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Board of Public Utilities

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Zsuzsanna E. Benedek,
Associate General Counsel
240 North Third Street, Ste. 300
Harrisburg, PA 17101
Telephone: 717.245.6346
Fax: 717.236.1389
sue.benedek@centurylink.com

February 19, 2016

*Case report
C. Costello
C. Vachon
J. Delbert*

VIA OVERNIGHT MAIL

Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625

Re: I/M/O Joint Petition of United Telephone Company of New Jersey, Inc. d/b/a CenturyLink and Broadview Networks, Inc. for Approval of a Resale Agreement - BPU Docket No. TO15060747

Dear Secretary Asbury:

United Telephone Company of New Jersey, Inc. d/b/a CenturyLink ("CenturyLink") is in receipt of correspondence, dated February 9, 2016, filed by the New Jersey Division of Rate Counsel ("Rate Counsel") in the above-referenced matter. Rate Counsel does not object to approval of the Resale Agreement (hereinafter "Agreement"), but rather requests that the New Jersey Board of Public Utilities ("Board") reject provisions in the Agreement governing security deposits (Paragraph 44). Rate Counsel's letter filing should be disregarded.¹ In any event, Rate Counsel has failed to demonstrate that modification of the Agreement is lawful, just or appropriate.

A. Paragraph 44 – Security Deposits.

While correctly recognizing that ILECs and CLECs are properly permitted to voluntarily negotiate interconnection agreements, Rate Counsel wrongly requests that the Board should amend the executed Agreement. Rate Counsel relies upon proposed tariffs filed at the FCC in 2002 by Verizon Corporation ("Verizon") and other Local Exchange Carriers ("LECs")² as reason to reject provisions which have been fully agreed upon by negotiating parties and which are common in the industry. Rate Counsel's assertion is inapplicable.

¹ The Agreement was filed on June 23, 2015, nearly 8 months ago. Agreements reached through negotiation under the 1996 Telecommunications Act ("Act") are deemed approved within 90 days of filing. 47 U.S.C. § 252(e). See also, *In Re Investigation Regarding Local Exchange Competition for Telecommunications Services*, Docket No. TX95120631, Order entered December 2, 1997, at p. 133.

² Rate Counsel Letter at fn. 4, p. 4 citing *I/M/O Verizon Petition for Emergency Declaratory and Other Relief: Policy Statement*, WC Docket No. 02-202, at para. 6 (re. Dec. 23, 2002) ("Policy Statement").

The underlying Agreement between CenturyLink and Broadview Networks, Inc. (hereinafter "Broadview") was reached at between two business entities that have independently and voluntarily agreed to these provisions pursuant to Section 252 of the Act. Conversely, the scope of inquiry underlying the FCC's Policy Statement concerned interstate tariffs that Verizon and other LECs had proposed to apply to all CLECs.³ The import of the distinction between proposed tariffs and a voluntary agreement cannot be underscored enough.

The 1996 Telecommunications Act envisioned a structure whereby incumbent local exchange carriers negotiate binding agreements with a requesting telecommunications carrier.⁴ The federal statutory framework applicable to interconnection agreements thereby evidences strong public policy of allowing carriers to reach mutual contractual arrangements, as has been done here. The Board should reject Rate Counsel's attempt to override any of the Agreement's contractual arrangements. The FCC's Policy Statement cited by Rate Counsel is simply inapplicable to negotiated agreements and has not been demonstrated to be applicable to this voluntarily negotiated agreement.

Moreover, the FCC Policy Statement cited by Rate Counsel demonstrates that even the FCC recognized a need for security deposits and payment provisions. Indeed, the FCC did not prohibit deposits and increased payment requirements, but instead noted that the specific provisions at issue in those proposed tariffs were "not narrowly targeted to meet the incumbent LECs' need for additional protection against nonpayment without imposing undue burdens on access customers in general."⁵ The FCC stated:

For all of these reasons, we believe that the bad debt problem that incumbent LECs are facing may be serious and may warrant increased protection against nonpayment, even if the bad debt problem is not of the magnitude suggested by some commenters in this and the tariff proceedings. When reviewing the proposed tariff revisions, Commission precedent requires that we balance the incumbent LECs' exposure to uncollectibles against the burdens that additional deposits would place upon incumbent LEC customers. We must also ensure that the additional protections are narrowly targeted to meet directly the risk of nonpayment. [Footnote omitted.]

