

Exhibit K

PERFORMANCE ASSURANCE PLAN

1.0 Introduction

1.1 As set forth in this Agreement, Qwest Corporation dba CenturyLink QC ("CenturyLink QC") and CLEC voluntarily agree to the terms of the following Performance Assurance Plan ("PAP"), initially prepared in conjunction with Qwest's application for approval under Section 271 of the Telecommunications Act of 1996 (the "Act") to offer in-region long distance service and subsequently modified in accordance with the Commission's orders and, where applicable, by operation of law.

2.0 Plan Structure

2.1 The PAP is a two-tiered, self-executing remedy plan. CLEC shall be provided with Tier 1 payments if, as applicable, CenturyLink QC does not provide parity between the service it provides to CLEC and that which it provides to its own retail customers, or CenturyLink QC fails to meet applicable benchmarks.

2.1.1 As specified in section 7.0, if CenturyLink QC fails to meet parity and benchmark standards on an aggregate CLEC basis, CenturyLink QC shall make Tier 2 payments to a Fund administered by the state regulatory commission or, if required by existing law, to the state general fund.

2.2 As specified in sections 6.0 and 7.0 and Attachments 1 and 2, payment is generally on a per occurrence basis, (i.e., a set dollar payment times the number of non-conforming service events). For the performance measurements which do not lend themselves to per occurrence payment, payment is on a per measurement basis, (i.e., a set dollar payment). The level of payment also depends upon the number of consecutive months of non-conforming performance, (i.e., an escalating payment the longer the duration of non-conforming performance) unless otherwise specified.

2.3 CenturyLink QC shall be in conformance with the parity standard when service CenturyLink QC provides to CLEC is equivalent to that which it provides to its retail customers. The PAP relies upon statistical scoring to determine whether any difference between CLEC and CenturyLink QC performance results is significant, that is, not attributable to simple random variation. Statistical parity shall exist when performance results for CLEC and for CenturyLink QC retail analogue result in a z-value that is no greater than the critical z-values listed in the Critical Z-Statistical Table in section 5.0.

2.4 For performance measurements that have no CenturyLink QC retail analogue, agreed upon benchmarks shall be used. Benchmarks shall be evaluated

Exhibit K

using a “stare and compare” method. For example, if the benchmark is for a particular performance measurement is 95% or better, CenturyLink QC performance results must be at least 95% to meet the benchmark. Percentage benchmarks will be adjusted to round the allowable number of misses up or down to the closest integer, except when a benchmark standard and low CLEC volume are such that a 100% performance result would be required to meet the standard and has not been attained in which case section 3.1.2 applies.

3.0 Performance Measurements

3.1 The performance measurements that are in the PAP and either (1) subject to the PAP payment mechanisms or (2) not subject to the PAP payment mechanisms but subject to the Reinstatement/Removal Process set forth in section 3.2 below are identified in Attachment 1 and sections 6.3 and 7.4. Each performance measurement identified is defined in the Performance Indicator Definitions ("PIDs") included in the SGAT at Exhibit B.

3.1.1 On Attachment 1, the measurements have been designated as Tier 1, Tier 2, or both Tier 1 and Tier 2 and given a High, Medium, or Low designation.

3.1.2 Where applicable elsewhere in the PAP, this provision modifies other provisions and operates as follows: For any Tier 1 or Tier 2 benchmark or non-interval parity performance sub-measure, CenturyLink QC shall apply one allowable miss to a sub-measure disaggregation that otherwise would require 100% performance before the performance is considered as non-conforming to standard (1) if at the CLEC-aggregate level, the performance standard is met or (2) where the CLEC-aggregate performance must be 100% to meet the standard, the CLEC-aggregate performance is conforming after applying one allowable miss at that level.

3.2 The following measures, which are listed in Attachment 1 or section 7.4, are not subject to the payment mechanisms of the PAP; however, they are subject to the PID Reinstatement/Removal Process. All other measures listed in Attachment 1, section 6.3 or section 7.4 are subject to the PAP payment mechanisms, but they are not subject to the PID Reinstatement/Removal Process.

- GA-3 Gateway Availability EB-TA
- GA-4 System Availability EXACT
- GA-7 Timely Outage Resolution following Software Releases
- PO-3 LSR Rejection Notice Interval
- PO-5D Firm Order Confirmations (FOCs) On Time (ASRs for LIS Trunks)
- PO-7 Billing Completion Notification Timeliness
- PO-8 Jeopardy Notice Interval
- PO-16 Timely Release Notifications

Exhibit K

OP-17 Timeliness of Disconnects Associated with LNP Orders
MR-11 LNP Trouble Reports Cleared within Specified Timeframes
BI-4 Billing Completeness
NI-1 Trunk Blocking
NP-1 NXX Code Activation

3.3 PID Reinstatement/Removal Process: If CenturyLink QC's performance for any sub-measure of the PIDs listed in section 3.2 above does not conform to the established PID standard as set forth in the PAP for three consecutive months, that sub-measure will be reinstated (i.e., be subject to the PAP payment mechanisms) subject to the retroactive payment provision of section 3.3.2 and subject to the PAP payment mechanisms effective in the month following the three consecutive months. The determination of whether a PID sub-measure is reinstated is made no later than at the end of the second month following the third consecutive month of non-conforming performance. The sub-measure will remain subject to the PAP payment mechanisms until CenturyLink QC's performance for that sub-measure satisfies the established standards for three consecutive months. Effective the month following such conforming performance, the sub-measure will no longer be subject to the PAP payment mechanisms but will continue to be subject to the PID Reinstatement/Removal Process. The determination of whether a PID sub-measure is removed from being subject to the PAP payment mechanisms is made no later than the end of the second month following the third consecutive month of conforming performance. Where applicable elsewhere in the PAP, this PID Reinstatement/Removal Process modifies other provisions and operates as follows:

3.3.1 Disaggregation and Reporting Levels: Performance will be evaluated at the lowest level of disaggregation defined in Exhibit B of the SGAT on a CLEC-aggregated or other-aggregated basis such that performance is evaluated for the purposes of administering the Reinstatement/Removal Process on a statewide or regionwide level, as applicable per the PID.

3.3.2 Retroactive Payments: To calculate retroactive payments for the sub-measures reinstated, PAP payment mechanisms will be applied to the three consecutive months in which the standard was missed, which triggered reinstatement. These retroactive payments will be made to applicable CLECs or the Tier 2 fund, depending upon the tier designation of the PID, at the end of the third month after the month in which performance triggered reinstatement.

3.3.2.1 Accounting for Payments: In support of retroactive payments (section 3.3.2 above), CenturyLink QC will account separately for PAP payments that would have been made to individual CLECs or to the Tier 2 fund for a sub-measure as though it had been subject to the PAP payment mechanisms, where automatic reinstatement applies, and account separately in the same manner for the time between when it is determined that a sub-measure met the standard for automatic removal

Exhibit K

and the effective date of removal (the month following the three consecutive “met” months). With regard to sub-measures that are subsequently removed again through this process, any PAP payments made during the three consecutive months which triggers automatic removal will not be recovered by CenturyLink QC.

3.3.2.2 Interest: In the case of automatic reinstatement, retroactive payments will include interest calculated at the prime rate as reported in the *Wall Street Journal* from the date a payment would have been made to the date the payment is actually made.

