

Public Counsel’s Recommended Service Quality Incentive Plan

A. The Service Quality Incentive Plan is composed of the following nine (9) measurements of performance, as follows:

	Performance Measure (relevant WAC)	SQIP standard	SQIP Payment Calculation (monthly)	SQIP Max Annual Payment
1.	Orders Completed < 5 Business Days WAC 480-120-105	90% in each exchange for each month	\$250,000 times % of exchanges out of compliance each month (\$3,676 per exchange)	\$3 million
2.	Orders Completed < 90 Calendar Days WAC 480-120-105	99% in each exchange for each month	\$250,000 times % of exchanges out of compliance each month (\$3,676 per exchange)	\$3 million
3.	Trouble Reports WAC 480-120-438	No more than 4 per 100 lines for 2 consecutive months or 4 out of 12 months	\$250,000 times % of exchanges out of compliance each month	\$3 million
4.	Dial Tone Speed WAC 480-120-401(2)(a)(i)	Dial tone within 3 seconds for 98% of calls	\$166,666 times % of central office switches out of compliance each month	\$2 million
5.	Out of Service – Repair Interval WAC 480-120-440	All reported interruptions (100%) shall be restored within 48 hours (less exceptions, per WAC)	≥ 99.50% = 0 99.0 - 99.49% = \$41,665 ≤ 98.99% = \$83,333	\$1 million

	Performance Measure (relevant WAC)	SQIP standard	SQIP Payment Calculation (monthly)	SQIP Max Annual Payment
6.	Telephone Answer Time – Repair Center WAC 480-120-133	60 Second Average Wait Time for Service representative	\$83,333 each month out of compliance	\$1 million
7.	Telephone Answer Time – Business Office WAC 480-120-133	60 Second Average Wait Time for Service representative	\$83,333 each month out of compliance	\$1 million
8.	Complaint Response WAC 480-120-166	Response within 2 business days for service complaints; 5 business days for complaints where service is not affected.	5 or fewer violations = zero 6 – 10 violations per month = \$41,666 11 or more violations = \$83,333	\$1 million
9.	Interoffice Facilities (Trunk Blockage) WAC 480-120-401(3)	Trunk Blocking Standards during Avg. Busy Hour as set forth in WAC 480-120-401(3) for Intertoll & Intertandem, Local & EAS Interoffice, and E911.	\$27,777 ea month out of compliance for each: - Intertoll & Intertandem - Local & EAS Interoffice - E911 (max. \$83,333 ea. month)	\$1 million
	Total At Risk			\$16 million

B. Monthly Reports. The Company shall file with the Commission, and provide a copy to Public Counsel at the time of filing, a monthly report with information sufficient to evaluate the Company's performance with respect to the baseline levels specified above in section A. These reports shall be substantially similar in form and content to the existing monthly service quality reports filed by the Company, but shall include reports sufficient to verify the Company's performance on all the measures included in the SQIP. Each monthly report shall be filed within thirty (30) days after the end of the month.

C. Calculation of and Payment of Credits. In its monthly report to the Commission for December each year, the Company shall include a calculation of any credits payable for that calendar year under the Service Quality Incentive Plan. Unless the amount is mitigated pursuant to Section D. below, the amount of credits payable for such year shall be paid to current customers of the Company as an equal bill credit on all Company local exchange access lines. Such credits shall be paid no later than ninety (90) days after the end of such calendar year.

D. Mitigation of Credit Amounts. The Company may petition the Commission for mitigation of the credit amounts that would otherwise be paid pursuant to Section C. above. The Company shall have the burden of demonstrating that mitigation of any service quality credit amount is in the public interest. In considering whether mitigation is in the public interest, the Commission shall consider whether the assessment of credit amounts is due to unusual or exceptional circumstances for which the Company's level of preparedness and response was reasonable. Any such petition shall be filed no later than thirty (30) days after the end of the calendar year for which such credits are payable.

E. Ratemaking Treatment of Credits. The Company shall make appropriate ratemaking adjustments to exclude any credits paid under the Service Quality Incentive Plan from its regulated results of operations.

F. Duration of the Program. The Service Quality Incentive Plan shall commence upon Commission approval of and Company acceptance of any Alternative Form of Regulation (AFOR). If the Company begins operating under an AFOR at any time other than the first day of a month, the SQIP shall commence the following month. The SQIP shall continue for the duration of any AFOR.

G. Annual Service Quality Report to Customers. Not later than ninety (90) days after the conclusion of each calendar year, the Company shall provide an annual report to customers describing its performance with respect to service quality during such year. Such report shall include, at a minimum, those specific monthly results where the Company's performance was below the baseline

H. Rounding. In evaluating the Company's performance under the SQIP, numbers shall be rounded to the nearest one-hundredths decimal place. For example, 99.478% would be rounded to 99.48%.