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December 7, 2000

SENT VIA E-MAIL AND EXPRESS MAIL

EX PARTE OR LATE FILED

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Re: EX PARTE -- CC Docket No. 00-176: Application by Verizon New England, Inc., et al., for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in Massachusetts

Dear Ms. Salas:

The Massachusetts Department of Telecommunications and Energy ("MDTE") requests that the Federal Communications Commission ("Commission") consider the attached Performance Assurance Plan in CC Docket No. 00-176, the Commission's review of Verizon Massachusetts' § 271 application. The MDTE approved the enclosed Performance Assurance Plan on December 7, 2000, and it replaces an earlier Performance Assurance Plan approved by MDTE on September 21, 2000.

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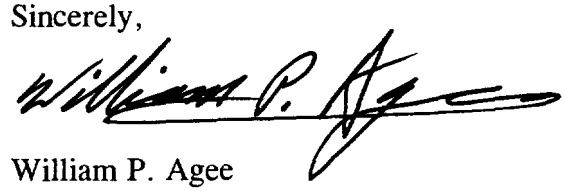
In accordance with 47 C.F.R. § 1.1206 and the Commission's Public Notice issued on September 22, 2000 in this docket, two copies of this submission are being filed with you, with a copy to Ms. Susan Pié of the Policy and Program Planning Division of the Common Carrier Bureau.

Sincerely,



William P. Agee
Assistant General Counsel

Encls.
cc: Josh Walls
U.S. Department of Justice, Antitrust Division

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PERFORMANCE ASSURANCE PLAN

VERIZON MASSACHUSETTS

EX PARTE OR LATE FILED

APPROVED

DATE 7 Dec 00

COMMISSIONERS, D.T.E.

November 29, 2000

A true copy
Attest:

MARY L. COTTRELL
Secretary

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PERFORMANCE ASSURANCE PLAN

I. INTRODUCTION

The Massachusetts Performance Assurance Plan ("Massachusetts PAP") is a self-executing remedy plan that will ensure Verizon Massachusetts ("Verizon MA") provides quality wholesale services to competitive carriers after Verizon MA has gained entry into the long distance market pursuant to Section 271 of the Telecommunications Act of 1996. The Massachusetts PAP is in compliance with an Order issued by the Massachusetts Department of Telecommunications and Energy ("Department") on September 5, 2000. The Change Control Assurance Plan ("CCAP") contained in Appendix I is also in compliance with the September 5, 2000 Order.

A. The Massachusetts PAP

The Massachusetts PAP has three major components: (1) the metrics used to report performance; (2) the methodology used to determine billing credits, including service segmentation, scoring method, and other rules described in the plan document; and (3) the dollars at risk. Each of these components is summarized below and is discussed in more detail in the following sections and Appendices.

1. Measures and Standards

On January 14, 2000, the Department adopted the New York C2C Performance Measurement Plan for evaluating Verizon MA's wholesale performance. The C2C measures include hundreds of individual data points that track and report on performance. Some metrics are compared with analogous Verizon retail services to ensure parity of service and others, where no retail analog exists, are reviewed on the basis of absolute standards. As in New York, where

the C2C measures and standards were incorporated into the PAP, the Massachusetts PAP incorporates the same C2C measures and standards.

2. Methodology

(a) Service Segmentation

The Massachusetts PAP includes three service segmentations: Mode of Entry ("MOE"), Critical Measures, and Special Provisions.

The MOE segment measures the overall level of service on an industry-wide basis for each method or mode by which carriers can enter the local exchange market under the Telecommunications Act of 1996, *i.e.* resale, unbundled network elements, interconnection trunks and collocation. Any bill credits generated in any one of these modes are allocated to competitors purchasing those types of services. The MOE component of the Massachusetts PAP is fully described in Section II.C. and in Appendices A and E.

The Critical Measures component measures performance in 12 critical areas that have been identified as most important to the provision of quality service. The Critical Measures are a subset of the measures included in the MOE segment. Additional bill credits will be provided for performance on these measures that fail to meet the standards. This segment provides a mechanism to assure that carriers are receiving non-discriminatory service on an individual basis. The complete list of Critical Measures is enumerated in Appendix B and scoring/credit calculations are in Appendix F.