3.3.2.3 Tracking: CenturyLink QC will track and report service and payment results, including retroactive and avoided (i.e., during periods of removal) PAP payments and the disposition of the avoided payments on a CLEC, PID sub-measure and aggregate basis each month.

3.3.3 Public Website: CenturyLink QC will maintain a public website showing the PAP status of each PID or sub-measure with respect to the applicability of the PAP payment mechanisms (i.e., reinstated or removed), which eliminates the requirement to make filings with the Commission to modify the PAP due to the application of the PID Reinstatement/Removal Process.

4.0 Statistical Measurement

4.1 CenturyLink QC uses a statistical test, namely the modified “z-test,” for evaluating the difference between two means (i.e., CenturyLink QC and CLEC service or repair intervals) or two percentages (e.g., CenturyLink QC and CLEC proportions), to determine whether a parity condition exists between the results for CenturyLink QC and the CLEC(s). The modified z-tests shall be applicable if the number of data points are greater than 30 for a given measurement. For testing measurements for which the number of data points are 30 or less, CenturyLink QC will use a permutation test to determine the statistical significance of the difference between CenturyLink QC and CLEC.

4.2 CenturyLink QC shall be in conformance when the monthly performance results for parity measurements (whether in the form of means, percents, or proportions and at the equivalent level of disaggregation) are such that the calculated z-test statistics are not greater than the critical z-values as listed in Table 1, section 5.0.

4.3 CenturyLink QC shall be in conformance with benchmark measurements when the monthly performance result equals or exceeds the benchmark, if a higher value means better performance, and when the monthly performance result equals or is less than the benchmark if a lower value means better performance.

Exhibit K

The formula for determining parity using the modified z-test is:

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

Where:

$$\text{DIFF} = M_{\text{CenturyLink QC}} - M_{\text{CLEC}}$$

$M_{\text{CENTURYLINK QC}}$ = CenturyLink QC average or proportion

M_{CLEC} = CLEC average or proportion

$$\sigma_{\text{DIFF}} = \text{square root } [\sigma^2_{\text{CenturyLink QC}} (1/n_{\text{CLEC}} + 1/n_{\text{CenturyLink QC}})]$$

$\sigma^2_{\text{CenturyLink QC}}$ = calculated variance for CenturyLink QC

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

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

The modified z-tests will be applied to reported parity measurements that contain more than 30 data points.

In calculating the difference between CenturyLink QC and CLEC performance, the above formula applies when a larger CenturyLink QC value indicates a better level of performance. In cases where a smaller CenturyLink QC value indicates a higher level of performance, the order is reversed, i.e., $M_{\text{CLEC}} - M_{\text{CENTURYLINK QC}}$.

4.3.1 For parity measurements where the number of data points is 30 or less, CenturyLink QC will apply a permutation test to test for statistical significance. Permutation analysis will be applied to calculate the z-statistic using the following logic:

Calculate the modified z-statistic for the actual arrangement of the data

Pool and mix the CLEC and CenturyLink QC data sets

Perform the following 1000 times:

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, and one reflecting the remaining data points, (which is equal to the size of the original CenturyLink QC data set or $n_{\text{CENTURYLINK QC}}$).

Compute and store the modified z-test score (Z_s) for this sample.

Count the number of times the z-statistic for a permutation of the data is greater than the actual modified z- statistic

Exhibit K

Compute the fraction of permutations for which the statistic for the rearranged data is greater than the statistic for the actual samples

If the fraction is greater than α , the significance level of the test, the hypothesis of no difference is not rejected, and the test is passed. The α shall be .05 when the critical z value is 1.645 and .15 when the critical z value is 1.04.

5.0 Critical Z-Value

5.1 The following table shall be used to determine the critical z-value that is referred to in section 6.0. It is based on the monthly business volume of the CLEC for the particular performance measurements for which statistic testing is being performed.

TABLE 1: CRITICAL Z-VALUE

CLEC volume (Sample size)	LIS Trunks, UDITs, Resale, UBL-DS1 and DS-3	All Other
1-10	1.04*	1.645
11-150	1.645	1.645
151-300	2.0	2.0
301-600	2.7	2.7
601-3000	3.7	3.7
3001 and above	4.3	4.3

* The 1.04 applies for individual month testing for performance measurements involving LIS trunks and DS-1 and DS-3 that are UDITs, Resale, or Unbundled Loops. The performance measurements are OP-3d/e, OP-4d/e, OP-5a, OP-6-4/5, MR-5a/b, MR-7d/e, and MR-8.

For purposes of determining consecutive month misses, 1.645 shall be used. Where performance measurements disaggregate to zone 1 and zone 2, the zones shall be combined for purposes of statistical testing.

6.0 Tier 1 Payments to CLEC

6.1 Tier 1 payments to CLEC shall be made solely for the performance measurements designated as Tier 1 on Attachment 1. The payment amount for non-conforming service varies depending upon the designation of performance measurements as High, Medium, and Low and the duration of the non-conforming service condition as described below. Non-conforming service is defined in section 4.0.

Exhibit K

6.1.1 Determination of Non-Conforming Measurements: The number of performance measurements that are determined to be non-conforming and, therefore, eligible for Tier 1 payments, are limited according to the critical z-value shown in Table 1, section 5.0. The critical z-values are the statistical standard that determines for each CLEC performance measurement whether CenturyLink QC has met parity. The critical z-value is selected from Table 1 according to the monthly CLEC volume for the performance measurement. For instance, if the CLEC sample size for that month is 100, the critical z-value is 1.645 for the statistical testing of that parity performance measurement.

6.2 Determination of the Amount of Payment: Tier 1 payments to CLEC, except as provided for in sections 6.2.3, 6.3 and 10.0, are calculated and paid monthly based on the number of performance measurements exceeding the critical z-value. Payments will be made on either a per occurrence or per measurement basis, depending upon the performance measurement, using the dollar amounts specified in Table 2 below. The dollar amounts vary depending upon whether the performance measurement is designated High, Medium, or Low and escalate depending upon the number of consecutive months for which CenturyLink QC has not met the standard for the particular measurement.

6.2.1 The escalation of payments for consecutive months of non-conforming service will be matched month for month with de-escalation of payments for every month of conforming service. For example, if CenturyLink QC has four consecutive monthly "misses" it will make payments that escalate from month 1 to month 4 as shown in Table 2. If, in the next month, service meets the standard, CenturyLink QC makes no payment. A payment "indicator" de-escalates down from month 4 to month 3. If CenturyLink QC misses the following month, it will make payment at the month 3 level of Table 2 because that is where the payment "indicator" presently sits. If CenturyLink QC misses again the following month, it will make payments that escalate back to the month 4 level. The payment level will de-escalate back to the original month 1 level only upon conforming service sufficient to move the payment "indicator" back to the month 1 level.

6.2.2 For those performance measurements listed on Attachment 2 as "Performance Measurements Subject to Per Measurement Caps," excluding BI-3A, payment to a CLEC in a single month shall not exceed the amount listed in Table 2 below for the "Per Measurement Cap" category. For those performance measurements listed on Attachment 2 as "Performance Measurements Subject to Per Measurement Payments," if any should be added at a later time, payment to a CLEC will be the amount set forth in Table 2 below under the section labeled "Per Measurement Cap."

