

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 96
Warwick Valley Telephone Company, Inc. (WVTC) (NY and NJ)
FRN #0005-5691-99

Warwick Valley Telephone Company, Inc. (WVTC), 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). WVTC 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 WVTC of interstate Switched Access, Special Access and Miscellaneous Services. The instant filing revises WVTC'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 Warwick Valley's costs has been made for the fiscal year ending June 30, 2005 (FY 6/2005). The costs for the twelve (12) month period ending June 30, 2005 have been based on financial estimates and projections of WVTC, and are summarized as follows:

<u>Twelve Months Ended June 30, 2005</u>	<u>New York</u>	<u>New Jersey</u>
Summary Development of Common Line and Traffic Sensitive Revenue Requirement.....	Attachment #1	Attachment #5
Part 69 - Access Charge Development	Attachment #2	Attachment #6
Part 36 – Separations of Costs	Attachment #3	Attachment #7
Unseparated Cost Information	Attachment #4	Attachment #8

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:

<u>Twelve Months Ended December 31, 2001</u>	<u>New York</u>	<u>New Jersey</u>
Summary Development of Common Line and Traffic Sensitive Revenue Requirement.....	Attachment #10	Attachment #14
Part 69 - Access Charge Development	Attachment #11	Attachment #15
Part 36 – Separations of Costs	Attachment #12	Attachment #16
Unseparated Cost Information	Attachment #13	Attachment #17

A summary of development of the combined Warwick Valley New York and New Jersey End User revenue requirement for the twelve months ended June 30, 2005 is provided on Attachment 9 and 18. A summary of the combined Warwick Valley New York and New Jersey End User revenue requirement for the twelve months ended December 31, 2005 is provided on Attachment 19.

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The total Traffic Sensitive Service revenues generated under this tariff are projected to be \$6,969,957, See Attachment #9. This amount represents a decrease of \$253,975 from the projected annual Traffic Sensitive Service revenues for the 2004 annual filing, \$7,223,932. (WVTC made a midcourse filing for July 1, 2003 under JSI Transmittal No. 84 filed on June 16, 2003.)

Following is a comparison of the projected interstate revenue requirements for the FY 6/2005 compared with those included in the 2004 annual filing for the projected FY 6/2004.

Element	2004	2005	Change	% Change
End User and Common Line	\$2,366,241	\$2,228,626	-\$137,615	-5.82%
Local Switching per Attach 9	725,639	624,566	(101,073)	-13.93%
Information per Attachment 9	33,297	23,098	(10,199)	-30.63%
Transport per Attachment 9	652,770	431,197	(221,573)	-33.94%
Subtotal Switched Access	1,411,706	1,078,861	(332,845)	-23.58%
Special Access	341,631	337,443	(4,188)	-1.23%
Total Interstate Rev Per Attach 9	4,119,578	3,644,930	(474,648)	-11.52%
Rounding	6,911	8,606		
Revenue Requirement per Attach 9	4,126,489	3,653,536	(472,953)	-11.46%

Based on application of the revised rates to projected demand, the impact of the filing is a decrease in direct charges to access customers of \$92,986.76 as indicated in Attachment 9 at Page 1. The decrease is the net effect of an increase in End User Revenue of \$201,527, a decrease in Switched Access Revenue of \$102,992 and a decrease in Special Access of \$102,521.76. The only area of increase is End User Common Line (EUCL) and Federal Universal Service Charges (FUSC). EUCL rates for single line customers are increasing from \$5.98 to the capped rate of \$6.50. The multiline business rate is increasing from \$5.98 to \$7.18 as indicated on Attachments 9 and 18. FUSC charges are increasing due to the combined effect of the increased EUCL rates and the increase in the Third Quarter Federal Universal Service Contribution Factor to 8.9 percent from 8.7 percent.

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Projected WVTC total company operating expenses are projected to decrease by 0.9 percent under the projected FY 6/2003 amount used for the 2002 annual filing. Net investment is projected to decrease by 24.5% under the projected FY 6/2003 amount used for the 2002 annual filing.

	Actual for Calendar Year 2001	Actual for Calendar Year 2003	% Change	Projected FY 6/2004	Projected FY 6/30/2005	% Change
Net Investment	\$25,387,315	\$20,871,245	-17.8%	\$29,080,435	\$21,946,643	-24.5%
Total Operating Expenses and Taxes	\$12,892,685	\$13,099,087	1.6%	\$13,958,050	\$13,829,536	-0.9%

Local Switching Rate Decrease

The proposed Local Switching rate represents a decrease of 3.3 percent from \$0.006 to \$0.0058. Forecasted demand for the June 30, 2005 projected year is 107,683,862 minutes representing a 10.6 percent decrease from the forecasted minutes of 120,538,052 for the forecasted year ending June 30, 2003 as used in the 2002 annual filing.

Federal Universal Service Charge Filing

In addition to 2004 annual filings for the carriers filing under Section 61.38, this filing includes proposed revisions in charges for the Federal Universal Service Contribution (FUSC) reflective of the increase in the Universal Service Contribution Factor from 8.7% to 8.9% for the third quarter of 2004. Proposed Third Quarter Universal Service Contribution Factor, CC Docket No. 96-45, Public Notice, DA 04-1613 (released June 7, 2004. Calculation of the revised FUSC rates is shown at Attachment 20.