

# Exhibit K

## PERFORMANCE ASSURANCE PLAN

### 1.0 Introduction

1.1 As set forth in this Agreement, Qwest and CLEC voluntarily agree to the terms of the following Performance Assurance Plan (“PAP”), initially prepared in conjunction with Qwest’s application for approval under Section 271 of the Telecommunications Act of 1996 (the “Act”) to offer in-region long distance service and subsequently modified in accordance with the Commission’s orders and, where applicable, by operation of law.

### 2.0 Plan Structure

2.1 The PAP is a two-tiered, self-executing remedy plan. CLEC shall be provided with Tier 1 payments if, as applicable, Qwest does not provide parity between the service it provides to CLEC and that which it provides to its own retail customers, or Qwest fails to meet applicable benchmarks.

2.1.1 As specified in section 7.0, if Qwest fails to meet parity and benchmark standards on an aggregate CLEC basis, Qwest shall make Tier 2 payments to a Fund established by the state regulatory commission or, if required by existing law, to the state general fund.

2.2 As specified in sections 6.0 and 7.0 and Attachments 1 and 2, 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) unless otherwise specified.<sup>1</sup>

2.3 Qwest shall be in conformance with the parity standard when service Qwest provides to CLEC is equivalent to that which it provides to its retail customers. The 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. Statistical parity shall exist when performance results for CLEC and for 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.

2.4 For performance measurements that have no Qwest retail analogue, agreed upon benchmarks shall be used. Benchmarks shall be evaluated using a “stare and compare” method. For example, if the benchmark for a particular performance measurement is 95% or better, Qwest performance results must be at least 95% to meet the benchmark. Percentage

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<sup>1</sup> Stipulation Issue I.F: BI-3A.

benchmarks will be adjusted to round the allowable number of misses up or down to the closest integer, except when a benchmark standard and low CLEC volume are such that a 100% performance result would be required to meet the standard and has not been attained in which case section 3.1.2 applies.<sup>2</sup> ~~In such a situation, the determination of whether Qwest meets or fails the benchmark standard will be made using performance results for the month in question, plus a sufficient number of consecutive months so that a 100% performance result would not be required to meet the standard. For purposes of section 6.2, a meet or fail determined by this procedure shall count as a single month.~~

### 3.0 Performance Measurements

3.1 The performance measurements that are in the PAP and either (1) included in the PAP subject to the PAP payment mechanisms or (2) not subject to the PAP payment mechanisms but subject to the Reinstatement/Removal Process set forth in section 3.2 below are ~~set forth~~ identified in Attachment 1 and sections 6.3 and 7.4.<sup>3</sup> Each performance measurement identified is defined in the Performance Indicator Definitions ("PIDs") ~~developed in the ROC Operational Support System ("OSS") collaborative, and which are~~ included in the SGAT at Exhibit B.

3.1.1 ~~On Attachment 1~~ the measurements have been designated as Tier 1, Tier 2, or both Tier 1 and Tier 2 and given a High, Medium, or Low designation.

3.1.2 Where applicable elsewhere in the PAP, this provision modifies other provisions and operates as follows: For any Tier 1 or Tier 2 benchmark or non-interval parity performance sub-measure, Qwest shall apply one allowable miss to a sub-measure disaggregation that otherwise would require 100% performance before the performance is considered as non-conforming to standard (1) if at the CLEC-aggregate level, the performance standard is met or (2) where the CLEC-aggregate performance must be 100% to meet the standard, the CLEC-aggregate performance is conforming after applying one allowable miss at that level.<sup>4</sup>

3.2 The following measures, which are listed in Attachment 1 or section 7.4, are not subject to the payment mechanisms of the PAP; however, they are subject to the PID Reinstatement/Removal Process. All other measures listed in Attachment 1, section 6.3 or section 7.4 are subject to the PAP payment mechanisms, but they are not subject to the PID Reinstatement/Removal Process.

GA-3 Gateway Availability EB-TA

GA-4 System Availability EXACT

GA-7 Timely Outage Resolution following Software Releases

PO-3 LSR Rejection Notice Interval

PO-5D Firm Order Confirmations (FOCs) On Time (ASRs for LIS Trunks)

<sup>2</sup> Stipulation Issue II.A.

<sup>3</sup> Stipulation Issue I.E.

<sup>4</sup> Stipulation Issue II.A.

PO-7 Billing Completion Notification Timeliness  
PO-8 Jeopardy Notice Interval  
PO-16 Timely Release Notifications  
OP-17 Timeliness of Disconnects Associated with LNP Orders  
MR-11 LNP Trouble Reports Cleared within Specified Timeframes<sup>5</sup>  
BI-4 Billing Completeness  
NI-1 Trunk Blocking  
NP-1 NXX Code Activation

3.3 PID Reinstatement/Removal Process:<sup>6</sup> If Qwest's performance for any sub-measure of the PIDs listed in section 3.2 above does not conform to the established PID standard as set forth in the PAP for three consecutive months, that sub-measure will be reinstated (i.e., be subject to the PAP payment mechanisms) subject to the retroactive payment provision of section 3.3.2 and subject to the PAP payment mechanisms effective in the month following the three consecutive months. The determination of whether a PID sub-measure is reinstated is made no later than at the end of the second month following the third consecutive month of non-conforming performance. The sub-measure will remain subject to the PAP payment mechanisms until Qwest's performance for that sub-measure satisfies the established standards for three consecutive months. Effective the month following such conforming performance, the sub-measure will no longer be subject to the PAP payment mechanisms but will continue to be subject to the PID Reinstatement/Removal Process. The determination of whether a PID sub-measure is removed from being subject to the PAP payment mechanisms is made no later than the end of the second month following the third consecutive month of conforming performance. Where applicable elsewhere in the PAP, this PID Reinstatement/Removal Process modifies other provisions and operates as follows:

3.3.1 Disaggregation and Reporting Levels: Performance will be evaluated at the lowest level of disaggregation defined in Exhibit B of the SGAT on a CLEC-aggregated or other-aggregated basis such that performance is evaluated for the purposes of administering the Reinstatement/Removal Process on a statewide or regionwide level, as applicable per the PID.

