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September 23, 1999

Mr. John A. Trofimuk
MCIWorldCom
205 North Michigan Avenue
Suite 3700
Chicago, IL 60601

Dear Mr. Trofimuk:

We have received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996, MCImetro Access Services, LLC ("MCIm") wishes to adopt the terms of the arbitrated Interconnection Agreement between AT&T Communications of the South Central States, Inc. ("AT&T") and GTE that was approved by the Commission as an effective agreement in the State of Kentucky in Docket No. 96-478 ("Terms")[1].

Please be advised that GTE's position regarding the adoption of the Terms is as follows.

In Docket No. 96-478 ("AT&T Communications of the South Central States, Inc." arbitration), the Commission issued an Order on May 13, 1999 ("May Order") requiring GTE to make available to AT&T specific UNEs and UNE "platforms" where the platform already exists in GTE's network, despite the parties' prior agreement to hold these issues in abeyance until the FCC issues new final UNE rules. The parties' prior agreement was predicated on the following.

On January 25, 1999, the Supreme Court of the United States ("Court") issued its decision on the appeals of the Eighth Circuit's decision in *Iowa Utilities Board*. Specifically, the Supreme Court vacated Rule 51.319 of the FCC's First Report and Order, FCC 96-325, 61 Fed. Reg. 45476 (1996) and modified several of the FCC's and the Eighth Circuit's rulings regarding unbundled network elements and pricing requirements under the Act. *AT&T Corp. v. Iowa Utilities Board*, No. 97-826, 1999 U.S. LEXIS 903 (1999).

1 *These "agreements" are not agreements in the generally accepted understanding of that term. GTE was required to accept these agreements, which were required to reflect the then-effective FCC rules.

Three aspects of the Court's decision are worth noting. First, the Court upheld on statutory grounds the FCC's jurisdiction to establish rules implementing the pricing provisions of the Act. The Court, though, did not address the substantive validity of the FCC's pricing rules. This issue will be decided by the Eighth Circuit on remand.

Second, the Court held that the FCC, in requiring ILECs to make available all UNEs, had failed to implement section 251(d)(2) of the Act, which requires the FCC to apply a "necessary" or "impair" standard in determining the network elements ILECs must unbundle. The Court ruled that the FCC had improperly failed to consider the availability of alternatives outside the ILEC's network and had improperly assumed that a mere increase in cost or decrease in quality would suffice to require that the ILEC provide the UNE. The Court therefore vacated in its entirety the FCC rule setting forth the UNEs that the ILEC is to provide. The FCC must now promulgate new UNE rules that comply with the Act. As a result, it is GTE's position that any provision in the Terms requiring GTE to provide UNEs is nullified.

Third, the Court upheld the FCC rule forbidding ILECs from separating elements that are already combined (Rule 315(b)), but explained that its remand of Rule 319 "may render the incumbents' concern on [sham unbundling] academic." In other words, the Court recognized that ILEC concerns over UNE platforms could be mooted if ILECs are not required to provide all network elements: "If the FCC on remand makes fewer network elements unconditionally available through the unbundling requirement, an entrant will no longer be able to lease every component of the network."

Given the legal landscape discussed above, GTE and AT&T agreed to incorporate into the agreement certain status quo provisions that would permit the parties to seek approval and implementation of the agreement while holding the UNE issue in abeyance until the FCC issued new final rules. Furthermore, the status quo language obviated the need for GTE and AT&T to go through the arduous task of reforming the agreement to properly reflect the current status of the law and then repeat the same process later after the new FCC rules are in place.

Nothwithstanding the foregoing, the Commission issued another Order on June 22, 1999 ("June Order") which required GTE and AT&T to delete from the contract the status quo language, agreed to by the parties, that was intended to hold the UNEs/UNE platform provisions in abeyance pending the new final rules, purportedly requiring GTE to make UNEs/UNE platforms available to AT&T and any other CLEC that adopts the agreement. While GTE intends to comply with the Commission's Order, GTE fully reserves its rights to seek review of the Commission's May and June Orders in any available forum, and further reserves all other rights, including but not limited to its rights to seek recovery of its actual costs and a sufficient, explicit universal service fund. Furthermore, GTE does not waive its position that, under the Court's decision, it

is not required to provide UNEs unconditionally. Moreover, GTE does not agree that the UNE rates set forth in any agreement are just and reasonable and in accordance with the requirements of Sections 251 and 252 of Title 47 of the United States Code.

