

Exhibit K

THE QWEST ARIZONA PERFORMANCE ASSURANCE PLAN

1.0 Introduction

1.1 In conjunction with its application to the Arizona Corporation Commission and the Federal Communications Commission (“FCC”) under Section 271 of the Telecommunications Act of 1996 (the “Act”) to offer in-region long distance service, Qwest Corporation (“Qwest”) has agreed to offer this Performance Assurance Plan (“PAP”). Qwest is committed to continued compliance with its Section 271 obligations. Qwest has entered into this post-271 approval monitoring and enforcement mechanism, as a demonstration of its commitment to continue to satisfy Section 271 of the Act.

2.0 Plan Structure

2.1 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 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-- in accordance with section 7.5 herein --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.

2.2 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.

2.3 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. Tier-2 calculations will use a 1.645 critical z-value. The Qwest PAP relies upon statistical calculations to determine whether any difference between CLEC and Qwest performance results is significant, that is, not attributable to simple random variation.

Exhibit K

2.4 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. In circumstances where the combination of a benchmark and a small sample size is such that it would require Qwest to meet a 100% standard, Qwest will be allowed to round 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

3.1 The performance measurements included in the Qwest PAP are shown in Attachment 1 and section 7.4. Each performance measurement identified is defined in the Performance Indicator Definitions (“PIDs”) developed in the Arizona Operating Support System (“OSS”) collaborative, and which are included in the SGAT at Exhibit B. The measurements in Attachment 1 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.

4.0 Statistical Measurement

4.1 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 may use a permutation test to determine the statistical significance of the difference between Qwest and CLEC(s).

4.2 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.

4.3 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 following is the formula for determining parity using the Z test:

Exhibit K

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

Where:

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

M_{QWEST} = Qwest average or proportion

M_{CLEC} = CLEC average or proportion

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

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 formulae apply 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., $M_{\text{CLEC}} - M_{\text{QWEST}}$.

4.3.1 For parity measurements where the performance delivered to CLEC(s) is compared to Qwest performance and for which 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, (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

Exhibit K

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

5.1 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 of the CLEC for the particular performance measurements for which statistical testing is being performed.

TABLE 1: TIER-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	2.0	2.0
601-3000	2.0	2.0
3001 and above	2.0	2.0

* The 1.04 applies for individual month testing for performance measurements involving LIS trunks and DS1 and DS3 that are UDITs, Resale, or Unbundled Loops. The performance measurements are OP-3d/e, OP-4d/e, OP-5a, OP-6-4/5, MR-5a/b, MR-7d/e, and MR-8. 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

6.1 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 determined in accordance with section 4.0.

6.1.1 Determination of Non-conforming Measurements: The number of performance measurements, subject to parity standards 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

Exhibit K

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 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 for parity measurements and the benchmark threshold for benchmark measurements. 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. 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.

6.2.1 The escalation of payments for consecutive months of non-compliant service will be matched month for month with de-escalation of payments for compliant service. 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 a payment 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.

6.2.2 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 Measure Cap” category. For any Tier 1 measurements identified as “Performance Measurements Subject to Per Measurement Payment with a Cap,” if any should be added at a later time, payments to a CLEC in a single month shall not exceed the amount listed in Table 2 below for the section labeled “Per Measure/Cap.”

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

Exhibit K

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

6.3 For each CLEC with annual order volumes of no more than 1,200, Qwest shall multiply the number of months in which at least one payment would be required to be made to such CLEC by \$2,000. To the extent that the actual CLEC payments for the year is less than the product of the preceding calculation, Qwest shall make annual payments equal to the difference.

7.0 Tier-2 Payments

7.1 Payments under Tier-2 are limited to the performance measurements designated in section 7.4 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.

7.2 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 determined in accordance with section 4.0. The number of performance measurements determined to be “non-conforming” and, therefore, eligible for Tier-2 payments, is limited according to a 1.645 critical z-value. The critical z-value becomes the statistical standard that determines for each performance measurement whether Qwest has met parity.

