



State of New Jersey
DIVISION OF RATE COUNSEL
140 EAST FRONT STREET, 4TH FL
P. O. Box 003
TRENTON, NEW JERSEY 08625

RECEIVED

DEC 22 2017

BOARD OF PUBLIC UTILITIES
MAIL ROOM

STEFANIE A. BRAND
Director

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

Surf
12/27/17

Via Electronic and Regular Mail

Irene K. Asbury, Board Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Fl., Ste. 314
P.O. Box 350
Trenton, New Jersey 08625-0350

December 21, 2017

Re: I/M/O the Petition of CenturyLink Communications, LLC for Approval for to
Participate in Certain Financing Arrangements. **BPU Docket No. TF17111184**

Dear Secretary Asbury:

The New Jersey Division of Rate Counsel ("Rate Counsel") has reviewed the above referenced Petition of CenturyLink Communications, LLC ("CLC, and/or "Petitioner") seeking the New Jersey Board of Public Utilities' ("Board") approval to participate in financing arrangements as an additional guarantor of approximately \$9.945 billion of debt ("Acquisition Debt") acquired in connection with the CenturyLink/Level 3 Communications, Inc., ("CTL/L3") merger approved under Board Order dated August 23, 2017.¹ Rate Counsel submits the within comments on this matter for the Board's consideration. Enclosed with this original please find ten copies. Kindly return a date/stamped "Received" and/or "Filed" copy to Rate Counsel. For the reasons that follow, Rate Counsel does not object to Board approval of Petitioner's request.

Petitioner and Transaction

Petitioner is a competitive local exchange and interexchange carrier offering a myriad of communications services throughout New Jersey and is a wholly owned subsidiary of CenturyLink ("CTL" and/or "Parent") a publicly traded (NYSE:CTL) Louisiana corporation headquartered in Monroe, LA, an incumbent local exchange carrier of telecommunications services in northwestern New Jersey. Board approval is requested allowing CLC to pledge its assets and act as an additional guarantor in the financing of the CTL/L3 merger transaction. The financing will be used to pay-off existing debt in the amount of \$319 million, finance term loans in the amount of \$7.945 billion and refinance a revolving credit facility of up to \$2 billion that matures in 2019.²

Petitioners assert the proposed financing arrangement will be transparent to customers and is in the public interest as it increases the CTL/L3 and strengthens its ability to achieve the consumer benefits

¹ Petition at pp. 1-2 and fn 1.

² Petitioners note that the financing arrangements for the CTL/L3 Merger have already been executed and a portion of the underlying debt issuance has occurred. Petition at Section V., p. 4.

Case Mgmt
list copied

that are expected to flow from that merger transaction as discussed by the Board in its August 23, 2017 Merger Order of approval.³

Conclusion


Prior Board approval is required in order to effectuate a transfer of assets, a sale or merger and/or approval of any encumbrance or mortgage of a telecommunications service provider as contemplated in the Petition pursuant to *N.J.S.A. 48:3-7*, -9 and -10, *N.J.S.A. 48:2-51.1*, and *N.J.A.C. 14:1-5.9*. Otherwise, the transaction is void under New Jersey law.⁴ The Board is required to evaluate the impact of the transaction on rates and employees of the utilities involved. In addition, because the Petitioners' assets will secure the debt, in part, the Board's approval must also be based on its satisfaction that the debt is made according to law and that the debt serves a beneficial purpose.⁵ Petitioners have provided information required under the statute and the Board's regulations and additional information in reply to Board Staff's discovery requests in support of their assertion that the financing contemplated is not contrary to the public interest and will serve a beneficial purpose for New Jersey customers.⁶

Rate Counsel supports action which promotes increased competition and innovation in the New Jersey telecommunications market for the benefit of both residential and business customers in this state. As asserted by Petitioner, the requested action is expected to further assist in ensuring that Petitioner and the newly merged Parent company are able to better compete in the telecommunications market and achieve the positive benefits the merger is expected to produce. Accordingly, Rate Counsel does not oppose the Board's grant of Petitioners' requests under the Verified Petition.

