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Embarq Corporation
Mailstop: NCWKFR0303
14111 Capital Boulevard
Wake Forest, NC 27587
EMBARQ.com

October 11, 2006

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Re-initialization of Price Regulation Indices Filed by
United Telephone-Southeast, Inc. - Docket No. 06-00207

Dear Chairman Kyle:

United Telephone-Southeast, Inc. d/b/a Embarq respectfully requests the Tennessee Regulatory Authority to include the 2006 Annual Price Regulation Filing in Docket No. 06-00207, Re-initialization of Price Regulation Indices. Consistent with this request, enclosed for the TRA's review and approval are the original and thirteen (13) copies of UTSE's 2006 Annual Price Regulation Filing.

This information reflects the calculation of UTSE's 2006 Price Regulation Index (PRI) and Service Price Index (SPI). The calculations of the PRI and SPI are based on the Re-initialization of Price Regulation Indices filed by Embarq in Docket No. 06-00207. No price changes are proposed in this filing.

If you have questions regarding the attached information, please do not hesitate to call me at 919-554-7323.

Sincerely,

Laura A. Sykora

Enclosures

C: Kaye Odum
Tom Sokol

Laura A. Sykora
MANAGER REGULATORY AFFAIRS VA/TN
EXTERNAL AFFAIRS
Voice: (919) 554-7323
Fax: (919) 554-7595
laura.sykora@EMBARQ.com

TENNESSEE
2006 PRICE INDEX FILING

SERVICE PRICE INDEX (SPI) CALCULATION BY CATEGORY	Dec 05 Rates June 2006 <u>Volumes</u>	June <u>Annualized</u>	Current Rates June 2006 <u>Volumes</u>	June <u>Annualized</u>
<u>Basic Revenues</u>				
General Subscriber Service Tariff	\$ 3,102,945.68	\$37,235,348.20	\$ 3,102,945.68	\$ 37,235,348.20
Ad Valorem Tax Adjustment			\$ 22,066.25	\$ 264,795.00
Total Basic Services	\$ 3,102,945.68	\$37,235,348.20	\$ 3,125,011.93	\$ 37,500,143.20
<u>Non - Basic Revenues</u>				
General Subscriber Service Tariff	\$ 3,586,632.20	\$ 43,039,586.36	\$ 3,586,632.20	\$ 43,039,586.36
Access Services Tariff	\$ 852,583.45	\$ 10,231,001.36	\$ 852,583.45	\$ 10,231,001.36
Miscellaneous Revenues	\$ 884,816.27	\$ 10,617,795.24	\$ 884,816.27	\$ 10,617,795.24
Total Non-Basic Services	\$ 5,324,031.91	\$ 63,888,382.96	\$ 5,324,031.91	\$ 63,888,382.96
TOTAL BASIC & NON-BASIC	\$ 8,426,977.60	\$ 101,123,731.16	\$ 8,449,043.85	\$ 101,388,526.16

PRI/SPI Comparison	Basic SPI Calculation	Current	\$	37,500,143.20
		Base	\$	37,235,348.20
		Result		1.0071
		X 100		100.7111
		2006 PRI		103.8905
	Non-Basic SPI Calculation	Current	\$	63,888,382.96
		Base	\$	63,888,382.96
		Result		1.0000
		X 100		100.0000
		2006 PRI		102.5601

TENNESSEE
2006 PRICE INDEX FILING

2006 BASIC PRI CALCULATION

Input:

Inflation Rate 3.3
First Qtr 2005 vs. First Qtr 2006

Calculation:

Step 1:

Base Rate of 100 100

Step 2:

Plus: The lessor of:

1/2 Inflation Rate 1.65

or

Inflation Rate - 2% + 1.3

= 101.3

Step 3:

Divided by 100 1.013

Step 4:

Multiplied by 2005 PRI re-initialized (102.5572672) 103.8905

TENNESSEE
2006 PRICE INDEX FILING

2006 NON- BASIC PRI CALCULATION

Input:

Inflation Rate 3.3
First Qtr 2005 vs. First Qtr 2006

Calculation:

Step 1:

Base Rate of 100 100

Step 2:

Plus: The lessor of:

1/2 Inflation Rate 1.65

or

Inflation Rate - 2% + 1.3

= 101.3

Step 3:

Divided by 100 1.013

Step 4:

Multiplied by 2005 PRI re-initialized (101.2439184) **102.5601**

Table 3. Price Indexes for Gross Domestic Product and Gross Domestic Purchases—Table Ends
[Index numbers, 2000=100; quarterly estimates are seasonally adjusted]

