Agenda Date: 12/7/22
Agenda Item: IVA

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

OFFICE OF CABLE TELEVISION AND TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF DSCI, LLC FOR APPROVAL TO PARTICIPATE IN FINANCING ARRANGEMENTS	)))	ORDER DOCKET NO. TF22060372

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Joshua M. Bobeck, Esq., Morgan, Lewis & Bockius, LLP on behalf of Petitioner

BY THE BOARD:

On June 3, 2022, DSCI, LLC ("DSCI" or "Petitioner") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and 48:3-9 requesting Board approval for DSCI to participate in certain financing arrangements up to an aggregate amount of $708 million consisting of a term loan credit facility, a revolving credit facility and an incremental term loan ("Financing Arrangements") ("Petition").

DSCI is a privately held Delaware limited liability company and a wholly-owned subsidiary of U.S. TelePacific Corp. ("TPx"), which is a wholly-owned subsidiary of U.S. TelePacific Holdings Corp. ("TPx Holdings"). TPx Holdings and its affiliates, including DSCI, are headquartered at 303 Colorado St., Suite 2075, Austin, TX 78701. TPx Holdings is a wholly-owned subsidiary of Tango Private Holdings II, LLC ("Tango"), an affiliate of Siris Capital Group, LLC, which is an investment firm focused on driving value creation in technology and telecommunications companies.[1]

[1] For additional information about the ownership of TPx Holdings, see In the Matter of Verified Joint Petition of DSCI, LLC, U.S. TelePacific Holdings Corp., and Tango Private Holdings II, LLC for Approval to Transfer Indirect Control of DSCI, LLC to Tango Private Holdings II, LLC, BPU Docket No. TM19091153 (Order dated November 13, 2019).

DSCI is a competitive local exchange carrier and provider of hosted communications, managed IT and connectivity services. In New Jersey, DSCI is authorized to provide resold and facilities-based local and long distance telecommunications services pursuant to authority granted by the Board.[2] By order dated August 23, 2017, the Board approved a similar petition from DSCI to restructure its existing credit facilities and long term debt financing arrangements and to participate in a credit agreements up to an aggregate amount of $680 million ("2017 Order").[3]

To maintain flexibility, DSCI is presently seeking Board approval to participate in the Financing Arrangements, up to an aggregate amount of $708 million, which raises its level of debt beyond the cap of $680 million, as established by the 2017 Order. The $708 million consists of a term loan credit facility, a revolving credit facility and an incremental term loan totaling an aggregate principal amount of up to approximately $700 million. This sum is in addition to DSCI's existing financing arrangements with a reduced aggregate principal amount of approximately $8 million.

DSCI represented that the Financing Arrangements may be used to refinance existing debt, for acquisitions and other expansion activities, and for working capital and other general corporate purposes. Some or all of the Financing Arrangements may be secured facilities, which may include a grant of a security interest in the assets of TPx, and certain of its subsidiaries, including DSCI. A portion of the Financing Arrangements may be unsecured facilities. Additionally, TPx and its current and future subsidiaries, including DSCI, will provide a guaranty of the obligations owing under the Financing Arrangements.

The Petition stated that the Financing Arrangements will serve the public interest because among other things, the Financing Arrangements may be used to refinance existing debt, for acquisitions and other expansion activities, to provide for ongoing working capital, and for other corporate purposes. DSCI contended that the Financing Arrangements also will provide access to greater financial resources that will allow TPx and DSCI to become more effective competitors in the communications industry. DSCI asserted that the Financing Arrangements are necessary and appropriate, will not impair DSCI's ability to provide its services and will promote its corporate purposes. DSCI further stated that the Financing Arrangements will be transparent to DSCI's customers and will not disrupt service or cause customer confusion or inconvenience.

DSCI further stated that it does not offer an employee pension plan, and that the Financing Arrangements are not expected to disturb employees' existing rights to any other retirement benefits provided by DSCI.

The New Jersey Division of Rate Counsel ("Rate Counsel") has reviewed this matter and, by letter dated October 21, 2022, indicated that it does not object to Board approval of the Petition.

[2] In the Matter of the Petition of DSCI, LLC for Authority to Provide Resold and Facilities-Based Competitive Intrastate Local Exchange and Interexchange Telecommunications Services throughout the State of New Jersey, BPU Docket No. TE14091038 (Order dated December 17, 2014).

[3] In the Matter of the Verified Petition of DSCI, LLL for Approval to Participate in Certain Financing Arrangements, BPU Docket No. TF17050556 (Order dated August 23, 2017).

DISCUSSION AND FINDINGS

The Board, after investigation, having considered the Petition, Petitioner's responses to discovery, and the comments of Rate Counsel and Board Staff, **HEREBY FINDS** that DSCI's participation in the Financing Arrangements is in accordance with the law, in the public interest, and will have no negative impact on the company, rates, customers or New Jersey employees. The Board, pursuant to N.J.A.C. 14:1-5.9A and N.J.S.A. 48:3-9, approving of the purposes of the Financing Arrangements, **HEREBY AUTHORIZES** DSCI to participate in Financing Arrangements up to an aggregate amount of $708 million and for DSCI to take those actions necessary to effectuate such Financing Arrangements.

This Order is issued subject to the following provisions:

1. Within 30 days after the close of each fiscal quarter, Petitioner shall file with the Board Secretary, and a copy to the Chief Economist, a statement setting forth in reasonable detail the amounts of its unsecured indebtedness outstanding, the dates of issue and maturity, and the rates of interest thereon.

2. 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.

3. Petitioner shall notify the Board, within five (5) business days, of any material changes in the proposed financing and shall provide complete details of such transactions, including any anticipated effects upon service in New Jersey.

4. Petitioner shall notify the Board of any material default in the terms of the proposed financing within five (5) business days of such occurrence.

5. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction or other supporting documents, a default or assignment under such documents shall 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.

6. 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 14, 2022.

DATED: December 7, 2022

BOARD OF PUBLIC UTILITIES
BY:

JOSEPH L. FIORDALISO
PRESIDENT

MARY-ANNA HOLDEN
COMMISSIONER

DIANNE SOLOMON
COMMISSIONER

ROBERT M. GORDON
COMMISSIONER

DR. ZENON CHRISTODOULOU
COMMISSIONER

ATTEST:

CARMEN D. DIAZ
ACTING 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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DOCKET NO. TF22060372

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