DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 128
May 21, 2007

Horry Telephone Cooperative, Inc. SAC 240528

John Staurulakis, Inc. ("JSI") hereby provides description and justification (D&J) for JSI Transmittal No. 128 on behalf of Horry Telephone Cooperative, Inc. ("HTC" or "Company"). HTC is an issuing carrier for John Staurulakis, Inc. ("JSI") Tariff F.C.C. No. 1.

This filing proposes introduction of a new Public Packet Data Network service by HTC, Stand-Alone Broadband Network Transport ("SABNT") Service. The proposed revisions include both regulations for SABNT and rates for HTC provision of SABNT. At this time, no other issuing carriers for JSI Tariff F.C.C. No. 1 will offer SABNT Service. Proposed revised page 16-79 at the beginning of the proposed SABNT Service section includes indication of which issuing carriers offer SABNT Service, initially comprising only HTC.

A. INTRODUCTION

1. Description of SABNT Service

Stand-Alone Broadband Network Transport (SABNT) Service is a high-speed packet-based advanced data service that provides connectivity between Customer Locations, using packet-switching technology and Internet Protocol (IP). SABNT Service provides transport services with capabilities for various service arrangements that may be used to meet individual customer needs.

SABNT Connections provide high-speed data connections that are a part of a packet-based IP network within Company local service areas. SABNT Service provides the ability to order Ethernet Service or other supported packet-based services where a single customer connection can support multiple applications with varying Classes of Service (CoS).

SABNT Service provides customer capabilities to support different Classes of Service (CoS), i.e., Real-Time, Business Critical, Interactive, and Best Effort, over the same SABNT Connection allowing increased flexibility to provision bandwidth requirements for voice, data, and video applications. The customer specifies the required Class of Service (CoS) Package Profile for each SABNT Connection.

Based on the investigation by JSI and HTC into the provision of fast-packet services, JSI and HTC have determined that the proposed service should not be narrowly confined to Ethernet but should also cover other packet-based services that would use similar fiber transport and the same central-office equipment under transmission standards other than

Ethernet, such as IP standards. For that reason, HTC wishes not to propose simply copying existing Ethernet tariff, such as the Ethernet transport tariff recently introduced by the National Exchange Carrier Association ("NECA").

2. Plant Components

SABNT Service, in addition to support assets, will be provided through a combination of central office equipment comprising principally individual port cards and fiber transport facilities. The Company does not currently have the technology to provide SABNT over copper, thus no option exists for provision of SABNT over shorter distances at lower rates in this initial filing. The Company is researching adding a copper-transport option in the future similar to that offered under National Exchange Carrier Association ("NECA") Tariff F.C.C. No. 5 for members of the NECA Traffic Sensitive Pool.

B. COST SUPPORT

On behalf of HTC, JSI is providing the Commission with cost support for the proposed initial HTC SABNT Service rates. Following is a summary of the cost support.

Exhibit 1	Demand and Revenue
Exhibit 2	Revenue Requirement
Exhibit 3	Plant Investment
Exhibit 4	Carrying Charge Factors
Exhibit 5	SABNT Connection Charge Rate Development
Exhibit 6	SABNT Reconfiguration Charge Rate Development
Exhibit 7	VLAN Aggregation Network Assignment Charge

1.a Demand

The demand forecast represents average annual demand over a three-year period. Forecasted demand is broken down, among other things, by demand for monthly rates and demand for the proposed three-year, 10 percent term discount.

1.b Revenue

The projected average annual revenue for the three-year rates is based on proposed rates multiplied by forecasted demand. The total projected average annual revenue for monthly recurring charges is equal to the projected average-annual revenue requirement calculated at Exhibit 2 over the three-year period. Total projected average annual revenue from SABNT service represented by the filing is $875,333.

2. Revenue Requirement

The projected revenue requirement is based on a combination of central office equipment costs and fiber transport costs. As mentioned above, the initial offering of the Company will not include a copper-transport based offering. The revenue requirement calculation on Exhibit 2 utilized plant costs developed on Exhibit 3 and carrying charge factors developed on Exhibit 4.

As HTC is a cooperative exempt from income taxes, no provision is made for income taxes in the revenue requirement calculation.

3. Plant Investment

Plant costs have been developed at Exhibit 3 separately for central office equipment and fiber investment. Accumulated depreciation used to offset plant investment is based on a three-year average accumulated depreciation reflective of incremental depreciation expense each of the three years.

The current authorized unitary interstate rate of return of 11.25% has been applied to the projected net plant required for either the average investment for a SABNT connection or a mile of fiber.

The filing proposes including up to 10 miles in the SABNT Channel Termination charge, with charges for additional miles over 10 based on the average cost of fiber per mile. The amount of fiber charges included in a SABNT Channel Termination reflective of 10 or fewer miles is 5.96 miles, the projected average distance from the serving wire center for customers within 10 miles of the serving wire center.

