STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 99-C-0949 - Petition filed by Bell Atlantic-New York Approval of a Performance Assurance Plan and Change Control Assurance Plan, filed in Case 97-C-0271.

NOTICE OF TECHNICAL CONFERENCE AND SOLICITATION OF COMMENTS

(Issued May 24, 2006)

The Performance Assurance Plan, together with the Change Control Assurance Plan (collectively the PAP or Plan), is a wholesale performance enforcement mechanism designed to ensure that Verizon New York Inc. (Verizon) maintains market opening performance. The Plan provides for an annual review that was last concluded in January, 2003. Due to developments at the federal level, subsequent annual reviews were delayed and postponed. On May 4, 2005, Department Staff (Staff) initiated the next annual review consistent with the process guidelines set forth in the January 24, 2003 PAP order in this proceeding and sought comments from various parties to determine whether any modifications or additions should be made to the Plan. Comments were received on June 6, 2005 and replies were received on July 6, 2005 from various parties.

Staff has reviewed those comments and, since August 2005, has engaged Verizon in discussions regarding the implementation of changes to the Plan that address the interests of the parties. A summary of Staff's proposed changes are included in Attachment A. Briefly, Staff's proposal seeks to realign PAP metrics and at risk dollars to reflect Verizon's wholesale market obligations going forward. In addition, Staff's proposal attempts to address the unanimous call by Verizon and the Competing Local Exchange Carriers (CLECs) to simplify the Plan. Staff's proposal together with an illustrative spread sheet model will be posted on the Commission's web site at: http://www.dps.state.ny.us/Case_99C0949.htm

A Technical Conference is scheduled for June 7, 2006, from 10:00 AM to 1:00 PM, at the Commission's Albany Office, 3rd floor Hearing Room for the purpose of providing a forum for interested parties to question any aspects of the proposal. The conference will also aide in the development of informed comments to be submitted to the Commission for consideration on ultimate changes to the Plan.

Comments on Staff's proposal may be filed no later than June 21, 2006. Reply comments may be filed no later than June 28, 2006. Parties should file 10 copies of their comments with Jaclyn A. Brilling, Secretary, Three Empire State Plaza, Albany, New York 12223-1350, and also serve copies by mail on each party identified in the service list attached hereto.

(SIGNED) JACLYN A. BRILLING
Secretary

Attachments

SUMMARY OF STAFF'S PROPOSAL FOR THE ANNUAL REVIEW OF VERIZON'S PERFORMANCE ASSSURANCE PLAN

Background

The PAP is a wholesale performance enhancement mechanism designed to ensure that Verizon maintains market opening performance. The PAP provides for an annual review of all aspects of the Plan. The last annual review was concluded in January, 2003. Subsequent annual reviews were delayed or postponed due to developments at the federal level. Staff initiated this annual review on May 4, 2005. Pursuant to Notice, comments and replies were submitted by various interested parties. Thereafter, Staff engaged in numerous discussions with Verizon. The following summarizes Staff's proposal based on the comments, replies and discussions to date. A Technical Conference is scheduled to allow interested parties an opportunity to raise questions or concerns regarding Staff's proposal, followed by a comment and reply period. Thereafter, Staff will make its final recommendations to the Commission.

Overview

Staff's proposal seeks to realign PAP metrics and at risk dollars to reflect Verizon's projected wholesale market obligations. The proposal incorporates carrier-to-carrier (C2C) Triennial Review Order (TRO) and Triennial Review Remand Order (TRRO) modifications (mainly the removal of line sharing, line splitting and unbundled network element-platform (UNE-P) metrics) that were previously adopted by the Commission, and the inclusion of the BI-9 Billing Completeness metric. In addition, Staff's proposal attempts to address the unanimous call by Verizon and the CLECs to simplify the Plan.

