

We look forward to the meeting, and to receiving the information we have requested above. It will be extremely helpful. Thank you for your cooperation in these matters.

Sincerely,

Cecil S. Surman.

Per Anne K. Bingaman
President
Local Telecommunications Division

TAB R2-5

LCI International®
Worldwide Telecommunications

Anne K. Bingaman
Senior Vice President
President, Local
Telecommunications Division

February 26, 1997

Mr. Edward Wynn
Vice President and General Council
Ameritech
Information Industry Services
350 North Orleans
Floor 3
Chicago, Illinois 60654

Dear Ed:

Thank you very much for your letter of February 24, which was in response to my letter of February 19 to Neil Cox, regarding our meeting Friday, February 28. We would like to structure our discussion to cover matters related to our interest in beginning to provide local service to customers in Illinois via a combination of unbundled network elements ("the network platform").

As part of that discussion, we would like to address, in particular, our interest in having a beta test conducted for ordering the platform, using our sales office in Chicago. We also wish to discuss what will be required to transfer our customers that are currently served via local service resale to the unbundled network platform configuration.

We also expect to discuss at our meeting the items noted in my letter dated February 19th, as well as any other matters that may be relevant to unbundled network elements.

We look forward to meeting with you on Friday.

Sincerely,



per
Anne K. Bingaman
President
Local Telecommunications Division

AKB:jm

cc: Neil E. Cox

TAB R2-6

LCI International®
Worldwide Telecommunications

Anne K. Bingaman
Senior Vice President
President, Local
Telecommunications Division

March 4, 1997

VIA FAX

Mr. H. Edward Wynn
General Counsel
Ameritech Industry
Information Services
350 New Orleans, 3rd Floor
Chicago, Illinois 60654

Re: Obtaining Unbundled Network Elements
in Combination (the "Network Platform")

Dear Ed:

Thanks for a very good and productive meeting. We sincerely appreciate you and all of your people coming to McLean last Friday. For purposes of clarity, I thought a brief summary of where we stood at the end of the meeting might be helpful for all of us.

Briefly, we advised Ameritech of LCI's intention and desire to enter the local telephone market by obtaining unbundled elements from Ameritech. LCI intends to use a configuration that combines the loop, switch and non-discriminatory access to Ameritech's interoffice network for the transport and termination of local calls at cost-based rates as required by the Act. We expect that interexchange carriers will continue to reach LCI's subscribers using the transport facilities that they use today. As we discussed, this approach establishes LCI as the local exchange and exchange access provider to its subscribers, while simultaneously assuring that the existing Ameritech interoffice network is used to most efficiently complete local traffic.

TAB R2-7

As we stated in the meeting, neither of the alternatives described by Ameritech for transport and termination of local calls would satisfy LCI's needs. Those alternatives contemplated that purchasers of unbundled local switching would be offered only two options for transport and termination of local calls: first, to purchase dedicated transport from Ameritech to all end offices; or, second, to complete calls over the Ameritech interoffice network but to pay retail rates, less the wholesale discount. Neither of these alternatives is satisfactory because neither provides LCI with nondiscriminatory access to Ameritech's interoffice transport network at cost-based rates.

We discussed at the meeting LCI's interest in promptly conducting a test of Ameritech's systems and procedures to enable LCI to offer local service in Illinois through LCI's desired configuration of combined unbundled network elements. These systems and procedures included:

- 1) Systems and procedures required for ordering the unbundled network elements in the platform configuration described above;
- 2) The recording, measurement and data exchange required to perform end user billing under that platform configuration;
- 3) The recording, measurement and exchange of data required to support carrier billing by LCI as the provider of local switching and loop-related access services to other carriers (using its unbundled local switching/loop combination). Procedures need to be defined for providing billing data for both originating and terminating access. This also will require the development of systems necessary for Ameritech to bill IXCs appropriately in such an environment;
- 4) The recording, measurement and exchange of data required for LCI to provide termination of other carriers' local traffic to LCI's customers served using unbundled local switching; and
- 5) Systems and procedures required for ordering local transport and termination as a cost-based network function, in combination with the unbundled local switching element, to complete local calls over the Ameritech interoffice network.

We agreed to provide Ameritech with the name of the person within LCI who can work with Ameritech to set up the processes for items (1) and (2). The person Ameritech should contact to work through the details on ordering and end user billing, items (1) and (2), is Bill Jones, in our Dublin, Ohio main office, at (614) 798-6826. Bill is aware of this, and will be glad to meet you in Chicago as soon as possible to take items (1) and (2)

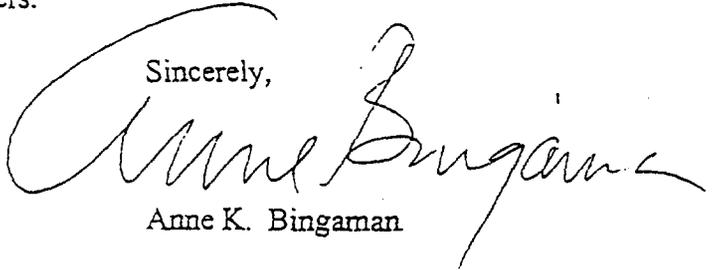
Mr. H. Edward Wynn
March 4, 1997
Page 3

to the next step, by working through the processes necessary to complete ordering and end user billing.

