

ORIGINAL

MEMORANDUM

September 14, 2000

RECEIVED-FPSC

SEP 14 PM 4:22

RECORDS AND REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (VACCARO) *OV*

RE: DOCKET NO. 000121-TP - INVESTIGATION INTO THE ESTABLISHMENT OF OPERATIONS SUPPORT SYSTEMS PERMANENT PERFORMANCE MEASURES FOR INCUMBENT LOCAL EXCHANGE TELECOMMUNICATIONS COMPANIES.

Attached are comments presented by participants at the August 8th workshop. Please file in above-referenced docket.

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Attachment

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Florida Public Service Commission

August 8, 2000 Workshop

Docket 000121-TP

AT&T Presenter - Cheryl Bursh

Presentation Length - 30 minutes

Topic Areas for Enforcement Mechanisms for ILEC Performance:

- Why Enforcement is Important to Local Competition
- Enforcement Plan Principles and Objectives
- AT&T's Proposed Performance Improvement Plan (PIP) for ILEC Enforcement
 - Proposed Plan Structure, to include items such as:
 - Appropriate measures, disaggregation, and standards for performance
 - Enforcement at the CLEC and industry level
 - How payments are determined and disbursed
 - Based on transaction vs. measure, payment amounts, etc.
 - Appropriateness of caps
 - Use of statistics, small sample sizes, handling of benchmark measures
- Commission authority

AT&T Performance Incentive Plan (PIP) Version 2.0

Florida Performance Measurement Workshop

August 8, 2000

Cheryl Bursh - AT&T

ENFORCEMENT MECHANISM OBJECTIVES

- Protection of the public interest
- Rapid & sustainable development of a competitive local telecommunication market

ENFORCEMENT MECHANISM DESIGN OBJECTIVES

- Consequences must be based upon the quality of support delivered on individual measures to individual CLECs.
- Total consequences must have sufficient impact to motivate compliant performance
- The consequences must be self-executing so that opportunities for delay through litigation and regulatory review are minimized.
- Consequences should escalate based on the duration and magnitude of non-compliant performance.
- Additional consequences should apply when non-compliant performance is provided to CLECs on an industry-wide basis

ENFORCEMENT MECHANISM DESIGN OBJECTIVES

- Exclusions from consequences must be minimized and exclusions that are provided must be monitored.
- Incumbents must have minimal opportunities to avoid consequences through such means as liability caps or offsetting credits.

AT&T

PERFORMANCE INCENTIVE PLAN V2.0

- Multi-tiered Structure
 - Tier I - Payments to individual CLECs
 - Tier II - Payment to state designated fund
- Monthly Performance Assessments
- Disaggregation that provides “like-to-like” comparisons
- Performance determination at the sub-measure level
- Both parity and benchmark measures
- Statistical methodology applied for parity determinations
- Escalating remedies for severity and duration of violation
- Addresses small data set issues
- Includes all measures to properly reflect customers’ experience

Two-Tiered Incentive Payment Structure

- Tier I: Payments To Individual CLECs Based On BST Discriminatory Performance For That Carrier
 - CLECs May Also Seek Actual Damages (Less Tier I Payments) Per Contract Terms Or Litigation
- Tier II: Payments To State-Designated Fund For BST's Discriminatory Performance For The CLEC Industry In The Aggregate

LIKE-TO-LIKE COMPARISONS

- **Preordering**
 - Query Type, Interface Type
- **Ordering**
 - Interface Type, Volume, Product
- **Provisioning**
 - Dispatch in, Dispatch out, Non-Dispatch, Volume, Product
- **Maintenance & Repair**
 - Interface Type, Volume, Product, Dispatch-in, Dispatch Out, Non-Dispatch
- **Billing**
- **Collocation**
 - Type(e.g. physical caged, cageless, virtual...etc.)

