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P.O. Box 152092
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date: 6/12/96

to: B. SHURTER

fax #: 908-771-2851

re: _____

pages: 4, including this cover sheet.

from: MEADE SEAMAN

phone#: 214-718-1333

REMARKS:

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IF YOU HAVE PROBLEMS OR QUESTIONS WITH REGARD TO THIS FACSIMILE,
PLEASE CALL 214/718-1300. THANK YOU.

Moode C. Seaman
Director-Local
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June 27, 1996

Transmitted via FAX - Sent via regular mail

Mr. 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:

Your June 21, 1996, letter presented a request that you stated GTE "must" satisfy in order to facilitate a negotiated agreement on price. As you indicated in your letter, this request was first presented to GTE on June 19, 1996. I understand that on the Executive Team conference call yesterday, you again asked for a response to your request. John Peterson, our lead negotiator, has responded previously several times to the same request. To ensure, however, that there is no lack of understanding or clarity, I want to confirm in writing that GTE does not intend to recast it's proposal so that AT&T can do cost model comparisons. The following rationale is provided to support GTE's position.

First, GTE presented a twenty state proposal of services and features available for resale, including prices, in a June 14 transmittal. The format and content of this proposal was prepared to satisfy AT&T requests (Issue 001-A and 001-B) to provide a complete list of all general retail offerings that GTE provides to our subscribers, by state; what services GTE will offer for resale; and at what price. Prior to sending our proposal, during our Executive Team conference call on June 12, 1996, John Peterson also gave you a general description of the format that our proposal would take, and AT&T voiced no concerns or objections at that time. I'm surprised that you are now taking the position that GTE needs to "take corrective action" to provide information to AT&T in yet another form to facilitate negotiations on price.

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Second, in our June 3, 1996, letter to R. Reed Harrison, we agreed with your assessment that AT&T and GTE are unlikely to reach agreement on costing models for resale or unbundled network elements. For that reason, we strongly suggested that rather than focusing our energies on agreeing to cost models, we move directly to price negotiations based on an amended work plan we submitted to you. Although you have acknowledged we are unlikely to reach agreement on cost models, you have not yet moved off of cost model comparisons to meaningful price negotiations.

Third, in our June 14, 1996, pricing proposal, we asked that you accept or provide a counter to our proposal by June 21, 1996. In subsequent communication with Rasul Damji, GTE indicated an openness to entertain a counter proposal from AT&T for more time to respond to the GTE proposal, so long as the time frame was reasonable. To characterize the GTE offer as a "take it or leave it offer" is an unfortunate misunderstanding. Despite GTE's good faith efforts, we still do not know when AT&T plans to respond, or if you intend to respond at all.

Fourth, weighting each local and toll service rate element as a percentage of revenue for each tariff entity would be a time consuming and pointless exercise given the extreme nature of AT&T's current discount proposals. On June 19, 1996, Ms. Kahn and Ms. Harrington of AT&T, indicated AT&T is still looking at discounts in the range of 30-35 percent. No matter how you "weight" the GTE proposal, the average discount is approximately 7 percent using the GTE avoided cost approach. Asking GTE to recast the proposal would delay meaningful negotiations on features and services and the prices for those services.

Fifth, GTE does not plan to present prices beyond the original twenty states until mid-August. This was communicated to AT&T in GTE's proposed work plan update on June 18, 1996. GTE has agreed to negotiate operational issues for the additional four states within the same time frames as the original twenty states.

Finally, although we view your discount position to be extreme and unreasonable, we nevertheless have a willingness to work with you to see if there is a way to use data available in ARMIS to recast your model. John Peterson has offered to provide assistance by making our ARMIS subject matter expert available for you to consult with.

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We look forward to your response to our pricing proposal and at a minimum, expect by our July 3, 1996, Executive Team call, that you will tell us when you plan to respond to our pricing proposal.

Sincerely,

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

MCS:mth

- c: A. Rasul Damji - AT&T
- R. R. Harrison, III - AT&T
- B. Kahn - AT&T
- D. W. McLeod - GTE
- C. E. Nicholas - GTE
- J. C. Peterson - GTE