

VERIZON NEW JERSEY

INCENTIVE PLAN

FOR THE STATE OF NEW JERSEY

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VERIZON NJ INCENTIVE PLAN

I. SUMMARY

This Incentive Plan (IP) is a self-executing financial incentive plan that will ensure that Verizon New Jersey Inc. (VNJ) provides quality wholesale services to competitive local exchange carriers (CLECs).

In an Order dated July 13, 2000, the Board adopted Carrier-to-Carrier Guidelines (Guidelines) that include a comprehensive set of measures and standards. Periodic revisions to the Carrier-to-Carrier Guidelines have also been approved by the board. This IP is intended to be an integral part of these Guidelines.

The IP uses one or the other of two methods for calculating incentive credits when VNJ's performance does not meet the applicable Guidelines standards. For most measures, incentive credits are computed on a "per unit" basis, which provides for credits to each CLEC that received sub-standard service, in an amount based on the volume of sub-standard service transactions for each affected CLEC. For a few measures, when assessing credits on a "per unit" basis is not feasible, if VNJ's performance does not meet the applicable standard, a pre-established total dollar amount is allocated among affected CLECs.

Both the "per unit" and the "per measure" incentive credits increase as the degree by which a standard is missed increases. The severity of a performance standard miss is categorized as "Minor," "Moderate" or "Major" based on the magnitude of a miss.

In addition, both the "per measure" and the "per unit" incentive credits increase with the duration of a miss.

In accordance with the Guidelines, VNJ will report its performance on a monthly basis.

Such reports are referred to herein, at times, as “monthly Guideline performance report.”

Incentive credits due to a CLEC under the New Jersey Plan will appear on a CLEC’s bill within one month after the performance is reported as being sub-par. If the credit exceeds the monthly billing, VNJ will simultaneously issue a check for the remainder of credit applicable for that reporting period. In addition, for each month that VNJ is required to issue a credit for substandard performance, VNJ shall simultaneously provide the affected CLEC(s) a schedule detailing the calculation of these credit(s). Credits and/or payments that are not processed in a timely manner will be subject to interest at the rate utilized for customer deposits determined by the Board and revised annually. For example, for January performance reported on February 25, incentive credits will be processed in March and will appear on the CLEC’s March bill.

II. MEASURES AND BILL CREDIT DETERMINATION

A. Measures Included in the Plan

The measures and standards in the IP will be taken from the Guidelines adopted by the Board. The participants to the Technical Solutions Facilitations Team and subsequently the Carrier Working Group collaborative convened to discuss which metrics, if any, will be excluded from any incentive plan due to having no standard or when duplicative. The metrics included within this IP are delineated in Appendix A. The IP covers a broad range of measures from the Pre-Ordering, Ordering, Provisioning, Maintenance, Network Performance, Billing, Operator Services & Databases, and General categories. Measures in the IP are compared against one of two types of standards. For measures of wholesale services for which there is a comparable VNJ Retail service, the standard is parity with VNJ Retail. For wholesale services with no comparable VNJ Retail service, performance is compared to a benchmark standard.

B. Per Measure and Per Unit Incentive Credits

Appendix A also states whether incentive credits are computed on a “per unit” or a “per measure” basis. For each “per unit” measure, credits are calculated as follows:

- The number of affected units is determined by multiplying the number of measured units for the CLEC in that month by the difference between VNJ’s actual performance for the CLEC and the applicable standard.
- Credits are then calculated by multiplying the number of affected units by a fixed dollar amount per unit that corresponds to the magnitude of the difference between the standard and actual performance.

For the few measures for which per unit calculation is not feasible (because, for example, all CLECs are affected), a credit amount is assigned to each measure. If the standard is missed, this amount will be allocated among all affected CLECs.¹

C. Severity of the Miss

Each month, VNJ’s performance for each measure will be compared to the applicable standard. The severity of each miss will be categorized as “Minor,” “Moderate” or “Major.” The amount of the bill credit increases with the magnitude of the miss.

¹ For example, if VNJ missed the standard for a Web GUI pre-order query response time measure, only those CLECs submitting this type of pre-order query through the Web GUI would be allocated credits. The credit amount would be allocated to affected CLECs based upon lines in service at the end of the specific month where the standard was missed.

Performance Differences for Absolute Standards

For measures with absolute standards, the severity of a miss is determined by the difference between the standard and VNJ’s performance.

Performance Differences for Parity Standards

For measures with parity standards, the Z-score will be used to determine if the standard has not been met. A Z-score of equal to or less than –1.645 provides a 95% confidence level that the standard has been missed. VNJ will then compare actual performance provided to CLECs with actual Retail performance to calculate the magnitude of a miss.²

Credits

The following table shows how misses are assigned to the “Minor,” “Moderate” or “Major” categories based on the severity of a miss:

	Minor	Moderate	Major
All Percent Measures	0.1% to < 5% Difference	5% to 15% Difference	> 15% Difference
OSS Response Time Differences (vs. Standard)	< 3 seconds	3 to 8 seconds	> 8 seconds
OSS Availability	< 99.5% to 98%	< 98% to 96.5%	< 96.5%
Report Rate	0.10 to .25	> 0.25 to 2.0	> 2.0
Trunk Blockage	1 trunk group	2 trunk groups	> 2 trunk groups
Notification of Outage (minutes)	21 to 30	>30 to 60	>60

The following table shows the fixed dollar amounts assigned to “Minor”, “Moderate” and “Major” misses:

	Minor	Moderate	Major
\$/UNIT	\$35	\$75	\$150
\$/Measure	\$15,000	\$30,000	\$75,000

² VNJ shall not use Z-scores to determine the magnitude of a miss. For example, a larger Z-score may result from a larger sample size, and not from a larger disparity in performance.

D. Frequency of the Miss

If VNJ misses the standard for a measure for two or more consecutive months, the amount of the incentive credit will increase as follows:

- If the standard for a measure is missed for the month under evaluation, and the immediately preceding month (i.e., the standard for a measure is missed for a second consecutive month), the measure will be subject to an incentive credit for the month under evaluation that is two (2.0) times the amount that would be due if the standard had been missed for only one month.
- If the standard for a measure is missed for the month under evaluation, and the two immediately preceding months (i.e. the standard for the measure has been missed for three consecutive months), the measure will be subject to an incentive credit for the month under evaluation that is three (3.0) times the amount that would be due if the standard had been missed for only one month.
- If the standard for a measure is missed for the month under evaluation, and the three or more immediately preceding months (i.e., the standard for the measure has been missed for four or more consecutive months), the measure will be subject to an incentive credit for the month under evaluation that is five (5.0) times the amount that would be due if the standard had been missed for only one month.

