

AUGUST 2011

MARKET ADJUSTMENT SUMMARY

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

MOE:

MOE dollars are lower in each of the four recalculated months. The recalculated August 2011 PAP report indicates the weighted score for the UNE-P MOE is reduced from -0.287, which equates to a penalty of \$60,779 (see NH PAP Appendix A, Table A-3-2), to an updated weighted score of -0.182, which is below the minimum threshold score of -0.25292. Therefore, zero dollars are allocated to the UNE-P MOE in August.

A comparison of the original PAP results versus the recalculated PAP results for the metrics reported in the UNE-P MOE show changes in the wholesale or retail observations and/or performance results but these changes are not significant except in the case of four metrics where the metric's performance changed. Changes in retail numerator or denominator counts caused the performance results for two metrics to change from a missed performance score to a met score. Specifically, the MR-3-02-3144 (Percent Missed Repair Appointments – CO – Platform – Business) metric changes from a -1 miss to a met due to system changes that addressed Finding #s 14 and 115. Finding # 14 affected the retail calculation results only. The wholesale results were unaffected. The retail denominator increased by 3 (from 53 to 56 repair appointments), which changes the retail % missed appointment result from 3.77% to 3.57%. The MR-3-02-3144 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. The MR-4-08-3144 (% Out of Service > 24 Hrs – Platform – Business) metric changed from a -2 miss to a -1 miss. The -1 miss

for MR-4-08-3144 in turn was recaptured (scored as a met) since the previous two months were a met. System updates designed to address Finding #s 14 and #81, which affect the calculation of retail results only, contributed to the change in performance results. The wholesale results are unaffected. The MR-4-08-3144 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. A change in the performance scores of two other metrics also contributed to the overall change in the UNE-P weighted score. Specifically, the OR-2-04-3140 and OR-2-06-3140 results changed from "NA" (no activity reported) to a met score of 97.6% (122 numerator over 125 denominator) and 100% (19 numerator over 19 denominator), respectively. In sum, these four changes in metrics performance contributed to the change in the UNE-P MOE weighted score from -0.287 to -0.182 and the reduction in the Market Adjustment dollars for the UNE-P MOE to zero.

Similar to the UNE-P MOE, the Resale MOE in August 2011 changes from a miss to a met and the market adjustment dollars is reduced from \$23,423 to \$0. The change in the Resale MOE is driven by changes in performance results for three resale metrics. As can be seen through comparison of the original versus recalculated PAP reports the numerators or denominators of other resale metrics may have changed but these changes in quantities are not enough to cause a change in the previously reported results from a met to a miss or a miss to a met. The three metrics that experienced a change in performance results and contributed to the change in weighted score and market adjustment dollars are the MR-4-08-2110, PR-4-05-2100 and MR-4-06-2110. Specifically, MR-4-08-2110 (% Out of Service > 24 Hours - POTS – Bus) changes from a -1 miss to a met. System updates to address Finding #14 contributed to the change in the retail results. The wholesale results were unaffected. The retail numerator increased by 1 (from 21 to 22 repairs) and the denominator increased by 32 repair orders (from 441 to 473 repair appointments), which improved the retail % missed appointment result from

4.76% to 4.65%. The MR-4-08-2110 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. A change from a -2 to a -1 miss in the PR-4-05-2100 (% Missed Appointment- FP - No Dispatch – POTS) also contributed to the changed performance for the Resale MOE. System changes addressing Finding #s 10, 13, 29, 59, and 60 contributed to changes in retail and wholesale numerator and denominator counts and performance results. The retail numerator increased by 13 (from 116 to 129 appointments) and the denominator increased by 55 (from 4248 to 4303 appointments), which increased the retail % missed appointment result from 2.73% to 3.00%. The wholesale numerator increased by 1 (from 5 to 6 appointments) and the denominator increased by 4 (from 71 to 75 appointments), which increased the wholesale performance result from 7.04% to 8.00%. The PR-4-05-2100 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. The MR-4-06-2110 (% Out of Service > 4 Hours - POTS – Business) metric also changes from -2 miss to a -1 miss due to system changes that addressed Finding #s 14 and 81. These changes affected retail results only. The retail numerator increased by 11 (from 224 to 235 troubles) and the denominator increased by 32 (from 441 to 473 troubles), which decreased the retail % out of service > 4 hrs from 50.79% to 49.68%. The wholesale performance remained at 70.59%. The MR-4-06-2110 performance result also may have been impacted by a change in the SAS statistical calculation which was implemented in response to Finding # 115. In sum, changes in performance results for three metrics drove the reduction in the Resale MOE market adjustment dollars from \$23,423 to \$0.

