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Appendix A: List of Filings Containing Parties' Final Proposed Incentive Plans, Plan Data Runs, and Plan Comments

Final Proposed Plans

Pacific Bell Telephone Company's (U 1001 C) Submission of Performance Remedies Plan. Filed March 23, 2001, Pacific Bell Telephone Company.

Revised Interim Verizon Performance Plan for the State of California. Filed May 4, 2001, Verizon California, Inc.

Updated Interim Incentive Model. Filed May 4, 2001, Office of Ratepayers Advocates, California Public Utilities Commission.

Participating Competitive Local Exchange Carriers' Second Revised Interim Performance Incentives Plan. Filed May 11, 2001, Participating Competitive Local Exchange Carriers (CLECs).[1]

Data Runs

Pacific Bell Telephone Company's Submission of Comparisons of Proposed Performance Incentives Models. Filed April 27, 2001, Pacific Bell Telephone Company.

Pacific Bell Telephone Company's Second Submission of Comparisons of Proposed Performance Incentives Models. Filed May 7, 2001, Pacific Bell Telephone Company.

Attachment to: Pacific Bell Telephone Company's (U 1001 C) Opening Comments on Performance Remedies Plan (May 18, 2001). Filed May 18, 2001, Pacific Bell Telephone Company.

[1] The Participating CLECs include AT&T Communications of California, Inc. (U-5002-C, ICG Telecom Group, Inc.. (U-5406-C), New Edge Networks, Inc. (U-6226-C), Pac-West Telecomm, Inc. (U-5266-C), WorldCom, Inc., and XO California, Inc. (U-6272-C).

Submission of Verizon California Inc. of Data Results for Proposed Interim Incentive Plans, and Correction of Verizon's Proposed Interim Incentive Proposal. Filed May 4, 2001, Verizon California, Inc.

Second Data Results Submission of Verizon California Inc. Filed May 11, 2001, Verizon California, Inc.

Verizon's letter to the Docket Office re: Second Data Results Submission of Verizon California Inc. (5 copies of CD-ROM discs) Filed May 16, 2001, Verizon California, Inc.

Appendix A to: Pacific Bell Telephone Company's (U 1001 C) Opening Comments On Draft Decision On The Performance Incentives Plan, Filed December 28, 2001, Pacific Bell Telephone Company.

Data Results Submission Of Verizon California Inc. (U 1002 C), Filed December 28, 2001, Verizon California, Inc.

Comments

Pacific Bell Telephone Company's (U 1001 C) Opening Comments on Performance Remedies Plan (May 18, 2001). Filed May 18, 2001, Pacific Bell Telephone Company.

Opening Comments of Verizon California Inc. (U 1002) Concerning Exchanged Data Runs Applicable to Proposed Interim Incentive Plans. Filed May 18, 2001, Verizon California, Inc.

Comments of the Participating Local Exchange Carriers Regarding Performance Remedies Plans. Filed May 18, 2001, CLECs.

Opening Comments of the Office of Ratepayers Advocates to the Proposed Interim Performance Incentives Plan. Filed May 18, 2001, Office of Ratepayers Advocates, California Public Utilities Commission.

Pacific Bell Telephone Company's (U 1001 C) Opening Comments on the CLECs' and Verizon's Proposed Performance Remedies Plan (May 25, 2001). Filed May 25, 2001, Pacific Bell Telephone Company.

Opening Comments of Verizon California Inc. (U 1002 C) Regarding May 11, 2001 Data Runs Performed By Pacific Bell. Filed May 25, 2001, Verizon California Inc.

Supplemental Comments of the Office of Ratepayer Advocates to Pacific Bell's May 18 Data Analysis of the Proposed Interim Performance Incentives Plans Submitted By Verizon, Inc. and the Competitive Local Exchange Carriers, Filed May 25, 2001, Office of Ratepayer Advocates, California Public Utilities Commission.

Pacific Bell Telephone Company's (U 1001 C) Reply to the Comments Filed May 18, 2001 on the Proposed Performance Remedies Plan (June 1, 2001). Filed June 1, 2001, Pacific Bell Telephone Company.

Reply Comments of Verizon California Inc. (U 1002C) Concerning Exchanged Data Runs Applicable to Interim Incentive Plans. Filed June 1, 2001, Verizon California, Inc.

Responses of the Participating Competitive Local Exchange Carriers Regarding the May 18, 2001 Filings of Pacific Bell and Verizon California, Inc. Filed June 1, 2001, CLECs.

Concurrent Reply Comments of the Office of Ratepayer Advocates to the Opening Comments on Proposed Interim Performance Incentive Plans. Filed June 1, 2001, Office of Ratepayer Advocates, California Public Utilities Commission.

Errata to the Concurrent Reply Comments of the Office of Ratepayer Advocates to the Opening Comments on Proposed Interim Performance Incentive Plans. Filed June 1, 2001, Office of Ratepayer Advocates, California Public Utilities Commission.

Comments of the Participating Competitive Local Exchange Carriers (CLECs) Regarding the Pacific Bell Data Outcomes For the Plans Submitted By Verizon California, Inc. and the CLECs, and the Verizon Data Outcome For the CLECs Plan, Filed on May 18, 2001. Filed June 4, 2001, CLECs.

Opening Comments of the Office of Ratepayer Advocates to Verizon's Revised Data Analyses of the Proposed Interim Performance Incentive Plans. Filed June 4,

2001, Office of Ratepayer Advocates, California Public Utilities Commission.

Pacific Bell Telephone Company's (U 1001 C) Reply to the Clecs' Comments Filed June 4, 2001 on the Proposed Performance Remedies Plan (June 8, 2001). Filed June 8, 2001, Pacific Bell Telephone Company.

Reply Comments of Verizon California Inc. (U 1002 C) to the Further Opening Comments of the Clecs and Ora. Filed June 8, 2001, Verizon California, Inc.

Comments of the Participating Competitive Local Exchange Carriers (CLECs) Regarding the Opening Comments of Pacific Bell on the CLECs' and Verizons' Plans Filed May 25, 2001. Filed June 8, 2001, CLECs.

Concurrent Reply Comments of the Office of Ratepayer Advocates to the Opening Comments on Exchanged Data Runs Applicable to Proposed Interim Performance Incentive Plans. Filed June 8, 2001, Office of Ratepayer Advocates, California Public Utilities Commission.

Pacific Bell Telephone Company's (U 1001 C) Opening Comments on Draft Decision on the Performance Incentives Plan, Filed December 28, 2001, Pacific Bell Telephone Company.

Opening Comments of the Participating Competitive Local Exchange Carriers on the Draft Decision Adopting a Performance Incentives Plan, Filed December 28, 2001, CLECs.

Comments of Verizon California Inc. (U 1002 C) to the Commission's Draft Decision Regarding Incentive Payments, Filed December 28, 2001, Verizon California, Inc.

Comments of the Office of Ratepayer Advocates to the Draft Decision of Administrative Law Judge Reed, Filed December 28, 2001, Office of Ratepayer Advocates, California Public Utilities Commission..

Pacific Bell Telephone Company's (U 1001 C) Reply Comments on Draft Decision on the Performance Incentives Plan, Filed January 4, 2002, Pacific Bell Telephone Company.

Reply Comments of the Participating Competitive Local Exchange Carriers on the Draft Decision Adopting a Performance Incentives Plan, Filed January 4,

2002, CLECs.

Reply Comments of Verizon California Inc. (U 1002 C) to the Commission's Proposed Incentive Payment Opinion, Filed January 4, 2002, Verizon California, Inc..

Concurrent Reply Comments of the Office of Ratepayer Advocates on the Draft Decision of Administrative Law Judge Reed, Filed January 4, 2002, Office of Ratepayer Advocates, California Public Utilities Commission.

Appendix B: Payment Amounts Generated by the Proposed Plans.

Sources:

Payment amounts: Attachment to *Pacific Bell Telephone Company's (U 1001 C) Opening Comments on Performance Remedies Plan (May 18, 2001)*. Filed May 18, 2001, Pacific Bell Telephone Company.

Graphed aggregate failure rates: Calculated by staff using program and data files provided by Pacific Bell.

5/7/2001

Results from the Pacific Plan on Real Data without Logs

		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
Year	**Month**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**
2000	**Jan**	$52,400	$12,000	**$64,400**	$52,400	$0	**$52,400**	$164,300	$28,000	**$192,300**	$164,300	$0	**$164,300**
2000	**Feb**	$37,150	$7,500	**$44,650**	$37,150	$0	**$37,150**	$108,550	$9,500	**$118,050**	$108,550	$0	**$108,550**
2000	**Mar**	$28,450	$5,000	**$33,450**	$28,450	$0	**$28,450**	$82,300	$7,500	**$89,800**	$82,300	$0	**$82,300**
2000	**Apr**	$28,050	$4,500	**$32,550**	$28,050	$0	**$28,050**	$104,600	$6,500	**$111,100**	$104,600	$0	**$104,600**
2000	**May**	$28,900	$4,000	**$32,900**	$28,900	$0	**$28,900**	$96,200	$6,500	**$102,700**	$96,200	$0	**$96,200**
2000	**Jun**	$25,750	$6,500	**$32,250**	$25,750	$0	**$25,750**	$101,200	$9,000	**$110,200**	$101,200	$0	**$101,200**
2000	**Jul**	$33,300	$7,000	**$40,300**	$33,300	$0	**$33,300**	$113,650	$9,000	**$122,650**	$113,650	$0	**$113,650**
2000	**Aug**	$38,150	$10,000	**$48,150**	$38,150	$0	**$38,150**	$136,200	$12,000	**$148,200**	$136,200	$0	**$136,200**
2000	**Sep**	$34,050	$8,500	**$42,550**	$34,050	$0	**$34,050**	$128,800	$10,500	**$139,300**	$128,800	$0	**$128,800**
2000	**Oct**	$39,150	$11,000	**$50,150**	$39,150	$0	**$39,150**	$110,850	$13,000	**$123,850**	$110,850	$0	**$110,850**
2000	**Nov**	$30,900	$11,000	**$41,900**	$30,900	$0	**$30,900**	$115,650	$13,000	**$128,650**	$115,650	$0	**$115,650**
2000	**Dec**	$29,150	$5,500	**$34,650**	$29,150	$0	**$29,150**	$96,450	$7,500	**$103,950**	$96,450	$0	**$96,450**
	Total	**$405,400**	**$92,500**	**$497,900**	**$405,400**	**$0**	**$405,400**	**$1,358,750**	**$132,000**	**$1,490,750**	**$1,358,750**	**$0**	**$1,358,750**
	Avg	$33,783	$7,708	$41,492	$33,783	$0	$33,783	$113,229	$11,000	$124,229	$113,229	$0	$113,229

Results from the Pacific Plan on Real Data with Logs

		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
Year	**Month**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**
2000	**Oct**	$41,750	$11,500	**$53,250**	$41,750	$0	**$41,750**	$128,200	$13,500	**$141,700**	$128,200	$0	**$128,200**
2000	**Nov**	$40,900	$12,000	**$52,900**	$40,900	$0	**$40,900**	$149,150	$14,000	**$163,150**	$149,150	$0	**$149,150**
2000	**Dec**	$38,550	$8,000	**$46,550**	$38,550	$0	**$38,550**	$123,400	$10,000	**$133,400**	$123,400	$0	**$123,400**
	Total	**$427,400**	**$96,500**	**$523,900**	**$427,400**	**$0**	**$427,400**	**$1,436,550**	**$136,000**	**$1,572,550**	**$1,436,550**	**$0**	**$1,436,550**

5/11 REVISED CLEC PLAN **5/15/2001**

Results from the CLEC Plan on Real Data without Logs

Year	Month	Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
		Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total
2000	Jan	$4,677,944	$4,126,673	**$8,804,617**	$4,640,444	$4,087,503	**$8,727,947**	$4,771,919	$4,126,673	**$8,898,592**	$4,679,337	$4,087,503	**$8,766,839**
2000	Feb	$3,420,514	$3,750,714	**$7,171,229**	$3,383,225	$3,711,466	**$7,094,692**	$3,546,613	$3,750,714	**$7,297,327**	$3,450,447	$3,711,466	**$7,161,913**
2000	Mar	$3,402,581	$3,600,408	**$7,002,989**	$3,355,144	$3,449,780	**$6,804,925**	$3,499,307	$3,600,408	**$7,099,715**	$3,417,984	$3,449,780	**$6,867,765**
2000	Apr	$3,990,822	$3,809,043	**$7,799,866**	$3,911,896	$3,754,165	**$7,666,061**	$4,109,129	$3,809,043	**$7,918,172**	$3,969,809	$3,754,165	**$7,723,974**
2000	May	$4,108,831	$3,033,594	**$7,142,426**	$4,077,224	$3,020,808	**$7,098,033**	$4,201,633	$3,033,594	**$7,235,228**	$4,129,394	$3,020,808	**$7,150,203**
2000	Jun	$4,553,750	$3,953,712	**$8,507,462**	$4,464,562	$3,927,309	**$8,391,871**	$4,683,618	$3,953,712	**$8,637,330**	$4,547,229	$3,927,309	**$8,474,538**
2000	Jul	$3,395,739	$3,132,964	**$6,528,703**	$3,341,272	$3,080,467	**$6,421,739**	$3,516,469	$3,132,964	**$6,649,434**	$3,405,554	$3,080,467	**$6,486,021**
2000	Aug	$4,584,810	$4,480,216	**$9,065,026**	$4,494,537	$4,277,437	**$8,771,974**	$4,781,330	$4,480,216	**$9,261,546**	$4,598,029	$4,277,437	**$8,875,467**
2000	Sep	$4,570,444	$4,179,979	**$8,750,423**	$4,524,723	$4,152,586	**$8,677,308**	$4,706,468	$4,179,979	**$8,886,447**	$4,588,281	$4,152,586	**$8,740,867**
2000	Oct	$4,083,838	$4,786,303	**$8,870,141**	$4,000,724	$4,661,303	**$8,662,028**	$4,201,199	$4,786,303	**$8,987,502**	$4,060,651	$4,661,303	**$8,721,954**
2000	Nov	$3,810,718	$4,339,456	**$8,150,174**	$3,651,799	$4,298,232	**$7,950,031**	$3,939,890	$4,339,456	**$8,279,345**	$3,744,905	$4,298,232	**$8,043,136**
2000	Dec	$4,045,131	$3,532,986	**$7,578,117**	$3,974,544	$3,520,399	**$7,494,944**	$4,136,295	$3,532,986	**$7,669,281**	$4,023,263	$3,520,399	**$7,543,662**
	Total	**$48,645,123**	**$46,726,049**	**$95,371,173**	**$47,820,095**	**$45,941,456**	**$93,761,551**	**$50,093,869**	**$46,726,049**	**$96,819,919**	**$48,614,883**	**$45,941,456**	**$94,556,339**