Treatment of Small Data Sets

- Permutation Analysis Employed for Small Data Sets (e.g., Fewer Than Thirty CLEC Observations) For Parity Submeasurements
- Adjustment Table Employed for Benchmarks

Applicable Test - Benchmarks

- No Statistical Test Is Required (Benchmark Already Accounts For Variability)
- Each Test Is Passed Or Failed According To Its Individual Standard
- Apply An Adjustment For Small Data Set (Sample) Sizes

Sample Benchmark Adjustment Table

CLEC Data Set Size	Benchmark Percentage Adjustments for Small Data Sets (Applicable to Data Sets < 30)		
	85.0%	90.0%	95.0%
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%

Table Can Be Calculated to Account for All Data Set Sizes



BellSouth Telecommunications, Inc. 850 222-1201
Suite 400 Fax 850 222-8640
150 South Monroe Street
Tallahassee, Florida 32301

Nancy H. Sims
Director - Regulatory Relations

August 1, 2000

To: Mr. Tim Vaccaro
Division of Legal Services
Florida Public Service Commission

From: Nancy H. Sims
Director - Florida Regulatory
BellSouth Telecommunications Inc.

Subject: Docket 000121-TP; Summary of presentation at August 8,
2000 Workshop regarding enforcement mechanisms.

AUG - 2 2000

David A. Coon will be making a presentation for BellSouth Telecommunications, Inc. at the August 8, 2000 workshop on enforcement mechanisms.

His comments will be in response to the questions listed in the Florida Public Service Commission's Notice of June 14, 2000 regarding this workshop.

This presentation will take no more than 30 minutes. Handouts will be available at the workshop.

Sincerely,

Mary Rose Quinn for NS



Questions 6 & 7: How Should dollar value of penalties be determined? Should there be a cap on penalty amounts, and if so, how should the cap be determined?

Efficient Incentive Levels:

- Automatic incentives should mimic behavior of profit-maximizing firm
 - retained profits versus expected payments
- Neither too excessive (exceed market value) nor too small
- discourage rent seeking and strategic behavior
- Not excessively penalize ILEC under parity

Caps are reasonable

- Based on Net Income Potential for ILEC
- “Safety Valve” to Allow for Unintended Consequences

Optimal Incentive Amount:

- derived from profit maximizing behavior
- ILEC trades off retaining profits versus incentive payments
- optimal payment = marginal change in expected net revenues divided by marginal change in probability of detection

Theoretical foundation:

- based on actual tradeoff ILEC makes
 - net revenues provide a basis for incentive \$
-
-



Question 5: CLEC Aggregate Performance

- Same questions as #4.
 - Evaluation of performance, for the purpose of additional enforcement mechanisms, at the aggregate level is wholly unnecessary if performance is evaluated at the CLEC specific level
 - Why?
 - If there is a true process parity issue - it will effect all or most CLECs
 - Many Performance measures are evaluated at the CLEC aggregate level only
 - Whole is Equal to the Sum of its Parts
 - Properly Structured Incentives at Appropriate Levels Will Ensure Overall compliance
-
-



Question 4: Interconnection Agreement Performance

- Frequency of monitoring:
 - Monthly Performance Reports
 - Time Frame to be evaluated:
 - Monthly Performance, for most measures, some may be less frequent
 - Level of Disaggregation across metrics and offerings:
 - Not all measures require the same disaggregation for products
 - A reasonable amount of disaggregation necessary to ensure fair comparisons
 - Statistical significance with small sample size:
 - Less than 10 is not evaluated
 - Parity Measures: Between 10 and 30 should use permutation for measures of means (or averages) and hyper-geometric for measures of percentages
 - Automatic penalties for non-compliance:
 - Need to address Type 1 "Declaring Parity when ^{rejecting} ~~really~~ in parity"
-
-



Reasonable Benchmarks

- Ensure that levels:
 - realistic - provide what is necessary to compete, but
 - do not result in a higher standard of service for the CLEC than the ILEC
 - Benchmarks should be reviewed after trial
 - as levels/standards chosen without benefit of actual data
 - potential for redundancy
-
-



Reliable Statistical Tests

- Appropriate choice of test statistic
 - sensitive to violations of parity and robust to alternative assumption (max. power s.t. α)
 - based on like-to-like comparisons
- Commonly accepted level of significance
 - problem of too much power
- Independence among tests (no correlation)

material differences not statistically significant differences



Appropriate Measures

- Measures that affect CLECs ability to compete
 - linked to end user's choice of provider
 - not measurement for measurement's sake
 - more measures -> greater likelihood of redundancy
 - Redundancy
 - Violates underlying assumption of independence of tests
 - overpayments for same process problem
-
-



Determining Parity

Metrics fall in to three groups:

- **Parity Metrics:**
 - Metrics with a reasonably analogous Verizon retail service have a “parity” standard.
 - This compares service performance for retail customers with service performance for the CLECs using statistics.
 - **Benchmark Metrics**
 - Metrics without a reasonably analogous Verizon retail service have a benchmark standard where performance is compared with the standard each month.
 - The benchmark should be set at a level necessary to compete.
 - **Diagnostic Measures:**
 - The third group of measures do not have parity or benchmark standard as they are only for diagnostic or informational purposes.
-
-



Question 3: What should be the Objectives of an Enforcement Mechanism?

