



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 JOINT PETITION)
OF THE CHILLICOTHE TELEPHONE COMPANY d/b/a) ORDER
HORIZON TELECOM, AND NOVACAP TMT V, L.P.,)
FOR APPROVAL OF THE TRANSFER OF INDIRECT)
CONTROL OF THE CHILLICOTHE TELEPHONE)
COMPANY FROM HORIZON TELECOM, INC. TO)
NOVACAP TMT V, L.P.) DOCKET NO. TM18020091

Parties of Record:

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

BY THE BOARD:

On February 1, 2018, the Chillicothe Telephone Company, d/b/a Horizon Telcom ("Horizon"), and Novacap TMT V, L.P. ("Novacap V")(collectively, "Petitioners"), submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1, and N.J.S.A. 48:3-10 requesting Board approval for the transfer of control of Horizon from Horizon Telcom, Inc. ("Horizon Telcom"), Horizon's parent, to Novacap V.¹ Following closing of the transaction, the same services will continue to be offered in New Jersey at the same rates, terms, and conditions to Horizon customers.

¹ On February 1, 2018, Petitioners simultaneously filed for Board approval for Horizon to participate in certain financing arrangements upon completion of the proposed transfer of indirect control of Horizon to Novacap V in another BPU docketed matter. See, In the Matter of the Verified Joint Petition of The Chillicothe Telephone Company, d/b/a Horizon Telecom and Novacap TMT V., L.P., for Approval of the Transfer of Indirect Control of The Chillicothe Company from Horizon Telecom, Inc. to Novacap TMT V, L.P., BPU Docket No. TF18020092 (March 26, 2018).

BACKGROUND

Horizon Telcom, Inc. is an Ohio corporation principal offices are located in Chillicothe, Ohio. Horizon Telcom is a holding company, with three wholly-owned subsidiaries, Horizon Services, Inc., Horizon Technology, Inc. and The Chillicothe Telephone Company (collectively, the "Horizon Companies"). Petitioners state the Horizon Companies provide fiber-based telecommunication services for carrier, business and residential customers in Ohio and West Virginia through two business units: (1) the Network Partners division, which owns, operates and markets a fiber transport network that connects businesses, institutions and carriers throughout Ohio and surrounding states, and (2) the Hometown Services division, which provides triple play services for business, institutional and residential customers throughout Ross County, Ohio. Horizon, a wholly owned subsidiary of Horizon Telcom, is a corporation organized under the laws of the State of Ohio, with principal offices located in Chillicothe, Ohio. The petition states that Horizon furnishes intrastate and interstate telecommunications services in Ohio, Michigan, Illinois, Indiana, Pennsylvania, West Virginia and New Jersey as a competitive service provider. In New Jersey, Horizon is authorized to provide facilities-based local exchange, interexchange and carrier exchange services. See, In the Matter of the Verified Petition of the Chillicothe Telephone Company, d/b/a Horizon Telcom, for Authorization to Provide Telecommunications Services in the State of New Jersey, Docket No. TE17030307 (November 21, 2017).

Novacap V is a limited partnership organized under the laws of Quebec, Canada. Novacap V has its corporate headquarters located in Longueuil, Quebec, Canada. The petition states that Novacap V is an investment fund managed by Novacap, a leading technology, media and telecommunications private equity firm in North America ("Novacap"), with over \$2.26 billion in assets under management. The petition states that Novacap has over three decades of experience in operating telecommunication companies throughout the United States and Canada; and it has invested in the telecommunication sector since the "1990". Petitioners further state that Novacap has experience investing in companies similar in structure to Horizon. In 2015, Novacap invested in Oxford Networks, a fiber-optic bandwidth infrastructure services provider operating in Maine, New Hampshire and Massachusetts. In August 2015, Oxford Networks, with the support of Novacap, acquired BayRing Communications, a New Hampshire-based telecommunication service provider.

DISCUSSION

On January 25, 2018, Horizon Telcom, Inc., Horizon Acquisition Parent LLC (a subsidiary of Novacap V, created for purposes of the merger) ("Parent"), and Horizon Acquisition Merger Sub, Inc. (a direct wholly-owned subsidiary of Parent created for purposes of the merger) ("Merger Sub"), entered into an Agreement and Plan of Merger whereby Novacap V will acquire indirect control of Horizon. Specifically, Merger Sub will merge with and into Horizon Telcom, whereupon the separate existence of Merger Sub will cease and Horizon Telcom will survive as a direct, wholly owned subsidiary of Parent, and continue to be governed by the laws of the State of Ohio (the "transaction"). Horizon will remain a direct subsidiary of Horizon Telcom and, therefore, Horizon will become an indirect subsidiary of Novacap V and certain affiliated funds.