The Special Provisions segment focuses on a number of measures that are viewed as measuring key aspects of Verizon MA's performance. This segment establishes targets that Verizon MA must achieve for flow-through, order processing, hot-cuts, Local Service Request confirmations, and reject notices. Verizon MA will provide bill credits to those carriers who

received service below target levels. The Special Provisions measures are described in Section II.E. and Appendix H.

(b) Change Control Assurance

Verizon is also subject to a separate Change Control Assurance Plan ("CCAP"). Change Control is designed to measure Verizon's performance in implementing revisions to OSS interfaces and business rules that affect CLECs. The Change Control process is common to carriers operating in Massachusetts and New York. Under the Change Control Assurance Plan, $5.28 million in bill credits will be available to all CLECs in Massachusetts for unsatisfactory performance on four Change Control metrics. Change Control credits are described in Section II. B.2.

(c) Statistical Test

The Massachusetts PAP uses statistical methodologies as one means to determine if "parity" exists between Verizon MA's wholesale and retail performance. For measures where parity is the standard and a sufficient sample size exists, a "modified z statistic" is used. The statistical methodology is described in Appendix D.

(d) Scoring

Each of the measures within the MOE segment is graded with a 0, -1, or -2 based on the statistical analysis and the magnitude of the its z-statistic for the month. The performance score for each metric is then weighted. These weights were developed to reflect the importance of that metric in determining that markets are open to competition. Critical Measures performance is scored against sliding scales based on the statistical score and the magnitude of the difference between wholesale service and the applicable standards. Special Provisions are scored against absolute standards of performance. Each of the scoring, weighting, and credit distribution processes is contained in Appendices A, B, C, E, and F.

(e) Self-executing aspects

Verizon MA will report its performance on the Massachusetts PAP on a monthly basis. Within 30 days of the close of the second month after the month in which performance is being reviewed, PAP credits will be processed for each CLEC. However, if a CLEC has received credits under the *Consolidated Arbitrations* for the same quarter, in an amount greater than credits due under the PAP, no additional credit will be made. See Section II. H. for further explanation. The Massachusetts PAP will go into effect coincident with Verizon's entry into the long distance market in Massachusetts.

3. Dollars at Risk

The structure of the Massachusetts PAP includes three credit categories: Mode of Entry, Critical Measures, and Special Provisions. Each category has a Massachusetts-specific credit schedule and cap which are presented in greater detail in the Appendices. The Massachusetts PAP contains a maximum dollar amount at risk. The total cap for Verizon MA is $147.28 million which is made up of a Massachusetts PAP cap of $142M and a CCAP cap of $5.28 Million. The distribution of dollars is as follows:

	Dollars at Risk (millions)
Mode of Entry	$41.20
Doubling of MOE	$41.20
Critical Measures	$41.20
Special Provisions	
Flow Through	$5.40
Hot Cut Performance	$13.00
PAP Total	$142.00
CCAP	$5.28
Verizon Total	$147.28

Conditions for doubling of the MOE dollars at risk are explained fully in Section II.C.2. In

addition, there is an additional category for Special Provisions associated with ordering that provides for an additional $13.0M, paid from the MOE dollars at risk, if Verizon MA does not meet service standards and has not reached the cap level for MOE. If Verizon MA's performance results in payments that reach the overall monetary cap, the Department, at its discretion, may open a proceeding to resolve the underlying service problem. The Department retains the discretion to investigate extraordinary wholesale service performance issues and to take appropriate corrective action.

4. Accurate Reporting of Data

The validation of Verizon MA's performance reporting was included as part of the independent, third-party OSS testing conducted by KPMG. Going forward, the Massachusetts PAP reporting of results will be subject to an annual audit. The first audit will begin 6 months after long distance entry.

II. PROVISIONS OF THE PLAN

A. Measures, Methods of Analysis and Standards

1. Measures

The measures and standards in the Massachusetts PAP have been taken directly from the Guidelines for Carrier-to-Carrier (C2C) Performance Standards and Reports developed in New York Case 97-C-0139 and cover the areas of Pre-order, Ordering, Provisioning, Maintenance and Repair, Billing and Network Performance. On January 14, 2000, the Department adopted the New York C2C Performance Measurement Plan for evaluating Verizon MA's compliance with the requirements of Section 271 of the Telecommunications Act of 1996.

