SCHEDULE 11.6

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ACCESS TO OPERATIONS SUPPORT SYSTEMS

1.0 Definitions

As used in this Schedule 11.6, the following terms shall have the meanings stated below:

1.1 "Verizon Operations Support Systems" or "Verizon OSS" means Verizon interfaces for access to pre-ordering, ordering/provisioning, maintenance and repair, and billing generally available to all CLECs.

1.2 "Verizon OSS Services" means access to Verizon Operations Support Systems functions of Pre-Ordering, Ordering/Provisioning, Maintenance and Repair, and Billing. The term "Verizon OSS Services" includes, but is not limited to: (a) Verizon's provision of Call Detail Information to AT&T pursuant to this Agreement; and, (b) "Verizon OSS Information", as defined in Section 1.3 below.

1.3 "Verizon OSS Information" means any information accessed by, or disclosed or provided to, AT&T through or as a part of Verizon OSS Services. The term "Verizon OSS Information" includes, but is not limited to: (a) any Customer Information related to a Verizon Customer or an AT&T Customer accessed by, or disclosed or provided to, AT&T through or as a part of Verizon OSS Services; and, (b) any AT&T Call Detail Information (as defined in Section 1 of the General Terms and Conditions) accessed by, or disclosed or provided to, AT&T.

2.0 General Conditions

2.1 This Schedule 11.6 sets forth the terms and conditions under which Verizon will provide electronic access to the following Verizon Operations Support Systems and Verizon OSS Services. Verizon will provide such access to AT&T through the interfaces listed below or any other generally available Verizon OSS interfaces (e.g., Web GUI) for pre-ordering, ordering, provisioning, maintenance and repair, and billing in accordance with guidelines published by Verizon and which are consistent with the Change Management Process described below.

Interface	**Function**
CORBA	Pre-order
EDI	Ordering, Provisioning
EBI	Maintenance & Repair
Connect:Direct	Billing

2.2 AT&T agrees to access the Verizon OSS and utilize Verizon OSS Services, only for the purposes of establishing and maintaining Services provided to AT&T by Verizon. Except as may be mutually agreed to by the Parties in writing, AT&T agrees that such use will comply with the security requirements of Verizon.

2.3 By accessing customer service records pursuant to this Schedule, AT&T represents and warrants that it has obtained any customer authorization or approval (written, verbal or electronic) required by Applicable Law in order to receive such information. AT&T shall receive and retain such information in conformance with the requirements of 47 U.S.C. § 222 (and implementing FCC regulations thereunder) and in accordance with Section 18.3.

2.4 Verizon will provide AT&T with access to Verizon OSS in accordance with Verizon's published availability schedule, subject to changes to such schedule made in accordance with the Change Management Process.

2.5 Each Party shall provide designated contacts for technical issues related to this Schedule. Verizon shall also publish or otherwise provide to AT&T toll-free nation-wide telephone numbers (and applicable hours of operation) which will be answered by capable staff trained to answer questions and resolve technical problems related to this Schedule or other matters associated with the provision of Verizon OSS Services.

2.6 Verizon and AT&T may, upon mutual agreement, jointly establish interface contingency plans for access to Verizon OSS.

2.7 The Parties agree that the Change Management Process as established between Verizon and participating CLECs, as may be amended from time to time, will be used to manage changes to Verizon OSS interfaces. For purposes of this Schedule, "Change Management Process" means the documented process that Verizon and CLECs follow to facilitate communication about Verizon OSS changes, new interfaces and retirement of old interfaces, as well as the implementation timeframes; which includes such provisions as a developmental view, release announcements, comments and reply cycles, new entrant and new release testing processes and regularly scheduled change management meetings.

2.8 Notwithstanding any other provision of this Agreement, if any provision contained in this Schedule 11.6 (and/or Section 11.6 of this Agreement) conflicts with any term or condition of the Application of GTE Corporation, Transferor and Bell Atlantic Corporation, Transferee, Memorandum Opinion and Order, Appendix D, CC Docket No. 98-184, FCC 00-221 (rel. June 16, 2000)("Merger Conditions") or otherwise would require Verizon, prior to the time period contained in the Merger Conditions or in a manner inconsistent with the Merger Conditions, to implement any Verizon OSS process, interface, or business rule, including but not limited to the Change Management Process, or any Verizon OSS Services as those terms are defined in this Agreement, the term or condition contained in the Merger Conditions shall prevail. If any provision contained in this Schedule 11.6 (and/or Section 11.6 of this Agreement) and any provision of the agreement entered into by Verizon and others (including AT&T) on August 20, 1999 (in settlement of *MCI Worldcom, Inc. and AT&T Corp. v. Bell Atlantic Corp.*, FCC File No. EAD-99-0003), as may be amended from time to time, and any collaborative proceedings or arbitrated decisions arising from that settlement agreement ("Settlement Agreement") cannot be reasonably construed or interpreted to avoid conflict, the terms of the Settlement Agreement shall prevail. Conflicts among this

