



Agenda Date: 1/31/18
Agenda Item: IVD

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/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF)
LEVEL 3 COMMUNICATIONS, LLC, BROADWING)
COMMUNICATIONS, LLC, GLOBAL CROSSING)
TELECOMMUNICATIONS, INC., GLOBAL CROSSING)
LOCAL SERVICES, INC., LEVEL 3 TELECOM OF NEW)
JERSEY, LP, TELCOVE OPERATIONS, LLC AND)
WILTEL COMMUNICATIONS, LLC FOR APPROVAL)
TO PARTICIPATE IN CERTAIN FINANCING)
ARRANGEMENTS) DOCKET NO. TF17111187

Parties of Record:

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

BY THE BOARD:

On November 20, 2017, Level 3 Communications, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), Global Crossing Telecommunications, Inc. ("GC Telecommunications"), Global Crossing Local Services, Inc. ("GC Local"), Level 3 Telecom of New Jersey, LP ("Level 3 Telecom"), TelCove Operations, LLC ("TelCove"), and WilTel Communications, LLC ("WilTel" and collectively, the "Petitioners") filed a 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 financing arrangements completed by Level 3 Parent, LLC (f/k/a Level 3 Communications, Inc., "Level 3") and Level 3 Financing, Inc.

BACKGROUND

Level 3 is a Delaware limited liability company with principal offices located in Broomfield, Colorado and an indirect, wholly owned subsidiary of CenturyLink, Inc. (NYSE: CTL). Level 3 Financing Inc., a wholly-owned subsidiary of Level 3, is a Delaware corporation and is the direct parent of Level 3 LLC. According to the Petition, Level 3 provides voice and data services to enterprise, government, wholesale and carrier customers over its network through its wholly owned indirect subsidiaries, including Petitioners. The Petitioners are non-dominant carriers that

are authorized to provide resold and/or facilities-based telecommunications services throughout the United States.

In New Jersey, Level 3 has seven operating subsidiaries that are certified by the Board: Level 3 LLC; Broadwing; GC Telecommunications; GC Local; Level 3 Telecom; TelCove; and WilTel. Additional information concerning Petitioners' legal, technical, managerial and financial qualifications has been submitted to the Board with various prior submissions with respect to Petitioners' certification and various transactions and is therefore a matter of public record. The Board therefore takes official notice of these descriptions of Petitioners' qualifications and incorporates them herein by reference.

DISCUSSION

Petitioners request Board approval to participate in debt refinancing transactions on outstanding credit facilities (the "financing arrangements") to refinance three existing tranches of term loans in an aggregate principal amount of \$4,610,500,000 for which the Petitioners will pledge assets and act as guarantors.¹ The proceeds from the new term loan will prepay in full: (1) \$815 million aggregate principal amount of the tranche B-III 2019 term loan of an existing term loan maturing in 2019; (2) \$1,795,500,000 aggregate principal amount of the tranche B 2020 term loan of an existing term loan maturing in 2020; and (3) \$2,000,000,000 aggregate principal amount of the tranche B-II 2022 term loan of an existing term loan maturing in 2022. The new term loan has a lower interest rate, reducing interest expense by approximately \$35 million per year. Level 3 Financing, Inc. has lent the proceeds of the term loan to Level 3 LLC in return for an intercompany demand note. Petitioners request Board approval to pledge their assets and act as guarantors in support of the \$4,610,500,000 term loan. Level 3 LLC also requests approval for the intercompany demand note issued to Level 3 Financing, Inc. to remain unpaid for more than 12 months from the date of issuance.

According to the petition, participation in the new financing arrangements will not change the management or day-to-day operations of Petitioners in New Jersey, nor will it adversely affect current or proposed operations in New Jersey. Petitioner contends the financing arrangement on lower interest rates and more favorable maturity terms will significantly reduce interest expenses and provide financial flexibility to maintain and expand networks and services. Petitioners state that this improved financial arrangement will enable Petitioners to continue delivering services to new markets, thus allowing more consumers to benefit from their competitive services. Petitioners assert that the financing arrangement will serve the public interest as its greater access to capital will yield both financial benefits and operational flexibility that will ultimately inure to the benefit of customers.

