



Agenda Date: 6/29/16  
Agenda Item: IVA

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

TELECOMMUNICATION

IN THE MATTER OF THE VERIFIED PETITION OF )  
LEVEL 3 COMMUNICATIONS, LLC FOR APPROVAL )  
TO PARTICIPATE IN A FINANCING ARRANGEMENT )  
 )  
 ) DOCKET NO. TF16040312

**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 21, 2016, Level 3 Communications, LLC ("Level 3 LLC" or "Petitioner") 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 a financing arrangement.

**BACKGROUND**

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, ISPs, 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.<sup>1</sup> 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

<sup>1</sup> //M/O the Petition of Level 3 Communications, LLC for Authority to Provide Switched and Dedicated, Resold and Facilities-Based, Local Exchange and Interexchange Telecommunications Service Throughout New Jersey, Docket No. TE97120913, Order dated October 20, 1998.

and is therefore a matter of public record.<sup>2</sup> The Board therefore takes official notice of these descriptions of Level 3 LLC's qualifications and incorporates them herein by reference.

## **DISCUSSION**

Petitioner requests Board approval to participate in a financing arrangement in connection with the issuance by Financing of \$775 million aggregate principal amount of its 5.25% Senior Notes due 2026 (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 its subsidiary, Level 3 LLC, in return for an intercompany demand note issued by Level 3 LLC to Financing in the aggregate amount of \$775 million. The net effect of the generation of these proceeds, along with cash on hand, will be the redemption of all of Financing's outstanding \$775 million aggregate principal amount of its 7% Senior Notes due 2020 and to pay the expenses of the offering. Level 3 LLC requests approval from the Board to act as a guarantor of the Senior Notes issued by Financing.

In addition, Petitioner requests Board approval for the intercompany demand note issued to Financing, in connection with the proceeds of the \$775 million in Senior Notes, to remain unpaid for more than 12 months from the date of issuance.

Petitioner emphasizes that Level 3 LLC's guaranty obligations in support of the Senior Notes will not be effective until all required regulatory approvals are obtained. Petitioner's participation in the new financing arrangement will not result in a change in Level 3 LLC's management or in its day-to-day operations in New Jersey, nor will it adversely affect Level 3 LLC'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

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<sup>2</sup> I/M/O of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in a Financing Arrangement, Docket No. TF15111323, Order effective February 6, 2016; I/M/O 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 WiITel Communications, LLC for Approval to Participate in Certain Financing Arrangements, Docket No. TF15060652, Order effective August 1, 2015; In the Matter of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in a Financing Arrangement, Docket No. TF15020239, Order effective April 16, 2015; In the Matter of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in a Financing Arrangement, Docket No. TF13121229, Order effective February 19, 2014; I/M/O the Verified Petition of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., TelCove Operations, LLC, and WiITel Communications, LLC for Approval to Participate in Certain Financing Arrangements, Docket No. TF13100989, Order dated December 18, 2013; I/M/O the Verified Petition of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., TelCove Operations, LLC, and WiITel Communications, LLC for Approval to Participate in a Financing Arrangement, Docket No. TF12121060, Order effective January 30, 2013; and I/M/O the Verified Joint Petition of Level 3 Communications, Inc., Saturn Merger Sub 1, LLC, Saturn Merger Sub 2, LLC, Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Global Crossing Local Services, Inc., WiITel Communications, LLC, and TelCove Operations, LLC, and TW Telecom Inc., TW Telecom Holdings, Inc., and TW Telecom of New Jersey L.P., for Approval of the Transfer of Control and Related Financing Arrangements, Docket No. TM14070710, Order dated September 30, 2014.

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 Petitioner and its parent company (together, the "Companies") to refinance their obligations to extend the maturity dates of certain obligations at better interest rates, thus reducing the companies' interest expense and the future refinancing risks associated with the scheduled maturities described herein. This step is a part of the Companies' ongoing efforts to manage their maturity profile and continue to strengthen their overall credit profile. Companies expect that the capital markets will look favorably upon these steps. 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 Petitioner's financial health.

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 will continue to provide high-quality communications services to its 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 May 11, 2016 has no objection to the Board's approval of this petition.

