



Agenda Date: 2/19/14
Agenda Item: IVB

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) ORDER
OF LEVEL 3 COMMUNICATIONS, LLC FOR)
APPROVAL TO PARTICIPATE IN A FINANCING)
ARRANGEMENT) DOCKET NO. TF13121229

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 December 31, 2013, Level 3 Communications, LLC ("Level 3 LLC") 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.

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 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 LLC is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services. See Docket No. TE97120913, Order dated October 20, 1998. Additional information concerning Level 3 LLC's legal, technical, managerial and financial qualifications has been submitted to the Board with various prior submissions with respect to Petitioner's certification and various transactions and is therefore a matter of public record. The Board therefore takes official notice of these descriptions of Level 3 LLC's qualifications and incorporates them herein by reference.

Petitioner requests Board approval to participate in a financing arrangement in connection with the issuance by Financing of \$640 million in 6.125% Senior Notes due 2021 (the "Senior Notes") in a private offering to qualified institutional buyers that is exempt from registration under U.S. Federal securities laws. Financing has lent the proceeds it received in the offering of the Senior Notes plus available cash to Level 3 LLC in return for an intercompany demand note. The proceeds along with cash on hand were ultimately used to redeem all of Financing's outstanding 10% senior notes due 2018 and to pay the expenses of the offering. Level 3 LLC requests approval from the Board to act as a guarantor of the \$640 million Senior Notes issued by Financing.

In addition, Level 3 LLC requests Board approval for the intercompany demand note issued to Financing, in connection with the proceeds of the \$640 million in Senior Notes, to remain unpaid for more than 12 months from the date of issuance. Level 3 LLC also requests approval for another intercompany demand note issued to Financing to remain unpaid for more than 12 months from the date of issuance. The latter intercompany demand note was issued in connection with a recent financing arrangement whereby Financing issued \$300 million in Floating Rate Senior Notes due 2018 in a private offering to qualified institutional buyers. The Board previously approved Petitioner's participation as a guarantor in the \$300 million financing arrangement. See Docket No. TF12090825, Order dated October 23, 2012.

Petitioner emphasizes that the guaranty obligations in support of the \$640 million Senior Notes will not be effective until all required regulatory approvals are obtained. Petitioner asserts that its participation in the new financing arrangement will not result in a change in Petitioner's management or in its day-to-day operations in New Jersey, nor will it adversely affect Petitioner's current or proposed operations in New Jersey. The financing arrangement that is 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 arrangement will provide Financing with financial flexibility to maintain and expand Petitioner's networks and services. Petitioner states that this improved financial arrangement will enable Petitioner to continue delivering services to new markets, thus allowing more consumers to benefit from its competitive services.

Petitioner asserts that approval of the financing arrangement will serve the public interest. The financing arrangement enables Level 3 LLC and its parent (together, 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, Petitioner expects the financing arrangement will provide greater access to capital, which will yield both financial benefits and operational flexibility that will ultimately inure to the benefit of Petitioner's New Jersey customers and that existing and future customers will have a more favorable view of the financial health of Petitioner.

Petitioner further states that the financing arrangement 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 it result in the discontinuance, reduction, loss, or impairment of service to customers. Following consummation of the financing arrangement, Petitioner asserts that it will continue to provide high-quality communications services to its customers without interruption and without immediate change in rates, terms, or conditions.

The New Jersey Division of Rate Counsel ("Rate Counsel") has reviewed this matter and, by letter dated January 15, 2014, stated that it has no objection to the Board's grant of Petitioners requests under the Verified 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 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** Petitioner to participate in the financing arrangements described herein.

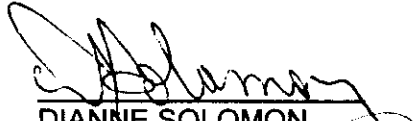
This Order is issued subject to the following provisions:

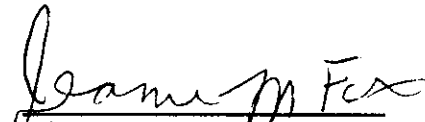
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting Petitioner.
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 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 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.

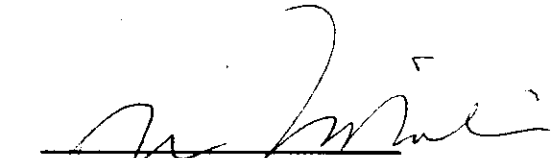
This Order shall become effective upon the earlier of (a) five (5) days after the date hereof, or (b) the receipt by the Board of a Certification by or on behalf of Petitioner that (i) it has received a copy of this Order and that (ii) a copy of this Order has been hand-delivered to Rate Counsel or delivered to Rate Counsel via overnight delivery service.

DATED: 2/19/14

BOARD OF PUBLIC UTILITIES
BY:



DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

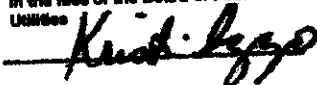

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA 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



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

Docket No. TF13121229

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