

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
(as Arbitrators)**

October 23, 1996

Nashville, Tennessee

**IN THE MATTER OF THE INTERCONNECTION AGREEMENT
NEGOTIATIONS BETWEEN AT&T COMMUNICATIONS OF THE SOUTH
CENTRAL STATES, INC. AND BELL SOUTH TELECOMMUNICATIONS, INC.
PURSUANT TO 47 U.S.C. SECTION 252**

DOCKET NO. 96-01152

**AGREED ORDER REGARDING HOW THE AVOIDABLE COSTS DOCKET
NO. 96-01331 SHALL BE TREATED IN THE CONTEXT OF THE
ARBITRATION HEARING FROM THE PRE-ARBITRATION CONFERENCE
HELD ON OCTOBER 14, 1996**

A Pre-Arbitration Conference was held in the above-captioned matter on Monday, October 14, 1996, in the hearing room of the Tennessee Regulatory Authority (the "Authority"), 460 James Robertson Parkway, Nashville, Tennessee beginning at approximately 1:00 p.m. before Chairman Lynn Greer, Director Melvin Malone, and Director Sara Kyle.

The following appearances were entered at the Pre-Arbitration Conference:

Val Sanford, Esquire, Gullett, Sanford, Robinson & Martin, 230 Fourth Avenue, N., 3rd Floor, P.O. Box 198888, Nashville, Tennessee 37219-8888 and James Lamoureux, Esquire, 1200 Peachtree Street, Atlanta, Georgia 30309, appearing on behalf of AT&T Communications of the South Central States, Inc. ("AT&T").

Guy M. Hicks, Esquire, General Counsel-Tennessee, 333 Commerce Street, Suite 2101, Nashville, Tennessee 37201-3300, and Nancy White, Esquire, General Attorney, 675 Peachtree Street, N.E., Suite 4300 BellSouth Center, Atlanta, Georgia 30375, appearing on behalf of BellSouth Telecommunications, Inc. ("BellSouth").

Jon E. Hastings, Esquire, Boulton, Cummings, Conners & Berry, PLC, 414 Union Street, Suite 1600, Nashville, Tennessee 37219, appearing on behalf of MCI Telecommunications Corporation ("MCI").

Henry Walker, Esquire, Boulton, Cummings, Conners & Berry, PLC, 414 Union Street, Suite 1600, Nashville, Tennessee 37219, appearing on behalf of American Communications Services, Inc. ("ACSI").

Certain matters were properly brought before the Arbitrators and the arguments and comments of the parties were heard on the matters handled herein, as well as on other matters described in two (2) other Agreed Orders of the Arbitrators of even date herewith and an order entitled "Orders From Pre-Arbitration Conference Held On October 14, 1996." During the Pre-Arbitration Conference held on September 5, 1996, the Chairman proposed and the Authority, acting as Arbitrators, agreed upon, a schedule for the filing of testimony and consideration of evidence on the thirty (30) issues identified as "major" in this proceeding. The schedule, adopted by the Arbitrators, set hearings on all issues except Issues 22 and 23, the avoidable costs issues (See transcript of Pre-Arbitration Conference held on September 5, 1996 at page 25). After due consideration of the arguments and comments heard and the agreements reached among the parties, **the Arbitrators hereby order the following, by a unanimous vote:**

1. That official notice of the evidentiary record in the avoidable costs docket (In Re: The Avoidable Costs of Providing Bundled Services for Resale by Local Exchange Companies, Docket No. 96-01331) would be taken by the arbitrators in the arbitration proceeding and thus the record in the avoidable costs proceeding would be the record in this proceeding as to Issues 22 and 23. Those issues are:

22. Must appropriate wholesale rates for BellSouth services subject to resale equal BellSouth's retail rates, less all direct and indirect costs related to retail functions?

23. What are the appropriate wholesale rates for BellSouth to charge when AT&T or MCI purchases BellSouth's retail services for resale?

2. That the parties have stipulated and agreed to the Arbitrators taking official notice of the record in the avoidable costs proceeding in the arbitration proceeding and thus the record in the avoidable costs proceeding would be the record in this proceeding as to Issues 22 and 23.


3. That the decision in the avoidable costs proceeding made by the Directors of the Authority shall be made and announced on or about the same date as the decision is announced in this proceeding.

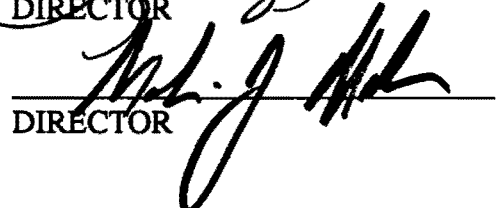
4. That any party aggrieved with the Arbitrators' decision in this matter may file a Petition for Reconsideration with the Arbitrators within ten (10) days from and after the date of this Order.

ATTEST:


EXECUTIVE SECRETARY


CHAIRMAN


DIRECTOR


DIRECTOR

APPROVED:

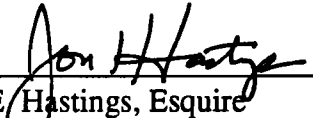
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