FCC:

- “potential liability that provides a meaningful and significant incentive to comply with the designated performance standards;
- clearly, articulated, pre-determined measures and standards, which encompass a comprehensive range of carrier-to-carrier performance;
- a reasonable structure that is designed to detect and sanction poor performance when it occurs;
- a self-executing mechanism that does not leave the door open unreasonable to litigation and appeal;
- and reasonable assurances that the reported data is accurate.”

Additional Concepts:

- Parity of Service
 - Appropriate Set of Performance Measures
 - Efficient Incentive Levels
 - Reliable Statistical Tests
 - Reasonable Benchmarks
 - Automatic Enforcement

Source: FCC Comments on Bell Atlantic-New York Plan



Questions 1 & 2: Legal Authority

Question 1:

- Does the Commission have authority to establish in advance, a generic enforcement mechanism provision which should be inserted in Interconnection Agreements in the event negotiations on this provision fail?

Verizon Response: It depends on the enforcement mechanism.

Question 2:

- Does adoption of enforcement mechanisms constitute awarding of damages?

Verizon Response: It depends on the enforcement mechanism.



Verizon Performance Plan

Regulatory Client Services:

Don Perry, David Weitzel, Monique Lynnes

Extraordinary Events

- ILECs may be exempted from actual performance standards, but not parity, whenever ILECs encounter a force majeure event.
- If the event merely suspends the ILEC's ability to timely perform according to the performance measurements, the applicable time frame for the ILEC's compliance should be extended on an hour-for-hour or day-for-day basis equal to the duration of the excusing event.

Escalation

- Payments to an individual ALEC must escalate for sub-metrics for Magnitude and Duration Misses
 - Performing at 60% for a 95% benchmark is more severe than achieving 90% for the same benchmark (magnitude miss). Therefore, self-executing remedies for performance at 60% should be more than performance at 90%.
 - A miss for one month is less severe than a miss for three months (duration miss). Therefore self-executing remedies for a single month miss should be less than for consecutive months missed.
 - Escalating payments will encourage ILEC to resolve problems and comply with standards once a metric has already been missed.
- Payments for industry-wide poor performance should escalate in a like manner.

Remedy Structure

- According to the FCC's recommendation in approving both New York and Texas 271 applications, the total liability amount for ILECs should be at least 36% of net return.
- This should be a procedural threshold for each ILEC, not an absolute cap. If this yearly amount is reached and non-compliance continues, the FPSC should review the performance and determine if additional dollar amounts are necessary to ensure compliance.

*World Com
would suggest
44%*

Structure -- ICA and Industry

- Performance and remedies must be monitored on a monthly basis to timely capture issues and on a quarterly and yearly basis to analyze trends.
- Metrics should be disaggregated by product, interface, volume and geography for each ALEC, all ALECs, each ILEC and its affiliates.
 - Some measures require additional disaggregation such as dispatch in, dispatch out and non-dispatch, pre-order and maintenance query functions and by center.
- Metrics with small sample sizes should not be excluded from the plan, particularly new and advanced services.
- By setting the structure and benchmarks in advance, the FPSC will have provided ILECs the requirements for compliance. Whenever non-compliance is found, automatic remedies must apply swiftly to be effective.

Enforcement Mechanism Objectives

- Deter misconduct and encourage compliance with performance standards.
 - Curb ILECs' powerful ability and incentive to protect local revenues through disabling competitive market development.
 - Recognize the ALECs' ability to enter the market is dependent on the reliability and quality of ILECs' operational processes and support systems.
 - Persuade ILECs to fix and not ignore problems requiring OSS or network capacity capital or human resource outlays.
- Acknowledge impact of ILECs' poor performance on competitor's reputation in market is immediate, long-lasting and extrapolated to all market participants and services.
 - Price reductions or bill credits are inadequate to serve as a deterrent for poor service since harms to ALECs are greater than costs; harms also include damaged reputation to ALECs, delaying and irreversibly opening the local market to competition, additional costs to ALECs to address ILEC errors, delays, etc.
- Apply self-executing pre-determined amounts without delay.
- Address harm to ALECs' customers, particularly business customers, that may result in liability for the ALECs.

