

HORRY DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 143
Horry Telephone Cooperative, Inc. (SC)
March 17, 2009

Horry Telephone Cooperative, Inc. (alternatively “HTC” or “Company”), through its consultant John Staurulakis, Inc. (“JSI”), hereby provides a Description and Justification for its proposed rates for Special Access Synchronous Optical Channel Service (“SOCS”) in John Staurulakis, Inc. Tariff F.C.C. No. 1 (“JSI Tariff”). HTC is an issuing carrier of the JSI Tariff. HTC files interstate access rates on a prospective basis pursuant to Section 61.38 of the Commission’s rules.

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 addition of new services. HTC does not currently offer Special Access SOCS, thus the rates proposed under this transmittal are the introductory rates for HTC under the existing Special Access SOCS regulations in the JSI Tariff.

Justification for Cost Support and Rate Development

The Company provides the following cost support for the proposed SOCS rates contained in this transmittal.

Revenue Requirement per Unit Development	Exhibit A
Total Annual Projected Revenue Requirement	Exhibit B
Revenue Requirement for Nonrecurring Charges	Exhibit C
Proposed Rates and Projected Annual Revenue	Exhibit D
Annual Revenue Impact of New Service Offering	Exhibit E
Comparison of Proposed SOCS Rates to Rates of other ROR ILECs	Exhibit F
Development of Levelized Carrying Charge Factor	Exhibit G
Development of Discount Factors for Levelization	Exhibit H

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A. Revenue Requirement per Unit Development

Exhibit A summarizes the development by HTC of the Special Access Synchronous Optical Channel Service ("SOCS") revenue requirement per unit. The SOCS revenue requirement is based on the levelized capital recovery costs plus the levelized carrying charges associated with plant investment required for provision of SOCS.

Plant Investment per Demand Unit – Column B

Plant investment comprises the cost of materials, labor and labor overheads required for installation of the respective central office equipment ("COE") or cable and wire facility ("CWF") necessary to provision the respective services. These costs are presented in Column B. Material costs are based on the most recently available vendor costs together with labor costs and labor overheads. Channel Mileage Facility ("CMF") costs reflect optical fiber cable costs per installed mile. Channel Mileage Termination ("CMT") costs reflect electronics and other termination equipment located in the central office ("CO") at the Serving Wire Center ("SWC") for the SOCS Channel Mileage service. For Channel Termination ("CT") costs, both SWC CO-located termination equipment (electronics and other termination equipment) and CWF costs are reflected. The CWF costs reflected in the CT costs are based on the projected average CT distance between the SWC and the Customer Designated Premises ("CDP"). Any electronics or terminal equipment at the CDP for the CT must, under the tariff regulations, be provided by separately ordering an Optional Feature and Function Customer Node.

Fill Factor Adjustment – Columns C and D

Plant investment per unit is adjusted for fill factor effect. For equipment and facilities that are necessary for discrete use for a single customer, the revenue requirement per unit reflects a 75% fill factor indicating that, on average, one out of four units installed will be idle awaiting service or idle after termination of service by a customer. Thus, for CTs, CMTs and Optional Features and Functions ("OFFs"), the revenue requirement uses a 75% fill factor. For CMF, a fill factor of 100% is used due to the likelihood that absent use of the facilities for SOCS, they will support other transmission functions and not be idle. The fill factor adjusted plant required to support a service unit is presented in Column D and is calculated by dividing the plant investment per demand unit in Column B by the fill factor in Column C.

Levelization Rates – Column E

Use of levelized capital recovery factors allows capital costs to reflect depreciation, return on net investment and the effect of net salvage value on the use of the plant for provision of SOCS. The levelization factors developed in Exhibit H are brought forward to Column E at Exhibit A. There are two levelization factors, one for seven-year life plant covering all of the electronic equipment and one for 25-year life plant covering all of the fiber facilities.

Levelized Capital Recovery Excluding Net Salvage – column F

Column F shows the levelized plant required per in-service unit, produced by multiplying the plant required to support a service unit, reflective of the fill factor, in Column D by the Column E levelization factor.