7.3 Determination of the Amount of Payment: Except as provided in section 7.4, 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. Except as provided in section 7.4, the dollar amounts vary depending upon whether the performance measurement is designated High, Medium, or Low.

Exhibit K

The escalation of payments for consecutive months of non-compliant service will be matched month for month with de-escalation of payments for compliant service. For example, if Qwest has 4 consecutive monthly “misses” it will make payments that escalate from month 3 to month 4 as shown in Table 3. 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 3 because that is where the payment “indicator” presently sits. If Qwest misses again the following month, it will make a payment 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.

7.3.1 For those Tier-2 measurements listed on Attachment 2 as “Performance Measurements Subject to Per Occurrence Payments With a Cap,” payment in a single month shall not exceed the amount listed in Table 3 for the “Per Measurement” category. For any Tier 2 measurements identified as “Performance Measurements Subject to Per Measurement Payment with a Cap,” if any should be added at a later time, payments in a single month shall not exceed the amount set forth in Table 3 under the section labeled “Per Measurement/Cap.”

Exhibit K

TABLE 3: TIER-2 PAYMENTS

Per occurrence

Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6 and each following month
High	\$0	\$0	\$500	\$600	\$700	\$800
Medium	\$0	\$0	\$300	\$400	\$500	\$600
Low	\$0	\$0	\$200	\$300	\$400	\$500

Per Measurement/Cap

Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6 & each following month
High	\$0	\$0	\$75,000	\$100,000	\$125,000	\$150,000
Medium	\$0	\$0	\$30,000	\$40,000	\$50,000	\$60,000
Low	\$0	\$0	\$20,000	\$30,000	\$30,000	\$40,000

7.4 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 two sub-measurements: GA-1A and GA-1D. 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..

Exhibit K

TABLE 4: TIER-2 PER MEASURE PAYMENTS

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

7.5 Qwest Tier-2 payments will be used to offset the Commission's costs associated with: 1) administering the PAP including long-term PID administration; 2) monitoring post-entry compliance; 3) dispute resolution; 4) auditing costs, excluding those for which Qwest or a CLEC is responsible; and 5) assessing proposals reviewed in any Qwest federal and state wholesale service quality proceeding. If Tier-2 payments exceed what is necessary to cover the above costs, Qwest shall deposit the balance to the Arizona State Government's general fund. Qwest and Staff shall work cooperatively to develop an auditing/accounting mechanism to ensure the proper use of Tier-2 payments as herein set forth.

8.0 Step by Step Calculation of Tier-1 Parity Measurement Payments to CLECs

The following describes step-by-step the calculation of Tier-1 payments. The calculation will be performed monthly for each CLEC.

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. 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

Exhibit K

CLEC volume at each level of disaggregation or sub-measurement. Apply the statistical testing procedures described in section 4.0.

8.2 Performance Measurements for which Payment is Per Occurrence:

The following describes the calculation of Tier-1 payments to CLECs in which payment is based upon a per occurrence dollar amount.

8.2.1 Performance Measurements that are Averages or Means:

8.2.1.1 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.)

8.2.1.2 Step 2: Calculate the percentage differences between the actual averages and the calculated averages. The calculation is $\% \text{ diff} = ((\text{CLEC result} - \text{Calculated Value}) / \text{Calculated Value}) \times 100$. The percent difference will be capped at a maximum of 100%. In all calculations of percent differences in sections 8.0 and 9.0, the calculated percent differences is capped at 100%.

8.2.1.3 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:

8.2.2.1 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.)

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

8.2.2.3 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:

Exhibit K

8.2.3.1 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.)

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

8.2.3.3 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 Payment is Per Measure

8.3.1 For each performance measurement that Qwest fails to meet the standard, the payment to the CLEC is the dollar amount shown on the “per measure” portion of the Tier-1 Payment Table.