Schedule 11.6 (and/or Section 11.6 of this Agreement), the Settlement Agreement, and the Merger Conditions shall be resolved in accordance with the following order of precedence, where the document identified in subsection "(a)" shall have the highest precedence: (a) the Settlement Agreement; (b) the Merger Conditions; and (c) this Schedule 11.6 (and/or Section 11.6 of this Agreement).

2.9 In ordering Services, AT&T and Verizon will utilize standard industry order formats and data elements developed by the Alliance for Telecommunications Industry Solutions (ATIS), including without limitation the Ordering and Billing Forum (OBF); provided, however, Verizon shall not be required to implement a version of an industry standard or may modify its use of such industry standards subject to notice in accordance with the Change Management Process, as may be amended from time to time. Verizon may also modify its use of such industry standards (i) in order to be consistent with the terms of the Settlement Agreement; or (ii) consistent with any collaborative proceedings pursuant to the Merger Conditions. Furthermore, industry standards do not currently exist for the ordering of all Services. Therefore, until such standard industry order formats and data elements are developed by the OBF for a particular Service, AT&T and Verizon will use the Change Management Process to agree on a format or data elements to be used to address the specific data requirements necessary for the ordering of those Services. When an OBF standard or format is subsequently adopted, the Parties will use such standard or format in lieu of any other standard or format, unless, pursuant to the Change Management Process, there is agreement to continue to use a non-OBF standard or format. Nothing in this Section 2.9 shall require Verizon to implement an industry standard prior to the time period required by the Merger Conditions or in a manner inconsistent with the Merger Conditions. Verizon reserves the right to establish non-standard Verizon OSS interfaces if required by law, regulation or collaborative proceeding.

3.0 Access to and Use of Verizon OSS

3.1 Verizon OSS may be accessed and used by AT&T only to the extent necessary for AT&T's access to and use of Verizon OSS Services pursuant to the Agreement.

3.2 AT&T shall restrict access to and use of Verizon OSS to AT&T. This Schedule 11.6 does not grant to AT&T any right or license to grant sublicenses to other persons, or permission to other persons (except AT&T's employees, agents and contractors, in accordance with Section 3.6 below), to access or use Verizon OSS.

3.3 AT&T shall not (a) alter, modify or damage the Verizon OSS (including, but not limited to, Verizon software), (b) copy, remove, derive, reverse engineer, or decompile, software from the Verizon OSS, or (c) obtain access through Verizon OSS to Verizon databases, facilities, equipment, software, or systems, which are not offered for AT&T's use under this Schedule 11.6.

3.4 Except as may be otherwise mutually agreed to by the Parties in writing, AT&T shall comply with all practices and procedures established by Verizon for access

to and use of Verizon OSS (including, but not limited to, Verizon practices and procedures with regard to security and use of access and user identification codes).

3.5 All practices and procedures for access to and use of Verizon OSS, and all access and user identification codes for Verizon OSS: (a) shall remain the property of Verizon; (b) shall be used by AT&T only in connection with AT&T's use of Verizon OSS permitted by this Schedule 11.6; (c) shall be treated by AT&T as Confidential Information of Verizon pursuant to subsection 28.5 of the Agreement; and, (d) shall be destroyed or returned by AT&T to Verizon upon the earlier of request by Verizon or the expiration or termination of the Agreement.

3.6 AT&T's employees, agents and contractors may access and use Verizon OSS only to the extent necessary for AT&T's access to and use of the Verizon OSS permitted by this Agreement. Any access to or use of Verizon OSS by AT&T's employees, agents, or contractors, shall be subject to the provisions of the Agreement, including, but not limited to, subsection 28.5 thereof and Section 3.5 of this Schedule 11.6.

4.0 Verizon OSS Information

4.1 All Verizon OSS Information shall at all times remain the property of Verizon. Except as expressly stated in this Schedule 11.6, AT&T shall acquire no rights in or to any Verizon OSS Information.

4.2 The provisions of this Section 4.2 shall apply to all Verizon OSS Information, except (a) AT&T Call Detail Information, (b) CPNI of AT&T, and (c) CPNI of a Verizon Customer or an AT&T Customer, to the extent the Customer has authorized AT&T to use the Customer Information.

