

DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 100
Fort Mill Telephone Company, Inc. (SC)
FRN #0001-8896-17

Fort Mill Telephone Company, Inc. (Fort Mill) hereby provides a Description and Justification for its proposed revisions to individual rates to become effective August 5, 2004. Fort Mill is an Issuing Carrier for John Staurulakis, Inc. (JSI) Tariff F.C.C. No. 1.

Description of Filing

The accompanying revised tariff material is being filed by JSI on behalf of Fort Mill, an incumbent local exchange carrier (ILEC) operating in the state of South Carolina. JSI Tariff F.C.C. No. 1 governs the provision by Fort Mill of Switched Access, Special Access and Miscellaneous Services. In this filing, JSI proposes on behalf of Fort Mill reductions in rates to address the Fort Mill overearnings concerns mentioned in the Commission's Order In the Matter of Annual Access Charge Filings, WCB/Pricing File No. 04-18, DA 04-1997, released July 1, 2004.

Background

On June 24, 2004, JSI filed on behalf of Fort Mill rate reductions to become effective on July 1, 2004 in order to comply with the annual filing requirement for rate-of-return carriers filing access tariffs pursuant to Section 61.38 of the Commission's rules. On June 28, 2004, AT&T Corp. filed a petition with the Commission requesting, *inter alia*, suspension of revisions filed by JSI on behalf Fort Mill in its 2004 annual access charge filing due to overearnings in past earnings surveillance periods as indicated on Fort Mill FCC Form 492 Reports.¹ On July 1, 2004, the Commission released an order, *inter alia*, suspending the filing of Fort Mill due to AT&T's concerns regarding overearnings.

Description

The original filing made by JSI on behalf of Fort Mill on June 24 under JSI Transmittal No. 97 reflected overall rate decreases of approximately 6%. The rates filed under Transmittal No. 97 reflected the projected June-2004 to July-2005 test year cost of service (TYCOS) and projected demand for the same period. The demand increases reflected by these reductions are not as significant as the actual demand increases that occurred in 2002 to 2003 as Fort Mill has no basis to conclude that the unusually high rate of increase in demand for the past two years will be sustained.

¹ See Petition of AT&T Corp. Addressing July 1, 2004 Annual Access Charge Tariff Filings, WCB 04-18, (June 23, 2004) (*AT&T Petition*).

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To address the concerns regarding the potential for continued overearnings at the level indicated for 2003, Fort Mill proposes in this filing rates reflective of further reductions to the June 30, 2004 rate levels beyond those filed in JSI Transmittal No. 97 on June 24. The rates proposed in this filing have been calculated by applying the percentage reductions to the June 30, 2004 rates that would reduce rates to the level that, had they been in effect for calendar year 2003, would have produced net income comprising a 11.25 percent return on net investment consistent with the current authorized rate of return for interstate access.

Justification for Cost Support and Rate Development

Calculations of the reductions for each rate and the composite effect on revenues are shown in the accompanying cost support.

Summary of Proposed August 5, 2004 Access Rate Reductions	Exhibit 1
Proposed Switched Access Rate Reductions	Exhibit 2
Proposed Special Access Rate Reductions	Exhibit 3
2003 Rate of Return Analysis	Exhibit 4