9.0 Step by Step Calculation of Tier-2 Parity Measurement Payments

9.1 The following describes step by step the calculation of Tier-2 payments. The calculation will be performed monthly using the aggregate CLEC performance results. All Tier-2 payments will be used as set forth in section 7.5.

9.1.1 Identify the Tier-2 parity performance measurement for which Qwest’s service performance is non-conforming for the month in question, using the 1.645 critical z-value.

9.1.2 For each performance measurement that is identified as non-conforming, determine if the non-conformance has continued for three consecutive months and if there are at least 10 data points each month. If it has, a Tier-2 payment will be calculated 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.

9.2 Performance Measurements for which Payment is Per Occurrence:

The following describes the calculation of Tier-2 payments in which payment is based upon a per occurrence dollar amount.

Exhibit K

9.2.1 Performance Measurements that are Averages or Means:

9.2.1.1 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.)

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

9.2.1.3 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 for each non-conforming performance measurement.

9.2.2 Performance Measurements that are Percentages:

9.2.2.1 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.)

9.2.2.2 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.

9.2.2.3 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 for each non-conforming performance measurement.

9.2.3 Performance Measurements that are Ratios or Proportions:

9.2.3.1 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.)

Exhibit K

9.2.3.2 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.

9.2.3.3 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 for each non-conforming performance measurement.

9.3 Performance Measurements that Payment is Per Measure:

For each performance measurement that Qwest fails to meet the standard, the payment is the dollar amount shown on the "per measure" portion of the Tier-2 Payment Table.

10.0 Low Volume, Developing Markets

10.1 In the event 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 if during a month Qwest fails to meet the parity or benchmark standard for the qualifying performance sub-measurements listed below. The qualifying sub-measurements are the UNE-P (POTS), megabit resale, and ADSL qualified loop product disaggregation of OP-3, OP-4, OP-5a, MR-3, MR-5, MR-7, and MR-8.

10.2 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.

10.3 At the 6-month reviews, Qwest will consider adding to the above list of performance sub-measurements new product disaggregation that represents new modes of CLEC entry into developing markets.

10.4 If the aggregate monthly CLEC volume is greater than 100, the provisions of this section shall not apply to the qualifying performance sub-measurement.

Exhibit K

11.0 Payment

11.1 Payments to CLECs or payments made under Tier-2 shall be made one month following the due date of the performance measurement report for the month for which payment is being made. Qwest will pay interest on any late payment and underpayment at twice the one-year treasury rate, if the credit or other remittance exceeds the five-day grace period.

11.2 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 to the CLEC in the amount of the overage. Payments under Tier-2 will be made via check or wire transfer. Qwest will provide a comprehensive statement to the Commission detailing how penalties are calculated when Qwest makes Tier 2 payments, and a comprehensive statement to each CLEC detailing how Tier 1 penalties are calculated for that CLEC.

12.0 Cap on Tier-1 and Tier-2 Payments

12.1 There shall be a cap on the total payments by Qwest during a calendar year. The cap amount for Arizona shall be 44% of Qwest's "net revenues" as that term is defined in the FCC's December 22, 1999 Memorandum Opinion and Order in CC Docket No. 99-295 in ¶ 436 footnote 1332. The annual cap shall be recalculated on the first day of the month following the annual anniversary of Commission approval of the Arizona 271 Agreement, using the most recent publicly available ARMIS data. Qwest shall submit to the Commission the calculation of each year's cap no later than 30 days after submission of ARMIS results to the FCC. For purposes of applying the cap, the relevant calendar year shall be treated pro rata with Qwest's ARMIS financial statement.

12.2 The cap applies to the aggregate of Tier-1 payments to CLECs, including payments made pursuant to any other alternative performance obligations pursuant to an interconnection agreement with a CLEC and Tier-2 payments under the plan.

