

Post Entry Performance Plan Final Collaborative Summary

June 5, 2001

For More Information:

Bob Center of MTG
bcenter@mtgconsulting.com
916-425-7707

Frank Darr of NRRI
darr.1@osu.edu
614-688-5473

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Project Process Overview

Introduction

This report summarizes the progress of the Qwest Post Entry Performance Plan collaboration (PEPP or collaboration). Part 1 provides a summary of the processes used by the PEPP. Part 2 contains a summary of those areas in which the parties reached agreement. Part 3 contains a summary of those areas in which the parties were not able to agree at the conclusion of the collaboration. The revised Qwest PAP will also be released as a part of the final collaborative documentation.

Part 1: Procedural Summary of the PEPP

A. Creation of the Collaboration

The Qwest Regional Oversight Committee (ROC) announced the creation of a collaborative to discuss a post entry performance plan for Qwest on August 9, 2000.¹ Initially, eleven states agreed to participate²; subsequently, Colorado withdrew from the collaboration and New Mexico joined.

After the announcement of the collaboration, the ROC solicited parties to participate in the effort. Interested parties were directed to register through a web site maintained by the Montana commission. A mailing list of state commission staff and another mailing list of all parties that registered were maintained for the duration of the project. A list of participants registered to the collaboration mailing list is attached as Appendix B.

The states and Qwest also agreed to contract for assistance in directing the collaboration. Maxim Telecommunications Consulting Group (MTG) and the National Regulatory Research Institute (NRRI) served as consultants to the collaboration under this agreement. The states directed the activities of the contractors through a staff committee; Qwest provided funding and other resources for the consultants and the collaboration.

B. Collaborative Process

The collaboration was set up to serve as a structured negotiation process. The process of creating a plan was broken down into three steps to acquaint parties with the issues and form increasingly detailed levels of consensus. The first phase consisted of the creation of a set of principles and a framework for a plan. The second phase included the presentation of various plan proposals and negotiation of common features. The last phase was the treatment of implementation.³

The process through which the parties communicated was four-fold. First, the parties met in face-to-face workshops. Second, the parties met by conference call on several occasions. Third, the parties communicated through the email list service created through the registration process. Fourth, the parties had access to a common repository of documents in a web site maintained by NRRI for the project.

The original plan called for three workshops and contained contingency plans for additional conference calls. In practice, face-to-face workshops proved more efficient and conference calls were dropped after December 2000. Likewise, the negotiation process proved to be complex and extended.

¹ http://www.nrri.ohio-state.edu/oss/Post271/Post271/roc_release_aug_2000.pdf

² The states that initially participated were Colorado, Idaho, Iowa, Nebraska, North Dakota, Montana, Oregon, South Dakota, Utah, Washington, and Wyoming. New Mexico initially monitored the process, then formally joined. Minnesota and Arizona declined the invitation to be involved at this time.

³ See http://www.nrri.ohio-state.edu/oss/Post271/Post271/mtg_initial_plan_8-21-00.pdf.

Additional workshops were added to the process. The content of the conference calls and workshops are discussed more fully below.

To assist the parties in this process, the consultants prepared several documents that were refined by the parties. These documents are archived in the PEPP web site.⁴ The key documents found there and used by the collaboration were agendas for each meeting and call, the draft of principles and framework for the plan, a decomposition of the various plans submitted by the parties that was regularly updated for each of the 2001 meeting through April, and various documents that summarized agreements on issues as they arose. Additionally, the web site archives the various proposals and comments the parties provided for each session.

As noted more fully below in the discussion of the content of the meetings, the parties completed much of the first two phases in the original design of the project. There is agreement on much of the structure of a performance plan's performance measurements, statistical structure, and basic remedy structure. Other details remain in dispute. The parties did not reach a detailed recommendation on the manner of bringing a particular plan to a state (the implementation phase), but it is expected that Qwest will make individual filings with each state to initiate that process.

C. Collaborative Meetings

The collaboration was conducted through a series of workshops and conference calls. The sessions are summarized below.

The collaboration commenced with an organizational call on August 21, 2001. During the call, the consultants outlined the process they intended to use for directing the collaborative efforts and discussed a governance model and scheduling.⁵

On October 2, 2000, the consultants distributed an initial set of documents containing a discussion of FCC's treatment of performance plans, a side-by-side analysis of the New York and Texas plans, and a draft set of principles and framework for a performance plan with a request for comments.⁶

On October 5, 2000, the parties met by conference call to discuss the initial distribution of materials.⁷

In response to the October 2, 2000 request for comments, Qwest, Comptel, McLeod, Worldcom, ALTS, ASCENT, COVAD, ICG, Montana Consumers' Counsel, Z-Tel, ATT, Allegiance, and Sprint filed comments.⁸

The first workshop was held in Denver on October 24 and 25, 2000 to discuss the framework and principles document and governance of the collaboration. Those discussions lead to high-level agreements on many of the principles. That agreement was captured in a revised principles and framework document. In addition, the parties proceeded on several other issues including a review of

⁴ <http://www.nrri.ohio-state.edu/oss/Post271/index.htm>.

⁵ <http://www.nrri.ohio-state.edu/oss/Post271/Minutes/minutes8-21-00.htm>

⁶ http://www.nrri.ohio-state.edu/oss/Post271/first_workshop_mats.htm

⁷ <http://www.nrri.ohio-state.edu/oss/Post271/Minutes/minutes10-5-00.htm>

⁸ http://www.nrri.ohio-state.edu/oss/Post271/first_workshop_mats.htm

state enforcement authority and a collaborative governance process. Further the parties set a conference call for December 5 and 6, 2000.⁹

During the December 5 and 6, 2000 conference call, the parties addressed two major areas. First, there was an extended discussion on the governance of the collaboration. When it became apparent that agreement on governance was not going to emerge, Qwest offered to submit a new proposal. (Qwest subsequently withdrew that offer and indicated that it intended to proceed without a formal governance structure.¹⁰) Second, the parties generally completed discussion of the principles. Further discussion of the framework of the performance plan was suspended as the parties had already distributed proposed plans to the collaborative members. The consultants, therefore, agreed to roll the framework discussion into the discussion of the plans. At the end of the conference call, the parties agreed to an agenda for the next workshop scheduled for January 3 to 5, 2001 in Seattle.¹¹

As noted previously, several parties submitted proposed plans between the first and second workshops. Qwest provided drafts of its variation of the Texas plan. In addition, ATT, Worldcom, and Z-Tel also submitted plans. A statement of principles was submitted by ASCENT through a letter addressed to Commissioner Rowe of Montana.¹²

These proposals and position papers became the grist for a decomposition of the various plan elements that structured the discussion for the next three workshops. The decomposition sought to identify the basic elements of the various plans and aggregate the proposals from the various parties concerning those elements. The decomposition then was used as an outline for discussion in the collaborative sessions.¹³

The parties then met in workshops on January 3 to 5 in Seattle,¹⁴ February 13 to 15 in Denver,¹⁵ and March 13 to 15 in Denver¹⁶ to discuss items on the decomposition. In addition, parties made presentations to the collaboration at each of these sessions to detail generally the nature of their proposals (overviews of the various plans in Seattle) and the particular elements of their proposal (statistical approaches were discussed in the February Denver meeting and remedies were discussed in the March Denver meeting). Importantly, the performance measures to be included in the plan were largely agreed to at the March Denver meeting.

Following the discussion of remedies at the March Denver meeting, the states requested “price outs” of the various proposals for the discussion at the next workshop scheduled in Portland on April 24-26, 2001. Pursuant to various agreements concerning the confidentiality of the data, Qwest performed calculations for three states of the effects of its and the modified ATT plan of the remedy provisions. These calculations were presented to the collaboration on April 24 in Portland. Following extended discussion the parties at the Portland meeting agreed to use the Qwest plan as the basis for further negotiation and largely agreed to a statistical approach based on the Qwest plan model. (Z-Tel did not participate in the April meeting and subsequently registered objections to the proposal.)¹⁷ At the conclusion of the April workshop, the parties agreed to a May meeting in Seattle.

⁹ http://www.nrri.ohio-state.edu/oss/Post271/first_workshop_mats.htm

¹⁰ <http://www.nrri.ohio-state.edu/oss/Post271/Post271/stevedavisltrp.pdf>

¹¹ http://www.nrri.ohio-state.edu/oss/Post271/Minutes/dec_5&6_minutes.htm

¹² http://www.nrri.ohio-state.edu/oss/Post271/position_papers.htm

¹³ For an early version of the decomposition, see http://www.nrri.ohio-state.edu/oss/Post271/Post271/Decomposition_ver2.pdf

¹⁴ http://www.nrri.ohio-state.edu/oss/Post271/third_workshop_materials.htm

¹⁵ http://www.nrri.ohio-state.edu/oss/Post271/fourth_workshop_materials.htm

¹⁶ http://www.nrri.ohio-state.edu/oss/Post271/fifth_workshop_materials.htm

¹⁷ http://www.nrri.ohio-state.edu/oss/Post271/sixth_workshop_materials.htm

The Seattle workshop took place on May 15 to 17, 2001.¹⁸ At the beginning of this workshop several issues that remained open from the prior session were discussed and resolved. Qwest then presented a proposal on remedies to the parties. In response, the CLECs identified the major areas of concern they had with the Qwest proposal and the redline draft of the Qwest PAP they received on May 14, 2001. Qwest declined to discuss further the areas raised by the CLECs except for several areas of clarification on items that had been tentatively agreed to in prior discussions. It also left open the possibility of further discussions concerning higher remedies for high value services. At that point, Qwest indicated that further workshops would be unwarranted and that it would prepare a draft of the performance plan incorporating the areas of agreement previously reached and highlighting those areas that remain unresolved. These items (the Qwest revised performance plan, areas of agreement, and areas of disagreement) form the remainder of this report.

