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Qwest
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August 17, 2007

Via e-mail and U.S. Mail

Casey Coleman
Division of Public Utilities
Heber Wells Building 4th Floor
160 East 300 South
Salt Lake City, Utah 84111

RE: Utah PSC Docket No. 07-049-31
Qwest's Response to DPU's Data Request 1

Dear Mr. Coleman:

Enclosed is Qwest's Response to the DPU's Data Request No. 1 in the above referenced matter.

If you have any questions regarding this serving, I can be reached at (303) 383-6678.

Sincerely,

Stacy Hanson

Stacy Hanson
Interrogatory Manager

cc: Jim Farr

Utah
Docket No. 07-049-31
DPU 01-001

INTERVENOR: Division of Public Utilities

REQUEST NO: 001

Provide a step by step calculation of Utah Tier 2 results and payments that would be obtained if the terms of the submitted stipulation had been applied during a recent 12 month period (say July 06 -- June 07 for instance, it need not be this specific time period, just any 12 months within the past 2 years)?

RESPONSE:

Please see the attached documents.

Respondent: Wayne Kobbervig
Chris Viveros

Request: *Provide a step by step calculation of Utah Tier 2 results and payments that would be obtained if the terms of the submitted stipulation had been applied during a recent 12 month period*

Response:
The proposed revision to the Utah Performance Assurance Plan contains the following language describing the step by step process for calculating the Tier 2 payments.

9.0[1] Step by Step Calculation of Monthly Tier 2 Payments to State Funds

9.1 Criteria for Determination of Tier 2 Payments: To determine if Tier 2 payments for performance measurements listed on Attachment 1 shall be made in the current month, the following shall be determined:

9.1.1 For all Tier 2 measurements, it shall be determined whether Qwest missed the performance standard for three consecutive months.

9.1.2 If Qwest has not missed three consecutive months, the following evaluation will be made:

9.1.2.1 For Tier 2 measurements that have Tier 1 counterparts, it shall be determined if Qwest has missed the standard in any two out of three consecutive months for the most recent 12 month period, and if so, whether Qwest has additionally missed the performance standard for the second consecutive month in the current month.

9.1.2.2 For Tier 2 measurements that do not have Tier 1 counterparts, it shall be determined if Qwest has missed the standard in any two out of three consecutive months for the most recent 12 month period, and if so, whether Qwest has additionally missed the performance standard for the current month.

9.1.3 If any of the conditions in 9.1.1, 9.1.2.1 or 9.1.2.2 are met and there are at least 10 data points for the measurement in each month, a Tier 2 payment will be calculated and paid as described below. Each succeeding month will be evaluated on the same basis and Tier 2 payments will continue until Qwest's performance meets the applicable standard.

9.1.4 Application of the Critical Z-Values: Qwest shall identify the Tier 2 parity performance measurements that measure the service provided to all CLECs by Qwest for the month in question and the critical z-value from Table 1 in section 5.0 that shall be used for purposes of statistical testing for each particular performance measurement. There must be at least 10 data points each month for each particular performance measurement. The statistical testing

[1] Stipulation Issue III.A.

procedures described in section 4.0 shall be applied. For the purpose of determining the critical z-values, each disaggregated category of a performance measurement is treated as a separate sub-measurement. The critical z-value to be applied is determined by the CLEC volume at each level of disaggregation or sub-measurement.

9.1.5 Section 9.2 describes the step by step Tier 2 payment calculations for measurements that are per occurrence. In these steps, determining the number of occurrences is based on calculations for the applicable "non-conforming month(s)" that triggered the payment. Based on the applicable determination in section 9.1, the calculated differences and average number of data points will be determined using (1) three consecutive non-conforming months' data, (2) two consecutive non-conforming months' data or (3) the current month's data.

An example of how this language applies is provided below. This example is also depicted in the attached spreadsheet, UT Tier 2 payments Example, showing the recalculated Tier 2 payments for OP-3D for the EEL DS1 product between July 2006 and June 2007.

EEL DS1 failed to meet the performance standard at the CLEC aggregate level for OP-3D in July of 2006. The first criterion to determine if Tier 2 is due is whether this is the third consecutive month performance missed for this PID/Product disaggregation. Since the June 2006 performance standard is met, this is not the 3rd of three consecutive months so no payment is due under the provisions of Section 9.1.1.

