

**DESCRIPTION AND JUSTIFICATION**  
**John Staurulakis, Inc. Tariff F.C.C. No. 1**  
**Transmittal No. 138**

**Fort Mill Telephone Company d/b/a Comporium Communications, SAC 240521**

Fort Mill Telephone Company d/b/a Comporium Communications, (alternatively “Fort Mill” or “Company”), through its consultant John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for its individual rates proposed under Transmittal No. 138 of the John Staurulakis, Inc. Tariff F.C.C. No. 1 (JSI Tariff). Fort Mill is an Issuing Carrier of the JSI Tariff. Fort Mill files interstate access rates on a prospective basis pursuant to Section 61.38 of the Commission’s rules.

**1. DESCRIPTION OF FILING**

This summary together with the accompanying revised tariff material has been filed by JSI in order to comply with the rules and regulations of the Federal Communications Commission (Commission) with respect to annual access charge filings.

JSI Tariff F.C.C. No. 1 governs the provision by Fort Mill of interstate Switched Access, Special Access and Miscellaneous and Public Packet Data Network services. The instant filing revises Fort Mill’s rates for those services.

The filing is made in accordance with the Commission’s March 28, 2008 release entitled In the Matter of July 1, 2008 Annual Access Charge Tariff Filings, WCB/Pricing File No. 08-14, Order, DA 08-758. The filing proposes revised rates for the provision of the applicable Switched Access, Special Access, Miscellaneous and Public Packet Data Network services. Material required pursuant to In the Matter of Material to be Filed in Support of 2008 Annual Access Tariff Filings, WCB/Pricing File No. 08-15, Tariff Review Plans, DA 08-759 is included as part of this filing.

**Justification for Cost Support and Rate Development**

In addition to the summary information provided herein, the cost support data associated with this filing comprising, in addition to the Tariff Review Plan (TRP) schedules, Attachments #1-7. The Certification of the cost support data for this filing is shown in Attachment #8 included separately.

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**TYCOS Cost Support**

In accordance with Section 61.38(b)(1)(ii) of the Commission’s rules and regulations, a projection of the Company’s costs has been made for the fiscal year ending June 30, 2009 (also referred to herein as the July 1, 2008-June 30, 2009 Test Year Cost of Service or “TYCOS” or “2009 TYCOS”). The costs for the twelve (12) month period ending June 30, 2009 have been based on financial estimates and projections of Fort Mill, and are summarized as follows:

Summary Development of Traffic Sensitive Revenue Requirement .....	Attachment #1
Part 69 - Access Charge Development .....	Attachment #2
Part 36 – Separations of Costs .....	Attachment #3

**PYCOS Cost Support**

In accordance with Section 61.38(b)(1)(i) of the Commission’s rules and regulations, attached is a cost of service study for the most recent twelve (12) month period ending December 31, 2007, identified as follows (also referred to herein as the 2007 Prior Year Cost of Service or “PYCOS”):

Summary Development of Traffic Sensitive Revenue Requirement .....	Attachment #4
Part 69 - Access Charge Development .....	Attachment #5
Part 36 – Separations of Costs.....	Attachment #6

Additionally, the Company has included as Attachment #7 schedules analyzing revenue impacts of the filing.

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**2. INTERSTATE RATE DEVELOPMENT PROCESS**

The Company follows the Commission's multi-step process to identify the cost of providing interstate access service by an incumbent local exchange carrier (ILEC). First, the rules require an ILEC to record all of its expenses, investments, and revenues in accordance with accounting rules set forth in our regulations [Uniform System of Accounts, Part 32 of the FCC's rules, 47 CFR §§ 32.1-.9000]. Second, the rules divide these costs between those associated with regulated telecommunications services and those associated with nonregulated activities [The Part 64 Cost Allocation Rules, 47 CFR §§ 64.901-.904]. Third, the rules determine the fraction of the incumbent LEC's regulated expenses and investment that should be allocated to the interstate jurisdiction [Part 36 of the FCC's rules, 47 CFR §§ 36.1-.641]. After the total amount of interstate cost is identified, the access charge rules translate these interstate costs into charges for the specific interstate access services and rate elements. Part 69 specifies in detail the rate structure for recovering those costs [47 CFR §§ 69.1-.612]. That is, the rules tell ILECs the precise manner in which they may assess charges on interexchange carriers and end users. The Company refers to the Part 36 and Part 69 cost studies collectively as the "cost study."