These increases are shown in the following table:

Frequency Factor	2 Consecutive Months	3 Consecutive Months	4 or More Consecutive Months
Multiple of first month incentive credit	2.0	3.0	5.0

If VNJ misses the standard for a measure for three non-consecutive months within a six month period, as described below, the amount of the incentive credit will increase as follows:

- If the standard for a measure is missed for the month under evaluation, and two other months in a period of five prior consecutive months, the measure will be subject to an incentive credit for the month under evaluation that is three (3.0) times the amount that would be due if the standard had been missed for only one month, provided, however, that the incentive credits provided for in this paragraph do not apply if incentive credits are due under the “Three Consecutive Months” rule or “Four or More Consecutive Months” rule set out in the second and third bullet points of this Section IID, “Frequency of the Miss.” If incentive credits provided for in this paragraph are due, incentive credits under the “Two Consecutive Months” rule set forth in the first bullet point of this Section IID do not apply.

(Examples for applying the “Frequency of the Miss” multipliers are found in Appendix B)

E. Annual Dollars At Risk

The maximum annual amount of incentive credits that could potentially be paid by VNJ will be unlimited. If incentive credits due in a single month were to exceed \$25.0 million for all CLECs in the aggregate, then VNJ shall pay the first \$25.0 million, and at its discretion, may request that the Board commence a proceeding to show why VNJ should not have to provide

credits in excess of \$25.0 million. Pending resolution of the proceeding, VNJ will hold, in an interest-bearing escrow account, the portion of any credit that exceeds the monthly amount stated above.

F. Statistics

In general, in computing credits, the IP will use the same statistical methodology that is stated in Appendix J.

Measures with a Parity Standard

Measures with a standard of parity with VNJ Retail will use the “modified t and Z statistic” proposed by a number of CLECs.

- A confidence level of 95% will be used as a threshold to determine when parity has not been achieved. Measures with a Z-statistic equal to or less (farther from zero) than -1.645 will be deemed not to have achieved the parity standard, while those with a Z-statistic greater than -1.645 will be deemed to have achieved parity.
- If the VNJ Retail or CLEC sample size for a counted measure or ratio is less than 20, the standard hyper-geometric formula will be used to determine the Z-statistic. It can be calculated using the Hyper-geometric Distribution function (“HYPGEOMDIST”) in Microsoft Excel or SAS software.³ An example of use of this function is set out in Appendix C.

³ In collaborative meetings in New York with statistical representatives from different CLECs, it was agreed that for measures of percentages, the hyper-geometric distribution provides the same results as permutation. Because this can be completed within Excel, exceptions for small sample size do not have to be run separately from the reports.

- For metrics that are an average or mean, the remedy shall be computed by determining the Z-Score. If the Z-Score is greater than -1.645 – no remedy is required; if the Z-Score is equal to or less (farther from zero) than -1.645 the remedy will be calculated as follows:
 - A) Separately, determine the mean of VNJ’s observations and the CLECs observations for the reporting period;
 - B) Separately, determine the percentage of occurrences above the mean for VNJ and the CLECs;
 - C) If VNJ’s mean is greater than the CLECs mean, no remedy applies. If the CLECs mean is greater than VNJ’s, calculate the difference between the means.
 - D) Divide this result by the standard deviation of VNJ;
 - E) Multiply this result by the number of CLEC occurrences;
 - F) Determine the level of severity by calculating the difference between the % of CLEC observations and the % of VNJ observations above the VNJ mean. Compare this result to the credit table for “All Percent Measures”;
 - G) Multiply this result⁴ by the appropriate level of severity to determine the applicable remedy.

⁴ Incentive Plan payments for these results are limited to payments for failures no greater than the actual number of occurrences reported in that month.

Measures with a Benchmark Standard

Measures with benchmark standards will use the standards specified in the Guidelines. If the CLEC sample size for a measure is less than 20, less than 2 misses will not generate any bill credits, 2 misses will be considered a miss at a “Moderate” level, and 3 or more misses will be considered a miss at the “Major” level.

G. Additional Provisions

The IP is an integral part of the Guidelines and therefore will be subject to the provisions of the Guidelines. In addition, VNJ will be subject to the following provisions:

1. Late or incomplete monthly Guideline performance reports
 - (a) If performance data and associated reports are not available to the CLECs prior to 5:00 pm on the due day, VNJ shall be liable for payments to a State fund of \$5,000 for each twenty-four (24) hour period, or part thereof, past the due date for delivery of the reports and data. VNJ’s liability shall be determined based on the latest report delivered to a CLEC; and (b) a monthly Guideline performance report shall be considered incomplete and requiring revision if VNJ fails to report any metric that the Board ordered be implemented at least 90 days prior to report submission. VNJ shall:

- (i) be required to revise and re-file in a timely fashion any monthly Guideline performance report, in full, that is incomplete;
- (ii) be liable for payments to a State fund of \$1,000 for every twenty-four (24) hour period, or part thereof, that the monthly Guideline performance report remains incomplete. The applicable time period for calculating this amount begins with the first day following the date of the filing of the report and continues until the day that the performance report has been revised so that it:
 - a) is no longer incomplete;
 - b) has been re-filed with the Board; and
 - c) has been provided to all affected CLECs.
- (iii) be required to revise the Incentive Plan credits to be consistent with the revised and complete performance reports, within 15 days of the re-filing of the performance reports.

2. Inaccurate Reports

- (a) VNJ shall be required to re-file a monthly performance metric and make a payment to a State fund when a “material inaccuracy” exists in a monthly Guideline performance report as defined below.

The following shall constitute a “material inaccuracy” for the

purposes of this provision in the IP:

- (i) the inaccuracy is a monthly Guideline performance report of a metric as having “met” the Guideline standard at the IP aggregate level when it should have been reported as a “miss” of the Guideline standard;
 - (ii) the monthly Guideline performance report metric affected by the inaccuracy is subject to incentive payments to CLECs;
 - (iii) the inaccuracy is identified in a monthly Guideline performance report within six (6) months of the report’s initial filing, and
 - (iv) restatement of the impacted monthly Guideline performance report metric will cause a change in incentive payments to CLECs, at the IP aggregate level for the impacted metric, of greater than or equal to \$1,000.
- (b) If all the conditions set forth in paragraph (a) above exist, VNJ shall:
- (i) restate the monthly Guideline performance report metric so that it is properly reported as a “miss” and file the restatement with the Board and provide copies to all affected CLECs;
 - (ii) make any affected CLECs whole by compensating each affected CLEC as if the metric had been reported correctly; and
 - (iii) be subject to a payment to a State fund of \$1,000 per calendar day until the monthly Guideline performance report

metric/metrics is/are reported correctly. Any such payment shall be calculated from the date the initial report was filed until the metric is corrected. If, after filing a corrected metric for a monthly Guideline performance report, and within six months of the monthly Guideline performance report's initial filing, it is determined that an additional correction is necessary for a "material inaccuracy" as defined in 2(a) above for the same reporting period for which the initial correction was filed, the amount to be paid to the State fund for any additional correction(s) to that monthly Guideline performance report shall be calculated at \$1,000 per day from the date of the filing of the prior corrected metric until the filing of next correction.