Finally, the provisions of the contract that might be interpreted to require reciprocal compensation or payment as local traffic from GTE to the telecommunications carrier for the delivery of traffic to the Internet are not available for adoption and are not a part of the 252(i) agreement pursuant to FCC Rule 809 and paragraphs1317 and 1318 of the First Report and Order.

The FCC gave the ILECs the ability to except 252(i) adoptions in those instances where the cost of providing the service to the requesting carrier is higher than that incurred to serve the initial carrier or there is a technical incompatibility issue. The issue of reciprocal compensation for traffic destined for the Internet falls within FCC Rule 809. GTE never intended for Internet traffic passing through a telecommunications carrier to be included within the definition of local traffic and the corresponding obligation of reciprocal compensation. Despite the foregoing, some forums have interpreted the issue to require reciprocal compensation to be paid. This produces the situation where the cost of providing the service is not cost based under Rule 809 or paragraph 1318 of the First report and Order. As a result, that portion of the contract pertaining to reciprocal compensation is not available under this 252(i) adoption. In its place are provisions that exclude ISP Traffic from reciprocal compensation. Specifically, the definition of “Local Traffic” includes this provision: “Local Traffic excludes information service provider (“ISP”) traffic (i.e., Internet, 900 – 976, etc)”.

MCIm’s adoption of the AT&T arbitrated Terms shall become effective upon filing of this letter with the Kentucky Public Service Commission and remain in effect no longer than the date the AT&T arbitrated Terms are terminated. The AT&T arbitrated agreement is currently scheduled to expire on August 9, 2002.

As these Terms are being adopted by you pursuant to your statutory rights under section 252(i), GTE does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by GTE of the Terms does not in any way constitute a waiver by GTE of its position as to the illegality or unreasonableness of the Terms or a portion thereof, nor does it constitute a waiver by GTE of all rights and remedies it may have to seek review of the Terms, the Commission’s May and June Orders, or to petition the Commission, other administrative body, or court for reconsideration or reversal of any determination made by the Commission pursuant to arbitration in Docket No.96-478, or to seek review in any way of any provisions included in these Terms as a result of MCIm’s 252(i) election.

Nothing herein shall be construed as or is intended to be a concession or admission by either GTE or MCIm that any contractual provision required by the Commission in Docket No. 96-478 (the "AT&T Communications of the South Central States, Inc." arbitration) or any provision in the Terms complies with the rights and duties imposed by the Telecommunications Act of 1996, the decision of the FCC and the Commissions, the decisions of the courts, or other law, and both GTE and MCIm expressly reserve their full right to assert and pursue claims arising from or related to the Terms. GTE contends that certain provisions of the Terms may be void or unenforceable as a result of the Court's decision of January 25, 1999 and the remand of the pricing rules to the United States Eighth Circuit Court of Appeals.

Should any provision of the Terms be modified, such modification would likewise automatically apply to this 252(i) adoption.

Please indicate by your countersignature on this letter your understanding of and commitment to the following three points:

(A) MCIm adopts the Terms of the AT&T Communications of the South Central States, Inc. arbitrated agreement for interconnection with GTE and in applying the Terms, agrees that MCIm be substituted in place of AT&T Communications of the South Central States, Inc. in the Terms wherever appropriate.

(B) MCIm requests that notice to MCIm as may be required under the Terms shall be provided as follows:

To : MCI WorldCom, Inc.
Attn: Regional Executive
205 N. Michigan ve., 37th Fl.
Chicago, IL 60601
Facsimile: 312-470-4685

And:

MCI WorldCom, Inc.
Attn: General Counsel
1801 Pennsylvania Ave., N.W.
Washington, D.C. 20006
Facsimile: 202-887-3353

(C) MCIm represents and warrants that it is a certified provider of local dialtone service in the State of Kentucky, and that its adoption of the Terms will cover services in the State of Kentucky only.

Sincerely,

GTE South Incorporated

_____
Connie Nicholas
Assistant Vice President
Wholesale Markets-Interconnection

Reviewed and countersigned as to points A, B, and C only:

MCImetro Access Services, LLC

_____
John A. Trofimuk
Regional Executive