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U S WEST

May 22, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman-Salas, Secretary
Federal Communications Commission
1919 M Street N.W., Room 222, SC-1170
Washington, D.C. 20554

RE: Petition of U S WEST Communications for Relief from Barriers to Deployment of Advanced Telecommunications Services, CC Docket No. 98-26, DA 98-469

Dear Ms. Salas:

Yesterday, we provided the attached document regarding issues surrounding U S WEST's pending 706 application to Thomas Power, Office of Chairman Kennard, Kyle Dixon, Office of Commissioner Powell, Kevin Martin, Office of Commissioner Furchtgott-Roth, James Casserly, Office of Commissioner Ness, Paul Gallant, Office of Commissioner Tristani and Carol Mattey, Melissa Newman and Linda Kinney of the Common Carrier Bureau.

In accordance with Section 1.1206(a)(1) of the Commission's Rules, the original and one copy of this letter, is being filed with your office for inclusion in the public record for the above-mentioned proceedings. Acknowledgment of date of receipt of this transmittal is requested. A duplicate of this letter is provided for this purpose.

Sincerely,

Kathleen Q. Abernathy

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List A B C D E

Memorandum in Support of U S WEST's Section 706 Petition

What are the terms and conditions for a competitive provider of DSL Service to collocate the equipment necessary to provide its service including collocation of the Digital Subscriber Loop Access Multiplex (DSLAM) Equipment?

Earlier this year, U S WEST adopted a new approach to collocation which significantly reduces the competitors' costs. This approach is referred to as "cageless" or "spot-frame" collocation. To the best of our knowledge, U S WEST is the only incumbent local exchange carrier (ILEC) that is making this effort to facilitate local exchange competition. Spot-frame collocation allows a competitor to place its equipment in the ILEC's serving central office without incurring the cost of building a cage which usually costs between $80,000 to $100,000 per location. It also reduces the competitors' recurring costs because the space rental is substantially less than the minimum collocation space rental of 100 square feet.

In addition to providing the option of cageless collocation, this new approach allows the competitor to install its equipment on an incremental basis, one "rack" at a time, thereby minimizing the capital outlay necessary for initial deployment and incremental capacity additions. This approach was first negotiated in the state of Washington with Covad, a competitive DSL service provider operating in the San Francisco area, and which plans to operate in Seattle. This agreement provides for both traditional collocation and the spot frame option. Covad has indicated its intention to take advantage of spot frame for its DSL roll-out and is negotiating the same approach

in other U S WEST states. The spot frame approach to collocation was described in positive terms by Covad's President, Mr. Charles McMinn, during the Senate Telecommunications Subcommittee hearing on the deployment of advanced telecommunications services held on April 22, 1998. He went on to state that he wished all incumbent LECs would adopt it.

For your information and reference, the actual agreed-to language from Section 7 of the Covad Washington state interconnection agreement is set forth below:

7. COLLOCATION

7.1 General Description

7.1.1 Collocation allows Covad to obtain dedicated space in a USWC Wire Center and to place equipment in such spaces to interconnect with the USWC network. Covad may request Collocation at other USWC locations not otherwise specified in this Agreement pursuant to the BFR Process or through additional Interconnection negotiations under the Act. USWC will provide the resources necessary for the operation and economical use of collocated equipment. USWC designated POIs for network interconnection can be established for Virtual, Common, or Physical Collocation arrangements.

7.1.2 Except when Covad purchases USWC's unbundled network transmission elements, or the services or facilities of another carrier, Covad will construct its own fiber optic cable to the USWC-designated Point of Interconnection. USWC will extend Covad's fiber optic cable from the POI to the cable vault within the Wire Center. For the purposes of Collocation, the POI shall be that point outside the USWC central office where the Covad and USWC fibers meet. If necessary, USWC may bring the cable into compliance with USWC internal fire code standards and extend the cable to the collocated space.

7.1.3 Covad will be provided two points of entry into the USWC Wire Center only when there are at least two existing entry points for USWC cable and when there are vacant entrance ducts in both. USWC will promptly remove any unused cabling to free up entrance ducts when no other ducts are available. Cable entry will be limited to fiber facilities.

7.1.4 Covad may collocate transmission equipment to terminate basic transmission facilities. In addition, Covad may collocate any transmission equipment used or useful to it in accessing or managing unbundled network elements, including, but not limited to, digital subscriber line access multiplexers ("DSLAMs"), and remote switching equipment to the extent that the remote switching equipment is not intended to bypass switched access using USWC switching elements. Covad may request Collocation of other equipment pursuant to the BFR Process or through additional Interconnection negotiations under the Act. When Covad installs equipment, Covad must identify what equipment will be installed, to the extent reasonably necessary for USWC to determine the required power, floor loading, heat release, environmental particulant level, and HVAC requirements.

