COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE CI OMMISSION

In the Matter of:

AN INVESTIGATION INTO THE INTRASTATE SWITCHED ACCESS RATES OF ALL KENTUCKY INCUMBENT AND COMPETITIVE LOCAL EXCHANGE CARRIERS	))))	ADMINISTRATIVE CASE NO. 2010-00398

PUBLIC COMMENTS OF SE ACQUISITIONS, LLC d/b/a SOUTHEAST TELEPHONE

SE Acquisitions, LLC d/b/a SouthEast Telephone ("SouthEast") is a rural Competitive Local Exchange Carrier ("CLEC") that began operations as SouthEast Telephone, Inc. in 1996, and presently serves over 25,000 customers across 52 counties in the most rural areas of Eastern Kentucky. In fact, it is SouthEast's dedication to rural markets that enables it to be designated a rural CLEC. . This designation distinguishes it from most other CLECs, and will be the focus of these comments.

In FCC 01-146 ("Seventh Report and Order;" Attachment I), the Federal Communications Commission ("FCC") sought "to ensure, by the least intrusive means possible, that CLEC access charges are just and reasonable." The result was an FCC conclusion that rate caps should be established for CLECs. The FCC then adopted a three-year transition to decrease these rates to parity with Independent Local Exchange Carrier ("ILEC") rates. Most importantly, however, the FCC recognized that for CLECs operating solely in the rural areas of the price cap ILEC territories, different treatment was warranted. Competitors eligible for such different treatment were defined as rural CLECs in Part 61, Subpart C, of Title 47, Section 61.26(a)(6) of the Code of Federal Regulations (C.F.R.). SouthEast is a classic example of a rural CLEC under the definition as stated below:

> *(6) Rural CLEC* shall mean a CLEC that does not serve (i.e., terminate traffic to or originate traffic from) any end users located within either:
>
> > (i) Any incorporated place of 50,000 inhabitants or more, based on the most recently available population statistics of the Census Bureau or
> >
> > (ii) An urbanized area, as defined by the Census Bureau.

The FCC reasoned that limiting such rural CLECs to the access rate of its ILEC competitor would prove unworkable. FCC rules require such ILECs to geographically average their access rates. This regulatory requirement causes these non-rural ILECs effectively to use their low-cost, urban and suburban operations to subsidize their higher cost, rural operations, with the effect that their state-wide averaged access rates recover only a portion of the ILEC's costs for providing access service to the rural portions of its study area. The FCC found that since rural CLECs lack the lower-cost urban operations that non-rural ILECs can use to subsidize their rural operations, these rural CLECs should be permitted to charge substantially more for access service, as do the small rural ILECs. To address the issue, the FCC adopted the National Exchange Carrier Association ("NECA") switched access tariff rates (upper band) as the benchmark that most appropriately remedies the unworkable pricing dilemma for rural CLECs. Consequently, SouthEast's interstate rate has been based on NECA tariff pricing since SouthEast's Federal Access Tariff was initially filed in late 2003.

At the same time SouthEast filed its Federal Access Tariff, it also filed its initial Intrastate Access Tariff in Kentucky and simply mirrored the intrastate rate of an existing CLEC. This benchmark rate is consistent with the approach articulated by the FCC in 01-146 since

SouthEast's composite rate is comparable to the overall intrastate rates charged by the NECA ILECs in Kentucky[1] as demonstrated below:

KY Local Carrier	Overall Intrastate Switched Access Rate
Peoples Rural	$0.065949
Gearheart	$0.065750
SouthEast Telephone	$0.064300
Thacker Grigsby	$0.061690
Mountain Rural	$0.059933
Highland	$0.054466
Foothills	$0.054076
Duo County	$0.054070
West Kentucky Rural	$0.053616
Ballard Rural	$0.053286
South Central Rural	$0.052044
Brandenburg	$0.051771
Logan	$0.047131
North Central	$0.040048

The FCC appropriately carved out an access charge exemption for rural CLECs, and the need for the exemption is as critical today as it was when it was established. Similarly, the overall intrastate rate charged by similarly situated NECA ILECs in Kentucky continues to be the appropriate intrastate rate benchmark for rural CLECs in Kentucky. These rates adequately account for the substantially higher costs faced by rural carriers.

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[1] Dou County Cooperative Corp., Inc., and Issuing Carriers, PSC KY No. 2A. Composite rate developed using SouthEast's intrastate minutes if use per line.

Should, however, the Commission determine that a downward adjustment to these rates is warranted, SouthEast urges the Commission to avoid any substantial, abrupt changes which would quickly threaten the viability of rural service providers. Other states which have undertaken general rate rebalancing efforts (i.e., those that did not specifically impact the unusual issues facing rural providers) have implemented access reductions over periods as long as ten (10) years[2]. Proposed access reform plans at the federal level, including the National Broadband Plan, have also included ten-year transition plans[3]. Such transition periods provide at least an opportunity for impacted providers to reevaluate business plans and adapt if possible.

Submitted this 16th day of December, 2010.

Beth Bowersock

Beth Bowersock, Esq.
SE Acquisitions, LLC

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[2] Georgia Public Service Commission, Order Implementing House Bill 168, Docket No. 32235, filed November 23, 2010.

[3] Connecting America: The National Broadband Plan, Docket 09-51, released March 16, 2010. Appendix A, FCC Chairman Martin's draft proposal circulated within the FCC on October 15, 2008, as reported in various trade publications.