

DECEMBER 2011

MARKET ADJUSTMENT SUMMARY

A more detailed review of changes in metrics results that drove significant changes in the service segmentation results in the recalculated December 2011 PAP report follows.

MOE:

The December 2011 recalculated PAP report indicates the weighted score for the UNE-P MOE is reduced from -0.336, which equates to a penalty of \$81,920 (see NH PAP Appendix A, Table A-3-2) to an updated weighted score of -0.308, which equates to a penalty of \$71,349 or a reduction of \$10,571. A comparison of the original PAP results versus the recalculated PAP results for the metrics reported in the UNE-P MOE shows changes in the wholesale or retail observations and/or performance results but, as noted in the discussion of the August results, these changes are not significant except in the case of three metrics where the metric's performance changed. Changes in numerator or denominator counts for the UNE-P MOE metrics cause the performance results for one metric to change from met to miss performance, one metric to change from miss to met performance, and one metric to change from -1 miss to a -2 miss. Specifically, OR-4-16-1000 (% On Time PCN - 1 Business Day) changes from a met to a -2 miss due to system changes that addressed Finding #s 35, 43 and 44. The wholesale numerator decreased from 2,098 to 1,696 and the denominator decreased from 2,106 to 1,898, which changes the % on time PCN result from 99.62% to 89.36%. The PR-4-04-3140 (% Missed Appointment - FP - Dispatch – Platform) metric changed from a -2 miss to a met due to system changes that addressed Finding # 59, which affected retail counts only, and Finding # 60, which affected both retail and wholesale results. The retail numerator decreased by 1 (from 112 to 111 missed installation appointments) and the denominator decreased by 13 (from 824 to 811 dispatched appointments), which results in a retail performance score of 13.69%. The wholesale numerator decreased by 1 (from 5 to 4 missed installation

appointments) and the denominator is unchanged. The wholesale result changed from 31.25% to 25.0%. The PR-4-04-3140 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. Finally, the MR-4-02-3144 (Mean Time to Repair - Loop Trouble - Platform – Bus) metric changed from a -1 miss to a -2 miss due to system changes that addressed Finding #s 14 and 81, which affected both the retail and wholesale results. The retail numerator changes from roughly 4,992 hours to 4,397 hours and the number of troubles reported in the denominator changes from 362 to 379, or an average of 11.60 hours. The wholesale numerator changes from roughly 1,178 hours to 1,111 hours and the denominator (troubles reported) increases by 3 (from 81 troubles to 84 troubles), resulting in an average of 13.23 hours.

Similar to the UNE-P MOE, the Resale MOE in December 2011 is reduced from -0.596, which equates to a penalty of \$94,892 (see NH PAP Appendix A, Table A-3-2) to an updated weighted score of -0.500, which equates to a penalty of \$37,837 or a reduction of \$57,055. A large percentage – specifically \$47,446 or 83% – of the change in Market Adjustment dollars in December is due to the elimination of the MOE doubling penalty¹ in the November recalculated PAP results, which carries forward to the December results. The remainder of the change in Market Adjustment dollars (\$9,609) is driven by revised performance results for eight resale metrics. A review of the eight resale metrics with changed performance results follows. OR-1-02-2320 (% On Time LSRC -Flow Thru -POTS/Pre-Qualified Complex -2hrs) changes from a met to a -1 miss due to system changes that address Finding #s 25, 28 and 29, which combined to reduce the wholesale numerator and denominator counts significantly. More specifically, the numerator changes from 178 LSRCs to 15 LSRCs and the denominator changes from 186 to 17, resulting in change in performance from 95.70% to 88.24%. OR-4-16-1000 (% On Time PCN - 1 Business Day) changes from a met to a -2 miss. The OR-4-16-1000 metric results are the same results reported under the UNE-P MOE as well as under the UNE-Loop and DSL MOEs. OR-5-03-2000 (%)

¹ A detailed explanation of MOE Doubling may be found in the NH PAP Section C.2.

Flow Through - Achieved – POTS) changes from a -1 miss to a -2 miss due to system changes that addressed Finding # 28, which reduces the count of orders. Specifically, the numerator is reduced by 170 orders (from 186 to 16 orders) and the denominator is reduced by 177 orders (from 202 to 25 orders), resulting in a performance result of 64.00% (down from 92.08%) versus the benchmark standard of 95.00%. PR-4-04-2100 changes from a -2 miss to a -1 miss due to system changes that addressed Finding #s 59 and 60, which affected retail results only. The retail numerator count is reduced by 1 missed appointment (from 112 to 111) and the denominator is reduced by 13 appointments (from 824 to 811), which changes the performance result for retail from 13.59% to 13.69%. The wholesale numerator (5) and denominator (16) and performance score (31.25) did not change. The PR-4-04-2100 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. PR-6-01-2100 (% Installation Troubles within 30 days – POTS) changes from a -2 miss to a met. Both the retail and wholesale results are changed. Retail results change due to system changes that address Finding #s 59 and 74. Wholesale results change due to system changes that address Finding #s 10 and 95. Specifically, the retail numerator increases by 26 installation troubles (from 107 to 133) and the denominator is decreased by 42 lines installed (from 1,692 to 1,650). The wholesale numerator decreases by 2 installation troubles (7 to 5) and the denominator is increased by 2 lines installed (from 43 to 45). The performance scores in turn change from 6.32% to 8.06% for retail and from 16.28% to 11.11% for wholesale. The PR-6-01-2100 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. MR-4-06-2110 (% Out of Service > 4 Hours – POTS – Business) changes from NA, which was based on Small Sample size (SS) rule, to a -1 miss. The retail calculated result is impacted by system changes that addressed Finding #s 14 and 81. The wholesale result also is impacted by the system changes that addressed Finding # 14. The retail numerator increases by 8 troubles out of service greater than four hours (from 147 to 155) and the denominator

