DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 120
Home Telephone Company (SC)

Home Telephone Company (alternatively "Home" or "Company"), through its consultant John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for its individual rates proposed under Transmittal No. 120 of the John Staurulakis, Inc. Tariff F.C.C. No. 1 (JSI Tariff). Home is an Issuing Carrier of the JSI Tariff. Home files interstate access rates on a prospective basis pursuant to Section 61.38 of the Commission's rules.

Description of Filing

This summary together with 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.

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

The filing is made in accordance with the Commission's March 24, 2006 releases entitled In the Matter of July, 2006 Annual Access Charge Tariff Filings, WCB/Pricing File No. 06-15, Order, DA 06-649, and In the Matter of Material to be Filed in Support of 2006 Annual Access Tariff Filings, WCB/Pricing File No. 06-15, Tariff Review Plans, DA 06-650.

Justification for Cost Support and Rate Development

In addition to the summary information provided herein, the cost support data associated with this filing comprising, in addition to the Tariff Review Plan (TRP) schedules, Attachments #1-7. The Certification of the cost support data for this filing is shown in Attachment #8 included separately.

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In accordance with Section 61.38(b)(1)(ii) of the Commission's rules and regulations, a projection of the Company's costs has been made for the fiscal year ending June 30, 2007 (also referred to herein as the July 1, 2006-June 30, 2007 Test Year Cost of Service or "TYCOS" or "2007 TYCOS"). The costs for the twelve (12) month period ending June 30, 2007 have been based on financial estimates and projections of Home, 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

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, 2005, identified as follows (also referred to herein as the 2005 Prior Year Cost of Service or "PYCOS" or "2005 PYCOS"):

Summary Development of Traffic Sensitive Revenue
Requirement ....Attachment #4

Part 69 - Access Charge Development...Attachment #5

Part 36 – Separations of Costs..Attachment #6

Additionally, the Company has included as Attachment 7 schedules analyzing revenue impacts of the filing.

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Interstate Rate Development Process

The Company follows the Commission's multi-step process to identify the cost of providing interstate access service by an incumbent local exchange carrier (ILEC). First, the rules require an ILEC to record all of its expenses, investments, and revenues in accordance with accounting rules set forth in our regulations [Uniform System of Accounts, Part 32 of the FCC's rules, 47 CFR §§ 32.1-.9000]. Second, the rules divide these costs between those associated with regulated telecommunications services and those associated with nonregulated activities [The Part 64 Cost Allocation Rules, 47 CFR §§ 64.901-.904]. Third, the rules determine the fraction of the incumbent LEC's regulated expenses and investment that should be allocated to the interstate jurisdiction [Part 36 of the FCC's rules, 47 CFR §§ 36.1-.641]. After the total amount of interstate cost is identified, the access charge rules translate these interstate costs into charges for the specific interstate access services and rate elements. Part 69 specifies in detail the rate structure for recovering those costs [47 CFR §§ 69.1-.612]. That is, the rules tell ILECs the precise manner in which they may assess charges on interexchange carriers and end users. The Company refers to the Part 36 and Part 69 cost studies collectively as the "cost study."

In addition to following the Commission's prescribed rules, carriers reflect various Commission orders in development of interstate access revenue requirements. Further, certain options, elections or interpretations may apply. Following is a summary of major prescriptions, elections or interpretations reflected in development of the interstate access revenue requirement and, in turn, interstate access rates for the Company.

Common Line This filing does not include rates for Common Line rate elements such as End User Common Line charges. The Company is a member of the National Exchange Carrier Association (NECA) Common Line Pool. The Company's rate pages in JSI Tariff FCC No. 1 reference NECA Tariff FCC No. 5 for Common Line Rates including End User Common Line rates.

Traffic Sensitive The Company is not a member of the NECA Traffic Sensitive Pool and thus files rates for Traffic Sensitive, Special Access and Miscellaneous Charges as an issuing carrier for JSI Tariff FCC No. 1.

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Wireline Broadband Internet Access Service

Effective May 9, 2006, the Company elected to provide Wireline Broadband Internet Access Service ("WBIAS') on a permissively detariffed, common-carriage basis under Title II of the Communications Act, as Amended. 47 U.S.C § 151-161. The Company made the election pursuant to *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, WC Docket No. 05-271, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005), FCC 05-150 (Rel. Sep 23, 2005), (*Wireline Broadband Order*). Because WBIAS is a common-carriage service, apportionment of costs to WBIAS are based on Part 36 and Part 69. For Part 36, WBIAS plant investment is assigned to interstate. For Part 69, WBIAS plant investment is assigned to a new element in the access cost study, "WBI," along with expenses identified as WBIAS-specific and apportioned expenses. Supporting cost study and TRP materials indicate the new category WBI.

The Company's rate development for this filing excludes the WBIAS revenue requirement otherwise identified in the cost support. The WBIAS revenue requirement is recovered through charges to users of the WBIAS services pursuant to generally available rates, terms and conditions offered on a common-carriage basis.

