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May 1, 1998

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**MISSOURI
PUBLIC SERVICE COMMISSION**

Mr. Dale Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

**RE: Case No. TO-98-115; Parties' Status Report regarding Negotiations for
Combining Network Elements**

Dear Mr. Roberts:

Section 2.25, Tab 6, of the Interconnection Agreement between AT&T Communications of the Southwest, Inc. ("AT&T") and Southwestern Bell Telephone Company ("SWBT") requires the parties to engage in good faith negotiations to establish terms and conditions under which SWBT will provide AT&T with nondiscriminatory access to its network facilities to enable AT&T to combine unbundled network elements purchased from SWBT. Section 2.25 also requires the parties to file a status report on the negotiations on May 1, 1998; this letter is provided as that status report. Counsel for SWBT has authorized the undersigned to provide this status report on behalf of SWBT.

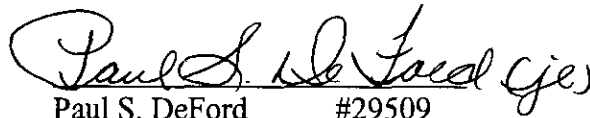
The parties wish to report that they have attempted to negotiate the issue raised by Section 2.25 in the context of their Kansas Interconnection Arbitration (KCC Docket No. 97-AT&T-290-ARB). On February 16, 1998 the Kansas Corporation Commission ("KCC") issued an Arbitration Order holding that the Commission did not have authority to order SWBT to combine UNEs. However, the Commission held that it had authority to order SWBT to provide "unfettered access" to allow AT&T to combine UNEs. Both parties filed motions for reconsideration on various issues, including the combining and access issues, and they conducted negotiations on nondiscriminatory access in early March. On April 6, 1998, the KCC issued an Order on Reconsideration reaffirming its earlier decision on combining and nondiscriminatory access. Consequently, the issue of nondiscriminatory access for the purpose of combining elements has been squarely presented in Kansas in the context of the parties' attempt to produce an arbitration agreement that conforms to the KCC's Arbitration Order.

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On April 17, 1998, AT&T and SWBT filed with the KCC the parties' competing contract language regarding combining and nondiscriminatory access. Currently there is no scheduled deadline for the KCC to rule on the competing language. Although AT&T and SWBT have devoted their resources to resolving this issue in Kansas, and they are hopeful that the outcome there can be agreed to in other states, both parties reserve the right to pursue a different outcome before the MPSC if necessary, as contemplated by Section 2.25. The parties will file a subsequent status report by October 1, 1998.

Respectfully submitted,

LATHROP & GAGE, L.C.

A handwritten signature in cursive script, reading "Paul S. DeFord (je)".

Paul S. DeFord #29509

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