

Ameritech Michigan
Performance Remedy Plan
Description

This Performance Remedy Plan sets forth the terms and conditions under which Ameritech will report performance to CLEC and compare that performance to Ameritech's own performance or benchmark criteria, whichever is applicable. This document further provides for enforcement through liquidated damages and assessments.

- 1.0** Ameritech agrees to provide CLEC a monthly report of performance for the performance measures listed in Appendix 1. Ameritech will collect, analyze, and report performance data for these measures in accordance with Ameritech's Performance Measurement Business Rules, as approved by the Commission. Both the performance measures and the business rules in the User Guide are subject to modification in accordance with section 6.4 below regarding six-month reviews. Ameritech further agrees to use this two-tiered enforcement structure for performance measurements provided for in this document. The Commission approved performance measurements shown in Appendix 1 hereto identify the measurements that belong to Tier-1 (payable to CLECs) or Tier-2 (payable to the State) categories.
- 1.1 Ameritech will not levy a separate charge for provision of the data to CLEC called for under this document. Upon CLEC's request, data files of CLEC's raw data, or any subset thereof, will be transmitted to CLEC. If CLEC's request is transmitted to Ameritech on or before the last day of the month for which data is sought, Ameritech shall provide the data to CLEC on or before the 20th day of the following month pursuant to mutually acceptable format, protocol, and transmission media. If CLEC's request is transmitted to Ameritech after the last day of the month for which data is sought, Ameritech shall provide the data to CLEC within 20 days of receipt pursuant to mutually acceptable format, protocol, and transmission media. Notwithstanding other provisions of this Agreement, the Parties agree that such records will be deemed Proprietary Information.
- 2.0** Ameritech will use a statistical test, namely the modified "Z-test," for evaluating the difference between two means (Ameritech retail or its affiliate (whichever is better, provided the number of affiliate data points exceeds 30) and CLEC) or percentages, or the difference between two ratios for purposes of this document. Ameritech agrees to use the modified Z-tests as outlined below as the statistical tests for the determination of parity when the results for Ameritech retail or its affiliate (whichever is better, provided the number of affiliate data points exceeds 30) and the CLEC are compared. This statistical test will compare the CLEC performance to the Ameritech retail performance or the affiliate performance (whichever is better). If the affiliate data has 30 or fewer observations, the comparison will be to Ameritech's retail performance. The modified Z-tests are applicable if the number of data points are greater than or equal to 30 for a given disaggregation category. In cases where benchmarks are established, the determination of compliance is through a comparison to the applicable Commission-approved

benchmark. For testing compliance for measures for which the number of data points are 29 or less, the use of permutation tests as outlined below may be used

- 3.0** For purposes of this document, performance for the CLEC on a particular sub-measure (disaggregated level) will be considered in compliance with the parity requirement when the measured results in a single month (whether in the form of means, percents, or ratios) for the same sub-measurement, at equivalent disaggregation, for both Ameritech and/or its affiliate (whichever is better, provided the number of affiliate data points exceeds 30) and CLEC are used to calculate a Z-test statistic and the resulting value is no greater than the critical Z-value as reflected in the Critical Z-statistic table shown below.

Z-Test:

Ameritech will utilize the following formulae for determining parity using Z-Test:

For Measurement results that are expressed as Averages or Means:

$$z = (\text{DIFF}) / \sigma_{\text{DIFF}}$$

Where;

$$\text{DIFF} = M_{\text{ILEC}} - M_{\text{CLEC}}$$

$$M_{\text{ILEC}} = \text{ILEC Average}$$

$$M_{\text{CLEC}} = \text{CLEC Average}$$

$$\sigma_{\text{DIFF}} = \text{SQRT} [\sigma^2_{\text{ILEC}} (1/n_{\text{CLEC}} + 1/n_{\text{ILEC}})]$$

$$\sigma^2_{\text{ILEC}} = \text{Calculated variance for ILEC.}$$

$$n_{\text{ILEC}} = \text{number of observations or samples used in ILEC measurement}$$

$$n_{\text{CLEC}} = \text{number of observations or samples used in CLEC measurement}$$

For Measurement results that are expressed as Percentages or Proportions:

Step 1:

$$\rho = \frac{(n_{\text{ILEC}}P_{\text{ILEC}} + n_{\text{CLEC}}P_{\text{CLEC}})}{n_{\text{ILEC}} + n_{\text{CLEC}}}$$

