maps” submitted in accordance with section (d) complies with this section;
- (d) three (3) Maps showing the proposed construction area are attached collectively as Exhibit “2”;
- (e) a copy of the RUS Award Letter dated August 6, 2010 is attached hereto as Exhibit “3”;
- (f) there are no responsive documents to this section; Foothills RTCC currently provides telecommunication services in the manner of local exchange service to the subject areas and any additional cost for operation would be minor in scope;
- (g) the Professional Engineer Certification executed by Billy A. Montgomery P.E. in his capacity as Vice President of Teleplexus, Inc. confirming the feasibility and anticipated construction schedule of the Subject Project is attached hereto as Exhibit “4”.

XI.

Pursuant to KRS 278.020 and 807 KAR 5:001, Section 8, the Applicant, Foothills Rural Telephone Cooperative Corporation, Inc. hereby respectfully that the Kentucky Public Service Commission issue a Certificate of Convenience and Necessity authorizing the construction of the requested facilities for the purposes of deploying Fiber-to-the-Premises in most rural parts of Magoffin and Lawrence Counties.

Respectfully submitted,



Hon. Robert J. Patton
KINNER & PATTON LAW OFFICES
328 East Court Street
Prestonsburg, Kentucky 41653
606-886-1343

COMMONWEALTH OF KENTUCKY

COUNTY OF JOHNSON

Comes the Affiant, Mr. Thomas Preston, in his capacity as the General Manager of Foothills Rural Telephone Cooperative Corporation, Inc., after being duly sworn, hereby states that he has read the foregoing application, and that the statements and allegations therein contained are true and correct to his best belief and knowledge.

This the 17th day of August, 2010



Mr. Thomas E. Preston, General Manager

STATE OF KENTUCKY

COUNTY OF JOHNSON

The foregoing was this 17th day of August 2010, subscribed, sworn and acknowledged before me by Thomas E. Preston as General Manger of Foothills Rural Telephone Cooperative Corporation, Inc.

My commission expires: 3-5-2011


NOTARY PUBLIC

Commonwealth of Kentucky
Department of State



Secretary of State

FRANCES JONES MILLS

FRANKFORT, KENTUCKY

CERTIFICATE

I, FRANCES JONES MILLS, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of Articles of Incorporation of FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC. filed September 10, 1951.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal.

Done at Frankfort this 20th day of

March 19 51

Frances Jones Mills
Secretary of State, Commonwealth of Kentucky

EXHIBIT
"1"

D-4775

ARTICLES OF INCORPORATION

OF

FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

We, the undersigned, being natural persons and citizens of the Commonwealth of Kentucky do hereby execute these articles of incorporation for the purpose of organizing a nonprofit cooperative corporation (herein called the "Cooperative") under the laws of the Commonwealth of Kentucky, pursuant to an Act entitled "AN ACT relating to telephone cooperative, nonprofit corporations, rural telephones and telephone services", approved March 25, 1950.

FIRST, the name of the Cooperative is Foothills Rural Telephone Cooperative, Corporation, Inc.

SECOND, the address of the principal office of the Cooperative is Paintsville, Johnson County, Kentucky.

THIRD, the names and addresses of the incorporators of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
<u>Mort Mullins</u>	<u>Keaton</u>
<u>J. E. Jayne</u>	<u>Flat Gap</u>
<u>J. W. Carpenter</u>	<u>Salversville</u>
<u>Sherman Bailey</u>	<u>Tip Top</u>
<u>J. Milton Kitchen</u>	<u>Blaine</u>

Process
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FOURTH, the names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
<u>Mort Mullins</u>	<u>Keaton</u>
<u>J. E. Jayne</u>	<u>Flat Gap</u>
<u>J. W. Carpenter</u>	<u>Salversville</u>
<u>Sherman Bailey</u>	<u>Tip Top</u>
<u>J. Milton Kitchen</u>	<u>Blaine</u>

FIFTH, The operations of the Cooperative are to be conducted in the Counties of Johnson, Magoffin, Lawrence, and Floyd, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF we have hereunto subscribed our names this

11th day of September, 1901.