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Net Salvage Factor – Column G

Capital recovery reflects also the projected net salvage value related to the plant. The revenue requirement study uses the low range salvage factors from the Commission's "Depreciation Ranges Adopted in CC Docket no. 98-137, December 17, 1999. The low range salvage factors for both fiber cable and wire facilities ("CWF") and central office digital transmission equipment are negative, respectively -20% and -5%, reflective of removal costs greater than salvage proceeds.

Estimated Net Salvage – Column H

The estimated net salvage is determined by multiplying the plant investment, adjusted for the fill factor, presented in Column D by the net salvage factor in Column G.

Salvage Levelization Factors – Column I

Because salvage is discounted from a single point of time, the levelization uses a single discount factor. The respective salvage levelization factors for the seven-year and 25-year plant are indicated at Exhibit H and carried forward to Column I at Exhibit A.

Levelized Net Salvage – Column J

Net salvage shown in Column H is multiplied by the salvage Levelization factors in Column I to produce levelized net salvage.

Levelized Capital Cost – Column K

The combined levelized cost of capital is the sum of Column F, levelized capital recovery excluding net salvage, and Column J, levelized net salvage.

Operating Expense Requirement Based on Levelized Carrying Charges – Column L

In addition to capital recovery, the revenue requirement calculations at Exhibit A include provision for operating expenses excluding depreciation (depreciation is covered by the levelized capital recovery). Operating expenses are projected in Column L based on multiplication of the Column D "Plant Required to Support Service Unit" by the Levelized Carrying Charge Factor developed at Exhibit G.

Combined Annual Revenue Requirement – Column M

Column M of Exhibit A shows the combined annual revenue requirement for each plant investment unit. Column M is the sum of the capital recovery costs and the operating expenses from Column L and the Levelized Capital Cost from Column K.

Adjustment for Uncollectibles – Column N

The combined annual revenue requirement is adjusted for estimated uncollectibles by dividing the revenue requirement amount by 98%. 98% reflects the residual after an estimated two percent level of uncollectibles.

Monthly Revenue Requirement – Column O

The monthly revenue required is equal to the annual revenue requirement in Column N divided by 12.

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B. Total Annual Projected Revenue Requirement

Exhibit B presents the projected annual revenue requirement for introduction of SOCS by HTC. Column B carries forward from Exhibit A-Column O, the monthly revenue requirement for each SOCS element. Column C presents the projected annual demand for each element, reflective of customer inquiries through the Company's marketing department. Column D presents the projected annual revenue requirement based on the projected demand in Column C, applied to the monthly revenue requirement for the respective element presented in Column B.

C. Revenue Requirement for Channel Termination Nonrecurring Charge

Exhibit C comprises development of the nonrecurring charge rates for the SOCS CT and the Optional Features and Functions. These charges have been developed based on estimated time for carrying out the activities associated with installation together with the fully-loaded labor rates for the types of personnel carrying out the functions.

D. Proposed Rates and Projected Annual Revenue

Exhibit D lists the proposed rates in Column B for introduction by HTC of SOCS and projects annual revenue in Column D based on projected demand in Column C applied to the proposed rates. The projected demand in Column D is carried forward from Exhibit B, Column C.

The Company believes that care must be taken in the establishment of its introductory SOCS rates. Because of the much greater capacity of SOCS in comparison to High Capacity DS1 and DS3 services, the Company reflects industry concerns regarding the migration from High Capacity services to SOCS. Based on discussions with potential customers for SOCS, the Company believes that in most cases any order for SOCS will have a concomitant termination of a High Capacity service. See Exhibit E, Analysis of Revenue Impact of New Service Offering.

Because the analysis of the impact on reductions in High Capacity demand indicate an erosion in revenue far in excess of any reduction in costs, the Company has set its introductory rates for SOCS at rates comparable to other similarly situated ILECs settling on the basis of rate-of-return. Exhibit F presents comparison of the Company's proposed SOC rates to the rates of other carriers.