By the petition, all current New Jersey customers of Horizon as of closing will continue to be served by Horizon pursuant to its existing authorization, and the transaction will not result in the name change of Horizon. Further, immediately after closing, customers will continue to receive their existing services at the same rates, terms, and conditions as prior to the indirect transfer of control hence, the transaction will be transparent to customers as it is not expected to result in the discontinuance, reduction, loss or impairment of service to any customer.

Petitioners contend that the proposed transaction is consistent with the public interest. The financial, technical, and managerial resources of Novacap are expected to enhance Horizon's ability to compete in the communications marketplace to the benefit of Horizon's consumers. The transaction will allow Horizon to expand service offerings and drive growth to continue to provide innovative, safe and adequate telecommunication services and higher employment in Horizon's operating regions. Petitioners intend to retain all of Horizon's employees and to provide such employees with compensation and benefits that are the same as, or better than, the benefits currently provided to them. Horizon employees' existing rights in their retirement benefit plans will either be retained or pre-closing contributions may be rolled over to another qualified benefit plan.

The New Jersey Division of Rate Counsel submitted comments by letter dated March 9, 2018, stating it would not oppose a Board grant of approval in this transaction.

FINDINGS AND CONCLUSIONS

Pursuant to N.J.S.A. 48:2-51.1(a), the Board shall evaluate the impact of an acquisition of control of a public utility on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. 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 as set forth above. N.J.A.C. 14:1-5.14(c). Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility, or a wholly owned subsidiary thereof, may be unable to fulfill its pension benefits obligations to any of its employees.

After a careful review of this matter, the Board is satisfied that positive benefits will flow to customers based upon the record, and that the combined enterprise would not be able to exercise market power to raise prices above competitive levels or exclude competitors from the marketplace. The Board therefore **FINDS** that the proposed transaction will have little impact on competition. The Board additionally **FINDS** that there will be no negative impact on rates or the present provision of safe, adequate and proper service since Petitioners' New Jersey customers will continue to receive the same services at the same rates and under the same terms and conditions and the provision of service quality on competitive offerings is in the public interest. The Board also **FINDS** that Horizon is not unable to fulfill its pension benefits obligations to its employees as a result of the transaction.

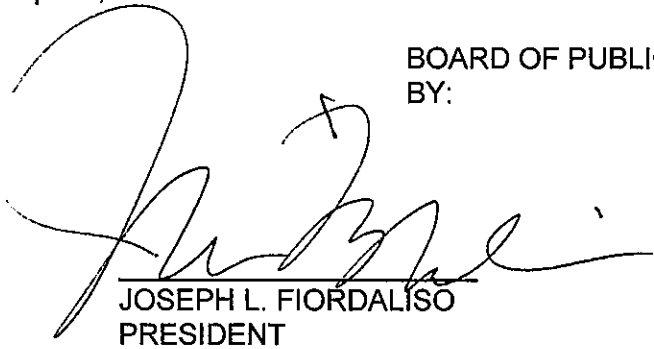
Accordingly, the Board **FINDS** that the proposed transaction is consistent with the applicable law, is not contrary to the public interest and will have no material impact on the rates of current customers, or on New Jersey employees. The Board also **FINDS** that the proposed transaction

will have no impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the filing and exhibits submitted in this proceeding constituting the record, the Board **HEREBY AUTHORIZES** Petitioner to complete the proposed transaction.

This Order shall be effective April 5, 2018.

DATED: 3/26/18

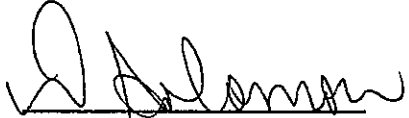
BOARD OF PUBLIC UTILITIES
BY:



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PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



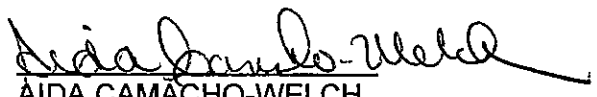
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RICHARD S. MROZ
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
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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FROM HORIZON TELECOM, INC. TO NOVACAP TMT V, L.P.
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