DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 165

Lancaster Telephone Company d/b/a Comporium Communications,
SAC 240531 (South Carolina)

Lancaster Telephone Company d/b/a Comporium Communications, (alternatively "Lancaster" or "Company"), through its consultant John Staurulakis, Inc. ("JSI") hereby provides a Description and Justification for its individual rates proposed under Transmittal No. 165 of the John Staurulakis, Inc. Tariff F.C.C. No. 1 ("JSI Tariff"). Lancaster is an Issuing Carrier of the JSI Tariff. Lancaster files interstate access rates on a prospective basis pursuant to Section 61.38 of the Commission's rules.

The following Table comprises the Comporium Communications incumbent local exchange carrier companies ("ILECs") that are "wholly owned operating companies" and therefore part of a "holding company" as defined by Section 51.917(E)(3), 47 C.F.R. §51.917(E)(3) for purposes of the Access Recovery Charge ("ARC").

ILEC	Holding Company Code	Study Area Code	State	Tariff for which ILEC is Issuing Carrier	Included in RateCeiling-CAF.xlsm
Fort Mill Telephone Co.	200000068	240521	SC	JSI	Yes
Lancaster Telephone Co.	200000068	240531	SC	JSI	Yes
Rock Hill Telephone Co.	200000068	240542	SC	JSI	Yes
Citizens Telephone Co.	200000068	230473	NC	JSI	Yes
PBT Telecom, Inc.	200000068	240539	SC	NECA	No

Each of the four Comporium Communications issuing carriers for JSI Tariff FCC No. 1 listed in the above table files its own individual company rates pursuant to Section 61.38 and is filing its own, separate Description and Justification under Transmittal No. 165. Moreover, each of these four issuing carriers is filing an ARC of $0.50

Lancaster's ARC ceiling data is contained in the single holding company Tariff Review Plan Comporium Communications RateCeiling-CAF.xlsm file being filed for the four Comporium Companies that are issuing carriers for the JSI Tariff.

Description and Justification
JSI-Transmittal No. 165 - 2012 Annual Access Filing
Lancaster Telephone Company (SC)

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 together with compliance with new rules adopted by the Commission in its *USF/ICC Transformation Order r*equiring ILECs to adjust, over a period of years, their switched access charges effective on July 1 of each of those years together with introduction of an Access Recovery Charge ("ARC"). *See Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, FCC-11-161 (Rel. November 18, 2011), (*USF/ICC Transformation Order*), pets. for review pending, *Direct Commc'ns Cedar Valley, LLC v FCC, No. 11-9581* (10th Cir. Filed Dec. 18, 2011) (and consolidated cases).

JSI Tariff F.C.C. No. 1 governs the provision by Lancaster of interstate Switched Access, Special Access and Miscellaneous and Public Packet Data Network services and, beginning July 3, 2012, the ARC.

The filing is made in accordance with the Commission's March 28, 2012 release entitled <u>In the Matter of July 3, 2012 Annual Access Charge Tariff Filings</u>, WCB/Pricing File No. 12-07, Order, DA 12-482.

Consistent with the requirements of Section 51.909(a)(1) adopted by the Commission in the *USF/ICC Transformation Order*, no changes are proposed with respect to rate elements for services contained in the definitions of End Office Access Service, Tandem Switched Transport Access Service, and Dedicated Transport Access Service, as well as all other interstate switched access rate elements, in its interstate switched access tariffs at the rate that was in effect on December 29, 2011. See 47 C.F.R. § 51.909(a)(1).

With respect to Special Access rate elements, including Public Packet Data Network rate elements, this filing proposes revised rates consistent with the requirement under Section 61.38 for annual filings in even-numbered years. See 47 C.F.R. § 61.38, 69.3(f)(1).

Finally, the Company is introducing the ARC rate element consistent with Section 51.917(e)(1). See 47 C.F.R. § 51.917 (d)(1)(vii) – ARC Election, and a Connect America Fund ("CAF") election pursuant to Section 51.917(f) of the Commission's rules.-CAF Election.

2. ELECTIONS PURSUANT to *USF/ICC TRANSFORMATION ORDER*

The Company's elections for the ARC and CAF participation are provided at Attachment 9. The ARC election is being made pursuant to Section 51.917(e), and the CAF election is being made pursuant to Section 51.917(f) of the Commission's rules.

3. ACCESS RECOVERY CHARGE (ARC) FILING EFFECTIVE JULY 3, 2012

Under 47 CFR 51.917(e), Lancaster is filing an initial ARC effective July 3, 2012 at the maximum rate of $0.50 per month for each line other than lines of Lifeline Customers assessed a primary residential or single-line business end user common line charge pursuant to 47 CFR § 69.104 and $1.00 per month for each multi-line business end user common line charge assessed pursuant to 47 CFR § 69.104 for the initial implementation period of the ARC which ends June 30, 2013.

Under this transmittal, JSI is proposing addition of ARC regulations to JSI Tariff FCC No. 1 at Section 13.16.

Lancaster's proposed ARC rates are being added to Lancaster's JSI Tariff rate section at Section 17.4.4(P).