With respect to items (3), (4) and (5), we understand that Ameritech has agreed to respond to us no later than Friday, March 7, regarding whether Ameritech currently is capable of supporting the LCI platform configuration. If Ameritech is not currently capable of supporting the platform, you mentioned the possibility of LCI's making a bona fide request to Ameritech so that Ameritech could then determine and estimate the cost of developing the systems and procedures that would be required under items (3), (4) and (5). Please let us know if Ameritech considers that to be necessary.

Again, we sincerely appreciate your time and the travel to our offices. We will be very happy to come to Chicago for the next such meeting. We greatly look forward to working with Ameritech to establish the processes and systems for each of the steps outlined above, which are necessary to make the combined unbundled element network platform a reality for LCI and its customers.

Sincerely,



Anne K. Bingaman

AKB:slg

cc: Bill Jones
Ron Kelly
Joe Gillan
John Williams

P.S. In enclosure
a copy of the meeting
participants for your files.
Mark

ATTENDEE LIST

<u>Name</u>	<u>Position</u>	<u>Phone / Fax</u>
Paul Mutschelknaus	Kelley Drye	202-955-9765 (9792 Fax)
BOB CASEY	LCI	703/714/1177 (848-4404)
JOE CATHEN	ATTORNEY - BAILEY CATHEN LAW FIRM	602-257-8611 / 602-254-8000
Rocky Unruh	ATTY Morganstein + Jursek	(415) 896-0666
inda Oliver	Hogan + Hartson	(202) 637-6527 / (202) 637-5910
JOHN G. WILLIAMS	TELECOMMUNICATIONS CONSULTING GROUP, INC.	VOX 202-626-6293
BOB PERRY	LCI - FACILITIES COST	703-774-1195 / 703-610-381
Stacy Hubbard	LCI	703/610-4894 (-3838)
at Guaranto	LCI	703/610 4866 (848 440)
RON KRAMER	DIR FACILITIES COST	644-798-6862 703-610-3895
Ed Wynn	V.P & General Counsel - AHS	Phone: (312) 335-6648
Don Lambert	Ameritech - Counsel	Fax: (312) 595-1504
David Moser	AHS - Director Tech Planning	Ph (312) 335-6757
Doug Kinkoph	Dir. Regulatory/Legis Affairs	Ph. 703-848-4476 FAX 703-848 4404
Susan Lord	Senior Attorney /	Ph (703) 610-457
Michael Brinkman	Pres, Const Serv Div, LCI	Fax (703) 610-457
Joe Gillan	Gillan Associates	Ph (406) 626-5576
Don Kelley	LCI Metric Planning	614-799-7859
Judy Armes	Ameritech	817 265 5186
Sarah Berger	Ameritech - Presale and LCI Meet. Team	312-335-2915 (312) 335-2915 FAX

TABS R2-10

Information Industry Services
350 North Orleans
Floor 3
Chicago, IL 60654
Office 312/335-6648
Fax 312/335-2928

H. Edward Wynn
Vice President &
General Counsel

Ameritech

MAR 11 1997

March 7, 1997

Ms. Anne K. Bingaman
President, Local Telecommunications Division
LCI International
8180 Greensboro Drive
McLean, VA 22102

Dear Anne:

Thank you for your letter of March 4, 1997. Ameritech has completed its review of LCI's proposal which we discussed last Friday and which is further detailed in your letter. To advance our discussions of LCI's proposal, I plan to prepare a detailed, written response to that proposal and your March 4, 1997 letter. I expect to be able to provide that response to you sometime early next week.

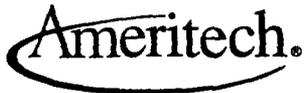
Sincerely,



cc: Judy Armes
Sarah Buerger
Ron Lambert
Dave Moser

TAB R2-11





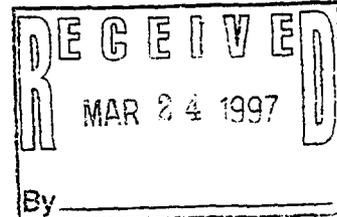
cc: AKB
RUIEC.
GILLAD
CASEY
OLIVER
CHRON
ORIG FILE

Information Industry Services
350 North Orleans
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H. Edward Wynn
Vice President &
General Counsel

March 17, 1997

Anne Bingaman
President, Local Telecommunications Division
LCI International
8180 Greensboro Drive, Suite 800
McLean, Virginia 22101



Dear Anne:

The purpose of this letter is to eliminate any potential confusion regarding the interpretation and application of Section 21.12 of the Interconnection Agreement between our respective companies.