Results from the CLEC Plan on Real Data with Logs

Year	Month	Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
		Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total
2000	Oct	$4,475,533	$5,300,023	**$9,775,556**	$4,372,795	$5,170,322	**$9,543,116**	$4,618,196	$5,300,023	**$9,918,220**	$4,440,998	$5,170,322	**$9,611,320**
2000	Nov	$4,757,330	$4,924,324	**$9,681,653**	$4,654,107	$4,884,769	**$9,538,877**	$4,898,140	$4,924,324	**$9,822,463**	$4,723,539	$4,884,769	**$9,608,309**
2000	Dec	$4,695,756	$4,078,302	**$8,774,058**	$4,543,414	$3,887,470	**$8,430,884**	$4,821,681	$4,078,302	**$8,899,983**	$4,616,838	$3,887,470	**$8,504,308**
	Total	**$50,634,054**	**$48,369,953**	**$99,004,007**	**$49,763,343**	**$47,404,084**	**$97,167,427**	**$52,154,504**	**$48,369,953**	##########	**$50,567,441**	**$47,404,084**	**$97,971,525**

5/4/2001

Results from the ORA Plan on Real Data without Logs

Year	Month	Mitigation and Conditional Failure	Mitigation and No Conditional Failure	No Mitigation and Conditional Failure	No Mitigation and No Conditional Failure
2000	Jan	$480,359	$480,359	$480,359	$480,359
2000	Feb	$6,195,173	$6,195,173	$6,195,173	$6,195,173
2000	Mar	$14,651,867	$14,651,867	$14,651,867	$14,651,867
2000	Apr	$8,286,242	$8,286,242	$8,286,242	$8,286,242
2000	May	$1,447,820	$1,447,820	$1,447,820	$1,447,820
2000	Jun	$783,058	$783,058	$783,058	$783,058
2000	Jul	$1,274,248	$1,274,248	$1,274,248	$1,274,248
2000	Aug	$689,755	$689,755	$689,755	$689,755
2000	Sep	$13,232,020	$13,232,020	$13,232,020	$13,232,020
2000	Oct	$2,472,857	$2,472,857	$2,472,857	$2,472,857
2000	Nov	$1,957,299	$1,957,299	$1,957,299	$1,957,299
2000	Dec	$1,003,870	$1,003,870	$1,003,870	$1,003,870
	Total	**$52,474,567**	**$52,474,567**	**$52,474,567**	**$52,474,567**

Results from the ORA Plan on Real Data with Logs

Year	Month	Mitigation and Conditional Failure	Mitigation and No Conditional Failure	No Mitigation and Conditional Failure	No Mitigation and No Conditional Failure
2000	Oct	$2,687,169	$2,687,169	$2,687,169	$2,687,169
2000	Nov	$2,345,315	$2,345,315	$2,345,315	$2,345,315
2000	Dec	$2,238,154	$2,238,154	$2,238,154	$2,238,154
	Total	**$54,311,179**	**$54,311,179**	**$54,311,179**	**$54,311,179**

5/17/2001

Results from the Verizon Plan on Real Data without Logs

		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
Year	**Month**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**
2000	**Jan**	$239,916	$1,978	**$241,894**	$239,916	$0	**$239,916**	$249,327	$1,978	**$251,305**	$249,327	$0	**$249,327**
2000	**Feb**	$6,576,514	$1,160	**$6,577,674**	$6,576,514	$0	**$6,576,514**	$8,927,055	$1,160	**$8,928,215**	$8,927,055	$0	**$8,927,055**
2000	**Mar**	$2,499,795	$721	**$2,500,516**	$2,499,795	$0	**$2,499,795**	$2,691,077	$721	**$2,691,798**	$2,691,077	$0	**$2,691,077**
2000	**Apr**	$1,548,027	$675	**$1,548,702**	$1,548,027	$0	**$1,548,027**	$5,413,374	$675	**$5,414,049**	$5,413,374	$0	**$5,413,374**
2000	**May**	$297,482	$575	**$298,057**	$297,482	$0	**$297,482**	$562,944	$575	**$563,519**	$562,944	$0	**$562,944**
2000	**Jun**	$699,323	$953	**$700,276**	$699,323	$0	**$699,323**	$703,571	$953	**$704,524**	$703,571	$0	**$703,571**
2000	**Jul**	$414,511	$1,145	**$415,656**	$414,511	$0	**$414,511**	$397,468	$1,145	**$398,614**	$397,468	$0	**$397,468**
2000	**Aug**	$3,546,966	$1,596	**$3,548,562**	$3,546,966	$0	**$3,546,966**	$3,507,712	$1,596	**$3,509,308**	$3,507,712	$0	**$3,507,712**
2000	**Sep**	$1,107,414	$1,347	**$1,108,761**	$1,107,414	$0	**$1,107,414**	$1,021,098	$1,347	**$1,022,445**	$1,021,098	$0	**$1,021,098**
2000	**Oct**	$4,918,657	$1,695	**$4,920,352**	$4,918,657	$0	**$4,918,657**	$4,661,707	$1,695	**$4,663,402**	$4,661,707	$0	**$4,661,707**
2000	**Nov**	$911,677	$1,719	**$913,396**	$911,677	$0	**$911,677**	$701,546	$1,719	**$703,265**	$701,546	$0	**$701,546**
2000	**Dec**	$753,999	$851	**$754,850**	$753,999	$0	**$753,999**	$533,647	$851	**$534,498**	$533,647	$0	**$533,647**
	Total	**$23,514,281**	**$14,414**	**$23,528,695**	**$23,514,281**	**$0**	**$23,514,281**	**$29,370,526**	**$14,414**	**$29,384,940**	**$29,370,526**	**$0**	**$29,370,526**

Results from the Verizon Plan on Real Data with Logs

		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
Year	**Month**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**	**Tier I**	**Tier II**	**Total**
2000	**Oct**	$4,968,175	$1,772	**$4,969,947**	$4,968,175	$0	**$4,968,175**	$4,727,610	$1,772	**$4,729,382**	$4,727,610	$0	**$4,727,610**
2000	**Nov**	$970,826	$1,875	**$972,701**	$970,826	$0	**$970,826**	$694,587	$1,875	**$696,462**	$694,587	$0	**$694,587**
2000	**Dec**	$835,328	$1,237	**$836,565**	$835,328	$0	**$835,328**	$595,984	$1,237	**$597,221**	$595,984	$0	**$595,984**
	Total	**$23,704,276**	**$15,034**	**$23,719,311**	**$23,704,276**	**$0**	**$23,704,276**	**$29,491,807**	**$15,034**	**$29,506,841**	**$29,491,807**	**$0**	**$29,491,807**

5/17/2001

Results from Simulated Data

		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
	Scenario	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total
Pacific	A	$10,486	$28	$10,514	$10,486	$0	$10,486	$67,656	$1,167	$68,822	$67,656	$0	$67,656
	B	$145,775	$47,333	$193,108	$145,775	$0	$145,775	$409,867	$74,000	$483,867	$409,867	$0	$409,867
	C	$772,194	$420,667	$1,192,861	$772,194	$0	$772,194	$2,119,675	$462,222	$2,581,897	$2,119,675	$0	$2,119,675
	D	$5,905,283	$1,510,222	$7,415,506	$5,905,283	$0	$5,905,283	$8,850,008	$1,538,667	$10,388,675	$8,850,008	$0	$8,850,008

		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
	Scenario	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total
CLEC	A	$2,672,580	$574,900	$3,247,479	$2,564,531	$528,879	$3,093,410	$2,935,031	$574,900	$3,509,931	$2,722,515	$528,879	$3,251,394
	B	$7,282,435	$7,116,099	$14,398,534	$6,993,435	$6,988,307	$13,981,742	$7,552,789	$7,116,099	$14,668,888	$7,162,742	$6,988,307	$14,151,049
	C	$12,289,368	$13,733,851	$26,023,218	$11,748,467	$13,258,808	$25,007,275	$12,585,647	$13,733,851	$26,319,498	$11,939,778	$13,258,808	$25,198,586
	D	$22,509,064	$26,361,808	$48,870,872	$21,393,516	$25,674,070	$47,067,586	$22,834,535	$26,361,808	$49,196,343	$21,615,928	$25,674,070	$47,289,998

	Scenario	Mitigation and Conditional Failure	Mitigation and No Conditional Failure	No Mitigation and Conditional Failure	No Mitigation and No Conditional Failure
ORA	A	$65,329	$65,329	$65,329	$65,329
	B	$401,540	$401,540	$401,540	$401,540
	C	$639,355	$639,355	$639,355	$639,355
	D	$1,250,400	$1,250,400	$1,250,400	$1,250,400

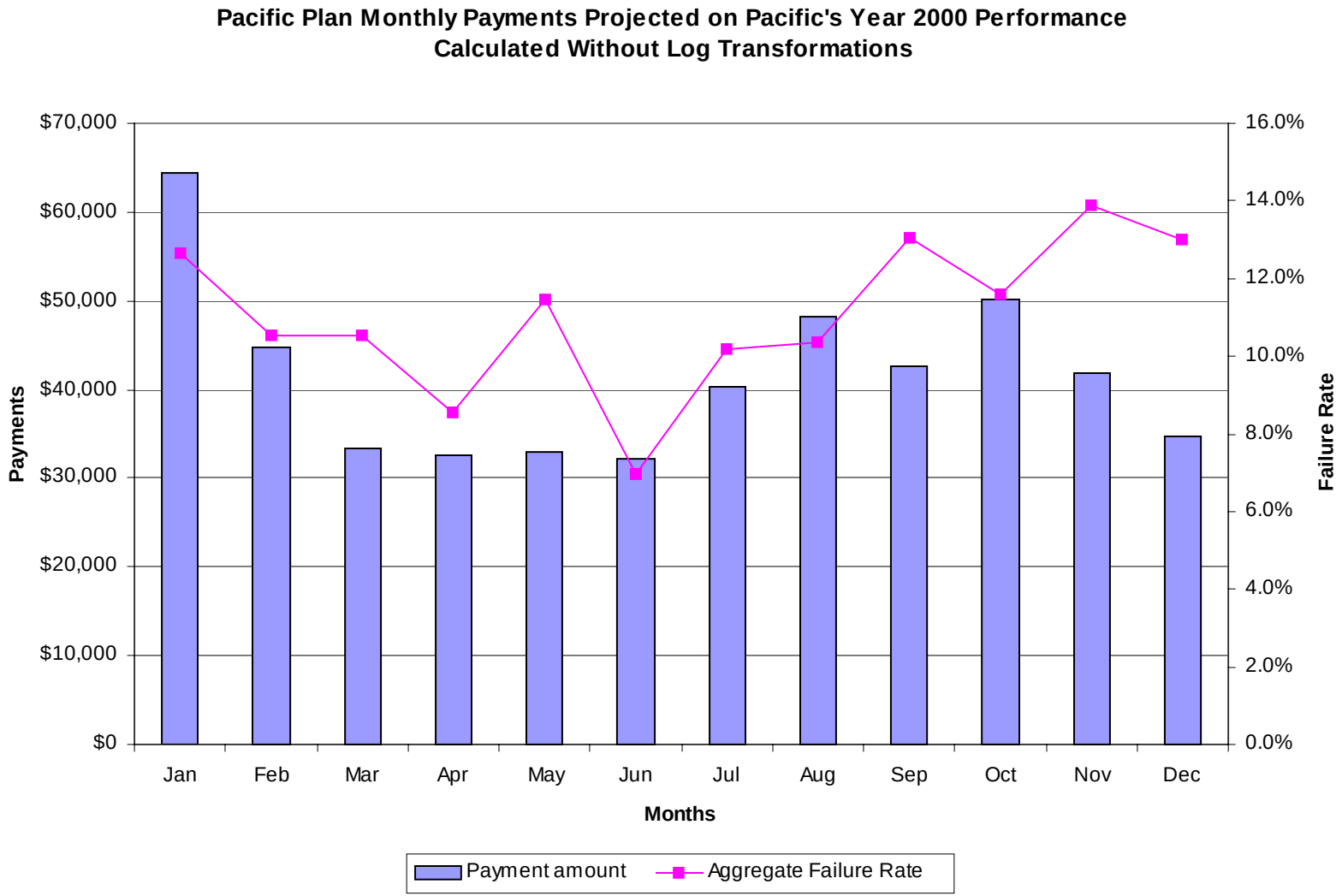
		Mitigation and Conditional Failure			Mitigation and No Conditional Failure			No Mitigation and Conditional Failure			No Mitigation and No Conditional Failure		
	Scenario	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total	Tier I	Tier II	Total
Verizon	A	$81,835	$0	$81,835	$81,835	$0	$81,835	$200,591	$0	$200,591	$200,591	$0	$200,591
	B	$3,343,006	$3,603	$3,346,609	$3,343,006	$0	$3,343,006	$2,355,210	$3,603	$2,358,813	$2,355,210	$0	$2,355,210
	C	$6,281,303	$7,656	$6,288,959	$6,281,303	$0	$6,281,303	$4,507,864	$7,656	$4,515,520	$4,507,864	$0	$4,507,864
	D	$12,929,103	$14,697	$12,943,800	$12,929,103	$0	$12,929,103	$8,535,089	$14,697	$8,549,786	$8,535,089	$0	$8,535,089