Exhibit K

TABLE 2: TIER 1 PAYMENTS TO CLEC

Per Occurrence							
Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Each following month after Month 6 add
High	\$150	\$250	\$500	\$600	\$700	\$800	\$100
Medium	\$ 75	\$150	\$300	\$400	\$500	\$600	\$100
Low	\$ 25	\$ 50	\$100	\$200	\$300	\$400	\$100

Per Measurement Cap							
Measurement Group	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Each following month after Month 6 add
High	\$25,000	\$50,000	\$75,000	\$100,000	\$125,000	\$150,000	\$ 25,000
Medium	\$10,000	\$20,000	\$30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 10,000
Low	\$ 5,000	\$10,000	\$15,000	\$ 20,000	\$ 25,000	\$ 30,000	\$ 5,000

6.2.3 For the BI-3A performance measurement, the dollar payment amount for non-conforming performance varies depending upon the Total Bill Adjustment Amount for the CLEC. The payment amount is calculated using Table 2A below by multiplying the per occurrence amount times the number of occurrences based on the Total Bill Adjustment Amount,¹ capped at the amount shown in the table for that Total Bill Adjustment Amount. The escalation of payments for consecutive months as stated in section 6.2.1 does not apply.

TABLE 2A: TIER 1 PAYMENTS TO CLECS FOR BI-3A

Total Bill Adjustment Amount	Per Occurrence Amount	Cap
\$0 - \$0.99	\$0	\$0
\$1 - \$199.99	\$1	\$200
\$200 - \$999.99	\$10	\$5,000
\$1,000 - \$9,999.99	\$10	\$10,000
\$10,000 - \$49,999.99	\$15	\$15,000
\$50,000 - \$99,999.99	\$20	\$20,000
\$100,000 and over	\$25	\$25,000

¹ Total Bill Adjustment Amount is determined by subtracting the BI-3A numerator from the BI-3A denominator as defined in the BI-3 PID formula.

Exhibit K

6.3 For collocation, CP-2 and CP-4 performance measurements shall be relied upon for delineation of collocation business rules. For purposes of calculating Tier 1 payments, collocation jobs and collocation feasibility studies that are later than the due date will have a per day payment applied according to Table 3. The per day payment will be applied to any collocation job in which the feasibility study is provided or the collocation installation is completed later than the scheduled date. The calculation of the payment amount will be performed by applying the per day payment amounts as specified in Table 3. Thus, for days 1 through 10, the payment is \$150 per day. For days 11 through 20, the payment is \$300 per day and so on.

TABLE 3: TIER-1 COLLOCATION PAYMENTS TO CLECS

Days Late	Completion Date	Feasibility Study
1 to 10 days	\$150/day	\$45/day
11 to 20 days	\$300/day	\$90/day
21 to 30 days	\$450/day	\$135/day
31 to 40 days	\$600/day	\$180/day
More than 40 days	\$1,000/day	\$300/day

6.4 A minimum payment calculation shall be performed by CenturyLink QC at the end of each year for each CLEC with annual order volumes of no more than 1,200. The payment shall be calculated by adding the applicable minimum payment amount in Table 4 below for each month in which at least one payment was made to the CLEC. To the extent that the actual CLEC payment for the year is less than the product of the preceding calculation, CenturyLink QC shall make an additional payment equal to the difference.

TABLE 4: MINIMUM PAYMENTS TO CLECS

Total Monthly Payment:	Minimum Payment Amount:
Less than \$200	\$ 0
Between \$200 and \$800	\$ 1,500
Between \$801 and \$1,400	\$ 2,000
Over \$1,400	\$ 2,500

7.0 Tier 2 Payments to the State

7.1 Payments to the State shall be limited to the performance measurements designated in section 7.4 for Tier 2 per measurement payments and in Attachment 1 for per occurrence payments and which have at least 10 data points each month for the period payments are being calculated. Similar to the Tier 1 structure, Tier 2 measurements are categorized as High, Medium, and Low and the amount of payments for non-conformance varies according to this categorization.

Exhibit K

7.2 Determination of Non-Conforming Measurements: The determination of non-conformance will be based upon the aggregate of all CLEC data for each Tier 2 performance measurement. Non-conforming service is defined in section 4.2 (for parity measurements) and 4.3 (for benchmark measurements), except that a 1.645 critical z-value shall be used for all parity measurements but MR-2 and OP-2. The critical z-value is the statistical standard that determines for each performance measurement whether CenturyLink QC has met parity.

7.3 Determination of the Amount of Payment: Except as provided in section 7.4, Tier 2 payments are calculated and paid monthly based on the number of performance measurements failing performance standards for a third consecutive month, or if two out of three consecutive months in the 12 month period have been missed, the second consecutive month for Tier 2 measurements with Tier 1 counterparts and one month for Tier 2 measurements that do not have Tier 1 counterparts. Payment will be made on either a per occurrence or per measurement basis, whichever is applicable to the performance measurement, using the dollar amounts specified in Table 5 or Table 6 below. Except as provided in section 7.4, the dollar amounts vary depending upon whether the performance measurement is designated High, Medium, or Low.

7.3.1 For those Tier 2 measurements listed on Attachment 2 as "Performance Measurements Subject to Per Measurement Caps," payment to the State in a single month shall not exceed the amount listed in Table 5 for the "Per Measurement Cap" category.

TABLE 5: TIER 2 PAYMENTS TO STATE FUNDS

Per Occurrence

Measurement Group	
High	\$500
Medium	\$300
Low	\$200

Per Measurement Cap

Measurement Group	
High	\$75,000
Medium	\$30,000
Low	\$20,000

7.4 Performance Measurements Subject to Per Measurement Payment: The following Tier 2 performance measurements shall have their performance results measured on a region-wide (14 state) basis. Failure to meet the performance standard, therefore, will result in a per measurement payment in each of the CenturyLink QC in-region 14 states adopting this PAP. The performance measurements are:

GA-1: Gateway Availability - IMA-GUI

Exhibit K

- GA-2: Gateway Availability - IMA-EDI
- GA-3: Gateway Availability – EB-TA
- GA-4: System Availability – EXACT
- GA-6: Gateway Availability – GUI-Repair
- PO-1: Pre-Order/Order Response Times
- OP-2: Call Answered within Twenty Seconds – Interconnect Provisioning Center
- MR-2: Calls Answered within Twenty Seconds – Interconnect Repair Center

GA-1 has two sub-measurements: GA-1A and GA-1D. PO-1 shall have two sub-measurements: PO-1A and PO-1B. PO-1A and PO-1B shall have their transaction types aggregated together.

For these measurements, CenturyLink QC will make a Tier 2 payment based upon monthly performance results according to Table 6: Tier 2 Per Measurement Payments to State Funds.

TABLE 6: TIER 2 PER MEASUREMENT PAYMENTS TO STATE FUNDS

Measurement	Performance	State Payment	14 State Payment
GA-1,2,3,4,6	1% or lower	\$1,000	\$14,000
	>1% to 3%	\$10,000	\$140,000
	>3% to 5%	\$20,000	\$280,000
	>5%	\$30,000	\$420,000
PO-1	2 sec. Or less	\$1,000	\$14,000
	>2 sec. to 5 sec.	\$5,000	\$70,000
	>5 sec. to 10 sec.	\$10,000	\$140,000
	>10 sec.	\$15,000	\$210,000
OP-2/MR-2	1% or lower	\$1,000	\$14,000
	>1% to 3%	\$5,000	\$70,000
	>3% to 5%	\$10,000	\$140,000
	>5%	\$15,000	\$210,000

7.5 Payment of Tier 2 Funds: Payments to a state fund shall be used for any purpose determined by the Commission that is allowed to it by state law. If the Commission is not permitted by state law to receive or administer Tier 2 payments, payments shall be made to the state general fund or to such other source as may be provided for under state law.