3.3.2 Retroactive Payments: To calculate retroactive payments for the sub-measures reinstated, PAP payment mechanisms will be applied to the three consecutive months in which the standard was missed, which triggered reinstatement. These retroactive payments will be made to applicable CLECs or the Tier 2 fund, depending upon the tier designation of the PID, at the end of the third month after the month in which performance triggered re-instatement.

3.3.2.1 Accounting for Payments: In support of retroactive payments (section 3.3.2 above), Qwest will account separately for PAP payments that would have been made to individual CLECs or to the Tier 2 Fund for a sub-measure as though it had been subject to the PAP payment mechanisms, where automatic reinstatement applies, and account separately in the same manner for

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<sup>5</sup> Stipulation Issue I.B.

<sup>6</sup> Stipulation Issue I.E.

the time between when it is determined that a sub-measure met the standard for automatic removal and the effective date of removal (the month following the three consecutive “met” months). With regard to sub-measures that are subsequently removed again through this process, any PAP payments made during the three consecutive months which triggers automatic removal will not be recovered by Qwest.

3.3.2.2 Interest: In the case of automatic reinstatement, retroactive payments will include interest calculated at the prime rate as reported in the *Wall Street Journal* from the date a payment would have been made to the date the payment is actually made.

3.3.2.3 Tracking: Qwest will track and report service and payment results, including retroactive and avoided (i.e., during periods of removal) PAP payments and the disposition of the avoided payments on a CLEC, PID sub-measure and aggregate basis each month.

3.3.3 Public Website: Qwest will maintain a public website showing the PAP status of each PID or sub-measure with respect to the applicability of the PAP payment mechanisms (i.e., reinstated or removed), which eliminates the requirement to make filings with the Commission to modify the PAP due to the application of the PID Reinstatement/Removal Process.

#### **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 shall be 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.

4.2 Qwest shall 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 as listed in Table 1, section 5.0.

4.3 Qwest shall 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 modified z-test is:

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

Where:

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

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

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

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

$\sigma^2_{\text{Qwest}}$  = calculated variance for Qwest

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

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

The modified 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.,  $M_{\text{CLEC}} - M_{\text{QWEST}}$ .

4.3.1 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 modified 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 ( $n_{\text{CLEC}}$ ) 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  $n_{\text{QWEST}}$ ).

Compute and store the modified 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 modified 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  $\alpha$ , the significance level of the test, the hypothesis of no difference is not rejected, and the test is passed. The  $\alpha$  shall be .05 when the critical z value is 1.645 and .15 when the critical z value is 1.04.

## 5.0 Critical Z-Value

5.1 The following table shall be used to determine the critical z-value that is referred to in section 6.0. 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 measurements involving LIS trunks and DS-1 and DS-3 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 CLEC

6.1 Tier 1 payments to CLEC shall be made solely for 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.

6.1.1 Determination of Non-Conforming Measurements: The number of performance measurements that are determined to be non-conforming and, therefore, eligible for Tier 1 payments subject to parity standard, 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 CLEC, except as provided for in sections 6.2.3,<sup>7</sup> 6.3 and 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 thresholds for benchmark standards . 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.

6.2.1 The escalation of payments for consecutive months of non-conforming service will be matched month for month with de-escalation of payments for every month of conforming service. For example, if Qwest has four 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 escalate back to the month 4 level. The payment level will de-escalate back to the original month 1 level only upon conforming 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 Measurement Caps,” excluding BI-3A,<sup>8</sup> payment to a CLEC in a single month shall not exceed the amount listed in Table 2 below for the “Per Measurement Cap” category.

**TABLE 2: TIER-1 PAYMENTS TO CLEC**

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

Per Measurement Cap Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Each following month

<sup>7</sup> Stipulation Issue I.F: BI-3A.

<sup>8</sup> Stipulation Issue I.F: BI-3A.

							after Month 6 add
High	\$25,000	\$50,000	\$75,000	\$100,000	\$125,000	\$150,000	\$25,000
Medium	\$10,000	\$20,000	\$30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 10,000
Low	\$ 5,000	\$10,000	\$15,000	\$ 20,000	\$ 25,000	\$ 30,000	\$ 5,000

6.2.3 For the BI-3A performance measurement,<sup>9</sup> the dollar payment amount for non-conforming performance varies depending upon the Total Bill Adjustment Amount for the CLEC. The payment amount is calculated using Table 2A below by multiplying the per occurrence amount times the number of occurrences based on the Total Bill Adjustment Amount,<sup>10</sup> capped at the amount shown in the table for that Total Bill Adjustment Amount. The escalation of payments for consecutive months as stated in section 6.2.1 does not apply.

