

**DESCRIPTION AND JUSTIFICATION**  
**John Staurulakis, Inc. Tariff F.C.C. No. 1**  
**Transmittal No. 96**  
**Horry Telephone Cooperative, Inc. (HTC) (SC)**  
**FRN #0001-8869-44**

Horry Telephone Cooperative, Inc. (HTC), through its consultant John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for its individual rates proposed under Transmittal No. 96 of the John Staurulakis, Inc. Tariff F.C.C. No. 1 (JSI Tariff). HTC is an Issuing Carrier of the JSI Tariff.

**Description of Filing**

The accompanying revised tariff material has been filed by JSI in order to comply with the rules and regulations of the Federal Communications Commission (Commission) with respect to annual access charge filings.

The JSI Tariff F.C.C. No. 1 governs the provision by HTC of interstate Switched Access, Special Access and Miscellaneous Services. The instant filing revises HTC's rates for those services.

**Justification for Cost Support and Rate Development**

The entire cost support data associated with this filing is contained in one volume including the D&J and Attachments #1-9 included comprising this D&J document (Adobe Acrobat PDF). The Certification of the cost support data for this filing is shown in Attachment #10 included separately. All required Tariff Review Plan Schedules (TRP Schedules) are included with the cost support material in accordance with the Commission's April 19, 2004 release entitled In the Matter of Material to be Filed in Support of 2004 Annual Access Charge Tariff Filings, Tariff Review Plans, DA 04-1048 (2004 TRP Order), together with the June 10, 2004 release entitled In the Matter of Material to be Filed in Support of 2004 Annual Access Charge Tariff Filings, Tariff Review Plans, Errata, DA 04-1700 (2004 TRP Errata).

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In accordance with Section 61.38(b)(1)(ii) of the Commission's rules and regulations, a projection of HTC's costs has been made for the fiscal year ending June 30, 2005. The costs for the twelve (12) month period ending June 30, 2005 have been based on financial estimates and projections of HTC, and are summarized as follows:

Summary Development of Traffic Sensitive Revenue	
Requirement .....	Attachment #1
Part 69 - Access Charge Development .....	Attachment #2
Part 36 – Separations of Costs .....	Attachment #3
Unseparated Cost Information .....	Attachment #4

In accordance with Section 61.38(b)(1)(i) of the Commission's rules and regulations, attached is a cost of service study for the most recent twelve (12) month period ending December 31, 2003, identified as follows:

Summary Development of Traffic Sensitive Revenue	
Requirement .....	Attachment #5
Part 69 - Access Charge Development .....	Attachment #6
Part 36 – Separations of Costs.....	Attachment #7
Unseparated Cost Information.....	Attachment #8

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The total Traffic Sensitive Service revenues generated under this tariff are projected to be \$5,693,198, See Attachment #9. This amount represents a decrease of \$523,330 from the projected annual Traffic Sensitive Service revenues for the 2003 annual filing, \$6,216,528. Notwithstanding the decrease in the projected Traffic Sensitive Service revenue, the revised rates for Local Switching, 800 Data Base Queries and Tandem Switching, Tandem Switched Facility and Tandem Switched Termination reflect increases. These increases are offset by decreases in Direct Transport rates.

Following is a comparison of the projected interstate revenue requirements for the year ending June 30, 2005 compared with those included in the 2003 annual filing for the projected year ending June 30, 2003.

**Comparison of Projected 2005 Interstate Revenue to Projected 2003 Interstate Revenue**

Element	2003	2005	Change	% Change
Local Switching per Attachment 9	682,639	751,444	68,805	10.08%
Information per Attachment 9	10,758	12,767	2,009	18.67%
Transport per Attachment 9	4,259,828	3,677,957	(581,871)	-13.66%
Subtotal Switched Access	4,953,225	4,442,168	(511,057)	-10.32%
Special Access Revenue Requirement	1,995,208	3,280,517	1,285,309	64.42%
Special Access DSL	731,725	2,083,488	1,351,763	184.74%
Special Access per Attachment 9	1,263,483	1,197,029	(66,454)	-5.26%
Total Interstate Revenue Per Attachment 9	6,216,708	5,639,197	(577,511)	-9.29%
Rounding	785	(852)		
Revenue Requirement per Attachment 9	6,217,493	5,638,345	(579,148)	-9.31%
Projected DSL Revenue (no rate change)	731,725	2,083,488	1,351,763	184.74%
Total Interstate Revenue Requirement	6,949,218	7,721,833	772,615	11.12%

The principal changes impacting the above comparison are a reduction in Switched Access Transport (see below) that causes a concomitant increase in the allocation of switching costs to Local Switching. Additionally, the Special Access revenue requirement associated with services other than Digital Subscriber Line (DSL) have decreased due to the greater allocation of common costs to DSL services.