Exhibit K

8.0 Step by Step Calculation of Monthly Tier 1 Payments to CLEC

8.1 Application of the Critical Z-Values: CenturyLink QC shall identify the Tier 1 parity performance measurements that measure the service provided to CLEC by CenturyLink QC for the month in question and the critical z-value from Table 1 in section 5.0 that shall be used for purposes of statistical testing for each particular performance measurement. The statistical testing procedures described in section 4.0 shall be applied. For the purpose of determining the critical z-values, each disaggregated category of a performance measurement is treated as a separate sub-measurement. The critical z-value to be applied is determined by the CLEC volume at each level of disaggregation or sub-measurement.

8.2 Performance Measurements for which Tier 1 Payment is Per Occurrence:

8.2.1 Performance Measurements that are Averages or Means:

8.2.1.1 Step 1: For each performance measurement, the average or the mean that would yield the critical z-value shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

8.2.1.2 Step 2: The percentage differences between the actual averages and the calculated averages shall be calculated. The calculation is $\% \text{ diff} = (\text{CLEC result} - \text{Calculated Value}) / \text{Calculated Value}$.

8.2.1.3 Step 3: For each performance measurement, the total number of data points shall be multiplied by the percentage calculated in the previous step and the per occurrence dollar amounts from the Tier 1 Payment Table shall determine the payment to the CLEC for each non-conforming performance measurement.

8.2.2 Performance Measurements that are Percentages:

8.2.2.1 Step 1: For each performance measurement, the percentage that would yield the critical z-value shall be calculated. The same denominator as the one used in calculating the z- statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

8.2.2.2 Step 2: The difference between the actual percentages for the CLEC and the calculated percentages shall be determined.

8.2.2.3 Step 3: For each performance measurement, the total number of data points shall be multiplied by the difference in percentage calculated in the previous step, and the per occurrence dollar amount taken from the Tier 1 Payment Table, to determine the payment to the CLEC for each non-conforming performance measurement.

Exhibit K

8.2.3 Performance Measurements that are Ratios or Proportions:

8.2.3.1 Step 1: For each performance measurement the ratio that would yield the critical z-value shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

8.2.3.2 Step 2: The absolute difference between the actual rate for the CLEC and the calculated rate shall be determined.

8.2.3.3 Step 3: For each performance measurement, the total number of data points shall be multiplied by the difference calculated in the previous step, and the per occurrence dollar amount taken from the Tier 1 Payment Table, to determine the payment to the CLEC for each non-conforming performance measurement.

8.3 Performance Measurements for which Tier 1 Payment is Per Measure:

8.3.1 For each performance measurement where CenturyLink QC fails to meet the standard, the payment to the CLEC shall be the dollar amount shown on the "per measure" portion of Table 2: Tier 1 Payments to CLEC.

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

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

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

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

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

9.1.2.2 For Tier 2 measurements that do not have Tier 1 counterparts, it shall be determined if CenturyLink QC has missed the standard in any two out of three consecutive months for the most recent 12 month

Exhibit K

period, and if so, whether CenturyLink QC has additionally missed the performance standard for the current month.

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

9.1.4 Application of the Critical Z-Values: CenturyLink QC shall identify the Tier 2 parity performance measurements that measure the service provided to all CLECs by CenturyLink QC for the month in question. The statistical testing procedures described in section 4.0 shall be applied, except that a 1.645 critical z-value shall be used for all parity measurements except MR-2 and OP-2.

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

9.2 Performance Measurements for which Tier 2 Payment is Per Occurrence:

9.2.1 Performance Measurements that are Averages or Means:

9.2.1.1 Step 1: The monthly average or the mean for each performance measurement that would yield the critical z-value for each applicable non-conforming month shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

9.2.1.2 Step 2: The percentage difference between the actual averages and the calculated averages for each applicable non-conforming month shall be calculated. The calculation for parity measurements is $\% \text{ diff} = (\text{actual average} - \text{calculated average}) / \text{calculated average}$.

9.2.1.3 Step 3: For each performance measurement, the total number of data points for each applicable non-conforming month shall be multiplied by the percentage calculated in the previous step. The average for the applicable non-conforming months (rounded to the

Exhibit K

nearest integer) shall be calculated and multiplied by the result of the per occurrence dollar amount taken from the Tier 2 Payment Table to determine the payment to the State for each non-conforming performance measurement.

9.2.2 Performance Measurements that are Percentages:

9.2.2.1 Step 1: For each performance measurement, the monthly percentage that would yield the critical z-value for each applicable non-conforming month shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

9.2.2.2 Step 2: The difference between the actual percentages and the calculated percentages for each of the applicable non-conforming months shall be calculated. The calculation for parity measurement is $\text{diff} = (\text{CLEC result} - \text{calculated percentage})$. This formula shall be applicable where a high value is indicative of poor performance. The formula shall be reversed where high performance is indicative of good performance.

9.2.2.3 Step 3: For each performance measurement, the total number of data points for each applicable non-conforming month shall be multiplied by the difference in percentage calculated in the previous step. The average for the applicable non-conforming months shall be calculated (rounded to the nearest integer) and multiplied by the result of the per occurrence dollar amounts taken from the Tier 2 Payment Table to determine the payment to the State.

9.2.3 Performance Measurements that are Ratios or Proportions:

9.2.3.1 Step 1: For each performance measurement, the ratio that would yield the critical z-value for each applicable non-conforming month shall be calculated. The same denominator as the one used in calculating the z-statistic for the measurement shall be used. (For benchmark measurements, the benchmark value shall be used.)

9.2.3.2 Step 2: The difference between the actual rate for the CLEC and the calculated rate for each applicable non-conforming month shall be calculated. The calculation is: $\text{diff} = (\text{CLEC rate} - \text{calculated rate})$. This formula shall apply where a high value is indicative of poor performance. The formula shall be reversed where high performance is indicative of good performance.

Exhibit K

9.2.3.3 Step 3: For each performance measurement, the total number of data points shall be multiplied by the difference calculated in the previous step for each applicable non-conforming month. The average for the applicable non-conforming months shall be calculated (rounded to the nearest integer) and multiplied by the result of the per occurrence dollar amounts taken from the Tier 2 Payment Table to determine the payment to the State.

9.3 Performance Measurements for which Tier 2 Payment is Per Measure:

9.3.1 For each performance measurement where CenturyLink QC fails to meet the standard, the payment to the State Fund shall be the dollar amount shown on the "Per Measurement" portion of the Tier 2 Payment Table.

10.0 Low Volume, Developing Markets

10.1 For certain qualifying performance standards, if the aggregate monthly volumes of CLECs participating in the PAP are more than 10, but less than 100, CenturyLink QC will make Tier 1 payments to CLECs for failure to meet the parity or benchmark standard for the qualifying performance sub-measurements. The qualifying sub-measurements are the ADSL qualified loop product disaggregations of OP-3, OP-4, OP-5a, MR-3, MR-5, MR-7, and MR-8. If the aggregate monthly CLEC volume is greater than 100, the provisions of this section shall not apply to the qualifying performance sub-measurement.