4.2.1 AT&T's employees, agents and contractors may access, use and disclose Verizon OSS Information only to the extent necessary for AT&T's access to, and use and disclosure of, Verizon OSS Information permitted by this Schedule 11.6. Any access to, or use or disclosure of, Verizon OSS Information by AT&T's employees, agents or contractors, shall be subject to the provisions of this Agreement, including, but not limited to, subsection 28.5 of the Agreement.

4.2.2 Unless sooner terminated or suspended in accordance with the Agreement or this Schedule 11.6 (including, but not limited to, Section 22 of the Agreement), AT&T's access to Verizon OSS Information through Verizon OSS Services shall terminate upon the expiration or termination of the Agreement. All Verizon OSS Information received by AT&T shall be destroyed or returned by AT&T to Verizon, upon expiration, suspension or termination of this Agreement.

5.0 Liabilities and Remedies

5.1 Intentionally omitted

5.2 AT&T agrees that Verizon may be irreparably injured by a breach of Sections 3 or 4 above by AT&T or the employees, agents or contractors of AT&T, and that Verizon shall be entitled to seek equitable relief, including injunctive relief and specific performance, in the event of any such breach. Such remedies shall not be deemed to be the exclusive remedies for any such breach, but shall be in addition to any other remedies available under this Agreement or at law or in equity.

6.0 Relation to Applicable Law

The provisions of Sections 3, 4 and 5 above shall be in addition to and not in derogation of any provisions of Applicable Law, including, but not limited to, 47 U.S.C. § 222, and are not intended to constitute a waiver by Verizon of any right with regard to protection of the confidentiality of the information of Verizon or Verizon Customers provided by Applicable Law.

7.0 Verizon Access to Information Related to AT&T Customers

7.1 Verizon shall have the right to access, use and disclose information related to AT&T Customers that is in Verizon's possession to the extent such access, use and/or disclosure has been authorized by the AT&T Customer in the manner required by Applicable Law.

7.2 Upon request by Verizon, AT&T shall negotiate in good faith and enter into a contract with Verizon, pursuant to which Verizon may obtain access to AT&T's operations support systems (including systems for pre-ordering, ordering/provisioning, maintenance and repair, and billing) and information contained in such systems, to permit Verizon to obtain information related to AT&T Customers (as authorized by the applicable AT&T Customer), to permit Customers to transfer service from one Telecommunications Carrier to another, and for such other purposes as may be permitted by Applicable Law.

8.0 Application-to-Application Interface Testing for Ordering/Provisioning

8.1 The Parties shall conduct application-to-application interface testing prior to AT&T's initial live access to Verizon OSS. Additionally, the Parties may agree to conduct application-to-application interface testing to test new releases of Verizon OSS software. Any application-to-application interface testing shall be pursuant to Verizon CLEC Test Environment (CTE) guidelines published by Verizon consistent with the Change Management Process. Application-to-application interface testing will allow for the testing of the systems, interfaces, and processes for the Ordering and Provisioning functions. If AT&T wishes to conduct Friendlies-type application-to-application testing, the Parties shall negotiate a separate test agreement that addresses the terms and conditions applicable to such testing.

8.2 Notwithstanding any other provision of this Agreement, AT&T shall not send any orders into production until such time that AT&T has successfully completed testing in the Verizon CTE in Virginia except as otherwise mutually agreed to by the Parties. AT&T agrees that it will only send orders into production containing features,

services and/or elements for which it has successfully completed testing in Virginia in the Verizon CLEC Test Environment except as otherwise mutually agreed to by the Parties.

8.3 Prior to initial access to Verizon OSS, AT&T will complete applicable user education classes, as offered by Verizon, for Verizon-provided interfaces. Such user education classes will be available in accordance with rates published by Verizon.

8.4 AT&T agrees that personnel from other competitive Local Service Providers may be scheduled into any class. Class availability is first-come, first served.

8.5 Class dates will be in accordance with Verizon's published schedule. Special classes may be arranged as mutually agreed to by the Parties.

8.6 AT&T agrees that AT&T personnel attending classes are to utilize only training databases and training presented to them in class. Attempts to access any other Verizon system are strictly prohibited.

8.7 Nothing in this Section 8 shall require Verizon to offer non-scheduled user education classes to AT&T except as may be mutually agreed to by the Parties or as otherwise generally offered to other CLECs.

9.0 Prices/Rates

9.1 AT&T will pay Verizon for access to the Verizon OSS according to the prices set forth in Exhibit A (Pricing Schedule) of this Agreement or as otherwise determined by the Commission.