Forecasted depreciation expense calculated on Exhibit 3 is used for the revenue requirement calculation on Exhibit 2. Depreciation expense is excluded from carrying charge development.

4. Carrying Charge Factors

On Exhibit 4, three factors are developed. These include a carrying charge factor for operating expenses, a factor for allocation of support facilities and a factor for allocation of accumulated depreciation associated with support facilities.

5. SABNT Connection Non-Recurring Charge Development

Exhibit 5 comprises development of the nonrecurring charge rates for SABNT Connections. These charges have been developed based on estimated time for carrying out the activities associated with installation together with the fully-loaded labor rates for the types of personnel carrying out the functions.

6. SABNT Connection Non-Recurring Charge Development

Exhibit 6 comprises development of the nonrecurring charge rates for SABNT reconfigurations. These charges have been developed based on estimated time for carrying out the activities associated with installation together with the fully-loaded labor rates for the types of personnel carrying out the functions.

7. VLAN Aggregation Network Assignment Charge

Exhibit 7 comprises development of the nonrecurring charge rates for the SABNT VLAN Aggregation Network Assignment Charge. This charge has been developed based on estimated time for carrying out the activities associated with installation together with the fully-loaded labor rates for the types of personnel carrying out the functions.

C. COST SUPPORT FOR TERM DISCOUNT

As the Commission has said, it has "previously concluded that volume and term discounts can reasonably recognize certain efficiencies that flow from volume or term commitments made by purchasers."[1] In an earlier order, the Commission noted the efficiencies associated with the "certainty of longer term deals."[2] HTC projects that greater stability in its SABNT customer base will result from introduction of a three-year, 10 percent term discount thereby reducing the likelihood of stranded investment. Stranded investment would artificially increase Special Access costs for other services. As the Company also expects term discounts will increase SABNT demand, overall network efficiencies should be realized by the time of the 2008 annual access filing that the Company expects will be reflected in decreased pressure for increasing both SABNT rates and, in general, Special Access rates (although Public Packet Network services such as SABNT are not included in the Special Access section of the interstate access tariff, they are part of the Special Access pool of costs prescribed under Part 69, the Commission's Access Charge rules. See 47 C.F.R. § 69.01 *et. seq.*

As the Commission itself has said, "the Commission historically has approached volume and term discount offerings by carriers as being subject to the standard that any discounts must be cost-based."[3] Specific cost support would involve levelizing cost and demand for three-year term commitments compared with single-year service, giving the benefit of lower average net-investment to those customers committing to a longer term and higher average net-investment (based on a single year of depreciation) for the month-to-month customers. As the discount proposed by HTC is similar to other three-year discounts for other ILEC interstate special access or public packet data access service providers, and insomuch as HTC has balanced the rates between month-to-month service and term

---

[1] See Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing Usage of the Public Switched Network by Information Service and Internet Access Providers, CC Docket No. 96-262; CC Docket No. 94-1; CC Docket No. 91-213; CC Docket No. 96-263, Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry, FCC 96-488, 11 FCC Rcd 21354, 5 CR 604 (Rel. Dec. 24, 1996) at par. 187.

[2] *Expanded Interconnection with Local Telephone Company Facilities, Amendment of the Part 69 Allocation of General Support Facility Costs*, CC Docket Nos. 91-141 and 92-222, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd 7369, FCC 92-440 (Special Access Expanded Interconnection Order) at par. 199: "We also conclude that reasonable volume and term discounts can be a useful and legitimate means of pricing special access services to recognize the efficiencies associated with larger volumes of traffic and the certainty of longer term deals."

[3] See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers Federal-State Joint Board on Universal Service*, CC Docket No. 00-256, CC Docket No. 96-45, Report and Order and Second Further Notice of Proposed Rulemaking, 19 FCC Rcd 4122, FCC 04-31 (Rel. Feb. 26, 2007) at par. 41. In that order, the FCC was citing verbatim its conclusion in a 1980 order. See generally *American Telephone and Telegraph Company Revisions to Tariff F.C.C. No. 259, Wide Area Telecommunications Service (WATS)*, CC Docket No. 80-765, Memorandum Opinion and Order, 84 FCC.2d 158 (1980).

commitment service, JSI believes that the matching of total projected revenue from non-discounted and discounted services to the total revenue requirement is appropriate cost support under the circumstances.

Based on the foregoing, JSI and HTC believe that introduction of term discounts for the proposed SABNT service is reasonable.

D. CONCLUSION

Based on the foregoing description and justification, along with the accompanying cost support, JSI respectfully requests that the Commission accept without suspension the proposed tariff revisions for introduction by HTC of SABNT Service.