4/26/2001

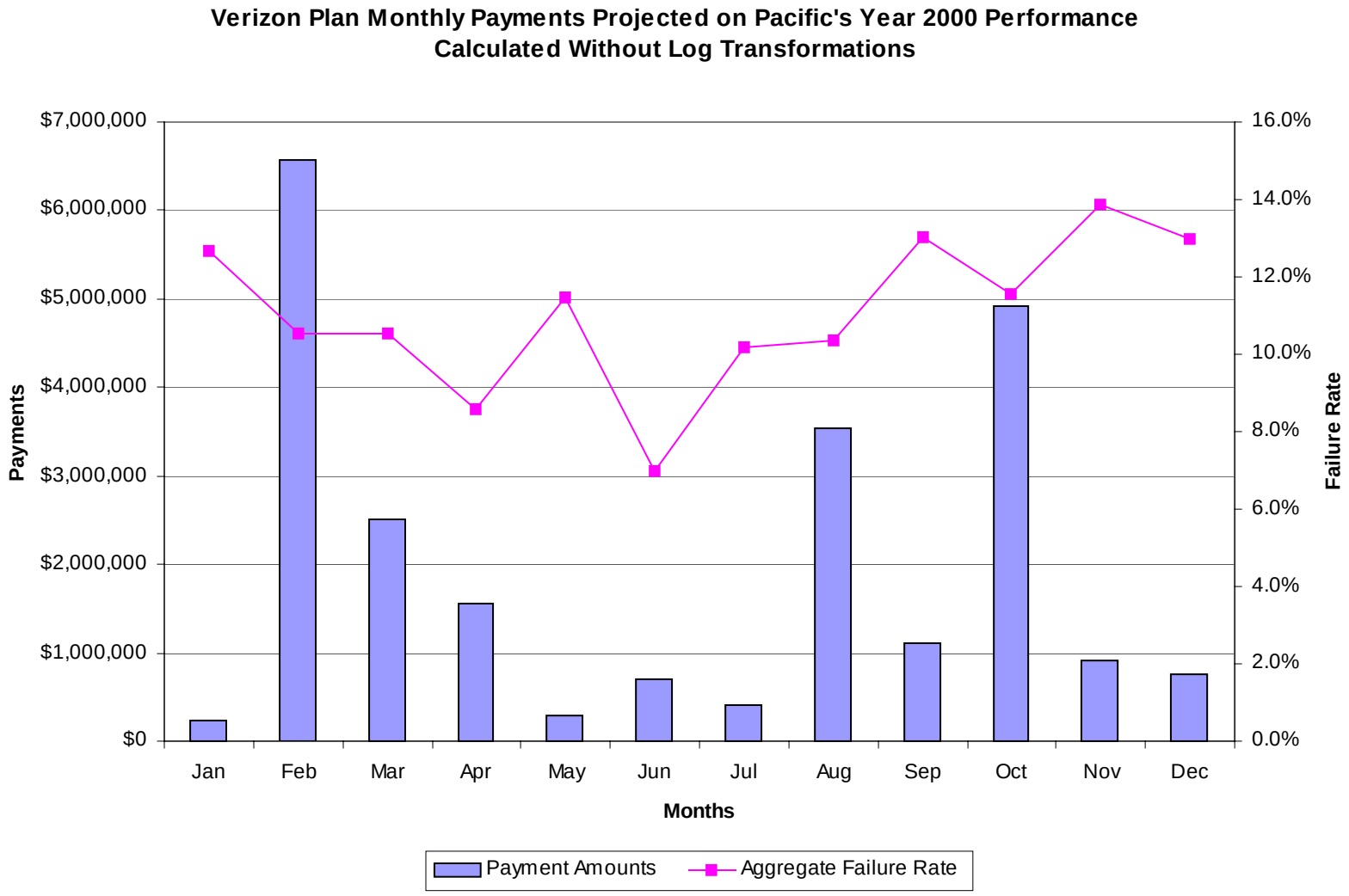
Failure Rates by Scenario

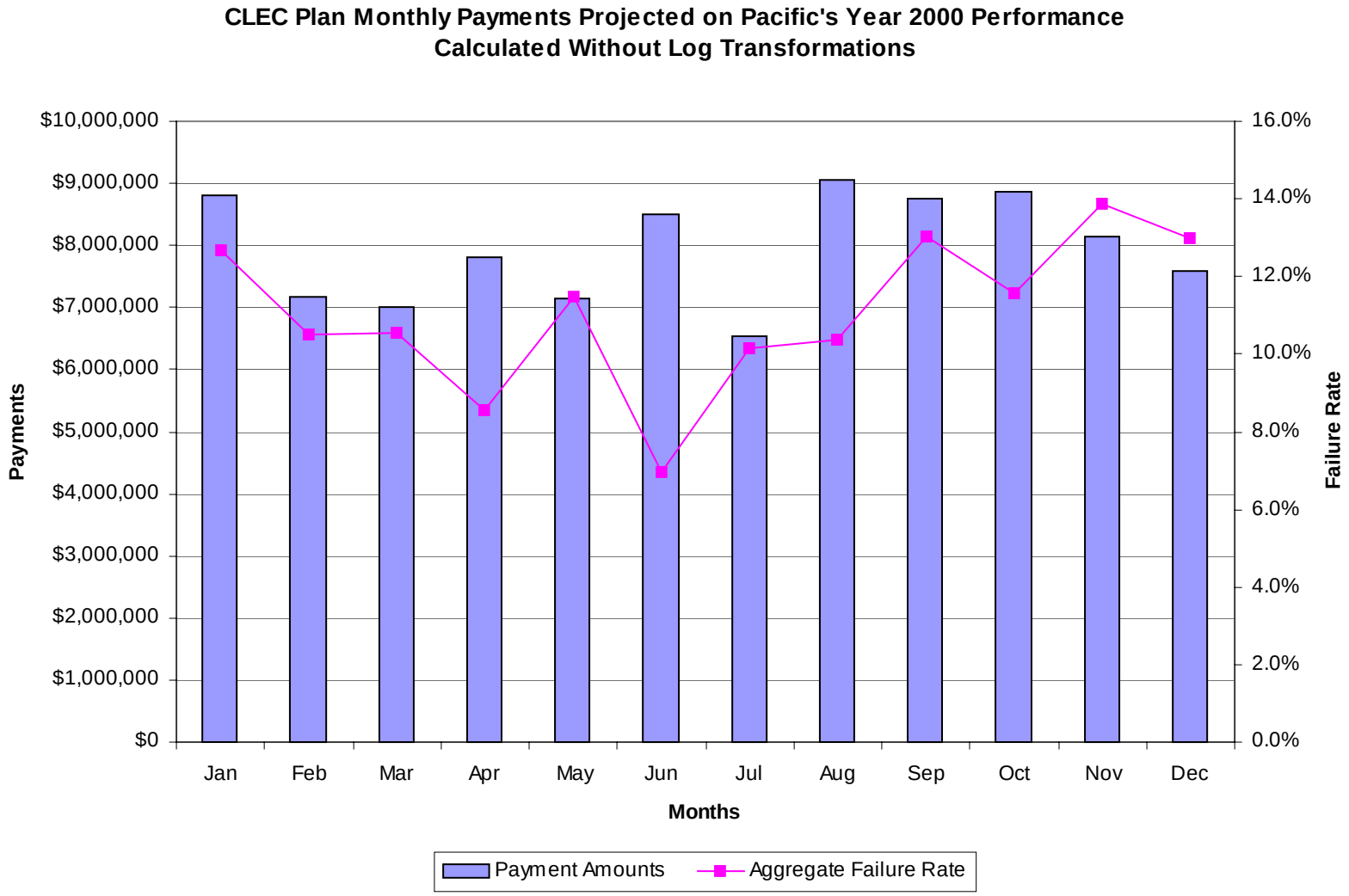
Scenario	Miss	Chronic	Extended
A	7%	0.30%	0.02%
B	14%	5%	3%
C	23%	11%	8%
D	38%	21%	14%

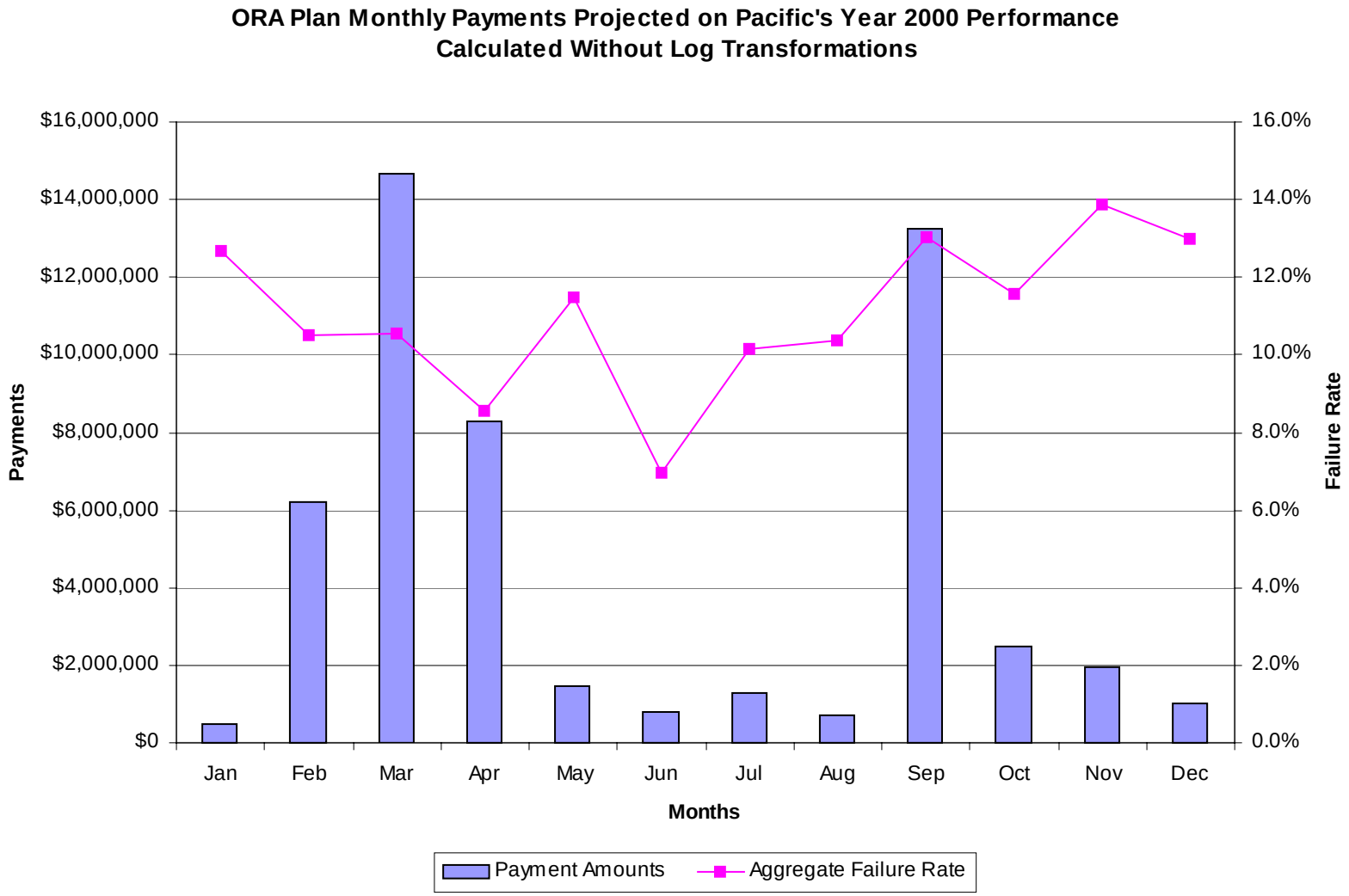
Note:
Miss Average percentage of observations missed using a 10% alpha for parity measures and the Interim Decision rules for benchmarks
Chronic The percentage of observations missed for three (or more) consecutive months
Extended The percentage of observations missed for six (or more) consecutive months



Note: The charts on this and following pages have different vertical scales for payment amounts. The payment amounts differ greatly between plans, and to illustrate each plan's month-to-month variability it was necessary to graph the results on separate charts. The percentage-failure scales on the right side of each graph are the same for all graphs.


Verizon Plan Monthly Payments Projected on Pacific's Year 2000 Performance
Calculated Without Log Transformations
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Payments
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Failure Rate
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Months
Payment Amounts
Aggregate Failure Rate


CLEC Plan Monthly Payments Projected on Pacific's Year 2000 Performance
Calculated Without Log Transformations
$10,000,000
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Payments
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Failure Rate
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Months
Payment Amounts
Aggregate Failure Rate


ORA Plan Monthly Payments Projected on Pacific's Year 2000 Performance
Calculated Without Log Transformations
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
Payments
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Failure Rate
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Months
Payment Amounts
Aggregate Failure Rate

Appendix C: ARMIS 43-01 Cost and Revenue Table

43-01: Table I. Cost and Revenue Table

Amounts are in thousands of dollars

Year	Company Name	Row_#	Row_Title	State	Interstate	Total
1999	Pacific Bell - California	1090	Total Operating Revenues	6756623	2224451	
1999	Pacific Bell - California	1190	Total Operating Expenses	4966092	1420923	
1999	Pacific Bell - California	1290	Other Operating Income/Losses	7129	1990	
1999	Pacific Bell - California	1390	Total Non-operating Items (Exp)	462168	-4596	
1999	Pacific Bell - California	1490	Total Other Taxes	241580	106806	
1999	Pacific Bell - California	1590	Federal Income Taxes (Exp)	239303	205737	
1999	Pacific Bell - California	1915	Net Return	854609	497572	1352181
1999	GTE/California	1090	Total Operating Revenues	2136807	619986	
1999	GTE/California	1190	Total Operating Expenses	1316914	337785	
1999	GTE/California	1290	Other Operating Income/Losses	297	82	
1999	GTE/California	1390	Total Non-operating Items (Exp)	62015	427	
1999	GTE/California	1490	Total Other Taxes	94807	32679	
1999	GTE/California	1590	Federal Income Taxes (Exp)	198151	78216	
1999	GTE/California	1915	Net Return	465217	170961	636178
2000	Pacific Bell - California	1090	Total Operating Revenues	6819557	2424598	
2000	Pacific Bell - California	1190	Total Operating Expenses	4832501	1533942	
2000	Pacific Bell - California	1290	Other Operating Income/Losses	848	285	
2000	Pacific Bell - California	1390	Total Non-operating Items (Exp)	444109	-10272	
2000	Pacific Bell - California	1490	Total Other Taxes	265990	111167	
2000	Pacific Bell - California	1590	Federal Income Taxes (Exp)	308431	231478	
2000	Pacific Bell - California	1915	Net Return	969374	558568	1527942
2000	GTE/California	1090	Total Operating Revenues	2036288	688796	
2000	GTE/California	1190	Total Operating Expenses	1335789	336626	
2000	GTE/California	1290	Other Operating Income/Losses	2014	570	
2000	GTE/California	1390	Total Non-operating Items (Exp)	295688	327	
2000	GTE/California	1490	Total Other Taxes	72279	41581	
2000	GTE/California	1590	Federal Income Taxes (Exp)	83803	100125	
2000	GTE/California	1915	Net Return	250743	210707	461450

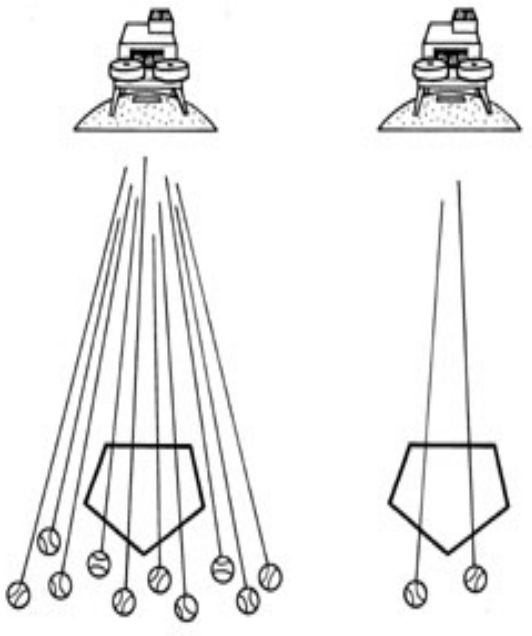
Source: FCC website, http://www.fcc.gov/ccb/armis/db/ (except for shaded areas)

Data in shaded areas are CPUC staff calculations from table data. Net Return is calculated by adding rows 1090 and 1290 and subtracting rows 1190, 1390, 1490 and 1590.