FPSC Award of Damages

- U.S. District Court for the Northern District of FL (Tallahassee), Case No. 4:97cv141-RH, Issued June 6, 2000 in MCI Telecommunications vs. BellSouth Telecommunications:

The Florida Commission also asserts that it was precluded by state law from adopting a compensation mechanism of the type sought by MCI, because any such mechanism would require the Florida Commission in effect to make an award of damages, contrary to the principle of Southern Bell Tel. and Tel. Co. v. Mobile America Corp. 1 So. 2nd 199 (Fla. 1974). That is incorrect, for two reasons (emphasis added):

- First, any compensation provision in the arbitrated agreement would not necessarily require enforcement by the Florida Commission. A compensation provision could, for example, be self-executing or, to the extent necessary, enforceable in court. Thus, whatever the effect of Mobil America on the Florida Commission's ability to enforce a compensation provision, there is assuredly nothing in that decision that precludes the Florida Commission from arbitrating a request for a compensation provision as part of an arbitrated proceeding otherwise properly undertaken by the Florida Commission.
- Second, if a compensation provision were truly required by the Telecommunications Act and could be adopted in some form without imposing on the Florida Commission an unconstitutional burden, see Printz v. U.S., 521 U.S. 898, 117 S. Ct. 2365, 138 L. Ed. 2nd 914 (1997), then any contrary Florida law obviously would not preclude adoption of such a provision. Under the Supremacy Clause, see U.S. Const. Art. VI, the Telecommunications Act, not any contrary Florida provision, is the supreme law of the land.

FPSC Authority

- U.S. District Court for the Northern District of FL (Tallahassee), Case No. 4:97cv141-RH, Issued June 6, 2000 in MCI Telecommunications vs. BellSouth Telecommunications:

"I reject the Florida Commission's narrow reading of the Telecommunications Act's arbitration provisions. The Act imposes various duties on incumbent local exchange carriers and sets forth two methods for determination of the terms and conditions under which any specific incumbent will allow any given competitive carrier to interconnect with the incumbent's facilities and obtain access to its network elements. The first method-the preferred method-is through an agreement voluntarily negotiated between the incumbent and competitive carriers. The second method applicable only to the extent that voluntary negotiation fails, is through arbitration of "any open issues." 47U.S.C.sec. 252(b) (1). **The statutory term "any open issues" makes clear that the right to arbitrate is as broad as the freedom to agree; any issue on which a party unsuccessfully seeks agreement may be submitted to arbitration.**

MCI and BellSouth obviously would have been free to enter a voluntary agreement that included a compensation mechanism for breaches of the agreement. Nothing in the Telecommunications Act would have foreclosed any such voluntary agreement. Neither the Florida Commission nor BellSouth contends otherwise. BellSouth chose, however, not to agree voluntarily to any such provision. That was BellSouth's right. **When BellSouth determined not to agree, this became an "open issue" that MCI was entitled to submit to arbitration...**

When the Florida Commission chose to act as the arbitrator in this matter, its obligation was to resolve "each issue set forth in the petition and the response, if any." 47 U.S.C. sec. 252(b)(4)(c): MCI's request for a compensation provision was such an issue. **This was, therefore, an issue the Florida Commission was obligated to resolve.**

This does not mean, of course, that the Florida Commission was obligated to adopt a provision of the type MCI seeks. Had the Florida Commission decided, as a matter of discretion, not to adopt such a provision. MCI would bear a substantial burden in attempting to demonstrate that that determination was contrary to the Telecommunications Act or arbitrary and capricious. **But the Florida Commission made no determination, instead deciding it lacked authority to address the issue. That was an incorrect interpretation of the Telecommunications Act."** (emphasis added)



Enforcement Mechanism Plan for Incumbent Local Exchange Companies

Marsha Emch
Local Competition Policy
08/08/00

Tim Vaccaro
Division of Legal Services
Florida Public Service Commission
August 1, 2000
Page 3

objectives of any enforcement mechanism that the Florida Commission would develop. IDS will also present concrete ideas for structuring an enforcement mechanism that can avoid some of the pitfalls that IDS has encountered. IDS also has experience trying to quantify the damages that resulted from its experience using BellSouth's automated OSS.