**TABLE 2A: TIER 1 PAYMENTS TO CLECS FOR BI-3A**

<u>Total Bill Adjustment Amount</u>	<u>Per Occurrence Amount</u>	<u>Cap</u>
<u>\$0 - \$0.99</u>	<u>\$0</u>	<u>\$0</u>
<u>\$1 - \$199.99</u>	<u>\$1</u>	<u>\$200</u>
<u>\$200 - \$999.99</u>	<u>\$10</u>	<u>\$5,000</u>
<u>\$1,000 - \$9,999.99</u>	<u>\$10</u>	<u>\$10,000</u>
<u>\$10,000 - \$49,999.99</u>	<u>\$15</u>	<u>\$15,000</u>
<u>\$50,000 - \$99,999.99</u>	<u>\$20</u>	<u>\$20,000</u>
<u>\$100,000 and over</u>	<u>\$25</u>	<u>\$25,000</u>

6.3 For collocation, CP-2 and CP-4 performance measurements shall be relied upon for delineation of collocation business rules. For purposes of calculating Tier 1 payments, collocation jobs and collocation feasibility studies that are later than the due date will have a per day payment applied according to Table 3. The per day payment will be applied to any collocation job in which the feasibility study is provided or the collocation installation is completed later than the scheduled date. The calculation of the payment amount will be performed by applying the per day payment amounts as specified in Table 3. Thus, for days 1 through 10, the payment is \$150 per day. For days 11 through 20, the payment is \$300 per day and so on.

**TABLE 3: TIER-1 COLLOCATION PAYMENTS TO CLECS**

Days Late	Completion Date	Feasibility Study
1 to 10 days	\$150/day	\$45/day
11 to 20 days	\$300/day	\$90/day
21 to 30 days	\$450/day	\$135/day

<sup>9</sup> Stipulation Issue LF: BI-3A.

<sup>10</sup> [This will be a permanent footnote.] Total Bill Adjustment Amount is determined by subtracting the BI-3A numerator from the BI-3A denominator as defined in the BI-3 PID formula.

31 to 40 days	\$600/day	\$180/day
More than 40 days	\$1,000/day	\$300/day

6.4 A minimum payment calculation shall be performed by Qwest at the end of each year for each CLEC with annual order volumes of no more than 1,200. The payment shall be calculated by adding the applicable minimum payment amount in Table 4 multiplying \$2,000 by the number of for each months in which at least one payment was made to the CLEC. To the extent that the actual CLEC payment for the year is less than the product of the preceding calculation, Qwest shall make an additional payment equal to the difference.

**TABLE 4: MINIMUM PAYMENTS TO CLECS<sup>11</sup>**

<u>Total Monthly Payment:</u>	<u>Minimum Payment Amount:</u>
<u>Less than \$200</u>	<u>\$ 0</u>
<u>Between \$200 and \$800</u>	<u>\$ 1,500</u>
<u>Between \$801 and \$1,400</u>	<u>\$ 2,000</u>
<u>Over \$1,400</u>	<u>\$2,500</u>

## 7.0 Tier 2 Payments to the State

7.1 Payments to the State shall be limited to the performance measurements designated in section 7.4 for Tier 2 per measurement payments and in Attachment 1 for per occurrence payments 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 defined in section 4.2 (for parity measurements) and 4.3 (for benchmark measurements), except that a 1.645 critical z-value shall be used for all parity measurements but MR-2 and OP-2. The critical z-value is 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 failing performance standards for a third consecutive month, or if two out of three consecutive months in the 12 month period have been missed, the second consecutive month for Tier 2 measurements with Tier 1 counterparts and one month for Tier 2 measurements that do not have Tier 1 counterparts. Payment will be made on either a per occurrence or per

<sup>11</sup> Stipulation Issue II.B.

measurement basis, whichever is applicable to the performance measurement, using the dollar amounts specified in Table 4-5 or Table 5-6 below. Except as provided in section 7.4, the dollar amounts vary depending upon whether the performance measurement is designated High, Medium, or Low.

7.3.1 For those Tier 2 measurements listed on Attachment 2 as “Performance Measurements Subject to Per Measurement Caps,” payment to the State in a single month shall not exceed the amount listed in Table 4-5 for the “Per Measurement Cap” category.

**TABLE 4-5: 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

7.4 Performance Measurements Subject to Per Measurement Payment: The following Tier 2 performance measurements shall have their performance results measured on a region-wide (14 state) basis. Failure to meet the performance standard, therefore, will result in a per measurement 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 measurements, Qwest will make a Tier 2 payment based upon monthly performance results according to Table 5-6: Tier 2 Per Measurement Payments to State Funds.

**TABLE 5-6: TIER-2 PER MEASUREMENT PAYMENTS TO STATE FUNDS**

Measurement	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 Payment of Tier 2 Funds: Payments to a state fund shall be used for any purpose determined by the Commission that is allowed to it by state law. If the Commission is not permitted by state law to receive or administer Tier 2 payments, the payments shall be made to the state general fund or to such other source as may be provided for under state law.

## 8.0 Step by Step Calculation of Monthly Tier 1 Payments to CLEC

8.1 Application of the Critical Z-Values: Qwest shall identify the Tier 1 parity performance measurements that measure the service provided to CLEC 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. The statistical testing procedures described in section 4.0 shall be applied. 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.

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

8.2.1 Performance Measurements that are Averages or Means:

8.2.1.1 Step 1: For each performance measurement, the average or the mean that would yield the critical z-value shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

8.2.1.2 Step 2: The percentage differences between the actual averages and the calculated averages shall be calculated. The calculation is  $\% \text{ diff} = (\text{CLEC result} - \text{Calculated Value}) / \text{Calculated Value}$ . The percent difference shall 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%.