In contrast, the Digital Subscriber Line (DSL) MOE increased from a weighted score of -0.101, which equates to zero market adjustment dollars, to a weighted score of -0.280, which results in a Market Adjustment of \$32,432. The change in performance score and market adjustment dollars is due to changes in performance results for four metrics. Three DSL metrics changed from a met to a miss and

one changed from a miss to a met. Specifically, the PR-4-14-3342 (% Completed On Time -2W xDSL Loops) metric changed from a -1 miss to a met. System changes addressing Finding #11 affected the wholesale results. The wholesale numerator decreased by 1 (from 45 to 44 orders) and the denominator decreased by 4 (from 50 to 46 orders), which increased the wholesale performance result from 90.0% to 95.60%. As noted above, three DSL metrics changed from a met to a miss. Specifically, PR-6-01-3342 (% Installation Troubles w/in 30 Days -2W xDSL Loops) changed from a met to a -2 miss. System changes designed to address Finding #s 16, 59, and 95 affected both the retail and wholesale results. The retail numerator increased by 5 troubles reported within 30 days of installation (from 55 to 60 troubles) and the denominator decreased by 27 (from 934 to 907 troubles), which changes the retail performance from 5.89% to 6.62%. The wholesale numerator increased from 0 troubles to 8 installation troubles reported within 30 days and the denominator decreased by 6 (from 54 to 48 troubles), which raised the wholesale performance result from 0.00% to 13.79%. OR-1-04-1341 (% On Time LSRC - No Facility Check - 2W Digital -UNE/Resale) also changed from a met to a -2 miss. System changes that address Finding # 33 affected the wholesale results. Specifically, the wholesale results reported changed from 1 of 1 LSRCs issued on time to 1 of 10 LSRCs issued on time, which equates to a -2 miss. PO-8-01-6000 (% On Time - Manual Loop Qualification) changed from a met to a -2 miss. FairPoint instituted a process change effective with the September 2011 data month to accurately measure timeframes for manual loop qualifications, which addressed Finding # 21. The original October, November and December results were calculated and reported correctly. The August 2011 wholesale results change from a met performance of 23 of 23 or 100% to a -2 miss performance of 18 of 29 or 62.07% on time. It should be noted that the DSL MOE consists of a relatively large number of metrics that are reported as NA and under the plan a small change in one or a few metrics with reported activity has a disproportionate change on the MOE dollars. Consequently, the change in performance results for the

DSL MOE was mostly driven by eight installation troubles added to the results for the PR-6-01-3342 metric.

Critical Measures:

Market Adjustment dollars under the Critical Measures service segmentation category in August are higher on a combined four month basis by \$133,295 or approximately 35%. Market Adjustment dollars for Critical Measures in August increased from \$46,194 to \$73,119. The increase of \$26,925 is attributable to changes in four of the nine Critical Measures categories. Specifically, a penalty of \$16,666 in the % On Time Ordering Notification metrics is triggered along with an increase in Installation Performance metrics of \$9,330 and a penalty of \$11,414 in Resolution Processes metrics. In contrast, a penalty of \$10,486 for Maintenance Performance metrics is reduced to \$0.

The \$16,666 penalty associated with the % On Time Ordering Notification metrics is attributable to changes in performance results for two metrics. The OR-1-04-1341 (% On Time LSRC - No Facility Check - 2W Digital -UNE/Resale), discussed in the MOE section above, added \$15,417 in Critical Measures dollars since its performance score changed from a met to -2 miss. Additionally, the OR-2-06-1200 (% OT LSR/ASR Reject -Facil Check (Electronic) -UNE/Resale) added \$1,250 because it changed from NA (0 of 0) to a -2 miss based on a recalculated performance score of 70.0% (numerator of 14 and a denominator of 20). The changes seen in numerator and denominator counts for the OR-2-06-1200 metric reflect system changes implemented to address Finding #40.

Market Adjustment dollars under the Installation Performance Critical Measures category increased from \$35,708 to \$45,038 due to changes in performance results for four metrics. Performance results for three of four of the impacted metrics improved and the associated dollars decreased. Specifically, PR-4-05-2100 (% Missed Appointment- FP - No Dispatch – POTS), discussed in the MOE section above, removed \$1,317 by changing from a -2 miss to -1 miss. PR-4-14-3342 (%

Completed On Time -2W xDSL Loops), also discussed above in MOE, removed \$12,409 by changing from a -1 miss to a met. PR-5-01-1200 (% Missed Appointment - Facilities -UNE/Resale) removed \$6,522 due to a change from a -2 miss to a met. The retail results for PR-5-01-1200 were impacted by systems changes that address Finding #s 10 and 58. Specifically, the retail numerator changed from 0 (zero) missed appointments to 15 missed appointments and the denominator changed from 30 appointments to 142 appointments resulting in a performance score of 10.56% which is in parity with the wholesale results. On the other hand, a single metric, PR-6-01-3342 (% Installation Troubles w/in 30 Days -2W xDSL Loops) discussed above in the MOE section, added \$29,578 because it changed from met to a -2 miss.

The Maintenance Performance Critical Measures were reduced from \$10,486 to \$0 due to two metrics that changed from miss to met performance scores. MR-4-08-3144 (% Out of Service > 24 Hours - Platform – Bus), discussed in MOE above, removed \$8,703 when it changed from a -2 miss to a met. Similarly, MR-4-08-2110 (% Out of Service > 24 Hours - POTS – Bus), also discussed above in MOE, removed \$1,783 when it changed from -1 miss to a met.

The Resolution Processes Critical Measures category is tripped as a result of corrections implemented in response to Finding #s 107 – 113 concerning billing claims tracking and reporting processes. Specifically, performance results associated with the BI-3-04 (% CLEC Billing Claims Acknowledged within 2 Business Days) and BI-3-05 (% CLEC Billing Claims Resolved w/in 28 Calendar Days after Acknowledgement) metrics each changed from met to a -2 miss.

Finally, the Individual Rule Payments decreased by \$1,042 (from \$2,435 to \$1,393) due to one or more metrics that changed from a met performance to a miss performance.