In conclusion, IDS would like to emphasize the need for quick action when OSS problems occur. In the current telecommunications marketplace, competitive LECs must be highly responsive to the needs of their customers. Customers will not accept excuses about inadequate services provided by incumbent LECs, and they are not willing to accept harm to their own businesses because their telecommunications provider has received inadequate service. Once customers are lost, they are not coming back.

IDS appreciates this opportunity to present its views regarding this matter. If you have any questions, please feel free to contact me at the above number or Keith Kramer at (305) 913-4000.

Sincerely,

A handwritten signature in cursive script that reads "Walter Steimel, Jr." with a stylized flourish at the end.

Walter Steimel, Jr.
Counsel for IDS Telcom

Tim Vaccaro
Division of Legal Services
Florida Public Service Commission
August 1, 2000
Page 2

address a number of inadequacies in BellSouth's performance in providing OSS to IDS. These performance inadequacies include:

- (1) Failure to provide IDS with accurate and reliable information regarding the capabilities of various BellSouth systems designed to enable IDS to electronically connect with BellSouth to process IDS orders.
- (2) Failure to take adequate measures to ensure that competitive LEC customers are not misinformed by BellSouth's Web site postings regarding the availability and readiness of BellSouth's electronic systems used for order processing.
- (3) Failure to have mechanisms in place that are capable of identifying order processing problems in a timely manner, or of developing and implementing timely and effective solutions to these problems.
- (4) Failure to provide sufficient notice or explanation regarding unilateral changes made by BellSouth with respect to the types of interfaces and software that BellSouth electronic systems will utilize and support in connection with order processing.
- (5) Failure to establish procedures that are effective in devising realistic and reliable timetables and dependable processes for the conversion of competitive LEC customers from resale arrangements to arrangements under which services are provided through the use of BellSouth's UNEs.
- (6) Failure to dedicate sufficient resources to ensure adequate and timely testing of BellSouth's electronic systems used for order processing.
- (7) Failure to provide adequate measures to ensure the accuracy and reliability of testing results.
- (8) Failure to design and implement adequate problem-solving mechanisms capable of accurately evaluating and responding to data supplied by the competitive LEC customer defining the nature, scope, and origins of order processing problems caused by BellSouth's electronic systems.
- (9) Failure to establish adequate procedures, and failure to dedicate sufficient resources, to ensure that end user service interruptions caused by problems in BellSouth's order processing systems can be minimized and quickly corrected.

In light of the foregoing, IDS believes that it has particular insight regarding several of the questions the staff has asked to be addressed. For example, the experience of IDS and what can go wrong when a competitive LEC uses an incumbent's OSS, should help to shape the

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August 1, 2000

AUG - 2 2000

Tim Vaccaro
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 000121-TP – Investigation into the Establishment of Operations Support Systems Permanent Performance Measures for Incumbent Local Exchange Telecommunications Companies

Dear Mr. Vaccaro:

This letter is on behalf of IDS Telcom (IDS) requesting to participate in the staff workshop scheduled for August 8, 2000, regarding the establishment of permanent performance measures for operations support systems (OSS) provided by incumbent local exchange companies (LECs). Keith Kramer of IDS and its counsel, Walt Steimel, Jr., will testify on behalf of IDS. IDS's testimony will last for approximately 20 minutes. Below is a brief summary of IDS's presentation.

IDS first began doing business as a long distance reseller in the State of Florida. After the passage of the Telecommunications Act of 1996, IDS also began operating as a competitive LEC. IDS began providing local exchange services to large and medium sized businesses by reselling the services of BellSouth. Within the past year, however, IDS signed an agreement with BellSouth for the purchase of unbundled network elements (UNEs) and began providing local services through UNEs.

Because of its agreement with BellSouth for UNEs, IDS has a great deal of recent experience using BellSouth's OSS to order UNEs to provide service for new customers, as well as to switch resale customers to UNEs. In particular, IDS will rely on its recent experience to

GREENBERG TRAURIG, P.A.

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Incentive Plans

- Burn -In Period
 - Initial - 6 Months, Subsequent - 4 Months
- Incentives are subject to a procedural cap.
- Payments above cap are subject to a Commission hearing.
- Availability of root cause analysis.

Incentive Plans

- Sufficient to drive ILECs to provide parity but not so high that a CLEC seeks remedies over non-discriminatory service.
- Self-Executing that is simple to implement and monitor.
- Scalable based on size of the ILEC.
- Increase with severity and frequency of non-parity service.