Step 2:

$$\sigma_{\text{P}_{\text{ILEC}}-\text{P}_{\text{CLEC}}} = \text{sqrt}[[\rho(1-\rho)]/n_{\text{ILEC}} + [\rho(1-\rho)]/n_{\text{CLEC}}]$$

Step 3:

$$Z = (P_{\text{ILEC}} - P_{\text{CLEC}})/\sigma_{\text{P}_{\text{ILEC}}-\text{P}_{\text{CLEC}}}$$

Where: n = Number of Observations
P = Percentage or Proportion

For Measurement results that are expressed as Rates or Ratios:

$$Z = (\text{DIFF}) / \sigma_{\text{DIFF}}$$

Where;

$$\text{DIFF} = R_{\text{ILEC}} - R_{\text{CLEC}}$$

$$R_{\text{ILEC}} = \text{num}_{\text{ILEC}} / \text{denom}_{\text{ILEC}}$$

$$R_{\text{CLEC}} = \text{num}_{\text{CLEC}} / \text{denom}_{\text{CLEC}}$$

$$\sigma_{\text{DIFF}} =$$

$$\text{SQRT} \{[(\text{num}_{\text{ILEC}} + \text{num}_{\text{CLEC}}) / (\text{denom}_{\text{ILEC}} + \text{denom}_{\text{CLEC}})] * (1 / \text{denom}_{\text{CLEC}} + 1 / \text{denom}_{\text{ILEC}})\}$$

4.0 Qualifications to use Z-Test:

A. The proposed Z- tests are applicable to reported measurements that contain 30 or more data points. The Z-test is not applied to measures with benchmark standards.

B. The minimum sample size for Tier 2 is 10 observations for the aggregate of all CLECs. Sub-measures in Tier 2 with fewer than 10 observations do not have statistical tests conducted on them.

C. In calculating the difference between the performances, the formulae proposed above apply when a larger CLEC value indicates a higher quality of performance. In cases where a smaller CLEC value indicates a higher quality of performance the order of subtraction should be reversed (i.e., $M_{\text{CLEC}} - M_{\text{ILEC}}$, $P_{\text{CLEC}} - P_{\text{ILEC}}$, $R_{\text{CLEC}} - R_{\text{ILEC}}$).

D. For measurements where the performance delivered to the CLEC is compared to Ameritech performance and for which the number of data points are 29 or less for either the CLEC or Ameritech, Ameritech will apply the following alternatives for compliance.

4.1 Alternative 1:

Ameritech applies the Z Test as described in section 3.0.

4.2 Alternative 2:

For Percentages, the Fisher Exact Permutation Test will be used.

For Averages and Ratios, the following Permutation analysis will be applied to calculate the z-statistic using the following logic

- (1) Choose a sufficiently large number T.
- (2) Pool and mix the CLEC and ILEC data sets

- (3) Randomly subdivide the pooled data sets into two pools, one the same size as the original CLEC data set (n_{CLEC}) and one reflecting the remaining data points, (which is equal to the size of the original ILEC data set or n_{ILEC}).
- (4) Compute and store the Z-test score (Z_S) for this sample.
- (5) Repeat steps 3 and 4 for the remaining T-1 sample pairs to be analyzed. (If the number of possibilities is less than 1 million, include a programmatic check to prevent drawing the same pair of samples more than once).
- (6) Order the Z_S results computed and stored in step 4 from lowest to highest.
- (7) Compute the Z-test score for the original two data sets and find its rank in the ordering determined in step 6.
- (8) To calculate P, divide the rank of the Z-test score as determined in step 7 by the number of total runs executed. ($P = \text{rank}/T$).
- (9) Using a cumulative standard normal distribution table, find the value Z_A such that the probability (or cumulative area under the standard normal curve) is equal to P calculated in step 8.

Compare Z_A with the desired critical value as determined from the critical Z table. If $Z_A >$ the designated critical Z-value in the table, then the performance is non-compliant.

4.3 Alternative 3:

The performance delivered to the CLEC is compared to the ILEC performance plus the critical Z-Value.

- 4.4 Ameritech and CLECs will provide software and technical support as needed by Commission Staff for purposes of utilizing the permutation analysis. Any CLEC who opts into this plan agrees to share in providing such support to Commission Staff.