¹⁸ http://www.nrri.ohio-state.edu/oss/Post271/seventh_workshop_materials.html

List of Agreements

Part 2: List of Agreements

The following issues were discussed and agreed to by the collaborative.

A. Principles and Framework Items

1. The collaborative agreed on wording for Principles 4.1 through 4.5 at the October 24, 2000 workshop. This agreed upon wording is contained in the Revised Principles and Framework document posted on the collaborative web site.

B. PEPP Governance

1. The collaborative agreed to work without a defined governance structure.

C. Performance Measurements

1. The collaborative agreed that the PIDs would be used to define whether a measure was a parity or benchmark measure. The PIDs would also define how these measurements were to be evaluated.
2. A matrix of the PIDs that were discussed for inclusion in the plan appears as Appendix A of this document. The matrix outlines areas of agreement and areas of no agreement for the PIDs. This matrix contains an agreed upon structure of families for some of the PIDs. When a measurement family is defined, the collaborative agreed that the remedy would be calculated based upon the measurement resulting in the highest dollar value within the family.

D. Classification of Performance Measurements

1. Qwest proposed to increase the level of Tier 1 payments to CLECs by classifying Tier 1 measurements OP-8, OP-13a, MR-3, MR-5, and MR-6a, 6b, 6c as “high. (See attachment 1 of the Qwest PAP.) This agreement is captured in Appendix A of this document.
2. The collaborative agreed that Tier I remedies would be payable to the individual CLECs, while Tier II remedies will be payable to the states. Tier II remedies will be measured on an aggregate basis.

E. Statistical Methods

1. The collaborative agreed to evaluate benchmark measurements on a “stare and compare” basis.
2. The collaborative agreed to use the Modified Z approach to determine if the difference between the Qwest and CLEC means were statistically significant.

3. A step function to determine the critical z value to utilize for various sample sizes was proposed by Qwest and accepted by the collaborative after some discussion and modification. The proposal was accepted¹⁹ as follows:

1. K Table eliminated.
2. For purposes of statistical testing on parity measurements, the following critical values will be used:

Sample Size	All Other	<i>LIS Trunks, UDITs, Resale, UBL – DS1 and DS3</i>
1-10	1.645	1.04*
11-150	1.645	1.645
151-300	2.0	2.0
301-600	2.7	2.7
601-3000	3.7	3.7
3001 and above	4.3	4.3

* Applies for individual month testing. For purposes of determining consecutive month misses, 1.645 shall be used. Zone 1 and zone 2 shall be combined.

4. Permutation testing will be used for sample sizes of $n \leq 30$. For benchmark measurements, a mathematical function (incorporated into the Qwest PAP) will determine the benchmark target for $n \leq 100$.

F. Payment Structure

1. The CLECs proposed a method to incorporate “sticky” (or “sliding”) duration by incrementing and decrementing remedy levels for each month when the target is missed and/or met. This will be accomplished using the remedy table that exists in the Qwest PAP. Qwest accepted this proposal, and it was subsequently adopted by the collaborative.
2. The collaborative accepted Qwest’s proposal to create a stepped penalty structure for the following Tier II measurements: GA-1, GA-2, GA-3, GA-4, GA-6, PO-1, OP-2, and MR-2. The Tier II remedies will be implemented on the month the measure is missed (rather than after 3 months, as originally proposed). PO-1 will be collapsed to EDI and GUI for remedy calculations. The following penalties apply:

<i>GA Measurements</i>	<i>Remedy Level</i>
$\leq 1\%$	\$1,000 / \$14,000
$> 1\%$ to 3%	\$10,000 / \$140,000
$> 3\%$ to 5%	\$20,000 / \$280,000
$> 5\%$	\$30,000 / \$420,000

¹⁹ Note in the next section that additional features were proposed and are in dispute.

<i>OP-2 and MR-2</i>	<i>Remedy Level</i>
≤ 1%	\$1,000 / \$14,000
> 1% to 3%	\$5,000 / \$70,000
> 3% to 5%	\$10,000 / \$140,000
> 5%	\$15,000 / \$210,000

<i>PO-1</i>	<i>Remedy Level</i>
2 sec. or less	\$1,000 / \$14,000
>2 sec. To 5 sec.	\$5,000 / \$70,000
>5 sec to 10 sec.	\$10,000 / \$140,000
> 10 sec.	\$15,000 / \$210,000

G. Cap on Payments

1. The collaborative accepted the following proposal offered by Qwest regarding per-measure caps:
 - a. Remove the cap on PO-3
 - b. Retain the cap on BI-1, BI-3, and BI-4
 - c. Remove the cap on PO-1 (this measure will become a per-measure measure rather than a per-occurrence measure with a cap)
 - d. Remove the cap on PO-7
 - e. Do not divide by 24 on NI-1. The cap will be removed for NI-1 as well.
 - f. Qwest will verify with the TAG that NI-1 will not be counted in the remedy calculations in the month when a TGSR is issued.

H. Other PAP Provisions

1. The collaborative agreed that RSIDs would not be combined for the purposes of remedy calculations.
2. Qwest will draft more general wording regarding the states' use of Tier II funds. This wording will be incorporated into the revised Qwest PAP.
3. Some reporting provisions were agreed to by the collaborative. Reports will be issued monthly to the CLECs and the states by the final day of the month following the month for which the performance results are being reported. There will be a grace period of 5 business days.

List of Unresolved Issues

Part 3: List of Unresolved Issues

The following issues were discussed, but no consensus was reached. The topics may be at impasse or open for further discussion as noted below.

A. Principles and Framework Items

2. The Framework items were not discussed separately as a specific workshop topic. The collaborative agreed to defer the Framework items and discuss the specific components of the plan as the meetings progressed.
3. The collaborative agreed on wording for Principles 4.1 through 4.5 at the October 24, 2000 workshop. This agreed upon wording is contained in the Revised Principles and Framework document posted on the collaborative web site. The Collaborative did not reach agreement on the wording for Principles 4.6 and 4.7. These Principles address the issues of exclusivity and enforcement.

B. Performance Measurements

3. Change management PIDs have been proposed by Qwest and are currently before the TAG. Any discussion of their inclusion in the PAP was deferred pending TAG consideration.
4. The CLECs proposed that “parity with a floor” be incorporated into PID standards. No specific proposal of benchmark “floors” was made. This proposal was made at the May 16, 2001 workshop. The collaborative had previously agreed to use the performance standard stated in the PID.
5. A matrix of the PIDs that were discussed for inclusion in the plan appears as Appendix A of this document. The matrix outlines areas of agreement and areas of no agreement for the PIDs.

C. Classification of Performance Measurements

1. Qwest proposed to increase the level of Tier 1 payments to CLECs by classifying Tier 1 measurements OP-8, OP-13a, MR-3, MR-5, and MR-6a, 6b, 6c as “high” and to decrease the level of Tier 2 payments to State Funds by classifying Tier 2 measurements OP-3, OP-4, OP-5, OP-6, MR-7, and MR-8 as “medium.” (See attachment 1 of the Qwest PAP.) The CLECs accepted the Tier 1 classifications, but made the classification of the Tier 2 measurements contingent upon Qwest accepting the classifications of PO3, PO7, PO8, MR3, MR5, MR6, BI3, CP1, CP3, CP4 as Tier 2 in same manner as Tier 1 e.g. H, M, L. Qwest rejected the entirety of the CLEC counter-proposal. The CLECs inquired as to Qwest’s response if only MR-3 and MR-5 were added as Tier2 measurements. Qwest stated that it would accept, if the CLECs were to make such a proposal. The Qwest proposal was left on the table for the CLECs to determine if they would formalize their inquiry as to MR-3 and MR-5.
2. The CLECs proposed that all performance measurements designated “low” be classified as “medium” and the “low” category be eliminated. Qwest rejected this proposal.

D. Statistical Methods

1. Certain CLECs proposed that a 1.04 critical value be used for statistical testing for all parity performance measurements with samples sizes of 11 or less. The collaborative had previously agreed to a statistical approach that eliminated the K-Table and substituted a table of varying critical value. (See section 5.0 of the Qwest PAP.) Included in this table is a 1.04 critical value applied to sample sizes of 10 or less for performance measurements involving LIS trunks and to DS1s and DS3s for UDITs, resale, and unbundled loops. Qwest rejected this proposal. The previously agreed to statistical approach stands.