OP-3D is a Tier 2 measure with a Tier 1 counterpart so the second set of criterion to determine whether payments apply is the term in section 9.1.2.1. The second criterion checked is whether in the prior 12 months there are two misses in any three consecutive months. If so and if this is the second month in a row with a performance below the standard, then a payment is due. Performance is below standard in July and August of 2005, so the second criterion to determine if a Tier 2 payment is due is met. This creates the need to examine the performance to determine if this is a second consecutive month miss following two misses in a consecutive month period. In this example, the prior month's performance for this PID/product disaggregation met the standard, so the July performance is not a second consecutive month miss and is considered a first month miss. Under the new terms of the Tier 2 application there is no payment due for a first month miss. Performance improves and again meets the standard at the aggregate level in August 2006.

In September 2006 when performance does not meet the standard no payment is due because it is neither the second nor third consecutive month's miss. However when a second consecutive month miss occurs in October 2006, the prior two out of three consecutive month misses that occurred in May and July of 2006, cause the October miss to generate a payment.

To calculate the payment for October the average occurrences are determined as described in Section 9.1.5. Since this payment is triggered by two consecutive month misses, occurrences are an average of the current month and the prior month (the non-conforming months), rounded to an integer. In this example the number of occurrences is three. This is multiplied by the per occurrence amount for OP-3D. Based on TABLE 5: TIER 2 PAYMENTS TO STATE FUNDS, in section 7.3.1., OP-3D is a Medium Tier 2 measurement so the per occurrence amount is $300. Three times $300 equals a total of $900 in Tier 2 payments and this payment is divided between Tier 2 and the Special Fund so each account receives $450.

Based on the Section 9.1.1 language that requires a payment when the performance standard is missed for three consecutive months, when the performance standard for this PID/product disaggregation is not met again in November 2006 another payment is triggered. When a payment is triggered by three consecutive month's misses, the occurrence is calculated by finding the average of the current and two prior months, rounded to the nearest integer. In this instance the average is two occurrences, multiplied by the $300 payment amount per occurrence or $600 total. Again the total is divided between the Tier 2 Fund and the Special Fund so the payment amount per account is $300.

PID	Product	Date	Met Yes/No	Payment Status	Avg Occurrences	Per Occurrence Payment	Payment Calculation based on Tier 2 Trigger Change	Total Tier 2 Payment	Total Special Fund Payment
OP-3D	EEL_DS1	01-Jul-05	N	This spreadsheet assumes a July 2006 effective date for the new Tier 2 trigger mechanism. The met/miss information provided in the grayed out months is for determination of misses in the 12 months prior to implementation of the revised Tier 2 triggers only. Consequently no payment information is provided.					
OP-3D	EEL_DS1	01-Aug-05	N						
OP-3D	EEL_DS1	01-Sep-05	Y						
OP-3D	EEL_DS1	01-Oct-05	Y						
OP-3D	EEL_DS1	01-Nov-05	Y						
OP-3D	EEL_DS1	01-Dec-05	Y						
OP-3D	EEL_DS1	01-Jan-06	N						
OP-3D	EEL_DS1	01-Feb-06	Y						
OP-3D	EEL_DS1	01-Mar-06	Y						
OP-3D	EEL_DS1	01-Apr-06	Y						
OP-3D	EEL_DS1	01-May-06	N						
OP-3D	EEL_DS1	01-Jun-06	Y						
OP-3D	EEL_DS1	01-Jul-06	N	1st miss, no payment					
OP-3D	EEL_DS1	01-Aug-06	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-Sep-06	N	1st miss, no payment					
OP-3D	EEL_DS1	01-Oct-06	N	Second miss; paid since missed 2 of 3 in prior 12 mos (May and Jul 06)	3	300	Occurrences are an average of the current month and prior month, rounded to an integer. Payment divided between Tier 2 and Special Fund.	450	450
OP-3D	EEL_DS1	01-Nov-06	N	3rd consecutive miss	2	300	Occurrences are an average of the current month and two prior months, rounded to an integer. Payment divided between Tier 2 and Special Fund.	300	300
OP-3D	EEL_DS1	01-Dec-06	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-Jan-07	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-Feb-07	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-Mar-07	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-Apr-07	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-May-07	Y	Met the measurement, no payment for the month					
OP-3D	EEL_DS1	01-Jun-07	Y	Met the measurement, no payment for the month					

Request: *Provide state specific financial impacts on Tier 1 and Tier 2 for the last year as if the PAP had been operating under the proposed revisions, e.g., Reinstatement/Removal provisions.*

Response: Qwest provides the following estimates of financial impact from the various proposed changes on Tier 1, Tier 2, and/or Special Fund as applicable for the performance period of July 2006 through June 2007 ("performance period"). Because some items would require extensive reruns of the reporting system as well as various source systems (e.g. WFAC and RSOR) to create new master files from which to reprocess raw data and then calculations outside of the production environment, those items have not been not calculated however, Qwest provides additional information that may be useful to evaluate the impact of the change.