Mart Mullins
A. J. Jaggard
G. W. Halperin
Sherran Bailey
Milton Kitcher

STATE OF KENTUCKY
COUNTY OF Jackson

I, Nora Grace Smith Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Walt Mullins and J. E. Payne was this day produced to me in the county and state aforesaid by Walt Mullins and J. E. Payne and acknowledged by them to be their act and deed.

Given under my hand and seal of my office this 3rd day of Sept 1951.

Nora Grace Smith
Notary Public Jackson

My Commission expires April 25, 1954

seal

STATE OF KENTUCKY
COUNTY OF Lawrence

I, O. E. Wheeler Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Jos. Milton Ketchum was this day produced to me in the county and state aforesaid by Jos. Milton Ketchum and acknowledged by him to be his act and deed.

Given under my hand and seal of my office this 3 day of Sept 1951.

O. E. Wheeler
Notary Public

My Commission expires May 12, 1953

seal



STATE OF KENTUCKY
COUNTY OF Magoffin

I, Wm. H. Huggins Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Whitman Babin was this day produced to me in the county and state aforesaid by Whitman Babin and acknowledged by him to be his act and deed.

Given under my hand and seal of my office this 4 day of Sept 1951.

Wm. H. Huggins
Notary Public

My Commission expires 1-3-1954

seal

EXHIBIT

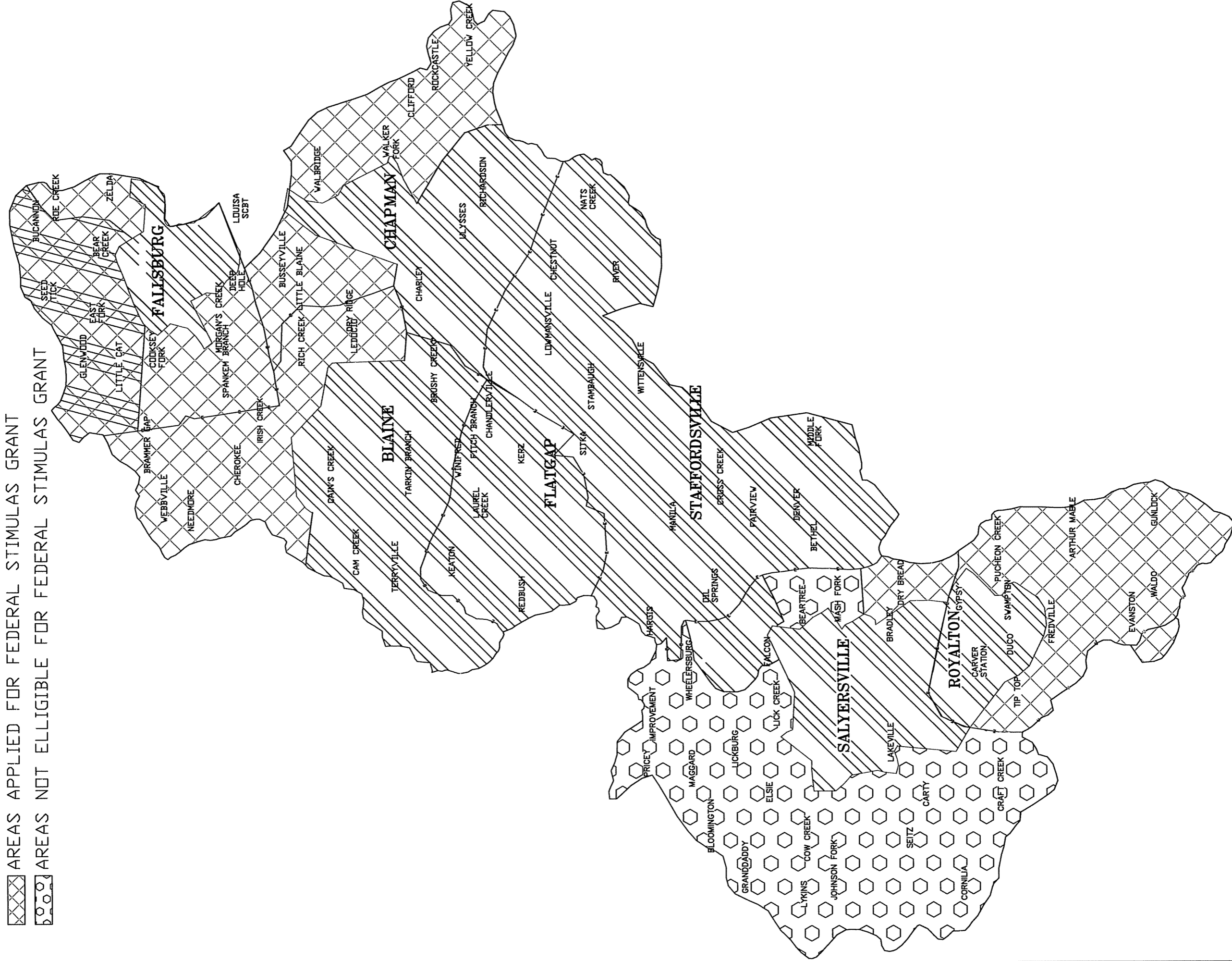
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tables