10.2 The determination of whether CenturyLink QC has met the parity or benchmark standards will be made using aggregate volumes of CLECs participating in the PAP. In the event CenturyLink QC does not meet the applicable performance standards, a total payment to affected CLECs will be determined in accordance with the high, medium, low designation for each performance measurement (see Attachment 1) and as described in section 8.0, except that CLEC aggregate volumes will be used. In the event the calculated total payment amount to CLECs is less than \$5,000, a minimum payment of \$5,000 shall be made. The resulting total payment amount to CLECs will be apportioned to the affected CLECs based upon each CLEC's relative share of the number of total service misses.

10.3 At the six (6)-month reviews, CenturyLink QC will consider adding to the above list of qualifying performance sub-measurements, new products disaggregation representing new modes of CLEC entry into developing markets.

11.0 Payment

11.1 Payments to CLEC, the State, or the Special Fund shall be made one month following the due date of the performance measurement report for the month for

Exhibit K

which payment is being made. CenturyLink QC will pay interest on any late payment and underpayment at the prime rate as reported in the Wall Street Journal. On any overpayment, CenturyLink QC is allowed to offset future payments by the amount of the overpayment plus interest at the prime rate.

11.2 Payment to CLEC shall be made via bill credits. Bill credits shall be identified on a summary format substantially similar to that distributed as a prototype to the CLECs and the Commissions. To the extent that a monthly payment owed to CLEC under this PAP exceeds the amount owed to CenturyLink QC by CLEC on a monthly bill, CenturyLink QC will issue a check or wire transfer to CLEC in the amount of the overage. Payment to the State shall be made via check or wire transfer.

11.3 Upon the execution of a memorandum of understanding with the South Dakota Commission, a South Dakota Special Fund and a South Dakota Discretionary Fund shall be created for the purposes and in accordance with section 11.0. The South Dakota Commission shall authorize disbursement of funds. All claims against the funds shall be presented to the Commission and shall be the responsibility of the South Dakota Commission.

11.3.1 CenturyLink QC shall establish the South Dakota Special Fund and the South Dakota Discretionary Fund as separate interest bearing escrow accounts. Upon CenturyLink QC receiving effective section 271 authority from the FCC for the state of South Dakota, the Commission shall determine and direct CenturyLink QC to deposit into the South Dakota Special Fund either 1) one-fifth of all Tier 1 payments that exceed the month 1 payment amounts in Table 2 and one-third of all Tier 2 payments or 2) 50% of all Tier 2 payments. CenturyLink QC shall deposit any other Tier 2 payments into the South Dakota Discretionary Fund. The costs of the escrow accounts will be paid for from the accounts' funds.

11.3.2 The South Dakota Special Fund shall be created to pay the independent auditor and audit costs for the purpose of regional or state audits as specified in section 15.1 or, and to pay expenses incurred by the Commission in participating in any regional review of the PIDs. Disbursements from the South Dakota Special Fund shall first be from Tier 2 funds and second from Tier 1 funds. Not less than every two years, Tier 1 funds that are not needed to meet the continuing obligations of the Special Fund shall be returned on a pro-rata basis to CLECs, including any interest not used for fund administration. Other than the transfer of funds allowed in section 11.3.2.1, disbursements from the South Dakota Discretionary Fund shall be for, but not limited to, South Dakota telecommunications initiatives. Any excess funds in the South Dakota Special Fund may be transferred to the South Dakota Discretionary Fund at the Commission's discretion.

11.3.2.1 If the South Dakota Commission chooses not to participate in the regional audit pursuant to section 15.1 and the account balance of the South Dakota Special Fund escrow account is less than \$50,000 at the time of any state audit described in

Exhibit K

section 15.1, a transfer of funds from the South Dakota Discretionary Fund to the South Dakota Special Fund shall be allowed in the amount necessary to bring the South Dakota Special Fund balance to \$50,000.

11.3.3 Notwithstanding the provisions herein, CenturyLink QC shall advance sufficient funds to any consolidated Special Fund established by participating states, set up for the purpose of a regional audit as specified in sections 15.1, not to exceed \$200,000 (or \$500,000 in the event 6 or more states participate in the regional audit) in order to meet initial claims against that Fund to the extent that contributions from Tier 1 and/or Tier 2 payments are insufficient. CenturyLink QC shall be allowed to recover any such advances plus interest at the rate that such an escrow account would have earned from future Tier 2 payments.

12.0 Cap on Tier 1 and Tier 2 Payments

12.1 There shall be a cap on the total payments made by CenturyLink QC for a 12-month period beginning with the effective date of the PAP for the State of South Dakota. The annual cap for the State of South Dakota shall be 36% of the prior year's ARMIS Net Return, or \$15,000,000, whichever is greater, subject to any applicable adjustments permitted pursuant to section 12.2. CenturyLink QC shall submit to the Commission the calculation of each year's cap no later than 30 days after submission of ARMIS results to the FCC. CLEC agrees that this amount constitutes a maximum annual cap that shall apply to the aggregate total of Tier 1 liquidated damages, including any such damages paid pursuant to this Agreement, any other interconnection agreement, or any other payments made for the same underlying activity or omission under any other contract, order or rule and Tier 2 assessments or payments made by CenturyLink QC for the same underlying activity or omission under any other contract, order or rule.

12.2 If CenturyLink QC payments equal or exceed the annual cap for two years in a row or equal or exceed 1/3rd of the annual cap in a combination of two consecutive months, the Commission shall have the authority to open a proceeding to request CenturyLink QC to explain the non-conforming performance and show that it did not result from CenturyLink QC's failure to act in a prudent manner to avoid reasonably foreseeable consequences. The Commission may raise the cap to the amount which CenturyLink QC would have paid in the higher of the prior two years, may ask the Federal Communication Commission ("FCC") to halt CenturyLink QC's in-region interLATA long distance marketing authority for a particular interval, or may take other appropriate action.

12.3 If the annual cap is reached, each CLEC shall, as of the end of the plan year, be entitled to receive the same percentage of its total calculated Tier 1 payments. In order to preserve the operation of the annual cap, the percentage of equalization shall take place as follows:

Exhibit K

12.3.1 The amount by which any month's total year-to-date Tier 1 and Tier 2 payments exceeds the cumulative monthly cap (defined as 1/12th of the annual cap times the cumulative number of months to date) shall be calculated and apportioned between Tier 1 and Tier 2 according to the percentage that each bore of total payments for the year-to-date. The Tier 1 apportionment resulting of this calculation shall be known as the "Tracking Account."

12.3.2 The Tier 1 apportionment shall be debited against the monthly payment due to each CLEC, by applying to the year-to-date payments received by each the percentage necessary to generate the required total Tier 1 amount.

12.3.3 The Tracking Amount shall be apportioned among all CLECs so as to provide each with payments equal in percentage of its total year to date Tier 1 payment calculations.

12.3.4 This calculation shall take place in the first month that the year-to-date total Tier 1 and Tier 2 payments are expected to exceed the cumulative monthly cap and for each month of that year thereafter. CenturyLink QC shall recover any debited amounts by reducing payments due to any CLEC for that month and any succeeding months, as necessary.