¹ The Board previously granted approval for Petitioners to pledge assets and act as guarantors on a tranche B-III 2019 term loan in aggregate principal amount of \$815 million, effective as of December 23, 2013 and a tranche B 2020 term loan in aggregate principal amount of \$1,795,500,000, effective as of December 23, 2013. See I/M/O the Verified Petition of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inv., Telcove Operations, LLC and Wiltel Communications, LLC for Approval to Participate in Certain Financing Arrangements, Docket No. TF13100989 (Dec. 18, 2013). The Board also authorized a tranche B-II 2022 term loan in aggregate principal amount of \$2 billion, effective as of August 1, 2015. See I/M/O the Verified Petition of Level 3 Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., Telcove Operations, LLC, tw telecom of new jersey l.p., and Wiltel Communications, LLC for approval to Participate in Certain Financing Arrangements, Docket No. TF15060652 (July 23, 2015).

Petitioners further state that the financing arrangement 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 the close of the transactions, Petitioners have agreed to continue to provide high-quality communications services to their customers without interruption and without immediate change in rates, terms, or conditions.

The Division of Rate Counsel has reviewed this matter and, by letter dated December 21, 2017, stated that it does not oppose the Board's grant of the petitioned request.

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** Petitioners to participate in the financing arrangements described herein.

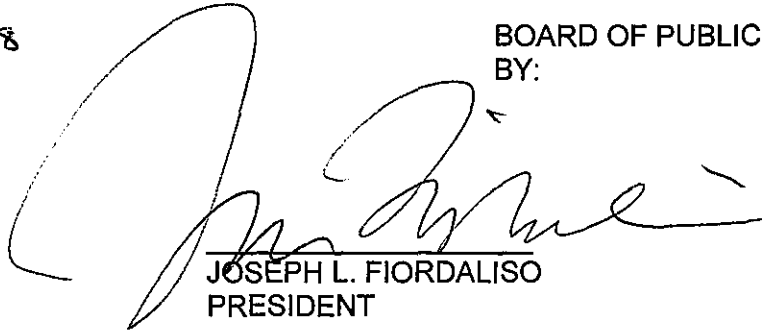
This Order is issued subject to the following provisions:

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 Petitioners.
2. Petitioners 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. Petitioners 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 Petitioners' 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 Petitioners.

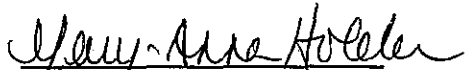
This Order shall become effective on February 10, 2018.

DATED: 1/31/18

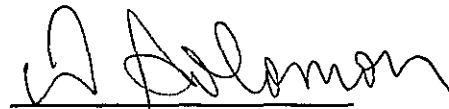
BOARD OF PUBLIC UTILITIES
BY:




JOSEPH L. FIORDALISO
PRESIDENT



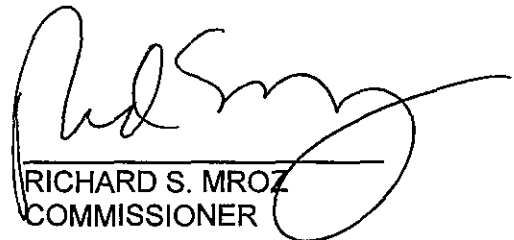
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COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



RICHARD S. MROZ
COMMISSIONER

ATTEST: 
CARMEN D. DIAZ
ASSISTANT BOARD SECRETARY

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

**IN THE MATTER OF THE VERIFIED PETITION OF LEVEL 3 COMMUNICATIONS, LLC,
BROADWING COMMUNICATIONS, LLC, GLOBAL CROSSING TELECOMMUNICATIONS,
INC., GLOBAL CROSSING LOCAL SERVICES, INC., LEVEL 3 TELECOM OF NEW
JERSEY, LP, TELCOVE OPERATIONS, LLC AND WILTEL COMMUNICATIONS, LLC FOR
APPROVAL TO PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS
DOCKET NO. TF17111187**

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