5.0 Overview of Enforcement Structure

- 5.1 Ameritech agrees with the following methodology for developing the liquidated damages and penalty assessment structure for Tier-1 liquidated damages and Tier-2 assessments:
- 5.2 Ameritech will pay Liquidated Damages to the CLEC according to the terms set forth in this document.
- 5.3 Liquidated damages apply to Tier-1 measurements—identified as Medium on Appendix 2.
- 5.4 Assessments are applicable to Tier-2 measures identified as Medium on Appendix 2 and are payable to the Michigan State Treasury.

- 5.5 Ameritech will not be liable for the payment of either Tier 1 damages or Tier 2 assessments until the Commission approves an Interconnection Agreement (or 10 days after Ameritech files an Interconnection Agreement amendment) between a CLEC and Ameritech referencing this plan, or CLEC interconnects by tariff [and self identifies based on the form posted on CLEC Online web-site]. Tier 2 assessments will be paid on the aggregate performance for all CLECs that are operating in Michigan, unless the CLEC has a payment plan that is not comparable to that in Tier 1 of this Performance Remedy Plan. For purposes of this paragraph, a payment plan that is not comparable to that in Tier-1 of this document is a plan that provides for a separate set of payments relating to performance on specified competition-affecting measures, over and above (or without) liquidated damages payments that are calculated in a fashion analogous to the method of calculation used in Tier-1 of this plan. Ameritech agrees that all payment plans in interconnection agreements approved by the Commission as of August 7, 2001 are comparable to Tier 1 of this document under this standard.
- 5.6 In order to receive payment by check CLEC must complete the CLEC Identification and Liquidated Damages Information Form located on the CLEC Online web-site.

6.0 Procedural Safeguards and Exclusions

- 6.1 Ameritech agrees that the application of the assessments and damages provided for herein is not intended to foreclose other noncontractual legal and regulatory claims and remedies that may be available to a CLEC. By incorporating these liquidated damages terms into an interconnection agreement and tariff, Ameritech and CLEC agree that proof of damages from any “noncompliant” performance measure would be difficult to ascertain and, therefore, liquidated damages are a reasonable approximation of any contractual damage resulting from a non-compliant performance measure. Ameritech and CLEC further agree that liquidated damages payable under this provision are not intended to be a penalty.
- 6.2 Ameritech’s agreement to implement these enforcement terms, and specifically its agreement to pay any “liquidated damages” or “assessments” hereunder, will not be considered as an admission against interest or an admission of liability in any legal, regulatory, or other proceeding relating to the same performance. Ameritech and CLEC agree that CLEC may not use: (1) the existence of this enforcement plan; or (2) Ameritech’s payment of Tier-1 “liquidated damages” or Tier-2 “assessments” as evidence that Ameritech has discriminated in the provision of any facilities or services under Sections 251 or 252, or has violated any state or federal law or regulation. Ameritech’s conduct underlying its performance measures, and the performance data provided under the performance measures, however, are not made inadmissible by these terms. Any CLEC accepting this performance remedy plan agrees that Ameritech’s performance with respect to this remedy plan may not be used as an admission of liability or culpability for a violation of any state or federal law or regulation. Further, any liquidated damages payment by Ameritech under these provisions is not hereby made inadmissible in any proceeding relating to the same conduct where Ameritech seeks to offset the payment against any other damages a CLEC might recover. Whether or not the

nature of damages sought by the CLEC is such that an offset is appropriate will be determined in the related proceeding. The terms of this paragraph do not apply to any proceeding before the Commission or the FCC to determine whether Ameritech has met or continues to meet the requirements of section 271 of the Act.