10.0 Local Account Maintenance

10.1 Where Verizon's existing PIC Change process currently supports the option of either having Verizon reject or process PIC changes requested by intraLATA toll or interLATA (or international, where applicable) carriers ("Carriers") on AT&T's Customers' accounts, AT&T may make its election regarding this option upon establishing its account with Verizon and on an as needed basis thereafter. In such case, if AT&T elects to have Verizon reject these PIC changes under this option, or where Verizon does not currently support this option, Verizon shall so notify Carriers by creating the appropriate reject transaction record pursuant to Customer Account Record Exchange (CARE) record formats approved by the Ordering and Billing Forum (OBF).

SCHEDULE 14.2.9.1

Schedule 14.2.9.1

Requirements - Off-Business Hour Number Portability (LNP-Only) and Coordinated Conversions

1. Requirements for Off-Business Hour Number Portability (LNP-Only) include:

   (1) Verizon shall accept orders from AT&T for off-business hour due dates on number portability orders. (AT&T will be able to make LSR entries on this basis, and LSRs transmitted by mechanized feed or otherwise will not be rejected by Verizon if due date fields are completed on this basis.)

   (2) Verizon shall apply the 10-digit trigger for all number portability orders. Verizon shall apply the 10-digit trigger and customer translations by no later than 11:59 P.M. (local time) on the business day preceding the scheduled port date, and leave the 10-digit trigger and customer translations in place until 11:59 P.M. (local time) on the next business day following receipt of confirmation from NPAC that the port was activated.

   (3) In order to avoid double-billing of end user customer, Verizon must discontinue billing a ported customer at the date and time the port is activated, as reported by NPAC to Verizon.

   (4) At AT&T's request, Verizon shall either (1) transmit the NPAC Port Concurrence to NPAC at the same time that Verizon transmits the LSRC to AT&T, or (2) transmit the NPAC Port Concurrence to NPAC immediately upon receipt of its copy of the "Create Subscription" message sent by AT&T to NPAC.

   (5) At AT&T's request, Verizon shall maintain personnel on a standby basis to assist in any emergency repairs or restoration required during the off-business hour porting process, including at the time that the 10-digit trigger and customer translations are removed.

   (6) AT&T may compensate Verizon, based upon the provisions established in Exhibit A of this Agreement, for incremental Verizon personnel made available on weekends or otherwise outside of normal business hours by Verizon for purposes of handling troubles related to off-business hour ports. This would not include Verizon personnel involved in removal of the 10-digit trigger and customer translations or any repairs and restoration required at such time.

   (7) Verizon shall ensure that its SOA connectivity to NPAC is available for processing all required number portability activities at all times, other than agreed upon maintenance windows scheduled to be concurrent with maintenance windows scheduled by NPAC.

2. Requirements for Off-Business Hour Number Portability (Coordinated Cutovers) include:

(1) Conditions (1) – (7) of the Requirements for Off-Business Hour Number Portability (LNP-Only) set forth in section 1 above and

(2) Conditions described in section 11.2.9.2 of this Agreement.

SCHEDULE 26.1.1

Schedule 26.1.1

Performance Incentive Plan

INTRODUCTION

The final metrics/standards as adopted by the Virginia State Corporation Commission's ("SCC") *Commonwealth of Virginia, ex rel. State Corporation Commission Ex Parte: Establishment of Carrier Performance Standards for Verizon Virginia Inc.*, Case No. PUC 010206 will be used in the Performance Incentive Plan ("PIP") outlined herein.

OBJECTIVES OF THE PLAN

This system of self-enforcing consequences fully implements the following objectives:

- Consequences are based upon the quality of support delivered on individual measures to individual CLECs.
- Total consequences, in the aggregate, have sufficient impact to motivate compliant performance without the need to apply a remedy repeatedly.
- The imposition of financial consequences is prompt and certain, and consequences are self-executing so that opportunities for delay through litigation and regulatory review are minimized.
- Consequences escalate as the severity of a performance failure becomes more substantial and/or the performance repeatedly fails to meet the applicable standard.
- Exclusions from consequences are minimized and the exclusions that are provided for are monitored and limited to assure they do not mask discrimination.
- VZ-VA has minimal opportunities to avoid consequences through such means as liability caps, offsetting credits, or a requirement that CLECs must demonstrate VZ-VA's intent to harm.
- Potential "entanglement" costs are minimized so that, for example, access to mitigation measures for the incumbent does not become a means to revert to the legal/regulatory process and delay the application of consequences that should be self-enforcing.

