

Creighton E. Mershon, Sr.
Attorney At Law

July 10, 2006

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PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: SouthEast Telephone, Inc., Complainant v. BellSouth
Telecommunications, Inc., Defendant
PSC 2005-00533

BellSouth Telecommunications, Inc., Notice of Intent to Disconnect
SouthEast Telephone for Non-Payment
PSC 2005-00519

Dear Ms. O'Donnell:

The purpose of this letter is to further respond to the June 30, 2006 and July 5, 2006 request for injunctive relief and/or expedited action filed by SouthEast Telephone, Inc. ("SouthEast") in the above-referenced matters.

On or about May 31, 2006, BellSouth Telecommunications, Inc. ("BellSouth"), pursuant to and in accordance with its Interconnection Agreement ("ICA") with SouthEast, requested SouthEast to post a security deposit no later than June 30, 2006. On or about June 30, 2006, BellSouth extended the time to July 15, 2006, for SouthEast to post an acceptable security deposit.

The ICA permits BellSouth to require a security deposit upon "changes in SouthEast's financial status" ICA, Attachment 1, §6.6.5, attached as Exhibit A. See also, ICA, Attachment 7, §1.8, attached as Exhibit B. Moreover, the ICA provides the deposit "shall be two months estimated billing." ICA, Attachment 1, §6.6.3, see Exhibit A.

Contrary to SouthEast's claim in its July 5, 2006 correspondence to the Commission that "SouthEast has never provided BellSouth with any information regarding its financial status," SouthEast did, in fact, provide BellSouth with financial information (via facsimile from Tonya Taylor to Paul Wilbanks, March 2, 2006) which BellSouth reviewed in accordance with its annual credit review practices and procedures. Due to the confidential nature of the facsimile, BellSouth has not attached it to this correspondence.

Based upon BellSouth's review of the financial information provided by SouthEast, BellSouth determined that changes in SouthEast's financial condition, along with the current

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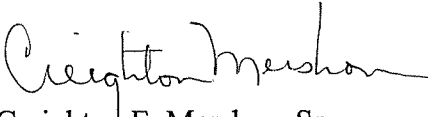
billing on a monthly basis warranted the requirement of a security deposit. Accordingly, BellSouth requested SouthEast make the required deposit. It should be noted that despite the ICA permitting BellSouth to request a deposit equal to two months billing, in making its request for a security deposit, BellSouth required a lesser amount than that to which it is entitled.

The ICA clearly permits BellSouth make periodic evaluation of the need for a security deposit. In light of the terms of the ICA, BellSouth's deposit demand is permissible and reasonable. BellSouth believes that failure to require SouthEast to make the security deposit places BellSouth in significant jeopardy of providing service without reasonable security that it will be paid for services rendered.

The action of BellSouth requesting a security deposit does not contravene the Commission's December 16, 2005 Order that "BellSouth shall not discontinue the provisioning of any functions or services which are the subject of this dispute and during the pendency of these proceedings." Order, Case No. 2005-00533, p. 2. To the contrary, it is an unrelated but valid request made in accordance with the terms and conditions of its ICA with SouthEast. Nevertheless, to avoid any question as to whether the deposit request is somehow related to this dispute, BellSouth formally withdraws its stated intention to discontinue SouthEast's access to LENS. BellSouth's demand for a deposit continues and SouthEast should post the deposit no later than the July 15, 2006 deadline. *See* Paul Wilbanks' letter to Darrell Maynard, dated July 7, 2006, attached as Exhibit C. BellSouth reserves the right to formally seek recourse with the Commission should SouthEast fail to post the deposit with BellSouth on or before July 15, 2006.

As to the current proceeding in front of the Commission dealing with SouthEast's withholding of payments for bills rendered in prior months, the briefing in this proceeding was completed on January 25, 2006. The amount at issue in this proceeding is significant and continues growing daily. Seven months have passed since BellSouth filed its notice of intent to disconnect service to SouthEast for failure to pay for resale services it has/is ordering and is receiving from BellSouth but for which it continues to only pay UNE-P rates. BellSouth again respectfully requests the Commission expeditiously consider BellSouth's Motion to require SouthEast to pay the sums owed, place them in escrow, or resolve the underlying legal issues.

Sincerely,



Creighton E. Mershon, Sr.