The FCC then set forth additional protections against nonpayment to better balance the interests involved. *Id.* The underlying interconnection agreement is not a tariff and, as such, the balanced result between these business entities has already been voluntarily and mutually achieved.

³ Verizon Telephone Companies Tariff FCC Nos. 1, 11, 14 and 16, Transmittal No. 226 (filed July 25, 2002). The FCC addressed the proposed tariff provisions pursuant to its authority under Sections 201 and 202(a) of the Act to review the justness and reasonableness of proposed charges, practices, classifications, regulations, facilities and services and to investigate the same pursuant to Sections 204 and 205 of the Act. FCC Policy Statement at para. 5.

⁴ 47 U.S.C. §252(a)(1).

⁵ FCC Policy Statement at para. 6.

Rate Counsel also has claimed that the security deposit provisions of the Agreement could be applied in a discriminatory manner. Rate Counsel's assertions in this regard are speculative. The FCC's Policy Statement cited by Rate Counsel noted that the proposed tariffs were broadly drawn to affect a broad array of access customers, not only customers that pose a risk of nonpayment.⁶ Moreover, the FCC seemed to be concerned with discriminatory application of tariff provisions that would have allowed Verizon and the other LECs to increase deposit requirements based upon subjectively applied criteria such as a decrease in credit worthiness. The FCC noted:

[S]uch as a decrease in 'credit worthiness' or 'commercial worthiness' falling below an 'acceptable level,' are particularly susceptible to discriminatory application. We are also concerned by opponents' claims that almost no competitive carrier, including large carriers such as AT&T, would escape a deposit demand triggered by a low, downgraded, or potentially downgraded rating of its debt securities. [footnote omitted.] Opponents further claim that almost all carriers with debt securities ranked below investment grade pay their interstate access bills on time, and that even bankrupt carriers continue to pay their access bills so that they can continue to serve their customers. [Footnote omitted.]⁷

None of the security deposit provisions of this underlying Agreement permits CenturyLink to require/increase deposits based upon the CLEC's investment grade or credit worthiness. Moreover, the Agreement can be subject to further opt-in by any other carrier seeking to interconnect with CenturyLink or the entire Agreement (including this paragraph) can be subject to negotiation. All carriers are treated alike in terms of being given the opportunity of opting into an existing agreement or in negotiating a new agreement.

Finally, the Board's regulations enable utilities in New Jersey to require retail customers to provide a security deposit. *See*, N.J.A.C. 14:3-7. Among other provisions in these rules, customers in default regarding payment of bills "may be required to furnish a deposit ... in an amount sufficient to secure the payment of future bills." N.J.A.C. 14:3-7.3(a). Rate Counsel has offered no rational basis to treat wholesale arrangements differently from retail arrangements which allow for security deposits. Rate Counsel has failed to plead – let alone demonstrate – that rejection of the security deposit provision of this agreement is warranted, necessary, or in the public interest.

⁶ FCC Policy Statement at para. 22.

⁷ *Id.*, at para. 21.

Rate Counsel has previously raised claims regarding security deposit provisions and, to the best of CenturyLink's knowledge, the Board has not entertained Rate Counsel's prior requests. Similarly, CenturyLink knows of no complaint or other action brought by any interconnecting carrier regarding security deposit provisions in interconnection agreements executed by CenturyLink or other carriers in New Jersey. At this point, denying CenturyLink the opportunity to include such language would be discriminatory against all current carriers having interconnection agreements with CenturyLink. As previously done by the Board, the Board should reject Rate Counsel's request in this instance as well.

Sincerely,

A handwritten signature in black ink, appearing to read "Sue Benedek", written in a cursive style.

Sue Benedek

cc: Rebecca Sommi (*on behalf of Broadview*)(*via electronic mail*)
Carole Artale, Esquire (*via electronic and first-class mail*)
Maria T. Novas-Ruiz, Deputy Rate Counsel (*via electronic and first-class mail*)