

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 220
December 17, 2018

Horry Telephone Cooperative, Inc. SAC 240528

John Staurulakis, Inc. (“JSI”) hereby provides description and justification (D&J) for JSI Transmittal No. 220 on behalf of Horry Telephone Cooperative, Inc. (“HTC” or “Company”). HTC is an issuing carrier for John Staurulakis, Inc. (“JSI”) Tariff F.C.C. No. 1 and files interstate access rates pursuant to Section 61.38 of the Commission’s rules.

This filing proposes revisions to add new capacities to HTC’s existing Public Packet Data Network Stand-Alone Broadband Network Transport (“SABNT”) offering: 2 Gbps, 2.5 Gbps, 4 Gbps, 5, Gbps, 7.5 Gbps and 10 Gbps. HTC’s SABNT marketing efforts have engendered feedback that potential customers would welcome options for higher SABNT speeds.

In addition, this filing proposes to introduce SABNT volume discounts under existing SABNT Volume Discount Plan (“SABNT VDP”) regulations at JSI Tariff F.C.C. No. 1 at Section 16.8.2(E)(4). The SABNT VDP is an optional pricing plan available to HTC’s SABNT Term Discount Plan customers. The new VDP discounts will accompany changes to the level of discounts offered under the Term Discount Plan (TDP). As many customers will have the ability to utilize both the TDP and the VDP, Horry expects that the net impact of these changes on revenues will be a relatively small reduction in revenues, inclusive of the impact of the introduction of the additional rate tiers.

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 SABNT capacities once subscriptions for the proposed offerings begin.

Justification for Cost Support and Rate Development

HTC proposes rates for the additional SABNT offerings being introduced in this transmittal based on conformance with the decrease in per Mbps costs as capacities increase reflected in the existing SABNT rates. HTC has developed an estimate increased Revenue Requirement impact for proposed customers ordering service for the newly proposed speed increments. Overall impacts on both revenues and costs for both new SABNT tiers and updates to Term and Volume Discount packages are included on Exhibit 1 SABNT Update Cost Support.

Impact on Revenue and Demand – Exhibit 1

A. Impact of Additional SABNT Speed Tiers:

Prior to the updated SABNT Speed Tiers included in this filing, HTC has been satisfying customers’ demands for speeds greater than 1 Gig by selling them multiple increments of the

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existing 1 Gig rate elements. As a result of this tariff offering, HTC expects that these customers will migrate from the existing 1 Gig offering to the newly offered speeds greater than 1 Gig, resulting in some decreases to existing 1 Gig Revenues, along with revenues generated from new customers purchasing the newly filed service offerings. These impacts are illustrated on Exhibit 1, Line 3 and Line 4.

B. Impact of Term Discount Plan Changes / Volume Discount Plan Introduction

In this filing HTC proposes to reduce the maximum discount levels offered under the current Term Discount Plan (TDP) from 45% to 20% for the 60 month offering level. At the same time, HTC proposes to introduce an additional mechanism for offering discounts to customers via a Volume Discount Plan (VDP). These plans will be offered concurrently, so customers may choose to take advantage of both plans' discounts if their circumstances permit. HTC's review of customer information leads them to believe that most if not all of the customers that are currently utilizing the maximum term discount plan will also make use of the discounts available in the Volume Discount plan, and, as a result, will see a reduction of total billing from HTC. Under the TDP, the maximum discount offered was 45%, whereas a customer under today's plan can take advantage of a 20% TDP discount, followed by up to a 35% discount under the VDP, if applicable. No customer will be forced to accept a lower discount than previously available.

HTC has projected overall revenue impacts associated with the implementation of the updated TDP and the newly created VDP, and those computations are included on Exhibit 1 as well. The impact of creating a greater total discount than currently available is projected to total (\$554,407) for the test period, as shown on Exhibit 1, Ln 12a. The net impact when combined with increased revenues associated with the new SABNT speed tiers previously discussed will create a total revenue impact of this filing of (\$163,686).

Impact on Cost Revenue Requirement – Exhibit 2

HTC Engineering personnel determined that there would be a cost increase to upgrade existing network equipment to provide SABNT service for speeds greater than 1 GIG/sec. A Projected Revenue Requirement increase on a per Customer basis has been developed and included in Exhibit 2. The impact of this will be included in future filings and reports along with the total costs associated with Interstate Special Access Services. It is not anticipated that changes to the Term Discount Plan (TDP) and the introduction of the Volume Discount Plan (VDP) will have a net material impact on Cost Revenue Requirements. Based on the projected incremental customers taking the new speed tiers added, a total increase in Revenue Requirement of \$13,073 is projected for this filing.

Total Impact of Filing – Exhibit 1

The total annual projected increase in Cost Revenue Requirement of \$13,073, when taken with the total expected revenue impact of filing of (\$163,686) creates a total projected impact of this filing of (\$176,758), which represents a reduction of 4.29% of total TYCOS Year

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HTC Stand-Alone Broadband Network Transport (“SABNT”) Service

ending 6/30/2019 Special Access revenues as shown in HTC’s June, 2018 Annual Filing. This total is shown on Exhibit 1 on Line 17-19

Conclusion

Based on the foregoing description and justification JSI respectfully requests that the Commission accept the proposed tariff revisions for introduction by HTC of additional SABNT capacities, and optional SABNT Volume Discount Plan.