13.0 Limitations

13.1 The PAP shall not become available in the State unless and until Qwest receives effective section 271 authority from the FCC for that State.

13.2 CenturyLink QC will not be liable for Tier 1 payments to CLEC in an FCC approved state until the Commission has approved an interconnection agreement between CLEC and CenturyLink QC which adopts the provisions of this PAP.

13.3 CenturyLink QC shall not be obligated to make Tier 1 or Tier 2 payments for any measurement if and to the extent that non-conformance for that measurement was the result of any of the following: 1) with respect to performance measurements with a benchmark standard, a Force Majeure event as defined in section 5.7 of the SGAT. CenturyLink QC will provide notice of the occurrence of a Force Majeure event within 72 hours of the time CenturyLink QC learns of the event or within a reasonable time frame that CenturyLink QC should have learned of it; 2) an act or omission by a CLEC that is contrary to any of its obligations under its interconnection agreement with CenturyLink QC or under federal or state law; an act or omission by CLEC that is in bad faith. Examples of bad faith conduct include, but are not limited to: unreasonably holding service orders and/or applications, "dumping" orders or applications in unreasonably large batches, "dumping" orders or applications at or near the close of a business day, on a Friday evening or prior to a holiday, and failing to provide timely forecasts to CenturyLink QC for services or facilities when such forecasts are explicitly required by the SGAT; 3) problems associated with third-party

Exhibit K

systems or equipment, which could not have been avoided by CenturyLink QC in the exercise of reasonable diligence, *provided, however*, that this third party exclusion will not be raised in the State more than three times within a calendar year. If a Force Majeure event or other excusing event recognized in this section merely suspends CenturyLink QC's ability to timely perform an activity subject to a performance measurement that is an interval measure, the applicable time frame in which CenturyLink QC'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.

13.3.1 CenturyLink QC will not be excused from Tier 1 or Tier 2 payments for any reason except as described in Section 13.0. CenturyLink QC will have the burden of demonstrating that its non-conformance with the performance measurement was excused on one of the grounds described in this PAP. A party may petition the Commission to require CenturyLink QC to deposit disputed payments into an escrow account when the requesting party can show cause, such as grounds provided in the Uniform Commercial Code for cases of commercial uncertainty.

13.3.2 Notwithstanding any other provision of this PAP, it shall not excuse performance that CenturyLink QC could reasonably have been expected to deliver assuming that it had designed, implemented, staffed, provisioned, and otherwise provided for resources reasonably required to meet foreseeable volumes and patterns of demands upon its resources by CLECs.

13.4 CenturyLink QC'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 in whole or in part to the same performance.

13.4.1 CLEC may not use: 1) the existence of this enforcement plan; or 2) CenturyLink QC's payment of Tier -1 "liquidated damages" or Tier 2 "assessments" as evidence that CenturyLink QC 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. CenturyLink QC's conduct underlying its performance measures, however are not made inadmissible by its terms.

13.4.2 By accepting this performance remedy plan, CLEC agrees that CenturyLink QC'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. (Nothing herein is intended to preclude CenturyLink QC from introducing evidence of any Tier 1 "liquidated damages" under these provisions for the purpose of offsetting the payment against any other damages or payments a CLEC might recover.) The terms of this paragraph do not apply to any proceeding before the Commission or the FCC to determine whether CenturyLink QC has met or continues to meet the requirements of section 271 of the Act.

Exhibit K

13.5 By incorporating these liquidated damages terms into the PAP, CenturyLink QC and CLEC accepting this PAP agree that proof of damages from any non-conforming performance measurement would be difficult to ascertain and, therefore, liquidated damages are a reasonable approximation of any contractual damages that may result from a non-conforming performance measurement. CenturyLink QC and CLEC further agree that Tier 1 payments made pursuant to this PAP are not intended to be a penalty. The application of the assessments and damages provided for herein is not intended to foreclose other non-contractual legal and non-contractual regulatory claims and remedies that may be available to a CLEC.

13.6 This PAP contains a comprehensive set of performance measurements, statistical methodologies, and payment mechanisms that are designed to function together, and only together, as an integrated whole. To elect the PAP, CLEC must adopt the PAP in its entirety in its interconnection agreement with CenturyLink QC in lieu of other alternative standards or relief. Where alternative standards or remedies for CenturyLink QC's wholesale performance are available under rules, orders, or contracts, including interconnection agreements, CLEC will be limited to either PAP standards and remedies or the standards and remedies available under rules, orders or contracts and CLECs choice of remedies shall be specified in its interconnection agreement.

13.7 Any liquidated damages payment by CenturyLink QC under these provisions is not hereby made inadmissible in any proceeding related to the same conduct where CenturyLink QC seeks to offset the payments against any other damages a CLEC may recover; whether or not the nature of the damages sought by the CLEC is such that an offset is appropriate will be determined in the relevant proceeding.

13.8 To the extent CenturyLink QC believes that some Tier 2 payments required to be made under this PAP would duplicate payments that have been assessed by or on behalf of the Commission pursuant to any service quality rules or Commission orders, CenturyLink QC may make such Tier 2 payments to a special interest bearing escrow account and then dispute the payments before the South Dakota Commission. If CenturyLink QC can show that the payments relate to the same underlying activity or omission, it may retain the Tier 2 payments and any interest accrued on such payments.

13.9 Whenever a CenturyLink QC Tier 1 payment to an individual CLEC exceeds \$3 million in a month, CenturyLink QC may commence a proceeding to demonstrate why it should not be required to pay any amount in excess of the \$3 million. Upon timely commencement of the proceeding, CenturyLink QC must pay the balance of payments owed in excess of \$3 million into escrow, to be held by a third-party pending the outcome of the proceeding. To invoke these escrow provisions, CenturyLink QC must file, not later than the due date of the Tier 1 payments, its application. CenturyLink QC will have the burden of proof to demonstrate why, under the circumstances, it would be unjust to require it to make the payments in excess of

Exhibit K

\$3 million. If CenturyLink QC reports non-conforming performance to CLEC for three consecutive months on 20% or more of the measurements reported to CLEC and has incurred no more than \$1 million in liability to CLEC, then CLEC may commence a similar proceeding. In any such proceeding CLEC will have the burden of proof to demonstrate why, under the circumstances, justice requires CenturyLink QC to make payments in excess of the amount calculated pursuant to the terms of the PAP. The disputes identified in this section shall be resolved in a manner specified in the Dispute Resolution section of the SGAT with the CLEC.

13.10 Any payments made by CenturyLink QC as a result of the PAP should not: 1) be included as expenses in any CenturyLink QC revenue requirement, or 2) be reflected in increased rates to CLECs for services and facilities provided pursuant to Section 251(c) of the Telecommunication Act of 1996 and priced pursuant to Section 252(d) of the Telecommunications Act of 1996.