- (c) If an implementation action by VNJ to correct a "miss" that was inaccurately reported as "met" will cause a change in incentive payments to CLECs, at the IP aggregate level for the impacted metric, of less than \$1,000, VNJ shall re-state the metric; file the restatement with the Board; provide copies of the restatement to all affected CLECs, and make any affected CLEC whole by compensating the affected CLECs as if the metric was initially reported correctly. Under such circumstances, there shall be no payments to a State fund.

(d) Once a monthly Guideline performance report is submitted to a CLEC, the CLEC shall notify VNJ of any alleged discrepancies within forty-five (45) calendar days of receipt of that monthly Guideline performance report.

- (i) Any discrepancy raised by a CLEC in the required timeframe as provided in Section II, G, 2(d) will be fully addressed and responded to by VNJ. If a discrepancy is pending final resolution at the time of the VNJ statement required to be filed by Section II, G, 2(e), VNJ shall indicate in the statement that an alleged discrepancy is pending final resolution. Upon final resolution, VNJ shall file an amended statement as to the final resolution. If such a discrepancy necessitates VNJ to re-file a monthly Guideline performance report, VNJ is obligated to do so upon final resolution of the discrepancy
- (ii) If a discrepancy necessitates a re-filing, the CLEC has forty five (45) days from receipt of the re-filing to file any objections regarding the specific metric being re-filed. The CLEC shall not, at that time, be permitted to address any unaffected portions of the initial report.
- (iii) Once a discrepancy is confirmed and a monthly Guideline performance report re-filing is deemed necessary pursuant to the IP, if the month(s) following that re-filed monthly Guideline performance report has a reported miss for the metric(s) at issue(s), the calculation of incentive credits for

months subsequent to the re-filed month shall be modified and credited to any affected CLEC to reflect the level of incentive credit that would have been calculated had the re-filed month been reported accurately when filed originally.

- (e) For each filed monthly Guideline performance report, VNJ shall, six months after the initial submission of the monthly Guideline performance report, submit to the Board a statement indicating that it has reviewed the monthly Guideline performance report and any submissions by a CLEC regarding the monthly Guideline performance report as provided in 2(d) above, and upon such review has not identified any metric(s) that need to be restated based upon the material inaccuracy standard set forth herein, except for those metric restatements previously re-filed, which shall be identified in VNJ's statement.
- (f) VNJ shall continue to perform its quality assurance reviews of the monthly performance reports and comply with existing change control notice procedures and such procedures as may hereafter be adopted by the Board. VNJ shall make available to CLECs all the Guidelines metric algorithms that VNJ uses for calculations of metric results. Nothing in this Incentive

Plan shall diminish or otherwise affect VNJ's obligations to comply with the change control process, including but not limited to, compensating CLECs in accordance with the IP.

3. Inability of a CLEC to access requested detailed data - If a CLEC cannot access its detailed data underlying VNJ's monthly Guideline performance reports due to failures under the control of VNJ, then VNJ shall pay \$1,000 for every twenty four (24) period, or part thereof, (or portion thereof) to a state fund until such data are made available.

4. Audits – On the first year anniversary of the effective date of the IP initially issued in October 2001, an independent third-party audit will be performed at VNJ's expense. The independent third-party auditor shall be chosen by the board or its designee. Further audits, on an annual basis, may be requested by any authorized provider with the associated expenses to be shared among the participants to the audit.

Appendix A

Metric #	Metric	Service	Product	Parity (P) or Benchmark (B)	Per Unit (U) or Per Metric (M)	Standard
PO-1-01-6020	Average Response Time - Customer Service Record	OSS	EDI	B	M	Parity + 4 Seconds
PO-1-01-6030	Average Response Time - Customer Service Record	OSS	CORBA	B	M	Parity + 4 Seconds
PO-1-01-6050	Average Response Time - Customer Service Record	OSS	WEBGUI/LSI/W	B	M	Parity + 7 Seconds
PO-1-02-6020	Average Response Time - Due Date Availability	OSS	EDI	B	M	Parity + 4 Seconds
PO-1-02-6030	Average Response Time - Due Date Availability	OSS	CORBA	B	M	Parity + 4 Seconds
PO-1-02-6050	Average Response Time - Due Date Availability	OSS	WEBGUI/LSI/W	B	M	Parity + 7 Seconds
PO-1-03-6020	Average Response Time - Address Validation	OSS	EDI	B	M	Parity + 4 Seconds
PO-1-03-6030	Average Response Time - Address Validation	OSS	CORBA	B	M	Parity + 4 Seconds
PO-1-03-6050	Average Response Time - Address Validation	OSS	WEBGUI/LSI/W	B	M	Parity + 7 Seconds
PO-1-05-6020	Average Response Time - TN Reservation	OSS	EDI	B	M	Parity + 4 Seconds
PO-1-05-6030	Average Response Time - TN Reservation	OSS	CORBA	B	M	Parity + 4 Seconds
PO-1-05-6050	Average Response Time - TN Reservation	OSS	WEBGUI/LSI/W	B	M	Parity + 7 Seconds
PO-1-06-6020	Average Response Time - Mechanized Loop Qual.	OSS	EDI	B	M	Parity + 4 Seconds
PO-1-06-6030	Average Response Time - Mechanized Loop Qual.	OSS	CORBA	B	M	Parity + 4 Seconds
PO-1-06-6050	Average Response Time - Mechanized Loop Qual.	OSS	WEBGUI/LSI/W	B	M	Parity + 7 Seconds
PO-1-09-6020	Parsed CSR	OSS	EDI	B	M	Parity + 10 Seconds
PO-1-09-6030	Parsed CSR	OSS	CORBA	B	M	Parity + 10 Seconds
Contact Center Availability						
PO-2-02-6020	OSS Interface Availability - Prime	OSS	EDI	B	M	99.5
PO-2-02-6030	OSS Interface Availability - Prime	OSS	CORBA	B	M	99.5
PO-2-02-6080	OSS Interface Availability - Prime	OSS	WEBGUI	B	M	99.5
Change Management						
PO-3-02-1000	% Answer within 30 Seconds - Ordering	Resale/UNE	RESALE/UNE	B	M	80
PO-3-04-1000	% Answer within 30 Seconds - Repair	Resale/UNE	RESALE/UNE	B	M	80
PO-4-01-6600	% Change Management Notices and Confirmations Sent on Time	OSS	Change Not. and Conf. Type 1,2,3,4 and 5 (combined)	B	M	95

