

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUO)	
COUNTY TELEPHONE COOPERATIVE)	
CORPORATION, INC. FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	CASE NO.
FOR THE CONSTRUCTION OF FIBER-TO-)	2020-00140
THE-PREMISE AND ADDITIONAL NETWORK)	
UPGRADES IN ADAIR AND CUMBERLAND)	
COUNTIES, KENTUCKY)	

ORDER

On April 30, 2020, Duo County Telephone Cooperative Corporation, Inc. (Duo County) submitted an application seeking a Certificate of Public Convenience and Necessity (CPCN) for the construction of a Fiber-to-the-Home (FTTH) network and additional network upgrades in Adair and Cumberland counties in Kentucky. There were no motions to intervene or other objections made in this matter.

BACKGROUND

Duo County is a Kentucky corporation and rural incumbent local exchange carrier serving all or parts of Adair, Casey, Cumberland, and Russel counties in Kentucky.¹ As of December 31, 2019, Duo County had 4,703 residential customers and 2,294 business customers voice lines and 7,832 broadband connections.² Duo County states that

¹ Application at paragraph 3.

² Application at paragraph 3.

approximately 40 percent of its existing broadband subscribers are served over copper loops and are limited in the speed of broadband available.³

The proposed FTTH network will serve subscribers in the Antioch Church, Burkesville, Forest Cottage, and Freedom service areas.⁴ The proposed FTTH network will consist of aerial cable and underground in public and private rights-of-way.⁵ The FTTH will be deployed utilizing the same Gigabit passive optical network (G-PON) technology that Duo County currently utilizes for its broadband services. The construction schedule for the proposed network is scheduled to begin in 2020 and be completed in 2025.⁶

Duo County asserted that the proposed FTTH network would allow it to provide high-speed broadband service to approximately 1,245 customers within the proposed service areas.⁷ Duo County noted the importance of high-speed broadband and other advanced telecommunication services to the economic development of rural communities like those in its service area and indicated that it would be unable to provide that service to the affected areas without the proposed construction.⁸ As part of its application for the proposed construction to the Rural Utilities Services (RUS) under the ReConnect

³ *Id.*

⁴ *Id.*

⁵ *Id.* at paragraph 10.

⁶ *Id.* at paragraph 5.

⁷ *Id.*

⁸ *Id.* at paragraph 3.

program, Duo County submitted a letter of support from Governor Matt Bevin of Kentucky and Congressman James Comer.⁹

Duo County stated that the estimated cost of the new construction in Kentucky is \$24,902,037. It has obtained a grant of \$18,676,528 for the project from Rural Utilities Services (RUS) under the ReConnect program and will finance the remainder of the project from its general fund.¹⁰ Duo County will also expend \$9,989,782 in areas not eligible for funding, but is required to support the buildout in the eligible proposed funded service areas.¹¹ Based on its current financial condition and reasonably foreseeable operating circumstances, Duo County asserted that it anticipates being able to fund the project without requiring any rate adjustments for regulated services or incurring any debt.¹² Moreover, Duo County stated that that it does not anticipate the proposed construction increasing its annual operating expenses once construction is complete.¹³

DISCUSSION AND FINDINGS

It appears that the proposed construction will result in an expansion of the services available to subscribers and will enhance Duo County's ability to maintain its facilities and provide service to customers. Duo County also indicated that it did not expect the new construction to result in an increase in its operating expenses or to otherwise require an increase in rates for regulated services. Thus, the Commission finds that Duo County

⁹ Exhibit 4, Supplemental Filing to Application on May 10, 2020.

¹⁰ Application at paragraph 3.

¹¹ *Id.*

¹² *Id.* at paragraph 7.

¹³ *Id.*

should be authorized to proceed with the proposed construction as set forth in its Application and described herein.

However, the planned construction is extensive and designed primarily for Duo County to support services that may be beyond the jurisdiction of the Commission.¹⁴ The Commission recognizes that the General Assembly has found that the provision of broadband and other state-of-the-art telecommunications technologies is an “essential element to the Commonwealth’s initiatives to improve the lives of Kentucky citizens”¹⁵ Nevertheless, the Commission remains obligated to ensure that Duo County’s ability to offer safe, adequate, and reasonable basic local exchange service is not adversely affected.¹⁶ Thus, while the Commission finds that Duo County should be authorized to proceed with the proposed construction, Duo County should also carefully account for the costs associated with the construction of these facilities and properly allocate those costs between jurisdictional and nonjurisdictional services.¹⁷

IT IS THEREFORE ORDERED that:

1. Duo County is granted a CPCN to construct new facilities as set forth in its application and as described in this Order.

¹⁴ KRS 278.5462 provides, in part, that the provision of broadband services is not subject to Commission regulation. However, the Commission may assist in the resolution of consumer complaints stemming from broadband service and has the 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.

¹⁵ KRS 278.546(1).

¹⁶ KRS 278.542(1)(n).

¹⁷ The Commission retains the authority to review the reasonableness of such accounting procedures when considering adjustments of rates for basic local exchange service.

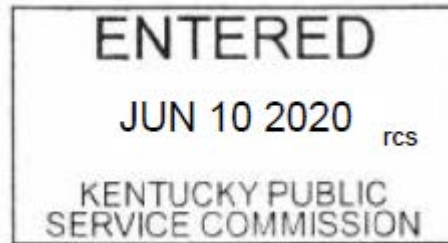
2. Should the costs of the construction authorized herein exceed by more than 10 percent the estimated costs contained in the application, Duo County shall immediately notify the Commission in writing of the adjustment and include an explanation of the additional costs for the Commission's approval.

3. As provided for in this Order, Duo County shall maintain records that clearly and sufficiently document the proper allocation of costs for jurisdictional and nonjurisdictional services provided as a result of this construction project.

4. Any documents filed pursuant to ordering paragraph 2 of this Order shall reference the number of this case and shall be retained in the post-case correspondence file.

5. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:

A handwritten signature in blue ink, consisting of stylized initials and a surname, positioned above a horizontal line.

Executive Director

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