12.3 If the cap is reached within any twelve-month period, the Commission reserves the right to conduct a hearing to determine if the cap should be adjusted upward and if other action should be taken. The hearing will proceed only after proper notice has been given to the parties.

13.0 Limitations

13.1 Qwest's PAP shall not become available in Arizona unless and until Qwest receives effective section 271 authority from the FCC for the State of Arizona.

13.2 Qwest will not be liable for Tier-1 payments to a specific CLEC in Arizona until the Commission has approved an interconnection agreement between the CLEC and

Exhibit K

Qwest and the CLEC opts into the PAP. A CLEC with a Commission-approved interconnection agreement may opt into the terms of the approved Performance Assurance Plan by filing written notice of its intent to do so.

13.3 Qwest shall not be obligated to make Tier-1 or Tier-2 payments for any benchmark measurement if and to the extent that non-conformance for that measurement was the result of any of the following: 1) with respect to performance measurements with a benchmark standard, a Force Majeure event as defined in section 5.7 of the SGAT; 2) 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 faith (Examples of bad faith conduct include, but are not limited to: unreasonably holding service orders and/or applications, “dumping” orders or applications in unreasonable 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); or 3) 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. Force Majeure events do not excuse parity failures. Qwest will not be excused from Tier-1 or Tier-2 payments on any other grounds, except as described in paragraphs 13.6 and 13.7. 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 make payments 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 Tier –1 or Tier-2 payments or 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 payment by Qwest under these provisions is not hereby made inadmissible in any proceeding relating to the same conduct where 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 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.

Exhibit K

13.6 If an existing interconnection agreement requires payments for damages for a performance miss, and the CLEC opts into the PAP, Qwest shall not have to pay twice for the same performance miss—once under the pre-existing interconnection agreement and again under the PAP. Qwest shall have the burden of proof demonstrating that it is paying twice for the same performance miss, and may use the dispute resolution procedure in Section 5.18 or the SGAT to address such an issue.

13.6.1 Any Tier-1 payments made by Qwest under this PAP are not made inadmissible in any proceeding relating to the same conduct that resulted in a performance miss where Qwest seeks to offset the payment against any other damages a CLEC might recover; whether or not the nature of damages sought by the CLEC is such that an offset is appropriate will be determined in the related proceeding.

13.7 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 one-twelfth of the annual cap identified in section 12.0, 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

14.1 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. However, Qwest shall have a grace period of five business days, so that Qwest shall not be deemed out of compliance with its reporting obligations before the expiration of the five business day grace period. Qwest will collect, analyze, and report performance data for the measurements listed on Attachment 1 in accordance with the most

Exhibit K

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.

14.2 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. However, Qwest shall have a grace period of five business days, so that Qwest shall not be deemed out of compliance with its reporting obligations before the expiration of the five business day grace period. 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 marked confidential, 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.

14.3 In the event Qwest does not provide CLEC 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 under Tier-2 a total of \$5,000 for each business day for which performance reports are due after a five business day grace period. This amount represents the total payment for missing any deadline, rather than a payment per report. In addition, Qwest will pay under Tier-2 for incomplete reports, a total of \$1,000 per day for each missing performance result. Prior to the date of a payment for late or incomplete reports, Qwest may file a request for a waiver of the payment, which states the reasons for the waiver. The Commission may grant the waiver, deny the waiver, or provide any other relief that may be appropriate.

14.4 Qwest may not make changes to the Performance Indicator Definitions ("PIDs") contained in the PAP, the statistical methodology for calculating the PID results, or the content of reports unless it first obtains approval from the Commission.

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 subject to Arizona Commission approval and paid for by Qwest. Additionally, the Arizona Commission reserves the right to conduct its own audit or engage the services of a third party auditor if Staff determines that it would be in the public interest. 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.

Exhibit K

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 under Tier-2 to the extent that it underpaid. In the event Qwest overpaid, future bill credits to CLECs and/or future payments under Tier-2 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.

15.3 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.

15.4 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.