2. Methods of Analysis

Verizon MA will use two interrelated methods to monitor wholesale performance to CLECs on the performance measurements. The first method is designed to measure Verizon MA's overall Section 271 performance in four categories that correspond to the methods or modes CLECs use to enter the local exchange market: Resale; Unbundled Network Elements ("UNEs"); Interconnection (Trunks); and Collocation. This is referred to as the Mode of Entry ("MOE") Measurements method, and a total of $41.2 million in annual bill credits, with potential for doubling per the provisions in Section II.C.2, will be available to CLECs if Verizon MA provides the maximum allowable unsatisfactory performance in all four MOE categories. (*See* Appendix A.) The MOE measurements provide a mechanism to measure the overall level of Verizon MA's service to the entire CLEC industry in the four areas.

The second method, referred to as the Critical Measures measurements, measures Verizon MA's performance in 12 critical areas, on both a CLEC-specific and a CLEC-aggregate basis. The Critical Measures, which are a subset of the measures included in the MOE segment

are: (1) Response Time OSS Interface; (2) OSS Interface Availability (Prime Time); (3) % On Time Order Notification; (4a) % Missed Appointment - VZ - Total - EEL; (4b) % Missed Appointments Complex; (4c) % Missed Appointments; (5) % Missed Appointments - VZ - No Dispatch - Platform; (6) % On Time Performance Hot Cut (adjusted for misses due to late FOCs); (7) % On-Time Performance - UNE LNP; (8) % Repeat Reports within 30 days; (9) Mean Time to Repair; (10) % Final Trunk Groups Blocking; (11) Collocation; and (12) DSL. A total of $41.2 million in annual bill credits will be available to CLECs if Verizon MA provides the maximum allowable out of parity performance on all 12 Critical Measures. (*See* Appendix B.) The Critical Measures cover Verizon MA's service in areas critical to the CLECs and provide a mechanism to assure that CLECs on an individual basis are receiving non-discriminatory service.

In addition, the Plan contains a "Special Provisions" segment that focuses on a number of measures that measure key aspects of Verizon MA's performance after it gains entry into the InterLATA long distance market. In order to assure that Verizon MA will provide satisfactory service in these key areas, *e.g.*, flow through and hot cuts, $18.4 million is made available in addition to the $82.4 million available under the MOE and Critical Measures for bill credits for these measures. In addition, $13.4 million will be available for certain UNE ordering measures, to be paid from the MOE dollars at risk, if Verizon MA does not meet service standards and has not reached the cap level for MOE. (*See* Section II.E. *infra*.)

3. Standards

Each measure will be evaluated according to one of two standards. For the measures where a Verizon MA retail analog exists, a "parity" standard will be applied.[1] For those measures where no retail analogs are available, an absolute standard has been specified as a surrogate to determine whether Verizon MA is providing non-discriminatory service to the CLECs. The metrics with absolute standards are displayed in Appendix C.

B. Distribution Of The MOE and Critical Measures Credits

1. Distribution of Bill Credits

Annual bill credits totaling $41.2 million are attributed to the MOE measures and are distributed to each of the MOE categories in amounts that reflect the importance of that MOE to the local exchange competition. Each month one-twelfth (1/12) of the annual amount will be available for bill credits. (*See* Appendix A.) An analogous principle has been applied to the $41.2 million associated with Critical Measures bill credits. (*See* Appendix B.)

2. Reallocation of Potential Bill Credits

The Department will have the authority to reallocate the monthly distribution of bill credits between and among any provisions of the Plan and the Change Control Assurance Plan. The Department will give the Company 15 days notice prior to the beginning of the month in which the reallocation will occur. Any reallocation will be done pursuant to Department order.

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[1] The parity measures in the Plan fall into two categories: Measured variables and Counted variables. Measured variables are metrics of means or averages, such as mean time to repair. Counted variables are metrics of proportions such as percent measures.

