

HOGAN & HARTSON
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October 20, 2005

BY E-MAIL AND BY CERTIFIED MAIL

Alessandra Richmond
John Hamman
BellSouth Interconnection Services
675 West Peachtree Street
Atlanta, GA 20275

RE: BellSouth-SouthEast Interconnection Dispute

Dear Ms. Richmond and Mr. Hamman:

On behalf of SouthEast Telephone, Inc. ("SouthEast"), this letter follows up on my September 23, 2005 letter, discusses certain financial obligations between SouthEast and BellSouth, and responds to your October 7, 2005 letter.

As you know, on September 16, 2005, the U.S. District Court for the Eastern District of Kentucky issued a decision affirming the September 29, 2004 order of the Kentucky Public Service Commission ("PSC") that SouthEast is entitled to opt in immediately to the dispute resolution provision of BellSouth's agreement with Cinergy Communications. *BellSouth Telecommunications, Inc. v. SouthEast Telephone, Inc., et al.*, Civil Action No. 3:04-CV-84-JH, Memorandum Opinion and Order, (E.D. Ky. Sept. 16, 2005). Under the terms of the court decision and the underlying PSC order, this means that the pre-existing interconnection agreement between SouthEast and BellSouth, incorporating the Cinergy dispute resolution (specifying that BellSouth will "carry on their respective obligations under [their pre-existing interconnection] agreement while any dispute resolution is pending"), is effective now and has been effective since before March 11, 2005, notwithstanding any generic rulemaking decisions to the contrary.

Pursuant to our existing, effective interconnection agreement, SouthEast is entitled to continue ordering the Unbundled Network Element Platform ("UNE-P"), and is entitled to pay the established TELRIC rates for both pre-existing UNE-P lines and new orders,

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until the resolution of the pending dispute between the two companies. We demand that you resume taking orders for UNE-P lines immediately.

Moreover, BellSouth has billed SouthEast for all new orders at the resale rates. These bills are not supported by our existing, effective interconnection agreement or by governing law. Accordingly, SouthEast is entitled to a credit of \$727,259 for the difference between the resale rate and the UNE rate for the time period of May 2005 through September 2005. (The supporting documentation evidencing the credit due on account 502 Q93-9811 811 is being submitted under separate cover.) This amount has been withheld from the current amount due of \$622,273 for the above mentioned account, and a credit or a refund check for the difference of \$104,986 is due and payable immediately to SouthEast Telephone.

Finally, your October 7, 2005 letter makes it clear that BellSouth is continuing to refuse to negotiate in good faith (or in any other way) with SouthEast, since that letter merely reiterates the positions that your company has consistently taken for the past six months. Accordingly, we are planning to commence a formal proceeding before the PSC to resolve the issues in dispute between our companies. Significantly, the PSC recently specifically rejected BellSouth's contention that the PSC "may not regulate the rates, terms, and conditions for elements required to be provided by BellSouth pursuant to Section 271." *Joint Petition for Arbitration of NewSouth Communications Corp., et al., of an Interconnection Agreement with BellSouth Telecommunications, Inc.*, Case No. 2004-00044, Order, at 10 (Sept. 26, 2005). Rather, the PSC held that BellSouth continues to be obligated to "commingle" UNEs with elements that it is required to provide under Section 271, and that the PSC has authority with regard to the latter elements, which are provided "within this Commonwealth and are used to provide intrastate service." *Id.*

Accordingly, in our list of disputed issues between SouthEast and BellSouth that must be resolved going forward, we plan to ask the PSC to determine not only the TELRIC rates for UNEs such as unbundled voice-grade loops, but also the "just and reasonable" rates for the unbundled local switching and shared transport elements – the "port" component of UNE-P – which BellSouth is obligated to provide pursuant to Section 271 at "just and reasonable" rates. We plan to send you this list of the specific disputed issues in the near future. Given the newly clarified scope of the PSC's authority and BellSouth's continued refusal to negotiate with us or even to provide a substantive response to our various proposals, we are retracting any and all proposals regarding interconnection and commercial agreements that we have offered in the past.

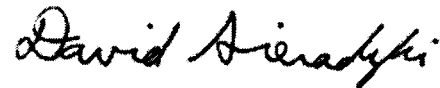
As noted above, pending resolution of these disputes, the rates, terms, and conditions in our pre-existing interconnection agreement remain in full force and effect.

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Thank you very much. Please contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink that reads "David Sieradzki". The signature is written in a cursive, flowing style.

David L. Sieradzki
Counsel for SouthEast Telephone, Inc.

cc: Darrell Maynard
Amy Dougherty, Kentucky PSC