E. Payment Structure

1. The CLECs proposed a payment structure for collocation that is that which was adopted by the Michigan Commission. This subject is under discussion in other venues and any agreements reached will be incorporated into the Qwest PAP for the participating ROC states.
2. The CLECs and Qwest discussed adjustments to the payment schedule for “high valued” services, defined as LIS trunks and DS1 and DS3 UDITs, resale, and unbundled loops. This subject is under discussion in other venues and any agreements reached will be incorporated into the Qwest PAP for the participating ROC states.
3. The CLECs proposed that severity of misses for percentage type measurements be incorporated into payment structure. No specific method was proposed. Qwest stated its opposition to the idea.
4. The CLECs proposed that there be no end to the escalation in the level of per occurrence payment amounts for consecutive month misses beyond six months. No specific dollar amounts were proposed. Qwest stated its opposition to the idea.
5. The CLECs proposed that the level of per occurrence payment amounts for the longer durations be increased. States indicated their preference for the per occurrence payment amounts at the shorter durations be decreased while those for the longer durations be increased. Qwest indicated its willingness to consider adjustments along the lines described by the states; however, no CLEC indicated acceptance of this concept.

F. Cap on Payments

1. Qwest proposes a cap on payments equal to 36% of net revenues. (See section 12.0 of the Qwest PAP.) Individual state cap amounts are shown on Attachment 3 of the Qwest PAP. The CLECs oppose a cap on payments and propose a cap act as a trigger for a service investigation by the state commission. Qwest opposes any cap other than a hard cap of 36%.

G. Other PAP Provisions

1. Audits and root cause analysis provisions were discussed by the collaborative. Qwest’s proposal is section 15.0 in its PAP. No specific proposals were made by the CLECs. No consensus on this matter was reached.
2. The limitation provisions were discussed by the collaborative. Qwest’s proposal is section 13.0 in its PAP. No consensus on limitations was reached.

3. The reporting provisions were discussed by the collaborative. Qwest's proposal is section 14.0 in its PAP. No consensus was reached as to payments for late reports, inaccurate reports, or incomplete reports.
4. Tier 1 payment method was discussed by the collaborative. Qwest's proposal is section 11.0 in its PAP. Qwest volunteered to work with CLECs and the states on the bill credit format and documentation of the payment calculation. No consensus was reached; however, the CLECs indicated that the information may satisfy their concerns over bill credits.
5. The CLECs propose that the PAP be effective upon state commission approval of the PAP. Qwest proposes that the PAP be effective upon FCC approval of its section 271 application for that state. (See section 13.1 of the Qwest PAP.) No consensus on this matter was reached.
6. The CLECs propose that at the effective date of the Qwest PAP that the initial payment levels reflect the number of consecutive months of misses prior to the effective date. No consensus on this matter was reached.

H. Other Topics

1. The CLECs proposed that the provisions of the PAP apply to special access services. No specific proposal of how such would be accomplished was made. Qwest opposed inserting special access as an issue for the first time in the May workshop and rejected the inclusion of special access on the basis that inclusion of special access was inappropriate.

Appendix A

PID Measurements Matrix

Appendix A PID Measurements Martix

Measurements Matrix

ELECTRONIC GATEWAY AVAILABILITY		Tier I	Tier II	Agreement	No Agreement
GA-1	Gateway Availability - IMA-GUI		X		
GA-2	Gateway Availability - IMA-EDI		X		
GA-3	Gateway Availability - EB-TA		X		
GA-4	System Availability - Exact		X		
GA-6	System Availability - GUI Repair		X		
ORDERING AND PROVISIONING					
PO-1	Pre-Order/Order Response Times		X		
PO-2	Electronic Flow-Through			Diagnostic	
PO-3	LSR Rejection Notice Interval	X		Limited to a-1, b-1, c	X (Tier II)
PO-4	LSRs Rejected			Diagnostic	
PO-5	FOCs On Time (%)	X	X		
PO-6	Work Completion Notification Interval	X		Family w/PO-7	
PO-7	Billing Completion Notification Timeliness	X		Family w/PO-6	X (Tier II)
PO-8	Jeopardy Notice Interval	X			X (Tier II)
PO-9	Timely Jeopardy Notices	X			
PO-10	LSR Accountability			Diagnostic	
PO-15	Number of Due Date Changes per Order			Diagnostic	
ORDERING AND PROVISIONING					
OP-2	Calls Answered within Twenty Seconds -		X		
OP-3	Installation Commitments Met	X	X	Family 3a/3b, 3d/3e	
OP-4	Installation Interval	X	X	Family w/ OP-6	
OP-5a	New Service Installation Quality	X	X		
OP-5b	New Service Installation Quality			Diagnostic	
OP-6	Delayed Days	X	X	Combine 6a/6b, Family w/ OP-4	
OP-7	Coordinated "Hot Cut" Interval - UBL			Diagnostic	
OP-8	Number Portability Timeliness	X	X		
OP-13a	Coordinated Cuts On Time - UBL	X	X		
OP-13b	Coordinated Cuts On Time - UBL			Diagnostic	
MAINTENANCE AND REPAIR					
MR-2	Calls Answered within Twenty Seconds - Interconnect Repair Center		X		
MR-3	Out of Service Cleared within 24 Hours	X	*		X (Tier II)
MR-4	All Troubles Cleared within 48 Hours			Not Included	
MR-5	All Troubles Cleared within 4 Hours	X	*		X (Tier II)
MR-6	Mean Time to Restore	X		6a, 6b, 6c only	X (Tier II)
MR-7	Repair Repeat Report Rate	X	X		
MR-8	Trouble Rate	X	X		
MR-9	Repair Appointments Met			Not Included	
MR-10	Customer-Related Trouble Reports			Diagnostic	
BILLING					
BI-1	Time to Provide Recorded Usage Records	X	X		
BI-2	Invoices Delivered within 10 Days			Not Included	
BI-3	Billing Accuracy - Adjustments for Errors	X			X (Tier II)
BI-4	Billing Completeness	X	X		

Appendix A (continued)

DATABASE UPDATES		Tier I	Tier II	Agreement	No Agreement
DB-1	Time to Update Databases			Not Included	
DB-2	Accurate Database Updates			Not Included	
DIRECTORY ASSISTANCE					
DA-1	Speed of Answer - Directory Assistance			Not Included	
DA-2	Calls Answered within Ten Seconds - Directory Assistance			Not Included	
OPERATOR SERVICES					
OS-1	Speed of Answer - Operator Services			Not Included	
OS-2	Calls Answered within Ten Seconds - Operator Services			Not Included	
NETWORK PERFORMANCE					
NI-1	Trunk Blocking	X	X		
NP-1	NXX Code Activation	X	X		
COLLOCATION					
CP-1	Installation Interval	X			X (Tier II)
CP-2	Installation Commitments Met	X	X		
CP-3	Feasibility Study Interval	X			X (Tier II)
CP-4	Feasibility Study Commitments Met	X			X (Tier II)
CP-5	Quote Interval			remove	
CP-6	Quote Commitments Met			remove	
	* CLECs inquired if Qwest would agree to included MR-3 and MR-5 in Tier 2 as a resolution of Tier 2 measures and other proposals made by Qwest at the May 16, 2001				

Appendix B

PEPP Collaborative Participants

Appendix B Collaborative Participants

NAME	ASSOCIATION
Andrea P. Harris	Allegiance Telecom
Kimberly M. Kirby	ALTS
John Finnegan	AT&T
Michael Kalb	AT&T
Michelle Engel	AT&T
Steve Weigler	AT&T
Timothy M. Connolly	AT&T
Molly O'Leary	Avista Communication
Mana Jennings-Fader	Colorado Ass't Attorney
Wendie Alstot	Colorado PUC
Lans Chase	Covad
Lise Strom	Davis Wright Tremaine
Joyce Hundleyus	DOJ
Mary Tee	Electric Lightwave
Mary Tee	Electric Lightwave
Nigel Bates	Electric Lightwave
Garth Morrisette	Eschelon
Gena Doyscher	Global Crossing
Amy Hartzler	ICG Communications
Julia Waysdorf	ICG Communications
Wayne Hart	Idaho PUC
Dennis Rosauer	Iowa Utility Board
John Ridgeway	Iowa Utility Board
Penny Baker	Iowa Utility Board
Vince Hanrahan	Iowa Utility Board
Andrew Newell	JATO
Rod Cox	McLeod USA
Todd McNally	McLeod USA
Mary Lohnes	Midcontinent Communications
Mike Lee	Montana
Allen Buckalew	Montana Consumer Counsel
John Bushnell	Montana Consumer Counsel
Kate Whitney	Montana PSC
Marla Larson	Montana PSC
Michael Lee	Montana PSC
Gene Vuckovich	Montana Rural Development
Theodore Otis	Montana Wireless, Inc
Bob Center	MTG
Denise Anderson	MTG
Marie Bakunas	MTG
Peggy Caraway	MTG
M. Marsh	Nebraska Commission
Chris Post	Nebraska PSC
Dick Palazzolo	Nebraska PSC