It is Ameritech's position that, pursuant to Section 21.12 of the Interconnection Agreement, Ameritech Ohio, would make available to your company and your company may:

- (1) select any additional Interconnection Methodology, individual Network Element or Resale Service provided under any other approved Interconnection Agreement with Ameritech Ohio ("Other Agreement"), subject to the same terms and conditions under which such Interconnection Methodology, individual Network Element or Resale Service is provided under the Other Agreement; or
- (2) select the terms and conditions under which an Interconnection Methodology or one or more individual Network Elements or Resale Services are provided under the Other Agreement to replace the terms and conditions under which those same Interconnection Methodologies, Network Elements or Resale Services are provided under the Interconnection Agreement with your company; or
- (3) replace the terms and conditions in an entire Article of the Interconnection Agreement with the terms and conditions in an entire Article of the Other Agreement; or
- (4) add an entire Article of the Interconnection Agreement containing the terms and conditions of an entire Article of the Other Agreement.

If you have any questions about this issue, please call me.

Sincerely,

H. Edward Wynn — TAB R2-12

LCI International®
Worldwide Telecommunications

Anne K. Bingaman
Senior Vice President
President, Local
Telecommunications Division

March 19, 1997

VIA FAX

Mr. H. Edward Wynn
General Counsel
Ameritech Industry
Information Services
350 New Orleans, 3rd Floor
Chicago, Illinois 60654

Dear Ed:

We very much appreciated our meeting with Ameritech on Friday, February 28, 1997, which I summarized briefly in my letter of March 4, 1997, attached hereto.

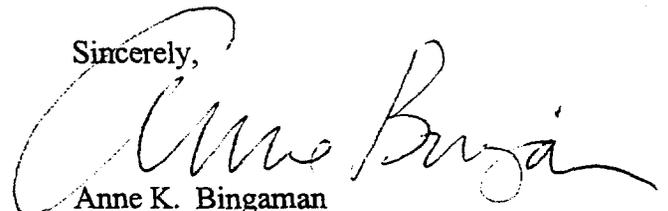
At that meeting, Ameritech committed to get back to us on Friday, March 7, and on March 11, you promised to get back to us by Friday, March 14, 1997.

As you know, LCI has a strong customer base in Ameritech's region, and we very much need to proceed with testing a move by LCI to use of unbundled combined network elements (the "Network Platform") promptly.

We are awaiting your reply, because we assume follow-up meetings will be necessary and we have many individuals involved whose schedules will have to be coordinated.

Thank you very much.

Sincerely,


Anne K. Bingaman

attachment
AKB:slg
cc: Joe Gillan

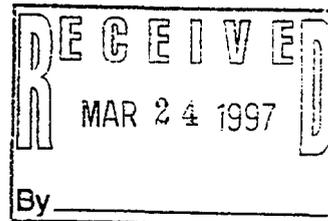
TAB R2-13



Information Industry Services
350 North Orleans
Floor 3
Chicago, IL 60654
Office 312/335-6648
Fax 312/595-1504

H. Edward Wynn
Vice President &
General Counsel

March 19, 1997



Anne K. Bingaman
Senior Vice President
LCI International
8180 Greensboro Drive
McLean, VA 22102

Dear Anne:

I apologize for not responding to your letter sooner. I had intended for my reply to provide a detailed analysis of the call types that would be transmitted over the "Network Platform" we discussed in our February meeting, rather than to provide a more general response. For that reason, I stated that I would need additional time to provide such a response. However, as your letter dated March 19, 1997, indicates, it would appear to be LCI's preference to discuss this level of detail in follow-up meetings. Having reflected on the matter, I would agree, and for that reason, I provide that more general response immediately.

As we will discuss further, Ameritech does not believe that there is any additional billing systems development needed to allow for any required carrier billing. As we will discuss in greater detail, the following principles would apply if LCI is purchasing the "Network Platform." For calls originating from LCI over the Network Platform, LCI would pay the appropriate rates for all applicable unbundled Network Elements that are part of the Network Platform. As an originating carrier, and not a terminating carrier, LCI is not entitled to reciprocal compensation, as I believe you would agree. If LCI is the terminating carrier, traffic from Ameritech would be routed completely over Ameritech's facilities to the loop port serving LCI's customer. LCI would not be charged for those facilities, since those facilities are Ameritech's not LCI's. Thus, LCI would not have incurred any costs for transport and termination of traffic, and thus, would not be entitled to reciprocal compensation.