In addition to following the Commission's prescribed rules, carriers reflect various Commission orders in development of interstate access revenue requirements. Further, certain options, elections or interpretations may apply. Following is a summary of major prescriptions, elections or interpretations reflected in development of the interstate access revenue requirement and, in turn, interstate access rates for the Company.

**Common Line** This filing does not include rates for Common Line rate elements such as End User Common Line charges. The Company is a member of the National Exchange Carrier Association (NECA) Common Line Pool. The Company's rate pages in JSI Tariff FCC No. 1 reference NECA Tariff FCC No. 5 for Common Line Rates including End User Common Line rates.

**Traffic Sensitive** The Company is not a member of the NECA Traffic Sensitive Pool and thus files rates for Traffic Sensitive, Special Access and Miscellaneous Charges as an issuing carrier for JSI Tariff FCC No. 1.

**Wireline Broadband Internet Access Service** Effective February 10, 2006, the Company elected to provide Wireline Broadband Internet Access Service ("WBIAS") on a permissively detariffed, common-carriage basis under Title II of the Communications Act, as Amended. 47 U.S.C § 151-161. The Company made the election pursuant to *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, WC Docket No. 05-271, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005), FCC 05-150 (Rel. Sep 23,

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2005), (*Wireline Broadband Order*). Because WBIAS is a common-carriage service, apportionment of costs to WBIAS are based on Part 36 and Part 69. For Part 36, WBIAS plant investment is assigned to interstate. For Part 69, WBIAS plant investment is assigned to a new element in the access cost study, “WBI,” along with expenses identified as WBIAS-specific and apportioned expenses. Supporting cost study and TRP materials indicate the new category WBI.

The Company’s rate development for this filing excludes the WBIAS revenue requirement otherwise identified in the cost support. The WBIAS revenue requirement is recovered through charges to users of the WBIAS services pursuant to generally available rates, terms and conditions offered on a common-carriage basis.

**Rate  
Development  
and Cost  
Support**

The Company is a mandatory Section 61.38 filer, 47 C.F.R. § 61.38, and thus makes mandatory annual filings in even-numbered years with provision to the Commission of the cost support described in Section 61.38. Section 61.38 prescribes development of rates based on TYCOS and Test Year demand. The test year is prospective, comprising the twelve months beginning July 1, 2008 and ending June 30, 2009.

**Part 36  
Traffic  
Factors Freeze  
– Section  
36.3(a)**

The Company’s Part 36 allocations reflect use of the Company’s frozen traffic factors based on the 2000 separations study pursuant to Section 36.3(a) of the Commission’s rules. 47 C.F.R. § 36.3(a). The Commission adopted Section 36.3(a) in the *2001 Separations Freeze Order*. See *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382, FCC 01-162 (rel. May 22, 2001). On May 16, 2006, the Commission released an Order in which it extended, on an interim basis, the freeze of Part 36 category relationships. See *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, FCC 06-70 (rel. May 16, 2006).

**Part 36  
Category  
Relationships –  
Section  
36.3(b)**

The Company has not elected to be subject to the provisions of Section 36.3(b) which allows for assignment of costs from the Part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated Part 32 accounts for the twelve month period ending December 31, 2000.

**MAG Order –  
Port Costs**

The Company uses a 30 percent factor for allocation of switching costs to the common line category pursuant to paragraph 95 of the MAG Order. See as part of the Company’s original “MAG Filing” under Transmittal No. 63 effective January 1, 2002. See *Multi-Association*

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*Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613, FCC 01-304 (rel. Nov. 8, 2001) (MAG Order).*

**MAG Order-  
Transport  
Inter-  
connection  
Charge (TIC)** Reallocation of the TIC has been made pursuant to Section 69.415, 47 C.F.R. § 415, in accordance with the Commission’s Declaratory Ruling in DA 01-2871, released December 11, 2001. See MAG Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256, Declaratory Ruling, DA 01-2871 (rel. Dec. 11, 2001).