C. MOE Scoring And Bill Credit Calculations

1. Scoring

The measures and standards for the MOE measurements have been placed into four categories: Resale, UNE, Interconnection (Trunks) and Collocation. Since the 1996 Act requires that Verizon MA provide interconnection "that is at least equal in quality" to that provided to itself, and "nondiscriminatory access" to unbundled elements, each month Verizon MA will apply statistical tests, which are described in Appendix D, to Verizon MA and CLEC performance data to develop z scores, t scores or equivalent permutation scores for the measures.[2] These statistical scores will be converted into a performance score for each MOE measure as follows:

Statistical Score	Performance Score
Z <= -1.645	-2
-1.645 < Z <= -0.8225	-1
-0.8225 < Z	0

For small sample sizes of measures with a parity standard, the Permutation Test will be applied to obtain the statistical scores, which will be converted into a performance score. (*See* Appendix D.) For small sample sizes of measures with an absolute standard of 95%, a small sample size table will be applied to obtain the performance scores. Measures with absolute standards will be given a performance score of 0, -1, or -2 depending on the performance for that measure. (*See* Appendix C.)

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[2] The statistical methodologies set forth in Appendix D were taken from the New York State Carrier-to-Carrier Guidelines Performance Standards and Reports in Case 97-C-0139.

Thus, for each of the measures within the four MOE categories, Verizon MA's performance will be graded 0, -1, or -2. Each measure with a performance score of -1 in a given month will be subject to change, depending upon the score for that measure in the next two months. Should Verizon MA maintain a performance score of 0 for the next two months, then the score in the original month will be changed from -1 to 0. The 0 would then be used in conjunction with all of the other metrics in that MOE category to determine an aggregate score. A score of -2 in a given month will not be subject to change based upon performance in subsequent months. The performance score for each metric will then be weighted, based upon the importance of the metric in determining whether that MOE is open to competition. (*See* Appendix A, which lists the weights for the MOE measurements.) The weighted scores will then be aggregated (averaged) by each MOE category (Resale, UNE, Interconnection and Collocation), producing an overall weighted score for each of the four categories.

2. Bill Credit Calculations

If Verizon MA's overall (aggregate) performance score in the four categories falls below a minimum score in any given month, wholesale price reductions in the form of bill credits will be implemented and remain in effect for one month.[3] If an overall score falls to the maximum score or below, the maximum wholesale price reduction will be implemented. Scores between the minimum and maximum scores will also be entitled to credits pursuant to a credit table for each MOE category. Credit Tables with the range of scores between the minimum and maximum and the applicable rates appear in Appendix A. The bill credits payable to the CLECs will be determined each month by dividing the amount from the table in Appendix A by the

[3] The intent is that the minimum score for each MOE category corresponds to the threshold at which there is a 95% certainty that parity does not exist.

actual monthly volumes of the CLEC units in service. The measurement units for each of the MOEs is as follows:

1. UNE – Lines in service at end of month;
2. Resale – Lines in service at end of month;
3. Interconnection (Trunks) – Minutes of use in month; and
4. Collocation – Cages completed during month.[4]

The maximum scores represent the maximum allowable out of parity condition. The minimum and maximum performance scores and the start point percentages are as follows:

	Minimum	Maximum	Start Point %[5]
UNE	-.190	-.670	20%
Resale	-.191	-.670	20%
Interconnection	-.301	-1.000	20%
Collocation	.000	-1.200	20%

If an aggregate MOE score is less than one half the difference (*i.e.*, below the midpoint) between the minimum and maximum scores in any one of the four MOE categories for three consecutive months, the amounts in the credit tables in Appendix A for that same three-month period will be doubled for the applicable MOE category. (The midpoints for the MOEs are delineated in Appendix A.) The amounts in Appendix A will remain doubled until such time as Verizon MA achieves a score of one quarter (or greater) the difference between the minimum

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[4] For the purpose of the Plan:

1. Lines in service for UNE means UNE-Platform lines, all types of loops and IOF.
2. Lines in service for Resale means Resale lines plus circuits.
3. Trunks – minutes of use per month.
4. Collocation arrangements completed: all arrangements including (a) physical, (b) virtual and (c) other collocation arrangements provided under tariff.

[5] The "Start Point %" indicates the amount of monthly bill credits that will be due to CLECs if Verizon MA trips the minimum score. For example, if Verizon MA were to score -.191 on the UNE MOE in a month, 20% of the $2,060,000 monthly amount would be due. (*See* Appendix A.)

and maximum scores in that category in any given month. Appendix E provides a detailed step-by-step description of how the MOE performance scores and bill credits will be calculated and distributed to the CLECs.

