



Agenda Date: 5/23/07
Agenda Item: IVC

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE VERIFIED)	<u>TELECOMMUNICATIONS</u>
PETITION OF LEVEL 3 COMMUNICATIONS,)	
LLC, BROADWING COMMUNICATIONS,)	ORDER
LLC, LOOKING GLASS NETWORKS, LLC,)	
TELCOVE OPERATIONS, LLC, TELCOVE)	DOCKET NO. TF07020102
INVESTMENT, LLC, WITEL)	
COMMUNICATIONS, LLC AND WITEL)	
LOCAL NETWORK, LLC FOR APPROVAL)	
TO PARTICIPATE IN CERTAIN FINANCING)	
ARRANGEMENTS)	

(SERVICE LIST ATTACHED)

BY THE BOARD¹

On February 14, 2007, Level 3 Communication, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), Looking Glass Networks, LLC ("LGN"), TelCove Operations, LLC ("TelCove Operations"), TelCove Investment, LLC ("TelCove Investment"), WilTel Communications, LLC ("WilTel-Comm"), and WilTel Local Network, LLC ("WilTel-LN") (collectively, "Petitioners") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9 requesting approval to participate in two financing arrangements. In the first transaction, Level 3 Financing, Inc. ("Level 3 Financing"), the immediate corporate parent of Level 3 LLC, intends to issue a series of notes in an aggregate principal amount of up to \$1 billion to qualified institutional buyers in an offering that is exempt from registration under U.S. Federal securities laws. Petitioners seek approval from the Board to incur indebtedness and to provide a guarantee for this transaction. In the second transaction, Level 3 Financing will enter into a Credit Agreement in an amount up to \$1.4 billion and the Petitioners seek authority from the Board to pledge their assets and act as guarantors of this transaction.²

Petitioners

Level 3 LLC is a Delaware limited liability company and is a wholly-owned subsidiary of Level 3 Financing, which in turn is a wholly-owned subsidiary of Level 3 Communications, Inc.

¹ Commissioner Frederick F. Butler did not participate in the deliberation or vote on this matter.

² Level 3 Financing initially anticipated that the amount of the Credit Agreement would not exceed \$1 billion, however, that amount was increased to \$1.4 billion. On March 9, 2007, Petitioners filed a supplement to the Petition to increase the amount of the proposed Credit Agreement to \$1.4 billion.

("Parent"). All three companies have principal offices located at 1025 Eldorado Boulevard, Broomfield, CO 80021. Level 3 LLC provides high-quality voice and data services to carriers, ISPs, and other business customers over its IP-based network. In New Jersey, Level 3 LLC is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services throughout New Jersey pursuant to the Board's Order of Approval, issued on October 20, 1998, in Docket No. TE97120913.³

Level 3 LLC has several direct and indirect subsidiaries that are authorized to provide telecommunications service in New Jersey. Those entities are:

Broadwing, a subsidiary of Level 3 LLC, is a telecommunications provider that is authorized to provide telecommunications service in all fifty states and the District of Columbia. In New Jersey, Broadwing is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted by the Board on June 10, 1999 in Docket No. TE99030202.

LGN provides data transport services including SONET/SDH, Wavelength and Ethernet as well as high-capacity dark fiber and carrier-neutral collocation. LGN's physically diverse networks provide customers with connections to primary carrier hotels, ILEC Central Offices, key enterprise buildings and other major data aggregation facilities. In New Jersey, LGN is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted by the Board on April 11, 2001 in Docket No. TE00050288.

TelCove Operations is a Delaware limited liability which is ultimately and indirectly owned by Level 3 Communications, Inc. TelCove Operations holds authority to provide regulated services in seventeen states, not including New Jersey. TelCove Investment is a wholly owned, direct subsidiary of TelCove Operations. In New Jersey, TelCove Investment is authorized to provide local exchange and interexchange telecommunications services by Board Order in Docket No. TE97050370 dated August 18, 1999.

