



Agenda Date: 2/28/18
Agenda Item: IVB

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF)
CENTURYLINK COMMUNICATIONS, LLC FOR) ORDER
APPROVAL TO PARTICIPATE IN A FINANCING)
ARRANGEMENT)
) DOCKET NO. TF17111184

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Colleen A. Foley, Esq., Saul Ewing Arnstein & Lehr LLP for Petitioner

BY THE BOARD:

On November 17, 2017, CenturyLink Communications, LLC ("CLC" or "Petitioner") filed a verified petition pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9 requesting approval from the New Jersey Board of Public Utilities ("Board") to participate in financing arrangements to pledge its assets and to be added as a guarantor in connection with approximately \$9.945 billion of debt obligations incurred by CenturyLink, Inc. ("CenturyLink") as a result of the acquisition of Level 3 Communications, Inc. ("CenturyLink/Level 3 Merger"). The closing of the CenturyLink/Level 3 merger transaction occurred on November 1, 2017.

BACKGROUND

CLC is certificated by the Board and operates in New Jersey as a Competitive Local Exchange Carrier ("CLEC") and as an Interexchange Carrier ("IXC"). CLC is a wholly-owned subsidiary of CenturyLink, Inc. CenturyLink, Inc. is a publicly traded (NYSE:CTL) Louisiana corporation, with corporate headquarters located at 100 CenturyLink Drive, Monroe, LA, 71203.¹

¹ CenturyLink, Inc., through its affiliates, offers communications services, including local and long-distance voice, wholesale local network access, high-speed internet, and information, entertainment, and fiber transport services through copper and fiber networks, to consumers and businesses in 50 states. CenturyLink, Inc. itself does not provide telecommunications services and is not regulated by the Board.

By Order dated August 23, 2017 in BPU Docket No. TM16121159, the Board granted all approvals necessary for the indirect transfer of control of the Level 3 operating entities certificated in New Jersey to CenturyLink, Inc.² In the course of implementing the closing, the parties to the financing arrangements agreed that CLC should participate as a guarantor. Under the Credit Agreement dated June 19, 2017, CLC will be added as a guarantor of the acquisition debt after any required state commission approvals have been obtained.

By letter amendment to the petition, dated February 1, 2018, CLC sought to add a financing participant and expand the financing amount. The Credit Agreement dated June 19, 2017, as amended by execution of the Incremental Assumption Agreement No. 1 dated January 29, 2018, adds a lender participant in certain components of the financing totaling an additional \$300 million in indebtedness.³ As a result, the total amount of the financing arrangement was increased to \$10.245 billion. CLC therefore requests authorization to pledge its assets and to participate in the guarantor financing arrangement described in the Credit Agreement, as amended.

DISCUSSION

By its petition, as amended, CLC seeks post-closing authority to be added as a guarantor and to pledge its assets in connection with approximately \$10.245 billion of acquisition debt that CenturyLink incurred in connection with the CenturyLink/Level 3 merger. The \$10.245 billion of acquisition debt consists of \$8.077 billion in term loans, and up to \$2.168 billion in a new revolving credit facility, replacing CenturyLink's existing revolving credit facility that matures in 2019. A portion of the financing proceeds will be used to repay approximately \$319 million of existing debt on a term loan balance.

The financing arrangements for the CenturyLink/Level 3 Merger were executed and a portion of the underlying debt issuance has occurred. Petitioner has emphasized that participation as a guarantor in the financing arrangement, as amended, merely provides it with priority lienholder status over unsecured creditors as CLC itself will not issue any new debt or additional securities.

Petitioner also states that no other Board-certificated utility in New Jersey affiliated with CenturyLink or Level 3 is participating in the acquisition debt financing arrangement. Petitioner further states that no other Board-certificated utility in New Jersey affiliated with CenturyLink or Level 3 will be a guarantor or will pledge assets on the acquisition debt.

² See, W/O the Verified Joint Petition of Level 3 Communications, Inc., Together with CenturyLink, Inc., for Approval of Indirect Transfer of Control of: Level 3 Communications, LLC, Level 3 Telecom of New Jersey, LP, Broadwing Communications, LLC, Global Crossing Local Services, Inc., Global Crossing Telecommunications, Inc., TelCove Operations, LLC, and WiTel Communications, LLC to CenturyLink, Inc. and Related Approvals, BPU Docket No. TM16121159 (August 23, 2017). CLC was initially identified as a guarantor of debt obligations in the petition and Joint Petitioners thereafter filed a letter dated March 16, 2017 with the Board, amending the pleading to remove CLC as a participant in the financing arrangements.