E. Analysis of Revenue Impact of New Service Offering

Exhibit E presents the Company's analysis of the revenue impact of the introduction of SOCS. The projected annual revenues from Exhibit D are netted with respective monthly recurring charge revenue requirement from Exhibit C and nonrecurring revenue requirement from Exhibit B. The analysis shows that the projected net impact on Special Access revenue from introduction of SOCS is less than one percent.

Conclusion

Based on the foregoing, JSI and HTC believe that the rates proposed for introduction by HTC of SOCS are reasonable.

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff FCC No. 1
Transmittal No. 143
ADSL and DSL WPP March 17, 2009

John Staurulakis, Inc. (“JSI”), hereby provides a Description and Justification for its proposed revisions to John Staurulakis, Inc. Tariff FCC No. 1 (“JSI Tariff”) to expand available upstream /downstream speeds for Asymmetric Digital Subscriber Line (“ADSL”) Access Service and to add the DSL Access Services Wholesale Pricing Plan (“WPP”).

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 addition of new services. In conjunction with the introduction of the new services, a single issuing carrier for the JSI Tariff, Skyline Telephone Membership Corporation, will offer additional ADSL upstream/downstream speeds and adopt the new WPP. Skyline Telephone Membership Corporation is an average schedule company who files pursuant to Section 61.39 of the Commission’s rules.

Background

Five issuing carriers for the JSI Tariff offer ADSL pursuant to regulations added to the JSI Tariff reflective of the National Exchange Carrier Association, Inc. (“NECA”) Tariff FCC No. 5. The following table, from page 8.1 of the JSI Tariff lists these five carriers.

<u>Telephone Company</u>	<u>Study Area Code</u>	<u>Non- WRP</u>	<u>Wholesale Rate Plan (WRP)</u>
Chesnee Telephone Company, Inc.	240515		X
Gearheart Communications Company, Inc. d/b/a Coalfields Telephone Company	260408		X
Skyline Telephone Membership Corp.	230501		X
South Central Rural Telephone Cooperative Corporation, Inc.	206418	X	
Yadkin Valley Telephone Membership Corporation	230511		X

The current regulations ADLS and DSL Wholesale Rate Plan (“WRP”) regulations were added to JSI Tariff FCC No. 1 effective June 30, 2007 coincident with four of the five carriers exiting the NECA Traffic Sensitive Pool and becoming issuing carriers for the JSI Tariff. Since that time, NECA has filed at least three transmittals affecting the ADSL regulations and, additionally, introducing the WPP. This filing serves to bring the JSI Tariff up to date with mirroring NECA Tariff FCC No. 5 respecting ADSL regulations and related wholesale discounts.

ADSL and DSL Access Services Wholesale Pricing Plan

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Skyline Telephone Membership Corporation

Skyline Telephone Membership Corporation (“Skyline”), an issuing carrier for JSI Tariff FCC No. 1, files rates pursuant to Section 61.39(b)(2).

Skyline currently offers wholesale ADSL services at a single upstream/downstream speed under the WRP. With this filing, Skyline proposes replacement of the WRP with the WPP at the following upstream/downstream speeds proposed as additions to the ADSL regulations in this filing.

- 512 kbps / 6 Mbps
- 1 Mbps / 6 Mbps
- 3 Mbps / 15 Mbps
- 5 Mbps / 50 Mbps

By migrating to the WPP from the WRP, Skyline allows ADSL wholesale customers to pay a single \$103.85 monthly term plan charge for the entire Skyline study area instead of for each serving wire center (SWC). Otherwise, the 512 kbps/6 Mbps rate is offered either at or below the respective current single ADSL offering rates for voice-data and data-only lines. Moreover, all of the rates proposed in this filing are at or below the corresponding NECA Tariff FCC No. 5 WPP rates.

Because the existing Skyline wholesale customers for ADSL has agreed to accept the proposed WPP effective April 1, 2009, Skyline has elected to eliminate the existing WRP effective April 1, 2009. This is consistent with the mandatory migration in NECA Tariff FCC No. 5 from the NECA WRP to the NECA WPP.