13.11 This Exhibit K may be assigned as a part of any agreement to which SGAT Section 5.12.1 is applicable.

14.0 Reporting

14.1 Upon receiving effective section 271 authority from the FCC for a state, CenturyLink QC will provide CLEC that has an approved interconnection agreement with CenturyLink QC, a monthly report of CenturyLink QC's performance for the measurements identified in the PAP by the last day of the month following the month for which performance results are being reported. However, CenturyLink QC shall have a grace period of five business days, so that CenturyLink QC shall not be deemed out of compliance with its reporting obligations before the expiration of the five business day grace period. CenturyLink QC will collect, analyze, and report performance data for the measurements listed on Attachment 1 in accordance with the most recent version of the PIDs. Upon CLEC's request, data files of the CLEC's raw data, or any subset thereof, will be transmitted, without charge, to CLEC in a mutually acceptable format, protocol, and transmission medium.

14.2 CenturyLink QC will also provide the Commission a monthly report of aggregate CLEC performance results pursuant to the PAP by the last day of the month following the month for which performance results are being reported. However, CenturyLink QC shall have a grace period of five business days, so that CenturyLink QC shall not be deemed out of compliance with its reporting obligations before the expiration of the five business day grace period. Individual CLEC reports of participating CLECs will also be available to the Commission upon request. By accepting this PAP, CLEC consents to CenturyLink QC providing CLEC's report and raw data to the State Commission. Pursuant to the terms of an order of the Commission, CenturyLink QC may provide CLEC-specific data that relates to the PAP, provided that CenturyLink QC shall first initiate any procedures necessary to protect the confidentiality and to prevent the public release of the information pending

Exhibit K

any applicable Commission procedures and further provided that CenturyLink QC provides such notice as the Commission directs to the CLEC involved, in order to allow it to prosecute such procedures to their completion. Data files of participating CLEC raw data, or any subset thereof, will be transmitted, without charge, to the Commission in a mutually acceptable format, protocol, and transmission form.

14.3 In the event CenturyLink QC does not provide CLEC and the Commission with a monthly report by the last day of the month following the month for which performance results are being reported, CenturyLink QC will pay to the State a total of \$500 for each business day for which performance reports are 6 to 10 business days past the due date; \$1,000 for each business day for which performance reports are 11 to 15 business days past the due date; and \$2,000 for each business day for which performance results are more than 15 business days past the due date. If reports are on time but are missing performance results, CenturyLink QC will pay to the State a total of one-fifth of the late report amount for each missing performance measurement, subject to a cap of the full late report amount. These amounts represent the total payments for omitting performance measurements or missing any report deadlines, rather than a payment per report. Prior to the date of a payment for late reports, CenturyLink QC may file a request for a waiver of the payment, which states the reasons for the waiver. The Commission may grant the waiver, deny the waiver, or provide any other relief that may be appropriate.

14.4 To the extent that CenturyLink QC recalculates payments made under this PAP, such recalculation shall be limited to the preceding three years (measured from the later of the provision of a monthly credit statement or payment due date). CenturyLink QC shall retain sufficient records to demonstrate fully the basis for its calculations for long enough to meet this potential recalculation obligation. CLEC verification or recalculation efforts should be made reasonably contemporaneously with CenturyLink QC measurements. In any event, CenturyLink QC shall maintain the records in a readily useable format for one year. For the remaining two years, the records may be retained in archived format. Any payment adjustments shall be subject to the interest rate provisions of section 11.1.

15.0 Integrated Audit Program/Investigations of Performance Results

15.1 Audits of the PAP shall be conducted under the auspices of the Commission in accordance with a detailed audit plan developed by an independent auditor and approved by the Commission. The Commission shall select the independent auditor with input from CenturyLink QC and the CLECs. The Commission will determine, based upon requests and upon its own investigation, which results and/or measures should be audited. The Commission may, at its discretion, conduct audits through participation in a collaborative process with other states.

15.1.1 The initial audit plan shall be conducted over two years, with audit periods subsequent to the initial audit to be determined by the Commission. The Commission will

Exhibit K

determine the scope of and procedure for the audit plan, which, at a minimum, will identify the specific performance measurements to be audited, the specific tests to be conducted, and the entity to conduct them. The initial audit plan will give priority to auditing the higher risk areas identified in the Final OSS Report.

15.1.2 The Commission will attempt to coordinate its audit plan with other audit plans that may be conducted by other state commissions so as to avoid duplication. The audit shall be conducted so as not to impede CenturyLink QC's ability to comply with the other provisions of the PAP and should be of a nature and scope that it can be conducted in accordance with the reasonable course of CenturyLink QC's business operations.

15.1.3 Any dispute arising out of the audit plan, the conduct of the audit, or audit results shall be resolved by the Commission.

15.2 CenturyLink QC must report to the Commission monthly any changes it makes to the automated or manual processes used to produce performance results including data collection, generation, and reporting. The reports must include sufficient detail to enable the parties to understand the scope and nature of the changes.

15.3 In the event of a disagreement between CenturyLink QC and CLEC as to any issue regarding the accuracy or integrity of data collected, generated, and reported pursuant to the PAP, CenturyLink QC and the CLEC shall first consult with one another and attempt in good faith to resolve the issue. If an issue is not resolved within 45 days after a request for consultation, CLEC and CenturyLink QC may, upon a demonstration of good cause (e.g., evidence of material errors or discrepancies), request an independent audit to be conducted, at the initiating party's expense. The independent auditor will assess the need for an audit based upon whether there exists a material deficiency in the data or whether there exists an issue not otherwise addressed by the audit plan for the current cycle. The Commission will resolve any dispute by any party questioning the independent auditor's decision to conduct or not conduct a CLEC requested audit and the audit findings, should such an audit be conducted. Audit findings will include: (a) general applicability of findings and conclusions (i.e., relevance to CLECs or jurisdictions other than the ones causing test initiation), (b) magnitude of any payment adjustments required and, (c) whether cost responsibility should be shifted based upon the materiality and clarity of any CenturyLink QC non-conformance with measurement requirements (no pre-determined variance is appropriate, but should be based on the auditor's professional judgment). CLEC may not request an audit of data more than three years from the later of the provision of a monthly credit statement or payment due date.

15.4 Expenses for the audit of the PAP and any other related expenses incurred by the Commission, except that which may be assigned under section 15.3, shall be paid first from the Tier 2 funds in the Special Fund. If no Special Fund is in existence or Tier 2 funds are not otherwise sufficient to cover audit costs in whole or in part, the Commission will develop an additional funding method that will include contributions from CLECs' Tier 1 payments and from CenturyLink QC.

Exhibit K

15.5 Any party may petition the Commission to request that CenturyLink QC investigate any consecutive Tier 1 miss or any second consecutive Tier 2 miss to determine the cause of the miss and to identify the action needed in order to meet the standard set forth in the performance measurements. CenturyLink QC will report the results of its investigation to the Commission, and to the extent an investigation determines that a CLEC was responsible in whole or in part for the Tier 2 misses, CenturyLink QC may petition the Commission to request that it receive credit against future Tier 2 payments in an amount equal to the Tier 2 payments that should not have been made. CenturyLink QC may also request that the relevant portion of subsequent Tier 2 payments will not be owed until any responsible CLEC problems are corrected. For the purposes of this sub-section, Tier 1 performance measurements that have not been designated as Tier 2 will be aggregated and the aggregate results will be investigated pursuant to the terms of this agreement.

