

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 78
Issued February 28, 2003
Effective March 7, 2003
Fort Bend Telephone Company

On behalf of Fort Bend Telephone Company (Fort Bend), John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for the proposed revision to JSI Tariff F.C.C. No. 1, to effect a reduction, on seven days notice under Section 204(a)(3) of the Communications Act of 1934, as amended, in the Fort Bend Asymmetrical Digital Subscriber Line (ADSL) Service Term and Volume Plan (TVP) Nonrecurring Charge from \$100.00 to \$34.00 per installation.

Background

Fort Bend has previously provided for waiver of the ADSL Nonrecurring Charge for customers committing to retain ADSL Access Lines for a minimum of 12 months subsequent to the initial order as described at Section 17.4.8.1(C) of JSI Tariff F.C.C. No. 1. Section 17.4.8.1(C) was introduced in JSI Transmittal 74 issued October 10, 2002 and became effective October 25, 2002. As provided for in Section 17.4.8.1(C), the Nonrecurring Charge waiver offer expired January 29, 2003. Section 17.4.8.1(C) remains in the tariff as it continues to govern the terms of the ADSL Nonrecurring Charge waivers issued by Fort Bend through January 29, 2003 for which the customer's twelve-month commitment may run until as late as January 29, 2004.

Since the time Fort Bend made its initial ADSL 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 or reductions 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 Symmetrical Digital Subscriber Line (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)).

Fort Bend believes that termination of the ADSL Service nonrecurring charge waiver available on a promotional offering basis through January 29, 2003 will deter some customers from ordering ADSL. Because ADSL is a relatively new technology, many first-time users are more likely to try the service if the start-up costs are low. To address this concern, Fort Bend proposes reducing its ADSL TVP Nonrecurring Charge from \$100.00 to \$34.00. The TVP requires a term commitment by the customer of either one year or three years.

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Fort Bend is reducing the ADSL TVP Nonrecurring Charge in lieu of waving the entire charge for one-year or greater term commitments because it wishes to continue to recover a portion of the initial ADSL ordering costs attributable to the customer operations ordering process.

Since much of the investment associated with ADSL is fixed, the continued stimulation of demand by the reduction in the ADSL TVP Nonrecurring Charge will also help improve overall investment utilization and reduce unit costs associated with ADSL Service.

Description

This filing proposes a reduction in the Fort Bend ADSL TVP Nonrecurring Charge in Section 17.4.8.1(B) of the Fort Bend Rates and Charges in JSI Tariff F.C.C. No. 1 from \$100 to \$34 on a permanent basis. The reduced Nonrecurring Charge will apply to new installations of ADSL Service under Fort Bend's ADSL TVP who make commitments to retain ADSL service for either one year or three years after installation. This filing does not propose any reduction in the Nonrecurring Charge for customers ordering ADSL on a monthly basis under Section 17.4.8.1(A).

Cost and Revenue Impacts

The revenue foregone by reducing the Fort Bend ADSL TVP Service Nonrecurring Charge will have a negligible impact on Fort Bend's overall special access revenue requirement. The expected stimulation in demand due to the reduced ADSL TVP Nonrecurring Charge will hold down per-customer costs of ADSL Service and promote overall network efficiency. By further encouraging customers to elect a TVP with a one-year or greater term commitment, Fort Bend believes that it will reduce the risk associated with investment in ADSL technology, and increase its assurance that ADSL Service revenue targets will be met.