Year and quarter	Chain-type price indexes																	Implicit price deflators				Percent change from preceding period for chain-type price indexes		
	Gross domestic product	Personal consumption expenditures				Private fixed investment					Exports and imports of goods and services		Government consumption expenditures and gross investment			Gross domestic purchases	Gross national product	Gross domestic product	Gross national product	Gross domestic product	Gross domestic purchases	Gross national product		
		Total	Durable goods	Non-durable goods	Services	Total	Nonresidential			Residential	Exports	Imports	Total	Federal	State and local									
							Total	Structures	Equipment and software															
1993: I	87.729	87.116	106.962	88.996	82.334	97.446	105.472	76.810	117.768	78.938	100.815	102.621	83.092	83.899	82.726	88.076	87.726	87.707	87.705	3.2	2.5	3.2		
II	88.204	87.678	107.584	88.981	83.173	97.727	105.508	77.278	117.450	79.675	101.067	103.369	83.583	84.448	83.177	88.595	88.202	88.190	88.189	2.2	2.4	2.2		
III	88.599	87.979	108.113	88.758	83.700	97.953	105.470	77.916	117.042	80.397	100.917	102.470	84.028	85.186	83.426	88.916	88.603	88.570	88.574	1.8	1.5	1.8		
IV	89.030	88.443	108.703	89.157	84.172	98.096	105.497	78.605	116.714	80.753	100.794	102.226	84.454	85.620	83.848	89.331	89.039	89.038	89.048	2.0	1.9	2.0		
1994: I	89.598	88.794	109.055	89.009	84.771	98.648	105.837	79.245	116.892	81.684	101.274	101.694	85.237	86.165	84.789	89.800	89.604	89.578	89.583	2.6	2.1	2.6		
II	89.980	89.278	109.697	89.235	85.356	98.965	106.066	79.735	116.985	82.155	101.649	102.996	85.794	87.126	85.091	90.271	89.989	89.954	89.963	1.7	2.1	1.7		
III	90.525	90.070	110.475	90.022	86.148	99.348	106.174	80.712	116.648	83.043	102.281	104.675	86.188	87.126	85.735	90.921	90.524	90.530	90.527	2.4	2.9	2.4		
IV	90.958	90.472	110.883	90.153	86.716	99.573	105.954	81.861	115.761	84.135	102.930	105.171	86.788	87.824	86.274	91.340	90.959	90.952	90.953	1.9	1.9	1.9		
1995: I	91.554	90.909	111.054	90.213	87.353	99.981	106.056	82.844	115.445	85.175	104.030	105.618	87.730	88.832	87.173	91.877	91.557	91.530	91.534	2.6	2.4	2.7		
II	91.891	91.412	110.890	90.564	88.041	100.310	106.353	83.392	115.621	85.577	104.825	107.465	88.094	88.963	87.678	92.325	91.900	91.859	91.868	1.5	2.0	1.5		
III	92.281	91.801	110.490	90.782	88.646	100.439	106.833	84.293	115.235	85.928	104.571	106.736	88.401	89.293	87.971	92.662	92.290	92.289	92.299	1.7	1.5	1.7		
IV	92.734	92.185	110.253	90.958	89.240	100.437	106.165	84.987	114.593	86.398	104.077	105.828	89.205	90.924	88.288	93.065	92.744	92.733	92.743	2.0	1.8	2.0		
1996: I	93.302	92.758	110.394	91.718	89.792	100.117	105.552	85.069	113.687	86.718	103.875	105.411	90.321	92.245	89.285	93.602	93.312	93.328	93.338	2.5	2.3	2.5		
II	93.615	93.352	109.587	92.568	90.501	99.816	104.926	85.410	112.609	87.118	103.514	104.950	90.016	91.451	89.268	93.897	93.626	93.659	93.671	1.3	1.3	1.4		
III	94.064	93.725	109.228	92.577	91.186	100.114	104.915	86.535	112.094	88.083	102.777	103.787	90.523	91.812	89.860	94.286	94.073	93.951	93.962	1.9	1.7	1.9		
IV	94.455	94.352	108.617	93.403	91.898	100.064	104.651	87.185	111.435	88.520	101.785	103.968	91.102	92.419	90.422	94.796	94.463	94.450	94.458	1.7	2.2	1.7		
1997: I	94.963	94.781	108.369	93.833	92.485	99.914	104.245	88.047	110.463	88.969	101.534	102.763	91.819	93.284	91.055	95.189	94.968	95.054	95.058	2.2	1.7	2.2		
II	95.291	94.961	107.290	93.678	93.065	99.733	103.890	88.854	109.611	89.396	101.452	100.819	91.908	93.386	91.136	95.296	95.297	95.206	95.212	1.4	0.5	1.4		
III	95.541	95.218	106.581	93.801	93.570	99.807	103.589	89.813	108.783	90.167	101.183	100.165	92.115	93.481	91.405	95.494	95.549	95.534	95.542	1.1	0.8	1.1		