Ongoing Monitoring

- Self executing plans do not require ongoing involvement by state commissions.
- Subject to non-disclosure agreements, Sprint currently makes performance reports available to some Commissions.
- ILECs should be given limited forgiveness for extraordinary events .

Commission Authority

- Issue may be decided in the courts.
- Several states have determined that they have limited or no authority.
 - NV asked legislature for authority
 - NJ & PA thought they had authority, currently being challenged....
 - IN & NC - Parties asked for issue to be briefed.

Structure of Plans

- Performance monitored monthly.
- Measurement plan needed until ILEC is no longer the dominant provider of wholesale services.
- Measurements disaggregated by geography, products, order types and reason codes.
- Commission should consider a minimum order threshold for enactment of plans.

Mandates - Goals

- TA96 and FCC rules require ILECS to provide access to their systems & processes.
 - “a level of quality that is equal to that which the incumbent LEC provides itself, a subsidiary, or any other party.”
- Provide level of service that allows customers to select provider from a competitive marketplace.

AGENDA

- Review Mandates - Goals
- Structure of Measurement Plans
- Commission Authority
- Ongoing Monitoring
- Incentives Plans

OSS PERFORMANCE
MEASUREMENTS
(Docket 000121-TP)

Andrew F. Van Slyke

Sprint - State Regulatory Manager

August 8, 2000

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the Establishment) DOCKET NO. 000121-TP
of Operations Support Systems Permanent)
Performance Measures for Incumbent Local) Filed: 8/1/00
Exchange Telecommunications Companies)

SUMMARY OF COMMENTS OF ALLTEL COMMUNICATIONS, INC.

ALLTEL Communications, Inc. ("ALLTEL") hereby files the following summary of Comments to be presented at the August 8, 2000 Workshop in this docket.

ALLTEL is an alternative local exchange carrier ("ALEC") certificated by the Commission to provide services statewide. ALLTEL generally believes that the Commission has the authority to set performance standards as well as penalties for non-compliance. These standards should be established as soon as practicable through a task force, although a hearing may be necessary if participants are unable to reach a consensus. To monitor compliance, ILECs should file quarterly performance measure reports specific to the standards to be measured. Measurements reports should be provided specifically for each ALEC as well as on an aggregate basis. Finally, penalties should be imposed on those ILECs failing to comply with applicable standards. Currently, many ALECs like ALLTEL are already providing residential and business services in competition with the larger ILECs, and setting performance measures is imperative to continuing these competitive endeavors. The purpose of performance measures is to ensure the provisioning of quality wholesale services by ILECs, which directly impacts the ALEC's ability to provide quality retail service to end-users. The ILEC performance measures should focus on the specific items necessary to promote local competition.

ALLTEL COMMUNICATIONS

One Allied Drive
Little Rock, AR 72203-2177

Bettye J. Willis
Manager - State Government Affairs
501-905-5692
501-905-5679 fax



August 1, 2000

Mr. Tim Vaccaro
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Oral Presentation on Establishment of Permanent Performance Metrics for OSS

Dear Mr. Vaccaro:

Pursuant to the June 14, 2000 Notice of Staff Workshop in Docket No. 000121-TP-*Investigation Into the Establishment of Operations Support Systems Permanent Performance Measures For Incumbent Local Exchange Telecommunications Companies*, ALLTEL Communications submits the attached summary of its August 8, 2000 oral presentation to be given by Jayne Eve, Staff Manager-Interconnection Services. The presentation should last no longer than fifteen (15) minutes.

Feel free to call me at (501) 905-5692 with any questions.

Sincerely,

A handwritten signature in black ink that reads "Bettye J. Willis". The signature is written in a cursive style.