Appendix D: Verizon's Illustrations

This appendix contains graphics created by Verizon with the intention of illustrating certain concepts. Their presentation here does not imply that the Commission necessarily agrees with these illustrations as adequate analogies for OSS processes. The analogies presented may be helpful in some contexts, but may be either inadequate and/or unhelpful in other contexts. They are presented here solely for the purpose of discussing Verizon's positions.

Verizon's page 27 illustration:



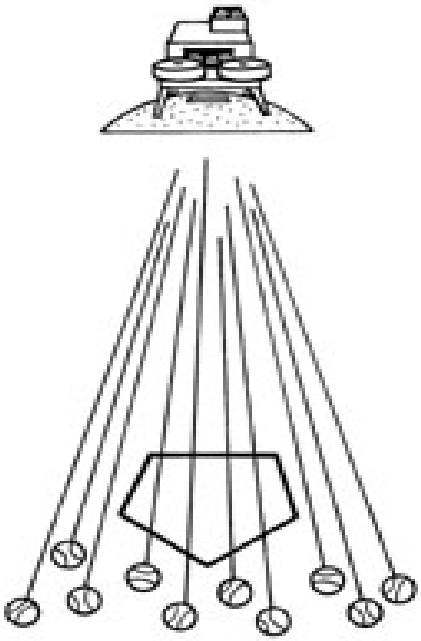
OUT OF PARITY PROCESS FOR CLECS

CLEC SAMPLE

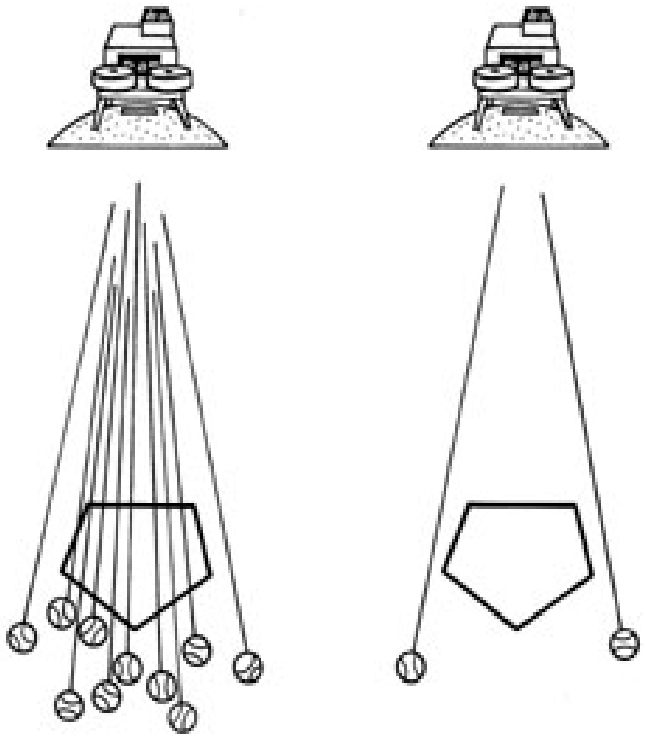
Verizon's page 26 illustration:

ILEC RETAIL PROCESSES

CLEC WHOLESALE PROCESS



Verizon's page 25 illustration:



PARITY PROCESSES FOR ILEC AND CLEC

CLEC SAMPLE

Appendix E: Payment Rate Guide

Failure rate "F"		Payment Rate "R"		
Equal to or greater than	But less than	Minimum Percent of Cap	Maximum Percent of Cap	Formula
0	1	0	0.2	R = 0.2 x F
0	2	0	0.4	
2	3	0.4	0.6	"
3	4	0.6	0.8	"
4	5	0.8	1	"
5	6	1	1.6	R = - 2.00 + 0.60 x F
6	7	1.6	2.2	"
7	8	2.2	2.8	"
8	9	2.8	3.4	"
9	10	3.4	4	"
10	11	4	5	R = - 6.00 + 1.00 x F
11	12	5	6	"
12	13	6	7	"
13	14	7	8	"
14	15	8	9	"
15	16	9	10.4	R = - 12.00 + 1.40 x F
16	17	10.4	11.8	"
17	18	11.8	13.2	"
18	19	13.2	14.6	"
19	20	14.6	16	"
20	21	16	18.8	R = - 40.00 + 2.80 x F
21	22	18.8	21.6	"
22	23	21.6	24.4	"
23	24	24.4	27.2	"
24	25	27.2	30	"
25	26	30	32.8	"
26	27	32.8	35.6	"
27	28	35.6	38.4	"
28	29	38.4	41.2	"
29	30	41.2	44	"
30	31	44	46.8	"
31	32	46.8	49.6	"
32	33	49.6	52.4	"
33	34	52.4	55.2	"
34	35	55.2	58	"
35	36	58	60.8	"
36	37	60.8	63.6	"
37	38	63.6	66.4	"
38	39	66.4	69.2	"
39	40	69.2	72	"
40	41	72	74.8	"
41	42	74.8	77.6	"
42	43	77.6	80.4	"

43	44	80.4	83.2	"
44	45	83.2	86	"
45	46	86	88.8	"
46	47	88.8	91.6	"
47	48	91.6	94.4	"
48	49	94.4	97.2	"
49	50	97.2	100	"
50	100	100	100	"

Appendix F: Individual Performance Result Payment Rate Examples

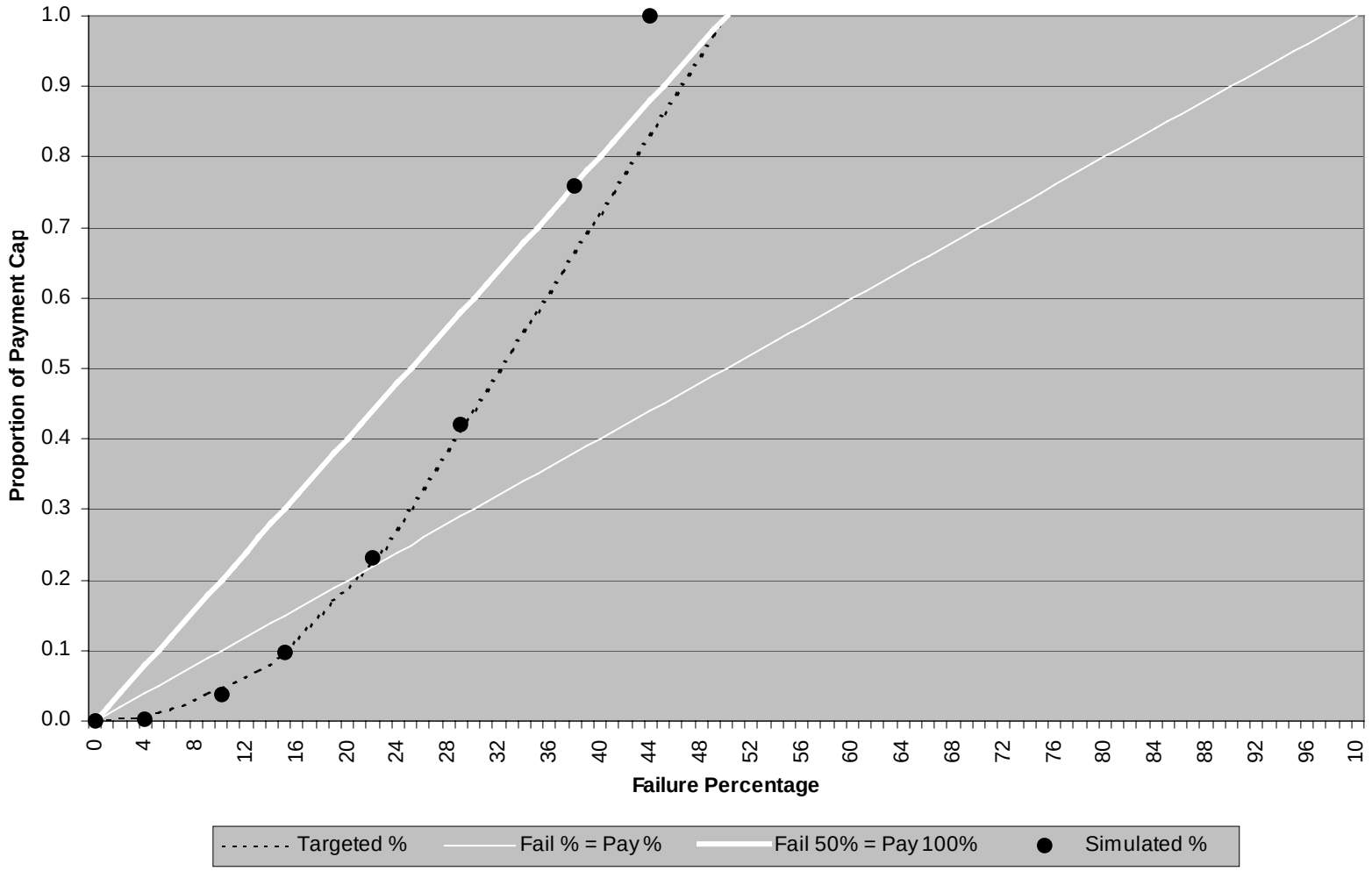
Payment Rate Examples				
	Individual Payment Amounts			
Percentage of Failures*	Ordinary	Chronic	Extended	Tier II
0.0	0	0	0	0
1.0	40	200	400	800
5.0	200	1000	2000	4000
10.0	400	2000	4000	8000
20.0	800	4000	8000	16000
30.0	1200	6000	12000	24000
40.0	1600	8000	16000	32000
50.0	2000	10000	20000	40000
60.0	2000	10000	20000	40000
70.0	2000	10000	20000	40000
80.0	2000	10000	20000	40000
90.0	2000	10000	20000	40000
100.0	2000	10000	20000	40000
4.0	160	800	1600	3200
7.9	314	1570	3140	6280
16.0	640	3200	6400	12800
21.0	840	4200	8400	16800
31.0	1240	6200	12400	24800
41.0	1640	8200	16400	32800
50.0	2000	10000	20000	40000

* Tier I rates are based on Tier I failure rates, and Tier II rates are based on Tier II failure rates. The above examples are calculated using a $40 adjusted base amount.

Appendix G: Payments Generated by Estimated Failure Rates

For Pacific Bell			Adjusted base amount = $38						Monthly cap =		$45,838,260	
Example	Description		Failure Category								Total payment	
			Category A			Category B			Category C		Simulated	Target
			Ordinary	Chronic	Extended	Ordinary	Chronic	Extended	Ordinary	Chronic	or Historical	Amount
A	Parity Simulation	Failure rate Payment	4.01% $35,576	0.30% $11,121	0.06% $3,341	1.68% $1,406	0.20% $287	0.00% $0	3.42%	0.85% $9,141	$60,872	$367,623
B	Historical Nov '01	Failure rate Payment	5.70% $59,798	1.73% $92,876	1.08% $112,031	7.06% $11,859	3.53% $29,647	2.35% $39,529	8.12%	4.18% $102,320	$448,061	$650,903
C	Historical Mar '01	Failure rate Payment	7.97% $116,111	3.22% $249,752	2.48% $395,198	2.25% $1,393	2.25% $6,966	0.00% $0	10.80%	6.20% $226,086	$995,506	$1,275,220
D	Non-parity Simulation	Failure rate Payment	10.11% $178,376	5.22% $439,710	4.61% $751,754	7.05% $9,667	5.85% $38,773	5.13% $65,861	9.18%	6.51% $176,997	$1,661,138	$1,883,952
E	Non-parity Simulation	Failure rate Payment	15.18% $352,811	9.68% $1,114,041	8.88% $1,997,104	11.82% $26,061	10.62% $115,965	9.77% $212,808	15.75%	13.39% $639,052	$4,457,842	$4,240,956
F	Non-parity Simulation	Failure rate Payment	22.37% $719,708	16.46% $2,656,752	15.50% $4,908,029	18.34% $61,293	18.06% $304,695	17.22% $577,521	22.72%	20.63% $1,406,332	$10,634,330	$10,375,949
G	Non-parity Simulation	Failure rate Payment	29.26% $1,220,402	22.78% $4,803,115	21.65% $8,992,381	24.16% $105,590	24.21% $536,801	23.57% $1,036,777	30.50%	28.59% $2,604,917	$19,299,983	$19,219,066
H	Non-parity Simulation	Failure rate Payment	38.29% $2,052,256	30.96% $8,436,822	29.57% $15,922,232	33.60% $203,779	33.93% $1,045,452	33.33% $2,032,125	41.86%	40.52% $5,040,521	$34,733,187	$30,808,811
I	Non-parity Simulation	Failure rate Payment	44.44% $2,759,356	36.25% $11,486,989	34.65% $21,690,603	35.80% $232,035	35.62% $1,165,842	34.92% $2,269,365	47.78%	46.32% $6,562,019	$46,166,209	$38,702,160