16.0 Reviews

16.1 Every six (6) months beginning six months after the effective date of 271 approval by the FCC for the state of South Dakota, CenturyLink QC, CLECs, and the Commission shall participate in a review of the performance measurements to determine whether the measurements should be added, deleted, or modified; whether the applicable benchmark standards should be modified or replaced by standards; and whether to move a classification of a measurement to High, Medium, or Low or Tier 1 to Tier 2. Criteria for review of performance measurement, 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. After the Commission considers changes proposed in the six month review process, it shall determine what, if any, changes shall be made by CenturyLink QC. The Commission retains its independent authority under state law to initiate a proceeding to review the PAP at any time and to order changes to any provisions of the PAP, after notice and hearing, and consistent with due process and other rights of all parties. No new performance measurements shall be added to the PAP that have not been subject to observation as a diagnostic measurement for a period of six (6) months, unless ordered otherwise by the Commission. Any changes made pursuant to this section shall apply to and modify this agreement.

16.1.1 Notwithstanding section 16.1, if any agreements on adding, modifying, deleting, performance measurements as permitted by section 16.1 are reached between CenturyLink QC and CLECs participating in an industry Regional Oversight Committee (ROC) PID administration forum, those agreements shall be incorporated into the QPAP and modify the agreement between CLEC and CenturyLink QC at any time those agreements are submitted to and approved by the Commission, whether before or after a six-month review.

16.1.2 Nothing in this PAP precludes the Commission from modifying the PAP based upon its independent state law authority, subject to judicial challenge. Nothing

Exhibit K

in this PAP constitutes a grant of authority by either party to this agreement nor does it constitute a waiver by either party to this agreement of any claim either party may have that the Commission lacks jurisdiction to make any modifications to this PAP, including any modifications resulting from the process described in Section 16.0.

16.1.3 Notwithstanding section 16.1, any party may submit a root cause analysis to the Commission requesting removal of a PID or sub-measure from the PAP or requesting exemption of a PID or sub-measure from the application of the trigger mechanism for reinstatement or subsequent removal. In the analysis and recommendations concerning the root cause analysis, the Commission is to consider, at a minimum, whether the root cause analysis provides evidence of no harm, the same harm as covered by other PID measures, non-CenturyLink QC related causes, or other factors which directly relate to the harm or circumstances specific to the PID or sub-measure being analyzed.

16.2 Two years after the effective date of the first FCC 271 approval of the PAP, the Commission, by itself or in conjunction with other state commissions, may conduct a review by a independent third party to examine the continuing effectiveness of the PAP as a means of inducing compliant performance. Except for expenses which may be assigned under section 15.3, the expenses of any review by the state of South Dakota, or if the Commission participates in a multistate review, the expenses shall be paid first from the Tier 2 funds in the Special Fund. If no Special Fund is in existence or Tier 2 funds are not otherwise sufficient to cover audit costs in whole or in part, the Commission will develop an additional funding method that will include contribution from CLECs' Tier 1 payments and from CenturyLink QC.

16.3 CenturyLink QC will make the PAP available for CLEC interconnection agreements. Upon CenturyLink QC's elimination of its Section 272 affiliate or upon it exiting the interLATA market, CenturyLink QC may petition the Commission to phase out the PAP. At that time, a review of the PAP shall be conducted to determine whether a phase-out of the PAP is appropriate.

17.0 (Reserved for Future Use)

18.0 Dispute Resolution

Except as otherwise provided in the PAP, the Commission shall resolve any disputes.

Exhibit K

Attachment 1: Tier 1 and Tier 2 Performance Measurements Subject to Per Occurrence Payment

Performance Measurement		Tier 1 Payments			Tier 2 Payments		
		Low	Med	High	Low	Med	High
GATEWAY							
Timely Outage Resolution	GA-7						X
PRE-ORDER/ORDERS							
LSR Rejection Notice Interval	PO-3 ^a	X					
Firm Order Confirmations On Time	PO-5	X				X	
Work Completion Notification Timeliness	PO-6 ^b	X					
Billing Completion Notification Timeliness	PO-7 ^b	X					
Jeopardy Notice Interval	PO-8	X					
Timely Jeopardy Notices	PO-9	X					
Release Notifications	PO-16						X
(Expanded) – Manual Service Order Accuracy	PO-20		X				
ORDERING AND PROVISIONING							
Installation Commitments Met	OP-3 ^g			X		X	
Installation Intervals	OP-4 ^{c,g}			X		X	
New Service Quality	OP-5 ^{a,g} , b ^{d,g}			X		X	
Delayed Days	OP-6 ^{e,g}			X		X	
Number Portability Timeliness	OP-8			X		X	
Coordinated Cuts On Time – Unbundled Loops	OP-13a			X		X	
LNP Disconnect Timeliness	OP-17			X		X	
MAINTENANCE AND REPAIR							
Out of Service Cleared within 24 hours	MR-3 ^g			X			
All Troubles Cleared within 4 hours	MR-5 ^g			X			
Mean time to Restore	MR-6 ^{a,g} , b ^g , c ^g , d ^f , e ^f			X			
Repair Repeat Report Rate	MR-7 ^g			X		X	
Trouble Rate	MR-8 ^g			X		X	
LNP Trouble Reports Cleared within Specified Timeframes	MR-11			X		X	
BILLING							
Time to Provide Recorded Usage Records	BI-1	X					X
Billing Accuracy-Adjustments for Errors	BI-3	X					
Billing Completeness	BI-4	X				X	
NETWORK PERFORMANCE							
Trunk Blocking	NI-1			X			X
NXX Code Activation	NP-1			X			X

Exhibit K

- a. PO-3 is limited to PO-3a-1, PO-3b-1, and PO-3c.
- b. PO-6 is included with PO-7 as two "families." PO-6a/PO-7a and PO-6b/PO-7b. Measurements within each family share a single payment opportunity with only the measurements with the highest payment being paid.
- c. OP-4 is included with OP-6 as five "families." OP-4a/OP-6-1, OP-4b/OP-6-2, OP-4c/OP-6-3, OP-4d/OP-6-4, and OP-4e/OP-6-5. Measurements within each family share a single payment opportunity with only the measurement with the highest payment being paid.
- d. Section 3.1.2 applies to OP-5b only if the number of orders with trouble in OP-5a is no more than one.
- e. For purposes of the PAP, OP-6a and OP-6b will be combined and treated as one. The combined OP-6 breaks down to OP-6-1 (within MSA), OP-6-2 (outside MSA), OP-6-3 (no dispatch), OP-6-4 (zone 1), and OP-6-5 (zone 2).
- f. Applicable only to xDSL-I capable loops.
- g. Excludes the following product disaggregations as applicable to this PID: Resale Centrex, Resale Centrex 21, Resale DS0 (non-designed), Resale DS0 (designed), Resale DS0, E911/911 Trunks, Resale Frame Relay, Resale Basic ISDN (non-designed), Resale Basic ISDN (designed), Resale Basic ISDN, Resale Primary ISDN (non-designed), Resale Primary ISDN (designed), Resale Primary ISDN, Resale PBX (non-designed), Resale PBX (designed), Resale PBX, Sub-Loop Unbundling, UNE-P (POTS), UNE-P (Centrex), and UNE-P (Centrex 21).

Exhibit K

Attachment 2: Performance Measurements Subject to Per Measurement Caps

Billing

Time to Provide Recorded Usage Records – BI-1 (Tier 1/Tier 2)

Billing Accuracy – Adjustments for Errors – BI-3 (Tier 1)

Billing Completeness – BI-4 (Tier 1/Tier 2)