IV	95.864	95.536	106.031	94.026	94.099	99.626	103.061	90.810	107.624	90.839	100.760	99.516	92.715	93.982	92.060	95.781	95.869	95.846	95.851	1.4	1.2	1.3		
1998: I	96.096	95.610	105.245	93.578	94.598	99.105	102.220	92.138	105.898	91.102	99.768	96.720	92.953	94.266	92.274	95.773	96.099	96.089	96.091	1.0	0.0	1.0		
II	96.284	95.771	104.524	93.521	95.040	98.834	101.591	93.157	104.615	91.723	99.225	95.664	93.231	94.431	92.612	95.881	96.288	96.249	96.254	0.8	0.5	0.8		
III	96.620	96.088	103.773	93.973	95.503	98.769	101.133	93.926	103.676	92.635	98.461	94.515	93.628	94.555	93.154	96.141	96.623	96.600	96.604	1.4	1.1	1.4		
IV	96.901	96.443	103.067	94.213	96.133	98.736	100.739	94.674	102.845	93.499	98.165	94.513	94.066	94.794	93.697	96.444	96.899	96.934	96.932	1.2	1.3	1.1		
1999: I	97.274	96.687	102.292	94.566	96.535	98.922	100.632	95.302	102.476	94.415	97.956	94.023	94.803	96.055	94.162	96.761	97.276	97.328	97.330	1.5	1.3	1.6		
II	97.701	97.319	101.833	95.801	97.094	98.925	100.235	95.880	101.732	95.442	98.145	95.268	95.639	96.583	95.157	97.317	97.702	97.674	97.675	1.8	2.3	1.8		
III	98.022	97.855	101.455	96.751	97.620	98.790	99.737	96.513	100.844	96.253	98.345	96.634	96.475	97.120	96.146	97.790	98.022	98.013	98.014	1.3	2.0	1.3		
IV	98.475	98.438	100.923	97.575	98.322	98.916	99.625	97.331	100.413	97.010	98.807	97.914	97.397	97.777	97.205	98.356	98.476	98.432	98.433	1.9	2.3	1.9		
2000: I	99.292	99.296	100.471	98.816	99.276	99.481	99.772	98.482	100.212	98.683	99.461	99.321	98.970	99.489	96.707	99.275	99.287	99.317	99.311	3.4	3.8	3.3		
II	99.790	99.777	100.337	99.717	99.685	99.788	99.841	99.366	100.005	99.635	99.989	99.487	99.395	99.223	99.483	99.714	99.775	99.745	99.741	2.0	1.8	2.0		
III	100.241	100.239	99.715	100.562	100.184	100.252	100.191	100.455	100.102	100.418	100.223	100.506	100.486	100.449	100.504	100.283	100.245	100.259	100.262	1.9	2.3	1.9		
IV	100.697	100.687	99.477	100.905	100.845	100.479	100.195	101.697	99.681	101.263	100.327	100.686	101.149	100.838	101.306	100.727	100.693	100.666	100.672	1.8	1.8	1.8		
2001: I	101.507	101.502	99.137	101.256	102.149	100.410	99.605	103.196	98.378	102.528	100.345	99.928	101.929	101.309	102.245	101.403	101.510	101.478	101.480	3.3	2.7	3.3		
II	102.290	102.146	96.369	102.121	102.997	100.856	99.743	104.835	97.996	103.889	100.017	98.416	102.384	101.587	102.789	101.974	102.266	102.252	102.248	3.1	2.3	3.1		
III	102.690	102.291	97.669	101.895	103.512	101.399	99.818	106.512	97.497	105.639	98.512	97.089	102.792	102.143	103.121	102.223	102.685	102.675	102.671	1.6	1.0	1.6		
IV	103.122	102.437	97.279	100.852	104.368	101.427	99.564	107.069	96.964	106.377	98.623	94.556	103.072	102.589	103.315	102.378	103.114	103.191	103.183	1.7	0.6	1.7		
2002: I	103.563	102.873	96.496	100.895	104.937	101.348	99.542	108.065	96.607	106.151	98.360	94.146	104.378	105.098	103.997	102.755	103.543	103.568	103.552	1.7	1.5	1.7		
II	103.944	103.385	96.029	102.238	105.608	101.480	99.485	109.455	96.087	106.720	99.048	96.474	105.126	105.231	105.064	103.385	103.938	103.938	103.928	1.5	2.5	1.5		
III	104.347	103.841	95.594	102.464	106.390	101.532	99.380	110.612	95.598	107.150	99.772	97.304	105.795	105.502	105.943	103.816	104.339	104.328	104.321	1.5	1.7	1.6		
IV	104.926	104.268	94.946	102.760	107.137	102.279	99.645	111.988	95.534	108.960	99.911	97.441	106.728	106.696	106.734	104.374	104.907	104.903	104.903	2.2	2.2	2.2		
2003: I	105.742	105.059	93.795	104.175	108.076	103.067	99.664	113.295	95.173	111.434	100.920	100.078	109.107	109.578	108.840	105.435	105.736	105.724	105.718	3.1	4.1	3.2		
II	106.076	105.235	92.785	103.423	109.002	102.865	99.341	113.239	94.774	111.496	101.192	99.093	109.443	109.987	109.144	105.587	106.067	106.062	106.053	1.3	0.6	1.3		
III	106.616	105.851	91.848	104.424	109.608	103.207	99.509	113.894	94.799	112.225	101.423	99.734	110.118	110.257	110.0									