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Mark David Goss
Chairman

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Vice Chairman

Gregory Coker
Commissioner

February 1, 2005

PARTIES OF RECORD

Re: Case No. 2004-00391
BellSouth

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Amy Dougherty at 502/564-3940, Extension 257.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to be "B. O'Donnell".

Beth O'Donnell
Executive Director

Attachment




EQUAL OPPORTUNITY M/F/D

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: The File

FROM: Amy E. Dougherty 

DATE: January 31, 2005

SUBJECT: Case No. 2004-00391
January 19, 2005 Informal Conference

On January 19, 2005, those persons whose names appear on the attached sign-in sheet met to discuss this docket. BellSouth prepared a PowerPoint presentation to discuss the changes proposed to the SQM and SEEM plans (collectively referred to herein as "performance plans") and provided a copy of handouts to each participant. A copy is attached to this memo. Mr. Al Varner presented on behalf of BellSouth.

Mr. Jim Bellina, representing Dialog Telecommunications, asked several questions. As BellSouth is spending about \$1 million per year in penalties in Kentucky, does BellSouth want that amount to be zero? Why is BellSouth proposing its changes? Is data being eliminated by BellSouth's proposal? According to BellSouth, the collection and measurement of certain non-essential data is being eliminated. BellSouth asserted that the only way to eliminate penalties under the current plan was to give substantially better service to wholesale customers than it currently gives to its retail customers. This, according to BellSouth, demonstrates the lack of reasonableness of the existing performance plan. Mr. Bellina also asked whether the proposed change would include an automatic return to the original plan (now in effect) if BellSouth falls below certain service levels. As discussed later, BellSouth stated that certain statistical performance deficiencies would result in the assessment of penalties under the current SEEM methodology.

According to BellSouth, performance plans in place in Mississippi and South Carolina have resulted in similar overall penalty levels to Kentucky. Florida and Tennessee have different SEEM plans in effect and therefore are not directly comparable to other states.

It was discussed that when a performance plan was first considered by this Commission, BellSouth had asked Kentucky to adopt the Georgia plan in an effort to maintain consistencies across states. The Kentucky Commission agreed to this rationale and thereby adopted the Georgia performance plan. It was asked why BellSouth now requests to abandon the Georgia plan, as adopted by Kentucky. BellSouth stated that it had made similar proposals in five other states and clarified that a proposed Georgia performance plan would be filed soon. BellSouth explained

that one of its goals was that there would be commonality across the states regarding these new performance plans and this would result in a consistent performance platform across BellSouth's operation region.

Doug Brent, on behalf of CLECs including Covad, stated that CLECs preferred that Kentucky wait to see what occurs in Georgia and Florida regarding their pending proposals. Mr. Brent restated comments of others that Georgia and Florida are subject to substantially more competitive activity than Kentucky and similar proceedings in those states would result in more CLEC participation. BellSouth responded with its understanding of the status of the Florida case. Florida will decide in a couple of months or so whether to have a hearing on the SQM plan; but, regarding the SEEMs, BellSouth is starting completely over in Florida. There will be no correspondence between the existing plan and the one proposed by BellSouth. The SEEMs portion of BellSouth's proposal will be transaction-based versus the current measurements-based penalties.

The statement of BellSouth that certain consequences would occur if "BellSouth deteriorates by three standard deviations in a month" was also discussed. According to Mr. Varner of BellSouth, once the new plan is ordered, BellSouth would backcast for 12 months to determine a baseline. BellSouth's Ph.D. statistician discussed the quality control necessary to determine a shift in performance. For example, if the measurement were 85%, with a 1.5% standard deviation, this would result in a deviation from 81% to 89%. These deviations only apply in the aggregate and not on any single matrix.

We next discussed a comparison between 2002 and 2004 penalties paid. In 2002, \$3 million worth of penalties were paid in Kentucky, whereas \$1 million were paid in 2004. In Georgia, \$14 million worth of penalties were paid in 2002 and \$5.5 million in 2004. Staff asked that BellSouth analyze why the penalties were being reduced and whether there was a tie between reduction in penalties paid and increase in performance by BellSouth.

