

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 75
Issued January 16, 2003
Effective January 31, 2003
Hargray Telephone Company, Inc.

On behalf of Hargray Telephone Company, Inc. (Hargray), John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for the proposed revision to JSI Tariff F.C.C. No. 1. The filing revises rates for High Speed Internet (HSI) Access Service and introduces, effective February 1, 2003, permanent conditions under which the nonrecurring charge for HSI Access Service will be waived.

Background

Hargray introduced High Speed Internet (HSI) Access Service in February of 2002 in JST Tariff F.C.C. No. 1 Transmittal 68, effective March 12, 2002. HSI Access Service allows customers of Hargray to send and receive voice and high speed data transmissions simultaneously over existing local exchange service copper facilities. As such, HSI Access Service provides functionality comparable to that provided by Asymmetric Digital Subscriber Line (ADSL) Service or Symmetric Digital Subscriber Line (SDSL) Service.

In this filing, Hargray proposes to reduce monthly charges for HSI Access Service to reflect higher demand experienced by the Company than that projected at the time of the filing of Transmittal 68. Because of the higher than expected demand, the cost per line is significantly lower than that reflected by the original rates filed under Transmittal 68 in February of 2002.

Additionally, since the time Hargray made its initial HSI Access Service filing, it has become aware that it is now widespread industry practice for small rural incumbent local exchange carriers (ILECs) to have permanent tariff provisions allowing xDSL nonrecurring charge waivers for customers committing to retain the service for twelve months. For example, National Exchange Carrier Association (NECA) Tariff FCC No. 5, Section 8.1.5(E) requires all carriers listed in the DSL Access Services Availability Section of the tariff to waive the nonrecurring charge for each new ADSL Access Line ordered when the customer commits to retain the ADSL Access Line for a minimum period of twelve months following installation of service. Similar waiver conditions for SDSL are included in NECA Tariff FCC No. 5, Section 8.2.5(E). NECA filed these permanent terms and conditions for waivers of ADSL and SDSL Service nonrecurring charges on January 17, 2002 in NECA Tariff FCC No. 5 Transmittal No. 923. NECA previously had promotional offerings for the waiver of ADSL and SDSL nonrecurring charges that expired on January 31, 2002 (See NECA Tariff FCC No. 5, Section 17.4.9(E)(1)).

Because ADSL and SDSL-like services, including Hargray's HSI Access Service, are relatively new technologies, many first-time users are more likely to try the services if the start-up costs are low.

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Since much of the investment associated with HSI Access Service is fixed, the continued stimulation of demand will also help improve overall investment utilization and reduce unit costs associated with Hargray's HSI Access Service.

Description

This filing proposes reductions in monthly recurring charges for HSI Access Service. Additionally, this filing introduces permanent terms and conditions for Hargray HSI Access Service nonrecurring charge waivers. The nonrecurring charge waivers will apply to new installations of HSI Access Service when the customer commits to maintain the service for a minimum twelve-month period after installation. The waived nonrecurring charges will be recouped if, within the twelve-month commitment period, the customer terminates the HSI Access Service for any reason. The waiver provision will apply only to the initial, nonrecurring installation charge for the HSI Access Service, and will not apply to any other tariffed service components.

Cost and Revenue Impacts

With respect to the proposed rate reductions, the reduced rates will produce annual revenue sufficient to recover annual costs for HSI Access Service. HSI Access Service costs are presented at Attachment 1, Page 1. The annual costs for HSI Access Service presented in Attachment 1, Page 1 in this filing are \$567,804 compared with \$537,866 as presented in the Transmittal 68 2002 filing. Actual HSI Access Service demand is approximately 16% higher the forecasted demand used for determination of rates in Transmittal 68. Revised rates and demand are presented at Attachment 1, Page 2. The revised demand reflects higher demand than that projected in the original Hargray HSI Access Service tariff filing in Transmittal 68 effective March of 2002. Costs have been modified to reflect a change in carrying charges for 2002 compared with those for 2001 as used in the Transmittal 68. Hargray believes that filing rate reductions at this time to reflect the lower per-line cost of HSI Access Service allows serves the Company's and the Commission's goals to promote broader subscription for broadband service.

The revenue foregone by waiving the Hargray HSI Nonrecurring Charges will have a negligible impact on Hargray's overall special access revenue requirement. The expected stimulation in demand due to the HSI Access Service Nonrecurring Charge waiver will hold down per-customer costs of HSI Access Service and promote overall network efficiency. By imposing a one-year minimum commitment, Hargray believes that it will reduce the risk associated with investments in HSI Access technology, and increase its assurance that HSI Access Service revenue targets will be met.