Appendix B (continued)

NAME	ASSOCIATION
William Taylor	NERA
Kathleen Shotsky	New Edge Networks
Penny H. Bewick	New Edge Networks
Karl Wyler	New Mexico
Maryanne Reilly	New Mexico Public Reg. Comm
Mike Ripperger	New Mexico Public Reg. Comm
Patrick Fahn	North Dakota PSC
Frank Darr	NRRI
Barbara Combs	Oregon PUC
Sterling Sawyer	Oregon PUC
Marlon "Buster" Griffing	QSI Consulting
Andrew Crain	Qwest
Barbara Brohl	Qwest
Bill Taylor	Qwest
Carl T. Inouye	Qwest
David Gonazales	Qwest
David Sather	Qwest
Dennis Wu	Qwest
Ione Wilkens	Qwest
Jeff Carmon	Qwest
Joanne Ragge	Qwest
Lynn Stang	Qwest
Mark Reynolds	Qwest
Michael Williams	Qwest
Nita Taylor	Qwest
Paul McDaniel	Qwest
Peter Cummings	Qwest
Wayne Kobbervig	Qwest
Douglas Hsiao	Rythms
Cheryl Boyd	SBC Telecom
Mark Mattson	SBC Telecom
Harlan Best	South Dakota PUC
Keith Senger	South Dakota PUC
Rolayne Wiest	South Dakota PUC
Barb Young	Sprint
Don Low	Sprint
Jim Kite	Sprint
Dennis Miller	Utah
Wendy Fuller	Utah
Judith Hooper	Utah Division of PUC

Appendix B (continued)

NAME	ASSOCIATION
Dave Griffiths	Washington Utilities & Trans Com
Tom Spinks	Washington Utilities & Trans Com
Chad Warner	Worldcom
Karen Kinard	Worldcom
Liz Balvin	Worldcom
Terry Tan	Worldcom
Thomas Priday	Worldcom
Tom Dixon	Worldcom
Mike Korber	Wyoming PSC
David LaFrance	XO Communications
Rex Knowles	XO Communications
George Ford	Z-Tel
Janet Livengood	Z-Tel

Appendix C

Qwest PAP (Revised 5-30-01)

THE QWEST PERFORMANCE ASSURANCE PLAN

1.0 Introduction

In conjunction with its applications to State Commissions for approval under Section 271 of the Telecommunications Act of 1996 (the "Act") to offer in-region long distance service, Qwest Corporation ("Qwest") proposes the following Performance Assurance Plan ("PAP"). Qwest is committed to continued compliance with its Section 271 obligations, and as proof of that commitment, Qwest is prepared to voluntarily enter into this post-271 approval monitoring and enforcement mechanism.

The Qwest PAP mirrors the performance assurance plan approved by the Federal Communications Commission ("FCC") for Southwest Bell Telephone Company-Texas.¹ Qwest believes that controversy can be avoided and the resources of the State Commissions and the Company can be best utilized by avoiding a drawn out process of creating a performance assurance plan from scratch. Therefore, Qwest has taken the extraordinary step of duplicating key elements of the approved Texas plan.

The FCC has recognized that performance assurance plans may vary widely from state to state, but that the key elements of any plan should fall within a "zone of reasonableness" such that the plans provide incentives sufficient to foster on-going satisfaction of 271 requirements.² Furthermore, the Qwest PAP puts at risk 36% of the Company's "net revenues" derived from local exchange services.

2.0 Plan Structure

The Qwest PAP is a two-tiered, self-executing remedy plan. The plan is developed to provide individual CLECs with Tier-1 payments if Qwest does not provide parity between the service it provides to the CLEC and that which it provides to its own retail customers, or if Qwest fails to meet applicable benchmarks. In addition, the PAP provides Qwest with additional incentives to satisfy parity and benchmark standards by requiring Qwest to make Tier-2 payments--payments to State Funds established by the State Commissions--if Qwest fails to meet parity and benchmark standards on an aggregate CLEC basis. Tier-2 payments are over and above the Tier-1 payments made to individual CLECs.³

¹ *In the Matter of the Application by SBC Communications, Inc.*, CC Docket No. 00-65, Memorandum Opinion and Order, June 30, 2000. Subsequently, the FCC approved similar enforcement plans as part of 271 approvals granted for SBC-Kansas and Oklahoma. See *In the Matter of the Joint Application of SBC Communications, Inc.*, CC Docket No. 00-217, Memorandum Opinion and Order, January 19, 2001.

² *Id.*, para. 423.

³ It is anticipated that each state fund will be established concurrently with the FCC's approval of the respective State's 271 application.

In the Qwest PAP, performance measurements are given different weightings to reflect relative importance by the designations of High, Medium, and Low. Payment is generally on a per occurrence basis, i.e., a set dollar payment times the number of non-conforming service events. For the performance measurements which do not lend themselves to per occurrence payment, payment is on a per measurement basis, i.e., a set dollar payment. The level of payment also depends upon the number of consecutive months of non-conforming performance, i.e., an escalating payment the longer the duration of non-conforming performance.

The parity standard is met when the service Qwest provides to CLECs is equivalent to that which it provides to its retail customers. Statistically, parity exists when performance results for the CLEC and for the Qwest retail analogue result in a Z-value that is no greater than the Critical Z-values listed in the Critical Z-Statistical Table in section 5.0.⁴ The Qwest PAP relies upon statistical scoring to determine whether any difference between CLEC and Qwest performance results is significant, that is, not attributable to simple random variation.

For performance measurements that have no Qwest retail analogue, agreed upon benchmarks are used. Benchmarks are evaluated using a “stare and compare” method. For example, if the benchmark is 95% or better, Qwest performance results must be at least 95% to meet the benchmark. Percentage benchmarks will be adjusted to round the allowable number of misses up or down to the closest integer, except when the sample size is 5 or less in which case the rounding will be up to the nearest integer. For example, for a 90% benchmark, the number of allowable misses is 10% times the sample size, rounded to the nearest integer. If the sample size is eight observations, $(10\% * 8 = 0.8)$ is rounded to 1, one miss would be permitted, and the effective benchmark would be 88% $(1 - 1/8)$.

3.0 Performance Measurements

The Qwest PAP incorporates performance measurements that will ensure Qwest’s service performance to competitors can be measured and monitored so that any degradation of the agreed upon level of service is detected and corrected. CLECs operating in Qwest’s region offer services through several modes, including resale, interconnection, and the purchase of unbundled network elements. The performance measurements incorporated into the Qwest PAP are broad based enough to cover all the modes of entry.

Performance measurements have been developed in the 271 collaborative workshops. Each of the measurements has a precise definition, called a Performance Indicator Definition (“PID”), which includes specification of the unit of measure, the data to be utilized in the measurement, and the performance standard. The performance standard is either a parity

⁴ The standard Z-test is based on normal statistical theory. If the sample size is large enough, the sample mean will follow a known normal distribution that is dependent on the variance of the data and on the sample size. A sample size of 30 is generally considered sufficient, although the required minimum sample size is dependent on the statistical skewness of the data being sampled. The assumption of a normal distribution is what allows the Z-test. When the sample size becomes too small, the distribution of the sample mean is no longer normal and the Z-test may not be reliable. In that event, other methods, as described below, may be appropriate.

comparison of CLEC service performance with the Qwest retail analogue, or when no retail analogue exists, a benchmark. The PIDs have been agreed to among Qwest, the CLECs, and participating State Commission staff members.

The performance measurements incorporated into the Qwest PAP are shown in Attachment 1. Similar to the approved Texas plan, the measurements are designated as Tier-1, Tier-2, or both Tier-1 and Tier-2. The measurements are also given a High, Medium, or Low designation, reflective of relative importance. Of the 46 measurements that the parties have agreed to in the ROC PID workshops, Qwest incorporates 32 of the measurements into the PAP.⁵

4.0 Statistical Measurement

Qwest uses a statistical test, namely the modified “Z-test,” for evaluating the difference between two means (i.e., Qwest and CLEC service or repair intervals) or two percentages (e.g., Qwest and CLEC proportions), to determine whether a parity condition exists between the results for Qwest and the CLEC(s). The modified Z-tests are applicable if the number of data points are greater than 30 for a given measurement. For testing measurements for which the number of data points are 30 or less, Qwest will use a permutation test to determine the statistical significance of the difference between Qwest and CLEC(s).

Qwest will be in conformance when the monthly performance results for parity measurements (whether in the form of means, percents, or proportions and at the equivalent level of disaggregation) are such that the calculated Z test statistics are not greater than the Critical Z-values. Critical Z-values are listed in Table 1, section 5.0. Qwest will be in conformance with benchmark measurements when the monthly performance result equals or exceeds the benchmark if a higher value means better performance, and when the monthly performance result equals or is less than the benchmark if a lower value means better performance.