7.1.5 Nothing in this part shall be construed to limit Covad's ability to obtain Virtual, Common, and Physical Collocation in a single location.

7.4 Common Collocation (Cageless or Spot Frame)

7.4.1 Common Collocation is a form of physical collocation that is provided by USWC to Covad in a non-caged area of a USWC central office. Covad may order Common Collocation space on a single frame bay increment. USWC's standard equipment bay configurations will apply.

7.4.2 Covad may place and maintain its own equipment in common Collocation space at its own expense. Common Collocation will allow Covad to connect its facilities to USWC unbundled elements via the SPOT frame.

7.4.3 Covad may submit a request for multiple bay space and, where available, USWC will provide such capability in adjacent bays. When contiguous space is not available, bays may be co-mingled with other CLEC equipment bays. Covad may request through the USWC Space Reclamation Policy as approved by the Commission, a price quote to rearrange USWC equipment to provide Covad with adjacent space.

7.4.4 The rate elements for Common Collocation are the same as those for Physical Collocation as specified in Section 7.6, with the exclusion of the cage element (Section 7.6.2.2), as specified in Appendix A.

We also emphasize that U S WEST remains committed to making unbundled loops for the provision of DSL service available to competitive providers. A competitor purchasing such loops may have them terminated on the spot frame where they would then be connected to the competitive provider's DSLAM equipment and ATM network transmission facilities to provision the end-to-end DSL service. The Company's request for limited Section 251 relief does not affect the availability of such loops.

What is the Company's commitment if it gets this relief?

I. Deployment

As Joe Zell, president of U S WEST's data networking division, recently stated at the Senate Telecommunications Subcommittee advanced telecommunications services hearing in late April, U S WEST will deploy its DSL

service offering and other technically feasible, high-speed data offerings wherever such deployment can be done in an economically sound manner. U S WEST recently announced its intention to deploy DSL service in over 200 central offices across its 14 state region. This deployment largely focuses on the more urban cities (i.e., Seattle, Denver, Phoenix, Portland and Minneapolis) within the company's service area and brings these exciting new high-speed data services to communities that in most cases presently have relatively high-speed Internet "on ramps" readily available. These on-ramps are necessary for the new services to be feasible. Thus, residential and small business customers in these urban areas will gain the benefit of affordable high-speed access from their homes or offices to the Internet and the ability to efficiently work at home.

This planned deployment generally does little for the thousands of rural customers who also live within U S WEST's vast 14 state region. The question that must be answered is "What is required to make advanced telecommunications services available to these citizens?" Broad deployment simply will not happen under the existing rules and economic model. Information "haves" and "have-nots" will unnecessarily be created and defined based on regulation.

U S WEST will commit that if it is granted the relief it seeks under Section 706, it is willing to deploy DSL services to additional central offices throughout the region. To make economic sense, further deployment would be dependent on two factors:

1. Existing available ATM switching and fiber capacity into the serving central office from which DSL service is made available; and,

2. the ability to attract at least 100 subscribers served out of that central office to the DSL offering.

Based on available data and market estimates, U S WEST believes this commitment could increase substantially the number of homes passed with DSL capable facilities and make the service available to an additional 500,000 to 1,000,0000 potential subscribers. InterLATA relief is the key to this commitment. It is what makes it possible to expand the soon to be installed urban DSL capability to a broader base of customers and communities, without incurring the prohibitively high costs of backhauling traffic to larger cities in order to gain access to the Internet backbone. The InterLATA relief U S WEST requests will allow it to more fully and efficiently utilize its existing fiber facilities and the new ATM switches, which are being installed to serve urban areas. This will permit extension of high-speed Internet on-ramps and DSL service into these smaller cities and more rural communities.

II. Broader access for schools and libraries to high-speed Internet access and data transmission

U S WEST strongly supports public education institutions at all levels and in all locations having access to the benefits of high-speed data transmission and the Internet. Congress has already taken significant steps to insure schools and libraries gain this access by mandating in the Telecommunications Act of 1996 that schools and libraries be given access at discounted rates to telecommunications services for educational purposes. In 1997, the FCC implemented this provision by ordering that up to $2.25 billion be made available annually to fund this discount program. The plan is now funded for 1998 and beyond, and fund administration has been

established. Applications for schools and libraries are being processed and additional services are being provided to these institutions by a variety of providers.

The current design of the discount program provides that schools and libraries are eligible for discounts that range in urban areas from 20 to 90 percent and in rural areas from 25 to 90 percent. Further, the services, which are eligible for this discount, are very broad and include, e.g., Internet access, basic telephone service, high-capacity services, wireless telecommunications services and supporting hardware such as routers, and file servers. Given the broad scope of the discount program and its relatively recent launch, U S WEST suggests that we carefully monitor the success of the discount program. Since the program will fund advanced telecommunications services, we expect it will substantially contribute to the ability of schools and libraries to gain access to high-speed data transmission and the Internet.

