

DESCRIPTION AND JUSTIFICATION

John Staurulakis, Inc. Tariff F.C.C. No. 1 -Transmittal No. 227
October 17, 2019

Farmers Telephone Cooperative, Inc. (SC) SAC 240520

Part I: Mid-Course Special Access Rate Reduction

Part II: 100 Gbps Ethernet Transport Service

Farmers Telephone Cooperative, Inc. (“Farmers” or “Company”), through its consultant John Staurulakis, Inc. (“JSI”), hereby provides a Description and Justification for its proposed mid-course Special Access filing to decrease rates and introduction of a new capacity of 100 Gbps to its 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.

PART I MID-COURSE FILING TO REDUCE SPECIAL ACCESS RATES

The Company projects a reduction to its Special Access revenue requirement for the year ending 2019. The next mandatory filing for the Company will be on June 16, 2020 with an effective date of July 1, 2020. The Company voluntarily elects to reduce its Special Access rates effective November 1, 2019. The Company’s projected 2019 Special Access revenue requirement is \$2,937,565. \$135,921 of the projected Special Access revenue requirement will be recovered through the projected demand for the new 100 Gbps Ethernet Transport Service offerings discussed in Part II of this Description and Justification. \$2,801,684 of the projected 2019 Special Access revenue requirement will be recovered from the existing Special Access offerings at projected 2019 demand. At current rates, the projected 2019 Special Access demand would generate \$2,937,605 in revenue. This filing allows for a projected decrease in 2019 Special Access revenue for existing offerings of \$734,223, an overall rate decrease of 20.0%.

The Company is providing the following cost support for the proposed reduction in existing Special Access rates.

Summary Development of Traffic Sensitive Revenue Requirement	Exhibit 1, Attachment #1
Part 69 - Access Charge Development	Exhibit 1, Attachment #2
Part 36 – Separations of Costs	Exhibit 1, Attachment #3

Additionally, Exhibit 1 includes at Attachment #4 a presentation of the proposed reduced Special Access rates with comparison to the current rate for the same element. Attachment #4 also presents the projected 2019 demand for each Special Access rate element and the projected 2019 effect of the reduction in rate for the element. Finally, Attachment #4 totals the projected revenue from decreases in Special Access rates for juxtaposition with the projected 2019 Special Access revenue requirement.

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**Description and Justification – Mid-Course Reduction in Special Access Rates
Proposed Addition of 100 Gbps to Existing Ethernet Transport Service**

Conclusion

Based on the Description and Justification herein together with the accompanying Exhibit 1, the Company believes the proposed mid-course Special Access rate reductions are reasonable in all respects and supported by both the historical and projected demand and cost.

PART II INTRODUCTION OF 100 GBPS ETHERNET TRANSPORT SERVICE

The Company provides in Exhibit 2 a summary of proposed rates and projected annual revenue for the 100 Gbps ETS capacity offering proposed in this transmittal.

Impact on Revenue and Demand

Farmers fully anticipates the new 100 Gbps ETS offering will generate additional demand resulting in additional revenues. As a result of this offering, the Company expects that some customers currently purchasing 10 Gbps or lower ETS capacities will migrate from those offerings to the new 100 Gbps offering, resulting in some decreases to existing ETS revenue. However, the overall impact is projected to be an increase in ETS revenue and demand.

Impact on Cost Revenue Requirement

The Company's existing network equipment has the capability to deliver the 100 Gbps ETS offering, and does not require network upgrades. Therefore, it is anticipated that introduction of 100 Gbps ETS will not have a net material impact on Cost Revenue Requirements.

Conclusion

Based on the Description and Justification herein, together with the accompanying Exhibit 2, the Company believes the proposed rates for its new ETS 100 Gbps offerings 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.