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December 12, 2002 ***EX PARTE***

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW-A325
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket Nos. 01-338; 96-98; 98-147

Dear Ms. Dortch:

On December 11, 2002, Royce Holland, Mark Tresnowski, and Kevin Joseph of Allegiance Telecom met with Commissioner Kathleen Abernathy and Matt Brill, Legal Advisor to Commissioner Abernathy. During the meeting, they discussed Allegiance's network and its need for unbundled network elements, especially unbundled loops including high-capacity loops, and unbundled interoffice transport. Moreover, Allegiance urged the Commission to allow an adequate transition period for carriers to find alternative providers of SS7 in the event that the Commission eliminates SS7 unbundling obligations. The attached presentation was distributed at the meeting and comprised the basis for the Allegiance presentation.

Pursuant to Section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), a copy of this letter is being filed electronically for inclusion in the public record of each of the above-referenced proceedings.

Sincerely,

/s/
Thomas Jones
Counsel to Allegiance Telecom, Inc.

Enclosure

cc: Commissioner Kathleen Abernathy
Matt Brill

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THE NEW WAY FOR BUSINESS TO CONNECT™

FCC Presentation on Triennial Review

Royce Holland, Chairman & CEO

Allegiance Telecom

One source for business telecom®

Allegiance Telecom is a true facilities based <u>local</u> service provider.

- Operations in 36 Tier 1 cities.
- Each of the 36 markets is autonomous.
- 31 Class 5 central office switches (Lucent 5ESS).
- 835+ collocations within ILEC wire centers provide access to the last mile (e.g. Unbundled Local Loop).
- Leveraged existing infrastructure for network deployment (i.e. “Smart Build Strategy”).
- Major investment to electronically bond with ILEC Operational Support Systems (OSS).

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Allegiance Telecom's Markets

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Smart Build

- **Utilize Unbundled Network Elements (UNEs)**
  - UNE-Loop
  - UNE-IOF (Interoffice Transport Facility)
  - UNE-SS7 and Related Databases
  - UNE-Operator Service/Directory Assistance (removed as UNE in 1999)
  - UNE-Operation Support Systems
  - Two-stage approach

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UNE Necessity

- Critical to Allegiance continued growth and expansion plans.
  - Local Loops (last mile)
  - Interoffice Facilities (IOF)
  - SS7 and associated databases
  - Operational Support Systems

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UNE-Local Loop

The "last mile"

- In almost all instances, there are no alternatives to the ILEC local distribution plant.

- Controlling the local loop controls access to the end user customer.

- New broadband distribution technologies and outside plant have the potential to limit access to the end user and therefore limit the possibility of competition at the service level.

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"No Facilities" Policies Deny Legitimate Access to Loops

One of Allegiance's most popular products is an integrated voice/data service provided over a DS1 facility (24 voice channel equivalents). In order to offer this service at a competitive price, Allegiance must be able to obtain the DS1s as unbundled network elements and then add its own electronics.

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Allegiance Encounters Problems Obtaining UNE DS1s from Verizon

Verizon frequently rejects Allegiance's orders for UNE DS1s stating that it cannot fill the orders because it has no facilities. The reject rate that Allegiance has experienced since January of 2002 ranges up to 50% depending upon the region in which the UNE DS1 service is ordered. Across all regions, Verizon rejects 23% of Allegiance UNE DS1 orders, as compared to a 3% reject rate for all other ILEC's combined.

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Construction or Conditioning

- Allegiance contends that repeaters, reconfiguring multiplexers and adding apparatus cases are conditioning, not construction and that the costs for Verizon to provide these are minimal.

- At least 40% of the reject reasons are falling into the no doubler/repeater category. UNEs should be provided in these instances because they involve minimal upgrades that Verizon routinely undertakes for its retail customers.

- About 30% of the reject reasons are being provided simply as 'no facilities.'

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Additional Risks

- Verizon has stated that they are considering amending their Special Access tariffs to require a special access loop to stay in place one year prior to conversion to a UNE. This would further increase the financial burden on the CLEC's.

- Allegiance does not receive reject reasons on Special Access orders

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Need for Performance Metrics
Verizon Intervals

- **Verizon performance on T1 delivery is the lowest in the country.**

Allegiance orders due dates based on the Verizon published intervals. Verizon South meets the Allegiance requested due date only 11% of the time and Verizon North meets the due date 34% of the time.

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Commission Should Clarify Its Rules With the Following Language:

No ILEC may decline a request for an unbundled network element or subelement on the grounds that facilities are not available where the ILEC could provision the element by performing routine modifications, such as adding an apparatus or doubler case or placing and/or turning up a repeater shelf or multiplexer, and where the ILEC performs such work for its retail customers.

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UNE-IOF

Interoffice Facilities

- Provides the umbilical that connects the Allegiance central office switching system(s) to the ILEC wire centers.
- Non-ILEC IOF generally exists in the concentrated central business district (CBD).
- Example - Washington DC (LATA 236)
  - 33 collocations currently established
  - 189 IOF DS3s currently in service (127,008 DS0 equivalents)
  - 53% on Allegiance dark fiber systems
  - 33% on Verizon IOF
  - 9% MCI/WorldCom

  - 64% of In-service collocations could be served by MCI/WorldCom
  - 36% of all In-service collocations can only be served by Verizon

- As Allegiance's geographic footprint expands beyond the CBD, dependence on ILEC IOF increases.

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1. Impairment Analysis Must Be Done By The States.

2. A Substitute Must Serve the Same Point-to-Point Route Served By ILEC UNE Interoffice Transport.

3. A Non-ILEC Source Of Supply That Runs Close To Both End Points Or Serves One End Point And Runs Close To The Second End Point Does Not Qualify as a Substitute.

4. A Non-ILEC Source Of Supply That Is In Bankruptcy Does Not Qualify as a Substitute.

5. The Commission Should Establish A Presumption That A Substitute Offering Cannot Consist of Multiple Vendors Supplying A Single Point-to-Point Route.

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UNE-SS7

Signaling System #7 (SS7) and related databases

- **99% of Allegiance originated traffic is delivered directly to an ILEC office.**
  - Access tandem (Equal Access to Long Distance Carriers)
  - Local Tandem (Efficient exchange of local traffic)
  - End office (Direct exchange of local traffic to and from Allegiance and ILEC customers.)

- **On average, across the Allegiance network, > 65% of all interconnection trunks are direct end office trunks (DEOTs).**

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