- 6.3 Ameritech shall not be liable for both Tier 2 “assessments” and any other assessments or sanctions under the Commission’s service quality rules relating to the same performance.
- 6.4 Every six months, CLEC may participate with Ameritech, other CLECs, and Commission representatives to review the performance measures to determine (a) whether measurements should be added, deleted, or modified; (b) whether the applicable benchmark standards should be modified or replaced by parity standards; and (c) whether to move a classification of a measure to Remedied, Diagnostic, Tier 1 or Tier 2. Criteria for review of performance measures, other than for possible reclassification, shall be whether there exists an omission or failure to capture intended performance, and whether there is duplication of another measurement. Performance measures for 911 may be examined at any six-month review to determine whether they should be reclassified. The first six-month review commenced on June 5, 2001. Any changes to existing performance measures and this remedy plan shall be by mutual agreement of the parties and, if necessary, with respect to new measures and their appropriate classification, by arbitration. The current measurements and benchmarks will be in effect until modified hereunder or expiration of the interconnection agreement.
- 6.5 Ameritech and CLEC acknowledge that no later than two years after Ameritech or its affiliate receives Section 271 relief, the Commission’s intention is to reduce the number of performance measures subject to damages and assessments by 50% to the extent there is a smaller number of measures that truly do capture all of the issues that are competition-affecting and customer-affecting.
- 6.6 CLEC and Ameritech will consult with one another and attempt in good faith to resolve any issues regarding the accuracy or integrity of data collected, generated, and reported pursuant to this document. In the event that CLEC requests such consultation and the issues raised by CLEC have not been resolved within 45 days after CLEC’s request for consultation, then Ameritech will allow CLEC to have an independent audit conducted, at CLEC’s expense, of Ameritech’s performance measurement data collection, computing, and reporting processes. In the event the subsequent audit affirms the problem identified by the CLEC, or if any new problem is identified, Ameritech shall reimburse the CLEC any expense incurred by the CLEC for such audit. CLEC may not request more than one audit per twelve calendar months under this section. This section does not modify CLEC’s audit rights under other provisions of this Agreement or under the Commission’s Orders in U-11830. Ameritech agrees to inform all CLECs of any problem identified during the audit initiated by any CLEC.

7.0 Exclusions Limited

- 7.1 Ameritech will not be excused from payment of liquidated damages or assessments on specific grounds (e.g. Force Majeure, third party systems or equipment problems), unless Ameritech prevails in a waiver of liability filed with the Commission seeking expedited resolution. Ameritech bears the burden of proof and must pay the remedies in advance of the expedited hearing, subject to refund, including interest, if it prevails. Ameritech will not be excused from payment of liquidated damages or assessments on any other grounds except as addressed in Section 7.2 or by application of the procedural threshold provided for below. Neither party will be required to pay attorneys fees to the prevailing party. If an event which is the subject of a waiver of liability only suspends Ameritech's ability to timely perform an activity subject to performance measurement, the applicable time frame in which Ameritech's compliance with the parity or benchmark criterion is measured will be extended on an hour for hour or day for day basis, as applicable, equal to the duration of the excusing event.
- 7.2 In addition to the provisions set forth herein, Ameritech shall not be obligated to pay liquidated damages or assessments for noncompliance with a performance measure to the extent that such noncompliance was the result of an act or omission by a CLEC that is contrary to any of the CLEC's obligations under its interconnection agreement with Ameritech or under the Act or Michigan law or tariff. Examples of potential acts or omission would include, inter alia, (a) unreasonably holding orders and/or applications and "dumping" such orders or applications in unreasonably large batches, at or near the close of a business day, on a Friday evening or prior to a holiday, or (b) unreasonably failing to timely provide forecasts to Ameritech for services or facilities when such forecasts are required to reasonably provide such services or facilities; or (c) non-Ameritech Y2K problems
- 7.3 In any event where Ameritech believes there has been an act or omission by a CLEC that has caused noncompliance with a performance measurement, and a dispute occurs, Ameritech shall pay one-half of the Tier 1 remedies to the CLEC while disputes are pending in commercial arbitration, subject to refund, including interest, if Ameritech prevails. Ameritech shall pay Tier 2 remedies to the Michigan State Treasury after the disputes are resolved. Ameritech will have the burden in any such proceeding to demonstrate that its noncompliance with the performance measurement is due to such acts or omissions by a CLEC. All results of such commercial arbitration are to be reported to the Commission at the conclusion of the proceeding, whether or not such results are in the favor of Ameritech or the CLEC.
- 7.4 Ameritech Michigan and CLEC agree that a procedural annual threshold of \$103.346 million will apply to the aggregate total of any Tier-1 liquidated damages (including any such damages paid pursuant to this Agreement or to any other Michigan interconnection agreement with a CLEC) and Tier-2 Assessments or voluntary payments made by Ameritech pursuant to any Michigan interconnection agreement or tariff with a performance remedy plan for the calendar year 2005. The annual threshold amounts will be determined by Ameritech, based on the formula of 36% of Net Return as set forth at