The formula for determining parity using the Z test is:

$$z = \text{DIFF} / \sigma_{\text{DIFF}}$$

Where:

$$\text{DIFF} = M_{\text{Qwest}} - M_{\text{CLEC}}$$

$$M_{\text{QWEST}} = \text{Qwest average or proportion}$$

$$M_{\text{CLEC}} = \text{CLEC average or proportion}$$

$$\sigma_{\text{DIFF}} = \text{SQRT} [\sigma^2_{\text{Qwest}} (1/n_{\text{CLEC}} + 1/n_{\text{Qwest}})]$$

⁵ Of the 14 PIDs not included in Qwest’s PAP, 10 are diagnostic or parity by design. As such, it is not appropriate to include them in a performance assurance plan..

σ^2_{Qwest} = Calculated variance for Qwest

n_{Qwest} = number of observations or samples used in Qwest measurement

n_{CLEC} = number of observations or samples used in CLEC measurement

The Z tests will be applied to reported parity measurements that contain more than 30 data points.

In calculating the difference between Qwest and CLEC performance, the above formula applies when a larger Qwest value indicates a better level of performance. In cases where a smaller Qwest value indicates a higher level of performance, the order is reversed, i.e., $M_{CLEC} - M_{QWEST}$.

For parity measurements where the number of data points is 30 or less, Qwest will apply a permutation test to test for statistical significance. Permutation analysis will be applied to calculate the z statistic using the following logic:

Calculate the z statistic for the actual arrangement of the data

Pool and mix the CLEC and Qwest data sets

Perform the following 1000 times:

Randomly subdivide the pooled data sets into two pools, one the same size as the original CLEC data set (n_{CLEC}) and one reflecting the remaining data points, and one reflecting the remaining data points, (which is equal to the size of the original Qwest data set or n_{QWEST}).

Compute and store the Z-test score (Z_S) for this sample.

Count the number of times the Z statistic for a permutation of the data is greater than the actual Z statistic

Compute the fraction of permutations for which the statistic for the rearranged data is greater than the statistic for the actual samples

If the fraction is greater than α , the significance level of the test, the hypothesis of no difference is not rejected, and the test is passed.

5.0 Critical Z-value

The Critical Z-value seeks to account for statistical error arising from the natural variation in the performance results and is an adjustment for these statistical errors. The following table will be used to determine the Critical Z-value that is referred to in section 6.0. In each instance, it is based on the monthly business volume of the CLEC for the particular performance measurements for which statistic testing is being performed.

TABLE 1: CRITICAL Z-VALUE

CLEC volume (Sample size)	LIS Trunks, UDITs, Resale, UBL-DS1 and DS-3	All Other
1-10	1.04*	1.645
11-150	1.645	1.645
151-300	2.0	2.0
301-600	2.7	2.7
601-3000	3.7	3.7
3001 and above	4.3	4.3

* The 1.04 applies for individual month testing for performance measurements⁶ involving LIS trunks and DS-1 and DS-3 that are UDITs, Resale, or Unbundled Loops. For purposes of determining consecutive month misses, 1.645 shall be used. Where performance measurements disaggregate to zone 1 and zone 2, the zones shall be combined for purposes of statistical testing.

6.0 Tier-1 Payments to CLECs

Tier-1 payments to CLECs relate solely to the performance measurements designated as Tier-1 on Attachment 1. The payment amount for non-conforming service varies depending upon the designation of performance measurements as High, Medium, and Low and the duration of the non-conforming service condition as described below. “Non-conforming” service is defined in section 4.0.

6.1 Determination of Non-conforming Measurements: The number of performance measurements that are determined to be “non-conforming” and, therefore, eligible for Tier-1 payments, are limited according to the Critical Z-value shown in Table 1, section 5.0. The Critical Z-values are the statistical standard that determines for each CLEC performance measurement whether Qwest has met parity. The Critical Z-value is selected from Table 1 according to the monthly CLEC volume for the performance measurement. For instance, if the CLEC sample size for that month is 100, the critical Z value is 1.645 for the statistical testing of that parity performance measurement.

6.2 Determination of the Amount of Payment: Tier-1 payments to CLECs, except as provided for in section 10.0, are calculated and paid monthly based on the number of performance measurements exceeding the Critical Z-value. Payments will be made on either a per occurrence or per measurement basis, depending upon the performance measurement, using the dollar amounts specified in Table 2 below. The dollar amounts vary depending upon whether the performance measurement is designated High, Medium, or Low and escalate depending upon the number of consecutive months for which Qwest has not met the standard for the particular measurement.

⁶ The performance measurements are OP-3d/e, OP-4d/e, OP-5, OP-6-4/5, MR-5a/b, MR-7d/e, and MR-8.

The escalation of payments for consecutive months of non-compliant service will be matched month for month with de-escalation of payments. For example, if Qwest has 4 consecutive monthly “misses” it will make payments that escalate from month 1 to month 4 as shown in Table 2. If, in the next month, service meets the standard, Qwest makes no payment. A payment “indicator” de-escalates down from month 4 to month 3. If Qwest misses the following month, it will make payment at the month 3 level of Table 2 because that is where the payment “indicator” presently sits. If Qwest misses again the following month, it will make payments that escalates back to the month 4 level. The payment level will de-escalate back to the original month 1 level only upon compliant service sufficient to move the payment “indicator” back to the month 1 level.

For those performance measurements listed on Attachment 2 as “Performance Measurements Subject to Per Occurrence Payments With a Cap,” payment to a CLEC in a single month shall not exceed the amount listed in Table 2 below for the “Per Measurement” category. For those performance measurements listed on Attachment 2 as “Performance Measurements Subject to Per Measure Payments,” payment to a CLEC will be the amount set forth in Table 2 below under the section labeled “per measure.”

TABLE 2: TIER-1 PAYMENTS TO CLECs

Per occurrence						
Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6 and each following month
High	\$150	\$250	\$500	\$600	\$700	\$800
Medium	\$ 75	\$150	\$300	\$400	\$500	\$600
Low	\$ 25	\$ 50	\$100	\$200	\$300	\$400

Per Measure Cap						
Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6 and each following month
High	\$25,000	\$50,000	\$75,000	\$100,000	\$125,000	\$150,000
Medium	\$10,000	\$20,000	\$30,000	\$ 40,000	\$ 50,000	\$ 60,000
Low	\$ 5,000	\$10,000	\$15,000	\$ 20,000	\$ 25,000	\$ 30,000

7.0 Tier-2 Payments to State Funds

Payments to State Funds established by the State Commission under Tier-2 of the Qwest PAP provide additional incentive for Qwest to correct on-going non-conformance. The payments are limited to the performance measurements designated in section 7.3 for Tier-2 per measure payments and on Attachment 1 for per occurrence measurements and which have at least 10

data points each month for the period payments are being calculated. Similar to the Tier-1 structure, Tier-2 measurements are categorized as High, Medium, and Low and the amount of payments for non-conformance varies according to this categorization.

7.1 Determination of Non-conforming Measurements: The determination of non-conformance will be based upon the aggregate of all CLEC data for each Tier-2 performance measurement. “Non-conforming” service is defined in section 4.0. The number of performance measurements determined to be “non-conforming” and, therefore, eligible for Tier-2 payments, is limited according to the Critical Z-value shown in Table 1, section 5.0. The Critical Z-value is the statistical standard that determines for each performance measurement whether Qwest has met parity.

7.2 Determination of the Amount of Payment: Except as provided in section 7.3, Tier-2 payments are calculated and paid monthly based on the number of performance measurements exceeding the Critical Z-value for three consecutive months. Payment will be made on either a per occurrence or per measurement basis, whichever is applicable to the performance measurement, using the dollar amounts specified in Table 3 or Table 4 below. Except as provided in section 7.3, the dollar amounts vary depending upon whether the performance measurement is designated High, Medium, or Low.

For those Tier-2 measurements listed on Attachment 2 as “Performance Measurements Subject to Per Occurrence Payments With a Cap,” payment to a State Fund in a single month shall not exceed the amount listed in Table 3 for the “Per Measurement” category.

TABLE 3: TIER-2 PAYMENTS TO STATE FUNDS

Per occurrence

Measurement Group	
High	\$500
Medium	\$300
Low	\$200

Per Measurement/Cap

Measurement Group	
High	\$75,000
Medium	\$30,000
Low	\$20,000

7.3 Performance Measurements Subject to Per Measurement Payment: The following Tier-2 performance measurements have their performance results measured on a region-wide (14 state) basis. Failure to meet the performance standard, therefore, will result in a per measure payment in each of the Qwest in-region 14 states adopting this PAP. The performance measurements are:

- GA-1: Gateway Availability - IMA-GUI
- GA-2: Gateway Availability - IMA-EDI
- GA-3: Gateway Availability – EB-TA
- GA-4: System Availability – EXACT

GA-6: Gateway Availability – GUI-Repair
 PO-1: Pre-Order/Order Response Times
 OP-2: Call Answered within Twenty Seconds – Interconnect Provisioning Center
 MR-2: Calls Answered within Twenty Seconds – Interconnect Repair Center

GA-1 has three sub-measurements: GA-1A, GA-1B, and GA-1C. PO-1 shall have two sub-measurements: PO-1A and PO-1B. PO-1A and PO-1B shall have their transaction types aggregated together.