It was agreed that BellSouth would provide a comparison in the trends and remove any anomalies that existed between the 88% and the 89% performance listed by BellSouth from one year to the next. This information is to be supplied by BellSouth by February 14, 2005.

BellSouth also agreed to submit a procedural proposal for this docket within 10 days.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF BELLSOUTH) CASE NO.
TELECOMMUNICATIONS, INC. FOR THE) 2004-00391
ESTABLISHMENT OF A NEW PERFORMANCE PLAN)

INFORMAL CONFERENCE

SIGN IN

January 19, 2005

PERSON	REPRESENTING
<u>Amy E Dougherty</u>	<u>PSC - legal</u>
<u>Dorothy [Signature]</u>	<u>BellSouth</u>
<u>Robert Culpepper</u>	<u>BellSouth</u>
<u>AL VARNER</u>	<u>BELLSOUTH</u>
<u>Mike Hayden</u>	<u>BellSouth</u>
<u>Joan Coleman</u>	<u>Bellsouth</u>
<u>Dennis Howard T</u>	<u>DAI</u>
<u>DAVE COON</u>	<u>BELLSOUTH</u>
<u>Tommy Taylor</u>	<u>BellSouth</u>
<u>Jamie Mabe</u>	<u>BellSouth</u>
<u>Lisa Brooks</u>	<u>BellSouth</u>
<u>Dr Joseph B Thomas</u>	<u>BellSouth</u>

CASE NO. 2004-00391
January 19, 2005

PERSON

Jim Stevens
D.F.B. Pruner
Douglas F. Brent
Jim Belliga
Jim Thacker
Dma Miller
Jonathan N. Amlung
Eric Bowman
JEFF JOHNSON
Kyle Willard
Jayna Bell (by phone)

REPRESENTING

Ky PSC
KY PSC Staff
Covad and Dialog Tel.
Dialog Telecommunications
Southeast Telephone
Southeast Telephone
Southeast Telephone
PSC - Engineering
PSC
PSC - Engineering
Covad



Kentucky PSC Conference

January 19, 2005

**BellSouth's SQM and
SEEM plan proposals.**

➤➤ Agenda

- Why are we here?
- Why have SQM & SEEM plans?
- How have we done?
- What the current plans do?
- What are the problems with the current plans?
- What is the effect of streamlining the SQM plan?
- What is the effect of updating the SEEM plan?
- Why is additional third-party testing not necessary?
- Summary & Next Steps



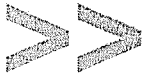
Why are we here?

- To share information with the Commission staff and our wholesale customers
 - To provide a historical reference for our discussions
- To discuss how to make the plan more efficient and meaningful
 - A plan that is simple
 - A plan that measures what matters
 - A plan that ensures parity between BellSouth's wholesale and retail customers



Why are we here?

- To discuss streamlining the current plan (continued)
 - A plan that monitors key performance measurements (SQM)
 - A plan that deters backsliding (SEEM)
- To agree upon the next steps to move forward



Why have SQM and SEEM plans?

- The principle purpose of a performance plan is to facilitate competition through:
 - Monitoring
 - Enforcement
- Monitoring - SQM
 - Measures and Sub-metrics defined
 - CLEC specific and statewide data produced
- Enforcement - SEEM.
 - SEEM – Automatic payments to deter unacceptable performance
 - But SEEM is not the sole recourse for poor performance.
 - FCC, KY PSC
 - Contract dispute resolution
 - Courts

➤➤ How have we done?

- In BellSouth's Kentucky territory, 25% of all lines are served by CLECs.
- Overall performance continues to be good.
 - For the period Sept 2003 through Oct 2004, performance standards met per current plan averaged 89%.
- Performance level consistent with when 271 approval granted.
 - When BellSouth applied to FCC for 271 authority, data period Jan – Jun 2002, performance standards met based on current plan averaged 88%.
- Performance in Kentucky is consistent with levels in other BellSouth States.

➤➤ How have we done?