Notification of Interface Outages						
PO-5-01-6000	% On Time Notice of Interface Outage	OSS	OSS	B	M	95
Software Validation						
PO-6-01-6000	Software Validation	OSS	OSS	B	M	5
Software Resolution Timeliness						
PO-7-01-6000	% Software Problem Resolution Timeliness	OSS	OSS	B	M	95

Metric #	Metric	Service	Product	Parity (P) or Benchmark (B)	Per Unit (U) or Per Metric (M)	Standard
Manual Loop Qualification						
PO-8-01-6000	% On Time Manual Loop Qualifications	OSS	OSS	B	U	95
ORDERING						
Ordering Confirmation Timeliness						
OR-1-02-2320	% On Time LSRC - Flow Through	Resale	POTS/Prequalified Complex	B	U	95
OR-1-02-3331	% On Time LSRC - Flow Through	UNE	Loop/Pre-qualified Complex/LNP	B	U	95
OR-1-04-2320	% On Time LSRC/ASRC - No Facility Check (E)	Resale	POTS/Prequalified Complex	B	U	95
OR-1-04-3331	% On Time LSRC/ASRC - No Facility Check	UNE	Loop/Pre-qualified Complex/LNP	B	U	95
OR-1-04-3342	% On Time LSRC/ASRC - No Facility Check	UNE	2Wire xDSL Loop	B	U	95
OR-1-06-2320	% On Time LSRC/ASRC - Facility Check (E)	Resale	POTS/Prequalified Complex	B	U	95
OR-1-06-3211	% On Time LSRC/ASRC - Facility Check (E)	UNE	Spec. DS1	B	U	95
OR-1-06-3213	% On Time LSRC/ASRC - Facility Check (E)	UNE	Spec. DS3	B	U	95
OR-1-06-3331	% On Time LSRC/ASRC - Facility Check	UNE	Loop/LNP	B	U	95
OR-1-12-5020	% On Time FOC	Interconn.	Forecasted trunks <=192	B	U	95
OR-1-12-5030	% On Time FOC (> 192 and Unforecasted Trunks)	Interconn.	Forecasted trunks >192 and unforecasted trunks	B	U	95
OR-1-13-5000	% On Time DLR	Interconn.	All Trunks	B	U	95
OR-1-19-5020	% On Time Response - Request for inbound (VNJ-CLEC) Augment Trunks	Interconn.	Forecasted trunks <=192	B	U	95
Reject Timeliness						
OR-2-02-2320	% On Time LSR Reject - Flow Through	Resale	POTS/Prequalified Complex	B	U	95
OR-2-02-3331	% On Time LSR Reject - Flow Through	UNE	Loop/LNP	B	U	95
OR-2-04-2320	% On Time LSR/ASR Reject - No Facility Check (E)	Resale	POTS/Prequalified Complex	B	U	95

OR-2-04-2341	% On Time LSR/ASR Reject - No Facility Check (E)	Resale	2Wire Digital	B	U	95
OR-2-04-3200	% On Time LSR/ASR Reject - No Facility Check (E)	UNE	Specials	B	U	95
OR-2-04-3331	% On Time LSR/ASR Reject - No Facility Check (E)	UNE	Loop/Pre-qualified Complex/LNP	B	U	95
OR-2-04-3341	% On Time LSR/ASR Reject - No Facility Check (E)	UNE	2Wire Digital	B	U	95
OR-2-04-3342	% On Time LSR/ASR Reject - No Facility Check (E)	UNE	2Wire xDSL Loop	B	U	95
OR-2-06-2320	% On Time LSR/ASR Reject - Facility Check >= 6 Lines (E)	Resale	POTS/Prequalified Complex	B	U	95
OR-2-06-3200	% On Time LSR/ASR Reject - Facility Check >= 6 Lines (E)	UNE	Specials	B	U	95
OR-2-06-3331	% On Time LSR/ASR Reject - Facility Check >= 6 Lines (E)	UNE	Loop/Pre-qualified Complex/LNP	B	U	95
OR-2-06-3341	% On Time LSR/ASR Reject - Facility Check >= 6 Lines (E)	UNE	2Wire Digital	B	U	95

Metric #	Metric	Service	Product	Parity (P) or Benchmark (B)	Per Unit (U) or Per Metric (M)	Standard
OR-2-12-5020	% On Time FOC	Interconn.	Trunks <=192	B	U	95
Completion Notification						
OR-4-11-1000	% Completed orders with neither a PCN nor BCN sent	Resale/UNE	EDI	B	U	0.25
OR-4-16-1000	% Provisioning Completion Notifiers sent within one (1) Business Day	Resale/UNE	EDI	B	U	95
OR-4-17-1000	% Billing Completion Notifier Sent On Time	Resale/UNE	EDI	B	U	95.5
Flow Through						
OR-5-03-2000	% Flow Through - Achieved	Resale	Resale	B	M	95
OR-5-03-3000	% Flow Through - Achieved	UNE	UNE	B	M	95
Order Accuracy						
OR-6-01-1000	% Service Order Accuracy	Resale/UNE	Resale/UNE	B	M	95
OR-6-03-2000	% Accuracy – LSRC	Resale	Resale	B	M	95
OR-6-03-3331	% Accuracy – LSRC	UNE	Loop/LNP	B	M	95
PROVISIONING						
Average Interval Offered						
PR-1-09-3211	Average Interval Offered - Specials DS1	UNE	DS1	P	U	Parity w/Retail
Completed Within Days						
PR-3-10-3342	% Completed w/in 6 Days (1-5 lines) Total	UNE	2Wire xDSL Loop	B	U	95
Missed Appointments						
PR-4-01-3211	% Missed Appointment – VZ NJ	UNE	DS1	P	U	Parity w/Retail
PR-4-01-3510	% Missed Appointment – VZ NJ - Total	UNE	EEL	P	U	Parity w/Retail
PR-4-01-3530	% Missed Appointment. - VZ NJ – Total	UNE	IOF	P	U	Parity w/Retail
PR-4-02-2100	Average Delay Days - Total	Resale	POTS	P	U	Parity w/Retail
PR-4-02-3112	Average Delay Days - Total	UNE	POTS - Loop	P	U	Parity w/Retail
PR-4-02-3341	Average Delay Days - Total	UNE	2Wire Digital	P	U	Parity w/Retail