With regard to access charges, we are prepared to discuss how access charges would be billed by Ameritech and LCI for each Exchange Access call

TAB R2-1A

Anne K. Bingaman
March 19, 1997
Page 2

type to the appropriate interexchange carrier, consistent with applicable FCC and Commission rules. Again, we understand that there is a dispute between the parties as to the application of such access charges; however, as we will explain to you in further detail, we do not believe that additional systems changes are required to permit the billing of such charges.

As to the ordering procedures for items (1), (2) and (5), those procedures should be discussed between Mr. Jones of your company and Ms. Armes of Ameritech. I understand that Mr. Jones and Ms. Armes have already begun those discussions.

To expedite the discussions on this matter, please call me to discuss when LCI is available to discuss these matters in further detail.

Sincerely,

A handwritten signature in cursive script that reads "A. Edward King". The signature is written in black ink and is positioned below the word "Sincerely,".

TAB R2-15

LCI International®
Worldwide Telecommunications

Anne K. Bingaman
Senior Vice President
President, Local
Telecommunications Division

March 24, 1997

VIA FAX

Mr. H. Edward Wynn
Vice President, General Counsel
Ameritech Information
Industry Services
350 New Orleans, 3rd Floor
Chicago, Illinois 60654

Dear Ed:

Thank you for your March 19, 1997 response to my letters dated March 4 and March 19 regarding LCI's request to proceed with testing the unbundled network element platform as soon as possible.

Unfortunately, your letter does not appear to address the arrangement that we discussed with you in our February 28 meeting and that we confirmed in our letter of March 4. We described a configuration of network elements under which we, as the purchaser of combined network elements, becomes the provider of origination and termination of local and interexchange calls with respect to our local customers. While other arrangements may be *possible*, this is the arrangement that LCI is requesting and in interested in testing.

As we made clear in our February 28 meeting, we understand that there may be a legal dispute between LCI and Ameritech regarding what transport arrangements must be provided under the 1996 Telecommunications Act. We are nevertheless interested in testing with Ameritech the operational systems necessary for LCI to provide the full range of end user and carrier services using the loop/switch combination, independently of our dispute concerning transport. The provisioning of transport over Ameritech's interoffice network should be possible for testing purposes without resolving that legal dispute. As we discussed, for purposes of conducting the test we will agree to Ameritech's proposed compensation terms for the use of interoffice transport.

TAB R2-16

Mr. H. Edward Wynn
March 24, 1997
Page 2

Your letter describes LCI as an "originating" carrier, a term which would appear to restrictively limit LCI's use of the network elements which it intends to purchase from Ameritech. As you know, LCI's position is that the purchaser of combined unbundled elements is the provider of *all* services over those elements, call origination *and* termination. Ameritech has recently represented to the Illinois Commerce Commission case, that it now concedes that the purchaser of unbundled local switching is also the provider of terminating access. See Reply Brief of Ameritech in ICC Docket No. 96-0404 at 60 (citations omitted):

Several of the IXC's complained that they are not being given the opportunity to charge for terminating access. This is no longer an issue. Ameritech Illinois has agreed to conform its treatment of originating and terminating access to provide IXCs with the opportunity they seek.

Your March 19 letter appears to be inconsistent with this position. Because in your letter you unilaterally define Ameritech, and not the platform purchaser, as the provider of local call termination and interexchange call termination (access), it appears that Ameritech is refusing to conduct the test that we have requested. Please confirm whether or not this is the case. Specifically, please inform me whether you are prepared to provide as part of the test access to items (3) and (4) identified in that letter, and indicate the next steps necessary to achieve this end.

As we all agreed at the February 28, 1997 meeting, we wish to put all legal and pricing issues aside for purposes of the test only. LCI very much wants to pursue immediate testing so that we can establish operational procedures for unbundled combined network elements (the Network Platform) promptly.

I might also mention that Nancy Armes had not called Bill Jones at our Network Facilities Offices in Dublin, Ohio as of late Friday afternoon when I personally spoke to him. Accordingly, we have made no progress at all on the tests you proposed of Steps 1 and 2 in our March 4 letter. We would appreciate it if this can proceed immediately.

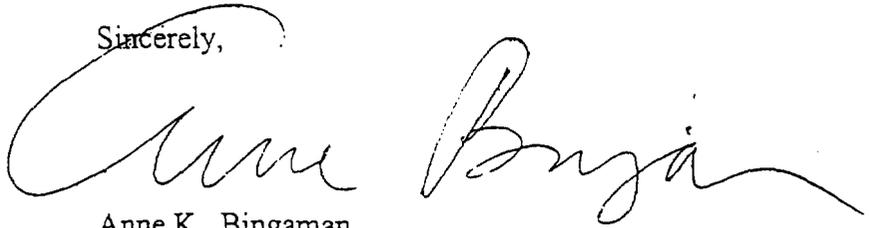
As you know, LCI is working with outside consultants you met here on February 28 to help us implement these tests. It would be more convenient for our purposes to meet here because we have so many people involved. However, since Ameritech came to our offices last time, if it is preferable that LCI come to your offices in Chicago for this second meeting, we will certainly do so. LCI's staff and consultants all are available on Tuesday, April 1, 1997 at 9:00 a.m. for a follow-up meeting to discuss operational matters to set up LCI's proposed test. Alternatively, and as a second choice, Wednesday, April 2 is also available at 10:00 a.m.