Based on application of the revised rates to projected demand, the impact of the filing is an increase in direct charges to access customers of \$815,057 as indicated in Attachment 9 at Page 1. This increase comprises a \$874,465 increase in charges for Switched Access Services and a decrease of \$59,408 for Special Access Services as indicated in Attachment 9 at Page 1.

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HTC net investment and total company operating expenses and taxes reflect overall decreases as follows:

	Actual for 2001	Actual for 2003	% Change	Projected 2003	Projected 2005	% Change
Net Investment	\$147,235,282	\$128,441,994	-12.8%	\$138,389,584	\$120,388,950	-13.0%
Total Operating Expenses and Taxes	\$49,298,710	\$49,096,834	-0.4%	\$52,468,295	\$49,756,279	-5.2%

The decreases in investment and operating expenses and taxes are reflected in the reductions of revenue requirements for elements other than DSL. The significant increase in DSL investment and expenses causes an overall increase in the relative allocation of costs to interstate. However, net of DSL costs, the filing reflects a 9.3% reduction in interstate revenue requirement of \$579,148 in comparison to that for the projected year ending June 30, 2003 provided in the 2003 filing.

**Local Switching Rate Increase**

The proposed Local Switching rate represents an increase of 4 percent from \$0.0025 to \$0.0026. Forecasted demand for the June 30, 2005 projected year is 293,099,732 minutes representing a 9.62 percent increase over the forecasted minutes of 276,998,901 for the year ending June 30, 2003 as used in the 2003 annual filing. Notwithstanding the increase in minutes, costs allocated to Local Switching pursuant to Part 69 increased concomitant to decreased allocations to transport due, for the most part, to the significant decreases in Tandem Switched minutes (see below).

**Description and Justification****John Staurulakis, Inc. Tariff F.C.C. No. 1 -Transmittal No. 96****Horry Telephone Cooperative, Inc. (SC)****Page 4****Tandem Switched Transport Increases**

HTC Tandem-Switched Transport rates have increased due to significant decreases in demand. The decreases in demand are due in large part to the migration by carriers from Tandem Switched Transport to Direct-Trunked Transport. A large part of the migration has been effected by aggregation on existing trunks.

Tandem Switching Rate Element	FY 2001 Actual	2002 Annual Filing Forecast	FY 2003 Actual	2004 Annual Filing Forecast	Decrease in Forecasted Minutes	Decrease in Historic Minutes
Facility – Minute Miles	6,158,792,618	5,957,042,889	4,623,015,313	4,316,220,459	-6.64%	-24.94%
Termination - Minutes	999,581,776	966,837,476	401,629,316	374,976,191	-6.64%	-59.82%
Tandem Switching	281,035,214	271,829,062	164,306,046	153,402,286	-6.64%	-41.54%

Given the relatively high ratio of fixed investment associated with Tandem Switched Transport, the decreased demand results in increased rates. Transport costs decreased 13.66% based on comparison of the 2005 projection to the 2003 projection (see above). However, the much greater rate of decrease in demand results in higher Tandem Switched Transport rates. Moreover, the portion of Transport costs absorbed by Direct Trunk Transport decreased (see below).

**Direct-Trunked Transport Rates**

Notwithstanding the increase in Tandem Switched Transport rates, Direct-Trunked Transport rates decreased by approximately 4.7% on average due to the effect of decreases in Special Access High Capacity rates on the Direct Transport Trunk rates. For the 2003 filing, revenues from Direct-Trunked Transport are projected for the 2005 projected year to be \$382,231 (based on aggregation of the proposed billing amounts per Attachment 9, Page 3) compared with a projection of \$421,648 for the 2004 projected year used in the 2003 annual filing. Pursuant to Section 69.112(b)(2), HTC's Direct-Trunked Transport rates are determined based on rates for equivalent voice grade, DS1, and DS3 Special Access services. Accordingly, reductions in Special Access High Capacity rates of approximately 4.7% effect parallel reductions in Switched Access Direct-Trunked Transport rates of approximately 4.7%.

**Direct-Trunked Transport Rates**

On an overall basis, Special Access rates in this filing achieve a 4.75% decrease. This decrease is reflective of the decreased company net investment and expenses and greater sharing of costs by the increased DSL demand.