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April 10, 2003

Mrs. Blanca S. Bayó
Director, Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 000121A-TP (OSS)

Dear Ms. Bayó:

In a previous conference call, the Staff requested that BellSouth provide details as to how remedy calculations might be performed from the point of parity. The enclosed documents are in response to that request. Enclosed is an original and 15 copies of BellSouth Telecommunications, Inc.'s Response to the above-described request, which we ask that you file in the referenced docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

J. Phillip Carver

J. Phillip Carver (KA)

Enclosures

cc: All parties of record
Marshall M. Criser, III
Nancy B. White
R. Douglas Lackey

CERTIFICATE OF SERVICE
Docket No. 000121A-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via U. S. Mail this 10th day of April 2003 to the following:

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J. Phillip Carver

J. Phillip Carver (CA)

(+) Signed Protective Agreement

#237366

BellSouth's comments regarding calculation of penalties: parity gap versus the aggregate test statistic.

In several conference calls with the FL PSC Staff regarding the SEEM plan, Staff relayed a concern of the ALECs: When Truncated Z statistical testing with error probability balancing was used on a measurement with a retail analog, the ALECs believed the calculation of SEEM payments based on the difference between the aggregate test statistic and the balancing critical value was inappropriate. It is BellSouth's understanding that the ALECs believe the SEEM payment should be based on only the aggregate test statistic (or the point of disparity in the ALEC terms) rather than the difference between the aggregate test statistic and the balancing critical value. This difference is commonly referred to as the parity gap or, alternatively, the 'detection point' of disparity.

BellSouth does not share this belief. The purpose of the balancing critical value is to balance the probability of Type I and Type II errors. Eliminating the balancing critical value from the calculation of SEEM payments will essentially create an increased probability of Type I errors which means that BellSouth will be generating SEEM payments on transactions where there was, in fact, no disparate treatment.

BellSouth was asked for an alternative calculation where the balancing critical value would be eliminated from the payment calculation (as the ALECs desired) and the fee schedule would be adjusted to take into account the fact that the revised calculation increased the probability that penalties would be paid on transactions that received parity treatment. After Staff conferred with the ALECs, Staff asked BellSouth to provide a written example of the revised calculation methodology showing how it might work. That methodology follows. BellSouth is offering this as an illustration only, and as a part of discussions to settle this issue. It is not a formal proposal.

The following information is an explanation of how the elimination of the balancing critical value could be accomplished when calculating the SEEM payments for measurements with retail analogs. This language could be incorporated into Appendix E of the SEEM Administrative Plan, specifically in the sections of Appendix E pertaining to Calculation for Retail Analogs[1]. An example is attached.

1) BellSouth has agreed to implement a transaction-based plan that would replace the current measure-based plan.
2) As a result of the discussion involving whether the SEEM payment should be calculated from the "point of disparity" (the aggregate test statistic) or from the "detection point" (the Truncated Z – the Balancing Critical Value), BellSouth provides for illustration only an example using the aggregate test statistic as the Parity Gap and has eliminated the use of the Balancing Critical Value. In other words, this modification effectively calculates the SEEM payment from the point of the disparity.
3) The illustration also reflects a modification in the fee schedule to compensate for the increased probability of Type I error – where payments are calculated on transactions that were, in fact, at parity.

Partially Revised Fee Schedule

For illustrative purposes only

Measure Category	Current	Revised
ICTRK	$ 100.00	$ 95.00
MR	$ 100.00	$ 80.00
MR-UNE	$ 400.00	$ 330.00
PR	$ 100.00	$ 85.00
ALL ORDERING NO CHANGE		

[1] The attachment, which is provided for illustration only, is only for Tier 1 and only that portion of Tier 1 that relates to retail analog measurements. Tier 2 for retail analog measurements, which is not provided in the attachment, could be similarly modified.