Mr. H. Edward Wynn
March 24, 1997
Page 3

I will be out this week, but my Assistant, Sherry Gelfand, at (703) 610-4875 is available to help arrange our next meeting.

Thank you very much.

Sincerely,



Anne K. Bingaman

attachment

AKB:slg

cc: Joe Gillan
Bill Jones

LCI International®

Worldwide Telecommunications

Anne K. Bingaman
Senior Vice President
President, Local
Telecommunications Division

April 11, 1997

VIA FAX

Mr. H. Edward Wynn
Vice President and General Counsel
Ameritech Industry Information Services
359 North Orleans
Chicago, IL 60654

Dear Ed:

Thanks very much for meeting with us yesterday to continue our discussion of LCI's request of Ameritech to conduct an operational test of a combination of unbundled network elements (the "platform" configuration). We asked to conduct this test as soon as possible, using LCI's Chicago and Detroit sales offices as test sites.

As we informed you in our initial meeting on February 28, LCI is interested in using a network elements configuration that combines the loop, switch, and non-discriminatory access to Ameritech's interoffice network for the transport and termination of local calls at cost-based rates. An important part of the test would be to test the systems that must be in place to permit LCI, as the purchaser of unbundled local switching (ULS), to serve as the provider of call origination and termination (for local and interexchange calls). We recognized that Ameritech disagreed with our understanding of its legal obligations, but had hoped that an operational test could proceed while its legal opposition was resolved in other forums.

In our meeting yesterday, we discussed again with you exactly what LCI is interested in testing. Specifically, LCI would like to purchase a ULS element that would include the existing trunk ports on the unbundled switch as a shared resource of the switch. In this way, other carriers (interexchange carriers and competing local service providers) would be able to originate and terminate traffic to end users served by the switch, without regard to the end-users' choice of local provider. LCI's local customers served by unbundled local switching would be able to use Ameritech's interoffice network to complete local calls originated at that switch, using existing routing algorithms as a feature of the ULS and accessing the interoffice network in functionally the same manner as Ameritech. Under this arrangement, calls coming into the switch over the Ameritech interoffice network would be completed to the LCI local customer

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Mr. H. Edward Wynn

April 11, 1997

Page 2

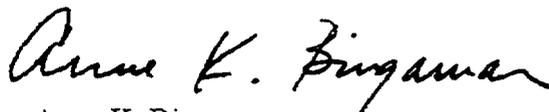
served by that unbundled local switch. Interexchange calls would be originated and terminated to ULS end users regardless of the transport method chosen by the interexchange carrier.

Under this definition of ULS, LCI, as the purchaser of ULS and loops, would be the provider of origination and termination of all calls, local and interexchange, regardless of the method by which those calls are transported to and from the switch.^{1/} This is required, in LCI's view, by the statutory and FCC definition of unbundled network elements.

LCI does not believe that Ameritech's ULS product, as described to us in the meeting in Chicago yesterday, satisfies the definition described above and therefore does not meet LCI's needs or its request. You indicated during our meeting yesterday that you would consider whether Ameritech would be willing to test the ULS product as LCI has described it. You promised that you would inform us by Tuesday, April 15, whether Ameritech would be willing to conduct such a test.

I look forward to hearing from you soon, and hope that we will have the chance to test the ULS product that LCI is interested in purchasing. Thanks again for meeting with us yesterday.

Sincerely,



Anne K. Bingaman

AKB:slg

cc: Joe Gillan
Bill Jones

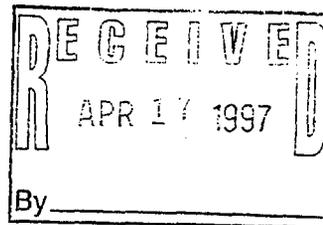
^{1/} Thus, for example, if an interexchange carrier were to purchase switched transport from Ameritech to connect the ULS end office to LCI's point of presence, Ameritech would collect transport charges the interexchange carrier, and LCI would collect all other access charges. For local calls made to or from the LCI customer served by the ULS, LCI would be the provider of local termination and would be entitled to reciprocal compensation for that function.

