



Agenda Date: 12/18/13

Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF)	ORDER
LEVEL 3 COMMUNICATIONS, LLC, BROADWING)	
COMMUNICATIONS, LLC, GLOBAL CROSSING)	
TELECOMMUNICATIONS, INC., TELCOVE)	
OPERATIONS, LLC, AND WILTEL)	
COMMUNICATIONS, LLC FOR APPROVAL TO)	
PARTICIPATE IN CERTAIN FINANCING)	
ARRANGEMENTS)	DOCKET NO. TF13100989

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Dennis C. Linken, Esq., Scarinci & Hollenbeck, LLC, for the petitioner

BY THE BOARD:

On October 28, 2013, Level 3 Communications, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), Global Crossing Telecommunications, Inc. ("Global Crossing"), TelCove Operations, LLC ("TelCove"), and WilTel Communications, LLC ("WilTel" and collectively, the "Petitioners") filed a verified 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 certain financing arrangements.

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 LLC. According to the Petition, Level 3 provides voice and data services to carriers, internet service providers, and other businesses over its network through its wholly owned indirect subsidiaries, including the 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 six operating subsidiaries that are certified by the Board: Level 3 LLC; Broadwing Communications, LLC; WilTel Communications, LLC; TelCove Operations, LLC; Global Crossing Telecommunications, Inc.; and Global Crossing Local Services, Inc.

Petitioners request Board approval to participate in three separate term loan financing arrangements. In the first and second transactions, Level 3 and Financing entered into term loan arrangements for \$815 million with a 2019 maturity date and \$595.5 million with a 2020 maturity date. Financing has lent the proceeds of the term loans to Level 3 LLC in return for intercompany demand notes. The funds were used to prepay in full two existing tranches of term loans totaling \$1.411 billion consisting of a \$815 million term loan and a \$595.5 million term loan that were otherwise set to mature in 2019 and 2016, respectively. Petitioners request Board approval to pledge their assets and act as guarantors in support of the term loan arrangements for \$815 million and \$595.5 million. These transactions refinance the two tranches of term loans totaling \$1.411 billion for which the Petitioners had pledged assets and acted as guarantors pursuant to Board approval. The \$815 million and \$595.5 million term loans have lower interest rates than the previously authorized term loans, resulting in a reduction of approximately \$15 million in annual interest expenses. Level 3 LLC also requests Board approval for the intercompany demand notes issued to Financing in connection with the \$815 million and the \$595.5 million term loans to remain unpaid for more than 12 months from the date of issuance.

In a third transaction, Level 3 and Financing entered into a term loan arrangement of \$1.2 billion with a 2020 maturity date. Financing has lent the proceeds of the term loan to Level 3 LLC in return for an intercompany demand note. The funds were used to prepay in full an existing \$1.2 billion term loan that was otherwise set to mature in 2019. Petitioners request Board approval to pledge their assets and act as guarantors in support of the new term loan arrangements of \$1.2 billion. This transaction refinances the term loan totaling \$1.2 billion for which the Petitioners had pledged assets and acted as guarantors pursuant to Board approval. The new \$1.2 billion term loan has a lower interest rate than the previously authorized term loan, resulting in a reduction of approximately \$9 million in annual interest expenses. In addition, Level 3 LLC requests Board approval for the intercompany demand note issued to Financing in connection with the new \$1.2 billion term loan to remain unpaid for more than 12 months from the date of issuance.

Petitioners emphasize that neither the pledge of jurisdictional assets nor the guaranty obligations for any of the term loan arrangements described herein will be effective until all required regulatory approvals are obtained. Petitioners assert that their participation in the new financing arrangements will not result in a change in Petitioners' management or in their day-to-day operations, nor will the financing arrangements adversely affect Petitioners' current or proposed operations in New Jersey. The financing arrangements that are 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 arrangements will provide Financing with funding to maintain and expand Petitioners' networks and services. Petitioners state that these improved financial arrangements will enable Petitioners to continue delivering services to new markets, thus allowing more consumers to benefit from their competitive services.

Petitioners assert that approval of the financing arrangements described herein will serve the public interest. The financing arrangements enable Level 3, the Petitioners, and Financing (collectively, 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, Petitioners expect the financing arrangements will provide greater access to capital, which will yield both financial benefits and operational flexibility that will ultimately inure to the benefit of Petitioners' New Jersey customers, and existing and future customers will have a more favorable view of the financial health of Petitioners. Petitioners state that the financing arrangements will strengthen Petitioners' financial position and their ability to bring competitive telecommunications services to consumers in the State of New Jersey.

Petitioners further state that the financing arrangements 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 they result in the discontinuance, reduction, loss, or impairment of service to customers. Following consummation of the financing arrangements, Petitioners assert that they will 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 November 13, 2013, indicated that it has no objection to the Petitioners' requests under their verified petition.

After careful review of this matter, the Board **FINDS** that the transactions will have no negative impact on competition, the rates of current customers, or employees. Therefore, the Board after investigation, having considered the record and exhibits submitted in this proceeding, **FINDS** that the financing transactions are in accordance with law and in the public interest, and **HEREBY AUTHORIZES** Petitioners to participate in the financing arrangements described herein.

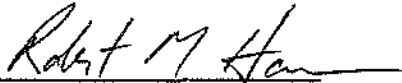
This Order is issued subject to the following provisions:

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 transactions, 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 transactions or other supporting documents (the "Agreement"), a default or assignment under such Agreement does 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.
6. This Order shall become effective upon the earlier of (a) five (5) days after the date hereof, or (b) the receipt by the Board of a certification by or on behalf of Petitioners that

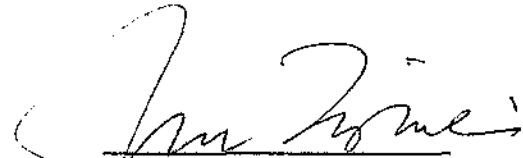
(i) they have received a copy of this Order and that (ii) a copy of this Order has been hand-delivered to Rate Counsel or delivered to Rate Counsel via overnight delivery service.

DATED: 12/18/13

BOARD OF PUBLIC UTILITIES
BY:

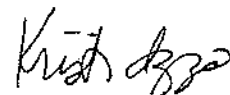

ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

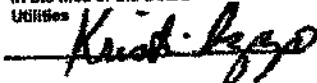

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER

ATTEST: 
KRISTI IZZO
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., TelCove Operations, LLC, WiITel Communications, LLC for Approval to Participate in Certain Financing Arrangements

Docket No. TF13100989

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