For these measures, Qwest will make a Tier-2 payment based upon monthly performance results according to Table 4: Tier-2 Per Measure Payments to State Funds.

TABLE 4: TIER-2 PER MEASURE PAYMENTS TO STATE FUNDS

Measure	Performance	State Payment	14 State Payment
GA-1,2,3,4,6	1% or lower	\$1,000	\$14,000
	>1% to 3%	\$10,000	\$140,000
	>3% to 5%	\$20,000	\$280,000
	>5%	\$30,000	\$420,000
PO-1	2 sec. or less	\$1,000	\$14,000
	>2 sec. to 5 sec.	\$5,000	\$70,000
	>5 sec. to 10 sec.	\$10,000	\$140,000
	>10 sec.	\$15,000	\$210,000
OP-2/MR-2	1% or lower	\$1,000	\$14,000
	>1% to 3%	\$5,000	\$70,000
	>3% to 5%	\$10,000	\$140,000
	>5%	\$15,000	\$210,000

7.4 Use of Tier-2 Funds: Qwest payments to the State Funds will be used for any purpose that relates to the Qwest service territory that may be determined by the State Commission.

8.0 Step by Step Calculation of Monthly Tier-1 Payments to CLECs

8.1 Application of the Critical Z Values:

For each CLEC, identify the Tier-1 parity performance measurements that measure the service provided by Qwest for the month in question and the Critical Z-value from Table 1 in

section 5.0 that shall be used for purposes of statistical testing for each particular performance measurement.⁷ Apply the statistical testing procedures described in section 4.0.

8.2 Performance Measurements for which Tier-1 Payment is Per Occurrence:

8.2.1 Performance Measurements that are Averages or Means:

Step 1: For each performance measurement, calculate the average or the mean that would yield the Critical Z-value. Use the same denominator as the one used in calculating the Z-statistic for the measure. (For benchmark measurements, use the benchmark value.)

Step 2: Calculate the percentage differences between the actual averages and the calculated averages. The calculation is $\% \text{ diff} = (\text{CLEC result} - \text{Calculated Value}) / \text{Calculated Value}$. The percent difference will be capped at a maximum of 100%.⁸

Step 3: For each performance measurement, multiply the total number of data points by the percentage calculated in the previous step and the per occurrence dollar amounts taken from the Tier-1 Payment Table to determine the payment to the CLEC for each non-conforming performance measurement.

8.2.2 Performance Measurements that are Percentages:

Step 1: For each performance measurement, calculate the percentage that would yield the Critical Z-value. Use the same denominator as the one used in calculating the Z statistic for the measure. (For benchmark measurements, use the benchmark value.)

Step 2: Calculate the difference between the actual percentages for the CLEC and the calculated percentages.

Step 3: For each performance measurement, multiply the total number of data points by the difference in percentage calculated in the previous step and the per occurrence dollar amount taken from the Tier-1 Payment Table to determine the payment to the CLEC for each non-conforming performance measurement.

8.2.3 Performance Measurements that are Ratios or Proportions:

Step 1: For each performance measurement, calculate the ratio that would yield the Critical Z-value. Use the same denominator as the one used in calculating the Z-statistic for the measure. (For benchmark measurements, use the benchmark value.)

⁷ For the purpose of determining the Critical Z-values, each disaggregated category of a performance measurement is treated as a separate sub-measurement. The Critical Z-value to be applied is determined by the CLEC volume at each level of disaggregation or sub-measurement.

⁸ In all calculations of percent differences in sections 8.0 and 9.0, the calculated percent differences is capped at 100%.

Step 2: Calculate the absolute difference between the actual rate for the CLEC and the calculated rate.

Step 3: For each performance measurement, multiply the total number of data points by the difference calculated in the previous step and the per occurrence dollar amount taken from the Tier-1 Payment Table to determine the payment to the CLEC for each non-conforming performance measurement.

8.3 Performance Measurements for which Tier-1 Payment is Per Measure:

For each performance measurement where Qwest fails to meet the standard, the payment to the CLEC is the dollar amount shown on the “per measure” portion of Table 2: Tier-1 Payments to CLECs.

9.0 Step by Step Calculation of Monthly Tier-2 Payments to State Funds

Step 1: Determine the total number of Tier-2 performance measurements⁹ that measure the service provided by Qwest to all CLECs for the month in question.

Step 2: Identify the Tier-2 performance measurement for which Qwest’s service performance is non-conforming for the month in question, using the Critical Z-values from Table 1 in Section 5.0.

Step 3: For each performance measurement that is identified as non-conforming, determine if

- (1), the non-conformance has continued for three consecutive months
- (2) there are at least 10 data points for each month.

If the non-conformance meets these conditions, a Tier-2 payment will be calculated and paid as described below and will continue in each succeeding month until Qwest’s performance meets the applicable standard. For example, Tier-2 payments will continue on a “rolling three month” basis, one payment for the average number of occurrences for months 1-3, one payment for the average number of occurrences for months 2-4, one payment for the average number of occurrences for months 3-5, and so forth, until satisfactory performance is established.

9.1 Performance Measurements for which Tier-2 Payment is Per Occurrence:

9.1.1 Performance Measurements that are Averages or Means:

⁹ For the purpose of determining the Critical Z-values, each disaggregated category of a performance measurement is treated as a separate sub-measurement. The Critical Z-value to be applied is determined by the CLEC volume at each level of disaggregation or sub-measurement.

Step 1: Calculate the monthly average or the mean for each performance measurement that would yield the Critical Z-value for each month. Use the same denominator as the one used in calculating the Z-statistic for the measure. (For benchmark measurements, use the benchmark value.)

Step 2: Calculate the percentage difference between the actual averages and the calculated averages for each month. The calculation for parity measurements is $\% \text{ diff} = (\text{actual average} - \text{calculated average}) / \text{calculated average}$. The percent difference will be capped at a maximum of 100%.

Step 3: For each performance measurement, multiply the total number of data points each month by the percentage calculated in the previous step. Calculate the average for three months (rounded to the nearest integer) and multiply the result by the per occurrence dollar amount taken from the Tier-2 Payment Table to determine the payment to the State Fund for each non-conforming performance measurement.

9.1.2 Performance Measurements that are Percentages:

Step 1: For each performance measurement, calculate the monthly percentage that would yield the Critical Z-value for each month. Use the same denominator as the one used in calculating the Z-statistic for the measure. (For benchmark measurements, use the benchmark value.)

Step 2: Calculate the difference between the actual percentages and the calculated percentages for each of the three non-conforming months. The calculation for parity measurement is $\text{diff} = (\text{CLEC result} - \text{calculated percentage})$. This formula is applicable where a high value is indicative of poor performance. The formula is reversed where high performance is indicative of good performance.

Step 3: For each performance measurement, multiply the total number of data points for each month by the difference in percentage calculated in the previous step. Calculate the average for three months (rounded to the nearest integer) and multiply the result by the per occurrence dollar amounts taken from the Tier-2 Payment Table to determine the payment to the State Fund.

9.1.3 Performance Measurements that are Ratios or Proportions:

Step 1: For each performance measurement, calculate the ratio that would yield the Critical Z-value for each month. Use the same denominator as the one used in calculating the Z-statistic for the measure. (For benchmark measurements, use the benchmark value.)

Step 2: Calculate the difference between the actual rate for the CLEC and the calculated rate for each month of the non-conforming three-month period. The calculation is $\text{diff} = (\text{CLEC rate} - \text{calculated rate})$. This formula is applicable where a high value is indicative of poor

performance. The formula is reversed where high performance is indicative of good performance.

Step 3: For each performance measurement, multiply the total number of data points by the difference calculated in the previous step for each month. Calculate the average for three months (rounded to the nearest integer) and multiply the result by the per occurrence dollar amounts taken from the Tier-2 Payment Table to determine the payment to the State Fund.

9.2 Performance Measurements for which Tier-2 Payment is Per Measure:

For each performance measurement where Qwest fails to meet the standard, the payment to the State Fund is the dollar amount shown on the “per measure” portion of the Tier-2 Payment Table.

10.0 Low Volume, Developing Markets

For certain qualifying performance standards, if the aggregate monthly volumes of CLECs participating in the PAP are more than 10, but less than 100, Qwest will make Tier-1 payments to CLECs for failure to meet the parity or benchmark standard for the qualifying performance sub-measurements. The qualifying sub-measurements are the UNE-P (POTS), megabit resale, and ADSL qualified loop product disaggregation of OP-3, OP-4, OP-5, MR-3, MR-5, MR-7, and MR-8. If the aggregate monthly CLEC volume is greater than 100, the provisions of this section shall not apply to the qualifying performance sub-measurement.

The determination of whether Qwest has met the parity or benchmark standards will be made using aggregate volumes of CLECs participating in the PAP. In the event Qwest does not meet the applicable performance standards, a total payment to affected CLECs will be determined in accordance with the high, medium, low designation for each performance measurement (see Attachment 1) and as described in section 8.0, except that CLEC aggregate volumes will be used. In the event the calculated total payment amount to CLECs is less than \$5,000, a minimum payment of \$5,000 shall be made. The resulting total payment amount to CLECs will be apportioned to the individual affected CLECs based upon each CLEC’s relative share of the number of total service misses.