15.5 Qwest will investigate any second consecutive Tier-1 Aggregate failures of a performance measure and will investigate consecutive two-month failures for measures at the Tier-2 level and when a CLEC requests it 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. The Commission may order root cause analysis at any time it deems necessary. Qwest will not be required to disclose confidential or proprietary information in its root cause conclusions and such reports will be issued in

Exhibit K

a redacted format where appropriate. Qwest will disseminate its root cause analysis results to the Commission and CLECs by posting any non-confidential results to a public website. 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.

15.6 Qwest will store performance data used to calculate monthly performance reports in an easy to access electronic form for review by the Commission and parties who have a legal right to obtain the information, for three years after they have been produced and for an additional three years in an archived format.

16.0 Reviews

16.1 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. 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 the state of Arizona. Staff shall seek the mutual consent of the parties to any proposed changes. Notwithstanding the limitations set forth above, Qwest acknowledges that the Commission reserves the right to modify the PAP including, but not limited to performance measurements, penalty amounts, escalation factors, audit procedures and reevaluation of confidence levels, at any time as it sees fit and deems necessary upon Commission Order after notice and hearing.

17.0 Termination

17.1 Qwest acknowledges that the PAP will be in full force and effect until further order of the Commission.

18.0 Severability

18.1 In the event that any one or more of the provisions contained herein shall for any reason be held unenforceable or invalid in any respect under law or regulation, the parties will negotiate in good faith for replacement language as set forth herein. If any part of this performance assurance plan is held to be invalid or unenforceable for any reason, such invalidity or unenforceability will affect only the portion of this performance assurance plan which is invalid or unenforceable. In all other respects,

Exhibit K

this performance assurance plan will stand as if such invalid or unenforceable provision had not been a part hereof, and the remainder of the plan shall remain in full force and effect.

Exhibit K

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
GATEWAY							
Timely Outage Resolution	GA-7						X
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					
Timely Release Notifications	PO-16						X
Stand Alone Test Environment	PO-19						X
(Expanded) – Manual Service Order Accuracy	PO-20 ^c		X				
ORDERING AND PROVISIONING							
Installation Commitments Met	OP-3 ^d			X			X
Installation Intervals	OP-4 ^e			X			X
New Service Quality	OP-5a,b ^f			X			X
Delayed Days	OP-6 ^g			X			X
Number Portability Timeliness	OP-8			X		X	
Coordinated Cuts On Time – Unbundled Loops	OP-13a			X		X	
Timeliness of LNP Disconnects	OP-17			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, d ^h , e ^h			X			
Repair Repeat Report Rate	MR-7			X			X
Trouble Rate	MR-8			X			X
LNP Trouble Reports Cleared within 24 hours	MR-11			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	CP-2			X			X
Feasibility Study Interval	CP-3	X					
Feasibility Study Commitment Met	CP-4	X					

Exhibit K

- 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. Low Volume Exception: In lieu of Section 2.4 for PO-20, where CLEC order volumes for a given month are less than 17 in Phase 1, less than 13 in Phase 2, and less than 10 in Phase 3 and subsequent phases, a benchmark standard of "no more than one order with PO-20 errors" is applied. Under this provision, no payment applies if there is only one order with errors.

Stabilization Period: For each phase beginning with Phase 1, there will be no more than a 3-month measurement stabilization period for all fields introduced in that phase. Performance results that include all such fields are not subject to payments during the measurement stabilization period.
- d. 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.
- e. 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.
- f. Low volume treatment for OP-5B will apply if both (1) the CLEC volume of orders is less than or equal to 29 (the denominator of OP-5T) and (2) the number of orders with trouble in OP-5A is no more than one. When these two conditions are met, a standard of no more than one order with new service trouble applies.
- g. 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).
- h. Applicable only to EELs-DS1 level and xDSL-I capable loops.

Exhibit K

Attachment 2: Performance Measurements Subject to Per Occurrence Payments With a Cap

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)