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BOARD OF PUBLIC UTILITIES
TRENTON, NJ



State of New Jersey
DIVISION OF RATE COUNSEL
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AUG 01 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

STEFANIE A. BRAND
Director

Via Electronic and Regular Mail

July 18, 2019

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

Re: I/M/O the Verified Petition of Zayo Group, LLC and Front Range TopCo, Inc., for Approval of the Transfer of Indirect Control of Zayo Group, LLC to Front Range TopCo, Inc. **BPU Docket No.: TM19060749**

FORWARDED
CASE MANAGEMENT
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BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Dear Secretary Camacho-Welsh:

The New Jersey Division of Rate Counsel (“Rate Counsel”) has reviewed the above referenced Verified Petition of Zayo Group, LLC (“ZGL”) and Front Range TopCo, Inc., (“Transferee” or “Front Range”) (together, “Petitioners”) filed with the New Jersey Board of Public Utilities (“Board”) seeking Board approval, to transfer indirect control of ZGL to Transferee under the proposed Transaction.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 approval of Petitioners’ requests in this matter conditioned on the recommendations discussed by Rate Counsel below.

Petitioner and Transaction

Zayo, a Delaware limited liability company is a direct wholly owned subsidiary of Zayo Group Holdings, LLC (“ZGH”) a publicly traded (NYSE:ZAYO) Delaware corporation headquartered in Boulder, Colorado and provides together with its subsidiaries (“ZAYO”) local exchange and interexchange telecommunications services including high-capacity bandwidth over regional and metropolitan fiber networks to predominantly wireless service providers as

¹ Petitioners note that the Transaction will also transfer indirect control of a ZGL subsidiary, Electric Lightwave, LLC, that provides telecommunications services in New Jersey through a resale agreement but holds no Board Certificate of Authority to provide services in New Jersey and asks that to the extent the Board may deem necessary that the Board include Electric Lightwave, LLC as a Petitioner in this matter. In addition, Petitioners note that a petition seeking approval of financing in connection with this matter has been concurrently filed for Board review and approval but requests that its review and approval not delay Board action in the transfer matter. Verified Petition, p.1, fn.1.

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well as enterprise and government customers throughout New Jersey and has 33 employees in New Jersey.² Front Range is a Delaware corporation and holding company created for this Transaction to aggregate ownership of various vehicles managed by (i) affiliates of WQT AB (“EQT”) a leading alternative investment firm founded in 1994 in Sweden with approximately 61 billion EURs in raised capital across 29 funds with sales in excess of 40 billion EURs and 110,000 employees, headquartered in New York, NY c/o EQT Partners and (ii) affiliates of Digital Colony GP, LLC (“Digital Colony”) a Delaware limited liability company dedicated to global investments in digital infrastructure, launched in 2018 by Digital Bridge Holdings, LLC (“Digital Bridge”) a leading investor of next generation mobile and internet connectivity and Colony capital, Inc. (NYSE:CLNY) a global and real estate investment firm.³

Post the merger transaction ZGH will survive as a private direct wholly-owned subsidiary and ZHL as an indirect wholly-owned subsidiary of Front Range.⁴ Petitioners assert that the Transaction will occur completely at the Holding Company level (“Merger Sub”) and will not result in any service disruptions, change in tariffs and terms and conditions of/ or termination of service or customer confusion by ZHL customers.⁵ Moreover, Petitioners state that access to increased financial and technical expertise that will expand opportunities for investment in new infrastructure and lead to enhanced high quality services to customers are strong public interest benefits that further support the proposed merger and transfer of control.⁶ Likewise, Petitioners assert that although no material integration planning has commenced, there are no current plans with regard to New Jersey employees and although existing employees do not currently have a pension, post transaction New Jersey employees will be eligible for any other retirement benefit plan offered by Zayo.⁷

Prior Board approval of any sale or merger Board’s approval must be based on its satisfaction that the transaction will result in positive benefits and are in the public interest. Petitioners have provided information required by *N.J.S.A. 48:2-51.1 et seq.*, and *N.J.S.A. 48:3-10* regarding a petition for approval of a transfer of control/merger. Petitioners assert that the transfer of ownership will not directly involve or detrimentally affect ZHL’s operations, or affect its management and/or employee headcount, nor affect its technological or financial capabilities other than enhance investment and service offerings for ZHL customers and strengthening the Company’s ability to compete in the market.⁸ In connection with Zayo New Jersey employees, Rate Counsel is concerned over the potential diminished service, service quality and customer service capability based on attrition in employment post the transaction which would not be in

² Verified Petition, at pp. 4-5, citing to TE11020049 (order dated May 16, 2011).

³ Verified Petition, pp. 2-4.

⁴ *Id.*, pp. 5-6 and Exhibit A.

⁵ *Id.*, p. 6.

⁶ *Id.*, pp. 6-7.

⁷ *Id.*, p. 7.

⁸ *Id.*

the public interest. Hence, Rate Counsel respectfully urges that the Board require at a minimum 30-day written notice to the Board and Rate Counsel when New Jersey employees are slated for a workforce reduction that is greater than fifteen percent (15%) throughout a three (3) year period post-issuance of the Board's Order as a condition of approval of this consolidation transaction.

Rate Counsel supports the contemplated continued provision of innovative, high quality telecommunications services to the public and the promotion of increased competition in the New Jersey telecommunications market for the benefit of both residential and business customers in this state. This petition does not impinge upon those services or competition. Accordingly, Rate Counsel has no objection a Board's grant of Petitioners' requests under the Verified Petition conditioned on the recommendations provided by Rate Counsel herein.

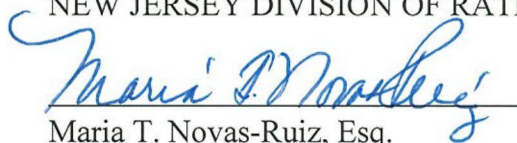
Thank you for your attention to this matter.

Very truly yours,

STEFANIE A. BRAND, ESQ.

DIRECTOR

NEW JERSEY DIVISION OF RATE COUNSEL

A handwritten signature in blue ink, reading "Maria T. Novas-Ruiz", is written over a horizontal line.

Maria T. Novas-Ruiz, Esq.

Assistant Deputy Rate Counsel

MNR/td

c: Service List

I/M/O the Verified Joint Petition of Zayo Group, LLC and Front Range TopCo, Inc. for Approval of the Transfer of Indirect Control of Zayo Group, LLC to Front Range topCo, Inc.

**BPU Docket No. TM19060749
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