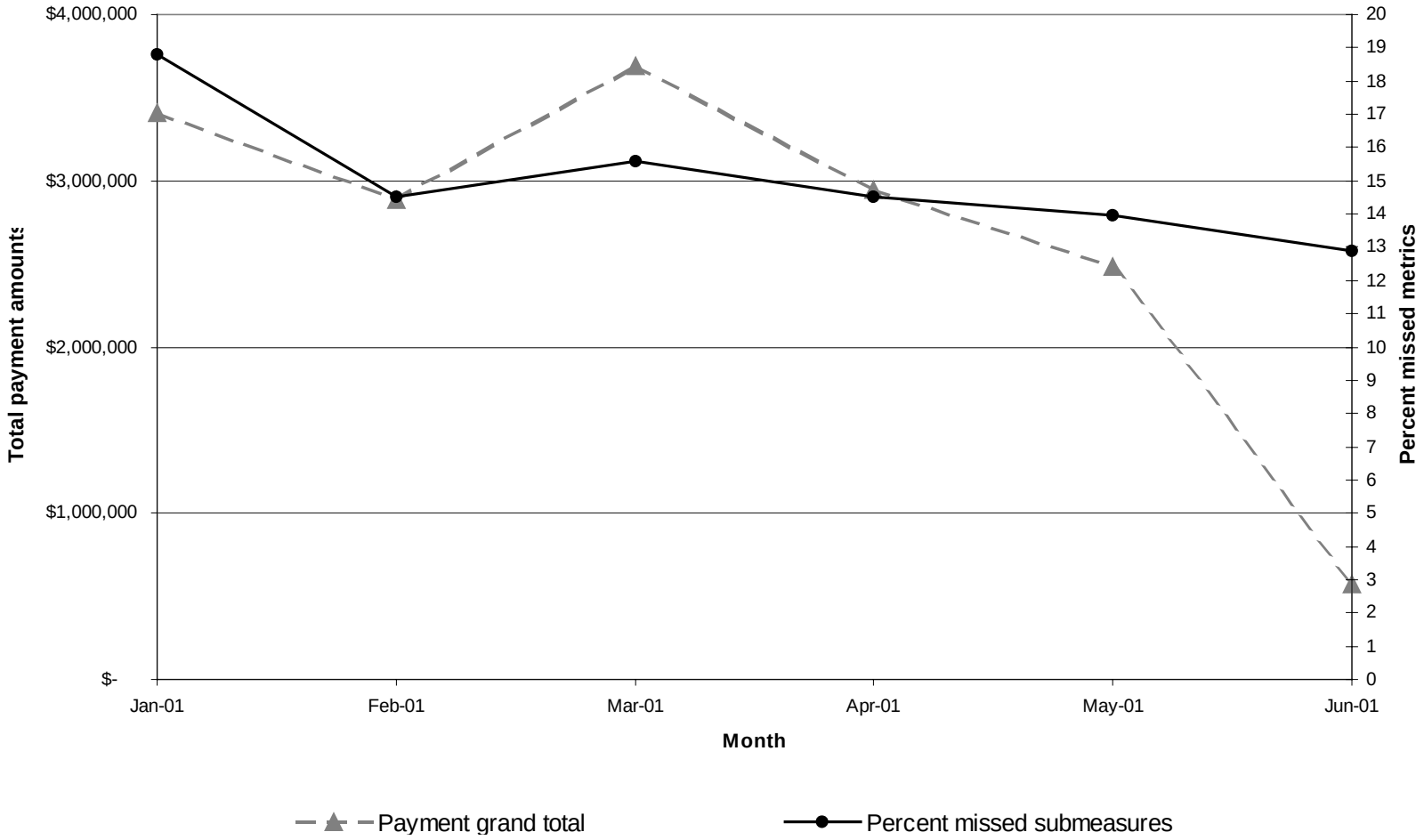
Comparison of Simulated versus Targeted Percentage Payment of Total Payment Cap as a Function of Failure Rate
Simulated Data from Pacific Bell November 2001 Results



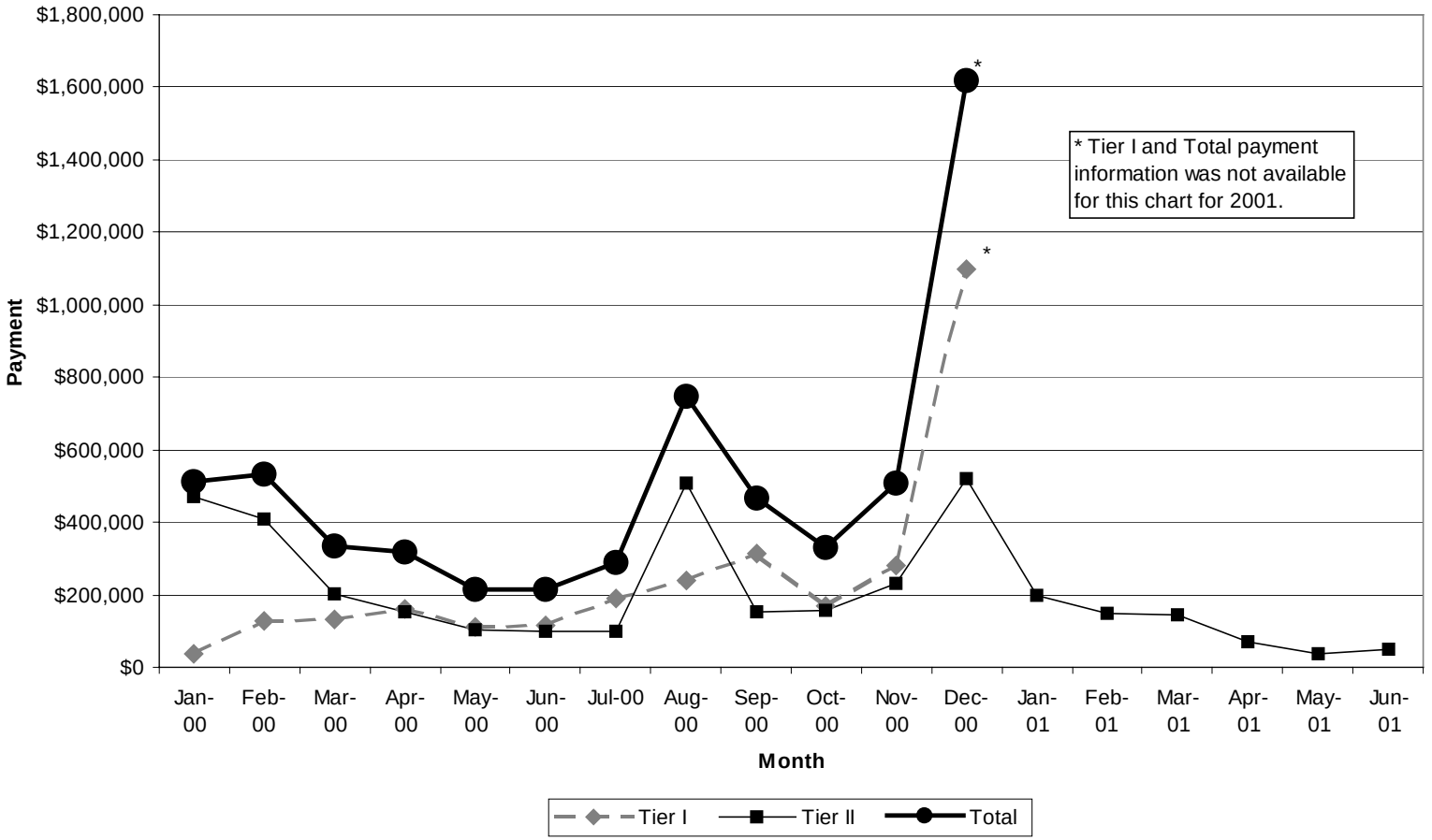
Month	Ordinary failure rate
Jan-00	8.99%
Feb-00	7.09%
Mar-00	6.09%
Apr-00	6.95%
May-00	6.78%
Jun-00	7.61%
Jul-00	6.52%
Aug-00	7.46%
Sep-00	7.33%
Oct-00	8.03%
Nov-00	9.70%
Dec-00	8.89%
Jan-01	8.53%
Feb-01	7.90%
Mar-01	7.97%
Apr-01	7.72%
May-01	6.66%
Jun-01	5.93%
Jul-01	5.46%
Aug-01	5.88%
Sep-01	5.86%
Oct-01	5.09%
Nov-01	5.70%

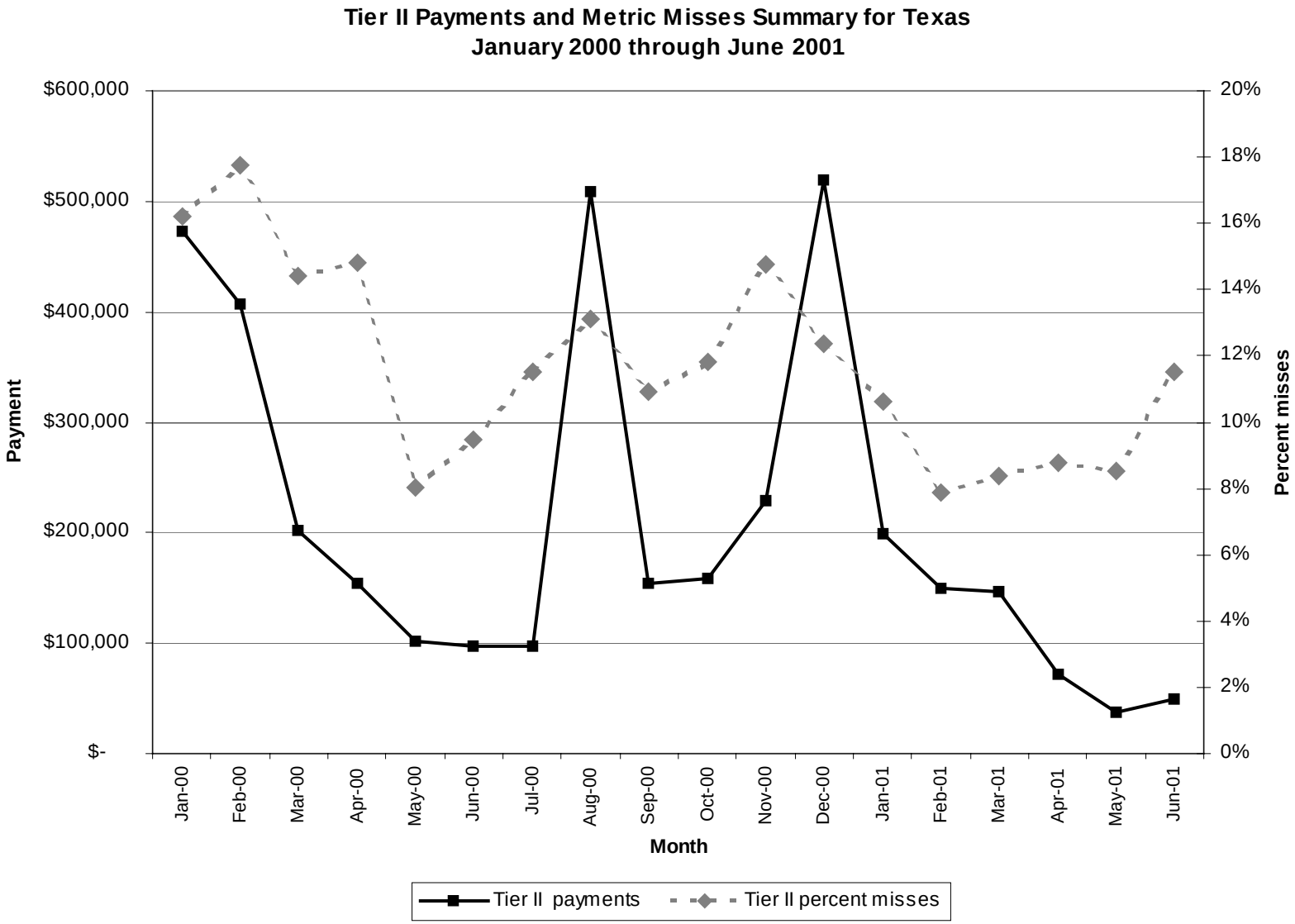
Appendix H: Failure Rates and Payments in Texas and New York

Verizon New York
Market Adjustment Summary
Total Payment Amounts and Percent Missed Metrics



Payment Summary for Texas
January 2000 through June 2001




Tier II Payments and Metric Misses Summary for Texas
January 2000 through June 2001
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
Payment
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
Percent misses
Jan-00
Feb-00
Mar-00
Apr-00
May-00
Jun-00
Jul-00
Aug-00
Sep-00
Oct-00
Nov-00
Dec-00
Jan-01
Feb-01
Mar-01
Apr-01
May-01
Jun-01
Month
Tier II payments
Tier II percent misses

Appendix I: Workpaper #13, April 2, 2001, R.97-10-016/I.97-10-017.

This document was received as an e-mail. The “Sent” date is not correct, and is apparently an automatic-dating error.