COMPLETED FTTH AREAS

AREAS APPLIED FOR FEDERAL STIMULAS GRANT

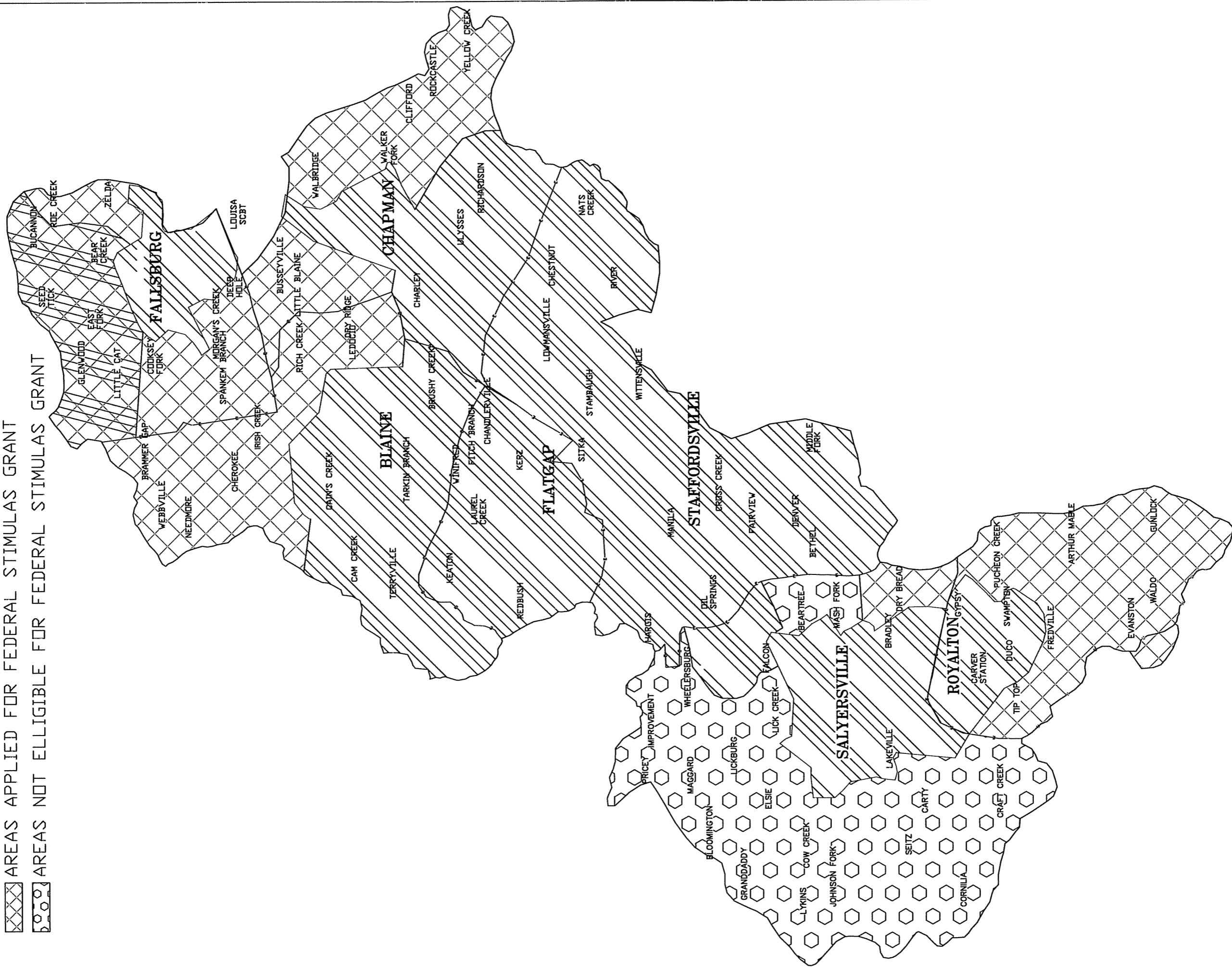
AREAS NOT ELIGIBLE FOR FEDERAL STIMULAS GRANT



COMPLETED FTTH AREAS

AREAS APPLIED FOR FEDERAL STIMULAS GRANT

AREAS NOT ELLIGIBLE FOR FEDERAL STIMULAS GRANT

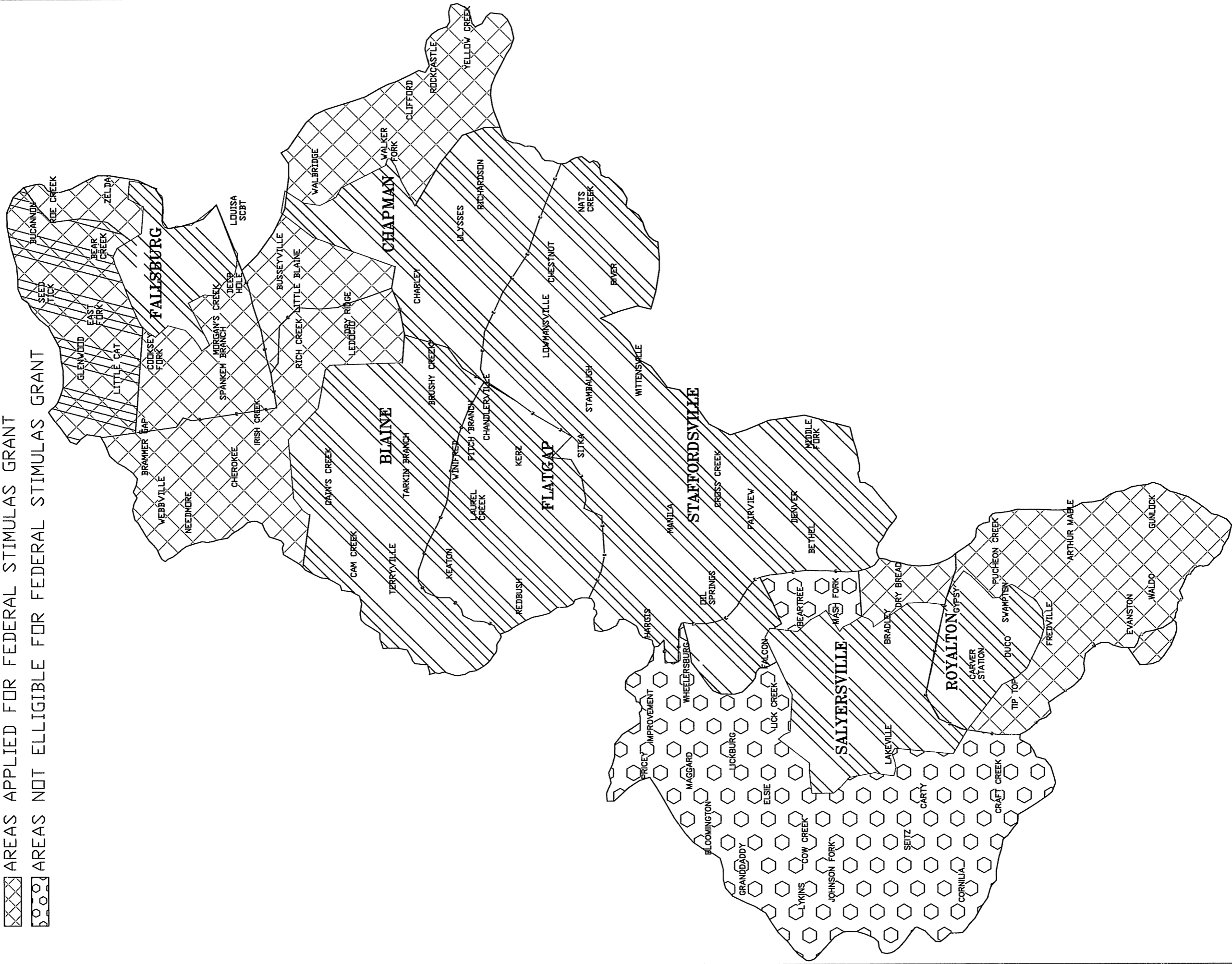


EXHIBIT

1/2"

tabbles

- COMPLETED FTTH AREAS
- AREAS APPLIED FOR FEDERAL STIMULAS GRANT
- AREAS NOT ELLIGIBLE FOR FEDERAL STIMULAS GRANT





United States Department of Agriculture
Rural Development

Mr. Thomas E. Preston
CEO/General Manager
Foothills Rural Telephone Cooperative
Corporation, Inc.
1621 Kentucky Hwy 40 W
Staffordsville, Kentucky 41256

AUG 09 2010

Dear Mr. Preston:

We are pleased to inform you that the Rural Utilities Service (RUS) has approved a loan/grant combination to your organization under the Broadband Initiatives Program. We are offering you a grant in the amount of \$14,680,738 and a loan in the amount of \$6,291,744. The loan portion will be at the Cost of Money interest rate for a term of 23 years. This award is subject to the terms of the enclosed Loan/Grant and Security Agreement and Promissory Note. The RUS designation for this project is Kentucky 1108-A40. This designation should be referenced in all future correspondence concerning this award.