STRUCTURE OF CONSEQUENCES FOR DISCRIMINATORY VZ-VA PERFORMANCE

Consequences operate to address non-compliant performance delivered to AT&T. In general terms, consequences provide a form of non-exclusive compensatory damages payable to AT&T.[1]

Consequences Calculation

A consequence should be payable to AT&T whenever any performance result indicates support delivered by VZ-VA to AT&T fails to meet or exceed the applicable performance standard.

[1] AT&T shall retain the right to pursue actual damages. However, if AT&T pursues a claim for actual damages, then the damage award, if any, is offset by any payments it received from VZ-VA for the same time period and performance areas.

The first step in establishing consequences is to define the rule for determining if performance for a particular period "passes" or "fails" and, if it fails, whether additional consequences are warranted. Defining "pass/fail" rules requires that the underlying measurements be mapped into one of two classes:

- those for which the performance standard is parity with analogous VZ-VA performance results (or that of its best performing retail affiliates), and
- those for which the performance standard is an absolute level of required performance (otherwise known as a benchmark).

Business Rules for Parity Measurements

Use the Modified z-Statistic to Determine Compliance

The determination of whether performance is compliant (i.e., equal to or better than the appropriate standard) is based on the calculation of the modified *z*-statistic (*z*).[2] This statistic depends on the nature of the submeasure and is given by:

$$z = \frac{T_I - T_C}{\sqrt{V_I}\sqrt{\frac{1}{n_C} + \frac{1}{n_I}}}.$$

The numerator contains the difference between the VZ-VA sample performance, T_I and AT&T's sample performance, T_C. The denominator contains the square root of the appropriate VZ-VA sample variance, V_I, and also depends on the AT&T and VZ-VA sample sizes, n_C and n_I, respectively. The table below shows the above quantities as defined for each type of parity submeasure.

	Average or Mean	**Proportion or Percentage**	**Ratio or Rate**
T_I	VZ-VA sample mean x_I	VZ-VA sample proportion p_I	VZ-VA sample ratio r_I
T_C	AT&T sample mean x_C	AT&T sample proportion p_C	AT&T sample ratio r_C
V_I	VZ-VA sample variance σ_I^2	VZ-VA sample variance $p_I(1-p_I)$	VZ-VA sample variance r_I

The calculated modified z-statistic is then compared to the critical value to determine if parity exists.[3] For any such decision rule, the probability of an erroneous decision is known. For

[2] See: Local Competition Users Group - Statistical Tests for Local Service Parity, February 6, 1998, Version 1.0 for documentation of the calculation and use of the modified *z*-statistic.

[3] The modified *z*-statistic computation provides for the CLEC mean to be subtracted from the ILEC mean. Thus, a negative *z*-statistic critical value presumes that worse performance exists when the CLEC mean becomes larger than the ILEC mean. For example, worse performance exists when the order completion interval for the CLEC exceeds that for the ILEC. Thus a negative *z*-statistic critical value is appropriate. On the other hand, for a metric like "*p*% completed within *q* days", worse performance for

example, if the critical value is –3.00 and parity actually exists, the probability of saying it is not is 0.13%.

Use the Balancing Critical Value

The threshold level to determine whether or not a performance failure exists is established by balancing Type I and Type II error.[4] The balance point is a function of the size of the AT&T and VZ-VA data sets and a material difference[5]. A simplified version of the statistical methodology developed by AT&T and Ernst & Young in Louisiana[6] that uses the modified *z*-statistic at the submeasure cell level is the method for calculating the critical value of the test. This critical value depend on the sample sizes and balances Type I and Type II error probabilities for each given submeasure. The balancing critical value is given by:

$$z^* = -\frac{\delta}{2\sqrt{\frac{1}{n_C} + \frac{1}{n_I}}}.$$

Here n_C is the AT&T sample size, and n_I is the VZ-VA sample size. Furthermore, the definition of the alternative hypothesis required to perform the balancing is fundamental to the applicability of the method and defines the parameter δ. This remedy structure uses a value of 0.25 for this parameter.

Consequences Amounts

A parity failure is established for a submeasure by comparing the measured value of the modified *z*-statistic (z) to the balancing critical value (z^*) appropriate for the submeasure's sample size during the given monthly period. The failure criterion is given by:

$$z < z^*.$$

Once a submeasure failure is obtained, the calculated remedy is a continuous quadratic function of severity of the failure as measured by the ratio of the modified *z*-statistic to the balancing critical value (z/z^*). Fixing the value of the quadratic or its slope at three points completely

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the CLEC occurs when the metric result is smaller for the CLEC vis-à-vis the ILEC. In this case a positive *z*-statistic critical value is appropriate. In this plan we assume that all measures are expressed in the former not the latter language, thereby guaranteeing the poorer performance for the CLEC leads to a negative *z*-statistic and making a negative critical value appropriate.