cc: Parties of Record

Attachments

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- 6.2 Service orders will be in a standard format designated by BellSouth.
- 6.3 SouthEast shall provide to BellSouth a blanket letter of authorization ("LOA") certifying that SouthEast will have End User authorization prior to viewing the End User's customer service record or switching the End User's service. BellSouth will not require End User confirmation prior to establishing service for SouthEast's End User customer. SouthEast must, however, be able to demonstrate End User authorization upon request.
- 6.4 BellSouth will accept a request directly from the End User for conversion of the End User's service from SouthEast to BellSouth or will accept a request from another CLEC for conversion of the End User's service from SouthEast to such other CLEC. Upon completion of the conversion BellSouth will notify SouthEast that such conversion has been completed.
- 6.5 If BellSouth determines that an unauthorized change in local service to SouthEast has occurred, BellSouth will reestablish service with the appropriate local service provider and will assess SouthEast as the CLEC initiating the unauthorized change, the unauthorized change charge described in FCC Tariff No. 1, Section 13 or applicable state tariff. Appropriate nonrecurring charges, as set forth in Section A4 of the General Subscriber Service Tariff, will also be assessed to SouthEast. These charges can be adjusted if SouthEast provides satisfactory proof of authorization.
- 6.6 BellSouth reserves the right to secure the account with a suitable form of security deposit, unless satisfactory credit has already been established.
- 6.6.1 Such security deposit shall take the form of cash for cash equivalent, an irrevocable Letter of Credit or other forms of security acceptable to BellSouth. Any such security deposit may be held during the continuance of the service as security for the payment of any and all amounts accruing for the service.
- 6.6.2 If a security deposit is required, such security deposit shall be made prior to the inauguration of service.
- 6.6.3 Such security deposit shall be two months' estimated billing.
- 6.6.4 The fact that a security deposit has been made in no way relieves SouthEast from complying with BellSouth's regulations as to advance payments and the prompt payment of bills on presentation nor does it constitute a waiver or modification of the regular practices of BellSouth providing for the discontinuance of service for non-payment of any sums due BellSouth.
- 6.6.5 BellSouth reserves the right to increase the security deposit requirements after a thirty (30) day notice, when, in its reasonable judgment, changes in SouthEast's financial status so warrant and/or gross monthly billing has increased beyond the level initially used to determine the security deposit.

- 1.7.4 If BellSouth does not discontinue the provision of the services involved on the date specified in the thirty days notice and SouthEast's noncompliance continues, nothing contained herein shall preclude BellSouth's right to discontinue the provision of the services to SouthEast without further notice.
- 1.7.5 If payment is not received or satisfactory arrangements made for payment by the date given in the written notification, SouthEast's services will be discontinued. Upon discontinuance of service on SouthEast's account, service to SouthEast's end users will be denied. BellSouth will reestablish service at the request of the end user or SouthEast for BellSouth to reestablish service upon payment of the appropriate connection fee and subject to BellSouth's normal application procedures. SouthEast is solely responsible for notifying the end user of the proposed service disconnection. If within fifteen (15) days after an end user's service has been denied and no arrangements to reestablish service have been made consistent with this subsection, the end user's service will be disconnected.
- 1.8 Deposit Policy. When purchasing services from BellSouth, SouthEast will be required to complete the BellSouth Credit Profile and provide information regarding credit worthiness. Based on the results of the credit analysis, BellSouth reserves the right to secure the account with a suitable form of security deposit. Such security deposit shall take the form of cash, an Irrevocable Letter of Credit (BellSouth form), Surety Bond (BellSouth form) or, in its sole discretion, some other form of security. Any such security deposit shall in no way release SouthEast from its obligation to make complete and timely payments of its bill. Such security shall be required prior to the inauguration of service. If, in the sole opinion of BellSouth, circumstances so warrant and/or gross monthly billing has increased beyond the level initially used to determine the level of security, BellSouth reserves the right to request additional security in SouthEast's "accounts receivables and proceeds" only after thirty (30) day written notice to SouthEast. Interest on a security deposit, if provided in cash, shall accrue and be paid in accordance with the terms in the appropriate BellSouth tariff.
- 1.9 Rates. Rates for Optional Daily Usage File (ODUF), Access Daily Usage File (ADUF), and Centralized Message Distribution Service (CMDS) are set out in Exhibit A to this Attachment. If no rate is identified in this Attachment, the rate for the specific service or function will be as set forth in applicable BellSouth tariff or as negotiated by the Parties upon request by either Party.

2. Billing Disputes

- 2.1 Billing disputes shall be handled pursuant to the terms of this section.

7/07/2006

VIA FEDEX

Attn: Darrell Maynard
Southeast Telephone, Inc.
106 Scott Avenue
Pikeville KY 41501

In Response to your letter to Beth O Donnell executive director with the Public Service Commission Commonwealth of Kentucky dated July 5, 2006

Dear Mr. Maynard,

Please be advised that BellSouth received Southeast Telephone, Inc.'s financial statements related to years-ending December 31, 2005 and December 31, 2004 via facsimile on March 2, 2006 from Tonya Taylor. Our request for financial information was part of our normal credit procedures for all wholesale customers, which include regularly scheduled credit reviews.

We performed our analysis and determined that the level of deposit requested was warranted based on financial information provided by Southeast Telephone, Inc. and monthly billings rendered to SouthEast. The deposit is to protect BellSouth from possible bad debt.

In addition to providing Southeast Telephone with BellSouth's basis for its deposit requirement, this letter provides the opportunity to communicate a different course of action to be taken if the requested deposit is not received. BellSouth advises Southeast Telephone that if a the deposit requirement is not received by July 15, 2006, BellSouth will seek remedy through the Kentucky Public Service Commission instead of discontinuing Southeast Telephone's access to LENSs.

Respectfully,

Paul Wilbanks
Credit Manager
404 986-1927