- ***ORDERS (all categories of services)***
 - 44,500 LSRs processed in typical month for KY
 - 99% timely
 - 98% accuracy
- ***INSTALLATION (all categories of services)***
 - 28,600 Service orders installed in typical month in KY
 - 99.7% timely
 - 97% accuracy
- ***REPAIR (all categories of services)***
 - No troubles on average of 98% of circuits / lines. Network is 98% reliable
 - For the **2%** where there was a trouble:
 - Timely repair 91% (PMRA)
 - Quality repair 88% (Repeat reports)
 - Average duration – 21 hours.
 - For the portion of the 2% that was declared out of service (about 1.4% of the 2%), 88% were out of service less than 24 hours.

➤➤ What does the current plan do?

- The current SQM plan measures 79 measurements and ~ 1600 submetrics.
- The current SQM plan covers all major CLEC activities: Pre-ordering, ordering, provisioning, maintenance/repair, billing, collocation, change management plus many areas that are not service affecting.

➤➤ What are the problems with the current plans?

- The current SQM plan is largely based on the BellSouth, CLEC, and Commission perceptions in 1999.
- Due to an abundance of caution the current plans resulted in many measurements that simply are not useful and actually obscure the focus on key customer-impacting performance.
- Less than 20% of measurements are meaningful.
- Disproportionate SEEM penalties

➤➤ What is the effect of streamlining the SQM plan?

- Improves upon existing plan to make it more focused on key processes.
- Reduces the number of measures by removing those measures that do not provide useful information:
 - Parity by Design (Operator Services, E911, Database Update)
 - Diagnostic (Percent Rejected Service Requests)
 - Duplicative (Held Orders, Jeopardy metrics, OOS> 24 hrs, Usage Date Delivery Completeness, Mean time to Deliver Usage, CM-2, CM-4)
 - Combining (Flow Through Summary and Detail, TGP Summary and Detail)
- Reduces number of submetrics for which there is little or no activity.
 - Removes distinction between quantity of circuits per order.
 - Removes products with little or no activity.
 - Removes product disaggregation for ordering measurements.
- Makes various administrative changes.

>> What is the effect of streamlining the SQM plan?

Removes measures that:	Metrics Deleted (x) & Examples	Submetrics deleted
Provide no useful information	(9), OS/DA, E911, Database Update Interval, % Rejects	91
Duplicate the impact of other measures that are retained.	(18), SI with FOC, Held Order, Jeopardy Notice, % Jeopardy, Completion Attempts, Usage Data Compl, Mean Time to Deliver Usage	583
Have low volume or impact	(10), Loop MU (Manual), Ack Timeliness, Speed of Answer, Recurring / Non Recurring Charge Compl, BFR, > 10 ckts, 2W Analog Loop w/LNP/INP, collapse products in ordering.	357
Are combined with other retained measurements	(2), Flow Through, Trunk Group Performance	127

➤➤ What is the effect of updating the SEEM plan?

- Maintains the same structure.
- Maintains the same processes.
- Maintains the same statistical tests.
- Maintains enforcement mechanisms on key measurements.
- Revises the fee structure to be more rational.
- Reverts to the current fee schedule if backsliding occurs.
- Creates positive incentive.
- Makes other administrative changes.

➤➤ Why is additional third-party testing not necessary?

- The FCC and 9 state Commissions have already reviewed SQM and SEEM plans as a part of the 271 process.
 - This proposal retains all of the key features of those plans and refines them where appropriate.
 - The SQM proposal provides sufficient performance monitoring capability.
 - The SEEM proposal provides incentive for continued good performance.
- Level of competition growth in Kentucky is a good indicator that the SQM and SEEM plans work.
- The proposed SQM and SEEM plans streamline the current plans.
- Both plans provide for ongoing audits.

>> Summary & Next Steps

- Simplification
- Streamlines the current SQM plan based on experience.
 - The net result is not a radical change.
 - Key processes are still measured, transactions are still retained.
 - Eliminates measurements that have little or no meaningful data.
 - Clarifies the SQM to avoid duplicate measurement of the same process.
- Updates the SEEM plan based on experience.
 - Maintains the same structure
 - Maintains the same objectives
 - Maintains the same statistical principles
 - Produces a rational fee schedule
 - Introduces positive incentives
- The KY proposal is substantially similar to plans being proposed throughout the BellSouth region.
 - This proposal has been filed in 6 states as of January 2005. (KY, TN, FL, MS, AL, NC)
- Next Steps