

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 138
Hargray Telephone Company, Inc. (SC)

Hargray Telephone Company, Inc. (alternatively “Hargray” 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). Hargray is an Issuing Carrier of the JSI Tariff. Hargray 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 Hargray of interstate Switched Access, Special Access and Miscellaneous Services. The instant filing revises Hargray’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, and Miscellaneous 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.

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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.

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"). The costs for the twelve (12) month period ending June 30, 2009 (TYCOS) have been based on financial estimates and projections of the Company, 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

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 September 30, 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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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 August 1, 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 <i>Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers</i> , CC Docket No. 02-33,

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WC Docket No. 05-271, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005), FCC 05-150 (Rel. Sep 23, 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
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.

**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).

MAG Order-

Reallocation of the TIC has been made pursuant to Section 69.415, 47

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Transport Inter-connection Charge (TIC) 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).

MAG Order – Port Costs The Company allocates line-side port costs to the Common Line category based on application of the Section 69.306(d)(2) proxy, 47 C.F.R. § 36.306(d)(2). Carriers electing the Section 69.306(d)(2) proxy allocate 30 percent of interstate Local Switching costs to Common Line. See also *Multi-Association 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*).

Cash Working Capital For cash working capital (CWC) included in net investment, the company has not changed its election under Section 65.820(d) for use by Class B carriers of the Standard Allowance established by the Wireline Competition Bureau. The Wireline Competition Bureau has sustained use of the 15 day allowance. See *Biennial Regulatory Review 2002 -- Wireline Competition Bureau, Federal Communications Commission*, WC Docket No. 02-313, GC Docket No. 02-390, Staff Report, 18 FCC Rcd 4622, DA 03-804 (rel. December 31, 2002) at page 94 where the Bureau staff stated “Although we do not recommend modification of the rule in its current form at this time, we note that parties may present their arguments in support of establishing a longer period through the procedures provided in the rules.

The Company develops “total-company” CWC and apportions it among interstate and intrastate operations based on the basis of 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 petitions respecting the 2004 annual filings for JSI Tariff FCC No. 1, JSI defended the reasonableness of the “total company” approach in its response to AT&T. 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.