Staff's proposal reduces the overall at-risk dollars from $293 Million (M) to $99M to reflect the removal of a large volume of products no longer required to be unbundled. In addition, Staff's proposal:

- modifies the PAP's scoring methodology to eliminate the -1 recapture provision;
- modifies the Mode of Entry (MOE) category to 3 modes: Resale, Loop-Based and Trunks;
- modifies z-scores associated with -1 and -2 scoring for parity measures;
- modifies the "dead-band" calculation in the MOE category in relation to benchmark metrics;
- reduces the number of Critical Measure (CM) metrics;
- modifies the scoring methodology of the CM Individual Rule;
- eliminates the Special Provisions and Change Control Assurance Plan categories (but retains protections for metrics in those categories); and,
- allocates more dollars to UNE-specials metric provisions.

Generic Changes

C2C modifications: Consistent with the most recent modifications to the C2C Guidelines, Staff's proposal removes line sharing, line splitting and UNE-P metrics from the MOE and CM categories.

Elimination of the Special Provisions and Change Control categories: Staff's proposal eliminates these categories. The Special Provisions and Change Control categories historically were not producing penalties due to metric performance failure. Where necessary, certain Special Provision metrics were moved to the CM category.

Modifications to PAP Scoring Methodology

Elimination of the -1 recapture provision. In the current PAP, in both the MOE and CM categories, one month's -1 level performance is erased following two consecutive months of good service performance for an individual metric. This necessitates a continual recalculation of prior performance results to determine actual credits due. To implement a simpler plan, create a greater incentive for good performance and measure performance more consistently, Staff's proposal eliminates this provision.

Modification of z-scores associated with -1 and -2 scoring for parity measures. To keep the statistical confidence levels originally intended for the PAP, Staff's proposal balances the elimination of the -1 recapture with the movement of the -1 z-score threshold from -0.8225 to -1.645 and moves the -2 z-score cut off from -1.645 to -3.29. This sets the -1 threshold at the C2C standard and requires a higher confidence level that a statistical difference in performance actually occurred for a -2 performance score.

Elimination of the Domain Clustering provision: Staff's proposal eliminates this complicated provision which, historically, has never been triggered.

Modifications to the MOE Category

Grouping of MOE: Staff's proposal maintains individual MOE metrics and weights, but, combines them into three product groups: Resale, Loop-based and Trunks. To reflect the significant decrease in UNE product volumes, Staff's proposal reduces overall at-risk MOE penalties to $50M. Staff's proposal maintains the doubling provision (for consecutive MOE failures), and allocates penalties to the MOE categories as follows:

- Loop-based - $15M
- Resale - $5M
- Trunks - $5M

Modification of the "dead-band" calculation for benchmark metrics: Staff's proposal balances the elimination of the -1 recapture for Benchmark metrics by increasing the statistical threshold for tripping an MOE by modifying the dead-band calculation for benchmark metric failures. Staff's proposal would expand the MOE triggering threshold to allow for the possibility that -1 and -2 performance scores on benchmark standard metrics could arise due to random variation.

Initial MOE credit to start at 10%: To reflect the overall impact of the scoring changes on the minimum MOE threshold score calculation, Staff proposes that initial credits for an MOE failure start at 10% (rather than 20%) of the maximum penalty allocated to each MOE.

<u>Modifications to the CM Category</u>

Overall reduction of metrics, dollars at-risk: Staff's proposal would reduce the amount of CM metrics to 44 individual metrics, grouped into five categories. The overall CM exposure would be $49M. Maximum penalties for each metric would be associated with its assigned weight in the Plan. The resulting totals for the five categories are indicated below.

- Loop - $16.039M
- Resale - $10.300M
- Trunks - $9.565M
- Specials - $6.474M
- Other (includes BI-9)- $6.622M

UNE-Specials metrics: Individual metrics associated with UNE Specials are included in Staff's CM proposal with a maximum $6.474M allocated to the Specials group.

Inclusion of BI-9 metric: Staff's proposal includes the recently established BI-9 metric and assigns a maximum annual credit of $3.679M.