-----Original Message-----
From: Faye Raynor [mailto:faye.raynor@telops.gte.com]
Sent: Wednesday, December 31, 1969 4:00 PM
To: jmgibson@newpointgroup.com; jar@cpuc.ca.gov
Cc: stephen.vivien@wcom.com; gsjohns@pacbell.com
Subject: Measures Excluded from Incentive Plan

The CLECs, Pacific Bell and GTE reached an agreement in mid-1999 that several of the performance measures included for reporting under the Stipulated Agreement were duplicative in nature and would not be subject to penalty assessment. This agreement was memorialized in 1) February technical workshops on incentives (PB/CLECs) and subsequent briefs filed March 22, 1999 and 2)the GTE/CLEC OSS Incentive Technical Workshop held July 13-14, 1999 and subsequent briefs. The measures with industry agreement identified for penalty exclusion were:

Measurement 8 - Percent Completed Within Standard Interval
Measurement 12 - Percent of Due Dates Missed Due To Lack of Facilities
Measurement 13 - Delay Order Interval to Completion Date (For Lack of Facilities)
Measurement 22 - POTS Out of Service Less than 24 Hours

Additionally, submeasures identified for exclusion were:

Measurement 3 - Error Types (Syntax and content)
Measurement 5 - Jeopardy Type (lack of facilities and other)
Measurement 6 - Jeopardy Type (lack of facilities and other)
Measurement 34 - Charge Type(Usage, Recurring, NonRecurring)

The Parties also agreed this list of excluded measurements is subject to review on a periodic basis after incentive plan implementation.

faye h. raynor
Manager-Performance Measures Integration
972-718-8897

Appendix J: California Performance Incentives Plan

1. GENERAL PRINCIPLES

1.1 The Performance Incentive Plan (hereafter the *Incentive Plan*) consists of the following elements: (1) a collection of measures that assess service delivery; (2) a set of testing rules for deciding whether service delivery is in parity (where there are retail analogues) or in compliance (where there are benchmarks); (3) a mechanism for calculating incentive payments for those sub-measures found to be out of parity or out of compliance; (4) a specification of the payment amounts to be paid for out-of-parity or non-compliant performance; (5) a provision for Absolute and Procedural caps on payments; and (6) a provision for Root Cause analysis that can excuse service delivery failures that were outside the control of the Pacific Bell or Verizon.

1.2 **Performance Measures.** The performance measures used in the Incentive Plan are specified in the Performance Measurements Joint Partial Settlement Agreement (JPSA) as amended by D.01-05-087. Payments apply to those non-diagnostic sub-measures designated in Section 5 herein that have data for a given month when Pacific Bell or Verizon delivers out-of-parity or non-compliant performance.

1.3 **Testing Rules.** The rules for assessing whether specific sub-measures are out-of-parity or non-compliant are applied from Exhibit 3 attached to this plan.

1.4 **Incentive Payment Calculations.** Incentive payment calculations are applied to those performance results for each month that are deemed to be out-of-parity or non-compliant.

1.5 **Incentive Payment Amounts.** The size of the incentive payments depends on performance failure pervasiveness (that is, the number of performance failures affecting a CLEC), and whether performance failures are repeated. The incentive amounts increase as the number of performance failures increase or as they are repeated.

1.6 **Absolute and Procedural Caps.** In any month, the following caps on payments apply: (1) a procedural cap of $15,000,000 for Pacific Bell for all CLECs.; (2) a procedural cap of $4,500,000 for Verizon for all CLECs, and (3) an absolute monthly cap of 1/12 of 36% of annual net revenue from local exchange service for both Pacific Bell and Verizon. Using the same methodology that was used to determine these amounts, these

amounts will be updated to reflect new ARMIS data published each year.

1.7 **Root Cause Analysis.** A procedure for Root Cause Analysis and subsequent action is included.

1.8 **Modifications.** The Commission shall retain authority to modify any element of this plan**.**

2. THE ASSESSMENT OF PARITY AND COMPLIANCE

2.1 The specific mechanism for assessing parity and compliance depends on the classification of the sub-measure being assessed. Sub-measures can be classified according to four dimensions: (1) the *type* of the comparison: parity where there is a retail analogue or benchmarks where no retail analogues are available or feasible, (2) the *basis* for the measurement: averages, percentages (proportions), rates, indices, or counts; (3) the *direction* of good service: either high values or low values; and (4) the *applicability of aggregation rules.* The table below gives a summary of the tests that are applied to sub-measures according to their first two dimensions. These tests are described in more detail below.

2.2 **Statistical Criteria for Deciding Parity.**

2.2.1. A statistical test is applied that yields a probability of the data given the null hypothesis of parity. Except where different critical alpha levels are applied conditionally, a sub-measure will be deemed out of parity (i.e., the sub-measure *fails*) if the probability is less than 10% (0.10 critical alpha). Otherwise the sub-measure *passes.*

2.2.2. Under the following conditions, the sub-measure will be deemed out of parity if the probability is less than 20% (0.20 critical alpha level): (1) When sample sizes are less than 30 for single-month individual CLEC tests where the aggregate sub-measure test indicates non-parity, or (2) for all tests for repeated failures.

2.2.3. Under the following conditions, the sub-measure will be deemed out of parity if the probability is less than 5% (0.05 critical alpha level): (1) When sample sizes are 100 or greater for single-month individual CLEC tests where the aggregate sub-measure test indicates parity, or (2) when single-month sample sizes are 500 or greater.

2.2.4. A step-by-step application of the above critical alpha applications is provided in the Decision Model attached as Exhibit 3.

2.3. **Benchmarks**. Small sample adjustment tables shall be used for both individual CLEC tests and industry-aggregate tests.

2.4. Statistical tests shall be applied as specified in the Interim Opinion, D.01-01-037, unless otherwise specified herein. The test applications are summarized in the following table:

Testing Procedures Applied to Sub-measures According to their Basis and Type		
Basis	Parity	Benchmarks
Averages	Modified *t*-test applied to the logs of the data except for Measure 34 for which the test is applied to the raw data.	Benchmark is used as an absolute comparison standard
Percentage	Fisher's exact test applied to all sub-measures.	Small Sample Adjustment table is applied where applicable, otherwise the benchmark is used as an absolute standard.
Rates	Binomial test applied to all sub-measures	Benchmark is used as an absolute standard
Index	The performance difference is compared to an absolute standard	The performance difference is compared to an absolute standard
Count	No sub-measures of this kind	The CLEC numerator is compared to the benchmark as an absolute standard. Applicable to LNP sub-measures in Measures 20 and 23.

3. CALCULATION OF INCENTIVE VALUES

3.1 The assessment of incentive payments for non-compliance is performed in three ways: (1) on a CLEC-by-CLEC basis, each month, by examining all the sub-measures "touched" by an individual CLEC (hereafter the *portfolio of touched sub-measures*) that do not fall into the specialized categories discussed below, (2) on an industry aggregate basis, each month, for those sub-measures covering processes that only involve

computer processing and are therefore designed to automatically provide parity (covered by Measures 1, 24, 38, 42, and 44, and the *fully-electronic* sub-measures of 2, 3, and 18), and (3) on an industry aggregate basis, each month, for those parity measures that have chronic conditional failures. The calculation and assessment of incentive amounts are different for each of these four categories of sub-measures. Categories A, and B are termed Tier I categories. Tier I payments are made to the CLECs. Category C is termed Tier II, and payments are made to the ratepayers.[2]

3.2 A base amount (*BA*) of $38 will be used as a starting point for calculating Pacific Bell's payment amounts.

3.3 A base amount (*BA*) of $23 will be used as a starting point for calculating Verizon's payment amounts.

3.4 Actual payment amounts will be calculated using an adjusted base amount. The base amount (BA) will be adjusted according to the total number of observations (total number of sub-measure performance results for all CLECs) each month. The adjusted base amount (ABA) will be determined by the following formula: ABA = BA x (total number of observations listed for each ILEC in Appendix G / current total number of observations for each ILEC), rounded to the closest dollar. For example, if in a future month Pacific had a 5000 observation total, then the adjusted base amount would be $38 x (4243 / 5000) = $32.

3.5 Tier I incentive payments will be limited to an amount equal to the total amount that each CLEC pays for OSS and wholesale local exchange services. Any payment surplus amounts generated by Tier I payment mechanisms shall be added to Tier II payment amounts for distribution.

3.6 **Category A.** Includes all sub-measures for all incentive payment measures (specified in Section 5), except those included in Category B. In this category there is a portfolio of touched sub-measures for each CLEC. The following description applies to this portfolio for a single CLEC.

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[2] In prior drafts of this plan, Categories A, B, and C were designated Categories 1, 3, and 4, respectively. The category designated Category 2 in prior drafts is not used in this plan.

3.6.1 **Ordinary Failures.** To calculate payments for *Ordinary Failures*, the following steps are required for each CLEC.

3.6.1.1 Calculate the size of the portfolio of touched sub-measures for each CLEC. Those sub-measures that fall into Category B are excluded in calculating the size of the CLEC's portfolio of touched sub-measures.

3.6.1.2 Determine the CLEC's portfolio failure rate in percentage points by calculating its percentage of touched sub-measures that failed the statistical tests.

3.6.1.3 The amount paid to the CLEC for each failure is then determined by multiplying its *Ordinary Failure* rate percentage points by the adjusted base amount. (E.g., with a $40 adjusted base amount and a 12% *Ordinary Failure* rate: 12 x *ABA* = $480.)

3.6.2 **Chronic Failures.** Sub-measure failures that occur for three or more consecutive months are called *Chronic Failures.* The procedure for *Chronic Failures* is similar to that for Ordinary failures.

3.6.2.1 Determine the number of *Chronic Failures* for each CLEC.

3.6.2.2 The amount paid to the CLEC for each *Chronic Failure* is then determined by multiplying the *Ordinary Failure* payment amount by five (5). (E.g., with a $40 adjusted base amount and a 12% *Ordinary Failure* rate, 12 x $40 x 5 = $2400).

3.6.2.3 To identify *Chronic Failures* for the first two months of implementation, performance results from the CLEC's current month and two previous months will be used.

3.6.2.4 Except where there are three consecutive months of inactivity by a CLEC, the months immediately preceding and following one or two months without individual OSS sub-measure activity by that CLEC, will be considered consecutive months for the purposes of identifying *Chronic Failures.*

3.6.3 **Extended Failures.** Sub-measure failures for five or six out of six consecutive months are called *Extended Failures.*

3.6.3.1 To identify *Extended Failures* for the first five months of implementation, performance results from the current month and the five previous months will be used.

3.6.3.2 The amount paid to the CLEC for each *Extended Failure* is determined by multiplying the *Ordinary Failure* payment amount by ten (10). (E.g., with a $40 adjusted base amount and a 12% *Ordinary Failure* rate, 12 x $40 x 10 = $4800).

3.6.3.3 Except where there are three consecutive months of inactivity by a CLEC, the months immediately preceding and following one or two months without individual OSS sub-measure activity by that CLEC, will be considered consecutive months for the purposes of identifying *Extended Failures.*

3.7 **Category B (Industry Aggregates).** All those sub-measures that fall under treatment as an Industry Aggregate are considered as a single portfolio. The procedure for determining incentive payments for this portfolio is as follows.

3.7.1 Calculate the size of the portfolio for the Industry Aggregates for:

3.7.1.1 Performance Measures 1, 16, 24, 38, 42, and 44 (all sub-measures except for manual processes in Measure 1).

3.7.1.2 Performance Measures 2 and 3, all sub-measures where orders are electronically received *and* electronically handled.

3.7.1.3 Performance Measure 18, Sub-measures 1800101 (LEX/EDI LASR), 180201 (LEX/EDI CLEO), 1800502 (LEX/EDI LASR – not reported by DSS), and 1800503 (LEX/EDI CLEO – not reported by DSS), only. Sub-measures 1800502 and 1800503 track additional conditions that must be met in order to pass 1800101 and 1800201, respectively, and are not assessed penalties independently.

3.7.2 Determine the number of failures.

3.7.3 The incentive amount is then determined by multiplying the failure rate percentage points by the adjusted base amount and then by 10 for the *Ordinary Failures*, 50 for *Chronic Failures* and 100 for *Extended Failures* .

3.7.4 The sum of all payments for Industry Aggregate sub-measures is divided equally among all CLECs eligible for incentive payments.

3.8 **Category C (Tier II).** Includes all sub-measures for all incentive payment measures (specified in Section 5). Each sub-measure is aggregated on an industry basis and the set of aggregated sub-measures is considered as a single portfolio. The aggregate sub-measures are tested using the same procedures as for individual CLEC tests. To create industry-aggregate performance results for the count-based sub-measures in Performance Measures 20 and 23, the average count over all CLECs shall be compared to the benchmarks.

3.8.1 Calculate the size of the portfolio for the Tier II Industry Aggregates.

3.8.2 Determine the number of Category C single-month failures.

3.8.3 Determine the failure rate percentage points. (E.g., 0.15 = 15 percent = 15 percentage points.)

3.8.4 Determine the number of sub-measures that have failed the current month and the previous two months.

3.8.5 The payment amount for each failed sub-measure is then determined by multiplying the Industry Aggregate single-month failure rate percentage points by the adjusted base amount (e.g., with a $40 base amount and a 5 percent failure rate: 15 x A*BA* = $600), and then by 25.

3.8.6 To identify Tier II failures for the first two months of implementation, performance results from the current month and the two previous months will be used.

3.8.7 Except where there are three consecutive months of inactivity, the months immediately preceding and following a month without CLEC aggregate OSS sub-measure activity will be considered consecutive months for the purposes of identifying Tier II failures.

3.8.8 Payments calculated for this category are paid to the ratepayers as follows:

3.8.8.1 Pacific and Verizon shall deposit Tier II incentive payments monthly into an interest-bearing memorandum account with a monthly-compounded interest rate equal to the tariffed rate the respective ILEC's charge their customers for late payment.

3.8.8.2 Each ILEC shall be responsible for maintaining these performance incentive accounts, which will be subject to audit by Commission staff.

3.8.8.3 When the annual Price Cap filings are made and the surcharge and surcredit amounts are calculated, the most recent twelve-month's incentive payments (August of the previous year through July of the current year) shall be added to the surcredit amounts included in Pacific's Rule 33 (Schedule Cal. P.U.C. No. A2.1.33) and Verizon's Tariff 38 (Schedule Cal. P.U.C. No. 38) disbursement mechanisms.

3.8.8.4 Interest shall accrue beginning with the first monthly incentive payment due date and shall continue to accrue on all amounts not yet credited to the ratepayers.

3.8.8.5 Pacific Bell shall identify in its Intrastate Earnings Monitoring Report (IEMR), NRF monitoring report code PD-01-27, an adjustment clearly identifying the annual performance incentive payments. This adjustment shall remove from the California intrastate results of operations, and the earnings monitoring reports, the payments made to the memorandum account.

3.8.8.6 Verizon shall identify in its Recorded and Adjusted Separated Results of Operations Report, NRF monitoring report code GD-04-01, an adjustment clearly identifying the annual performance incentive payments. This adjustment shall remove from the California intrastate results of operations, and the earnings monitoring reports, the payments made to the memorandum account.