PR-4-02-3342	Average Delay Days - Total	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
PR-4-02-3510	Average Delay Days - Total	UNE	EEL	P	U	Parity w/Retail
PR-4-02-3530	Average Delay Days - Total	UNE	IOF	P	U	Parity w/Retail
PR-4-02-5000	Average Delay Days - Total	Interconn.	Trunks	P	U	Parity w/Retail
PR-4-04-2100	% Missed Appt. - VZ NJ - Dispatch	Resale	POTS	P	U	Parity w/Retail
PR-4-04-3113	% Missed Appt. - VZ NJ - Dispatch	UNE	Loop-New	P	U	Parity w/Retail
PR-4-05-2100	% Missed Appt. - VZ NJ - No Dispatch	Resale	POTS	P	U	Parity w/Retail
PR-4-05-3341	% Missed Appt. - VZ NJ -No Dispatch	UNE	2Wire Digital	P	U	Parity w/Retail
PR-4-07-3540	% On Time Performance - LNP Only	UNE	LNP	B	U	95
PR-4-14-3342	% Completed On Time-2 Wire XDSL Loops	UNE	2Wire xDSL Loop	B	U	95
PR-4-15-5000	% On Time Provisioning - Trunks-	Interconn.	Trunks	B	U	95

Missed Appointment - Facilities

PR-5-02-3200	% Orders Missed for Facilities > 15 Days	UNE	Specials	P	U	Parity w/Retail
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Installation Quality

PR-6-01-2100	% Installation Troubles Reported W/in 30 Days	Resale	POTS	P	U	Parity w/Retail
PR-6-01-3113	% Installation Troubles Reported W/in 30 Days	UNE	Loop - New	P	U	Parity w/Retail
PR-6-01-3200	% Installation Troubles Reported W/in 30 Days	UNE	Specials	P	U	Parity w/Retail
PR-6-01-3341	% Installation Troubles Reported W/in 30 Days	UNE	2Wire Digital	P	U	Parity w/Retail
PR-6-01-3342	% Installation Troubles Reported W/in 30 Days	UNE	2Wire xDSL Loop	P	U	Parity w/Retail

Metric #	Metric	Service	Product	Parity (P) or Benchmark (B)	Per Unit (U) or Per Metric (M)	Standard
PR-6-01-5000	% Installation Troubles Reported W/in 30 Days	Interconn.	Trunks	P	U	Parity w/IXC / FGD
PR-6-02-3520	% Installation Troubles Reported W/in 7 Days - POTS - Hot Cut Loop	UNE	Basic Hot Cut Loop	B	U	2

Average Days Held on Pending Orders

PR-8-01-3200	% Open Orders in a Hold Status >30 Days	UNE	Specials	P	U	Parity w/Retail
PR-8-01-3341	% Open Orders in a Hold Status >30 Days	UNE	2Wire Digital	P	U	Parity w/Retail
PR-8-01-3342	% Open Orders in a Hold Status >30 Days	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
PR-8-01-3510	% Open Orders in a Hold Status >30 Days	UNE	EEL	P	U	Parity w/Retail
PR-8-01-3530	% Open Orders in a Hold Status >30 Days	UNE	IOF	P	U	Parity w/Retail
PR-8-01-5000	% Open Orders in a Hold Status >30 Days	Interconn.	Trunks	P	U	Parity w/IXC / FGD

Hot Cuts

PR-9-01-3520	% On Time Performance - Hot Cut	UNE	Basic Hot Cut Loop	B	U	95
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MAINTENANCE						
Response Times						
MR-1-01-6050	Average Response Time - Create Trouble	OSS	LSI TA	B	M	Parity + 4 Seconds
MR-1-02-6050	Average Response Time - Status Trouble	OSS	LSI TA	B	M	Parity + 4 Seconds
MR-1-03-6050	Average Response Time - Modify Trouble	OSS	LSI TA	B	M	Parity + 4 Seconds
MR-1-05-6050	Average Response Time - Trouble Report History (by TN/Circuit)	OSS	LSI TA	B	M	Parity + 4 Seconds
MR-1-06-6050	Average Response Time - Test Trouble (POTS only)	OSS	LSI TA	B	M	Parity + 4 Seconds
Network Trouble Report Rate						
MR-2-02-2100	Network Trouble Report Rate - Loop	Resale	POTS	P	U	Parity w/Retail
MR-2-02-3112	Network Trouble Report Rate - Loop	UNE	POTS/Loop	P	U	Parity w/Retail
MR-2-02-3341	Network Trouble Report Rate - Loop	UNE	2Wire Digital	P	U	Parity w/Retail
MR-2-02-3342	Network Trouble Report Rate - Loop	UNE	2Wire xDSL	P	U	Parity w/Retail
MR-2-03-2100	Network Trouble Report Rate - Central Office	Resale	POTS	P	U	Parity w/Retail
MR-2-03-3112	Network Trouble Report Rate - Central Office	UNE	POTS/Loop	P	U	Parity w/Retail
MR-2-03-3341	Network Trouble Report Rate - (Central Office)	UNE	2Wire Digital	P	U	Parity w/Retail
MR-2-03-3342	Network Trouble Report Rate - Central Office	UNE	2Wire xDSL	P	U	Parity w/Retail
Missed Repair Appointments						
MR-3-01-2110	% Missed Repair Appt. (Loop) - Bus	Resale	POTS	P	U	Parity w/Retail
MR-3-01-2120	% Missed Repair Appt. (Loop) - Res	Resale	POTS	P	U	Parity w/Retail
MR-3-01-3112	% Missed Repair Appt. (Loop)	UNE	POTS/Loop	P	U	Parity w/Retail
MR-3-01-3341	% Missed Repair Appt. (Loop)	UNE	2Wire Digital	P	U	Parity w/Retail
MR-3-01-3342	% Missed Repair Appt. (Loop)	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
MR-3-02-2110	% Missed Repair Appt. (Central Office) - Bus	Resale	POTS	P	U	Parity w/Retail

Metric#	Metric	Service	Product	Parity (P) or Benchmark (B)	Per Unit (U) or Per Metric (M)	Standard
MR-3-02-2120	% Missed Repair Appt. (Central Office) - Res	Resale	POTS	P	U	Parity w/Retail
MR-3-02-3112	% Missed Repair Appt. (Central Office)	UNE	POTS/Loop	P	U	Parity w/Retail
MR-3-02-3341	% Missed Repair Appt. (Central Office)	UNE	2Wire Digital	P	U	Parity w/Retail
MR-3-02-3342	% Missed Repair Appt. (Central Office)	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
Trouble Duration Intervals						
MR-4-04-2100	% Cleared (all troubles) w/in 24 Hours	Resale	POTS	P	U	Parity w/Retail
MR-4-04-3112	% Cleared (all troubles) w/in 24 Hours	UNE	POTS/Loop	P	U	Parity w/Retail
MR-4-04-3217	% Cleared (all troubles) w/in 24 Hours	UNE	DS1 & DS3	P	U	Parity w/Retail
MR-4-04-3341	% Cleared (all troubles) w/in 24 Hours	UNE	2Wire Digital	P	U	Parity w/Retail