¶436 and footnote 1332 of the FCC's December 22, 1999 Memorandum Opinion and Order in CC Docket No. 99-295. The annual threshold shall be re-calculated on the first business day of the calendar year when updated ARMIS data is made publicly available. For purposes of applying the threshold, the calendar year shall apply. Once the annual threshold is established, a monthly threshold will be determined by dividing the amount of the annual threshold by twelve. CLEC further acknowledges that a maximum monthly threshold of \$8.612 million ($\$103.346 \text{ million} \div 12$) for Tier-1 liquidated damages and Tier-2 Assessments will apply to all performance payments made by Ameritech under all Ameritech Michigan interconnection agreements and tariff. To the extent in any given month the monthly threshold is not reached, the subsequent month's total will be increased by an amount equal to the unpaid portion of the previous month's threshold. At the end of the year, if the aggregate total of Tier-1 liquidated damages and Tier-2 Assessments under all Ameritech Michigan interconnection agreements and Performance Measurements and Remedy Plan tariff equals or exceeds the annual threshold, but Ameritech has paid less than that amount due to the monthly threshold, Ameritech shall be required to pay an amount equal to the difference between the annual threshold and the amount paid. In such event, Tier-1 liquidated damages shall be paid first on a pro rata basis to CLECs, and any remainder within the annual threshold shall be paid as a Tier-2 Assessment. In the event the total calculated amount of damages and assessments for the year is less than the annual threshold, Ameritech shall be obligated to pay ONLY the actual calculated amount of damages and assessments.

7.4.1 Whenever Ameritech Tier-1 payments to an individual CLEC in a given month exceed \$3.1 million (threshold amount), or the Tier-1 payments to all CLECs in a given month exceed the monthly or annual threshold, then Ameritech may request a hearing before the Commission. Upon timely commencement of this proceeding, Ameritech must pay one-half of the damages owed, (subject to refund, including interest, if it prevails), and the balance of damages owed into escrow, to be held by a third party pending the outcome of the hearing. To invoke these escrow provisions, Ameritech must file with the Commission, not later than the due date of the affected damages payments, an application to show cause why it should not be required to pay any amount in excess of the threshold amount. Ameritech's application will be processed in an expedited manner under the process set forth in the Procedural Rules. Ameritech will have the burden of proof to demonstrate why, under the circumstances, it would be unjust to require it to pay liquidated damages in excess of the applicable threshold amount. If Ameritech reports non-compliant performance to a CLEC for three consecutive months on 20% or more of the measures reported to the CLEC, but Ameritech has incurred no more than \$1.1 million in liquidated damages obligations to the CLEC for that period under the enforcement terms set out here, then the CLEC may commence an expedited dispute resolution under this paragraph pursuant to the Commission's Procedural Rules. In any such proceeding the CLEC will have the burden of proof to demonstrate why, under the circumstances, justice requires Ameritech to pay damages in excess of the amount calculated under these enforcement terms.

7.4.2 Ameritech should post on its Internet web-site the aggregate payments of any liquidated damages or assessments.

- 7.5 With respect to any interconnection agreement, Ameritech or any CLEC may request an expedited dispute resolution proceeding before the Commission pursuant paragraphs 7.4 and 7.4.1.
- 7.6 In the event the aggregate total of Tier-1 damages and Tier-2 assessments under all Ameritech Michigan interconnection agreements reaches the annual threshold within a given year and Ameritech continues to deliver non-compliant performance during the same year to any CLEC or all CLECs, the Commission may also recommend to the FCC that Ameritech should cease offering in-region interLATA services to new customers.

8.0 Tier-1 Damages Payable to CLECs:

Tier-1 liquidated damages apply to measures designated in Appendix 2 as Medium when Ameritech delivers “non-compliant” performance as defined above.

- 8.1 Under the damages for Tier-1 measures, the number of sub-measures that may be classified as “non-compliant” before a liquidated damage is applicable is limited to the K values shown below. The applicable K value is determined based upon the total number of measures with a sample size of 10 or greater that are required to be reported to a CLEC where a sufficient number of observations exist in the month to permit parity conclusions regarding a compliant or non-compliant condition. Measures that are not eligible for remedy payments are not included when determining the applicable K value. For any performance measurement, each disaggregated category for which there are a minimum of 10 data points constitutes one “measure” for purposes of calculating K value.
- 8.2 Liquidated damages in the amount specified in the table below apply to all “non-compliant” sub-measures in excess of the applicable “K” number of exempt sub-measures. Liquidated damages apply on a per occurrence basis, using the amount per occurrence taken from the table below, based on the number of consecutive months for which Ameritech has reported noncompliance for the sub-measure. For those measures listed on Appendix 3 as “Measurements that are subject to per occurrence damages or assessments with a cap,” the amount of liquidated damages in a single month for a disaggregation category shall not exceed the amount listed in the table below for the “Per measurement” category. For those measures listed on Appendix 3 as “Measurements that are subject to per measure damages or assessment,” liquidated damages will apply on a per disaggregation category basis, at the amounts set forth in the table below. The methodology for determining the order of exclusion, and the number of occurrences is addressed in “Methods of calculating the liquidated damages and penalty amounts,” below.