Thank you for your attention in this matter.

Very truly yours,

STEFANIE A. BRAND, ESQ.
DIRECTOR
NEW JERSEY DIVISION OF RATE COUNSEL



Maria T. Novas-Ruiz, Esq.
Assistant Deputy Rate Counsel

c: Service List

RPA Doc# 99310

³ Petition at pp. 3-4 and fn. 4, citing to the Board's August 23, 2017 Merger Order in CTL/L3, at p. 6, discussing the positive benefits expected to flow to consumers.

⁴ The *N.J.S.A. 48:3-9*, *et seq.* states that if the Board finds that after investigation there is doubtful benefit to the petitioner, the Board may withhold approval. See, *Interstate Telephone & Telegraph Co. v. Board of Public Utility Commissioners*, 84 NJL 184 (Sup. Ct. 1913), wherein the court interpreted the 'approval of the purpose' provision to empower the Board with the authority to withhold approval if in its judgment the purpose of the debt incurred will have doubtful benefit to the applicant.

⁵ Petition at Section V., p. 4.

⁶ *Id.*, and at fn. 3 above. Additional information was provided by Petitioner under cover letter dated December 8, 2017, in response to Board Staff's information requests.

**I/M/O the Petition of CenturyLink
Communications, LLC for Approval
for to Participate in Certain
Financing Arrangements.
BPU Docket No. TF17111184**

Irene K. Asbury, Board Secretary
New Jersey Board of Public Utilities
44 S. Clinton Ave., 3rd Fl., Ste. 314
P.O. Box 350
Trenton, NJ 08625

Lawanda Gilbert, Esq.
Director, Office of Telco & Cable
New Jersey Board of Public Utilities
44 S. Clinton Ave., 3rd Fl., Ste. 314
P.O. Box 350
Trenton, NJ 08625

Harold Bond, Bureau Chief
Office of Telco & Cable
New Jersey Board of Public Utilities
44 S. Clinton Ave., 3rd Fl., Ste. 314
P.O. Box 350
Trenton, NJ 08625

Mark Beyer, Chief Economist
Office of the Economist
New Jersey Board of Public Utilities
44 S. Clinton Ave., 3rd Fl., Ste. 314
P.O. Box 350
Trenton, NJ 08625

Carol Artale, Esq.
Legal Specialist
New Jersey Board of Public Utilities
44 S. Clinton Ave., 3rd Fl., Ste. 314
P.O. Box 350
Trenton, NJ 08625

Christine Lin,
Administrative Analyst, Accounting
New Jersey Board of Public Utilities
44 S. Clinton Ave., 3rd Fl., Ste. 314
P.O. Box 350
Trenton, NJ 08625

Colleen Foley, Esq.
Saul Ewing Arnstein & Lehr, LLP
One Riverfront Plaza, Suite 1520
Newark, NJ 07102-5426

Sue Benedek, Esq.
CenturyLink
240 North Third Street, Suite 300
Harrisburg, PA 17101

Caroline Vachier, Chief, DAG
NJ Attorney General's Office
Division of & Public Safety
124 Halsey Street, 2nd Floor
POB 45029-5029
Newark, NJ 07101

Veronica Beke, DAG
Attorney General's Office
Division of Law & Public Safety
124 Halsey Street
POB 45029-5029
Newark, NJ 07101

Timothy R. Oberleitner, DAG
NJ Attorney General's Office
Division of Law & Public Safety
124 Halsey Street
P.O. Box 45029-5029
Newark, NJ 07101

Stefanie Brand, Director
NJ Division of Rate Counsel
140 E. Front Street, 4th Fl.
PO Box 003
Trenton, NJ 08625

Maria Novas-Ruiz,
Assistant Deputy Rate Counsel
NJ Division of Rate Counsel
140 E. Front Street, 4th Fl.
PO Box 003
Trenton, NJ 08625