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October 26, 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 an *ex parte* presentation regarding this proceeding yesterday by telephone conference call to Michelle Carey, Legal Advisor to Chairman Martin.

As in our earlier filings, SouthEast discussed the proposed merger's harmful effects on the ability of rural CLECs like SouthEast to deploy facilities and serve rural consumers. To remedy these harms, we explained the need for the following merger 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.

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: Michelle Carey

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October 24, 2006

David L. Sieradzki
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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.

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

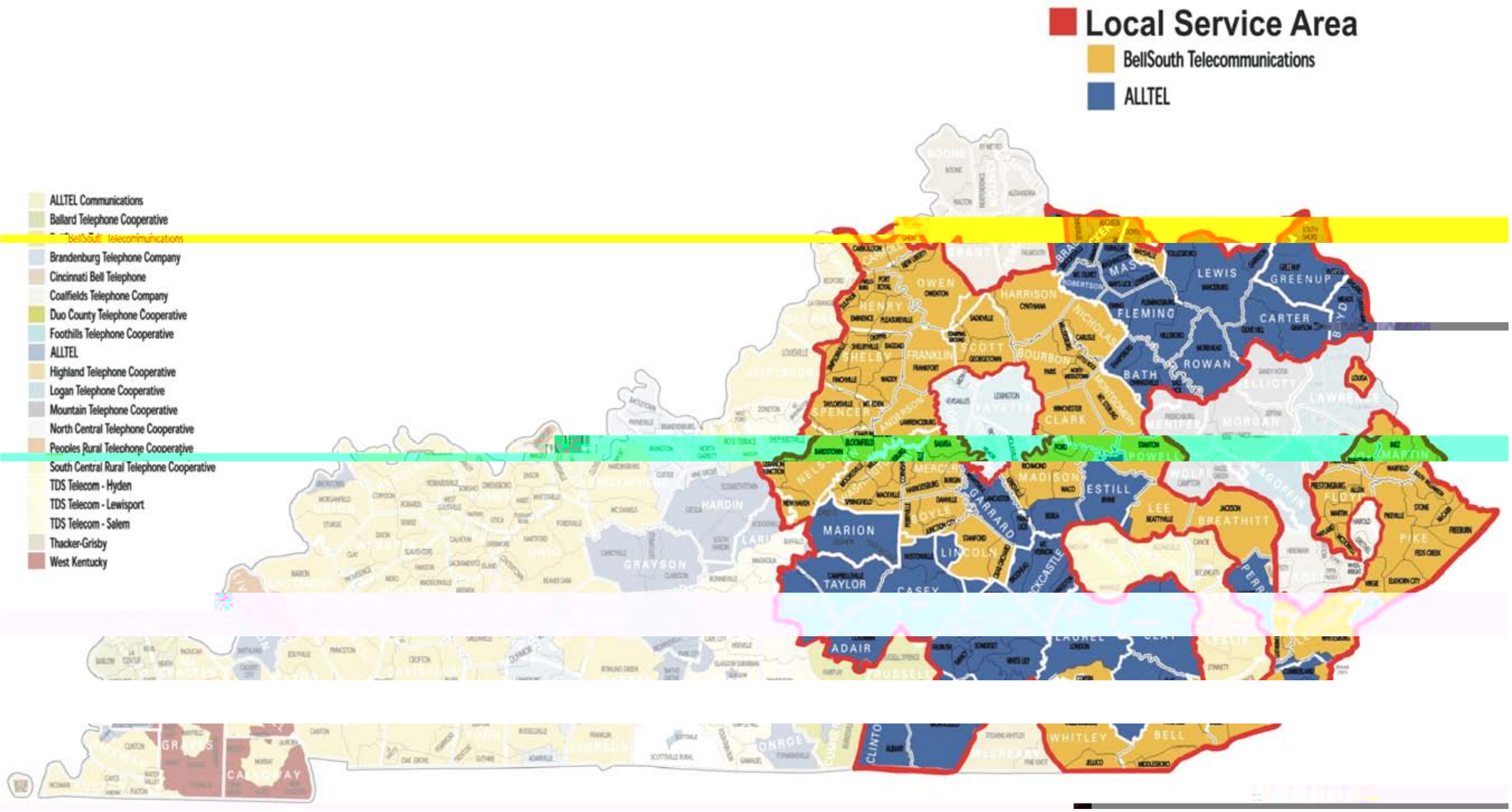
Summary

- 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

SouthEast Telephone Service Area



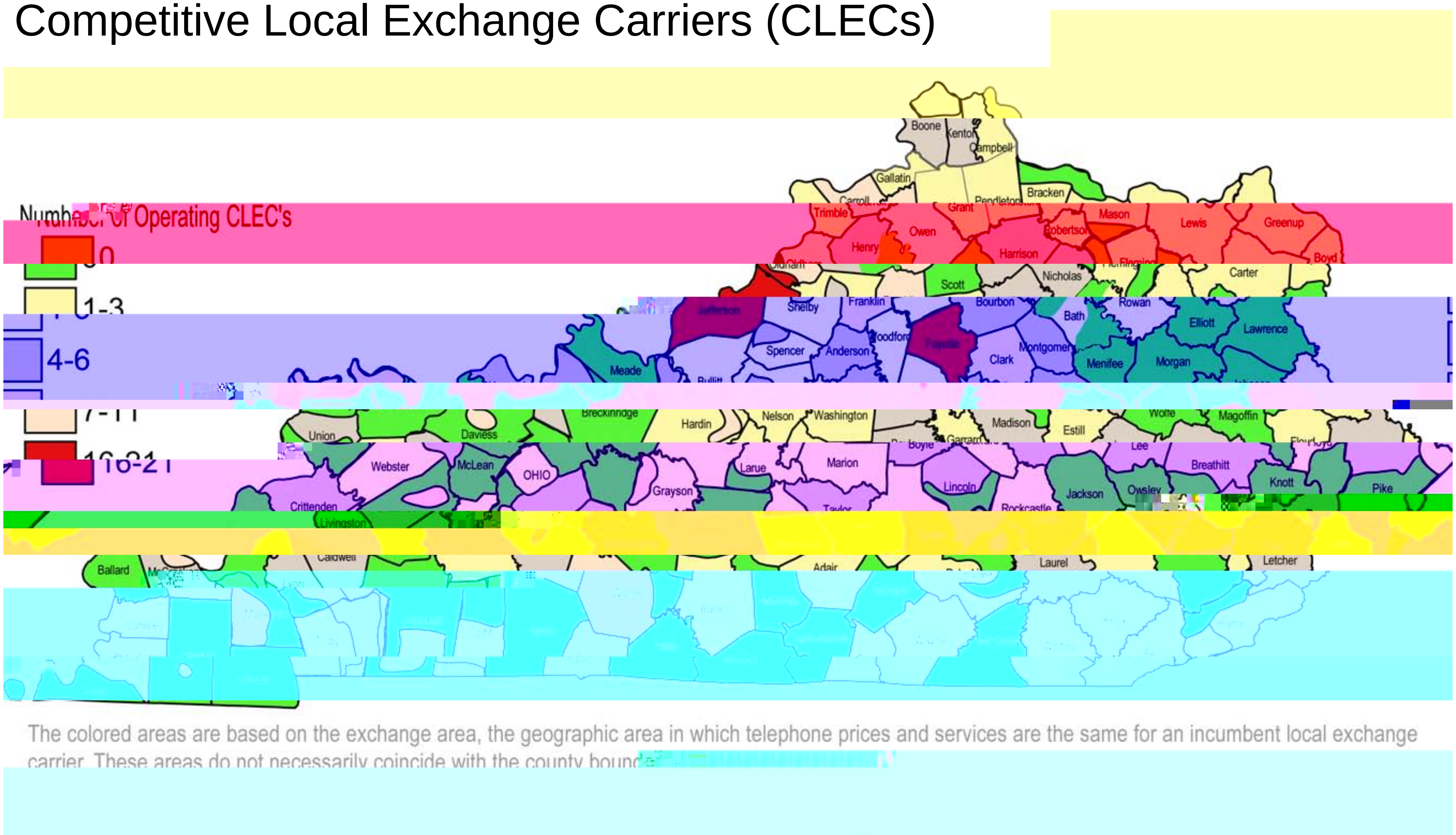
Kentucky Market Breakdown

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.