**Cash Working  
Capital** For cash working capital (CWC) included in net investment, the company has not changed its election under Section 65.820(d) and continues to use the full lead-lag study method with a lead/lag of 19.5349 Days as compared to the currently prescribed Wireline Competition Bureau B Company standard allowance of 15 days.

The Company develops “total-company” CWC and apportions it among interstate and intrastate operations based on total expenses less non-cash expense items consistent with Section 36.182(a) of the Commissions rules. 47 CFR § 36.182(a). In response to the AT&T petition respecting the 2004 annual filing, the Company defended the reasonableness of the “total company” approach in its response to AT&T. See John Staurulakis, Inc. See Petition of AT&T Corp. Addressing July 1, 2004 Annual Access Charge Tariff Filings, WCB 04-18, (June 28, 2004) (AT&T Petition or Petition) and John Staurulakis, Inc. Reply, July 1, 2004 Annual Access Charge Tariff Filings, WCB 04-18, (June 29, 2004). The Pricing Policy Division did not address the “total company approach” in any of its post-filing orders respecting the 2004 annual access filing.

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**3. EARNINGS IMPACTS**

The rates proposed in this filing are targeted to achieve earnings for all interstate categories equal to the prescribed rate of return of 11.25 percent based on projected cost and demand for the test year. As indicated by the earnings for the 2007 calendar year reported in its FCC Form 492 Rate of Return Report, earnings for Fort Mill for exceeded the authorized rate of return of 11.25%. See Tariff Review Plan (“TRP”) Form ERN-1.

On January 17, 2008, JSI made a voluntary filing on behalf of Fort Mill in Transmittal No. 136, to reduce rates in order to address overearnings. As mentioned in the Description and Justification for Transmittal No. 136, overearnings for Special Access services had resulted principally from significant increases in Special Access High Capacity demand beyond levels previously projected. Additionally, switched access minutes of use (“MOUs”) had increased significantly over levels previously projected. Following is the projected overall impact of the proposed rate revisions as indicated in the Transmittal No. 136 Description and Justification.<sup>1</sup>

	<b>Projected Revenue Without Mid-Course Filing</b>	<b>Projected Revenue With Mid-Course Filing</b>	<b>12 Month Impact - Increase (Decrease)</b>	<b>% Impact</b>	<b>5 Month Impact</b>
Total Interstate Access Revenue	\$ 2,875,257	\$ 2,155,707	\$ (719,5500)	-25.0%	\$(299,814)

<sup>1</sup> See JSI Transmittal No. 136, Description and Justification-Comporium Companies.

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**4. REVENUE IMPACT**

**A. Billed Revenue Impact Summary**

Following is a summary analysis of the billed revenue impact of the proposed rates for the Test Year. The data in the table is based on the indicated TRP Schedules and Columns

		Source	Current Rate	Proposed Rate	Change in Rate	% Change	Projected TYCOS Demand (000s)	Revenue at Current Rate per TRP RTE-2 Col B	Revenue at Proposed Rate per TRP RTE-2 Col D
1	Local Switching per minute	Attach. 7 Page 2	\$0.002670	\$0.002670	\$0.000000	0.0%	161,408	\$430,960	\$430,960
2	Information Surcharge (Per 100 Minutes)	Attach. 7 Page 2	\$0.005968	\$0.006052	\$0.000084	1.4%	161,408	\$9,633	\$9,768
3	Combined End Office	L1 + L2	\$0.008638	\$0.008722	\$0.000084	1.0%	161,408	\$440,593	\$440,728

		Revenue at Current Rate per TRP RTE-2 Col B (Other than Line 6)	Revenue at Proposed Rate per TRP REV-2 Col A or RTE-2 Col D	Change in Revenue per TRP RTE-2 Col E	% Change
4	Special Access	\$ 1,545,916	\$ 1,488,986	\$ (56,929)	-3.68%
5	Local Switching (Line 1 Above)	430,960	430,960	-	0.00%
6	Switched Access PIC Change Charges and Other Non-Recurring	15,035	15,035	-	0.00%
7	Local Switching Billable Rev. Req. Ln 5 + Ln 6	\$ 445,995	\$ 445,995	\$ -	0.00%
8	Information (Line 2 Above)	9,633	9,768	135	1.40%
9	Local Transport	244,252	281,450	37,198	15.23%
10	Total Switched Access (Sum Lines 7 thru 9)	\$ 699,880	\$ 737,213	\$ 37,333	5.33%
11	Total Interstate Traffic Sensitive per TRP RTE-2 (equals Line 4+ Line 9)	\$ 2,245,795	\$ 2,226,199	\$ (19,596)	-0.87%