LIQUIDATED DAMAGES TABLE FOR TIER-1 MEASURES

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6 and each following month
Per occurrence	\$75	\$150	\$300	\$400	\$500	\$600

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6 and each following month
Per Measure/Cap*	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000	\$60,000

ASSESSMENT TABLE FOR TIER-2 MEASURES

Per occurrence	\$300

Per Measure/Cap*	\$30,000

* **For per occurrence with cap measures, the occurrence value is taken from the per occurrence table, subject to the per measure with cap amount.**

9.0 Tier-2 Assessments to the State:

- 9.1 Assessments payable to the Michigan State Treasury apply to the Tier-2 measures designated on Appendix 2 as Medium when Ameritech and/or its affiliate (whichever is better, provided the affiliate data points exceed 30) performance is out of parity or does not meet the benchmarks for the aggregate of all CLEC data. Specifically, if the Z-test value is greater than the Critical Z, the performance for the reporting category is out of parity or below standard. Assessments will be paid when the aggregate of all CLECs has at least 10 observations.

- 9.2 For those Measurements where a per occurrence assessment applies, an assessment as specified in the Assessment Table for each occurrence is payable to the Michigan State Treasury for each sub-measure that exceeds the Critical Z-value, shown in the table below, for three consecutive months. For those Measurements listed in Appendix 3 as measurements subject to per occurrence with a cap, an assessment as shown in the Assessment Table above for each occurrence with the applicable cap is payable to the Michigan State Treasury for each sub-measure that exceeds the Critical Z-value, shown in the table below, for three consecutive months. For those Tier-2 Measurements listed in Appendix 3 as subject to a per measurement assessment, an assessment amount as shown in the Assessment Table above is payable to the Michigan State Treasury for each sub-measure that exceeds the Critical Z-value, shown in the table below, for three consecutive months.

- 9.3 The following table will be used for determining the Critical Z-value for each sub-measure, as well as the K values referred to below based on the total number of sub-measures that are applicable to a CLEC in a particular month. The Critical Z-value for Tier 2 will be calculated in the same manner as for Tier 1.¹

Critical Z - Statistic Table

Number of Performance Measures	K Values	Critical Z-value
1	0	1.65
2	0	1.96
3	0	2.12
4	0	2.23
5	0	2.32
6	0	2.39
7	0	2.44
8	1	1.69
9	1	1.74
10-19	1	1.79
20-29	2	1.73

¹ This sentence is added to clarify the manner in which Critical-Z value is calculated.

30-39	3	1.68
40-49	3	1.81
50-59	4	1.75
60-69	5	1.7
70 –79	6	1.68
80 – 89	6	1.74
90 – 99	7	1.71
100 – 109	8	1.68
110 –119	9	1.7
120 – 139	10	1.72
140 – 159	12	1.68
160 – 179	13	1.69
180 – 199	14	1.7
200 – 249	17	1.7
250 – 299	20	1.7
300 – 399	26	1.7
400 – 499	32	1.7
500 – 599	38	1.72
600 – 699	44	1.72
700 – 799	49	1.73
800 – 899	55	1.75
900 – 999	60	1.77
1000 and above	Calculated for Type-1 Error Probability of 5%	Calculated for Type-1 Error Probability of 5%

10.0 General Assessments:

10.1 If Ameritech fails to submit performance reports by the 20th day of the month, the following assessments apply unless excused for good cause by the Commission:

If no reports are filed, \$5,000 per day past due;
If incomplete reports are filed, \$1,000 per day for each missing performance result.

10.2 If Ameritech alters previously reported data to a CLEC, and after discussions with Ameritech the CLEC disputes such alterations, then the CLEC may ask the Commission to review the submissions and the Commission may take appropriate action. This does not apply to the limitation stated under the section titled “Exclusions Limited.”