Rate Development and Cost Support

The Company is a mandatory Section 61.38 filer, 47 C.F.R. § 38, and thus makes mandatory annual filings in even-numbered years with provision to the Commission of the cost support described in Section 61.38. Section 61.38 prescribes development of rates based on the 2007 TYCOS and Test Year demand. Consistent with the requirements of Section 61.38, the Test Year is prospective, comprising the twelve months beginning July 1, 2006 and ending June 30, 2007 (the industry also commonly refers to Section 61.38 filers as "prospective filers" in contrast to Section 61.39 "historic filers."

Part 36 Category Relationships-Section 36.3(b)

The Company has not elected to be subject to the provisions of Section 36.3(b) which allows for assignment of costs from the Part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated Part 32 accounts for the twelve month period ending December 31, 2000.

Part 36 Traffic Factors Freeze – Section 36.3(a)	The Company's Part 36 allocations reflect use of the Company's frozen traffic factors based on the 2000 separations study pursuant to Section 36.3(a) of the Commission's rules. 47 C.F.R. § 36.3(a). The Commission adopted Section 36.3(a) in the *2001 Separations Freeze Order*. See *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382, FCC 01-162 (rel. May 22, 2001). On May 16, 2006, the Commission released an Order in which it extended, on an interim basis, the freeze of Part 36 category relationships. See *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, FCC 06-70 (rel. May 16, 2006).
***MAG Order* – Port Costs**	The Company uses a 30 percent factor for allocation of switching costs to the common line category pursuant to paragraph 95 of the MAG Order. See as part of the Company's original "MAG Filing" under Transmittal No. 63 effective January 1, 2002. See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613, FCC 01-304 (rel. Nov. 8, 2001) (*MAG Order*).
***MAG Order*- Transport Inter-connection Charge (TIC)**	Reallocation of the TIC has been made pursuant to Section 69.415, 47 C.F.R. § 415, in accordance with the Commission's Declaratory Ruling in DA 01-2871, released December 11, 2001. See MAG Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256, Declaratory Ruling, DA 01-2871 (rel. Dec. 11, 2001).
Cash Working Capital	For cash working capital (CWC) included in net investment, the company has not changed its election under Section 65.820(d) and continues to use the currently prescribed Wireline Competition Bureau B Company standard allowance of 15 days. The Company develops "total-company" CWC and apportions it among interstate and intrastate operations based on the basis of total expenses less non-cash expense items consistent with Section 36.182(a) of the Commissions rules. 47 CFR § 36.182(a).

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Recap of TYCOS Revenue Requirements Compared with PYCOS Revenue Requirements by Major Access Element

	2003 PYCOS Trans 97 Attach. 5	2005 PYCOS Trans 120 Attach. 4	Change	% 'Change	2006 TYCOS Trans 120 Attach. 1	TYCOS (Under) 2005 PYCOS	% -Dif-ference
Common Line	$3,700,421	$4,047,243	$346,822	9.4%	$4,425,374	$378,131	9.30%
Traffic Sensitive (TS):							
Local Switching	956,658	1,026,378	69,720	7.3%	1,096,109	69,731	6.80%
Information	1,980	2,452	472	23.8%	1,603	(849)	-34.60%
Transport	242,796	237,152	(5,644)	-2.3%	260,934	3,782	10.00%
Total TS	1,201,434	1,265,982	64,548	5.4%	1,358,646	92,664	7.30%
Special Access	1,399,012	1,261,092	(137,920)	-9.9%	856,310	(404,782)	-32.10%
Total Access	$6,300,867	$6,574,317	$273,450	4.3%	$6,640,330	$66,013	1.00%
Adjusted Special Access:							
Per Above	$1,399,012	$1,261,092	($137,920)		$856,310	($404,782)	
PYCOS WBIAS					528,549	528,549	
Adjusted	$1,399,012	$1,261,092	($137,920)		$1,384,859	$123,767	9.8%
Adjusted Total Access	$6,300,867	$6,574,317	$273,450		$7,168,879	$594,56 2	9.0%

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	2003 PYCOS Trans 97 Attach. 5	2005 PYCOS Trans 120 Attach. 4	Change	% 'Change	2006 TYCOS Trans 120 Attach. 1	TYCOS (Under) 05 PYCOS	% Difference
Total Company							
Net Investment - Line 3	24,910,353	25,019,610	109,257	0.4%	23,173,106	(1,846,504)	-7.4%
Exp/Taxes - Line 17	17,163,436	18,809,958	1,646,522	8.8%	21,487,990	2,678,032	14.2%
Interstate							
Net Investment - Line 3	7,679,219	7,422,851	(256,368)	-3.5%	6,868,133	(554,718)	-7.5%
Exp/Taxes - Line 17	4,926,399	5,246,901	320,502	6.1%	5,941,450	694,549	13.2%
Interstate to Total Ratios							
Net Investment	30.8%	29.7%			29.6%		
Expenses and Taxes	28.7%	27.9%			27.7%		

Total Company Net Investment is projected to decrease from the 2005 PYCOS by $1,846,504, a rate of decrease of 7.4%. Although the company has embarked on a program for capital expenditures in the three years following the PYCOS year of 2005, the full effects of this program on the Net Investment base are not fully reflected in the TYCOS, due to the timing of the investments, as well as the cost averaging process that is required by NECA and the FCC.