8.2.1.2 Step 3: For each performance measurement, the total number of data points shall be multiplied by the percentage calculated in the previous step and the per occurrence dollar amounts from the Tier 1 Payment Table shall 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, the percentage that would yield the critical z-value shall be calculated. The same denominator as the one used in calculating the z- statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

8.2.2.2 Step 2: The difference between the actual percentages for the CLEC and the calculated percentages shall be determined.

8.2.2.3 Step 3: For each performance measurement, the total number of data points shall be multiplied 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:

8.2.3.1 Step 1: For each performance measurement the ratio that would yield the critical z-value shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

8.2.3.2 Step 2: The absolute difference between the actual rate for the CLEC and the calculated rate shall be determined.

8.2.3.3 Step 3: For each performance measurement, the total number of data points shall be multiplied 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:

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

**9.0<sup>12</sup> Step by Step Calculation of Monthly Tier 2 Payments to State Funds**

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<sup>12</sup> [Stipulation Issue III.A.](#)

9.1 Criteria for Determination of Tier 2 Payments: To determine if Tier 2 payments for performance measurements listed on Attachment 1 shall be made in the current month, the following shall be determined:

9.1.1 For all Tier 2 measurements, it shall be determined whether Qwest missed the performance standard for three consecutive months.

9.1.2 If Qwest has not missed three consecutive months, the following evaluation will be made:

9.1.2.1 For Tier 2 measurements that have Tier 1 counterparts, it shall be determined if Qwest has missed the standard in any two out of three consecutive months for the most recent 12 month period, and if so, whether Qwest has additionally missed the performance standard for the second consecutive month in the current month.

9.1.2.2 For Tier 2 measurements that do not have Tier 1 counterparts, it shall be determined if Qwest has missed the standard in any two out of three consecutive months for the most recent 12 month period, and if so, whether Qwest has additionally missed the performance standard for the current month.

9.1.3 If any of the conditions in 9.1.1, 9.1.2.1 or 9.1.2.2 are met and there are at least 10 data points for the measurement in each month, a Tier 2 payment will be calculated and paid as described below. Each succeeding month will be evaluated on the same basis and Tier 2 payments will continue until Qwest's performance meets the applicable standard.

9.1.4 Application of the Critical Z-Value: Qwest shall identify the Tier 2 parity performance measurements that measure the service provided by Qwest to all CLECs for the month in question. The statistical testing procedures described in section 4.0 shall be applied, except that a 1.645 critical z-value shall be used for all parity measurements but MR-2 and OP-2.

~~9.1.2—To determine if Tier 2 payments for performance measurements listed on Attachment 1 shall be made in the current month, the following shall be determined. For Tier 2 measurements that have Tier 1 counterparts, it shall be determined whether Qwest missed the performance standard for three consecutive months, or if Qwest has missed the standard in any two out of three consecutive months for the 12 month period, for two consecutive months. For Tier 2 measurements that do not have Tier 1 counterparts, it shall be determined whether Qwest missed the performance standard for three consecutive months, or if Qwest has missed the standard in any two out of three consecutive months for the 12 month period, for the current month. If any of these conditions are met and there are at least 10 data points for the measurement in each month, 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.~~

9.1.5 Section 9.2 describes the step by step Tier 2 payment calculations for measurements that are per occurrence. In these steps, determining the number of occurrences is based on calculations for the applicable “non-conforming month(s)” that triggered the payment. Based on the applicable determination in section 9.1, the calculated differences and average number of data points will be determined using (1) three consecutive non-conforming months’ data, (2) two consecutive non-conforming months’ data or (3) the current month’s data.

## 9.2 Performance Measurements for which Tier 2 Payment is Per Occurrence:

### 9.2.1 Performance Measurements that are Averages or Means:

9.2.1.1 Step 1: The monthly average or the mean for each performance measurement that would yield the critical z-value for each applicable non-conforming month shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

9.2.2 Step 2: The percentage difference between the actual averages and the calculated averages for each applicable non-conforming month shall be calculated. The calculation for parity measurements is % diff = (actual average – calculated average)/calculated average. The percent difference shall be capped at a maximum of 100%. In all calculations of percent differences in section 8.0 and section 9.0, the calculated percent difference is capped at 100%.

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

### 9.2.2 Performance Measurements that are Percentages:

9.2.2.1 Step 1: For each performance measurement, the monthly percentage that would yield the critical z-value for each applicable non-conforming month shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

9.2.2.2 Step 2: The difference between the actual percentages and the calculated percentages for each of the ~~three~~ applicable non-conforming months shall be calculated. The calculation for parity measurement is diff = (CLEC result – calculated percentage). This formula shall be applicable

where a high value is indicative of poor performance. The formula shall be reversed where high performance is indicative of good performance.

~~9.3.1~~2.2.3 Step 3: For each performance measurement, the total number of data points for each applicable non-conforming month shall be multiplied by the difference in percentage calculated in the previous step. The average for ~~three~~ the applicable non-conforming months shall be calculated (rounded to the nearest integer) and multiplied by the result of the per occurrence dollar amounts taken from the Tier 2 Payment Table to determine the payment to the State.