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350 North Orleans
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Ameritech

H. Edward Wynn
Vice President &
General Counsel

April 16, 1997



Anne K. Bingaman, President
Local Telecommunications Division
LCI International
8180 Greensboro Drive
McLean, VA 22102

Dear Anne:

Thank you for meeting with us last Thursday to discuss LCI's proposal for a trial of what LCI has defined as a combination of unbundled network elements (the "LCI Network Element Platform"). Following is Ameritech's response to LCI's proposal. Although I believe that both Ameritech and LCI were in agreement last Thursday as to the description of the LCI Network Element Platform, to make sure that there is no misunderstanding of that description, I will first describe LCI's proposal.

The LCI Network Element Platform Proposal

As you told us, LCI has several fundamental requirements for the LCI Network Element Platform. First, LCI requires that the product be a combination of Network Elements, as the term Network Elements is defined in the Telecommunications Act of 1996 (the "Act"). LCI has stated that it is not interested in a product that involves Resale of Ameritech's Telecommunications Services, as defined and described in the Act. Ameritech had offered LCI such a product during our meeting on February 28, 1997, but LCI rejected that offer as not meeting its needs for the product.¹

¹See, e.g., Letter from Anne K. Bingaman to H. Edward Wynn (March 4, 1997) at 2. Specifically, LCI has stated that Ameritech's Resale Services product does not meet its requirements because, in contrast to the situation in which LCI purchases Network Elements, LCI is not entitled to collect access charges from interexchange carriers when it purchases Local Exchange Resale Services, nor is it entitled to reciprocal compensation for calls delivered to the customers it serves using Ameritech's Local Exchange Resale Services.



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Anne K. Bingaman
April 16, 1997
Page Two

Second, LCI would not separately obtain Interconnection (as defined and described in the Act) from Ameritech, nor would it provide such Interconnection to Ameritech.

Third, LCI proposes that it would not provide any facilities as part of the LCI Network Element Platform; rather, LCI would obtain any and all of the facilities it needed to provide Telephone Exchange Service or Exchange Access service (again, as those terms are defined in the Act) from Ameritech as part of the LCI Network Element Platform.

Fourth, the LCI Network Platform would require Ameritech to provide "common" trunk ports as part of Ameritech's provision of Unbundled Local Switching. A diagram depicting such a description of Unbundled Local Switching is attached as Exhibit A, which should be identical to the diagram we used during the meeting and which you agreed represented LCI's proposal.

Fifth, the LCI Network Element Platform would consist of the following Network Elements: LCI's proposed Unbundled Local Switching, as described and depicted on Exhibit A, plus Unbundled Local Loops. As to Unbundled Local Loops, LCI did not identify any way in which its proposal for such Unbundled Local Loops was different from Ameritech's proposed provision of Unbundled Local Loops.

Sixth, the following Network Elements would not be separately provided to LCI under the LCI Network Element Platform proposal: Interoffice Transport, Directory Assistance and Operator Services, Signaling and Access to Databases, or Unbundled Tandem Switching. Rather, LCI's position is that it would receive the functionalities provided by such Network Elements as a result of its purchase of its proposed Unbundled Local Switching product.

Seventh, the price that LCI would pay for the LCI Network Element Platform would consist of Ameritech's current price for Unbundled Local Loops, plus some, but not all, of the rate elements that are part of Ameritech's Unbundled Local Switching offering. For example, LCI does not propose that the price it would pay for its proposed Unbundled Local Switching product would include any rate elements associated with custom routing or trunk ports. LCI would not provide routing instructions for traffic to or from its customers, and LCI would use

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Anne K. Bingaman
April 16, 1997
Page Four

Second, Ameritech offered LCI the ability to purchase Ameritech's Local Loop and Unbundled Local Switching Network Elements; and as optional functionality of the Unbundled Local Switching Network Element, LCI could route calls over Ameritech's network, rather than purchasing the individual Network Elements that comprise that network. Ameritech would provide for such use of its network at the wholesale usage rates in Ameritech Local Exchange Resale Services tariffs. The use of Ameritech's network in such a situation would not be as a Network Element because LCI would not be purchasing any of the additional Network Elements, including Interoffice Transport, Tandem Switching or any of the other Network Elements that would be required to establish the appropriate facilities and equipment necessary to establish an LCI network. LCI also rejected this alternative.⁴

LCI's rejection of both of these alternatives demonstrates the essence of LCI's proposal: LCI wants Ameritech to provide LCI a service (end to end provision of Telephone Exchange Service and Exchange Access) at a price that represents only a fraction of the facilities and equipment that are part of that service, and then LCI wants to resell that service to Ameritech and other carriers. LCI's position is at odds with the Act. Specifically, LCI proposes only to purchase one complete Network Element (Local Loops) and pay only a fraction of the price (the Line Port rate element and originating switch usage rate element) for another Network Element (Unbundled Local Switching), but expects (i) Ameritech to provide for the delivery of all calls to and from an LCI Local Loop Customer, and (ii) to collect from Ameritech and other carriers either access charges or reciprocal compensation for the service that Ameritech provided for LCI, merely because LCI is purchasing Loops from Ameritech.