3. The Domain Clustering Rule

Domain Clustering will provide CLECs with an additional layer of protection under the MOE mechanism. The term Domain refers to four service quality measures, (*i.e.*, Pre-Order Ordering, Provisioning, and Maintenance and Repair)[6] that are included in the UNE and Resale MOEs. Under the Domain Clustering Rule, each Domain will be reviewed each month. If 75% or more of the respective Ordering, Provisioning, or Maintenance and Repair Domain weights are tripped, the higher of the clustering overlay or overall market score will be used to determine the market adjustments for the UNE and Resale MOEs. The same rule will apply to the Pre-Ordering Domain, except that the clustering overlay would be effective if all Pre-Ordering response time measures failed at the -2 level, in which case 75% would be used in the overlay calculations. The Domain Clustering methodologies are set forth in detail in Appendix E.

D. Critical Measures Scoring And Bill Credit Calculations

1. Scoring

Verizon MA's performance in 12 measurement categories is critical to the CLECs' ability to compete in the Massachusetts local exchange market. Should Verizon MA performance miss the applicable performance standards for even *one* of these 12 categories,

[6] The domains do not include billing.

eligible CLECs will be entitled to bill credits. (*See* Appendix B.) The statistical tests and performance scoring mechanism described in the MOE section also apply to these measures.[7]

2. Bill Credit Calculations

For each Critical Measure, Verizon MA's performance for all CLECs during a given month will be averaged. Should the resulting performance score in any one category fall to -1 or below ("sub-standard performance"),[8] 50% of the maximum bill credits for that measure will be payable to eligible CLECs. The eligible CLECs are all those CLECs that received Sub-Standard Performance during that month (the "Aggregate Rule"). In addition, should any CLEC receive sub-standard performance for two consecutive months, bill credits for that CLEC will be implemented for the two month period, notwithstanding the fact that all CLECs on average may have received satisfactory performance during the two months (the "Individual Rule").[9]

Bill credits will increase by ten incremental amounts for performance scores between -1 and -2, or Z or t scores between -0.8225 and -1.645. The amounts payable to each CLEC will be in direct proportion to the amount of service that CLEC receives from Verizon MA compared to the other CLECs who received sub-standard performance pursuant to the critical measure. For

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7 To the extent that a Critical Measure contains more than one measure, the weights from Appendix A will be used to determine the amount of bill credits available for the individual measure.

8 The Permutations Test will be used to derive Z and t scores for measures with small sample sizes.

9 If all CLECs on average received an aggregate score below -1 for both months, the individual CLEC with the below average score would be entitled to bill credits for the Critical Measure in question under the Aggregate Rule. Likewise, if all CLECs on average received an aggregate score below -1 for the first of the two months and an aggregate score above -1 for the second month, the individual CLEC with sub-standard performance during both months would be entitled to receive bill credits pursuant to the Aggregate Rule for the first month and pursuant to the Individual Rule for the second month. A CLEC is only entitled to receive Bill Credits under the Individual Rule if it receives a score of -1 or less in a Critical Measure category and the CLEC group on average received a score greater than -1 for the Critical Measure.

example, under Critical Measure No. 8, % Repeat Reports within 30 days, the percent of bill credits for an unsatisfactory score would be calculated by determining the number of lines a CLEC had compared to other CLECs that received sub-standard performance. If a score falls to the maximum level, the maximum bill credits will be implemented for the Critical Measure in question.

Appendix F provides a detailed step-by-step description of how the Critical Measures scores and bill credits will be calculated and distributed to the CLECs.

E. Special Provisions

A number of key measures have been identified that measure aspects of Verizon MA's performance on service quality items that are viewed as essential for CLECs during the first year after Verizon MA's entry in the InterLATA market. Accordingly, additional funds will be made available for these measures under the subparagraphs described below.

1. Flow Through Measures For UNEs

Verizon MA will make an additional $5.4 million available for potential bill credits, which will be paid on a quarterly basis, for the following flow through UNE metrics measured on a cumulative quarterly basis: OR-5-01 "% Flow Through - Total" and OR-5-03 "% Flow Through Achieved."[10] A performance standard of 80% will apply to OR-5-01, and a performance standard of 95% will apply to OR-5-03. If at the end of any quarter Verizon MA has not achieved one of these two performance standards, it will distribute $1,350,000 in bill credits. The first point of assessment will be upon Verizon MA's entry into the interLATA market, and any bill credits due under this section will be distributed at that point based upon

[10] The definition of "% Flow Through Achieved" and the appropriate exclusions for this measure will be determined in the current phase of Case 97-C-0139.

performance during the three calendar months preceding entry into the interLATA market. The bill credits will be available to all CLECs purchasing UNEs. Any amounts due will be credited based on the CLEC's lines in service.[11] The scoring methodology for this measure is set forth in more detail in Appendix H.