#### 9.4.2.3 Performance Measurements that are Ratios or Proportions:

9.4.2.3.1 Step 1: For each performance measurement, the ratio that would yield the critical z-value for each applicable non-conforming month shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

~~9.4.1.1~~2.3.2 Step 2: The difference between the actual rate for the CLEC and the calculated rate for each applicable non-conforming month ~~of the non-conforming three-month period~~ shall be calculated. The calculation is:  $\text{diff} = (\text{CLEC rate} - \text{calculated rate})$ . This formula shall apply where a high value is indicative of poor performance. The formula shall be reversed where high performance is indicative of good performance.

~~9.4.1.2~~2.3.3 Step 3: For each performance measurement, the total number of data points shall be multiplied by the difference calculated in the previous step for each applicable non-conforming month. The average for ~~three~~ the applicable non-conforming months shall be calculated (rounded to the nearest integer) and multiplied by the result of the per occurrence dollar amounts taken from the Tier 2 Payment Table to determine the payment to the State.

#### 9.5.3 Performance Measurements for which Tier 2 Payment is Per Measure:

9.5.3.1 For each performance measurement where Qwest fails to meet the standard, the payment to the State Fund shall be the dollar amount shown on the “Per Measurement” portion of the Tier 2 Payment Table.

## **10.0 Low Volume, Developing Markets**

10.1 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 \(POTS\)](#),<sup>13</sup> [megabit resale](#),<sup>14</sup> and ADSL qualified loop product disaggregation<sup>s</sup> of OP-3, OP-4, OP-5a, 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.

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 affected CLECs based upon each CLEC's relative share of the number of total service misses.

## 11.0 Payment

11.1 Payments to CLEC, the State, or the Special Fund 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 the prime rate as reported in the Wall Street Journal. On any overpayment, Qwest is allowed to offset future payments by the amount of the overpayment plus interest at the prime rate.

11.2 Payment to CLEC shall be made via bill credits. Bill credits shall be identified on a summary format substantially similar to that distributed as a prototype to the CLECs and the Commission. To the extent that a monthly payment owed to CLEC under this PAP exceeds the amount owed to Qwest by CLEC on a monthly bill, Qwest will issue a check or wire transfer to CLEC in the amount of the overage. Payment to the State shall be made via check or wire transfer.

11.3 If the Commission obtains authority to disburse monies from a fund designated to hold Tier 2 payments, monies deposited into the Commission-established Special Fund shall be used for the purpose of funding the Commission's auditing, administration, and oversight of the PAP. Nothing in the QPAP prevents the Commission from joining with other state Commissions in a multistate effort to conduct and develop a method for joint funding for some or all of these activities.

## 12.0 Cap on Tier 1 and Tier 2 Payments

12.1 There shall be a cap on the total payments made by Qwest for a 12 month period beginning with the effective date of the PAP for the State of Montana. The annual cap for the State of Montana shall be 36% of the prior year ARMIS Net Return, subject to any applicable

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<sup>13</sup> [Stipulation Issue II.C.](#)

<sup>14</sup> [Stipulation Issue I.A.](#)

adjustment permitted pursuant to section 12.2. The cap shall be recalculated each year based on the prior year's Montana ARMIS results. 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. CLEC agrees that this amount constitutes a maximum annual cap that shall apply to the aggregate total of Tier 1 liquidated damages (including any such damages paid pursuant to this Agreement or voluntary payments made by Qwest pursuant to any Montana interconnection agreement with a performance remedy plan) and Tier 2 assessments or voluntary payments made by Qwest pursuant to any Montana interconnection agreement with a performance remedy plan.

12.2 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.

12.3 If the annual cap is reached, each CLEC shall, as of the end of the year, be entitled to receive the same percentage of its total calculated Tier 1 payments. In order to preserve the operation of the annual cap, the percentage equalization shall take place as follows:

12.3.1 The amount by which any month's total year-to-date Tier 1 and Tier 2 payments exceeds the cumulative monthly cap (defined as 1/12<sup>th</sup> of the annual cap times the cumulative number of months to date) shall be calculated and apportioned between Tier 1 and Tier 2 according to the percentage that each bore of total payments for the year-to-date. The Tier 1 apportionment resulting of this calculation shall be known as the "Tracking Account."

12.3.2 The Tier 1 apportionment shall be debited against the monthly payment due to each CLEC, by applying to the year-to-date payments received by each the percentage necessary to generate the required total Tier 1 amount.

12.3.3 The Tracking Amount shall be apportioned among all CLECs so as to provide each with payments equal in percentage of its total year to date Tier 1 payment calculations.

12.3.4 This calculation shall take place in the first month that the year-to-date total Tier 1 and Tier 2 payments are expected to exceed the cumulative monthly cap and for each month of that year thereafter. Qwest shall recover any debited amounts by reducing payments due to any CLEC for that month and any succeeding months, as necessary.

