

24-96

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TRANSMITTED VIA FAX - SENT VIA FED EX

June 21, 1996

Mr. Meade Seaman
Director - Local Interconnection Program Office
GTE Telephone Operations
600 Hidden Ridge
Irving, TX 75015

Dear Meade:

Thank you for your long-awaited transmittal of last weekend. While we were expecting a different format than the hard copy which accompanied your June 14 cover letter, we have nevertheless made every effort to copy and distribute that material for expedited internal analysis, review and comment. Moreover, while AT&T is anxious to conclude its review promptly and to offer to you as quickly as possible a complete response and counter proposal, the timing, format and content of your June 14 transmittal permit only this preliminary response today.

Certainly, that June 14 transmittal is not sufficiently clear or complete to support any "take it or leave it" decision by AT&T, either by close of business today or otherwise. To the extent, therefore, that your June 14 letter recites that your accompanying "offer" is withdrawn at the close of business today, I encourage you to withdraw that offer, then to clarify and supplement it, with additional offer information presented in a more usable format.

I encourage you as well, for our critical forthcoming pricing negotiations, to delete further references to the rural exemption provision of the 1996 Act as a significant decision factor in AT&T's determination as to the reasonableness of GTE's price or discount proposals. First we have been awaiting for over a month the listing of states for which you claim the exemption, a listing you were to provide for us on May 17. Second, as we made clear to you at our May 15 meeting in Irving, we will move to terminate that exemptions in any state where you elect to raise it. So, by all means, you may reserve your rights and we ours in regard to the rural exemption. But that topic will not facilitate our achievement of a negotiated agreement on price.

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What will facilitate our achievement of that agreement are the following actions by GTE -- on which AT&T is ready and willing to cooperate.

- (1) GTE must distinguish between the rate elements associated with local and the rate elements associated with toll services;
- (2) GTE must weight each of the local service category's rate elements as a percentage of the 1995 local revenue as reported in ARMIS 4303-4 reports, and aggregate at the state level the weighted rate elements up to the local service category level.
- (3) GTE must weight each of the toll service category's rate elements as a percentage of the 1996 toll revenues as reported in ARMIS 4303-4 reports, and aggregate at the state level the weighted rate elements up to the toll service category level.

Mss. Kahn and Harrington of AT&T have reviewed all these issues with your colleagues, John Peterson and Michelle Mooney, and there is no lack of clarity or understanding about what we need. I urge you to act favorably and move quickly on these requests, to provide for each state (including Alabama, Kentucky, South Carolina, and all states we have identified to GTE) the six indicated numbers, three local and three toll, namely, (i) GTE retail rate (local), (ii) GTE retail rate (toll), (iii) GTE avoided cost (local), (iv) GTE avoided cost (toll), (v) GTE resale rate (local), (vi) GTE resale rate (toll). All rate and avoided cost numbers should be state averages weighted by revenues and customer take rates at a service specific level.

AT&T needs this information to make an "apples to apples" comparison of GTE's proposal and AT&T's expectations as defined by its avoided cost model. It also provides to AT&T an indication of average rates and avoided cost for local and toll in individual states. Without the requested information and output from GTE, we would be required to apply national weighting factors that are almost certainly inappropriate for individual states.

The foregoing are the principal areas for corrective action by GTE, all as covered in detail with GTE representatives, as noted above.

I am personally available to you, with Rasul Damji, Mss. Kahn and Harrington, and additional AT&T resources, to work with you on all of the foregoing matters, and on other obvious issues raised by your June 14 transmittal (e.g., discount availability and levels, cost bases for pricing). They are all essential to our further negotiation of the

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GTE price proposal. Thank you for the work you have done and for your continuing and close cooperation.

Sincerely,

R. H. Shurter

R. H. Shurter
Southern States and National
Local Infrastructure and Access Management
Vice President

Copy to:

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D. W. McLeod
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