Bettye J. Willis

Enclosure (1)

Other Important PIP Provisions

- **Late Performance Reports** - \$5,000 Per Day Late Payable Into a Neutral Fund (As Determined By The Last CLEC Report Delivered For A Period)
- **Incomplete or Revised Reports** - \$1,000 Per Day Late, Payable Into a Neutral Fund (Based Upon Original Due Date And Delivery Date Of Revised Data/Report)
- **Late Payment of Applicable Consequences** - Consequence Amount + Accrued interest for every day payment is late
- **Inability to access detailed data** - \$1000.00 per day to affected CLEC until such data is made available

Caps On Liability

- Absolute Caps Are Never Appropriate
- Procedural Caps Can Be An Interim Safeguard
 - Should Apply Only To Tier II Consequences
 - Must Be Set High Enough Such That Meaningful Consequences Are Payable Without Commission Intervention
 - Should Apply On A Rolling 12Month
 - Amount Up To Cap Must Be Paid With Amounts Exceeding The Cap Placed Into Escrow Pending Regulatory Review

Tier I Consequences For Consecutive Month Failures

- Regardless of the Type of Submeasurement, Consecutive Months of Performance Failure Should Result In A More Sizeable Consequence
- At A Minimum, The Third Consecutive Month Of Failure Should Invoke A Consequence \geq That Applicable To A Severe Failure (i.e., \$25,000)
- The “Chronic Override” Amount Should Apply For Each Subsequent Month Until Compliant Performance Is Re-Established

TIER III REMEDY CALCULATION

(Benchmark Measure)

Table 4

Range of Benchmark Result (x)	Failure Designation	Applicable Consequence (\$)
Meets or exceeds (1.5B-50)%	Indeterminate	0
Meets or exceeds (2B-100)% but worse than (1.5B-50)%	Market Impacting	$n \{d[x/(100-B)]^2 + eB[x/(100-B)]^2 + f[B/(100-B)]^2 + g\}$
Worse than (2B-100)%	Market Constraining	n25,000

The coefficients are:

d=2250, e=-45000, f=22500, & g=2500

TIER II REMEDY CALCULATION

(Parity Measures)

Table 3

Range of modified z-statistic value (z)	Performance Designation	Applicable Consequence (\$)
greater than or equal $5z^*/3$	Indeterminate	0
less than $5z^*/3$ to $3z^*$	Market Impacting	$n [a(z/z^*)^2 + b(z/z^*) + c]$
less than $3z^*$	Market Constraining	$n25,000$

The coefficients are:
 $a=5625$, $b=-11250$, & $c=8125$

Tier II - Determining “n”

- “n” Is Set At A Level That Reflects The Current Level Of Local Competition, Based Upon FCC-Reported Data

Lines provided to CLECs	Value of “n”
greater than 50%	0
more than 40% less than 50%	1
more than 30% less than 40%	2
more than 20% less than 30%	4
more than 10% less than 20%	6
more than 5% less than 10%	8
0% to less than 5%	10

← Current value for
BST

The table above represents an example for determining “n”.

Tier II Performance “Failure” Criteria (Benchmark Submeasurements)

- Compliant: Meets or exceeds (1.5B-50)%
- Market Impacting: Meets or exceeds (2B-100)% but worse than (1.5B-50)%
- Market Damaging: Worse than (2B-100)%

Note: B is the Benchmark Percentage.

Tier II Performance “Failure” Criteria (Parity Submeasurements)

- Compliant $\text{Modified } Z \geq 5z^*/3$
- Market Impacting: $5z^*/3 > \text{Modified } Z \geq 3z^*$
- Market Damaging: $\text{Modified } Z < 3z^*$

Note: z^* is the balancing critical value for the given submeasure aggregated over all the CLECs.
The quantity n is the market penetration factor.

Tier II Business Rules

- Necessary To Provide Sufficient Incentives For BST To Act Contrary To Its Business Interest To Maintain Its Current Monopoly
- Based On Aggregate Performance Results For All CLECs On The Measures Defined In Tier I
- Uses The Same Data And Largely The Same “Rules” As Tier I

TIER I REMEDY CALCULATION

(Benchmark Measure)

Table 2

Range of Benchmark Result (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

The coefficients are:

$d=22500$, $e=-45000$, $f=22500$, & $g=2500$

TIER I REMEDY CALCULATION

(Parity Measure)

Table 1

Range of modified z-statistic value (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

The coefficients are:

$a=5625$, $b=-11250$, & $c=8125$

Tier I Performance “Failure” Criteria (Benchmark Submeasurements)

- Compliant: Meets or exceeds B%
- Basic Violation: Meets or exceeds $(1.5B-50)\%$ but worse than B%
- Intermediate: Meets or exceeds $(2B-100)\%$ but worse than $(1.5B-50)\%$
- Severe: Worse than $(2B-100)\%$

Note: B is the Benchmark Percentage.