[4] The key consideration is balancing the probability of drawing erroneous conclusions -- either that performance is "bad" when it is actually "good" (Type I error) or that performance is "good" when it is actually "bad" (Type II error). The former error adversely impacts ILECs and the latter adversely impacts CLECs. Unfortunately, reducing the likelihood of one type of error increases the likelihood of the other type of error occurring. Thus the best means to create an equitable outcome for all parties is to balance the Type I and Type II error.

[5] This material difference defines the alternative hypothesis of the test.

[6] Statistical Techniques For The Analysis And Comparison Of Performance Measurement Data. Submitted to Louisiana Public Service Commission (LPSC) Docket U-22252 Subdocket C.

determines the function. Therefore, small changes in severity lead to small changes in consequences. [7]

Table 1

Range of modified z-statistic (z)	Performance Designation	Applicable Consequence ($)
greater than or equal z^*	Compliant	0
less than z^* to $5z^*/3$	Basic Failure	$a(z/z^*)^2 + b(z/z^*) + c$
less than $5z^*/3$ to $3z^*$	Intermediate Failure	
less than $3z^*$	Severe Failure	25,000

Table 1 shows the applicable consequences for each parity submeasure failure. In this table z^* is the (negative) balancing critical value for the submeasure, and the coefficients of the smooth consequence function are: [8]

$a = 5625$
$b = -11250$
$c = 8125.$

Appendix A, Table A-1 contains a small step tabulation of the consequence function, which may be used instead of the mathematical formula.

Examples:

Five hypothetical examples of consequence calculations are given in the matrix below.

Example	z^*	z	Performance	Consequence
1	–0.75	–1.00	Basic Failure	$3,125
2	–2.00	–1.80	Compliant	$0
3	–2.50	–3.33	Basic Failure	$3,125
4	–3.00	–6.00	Intermediate Failure	$8,125
5	–3.50	–12.00	Severe Failure	$25,000

Example 1 shows that if the balancing critical value turns out to be –0.75, then a modified z-statistic equal to –1.00 will lead to a consequence of $3,125.

[7] This continuous consequence as a function of severity assures that mathematically chaotic behavior that might occur with the use of step thresholds is avoided.

[8] Note that the smooth consequences formula is an explicit function of the ratio of the modified z-statistic and the balancing critical value (z/z^*). This means that the dollar amount does not depend on the number of observations but only on the degree of violation. If a submeasure had 100 times as many observations, with means and standard deviations staying the same, both z and z^* will increase by a factor of 10 and the consequences will be unchanged. Note also that both basic and intermediate failures are defined and occur in the smooth region of the formula. The plan retains these designations to allow for classification of performance for more general performance monitoring such as compliance testing, if needed.

In example 2 the hypothetical balancing critical value for the submeasure is calculated to be –2.00 on the basis of sample size and equal type I and type II error probabilities. The observed value of the modified z-statistic, based on ILEC and CLEC performance for that submeasure, is –1.80. The ILEC is compliant for this submeasure and no consequences are due to this CLEC.

Example 3 shows a balancing critical value calculated to be –2.50. Furthermore in this example, the measured value of the modified z-statistic is –3.33. This is a Basic Failure and the consequence is calculated to be $3,125 by the formula in Table 1.

In example 4, although the hypothetical balancing critical value is –3.00, the measured value of the modified *z*-statistic is well below this at –6.00. According to the range of modified *z*-statistics in Table 1 this is an Intermediate Failure. The same smooth formula is used to calculate the remedy amount as $8,125.

The final example 5 shows a balancing critical value of –3.50, but a very poor measured value of the modified *z*-statistic of –12.00. According to Table 1 this is classified as a Severe Failure and generates a consequence of $25,000. This is the largest consequence for which the ILEC would be liable for this submeasure this month to this CLEC.

Business Rules for Benchmark Measurements

Benchmark Measurements

The limiting performance is expressed as "*p*% meet or exceed the benchmark" where "*p*%" is a proportion figure set less than 100% in order to account for random variation considerations. Accordingly, a performance failure is declared if the calculated performance is not equal to the "*p*%" level. For example, if the calculated result for a month was 94.5% of all orders completed within 3 days but the benchmark was 95% within 3 days, then a performance failure occurred.

