



STATE OF NEW JERSEY
Board of Public Utilities
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Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF)
ONVOY, INC. FOR APPROVAL OF A PRO FORMA) ORDER
TRANSFER OF DIRECT OWNERSHIP) DOCKET NO. TM14040367

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 April 15, 2014, Onvoy, LLC ("Onvoy" or "Petitioner") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1 requesting that the Board authorize a pro forma transfer of direct ownership of Onvoy from Zayo Group Holdings, Inc. ("Holdings") to Communications Infrastructure Investments, LLC ("CII"), the direct parent company of Holdings and ultimate parent company of Onvoy. Following this reorganization, Petitioner will continue to provide service to all of its customers at the same terms, rates and conditions on which it currently offers such services to customers in the state.

BACKGROUND

Onvoy is a limited liability company organized under the laws of the State of Minnesota, whose principal address is located in Plymouth, Minnesota. Onvoy is currently a wholly-owned subsidiary of Holdings, a Delaware corporation and wholly-owned subsidiary of CII, a Delaware limited liability company. CII has no majority owner.

Onvoy provides wholesale local exchange and long distance services, switching access, transit and other services to other carriers. In New Jersey, Onvoy is authorized to provide resold and facilities-based local exchange, interexchange, exchange access and private line telecommunications services. See In the Matter of Onvoy, Inc. Petition for Authority to Provide Local Exchange, Exchange Access, Interexchange and Private Line Telecommunications Services Throughout the State of New Jersey, Docket No. TE13100935, Order dated December 18, 2013. Onvoy is also authorized by the Federal Communications Commission to provide domestic and international telecommunications services. Additional information

concerning Onvoy's legal, technical, managerial and financial qualifications can be found in that Order. Onvoy does not have any employees in New Jersey.

Petitioner also explains that in addition to Onvoy, Holdings also directly wholly owns Zayo Group, LLC ("Zayo"), which is a provider of bandwidth infrastructure and network neutral colocation and interconnection services over regional and metropolitan fiber networks.¹ Petitioner states that although both Onvoy and Zayo have the same direct parent company, over the past several years Onvoy and Zayo have been run as separate businesses, with separate management and technical personnel,² different business models, and different product and customer segments. Further, Petitioner states that Onvoy and Zayo have maintained separate books and entered into separate financing arrangements in which the other entity did not participate as a borrower or guarantor or by pledging its assets. Petitioner asserts that the pro forma transaction will realign the operating companies within CII's corporate structure to better reflect these divisions.

DISCUSSION

By the Verified Petition, Onvoy seeks authorization for a pro forma transfer of direct ownership of Onvoy from Holdings to CII, the direct parent company of Holdings and ultimate parent company of Onvoy. According to the Petition, the direct owner of Onvoy will change from Holdings to CII through the contribution to CII of the membership interests held by Holdings in Onvoy. Since Holdings is a wholly owned direct subsidiary of CII, the transfer of direct ownership of Onvoy will not result in a change in ultimate ownership of Onvoy and *is pro forma* in nature. Petitioner provided a chart depicting the pre- and post-contribution ownership of Onvoy as Exhibit A.

In evaluating this petition, the Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1; N.J.A.C. 14:1-5.14(c). Also, under N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board is required to determine whether the public utility or a wholly owned subsidiary thereof may be unable to fulfill its pension obligations to any of its employees.

Petitioner asserts that the pro forma transaction is in the public interest because it will realign the corporate structure of CII and its operating entities to better reflect the differences in their business plans, management and operations. Petitioner claims that this will allow those operating entities to be able to better focus on their particular business and customers without as much potential for conflicting priorities between the businesses. Petitioner also states that the proposed transaction may also provide the companies with greater flexibility for future debt and equity transactions, as well as other corporate transactions. Petitioner also states that the pro forma transaction will be entirely transparent to Onvoy's customers and will not result in any change in their services. Moreover, the rates, terms and conditions of their services will not change as a result of the purely pro forma change.

The Division of Rate Counsel has reviewed this matter and, by letter dated April 22, 2014, states that it does not oppose Board approval of the requests contained in the Petition.

¹ In New Jersey, Zayo is authorized to provide local exchange and interexchange telecommunications services pursuant to Board authorization granted in Docket No. TE11020049 on May 16, 2011.

² Although day-to-day operations are managed by different management teams, Zayo and Onvoy share the same corporate officers and will continue to do so immediately following the *pro forma* transaction.

FINDINGS AND CONCLUSIONS


After a thorough review of the petition and all related documents, the Board concludes that there will be no negative impact on rates or service quality since Petitioner's New Jersey customers will continue to receive the same services at the same rates and under the same terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioner, as the transaction will strengthen Petitioner's competitive posture in the telecommunications market, and the reorganization will result in a corporate structure that will enable Petitioner to more efficiently achieve potential operational, administrative and strategic objectives. In addition, since Petitioner does not have any employees in New Jersey, there will not be any adverse impact to employees in New Jersey.

Accordingly, the Board **FINDS** that the proposed transaction will have no material impact on the rates of current customers. The Board also **FINDS** that the pro forma transaction will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the records and exhibits submitted in this proceeding, the Board **FINDS** that the proposed merger is in accordance with the law and in the public interest, and **HEREBY ORDERS** that within 7 days of the consummation of the transaction, Petitioner shall notify the Board of the closing of the proposed transaction.


This Order shall be effective May 30, 2014.

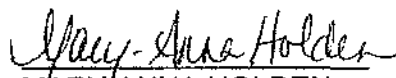
DATED: 5/21/14

BOARD OF PUBLIC UTILITIES
BY:


DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

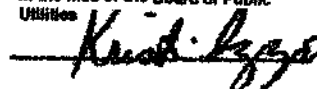

JOSEPH L. FIORDALISO
COMMISSIONER


MARYANNA HOLDEN
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



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