MR-4-04-3342	% Cleared (all troubles) w/in 24 Hours	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
MR-4-06-3217	% OOS > 4 Hours	UNE	DS1 & DS3	P	U	Parity w/Retail
MR-4-06-5000	% OOS > 4 Hours	Interconn.	Trunks	P	U	Parity w/IXC / FGD
MR-4-07-2110	% OOS > 12 Hours - Bus	Resale	POTS	P	U	Parity w/Retail
MR-4-07-2120	% OOS > 12 Hours - Res	Resale	POTS	P	U	Parity w/Retail
MR-4-07-3112	% OOS > 12 Hours	UNE	POTS/Loop	P	U	Parity w/Retail
MR-4-07-3341	% OOS > 12 Hours	UNE	2Wire Digital	P	U	Parity w/Retail
MR-4-07-3342	% OOS > 12 Hours	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
MR-4-07-5000	% OOS > 12 Hours	Interconn.	Trunks	P	U	Parity w/IXC / FGD
Maintenance Quality						
MR-5-01-2100	% Repeat Reports w/in 30 Days	Resale	POTS	P	U	Parity w/Retail
MR-5-01-3112	% Repeat Reports w/in 30 Days	UNE	POTS/Loop	P	U	Parity w/Retail
MR-5-01-3200	% Repeat Reports w/in 30 Days	UNE	Specials	P	U	Parity w/Retail
MR-5-01-3341	% Repeat Reports w/in 30 Days	UNE	2Wire Digital	P	U	Parity w/Retail
MR-5-01-3342	% Repeat Reports w/in 30 Days	UNE	2Wire xDSL Loop	P	U	Parity w/Retail
MR-5-01-5000	% Repeat Reports w/in 30 Days	Interconn.	Trunks	P	U	Parity w/IXC / FGD
NETWORK PERFORMANCE						
Final Trunk Group						
NP-1-04-5000	# of Final Trunk Groups Blocked 3 Months	Interconn.	Final Trunks	B	M	0
Collocation						
NP-2-01-6702	% On Time Response to Request for Physical Collocation	Collocation	Physical (Augment)	B	U	95
NP-2-05-/6702	% On Time - Physical Collocation	Collocation	Physical (Augment)	B	U	95
DUF Timeliness						
BI-1-02-1000	% DUF in 4 Business Days	DUF		B	M	95
Bill Timeliness						
BI-2-01-1000	Timeliness of Carrier Bill	Bill		B	M	98
Bill Accuracy						
BI-3-04-1000	% CLEC Billing Claims Acknowledged w/in 2 Bus Days	Bill		B	U	95
BI-3-05-1000	% CLEC Billing Claims Resolved w/in 28 Cal. Days After Ack.	Bill		B	U	95

Metric #	Metric	Service	Product	Parity (P) or Benchmark (B)	Per Unit (U) or Per Metric (M)	Standard
Completeness of Usage Charges						
BI-6-01-1000	% Completeness of Usage Charges	Bill		B	M	No Standard
Completeness of Fractional Recurring Charges						
BI-7-01-1000	% Completeness of Fractional Recurring Charges	Bill		B	M	No Standard
Non Recurring Charge Completeness						
BI-8-01-1000	% Completeness of Non-Recurring Charges	Bill		B	M	No Standard
Poles, Ducts, Conduit and Rights of Way						
GE-2-01-1000	% On Time Access Request Response	Poles/ROW	CLEC	B	U	95

Appendix B

Bill Credit Calculation

Performance incentive bill credits in the amount specified in the table below apply to all measures with sub-standard performance. Incentive credits apply on either a “per measure” or a “per unit” basis. The total amount of the incentive credit is a function of the severity of the miss (“Major,” “Moderate” or “Minor”), the number of consecutive months for which VNJ has failed to meet the standard, the relative volume of CLEC activity (in the case of “per measure” measures), and the volume of “affected units” (in the case of “per unit” measures).

Performance Differences for Absolute Standards

For measures with absolute (benchmark) standards, where performance does not meet the applicable standard, the severity of the miss is determined by the difference between the standard and the actual VNJ performance.

- If higher performance is better, subtract the actual VNJ performance for the CLEC from the standard.
- If lower performance is better, subtract the standard from the actual VNJ performance for the CLEC.

Example: If Metric OR-1-02, % On Time LSRC Flow Through, Resale, POTS/Pre-qualified Complex, had an actual performance of 94.5% against a standard of 95%, the difference would be 95%-94.5% or 0.5%. Since this is a “Percent Measure,” the severity designation for the performance for Metric OR-1-02 is as follows:

	Minor	Moderate	Major
All Percent Measures	0.1 to < 5% Difference	5 to 15% Difference	> 15% Difference

The severity of this miss is “Minor.”

Performance Differences for Parity Standards

For measures with parity standards where the standard has not been met (i.e., the Z-score is equal to or less than -1.645), the severity of the miss is determined by the difference between the CLEC performance and the VNJ Retail performance.

- If higher performance is better, subtract the CLEC performance from the actual VNJ Retail performance.
- If lower performance is better, subtract the actual VNJ Retail performance from the CLEC performance.

Example: If Metric PR-4-05, % Missed Appointments No Dispatch, Resale-POTS, had a Retail performance of 0.42% and a CLEC performance of 5.73%, the difference would be 5.73%-0.42% or 5.31%. Since this is a “Percent Measure,” the severity designation for the performance for Metric PR-4-05 would be as follows:

	Minor	Moderate	Major
All Percent Measures	0.1 to < 5% Difference	5 to 15% Difference	> 15% Difference

The severity of this miss is “Moderate.”

For parity measures that are averages or means (e.g., PR-1-09, Average Offered Interval – Specials DS1), severity of a miss will be determined in the following manner.