Not withstanding the existing program described above, U S WEST is willing to commit to developing supplemental discounts for new service installation focused on providing high speed data transmission and Internet access to rural or economically disadvantaged schools, based on geographic and socio-economic criteria. In addition, U S WEST would be happy to explore other ways to improve access for educational institutions.

III. Others will be able to use the backbone network U S WEST proposes to construct or provide.

If U S WEST is given this relief, it will build or arrange for the provision of backbone facilities to transport data traffic across its 14 state region. The purpose of this backbone is to provide the company the ability to have high speed data on-ramps

available for Tier 1 Internet access without incurring the cost and inefficiencies of paying backhaul charges to get to the very limited number of existing Tier 1 points of interconnection. These new high-speed on-ramps are necessary to transport data traffic at speeds which will adequately support DSL service to end-users. This backbone can be created in three ways:

1. connect the company's existing fiber in each LATA across LATA lines;
2. purchase fiber capacity from others that will connect to the existing fiber in each LATA;
3. purchase fiber based transport services for ATM traffic between cities within the region.

Because U S WEST needs to create a data backbone network in the most efficient manner possible, it will likely use a combination of methods to provide the transport functionality. Once this backbone is in place, U S WEST will sell bandwidth to other providers through its packet based services utilizing Frame Relay or ATM transport.

Currently ISPs in non-urban areas face a challenge to obtain cost effective high speed access to the Internet. They have limited options. First they can purchase direct access from one of the Tier One Internet providers. This means that they must buy an access line or "pipe" to the provider's point of presence – which in USW territory is limited to one of 11 cities within the region. This pipe can be a point to point circuit which is priced based on miles traveled, or it can be an IXC provided frame relay circuit which has a mileage charge to the IXC's point of presence in addition to a port charge. Depending on how far away the ISP is from one of the

provider's points of presence and depending on the bandwidth the ISP requires, this service can be very expensive. A second option for the non-urban ISP is to buy access from another local ISP who has already purchased the "pipe". This option provides a more cost-effective method of getting to the Internet, but because this bandwidth is expensive, the ISP selling access tends to significantly oversubscribe the pipe and this ultimately causes congestion and low transmission speeds which delay information access and which would defeat the purpose and value of DSL service.

If U S WEST is given this relief, it will be able to offer ISPs additional cost effective options for Internet access. Because of the broad deployment of frame relay service in the U S WEST region, the ability to carry data traffic on an InterLATA basis offers these ISPs a new choice. The U S WEST frame relay network is generally ubiquitous, and allows customers to obtain efficient data under a pricing structure which does not impose mileage charges. To obtain Internet access from U S WEST if the requested relief were granted, the ISP would purchase the same functionality they currently buy from an IXC but at a more cost effective price. The ISP would purchase a frame relay or ATM port and their desired bandwidth. If the ISP wishes to use a different transport provider, it can purchase cost effective packet based services from U S WEST to get to the nearest city where their transport provider of choice is located.

In addition, U S WEST makes all of its telecommunications services—including those data services which are currently the subject of the 706 proceeding—available on an equal basis to all information service providers, including itself. This is done pursuant to the terms of the U S WEST open network architecture plan. Open

network architecture is a structure under which U S WEST offers competing providers of information services—such as Internet Service Providers—the ability to access the U S WEST network on an equal and user friendly basis. Its elements include such basic safeguards as equal interconnection rights and accounting safeguards against "cross subsidization." Pursuant to the U S WEST open network architecture plan,

U S WEST's own information services, including its Internet Service Provider, must access the U S WEST network on the same terms and conditions as any unaffiliated Information Service Provider. Because of this open network architecture plan, which has been approved by the FCC, competing Information Service Providers are assured the ability to use U S WEST's data transmission telecommunications services on equal terms and conditions with U S WEST's own information services. Thus, even if the competing Information Service Providers are not themselves carriers and are thereby not eligible to purchase unbundled network elements for creation of their own services, they are protected in their access to and ability to use wholesale and retail telecommunications services by U S WEST's open network architecture plan.

IV. Voice over the Internet

U S WEST is requesting relief for high bandwidth data services only. U S WEST intends to fully comply with the applicable legal requirements for opening its local exchange market to competition and to achieve long-distance entry. In fact, the company made its first 271 filing in Montana on March 30th. U S WEST plans to file several other long distance applications by the end of this year.

It is not the company's intention to move voice traffic from the public switched telephone network to its data network. In fact the goal is the opposite, to move data traffic off the PSTN to free it up for its intended purpose - voice calls. In order to put the fears to rest that this Section 706 application is a backdoor into long distance, U S WEST is willing to commit that it will not market or sell telephone to telephone voice service over its new DSL based data services until such time as it receives 271 relief, or is otherwise allowed into the long distance business.