Modifications to the Individual Rule: Staff would maintain the CM Individual Rule that credits individual CLECs for poor service, when CLEC aggregate performance is good. Staff's proposal modifies the rule to trigger credits on a single month's performance instead of two consecutive months' performance, but only when -3 performance levels are reached. For benchmarks, the individual rule will be triggered by a -3 score assuming the aggregate performance met the -1 standard and the qualified misses will be calculated as the difference between the CLEC specific performance and the C2C standard, divided by 100, and multiplied by the CLEC specific observations. For parity metrics, the individual rule will be triggered by a z-score less than the -3 standard of -4.935 for CLEC specific performance (assuming the aggregate performance met the -1 standard of -1.645) and the qualified misses will be calculated as the difference between the CLEC specific performance and the Verizon retail compare performance, divided by 100, and multiplied by the CLEC specific observations.

<u>Additional Changes to the PAP</u>

Audit provision maintained but modified.

Reformat PAP Report to ASCII.

WQAP provision maintained but modified.

272036 2006

BRIAN OSSIAS
STAFF COUNSEL
PUBLIC SERVICE COMMISSION
THREE EMPIRE STATE PLAZA - 18TH FLOOR
(Served by inter-office mail)

273522 2006

KAREN M. POTKUL
VICE PRESIDENT, REGULATORY
XO NEW YORK, INC.
1601 TRAPELO ROAD
SUITE 397
WALTHAM MA 02451

272964 2006

WILLIAM E. WARD
MANAGER OF REGULATORY AFFAIRS
CTC COMMUNICATIONS CORP.
220 BEAR HILL ROAD
WALTHAM MA 02451-1101

265182 2006

SCOTT SAWYER
CONVERSENT COMMUNICATIONS, LLC
24 ALBION ROAD, SUITE 230
LINCOLN RI 02865

229112 2006

WILLIAM D. SMITH, ESQ.
VERIZON NEW YORK INC.
ONE VERIZON WAY
VC545222
BASKING RIDGE NJ 07920

259396 2006

ANTHONY SPINA, PRESIDENT
THORN COMMUNICATIONS L.L.C.
11 BROADWAY - 8TH FLOOR
NEW YORK NY 10004

251657 2006

ANDONI ECONOMOU
VICE PRESIDENT REGULATORY AFFAIRS
METROPOLITAN TELECOMMUNICATIONS
44 WALL STREET, 14TH FLOOR
NEW YORK NY 10005

241594 2006

ROCHELLE JONES
VICE PRESIDENT - REGULATORY
TIME WARNER COMMUNICATIONS
14 WALL STREET, 9TH FLOOR
NEW YORK NY 10005

262258 2006

ELLIOT GOLDBERG
METTEL
44 WALL STREET, 14TH FLOOR
NEW YORK NY 10005

273702 2006

AGOSTINO CANGEMI
DEPUTY COMMISSIONER AND
GENERAL COUNSEL
NYC DOITT
75 PARK PLACE, 9TH FLOOR
NEW YORK NY 10007

227442 2006

SANDRA DIIORIO THORN, ESQ.
VERIZON NEW YORK INC.
140 WEST STREET
30TH FLOOR
NEW YORK NY 10007-2109

237346 2006

HARRY M. DAVIDOW, ESQ.
KELLEY DRYE & WARREN, LLP
101 PARK AVENUE
NEW YORK NY 10178

241993 2006

KEITH H. GORDON, AAG
NYS DEPARTMENT OF LAW
TELECOMMUNICATIONS & ENERGY BUREAU
120 BROADWAY, ROOM 25C38
NEW YORK NY 10271

272624 2006

CHARLES C. HUNTER, ESQ.
BRIDGECOM INTERNATIONAL, INC.
115 STEVENS AVENUE
THIRD FLOOR
VALHALLA NY 10595

270325 2006

JULIE A. CANNY
VERIZON
500 SUMMIT LAKE DRIVE
4TH FLOOR - NORTH
VALHALLA NY 10595

247898 2006

BENJAMIN LIPSCHITZ
NYC DEPT. OF INFORMATION,
TECHNOLOGY AND TELECOMMUNICATIONS
11 METROTECH CENTER - 3RD FLOOR
BROOKLYN NY 11201