2. UNE Ordering Performance

An additional $1,083,333 per month, or $13 million annually, will be made available for bill credits for four non-flow through UNE performance measures:

OR-1-04 % On Time LSRC < 10 lines (Electronic) – POTS
OR-1-06 % On Time LSRC ≥ 10 lines (Electronic) – POTS
OR-2-04 % On Time LSR Reject < 10 lines (Electronic) – POTS
OR-2-06 % On Time LSR Reject ≥ 10 lines (Electronic) – POTS

Funding for these additional bill credits will come from any unused MOE funds in a month or the six prior months. $270,833 in bill credits per metric will be distributed under this section to all CLECs ordering UNEs based on the CLEC's lines in service if performance is less than 90% on the respective measures. These credits will be distributed like the bill credits under Critical Measures, Aggregate Rule. (*See* Appendix H.)

3. Additional Hot Cut Performance Measures

An additional $13 million for bill credits will be made available for service quality related to two Hot Cut Performance Measures: PR-4-06 "Missed Appointment - % on Time Performance - Hot Cut" and PR-6-02 "Installation Quality - % Installation Troubles Reported Within 7 Days." Bill credits will be paid under this section if either of two events occurs:

(a) If for any two consecutive months, Verizon MA fails to achieve either 90% on-time performance for Hot Cuts or has greater than a 3.00% rate for installation troubles within

[11] Lines in service will equal:UNE-P, UNE Loops, IOF, and EEL Loops.

7 days for hot cuts, Verizon MA will distribute $541,666 in bill credits to the affected CLECs. These credits will be distributed like the bill credits under Critical Measures, Aggregate Rule. If Verizon MA fails to meet either of these measures in the first month, but meets them in the second month, no bill credits will be due.

(b) If for any one month, Verizon MA fails to achieve 85% on-time performance for Hot Cuts or scores greater than a 4.00% rate for installation troubles within 7 days for hot cuts, Verizon MA will distribute $1,083,333 in bill credits to the affected CLECs for that month. These credits will be distributed like the bill credits under Critical Measures, Aggregate Rule. (*See* Appendix H.)

F. The Change Control Assurance Plan

A total of $5.28 million will be placed at risk for the Change Control Process for those CLECs operating in Massachusetts. The credits will be made available using the same methodology used in New York. The Change Control process that is currently in place is common to systems in Massachusetts and New York. A copy of the currently effective CCAP is attached as Appendix I.

G. Monthly Reports

In order to ensure that there is timely information regarding Verizon MA's performance, Verizon MA will report its performance on a monthly basis. Each month, a 7-page report will be made available to all CLECs providing service in Massachusetts.

A sample copy of the report appears in Appendix G. The first three pages will provide information regarding the MOE measures and will include:

1. Verizon MA actual performance to its retail customers where such measures exist and to CLECs for each metric;

2. The number of observations for Verizon MA and the CLECs for each measure (where applicable);

3. The Verizon MA standard deviation (where applicable);

4. The sampling error (where applicable);

5. The appropriate statistical scores (where applicable)[12] or the difference between Verizon MA's and the CLECs' actual performance on the measure (where applicable);

6. A performance score for each measure;

7. The weight for each measure;

8. The weighted performance score; and

9. An aggregation of the performance scores, weighted performance scores, and aggregate bill credits[13], if any, due under each MOE.

The fourth page will list the Critical Measures and the bill credits, if any, that are due for these measures on an aggregate CLEC basis. The fifth page will include Special Provisions. The sixth page will provide a summary of the total bill credits, if any, due the CLEC industry. The seventh page will provide the amount, if any, due to the individual CLEC for the MOE and Critical Measures.[14] The monthly report will be provided within 25 days of the end of each month.

Verizon MA will continue to provide a separate report on all measures established in the New York C2C proceeding (Case 97-C-0139), allowing for additions, deletions and other modifications ordered by the Department. In addition, to the extent allowed by law, Verizon MA will make available CLEC-specific C2C electronic reports enabling those receiving the reports to evaluate performance at greater levels of detail. The C2C reports will be made available to any CLEC requesting the reports.