- For metrics that are an average or mean, the remedy shall be computed by determining the ZScore. If the Z-Score, if greater than -1.645 - no remedy is required; if the Z-Score is equal to or less (farther from zero) than -1.645 the remedy will be calculated as follows:
 - A) Separately, determine the mean of VNJ’s observations and the CLECs observations for the reporting period;
 - B) Separately, determine the percentage of occurrences above the mean for VNJ and the CLECs;

- C) If VNJ’s mean is greater than the CLECs mean, no remedy applies. If the CLECs mean is greater than VNJ’s, calculate the difference between the means.
- D) Divide this result by the standard deviation of VNJ;
- E) Multiply this result by the number of CLEC occurrences;
- F) Determine the level of severity by calculating the difference between the % of CLEC observations and the % of VNJ observations above the VNJ mean.

Compare this result to the credit table for “All Percent Measures”;
- G) Multiply this result⁵ by the appropriate level of severity to determine the applicable remedy.

EXAMPLE:	<u>VNJ</u>	<u>CLEC</u>	<u>STEP</u>
Total Observations	534	1443	
Mean	6.2	7.9	“A”
% Observations above mean	25.28%	44.56%	“B”
Standard Deviation (SD)	5.18		
Difference in means/SD	.3281		“D”
Occurrences subject to remedy	473.45		“E”
Severity (Difference of the # observations above mean)		19.28%	“F”
Remedy	\$71,017.50		“G” (473.45*\$150)

	Minor	Moderate	Major
All Percent Measures	0.1 to □ 5% Difference	5 to 15% Difference	□15% Difference

The severity of this miss is “Major.”

⁵ Incentive Plan payments for these results are limited to payments for failures no greater than the actual number of occurrences reported in that month.

Credits for Measures with “Per Measure” Incentives

For those measures listed in Appendix A as having “per measure” incentives, bill credits will apply on a per measure basis, at the amounts set forth in the following table:

	Minor	Moderate	Major
\$/Measure	\$15,000	\$30,000	\$75,000

Example: If Metric PO-4-01, % Change Management Notices Sent on Time (VNJ) has a “Minor” miss, credits in the amount of \$15,000 would be allocated among the CLECs based on their lines in service at the end of the specific month where the standard was missed.

Credits for Measures with “Per Unit” Incentives

Most CLEC-specific measures are assigned a fixed amount of bill credit per affected unit associated with the CLEC in a given month. For these measures, the following calculation is performed to determine credits due:

- Affected units are determined by multiplying the number of units of measured service activity (observations for the month) by the performance difference.
- Credits are calculated by multiplying the affected units by the fixed dollar amount per unit that corresponds to the severity level of the performance difference.

	Minor	Moderate	Major
\$/UNIT	\$35	\$75	\$150

Example: Metric PR-4-05, % Missed Appointments No Dispatch, Resale-POTS, has a moderate miss, with a 5.31% performance difference on a CLEC’s volume of 12,500 orders. First determine the “affected units” by multiplying 5.31% x 12,500 to obtain 663.75 affected units. Then, multiply the “Moderate” per unit credit amount of \$75 by 663.75 to obtain a total \$49,781.25 credit for the CLEC for that month.

Credits for Misses for Multiple Months

For measures that miss the applicable standard for two or more consecutive months, a factor is applied to increase the performance credit:

- **Two Consecutive Months.** If the standard for a measure is missed for the month under evaluation and the immediately preceding month, the measure will be subject to an incentive credit for the month under evaluation that is two (2.0) times the amount that would be due if the standard had been missed for only one month.
- **Three Consecutive Months.** If the standard for a measure is missed for the month under evaluation and the two immediately preceding months, the measure will be subject to an incentive credit for the month under evaluation that is three (3.0) times the amount that would be due if the standard had been missed for only one month.
- **Four or More Consecutive Months.** If the standard for a measure is missed for the month under evaluation and the three or more immediately preceding months, the measure will be subject to an incentive credit for the month under evaluation that is five (5.0) times the amount that would be due if the standard had been missed for only one month.

Frequency Factor

Frequency Factor	2 Consecutive Months	3 Consecutive Months	4 or More Consecutive Months
Multiple of first month incentive credit	2.0	3.0	5.0

Example: If a measure with per measure bill credits has performance categorized as a “moderate miss” for June 2004 (the month under evaluation) and the same measure had a

“miss” for May 2004, the per measure credit would be \$60,000 ($\$30,000 \times 2.0$) for June 2004 (the month under evaluation). Or, if a measure with per unit bill credits has performance categorized as a “minor miss” for June 2004 (the month under evaluation) and the same measure had a “miss” for each of April 2004 and May 2004, the per unit credit would be \$105 ($\35×3.0) for June 2004 (the month under evaluation).

Three or More Months in a Period of Six Consecutive Months. If the standard for a measure is missed for a month under evaluation and in two or more months in the immediately preceding six consecutive months, the measure will be subject to an incentive credit for the month under evaluation that is three (3.0) times the amount that would be due if the standard had been missed for only one month, provided, however, that the incentive credits provided for in this sub-section “Three or More Months in a Period of Six Consecutive Months,” do not apply if incentive credits are due under the “Three Consecutive Months” rule or “Four or More Consecutive Months” rule set out in the second and third bullet points of this section “Credits for Misses for Multiple Months.” If incentive credits provided for in this paragraph are due, incentive credits under the “Two Consecutive Months” rule do not apply.

Example: If a measure with per unit bill credits has performance categorized as a “minor miss” for June 2004 (the month under evaluation) and the same measure had a “miss” for each of January 2004 and March 2004, the per unit credit would be \$105 ($\35×3.0) for June 2004 (the month under evaluation). Similarly, if a measure with per unit bill credits has performance categorized as a “minor miss” for June 2004 (the month under evaluation) and the same measure had a “miss” for each of January 2004 and May 2004,

the per unit credit would be \$105 ($\35×3.0) for June 2004 (the month under evaluation). However, if a measure with per unit bill credits has performance categorized as a “minor miss” for June 2004 and the same measure had a “miss” for each of April 2004 and May 2004, credits would not be due under this sub-section “Three or More Months in a Period of Six Consecutive Months,” since credits would be due under the “Three Consecutive Months” rule set out in the second bullet point of this section “Credits for Misses for Multiple Months.” Similarly, if a measure with per unit bill credits has performance categorized as a “minor miss” for June 2004 and the same measure had a “miss” for each of March 2004, April 2004 and May 2004, credits would not be due under this subsection “Three or More Months in a Period of Six Consecutive Months,” since credits would be due under the “Four or More Consecutive Months” rule set out in the third bullet point of this section “Credits for Misses for Multiple Months.”

Appendix C

Hyper-geometric Formula

The statistical methodology for determining whether a parity standard has been met is set out in Appendix J. However, where statistically appropriate, VNJ shall replace the use of the permutation method for determining whether parity has been met for measures with a small sample size with the use of a Hyper-geometric Formula.

