

Meade C. Seaman
Director-Local
Competition/Interconnection



GTE Telephone
Operations

May 28, 1996

HQE01G49
600 Hidden Ridge
P.O. Box 152092
Irving, TX 75015-2092
214/718-1333
FAX: 214/718-4353

R.H. Shurter
AT&T Southern States & National
Local Access & Infrastructure Management
Vice President
Room 4EC101
One Oak Way
Berkeley Heights, NJ 07922

Dear Mr. Shurter:

Per our agreement, I have summarized the results of the most recent Executive Negotiations meeting which was hosted by GTE, in Irving, on May 15, 1996.

ATTENDEES

Meeting attendees from GTE included: McLeod, Seaman, Peterson, Nicholas, Billings, Compton. AT&T attendees included: Harrison, Shurter, Beasley, Tyler-Stanley. Two new attendees from AT&T were Rasul Damzi and Pat Walsh. Rasul replaces Gary Rall, who is now dedicated totally to PacBell and Pat Walsh is an officer in AT&T's Legal and Governmental Affairs office. He has joined the team to assist Joyce Beasley.

RURAL EXEMPTION

GTE opened the meeting by outlining GTE's action to declare itself as a rural telephone company under Sec. 251(f)(1) of the Telecom Act for selected states. GTE took action in Illinois because the Hearing Examiner had requested each party in the Illinois resale/unbundling docket to declare their position by May 10, 1996. GTE intends to pursue this exemption in all qualifying states. GTE informed AT&T that it will notify AT&T, in writing, of the final list of states when the list has been finalized.

Ron Shurter stated that AT&T was clearly disappointed in GTE's declaring this on day 63 of the negotiations. This is a setback in AT&T's view to accomplishing the time line. McLeod responded by stating that GTE is exercising its business option under the Act and that GTE still intends to negotiate a 20 state agreement with AT&T, pending the outcome of the negotiations and the regulatory decisions on the rural exemption. All discussions regarding systems, operational interfaces, etc.

AGBH 000103
000455

Mr. Ron Shurter
May 28, 1996
Page 2

remain the same for all states. The impacted issues for rural exempted states would be unbundling, collocation and the reduced scope of resale.

NEW REQUEST FOR INTERCONNECTION

AT&T made a formal request for interconnection with GTE for the states of Alabama and Kentucky. May 16, 1996 will be considered day 1 for these two states. AT&T requests for interconnection negotiations in other GTE states will follow by the end of June. The parties agreed to bring these two states into the operational aspects of the negotiation.

JOINT WORK PLAN

Lisa Tyler-Stanley presented a work plan jointly developed by the AT&T/GTE Core Team. The plan has very aggressive targets for reaching agreement and closure on a variety of issues. The work plan reflects AT&T's priority of resolving total service resale issues early in the negotiation process.

The group also discussed a process for resolution of escalated issues. The Core Team will be responsible for seeking to resolve issues escalated from SME meetings. Issues brought to the Executive Team are to be provided in written form so the issue can be understood and each respective company's position on the issue clearly stated. John/Rasul had some conversation about the need for flexibility in refining the write ups so that the final product truly reflects the issue under discussion.

The group agreed that conference calls between Don, John, Ron and Rasul should be used to expedite resolution where possible. The group agreed that there will be issues with no resolution. In this case each company would agree to disagree and set the issue aside for possible arbitration. It was also agreed that the workplan needed to be amended to reflect: 1) GTE's rural exemption action, 2) AT&T interconnection request for the states of Alabama and Kentucky, and 3) to reflect the work activities associated with contract drafting, approval and signature.

AT&T'S REQUEST FOR INTERCONNECTION CONTRACTS

GTE and AT&T differ on the interpretation of the Act as it relates to AT&T's request to provide all existing interconnection contracts. GTE's position on this issue was covered in McLeod's May 1, 1996 memo to Shurter.

AGBH 000104

000456

Mr. Ron Shurter
May 28, 1996
Page 3

AT&T stated that the contracts were useful in establishing feasible interconnection points and suggested they be provided "without prejudice" meaning that provision of the contracts would not implicitly change either company's business or regulatory position.

GTE stated that many of these contracts were struck in a different era and under a different set of business conditions and so their terms and conditions were not relevant to this process. AT&T agreed to prepare a more specific request for GTE's consideration.

PRICING

After lunch, about an hour's discussion on price took place. The main areas discussed were avoided cost for resale and TSLRIC for unbundled elements. AT&T and GTE agreed we are far apart on these issues but the open dialogue was encouraging.

AT&T's view on avoided cost centers around 4 digit accounting codes such as marketing expense, customer service and uncollectibles as well as factoring in assumed inefficiencies in GTE processes, operations and investments (technology).

GTE's avoided cost approach is consistent with the recent filing in California. GTE's approach is based on a centralized work center concept and identifies avoided cost for 8 to 10 service categories. GTE pointed out the need to also consider "new wholesale cost" (i.e. additional costs incurred to make a service available for resale) in developing net avoided cost.

It was agreed that the pricing experts need to get together and share information and work the issues per the workplan. GTE desires to include pricing as an agenda item on all Executive Negotiation meetings in the future. Agreements on the wholesale product line in a resale and unbundled environment need to be linked directly to joint agreement on pricing methods and levels.

AGBH 000105

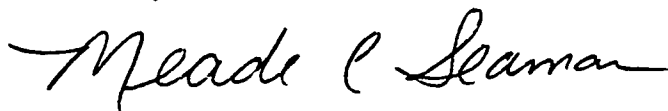
000457

Mr. Ron Shurter
May 28, 1996
Page 4

FUTURE MEETINGS

The next meeting is scheduled for May 30, 1996 in New Jersey. Future face-to-face meetings are scheduled for June 12 and June 26th. A conference call was also tentatively scheduled from 12:00 to 2:00 p.m. CST on June 19, 1996.

Sincerely,



Meade C. Seaman
Director-Local
Competition/Interconnection
Program Office

MCS:mlh

c: GTE Executive Negotiating Team

AGBH 000106
000458