Total Company Expenses are projected to increase by $2,678,032 when compared with the 2005 PYCOS, a rate of increase of 14.2%. The principal cause of the increase is increased depreciation expense associated with projected increased investment in central office equipment, in particular central office switching equipment.

Net interstate apportionment of investment and expenses for the TYCOS is at the same proportions as indicated for the 2005 PYCOS.

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Review of Earnings Rates

Following is the TRP Earnings data comparing rates-of-return for the Company.

Access Category	2003/2004 Monitoring Period	2005 Calendar Year	2006-2007 TYCOS
Interstate Access, Total	7.80%	8.57%	11.25%
Carrier Common Line	11.25%	11.25%	11.25%
Special Access	-5.97%	0.34%	11.25%
Local Switching	16.72%	6.93%	11.25%
Information	0.00%	0.00%	11.25%
Local Transport	13.85%	22.68%	11.25%
Traffic Sensitive Switched, Total	16.21%	10.29%	11.25%

As can be seen above, the Company under-earned on an overall basis over the past three years. For 2005, the only category with over-earnings is Local Transport, while both the Local Switching and Special Access categories showed under earnings. The over-earnings for Local Transport during 2005 are attributable to little if any growth in the Transport revenue requirement, and increases in demand units for tandem switched transport, in particular in 2005.

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Recap of Revenue Impact for Proposed Rate Revisions

Element	Projected TYCOS Demand	Current Rate	Proposed Rate	Incr/-(Decr) in Rate	Revenue at Current Rate	Revenue at Proposed Rate	Projected Revenue Impact
Local Switching per minute	51,347,393	$0.007700	$0.008800	14.3%	$395,375	$451,857	$56,482
Infor Surcharge (Per 100 Mins)	51,347,393	$0.003530	$0.003122	-11.6%	1,813	1,603	(210)
Transport (per Attachment 7, Page 3)					274,327	260,933	(13,394)
Total Revenue Impact					$671,515	$714,393	$42,878
TYCOS Projected Traffic Sensitive Revenue							$714,393
Revenue Impact as Percentage of Projected TYCOS Traffic Sensitive Revenue							6.00%
Key Transport Rate Changes							
Tandem Switched Facility	600,235,897	$0.000212	$0.000195	-8%	$127,250	$117,046	($10,204)
Tandem Switched Termination	72,927,794	$0.000109	$0.001011	-7.2%	79,491	73,730	(5,761)
Tandem Switching							
800 Database Query	8,933,922	$0.004900	$0.005100	4.1%	43,776	45,563	1,787
Subtotal					250,517	236,339	(14,178)
All Other					23,810	24,594	784
Total Transport					$274,327	$260,933	($13,394)

The above analysis indicates that the filing proposes mainly rate decreases for Traffic Sensitive elements. The one significant exception is Local Switching. The 14.3% increase in he Local Switching rate is attributable to projected increased revenue requirement due to capital expenditures, along with related expenses such as depreciation, for switching related investment.

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Review of Local Switching and Tandem Switched Transport Demand

Following is a summary comparison of key Local Switching (LS) and Local Transport demand data.

	LS Premium	Tandem Sw Termination	800 DB Query
2007 TYCOS Trans 120	51,347,393	72,927,794	8,933,922
2005 TYCOS Trans 97	56,230,143	64,566,879	7,132,800
Change	-4,882,750	8,360,915	1,801,122
% Increase	-8.68%	12.95%	25.25%
2007 TYCOS - Trans 120	51,347,393	72,927,794	8,933,922
2005 Actual	54,232,795	69,047,744	8,889,476
Change	-2,885,402	3,880,050	44,446
% Increase	-5.32%	5.62%	0.50%

Impact of Special Access Rate Changes

	Revenue at Current Rates	Revenue at Proposed Rate	Projected Revenue Impact	Percentage Impact
Total Special Access	$623,191	$661,962	$38,771	6.22%

Special Access Earnings Monitoring Data.

2003/2004 Monitoring Period	**2005 Calendar Year**	**2007 TYCOS**
-5.97%	0.34%	11.25%

The principal reason for the increase in Special Access rates of 6.22 percent across the board is that the current rates have caused under-earning for Special access category. These under-earnings have persisted for the entire three year period as shown above. The projections used for this filing develop rates that are designed to achieve an 11.25 return level for the remainder of 2006 and for the 2007 year.