257927 2006

ATTENTION: LEGAL DEPARTMENT
CABLEVISION SYSTEMS CORPORATION
1111 STEWART AVENUE
BETHPAGE NY 11714-3581

220419 2006

ROBERT R. PUCKETT, PRESIDENT
NEW YORK STATE TELECOMMUNICATIONS
ASSOCIATION, INC.
100 STATE STREET - SUITE 650
ALBANY NY 12207

272388 2006

ELISE L. HILLER
CABLE TELECOMMUNICATIONS
ASSOCIATION OF NEW YORK, INC.
80 STATE STREET, 10TH FLOOR
ALBANY NY 12207

245662 2006

TRUDY RENWICK
PUBLIC UTILTIY LAW PROJECT OF
NEW YORK
90 STATE STREET
ALBANY NY 12207

267971 2006

MARY E. BURGESS, ESQ.
AT&T
111 WASHINGTON AVENUE
SUITE 706
ALBANY NY 12210

226429 2006

BRIAN T. FITZGERALD, ESQ.
LEBOEUF, LAMB, GREENE & MACRAE, L.L.P.
ONE COMMERCE PLAZA - SUITE 2020
99 WASHINGTON AVENUE
ALBANY NY 12210-2820

214472 2006

KEITH J. ROLAND, ESQ.
HERZOG LAW FIRM
7 SOUTHWOODS BOULEVARD
SUITE 301
ALBANY NY 12211

215004 2006

DOUGLAS ELFNER
DIRECTOR, UTILITY INTERVENTION
NYS CONSUMER PROTECTION BOARD
5 EMPIRE STATE PLAZA, SUITE 2101
ALBANY NY 12223-1556

45440 2006

PETER ARMENT
DIVISION OF TELECOMMUNICATIONS
OFFICE OF GENERAL SERVICES
CORNING TOWER - 27th FL.
EMPIRE STATE PLAZA
ALBANY NY 12242

269513 2006

REBECCA SOMMI
BROADVIEW NETWORKS, INC.
400 HORSHAM ROAD
HORSHAM PA 19044

221065 2006

KENNETH R. PERES
RESEARCH DIRECTOR
COMMUNICATIONS WORKERS OF AMERICA
AFL-CIO, DISTRICT 1
301 THIRD STREET, N.W.
WASHINGTON D.C. 20001-2797

269441 2006

JENNIFER A. PURVIS
CABLEVISION LIGHTPATH
MINTZ,LEVIN,COHN,FERRIS,GLOVSKY
AND POPEO, P.C.
701 PENNSYLVANIA AVENUE, N.W.
WASHINGTON DC 20004

220409 2006

KAREN SISTRUNK
STATE REGULATORY AFFAIRS/EAST
SPRINT COMMUNICATION COMPANY L.P.
401 9TH STREET, N.W., SUITE 400
WASHINGTON DC 20004-2133

270318 2006

ANTHONY HANSEL
COVAD COMMUNICATIONS
600 14TH STREET, NW, SUITE 750
WASHINGTON DC 20005

251393 2006

GENEVIEVE MORELLI
VICE PRESIDENT AND GENERAL COUNSEL
THE COMPETITIVE TELECOMMUNICATIONS
ASSOCIATION (COMPTEL)
1900 M STREET, N.W. - SUITE 800
WASHINGTON DC 20036

239144 2006

JOSEPH O. KAHL, REG. AFFAIRS
RCN
196 VAN BUREN STREET
HERNDON VA 20170

262344 2006

JANET S. LIVENGOOD, ESQ.
REGIONAL VICE PRESIDENT
Z-TEL
601 S. HARBOUR BLVD., SUITE 220
TAMPA FL 33602

273474 2006

ADAM KUPETSKY
WILTEL LOCAL NETWORK, LLC
ONE TECHNOLOGY CENTER TC 15-H
TULSA OK 74103

274128 2006

LEGAL DEPARTMENT
QWEST COMMUNICATIONS
1801 CALIFORNIA STREET
SUITE 4900
DENVER CO 80202

254406 2006

LAURIA WILLMAN
METRO ONE TELECOMMUNICATIONS
11200 MURRAY SCHOOLS PLACE
BEAVERTON OR 97007