4. SUMMARY OF TRP FORMS

MS Excel File Name from FCC WCB PPD	Content
Lancaster RoR-ILEC-ICC-data-4.18.12.xlsx	<u>Four Tabs</u> 2012 Eligible Recovery Summary 2012 RoR ILEC Interstate Rates 2012 RoR ILEC Intrastate Rates 2012 RoR ILEC Recip. Comp Rates
Rock Hill RateCeiling-CAF.xlsm **(A single TRP Rate-Ceiling-CAF.xlsm is being filed for all four Comporium Communications issuing carriers for the JSI Tariff.)**	<u>Three Tabs</u> Data Sheet Max ARC Rev. Calc CAF Calc.
Lancaster Tariff-Rate-Comparison_CAF.xlsm	<u>Three Tabs</u> Data Sheet Tariff Rate Comparison Footnotes
Lancaster RORTRP12Final.xls	Changes from 2011: MAG-2 Eliminated MAG-1 revised for Frozen TIC.

5. CERTIFICATIONS ACCOMPANYING TRANSMITTAL

- **Certification of Designation of JSI as Carrier Agent, signed by Company Officer.**
- **Certification of Officer as to Accuracy of the CAF ICC Data Reported.**
- **Certification by Officer that Company is Eligible Recovery §51.917(d) and Access Recovery Charge §51.917(e) and is eligible to receive the CAF ICC support requested pursuant to §51.917(f).**
- **Certification by Officer that Reporting Carrier is not Seeking Duplicative Recovery in the State Jurisdiction for any Eligible Recovery.**

6. JUSTIFICATION for COST SUPPORT and RATE DEVELOPMENT

In addition to the summary information provided herein, the traditional 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.

Consistent with the requirements of Section 51.909(a)(1), discussed above, the Company is not proposing any changes in Switched Access (either end office or transport), and thus the following review of cost support is limited in effect to Special Access. For End User Common Line, the Company participates in the NECA Common Line pool.

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 a representative year based on the fiscal year ending June 30, 2013 (also referred to herein as the July 1, 2012-June 30, 2013 Test Year Cost of Service or "TYCOS" or "2011 TYCOS"). The costs for the twelve (12) month period ending June 30, 2013 have been based on financial estimates and projections of Lancaster, 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, 2011, identified as follows (also referred to herein as the 2011 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.

Interstate Rate Development Process

The Company follows the Commission's multi-step process to identify the cost of providing interstate Special 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 Special 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."

Major Elections and Interpretations Applied

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 (Switched Access), 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, 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.

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). Since the original Separations Freeze Order, the Commission has adopted a series of orders extending the *Separations Freeze Order*. The FCC released the most recent of these extensions on May 8, 2012. See *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, FCC 12-49 (rel. May 8, 2012), (*2012 Separations Freeze Extension Order*) (extending the separations freeze until June 30, 2014).

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 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.

DECREASE IN SPECIAL ACCESS RATES

The Company's proposed Special Access rates represent a 4.8 percent across the board decrease from the current rates filed in the 2010 annual filing under JST Transmittal No. 152. As shown on Attachment 7, the projected demand for the Test Year at the current rates would produce total annual Special Access revenue of $1,200,045. At the proposed rates, the projected demand for the Test Year will produce annual Special Access revenue of $1,142,484, a reduction of $57,561.

The Company's projected Test Year Special Access revenue requirement represents an increase over the Prior Year of $176,727, a rate of 18.3 percent, from $965,741 for the Prior Year (see 2012 TRP COS-1(H) Row 100, Column U) to a projected $1,142,468 for the Test Year (see 2012 TRP COS-1(P) Row 100, Column U). The increase in the Special Access revenue requirement primarily reflects projected increases in both Special Access Central Office-Transmission equipment and Cable and Wire Facilities-Subscriber Plant. For Central Office Transmission equipment, the projected Special Access plant for the Test Year is $2,444,583 (see TRP 2012 COS-1(P) Row 330, Column U), representing a 19.9 percent increase over the Prior Year amount of $2,038,132 (see TRP 2012 COS-1(H) Row 330, Column U). For Cable and Wire Facilities, the projected Special Access plant for the Test Year is $2,990,622 (see TRP 2012 COS-1(P) Row 340, Column U), representing a 20.9 percent increase over the Prior Year amount of $2,473,719 (see TRP 2012 COS-1(H) Row 340, Column U).

The projected increase in the Special Access Revenue Requirement is offset by the projected increase in demand over the projected Test Year July 1, 2010 through June 30, 2011 used for rate development for the Company's 2010 annual filing. See JSI Transmittal No. 152, 2010 Annual Access Filing. For purposes of comparing demand, Special Access High Capacity Channel Terminations are a good benchmark. The projected demand for the 2010 Annual Filing Test Year included 3,750 High Capacity Channel Terminations (see 2010 TRP DMD-2, Column D). The projected demand for the 2012 Annual Filing Test Year includes 4,148 High Capacity Channel Terminations (see 2012 TRP DMD-2, Column D). The increase in High Capacity

Channel Terminations for the 2012 Annual Filing Test Year over the 2010 Annual Filing Test Year is 398 or 10.6 percent. Thus, notwithstanding the increase in the Special Access Revenue Requirement discussed above, an increase in demand for the 2012 Test Year over the projected demand used for the 2010 Test Year is the most significant factor in effecting decreases in the proposed Special Access rates.

7. CONCLUSION

Based on the Description and Justification herein together with the accompanying Tariff Review Plan and Attachments 1 through 9, the Company believes the proposed rates for its 2012 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.