10.3 When Ameritech performance creates an obligation to pay liquidated damages to a CLEC or an assessment to the State under the terms set forth herein, Ameritech shall make payment, by check or other direct payment method (unless different payment arrangements are established in the interconnection agreement) in the required amount on or before the 30th day following the due date of the performance measurement report for the month in which the obligation arose (e.g., if Ameritech performance through March is

such that Ameritech owes liquidated damages to CLECs for March performance, or assessments to the State for January – March performance, then those payments will be due May 20, 30 days after the April 20 due date for reporting March data). (In order to receive payment by check CLEC must complete the CLEC identification and liquidated damages Information Form located on the CLEC website.) For each day after the due date that Ameritech fails to pay the required amount, Ameritech will pay interest to the CLEC at the maximum rate permitted by law for a past due liquidated damages obligation and will pay an additional \$3,000 per day to the Michigan State Treasury for a past due assessment.

- 10.4 Ameritech may not withhold payment of liquidated damages to a CLEC unless Ameritech has commenced an arbitration proceeding on or before the payment due date, asserting that noncompliance was the result of an act or omission by a CLEC as more fully described in Section 7.2. Ameritech Michigan shall pay one-half of the Tier 1 remedies owed to the CLEC while disputes are pending, subject to refund, including interest, if it prevails. (It shall pay Tier 2 remedies to the Michigan State Treasury after disputes are resolved before the Commission.) . Ameritech may not withhold payments in excess of the procedural thresholds unless it has filed with the Commission , not later than the due date of the affected damages payments, a request for hearing. Ameritech shall pay one-half of the damages owed, (subject to refund, including interest, if it prevails), and the balances of damages owed into escrow, pending the outcome of the hearing.
- 10.5 CLEC will have access to monthly reports on performance measures and business rules through an Internet website that includes individual CLEC data, aggregate CLEC data, and Ameritech’s data.
- 10.6 The thresholds more fully described in Section 7.4. do not apply to assessments under Section 10 of this document.

11.0 Methods of Calculating the Liquidated Damage and Assessment Amounts

The following methods apply in calculating per occurrence liquidated damage and assessments:

11.1 Tier-1 Liquidated Damages

11.1.1 Application of K Value Exclusions

Determine the number and type of sub-measures with a sample size greater than or equal to 10 that are “non-compliant” for the individual CLEC for the month, applying the parity test and benchmark provisions provided for above. Sort all sub-measures having non-compliant classifications within a sample size greater than or equal to 10

in ascending order based on the number of data points or transactions used to develop the performance measurement result (e.g., service orders, collocation requests, installations, trouble reports). Exclude the first “K” sub-measures on Appendix -1, starting with the measurement results having the fewest number of underlying data points greater than or equal to 10. If all measurements are excluded, then those sub-measurements with sample sizes less than 10 may be excluded until “K” sub-measures are reached. For the remaining non-compliant measures that are above the K number of sub-measures, the liquidated damages per occurrence are calculated as described further below. In applying the K value, the following qualifications apply to the general rule for excluding sub-measures by progression from sub-measures with lower transaction volumes to higher. A sub-measure for which liquidated damages are calculated on a per measure basis will not be excluded in applying the K value unless the amount of liquidated damages payable for that sub-measure is less than the amount of liquidated damages payable for each remaining sub-measure. A sub-measure for which liquidated damages are calculated on a per occurrence basis subject to a cap will be excluded in applying the K value whenever the cap is reached and the liquidated damages payable for the remaining non-compliant sub-measures are greater than the amount of the cap.

11.1.2 Calculating Tier-1 Liquidated Damages

11.1.2.1 Measures for Which the Reporting Dimensions are Averages or Means.

- Step 1: Calculate the average or the mean for the sub-measure for the CLEC that would yield the Critical Z-value. Use the same denominator as the one used in calculating the Z-statistic for the sub-measure. (There are no Critical Z-values calculated for Benchmark measures.)
- Step 2: Calculate the percentage difference between the actual average and the calculated average. For benchmark measures calculate the percentage difference between the actual average and the benchmark. This percentage is capped at 100%.
- Step 3: Multiply the total number of data points by the percentage calculated in the previous step and round this number up to the next integer. Then multiply the result by the per occurrence dollar amount taken from the Liquidated Damages Table to determine the applicable liquidated damages for the given month for that sub-measure.

11.1.2.2 Measures for Which the Reporting Dimensions are Percentages.

- Step 1: Calculate the percentage for the sub-measure for the CLEC that would yield the Critical Z-value. Use the same denominator as the one used in calculating the Z-statistic for the sub-measure. (There are no Critical Z-values calculated for Benchmark measures.)

