HOME TELEPHONE ILEC, LLC . (SC)
DESCRIPTION AND JUSTIFICATION
Ethernet Transport Service ("ETS")
John Staurulakis, Inc. Tariff F.C.C. No. 1 -Transmittal No. 162
January 23, 2012

Home Telphone ILEC, LLC (alternatively "Home" or "Company"), through its consultant John Staurulakis, Inc. ("JSI"), hereby provides a Description and Justification for its proposed rates for the introduction of Public Packet Data Network Ethernet Transport Service offerings ("ETS") in John Staurulakis, Inc. Tariff F.C.C. No. 1 ("JSI Tariff"). The Company is an issuing carrier of the JSI Tariff in which it 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. Home's ETS capabilities proposed under this transmittal comport to the existing Public Packet Data Network-ETS regulations at Section 16.4 of the JSI Tariff. With respect to earnings monitoring, all Public Packet Data Network revenue and costs are included in the Special Access category which will be the case also for the new ETS once subscriptions for the proposed offerings begin.

Justification for Cost Support and Rate Development

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

Cost per Unit Development - ETS Channel Terminations	**Exhibit 1.A.1**
Cost per Unit Development - ETS Ports	**Exhibit 1.A.2**
Cost per Unit Development - ETS Virtual Connections (EVCs)	**Exhibit 1.A.3**
Total Annual Projected Demand and Cost	**Exhibit 1.B**
Proposed Rates and Projected Annual Revenue	**Exhibit 1.C**
Annual Revenue Impact on Special Access Revenue of New Service Offering	**Exhibit 1.D**
Comparison of Proposed ETS Rates to Existing Rates and NECA Rates	**Exhibit 1.E**
Development of Carrying Charge Factor	**Exhibit 1.F**
Development of Discount Factors for Levelization	**Exhibit 1.G**
Non-Recurring Charges	**Exhibit 2**

Exhibit 1.A.1

Plant Investment per Demand Unit – Column B
Plant investment comprises the direct 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.

Fill Factor – Columns C
Plant investment per unit is adjusted for the fill factor effect. For equipment and facilities that are necessary for discrete use for a single customer, the cost per unit reflects that, on average, a portion of the units installed will be idle awaiting service or idle after termination of service by a customer.

Plant Required to Support Service Unit– Columns D
The plant required to support a service unit is presented in Column D. The plant value in Column D is based on the application of the Fill Factor in Column C to the Plant Investment per Demand Unit in Column B.

Net Salvage Factor – Column E
In addition to the initial plant investment required for service units, direct cost capital recovery reflects the projected net salvage value related to the plant. The cost 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 ("CO") digital transmission equipment are negative, respectively -10% and -5%, reflective of removal costs greater than salvage proceeds.

Estimated Net Salvage – Column F
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 E. As mentioned above, the net salvage factors for both CWF and CO digital transmission equipment are negative reflecting cost-of-removal greater than salvage proceeds. Because the cost of removal of the plant will be greater than any salvage, net salvage is estimated to be negative. As negative net salvage increases capital costs for which recovery is required.

Discount Factors – Column G
In order to levelize the effect of net salvage, the net salvage values require simple discounting to the Year 0 levelization point. The discount rates are calculated at Exhibit 1.G based on the authorized interstate rate of return discounted for the number of years reflected in the respective depreciation rates for CWF and CO digital transmission equipment.

Present Value of Net Salvage – Column H
Column H contains the discounted net salvage value for each plant element based on application of the discount factors in Column G to the Estimated Net Salvage in Column F.

Plant Investment with Discounted Net Salvage – Column I

Column I contains the plant investment for which capital recovery is required. Capital recovery comprises both depreciation and return. The plant investment on which capital recovery is required includes both the Column D Plant Required to Support Service Unit value and the related Column H Present Value of Net Salvage for the plant.

Levelization Factors– Column J

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 service. The levelization factors developed in Exhibit 1.G are brought forward to Column J. 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 copper or fiber facilities.

Levelized Capital Recovery Cost – Column K

Column K shows the direct levelized plant required per in-service unit, produced by multiplying the Column I Plant Investment with Discounted Net Salvage by the respective levelization factor in Column J.

Overhead – Column L

In addition to direct costs capital recovery, the cost calculations include provisions for overheads. Overheads are determined based on application of the Carrying Charge Factor ("CCF") determined at Exhibit 1.F. The CFF is applied to the amount for the service element in Column D "Plant Required to Support Service Unit" to determine the applicable overheads.

Combined Annual Cost – Column M

Column M shows the combined annual cost for each plant investment unit. Column M is the sum of the direct costs from Column K and the overhead from Column L.

Adjustment for Uncollectibles – Column N

The combined annual cost is adjusted for estimated uncollectibles by dividing the cost amount by 98%. 98% reflects the residual after estimated uncollectible revenue at a rate of two percent of billed Special Access charges.

Monthly Cost – Column O

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

Exhibit 2

The non-recurring charges are computed as follows:

The Engineering and Labor rates in Column D are multiplied by the number of hours projected to be required for the installation of the Ethernet Transport Service in Column E. The sum of this computation reflects the Total Costs for installation of Ethernet Transport Service reflected in Column F. The Total Costs are then multiplied by the Projected Demand for 12 months reflected in Column G in order to compute the Projected Annual Revenue Requirement in Column H. The Proposed Rates in Column I reflects the recovery of the Total Costs per Column F, and the Projected Annual Revenue in Column J reflects the

Projected Annual Revenue Requirement per Column H. For comparative purposes, Column K reflects the NECA Tariff FCC No. 5 non-recurring rates.

Conclusion

Based on the Description and Justification herein, together with the accompanying Exhibit 1 and Exhibit 2, the Company believes the proposed rates for its new ETS service are reasonable in all respects and supported by 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.