## **13.0 Limitations**

13.1 The PAP will be effective on the date Qwest receives section 271 approval from the FCC for Montana.

13.2 Qwest will not be liable for Tier 1 payments to CLEC in an FCC approved state until the Commission has approved an interconnection agreement between CLEC and Qwest which

adopts the provisions of this PAP. CLECs may seek amendments to their interconnection agreements to include the PAP and the related Performance Indicator Definitions (PIDs) as soon as the Commission approves the PAP and the PAP is filed in Qwest's SGAT, with the understanding that no provision of the PAP including monetary penalties will apply until the date Qwest receives Section 271 approval from the FCC for Montana. Other than provisions that are necessary for interpretation and implementation of the PAP, CLECs will not be required to accept any other terms from the Qwest SGAT in order to incorporate the PAP into their interconnection agreements. If at any time during the term of such interconnection agreements, the remedies under the QPAP are not available to CLECs (e.g., if Qwest has not obtained 271 approval from the FCC yet), then all terms and conditions in their interconnection agreements that may provide remedies to CLEC shall be available. At all times, remedies under interconnection agreements shall remain available for matters not addressed by the 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: 1) with respect to performance measurements with a benchmark standard, a Force Majeure event as defined in section 5.7 of the SGAT. Qwest will provide notice of the occurrence of a Force Majeure event within 72 hours of the time Qwest learns of the event or within a reasonable time frame that Qwest should have learned of it; 2) an act or omission by a CLEC that is contrary to any of its obligations under its interconnection agreement with Qwest or under federal or state law; an act or omission by 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 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 explicitly required by the SGAT; 3) 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 in the State more than three times within a calendar year. If a Force Majeure event or other excusing event recognized in this section merely suspends Qwest's ability to timely perform an activity subject to a performance measurement that is an interval measure, the applicable time frame in which Qwest's compliance with the parity or benchmark criterion is measured will be extended on an hour-for-hour or day-for-day basis, as applicable, equal to the duration of the excusing event.

13.3.1 Qwest will not be excused from Tier 1 or Tier 2 payments for any reason except as described in Section 13.0. Qwest will have the burden of demonstrating that its non-conformance with the performance measurement was excused on one of the grounds described in this PAP. A party may petition the Commission to require Qwest to deposit disputed payments into an escrow account when the requesting party can show cause, such as grounds provided in the Uniform Commercial Code for cases of commercial uncertainty.

13.3.2 Notwithstanding any other provision of this PAP, it shall not excuse performance that Qwest could reasonably have been expected to deliver assuming that it had designed,

implemented, staffed, provisioned, and otherwise provided for resources reasonably required to meet foreseeable volumes and patterns of demands upon its resources by CLECs.

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 in whole or in part to the same performance.

13.4.1 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.

13.4.2 By accepting this performance remedy plan, CLEC 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. (Nothing herein is intended to preclude Qwest from introducing evidence of any Tier 1 "liquidated damages" under these provisions for the purpose of offsetting the payment against any other damages or payments 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 CLEC accepting this PAP agree that proof of damages from any non-conforming performance 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 Tier 1 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 This PAP contains a comprehensive set of performance submeasures, statistical methodologies, and payment mechanisms that are designed to function together, and only together as an integrated whole. To elect the PAP, CLEC must adopt the PAP in its entirety, in its interconnection agreement with Qwest in lieu of other alternative standards or relief, except as stated in sections 13.6.1, 13.6.2, and 13.7.

13.6.1 In electing the PAP, CLEC shall surrender any rights to remedies under state wholesale service quality rules or under any interconnection agreement designed to provide such monetary relief for the same performance issues addressed by the PAP. The PAP shall not limit either non-contractual legal or non-contractual regulatory remedies that may be available to CLEC.

13.6.2 Tier 1 payments to CLECs are in the nature of liquidated damages. Before CLEC shall be able to file an action seeking contract damages that flow from an alleged failure to

perform in an area specifically measured and regulated by the PAP, CLEC must first seek permission through the Dispute Resolution Process set forth in Section 5.18 of the SGAT. This permission shall be granted only if CLEC can present a reasonable theory of damages for the non-conforming performance at issue and evidence of real world economic harm that, as applied over the preceding six months, establishes that the actual payments collected for non-conforming performance in the relevant area do not redress the extent of the competitive harm. If CLEC can make this showing, it shall be permitted to proceed with this action. Any damages awarded through this action shall be offset with payments made under this PAP. If the CLEC cannot make this showing, the action shall be barred. To the extent that CLEC's contract action relates to an area of performance not addressed by the PAP, no such procedural requirement shall apply.

13.7 If for any reason CLEC agreeing to this PAP is awarded compensation for the same harm for which it received payments under the PAP, the court or other adjudicatory body hearing such claim may offset the damages resulting from such claim against payments made for the same harm. Only that relevant finder of fact, and not Qwest in its discretion, can judge what amount, if any, of PAP payments should be offset from any judgment for a CLEC in a related action.

13.8 Qwest shall not be liable for both Tier 2 payments under the PAP and assessments, sanctions, or other payments for the same underlying activity or omission 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, Qwest may commence a proceeding to demonstrate why it should not be required to pay any amount in excess of the \$3 million. Upon timely commencement of the proceeding, Qwest must pay the balance of payments owed in excess of \$3 million into escrow, to be held by a third-party pending the outcome of the proceeding. To invoke these escrow provisions, Qwest must file, not later than the due date of the Tier 1 payments, its application. 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 \$3 million. If Qwest reports non-conforming performance to CLEC for three consecutive months on 20% or more of the measurements reported to CLEC and has incurred no more than \$1 million in liability to CLEC, then CLEC may commence a similar proceeding. In any such proceeding 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. The disputes identified in this section shall be resolved in a manner specified in the Dispute Resolution section of the SGAT with the CLEC.

13.10 Any payments made by Qwest as a result of the PAP should not: 1) be included as expenses in any Qwest revenue requirement, or 2) be reflected in increased rates to CLECs for services and facilities provided pursuant to Section 251(c) of the Telecommunications Act of 1996 and priced pursuant to Section 252(d) of the Telecommunications Act of 1996.