4. SPECIFIC MEASURES TO WHICH INCENTIVE PAYMENTS APPLY

4.1 Payments for Pacific Bell's failure to meet specified performance measures will only apply to the Specified Measures listed below:

4.2 **Pre-Ordering**

Measure 1-Average Response Time (to Pre-Order Queries)

4.3 **Ordering**

Measure 2 - Average FOC Notice Interval

Measure 3 - Average Reject Notice Interval

- For Measure 3, remedies will be paid on the service group type disaggregations only. Error type levels of disaggregation will be reported diagnostically, and not subject to incentive payments.

Measure 4 - Percentage of Flow Through (once measures of success are ordered for this measure by the Commission)

4.4 **Provisioning**

Measure 5 - Percentage of Orders Jeopardized

Measure 6 - Average Jeopardy Notice Interval
Measure 7 - Average Completed Interval

Measure 9 - Coordinated Customer Conversion as a Percentage On-Time

Measure 9A - Frame Due Time Conversions as a Percentage On-Time

Measure 10 -LNP Network Provisioning

Measure 11 - Percent of Due Dates Missed

Measure 14 - Held Order Interval

Measure 15 - Provisioning Trouble Reports (Prior to Service Order Completion)

Measure 16 - Percent Troubles in 30 Days for New Orders (Specials)

Measure 17 - Percent Troubles in 10 Days for New Orders (Non-Specials)

Measure 18 - Average Completion Notice Interval

4.5 **Maintenance**

Measure 19 - Customer Trouble Report Rate

Measure 20 - Percent of Customer Trouble Not Resolved Within Estimated Time

Measure 21 - Average Time to Restore

Measure 23 - Frequency of Repeat Troubles in 30 Day Period

4.6 **Network Performance**

Measure 24 - Percent Blocking on Common Trunks

Measure 25 - Percent Blocking on Interconnection Trunks

Measure 26 -NXX Loaded by LERG Effective Date

4.7 **Billing**

Measure 28 - Usage Timeliness

Measure 29 - Accuracy of Usage Feed

Measure 30 - Wholesale Bill Timeliness

Measure 31 - Usage Completeness

Measure 32 - Recurring Charge Completeness

Measure 33 - Non-Recurring Charge Completeness

Measure 34 - Bill Accuracy

- For Measure 34, incentive payments will be paid on the service group type disaggregations only. Charge types will be reported diagnostically, and will be not subject to incentive payments.

Measure 35 - Billing Completion Notice Interval

Measure 36 - Accuracy of Mechanized Bill Feed

4.8 **Database Updates**

Measure 37 - Average Database Update Interval

Measure 38 - Percent Database Accuracy

Measure 39 - E911/911 MS Database Update Average

4.9 **Collocation**

Measure 40 - Average Time to Respond to a Collocation Request

Measure 41 - Average Time to Provide a Collocation Arrangement

4.10 **Interfaces**

Measure 42 - Percentage of Time Interface is Available

Measure 44 - Center Responsiveness

5. ROOT CAUSE ANALYSIS

5.1 Pacific Bell may use Root Cause Analysis to demonstrate that an apparent out-of-parity condition was attributable to an atypical event beyond the reasonable control of Pacific Bell. The list of "excludable events" that could be considered as part of Pacific Bell's Root Cause Analysis is reflected in Exhibit 1 hereto. In addition, the following provisions apply to Root Cause Analysis:

5.2 Where performance data suggests an out-of-parity condition exists, Pacific Bell may use Root Cause Analysis to demonstrate there was no discriminatory treatment (the situations in which Pacific Bell may invoke Root Cause Analysis – referred to as "excludable events" – are reflected in Exhibit 1). When Root Cause Analysis is invoked, Pacific Bell will have the burden of proving that but for the occurrence and nature of an "exclusion event" Pacific Bell would have succeeded on the measure in question.

5.3 If a dispute arises over whether Pacific Bell's Root Cause Analysis is sufficient to excuse an apparent out-of-parity condition, the Parties will first attempt to resolve the disagreement through an informal discussion. Pacific Bell will prepare a Root Cause Analysis report and provide it to any affected CLEC. If the Parties agree that the Root Cause Analysis report is sufficient to excuse Pacific Bell, the Parties will sign the report and Pacific Bell will be relieved from any associated payments. If CLEC does not accept Pacific Bell's Root Cause Analysis, the Parties agree to seek resolution by the Commission.

5.4 Pending the resolution of any dispute, Pacific Bell shall place the payments in an interest-bearing escrow account. The funds in question will be transferred to the CLEC when and if it is determined through the EDR process that Pacific's Root Cause Analysis is not sufficient to excuse Pacific Bell.

5.5 Exhibit 1 identifies the categories of events that may form the basis of Root Cause Analysis and provides examples of the types of events within each category. The list is only illustrative; it is not definitive.

5.6 Force majeure events will be treated as excludable events.

5.7 Pacific Bell will provide to the CLEC, at the time of submitting a Root Cause Analysis report to the CLEC, all non-confidential documents that were used as part of Pacific Bell's Root Cause Analysis.

5.8 Inadequate forecasts shall also be treated as an excludable event. Pacific Bell may demonstrate as part of its Root Cause Analysis that but for the

inadequate forecast provided by CLEC, Pacific Bell would have complied with the performance measure at issue. Exhibit 2 hereto provides the terms of the forecasting exclusion.

5.9 Delays or other problems resulting from actions of a Service Bureau Provider acting on the CLEC's behalf for connection to Pacific Bell's OSS, including Service Bureau Provider provided processes, services, systems or connectivity shall be treated as excludable events.

6 PERFORMANCE INCENTIVE PAYMENTS

6.1 Payments/Credits

6.1.1 Schedule. Pacific Bell will provide billing credits for the incentive amounts generated by the plan, on or before the 30th day following the due date of the performance report for the month in which the obligation arose.

6.1.2 Absolute and Procedural Caps. In any given month, the payment to CLECs shall not exceed the following amounts. When the limit is reached, payments shall be prorated among the CLECs in the amounts proportional to what they would otherwise be entitled to collect absent a cap: 1) a procedural cap of $15,000,000 (Pacific) and $4,500,000 (Verizon) for all CLECs; 2) an absolute cap of 1/12 of 36% of annual net revenue from local exchange service. If a procedural cap is reached in a month, the Commission should conduct a hearing to determine whether it would be reasonable under the circumstances, and in light of the evidence, to require Pacific to pay any amounts in excess of the procedural caps. If the procedural cap is met, the amounts owed up to the cap will be prorated among the CLECs to whom incentive payments are owed and will be paid regardless of the outcome of the hearing.

6.1.3 Eligibility. Only CLECs who have submitted orders for services to Pacific during the month under report shall be eligible for incentive payments.

7. Clarifications and illustrations to aid performance incentive plan implementation.

General Issues.

Application of the Small Sample Adjustment Table to sub-measures where low values are associated with good service is done by subtracting the benchmark from 1 and using the result as the point of entry into the table.

The Small Sample Adjustment table is applied to aggregates as well as CLEC observations.

Aggregations of Count-based sub-measures are evaluated by comparing the average of the numerators for all the CLECs in the aggregation to the benchmark for the sub-measure.

The following definitions are used throughout:

An *Observation* is the data for a single CLEC on a sub-measure in a single month. An *Aggregate* is any collection of observations within a given sub-measure in a single month.

A *Single-month evaluation* is a pass / fail test on an observation or an aggregate using the single-month evaluation rules given below.

A *Repeated Failures evaluation* is a pass / fail test on an observation or aggregate using the repeated failures evaluation rules given below.

An *Ordinary Failure* is a failure determined using a single-month evaluation.

A *Chronic Failure* is an observation or aggregate failure that is determined using the repeated failures evaluation and is at least the third in a string of consecutive months of repeated failures (allowing for months with inactivity). Once a sub-measure has a chronic failure, all subsequent failures using the repeated failures critical alpha criterion will be deemed chronic until two consecutive passes are obtained or three months intervene with no activity.

An *Extended Failure* is an observation or aggregate failure that is determined using the repeated failures evaluation and that is preceded by at least five repeated failures in the preceding six months of tests (allowing for months with inactivity) Once a sub-measure has an extended chronic failure, all subsequent failures using the repeated failures critical alpha criterion will be deemed extended chronic until two consecutive passes are obtained or three months intervene with no activity.

The denominator used to calculate the Adjusted Base Amount is taken as the total number of remedy-relevant observations for those CLECs having reportable data for the month. The aggregate measures, 24, 42, and 44, contribute just the number of sub-measures with data.

The following formulae specify how payments are calculated in each category

General Parameters.

M = the number of remedy-relevant observations in the month.

K = 4243 / M

ABA = $38 x K (rounded to the nearest dollar).

Category A.

N(A) = the number of observations for a CLEC in a month excluding Category B sub-measures.

FO(A) = the number of ordinary failures for the CLEC.

FC(A) = the number of chronic failures for the CLEC.

FE(A) = the number of extended chronic failures for the CLEC.

P(A) = 100 x FO(A) / N(A)

PPM(A) = ABA x P(A) (pay-per-miss amount)

PO(A) = PPM(A) x FO(A) (payment for ordinary failures)

PC(A) = PPM(A) x FC(A) x 5 (payment for chronic failures)

PE(A) = PPM(A) x FE(A) x 10 (payment for extended chronic failures)

Category B.

N(B) = the number of Industry Aggregate sub-measures falling in Category B.

FO(B) = the number of ordinary failures for Category B.

FC(B) = the number of chronic failures for Category B.

FE(B) = the number of extended chronic failures for Category B.

P(B) = 100 x FO(B) / N(B)

PPM(B) = ABA x P(B) (pay-per-miss amount)

PO(B) = PPM(B) x FO(B) (payment for ordinary failures)

PC(B) = PPM(B) x FC(B) x 50 (payment for chronic failures)

PE(B) = PPM(B) x FE(B) x 100 (payment for extended chronic failures)

Category C.

N(C) = the number of Aggregate sub-measures falling in Category C.

FO(C) = the number of ordinary failures for Category C.

FC(C) = the number of chronic failures for Category C.

P(C) = 100 x FO(C) / N(C)

PPM(C) = ABA x P(C) (pay-per-miss amount)

PC(C) = PPM(C) x FC(C) x 25 (payment for chronic failures)

Special Issues.

The CLECs qualifying for Category B incentive payments are those that touch sub-measures in Measure 2, 3, and 40.

Category C is applied to all sub-measures.

The Category C failure rate is determined by the number of single-month failures in the month in question.

The rules for entering and leaving the chronic state (there is no extended chronic state) are the same as those for the other categories.

EXHIBIT 1

FACTUAL ANALYSIS

The following incidences are reasonable exceptions that can be used to mitigate a statistical finding of out-of-parity (or benchmark miss) provided that the incident impacted the CLEC to such a degree as to make otherwise compliant performance non-compliant:

I. Significant activity by a third party external to Pacific Bell* (not controllable by Pacific Bell)

A. Damage to facilities :

- major cable cuts
- gas / water main break
- manhole / structure fire
- central office / facilities fires not caused or under control of Pacific Bell
- other damage to facilities cause by a third party

B. Failure of third party systems

- LNP-service degradation / out-of-service of NPAC

C. Threats to personal safety

- Bomb threat causing evacuation of a Pacific Bell building (service center, central office, etc.)
- Other threats to personal safety which impact the execution of Pacific Bell's activities on behalf of the CLEC

II. Environmental events not considered force majeure

A. Environmental events causing service center evacuation / building condemnation

- building fire
- building damage cause by external force
- hazardous condition (gas or chemical leaks, presence of hazardous material)

III. Failure of CLEC process / system or those of a third party vendor, including a Service Bureau Provider, acting on behalf of CLEC

A. CLEC ordering system with degraded service or out-of-service for an extended period of time, resulting in:

- a backlog of requests sent all at once
- the CLEC changing from electronic transmission to manual (fax) for duration of the outage

B. Chronic, severely impaired testing capabilities on part of CLECs

C. Chronic failure on the part of the CLEC to provision their own network in a timely manner in establishing new or migrated end user service which also involves activities on the part of Pacific

*Note: Pacific Bell's sub-contractors or other Pacific Bell agents are not considered an external third party.

EXHIBIT 2

FORECASTING PLAN

CLECs shall submit forecasts to Pacific Bell for the following categories of products / services:

- Collocation
- Interconnection Trunks
- Service Requests by:
  - Resale
    - Non-designed
    - Designed
  - UNE
    - Loops
      - Non-designed
      - Designed
    - Loop / Port Combinations
    - Unbundled Transport

- Forecasts shall cover a six-month period (two quarters) and shall be submitted one quarter in advance of the commencement of the six-month period.
  - Forecasts may be updated quarterly, or sooner, if the CLEC determines that conditions warrant an update.
    - For example, a forecast of 3rd and 4th Quarter 2001 must be submitted by March 31, 2001. However, the 4th Quarter forecast may be updated as part of the quarterly submission on or before June 30, 2001 (which covers 4th Quarter 2001 and 1st Quarter 2002).
  - For Service Request forecasts, forecasts shall be submitted on a statewide basis. For Interconnection forecasts, forecasts shall be submitted by wire center. Tandem interconnection shall be by tandem with identification of estimated traffic to and from subtending end offices.
  - For collocation, forecasts shall be submitted by wire center.
  - Forecasts shall be disaggregated on a monthly level.

- If Pacific Bell misses a mapped sub-measure (see Exhibit 2) for which a CLEC's actual volumes are 20% greater than the forecasted volume, on a monthly basis, a root cause analysis may be triggered.

- If Pacific Bell misses a mapped sub-measure (see Exhibit 2) for which the CLEC has not provided any forecast, a root cause analysis may be triggered.

- Pacific Bell may address the effect on Pacific Bell of an inaccurate forecast in its limited root cause analysis of a missed mapped sub-measure. In this review, Pacific must document how, but for the variance in the CLEC's forecast and actual volumes for one of the categories above (i.e., service requests, interconnection trunks or collocation), Pacific Bell would not have missed the mapped sub-measure. For purposes of the limited root cause analysis, the performance measures potentially affected by forecasting are set forth, or mapped, on the attached chart.
- Forecasts may contain commercially sensitive information and must be kept confidential. Pacific shall protect forecasts against disclosure to any unauthorized persons, including personnel responsible for retail sales or marketing. In addition, Pacific shall limit the disclosure of CLEC forecasts to personnel with a need to know for the purpose of ensuring Pacific's compliance with OSS performance measures and their applicable incentive plan, including compliance with the underlying wholesale obligations.