Standard Hyper-geometric Formula (use for small sample size counted variables)

This substitute for the permutation tests was proposed by AT&T in a statistical subgroup in New York as an alternative method of obtaining accurate results that requires far fewer computational resources than permutation testing. A Hyper-geometric formula function is built into MS Excel or can be found in SAS software and has been found to provide accurate results. Probability of a given number of failures (x), for a given sample size (n), population failures (M), and population size (N),

$$P(x) = \frac{\binom{M}{x} \binom{N-M}{n-x}}{\binom{N}{n}}$$

N = total sample size (ILEC + CLEC) M =
total number of failures (ILEC + CLEC) n =
CLEC sample size
x = number of CLEC failures

Where the function $\binom{M}{x}$ is the binomial coefficient function: $M!/((M-x)!x!)$

APPENDIX J⁶

Statistical Methodologies:

VNJ will use statistical methodologies as a means to determine if “Parity with Verizon Retail” exists (that is, to determine if the performance for a CLEC, or CLECs in the aggregate, is equivalent to the performance for VNJ retail customers). For performance measures where “Parity with Verizon Retail” is the standard and a statistically significant sample size exists, VNJ will use the “modified t and Z statistics” proposed by a number of CLECs in LCUG (Local Competition Users Group). For metrics where the performance is measured against an objective (absolute) standard, the “modified t and Z statistics” are not applicable. The specific formulas are detailed below:

Mean Variables:	Percent Variables:
$t = \frac{X_{CLEC} - X_{BA}}{\sqrt{s_{BA}^2 \left(\frac{1}{n_{CLEC}} + \frac{1}{n_{BA}} \right)}}$	$Z = \frac{P - P_{CLEC}}{\sqrt{P_{BA} (1 - P_{BA}) \left(\frac{1}{n_{CLEC}} + \frac{1}{n_{BA}} \right)}}$

Definitions:

Mean Variables are metrics of means or averages, such as mean time to repair, or average delay days.

Percent Variables are metrics of proportions, such as percent metrics.

X is defined as the average performance or mean of the sample

⁶ Appendix J statistical methodologies are taken from the March 2002 New Jersey Carrier-to-Carrier Guidelines, which applied to the April 2002 New Jersey IP.

S is defined as the standard deviation n

is defined as the sample size

P is defined as the proportion (for percentages, 90% translates to a 0.90 proportion)

A Z or t score of equal to or less than -1.645 provides a 95% confidence level that the samples are different, or that they come from different distributions.

If the Z or t score is >-1.645 , the performance standard of “Parity with Verizon Retail” will be deemed to have been met. If the Z or t score is <-1.645 (farther from zero than -1.645), except as otherwise provided in these Guidelines (including, but not limited to, the Glossary, Appendices and Exhibit 1) or determined by the Board, the standard of “Parity with Verizon Retail” will be deemed not to have been met.

Sample Size Requirements:

Minimum Sample Size: The minimum sample size for metrics where the standard is “Parity with Verizon Retail” is 10. When the measured sample size for either VNJ Retail or CLEC is less than 10 (VNJ Retail <10 or CLEC <10), no determination will be made as to whether the standard has been met.

Use of Standard Z or t Statistic and Permutation Methods: The minimum sample size for use of the Z or t statistic is 30. When the measured sample size for each of VNJ Retail and CLEC is 30 or more (VNJ Retail ≥ 30 and CLEC ≥ 30), the Z or t statistic will be used for metrics where “Parity with Verizon Retail” is the standard. When the measured sample size for either VNJ Retail or CLEC is from 10 to 29 (VNJ Retail 10 to 29 or CLEC 10 to 29), VNJ will do the following:

a.) If the absolute performance for the CLEC is better than the VNJ retail performance, no statistical analysis is required; the standard will be deemed to have been met.

b.) If the absolute performance for the CLEC is worse than the VNJ retail performance, VNJ will perform a permutation test to determine whether or not VNJ's performance for the CLEC was at "Parity with Verizon Retail."

VNJ Exceptions:

(1) Clustering:

A key assumption about the data, necessary to use statistics, is that the data is independent. Events included in the performance measures of provisioning and maintenance of telecommunications services may not be independent. The lack of independence is referred to as "clustering" of data. Clustering occurs when individual items (orders, troubles etc.) are clustered together as one single event.

a.) **Event Driven Clustering: Cable Failure**: If a significant proportion (more than 30%) of a CLEC's troubles are in a single cable failure, VNJ will provide the data demonstrating that all troubles within that failure, including VNJ troubles, were resolved in an equivalent manner. Then, VNJ will provide the repair performance data with that cable failure performance excluded from the overall performance for both the CLEC and VNJ and the remaining troubles compared according to normal statistical methodologies.

b.) **Location Driven Clustering: Facility Problems**: If a significant proportion

(more than 30%) of a CLEC's missed installation orders and resulting delay days were due to an individual location with a significant facility problem, VNJ will provide the data demonstrating that the orders were "clustered" in a single facility problem, will show that the problem was resolved in a manner equivalent to the manner in which such a problem primarily impacting VNJ retail operations would have been resolved, and will provide the provisioning performance with that data excluded. Additional location driven clustering may be demonstrated by disaggregating performance into smaller geographic areas.

c.) **Time Driven Clustering: Single Day Events**: If a significant proportion (more than 30%) of CLEC activity, provisioning or maintenance, occurs on a single day within a month, and that day represents an unusual amount of activity in a single day, VNJ will provide the data demonstrating the unusual amount of activity on that day. VNJ will compare that single day's performance for the CLEC to VNJ's own performance, including VNJ's processing of similar peak loads in VNJ's retail operations. Then, VNJ will provide data with that day excluded from overall performance to demonstrate "parity".

(2) CLEC Actions:

If VNJ's performance for any measure is negatively materially impacted by commercially unusual or inappropriate CLEC behavior, VNJ will bring such behavior to the attention of the CLEC to attempt resolution. Examples of CLEC behavior impacting performance results include order quality deficiencies, causing excessive missed appointments, inordinate incorrect dispatch identification, resulting in excessive multiple dispatch and repeat

reports, failing to apply X coding on orders, where extended due dates are desired, and delays in rescheduling appointments, when VNJ has missed an appointment. If such action negatively materially impacts performance, VNJ will provide appropriate detail documentation of the events to the CLEC and the Board.

Where VNJ proposes an exception, VNJ will provide applicable information, ensuring protection of customer proprietary information, to the CLEC and the Board. Such information might include individual trouble reports and orders, with analysis of VNJ and CLEC performance. For cable failures, VNJ will provide appropriate documentation detailing other troubles associated with that cable failure.