Adjustment for Small Data Sets

If measurement results are calculated using data sets with less than 30 CLEC points, the following adjustment is made for granularity:

$$B = \frac{[n_C p]}{n_C}.$$

Here p is the benchmark proportion standard for the submeasure expressed as decimal fraction. B is the small sample size adjusted benchmark proportion also expressed as a decimal fraction, and n_C is the (small) number of data points in the sample. The bold brackets mean that one should take the greatest integer in the quantity enclosed. In the above adjustment B becomes closer to p as the sample size, n_C, increases. Representative values are shown in Table 2.

Table 2

CLEC Data Set Size (n_C)	Benchmark Percentage Adjustments for Small Data Sets (B) (Applicable to Data Sets < 30)		
	p = 85.0%	p = 90.0%	p = 95.0%
1	0.0%	0.0%	0.0%
2	50.0%	50.0%	50.0%
3	66.7%	66.7%	66.7%
4	75.0%	75.0%	75.0%
5	80.0%	80.0%	80.0%
6	83.3%	83.3%	83.3%
7	85.0%	85.7%	85.7%
8	75.0%	87.5%	87.5%
9	77.8%	88.9%	88.9%
10	80.0%	90.0%	90.0%
20	85.0%	90.0%	95.0%
30	83.3%	90.0%	93.3%

Consequences Amount

As with measurements that are judged against a parity standard, those compared to a benchmark standard are subject to additional consequences as the performance becomes increasingly worse compared to the benchmark. Table 3 is applicable for any benchmark expressed as p% proportion better than L level, and all benchmarks may be easily expressed in this form (Note that "B" in Table 3, is the Benchmark Percentage as determined from Table 2).

Table 3

Range of Benchmark Proportion (x)	Performance Designation	Applicable Consequence ($)
Meets or exceeds B%	Compliant	0
Meets or exceeds (1.5B-50)% but worse than B%	Basic Failure	$d[x/(100-B)]^2 + eB[x/(100-B)^2] + f[B/(100-B)]^2 + g$
Meets or exceeds (2B-100)% but worse than (1.5B-50)%	Intermediate Failure	
Worse than (2B-100)%	Severe Failure	25,000

In Table 3 the quantity x is the actually measured proportion and the coefficients are given by:

$d = 22500$
$e = -45000$
$f = 22500$
$g = 2500.$

Appendix A, Table A-2 contains a small step tabulation of the consequence function for B=95%, which may be used instead of the mathematical formula.

Example:

As an example of this consequence calculation, consider a benchmark with an adjusted proportion B=95%. If the measured performance is 93%, the first and second columns show that this is a Basic Failure. Putting this 2% failure of the 95% benchmark proportion into the quadratic equation of the third column in the table gives a calculated consequence of $6,100 for this submeasure and CLEC.

Additional Business Rules Applicable to All Measurements

Increase Consequences for Chronic Performance Failures

For both parity and benchmark measurements, if performance fails to achieve the Compliant level in consecutive reporting periods, then additional consequences shall apply. For chronic failures assess a chronic failure over-ride in the third consecutive month of non-compliant performance. When the chronic failure override applies, a consequence equal to a "Severe Failure" ($25,000 per chronic failure per month) shall apply until such time as performance for the specific measurement result is again classified as Compliant.

Other Considerations

Provisions Protecting VZ-VA From The Impact Of Extraordinary Events

The cut of a single cable may result in higher trouble rates and longer mean times to repair over a short period of time. This is referred to as clustering. While clustering may in fact occur, there is no particular reason to believe that any such events would result in disproportionate impacts on VZ-VA or AT&T. Furthermore, there may be other events demonstrably beyond the control of VZ-VA that may affect its service quality differently from the AT&T's. This condition does not argue that automatic exclusion should be provided for an otherwise applicable consequence. Nevertheless, VZ-VA should not be denied protection from extraordinary impacts not anticipated in the construction of the consequence plan.[9] As a result, if such events occur, VZ-VA may pursue relief according to the following:

1. VZ-VA shall notify the Commission and any potentially affected CLEC(s), using written and verifiable means of notice, of the intent to pursue an exception. Such notification must be provided before the applicable consequence is payable, otherwise VZ-VA waives its rights.
2. All consequences not at issue under the exception petition shall be immediately payable as provided for elsewhere in the plan. Those that are subject of the potential exemption

[9] Root cause analysis shall not defer payments of consequences. VZ-VA must be liable to pay any consequences for poor performance. Completion of root cause analysis must not be a prerequisite for the delivery of payments. Root cause analyses tend to be time consuming to conduct. While root cause analysis is desirable for long-range performance improvement purposes, it is antithetical to self-enforcing consequences. Finally, the provisions set forth in the immediately following provide a procedural mechanism available to VZ-VA should after-the-fact root cause analysis indicate that a consequence was misapplied from VZ-VA's perspective.

shall be paid into an interest bearing escrow account no later than the due date applicable to the consequences that are at issue.