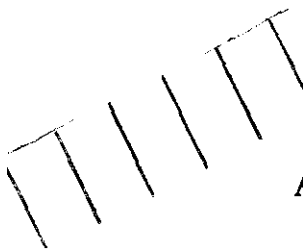
$$B = 95\%$$

< 90% would be severe

Florida Public Service Commission
Docket 000121-TP
Establishment of Permanent Performance Metrics

Enforcement Mechanisms Workshop

August 8, 2000


August 8, 2000

Objective



-
- **What should be the objective of an enforcement mechanism?**
 - Provide incentives that are sufficient to foster post-entry checklist compliance.
 - Deter backsliding – post 271 entry
 - Supplement existing enforcement mechanisms
 - Require a minimum of regulatory oversight and litigation

August 8, 2000

Structure: Interconnection agreement



- **For purposes of evaluating ILEC performance in the context of an interconnection agreement, how should any Commission established enforcement mechanism be structured conceptually?**
- **Frequency of monitoring?**
 - Monthly
- **Time frame to be evaluated?**
 - Monthly
- **Level of disaggregation across metrics and offerings?**
 - Sufficient to deter disparate performance
 - Sufficient to allow meaningful comparison
 - Suitable for production
 - Outcome oriented metrics.
 - Capture disparate impact once, not multiple times.

Structure: Interconnection agreement cont'd



- **How should preceding items be balanced to provide statistical significance for metrics with a small number of observations per reporting period?**
 - A suitable statistical methodology can address small observations

- **Automatic penalties for noncompliance?**
 - Yes

Structure: Aggregate



-
- **For purposes of evaluating ILEC (and ALEC) performance in the aggregate, how should the Commission's enforcement mechanism be structured conceptually?**

Generally should be integrated with and an extension of individual ALEC evaluations.

- **Frequency of monitoring and Time Frame to be evaluated?**
 - Monthly
- **Level of disaggregation across metrics and offerings?**
 - Sufficient to deter disparate performance
 - Sufficient to allow meaningful comparison
 - Suitable for production
 - Outcome oriented metrics.
 - Capture disparate impact once, not multiple times.

Structure: Aggregate cont'd



-
- **How should items a, b, and c above be balanced to provide statistical significance for metrics with a small number of observations per reporting period?**
 - A suitable statistical methodology can address small observations

 - **Automatic vs. case-by-case fines for noncompliance?**
 - Automatic

Structure: Other considerations



-
- **Enforcement mechanism should be:**
 - Simple to administer and monitor.
 - Clearly defined measurements and standards
 - Be capable of becoming a part of the interconnection agreement language
 - Require little or no involvement by Commission. Self executing.
 - Reasonable assurances that reported data is accurate.
 - Statistical methodology should be defined before the data is obtained
 - Does not need to mirror other enforcement mechanisms.

August 8, 2000

Determination of value of penalties

- **How should the dollar value of penalties be determined?**
 - Great enough to incent the ILEC
 - Not so large that ALEC prefers penalties
 - Address all modes of entry available to the ALEC
 - Weight:
 - Key measurements appropriately
 - Those processes where disparate performance could have more significant consequences
 - UNEs
 - Include non-monetary impacts as well as monetary

*Tier III
271 incentive*

Cap



-
- **Should there be a cap on penalty amounts and if so, how should that cap be determined?**
 - Yes
 - Should consider monetary and non monetary impacts.
 - Should be significant.
 - Monetary amount should be based on financial results within the state.

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How and when should consequences be escalated?

- **How and when should consequences be escalated?**
 - The greater the confidence in disparate performance, the greater the consequence.
 - Chronic poor performance should result in escalating performance
 - Multi-tiered escalation
 - Increased penalty for recurring poor performance to the individual ALEC
 - Escalating consequences for chronic poor performance affecting industry
 - Suspension of long distance marketing
 - Proportional to activity level

August 8, 2000

Extraordinary events



-
- **How should extraordinary events be handled?**
 - Waiver process - subject to review and approval by the Commission

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Tier I Performance “Failure” Criteria (Parity Submeasurements)

- Compliant Modified $Z \geq z^*$
- Basic Violation: $z^* > \text{Modified } Z \geq 5z^*/3$
- Intermediate: $5z^*/3 > \text{Modified } Z \geq 3z^*$
- Severe: Modified $Z < 3z^*$

(Note: z^* is the balancing critical value appropriate for the submeasure’s sample size during the given monthly period.)