The only significant increase in rates is that for Local Transport. Notwithstanding the significance of the level of increase proposed in this filing, the proposed rates represent only a slight adjustment in the level of decreases in the rates filed under Transmittal No. 136, the voluntary mid-course filing effective February 1, 2008. Following is an analysis of Local Transport rate changes including both the impact of the instant filing and the impact of the mid-course filing.

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**TYCOS PROPOSED RATES AND PROJECTED DEMAND AND REVENUE**

ELEMENT(s)	Projected Demand TYCOS '000s	Current Rate	Current Billing Amount	Proposed Rate	Projected Billing Amount	Revenue Dif-ferential	% Change
Tandem Switched Facility	594,204	\$0.000211	\$ 125,377	\$0.000240	\$ 42,609	\$ 17,232	13.7%
Tandem Switched Term	76,949	\$0.001096	84,336	\$0.001246	95,878	11,542	13.7%
Tandem Switching	0	\$0.002001	-	\$0.001951	-	-	
Total Tandem Sw Transport			\$ 209,713		238,487	28,774	13.7%
800 Database Query	8,424	\$0.004100	34,539	\$0.005100	42,963	8,424	24.4%
All Other Local Transport			-		-	-	
Total Local Transport			\$ 244,252		\$ 281,450	\$ 37,198	15.2%

**IMPACT OF MID-COURSE FILING EFFECTIVE 2/1/2008**

ELEMENT(s)	Projected Demand MidCourse Filing '000s	Current Rate Prior to 2/1/2008	Annual Billing at Pre 2/1/2008 Rate	2/1/2008 Rate (Current Rate)	Projected Annual Billing at 2/1/2008 Rates	Impact or Mid-Course Filing	% Change
Tandem Switched Facility	570,066	\$0.000594	\$ 338,619	\$0.000211	\$ 120,284	\$(218,335)	-64.5%
Tandem Switched Term	152,331	\$0.003082	469,485	\$0.001096	166,955	(302,530)	-64.4%
Tandem Switching	0	\$0.002001	-	\$0.002001	-	-	
Total Tandem Sw Transport			808,104		287,239	(520,865)	-64.5%
800 Database Query	9,006	\$0.005100	45,930	\$0.004100	36,924	(9,006)	-19.6%
All Other Local Transport			-		-	-	
Total Local Transport			\$ 854,034		\$ 324,163	\$(529,871)	-62.0%

**COMBINED IMPACT OF MID- COURSE and ANNUAL FILING**

ELEMENT(s)	Projected Demand for TYCOS '000s	Current Rate Prior to 2/1/2008	Annual Billing at Pre 2/1/2008 Rate	2/1/2008 Rate (Current Rate)	Projected Annual Billing at 7/1/2008 Rates	Impact or Mid-Course Filing	% Change
Tandem Switched Facility	594,204	\$0.000594	\$ 352,957	\$0.000240	\$ 142,609	\$ 210,348)	-59.6%
Tandem Switched Term.	76,949	\$0.003082	237,156	\$0.001246	95,878	(141,278)	-59.6%
Tandem Switching	0	\$0.002001	-	\$0.001951	-	-	
Total Tandem Sw Transport			590,113		238,487	(351,626)	-59.6%
800 Database Query	8,424	\$0.005100	42,963	\$0.005100	42,963	-	0.0%
All Other Local Transport			-		-	-	
Total Local Transport			\$ 633,076		\$ 281,450	\$(351,626)	-55.5%

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**5. REVENUE REQUIREMENT IMPACT**

