



Agenda Date: 1/27/16
Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATION

IN THE MATTER OF THE VERIFIED PETITION OF) ORDER
LEVEL 3 COMMUNICATIONS, LLC FOR APPROVAL)
TO PARTICIPATE IN A FINANCING ARRANGEMENT) DOCKET NO. TF15111323

Parties of Record:

Dennis C. Linken, Esq., Scarinci & Hollenbeck, LLC, on behalf of Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On November 25, 2015, Level 3 Communications, LLC ("Level 3 LLC") filed a verified petition ("Petition") pursuant to N.J.S.A. 48:3-9 and N.J.S.A. 48:3-7 requesting approval from the New Jersey Board of Public Utilities ("Board"), to the extent necessary, to participate in a financing arrangement.

BACKGROUND

Level 3 Communications, Inc. ("Level 3") is a publicly traded Delaware corporation with principal offices located in Broomfield, Colorado. Level 3 Financing Inc. ("Financing"), a wholly-owned subsidiary of Level 3, is a Delaware corporation and is the direct parent of Level 3 Communications LLC ("Petitioner" or "Level 3 LLC"). According to the Petition, Level 3 provides voice and data services to enterprise, government, wholesale and carrier customers over its IP-based network through its wholly owned indirect subsidiaries, including the Petitioner. The Petitioner is a non-dominant carrier that is authorized to provide resold and/or facilities-based telecommunications services throughout the United States.

In New Jersey, Level 3 LLC is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services.¹ Additional information concerning Level 3 LLC's legal, technical, managerial and financial qualifications has been submitted to the Board with various prior submissions with respect to Petitioner's certification and various transactions

¹ In the Matter of the Petition of Level 3 Communications, LLC for Authority to Provide Switched and Dedicated, Resold and Facilities-Based, Local Exchange and Interexchange Telecommunications Service Throughout New Jersey, Order of Approval, Docket No. TE97120913 (dated October 20, 1998).

and is therefore a matter of public record.² The Board therefore takes official notice of these descriptions of Level 3 LLC's qualifications and incorporates them herein by reference.

DISCUSSION

Petitioner requests Board approval to participate in a financing arrangement in connection with the issuance by Financing of \$900 million in 5.375% Senior Notes due 2024 (the "Senior Notes") in a private offering to qualified institutional buyers that are exempt from registration under U.S. Federal securities laws. Financing has lent the net proceeds it received in the offering of the Senior Notes plus available cash to Level 3 LLC in return for an intercompany demand note issued by Level 3 LLC to Financing in the aggregate amount of \$900 million. The net effect of the generation of these proceeds along with cash on hand will be used to redeem all of Financing's outstanding 8.625% senior notes due 2020 and to pay the expenses of the offering. Petitioner notes that the total amount of debt will not change, and the financing will extend the debt maturity by four years and reduce the annual interest expense by \$29 million. Level 3 LLC requests approval from the Board to act as a guarantor of the \$900 million Senior Notes issued by Financing.

In addition, Petitioner requests Board approval for the intercompany demand note issued to Financing, in connection with the proceeds of the \$900 million in Senior Notes, to remain unpaid for more than 12 months from the date of issuance.

Petitioner emphasizes that the guaranty obligations in support of the \$900 million Senior Notes will not be effective until all required regulatory approvals are obtained. Petitioner asserts that its participation in the new financing arrangement will not result in a change in Petitioner's management or in its day-to-day operations in New Jersey, nor will it adversely affect Petitioner's current or proposed operations in New Jersey. The financing arrangement that is the subject of this request will enable the parent company to take advantage of lower interest rates and more favorable maturity terms, thereby significantly reducing interest expenses. The financing arrangement will provide Financing with financial flexibility to maintain and expand