Facilities-Based Competition in Kentucky

Competitive Local Exchange Carriers (CLECs)



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))

SouthEast Telephone

October 19, 2006

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,

In order to protect rural consumers and preserve competition in high-cost areas, additional merger conditions are urgently needed beyond those proposed by AT&T and BellSouth.

SouthEast Telephone is a CLEC operating exclusively in a rural Appalachian mountain region of southeastern Kentucky, including 56 counties extending from our Pike County base of operations as far west as Nelson County. We serve approximately 48,000 residential and small-business customers. To our knowledge, SouthEast is one of only two CLECs still actively competing to serve residential customers anywhere in Kentucky, and in our rural service area, we are the only alternative to BellSouth for local and all-distance telephone service, dial-up and broadband Internet services, and other telecommunications and information services. While we have begun to build out our own network facilities in a few locations, we face extremely high costs in deploying facilities in our sparsely populated area. As a practical matter, we cannot serve the vast majority of our customer base or compete effectively without leasing network elements from BellSouth.

BellSouth has been extraordinarily uncooperative with SouthEast, and has refused to make available network elements at just, reasonable, and nondiscriminatory rates, terms and conditions – even though the FCC has confirmed that Section 271 requires them to do so independent of any Section 251 analysis. Since the *Triennial Review Remand Order*, BellSouth has refused to engage in good faith negotiations with us, has threatened to terminate our service and disconnect our customers, and has degraded the quality of our service.

We have turned to the Kentucky Public Service Commission to protect our rights under Section 271, but BellSouth has resisted the PSC's authority at every turn. The proposed merger with AT&T could make matters worse because, by eliminating one of the only other companies operating in Kentucky with the financial clout and expertise to potentially construct competitive network facilities that we could lease, the merger would take away one of our last sources of clout to constrain BellSouth's anticompetitive conduct.

Voice 606-432-3000 **PO Box 1001 - Pikeville, KY 41502** **Fax 606-433-4401**

SouthEast respectfully requests that the Commission reject the merger unless the applicants agree that they will not challenge the concurrent authority of the state public service commissions, as well as the FCC, to oversee their provision of Section 271 elements at just, reasonable, and nondiscriminatory rates, terms, and conditions. This is particularly important because, for purposes of merger analysis, the FCC has held that "the relevant geographic market for mass market local, long distance, and bundled local and long distance services is the customer's location. We then aggregate customers facing similar competitive choices." *SBC/AT&T Merger Order*, ¶97. The PSCs are in a good position to evaluate the unique local conditions that rural CLECs like SouthEast face, and the unreasonableness of BellSouth's Section 271 rates, terms, and conditions in this context.

Thus, this merger should be conditioned on AT&T/BellSouth's agreement to recognize the state PSCs' authority to arbitrate agreements concerning the provision of network elements required under Section 271, including combinations of such elements with one another and with Section 251 UNEs. This is particularly critical in rural areas – *i.e.*, areas defined as "Zone 3" for UNE and USF purposes, and/or areas defined as "rural" for CLEC access charges under 47 CFR §61.26(a)(6). The applicants also should be required to agree not to seek forbearance or any other ruling altering the status of network elements currently subject to Section 271.

Respectfully submitted,

Darrell Maynard
President

cc: Michelle Carey
Scott Deutchman
Scott Bergmann
Ian Dillner
Thomas Navin