Please review the enclosed documents and indicate your acceptance of this offer by having the President sign the second copy of this letter and, within 7 calendar days, return it to:

Mr. Kenneth Kuchno
Rural Utilities Service/USDA
Stop 1599, Room 2868, South Building
1400 Independence Avenue, SW
Washington, DC 20250-1599
Fax: (202) 690-4389

Additionally, please provide the following information for incorporation into the final executed versions of the legal documents: (1) your company's organization number; (2) the name of a parent company, if any; and (3) the names of all subsidiaries, if any. Upon receipt of this information and the signed offer letter, RUS will then send executed versions of the legal documents.

Sincerely,


JONATHAN ADELSTEIN
Administrator
Rural Utilities Service

Enclosures

AA# BB515

1400 Independence Ave, S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD)



Attachment 15 - Professional Engineer Certification

Easygrants ID:
Project Title:

Instructions: For projects requesting more than \$1 million in funding, the Network Diagram, System Design, and Project Timeline must be certified by a Professional Engineer registered in at least one state or territory wherein the service will be provided.

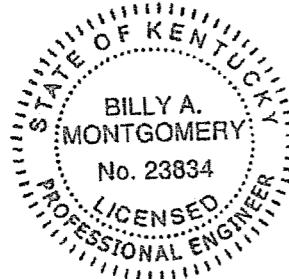
Does the Applicant's proposed project fall exclusively within a state or territory without an official Professional Engineer registration system?

- Yes
No

We the undersigned, certify that the proposed broadband system will work as described in the System Design and Network Diagram sections, and can deliver the proposed services outlined in the Service Offerings section and all premises in the proposed funded service area(s) will be offered broadband service. Moreover, the system, as designed, can meet the proposed build-out timeline, milestones, and construction schedule based on the resources designated in the Project Capital Investment Workbook, and will be substantially complete in two years, and complete within three years.

03/26/2010
(Date)

[Signature]
(Certifying Engineer's Signature)



BILLY A. MONTGOMERY
Name (Printed)

VICE PRESIDENT, TELPLEX, INC
Title

Registration Number: 23834

State of Registration: KY

March 26, 2010
(Date)

[Signature]
(Authorized Representative's Signature)

Thomas E. Preston
Name (Printed)

CEO / GM
Title