² In the Matter of the Verified Petition of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., TelCove Operations, LLC, tw telecom of new jersey l.p., and WiTel Communications, LLC for Approval to Participate in Certain Financing Arrangements, Order, Docket No. TF15060652 (effective August 1, 2015); In the Matter of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in a Financing Arrangement, Order, Docket No. TF15020239 (effective April 16, 2015); In the Matter of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in a Financing Arrangement, Order, Docket No. TF13121229 (effective February 19, 2014); In the Matter of the Verified Petition of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., TelCove Operations, LLC, and WiTel Communications, LLC for Approval to Participate in Certain Financing Arrangements, Order, Docket No. TF13100989 (dated December 18, 2013); In the Matter of the Verified Petition of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., TelCove Operations, LLC, and WiTel Communications, LLC for Approval to Participate in a Financing Arrangement, Order, Docket No. TF12121060 (effective January 30, 2013); and In the Matter of the Verified Joint Petition of Level 3 Communications, Inc., Saturn Merger Sub 1, LLC, Saturn Merger Sub 2, LLC, Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., WiTel Communications, LLC, and TelCove Operations, LLC, and tw telecom inc., tw telecom holdings, inc., and tw telecom of New Jersey L.P., for Approval of the Transfer of Control and Related Financing Arrangements, Order, Docket No. TM14070710 (dated September 30, 2014).

Petitioner's networks and services. Petitioner states that this improved financial arrangement will enable it to continue delivering services to new markets, thus allowing more consumers to benefit from its competitive services.

Petitioner asserts that approval of the financing arrangement will serve the public interest. The financing arrangement enables Level 3 LLC and its parent (together, the "Companies") to refinance their obligations to extend the maturity dates of certain obligations at better interest rates, thus reducing the future refinancing risks associated with the scheduled maturities described herein. This step is a part of the Companies' ongoing efforts to manage their debt maturity profile and continue to strengthen their overall credit profile. By eliminating risk associated with the uncertainties of future credit markets, it is expected that the capital markets and customers will view this step on the part of the Companies favorably. As such, Petitioner expects the financing arrangement will provide greater access to capital, which will yield both financial benefits and operational flexibility that will ultimately inure to the benefit of Petitioner's New Jersey customers and that existing and future customers will have a more favorable view of the financial health of Petitioner.

Petitioner further states that the financing arrangement will be conducted in a manner that will be transparent to customers and will not result in a change of carrier for customers or any assignment of authorizations, and in no event will it result in the discontinuance, reduction, loss, or impairment of service to customers. Following consummation of the financing arrangement, Petitioner asserts that it will continue to provide high-quality communications services to its customers without interruption and without immediate change in rates, terms, or conditions.

The New Jersey Division of Rate Counsel has reviewed this matter and, by letter dated December 22, 2015, does not oppose the Board grant of Petitioners' request in this petition.

FINDINGS AND CONCLUSIONS

After careful review of this matter, the Board **FINDS** that the transaction will have no negative impact on competition, the rates of current customers or on employees. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, **FINDS** that the financing transaction is in accordance with law and in the public interest, and **HEREBY AUTHORIZES** Petitioner to participate in the financing arrangement described herein. Accordingly, the Board **HEREBY APPROVES** the request of Petitioner for the described intercompany demand notes to remain unpaid for more than 12 months from the date of issuance.

This Order is issued subject to the following provisions:

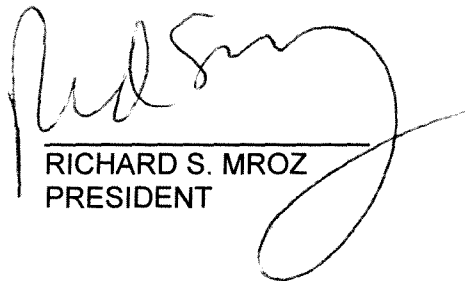
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. Petitioner shall notify the Board, within five business days, of any material changes in the proposed financing and shall provide complete details of such changes including any anticipated effects upon service in New Jersey.


3. Petitioner shall notify the Board of any material default in the terms of the proposed financing within five business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction or other supporting documents (the "Agreement"), a default or assignment under such Agreement shall not constitute an automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
5. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioner.

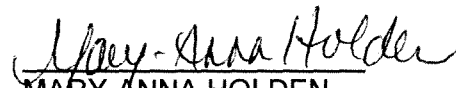
The Order shall become effective February 6, 2016.

DATED: Jan 20, 2016


BOARD OF PUBLIC UTILITIES
BY:

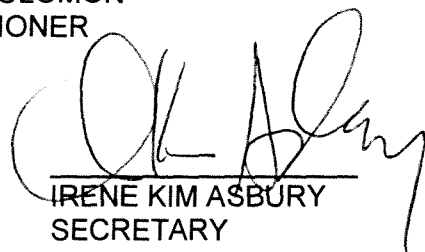

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

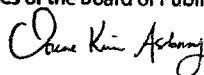

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
IRENE KIM ASBURY
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



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