Ameritech has offered to provide LCI exactly the functionality that it has asked for. However, Ameritech expects to be compensated consistent with the Act for the services and functionalities that it provides. First, if LCI wants to purchase all the Network Elements that comprise Telephone Exchange Service and Exchange Access from Ameritech, LCI may do so, and LCI would be entitled to access charges in accordance with applicable FCC or State Commission rules.

feature of the ULS and accessing the interoffice network in functionally the same manner as Ameritech.")

⁴See, e.g., Letter from Anne K. Bingaman to H. Edward Wynn (March 4, 1997) at 2.

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Anne K. Bingaman
April 16, 1997
Page Three

switch trunk ports provided by Ameritech or dedicated to interexchange carriers to deliver and receive their traffic to and from LCI's customers.

Eighth, when offering services to its Local Exchange customers using the LCI Network Element Platform, LCI would receive all access charges for calls placed from or to LCI's Local Exchange customers, and would charge reciprocal compensation to any carrier, including but not limited to Ameritech, that delivered local (i.e., non-Exchange Access) calls to an LCI customer, even if those other carriers are also Unbundled Local Switching customers.

Ameritech's Response to LCI's Network Element Platform Proposal

Ameritech declines to provide LCI, either on a trial basis or as a standard offering, the LCI Network Element Platform based on LCI's requirements for that product as those requirements are described above. Ameritech offered and continues to offer two alternative products and services that provide the functionality that LCI requires. However, LCI rejected each of those alternatives because they did not meet its stated requirements.

First, Ameritech offered and continues to offer LCI the same combination of Unbundled Network Elements that Ameritech provides in its approved Interconnection Agreements, including the approved Interconnection Agreements between Ameritech and AT&T, on the same terms and conditions and at the same rates provided for in those Agreements. However, LCI rejected Ameritech's proposal to provide LCI the identical combination of Unbundled Network Elements described in those Interconnection Agreements. LCI believes that it is not required to purchase the interoffice transport Network Element,² unbundled tandem switching or other Network Elements needed to replicate the facilities that are part of Ameritech's network. Instead, LCI believes that it should receive the functionalities provided by such Network Elements when it purchases only LCI's proposed Unbundled Local Switching and Loops.³

²Contrary to the assertion in your letter of March 4, 1997, and as we discussed in great detail on both February 28 and April 11, Ameritech is willing to offer LCI either Dedicated or Shared Interoffice Transport as part of the combination of Network Elements that Ameritech has agreed to provide. We, in fact, discussed both the monthly and per-minute-of-use pricing for such Shared Interoffice Transport, but LCI rejected all of these pricing proposals.

³See, e.g. Letter from Anne K. Bingaman to H. Edward Wynn (April 11, 1997) at 1 ("LCI's local customers served by unbundled local switching would be able to use Ameritech's interoffice network to complete local calls originated at that switch, using existing routing algorithms as a

TAB R2-24

Ms. Anne K. Bingaman
April 16, 1997
Page Five

Second, if LCI only wants to purchase the Local Loop and Unbundled Local Switching Network Elements and utilize the capability of the Unbundled Local Switching Network Element that would allow LCI to use Ameritech's network rather than LCI-purchased Network Elements, Ameritech will provide such a functionality. However, Ameritech will not provide LCI such use of Ameritech's network for free; and if Ameritech provides Telephone Exchange Service and Exchange Access for LCI Local Loop customers, Ameritech, and not LCI, is entitled to the appropriate access charges and reciprocal compensation related to such calls.

LCI's request that Ameritech provide LCI "the existing Ameritech interoffice network" as part of the Unbundled Local Switching Element is clearly inconsistent with the Act and the FCC Rules. It is at odds with the FCC's definition of Local Switching Capability. See 51 C.F.R. Sec. 51.319(c). It is at odds with Act's requirement that Local Switching be unbundled from transport and other services. See Section 271(2)(B)(vi) of the Act. And, even more fundamentally, it is inconsistent with the Act's definition of a Network Element as a "facility or equipment used in the provision of a telecommunications service." See Section 3(29) of the Act.

Again, Anne, Ameritech is willing to provide LCI the functionalities that LCI is requesting; however, Ameritech will insist that LCI purchase those functionalities in a manner that is consistent with the Act.

Please let me know how you would like to proceed.