³ Financing to expand the revolving credit commitment by approximately \$167.8 million and the term A tranche loan commitment by approximately \$132.1 million increases the Century Link/Level 3 Merger acquisition debt by an additional \$300 million.

Petitioner asserts that approval of the request to add CLC as a guarantor and to pledge its assets will serve the public interest and be transparent to customers. The approval of CLC as a guarantor is not expected to directly impact the rates or CLEC and IXC services offered by the Petitioner. CLC's participation as a guarantor in the CenturyLink/Level 3 Merger financing arrangements increases the newly combined company's financial flexibility, resources and capital. As such, Petitioner asserts that adding CLC as a guarantor would be consistent with the Board's approval of the CenturyLink/Level 3 Merger, including the positive benefits found by the Board in its August 23, 2017 Order.

The Division of Rate Counsel has reviewed the verified petition and, by letters dated December 21, 2017 and February 7, 2018, stated that it does not oppose the granting of the request. Rate Counsel notes that Petitioner has provided information consistent with statute and regulations in discovery.

FINDINGS AND CONCLUSIONS

After review of the petition and supporting documents, the Board **FINDS** that the financing arrangement described herein is consistent with applicable law, its impact is not expected to directly affect rates or services of the Petitioner, the debt serves a beneficial purpose for customers, and the financing is not contrary to the public interest. Therefore, the Board **HEREBY AUTHORIZES** the Petitioner to take such actions as are necessary to enter into the guarantee and pledge existing and future assets as security in support of the financing arrangement described herein.

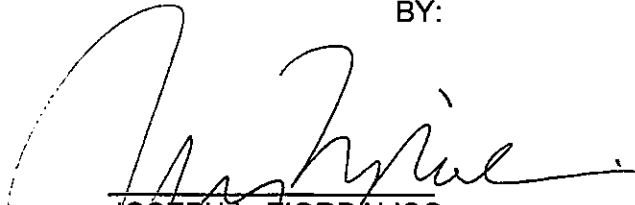
This Order is issued subject to the following provisions:

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 (5) business days, of any material changes in the proposed guarantor 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 of the Credit Agreement within five (5) business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction 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.

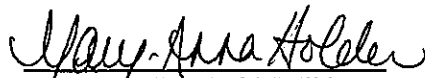
This Order shall become effective on March 10, 2018.

DATED: 2/28/18

BOARD OF PUBLIC UTILITIES
BY:




JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



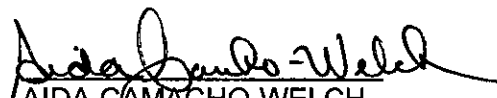
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



RICHARD S. MROZ
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
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 PETITION OF CENTURYLINK COMMUNICATIONS, LLC FOR
APPROVAL TO PARTICIPATE IN A FINANCING ARRANGEMENT
DOCKET NO. TF17111184**

SERVICE LIST

Colleen A. Foley, Esq.
Saul Ewing Arnstein & Lehr, LLP
One Riverfront Plaza, Ste. 1520
Newark, NJ 07102-5426
colleen.foley@saul.com

Zsuzsanna E. Benedek, Esq.
Director and Senior Counsel
CenturyLink
240 North Third Street
Suite 300
Harrisburg, PA 17101
sue.benedek@centurylink.com

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.nj.gov

Maria Novas-Ruiz
Assistant Deputy Rate Counsel
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
marianovasruiz@rpa.state.nj.us

Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029

Caroline Vachier, DAG
carolinevachier@law.njoag.gov

Veronica Beke, DAG
Veronica.beke@law.njoag.gov

Timothy R. Oberleiton, DAG
Timothy.oberleiton@law.njoag.gov

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.nj.gov

Harold Bond, Chief
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.nj.gov

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.nj.gov

Carol Artale, Esq., Legal Specialist
Counsel's Office
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
Carol.artale@bpu.nj.gov