WiiTel Communications Group, LLC is a wholly owned subsidiary of Level 3 LLC and is the immediate corporate parent of WiiTel-Comm, which in turn is the parent of WiiTel-LN. All three companies have offices at One Technology Center, Tulsa, OK 74103. WiiTel-Comm is a non-dominant carrier that holds authority to provide intrastate interexchange telecommunications services in all 50 states and competitive local exchange telecommunications services in fewer than five states. In New Jersey, WiiTel-Comm is authorized to provide interexchange telecommunications services pursuant to a certificate granted by the Board in Docket No. TE98080699 on September 4, 1998. WiiTel-LN is a wholly owned subsidiary of WiiTel-Comm. WiiTel-LN is a non-dominant carrier that is authorized to provide competitive local exchange services in approximately twenty-four states. In New Jersey, WiiTel-LN is authorized to provide competitive local exchange and exchange access services by Board Order issued in Docket No. TE991108833 on September 12, 2000.

³ Level 3 also is authorized to provide resold services in New Jersey pursuant to its Authorized Resale Carrier Letter of Acknowledgment, filed with and accepted by Bell Atlantic - New Jersey, Inc. on January 6, 1998.

Financing Transactions

Petitioners request Board approval to participate in two financing transactions. In the first, Petitioners will incur indebtedness and provide a guarantee in an aggregate principal amount of up to approximately \$1 billion in new notes to be issued by Level 3 Financing to qualified institutional buyers. The Exchange Notes, which are exempt from registration under U.S. Federal securities laws, will subsequently be exchanged for substantially identical notes registered under Federal securities laws. Proceeds of this transaction will be used to refinance certain existing indebtedness resulting in lower interest rates and a more favorable maturity date. The notes consist of both 8.75% fixed rate interest notes with a maturity date of 2017 and variable rate interest notes that have maturity dates of 2015. Level 3 Financing will lend the net proceeds it receives from the offering of the notes to Petitioners in return for a guarantee to Level 3 Financing and an intercompany demand note.

In the second transaction, Level 3 Financing will enter into a \$1.4 billion Credit Agreement that will mature in 2014. Petitioners request Board approval to pledge their assets in the State of New Jersey and issue a guarantee in support of this Credit Agreement. Petitioners emphasize that neither the pledging of jurisdictional assets nor the guarantee obligations will result in a change in the Petitioners' management or in their day-to-day operations in New Jersey. Petitioners state that these financing transactions will be transparent to consumers and consumers will benefit from the continued receipt of quality telecommunications services that are priced competitively.

The Division of Rate Counsel has reviewed this matter and, by letter dated May 9, 2007, recommends the Board approve this petition.

After review, the Board FINDS that the proposed transactions are consistent with the applicable law. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangements described herein.

This Order is issued subject to the following provisions

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.

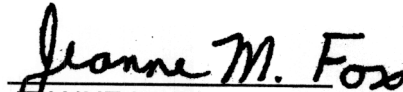
2. Petitioners shall notify the Board, within five business days, of any material changes in the notes and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioners shall notify the Board of any material default on the terms of the 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 Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

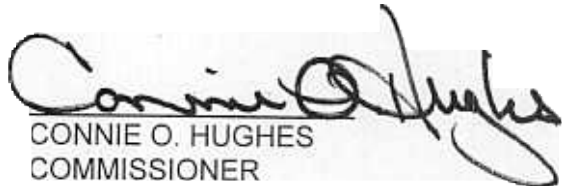
5. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by the Petitioners.

DATED:


5/24/07

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


CONNIE O. HUGHES
COMMISSIONER

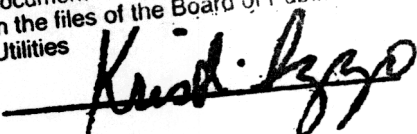

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
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, Broadwing Communications, LLC, Looking Glass Networks, LLC, TelCove Operations, LLC, TelCove Investment, LLC, WiTel Communications, LLC and WiTel Local Network, LLC for Approval to Participate in Certain Financing Arrangements

Docket No. TF07020102

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