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12 A Permutations Test will be applied to small sample sizes to obtain a probability. The probability will be converted to a Z or t score, which in turn will be converted to a performance score.

13 Bill credit information will be provided and processed quarterly.

14 The computer model that will be used to calculate the MOE and Critical Measures bill credits will

(Continued . . .)

H. Bill Credits Payment

Under the Massachusetts PAP, a CLEC that is currently being provided with performance reports and credits under the Department's *Consolidated Arbitrations* plan will receive the higher of the credits calculated under the two plans on a quarterly basis.

Should Verizon MA's performance not meet the standards set forth above for the MOE and Critical Measure measurements, CLECs will receive bill credits for those MOE categories or Critical Measures scores that fall below the respective minimum levels. To the extent warranted, bill credits in the amount due under the *Consolidated Arbitrations* for the previous quarter will be credited to each CLEC's account within 30 days of the close of the quarter in which the unsatisfactory performance has occurred. Due to the offset provision for non-compliant measures with performance scores of –1 in the Massachusetts PAP, final performance results under the Massachusetts PAP cannot be determined until after the close of the second month after the month under review. If the cumulative monthly credit amounts due under the Massachusetts PAP for a quarter exceed those due under the *Consolidated Arbitrations* for the same quarter, the additional credit amounts will be made within 30 days of the close of the second month after the month under review.

For example, in the first month following the end of a quarter, Verizon MA will report results for the entire quarter just completed under the *Consolidated Arbitrations* plan and for the first month of the quarter under the Massachusetts PAP (*e.g.*, January Massachusetts PAP results become final in April). CLECs will receive whichever credits are greater, those determined by three months reported in the *Consolidated Arbitrations* or those determined by one month of the Massachusetts PAP.

(. . . Continued)

be posted on Verizon MA's TISOC Website after the Plan becomes effective.

In the second month following the end of a quarter, Verizon MA will report Massachusetts PAP results for the second month of the quarter being reviewed (*e.g.*, February Massachusetts PAP results become final in May). Verizon MA will then compare the total credits assessed under the Massachusetts PAP for the first two months of the quarter with those paid the prior month. If the credits under two months of the Massachusetts PAP are greater than those previously paid, CLECs will receive additional credits. The amount of the additional credit will be equal to the difference between the two month total Massachusetts PAP credits and the total credits previously processed for the quarter.

In the third month following the end of a quarter, Verizon MA will report Massachusetts PAP results for the third month of the quarter being reviewed (*e.g.*, March Massachusetts PAP results become final in June). Verizon MA will then compare the total credits assessed under the Massachusetts PAP for the three months of the quarter with those previously paid. If the credits under three months of the Massachusetts PAP are greater than those previously paid, CLECs will receive additional credits. The amount of the additional credit will be equal to the difference between the three month total Massachusetts PAP credits and the total credits previously processed for the quarter. This ends the cycle for assessing service and credits for a given quarter.

If the total Massachusetts PAP credits due for the quarter do not exceed those due under *Consolidated Arbitrations*, no additional credits will be issued. If a CLEC does not participate in the *Consolidated Arbitrations*, credit amounts will be made within 30 days of the close of the second month after the month under review.

If the bill credits exceed the balance due Verizon MA on the CLEC's bill, the net balance will be carried as a credit on to the CLEC's next month's bill.

Verizon MA will issue checks in lieu of outstanding bill credits to CLECs that discontinue taking service from Verizon MA.

I. Term Of Performance Assurance Plan

The plan will become effective the day that is the first day of a calendar month Verizon MA enters into the interLATA market and the Department will reevaluate the appropriateness of the Plan when Verizon MA eliminates its Section 272 affiliate. Until such time as a replacement mechanism is developed or the Plan is rescinded, the Plan will remain in effect, as it may be modified from time to time by the Department.

J. Exceptions and Waiver Process

Recognizing that C2C service quality data may be influenced by factors beyond Verizon MA's control, Verizon MA may file Exception or Waiver petitions with the Department seeking to have the monthly service quality results modified on three generic grounds. The first involves the potential for "clustering" of data, and the effect that such clustering has on the statistical models used in this Plan. The requirements of the clustering exception are set forth in Appendix D.