increases by 14 out of service troubles (from 238 to 252), which changes the retail performance result slightly from 61.76% to 61.51%. The wholesale numerator changes from 4 to 6 troubles out of service greater than four hours and the denominator changes from 5 to 7 out of service troubles, which changes the calculated wholesale performance from 80.00% to 85.71%. The small increase in the wholesale denominator quantity is sufficient to change the reported performance score from NA to a -1 miss. The MR-4-06-2110 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. MR-4-07-2110 (% Out of Service > 12 Hours – POTS – Business) changes from NA, which was based on Small Sample size (SS) rule, to met. The retail and wholesale results are impacted by the same system changes discussed above for the MR-4-06-2110 metric. And, like the MR-4-06-2110 results, the change in the quantity of the wholesale denominator from 5 to 7 out of service troubles increased the denominator count to change the performance score from NA to met. The MR-4-07-2110 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. Finally, the resale MOE results were impacted by a change in the MR-4-02-2120 (Mean Time To Repair – Loop Trouble – Res.) metric which changed from NA, which was a function of the Small Sample size (SS) rule, to a met because the wholesale denominator changed from 1 trouble to 6 troubles. The MR-4-02-2120 metric results were impacted by system changes that addressed Finding #s 14 and 81. Retail performance improved from an average of 23.59 hours to 18.37 hours and the wholesale result improved from an average of 55.91 hours to 20.28 hours. In sum, the combination of changes from met to miss or miss to met plus changes in individual metric weights due to NA scores changing to a met or a miss drove the reduction in Resale MOE Market Adjustment dollars from \$94,892 to \$37,837.

Critical Measures:

As noted above, Market Adjustment dollars for Critical Measures in December increased from \$77,676 to \$114,601. The increase of \$36,925 is attributable to changes (up and down) in four of the nine Critical Measures categories. Specifically, a penalty of \$63,347 in the % On Time Ordering Notification metrics is triggered along with a penalty of \$11,414 in Resolution Processes metrics. On the other hand, the penalty associated with Installation Performance is reduced from \$69,523 to \$33,744 and the Maintenance Performance penalty is reduced from \$8,153 to \$7,134.

The \$63,347 penalty associated with the % On Time Ordering Notification metrics is attributable to changes in performance results for two metrics. The OR-1-02-2320 (% On Time LSRC -Flow Thru - POTS/Pre-Qualified Complex -2hrs), discussed in the December MOE results section above, added \$19,023 in Critical Measures dollars since its performance score changed from a met to -1 miss. Additionally, the OR-4-16-1000 (% On Time PCN - 1 Business Day), discussed in the December MOE section, added a total of \$44,324 in Critical Measures penalties since it changed from a met to a -2 miss. The OR-4-16-1000 metric results include UNE-P, UNE-Loop, Resale and DSL activity and the same result is measured in all four MOE categories (UNE-P, UNE-Loop, Resale and DSL) and separately under three Critical Measure categories. OR-4-16-1000 added \$23,208 in UNE-P Critical Measures penalties, \$11,604 in UNE-Loop Critical Measures penalties, and \$9,512 in Resale Critical Measures penalties.

Market Adjustment dollars under the Installation Performance Critical Measures category decreased by \$35,779 due to changes in reported performance results for six metrics. Specifically, PR-4-04-3140 (Missed Appointment – Dispatch), discussed above under the December UNE-P MOE section, changed from a -2 miss to a met, which reduced the Critical Measures penalty from \$11,604 to \$0.00. The PR-4-04-2100 (Missed Appointment-Dispatch), discussed above under the Resale MOE section, changed from a -2 miss to a -1 miss, which reduced the Critical Measures penalty by \$439 from \$4,390 to \$3,951. A reallocation of dollars reduced the penalty for PR-4-05-2100 (Missed Appointments – No

Dispatch) by \$439 from \$4,829 to \$4,390. PR-6-01-2100 (% Installation Troubles within 30 Days – UNE/Resale), discussed above under Resale MOE, and PR-5-01-1200 (% Missed Appointment - Facilities - UNE/Resale) each changed from a -2 miss to a met and reduced the Critical Measures penalty by \$6,585 and \$6,848, respectively. PR-5-01-1200 was impacted due to system changes that addressed Finding # 58, which addressed retail results only. Specifically, the numerator changed from 0 to 18 and the denominator increased from 18 to 151, which changed the retail performance score from 0% to 11.92% versus a wholesale performance score of 7.69%. In addition, the reported results for the PR-6-01-3140 (% Installation Troubles within 30 days – Platform) changed from a -1 miss to a met, which further reduced the Critical Measures penalty by \$9,863. The dollars reported under the Critical Measures category in the original December 2011 PAP report were reported in error (the calculated score was a -1 miss, which was recaptured and reported correctly under the MOE category as met (0)).

Market Adjustment dollars for Maintenance Performance decreased from \$8,153 to \$7,134. A reallocation of dollars reduced the penalty for one metric, MR-5-01-2100 (% Repeat Reports within 30 Days), by \$1,019.

As noted above, a penalty of \$10,376 was tripped in Critical Measures Resolution Process dollars. BI-3-05-1000 (% CLEC Billing Claims Resolved w/in 28 Calendar Days after Acknowledgements) changed from a met to a -2 miss due to changes implemented to address Finding #s 107 – 113 related to billing claims tracking and reporting processes. Specifically, the numerator is reduced by 589 billing claims, which reduces the percent of billing claims resolved within 28 days of acknowledgement from 98.57% to 87.62%, which is below the benchmark standard of 95%.