Sincerely,



TAB R2-25

LCI International®

Worldwide Telecommunications

Anne K. Bingaman
Senior Vice President
President, Local
Telecommunications Division

April 25, 1997

VIA FAX

Mr. H. Edward Wynn
Vice President and General Counsel
Ameritech Industry Information Services
359 North Orleans
Chicago, IL 60654

Dear Ed:

I have reviewed your letter of April 16, 1997 rejecting LCI's request to conduct an operational test of the network element combination referred to as the "platform." I have to admit that I am discouraged that after so many hours of discussion, Ameritech will not move forward with an operational trial, and by the degree to which you mischaracterized our request. At this point, it does not seem fruitful to provide a detailed response to each statement in your letter. There are two areas, however, that I feel must be corrected.

First, you claim that Ameritech has offered LCI all the functionality it has requested.^{1/} This is simply incorrect. In our view, Ameritech has unilaterally redefined the local switching network element to *exclude* certain trunk ports (*i.e.*, those which interconnect to access transport facilities to interexchange carriers) from the functionality that LCI would obtain as part and parcel of the local switching network element. These trunk ports are shared resource of the local switch, no different than the switching matrix itself. Your refusal to include these ports as part of the features, functions and capabilities of the local switching network element violates the Act and federal rules. It is our view that with respect to our end-users, when LCI purchases the local switching and loop network elements, it becomes the access provider and is entitled to any access charges related to their use.^{2/} We see no basis to Ameritech's claim that the provider of local switching and common line service to an interexchange carrier is decided by the carriers' choice of transport vendor -- which is the practical effect of Ameritech's position regarding trunk ports.

^{1/} See Wynn letter of April 16, page four.

^{2/} LCI seeks no difference in its role providing long distance call termination to an interexchange carrier or local call termination to another local carrier.

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Mr. H. Edward Wynn

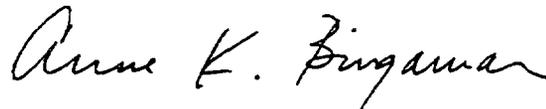
April 11, 1997

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Second, you continuously assert that LCI's request is limited to the loop and local switching network element, implying that LCI is requesting the use of various interoffice network elements without compensating Ameritech for the relevant cost.^{3/} LCI has the right under the Act to obtain access to Ameritech's interoffice network for the transport and termination of local calls. At the outset, we understand that Ameritech disputed its obligations to permit LCI to complete the local calls of its subscribers in the manner requested, but we never implied that LCI was unwilling to compensate Ameritech for the use of any facility or function. As we emphasized throughout our discussions, our goal was to conduct an operational trial while this dispute was resolved.

LCI remains committed to a limited trial in Illinois and Michigan to determine whether the systems necessary to support LCI's entry using the requested network element combination are operational. As you are well aware, time is an important factor and there can be significant lag between regulatory decision and operational compliance. As such, I am extremely disappointed that Ameritech will do nothing to move forward with LCI's request. If, however, your position is based on your mistaken believe that LCI would not compensate you for local transport and termination during the pendency of the operational trial, please contact me immediately (no later than Wednesday, April 30).

Sincerely,



Anne K. Bingaman

AKB:slg

^{3/} For instance, your April 16 letter states:

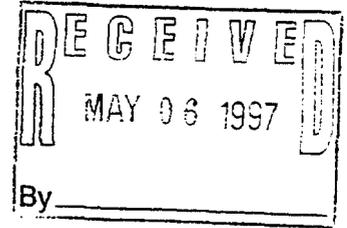
LCI believes that it is not required to purchase the interoffice transport Network Elements needed to replicate the facilities that are part of Ameritech's network. Instead, LCI believes that it should receive the functionalities provided by such Network Elements when it purchases only LCI's proposed Unbundled Local Switching and Loops.



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H. Edward Wynn
Vice President &
General Counsel

April 30, 1997



VIA FACSIMILE

Anne K. Bingaman, President
Local Telecommunications Division
LCI International
8180 Greensboro Drive
McLean, VA 22102

Dear Anne:

This letter is in response to your letter of April 25. I believe that I accurately stated LCI's request for a trial of LCI's proposed Network Element Combination. However, to the extent that you believe that I did not do so, I would appreciate your letting me know how my description of LCI's proposal was incorrect so that I may determine whether Ameritech would have a different position about LCI's proposed trial.

As you requested, following is my response to the two areas of apparent misunderstanding identified in your letter. First, I disagree that Ameritech has not offered LCI the functionality that we believe LCI requested. Ameritech provided several options to LCI that would provide the functionality that LCI has stated it requires. Rather, the disagreement appears to focus on the product definition for Unbundled Local Switching.¹ However, because you believe that Ameritech's understanding of LCI's definition of that product may not be correct, I cannot determine the extent of that disagreement until you let me know how Ameritech's understanding of that product definition is incorrect.

¹ Your letter does not correctly characterize Ameritech's position regarding the product definition of Unbundled Local Switching. That position is stated in my April 16 letter.

⊗ TAB R2-29