At the 6-month reviews, Qwest will consider adding to the above list of qualifying performance sub-measurements, new products disaggregation representing new modes of CLEC entry into developing markets.

11.0 Payment

Payments to CLECs or the State Fund shall be made one month following the due date of the performance measurement report for the month for which payment is being made.

Payment to CLECs will be made via bill credits. To the extent that a monthly payment owed to a CLEC under this PAP exceeds the amount owed to Qwest by the CLEC on a monthly bill, Qwest will issue a check or wire transfer to the CLEC in the amount of the overage. Payment to the State Fund will be made via check or wire transfer.

12.0 Cap on Tier-1 and Tier-2 Payments

There shall be a cap on the total payments made by Qwest during a calendar year for each of the 14 states. The cap amounts by state are shown on Attachment 3. The cap represent 36% of the "net revenues" as defined in the FCC's order approving the Bell Atlantic-New York 271 application and affirmed in the FCC order approving the Southwest Bell Telephone-Texas 271 application.¹⁰ CLEC agrees that this amount constitutes a maximum annual cap which will apply to the aggregate total of Tier-1 liquidated damages, including any such damages paid pursuant to this Agreement, any other interconnection agreement, or any other payments made for the same or analogous performance under any other contract, order or rule) and Tier-2 assessments or payments made by Qwest for the same or analogous performance under another contract, order or rule.

The individual state annual payment cap amounts shown on Attachment 3 were calculated based upon Qwest's 1999 ARMIS results, adjusted to reflect the full annual effect of subsequent general rate case orders of the respective state regulatory commissions.

A monthly cap will be determined by dividing the amount of the annual cap by twelve. The monthly cap shall be calculated by applying all payments or credits made by Qwest under this PAP as well as all payments made or credits applied for wholesale service performance pursuant to interconnection agreements, state rules or orders. To the extent in any given month the monthly cap (i.e., the annual cap divided by 12) is not reached, the subsequent month's cap will be increased by an amount equal to the unpaid portion of the previous month's cap.

In the event the annual cap is reached within a calendar year and Qwest continues to deliver non-conforming performance during the same year to any CLEC or to all CLECs, the Commission may recommend to the FCC that Qwest should cease offering in-region interLATA services to new customers.

13.0 Limitations

13.1 Qwest's PAP shall not become available in a State unless and until the FCC approves Qwest's 271 application for that State.

¹⁰ Federal Communications Commission, CC Docket No. 99-404, Memorandum Opinion and Order, December 22, 1999, Para. 436 and footnote 1332; Federal Communications Commission, CC Docket No. 00-65, Memorandum Opinion and Order, June 30, 2000, Para 424.

13.2 Qwest will not be liable for Tier-1 payments to a specific CLEC in an FCC approved state until the Commission has approved an interconnection agreement between the CLEC and Qwest which adopts the provisions of this PAP.

13.3 Qwest shall not be obligated to make Tier-1 or Tier-2 payments for any measurement if and to the extent that non-conformance for that measurement was the result of any of the following: a Force Majeure event;¹¹ an act or omission by a CLEC that is contrary to any of its obligations under its interconnection agreement with Qwest or under the Act or State law; an act or omission by a CLEC that is in bad faith¹²; or non-Qwest problems associated with third-party systems or equipment, which could not have been avoided by Qwest in the exercise of reasonable diligence, provided, however, that this third party exclusion will not be raised more than three times within a calendar year. Qwest will not be excused from Tier-1 or Tier-2 payments on any other grounds, except as described in paragraphs 13.6, 13.7, 13.8 and 13.9. Qwest will have the burden to demonstrate that its non-conformance with the performance measurement was excused on one of the grounds described in this PAP.

13.4 Qwest's agreement to implement these enforcement terms, and specifically its agreement to pay any "liquidated damages" or "assessments" hereunder, will not be considered as an admission against interest or an admission of liability in any legal, regulatory, or other proceeding relating to the same performance. QWEST and CLEC agree that CLEC may not use: 1) the existence of this enforcement plan; or 2) Qwest's payment of Tier -1 "liquidated damages" or Tier-2 "assessments" as evidence that Qwest has discriminated in the provision of any facilities or services under Sections 251 or 252, or has violated any state or federal law or regulation. Qwest's conduct underlying its performance measures, however are not made inadmissible by its terms. Any CLEC accepting this performance remedy plan agrees that Qwest's performance with respect to this remedy plan may not be used as an admission of liability or culpability for a violation of any state or federal law or regulation. Further, any liquidated damages payment by Qwest under these provisions is not hereby made inadmissible in any proceeding relating to the same conduct were Qwest seeks to offset the payment against any other damages a CLEC might recover. The terms of this paragraph do not apply to any proceeding before the Commission or the FCC to determine whether Qwest has met or continues to meet the requirements of section 271 of the Act.

13.5 By incorporating these liquidated damages terms into the PAP, Qwest and CLECs accepting this PAP agree that proof of damages from any non-conforming performance

¹¹ Force majeure includes, without limitation: acts of nature, acts of civil or military authority, government regulations, embargoes, epidemics, terrorist acts, riots, insurrections, fires, explosions, earthquakes, nuclear accidents, floods, work stoppages, equipment failure, power blackouts, volcanic action, other major environmental disturbances, unusually severe weather conditions, inability to secure products or services of other persons or transportation facilities or acts or omissions of transportation carriers.

¹² Examples of bad faith conduct include, but are not limited to: unreasonably holding service orders and/or applications, "dumping" orders or applications in unreasonably large batches, "dumping" orders or applications at or near the close of a business day, on a Friday evening or prior to a holiday, and failing to provide timely forecasts to Qwest for services or facilities when such forecasts are required to reasonably provide services or facilities.

measurement would be difficult to ascertain and, therefore, liquidated damages are a reasonable approximation of any contractual damages that may result from a non-conforming performance measurement. Qwest and CLEC further agree that payments made pursuant to this PAP are not intended to be a penalty. The application of the assessments and damages provided for herein is not intended to foreclose other noncontractual legal and non-contractual regulatory claims and remedies that may be available to a CLEC.

13.6 CLEC is not entitled to remedies under both the PAP and under rules, orders, or other contracts, including interconnection agreements, arising from the same or analogous wholesale performance. Where alternative remedies for Qwest's wholesale performance are available under rules, orders, or other contracts, including interconnection agreements, CLEC will be limited to either the PAP remedies or the remedies available under rules, orders, or other contracts and CLEC's choice of remedies shall be reflected in its Interconnection Agreement.

13.7 In the event that CLEC agreeing to this PAP is awarded compensation for the same or analogous wholesale performance covered by this PAP, Qwest may offset the award with amounts paid under this PAP.

13.8 Qwest shall not be liable for both Tier-2 payments and assessments or sanctions made for the same or analogous performance pursuant to any Commission order or service quality rules.

13.9 Whenever a Qwest Tier-1 payment to an individual CLEC exceeds \$3 million in a month, or when all CLEC Tier-1 payments in any given month exceed the monthly cap (section 11.0), Qwest may commence a show cause proceeding. Upon timely commencement of the show cause proceeding, Qwest must pay the balance of payments owed in excess of the threshold amount into escrow, to be held by a third-party pending the outcome of the show cause proceeding. To invoke these escrow provisions, Qwest must file with the Commission, not later than the due date of the Tier-1 payments, an application to show cause why it should not be required to pay any amount in excess of the procedural threshold. Qwest will have the burden of proof to demonstrate why, under the circumstances, it would be unjust to require it to make the payments in excess of the applicable threshold amount. If Qwest reports non-conforming performance to a CLEC for three consecutive months on 20% or more of the measurements reported to the CLEC and has incurred no more than \$1 million in liability to the CLEC, the CLEC may commence a similar show cause proceeding. In any such proceeding the CLEC will have the burden of proof to demonstrate why, under the circumstances, justice requires Qwest to make payments in excess of the amount calculated pursuant to the terms of the PAP.

14.0 Reporting

Upon FCC 271 approval for a state, Qwest will provide CLECs which have approved interconnection agreements with Qwest a monthly report of Qwest's performance for the measurements identified in the PAP by the last day of the month following the month for

which performance results are being reported. Qwest will collect, analyze, and report performance data for the measurements listed on Attachment 1 in accordance with the most recent version of the Service Performance Indicator Definitions (PID). Upon a CLEC's request, data files of the CLEC's raw data, or any subset thereof, will be transmitted, without charge, to the CLEC in a mutually acceptable format, protocol, and transmission medium.

Qwest will also provide the Commission a monthly report of aggregate CLEC performance results pursuant to the PAP by the last day of the month following the month for which performance results are being reported. Individual CLEC reports will also be available to the Commission upon request. Upon the Commission's request, data files of the CLEC raw data, or any subject thereof, will be transmitted, without charge, to the Commission in a mutually acceptable format, protocol, and transmission form. By accepting this PAP, each CLEC consents to Qwest providing that CLEC's report and raw data to State Commissions upon the Commission's request.

