

**JOHN STAURULAKIS, INC.
REVISIONS TO TARIFF FCC NO. 1
DESCRIPTION AND JUSTIFICATION
HORRY TELEPHONE COOPERATIVE, INC.**

A. INTRODUCTION

John Staurulakis, Inc. (JSI) proposes to modify JSI Tariff FCC No. 1 on behalf of Horry Telephone Cooperative, Inc. (HTC) for the introduction of rates for the inauguration of the following services:

1. Asynchronous Transfer Mode-Cell Relay Service (ATM-CRS)
2. Frame Relay Access Service (FRAS)
3. Wholesale Digital Subscriber Line Service (Wholesale DSL)

Attendant to the introduction of Wholesale DSL, existing Horry ADSL customers will migrate to Wholesale DSL service at lower rates for all corresponding DSL speeds. Existing ADSL rates will be removed.

This filing is being made at the request of and on behalf of HTC.

B. BACKGROUND

1. Asynchronous Transfer Mode-Cell Relay Service (ATM-CRS)

HTC has demand for use of its ATM switch for transport of data over HTC's ATM-CRS network. In order to meet this demand, HTC proposes introduction of the ATM-CRS Port services and applicable rates indicated in this filing under the existing ATM-CRS regulations in JSI Tariff FCC No. 1.

2. Frame Relay Access Service (FRAS)

HTC has demand for use of its ATM switch for transport of data over HTC's ATM-CRS network on a Frame Relay basis of technology. In order to meet this demand, HTC proposes introduction of the Frame Relay Access Services and applicable rates indicated in this filing under the existing Frame Relay Access Service regulations in JSI Tariff FCC No. 1.

3. Wholesale Digital Subscriber Line Service (Wholesale DSL)

HTC currently provides DSL services under Section 16.2-Asymmetrical DSL (ADSL) Service. Under Sections 16.2, DSL transport services are provided on either a retail or wholesale basis. Additionally, they are provided under narrower definitions of technology. HTC does not currently have, nor has it ever had, any retail customers for ADSL. In order for a customer to order retail service, an Internet

Service Provider (ISP) would have to have a DSL Access Connection and allow subscribers to order their service on a bifurcated basis – paying separate charges to the ISP and the local exchange carrier (LEC) provider of the DSL Transport service. Based on JSI's extensive experience with LEC DSL transport services, both respecting issuing carriers for JSI Tariff FCC No. 1 and issuing carriers for other tariffs, small independent LECs apparently universally do not have true-retail customers for DSL transport. Thus, the Wholesale DSL Transport Service regulations are more appropriate for HTC both respecting the lack of retail customers and the more flexible regulations respecting technology.

In addition to the background respecting regulations and technology applicable to HTC, HTC's DSL transport service demand has increased tremendously from the volumes under 1,000 projected in the introduction by HTC of ADSL in 2002. The projected demand for this filing requires recasting rates to reflect, on the one hand, the significant reduction in average costs and, on the other hand, recognition of the positive impact on demand and average costs of customers committing to extended terms and large volumes.

C. PROPOSED RATES

1. Asynchronous Transfer Mode-Cell Relay Service (ATM-CRS)

Proposed rates and the revenue impact for HTC's inauguration of ATM-CRS service are presented at Exhibit 1. The rate structure corresponds to existing ATM-CRS regulations in JSI Tariff FCC No. 1.

2. Frame Relay Access Service (FRAS)

Proposed rates and the revenue impact for HTC's inauguration of FRAS are presented at Exhibit 2. The rate structure corresponds to existing FRAS regulations in JSI Tariff FCC No. 1.

3. HTC Wholesale DSL Transport

Proposed rates and the revenue impact for HTC's inauguration of Wholesale DSL Transport are presented at Exhibit 3. The rate structure corresponds to existing Wholesale DSL Transport regulations in JSI Tariff FCC No. 1.

Additionally, this transmittal removes existing rates for HTC ADSL offering. All current ADSL customers will be seamlessly migrated to Wholesale DSL at lower rates for the corresponding downstream/upstream speed combinations.

Removal of HTC ADSL rates merely reflects a realignment of those services with Wholesale DSL Transport Services. There is no customer impact. The same services are available on a wholesale basis under Wholesale DSL Transport

Service for the same downstream/upstream speed combinations at lower rates. JSI is not aware of any “retail” customers for ADSL services from an independent ILEC as DSL is typically provided as a bundled service by an ISP who purchases the DSL Transport Service at wholesale from the respective ILEC tariff.

D. RATE IMPACT OF MIGRATION FROM ADSL TO WHOLESALE DSL

The following table shows the impact of the reduction in rates that will result from the migration from the existing ADSL service to the new Wholesale DSL Transport Service.

Reduction in Month-to-Month Rates			Old Rate	New Rate	Reduction	
Month-to-Month - 100+ Lines	384 kbps	384 kbps	\$ 27.00	\$23.00	\$4.00	15%
Month-to-Month - 100+ Lines	512 kbps	512 kbps	\$ 35.00	\$25.40	\$9.60	27%
Month-to-Month - 100+ Lines	768 kbps	768 kbps	\$ 51.00	\$25.40	\$25.60	50%
Reduction in Most Favorable Rate						
Three-Year TVDP Option I	256 kbps	256 kbps	\$ 27.00	\$15.20	\$11.80	44%
Three-Year TVDP Option II	1.544 Mbps	1.544 Mbps	\$ 51.00	\$16.70	\$34.30	67%
Three-Year TVDP Option III	3 Mbps	300 kbps	\$ 51.00	\$17.50	\$33.50	66%
Three-Year TVDP Option IV	2 Mbps	2 Mbps	\$ 51.00	\$18.50	\$32.50	64%
Three-Year TVDP Option V	3 Mbps	3 Mbps	\$ 51.00	\$22.00	\$29.00	57%

E. COST AND DEMAND DEVELOPMENT

This section describes the methodology used in determining interstate costs for the following HTC services:

1. Asynchronous Transfer Mode-Cell Relay Service (ATM-CRS)
2. Frame Relay Access Service (FRAS)
3. Wholesale Digital Subscriber Line Service (Wholesale DSL)

JSI has developed these costs based on data received from HTC together with data maintained by JSI on behalf of HTC respecting annual interstate cost studies.

JSI is providing, on behalf of HTC, the following Exhibits respecting cost as cost support for this filing:

Exhibit 4 - ATM-CRS Cost

Exhibit 5 – FRAS Cost

Exhibit 6 –Wholesale DSL Cost

The cost exhibits show calculation of annual costs. HTC's overall network costs are based on projected investment in the respective technology supporting the service. Equipment costs are based on the latest available Continuing Property Record (CPR) balances adjusted for additions to meet projected increases in demand. An additive for expenses, return and taxes is made based on the "Direct Cost Factor." The Direct Cost Factor is based on the 2002 Interstate Cost Study – as depicted at Exhibit 7.