- Step 2: Calculate the difference between the actual percentage for the CLEC and the calculated percentage. For benchmark measures calculate the difference between the actual percentage and the benchmark. Step 3: Multiply the total number of data points by the difference in percentage calculated in the previous step and then round this number up to the next integer. Then multiply the result by the per occurrence dollar amount taken from the Liquidated Damages Table to determine the applicable liquidated damages for the given month for that sub-measure.

11.1.2.3 Measures for Which the Reporting Dimensions are Ratios or Rates.

- Step 1: Calculate the ratio for the sub-measure for the CLEC that would yield the Critical Z-value. Use the same denominator as the one used in calculating the Z-statistic for the sub-measure. (There are no Critical Z-values calculated for Benchmark measures.)
- Step 2: Calculate the difference between the actual ratio for the CLEC and the calculated ratio. For benchmark measures calculate the difference between the actual ratio and the benchmark. This difference is capped at 100%.
- Step 3: Multiply the total number of data points by the percentage calculated in the previous step and then round this number up to the nearest integer. Then multiply the result by the per occurrence dollar amount taken from the Liquidated Damages Table to determine the applicable liquidated damages for the given month for that sub-measure.

12.1 Tier-2 Liquidated Damages

- 12.1.1 Determine the Tier-2 measurement results that are non-compliant for three consecutive months for all CLECs.

If the non-compliant classification continues for three consecutive months, an additional assessment will apply in the third month and in each succeeding month as calculated below, until Ameritech reports performance that meets the applicable criterion. That is, Tier-2 assessments will apply on a “rolling three month” basis, one assessment for the average number of occurrences for months 1-3, one assessment for the average number of occurrences for months 2-4, one assessment for the average number of occurrences for months 3-5, and so forth, until satisfactory performance is established.

12.1.2 Measures for Which the Reporting Dimensions are Averages or Means.

- Step 1: Calculate the average or the mean for the sub-measure for the CLECs that would yield the Critical Z-value for each of the three non-compliant months. Use the same denominator as the one used in calculating the Z-

statistic for the sub-measure. (There are no Critical Z-values calculated for Benchmark measures.)

- Step 2: Calculate the percentage difference between the actual average and the calculated average for each of the three non-compliant months. For benchmark measures calculate the percentage difference between the actual average and the benchmark for each of the three non-compliant months. This percentage is capped at 100%.
- Step 3: Multiply the total number of data points for each month by the percentage calculated in the previous step. Calculate the average for three months of these numbers rounding up the result to the next highest integer. Then multiply the result by \$300 to determine the applicable assessment payable to the Michigan State Treasury for that sub-measure.

12.1.3 Measures for Which the Reporting Dimensions are Percentages.

- Step 1: Calculate the percentage for the sub-measure for the CLECs that would yield the Critical Z-value for each of the three non-compliant months. Use the same denominator as the one used in calculating the Z-statistic for the sub-measure. (There are no Critical Z-values calculated for Benchmark measures.)
- Step 2: Calculate the difference between the actual percentage for the CLECs and the calculated percentage for each of the three non-compliant months. For benchmark measures calculate the difference between the actual percentage and the benchmark for the three non-compliant months.
- Step 3: Multiply the total number of data points for each month by the difference in percentage calculated in the previous step. Calculate the average for three months of these numbers rounding up the result to the next highest integer. Then multiply the result by \$300 to determine the applicable assessment for that sub-measure.

12.1.4 Measures for Which the Reporting Dimensions are Ratios or Rates.

- Step 1: Calculate the ratio for the sub-measure for the CLECs that would yield the Critical Z-value for each of the three non-compliant months. Use the same denominator as the one used in calculating the Z-statistic for the sub-measure. (There are no Critical Z-values calculated for Benchmark measures.)
- Step 2: Calculate the difference between the actual ratio for the CLECs and the calculated ratio for each month of the non-compliant three-month period. For benchmark measures calculate the difference between the actual ratio and the benchmark for the three non-compliant months. This difference is capped at 100%.

Step 3: Multiply the total number of service orders by the percentage calculated in the previous step for each month. Calculate the average for three months of these numbers rounding up the result to the next highest integer. Then multiply the result by \$300 to determine the applicable assessment for that sub-measure.

13.0 Attached hereto, and incorporated herein by reference, are the following Appendices:

Appendix 1: Performance Measurement Business Rules (Michigan)(a 200+ page document available from your Account Manager or found on the Ameritech Performance Measurement web-site)