**Recap of Test Year Cost of Service (TYCOS) Compared with Prior Year Cost of Service (PYCOS) by Major Access Element**

Following is a summary of the 2009 TYCOS compared with the 2007 PYCOS

	<b>Total Interstate Access (Including LSS)</b>	<b>Total Common Line</b>	<b>Total Subject to Section 61.38 Filing</b>
<i>Column on TRP</i>	(H)	(L)	R + P+T + U
1 2008 Filing Prospective (July 2008 through June 2009 TYCOS) Per TRP-COS1(P)	\$ 7,371,989	\$ 5,097,397	\$ 2,274,592
2 2008 Filing Historic ("PYCOS") (2007 Annual Cost Study) Per TRP-COS1(H)	7,223,520	4,507,369	\$ 2,716,151
3 2008 TYCOS Over (Under) PYCOS Line 1 - Line 2	\$ 148,469	\$ 590,028	\$ (441,559)
4 % Change (Line 3 / Line 2)	2.1%	13.1%	-16.3%

	<b>Total Subject to Section 61.38 Filing</b>	<b>Local Transport</b>	<b>Information</b>	<b>Local Switching</b>	<b>Special Access</b>
<i>Column on TRP</i>	R + P+T + U	(R) + (S)	(P)	(M)	(U)
5 2008 Filing Prospective (July 2008 through June 2009 TYCOS) Per TRP-COS1(P)	\$ 2,274,592	\$ 281,321	\$ ,769	\$ 494,570	\$1,488,932
6 2008 Filing Historic ("PYCOS") (2007 Annual Cost Study) Per TRP-COS1(H)	\$ 2,716,151	695,460	10,206	564,029	1,446,456
7 2008 TYCOS Over (Under) PYCOS Line 5- Line 6	\$ (441,559)	\$ (414,139)	\$ (437)	\$ (69,459)	\$ 42,476
8 % Change (Line 7/ Line 6	-16.3%	-59.5%	-4.3%	-12.3%	2.9%
9 Less Local Switching Support	48,575			48,575	
10 Total Revenue Requirement Subject to Section 61.38 Rate Development	\$ 2,226,017	\$ 281,321	\$ 9,769	\$ 445,995	\$1,488,932
11 Projected Billed Revenue	\$ 2,226,199	\$ 281,450	\$ ,768	\$ 445,995	\$1,488,986
12 Rounding	\$ 182	\$ 129	\$ (1)	\$ -	\$ 54

As can be seen above, of the groups of access charges billed by the Company under the tariff, the TYCOS Switched Traffic Sensitive cost of service is projected to decrease significantly from the PYCOS and Special Access is projected to increase slightly.

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**6. DEMAND ANALYSIS**

**Exchange Access Line Growth**

The Fort Mill serving area continues to experience significant exchange access line growth from Brownfield development in the South Carolina suburbs of Charlotte, North Carolina.

Year End	2002	2003	2004	2005	2006	2007	TYCOS
Total Loops	21,631	22,030	22,567	23,266	24,176	24,919	26,813
Increase Over Prior Year		399	537	699	910	743	1,894
Percentage Change		1.8%	2.4%	3.1%	3.9%	3.1%	7.6%
Cumulative Change			936	1,635	2,545	3,288	5,182
Percentage Change-Cumulative			4.3%	7.6%	11.8%	15.2%	24.0%

**Switched Access Minutes of Use Demand Growth Analysis**

Because of increases in exchange access lines, switched access minutes of use continue to increase from year to year notwithstanding competitive threats.

Description	Source: TRP DMD- 4	SWA MOU
Test Year: 7/08 - 6/09	Row 100	161,408,201
PYCOS: 1/07 - 12/07	Row 110	142,199,968
TYCOS from PYCOS Change		19,208,233
Percentage Change TYCOS from PYCOS 2007		13.51%
PYCOS: 7/06 - 12/06	Row 130	126,440,557
PYCOS 2007 from PYCOS 2006 Change		15,759,411
Percentage Change PYCOS 2007 From PYCOS 2006		12.46%
PYCOS: 7/05 - 12/05	Row 150	121,927,823
PYCOS 2006 from PYCOS 2005 Change		4,512,734
Percentage Change TYCOS 2006 From PYCOS 2005		3.70%

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**7. CONCLUSION**

Based on the Description and Justification herein together with the accompanying Tariff Review Plan and Attachments 1 through 7, the Company believes the proposed rates for its 2008 annual access filing are reasonable in all respects and supported by both the historical and projected demand and cost. Moreover, the Company has complied with all prescriptions regarding development of its interstate cost of service and, in turn, rate calculations.