



Agenda Date: 4/11/12  
Agenda Item: IVB

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION  
OF LEVEL 3 COMMUNICATIONS, LLC, FOR  
APPROVAL TO PARTICIPATE IN A FINANCING  
ARRANGEMENT

ORDER

Docket No. TF12020135

**Parties of Record:**

**Dennis C. Linken, Esq.**, Scarinci & Hollenbeck, LLC, for Petitioner  
**Stefanie A. Brand, Esq.**, Director, Division of Rate Counsel

BY THE BOARD:

On February 15, 2012, Level 3 Communications, LLC ("Level 3 LLC" or "Petitioner") 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 a financing arrangement (the "Financing").

Level 3 Communications, Inc. ("Level 3") is a publicly traded Delaware corporation with principal offices located in Broomfield, Colorado. Level 3 Financing Inc. ("Level 3 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, ISPs, and other business over its 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 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.

Petitioner requests Board approval to participate in a certain financing arrangement. Level 3 Financing has issued \$900 million in 8.625% Senior Notes due 2020 in a private offering to qualified institutional buyers that is exempt from registration under U.S. Federal securities laws. Level 3 Financing has lent the net proceeds it received in the offering of the notes plus available cash to its subsidiary, Level 3 LLC, in return for an intercompany demand note issued by Level 3 LLC to Level 3 Financing. Approximately \$867 million of the proceeds will be used to redeem all of Level 3 Financing's outstanding 9.25% Senior Notes due 2014 and to pay the expenses of

the offering.<sup>1</sup> The remaining proceeds will be used to fund the cost of construction, installation, acquisition, lease, development or improvement of any telecommunications assets. Level 3 LLC requests approval from the Board to act as a guarantor of the \$900 million Senior Notes issued by Level 3 Financing. Level 3 LLC will enter into the guarantee in support of the \$900 million Senior Notes upon receipt of all required regulatory approvals.

Petitioner asserts that approval of the Financing described herein will serve the public interest. The Financing will enable Petitioner and its parent to refinance their obligations now allowing them to extend significantly the maturity dates of certain obligations at reasonable terms (indeed, at a lower cost than the 9.25% Senior Notes), thus reducing the future refinancing risks associated with the 2014 scheduled maturities. This step is a part of the companies' ongoing efforts to manage their 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 will view this step on the part of companies favorably. As such, Petitioner expects the Financing will provide greater access to capital, which will yield both financial benefits and operational flexibility that will ultimately inure to the benefit of Level 3 LLC's New Jersey customers. Petitioner states that the Financing will strengthen Level 3 LLC's financial position and its ability to bring competitive telecommunications services to consumers in the State of New Jersey.

Petitioner further states that its customers will continue to receive their existing services under the same facilities and at the same rates, terms and conditions that they received prior to the transaction. The proposed transaction will be transparent to the Petitioner's customers. Moreover, Petitioner state that the transaction will not result in the discontinuance, reduction, loss or impairment of service to customers.

The Division of Rate Counsel has reviewed this matter and, by letter dated March 30, 2012 does not object to the Board's approval of this petition.

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 loan transaction is in accordance with law and in the public interest, and HEREBY AUTHORIZES Petitioner 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 Petitioner.

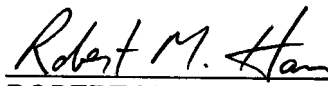
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<sup>1</sup>The Board previously granted approval to Petitioner to guarantee the 9.25% notes due 2014. See Order issued in Docket No. TF06100749 on March 22, 2007. The Board also previously granted approval to Petitioner, in Docket No. TF11030132, to guarantee \$500 million in 9.375% Senior Notes due 2019, the proceeds of which were used to repurchase a portion of the 9.25% notes due 2014.

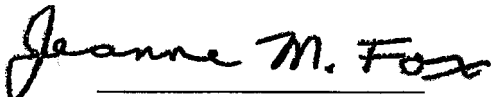
2. Petitioner shall notify the Board, within five business days, of any material changes in the proposed financing, and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioner shall notify the Board of any material default in the terms of the notes 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, a default or assignment under such agreement does 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.
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 Petitioner that (i) it has received a copy of this Order and that (ii) a copy of this Order has been hand-delivered to or delivered to Rate Counsel via overnight delivery service.

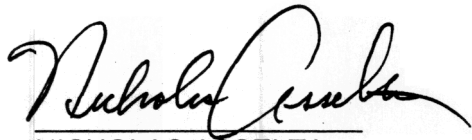
DATED: 4/11/12

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

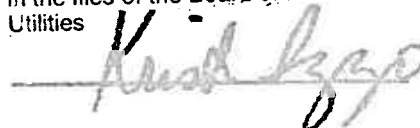
  
JEANNE M. FOX  
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NICHOLAS ASSELTA  
COMMISSIONER

  
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



## SERVICE LIST

### In the Matter of the Verified Petition of Level 3 Communications, LLC For Approval to Participate in a Financing Agreement

Docket No. TF12020135

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