DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 90
Issued December 16, 2003
Effective January 1, 2004
Fort Bend Telephone Company - Texas

On behalf of Fort Bend Telephone Company (Fort Bend), John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for the proposed revisions to JSI Tariff F.C.C. No. 1 for the following respecting Asymmetrical Digital Subscriber Line (ADSL) Service:

1) Permanent rate reduction for the 1-Year and 3-Year Term and Volume Plan (TVP) rate for Option 1 (Up to 1.536 kbps Down/128 kbps Up) from $39.00, the current TVP rate for both terms, to $22.00 for both terms.

2) Permanent waiver of the Nonrecurring Charge for installations of ADSL lines under the TVP options. Nonrecurring Charges will still be applicable to non-TVP ADSL arrangements.

3) These changes will become effective on January 1, 2004.

Justification

Rate Reduction: Fort Bend believes that reduction of the ADSL Service TVP Option 1 rate is a necessary step to respond to current market conditions. Fort Bend also believes that the decline in monthly per unit revenues will be more than offset by an increase in demand that the lower rate will generate. As per FCC requirements, the reduced rate remains above the monthly cost of service, which is detailed in the accompanying cost study.

Permanent Waiver of Nonrecurring Service Order Charge: Fort Bend is aware that it is now widespread industry practice for small rural incumbent local exchange carriers to have permanent tariff provisions whereby there is either no tariffed nonrecurring charge for installation of xDSL Access Service or a waiver of the tariffed charge where the customer commits to a term of twelve months or greater. For example, the National Exchange Carrier Association (NECA) FCC Tariff No. 5, Section 8.1.5 (E) requires all carriers listed in the xDSL 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. Also, a waiver of all nonrecurring charges will reduce start-up costs for new users and further stimulate demand, improve overall investment utilization, and reduce unit costs for ADSL Services.

Revenue Impact

The revenue foregone by lowering the ADSL Service TVP Option 1 rates and the permanent waiver of the Nonrecurring Charge will have a negligible impact on Fort Bend's overall special access revenue requirement. Based on anticipated demand for this product, Fort Bend believes that it will reach the break-even point in the third quarter of 2004.

Cost Study Methodology

The costs in the accompanying study were developed using an incremental or "bottoms-up" methodology. Under this methodology, costs are determined by adding together all of the necessary equipment and/or labor expenses associated with providing the service on a forward-looking basis. These costs depict the economic unit cost of offering the service.

The investment factor used in the study is a composite of the following items:

- A depreciation factor that identifies the annual depreciation expense based on the estimated life for the specialized equipment used to provide the service
- A required return and income tax factor
- A cost of money factor determined by weighting the company's cost of debt and equity
- An expense factor which incorporates network maintenance, property taxes, power, back-office, and miscellaneous network expenses
- A General and Administrative overhead factor

This factor is then applied to net investment to determine the annual cost for each element. The material and labor investment was determined by consulting company engineers with regard to required network components and configuration, as well as labor costs, and examination of vendor billing invoices to determine component costs.