DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 137
March 17, 2008

Horry Telephone Cooperative, Inc. SAC 240528

John Staurulakis, Inc. ("JSI") hereby provides description and justification (D&J) for JSI Transmittal No. 137 on behalf of Horry Telephone Cooperative, Inc. ("HTC" or "Company"). HTC is an issuing carrier for John Staurulakis, Inc. ("JSI") Tariff F.C.C. No. 1.

This filing proposes addition of an optional 60 month (5 year) 20 percent term discount for HTC's existing Stand-Alone Broadband Network Transport ("SABNT") Service. The regulations for SABNT comprise Section 16.8 of JSI Tariff F.C.C. No. 1. As indicated at page 16-79, HTC is the only issuing carrier currently offering SABNT. HTC currently offers a 36 month (3 year) 10 percent discount for SABNT.

HTC's SABNT marketing efforts have engendered feedback that potential customers would be more likely to order the service were there a 60 month (5 year), 20 percent discount available.

Based on the analysis of average per-unit SABNT costs provided at Exhibit 1 attached hereto, 35 percent of the revenue requirement represents contribution to expenses other than depreciation and taxes. See Exhibit 1, Line 9. These expenses were added to the revenue requirement based on a carrying charge factor reflective of the ratio of expenses, excluding depreciation and taxes, to plant investment for the 2006 Annual Access filing. The contribution to HTC's overall revenues represented by this 35 percent is significantly greater than estimated incremental expenses. As the rates tariffed for SABNT under JSI Transmittal No. 128 reflect the 35 percent attributable to expenses other than depreciation and taxes, a discount of 20 percent leaves the contribution at 15 percent of the SABNT charges billed above and beyond capital recovery.

In addition to consideration of the margin for contribution to expenses, the fully distributed cost rate development reflected in JSI Transmittal No. 128 includes significant common Ethernet switching equipment (COE) that can accommodate additional demand without additional investment. As indicated at Exhibit 1, COE represents 56 percent of the cost recovery for SABNT. The portion of the COE investment that is not subscriber-dedicated is approximately 45 percent. Plant capital recovery is 65 percent of the revenue requirement. See Exhibit 1, Line 7. Thus, an estimated 25 percent of the revenue requirement for any additional SABNT subscribers does not cover incremental investment and contributes to the overall special access revenue requirement for HTC for services other than SABNT.

The additional SABNT demand on a stabilized, term commitment basis, will be beneficial both to the subscribers ordering the service under a 60 month term discount and the remaining interstate access customer base (projected increases in SABNT demand and revenues will be reflected in the pending annual filing recast of interstate access rates effective July 1, 2008).

Based on the foregoing description and justification JSI respectfully requests that the Commission accept the proposed tariff revisions for introduction by HTC of a 60-month, 20 percent term discount for the existing SABNT Service.