Date: January 16, 2003

EXCEPTION REPORT

An exception has been identified as a result of the test activities associated with the Remedy Replication Review. (PMR7.5)

Exception:

BellSouth does not calculate Triple Damages (3x) remedies in accordance with the Georgia Public Service Commission (GAPSC) Enforcement Order.

Background:

Self-Effectuating Enforcement Mechanism (SEEM) reports are created to illustrate BellSouth's Operational Support System enforcement mechanism. Each month, as mandated by the Georgia Public Service Commission, BellSouth publishes SEEM reports of remedy values for the Georgia Public Service Commission and for Competitive Local Exchange Carriers (CLECs) engaged in business activity with BellSouth in the State of Georgia.

Issue:

The GAPSC Enforcement Order states:

> "...BellSouth shall make additional payments to the Commission for deposit in the Georgia State Treasury when there are more than 10 and less than 100 observations for these measures...BellSouth shall calculate the additional payments to the Commission for deposit with the State Treasury by trebling the normal Tier II remedy and applying the method of calculating affected volumes ordered by the Commission."

BearingPoint has found that when Triple Damages are applied by BellSouth, BellSouth is calculating a total ***combined*** payment for Tier II and Triple Damages equal to 3 times the normal Tier II penalty.

After reviewing the Enforcement Order, BearingPoint confirmed with the GAPSC that Triple Damages should be calculated ***in addition*** to regular Tier II penalties.

Table 1 provides an example of remedy penalties using BellSouth's current methodology, while Table 2 shows the different remedy penalties produced using an alternative methodology which does not combine Tier II and Triple Damages penalties.

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Table 1: Example of Tier II and Triple Damages Using BellSouth's Current Methodology

Item	Month	Measure Name	3 Month Avg. Volume	3 Month Avg. TAV	Fee	Tier II Remedy	Triple Damages Remedy	Total (Tier II and Triple Damages)
1	September 2002	Maintenance Average Duration - UNE Line Sharing	75	63	$875	$55,125.00	$110,250.00	$165,375.00

Table 2: Example of Tier II and Triple Damages Using Alternative Methodology

Item	Month	Measure Name	3 Month Avg. Volume	3 Month Avg. TAV	Fee	Tier II Remedy	Triple Damages Remedy	Total (Tier II and Triple Damages)
1	September 2002	Maintenance Average Duration - UNE Line Sharing	75	63	$875	$55,125.00	$165,375.00	$220,500.00

Impact:

BellSouth should follow the Georgia PSC's Enforcement Order when calculating remedy payments for Triple Damages. BellSouth's current methodology for calculating Triple Damages will result in the underpayment of remedies to the GAPSC/State of Georgia.

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