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**PUBLIC SERVICE
COMMISSION**

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd., PO Box 615
Frankfort, KY 40602

Re: *Petition of SouthEast Tel., Inc., for Arbitration of Certain Terms and Conditions of Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection Under the Telecommunications Act of 1996, Case No. 2006-00316*

Dear Ms. O'Donnell:

I am writing on behalf of SouthEast Telephone, Inc. ("SouthEast") to follow up on SouthEast's June 22, 2006 Arbitration Petition and SouthEast's letters dated September 1 and September 13, 2006. In the Sept. 1 letter, SouthEast stated that it anticipated the possible need to modify its positions on certain issues raised in the Arbitration Petition, based on information it expected to receive from BellSouth in response to data requests. In the Sept. 13 letter, SouthEast indicated that it would do so by Oct. 16, contingent upon BellSouth's providing complete, timely, and responsive answers to the data requests, due on Sept. 29.

However, BellSouth objected to 48 of SouthEast's 49 data requests and refused to provide responses. SouthEast filed a Motion to Compel Responses to the Data Requests on Oct. 17, 2006; BellSouth filed a response in opposition to this motion on Oct. 20, 2006. As a result, SouthEast lacks the information needed to fully develop its position with regard to certain of the issues raised in this arbitration proceeding.

In particular, BellSouth has refused to make available the forward-looking loop cost data that SouthEast had intended to use to develop and support deaveraged unbundled loop rates in three geographic zones (Issue No. A-2). Instead, SouthEast's prefiled direct testimony, to be filed on November 3, 2006, will support the development of interim voice grade loop rates pursuant to 47 U.S.C. § 271(c)(2)(B)(iv) for loops used to serve residential and small business customers that, when adjusted for available universal service support, effectively result in a single, statewide average rate equal to the statewide average cost adopted by the Commission in

Administrative Case No. 382. Southeast reserves the right to modify this position after BellSouth complies with the data request.

SouthEast's testimony also will recommend that the Commission consider opening a new generic proceeding to establish TELRIC rates for loops and other unbundled network elements pursuant to 47 U.S.C. § 251(c)(3), as an alternative to establishing rates under Section 271 and state law.

With regard to Issue No. A-3 (monthly recurring rate for the port component of the platform combination of elements), SouthEast will continue to recommend a rate of no higher than \$5.50 per month. BellSouth has refused to provide forward-looking cost data. Instead, SouthEast will support the development of this rate based on BellSouth's publicly reported embedded costs.

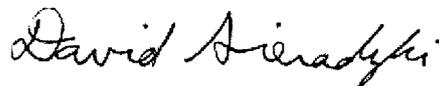
With regard to Issue No. A-5 (reciprocal compensation), SouthEast will recommend the use of the rates established by the Commission in Administrative Case No. 382.

SouthEast respectfully withdraws Issue No. A-6 (rates for high-capacity transmission elements) as an issue in this arbitration proceeding.

As to the remaining issues in the proceeding, SouthEast expects to offer prefiled direct testimony consistent with the positions specified in the Arbitration Petition.

Please contact me if you have any questions.

Respectfully submitted,



David L. Sieradzki
Counsel for SouthEast Telephone, Inc.

cc: Amy E. Dougherty
Mary K. Keyer
Andrew D. Shore
Darrell Maynard