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October 24, 2006

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Marlene Dortch
Secretary
Federal Communications Commission
445 - 12th St., SW
Washington, DC 20554

Re: AT&T, Inc. and BellSouth Corp. Applications for Approval of Transfer of Control;
WC Docket No. 06-74

Dear Ms. Dortch:

Darrell Maynard, President of SouthEast Telephone, Inc. ("SouthEast"), and I made *ex parte* presentations today regarding this merger proceeding to Scott Deutsch, Legal Advisor to Commissioner Copps; Scott Bergmann, Legal Advisor to Commissioner Adelstein; and Ian Dillner, Legal Advisor to Commissioner Tate. We distributed the attached materials.

SouthEast is a facilities-based CLEC that focuses exclusively on providing competitive services in rural areas. We discussed the proposed merger's harmful effects on the ability of rural CLECs like SouthEast to continue deploying facilities and serving rural consumers. To remedy these harms, we explained that the merger should be rejected unless the applicants agree to the following conditions, among others:

- The applicants must agree to recognize the authority of state public service commissions to oversee their provision of Section 271 elements and services at just, reasonable, and nondiscriminatory rates, terms and conditions, pursuant to interconnection agreements.
- In conjunction with offering a 768 Kbps ADSL service to retail customers at \$10.00 per month, the applicants must offer such a product to facilities-based CLECs at \$5.00 per month, and must allow CLECs to combine it with Section 251 and Section 271 elements.
- The applicants must agree not to retire decommissioned copper loops and to make them available under Section 251.

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These conditions should apply in rural areas served by the applicants – *i.e.*, areas defined as “Zone 3” for UNE and USF purposes, and/or areas that do not include any urbanized area or any incorporated place with 50,000 inhabitants or more, per 47 C.F.R. § 61.26(a)(6) – for seven years after the merger.

Please contact me if you have any questions.

Respectfully submitted,

David L. Sieradzki

Enclosure

cc: Scott Deutsch
Scott Bergmann
Ian Dillner

SouthEast Telephone

AT&T/BellSouth Merger Discussion

Competitive Effects in the Rural Markets

Darrell Maynard
President, SouthEast Telephone, Inc.
Pikeville, Kentucky

October 24, 2006

Summary

- Rural areas in the South have limited broadband deployment and almost no competition to date.
 - SouthEast is one of the only rural CLECs in BellSouth's region.
- BellSouth's service to rural CLECs has sharply deteriorated.
- Necessary merger conditions:
 - The applicants must accept State PSC authority over just, reasonable, and non-discriminatory Section 271 offerings.
 - The applicants must offer their ADSL product to CLECs at reasonable terms and must make available decommissioned copper loops
 - Conditions remain in place for seven years in rural areas

SouthEast Telephone: A Facilities-Based Rural CLEC

- SouthEast provides:
 - Local and all-distance phone service to residential and business consumers
 - Dial-up and broadband Internet access
 - Web hosting
 - Paging
 - 48,000 residential and small-business customers in 56 rural counties in Kentucky
- SouthEast serves customers using:
 - Some resale of BellSouth services
 - Combinations of SouthEast's own network facilities, BellSouth Section 251 elements, and BellSouth Section 271 elements
 - *E.g.*, innovative adjacent collocation arrangement at BellSouth remote nodes and wire centers
 - Using our own facilities – now and increasingly in the future

Kentucky Market Breakdown

 Metropolitan Markets
• 49% of Kentucky's Consumers are located in the Metropolitan Markets

 Kentucky Independent Telephone Companies
• 7% of Kentucky's Consumers are located in Independent Markets

 Rural Markets
• 44% of Kentucky's Consumers are located in Rural Markets



• *BellSouth, Alltel, Independent, & Cincinnati Bell service areas in Kentucky*

SouthEast Telephone: Voice of the Rural Consumer

- 40% of BellSouth's consumers live in rural markets.
 - BellSouth is not deploying advanced technology ubiquitously in rural areas without constant regulatory coercion and cajoling.
 - Competition will help.
- Most CLECs concentrate on the metropolitan markets and serve any rural markets casually, if at all.
 - SouthEast Telephone is different: we focus only on markets in the rural areas of Kentucky.
- SouthEast Telephone does not object to relaxation of RBOCs' regulatory constraints in markets that have multiple facilities-based competitors.
 - But there is virtually no facilities-based competition in rural Kentucky.

Competitive Problems With BellSouth

- BellSouth is not providing Section 271 elements/services in a just and reasonable manner in rural Kentucky
 - BellSouth service quality to SouthEast has deteriorated sharply over the past year
 - 800% increase in number of repeat repairs
 - 200% increase in customer churn for SouthEast
 - 250% increase in customer complaints to Kentucky PSC
 - BellSouth is offering below-cost rates in an aggressive “win back” marketing campaign.
 - SouthEast has been unable to reach a new Interconnection Agreement with BellSouth in the last two years.
- The AT&T merger will make matters worse

Comments on Merger Conditions

State Commission Oversight of Section 271 Compliance

Applicants should be required to agree:

Not to challenge State PSCs' authority to oversee compliance with Section 271

To include Section 271 elements and services in interconnection agreements at just, reasonable, and nondiscriminatory rates, terms, and conditions

Not to seek Section 271 forbearance

Duration of Conditions/Commitments in Rural Areas:

Seven Years

Affordable facilities-based technology has just recently become available to deploy in the rural markets.

Define "rural" based on UNE/USF Zone 3, or based on CLEC access charge rule (§61.26(a)(6))

Comments on Merger Conditions

Promoting Accessibility of Broadband Service

- SouthEast strongly supports ubiquitous broadband deployment effort
- But a BellSouth \$10.00/month 768Kbps ADSL retail offering would put rural competitors out of business.
 - Zone 3 loop rates are over \$30.00/month in Kentucky.
- The applicants should be required to agree:
 - To offer this ADSL product to facilities-based CLECs at a \$5.00/month wholesale rate.
 - To allow CLECs to combine this product with Section 251 and Section 271 elements.

Access to Loops

- Applicants should agree not to retire decommissioned copper loops and should to make them available under Section 251.
- Rigorous performance metrics and remedies to ensure its performance in processing orders, provisioning, repairing, and maintaining network elements for its competitors.