## **14.0 Reporting**

14.1 Upon receiving effective section 271 authority from the FCC for a state, Qwest will provide CLEC that has an approved interconnection agreement 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 recent version of the PIDs. Upon CLEC's request, data files of the CLEC's raw data, or any subset thereof, will be transmitted, without charge, to 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 of participating CLECs will also be available to the Commission upon request. By accepting this PAP, CLEC consents to Qwest providing CLEC's report and raw data to the State Commission. Pursuant to the terms of an order of the Commission, Qwest may provide CLEC-specific data that relates to the PAP, provided that Qwest shall first initiate any procedures necessary to protect the confidentiality and to prevent the public release of the information pending any applicable Commission procedures and further provided that Qwest provides such notice as the Commission directs to the CLEC involved, in order to allow it to prosecute such procedures to their completion. Data files of participating CLEC raw data, or any subset thereof, will be transmitted, without charge, to the Commission in a mutually acceptable format, protocol, and transmission form.

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 to the State a total of \$500 for each business day for which performance reports are 6 to 10 business days past the due date; \$1,000 for each business day for which performance reports are 11 to 15 business days past the due date; and \$2,000 for each business day for which performance results are more than 15 business days past the due date. If reports are on time but are missing performance results, Qwest will pay to the State a total of one-fifth of the late report amount for each missing performance measurement, subject to a cap of the full late report amount. These amounts represent the total payments for omitting performance measurements or missing any report deadlines, rather than a payment per report. Prior to the date of a payment for late 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 To the extent that Qwest recalculates payments made under this PAP, such recalculation shall be limited to the preceding three years (measured from the later of the provision of a monthly credit statement or payment due date). Qwest shall retain sufficient records to demonstrate fully the basis for its calculations for long enough to meet this

potential recalculation obligation. CLEC verification or recalculation efforts should be made reasonably contemporaneously with Qwest measurements. In any event, Qwest shall maintain the records in a readily useable format for one year. For the remaining two years, the records may be retained in archived format. Any payment adjustments shall be subject to the interest rate provisions of section 11.1.

## **15.0 Integrated Audit Program/Investigations of Performance Results**

15.1 The Commission may initiate or any party may request that the Commission conduct an audit of performance results or performance measures. The Commission will determine, based upon requests and upon its own investigation, which results and/or measures should be audited. The Commission may, at its discretion, conduct audits through participation in a collaborative process with other states.

15.2 Qwest must report to the Commission monthly any changes it makes to the automated or manual processes used to produce performance results including data collection, generation, and reporting. The reports must include sufficient detail to enable the parties to understand the scope and nature of the changes.

15.3 The Commission will attempt to coordinate its audits with other audits that may be conducted by other state commissions so as to avoid duplication. Any audits shall be conducted so as not to impede Qwest's ability to comply with the other provisions of the PAP and should be of a nature and scope that can be conducted in accordance with the reasonable course of Qwest's business operations.

15.4 Any dispute arising out of the audit plan, the conduct of the audit, or audit results shall be resolved by the Commission

15.5 In the event of a disagreement between Qwest and CLEC 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, CLEC or Qwest may, upon a demonstration of good cause, (e.g., evidence of material errors or discrepancies) submit a request to the Commission that an independent audit be conducted, at the initiating party's expense. The Commission will assess the need for an audit based upon whether there exists a material deficiency in the data or whether there exists an issue not otherwise addressed by recent or planned audits plan for the current cycle. Audit findings will include: (a) general applicability of findings and conclusions (i.e., relevance to CLECs or jurisdictions other than the ones causing test initiation), (b) magnitude of any payment adjustments required and, (c) whether cost responsibility should be shifted based upon the materiality and clarity of any Qwest non-conformance with measurement requirements (no pre-determined variance is appropriate, but should be based on the auditor's professional judgment). CLEC may not request an audit of data more than three years from the later of the provision of a monthly credit statement or payment due date.

15.6 Expenses for the audit of the PAP and any other related expenses, except that which may be assigned under section 15.5, shall be paid first from the Tier 2 funds in the Special Fund. If Tier 2 funds are not sufficient to cover audit costs, the Commission may develop, an additional funding method to include contributions from CLECs' Tier 1 payments and from Qwest. If necessary, Qwest will provide an advance of funds into the Special Fund not to exceed \$50,000 for purposes of an audit initiated by the Commission or for QPAP activities pursuant to a regional collaborative process.

15.7 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**

16.1 Every six (6) months, beginning six months after the effective date of the Section 271 approval by the FCC for the state of Montana, unless the Commission agrees to a different date as a result of establishment of a multi-state QPAP review process, Qwest, CLECs, and the Commission shall participate in a common review of the performance measurements in the QPAP 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 measurement to High, Medium, or Low or Tier 1 to Tier 2. The criterion for reclassification of a measurement 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 Commission retains the right to add topics and criteria to the six-month review, retains the ability to order changes if the QPAP is not in the public interest, and retains the ability to hear any disputes regarding the six-month review. Nothing in this PAP prohibits the Commission from conducting joint reviews with other states. Any changes at the six-month review pursuant to this section shall apply to and modify this agreement between Qwest and CLEC. Nothing in this QPAP precludes the Commission from modifying the PAP based upon its independent state law authority, subject to judicial challenge. Nothing in this PAP constitutes a grant of authority by either party to this agreement nor does it constitute a waiver by either party to this agreement of any claim it may have that the Commission lacks authority to make any modifications to this PAP, including any modification described in this section 16.1.

