

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
: Case No. 03-13057 (RDD)
: ALLEGIANCE TELECOM, INC., ET AL., : (Jointly Administered)
: Debtors. :
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**ORDER DENYING MOTION OF CERTAIN UTILITIES (A) TO VACATE
UTILITY ORDER DATED MAY 15, 2003 AND (B) TO DETERMINE
ADEQUATE ASSURANCE OF FUTURE PAYMENT**

Upon the motion, dated August 1, 2003 (the "Motion"), of San Diego Gas & Electric Company, Commonwealth Edison Company and Southern California Edison Company (collectively, the "Utilities") (a) to vacate pursuant to Bankruptcy Rule 9024 the Order, dated May 15, 2003, deeming utilities adequately assured of future performance and establishing procedures for determining requests for additional adequate assurance (the "Utility Order"), and (b) to determine adequate assurance of future payment, by Allegiance Telecom, Inc. and its direct and indirect subsidiaries, the debtors and debtors-in-possession herein (collectively, the "Debtors"); and upon the Utilities' supplement to the Motion, dated September 22, 2003; and upon the Debtors' objection to the Motion, dated October 16, 2003, as supported by the Affidavit of Christine B. Kornegay; and upon the joinder of the statutory committee of unsecured creditors (the "Committee") to the Debtors' objection, dated October 16, 2003; and upon the Utilities' reply to the Debtor's Objection, dated October 17, 2003; and a hearing (the "Hearing") to consider the Motion having been held on October 21, 2003; and it appearing that this Court has jurisdiction to consider and to determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and due and proper notice of the Motion having been

given; and it appearing that the transcript from the hearing is unavailable due to the apparent disappearance of the court reporter; and upon the arguments made at the Hearing; and upon due deliberation, good and sufficient cause appearing therefor, and for the reasons stated by the Court at the Hearing:

IT IS HEREBY:

ORDERED, that the Motion is denied; and it is further

ORDERED, that the Utilities are adequately assured of future payment in accordance with section 366(b) of the Bankruptcy Code and the Debtors shall not be required to provide the Utilities with additional adequate assurance, including a cash deposit or other form of security; provided, however, that, subject to the Utilities' execution of an appropriate confidentiality agreement, the Debtors shall provide to counsel for the Utilities, on a weekly basis, the same minimum cash balance reports delivered to the Debtors' prepetition secured lenders; and it is further

ORDERED, that the Utilities may not alter, refuse or discontinue utility services to the Debtors, unless such Utility has first obtained an order from this Court; and it is further

ORDERED, that in the event that the Debtors default in making timely payment for valid utility charges for services rendered by a Utility subsequent to the Petition Date (a "Post-petition Payment Default"), the affected Utility is authorized to settle a proposed order (a "Proposed Payment Order") on the terms and conditions set forth below, which, if signed by the Court, will require the Debtors to immediately remit payment in the amount of the Postpetition Payment Default; and it is further

ORDERED, that the Utility settling a Proposed Payment Order shall (i) annex to the Proposed Payment Order an affidavit (the "Affidavit") by an individual with personal knowledge establishing a prima facie case with respect to the alleged Postpetition Payment

Default and the need for the relief sought in the Proposed Payment Order and setting forth sufficient information for the Debtors to identify easily the alleged unpaid invoice(s), and (ii) settle the Proposed Payment Order (with the Affidavit) on five (5) business days' notice to counsel for the Debtors and counsel for the Creditors' Committee. Notice required to be given hereunder by the Utilities to the Debtors shall be transmitted by facsimile, transmission confirmed as follows:

Debtors' Counsel:

Togut, Segal & Segal LLP
One Penn Plaza
New York, NY 10119
Telephone: (212) 594-5000
Facsimile: (212) 967-4258
Attn: Frank A. Oswald, Esq.

Committee Counsel:

Akin, Gump, Strauss, Hauer & Feld, LLP
590 Madison Avenue
19th Floor
New York, NY 10022
Telephone: (212) 872-1000
Facsimile: (212) 407-3296
Attn: Colin M. Adams, Esq.

ORDERED, that in the event that a response or objection to a Proposed Payment Order is filed with the Court and served upon the Objecting Utilities' New York and Richmond, Virginia counsel, a hearing will be scheduled at the Court's earliest convenience to consider the relief requested in such Proposed Payment Order; provided, however, that if no response or objection is filed, the Proposed Payment Order may be signed and entered without a hearing; and it is further

ORDERED, that, the Utilities shall be entitled to an administrative expense priority pursuant to sections 503(b) and 507(a) of the Bankruptcy Code for any valid unpaid utility charges that accrue on or after the Petition Date.

DATED: New York, New York
February 20, 2004

/s/Robert D. Drain
ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE