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August 12, 2004

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PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Petition of DIECA Communications, Inc. d/b/a Covad Communications Company for Arbitration of Interconnection Agreement Amendment with BellSouth Telecommunications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996
PSC 2004-00259

Dear Ms. O'Donnell:

The purpose of this letter is to advise the Commission that Covad and BellSouth have met and discussed the issues raised in the above-referenced docket. We are pleased to report that BellSouth and Covad have developed a proposal that we believe will facilitate the conduct and resolution of this matter in an administratively efficient manner. We are also pleased to report that the parties have resolved Issue Nos. 2, 3, 6, 7, and 8 in their entirety, and that discussions concerning Issue Nos. 4, 5, 9 and 10 continue. Covad and BellSouth respectfully request that the Commission enter an initial procedural and scheduling order consistent with this proposal, as detailed below.

On or before September 3, 2004, Covad and BellSouth will simultaneously file legal briefs with the Commission. The parties' briefs will be limited to the following legal question:

Is BellSouth obligated to provide Covad access to line sharing after October 2004?

Pending a Commission decision on the foregoing legal question, the parties agree to hold in abeyance all other issues and outstanding motions. While the parties do not intend to be presumptuous concerning the Commission's schedule, the parties are hopeful that filing briefs on a single issue by September 3, 2004 will facilitate an expedited decision in this matter.

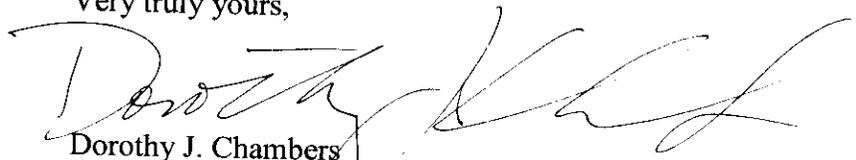
In addressing the legal question, the parties do not intend to include jurisdictional arguments, which both parties have addressed, and will continue to address, in connection with

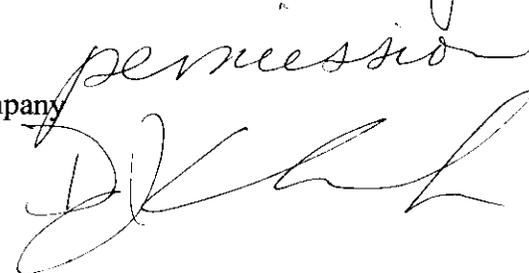
In Re: BellSouth Emergency Petition for Declaratory Ruling and Preemption of State Action, WC Docket No. 04-245 pending before the Federal Communications Commission. BellSouth is not waiving its right to raise a jurisdictional challenge in any second phase of this docket and Covad has agreed that it will not object to a jurisdictional challenge raised during any second phase of this proceeding. The parties' intention in limiting the scope of the initial briefs is to obtain a decision on the threshold legal question while at the same time preserving all other arguments, including jurisdictional arguments, which each party expressly reserves.

Following the issuance of a Commission decision on the legal question, the parties agree to reconvene and discuss: (1) whether further proceedings are necessary; and (2) whether the parties can mutually agree to the nature of such proceedings. If necessary, such further proceedings would address jurisdictional issues and pricing relating to line sharing, as well as any other non-line sharing issues raised in this docket. Subsequent to such discussions, the parties will either submit an agreed upon plan to the Commission, or will notify the Commission that the parties could not agree upon a joint proposal, at which point either party would be free to pursue any outstanding motions and further Commission action. The parties further agree to reconvene and discuss the impact of any FCC decision issued in WC Docket No. 04-245 in the event such an order is released prior to the issuance of a decision by this Commission.

We respectfully request that you treat this letter as our joint request to adopt the initial procedural and scheduling order that we have proposed. We are available to discuss this proposal if there are questions; if not, and the schedule we propose is acceptable to the Commission, we will simply submit legal briefs on or before September 3, 2004. Given the information cited herein, while the parties certainly are happy to attend the August 17, 2004 informal conference if that is the Commission's preference, we think the informal conference is not now necessary.

Very truly yours,


Dorothy J. Chambers
Counsel for BellSouth
Telecommunications, Inc.


Douglas F. Brent
Counsel for Covad
Communications Company


cc: Parties of Record

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