In the event Qwest does not provide CLECs and the Commission with a monthly report by the last day of the month following the month for which performance results are being reported, Qwest will pay a total of \$500, payable to the state, for each business day for which performance reports are past a five business day grace period. Prior to the date of a payment for late reports, Qwest may file with the Commission a request for a waiver of the payment. The request will state the reasons for the waiver. The Commission may grant the waiver, deny the waiver, or provide any other relief that may be appropriate.

15.0 Audits/Investigations of Performance Results

15.1 Qwest will create a separate financial system which will take performance results as inputs and calculate payments according to the terms of the PAP. An independent audit of this financial system shall be initiated one year after the effective date of the PAP and a second audit shall be started no later than 18 months thereafter. The auditor will be chosen and paid for by Qwest. Alternatively, the Commission may choose to conduct this audit itself. The necessity of any subsequent audits of the financial system shall be considered in the six-month PAP reviews, based upon the experience of the first two audits.

If as a result of the audit, it is determined that Qwest underpaid, Qwest will add bill credits to CLECs and/or make additional payments to the State to the extent that it underpaid. In the event Qwest overpaid, future bill credits to CLECs and/or future payments to the State will be offset by the amount of the overage. All under and over payments will be credited with interest at the one year U. S. Treasury rate.

15.2 In the event of a disagreement between Qwest and the CLEC participating in this PAP as to any issue regarding the accuracy or integrity of data collected, generated, and reported pursuant to the PAP, Qwest and the CLEC shall first consult with one another and attempt in good faith to resolve the issue. If an issue is not resolved within 45 days after a request for consultation, the CLEC and Qwest may upon a demonstration of good cause (e.g., evidence of material errors or discrepancies) request an independent audit to be conducted, at the initiating party's expense. The scope of the audit will be limited to performance measurement data

collection, data reporting processes, and calculation of performance results and payments for a specific performance measurement. An audit may not be commenced more than 12 months following the month in which the alleged inaccurate results were first reported.

If an audit identifies a material deficiency affecting results, the responsible party shall reimburse the other party for the expense of the third party auditor, assuming the responsible party was not the party initiating the audit. In the event the CLEC is found to be responsible for the deficiency, any overpayment made to the CLEC as a result of the deficiency shall be refunded to Qwest with interest and any affected portion of future payments will be suspended until the CLEC corrects the deficiency. In the event that Qwest is found to be responsible for the deficiency, Qwest will pay the CLEC the amount that would have been due under the PAP if not for the deficiency, including interest.

Neither CLEC nor Qwest may request more than two audits per calendar year for the entire Qwest in-region states. Each audit request shall be limited to no more than two performance measurements per audit. For purposes of these provisions, a performance measurement is a Performance Indicator Definition (PID), e.g., OP-3, Installation Commitments Met. CLEC agrees that Qwest shall not be required to conduct more than 3 audits at one time for its 14 in-region states, notwithstanding who has initiated the audit, and notwithstanding the provisions in this paragraph. This provision shall exclusively govern audits regarding performance measurements. Qwest agrees to inform Commission Staff and all CLECs of the results of an audit.

15.3 Qwest will investigate any second consecutive Tier-2 miss to determine the cause of the miss and to identify the action needed in order to meet the standard set forth in the performance measurements. To the extent an investigation determines that a CLEC was responsible in whole or in part for the Tier-2 misses, Qwest shall receive credit against future Tier-2 payments in an amount equal to the Tier-2 payments that should not have been made. The relevant portion of subsequent Tier-2 payments will not be owed until any responsible CLEC problems are corrected. For the purposes of this sub-section, Tier-1 performance measurements that have not been designated as Tier-2 will be aggregated and the aggregate results will be investigated pursuant to the terms of this Agreement.

16.0 Reviews

Every six (6) months, Qwest, CLECs, and the Commission shall review the performance measurements to determine whether measurements should be added, deleted, or modified; whether the applicable benchmark standards should be modified or replaced by parity standards; and whether to move a classification of a measure to High, Medium, or Low or Tier-1 to Tier-2. The criterion for reclassification of a measure shall be whether the actual volume of data points was less or greater than anticipated. Criteria for review of performance measurements, other than for possible reclassification, shall be whether there exists an omission or failure to capture intended performance, and whether there is duplication of another measurement. The first six-month period will begin upon the FCC's approval of

Qwest's 271 application for that particular state. Any changes to existing performance measurements and this PAP shall be by mutual agreement of the parties.

Qwest will make the PAP available for CLEC interconnection agreements until such time as Qwest eliminates its Section 272 affiliate. At that time, the Commission and Qwest shall review the appropriateness of the PAP and whether its continuation is necessary. However, in the event Qwest exits the interLATA market, that State PAP shall be rescinded immediately.

17.0 Voluntary Performance Assurance Plan

This plan represents Qwest's voluntary offer to provide performance assurance. Nothing in this plan or in any conclusion of non-conformance of Qwest's service performance with the standards defined in this plan shall be construed to be, of itself, non-conformance with the Act.

Attachment 1: Tier-1 and Tier-2 Performance Measurements Subject to Per Occurrence Payment

Performance Measurement		Tier-1 Payments			Tier-2 Payments		
		Low	Med	High	Low	Med	High
PRE-ORDER/ORDERS							
LSR Rejection Notice Interval	PO-3 ^a	X					
Firm Order Confirmations On Time	PO-5	X				X	
Work Completion Notification Timeliness	PO-6 ^b	X					
Billing Completion Notification Timeliness	PO-7 ^b	X					
Jeopardy Notice Interval	PO-8	X					
Timely Jeopardy Notices	PO-9	X					
ORDERING AND PROVISIONING							
Installation Commitments Met	OP-3 ^c			X		X	
Installation Intervals	OP-4 ^d			X		X	
New Service Installation Quality	OP-5			X		X	
Delayed Days	OP-6 ^c			X		X	
Number Portability Timeliness	OP-8			X		X	
Coordinated Cuts On Time – Unbundled Loops	OP-13a			X		X	
MAINTENANCE AND REPAIR							
Out of Service Cleared within 24 hours	MR-3			X			
All Troubles Cleared within 4 hours	MR-5			X			
Mean time to Restore	MR-6a,b,c			X			
Repair Repeat Report Rate	MR-7			X		X	
Trouble Rate	MR-8			X		X	
BILLING							
Time to Provide Recorded Usage Records	BI-1	X					X
Billing Accuracy-Adjustments for Errors	BI-3	X					
Billing Completeness	BI-4	X				X	

NETWORK PERFORMANCE							
Trunk Blocking	NI-1			X			X
NXX Code Activation	NP-1			X			X
COLLOCATION							
Installation Interval	CP-1	X					
Installation Commitments Met	CP-2			X			X
Feasibility Study Interval	CP-3	X					
Feasibility Study Commitments Met	CP-4	X					

- a. PO-3 is limited to PO-3a-1, PO-3b-1, and PO-3c.
- b. PO-6 is included with PO-7 as two “families:” PO-6a/PO-7a and PO-6b/PO-7b. Measurements within each family share a single payment opportunity with only the measurements with the highest payment being paid.
- c. OP-3 is included as three “families:” OP-3a/3b, OP-3c, and OP-3d/e. Measurements within each family share a single payment opportunity with only the measurement with the highest payment being paid.
- d. OP-4 is included with OP-6 as five “families:” OP-4a/OP-6-1, OP-4b/OP-6-2, OP-4c/OP-6-3, OP-4d/OP-6-4, and OP-4e/OP-6-5. Measurements within each family share a single payment opportunity with only the measurement with the highest payment being paid.
- e. For purposes of the PAP, OP-6a and OP-6b will be combined and treated as one. The combined OP-6 breaks down to OP-6-1 (within MSA), OP-6-2 (outside MSA), OP-6-3 (no dispatch), OP-6-4 (zone 1), and OP-6-5 (zone 2).

Attachment 2: Performance Measurements Subject to Per Measure Caps

Billing

Time to Provide Recorded Usage Records – BI-1 (Tier-1/Tier-2)

Billing Accuracy – Adjustments for Errors – BI-3 (Tier-1)

Billing Completeness – BI-4 (Tier-1/Tier-2)

Attachment 3

Annual Cap on Qwest Payments

State (\$ Millions)	1999 ARMIS Net Return	Adjustment for Commission Rate Orders	Annual Cap
Idaho	68		24
Iowa	85		31
Minnesota	246	(18)	82
Montana	44		16
Nebraska	84		30
New Mexico	89	(10)**	28
North Dakota	35		13
Oregon	132	(32)	36
South Dakota	42		15
Utah	128		46
Washington	225		81
Wyoming	34		12
Total Qwest			588

** The New Mexico adjustment reflects the New Mexico Commission's interim rate order in Docket No. 3007. Permanent rates will be set in Docket No. 3008 and will be reflected in this adjustment when rates are final.