3. No later than 15 calendar days following the due date of the consequences for which an exemption is sought, Verizon shall submit to the Commission and AT&T all factual evidence supporting the exemption. To the extent VZ-VA seeks proprietary protection of the information submitted, it shall employ a standard nondisclosure form, approved by the Commission, before the plan is put into operation. VZ-VA may not rely upon the lack of the proprietary form as a basis to delay the submission to the Commission, nor may the incumbent delay access to information by any CLEC that agrees to sign the standard nondisclosure form.
4. By the later of 30 calendar days following notice by the incumbent or 15 calendar days following VZ-VA's compliance with (3) above, AT&T shall file comments regarding the requested exemption. By mutual agreement, this period may be extended up to 15 calendar days.
5. Following closure of the comment period provided in (4), if VZ-VA and AT&T have not reached a mutually agreeable settlement, the Commission shall either
   (a) render a decision regarding the requested exemption, or
   (b) seek further comment. The Commission shall render its decision regarding the exemption, which shall be binding on all parties, within 90 calendar days of the payment due date of the consequences at issue.

Payout of the consequences shall be according to Commission direction and liquidate the entire escrow account, including accrued interest. In addition, VZ-VA shall be responsible for reimbursing reasonably incurred legal fees of AT&T.

Additional Consequences to Enforce the Operation of the Plan

Additional consequences are shall be applicable for other VZ-VA failures related to performance reporting:

Late performance reports

If performance data and associated reports are not available to AT&T by the due day, VZ-VA shall be liable for payments of $5,000 AT&T for every day past the due date for delivery of the reports and data. VZ-VA's liability is determined based on the latest report delivered to AT&T.

Incomplete or revised reports

If performance data and reports are incomplete, or if previously reported data are revised, then VZ-VA shall be liable for payments of $1,000 to AT&T for every day past the due date for delivery of the original reports.

Inability to access detailed data

If AT&T cannot access its detailed data underlying VZ-VA's performance reports due to failures under the control of VZ-VA, then VZ-VA shall pay AT&T $1000 per day (or portion thereof) until such data are made available.

Interest on late consequence payments

If VZ-VA fails to remit a consequence payment by the 15th business day following the due date of the data and the reports upon which the consequences are based, then it shall be liable for accrued interest for every day that the payment is late. A per diem interest rate that is equivalent to VZ-VA's rate of return for its regulated services for the most recent reporting year shall apply.

APPENDIX A - TABLES OF CONSEQUENCE FUNCTIONS

The consequences as a function of performance are completely calculable from the equations presented in Tables 1, 2 and 3 of the text. Using the equations in those tables directly is the appropriate way to program the computer that will perform the calculations to implement the plan. However, this attachment contains the functions in tabular form. The latter may be used as a slightly less accurate alternative to the equations in the text tables to look up the consequence amounts.

Table A-1
Applicable Consequences for Parity Submeasures

z/z*	Amount
0.0 or less	$0.00
0.1	$0.00
0.2	$0.00
0.3	$0.00
0.4	$0.00
0.5	$0.00
0.6	$0.00
0.7	$0.00
0.8	$0.00
0.9	$0.00
1.0	$0.00
1.1	$2,556.25
1.2	$2,725.00
1.3	$3,006.25
1.4	$3,400.00
1.5	$3,906.25
1.6	$4,525.00
1.7	$5,256.25
1.8	$6,100.00
1.9	$7,056.25
2.0	$8,125.00
2.1	$9,306.25
2.2	$10,600.00
2.3	$12,006.25
2.4	$13,525.00
2.5	$15,156.25
2.6	$16,900.00
2.7	$18,756.25
2.8	$20,725.00
2.9	$22,806.25
3.0 or more	$25,000.00

Table A-2
Applicable Consequences for (95%) Benchmark Submeasures

x (%)	Amount
90.0 or less	$25,000.00
90.5	$20,725.00
91.0	$16,900.00
91.5	$13,525.00
92.0	$10,600.00
92.5	$8,125.00
93.0	$6,100.00
93.5	$4,525.00
94.0	$3,400.00
94.5	$2,725.00
95.0	$0.00
95.5	$0.00
96.0	$0.00
96.5	$0.00
97.0	$0.00
97.5	$0.00
98.0	$0.00
98.5	$0.00
99.0	$0.00
99.5	$0.00
100.0	$0.00