16.1.1 Notwithstanding section 16.1, if any agreements on adding, modifying or deleting performance measurements are reached between Qwest and CLECs participating in an

industry Regional Oversight Committee (ROC) PID administration forum, those agreements shall be incorporated into the PAP and modify the agreement between CLEC and Qwest at any time those agreements are submitted to the Commission, whether before or after a six-month review.

16.1.2 Notwithstanding section 16.1, any party may submit a root cause analysis to the Commission requesting removal of a PID or sub-measure from the PAP or requesting exemption of a PID or sub-measure from the application of the trigger mechanism for reinstatement or subsequent removal. In the analysis and recommendations concerning the root cause analysis, the Commission is to consider, at a minimum, whether the root cause analysis provides evidence of no harm, the same harm as covered by other PID measures, non-Qwest related causes, or other factors which directly relate to the harm or circumstances specific to the PID or sub-measure being analyzed.<sup>15</sup>

16.2 Two years after the effective date of FCC 271 approval for the state of Montana, the Commission may conduct a joint review by a independent third party to examine the continuing effectiveness of the PAP as a means of inducing compliant performance. This review shall not be used to open the PAP generally to amendment, but would serve to assist Commissions in determining existing conditions and reporting to the FCC on the continuing adequacy of the PAP to serve its intended functions.

16.3 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. If and when Qwest decides to exit the interLATA market, Qwest shall be allowed to petition the Commission, to withdraw the PAP. Qwest's PAP obligations will continue until Commission action on a petition approving Qwest's request to discontinue the PAP.

## **17.0 Voluntary Performance Assurance Plan**

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

## **18.0 Dispute Resolution**

Disputes over the meaning of the provisions of the QPAP will be resolved by the Commission.

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<sup>15</sup> Stipulation Issue I.E.

**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
<b>GATEWAY</b>							
Timely Outage Resolution	GA-7						X
<b>PRE-ORDER/ORDERS</b>							
LSR Rejection Notice Interval	PO-3 <sup>a</sup>	X					
Firm Order Confirmations On Time	PO-5	X				X	
Work Completion Notification Timeliness	PO-6 <sup>b</sup>	X					
Billing Completion Notification Timeliness	PO-7 <sup>b</sup>	X					
Jeopardy Notice Interval	PO-8	X					
Timely Jeopardy Notices	PO-9	X					
Release Notifications	PO-16						X
(Expanded) – Manual Service Order Accuracy	PO-20 <sup>e</sup>		X				
<b>ORDERING AND PROVISIONING</b>							
Installation Commitments Met	OP-3 <sup>g</sup>			X		X	
Installation Intervals	OP-4 <sup>h,c,g</sup>			X		X	
New Service Quality	OP-5a <sup>g,b</sup> ,b <sup>cd,g</sup>			X		X	
Delayed Days	OP-6 <sup>ie,g</sup>			X		X	
Number Portability Timeliness	OP-8			X		X	
Coordinated Cuts On Time – Unbundled Loops	OP-13a			X		X	
LNP Disconnect Timeliness	OP-17			X		X	
<b>MAINTENANCE AND REPAIR</b>							
Out of Service Cleared within 24 hours	MR-3 <sup>g</sup>			X			
All Troubles Cleared within 4 hours	MR-5 <sup>g</sup>			X			
Mean time to Restore	MR-6a <sup>g</sup> ,b <sup>g</sup> ,c <sup>g</sup> ,d <sup>g</sup> e <sup>g</sup>			X			
Repair Repeat Report Rate	MR-7 <sup>g</sup>			X		X	
Trouble Rate	MR-8 <sup>g</sup>			X		X	
LNP Trouble Reports Cleared within 24 Hours Specified Timeframes <sup>16</sup>	MR-11			X		X	
<b>BILLING</b>							
Time to Provide Recorded Usage Records	BI-1	X					X
Billing Accuracy-Adjustments for Errors	BI-3	X					
Billing Completeness	BI-4	X				X	
<b>NETWORK PERFORMANCE</b>							
Trunk Blocking	NI-1			X			X
NXX Code Activation	NP-1			X			X

<sup>16</sup> Stipulation Issue I.B.


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.

~~e. Low Volume Exception:<sup>17</sup> 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:<sup>18</sup> 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-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.

~~ed. Low volume treatment for Section 3.1.2 applies to OP-5b will apply only 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.<sup>19</sup>~~

f. 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).

g. Applicable only to xDSL-I capable loops.

~~g. Excludes the following product disaggregations as applicable to this PID: Resale Centrex, Resale Centrex 21, Resale DS0 (non-designed), Resale DS0 (designed), Resale DS0, E911/911 Trunks, Resale Frame Relay, Resale Basic ISDN (non-designed), Resale Basic ISDN (designed), Resale Basic ISDN, Resale Primary ISDN (non-designed), Resale Primary ISDN (designed), Resale Primary ISDN, Resale PBX (non-designed), Resale PBX (designed), Resale PBX, Sub-Loop Unbundling, UNE-P (POTS), UNE-P (Centrex), and UNE-P (Centrex 21).<sup>20</sup>~~

<sup>17</sup> [Stipulation Issue II.A.](#)

<sup>18</sup> [Stipulation Issue I.D.](#)

<sup>19</sup> [Stipulation Issue II.A.](#)

<sup>20</sup> [Stipulation Issue II.C.](#)

## **Attachment 2: Performance Measurements Subject to Per Measurement 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)