



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION)
OF LEVEL 3 COMMUNICATIONS, LLC FOR) ORDER
APPROVAL TO PARTICIPATE IN A FINANCING)
ARRANGEMENT) DOCKET NO. TF19101406

Parties of Record:

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

BY THE BOARD:

On October 18, 2019, Level 3 Communications, LLC (“Level 3 LLC” or “Petitioner”) filed a 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 the extent necessary, to participate in a financing arrangement in connection with the issuance of \$1 billion aggregate principal amount of 4.625% Senior Notes due 2027 (“Senior Notes”) by its immediate parent company, Level 3 Financing, Inc. (“Financing”). Specifically, Level 3 LLC seeks approval: (1) to act as a guarantor for the Senior Notes upon receipt of the required regulatory approvals, and (2) to the extent required, to permit Level 3 LLC to issue an intercompany demand note (“Intercompany Demand Note”) to Financing in exchange for the proceeds of the Senior Notes.

BACKGROUND:

Level 3 LLC is a wholly-owned subsidiary of Financing, which in turn is a subsidiary of Level 3 Parent, LLC (“Level 3 Parent”). Level 3 Parent is a Delaware limited liability company with principal offices located at 1025 Eldorado Boulevard, Broomfield, CO 80021, and is an indirect, wholly-owned subsidiary of CenturyLink, Inc.

Level 3 LLC is a non-dominant carrier that is authorized to provide resold and/or facilities-based telecommunications services nationwide pursuant to certifications, registrations or tariff requirements, or on a deregulated basis. Level 3 LLC is also authorized by the Federal Communications Commission to provide international and domestic interstate services as a non-dominant carrier.

In New Jersey, Level 3 LLC is authorized to provide resold and competitive local exchange and interexchange telecommunications services throughout the State pursuant to the Board’s Order

of Approval issued on October 20, 1998 in BPU Docket No. TE97120913.¹ Additional information concerning Petitioner'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 Petitioner's qualifications and incorporates them herein by reference.

DISCUSSION

Petitioner requests Board approval to participate in a debt financing arrangement (the "financing arrangement") as addressed in the Petition. Financing has issued \$1 billion aggregate principal amount of its Senior Notes in a private offering that was not registered under the Securities Act of 1933. Under the financing arrangement, Financing will lend the net proceeds received in the offering of the Senior Notes, plus available cash, to Level 3 LLC in return for the Intercompany Demand Note issued by Level 3 LLC to Financing in the aggregate amount of \$1 billion, which note will be payable on demand. The net effect of these transactions, along with cash on hand, will be the redemption of all of Financing's \$240 million outstanding aggregate principal amount of its 6.125% Senior Notes due 2021, all of Level 3 Parent's \$600 million outstanding aggregate principal amount of its 5.75% Senior Notes due 2022, and \$160 million of Financing's \$1 billion outstanding principal amount of its 5.375% Senior Notes due 2022.

Level 3 LLC requests approval from the Board to act as a guarantor of the Senior Notes issued by Financing upon receipt of the requisite regulatory approvals pursuant to N.J.S.A. 48:3-7 and any other laws or regulations deemed applicable. Level 3 LLC states that its guaranty obligations in support of the Senior Notes will not be effective until all required regulatory approvals are received, including approval from the Board.

Level 3 LLC also requests authority from the Board, to the extent required, for the issuance of the Intercompany Demand Note to Financing pursuant to N.J.S.A. 48:3-9. Petitioner states that the Intercompany Demand Note is payable on demand, and since it is neither indebtedness "payable later than 12 months after the date of the original instrument," nor expressly payable within 12 months, the applicability of N.J.S.A. 48:3-9 is unclear. Petitioner states that, in an abundance of caution, it seeks Board approval pursuant to N.J.S.A. 48:3-9 in the event the Intercompany Demand Note were to remain unpaid for more than 12 months from the date of issuance.

According to the Petitioner, Level 3 LLC's participation in the new financing arrangement will not result in a change in its 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. Level 3 LLC also asserts that the financing arrangement will have no impact on the ability to fulfill pension obligations. Further, Level 3 LLC notes that its assets are not being pledged in the underlying financing.

¹ Other wholly owned subsidiaries of Level 3 Parent are authorized to provide service in New Jersey, but none of those entities will participate in the instant financing arrangement. The other subsidiaries that are authorized to provide service in New Jersey are Broadwing Communications, LLC; Global Crossing Local Services, Inc.; Global Crossing Telecommunications, Inc.; Level 3 Telecom of New Jersey, LLC; TelCove Operations, LLC; and WiTel Communications, LLC. In addition, CenturyLink Communications, LLC and United Telephone Company of New Jersey, Inc. d/b/a CenturyLink are certificated in New Jersey as an IXC/CLEC and an ILEC respectively; however, these Board certificated entities also are not participating in the instant financing.

Level 3 LLC states that the financing arrangement will enable Financing and Level 3 Parent to take advantage of lower interest rates and more favorable maturity terms, thereby significantly reducing interest expenses. According to the Petition, the financing arrangement is a part of the ongoing efforts of Level 3 LLC, Level 3 Parent and Financing to manage their maturity profile and continue to strengthen their overall credit profile. Level 3 LLC, Financing, and Level 3 Parent claim that the capital markets will look favorably upon these steps. As such, Level 3 LLC 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 Level 3 LLC's New Jersey customers. Level 3 LLC also contends that the financing arrangement will provide it with financial flexibility to maintain and expand its networks and services. Petitioner further asserts that the financing arrangement will enable it to continue delivering services to new markets, thus allowing more consumers to benefit from its competitive services.

Petitioner 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 completion of the financing arrangement, Level 3 LLC states it 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 November 14, 2019, stated that it does not oppose the Board's grant of the petitioned requests.

FINDINGS AND CONCLUSIONS

After careful review of this matter, the Board **FINDS** that the proposed financing arrangement is consistent with applicable law. The Board **HEREBY AUTHORIZES** Petitioner to participate in the financing arrangement as described herein and in the Petition.

This Order is issued subject to the following provisions:

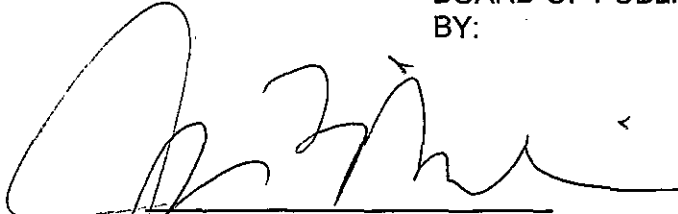
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. Petitioner shall notify the Board, within five (5) business days, of any material changes in the proposed financing arrangement 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 (5) business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing arrangement 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 December 16, 2019.

DATED: 12/6/19

BOARD OF PUBLIC UTILITIES
BY:



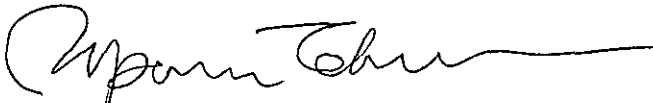
JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

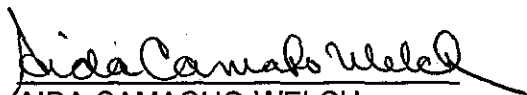


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
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.

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LLC FOR APPROVAL TO PARTICIPATE IN A FINANCING ARRANGEMENT
DOCKET NO. TF19101406

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