



R. Reed Harrison III
Vice President
Local Infrastructure & Access Management
Regional Operations

Room 4ED103
One Oak Way
Berkeley Heights, NJ 07922
908 771-2700
FAX 908 771-2219
rrharrison@attmail.com

VIA FACSIMILE AND OVERNIGHT MAIL

August 15, 1996

Mr. Donald W. McLeod
Vice President
GTE Telephone Operations
Regulatory and Government Affairs-East
Local Competition/Interconnection Program Office
HQEO1E63
600 Hidden Ridge
Irving, Texas 75015-2092

Re: Arbitration Filings Ongoing Interconnection Matters

Dear Don:

Ron Shurter, Rasul Damji and I made several contacts and attempted contacts with you and your colleagues over the past day or so to advise you of our plans to file for arbitration in the states first identified to you in my letter of March 11, 1996.

Over the months and weeks since that letter, we have been able to negotiate to agreement on a number of items with GTE, although even on many of those issues, GTE has identified its agreement as being subject to price. On other such issues, the GTE matrix sometimes reflects such other claims, as rural exemption for example, that we have always opposed as you know. However you or I might describe the negotiations which we led for our respective companies, the fact remains that critically important issues remain unresolved.

I want very much to continue my contact and efforts with you to resolve those issues. But because they remain essential in all respects for AT&T, and unresolved, we are required now by the governing statute to seek arbitration of all those issues. Nevertheless, it remains my hope that our negotiation

Mr. D. W. McLeod
August 15, 1996
Page 2

channels and processes can remain in place as we go forward with the required statutory arbitration proceedings. In this latter regard, Don, I hope you can reconsider your earlier position that GTE can't or won't negotiate and arbitrate at the same time.

The recently issued order and guidelines of the FCC offer guidance that should enable our resolution of a veritable host of the outstanding issues between our companies. For example, the FCC has underscored the parity requirements of the Act in a way which should open for resolution a number of issues on which GTE's parity position was different from that adopted by the FCC. There is additional guidance for us in the FCC's directions on such essential matters as TSR, Unbundled Network Elements, access to essential pathways, and the interactive electronic interface. Don't you agree that you and I, and our respective teams, should at minimum explore possible approaches to the resolution of these issues.

By way of further follow-up, Don, to our sessions of July 17-19, and to the impact on the contracting processes of our arbitration filings, I want to propose an approach to the early resolution of the DMOQ/Quality/Performance Standards issues that we took off the table at our July 19 meeting, under an agreement to agree on those standards and processes outside of AT&T's proposed Interconnection, Services and Network Elements Agreement. Clarity and completeness in the arbitration processes will require our early attention to that Standards item, lest it fall through the proverbial crack.

AT&T proposes, therefore, that we conclude our separate agreement on those Standards issues by September 1. I will send a resolution proposal for your consideration before the end of next week. It is my hope that we can move quickly through this subject, so as not to fall behind or out of sync with the individual state arbitration processes. In the event, therefore, that we do not resolve the Standards issues, or all of them, by September 1, it would be AT&T's intention to refer any such unresolved issues to the individual state arbitration proceedings for resolution.

This last state-specific point, by the way, brings to memory your early point that state level negotiations may for some issues be appropriate, given such considerations as network/operational differences and different state regulatory environments. (March 19 letter, page 1). We'll do our best, nevertheless, and ask that GTE do likewise, to close these Standards issues out to the optimal extent in our further national negotiations. Once we've done that, we can make whatever referral is appropriate to our people in the

Mr. D. W. McLeod
August 15, 1996
Page 3

individual states or respective regions for any needed refinement or implementation processes.

Over the next several weeks, Don, we are likely to witness some adversary exchanges between our respective companies, as indeed we have from time to time over the course of these negotiations. My objective will remain the achievement of a comprehensive agreement with GTE to enable our effective entry into your local markets. I hope that is an objective you can endorse and share.

Sincerely,



R. Reed Harrison III
Vice President -
Local Infrastructure and Access Management
Regional Operations

Copy to:

GTE

D. Bennett

M. Billings

F. W. Compton

J. W. Honabarger

C. E. Nicholas

J. C. Peterson

M. C. Seaman

AT&T

J. J. Beasley

R. Damji

R. H. Shurter

P. Walsh