The second ground for filing an exception relates to CLEC behavior. If performance for any measure is impacted by unusual CLEC behavior, Verizon MA will bring such behavior to the attention of the CLEC and attempt to resolve the problem. Examples of CLEC behavior which may influence performance results include:

1. poor order quality, such as missing codes, incorrect codes or misspelled directory listings;
2. actions that cause excessive missed appointments, such as wrong addresses, wrong due dates or offered intervals shorter than the standard interval;

3. actions resulting in excessive multiple dispatch and repeat reports, such as incorrect dispatch information or inadequate testing by a CLEC;
4. inappropriate coding on orders, such as where extended due dates are desired and are not coded as such;
5. delays in rescheduling appointments when Verizon MA has missed an appointment.

If such action negatively influences Verizon MA's performance on any metric, Verizon MA will be permitted to petition for relief. The petition, which will be filed with the Department and served on the CLEC, will provide appropriate, detailed documentation of the events, and will demonstrate that the CLEC behavior has caused Verizon MA to miss the service quality target. Verizon MA's petition must include all data that demonstrates how the measure was missed. It should also include information that excludes the data affected by the CLEC behavior. CLECs and other interested parties will be given an opportunity to respond to any Verizon MA petition for an Exception. If the Department determines that the service results were influenced by inappropriate CLEC behavior, the data will be excluded from the monthly reports.

The third ground for filing a waiver relates to situations beyond Verizon MA's control that negatively affect its ability to satisfy only those measures with absolute standards. The performance requirements dictated by absolute standards establish the quality of service under normal operating conditions, and do not necessarily establish the level of performance to be achieved during periods of emergency, catastrophe, natural disaster, severe storms, work stoppage, or other events beyond Verizon MA's control.

Verizon MA may petition the Department for a waiver of specific performance results for those metrics that have performance targets dictated by absolute standards, if Verizon MA's performance results do not meet the specific standard. This waiver process shall not be available

for those metrics for which Verizon MA's wholesale performance is measured by comparison to retail performance (parity metrics).

Any petition pursuant to this provision must demonstrate clearly and convincingly the extraordinary nature of the circumstances involved, the impact that the circumstances had on Verizon MA's service quality, why Verizon MA's normal, reasonable preparations for difficult situations proved inadequate, and the specific days affected by the event. The petition must also include an analysis of the extent to which the parity metrics (retail and wholesale) were affected by the subject event, and must be filed within 45 days from the end of month in which the event occurred.

The Department will determine which, if any, of the daily and monthly results should be adjusted in light of the extraordinary event cited, and will have full discretion to consider all available evidence submitted. Insufficient filings may be dismissed for failure to make a *prima facie* showing that relief is justified.

K. Annual Review, Updates And Audits

1. Annual Review And Updates

Each year the Department and Verizon MA will review the Performance Assurance Plan to determine whether any modifications or additions should be made. During this review, the Department and Verizon MA can determine, among other things, whether: (1) measures and weights should be modified, added or deleted; (2) modifications should be made to the distribution of dollars at risk among the four MOE and Critical Measures categories; (3) geographic deaveraging should be adopted for reporting metric results; (4) the clustering and CLEC behavior exceptions included in Appendix D should be modified; (5) small sample size procedures should be modified; and (6) the methodologies used to calculate the bill credits should be modified.[15] All aspects of the Plan, however, will be subject to review. The annual review process may be initiated no more than six months before the anniversary date of Verizon MA's entry into the long distance market pursuant to Section 271. Any modifications to the Plan will be implemented as soon as is reasonably practical after Department approval of the modifications.

[15] In particular, during the first annual review, the methodology used to calculate amounts due to CLECs under the Individual Rule for bill credits under the Critical Measures category will be analyzed to determine whether the rule provides for an appropriate distribution of bill credits.

2. Changes to the New York Plan

Changes to the New York Plan adopted by the New York PSC will be filed with the Department within 10 days for inclusion in the Massachusetts Plan upon the Department's approval.

3. Annual Audit

Each year the Department will audit Verizon's data and reporting, with the first audit beginning 6 months after Verizon MA enters the Long Distance market in Massachusetts. The audits shall be performed by an independent auditor, selected by the Department through a competitive bidding process and paid for by Verizon. The first audit will include an examination of data reliability issues. Subsequent audits will include an examination of data reliability issues at the Department's discretion.