### **FINDINGS AND CONCLUSIONS**

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 and having considered the record and exhibits submitted in this proceeding, **FINDS** that the financing transaction is in accordance with law and in the public interest and **HEREBY AUTHORIZES** Petitioner to participate in the financing arrangement 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.
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 changes 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 transaction or other supporting documents (the "Agreement"), a default or assignment under such Agreement shall not constitute an automatic transfer of

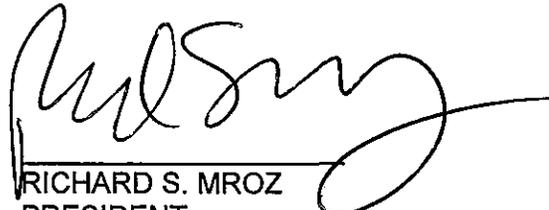
Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

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.

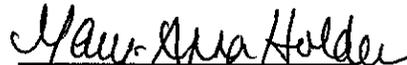
The Order shall become effective on July 9, 2016.

DATED: 6/29/16

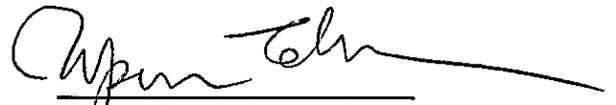
BOARD OF PUBLIC UTILITIES  
BY:

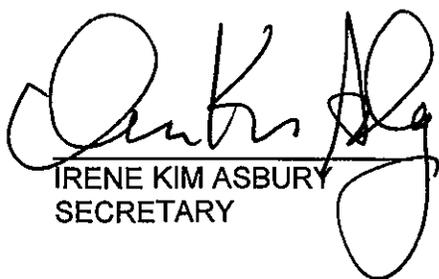
  
RICHARD S. MROZ  
PRESIDENT

  
JOSEPH L. FIORDALISO  
COMMISSIONER

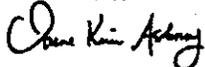
  
MARY-ANNA HOLDEN  
COMMISSIONER

  
DIANNE SOLOMON  
COMMISSIONER

  
URENDRA 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



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APPROVAL TO PARTICIPATE IN A FINANCING ARRANGEMENT  
BPU DOCKET NO. TF16040312**

**SERVICE LIST**

Dennis C. Linken  
Scarinci & Hollenbeck, LLC  
1100 Valley Brook Avenue, P.O. Box 790,  
Lyndhurst, NJ 07071-0790  
[dlinken@scarincihollenbeck.com](mailto:dlinken@scarincihollenbeck.com)

Catherine Wang  
Danielle Burt  
Morgan, Lewis & Bockius LLP  
2020 K Street, NW  
Washington, DC 20006

R. Edward Price  
Associate General Counsel  
Level 3 Communications, LLC  
200 Meridian Centre Blvd. Suite 130  
Rochester, NY 14618

Stefanie A. Brand, Esq., Director  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[sbrand@rpa.state.nj.us](mailto:sbrand@rpa.state.nj.us)

Maria T. Novas-Ruiz, Esq.  
Assistant Deputy Rate Counsel  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003  
[Mnovas-ruiz@rpa.state.nj.us](mailto:Mnovas-ruiz@rpa.state.nj.us)

Caroline Vachier, Esq.  
Deputy Attorney General  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029  
[Caroline.vachier@dol.lps.state.nj.us](mailto:Caroline.vachier@dol.lps.state.nj.us)

Irene Kim Asbury, Esq.  
Secretary of the Board  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Irene.asbury@bpu.state.nj.us](mailto:Irene.asbury@bpu.state.nj.us)

Paul E. Flanagan, Executive Director  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Paul.flanagan@bpu.state.nj.us](mailto:Paul.flanagan@bpu.state.nj.us)

Lawanda Gilbert, Esq., Director  
Office of Cable Television and  
Telecommunications  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Lawanda.gilbert@bpu.state.nj.us](mailto:Lawanda.gilbert@bpu.state.nj.us)

Harold Bond  
Office of Cable Television and  
Telecommunications  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Harold.bond@bpu.state.nj.us](mailto:Harold.bond@bpu.state.nj.us)

Mark Beyer, Chief Economist  
Office of the Economist  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Mark.beyer@bpu.state.nj.us](mailto:Mark.beyer@bpu.state.nj.us)

Emma Yao Xiao, DAG  
Deputy Attorney General  
Division of Law  
124 Halsey Street  
Post Office Box 45029  
Newark, NJ 07101-45029  
[Emma.xiao@dol.lps.state.nj.us](mailto:Emma.xiao@dol.lps.state.nj.us)

Christine Lin  
Office of the Economist  
Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
Post Office Box 350  
Trenton, NJ 08625-0350  
[Christine.lin@bpu.state.nj.us](mailto:Christine.lin@bpu.state.nj.us)