E: BST SEEM Remedy Calculation Procedures

E.1 Tier-1 Calculation For Retail Analogs

1. Calculate the overall test statistic for each ALEC; $z^{T}_{ALEC\text{-}1}$ (Per Statistical Methodology - by Dr. Mulrow)
2. Calculate the balancing critical value ($^{c}B_{ALEC\text{-}1}$) that is associated with the alternative hypothesis (for fixed parameters δ,Ψ, or ε)
3. If the overall test statistic is equal to or above the balancing critical value, stop here. That is, if $^{c}B_{ALEC\text{-}1} < z^{T}_{ALEC\text{-}1}$, stop here. Otherwise, go to step 4.
4. ~~Calculate~~ tThe Parity Gap ~~by subtracting~~ is the value of ~~step 2 from that of~~ step 1. ABS ($z^{T}_{ALEC\text{-}1} - {}^{e}B_{ALEC\text{-}1}$)
5. Calculate the Volume Proportion using a linear distribution with slope of ¼. This can be accomplished by taking the absolute value of the Parity Gap from step 4 divided by 4; ABS (($z^{T}_{ALEC\text{-}1} - {}^{e}B_{ALEC\text{-}1}$) / 4). All parity gaps equal or greater to 4 will result in a volume proportion of 100%.
6. Calculate the Affected Volume by multiplying the Volume Proportion from step 5 by the Total Impacted ALEC-$_1$ Volume (I_c) in the negatively affected cell; where the cell value is negative.
7. Calculate the payment to ALEC-1 by multiplying the result of step 6 by the appropriate dollar amount from the fee schedule.
8. Then, ALEC-1 payment = Affected $Volume_{ALEC1}$ * $$from Fee Schedule

E.1.1 Example: ALEC-1 Missed Installation Appointments (MIA) for Resale POTS

Note: the statistical results are only illustrative. They are not a result of a statistical test of this data.

	n_I	N_C	I_c	MIA_I	MIA_C	z^T_{ALEC-1}	C_B	Parity Gap	Volume Proportion	Affected Volume
State	50000	600	96	9%	16%	-1.92	-0.21	~~1.71~~ 1.92	~~0.4275~~ 0.48	
Cell						z_{ALEC-1}				
1		150	17	0.091	0.113	-1.994				~~8~~ 9
2		75	8	0.176	0.107	0.734				
3		10	4	0.128	0.400	-2.619				2
4		50	17	0.158	0.340	-2.878				~~8~~ 9
5		15	2	0.245	0.133	1.345				
6		200	26	0.156	0.130	0.021				
7		30	7	0.166	0.233	-0.600				~~3~~ 4
8		20	3	0.106	0.150	-0.065				2
9		40	9	0.193	0.225	-0.918				4 5
10		10	3	0.160	0.300	-0.660				2
										~~29~~ 33

where n_I = ILEC observations and n_C = ALEC-1 observations

Payout for ALEC-1 is (~~29~~ 33 units) * (~~$100~~ 85/unit) = ~~$2,900~~ 2,805

E.1.2 Example: ALEC-1 Order Completion Interval (OCI) for Resale POTS

	n_I	n_C	I_c	OCI_I	OCI_C	z^T_{ALEC-1}	C_B	Parity Gap	Volume Proportion	Affected Volume
State	50000	600	600	5days	7days	-1.92	-0.21	~~1.71~~ 1.92	~~0.4275~~ 0.48	
Cell						z_{ALEC-1}				
1		150	150	5	7	-1.994				~~64~~ 72
2		75	75	5	4	0.734				
3		10	10	2	3.8	-2.619				4 5
4		50	50	5	7	-2.878				~~21~~ 24
5		15	15	4	2.6	1.345				
6		200	200	3.8	2.7	0.021				
7		30	30	6	7.2	-0.600				~~13~~ 15
8		20	20	5.5	6	-0.065				~~9~~ 10
9		40	40	8	10	-0.918				~~17~~ 20
10		10	10	6	7.3	-0.660				4 5
										~~133~~ 151

where n_I = ILEC observations and n_C = ALEC-1 observations

Payout for ALEC-1 is (~~133~~ 151 units) * (~~$100~~ 85/unit) = ~~$13,300~~ 12,835