



Agenda Date: 7/22/15  
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/](http://www.nj.gov/bpu/)

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION ) ORDER  
OF LEVEL 3 COMMUNICATIONS, LLC, )  
BROADWING COMMUNICATIONS, LLC, )  
GLOBAL CROSSING TELECOMMUNICATIONS, )  
INC., GLOBAL CROSSING LOCAL SERVICES, )  
INC., TELCOVE OPERATIONS, LLC, tw telecom )  
of new jersey l.p., and WITEL )  
COMMUNICATIONS, LLC FOR APPROVAL TO )  
PARTICIPATE IN CERTAIN FINANCING )  
ARRANGEMENTS ) DOCKET NO. TF15060652

**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 June 2, 2015, Level 3 Communications, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), Global Crossing Telecommunications, Inc. ("GC Telecommunications"), Global Crossing Local Services, Inc. ("GC Local"), TelCove Operations, LLC ("TelCove"), tw telecom of new jersey l.p. ("tw telecom"), and WilTel Communications, LLC ("WilTel" and collectively, the "Petitioners") filed a verified petition ("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 two financing arrangements completed by Level 3 Communications, Inc. ("Level 3") and Level 3 Financing, Inc. ("Financing").

**BACKGROUND**

Level 3 is a publicly traded Delaware corporation with principal offices located in Broomfield, Colorado. Financing, a wholly-owned subsidiary of Level 3, is a Delaware corporation. According to the Petition, Level 3 provides voice and data services to enterprise, government, wholesale and carrier customers over its IP-based network through its wholly owned indirect subsidiaries, including Petitioners. 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 seven operating subsidiaries that are certified by the Board: Level 3 LLC; Broadwing; GC Telecommunications; GC Local; TelCove; tw telecom; and WilTel. Additional information concerning Petitioners' legal, technical, managerial and financial qualifications has been submitted to the Board with various prior submissions with respect to Petitioners' certification and various transactions and is therefore a matter of public record. The Board therefore takes official notice of these descriptions of Petitioners' qualifications and incorporates them herein by reference.

Petitioners request Board approval to participate in two separate financing arrangements. In the first transaction, Financing issued \$700 million aggregate principal amount of its 5.125% senior notes due 2023 and \$800 million aggregate principal amount of its 5.375% senior notes due 2025 in private offerings to qualified institutional buyers that are exempt from registration under U.S. Federal securities laws. Financing has lent the proceeds it received in the offering of the senior notes to Level 3 LLC in return for intercompany demand notes issued by Level 3 LLC to Financing in the aggregate amount of \$1.5 billion. The net effect of the generation of these proceeds will be the redemption of all of Financing's outstanding \$1.2 billion aggregate principal amount of its 8.125% senior notes due 2019 and all of Level 3's outstanding \$300 million aggregate principal amount of Level 3's 8.875% senior notes due 2019, resulting in an interest expense reduction of approximately \$45 million annually. Level 3 LLC requests approval from the Board to act as a guarantor of the \$1.5 billion aggregate principal amount of senior notes issued by Financing and for the intercompany demand notes issued to Financing to remain unpaid for more than 12 months from the date of issuance.

In the second transaction, Level 3 and Financing entered into a new term loan arrangement in the aggregate principal amount of \$2 billion ("Term Loan") to refinance a term loan for which the Petitioners pledged assets and acted as guarantors pursuant to prior granted Board approval. See Docket No. TM14070710. The proceeds from the new Term Loan were used to prepay in full an existing \$2 billion term loan that was otherwise set to mature in 2022. The \$2 billion Term Loan, also maturing in 2022, has a lower interest rate, resulting in a reduction of approximately \$20 million in annual interest expenses. Financing has lent the proceeds of the Term Loan to Level 3 LLC in return for an intercompany demand note. Petitioners request Board approval to pledge their assets and act as guarantors in support of the \$2 billion Term Loan. Level 3 LLC also requests approval for the intercompany demand note issued to Financing 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 the Term Loan or the senior notes 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 in New Jersey, nor will it 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 market conditions that make available lower interest rates and more favorable maturity terms, thereby significantly reducing interest expenses. The financing arrangements will provide Financing with financial flexibility 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 above will serve the public interest. The financing arrangements enable Petitioners and their parent (together, the "Companies") to refinance their obligations to extend the maturity dates of certain obligations at better interest rates, thus reducing interest expense and the future refinancing risks associated with the scheduled maturities described above. This step is a part of the Companies' ongoing efforts 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 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 that existing and future customers will have a more favorable view of the financial health of Petitioners.

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 June 10, 2015, does not oppose the Board grant of Petitioners' requests in their 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 on employees. Therefore, the Board, after investigation, having considered the record and all information 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. Accordingly, the Board **HEREBY APPROVES** the request of Level 3 LLC for the described intercompany demand notes to remain unpaid for more than 12 months from the date of issuance.

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.

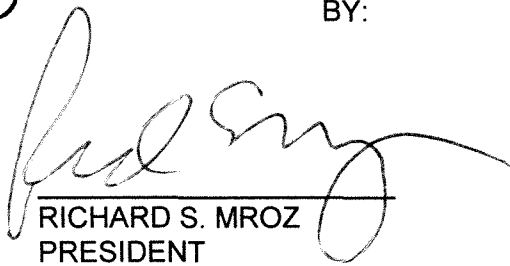
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents ("Agreement"), a default or assignment under such Agreement does not constitute an automatic transfer of Petitioners' assets. Board approval must be sought pursuant 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.

This Order shall become effective August 1, 2015.

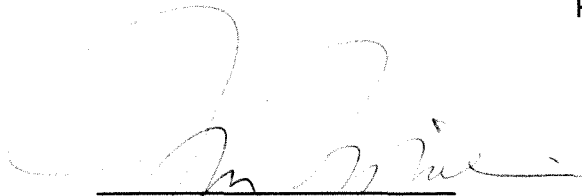
DATED:

July 23, 2015


BOARD OF PUBLIC UTILITIES  
BY:



RICHARD S. MROZ  
PRESIDENT



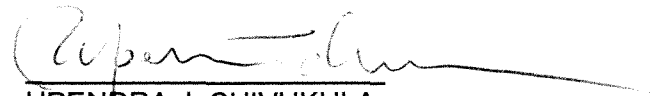
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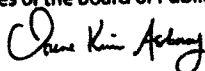
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:



IRENE KIM ASBURY  
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., Global Crossing Local Services, Inc., TelCove Operations, LLC, tw telecom of new jersey l.p., and WiTel Communications, LLC For Approval to Participate in Certain Financing Arrangements**

**Docket No. TF15060652**

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