EXHIBIT 2

FORECAST MAPPING TO PERFORMANCE MEASURES

	TYPE OF FORECAST		
	Service Order	Collocation	Interconnection
Pre-Ordering			
• 1 - Av. Response Time	X		
Ordering			
• 2 - Av. FOC Notice Interval	X		X
• 3 - Av. Reject Notice Interval	X		X
Provisioning			
• 5 - Percent of Orders Jeopardized	X		X
• 6 - Av. Jeopardy Notice Interval	X		X
• 7 - Av. Completed Interval			
• 9 - Coordinated Customer Conversions	X		
• 9A - Frame Due Time Customer Conversions			
• 10 - PNP Network Provisioning			
• 11 - Percent of Due Dates Missed			
• 14 - Held Order			

Interval • 15 - Provisioning Trouble Reports • 16 - Percent Troubles in 30 Days for New Orders • 18 - Av. Comp. Notice Interval	X		X
	TYPE OF FORECAST		
	Service Order	Collocation	Interconnection
Maintenance • 19 - Customer Trouble Report Rate • 20 - Percent of Customer Trouble not Resolved within Est. Time • 21 - Av. Time to Restore • 23- Frequency of Repeat Troubles in 30 day period			
Network Performance • 24 - Percent Blocking on Common Trunks			

• 25 - Percent Blocking on Interconnection Trunks • 26 - NXX Loaded by LERG Effective Date			X
Billing • 28 - Usage Timeliness • 29 - Accuracy of Usage Feed • 30 - Wholesale Bill Timeliness • 31 - Usage Completeness • 32 - Recurring Charge Completeness • 33 - Non-recurring Charge Completeness • 34 - Bill Accuracy • 35 - Billing Notice Completion Interval • 36 - Accuracy of Mech. Bill Feed	X X X		X X X

	TYPE OF FORECAST		
	Service Order	Collocation	Interconnection
Database Updates • 37 - Av. Database Update Interval • 38 - Percent Database Accuracy • 39 - E911/911 MS Database Update Interval	X		
Collocation • 40 - Av. Time to Respond to Collocation Requests • 41 - Av. Time to Provide a Collocation Arrangement		X X	
Interfaces • 42 - Percent of Time Interface is Available • 44 - Center Responsiveness			

Exhibit 3

Decision Model
Revised from D.01-01-037, Appendix C

I. Parity measures

A. Statistical Tests

All statistical tests will be one-tailed tests.

1. Average-based Parity Measures

The Modified *t*-test will be used for all average-based parity measures as specified in:

Brownie, C., Boos, D., & Hughes-Oliver, J. (1990). Modifying the t and ANOVA F tests when treatment is expected to increase variability relative to controls. *Biometrics*, *46*, 259-266.

The Modified *t*-test for the difference in means (averages) between the ILEC and the CLEC populations is:

$$t = (M_i - M_c) / [S_i * \text{sqrt}(1 / N_c + 1 / N_i)]$$

Where:

M_c = the CLEC mean result
M_i = the ILEC mean result
S_i = the standard deviation of the results for the ILEC
N_c = the CLEC sample size
N_i = the ILEC sample size
sqrt = square root

For measures of time intervals, the raw score distribution will be normalized by taking the natural log of each score after a constant of 0.4 of the smallest unit of measurement is added to each score. For example, if the smallest unit of measurement is an integer, then the added constant would be 0.4:

$$x_{tran} = \ln(x + 0.4)$$

Similarly, if the smallest unit of measurement is 0.01, then the added constant would be 0.004:

$$x_{tran} = \ln(x + 0.004)$$

Results that are not measures of time intervals (e.g., Measure 34) will not be transformed. Results for Measure 44 will not be transformed.

The Modified *t*-test calculation for average parity measures will be structured so that a negative sign indicates "worst" performance. Specifically, when a lower value represents better performance, such as time to provision a service, the CLEC mean will be subtracted from the ILEC mean. Different performance measures may require reversing the means in the equation to have a negative sign indicate poorer performance.

The *t*-statistic will be converted to an α (Type I error) probability using a *t*-distribution table or calculation. Degrees of freedom (*df*) will be based only on the ILEC sample size consistent with Brownie, et al. If the obtained α value is less than the critical α value, then the result will be deemed not in parity.

2. Proportion Parity Measures

The Fisher's Exact Test will be used for all percentage or proportion parity measures as specified in:

Sheskin, D. (1997). *Handbook of parametric and nonparametric statistical procedures.* Boca Raton: CRC Press, pp. 221-225.

If the obtained α value is less than the critical α value, then the result will be deemed out-of-parity.

3. Rate-based Parity Measures

The Binomial Exact Test will be used for all rate parity measures. The Binomial Exact Test is specified in GTECs Exhibit C, Section 3, "Permutation Test for Rates", Equations 3.1 and 3.2 (Deliverable #7, Facilitated Work Group, April 2000).

4. Indexed-based Parity Measures

Measure 42 provides an index of parity performance that will be assessed by comparing ILEC and CLEC performance as follows:

Non-parity will be identified when the ILEC percentage minus the CLEC percentage exceeds 0.05 percentage points.

B. Critical Alpha Level for Parity Tests

The Type I error probabilities (alphas, α) obtained from the parity statistical tests will be compared to the critical alpha values as specified below. A performance result with α equal to or less than the critical alpha will be deemed a performance failure.

For Tier I:

Examine the single-month industry aggregate using:

- 0.10 for sample sizes of 1 to 499.
- 0.05 for sample sizes of 500 and greater.

For CLEC-level analyses:

For multiple-month tests:

- Use 0.20 for the test for each and every individual month (i.e., Chronic: months 1, 2, and 3. Extended: months 1, 2, 3, 4, 5, and 6).

For single-month tests:

If the industry aggregate fails:

- For each CLEC with a sample size of 1 to 29 use 0.20.
- For each CLEC with a sample size of 30 to 499 use 0.10.
- For each CLEC with a sample size of 500 or greater, use 0.05.

If the industry aggregate passes:

- For each CLEC with a sample size of 1 to 99 use 0.10.
- For each CLEC with a sample size of 100 or greater, use 0.05.

For Tier II:

Since all Tier II tests are repeated failure tests, use 0.20 for the test for each and every individual month (i.e., months 1, 2, and 3).

C. Sample Sizes and Aggregation Rules

Statistical tests will be applied to the monthly performance results specified in the Joint Partial Settlement Agreement (D.01-05-087 or "JPSA") and in any Commission-approve modifications to the JPSA. Statistical analyses and decision rules will be applied to determine performance subject to the performance incentives plan for all samples regardless of sample size.

D. Measures without Retail Analogues.

In months where there are no retail analogue performance data, the prior six months of ILEC data be aggregated (to the extent that such data exist) and used in place of the data-deficient month. If the aggregate does not produce sufficient ILEC data, the sub-measure will not be evaluated for the month.

II. Benchmark Measures

For large samples, the actual performance will be compared to the benchmark nominal percentage according to the percentage set in the Joint Partial Settlement Agreement approved by the Commission. For small samples, maximum permitted "misses" shall be determined by small sample adjustment tables. Small samples are defined as follows:

90 percent benchmarks - 50 cases or less
95 percent benchmarks - 100 cases or less
98 percent benchmarks – 250 cases or less
99 percent benchmarks - 500 cases or less
99.65 (and 0.0035) percent benchmarks – 1429 cases or less
99.75 (and 0.0025) percent benchmarks – 2000 cases or less

SMALL SAMPLE ADJUSTMENT TABLES

Maximum Permitted Misses	Benchmark = 90%		Benchmark = 95%		Benchmark = 98%		Benchmark = 99%		Benchmark = 99.65%		Benchmark = 99.75%	
	Minimum Sample Size	Maximum Sample Size	Minimum Sample Size	Maximum Sample Size	Minimum Sample Size	Maximum Sample Size	Minimum Sample Size	Maximum Sample Size	Minimum Sample Size	Maximum Sample Size	Minimum Sample Size	Maximum Sample Size
0	1	1	1	3	1	9	1	19	1	55	1	77
1	2	9	4	19	10	49	20	97	56	278	78	390
2	10	20	20	41	50	103	98	202	279	577	391	808
3	21	32	42	65	104	163	203	319	578	913	809	1279
4	33	45	66	90	164	227	320	445	914	1273	1280	1783
5	46	50	91	100	228	250	446	500	1274	1429	1784	2000

The small sample adjustment tables shall be used in the following steps:

1. The number of performance "misses" for the CLEC industry-wide aggregate for each remedy plan benchmark sub-measure will be compared to the number of permitted misses for all sample sizes covered by the related adjustment table. Industry aggregate performance will be identified as passing if the number of actual misses is less than or equal to the number of permitted misses, and identified as failing if otherwise.

2. For CLEC industry-wide aggregate sample sizes not covered by the related adjustment table, the actual performance percentage result will be compared to the benchmark nominal percentage value. Industry aggregate performance will be identified as passing if the actual performance percentage result is greater than or equal to the benchmark nominal percentage value, and identified as failing if otherwise.

3. For each sub-measure where the CLEC industry-wide aggregate performance *fails* the benchmark, the actual performance percentage result for each non-aggregated CLEC result will be compared to the benchmark nominal percentage value. Each individual performance result will be identified as passing if the actual performance percentage result is greater than or equal to the benchmark nominal percentage value, and identified as failing if otherwise.

4. For sample sizes *covered* by the related adjustment table where the CLEC industry-wide aggregate performance *passes* the benchmark, the following shall apply for each sub-measure. For each benchmark sub-measure, the number of performance "misses" for each non-aggregated CLEC will be compared to the number of permitted misses. CLEC performance will be identified as passing if the number of actual misses is less than or equal to the number of permitted misses, and identified as failing if otherwise.

5. For sample sizes *not covered* by the related adjustment table where the CLEC industry-wide aggregate performance *passes* the benchmark, the following shall apply. The actual performance percentage result for each non-aggregated CLEC result will be compared to the benchmark nominal percentage value. Each individual performance result will be identified as passing if the actual performance percentage result is greater than or equal to the benchmark nominal percentage value, and identified as failing if otherwise.

Small Sample Adjustment Table
Calculation Procedure

1. Set the benchmark to **B**. In this procedure it is assumed that **B** is a number close to 1.0. If the benchmark is small, simply use 1 – **B.**

2. Set the maximum length of the table, L, according to the formula

$$L = \frac{5}{1 - B}$$

3. Set the derivation (reference) sample size according the formula

$$N = 3 * L$$

4. Calculate the implied performance level, P, as that value which solves the equation

$$b = ceiling(B * N) - 1$$

$$\sum_{k=0}^{b} \binom{N}{k} P^k (1 - P)^{N-k} = .01$$

5. Calculate the permitted number of misses, m for the sample size n, as the largest value of k that satisfies the following:

$$\sum_{t=0}^{k} \binom{n}{n-t} P^t (1 - P)^{n-t} \geq .1$$

Mathcad worksheet to calculate small sample tables for percentage benchmarks.

Set benchmark.

$B := .90$

Set probability of failing the benchmark at the reference sample size.

$P_{crit} := .01$

Set probability of failing the benchmark with small samples (Type I error rate).

$P_{T1E} := .1$

Calculate the length of the Small Sample Adjustment Table

$$L := \text{floor}\left(\frac{5}{1 - B} + .1\right)$$

$L = 50$

Calculate the reference (derivation) sample size.

$N := 3 \cdot L$

$N = 150$

"p" gives initial guesses at the required performance levels

$$p := \frac{1 + B}{2}$$

The following function calculates the performance level that is consistent with the reference sample size N and criterion probability P.

Given

$pbinom(b - 1, N, p) = P_{crit}$

$f(b, N) := Find(p)$

This is the required performance level.

$PL := f(ceil(B \cdot N), N)$

$PL = 0.9441636$

$pbinom(ceil(B \cdot N) - 1, N, PL) = 10 \cdot 10^{-3}$

Calculate the minimum number of misses for which the cumulative probability is less than the Type I error criterion.

$$\begin{aligned} &miss(n, P) := \\ &\quad k \leftarrow 1 \\ &\quad \text{while } pbinom(n - k, n, P) \geq P_{T1E} \\ &\quad\quad k \leftarrow k + 1 \\ &\quad \text{return } k - 1 \end{aligned}$$

$n := 2 .. L$

$M_n := miss(n, PL)$

$k := 1 .. 5$

$$\begin{aligned} &set(h, L, d) := \\ &\quad j \leftarrow 2 \\ &\quad x \leftarrow L \cdot (1 - d) \\ &\quad \text{while } M_j < h \\ &\quad\quad j \leftarrow j + 1 \\ &\quad \text{while } (j \leq L) \cdot (M_j = h) \\ &\quad\quad x \leftarrow j \text{ if } (d = 0) \cdot (j < x) + (d = 1) \cdot (j > x) \\ &\quad\quad j \leftarrow j + 1 \\ &\quad \text{return } x \end{aligned}$$

$A_{k,0} := set(k, L, 0)$

$x_k := k$

$set(1, 50, 0) = 2$

$A_{k,1} := set(k, L, 1)$

$A := augment(x, A)$

In the following matrix,
the first column is the number of permitted misses,
the second column is the minimum sample size that gets this number, and
the third column is the maximum sample size that gets the number.

$$A = \begin{bmatrix} 0 & 0 & 0 \\ 1 & 2 & 9 \\ 2 & 10 & 20 \\ 3 & 21 & 31 \\ 4 & 32 & 44 \\ 5 & 45 & 50 \end{bmatrix}$$

Appendix K: List of Appearances

Respondents: Ed Kolto-Wininger and James B. Young, Attorneys at Law, for Pacific Bell; Marlin Ard and Elaine M. Duncan, Attorneys at Law, for Verizon California Inc.

Interested Parties: Evelyn C. Lee, Attorney at Law, for WorldCom, Inc.; Randolph Deutsch and Joseph Faber, Attorneys at Law, for AT&T Communications of California, Inc.; Richard L. Goldberg, Attorney at Law, for Sprint Communications Company LP; Theresa L. Cabral, Attorney at Law, for Mediaone Telecommunications of California and Karen Potkul, Attorney at Law, for XO, Inc. (formerly, Nextlink, Inc.)

Office of Ratepayer Advocates: Julio Ramos, Attorney at Law.