Remove resale DSL and change retail comparatives currently using DSL

Qwest paid $4,584 in Tier 1, $628 in Tier 2 payments and $629 in Special Fund payments for the resale DSL product. Qwest paid an additional $425 in Tier 1 payments for wholesale products currently compared to retail DSL service.

Had the proposed changes been in effect for the same time period all three amounts, the $4,584 Tier 1, the $628 Tier 2, and the $629 Special Fund, would have been reduced to $0 because resale DSL would not have been subject to any payment. Qwest is unable to determine the increase or decrease in the additional $425 Tier 1 payments attributable to the other wholesale products without reprocessing the raw data for the 12 month period and applying the appropriate statistical tests to the results based on the new proposed retail analogue.

Modify MR-11 PID Title

There is no financial impact from the proposed change.

Update ISDN Capable Loop and 2W Non-Loaded Loop

There is no financial impact from the proposed change.

Update PO-20 to Reflect Fully Implemented

There is no financial impact from the proposed change.

Reinstatement/Removal Process

Had the reinstatement/removal process been in place beginning in July 2006, Tier 1 payments would have been reduced by $1,018 but Tier 2 would have incurred no impact because the measures included within the process did not generate any payments for the performance period.

Modify MR-6 PID to Exclude TOK/NTF

This change has been proposed to provide more of an apples-to-apples comparison in reporting the mean time to restore. Removing TOK/NTF tickets with a duration of one hour or less from both the retail and wholesale results provides a more accurate depiction of Qwest's interval to restore service when Qwest undertakes actual repair activity. While these short duration TOK/NTF tickets cause the mean time to restore to shorten for both retail and wholesale, the presence of these tickets also negatively impacts the comparison between UNEs and finished retail services. The impact is the result of the disparate number of TOK/NTF tickets between retail and wholesale. The wholesale maintenance and repair process calls for CLECs to first isolate trouble to the Qwest network before initiating trouble reports thereby significantly reducing the number of tickets that result in no trouble being found. Conversely, retail customers experiencing trouble have no network of their own to test before reporting a problem to their service provider, Qwest; the result being a much larger number of these short-duration TOK/NTF tickets reducing the overall retail mean time to restore.

Qwest does not have an estimated financial impact from this change. Estimating revised payment amounts would require considerable resource and additional time to allow systems to reprocess the raw data with the new exclusion applied and then apply the statistical tests and PAP payment calculations to the revised results.

Change BI-3A Standard and Payment Amounts

The proposed BI-3A changes would have decreased the Tier 1 payment total from $5,633 to $0 for the performance period. Since BI-3A is not a Tier 2 measure there would be no impact to Tier 2 payments.

One Allowable Miss

The new one allowable miss provision alleviates payments made when 100% performance is required to avoid them. This change would have reduced Qwest's Tier 1 payments by an estimated $13,005. Tier 2 payments would have been reduced by $628 and Special Fund payments by $629.

Minimum Payments

Because minimum payments are assessed in December of each year based on the prior 12 months of performance, Qwest is providing an estimate of the impact on the minimum payments that were paid in December 2006 for the prior 12 months. Had the revised minimum payment structure been in place, Qwest would have paid CLECs $43,000 rather than the $71,671 actually paid in minimum payments. Minimum payments have no impact on Tier 2 payments.

Remove Low Volume Products from the PAP

Had the agreed to products been removed from the PAP for the performance period, Tier 1 payments would have been reduced by an estimated \$507, and Tier 2 and Special Fund payments would have reduced by an estimated \$150 each.

Tier 2 Payment Trigger Change

When the performance period is assessed using the MT multiple month trigger for Tier 2 and Special Fund payments, the adjusted Tier 2 and Special Fund payment amounts are estimated to be \$38,250 each. Under the existing single month payment trigger, Tier 2 payments totaled \$55,069 and Special Fund payments totaled \$55,070.

Remove Tier 1 Escalation Cap

Removal of the escalation cap in UT, results in a \$1,539 increase in Tier 1 payments.

The above amounts reflect Qwest's best estimate of how each proposed change would have impacted payments for the performance period (with the exception of Minimum payments which was assessed on the payments made in December 2006). Qwest is unable to provide an integrated estimate, i.e., one that accounts for the impact of multiple changes collectively, without actually coding all the proposed changes in the PAP system. This has not been completed and will not be completed unless and until the stipulated changes are made effective. Simply adding the individual estimates will result in an overestimation of the financial impact because the individual estimates do not and cannot account for the overlapping impact of multiple changes on the same actual Tier 1, Tier 2, or Special Fund payment amounts.